Rating Action

Moody's Ratings affirms IFFEd's rating at Aaa, maintains stable outlook

London, July 10, 2026 -- Moody's Ratings (Moody's) has today affirmed the Aaa long-term issuer rating of the International Finance Facility for Education (IFFEd). The outlook remains stable.

The rating affirmation reflects IFFEd's strong capital and liquidity buffers, which will back IFFEd's guarantees for portfolio of loans and guarantees to sovereigns provided by other multilateral financial institutions (MFIs). IFFEd's capital is in the form of paid-in equity but also contingent capital contributions provided by highly-rated sovereigns. Given the initially limited number of contributors, IFFEd's credit quality is linked to their ability and willingness to honour their legal agreements with the entity.

The stable outlook reflects our expectation that IFFEd will maintain its robust capital buffers, ensuring a strong coverage of its guarantee commitments as it extends guarantees to participating MFIs. We expect IFFEd to progressively expand its guarantee deployments, while pursuing a concomitant expansion and diversification of the contributor base. We also expect that in an unlikely scenario where IFFEd would need to call on the contingent capital from its contributors, these governments will provide the required resources on a timely basis as established in the legal agreements.

RATINGS RATIONALE

RATIONALE FOR AFFIRMING Aaa RATING

ROBUST SOLVENCY AND LIQUIDITY ARE MANDATED BY FOUNDATIONAL POLICY LIMITS

IFFEd is an independent nonprofit foundation established under the laws and jurisdiction of Switzerland (Aaa stable). IFFEd seeks to increase the quality and quantity of MFIs' support to the education systems of lower-middle-income countries (LMICs). It aims to achieve this mainly by providing partial first-loss portfolio credit guarantees to participating MFIs, in turn allowing these institutions to provide more loans specifically

for education projects in LMICs. In addition, IFFEd can provide grants to MFIs for reducing the financing cost of eligible education projects. The Board of IFFEd has approved IBRD (Aaa stable) and the International Development Association (IDA, Aaa stable) as partnership MFIs for education projects, with IBRD as the recipient of its guarantees, adding to its executed partnership with the Asian Development Bank (ADB, Aaa stable). In addition, the African Development Bank (AfDB, Aaa stable) and Inter-American Development Bank (IADB, Aaa stable) are approved as participating MFIs.

IFFEd's design ensures that solvency and liquidity will remain very high as long as established policy limits are respected. As mandated by its foundational documents, the total amount of guarantees will be capped by the sum of its paid-in capital, retained earnings and contingent capital. Hence, growth in the guarantee portfolio beyond the initial amount of equity will require new paid-in and contingent capital from the current contributors or new ones. This ensures that capital adequacy will remain very strong throughout IFFEd's operational expansion. Moreover, as also stated in the foundational documents, IFFEd will not incur any indebtedness.

IFFEd is also required to begin operations with a cash coverage (paid-in capital plus retained interest income) of 15% of its total guarantees. Beyond a small paid-in capital base provided by its contributors, around 88% of IFFEd's useable capital as of end-2025 is derived from contingent capital agreements signed with contributors that would be called when its cash ratio falls below 10% of guarantees outstanding with MFIs. In the event that IFFEd experiences a large number of guarantee calls, the contributors would be contractually obligated to provide additional resources so that the coverage returns to 15%. Under these conditions, we consider IFFEd will maintain a high degree of liquidity to fulfill any potential call on its guarantees.

As of end-2025, IFFEd has confirmed an aggregate amount of $41 million in paid-in contributions from the United Kingdom's (Aa3 stable) Foreign, Commonwealth and Development Office's (FCDO), Canada (Aaa stable) and Korea (Aa2 stable), as well as $302 million in contingent capital contributions from FCDO and the Swedish International Development Cooperation Agency (Sida), the government of Sweden's (Aaa stable) development finance agency. Efforts are ongoing to bring in additional contributors. Notwithstanding IFFEd's large reliance on contingent capital, we consider the latter as useable equity even though IFFED's contingent capital instruments constitute a significantly larger share of useable equity than our typical consideration of a maximum equity share of 50% for such instruments. This is because the specific nature of IFFEd's guarantee model allows more accurate planning of support needs than a typical loan-based business model and both existing facilities from the FCDO and Sida are long-term contractual agreements that run until the late 2040s and provide for timely payment upon a clearly defined activation trigger that concords with IFFEd's guarantee-oriented model. Importantly, capital would become available in a very short time frame of around 20 business days - recently reduced from 60 days - as long as prior notification by IFFEd is given and, in Sida's case, that the claim is not disputed, an outcome that we regard as very unlikely.

