# FAIRFAX INDIA
## HOLDINGS CORPORATION

2020 Annual Report

## Contents

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HOLDINGS CORPORATION

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## Fairfax India Corporate Performance

*(in US$ thousands, except as otherwise indicated)(1)*

| | Book value per share(2) | Closing share price | Income | Net earnings (loss) | Total assets | Investments | Common share-holders' equity | Shares out-standing(1) | Earnings (loss) per share |
|---|---|---|---|---|---|---|---|---|---|
| *As at and for the years ended December 31* | | | | | | | | | |
| Initial public offering | 10.00 | 10.00(3) | | | | | | | |
| 2015 | 9.50 | 10.10 | 65,251 | 40,939 | 1,025,421 | 978,569 | 1,013,329 | 106.7 | 0.42 |
| 2016 | 10.25 | 11.55 | 128,604 | 107,825 | 1,303,497 | 1,095,569 | 1,075,446 | 104.9 | 1.01 |
| 2017 | 14.46 | 15.00 | 609,670 | 452,509 | 2,672,221 | 2,635,726 | 2,132,464 | 147.4 | 2.94 |
| 2018 | 13.86 | 13.13 | 166,518 | 96,432 | 2,707,057 | 2,661,347 | 2,117,945 | 152.9 | 0.63 |
| 2019 | 16.89 | 12.80 | 712,689 | 516,338 | 3,244,937 | 3,171,332 | 2,577,851 | 152.6 | 3.30 |
| 2020 | 16.37 | 9.60 | (12,972) | (41,476) | 3,072,998 | 3,027,648 | 2,446,934 | 149.5 | (0.27) |
| Compound annual growth | 8.7%(4) | (0.7)% | | | | | | | |

*(1) All share references are to common shares; Closing share price and per share amounts are in U.S. dollars; Shares outstanding are in millions.*

*(2) Calculated as common shareholders' equity divided by common shares effectively outstanding.*

*(3) On January 30, 2015, upon completion of the company's initial public offering price of $10.00 per share, Fairfax India Holdings Corporation's subordinate voting shares began trading on the Toronto Stock Exchange under the symbol FIH.U.*

*(4) The company's book value per share of $16.37 at December 31, 2020 represented a compound annual growth rate from the initial public offering price of $10.00 per share at January 30, 2015 of 8.7%.*

## Corporate Profile

**Fairfax India Holdings Corporation** (''Fairfax India'') is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses (''Indian Investments'').

### *Indian Investments*[(1)]

Fairfax India's *Public Indian Investments* are comprised of various percentages of ownership in the following companies whose shares are listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India:

**IIFL Finance Limited** (''IIFL Finance'') is a publicly traded diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans, microfinance, construction and real estate finance) and capital market finance. IIFL Finance's revenues for the twelve months ended December 31, 2020 were $423 million. At year end, IIFL Finance had shareholders' equity of $716 million and there were approximately 18,000 employees. Additional information can be accessed from IIFL Finance's website www.iifl.com.

**IIFL Wealth Management Limited** (''IIFL Wealth'') is a publicly traded wealth management firm with principal lines of business in wealth management and asset management, located in Mumbai, India. The wealth management business serves the highly specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate. IIFL Wealth's revenues for the twelve months ended December 31, 2020 were $127 million. At year end, IIFL Wealth had shareholders' equity of $406 million and there were approximately 900 employees. Additional information can be accessed from IIFL Wealth's website www.iiflwealth.com.

**IIFL Securities Limited** (''IIFL Securities'') is a publicly traded leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India. IIFL Securities' revenues for the twelve months ended December 31, 2020 were $111 million. At year end, IIFL Securities had shareholders' equity of $140 million and there were approximately 2,300 employees. Additional information can be accessed from IIFL Securities' website www.iiflsecurities.com.

**CSB Bank Limited** (''CSB Bank'') is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 454 branches and 319 automated teller machines across India. Prepared in accordance with International Financial Reporting Standards (''IFRS''), CSB Bank's revenues for the twelve months ended December 31, 2020 were $159 million. At year end, CSB Bank had shareholders' equity of $300 million and there were approximately 4,000 employees. Additional information can be accessed from CSB Bank's website www.csb.co.in.

**Privi Speciality Chemicals Limited** (''Privi Speciality'') is a publicly traded specialty chemical manufacturer located in Mumbai, India. Privi Speciality is a supplier of aroma chemicals to the fragrance industry. Privi Speciality's world-class products are the result of its very strong research and development team that has proven expertise in developing new products, customizing aromas per customer specifications, scaling up products from basic research to commercial scale, and designing process improvements to drive quality and cost optimization. Based on IFRS, Privi Speciality's revenues for the twelve months ended December 31, 2020 were $166 million. At year end, Privi Speciality had shareholders' equity of $91 million and there were approximately 1,400 employees. Additional information can be accessed from Privi Speciality's website www.privi.com.

**Fairchem Organics Limited** (''Fairchem Organics'') is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. Based on IFRS, Fairchem Organics' revenues for the twelve months ended December 31, 2020 were $44 million. At year end, Fairchem Organics had shareholders' equity of $21 million and there were approximately 190 employees. Additional information can be accessed from Fairchem Organics' website www.fairchem.in.

*(1) All of the Indian Investments' figures are based on Indian Accounting Standards (Ind AS) unless otherwise stated.*

**5paisa Capital Limited** ("5paisa"), located in Mumbai, India, is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa's revenues for the twelve months ended December 31, 2020 were $24 million. At year end, 5paisa had shareholders' equity of $20 million and there were approximately 900 employees. Additional information can be accessed from 5paisa's website www.5paisa.com.

