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28 July 2016

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RATINGS

IFFIm

	Rating
Senior Unsecured	Aa1/STA
Long-Term Issuer Rating	Aa1/STA
Other Short Term	P-1

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International Finance Facility for Immunisation - Aa1 Stable

Annual Credit Analysis

Overview and Outlook

IFFIm's Aa1 rating reflects the commitment of donor governments to make payments to IFFIm on specified dates through 2030, adherence to its gearing and liquidity policies, and the involvement of the World Bank (IBRD) as Treasury Manager. IFFIm's purpose is to accelerate and facilitate funding for immunization programs in the world's poorest countries. The programs are carried out by Gavi, the Vaccine Alliance. IFFIm issues bonds to finance Gavi programs, and the donor payments will be used to repay the bonds. As its revenue structure is reliant on the receipt of donors' pledges, IFFIm's rating is closely linked to the creditworthiness of its sovereign donors. Although the amount and timing of donor payments are predetermined at the time they are pledged, the amount and maturities of debt issuance are determined on the recommendation of the IBRD.

Given that IFFIm lacks paid-in capital and does not make loans, it does not face the same credit risks as multilateral development banks. The main factors driving IFFIm's creditworthiness are the high levels of support and commitment it receives from its donors. The IBRD's role as treasury manager and the policies it implements add institutional strength to IFFIm's credit profile, and ensure appropriate levels of liquidity to cover upcoming debt service requirements.

Positive ratings momentum for IFFIm would emerge if the creditworthiness of its largest donors, the UK and France, were to improve. A significant decrease in the concentration of sovereign donors' pledges would also be credit positive. A deterioration in the creditworthiness of its donors could lead to downward pressure on IFFIm's rating, particularly if the deterioration led to a downgrade of the UK and/or France by more than one notch. A weakening of the gearing ratio limit mandate or a change in treasury manager, neither of which we consider likely, would also be credit negative.

This Credit Analysis elaborates on IFFIm's credit profile in terms of Capital Adequacy, Liquidity and Strength of Member Support, which are the three main analytical factors in Moody's Supranational Rating Methodology.

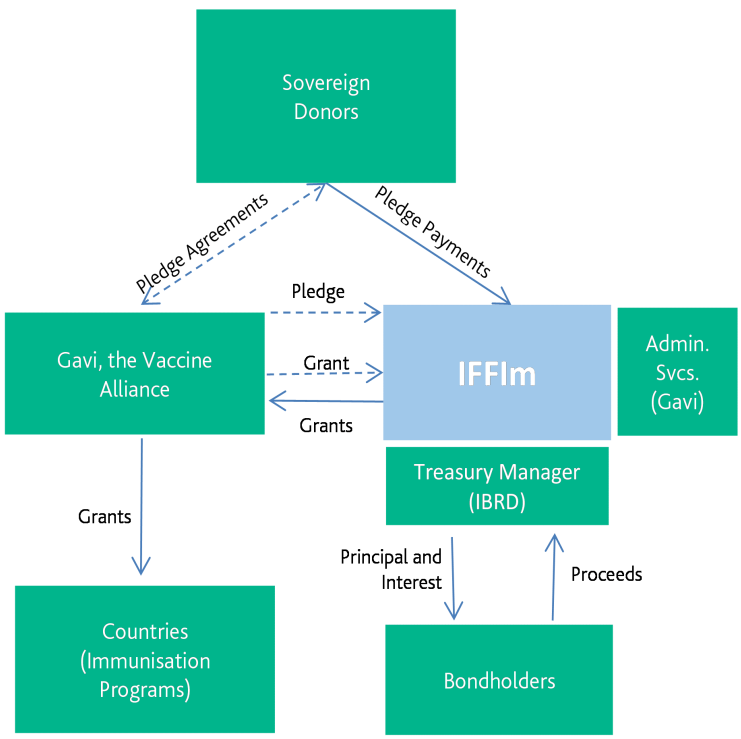
This Credit Analysis provides an in-depth discussion of credit ratings for IFFIm and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

Organizational Structure and Strategy

IFFIm is a multilateral development institution created in 2006 as a financing tool to accelerate and facilitate funding for immunizations carried out by Gavi, the Vaccine Alliance, (Gavi[1]) and thereby helping the international community achieve the Millennium Development Goals. IFFIm serves as an additional funding vehicle for Gavi-approved programs and does not have any operations other than making grants to Gavi to finance programs in the world's poorest countries[2]. IFFIm has no employees and therefore receives administrative support from Gavi. Moreover, the International Bank for Reconstruction and Development (IBRD), as Treasury Manager, conducts IFFIm's financial affairs, including risk management. IFFIm is incorporated as a private company, registered as a charity in England and Wales, and is governed by its own board of directors.

Sovereign donors enter into pledge agreements with Gavi, setting a total amount to be paid according to a schedule over a set time. Gavi assigns to IFFIm the right to receive the cash as it comes in and IFFIm uses this right to future cash flows to access the international debt markets. The proceeds from IFFIm's bond issues are granted to Gavi-approved immunization programs. IFFIm uses the cash from scheduled donor payments to service debt and cover operating expenses (see Exhibit 1 for a representation of IFFIm's organizational structure). The repayment of IFFIm's debt has priority over funding for immunizations, and the Treasury Manager is authorized to delay programme funding in order to repay debt obligations.

Exhibit 1
IFFIm's Organizational Structure



Source: IFFIm

Rating Rationale

Our determination of a supranational's rating is based on three rating factors: Capital Adequacy, Liquidity and Strength of Member Support. For Other Supranational Entities we place more emphasis on the Strength of Member Support such that it drives the preliminary rating range. Capital Adequacy and Liquidity combine to form the assessment of Intrinsic Financial Strength which can provide uplift to the preliminary rating range. For more information please see our Supranational Rating Methodology.

Capital Adequacy: Not Applicable

Factor 1

Scale	Very High	High	Medium	Low	Very Low	
+						-

Capital adequacy assesses the solvency of an institution. The capital adequacy assessment considers the availability of capital to cover assets in light of their inherent credit risks, the degree to which the institution is leveraged and the risk that these assets could result in capital losses.