As operations expand, we expect asset performance to remain strong. A call on IFFEd's guarantees would be triggered if a recipient MFI experiences a nonaccrual event in their covered portfolios. Claim payments from IFFEd will be limited by a claim ratio for each MFI, capping actual payouts. Given the preferred creditor status historically enjoyed by recipient MFIs, nonaccrual events by sovereign borrowers have been rare, likely keeping IFFEd's own called guarantees low in the future.

STRONG SUPPORT FROM GROUP OF HIGHLY-RATED CONTRIBUTORS FOR IFFEd's POLICY MANDATE

We consider IFFEd to benefit from strong member support, reflecting the contributors' very strong ability to support the entity and their commitment to do so. Based on the credit quality of its initial contributors, IFFEd's initial weighted average shareholder rating is Aa1, among the highest of rated MFIs. We expect any potential additional contributors to be highly-rated as well, ensuring the ability of members to provide support to IFFEd remains high. The legal agreements that govern the contingent capital provided by the UK and Sida's guarantee agreement demonstrate these governments' high propensity to support the entity. IFFEd's mission and innovative financial approach to support MFIs' education loans reflect a distinct policy mandate, while its partnerships with global MFIs will support its reach across most LMICs.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects our expectation that IFFEd will maintain its robust capital buffers, ensuring a strong coverage of its commitments as it extends guarantees to participating MFIs. We expect the first guarantee issuances to take place by the end of this year, initially supporting projects led by ADB and the World Bank with qualifying education loans. The projects are likely to act as a concrete proof of concept for IFFEd in financing education, in turn supporting further capital mobilisation from contributors.

We expect IFFEd to progressively expand its guarantee deployments, leading to sustained operational growth and allowing the facility to fulfill its policy mandate. That said, balance sheet growth will require a sustained flow of new – likely largely contingent in nature – contributions. As the number of guarantees increases, we expect IFFEd's capital adequacy to remain very strong, based on the limits imposed by its foundational documents and policies. This, combined with our expectation that asset performance will remain robust, would keep solvency at a very high level.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

IFFEd's credit impact score of CIS-2 reflects the limited exposure of its credit profile to environmental and social risks, and our expectation that its governance will be robust and aligned with the high standards that characterize multilateral development banks.

The E-2 score points to an exposure to environmental risks that is limited because of IFFEd's highly diversified guarantee portfolio, as its guarantees will cover other multilateral development banks' loans to sovereigns in various regions across the world.

IFFEd's S-2 score reflects limited exposure to social risks. IFFEd's mission to bolster the financing of education-related projects by other multilateral development banks leads to a positive exposure to demographic and societal trends. The entity's innovative way to support this additional financing for education-related loans has led to strong support provided by its original contributing governments and will also help secure additional contributions in the coming years, which in turn will help IFFEd expand its mandate.

The governance issuer profile score of G-2 is supported by a prudent risk management framework that will allow IFFEd to ensure that it will be able to fulfill its guarantee commitments. Over time, we expect that IFFEd will build a track record of credible risk management that will also support its developmental mission and strong financial standing.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

An upgrade to IFFEd's rating is not possible as Aaa is the highest rating in our rating scale.

Downward pressure on the rating would emerge if IFFEd's capital and liquidity metrics seemed likely to deteriorate beyond the established policy limits, thus making it more difficult for the entity to fulfill its guarantee commitments. Negative pressure would also develop if contributor support weakens or if the contributing governments delayed the payment of their agreed contingent capital contributions beyond the periods established in their legal agreements with IFFEd. Over the longer term, significant execution setbacks in carrying out IFFEd's mandate, reflected in difficulties in scaling up the guarantee portfolio over time, would weigh on the rating.

The principal methodology used in this rating was Multilateral Financial Institutions published in June 2026 and available at https://ratings.moodys.com/rmc-documents/468058. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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