Fairfax India's *Private Indian Investments* are comprised of various percentages of ownership in the following companies whose fair values cannot be derived from an active market and accordingly, are valued internally using industry accepted valuation techniques and models:

**Bangalore International Airport Limited** ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership. Based on IFRS, BIAL's revenues for the twelve months ended December 31, 2020 were $83 million. At year end, BIAL had shareholders' equity of $372 million and there were approximately 1,300 employees. Additional information can be accessed from BIAL's website www.bengaluruairport.com.

**Sanmar Chemicals Group** ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India, operating in India and Egypt. Sanmar also manufactures caustic soda, calcium chloride, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates. Based on provisional IFRS figures, Sanmar's revenues for the twelve months ended December 31, 2020 were $691 million. At year end, Sanmar had a shareholders' deficit of $17 million and there were approximately 1,800 employees. Additional information can be accessed from Sanmar's website www.sanmargroup.com.

**Seven Islands Shipping Limited** ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. At December 31, 2020 Seven Islands owned 19 vessels with a total deadweight capacity of approximately 1.0 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels. Seven Islands' revenues for the twelve months ended December 31, 2020 were $122 million. At year end, Seven Islands had shareholders' equity of $126 million and there were approximately 80 employees. Additional information can be accessed from Seven Islands' website www.sishipping.com.

**National Collateral Management Services Limited** ("NCML"), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and market and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance. Based on IFRS, NCML's revenues for the twelve months ended December 31, 2020 were $76 million. At year end, NCML had shareholders' equity of $92 million and there were approximately 1,700 employees. Additional information can be accessed from NCML's website www.ncml.com.

**Saurashtra Freight Private Limited** ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo. Saurashtra's revenues for the twelve months ended December 31, 2020 were $25 million. At year end, Saurashtra had shareholders' equity of $36 million and there were approximately 150 employees. Additional information can be accessed from Saurashtra's website www.saurashtrafreight.com.

**National Stock Exchange of India Limited** ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets. NSE's revenues for the twelve months ended December 31, 2020 were $708 million. At year end, NSE had shareholders' equity of $1.5 billion. Additional information can be accessed from NSE's website www.nseindia.com.

**To Our Shareholders,**

After a good five-year run from inception when Fairfax India's book value per share (BVPS), our key performance measure, grew at a compound annual rate of 11.2%, Fairfax India's BVPS declined by 3.1% in 2020 (mostly reflecting a 2.3% decline in the Indian rupee during the year) from $16.89* at the end of 2019 to $16.37. Common shareholders' equity declined by 5.1% after increasing by 21.7% the previous year.

Here is a snapshot of Fairfax India's performance since it began:

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | CAGR(1) |
|---|---|---|---|---|---|---|---|
| Book value per share | $ 16.37 | $ 16.89 | $ 13.86 | $ 14.46 | $ 10.25 | $ 9.50 | 8.7% |
| Income | (12,972) | 712,689 | 166,518 | 609,670 | 128,604 | 65,251 | |
| Net earnings (loss) | (41,476) | 516,338 | 96,432 | 452,509 | 107,825 | 40,939 | |
| Return on equity | (1.7)% | 22.0% | 4.5% | 28.2% | 10.3% | 4.0% | 11.2%(2) |
| Total assets | 3,072,998 | 3,244,937 | 2,707,057 | 2,672,221 | 1,303,497 | 1,025,451 | 20.4% |
| Investments | 3,027,648 | 3,171,332 | 2,661,347 | 2,635,726 | 1,095,569 | 978,569 | 21.0% |
| Common shareholders' equity | 2,446,934 | 2,577,851 | 2,117,945 | 2,132,464 | 1,075,446 | 1,013,329 | 16.1% |
| Shares outstanding (*millions*) | 149.5 | 152.6 | 152.9 | 147.4 | 104.9 | 106.7 | |

*(1) Since Fairfax India's inception on January 30, 2015, when it raised $1.03 billion at $10 per share. From an initial value of $9.62 (after IPO expenses), book value per share has compounded at 9.4% annually.*

*(2) Simple average of the return on equity for each of the six years*

After a good year in 2019, Asian emerging markets' performance was mixed in 2020. You will see from the table below (based on the leading US$ equity index in each country named) that India grew by 12.8%, outperformed only by China's and Vietnam's equity indices, which grew by 35.7% and 15.2% respectively.

| | |
|---|---|
| China | 35.7% |
| Vietnam | 15.2% |
| India | 12.8% |
| Sri Lanka | 8.0% |
| Malaysia | 4.2% |
| Hong Kong | (3.0)% |
| Thailand | (8.3)% |
| Singapore | (10.2)% |

And here is a comparison of Fairfax India's change in BVPS in 2020 with the change in major Indian US$ equity indices:

| | |
|---|---|
| Fairfax India BVPS | (3.1)% |
| S&P BSE Sensex 30 | 12.8% |
| S&P BSE 500 | 13.9% |
| BSE midcap | 16.9% |
| Nifty 50 | 12.0% |

Over the six years since Fairfax India's inception, Fairfax India has outperformed the Indian markets, as demonstrated in the following table showing the annual percentage change over six years:

| | |
|---|---|
| Fairfax India BVPS(1) | +8.7% |
| US$ S&P BSE Sensex 30 | +5.7% |
| US$ S&P BSE 500 | +5.5% |

*(1) Fairfax India's 6-year annualized growth in BVPS is calculated based on its January 30, 2015 IPO price of $10 per share.*

* *All dollar amounts in this letter are in U.S. dollars unless specified otherwise. Numbers in the tables in this letter are in U.S. dollars and $ thousands except as otherwise indicated.*

Please note that Fairfax India's book value is based on publicly traded market values only for the approximately half of its investments which are publicly traded (the rest are based on more restrained internal valuations), whereas the Sensex and BSE 500 are of course based entirely on publicly traded market values.

