

Rating Action: Moody's affirms Aa1 issuer and bond ratings of the International Finance Facility for Immunisation (IFFIm) with a stable outlook

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New York, January 17, 2018 -- Moody's Investors Service, ("Moody's") has affirmed Aa1 issuer and senior unsecured bond ratings of the International Finance Facility for Immunisation (IFFIm) with a stable outlook, and also affirmed IFFIm's senior unsecured MTN rating at (P)Aa1, short term issuer rating at P-1, and the Other short term (P)P-1. Moody's has also affirmed the senior unsecured bond rating of IFFIm Sukuk Company II Limited at Aa1.

RATINGS RATIONALE

RATIONALE FOR AFFIRMING Aa1 RATING

Moody's decision to affirm the ratings was driven by IFFIm's strong gearing and liquidity positions and conservative risk management framework that we expect will remain in place, mitigating donor concentration risk.

FIRST DRIVER: IFFIm's strong gearing and liquidity positions that allow it to absorb risks stemming from potential deterioration of the credit quality of its sovereign donors.

Despite donor concentration risk and a recent downgrade of the UK (Aa2 Stable) - IFFIm's largest donor - gearing remains low and liquidity position very strong relative to peers. IFFIm's gearing ratio -- total debt net of cash holdings (net debt) over the present value of donor pledges -- was much lower than the gearing ratio limit (GRL) coming to 18.8% as of Q4 2017 compared with a GRL of 70.2%. In addition, the International Bank of Reconstruction and Development (IBRD Aaa stable), which is IFFIm's treasury manager, imposes a 12% risk management buffer that effectively brings the GRL down to 58%. In addition, IFFIm imposes a 12% risk management buffer that effectively brings the gearing ratio down to 58.2%

If IFFIm's donors, the UK in particular, were to experience further negative rating actions, these would likely weigh on IFFIm's creditworthiness. In this scenario, we would expect the IBRD's risk management policies would lead to adjustment to IFFIm's GRL and actual leverage and disbursements.

A major credit strength of IFFIm is its strong liquidity. As stated by IFFIm, its liquidity policy aims to ensure adequate level of liquid assets to meet 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 IFFIm were to lose market access and not be able to roll over existing debt. Relative to other Aa1-rated supranationals, IFFIm's debt service coverage compares well with peers, scoring a "High" assessment.

It is worth noting that IFFIm has consistently held more liquid assets than the prudential minimum set by the policy. Over a five-year period from 2012 to 2016, actual liquid asset holdings were on average 1.5x greater than the prudential minimum.

SECOND DRIVER: Moody's expectation that IFFIm's conservative risk management policies will remain in place, mitigating donor concentration risks.

In addition to the financial strength derived from IFFIm's gearing and liquidity positions, we expect prudent risk management to remain in place over the lifetime of IFFIm's existence. This is best exemplified by how the gearing ratio is managed. The strength of the GRL is not only a function of how risks are modelled in order to set this limit, but of its flexibility given the ability the treasury manager to reduce it in order to manage increasing risks. Equally important is the policy guideline to delay debt issuance or adjust disbursements if and when necessary to assure the GRL is always met. Additionally, the treasury manager is empowered to

prioritize debt service payment over programmed disbursement.

RATIONALE FOR A STABLE OUTLOOK

The stable outlook balances the concentration and high credit risk correlation of IFFIm's largest donors; the UK and France, against IFFIm's conservative liquidity and gearing policies, which will continue to mitigate concentration risks. Moreover, we expect IFFIm's market access to remain strong.

WHAT COULD CHANGE THE RATINGS -- UP

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.

WHAT COULD CHANGE THE RATINGS -- DOWN

A material 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 France. 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.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities published in March 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

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