The Absence of Capital Gives Factor 1 Zero Weighting in the Methodology

IFFIm's absence of paid-in capital in its balance sheet, and consequently its dependence on grants from its donors, limits the assessment of the institution's intrinsic financial strength and makes a capital adequacy analysis less relevant to determine its creditworthiness. Additionally, given that IFFIm only provides grants to Gavi, and thus lacks a loan portfolio, it is not exposed to the same sort of credit risk that other supranational entities experience in the form of borrower quality and asset performance.

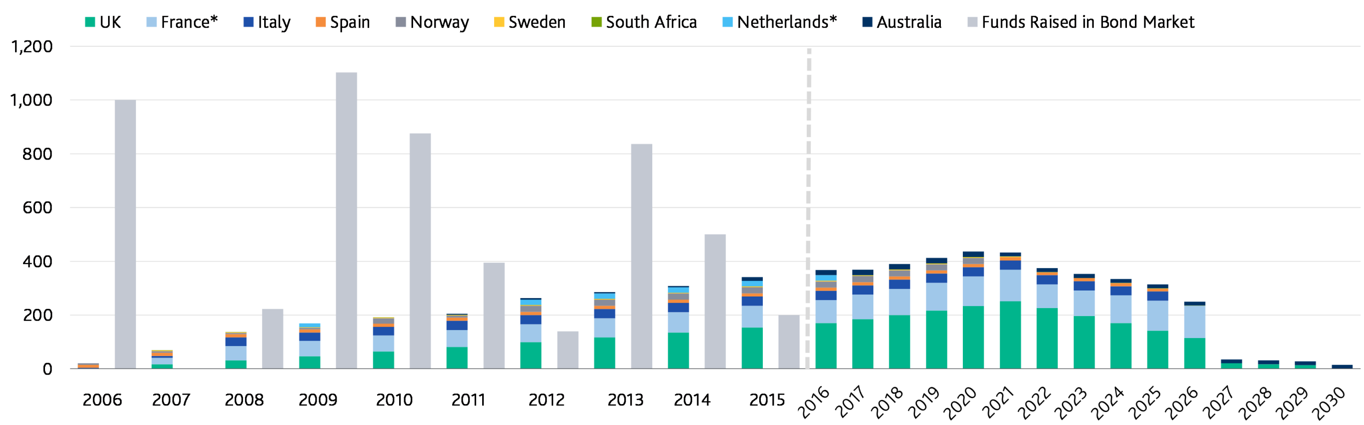
Nonetheless, IFFIm's gearing policy provides a similar point of reference to assess its solvency as the leverage ratio (debt over equity) does for multilateral development banks (MDBs). As such, even though these factors are not incorporated into the scorecard that accompanies the Supranational Rating Methodology, the gearing ratio and limit are important components of our analysis of IFFIm.

Gearing Ratio and Limit Conservatively Manage Leverage

As a financing vehicle, IFFIm's operations and leverage capability are largely dependent on the donors' payments. In order to determine an appropriate level of leverage, IFFIm manages bond issuances against the present value of expected future cash flows from grantor pledges, which allows IFFIm to front-load its debt issuance (see Exhibit 2).

Exhibit 2

Leverage Is Front-loaded, Supported by Future Cash Flows
(donor commitments by year, US$ mln.)



Includes indicative figures for France and the Netherlands, which have committed to additional pledges but have yet to sign grant agreements as of publication.
Source: IFFIm, Moody's Investors Service

The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the International Monetary Fund (IMF) – a condition that may diminish the total inflow of pledges.

Conditionality of Donors' Pledge Payments a Source of Risk in the Structure

Under Eurostat accounting rules, if the payment obligations of the donors were unconditional, the total pledge would have to be recognized all at once as a liability on donors' accounts. A high-level financing condition (also referred to as the grant payment condition) was added to ensure that donors are not required to report their entire pledge to Gavi as a liability immediately upon making the pledge. This conditionality does not alter the legally binding nature of the commitments.

The condition is that if any of the 71 countries in the IFFIm reference portfolio were to fall into protracted arrears with the IMF (i.e., more than six months), the amount of the donor disbursements to IFFIm would be reduced by a predetermined amount during the time that the country remains in arrears (Grant Payment Condition). If the country becomes current again, the donor payments would resume according to the original schedule. The Treasury Manager determines the reduction and coordinates the reduced payments from the donors on IFFIm's behalf. For all but 10 of the countries, the reduction would be 1% of scheduled grants. For South Sudan and Sudan the reduction would be 0.5%, for Vietnam 3%, and for Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria and Pakistan it would be 5%. As a result, if enough countries were in arrears to the IMF at the same time, the amount of the payments to IFFIm could in some circumstances be less than the amount needed to service debt, depending on the actual amount of debt that had been issued and scheduled debt-service payments at the time.

However, IMF Arrears Are Historically Low

At present, three countries (Somalia, Sudan, and Zimbabwe) have protracted arrears with the IMF. Since 1975, there has been an average of five of the 71 countries in the IFFIm reference portfolio with protracted arrears at any one time, of which only one (Vietnam in the 1980s and through 1993) would trigger a reduction in payments of more than 1% per country. The highest number of countries in arrears in any single year was 11, in both 1988 and 1989, when Vietnam was one of those countries. Therefore, in those two years, the reduction in donor payments would have been 13% from the committed amounts, had IFFIm existed.

It is notable that the number of countries in arrears dropped considerably from 10 in the 11-year period through 1994, to three from 1994 onwards. Also, none of the countries that would trigger a 5% reduction in payments has ever been in protracted arrears, while the IMF no longer has exposure to Vietnam (3%-reduction) and Laos (1%-reduction), as of 2012 and 2013, respectively. Going forward, it seems likely that the number of countries going into arrears will remain low, in part because of the debt relief granted in 2005 to more than 30 of the most heavily indebted countries. The global financial crisis of 2008-09 was largely an advanced industrial crisis and, while there was an eventual spill over to the global macroeconomy, the 71 countries in consideration here were relatively financially insulated.

We deem it unlikely that reductions in donors' scheduled payments would occur to the extent that IFFIm's ability to service debt would be jeopardized. Supporting this view is the fact that the Treasury Manager oversees this risk by monitoring and setting a limit on IFFIm's gearing ratio.