That said, there is no denying that, in the past year, Fairfax India has underperformed the listed equity markets in India. However, please note that at current levels, the Indian markets are trading at extremely elevated valuations:

| | **Year-end 2020** | **10-year average** |
|---|---|---|
| Price to earnings ratio | 26.0 | 20.8 |
| Price to book value | 2.8 | 2.8 |
| Dividend yield | 1.3% | 1.4% |
| Market cap to GDP ratio | 97.4% | 73.7% |

Also, similar to the western markets, where technology stocks like Facebook, Amazon, Apple, Netflix and Google are disproportionately driving markets, in India too, the top five companies accounted for 77% of the growth of the SENSEX and 71% of the growth of the Nifty 50.

Fairfax India's net loss in 2020 was $41.5 million versus a profit of $516.3 million in 2019, largely as the result of net unrealized losses on investments of $26.6 million compared to net unrealized gains of $530.4 million in 2019. Net loss also reflects interest income of $6.0 million and net foreign exchange losses of $14.2 million. Fully diluted loss per share was $0.27 in 2020 versus earnings per share of $3.30 in 2019.

The significant contributors and detractors to the changes in BVPS recorded in 2020 were:

| | **($ millions)** |
|---|---|
| Privi Speciality / Fairchem Organics | 65.6 |
| NSE | 15.4 |
| NCML | (34.5) |
| IIFL Finance | (34.5) |
| Sanmar | (74.3) |

Since we began, Fairfax India has completed investments in ten companies (13 currently, as one has split into four listed entities), all sourced and reviewed by Fairbridge, Fairfax Financial Holdings' (Fairfax) wholly-owned sub-advisor in India. Fairbridge does outstanding work under the excellent leadership of CEO Sumit Maheshwari, supported by its Director, Anish Thurthi, Vice President, Sheetal Sancheti, and analysts Jinesh Rambhia and Ramin Irani. Fairfax India's Mauritius subsidiary, FIH Mauritius Investments, ably led by its CEO Amy Tan, supported by its senior manager Vishal Mungur and its independent Board of Directors, is an integral part of the investment process. Also, since we began, Deepak Parekh, both as a trusted advisor and a member of the Board of Directors, has provided us with invaluable advice on almost all of our transactions.

All of Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management who are not only excellent but also adhere to the highest ethical standards. The details of these investments in chronological order of the initial investment are as follows:

| | Date of Initial Investment | Ownership | Amount Invested *($ millions)* | Fair Value at December 31, 2020 *($ millions)* | Compound Annualized Return[1] |
|---|---|---|---|---|---|
| NCML | August 2015 | 89.5% | 188.3 | 101.1 | (12.4)% |
| IIFL Finance* | December 2015 | 22.4% | – | 131.5 | * |
| IIFL Wealth* | December 2015 | 13.8% | 191.5 | 166.7 | * |
| IIFL Securities* | December 2015 | 26.5% | 91.3 | 55.6 | * |
| 5paisa* | December 2015 | 26.6% | 23.5 | 27.8 | * |
| Fairchem Organics[2] | February 2016 | 48.8% | 19.4 | 54.6 | 23.5% |
| Privi Speciality[2] | August 2016 | 48.8% | 55.0 | 138.4 | 24.3% |
| Sanmar Chemicals Group | April 2016 | 42.9% | 199.0 | 338.6 | 16.9% |
| National Stock Exchange of India | July 2016 | 1.0% | 26.8 | 72.6 | 29.0% |
| Saurashtra Freight | February 2017 | 51.0% | 30.0 | 32.8 | 2.3% |
| Bangalore International Airport | March 2017 | 54.0% | 653.0 | 1,396.1 | 23.8% |
| CSB Bank | October 2018 | 49.7% | 169.5 | 214.3 | 13.7% |
| Seven Islands Shipping | March 2019 | 48.5% | 83.8 | 103.5 | 13.2% |
| Other Indian Investments | | | 131.8 | 173.1 | 19.9% |
| Total | | | 1,862.9 | 3,006.7 | |
| * *Aggregate: IIFL Finance, IIFL Wealth, IIFL Securities and 5paisa* | | | *306.3* | *381.6* | *9.2%* |

*(1) Calculated using the internal rate of return*

*(2) Presented based on the initial investment before the merger in March 2017*

While the BVPS of Fairfax India is $16.37, we believe that the underlying intrinsic value is much higher, since all the companies listed above have characteristics that give them the potential for a significant increase in their value. We have taken the opportunity over the last three years to buy back 5.6 million Fairfax India shares for $64.1 million or an average price of $11.40 per share, including the 3.2 million shares we bought in 2020 for $28.9 million or an average price of $9.14 per share.

We believe that listing some of the private companies that Fairfax India owns will result in better discovery of the true value of these companies. Let us take the example of Bangalore International Airport Limited (BIAL)/Anchorage.

In June 2019, Fairfax India created a 100% owned subsidiary in India named Anchorage Infrastructure Investments Holdings (Anchorage). It is intended that this company will be Fairfax India's flagship investment vehicle for airports and other infrastructure investments in India and that all the shares it owns in BIAL will eventually be transferred to Anchorage.

In 2019, Fairfax India signed definitive agreements with OMERS (the pension plan for municipal employees in the province of Ontario, Canada) whereby it will transfer 43.6% out of the 54% that it owns in BIAL to Anchorage and OMERS will invest about $130 million to acquire from Fairfax India an 11.5% interest on a fully diluted basis in Anchorage. This will result in OMERS indirectly owning approximately 5% of BIAL. The transaction values 100% of BIAL at $2.6 billion. We are awaiting one final approval from the government of India and expect to close this transaction in March 2021.

