2020 Financial Review

FinDev Canada

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2020 Financial Highlights

During the year we signed and disbursed on the following loans:

- Latin American Agribusiness Development Corporation S.A. – $25.5 million;
- Banco Davivienda S.A. – $25.5 million;
- Corporacion Interamericana Para El Financiamiento de Infraestructura S.A. – $19.1 million disbursed and $1.9 million repaid; and
- Banco de Comercio Exterior de Colombia S.A. – $12.7 million.

We also signed a $25.5 million loan commitment with FirstRand Bank Limited.

Additionally, we signed and disbursed the following investments:

- M-KOPA follow-on – $2.5 million; and
- African Development Partners III Mauritius L.P. Fund – $25.5 million commitment signed, and $5.8 million disbursed.

We recorded a net loss of $13.1 million for the year, compared to a loss of $8.1 million in 2019.

FOR THE YEAR ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	**2020**	2019
Net financing and investment income	**2,492**	1,601
Donor contributions	**509**	523
Other income (expenses)	**(490)**	1,691
	2,511	3,815
Administrative expenses	**12,548**	10,169
Provision for credit losses	**3,051**	1,746
Net loss	**$(13,088)**	$(8,100)

Items of note were as follows:

Administrative expenses were $2.4 million higher than 2019 mainly due to an increase in headcount, other HR costs, and professional services.

Provision for credit losses of $3.1 million mainly due to increased risk in the portfolio as a result of the current period of economic uncertainty related to the COVID-19 pandemic and new loan disbursements during the year.

Net financing and investment income increased by $891 thousand compared to the prior year due to growth in the loan portfolio.

We recognized **donor contributions** for the Technical Assistance Facility (TAF) project of $509 thousand from The Department of Foreign Affairs, Trade and Development (DFATD).

Other expenses of $490 thousand for the year compared to income of $1.7 million in 2019. The variance is mainly due to unrealized losses on our investments portfolio partially offset by foreign exchange translation. The unrealized losses on our investments portfolio consisted of $1.4 million of management fees partially offset by $470 thousand of unrealized gains due to fair market value adjustments on the portfolio.

Risk Management Overview

By providing development financing and other forms of development support in furtherance of its mandate, FinDev Canada is exposed to several Risks. Our enterprise risk management (ERM) practice emphasizes a strong risk culture of oversight and clear direction, ownership and accountability, and the requirement for monitoring and reporting. Risk management at FinDev Canada is governed by the Three Lines of Defence (3LD) Model, an industry best-practice approach to risk governance. Furthermore, our Risk Appetite Framework (RAF) is articulated around three broad risk types which are intrinsic to our business: Strategic Risks, Operational Risks and Financial Risks.

RISK GOVERNANCE, OVERSIGHT AND DESIGN

Our evolving risk governance structure balances strong central oversight and control of risk with clear accountability for and ownership of risk within the front lines. The 3LD risk governance model ensures a balance between three distinct organizational functions, or "lines of defence":

- 1st Line of Defence: Employees on the front line who take, own and manage risk on a day-to-day basis;
- 2nd Line of Defence: The risk and compliance functions that provide independent oversight of and effective challenge to the first-line's risk management activities by ensuring that the organization's governance structure is appropriate, the right checks and balances are in place, and the proper tools are available;
- 3rd Line of Defence: The internal audit function, which provides independent assurance on the effectiveness of risk management policies, processes and practices to senior management and the Board of Directors (Board).

This structure supports the cascade of FinDev Canada's Risk Appetite throughout the organization and provides forums for risks to be appropriately considered, discussed, debated and factored into business decisions at all levels and across all functions.

BOARD OF DIRECTORS

The Board is ultimately responsible for Risk Governance by setting the cultural tone, approving FinDev Canada's ERM and Risk Appetite Frameworks, and maintaining oversight as to the efficacy of the ERM program. In addition, it has responsibility to ensure that our incentive, reward and performance management and evaluation systems are aligned and in place, with due emphasis on risk, compliance and controls.

EXECUTIVE MANAGEMENT TEAM

The Executive Management team, led by the Chief Executive Officer (CEO) and including the leadership team reporting directly to CEO, is ultimately accountable for managing enterprise risk within the Board-approved Risk Appetite, approving policies and procedures and overseeing execution of risk management activities.

EXECUTIVE COMMITTEES

FinDev Canada has established various executive management committees as part of its corporate governance framework to oversee the effective management of the financial, operational and strategical affairs within the organization while also deploying various authorities which are delegated to it by the Board of Directors ("Board"). Three such committees include the CEO, they are the Triage, Investment and Risk Management committees.

The role of the **Triage Committee** is to provide guidance and direction to the Investments Team, with the goal of pursuing transactions that align with FinDev Canada's mandate, strategic framework and risk appetite. For its part, the **Investment Committee** to has been established to make certain recommendations to the CEO or to the Board related to new and existing transactions, including those required by the Delegation of Authority Framework for Credit Commitments (DOA). Lastly, the **Risk Management Committee** exists to oversee the enterprise risk management governance framework, review the risk profile of the corporation considering existing and emerging risks, and make certain recommendations to the CEO or the Board regarding frameworks, policies, guidelines or procedures.