The gearing ratio is defined as total debt net of cash holdings (net debt) over the present value of donor pledges. At end-2015, this ratio was 33.5% and has decreased to 28.3% by June 2016. The ratio has increased from 20.0% at end-2006, averaging 41.1% over the last five years. We expect that over time the ratio will increase closer to the guiding Gearing Ratio Limit (GRL) of around 70% (or slightly more than 58% including the 12% assigned as a Risk Management Buffer), as set by the trustees on the advice of the Treasury Manager. This is a natural evolution of the ratio as intended by IFFIm's structure, which front-loads bond issuance for immediate immunization impact while the sovereign pledges are paid-in gradually over IFFIm's life. It is important to note that despite the existence of a maximum level, the Treasury Manager is under no obligation to reach that level.

The IBRD models the risks associated with reductions in donors' scheduled payments, either stemming from recipient countries going into arrears with the IMF or due to donor default on the pledge contract with IFFIm. The model builds in the risk of either of these reductions and can be adjusted as risks increase, with the ultimate goal of minimizing the potential that a shortfall in cash inflows would prevent the timely payment of debt obligations. It is a solvency model over the remaining life of IFFIm. The Treasury Manager calibrates the gearing limit model to maintain an Aaa expected loss on IFFIm's bonds.

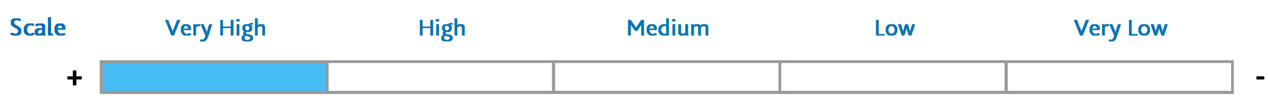
The limit on the gearing ratio provides a cushion as it keeps the amount of net debt at a level that is below the present value of cash inflows from donors' scheduled pledge payments. This cushion can absorb a significant amount of risk stemming from the grant payment condition as well as some risk that donors' payments will fall short of the committed amount. However, given the heavy concentration of donors' pledges, we do not believe the GRL is sufficient to de-link IFFIm's creditworthiness from its donors' creditworthiness.

In our view, the strength of the GRL is not only a function of how well the risks are modeled in order to set the limit, but also of (1) the flexibility of the limit to account for increasing risks and, more importantly, (2) the flexibility for the Treasury Manager to delay grant commitments and disbursements to Gavi in respect of the gearing ratio limit. If the Treasury Manager believes that a large number of countries will go into arrears or that donors' finances are facing stress that would hinder their ability to pay-in according to the pledge schedule, it could delay further approvals for Gavi grants until such time that the gearing ratio falls comfortably below the guiding limit. We view this to be a very strong credit enhancement as it can dynamically absorb a significant amount of the risks that IFFIm faces. The institutionalized priority on timely debt servicing plays a large role in IFFIm's Aa1 rating.

Liquidity: Very High

Liquidity Policy and IBRD's Involvement as Treasury Manager are Important Credit Enhancements

Factor 2



A financial institution's liquidity is important in determining its shock absorption capacity. We evaluate the extent to which liquid assets cover debt service requirements and the stability of the institution's access to funding.

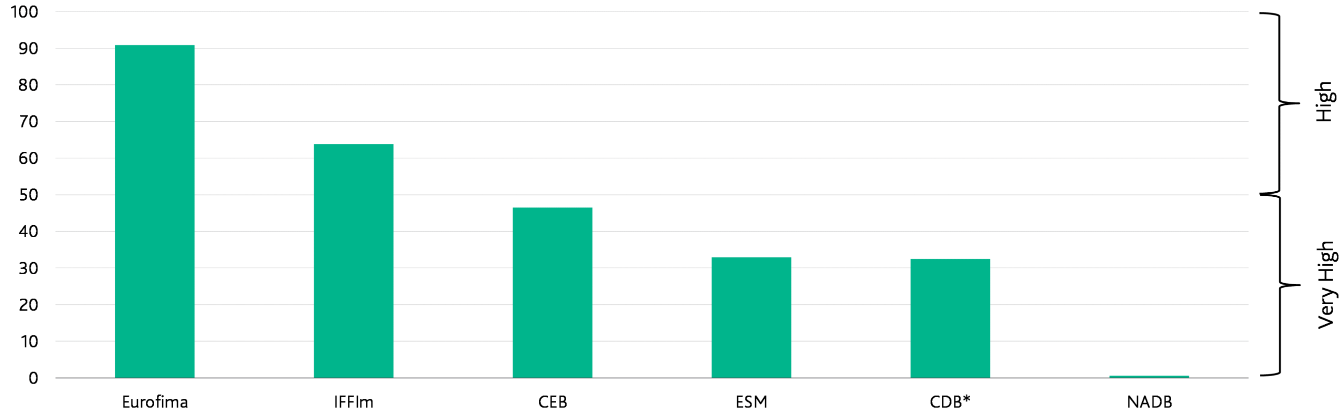
IFFIm's liquidity is deemed to be 'Very High' and reflects a prudent liquidity policy, the role of the IBRD as risk manager of its investment portfolio, as well as our view of high access to financial markets to issue bonds.

Liquidity Policy Ensures Ample Coverage of Upcoming Financial Obligations

As stated by IFFIm, its liquidity policy aims to ensure an adequate level of liquid assets to meet its operational requirements, provide predictability of program funding, and support its credit rating. To this end, the policy sets a prudential minimum level of liquidity equivalent to IFFIm's cumulative contracted debt-service payments for the next 12 months, in line with the liquidity policies of other highly rated supranationals.

The Treasury Manager recalculates and resets the prudential minimum once every quarter. We consider this policy to be very strong since it ensures the ability to service debt for one year in the unlikely event that IFFIm loses market access and is unable to rollover existing debt. Relative to other supranationals rated Aa1, IFFIm's debt service coverage compares well (see Exhibit 3), with the adjusted ratio scoring a 'High' assessment.

Exhibit 3
Debt Service Coverage Is Comparable to Aa1-rated Peers
(short-term and currently maturing long-term debt, % of liquid assets, 3-year average)



Based on 2012-2014 financials
Source: Banks' financial statements, Moody's Investors Service

IFFIm has consistently held more liquid assets than the prudential minimum set by the policy. At the end of 2015, the prudential minimum was $823.9 million while holdings were $986.0 million, or about 1.2x the prudential minimum. For the five-year period 2011-15, the actual liquid asset holdings were on average 1.4x greater than the prudential minimum. IFFIm's liquidity policy and the over-compliance demonstrated thus far, are particularly important given that the entity's debt maturity profile tends to be concentrated in the medium term (see Exhibit 4).