Fairfax India intends to complete an IPO of Anchorage that values the underlying shares for 100% of BIAL at a target valuation of $2.9 billion (a valuation of $1.3 billion for 100% of Anchorage). A "ratchet" mechanism has been agreed with OMERS whereby if the IPO is completed at a valuation below $1.3 billion, the investor will receive an incremental share of Anchorage to compensate for the difference between the actual IPO valuation and $1.3 billion.

BIAL is a profitable airport in India and is a highly sought-after asset. The marketability of BIAL to large pension funds and strategic global airport operators, even as an unlisted company, is very high. This is supported by several recent examples of stake sales and privatisation of airport assets in India. A public listing of Anchorage will help in discovering the true value of BIAL. We believe that it could be much higher than $2.9 billion.

Once Anchorage is listed, the proportion of the market value of the publicly listed investments in Fairfax India will increase from the current 31% to about 80% of the overall portfolio. We are also in the process of listing two of our other private investments. Once these companies are listed, the proportion of Fairfax India's public investments will increase to over 90% of the overall portfolio.

Also, while the markets are being driven by a few high-flying names, as described above, there are many excellent companies that are trading at extremely attractive valuations with potential to be rerated by the markets. Take the example of one of our portfolio companies, IIFL Securities:

| | **Unit** | |
|---|---|---|
| Total market capitalization(1) | $mn | 206 |
| | | |
| 4 years to March 2020(2) | | |
| Return on equity (average) | | 26.7% |
| Net worth growth (CAGR) | | 28.5% |
| Earnings growth (CAGR) | | 26.9% |
| | | |
| Closing share price on February 18, 2021 | Rs | 47.15 |
| | | |
| Estimated March 2021 | | |
| Earnings per share | Rs | 6.0 |
| Price(1) / Earnings | | 7.9x |
| Price(1) / BVPS | | 1.4x |
| Dividend yield | | 4.2% |

*(1) Based on the rupee closing share price on February 18, 2021*

*(2) March is the fiscal year-end.*

IIFL Securities is trading at a price to estimated March 2021 earnings of only 7.9 times and price to BVPS of only 1.4 times. With IIFL Securities' strong historical growth and return on equity metrics, we believe there is potential for significant upside on the value of this investment.

**Performance Fee**

You will recall that under the investment advisory agreement with Fairfax Financial Holdings Limited (Fairfax), Fairfax India's sponsor and controlling shareholder, and Fairfax's investment counsel subsidiary Hamblin Watsa, Fairfax is entitled to a performance fee intended to be 20% of any increase in Fairfax India's BVPS (including distributions) above a non-compounded 5% increase each year from the BVPS at inception in 2015. The performance fee will be calculated at the end of each three-year period since inception, and the amount payable as at the end of any three-year period would be reduced by the aggregate of the performance fees paid in respect of all prior three-year periods.

At the end of the second three-year period in 2020, a performance fee of $5.2 million was payable and settled with the issue of 546,263 subordinate voting shares of Fairfax India to Fairfax in compliance with the above-described intent, even though the language of the investment advisory agreement, failing to fully recognize performance fees already paid, would have provided for the payment of a higher performance fee. The language of the investment advisory agreement will be amended to make this correction permanent.

### Investment and Advisory Fee

An investment and advisory fee of 0.5% of the value of undeployed capital, plus 1.5% of Fairfax India's common shareholders' equity less the value of undeployed capital, is calculated and payable quarterly.

### Indian Investments[1]

#### Bangalore International Airport (BIAL)

Between March 2017 and May 2018, Fairfax India invested, in 3 tranches, $653.0 million to acquire 54% of BIAL, implying an equity value of approximately $1.2 billion for the whole company. It is the third largest airport in India and in 2019 it was the fastest growing airport in the world and was the first airport ever to win Airports Council International's best customer service award for both arrivals and departures. Bangalore, considered India's Silicon Valley, is the third largest and fastest growing city in India.

My most recent departure from BIAL was on February 4, 2020. On that day, despite the Indian economy growing at its lowest rates in the last 12 quarters, BIAL clocked a total of 80,062 passengers (68,617 domestic and 11,445 international), and was well on its way to handling its planned 36 million passengers in 2020, 7% higher than in 2019 and its highest ever annual passenger count. On March 11, 2020, the WHO announced that COVID-19 was a global pandemic and acting under government orders, the entire airport was shut down for passenger traffic on March 25, 2020.

Despite these extraordinary circumstances, under the exceptional leadership of Managing Director and CEO Hari Marar and his executive team, BIAL has had a commendable year, turning what could have been significant problems into opportunities for changes that addressed both short term needs and longer term operational excellence. They took on the challenge by organizing into action groups that were tasked to address specific issues. During the lockdown, the BIAL team opportunistically brought forward many maintenance projects such that future disruptions will be minimised.

While cargo operations were never suspended during the entire shutdown, passenger operations for domestic passengers recommenced, on a very limited basis, on May 25, and were gradually ramped up to 95% of domestic routes being reopened by year-end, but with much reduced flight schedules. International flights are still limited to "repatriation" flights for returning Indians and for flights between India and countries considered to be in mutual "bubbles".

With passenger traffic down to zero for almost two months and followed by a very gradual recovery, BIAL revenues dropped by 79% in the two quarters ending in September 2020 to $23 million. Managements' first priority was to minimize losses and conserve cash but without resorting to layoffs of the permanent workforce. It did an admirable job by generating annualized savings of $10 million by implementing operational efficiencies. It also optimised the capex schedules to efficiently manage its cash flow. Further, by utilizing loan moratoriums, deferment of dues under the concession, and tax efficiencies, they realized cash savings of $27 million. It is also in the process of securing additional short term credit lines for about $55 million.