Independent Auditor's Report

To the Directors of **Development Finance Institute Canada**

Opinion

We have audited the financial statements of Development Finance Institute Canada ("DFIC"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DFIC as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of DFIC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing DFIC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate DFIC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing DFIC financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DFIC internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on DFIC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause DFIC to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Canada
May 12, 2021

Chartered Professional Accountants
Licensed Public Accountants

Ernst & Young LLP

Chartered Professional Accountants

FinDev Canada

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(in thousands of Canadian dollars)	Notes	**2020**	2019
Assets			
Cash		**9,521**	3,657
Marketable securities	4	**87,290**	105,991
Derivative instruments	9	**5,240**	1,400
Loans receivable	5	**101,709**	21,977
Allowance for losses on loans	5	**(4,146)**	(1,743)
Investments	6	**68,255**	51,315
Other assets		**3,668**	1,705
Property, plant and equipment	7	**444**	562
Right-of-use asset	8	**1,469**	1,663
Total Assets		**$273,450**	$186,527
Liabilities and Equity			
Accounts payable and other credits		**1,483**	1,800
Owing to Export Development Canada	18	**964**	1,104
Deferred revenue	10	**697**	369
Lease liability	8	**1,517**	1,686
Allowance for losses on loan commitments	5	**309**	-
Total Liabilities		**4,970**	4,959
Share capital	11	**300,000**	200,000
Deficit		**(31,520)**	(18,432)
Total Equity		**268,480**	181,568
Total Liabilities and Equity		**$273,450**	$186,527

The accompanying notes are an integral part of these financial statements.

These financial statements were approved for issuance by the Board of Directors on May 12, 2021.

Mairead Lavery

Mairead Lavery
Director

Ken Kember
Director

FinDev Canada

STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR ENDED DECEMBER 31

(in thousands of Canadian dollars)	Notes	**2020**	2019
Financing and Investment Revenue			
Loan	5	**2,286**	486
Marketable securities	4	**813**	1,336
Investments	6	**14**	31
Total financing and investment revenue		**3,113**	1,853
Interest expense	9	**171**	178
Transaction costs	6	**450**	74
Net Financing and Investment Income		**2,492**	1,601
Donor Contributions	16	**509**	523
Other Income (Expenses)	17	**(490)**	1,691
Administrative Expenses			
Salaries and benefits		**7,744**	4,316
Professional services		**1,555**	1,135
Administration costs	18	**1,346**	1,535
Impact projects		**447**	646
Marketing and communications		**299**	477
Travel, hospitality and conferences		**86**	851
Other		**1,071**	1,209
		12,548	10,169
Loss before Provision		**(10,037)**	(6,354)
Provision for Credit Losses	5	**3,051**	1,746
Net Loss		**(13,088)**	(8,100)
Other comprehensive income		**-**	-
Comprehensive Loss		**$(13,088)**	$(8,100)

The accompanying notes are an integral part of these financial statements.

FinDev Canada

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31

(in thousands of Canadian dollars)	Notes	**2020**	2019
Share Capital			
Balance beginning of year		**200,000**	100,000
Shares issued	11	**100,000**	100,000
Balance end of year		**300,000**	200,000
Deficit			
Balance beginning of year		**(18,432)**	(10,332)
Comprehensive loss		**(13,088)**	(8,100)
Balance end of year		**(31,520)**	(18,432)
Total Equity End of Year		**$268,480**	$181,568

The accompanying notes are an integral part of these financial statements.

FinDev Canada

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

(in thousands of Canadian dollars)	**2020**	2019
Cash Flows used in Operating Activities		
Net Loss	**(13,088)**	(8,100)
Adjustments to determine net cash from (used in) operating activities		
Provision for credit losses	**3,051**	1,746
Depreciation	**182**	135
Changes in operating assets and liabilities		
Change in fair value of investments and accrued interest on loans receivable	**291**	(2,161)
Change in accrued interest and fair value of marketable securities	**-**	59
Change in derivative instruments	**2,553**	345
Other	**(637)**	292
Loan disbursements	**(87,168)**	(22,280)
Loan repayments	**2,012**	-
Net cash used in operating activities	**(92,804)**	(29,964)
Cash Flows used in Investing Activities		
Disbursement for investments	**(20,028)**	(35,185)
Receipts from investments	**599**	-
Purchases of marketable securities	**-**	(29,130)
Sales/maturities of marketable securities	**-**	57,615
Purchases of property, plant, and equipment	**(63)**	(131)
Purchases of intangible assets	**(106)**	-
Net cash used in investing activities	**(19,598)**	(6,831)
Cash Flows from Financing Activities		
Decrease in amount due to EDC	**(135)**	(5,077)
Issuance of share capital	**100,000**	100,000
Net cash from financing activities	**99,865**	94,923
Effect of exchange rate changes on cash and cash equivalents	**(300)**	(36)
Net increase (decrease) in cash and cash equivalents	**(12,837)**	58,092
Cash and cash equivalents		
Beginning of year	**109,648**	51,556
End of year	**$96,811**	$109,648
Cash and cash equivalents are comprised of:		
Cash	**9,521**	3,657
Cash equivalents included within marketable securities	**87,290**	105,991
	$96,811	$109,648

The accompanying notes are an integral part of these financial statements.

1. Corporate Mandate

Development Finance Institute Canada (DFIC) Inc. was incorporated in September 2017 as a wholly-owned subsidiary of Export Development Canada ("EDC") for the purpose of providing, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities. The corporation operates under the trade name FinDev Canada. As a subsidiary of EDC, FinDev Canada is subject to the *Export Development Act and the Financial Administration Act.*

FinDev Canada's principal place of business is located at 1 Place Ville Marie #2950, Montreal, Quebec.

2. Impact of COVID-19

The World Health Organization officially declared the outbreak of COVID-19 a pandemic on March 11, 2020. The COVID-19 pandemic continues to have a significant adverse impact on the global economy. The overall economy continues to navigate the pandemic with continuing uncertainty even as vaccinations are being distributed. As a result, we continue to operate in an uncertain macroeconomic environment.

Impact on Estimates and Judgements

As disclosed in Note 3, the preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and judgements that affect the recognized and measured amounts of assets, liabilities, net income, comprehensive income and related disclosures. The COVID-19 pandemic gives rise to heightened uncertainty and increases the need to apply judgment in evaluating the economic environment and its impact on significant estimates. The uncertainty created by the COVID-19 pandemic has increased the level of judgment applied in estimating the allowance for credit losses (see Note 5) and fair value of financial instruments (see Note 14). Actual results could vary significantly from these estimates and judgments.