Exhibit 4
Maturity of Outstanding Borrowings
(% of total)

	2011	2012	2013	2014	2015
1 year or less	29%	21%	33%	22%	47%
1-5 years	68%	74%	64%	74%	51%
Over 5 years	3%	5%	3%	4%	2%

Source: IFFIm

World Bank Involvement in Treasury Operations and Risk Management Provides Institutional Strength

The IBRD provides IFFIm's financial management function under rules set forth in the Treasury Management Agreement (TMA). As such, there is active management of cash flows, investments and disbursements by a historically strong institution. The TMA is renewed every 5 years, most recently in 2016.

The IBRD's financial management is very strong, one factor in its own Aaa rating and a strong supporting factor of IFFIm's Aa1 rating. The IBRD's involvement in establishing and managing IFFIm's gearing ratio, liquidity policy and the maturity structure of debt provides confidence that debt repayments will be made on time. The Treasury Manager has flexibility in delaying commitments and disbursements for programs in order to be within the desired gearing ratio and to maintain liquidity according to the established policy. Furthermore, it has, perhaps more than any other organization, a sense of the credit quality of recipient countries. It will be able, therefore, to adjust IFFIm's financial metrics in advance of the time when a reduction in donors' scheduled payments, as a result of the grant payment condition, would endanger debt-repayment capacity.

Asset & Liability Management

As IFFIm's Treasury Manager, the IBRD carries out its asset & liability management, namely the management of IFFIm's market risk stemming from foreign-exchange rate and interest-rate risks. Almost all sovereign pledges are denominated in local currency and not

US dollars and some outstanding bonds are denominated in other currencies. In addition, interest rate fluctuations can impact the value of sovereign pledges and bonds. To hedge the risk that fluctuations in foreign-exchange rates will impact cash flows and interest rate fluctuations will adversely affect the value of its assets and liabilities, IFFIm enters into US dollar floating-rate swaps. Counterparty risk is low, as the swap contracts are with the IBRD.

Conservative Investment Guidelines

The Treasury Manager invests liquid assets on IFFIm's behalf according to the following very conservative guidelines, which are similar to the IBRD's own guidelines, and whose goal is to preserve capital rather than generate earnings:

» Money market instruments must be issued or guaranteed by financial institutions rated A3 or higher

» Foreign-currency government and agency obligations must be rated Aa3 or higher

» Local-currency government obligations carry no rating minimum, but are subject to credit approval on a country by country basis

» Agency or instrumentality of a government, multilateral organisation, or other official entity must be rated Aa3 or higher

» Asset-backed securities must be rated Aaa

» Corporate securities must be rated Aaa

Currently around 53% of IFFIm's liquid assets portfolio is invested in sovereign bonds; about 9% of the total portfolio is invested in emerging market sovereign bonds, with no holdings having a rating below Baa. Regional exposure is fairly diversified, with Asia representing 36% of total sovereign and sovereign-guaranteed exposures, followed by the Americas (35%) and Europe (29%).

While IFFIm's investment guidelines are the same as the IBRD's own guidelines, its actual investments are even more conservative than the IBRD's. Holdings are even shorter in maturity, with the weighted average maturity of securities holdings being 10 months and the average maturity of deposits being ten days.

Swap Collateral Posting Creatively Managed By Setting Additional Limits on IFFIm's Indebtedness

According to the swap agreement between IFFIm and the IBRD, after IFFIm's rating was changed from Aaa to Aa1 the IBRD has the right to call collateral above a threshold. However, and despite surpassing the threshold, the IBRD has not called collateral and has committed to not call if it would constrain IFFIm's ability to meets its debt obligations. The IBRD made this commitment in line with its responsibilities as Treasury Manager to ensure that IFFIm has the funding to fulfill its debt obligations. The commitment was first established for one year from July 2013 through June 2014, in line with the IBRD's current fiscal year and has been renewed through 2017.

The IBRD's commitment to not call collateral comes in tandem with a structural change to the limits of IFFIm's indebtedness. A "Risk Management" buffer of 12% has been added to the gearing ratio limit. The gearing limit model itself (neither the inputs nor the parameters) has not changed. The IBRD will run the model in the same manner and set a gearing limit to absorb risks from the two main sources of risk (i.e. donor default on commitments and the grant payment condition). On top of that limit, an additional 12% will now be added, which will result in an effective gearing ratio limit lower than that output by the model. The IBRD has sole discretion to adjust the Risk Management buffer.

We view this structural change positively as it reduces the overall risk taken on by the structure (i.e. a lower leverage level) and enables IFFIm to maintain regular financial operations. Posting collateral would lead to additional funding obligations, which would increase the demands on IFFIm's liquidity position. Since swap transactions are frequently marked to market, the collateral positions can change frequently, thus requiring more active management of liquidity.

The structural change also displays the non-contractual support that IFFIm receives from the IBRD. The financial and institutional strength of the IBRD allows it to innovate solutions like this, which ultimately benefit IFFIm. A weaker organization or an organization whose own mandate does not align with IFFIm's would be less able or willing to support IFFIm in this manner. This development supports our assessment that having the IBRD as Treasury Manager is a significant source of credit strength for IFFIm.

Market Funding Access Is High Due to Diversified Investor Base

IFFIm's borrowing program can be characterized as modest in size yet diversified. By end-2015, total bond issuance since inception amounted to $5 billion with most of that issued in 2006, 2009, 2010, and 2013 (roughly $1 billion each year). IFFIm did not receive any new funding requests from Gavi in 2015, but expects to disburse $1.3 billion in funds (including new, unsigned pledges) in 2016-20.

Bonds are issued in four markets: Japan, the United Kingdom, Australia and the Eurobond market, as well as global benchmark bonds. IFFIm bonds are well received in the deep Uridashi market and the organization has returned to this market repeatedly. In order to hedge currency and interest-rate risk, all bonds are swapped at issuance into US dollar floating rate.

IFFIm entered the sukuk market with an issuance of a three-year, $500 million bond in 2014. The bond, maturing on 4 December 2017, was oversubscribed. It attracted new investors with 68% of them coming from the Middle East and Africa. The organization leveraged its newly established position in the sukuk market by issuing another $200 million sukuk in September 2015.