In cargo operations BIAL was not affected by the pandemic related shutdowns, other than by the loss of capacity due to reduced belly capacity resulting from fewer passenger flights. Despite this limitation, in October 2020 BIAL recorded all-time high numbers in monthly cargo, outbound tonnage, international cargo and perishable goods (the highest in India).

Given the impact of the pandemic on the travel industry across the world, BIAL's financial performance in 2020 did not come as a surprise. Passenger traffic fell 60% from the previous year to about 14 million and cargo handled dropped 17% primarily because of the reduced belly capacity as described above. Based on IFRS, BIAL's revenue dropped 58% to $83.1 million, resulting in a loss after tax of $66.8 million versus a profit of $53.8 million in 2019. This is only temporary! As discussed in greater detail below, we expect higher user fees in the third five-year control period which will start in April 2021.

Despite the unprecedented events that impacted operations and financial performance in 2020, we estimate that BIAL will generate a total ROE of 16.5% for the second control period and an ROE of 17.7% for the combined first and second control periods.

*(1) All of the Indian Investments' figures are based on Indian Accounting Standards (Ind AS) unless otherwise stated.*

The valuation (including foreign currency translation) of Fairfax India's interest in BIAL remained at $1.4 billion in 2020, the same as in 2019, implying an equity value of approximately $2.6 billion for the whole company. This valuation is supported by future cash flow estimates driven by the growth plans described in the two following paragraphs.

In 2018 BIAL entered a phase of significant investment of about $1.9 billion to expand its designed capacity of 20 million passengers to about 50 million in 2021 by re-configuration and system improvements in the existing terminal (to be completed concurrently with the construction of phase 1 of a second terminal), building a second runway and building phase 1 of a second terminal and associated supporting infrastructure. The second runway was commissioned as planned in 2019, and significant progress has been made in the construction of phase 1 of the second terminal, which is expected to be completed in 2022. A financing plan for this expansion, based on a debt-to-equity ratio of 80:20, has been approved by a syndicate of Indian banks at attractive interest rates.

Then plans were added for the building of phase 2 of the second terminal and related infrastructure for an incremental investment of about $1.2 billion, to take the capacity to about 70 million passengers by 2029. In 2019, BIAL added a plan for a third terminal and related infrastructure for an incremental investment of approximately $1.0 billion, taking the capacity of the airport beyond 90 million passengers by 2034. The total investment of about $2.2 billion required to complete the above expansions will be funded through internally generated funds and debt.

BIAL has three potential sources of revenue:

- **Aero Revenue:** Aero revenue, which had grown at a CAGR of 12% from 2009 to 2020, is the revenue earned for providing services such as landing, parking and other services charged as user development fees (UDF) to airlines and passengers. The aero tariffs for these services are set for five-year periods (called "control periods") and are fixed by the Airport Economic Regulatory Authority (AERA) to provide a 16% return on equity deployed in the Regulatory Asset Base (RAB). AERA treats 30% of non-aero revenue as aero revenue as a subsidy for the purpose of tariff calculations. The tariff order for the second control period (from April 2016 to March 2021) was finalized by AERA in August 2018, well after the control period had begun. Any under or over recovery of tariffs in any control period will be adjusted in the subsequent control period. This is achieved primarily by adjusting downwards or upwards the fee that the airport is allowed to charge for its aero services to passengers and airlines. The tariffs that the airport can charge have a very significant impact on the cash flow generated which, in turn, has a major impact on the financing for the planned expansion of the airport.

  Because of the significant underachievement of passenger traffic in the last year of the second control period and the completion, during the third control period (from April 2021 to March 2026), of capital projects, UDFs are expected to increase significantly in the third control period. With the higher UDFs and the ultimate return of passenger volumes to pre-pandemic growth levels, aero revenue is expected to return to normal levels in the fiscal year ending March 2023.

- **Non-aero Revenue:** All revenue other than aero revenue, such as revenue from food and beverage sales and duty-free shops, constitutes non-aero revenue. Non-aero revenue had grown at a CAGR of 17% from 2009 to 2020 and is also expected to resume its growth trajectory from 2023 due to the return to normal passenger growth rates, the availability of additional space and the increasing propensity of passengers at the airport to make purchases. BIAL has undertaken many innovative projects that engage passengers and enhance their experience at the airport. Plans are in place to grow non-aero revenue by five times over the next decade.

  During the pandemic, BIAL has been a leader among airports in being flexible and working collaboratively with concessionaires (who also were extremely stressed from the shutdown of their businesses), helping them to survive and resume business as passenger traffic comes back.

- **Real Estate Monetization:** BIAL has approximately 460 acres of land adjoining the airport that can be developed. Most of this land is undeveloped and Bangalore's historical population areas are getting congested, so the city is expanding in the airport's direction. BIAL anticipates significant upside, over time, from monetization of this real estate. We provide below an update on the significant progress made in the actions to monetize the land available for development.

  - A 100% owned special purpose vehicle (SPV) subsidiary of BIAL was incorporated to carry on the real estate activities of BIAL. This entity, Bangalore Airport City Limited (BACL), is now capitalized and staffed and is expected to be self-funding as we move forward. Plans to develop the first 176 acres of land have been advanced and several deals are being negotiated. Infrastructure planning and detailed design for this parcel have been completed.

- Anchored on the principles of a smart city, BACL will focus on four asset classes – business parks; a retail, dining and entertainment village (RDE); hospitality; and convention and exhibition centres.
- Despite potential partners' and investors' inability to visit the site because of the pandemic, significant progress has been made in project plans.
  - A land lease for a 3D printing facility has been completed and the first payment received.
  - A land lease for a large central kitchen for the premier airline services company has been agreed, although payment has been delayed because of pandemic related disruptions.
  - A term sheet has been signed for a joint development "built to suit" campus for a multinational corporation.
  - A term sheet has been signed for a joint development trade centre.