3. Summary of Significant Accounting Policies

Basis of Presentation

FinDev Canada's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Application of New and Revised International Financial Reporting Standards

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED DURING THE YEAR

The following standards issued by the IASB were adopted during the year:

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors - In October 2018, the IASB issued amendments to IAS 1 and IAS 8 regarding the definition of materiality. The amendments clarify the definition of material, explain how the definition should be applied and improve the explanations accompanying the definition. The amendments also ensure that the definition is consistent across all IFRS standards. The amendments were adopted on January 1, 2020 with no changes to the financial statements.

The Conceptual Framework for Financial Reporting - In March 2018, the IASB issued the revised Conceptual Framework, which sets out the fundamental concepts for financial reporting to ensure consistency in standard setting decisions and that similar transactions are treated in a similar way, in order to provide useful information to users of financial statements. The Conceptual Framework, which did not result in any change to the financial statements, was adopted on January 1, 2020.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET IN EFFECT

The following standards and amendments issued by the IASB have been assessed as having a possible effect on FinDev Canada in the future. We are currently assessing the impact of these standards and amendments on our financial statements:

IFRS 16 – Leases - In May 2020, the IASB issued an amendment related to *Covid-19 Related Rent Concessions* which provides a practical expedient in assessing whether a Covid-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and we do not anticipate any impact to the financial statements.

Interest Rate Benchmark Reform — Phase 2 - In August 2020, the IASB issued amendments to *IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 7 - Financial Instruments: Disclosures* and *IFRS 16 Leases* to address the reforms related to the interest rate benchmark. These amendments are effective for annual reporting periods beginning on or after January 1, 2021 with early application permitted. The amendments include changing the effective interest rate of financial instruments to reflect the change to the alternative benchmark rate, as well as additional disclosures about new risks arising from the reform and how we are managing the transition to alternative benchmark rates. These amendments are highly relevant to FinDev Canada and will impact the loans receivable and derivative instruments balances on our financial statements and related disclosures, however the impact cannot be reasonably estimated at this time. Currently, our project working group is focused on key activities including assessing the impact on existing systems and processes as well as the impact of converting our existing loan agreements to using the new relevant alternative benchmark rates.

Use of Estimates and Key Judgements

To prepare our financial statements in accordance with IFRS, it is necessary for management to exercise judgment and make use of estimates and assumptions, in applying certain accounting policies. We utilize current market data, and other information available to us as at the date of the financial statements in arriving at our decisions. We have established procedures to ensure that the process for determining our estimates and assumptions is well-controlled and occurs in an appropriate and systematic manner.

Uncertainty is inherent in the use of estimates and assumptions and as a result, actual results may vary significantly from management's estimates. Uncertainty arises, in part, from the use of data at a point in time to establish our assumptions. While this data may be the most reliable basis available on which to base our assumptions, economic events may occur subsequently that render previous assumptions invalid and cause a material change to actual results.

Management has made significant use of estimates and exercised judgment as described in the following paragraphs.

LOANS AND ALLOWANCE FOR CREDIT LOSSES

The allowance for losses on loans represents management's best estimate of expected credit losses. These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

The purpose of the allowance is to provide an estimate of expected credit losses inherent in the loan portfolio. Estimation is inherent in the assessment of forward-looking probabilities of default, loss severity in the event of default (also referred to as loss given default), review of credit quality and the value of any collateral. Management also considers the impact of forward-looking macroeconomic factors including current and future economic events, industry trends and risk concentrations on the portfolio and the required allowance.

Allowances are established on an individual basis for loans that management has determined to be impaired and/or for which losses have been incurred. When an obligor is considered impaired, we reduce the carrying value of the loan to its net realizable value. Management is required to make a number of estimates including the timing and amount of future cash flows and the residual values of the underlying collateral.

Management judgment is used in the expected credit loss (ECL) calculation as it pertains to the application of forward-looking information to support future events and historical behaviour patterns in determining the expected life of a financial instrument. Judgment is also used in assessing significant increase in credit risk.

Fair Value of Financial Instruments

The majority of our financial instruments are recognized on our statement of financial position at their fair value. These financial instruments include marketable securities, derivative instruments, and investments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are categorized into one of three levels based on whether the techniques employed to value the instruments use observable or unobservable market inputs. Financial instruments categorized as Level 1 are valued using quoted market prices, thus minimal estimation is required. Those instruments categorized as Level 2 and 3 require the use of greater estimation and judgment as they may include inputs such as discount rates, yield curves and other inputs into our models which may not be based on observable market data. Refer to Notes 4 and 6 for further details.

Our fund investments are considered structured entities. A structured entity (SE) is defined as an entity created to accomplish a narrow and well-defined objective. Management exercises judgment in determining whether we have control of structured entities. When we have power over an SE and are exposed or have rights to variable returns from our involvement with an SE and have the ability to affect those returns through its power over the SE, we are considered to have control over the SE which must be consolidated within our financial statements. When the criteria for control are not met, SEs are not consolidated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash and short-term marketable securities with a term to maturity of 90 days or less from the date of their acquisition, are considered highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are included within marketable securities on the Statement of Financial Position.

MARKETABLE SECURITIES

Marketable securities are held for liquidity purposes. These are held with creditworthy counterparties that must have a minimum credit rating from an external credit rating agency of A- for all transactions.

Marketable securities held directly by FinDev Canada are recorded at fair value through profit or loss to reflect our business model for managing these instruments. Purchases and sales of marketable securities are recorded on the trade date and the transaction costs are expensed as incurred. Interest revenue is recorded in marketable securities revenue in the statement of comprehensive income. Realized and unrealized gains and losses on these securities are included in other income (expenses) in the Statement of Comprehensive Loss.