Despite having a sovereign donor base that is mainly European, including several euro area members, IFFIm has been able to maintain its very low borrowing rates over recent years. Unlike European-based MDBs, IFFIm's borrowing costs were not stressed during the height of the European debt crisis. This can be largely attributed to the reputational benefits of having the IBRD as its Treasury Manager.

In 2015, IFFIm's second sukuk issuance combined with fair value gains on its other borrowings and redemptions of bonds (total value of $361 million) decreased bonds payable by $287 million, resulting in lower financing costs for the entity. IFFIm's borrowing costs are below its donors' composite cost. We view it as unlikely that there will be a dislocation in IFFIm's market access, but the liquidity policy discussed above provides additional protection for bondholders.

Strength of Member Support: High

Strong Donors' Ability and Willingness to Support Are Counterbalanced by High Concentration of Pledges

Factor 3

Scale	Very High	High	Medium	Low	Very Low	
+						-

Contractual support primarily manifests itself in the callable capital pledge, which is a form of emergency support. Extraordinary support is a function of shareholders' ability and willingness to support the institution in ways other than callable capital. Strength of member support can increase the preliminary rating range determined by combining factors 1 and 2 by as many as three scores.

Given IFFIm's structure and grant operations, our analysis focuses on the likelihood that donor pledges will fall short of what was originally contracted, thus potentially hampering its ability to service debt. A reduction in the amount paid-in could result from either a donor breaking its contract with Gavi or a substantial number of recipient countries going into arrears with the IMF, thereby causing significant reductions in donor payments via the grant payment condition. We view the likelihood that a donor would break its contract with Gavi to be very low due not only to the legally binding nature of the pledges, but also the very strong commitment of the donors. Incorporated in the assessment of commitment are measures of donors' ability and willingness to honor pledges.

We assess IFFIm's Strength of Member Support as 'high.' This score balances the expectation of very high contractual and extraordinary support from its donors against the relatively high concentration of pledges, one of the main sources of risk to IFFIm's creditworthiness.

IFFIm's Contractual Support Is Based On Its Donors' Pledges

The commitments made by IFFIm's donor governments constitute a legally binding contractual obligation that the entity can employ as backing to issue debt and as a financial resource to service it. The six original donors to IFFIm were the UK, France, Italy, Norway, Spain, and Sweden. Australia, the Netherlands and South Africa also finalized pledges. Since inception, four original donors and two subsequent donors have made additional pledges. In 2011, Brazil pledged the equivalent of $20 million over 20 years; a grant agreement is pending.

In early 2015, France and the Netherlands pledged additional €150 million and €60 million, respectively. Both agreements are expected to be finalized by the end of 2016. Furthermore, Australia has finalized an additional pledge of A$37.5 million and made the first installment in 2016.

Exhibit 5 breaks down the $6.3 billion in total outstanding commitments but does not include the new commitments made by France and the Netherlands as these grant agreements are not yet finalized.

Exhibit 5
Sovereign Donors and Pledges as of December 2015

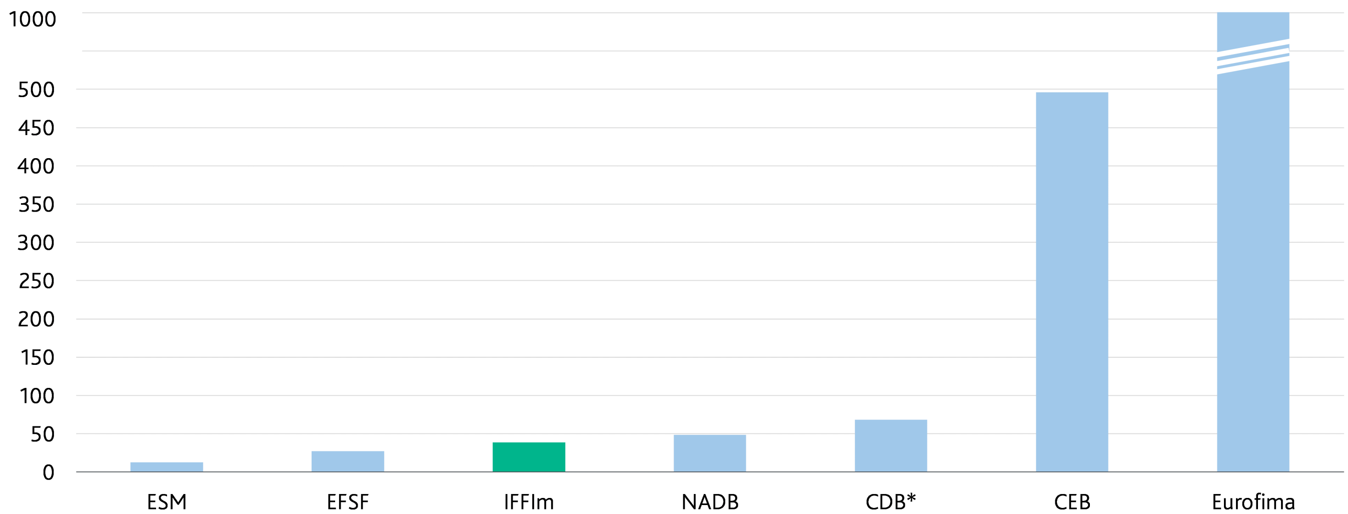
	Original Pledge Date	Time Period (Years)	Total Amount ($ mil)	Share of Total (%)	Share of Remaining Pledges 2016-2030 (%)	Rating** as of Jul 13, 2016
United Kingdom	Oct-06 *	23	2,980	47.3	52.1	Aa1/negative
France	Oct-06 *	20	1,720	27.3	27.1	Aa2/stable
Italy	Oct-06 *	20	635	10.1	8.2	Baa2/stable
Norway	Oct-06 *	15	264	4.2	2.8	Aaa/stable
Australia	Jun-11 *	20	283	4.5	5.9	Aaa/stable
Spain	Oct-06	20	240	3.8	2.8	Baa2/positive
Netherlands	Dec-09 *	8	114	1.8	0.5	Aaa/stable
Sweden	Oct-06	15	38	0.6	0.4	Aaa/stable
South Africa	Mar-07	20	20	0.3	0.3	Baa2/negative
			6,295			

* Additional pledge made by UK in August 2010; France in December 2007 and January 2015 (not finalised); Italy in November 2011; Norway in August 2010; Australia in January 2015; Netherlands in January 2015 (not finalised)
** Government bond rating
Source: IFFIm, Moody's Investors Service

The sovereign commitments are legally valid, binding and enforceable payment obligations. Given the legal characteristics of these pledges, these contractual obligations can be considered analogous to the callable capital (CC) that most MDBs have. When assessing the strength of a supranational's contractual support we look at the coverage that CC provides over the entity's current stock of debt. In the specific case of IFFIm, we consider the nominal value of the donors' remaining pledges. When comparing this metric with other supranational's rated Aa1, IFFIm scores well since the coverage that the remaining pledges provide exceeds the total gross debt stock (see Exhibit 6).