Despite being tumultuous, 2020 featured the following significant achievements by BIAL:

- Two important new international routes were established to start in 2021: Air India and United Airlines flights to San Francisco and American Airlines flights to Seattle.
- It won the award for the world's best airport experience in arrivals.
- It implemented contactless processing for a passenger's end-to-end journey.
- It has many construction projects underway, including refurbishment of the existing runway; building a new terminal; and constructing utilities, transportation and road infrastructure for the planned growth. Despite the disruptions in the availability of labour and materials caused by the pandemic, all projects have made good progress and expect to be completed no later than 12 months beyond the original target dates.
- BIAL has been at the forefront of designing and implementing its sustainability goals and touching lives of its community. Recent successes of BIAL's sustainability goals include:

  *(a)* BIAL is a net contributor to the ground water whereby it generates more water from the rainwater harvesting and waste-water treatment than it uses.

  *(b)* Renewable energy sources were utilized for 95% of the airport's energy needs.

  *(c)* BIAL actively promotes the use of recyclable material, targeting to achieve zero landfills by the end of 2021.

**Anchorage Infrastructure Investments Holdings (Anchorage)**

In March 2021, Fairfax India expects to close the transaction whereby it will transfer 43.6% out of the 54% that it owns in BIAL to Anchorage and will sell 11.5%, on a fully diluted basis, of Anchorage to OMERS for cash consideration of $130 million. The transaction values 100% of BIAL at $2.6 billion and will result in OMERS indirectly owning approximately 5% of BIAL.

The expected closing of this transaction has taken much longer than we expected, and we have learned that government approvals in India can take much longer than we might anticipate, though the pandemic might have resulted in some of the delays.

As mentioned earlier, Anchorage is intended to be Fairfax India's flagship investment vehicle for airports and other infrastructure investments in India. Since its inception in June 2019, Anchorage has actively participated in bidding for Indian airports' and railway stations' privatisation processes. It continues to look for unique and value-accretive infrastructure and allied businesses. We have also started the preparation work to list Anchorage on the Indian stock exchanges.

**Sanmar Chemicals Group (Sanmar)**

Despite considerable disruptions as a result of the pandemic, Sanmar had much improved financial results in 2020. Based on provisional IFRS estimates, for the year ended December 31, 2020, Sanmar's revenue was flat at around

$700 million, but EBITDA increased from a loss of $8.6 million in 2019 to a profit of $123.7 million in 2020. Net loss in 2020 was reduced to $143.2 million from a loss of $187.4 million in 2019.

In 2016, Fairfax India lent Sanmar the rupee equivalent of $300.0 million by way of non-convertible debentures (NCDs) for a period of seven years. The NCDs provided for 3% payment-in-kind interest and a redemption premium such that the annual yield of the NCDs would be 13%. In addition, for $1.0 million Fairfax India received a 30% equity interest in Sanmar's entire chemicals business.

In 2019 Sanmar settled our $300.0 million of 13% bonds for $433.9 million, of which we invested $198.0 million in additional common shares of Sanmar based on an effective equity valuation of approximately $1.0 billion for the whole company, thereby increasing our equity ownership interest from 30% to 43%. This transaction returned approximately 76% of the capital Fairfax India originally invested while increasing our ownership of Sanmar.

N. Sankar, the chairman of the Sanmar group, and his son Vijay Sankar, the deputy chairman, have grown the group into a large private conglomerate with sales of around $1 billion and an asset base of around $2 billion. Founded in the early sixties, its business interests spanned chemicals, engineering technology and shipping, with operations in India, the Middle East and the Americas. Fairfax India's investment is in the chemicals business, which constitutes more than 70% of the group's operations and is housed within three operating companies, two in India – Chemplast Sanmar Limited (CSL) and Chemplast Cuddalore Vinyls Limited (CCVL) – and one in Egypt – TCI Sanmar (TCI). The group is renowned for its high integrity and the highest levels of corporate governance and environmental and social responsibility.

- **CSL** is the largest manufacturer of paste polyvinyl chloride (PVC) in India. It also manufactures chloromethanes, ethylene dichloride (EDC) and vinyl chloride monomer (VCM) at Mettur and Karaikal. Sanmar Speciality Chemicals, which manufactures custom made chemicals for customers in the agro-chemical, pharmaceutical and fine chemical industries, is also a part of this division.
- **CCVL** is the second largest suspension PVC player in India.
- **TCI**, Egypt, after its expansion was completed in 2018, became a balanced integrated manufacturing facility and is the MENA region's largest manufacturer of suspension PVC and caustic soda.

CSL, Sanmar's flagship Indian chemical business, has been in operation for over 50 years, celebrating its golden anniversary in 2017. N. Sankar is considered a pioneer in the PVC industry in India. With his visionary leadership, in 2009 CSL commissioned one of the largest greenfield PVC projects in India, with an annual capacity of 300 metric kilotons per annum (ktpa).

Sanmar acquired TCI in 2007, with the intention of setting up a large greenfield PVC plant in Egypt to cater to the high growth markets of North Africa, the Middle East and parts of Europe. TCI until recently had a 200 ktpa capacity PVC plant. In 2018, with help from the financing provided by Fairfax India, TCI completed a major expansion plan and added a new 200 ktpa PVC plant, taking total PVC capacity to 400 ktpa, a 130 ktpa calcium chloride plant and a 75 ktpa caustic soda by-product line. These were ramping up to full production, with full capacity expected to be attained in 2020, to take advantage of Sanmar's significant investment in infrastructure in Egypt.

Then the pandemic hit!