LOANS RECEIVABLE

Loans receivable are recorded at fair value upon initial recognition and subsequently measured at amortized cost using the effective interest method. Our loans receivable are held in order to collect contractual cash flows which represent payments of principal, interest and fees. They are derecognized when the rights to receive cash flows have expired or we have transferred substantially all the risks and rewards of ownership. A loan payment is considered past due when the obligor has failed to make the payment by the contractual due date.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period in financing and investment revenue in the Statement of Comprehensive Loss. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, we estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Deferred loan revenue, which consists of exposure, administration and other upfront fees, is considered an integral part of the effective interest rate and is amortized over the term of the related loan.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses represents management's best estimate of expected credit losses and is based on the expected credit loss model.

Financial instruments subject to an impairment assessment include loans held at amortized cost. The allowance for credit losses related to loans receivable is presented in the allowance for losses on loans in the Statement of Financial Position.

Changes in the allowance for credit losses as a result of originations, repayments and maturities, changes in risk parameters, remeasurements and modifications are recorded in the provision for credit losses in our Statement of Comprehensive Loss.

Expected Credit Loss Impairment Model

The ECL model applies a three-stage approach to measure the allowance for credit losses. At initial recognition financial instruments are placed in Stage 1. Expected credit losses are measured based on the stage assignment of the financial instrument:

- *Stage 1* - Where there has not been a significant increase in credit risk since origination, the allowance recorded is based on the expected credit losses resulting from defaults over the next 12-months;
- *Stage 2* - Where there has been a significant increase in credit risk since origination, the allowance recorded is based on the expected credit losses over the remaining lifetime of the financial instrument; and
- *Stage 3* - Where a financial instrument is considered impaired, the allowance recorded is based on the expected credit losses over the remaining lifetime of the instrument and interest revenue is calculated based on the carrying amount of the instrument, net of the loss allowance, rather than on its gross carrying amount.

Impairment and Write-off of Financial Instruments

Under our definition of default on loans receivable and loan commitments, financial instruments are considered to be in default and placed in Stage 3 when they meet one or both of the following criteria which represent objective evidence of impairment:

- there has been a deterioration in credit quality to the extent that we consider the obligor is unlikely to pay its credit obligations to us in full; or
- the obligor is past due more than 90 days on any credit obligation to us, as required under IFRS 9.

If there is objective evidence that an impairment loss has occurred on an individual loan or loan commitment, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of any estimated future cash flows discounted at the loan's original effective interest rate. The carrying value of the loan is reduced through the use of an individual allowance.

Thereafter, interest income on individually impaired loans is recognized based on the reduced carrying value of the loan using the original effective interest rate of the loan.

Loans and the related allowance for credit losses are written off, either partially or in full, when all collection methods, including the realization of collateral, have been exhausted and no further prospect of recovery is likely.

Loans are returned to performing status when it is likely that contractual payments will continue pursuant to the terms of the loan.

MEASUREMENT OF EXPECTED CREDIT LOSSES

The ECL calculation along with the stage assignment considers reasonable and supportable information about past events, current conditions and forecasts of future economic events. The estimation and application of forward-looking information, using both internal and external sources of information, requires significant judgement.

The ECL model is a function of the probability of default (PD), loss given default (LGD), and exposure at default (EAD) of a specific obligor or group of obligors with like characteristics such as industry and country classification as well as credit risk rating, discounted to the reporting date using the effective interest rate, or an approximation thereof. PD is modelled based on current and historic data along with relevant forward-looking macroeconomic factors to estimate the likelihood of default over a given time horizon. LGD is an estimate of the percentage of exposure that will be lost if there is a default on a specific obligor. EAD is modelled based on cash flow expectations which include contractual terms as well as forward-looking repayment and draw patterns and represents the outstanding exposure at the time of default.

FORWARD-LOOKING INFORMATION

Expected credit losses are calculated using forward-looking information determined from reasonable and supportable forecasts of future economic conditions as at the reporting date. The ECL model does not consider every possible scenario but reflects a representative sample of three possible outcomes. The scenarios used are not biased towards extremes, reflect consistency among variables and are probability-weighted.

In addition to a baseline macroeconomic outlook, we also produce two alternative outlooks. These alternative forecasts leverage our country risk and sector analysts in EDC's Economics team to identify and vet key upside and downside scenario possibilities, considering their impacts and probability of occurrence. The scenarios are reviewed quarterly for ongoing relevance.

The macroeconomic variables considered in the determination of the scenarios have been established to be key drivers of a global macroeconomic outlook and influential to our loan portfolio and include, but are not limited to, gross domestic product, commodity prices, equity indices, bond yields and unemployment rates. The macroeconomic variables are applied in the ECL model based on industry classification. We also assess the extent to which these variables may not reflect recent economic events that may result in credit deterioration. In these cases we will estimate the potential impact on our allowances and apply market overlays to specific industries or other exposure categories that we deem appropriate.

SIGNIFICANT INCREASE IN CREDIT RISK

At each reporting date, an assessment of whether a significant increase in credit risk has taken place since the initial recognition of the financial instrument is performed. The assessment, which does not use the low credit risk exemption allowed under IFRS 9, requires significant judgement and considers the following factors:

- a threshold based on a relative change in the probability of default for the remaining expected life of the instrument relative to the corresponding probability of default at origination;
- qualitative information available as at the reporting date; and
- days past due.

Any exposure that is 30 days past due is placed in Stage 2. Any exposure that is 90 days past due is considered impaired and placed in Stage 3.

Assets can move in both directions through the stages of the impairment model. If, in a subsequent period, the credit quality improves for an instrument in Stage 2 such that the increase in credit risk since initial recognition is no longer considered significant, the instrument will move to Stage 1 and the loss allowance shall revert to being recognized based on the 12-month expected credit losses.

Investments

Investments are comprised of direct investments that are held in private companies and investments in private equity funds. Purchases and sales of these investments are recorded on a trade-date basis and are measured at fair value through profit or loss. Subsequent changes in fair value and any realized gains and losses are recorded in other income (expenses). Transaction costs are expensed as incurred.