Exhibit 6

Contractual Obligations Provide Ample Coverage of Debt
(gross debt over discounted callable/committed capital pledged by members rated Baa3 or higher, %)



* based on 2014 financials
Source: Moody's Investors Service

Ability to Honor Pledges Remains Very Strong Despite Some Donors' Recent Weakness

The ability of the donors to honor their commitment can be measured using our government bond ratings, which assess the expected loss an investor may face when holding debt obligations issued by the sovereign. As bonds represent contracts that the sovereign enters into and commits to paying cash (interest and principal) on a set schedule, we view the government bond ratings as a good proxy and applicable to IFFIm's case.

The weighted median donor rating is Aa1. Since the UK pledges will come just under 50% of remaining pledges once the new pledges from France and the Netherlands are finalized, this calculation is largely determined by the UK's government bond rating, which was changed from Aaa to Aa1 in February 2013 and put on a negative outlook in June 2016. In addition, several other donors' creditworthiness experienced negative pressure over the past few years, namely euro area donors and South Africa.

Despite recent weakness, all the donors have investment grade ratings, and several members are very highly rated. This indicates that there is a very high likelihood that IFFIm will receive the pledges as promised from the sovereign donors with no, or minimal, delays or reductions.

In addition, the annual commitment for each donor is small in the context of the government's total budget. For example, the UK government's annual commitment, while varying by year, averages around £90 million, approximately 0.01% of its total annual revenues (around £681,800 million in fiscal year ending 2016). UK's annual contributions to IFFIm are also dwarfed by its transfers to the EU, which amounted to €13.4 billion in 2015. Similarly, France's annual commitment to IFFIm represents an extremely small portion of its total annual budget at around 0.01% of revenues. It seems unlikely, given the relative affordability of the annual amounts, that donors will renege on their commitments.

Willingness to Honor Pledges Supported by Effectiveness in Achieving Mandate

With IFFIm, as with all supranationals, we assess the willingness of members to provide support in light of the importance of the institution to the member. Regional multilateral development banks, as enactors of economic public policy, are often of strong economic importance to their sovereign members. This is not the case for IFFIm since Gavi is a charity organization and all immunization programs are located exclusively in non-donor countries. Therefore, the importance to the donors rests on the importance of the charity mandate and IFFIm's ability to help Gavi fulfill that mandate.

Gavi and the financing provided through IFFIm is an integral part of the United Nations' three Millennium Development Goals related to health, Targets 4, 5, and 6, which aim to reduce child mortality rates, improve maternal health, and combat HIV/AIDS, malaria and other diseases, respectively. The likelihood that a donor would abandon this goal once they have committed to it is very small, not just because of the gravity of the goal, but also because of the negative political repercussions stemming from a lawsuit over failure to honor commitments to fund immunization.

In addition, there are no serious questions as to IFFIm's role in helping to reach this goal. Independent reviews conducted in recent years and separately commissioned by several different stakeholders spoke positively about IFFIm's effectiveness in accelerating and facilitating funding for Gavi. Gavi's disbursements for immunization programs have more than doubled from $300-$400 million a year before IFFIm to $900 million as a result of IFFIm. From 2006-2015, IFFIm funded $2.5 billion of Gavi's disbursements for immunization programs, equivalent to approximately 24% of the total cash received by the charity during that period, enabling Gavi to significantly increase its programmatic expenditure and providing it with a long-term stable funding source.

Concentration of Pledges Is a Source of Credit Weakness

The two largest donors, the UK and France, account for more than 75% of IFFIm's remaining pledges. This concentration could fall, albeit marginally, if new donors make new pledges or current donors make additional pledges.

Overall, however, the concentration, especially the UK's almost 50% share, is a credit weakness since it exposes IFFIm to a material loss of incoming payments based on the creditworthiness of one donor, whose rating now carries a negative outlook. That said, we consider that despite the current negative pressures on the UK's sovereign rating, IFFIm's solvency and liquidity buffers continue to provide significant protection to IFFIm's bondholders. Additionally, in past years even though the UK had already faced increased negative rating pressures, the government continued to display strong ability and willingness to honor its pledges to IFFIm.

Another source of risk due to donors' pledges concentration that IFFIm faced in recent years came from the potential default correlation that exists among euro area sovereign donors. France, Italy, Spain, and the Netherlands account for almost 39% of remaining pledges through 2030. During the euro area debt crisis the close institutional, economic, and financial linkages between the major euro area sovereigns, along with the rating downgrades that three of these four sovereigns experienced, implied that under an extreme stress scenario a large portion of IFFIm's remaining pledges could have been at risk.