In response to government-imposed lockdowns, CSL's PVC production was shut down from the end of March and only resumed in May. Though paste PVC demand, which is largely driven by the auto sector, leather garments and footwear, was severely reduced from March to July, CSL made the deliberate decision to resume production as soon as the lockdowns were lifted in May and built inventory. This proved to be a good decision because demand picked up from August and has since been very strong. Demand for caustic soda and calcium also fell substantially despite increased demand from the soaps and detergent industry and continues to remain depressed. The specialty chemicals business was not affected because it is considered an essential business and remained open throughout. Industry experts anticipate a very bullish future for paste PVC because of plant closures in South Korea, China, Germany and the United Kingdom due to environmental and other concerns and there is no new capacity coming onstream. CSL, which uses an environmentally friendly process, expects to capitalize on the situation by meeting incremental demand for paste PVC which has grown at a CAGR of 7% over the last 10 years. It is in the process of increasing its paste PVC capacity from 66 ktpa to 101 ktpa for an investment of about $35 million. Industry experts also anticipate that over the medium term, demand for caustic soda will exceed supply and normalcy will return to the commodity.

CCVL's production was also severely constrained from the end of March to the middle of May, but since then the plant has been running nearly to full capacity. Global demand for suspension PVC has been strong, driven by infrastructure investment in China, housing starts in the U.S. and agriculture-related infrastructure investment in India. At the same time global supply has been constrained because of a myriad of technical and other issues at producing companies in the U.S., Europe, Mexico and South Korea. As a result, there is extreme tightness in the market and prices for suspension PVC are near all-time highs. Since May 2020, CCVL has been able to realize 18 price increases. As positive as the global situation is for the manufacturers, the outlook is even better in India. With consumption projected to grow at a CAGR of 7.5% to 8.0% over the next few years, demand is expected to grow significantly, resulting in a large deficit, which will need to be imported. Because CCVL has the advantages of an existing plant, land and infrastructure; the logistic advantage of supplying the South Indian market; long term strategic relationships with feedstock suppliers; and strong customer relationships, it will be the ideal time for it to implement its plan to expand its capacity from 300 ktpa. The timing of the expansion will be determined based on completion of the balance sheet changes that Sanmar is in the process of making as described below.

In 2020, TCI had a better year financially, but pandemic-related issues slowed its progress to full and efficient operation of its plant. EBITDA was nearly at breakeven versus a loss of $74.1 million in 2019, and pretax loss improved from $215.2 million to $106.6 million. Curfews in Egypt resulting in limited availability of workers, reduced demand in target markets, supply chain disruptions and travel restrictions preventing expert resources from visiting the plant to make planned adjustments to ramp up to 100% capacity utilization, all due to the pandemic, resulted in capacity utilization reaching only 80%.

However, the biggest impact of the pandemic on all the Sanmar companies has been the squeeze on their liquidity position. In order to rectify this and to reduce the overall debt of the company, Sanmar is actively pursuing opportunities to raise additional equity capital to repay and restructure debt. Only after this is accomplished, Sanmar will make investments in projects that exploit excellent growth and cost saving opportunities.

### CSB Bank (formerly The Catholic Syrian Bank) (CSB)[1]

During the pandemic lockdown, banks were allowed to operate since they were considered to be an essential service. Also, the government and the Reserve Bank of India (RBI), in order to mitigate the impact of business interruptions, directed banks and NBFCs to extend loan moratoriums to their customers until August 2020. During this moratorium period, borrowers could choose to stop making interest and principal payments and banks were allowed to disregard these delinquencies in calculating their regulatory capital adequacy. Fortunately for CSB, while 15% of the total loan book had opted for moratoriums, only 0.5% of the loan book had not serviced their accounts at all during the moratorium period. All the other borrowers serviced their accounts to the extent possible. Banks were expecting to find the extent of the distress among its borrowers 90 days after the end of the moratorium, when they would have had to recognise delinquencies and make loan loss provisions, as required by banking regulations. However, the Supreme Court of India made a ruling in September 2020 that no loans were to be classified as non-performing, in effect extending the moratorium indefinitely. Therefore, the banks will have to wait to determine the extent of their loan losses and make provisions. Because of this uncertainty, in addition to its general loan loss provisions for its loan book of $1.8 billion, CSB has made extra provisions of about $7 million towards NPAs of about $28 million that may arise as a result of the pandemic.

CSB also proactively took steps to ring fence the bank during these uncertain times. Employees were encouraged to use up vacation time and branches and offices were told to work with 50% of staff. As per guidelines, branch timing was reduced, and services restricted to essential ones. Other services were rendered on a best effort basis. Given an uncertain economic outlook, credit sanctions were temporarily put on hold.

In 2019 Fairfax India completed its purchase of a 51% interest in CSB for consideration of $169.5 million (140 rupees per share), implying a multiple of 1.1 times the September 30, 2017 BVPS. This was the culmination of an effort that began in December 2016, when the RBI gave Fairfax India permission to acquire a 51% stake in CSB. This was the first time in the history of the RBI that anyone was given approval to acquire a majority stake in a bank in India. Our entire investment was infused into CSB as primary capital, thereby increasing its capital adequacy ratio (CAR) to 21.0% at the end of 2020. The improved CAR enabled the bank to make adequate provisions for loan losses, invest in more branch openings, higher quality people and technology and grow its loan book with well underwritten loans.

(1) *All of the CSB figures are based on Indian Generally Accepted Accounting Principles (Indian GAAP) unless otherwise stated.*

In November 2019 CSB completed its successful IPO and was listed on the Indian stock exchanges. The IPO, which was oversubscribed 87 times, was completed at a price of 195 rupees per share (our cost is 140 rupees per share) and consisted largely of existing shareholders selling to new ones (Fairfax India did not sell any shares).