Leases

At the inception of a contract, we assess whether the contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. In our assessment of whether a contract conveys the right to use an asset, we consider whether FinDev Canada has:

- access to a physically identifiable asset either explicitly or implicitly within the contract;
- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

We recognize the right-of-use asset and the lease liability at the lease commencement date. At initial recognition, the right-of-use asset is measured at cost and is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is assessed for impairment consistent with the requirements under IAS 36.

Our right-of-use asset pertains to office space. We account for lease components and non-lease components separately. We do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less or are of a low value. Lease payments associated with these leases are recognized as an expense as they are incurred.

Our lease liability is initially measured at the present value of lease payments and discounted using the interest rate implicit in the lease or, if not available, our incremental borrowing rate. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change to the term of the lease. When a lease is remeasured, a corresponding adjustment is also made to the carrying amount of the right-of-use asset or is recognized as a gain or loss in other income or in other expenses if the carrying amount of the right-of-use asset is nil.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets or the term of the lease. The estimated useful lives and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life used in the calculation of depreciation for furniture and equipment is five years and three years for computer hardware. Leasehold improvements are depreciated on a straight-line basis over the shorter of the term of the lease or the useful economic life of the leasehold improvement. Depreciation is recorded in administrative expenses.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in other expenses. The estimated useful lives and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible Assets

Intangible assets represent internally developed and purchased computer software. They are carried at cost less accumulated amortization and impairment losses. Amortization is charged on a straight-line basis over the estimated useful lives of the intangible assets, which currently vary from five to ten years. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is recorded in administrative expenses.

Intangible assets are reviewed annually for indications of impairment. If indications exist, the carrying value is analyzed to determine whether it is fully recoverable. An impairment loss is recorded in administrative expenses to write down the carrying value to recoverable amount.

Derivative Instruments

Derivative instruments (derivatives) are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, equities, credit spreads or other financial measures. We use derivatives (foreign exchange swaps) to manage foreign exchange risk.

We do not apply hedge accounting to our derivatives. Derivatives are accounted for at fair value through profit or loss and are recognized on the statement of financial position upon the trade date and are removed from the statement of financial position when they expire or are terminated. Derivatives with a positive fair value are reported as derivative instruments within assets, while derivatives with a negative fair value are reported as derivative instruments within liabilities. All interest income and expenses associated with our derivatives are included in interest expense, while realized and unrealized gains and losses are recorded in other income (expenses).

Donor Contributions

FinDev Canada enters into co-funding agreements with various donors to increase resources for development impact projects. Donor contributions are managed together with FinDev Canada's own contributions. Funds received or receivable under donor contribution agreements are recorded as deferred revenues. These deferred revenues are recognized as revenues in the year in which the related expenses are incurred.

Accounts Payable and Other Credits

Accounts payable and other credits are carried at amortized cost.

Translation of Foreign Currency

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars, the functional and presentation currency of FinDev Canada, at exchange rates prevailing at the end of the year. Income and expenses are translated at either daily or monthly average exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are included in other income (expenses).

Foreign currency non-monetary items that are measured at historical cost are translated at historical rates. Foreign currency non-monetary items measured at fair value are translated using the rate of exchange at the date the fair value was determined.

Retirement Benefit Plans

We participate in benefit plans sponsored by EDC. We account for our participation on an accrual basis based on an allocation rate determined by EDC. For further details of these benefit plans, please refer to Note 3 of EDC's 2020 Annual Report.

4. Marketable Securities

FinDev Canada holds Canadian dollar interest-earning short-term instruments with Canadian banks that are due within one year for cash management purposes. Instruments with a term to maturity of 90 days or less from the date of their acquisition are considered cash equivalents.

We are exposed to risk on our marketable securities portfolio that the deposit-taking institutions or counterparties will not repay us in accordance with contractual terms. To mitigate this risk, we only transact marketable securities with counterparties having a credit rating of A- or better. Our marketable securities credit exposure is represented by the carrying value of the financial instruments.

The yield on marketable securities for 2020 was 0.69% (2019 – 2.01%[1]).

[1] *The prior period yield has been restated to reflect the current period methodology.*

5. Loans and Allowance for Credit Losses

Loans Receivable

The following table shows the components of our loans receivable:

(in thousands of Canadian dollars)	**Dec. 31, 2020**	Dec. 31, 2019
Gross loans receivable	**102,338**	21,807
Accrued interest and fees receivable	**609**	428
Deferred loan revenue and other	**(1,238)**	(258)
Total loans receivable	**$101,709**	$21,977

The following reflects the movement in gross loans receivable during the period:

(in thousands of Canadian dollars)	**2020**	2019
Balance beginning of year	**21,807**	-
Disbursements	**87,168**	22,280
Principal repayments	**(2,012)**	-
Capitalized interest	**38**	-
Foreign exchange translation	**(4,663)**	(473)
Balance end of year	**$102,338**	$21,807

At the end of 2020, total loans receivable were $101.7 million, an increase of $79.7 million from 2019.

We had country risk concentrations as outlined below:

(in thousands of Canadian dollars)	**Dec. 31, 2020**				Dec. 31, 2019
Country	**Performing gross loans receivable**	**%**	Country	Performing gross loans receivable*	%
Columbia	**39,449**	**38**	Peru	10,388	48
Curaçao	**25,474**	**25**	Ecuador	10,226	47
Panama	**17,195**	**17**	Columbia	1,193	5
Peru	**10,190**	**10**			
Ecuador	**10,030**	**10**			
Total	**$102,338**	**100**	Total	$21,807	100

*The prior period has been reclassified to reflect current period presentation.

We employ a range of methods to mitigate credit risk on our commercial loans which includes obtaining certain forms of security interest. The principal types of security interest are liens on real and personal property and fixtures of the borrower.

Our maximum exposure to credit risk is $127.8 million at December 31, 2020 (2019 – $21.8 million).