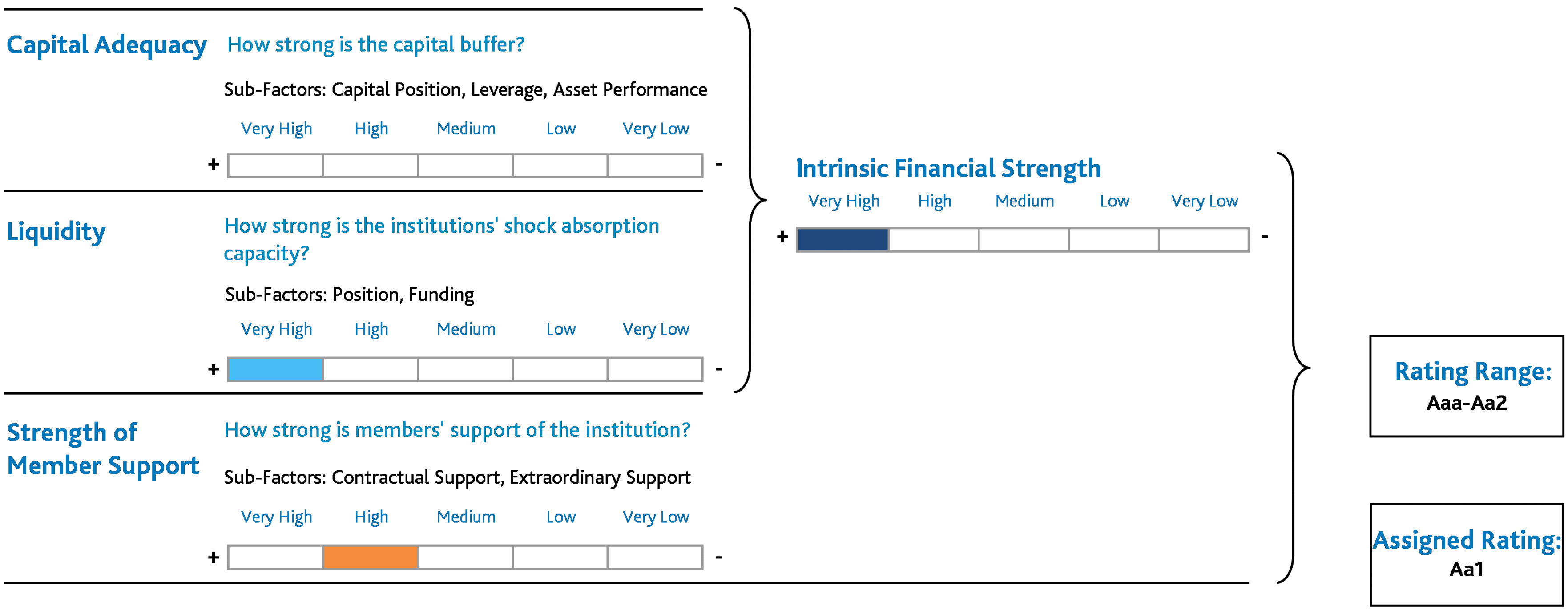
The stabilization in credit trends for Italy, France, the Netherlands and Spain, even if at lower rating levels than a few years ago, mitigates some of the risks seen for IFFIm in past years. Additionally, since 2014, we have reassessed the default correlation for euro area members as: (1) while the credit pressures facing countries of the monetary union share common characteristics, there also exist some idiosyncratic elements that drive the rating trajectories of individual countries and which would imply a lower mutuality of risk than previously assumed; (2) measures put in place since the start of the euro area crisis should improve the authorities' ability to manage contagion within the system, even that arising from the default of a very large euro area member. Taking these factors together – the improvement in and greater stability of donor creditworthiness and the lower default correlation assumption – we believe that IFFIm's rating would be less immediately affected were any one of its euro area donors to be downgraded.

Rating Range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Supranational Rating Methodology.

Exhibit 8

Supranational Rating Metrics: International Finance Facility for Immunisation



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding the International Finance Facility for Immunisation with other supranational entities rated by Moody's Investors Service. It focuses on a comparison with supranationals within the same rating range and shows the relevant credit metrics and factor scores.

As discussed previously, due to its lack of paid-in equity, capital adequacy analysis is of limited applicability for IFFIm. The European Financial Stability Facility, which relies on guarantees from its members to back its debt issuance, is another example of a supranational issuer operating with no paid-in capital. In both cases, intrinsic financial strength assessment is based solely on our liquidity factor score and receives a smaller weight in determination of the preliminary rating range, with member support becoming the primary rating factor.

Our 'very high' assessment of IFFIm's liquidity reflects the institution's ability to obtain debt financing at low cost, as indicated by the narrow spreads of its actively traded bonds. Although lower than those of EFSF, ESM and CEB, IFFIm's seven-year average bond-implied rating is in line with the Aa1-Aa3 median and is somewhat higher than those of CDB and NADB. Conversely, IFFIm's debt service coverage ratio is somewhat weaker than those reported by its peers, which can be partially attributed to its front-loaded debt issuance program.

IFFIm shares the 'high' assessment for strength of member support with EFSF, ESM and NADB, with all four institutions benefiting from member pledges that exceed their total debt stock by at least 100%.

Exhibit 9

IFFIm's Key Peers

	Year	IFFIm	EFSF	NADB	CDB[6]	CEB	ESM	Aa Median[6]
Rating/Outlook		Aa1/STA	Aa1/STA	Aa1/STA	Aa1/STA	Aa1/STA	Aa1/STA	--
Total Assets (US$ million)	2015	3,737	204,634	1,781	1,379	27,342	167,898	6,216
Factor 1		--	--	High	Very High	Very High	Very High	--
Usable Equity/Gross Loans Outstanding +Equity Operations (%)[1]	2015	N/A	N/A	42.7	83.1	20.7	128.8	64.1
Debt/Usable Equity (%)[1]	2015	--	--	211.7	64.5	719.8	88.2	122.0
Gross NPLs/Gross Loans Outstanding (%)[2]	2015	--	0.0	0.0	0.5	0.0	0.0	0.0
Factor 2		Very High	High	High	High	Very High	Very High	--
ST Debt + CMLTD/Liquid Assets (%)[3]	2015	74.0	N/A	1.0	9.4	33.2	25.7	41.9
Bond-Implied Ratings (Long-Term Average)	2015	Aa3[5]	Aaa	A1	Baa2	Aa1	Aa1	Aa2
Intrinsic Financial Strength (F1+F2)		Very High	High	High	Very High	Very High	Very High	--
Factor 3		High	High	High	Very High	Medium	High	--
Total Debt/Discounted Callable Capital (%)[4]	2015	38.4	27.4	48.3	68.4	496.1	12.6	68.4
Weighted Median Shareholder Rating (Year-End)	2015	Aa1	Aa2	A1	Baa1	A2	Aa2	Aa3
Rating Range (F1+F2+F3)		Aaa-Aa2	Aa1-Aa3	Aaa-Aa2	Aaa-Aa2	Aaa-Aa2	Aaa-Aa2	--

Notes:
[1] Usable equity is total shareholder's equity and excludes callable capital
[2] Non performing loans
[3] Short-term debt and currently maturing long-term debt
[4] Callable capital pledge by members rated Baa3 or higher, discounted by Moody's 30-year expected loss rates associated with ratings
[5] 2008-2014 average
[6] Based on 2014 financials
Source: Moody's, respective MDB financial statements

Rating History

Exhibit 10

International Finance Facility for Immunisation (IFFIm)