Exposure by Stage

The breakdown of our gross loans receivable and loan commitments by credit grade was as follows:

(in thousands of Canadian dollars)			**Dec. 31, 2020**	Dec. 31, 2019
	Stage 1	**Stage 2**	**$**	**$**
Gross loans receivable	**80,880**	**21,458**	**102,338**	**21,807**
Loan commitments	**25,474**	**-**	**25,474**	**-**

*All exposure is non-investment grade which represents obligors with credit ratings of BB+ and below, as determined based on our internal credit risk rating methodology.

Allowance for Credit Losses

An allowance for losses on loans of $4.1 million has been recorded, an increase of $2.4 million since December 31, 2019 primarily due to the increased risk in the portfolio as a result of the current period of economic uncertainty related to the COVID-19 pandemic. As a result of the increased risk, several loans and the related allowance for losses were transferred from stage 1 to stage 2 in the first quarter of 2020 due to a significant increase in credit risk since origination and remeasured for IFRS 9 purposes.

As at December 31, 2020 we have undisbursed loan commitments of $25.5 million (2019 – nil) with an allowance for losses of $309 thousand (2019 – nil).

Changes to the allowance for losses on loans receivable and loan commitments for the year ended December 31, 2020 were as follows:

(in thousands of Canadian dollars)			**2020**		2019
	Stage 1	**Stage 2**	**Total**	Stage 1	Total
Allowance for losses on loans receivable					
Balance at beginning of period	1,743	-	1,743	-	-
Provision for credit losses					
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(1,743)	1,743	-	-	-
Remeasurements	(307)	1,948	1,641	99	99
New originations	1,101	-	1,101	1,649	1,649
Net repayments and maturities	-	-	-	-	-
Changes in risk parameters	-	-	-	-	-
Total provision for (reversal of) credit losses	(949)	3,691	2,742	1,748	1,748
Foreign exchange	(30)	(309)	(339)	(5)	(5)
Balance end of year	764	3,382	4,146	1,743	1,743
Allowance for losses on loans commitments					
Provision for credit losses					
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Remeasurements	(13)	-	(13)	-	-
New originations	991	-	991	264	264
Net repayments and maturities	(669)	-	(669)	(266)	(266)
Changes in risk parameters	-	-	-	-	-
Total provision for (reversal of) credit losses	309	-	309	(2)	(2)
Foreign exchange	-	-	-	2	2
Balance end of year	309	-	309	-	-
Total allowance for losses on loans receivable and loan commitments	$1,073	$3,382	$4,455	$1,743	$1,743

6. Investments

(in thousands of Canadian dollars)	**Dec. 31, 2020**		Dec. 31, 2019	
	Cost	**Fair Value**	Cost	Fair Value
Direct Investments	**40,758**	**41,891**	38,955	41,152
Fund Investments	**26,815**	**26,364**	11,121	10,163
Total Investments	**$67,573**	**$68,255**	$50,076	$51,315

We invest in funds which are pooled investment vehicles structured as limited partnerships and financed by the limited partners. These funds invest primarily in private or public companies and are considered to be structured entities.

We have undisbursed fund investment commitments of $58.6 million (2019 – $50.2 million).

Transaction costs on the establishment of fund investments of $450 thousand (2019 – $74 thousand) was recorded in the statement of comprehensive loss.

7. Property, Plant and Equipment

During the year, changes to property, plant and equipment were as follows:

(in thousands of Canadian dollars)	**Dec. 31, 2020**				Dec. 31, 2019			
	Computer hardware	**Furniture and equipment**	**Leasehold improvements**	**Total**	Computer hardware	Furniture and equipment	Leasehold improvements	Total
Cost:								
Balance beginning of year	**74**	**153**	**528**	**755**	74	90	460	624
Additions	**-**	**-**	**63**	**63**	-	63	68	131
Balance at end of year	**74**	**153**	**591**	**818**	74	153	528	755
Accumulated Depreciation:								
Balance beginning of year	**(38)**	**(23)**	**(132)**	**(193)**	(13)	(5)	(40)	(58)
Depreciation expense	**(24)**	**(31)**	**(126)**	**(181)**	(25)	(18)	(92)	(135)
Balance end of year	**(62)**	**(54)**	**(258)**	**(374)**	(38)	(23)	(132)	(193)
Carrying amount	**$12**	**$99**	**$333**	**$444**	$36	$130	$396	$562

There were no future contractual commitments related to property, plant and equipment at the end of 2020 (2019 – $197 thousand).

8. Right-of-Use Asset and Lease Liability

Right-of-Use Asset

FinDev Canada leases office space with a term of 5 years and has the option to renew for an additional period of the same duration after the end of the contract term. We have included the extension option in the measurement of our lease liability as it is reasonably certain to exercise the extension option. During the year, changes to our right-of-use asset were as follows:

(in thousands of Canadian dollars)	**2020**	2019
Balance beginning of year	**1,663**	1,856
Depreciation	**(194)**	(193)
Balance end of year	**$1,469**	$1,663

Lease Liability

The following table presents the maturity analysis of the contractual undiscounted cash flows for our lease liability as at December 31, 2020:

(in thousands of Canadian dollars)	**2020**	2019
Under 1 year	**206**	206
1 to 5 years	**1,107**	1,085
Over 5 years	**342**	569
Total undiscounted lease liability	**1,655**	1,860
Total lease liability end of year	**$1,517**	$1,686

Interest expense on the lease liabilities for the year ended December 31, 2020 was $37 thousand (2019 – $41 thousand). Expenses relating to short-term leases and leases of low value assets were not significant. Total cash outflow for the leases was $206 thousand (2019 – $206 thousand), including $169 thousand (2019 – $169 thousand) of principal payments on lease liabilities.

Future contractual commitments related to non-lease components, low value and short-term leases at the end of 2020 were $1.3 million (2019 – $2 million).

9. Derivative Instruments

We use foreign exchange swaps to manage our foreign exchange risk. These instruments are commitments to exchange cash flows in different currencies where there are two exchanges; the first is made at the spot rate at inception and the second at a predetermined rate on a specified date in the future.

To limit credit risk on our derivative instruments we only transact these foreign exchange swaps with EDC.

Derivative instruments are recorded on the Statement of Financial Position at fair value. Notional amounts are not recorded as assets or liabilities on our statement of financial position as they only represent the face amount of the contract to which a rate or a price is applied to determine the amount of cash flows to be exchanged.

We have transacted foreign exchange swaps (ranging from 5-month to 9-month) with EDC to convert Canadian dollars to U.S. dollars. As at December 31, 2020, the notional value of the swaps was $172 million (December 31, 2019 – $75 million). Interest expense on these swaps of $144 thousand (2019 – $158 thousand) was recorded in the Statement of Comprehensive Loss.

10. Deferred Revenue

Deferred revenue of $697 thousand (2019 – $369 thousand) represents the unspent portion of donor contributions received from Global Affairs Canada (formerly The Department of Foreign Affairs, Trade and Development) for the Technical Assistance Facility (TAF) project.

11. Share Capital

FinDev Canada's authorized share capital was increased during the year to $300 million consisting of 3 million shares (2019 – $200 million consisting of 2 million shares). Shares have a par value of $100 each and entitle our shareholder to receive a dividend from time to time. On July 6, 2020, FinDev Canada received a capital injection of $100 million in exchange for 1 million shares with a par value of $100 each. One million common shares were issued in the third quarter of 2020 (2019 – 1 million).

12. Capital Management

By providing financing and equity to private companies operating in developing countries, we are exposed to several financial risks. One such risk is the Capital Adequacy Risk, which is the risk of loss due to the failure to maintain sufficient capital, leading to business disruption, insolvency or bankruptcy. We manage our Capital Adequacy Risk via a Board-approved Capital Management Policy.

Amongst other things, this policy establishes the approach and processes used to measure, monitor and manage Capital Adequacy Risk. It also sets out the methodology for the calculation of available capital (Capital Supply) and required capital (Capital Demand) on a periodic basis. A capital surplus occurs when the organization's Capital Supply is higher than its Capital Demand, whereas the inverse creates a capital deficit. Given the absence of borrowings and the relatively early stage of development our portfolio, we were in a capital surplus situation at December 31, 2020.

Our approach to Capital Management has been designed to ensure alignment with our parent Export Development Canada. Such methodology is based on Basel principles, which is considered best practice among financial institutions worldwide and a requirement for regulated institutions.

Our parent has a capital management framework in place which follows the Internal Capital Adequacy Assessment Process (ICAAP) and serves as a guideline to assess our required capital. Demand for capital, which is calculated by models or approaches that estimate the capital required to cover potential losses consistent with an AA solvency level, includes credit risk, operational risk, market risk and strategic risk. The supply of capital is determined by our financial statements and consists of paid-in share capital and retained earnings.

A key principle in our capital management is the establishment of a target solvency standard or credit rating required to balance available capital and required capital. Our target solvency rating has been set to AA to align with our parent.

Our debt funding limit has been set to 3 times our book equity. This limit will be periodically reviewed and the borrowing capacity reduced accordingly when there is a capital deficit, following an increase in the risk profile of our portfolio and/or a reduction of the required capital.

13. Financial Risk Management

By providing financing and equity to private companies operating in developing countries, FinDev Canada is exposed to several financial risks. To control or mitigate FinDev Canada's exposure to financial risks, FinDev Canada has a Board-approved Financial Risk Management Framework ("FRMF") in place which sets out governance and oversight of financing and equity transactions as well as its treasury operations. The FRMF establishes procedures ensuring the effective management of financial risks. This includes Board limits as well as monitoring and reporting processes.

The main financial risks to which FinDev Canada is exposed are:

ACCOUNTING & FINANCIAL REPORTING RISK

The risk of loss or harm due to accounting and reporting errors, including the material misstatement of the financial statements, and non-compliance with legal and regulatory requirements regarding financial disclosures.

CAPITAL ADEQUACY RISK

The risk of loss due to the failure to maintain sufficient capital leading to business disruption or insolvency.

CONCENTRATION & PORTFOLIO RISK

The risk of loss resulting from any single exposure or group of exposures with potential to produce losses large enough to threaten FinDev Canada's health or ability to maintain its core operations.

OBLIGOR RISK

The risk of loss due to the failure of a borrower/guarantor to meet its obligations in accordance with agreed terms or due to adverse changes in the value of equity held by FinDev Canada.

LIQUIDITY RISK

The risk of loss due to the inability of FinDev Canada to raise/borrow funds to meet its financial obligations.

MARKET RISK

Market Risk is the risk of loss due to adverse movements in market prices, interest rates and/or foreign exchange rates. For example, Market Risk could arise as a consequence of a currency mismatch between FinDev Canada's assets and liabilities, or as a result of funding on a fixed-rate basis but lending on a floating-rate basis.

TREASURY COUNTERPARTY RISK

The risk of loss from the failure of a treasury or risk transfer counterparty to meet its obligations in accordance with agreed terms.

14. Fair Value of Financial Instruments

Fair value represents our estimation of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As with any estimate, uncertainty is inherent due to the unpredictability of future events. In the case of estimating the fair value of our financial instruments, this uncertainty is magnified due to the large number of assumptions, including assumptions related to the COVID-19 pandemic, used and the wide range of acceptable valuation techniques. Estimates of fair values are based on market conditions at a certain point in time and may not be reflective of future market conditions. Therefore, the estimates of the fair value of our financial instruments do not necessarily reflect the actual values that may occur should the instruments be exchanged in the market.

We have controls and policies in place to ensure that our valuations are appropriate and realistic. The models, valuation methodologies, and market-based parameters and inputs that are used are subject to regular review and validation, including a comparison with values from outside agencies.