	Issuer Rating				
	Long-term	Short-term	Senior Unsecured	Outlook	Date
Outlook Changed	--	--	--	Stable	August-14
Rating Lowered	Aa1	--	Aa1	--	March-13
Outlook Changed	--	--	--	Negative	December-12
Rating Affirmed	Aaa	P-1	Aaa	--	June-12
Rating Assigned	--	P-1	Aaa	--	November-06
Rating and Outlook Assigned	Aaa	--	--	Stable	October-06

Source: Moody's Investors Service

Annual Statistics

Exhibit 11

International Finance Facility for Immunisation (IFFIm)

	2009	2010	2011	2012	2013	2014	2015
Balance Sheet, USD Thousands							
Assets							
Cash	772	2,442	692	549	22	3,349	1,197
Funds held in trust	1,082,285	1,565,302	850,958	546,648	1,024,771	1,011,747	985,108
Prepayments	396	424	272	337	143	147	35
Derivative financial instruments	326,648	460,740	269,107	133,239	55,692	2,494	14,915
o/w due within one year			171,778	17,535	55,478	1,737	5,872
o/w due after more than one year			97,329	115,704	214	757	9,043
Sovereign pledges	2,882,103	3,171,579	3,403,937	3,562,142	3,362,027	3,152,729	2,735,662
o/w due within one year	150,424	163,588	211,286	235,081	260,031	260,413	256,895
o/w due after more than one year	2,731,679	3,007,991	3,192,651	3,327,061	3,101,996	2,892,316	2,478,767
Total Assets	4,292,204	5,200,487	4,524,966	4,242,915	*4,442,655*	4,170,466	3,736,917
Liabilities							
Creditors	2,612,749	3,409,978	2,575,615	1,959,716	2,168,746	1,894,043	1,606,696
o/w falling due within one year	267,490	1,079,932	766,565	420,567	725,590	423,595	754,600
o/w falling due after more than one year	2,345,259	2,330,046	1,809,050	1,539,149	1,443,156	1,470,448	852,096
Grants payable to GAVI Fund Affiliate	437,064	517,064	417,064	707,064	507,064	507,064	507,064
o/w within one year			417,064	200,000	150,000	0	100,000
o/w after more than one year			0	507,064	357,064	507,064	407,064
Derivative financial instruments	305,048	320,270	755,794	1,145,828	1,194,230	1,088,961	859,903
o/w due within one year			2,023	24,518	105,262	81,223	52,694
o/w due after more than one year			753,771	1,121,310	1,088,968	1,007,738	807,209
Total Liabilities	3,354,861	4,247,312	3,748,473	3,812,608	*3,870,040*	3,490,068	2,973,663
Net Assets/Restricted Funds	937,343	953,175	776,493	430,307	*572,615*	680,398	763,254

Source: IFFIm, Moody's Investors Service

International Finance Facility for Immunisation (IFFIm)

	2009	2010	2011	2012	2013	2014	2015
Income Statement, USD Thousands							
Income	**98,752**	**408,113**	**153,003**	**7,256**	**4,848**	**4,059**	**5,901**
Contribution revenue	87,137	401,608	144,137	0	0	0	0
Donated services	842	835	820	974	1,096	1,109	1,117
Investment and interest income	10,773	5,670	8,046	6,282	3,752	2,950	4,784
Expenses	**744,080**	**544,169**	**375,926**	**499,950**	**86,411**	**57,691**	**38,143**
Programme grants to GAVI	620,485	400,000	200,000	390,000	0	0	0
Treasury manager's fees	1,965	2,212	2,569	2,377	2,276	2,298	2,265
Governance costs	2,985	2,934	2,749	2,997	2,701	2,813	1,898
Interest on bonds	110,554	132,437	166,399	103,947	77,712	51,328	33,354
Other financing charges	8,091	6,586	4,209	629	3,722	1,252	626
Surplus Before Fair Value Gains (Losses)	**-645,328**	**-136,056**	**-222,923**	**-492,694**	**-81,563**	**-53,632**	**-32,242**
Fair Value Gains (Losses)	69,409	151,888	46,241	146,508	223,871	161,415	115,098
Surplus (Deficit) for Year	**-575,919**	**15,832**	**-176,682**	**-346,186**	**142,308**	**107,783**	**82,856**

Source: IFFIm, Moody's Investors Service

Exhibit 12
International Finance Facility for Immunisation (IFFIm)

	2009	2010	2011	2012	2013	2014	2015
Financial Ratios							
Liquidity (%)							
Liquid Assets/Total Assets	25.2	30.1	18.8	12.9	23.1	24.3	26.4
Liquid Assets/Total Liabilities	32.3	36.9	22.7	14.4	26.5	29.1	33.2
Liquid Assets/Debt	41.5	46.0	33.1	27.9	47.3	53.6	61.4
Liquid Assets/Prudential Minimum (X) [1]	4.6	1.6	1.4	1.3	1.3	2.0	1.2
Capital Adequacy (%)							
Sovereign Pledges due after >1 year / Financial liabilities falling due after >1 year	116.5	129.1	176.5	216.2	214.9	196.7	290.9
Restricted Funds/Grants Payable to GAVI	214.5	184.3	186.2	60.9	112.9	134.2	150.5
Gearing Ratio [2]	40.9	40.6	44.0	43.2	44.7	40.0	33.5

[1] IFFIm maintains a prudential minimum level of liquidity equivalent to its cumulative contracted debt service payments for the next twelve months
[2] Net debt as percent of the present value of donor pledges; guiding maximum is around 58%
Source: IFFIm, Moody's Investors Service

Moody's Related Research

Credit opinion:

» International Finance Facility for Immunisation (IFFIm)

Sector In Depth:

» Global Funding From Multilateral Development Banks Will Continue To Increase, September 2015 (1008025)

Rating Methodologies:

» Multilateral Development Banks and Other Supranational Entities, December 2013 (161372)

» Sovereign Bond Ratings, December 2015 (186644)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related Websites and Information Sources

» The IFFIm website

Endnotes

1 A charity established in 2000. As a public-private partnership, Gavi's donors are governments, corporations, foundations and private individuals

2 The world's poorest countries are defined as those with per capita GNI of less than $1,580. Gavi currently supports 73 countries and 53 of those countries are currently eligible to apply for new immunization programs with Gavi. There are two countries supported by Gavi that are not part of IFFIm's reference portfolio

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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