We categorize financial instruments on the fair value hierarchy based on whether the inputs to the valuation techniques are observable or unobservable.

- *Level 1* - fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2* - fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3* - fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The assumptions and valuation techniques that we use to estimate fair values are as follows:

Loans Receivable

Loans receivable are classified as Level 3 financial instruments on the fair value hierarchy and have a fair value of $102.5 million (2019 – $20.7 million) and a carrying value of $97.6 million (2019 – $20.2 million) as at December 31, 2020.

Marketable Securities

We estimate the fair value of marketable securities using observable market prices. If such prices are not available, we determine the fair value by discounting future cash flows using an appropriate yield curve. All of our marketable securities are classified as level 1.

Investments

Our approach to fair value measurement has been developed using International Private Equity and Venture Capital Valuation Guidelines. Depending on the type of direct investment, we estimate fair value using one of the following: market-based methodologies, such as the quoted share price from available market data, price of recent investment, multiples, or industry benchmarks; income-based methodologies such as discounted cash flows; or replacement cost-based methodology such as net assets. Our fund valuations are performed using their most recent published financial statements. The valuations are established by management and approved by an independent valuation committee. The valuation methods are constantly validated and calibrated through discussions with co-investors and market participants, taking into account all known market events. As at December 31, 2020, we held one investment for which there was an unobservable input used in its valuation technique: multiple of sales of 1.95, with a fair value of $16.4 million recorded.

The following table summarizes the reconciliation of Level 3 fair values between 2020 and 2019 for investments:

(in thousands of Canadian dollars)	**2020**	2019
Balance beginning of year	**51,315**	15,971
Disbursements for investments	**20,028**	35,185
Unrealized gains (losses) included in other (income) expenses	**(561)**	1,663
Receipts from investments	**(599)**	-
Foreign exchange translation	**(1,928)**	(1,504)
Balance end of year	**$68,255**	$51,315
Total gains (losses) for the year included in comprehensive income (loss) for instruments held at end of the year	**$(561)**	$1,663

In 2020, a sensitivity analysis was performed using possible alternative assumptions to recalculate the fair value of our Level 3 financial instruments. The fair value of Level 3 financial instruments is in whole or in part based on unobservable inputs. In preparing financial statements, appropriate levels for the parameters of the unobservable inputs are chosen so that they are consistent with prevailing market evidence or management judgment.

In order to perform our sensitivity analysis for our Level 3 investments, we adjusted the unobservable inputs. The unobservable inputs used to value our Level 3 investments include one or more of the following: multiple of sales, liquidity discount, multiple of EBITDA and discount rate. When multiple unobservable inputs are shocked, no netting is considered, resulting in the highest favourable or unfavourable change. The results of our analysis on our Level 3 investments ranged from an unfavourable change of $11.6 million to a favourable change of $11.6 million.

Derivative Instruments

Foreign exchange forwards and foreign exchange swaps are valued by discounting the notional amounts using the respective currency's yield curve and converting the amounts using the spot Canadian dollar exchange rate. All of our derivative instruments are classified as Level 2.

15. Contractual Obligations

In the normal course of business, we enter into contracts that give rise to commitments of future minimum payments.

Purchase obligations include those obligations that are legally binding agreements whereby we have agreed to purchase products or services with specific minimum quantities defined as fixed, minimum or variable in price over a specified period of time.

As at December 31, 2020, purchase obligations not otherwise disclosed in the notes to our financial statements amounted to $1.9 million (2019 – $2.0 million).

16. Donor Contributions

Donor contributions relate specifically to development impact projects managed by FinDev Canada in partnership with Global Affairs Canada (formerly The Department of Foreign Affairs, Trade and Development). For the year ended December 31, 2020, donor contributions of $509 thousand have been recognized in revenue (December 31, 2019 – $523 thousand with Mastercard Foundation and OPIC).

17. Other Income (Expenses)

(in thousands of Canadian dollars)	**2020**	2019
Unrealized gain (loss) on investments [1]	**(931)**	1,663
Foreign exchange translation gain (loss)	**605**	70
Unrealized gain (loss) on derivatives	**(176)**	(34)
Net unrealized gain (loss) on marketable securities	**12**	(8)
Total other income (expenses)	**$(490)**	$1,691

[1] Unrealized loss on investments due to fund investment management fees of $1.4 million (2019 – $1.9 million), partially offset by favorable fair market value adjustments of $533 thousand (2019 – $3.6 million).

18. Retirement Benefit Plans

FinDev Canada participates in four benefit plans sponsored by EDC. There are two pension plans containing both defined benefit and defined contribution components, the Registered Pension Plan (RPP) and Supplementary Retirement Plan (SRP), and two other benefit programs. For a full description of these benefit programs, please refer to Note 31 of EDC's 2020 Annual Report.

We fund these benefits based on an allocation rate determined by EDC. In 2020, our allocation to fund our participation in the benefit plan was $430 thousand (December 2019 – $279 thousand) which was included in salaries and benefits.

19. Related Party Transactions

Loans Receivable

During the year, no new loan assets were purchased from EDC (2019 – $1.3 million).

Derivative Instruments

As described in Note 9, FinDev Canada transacts foreign exchange swaps with EDC.

Owing to Export Development Canada

In 2020, FinDev Canada paid EDC $1.3 million (2019 – $1.5 million) for contracted shared services for general corporate functions and specialized roles. The delivery of shared services is governed by a series of Service Level Agreements, developed according to industry best practices. Amounts due to EDC for shared services, which totalled $964 thousand as at December 31, 2020 (2019 – $1.1 million), are non-interest bearing and have no specific terms of repayment.

Key Management Personnel Compensation

Key management personnel, defined as those having authority and responsibility for planning, directing and controlling the activities of FinDev Canada, include the Board of Directors and the management team.

Compensation paid or payable to key management personnel during the year, including non-cash benefits subject to income tax was $2.5 million (2019 – $811 thousand).