CSB is one of the oldest private sector banks in India and has a strong base in Kerala along with a significant presence in the states of Tamil Nadu, Karnataka and Maharashtra. The bank currently operates 454 branches and 319 ATMs across India. With its branches primarily located in south India, it focuses on retail, gold and small and medium enterprise (SME) loans, which together comprise about 77% of total advances. CSB also owns 38 residential and commercial properties and land banks, some purchased several years ago, and others acquired by enforcement of security.

Mr. C.V.R. Rajendran, who has been the CEO of the bank for the last four years, has now completed most of the changes that he wanted to implement in the management of the bank, including:

- Performance and productivity oriented human resource policies
- Rounding out his management team by filling all the key senior management positions
- Appointment of Pralay Mondal, a very senior banker, as the President of the bank
- Reorganization of the operations of the bank into three verticals-
    - retail banking (comprised of branch banking, gold loans, two-wheeler loans, micro, small and medium enterprise (MSME) loans, microfinance under financial inclusion (MFI) loans and agricultural loans);
    - SME banking; and
    - wholesale banking.

CSB for its internal purposes classifies loan assets of up to five million rupees as MSME and monitors these under the retail banking vertical. Loan assets between five million and 250 million rupees are monitored and serviced separately by the SME banking vertical. Any amount higher than 250 million rupees is managed by the wholesale banking vertical.

Pralay will lead the effort to develop branch banking which will primarily focus on retail deposits comprising lower cost current and savings accounts (CASA) and cross selling of products to generate non-interest income.

Despite a weak economy, as a result of the pandemic, and high levels of system liquidity which constrained opportunities for lending, CSB made excellent progress in its key performance measures in 2020, with loan advances growth of 22% (including gold loans growth of 61%) and deposits growth of 16% (including CASA growth of 24%). Net interest income grew 48% and the credit to deposit ratio improved from 71% to 74%, while non-interest income was up 107%. In addition, the yield on loans improved to 10.9% from 10.7%, CASA improved to 30.4% from 28.6% of total deposits, net interest margin (NIM) improved to an industry leading 5.2% from 3.9% and the cost of deposits decreased to 4.9% from 5.9%. It is likely that NIM will moderate to around the 4% level.

As a result of these improvements, gross non-performing assets (NPA) reduced to 1.8% from 3.2%, net NPAs reduced to 0.7% from 2.0%, the provision coverage ratio (PCR) improved from 80.3% in December 2019 to 91.0% in December 2020 and the CAR was 21.0%. Based on IFRS, CSB's revenues for 2020 increased by 56% to $158.9 million and net income increased to $40.2 million from $7.5 million in 2019. As you can see, Mr. Rajendran is making very good progress toward his objective of focusing on profitability, productivity, efficiency and asset quality.

We are pleased that Mr. Paresh Sukthankar, former deputy managing director and a member of the Board of Directors of India's leading private sector bank, HDFC Bank, continues to guide us as an advisor.

### IIFL Wealth Management Limited (IIFL Wealth)

Upon the advent of the pandemic, IIFL Wealth, keeping in mind the health and safety of its clients and employees, converted almost its entire workforce to working from home. However, backed by strong digital tools and technological interventions, it was able to make the transition with virtually no disruption. Despite the significant contraction of the Indian economy during 2020 and consequent poor investment sentiment, IIFL Wealth was able to achieve reasonable financial performance. Consolidated assets under management (AUM), including custody assets, grew 18% to $28.8 billion, total revenue increased by 3% to $127.2 million, profit after tax declined by 8% to $35.5 million and ROE declined from 9.4% to 8.9%.

IIFL Wealth's strong client franchise in the Indian ultra-high net-worth individual (UHNI) segment, an innovative, diversified product offering, and superior execution make it the leading player in this niche wealth management market. It is the number one wealth manager in India for UHNIs with AUM of $23.0 billion, 29 offices in India and abroad, 800 plus employees and 64 teams consisting of 269 relationship managers serving over 6,700 families.

Since it was founded in 2008 under the IIFL brand umbrella by Karan Bhagat and Yatin Shah, with the leadership of IIFL Holdings Limited (IIFL Holdings) founder Nirmal Jain and his partner R. Venkataraman, IIFL Wealth has been an independently managed company in the stable of IIFL Holdings businesses. However, in September 2019 with the demerger of IIFL Holdings, the original company that Fairfax India had invested in, into three separate companies, IIFL Wealth became a separate company listed on the Indian stock exchanges and became the only listed pure play wealth management company in India.

After its listing, because it had other owners at the subsidiary level, its ownership is now distributed among the promoters with 22.9%, the U.S. private equity firm General Atlantic with 21.3%, Fairfax and Fairfax India with 18.4%, with the remaining distributed between employees, institutional and retail investors.

You will recall that IIFL Wealth began its journey as an independently listed company at a time when the wealth management business in India had undergone a very significant change. Effective in October 2018, the Indian capital markets regulator (SEBI) banned the long-established practice of mutual funds paying distributors and investment advisors upfront commissions or upfronting trailing commissions that were not disclosed to investors, requiring instead that mutual funds, except in certain very limited situations, pay only trailing commissions that are fully disclosed as part of the funds' management expense ratios.

While this was a very positive and investor-friendly change in regulation that in the long run would benefit the industry, in the short term, it caused the industry to adjust to the new reality by transforming its business models. The change has resulted in the upfront commissions being paid over the life of the investment – reducing upfront revenue but creating a stream of recurring revenue in the future.

IIFL Wealth has two businesses – wealth management (the larger one) and asset management. The wealth management business, which was directly impacted by the above-described change in regulation, had to transform from a transactional upfront commission-driven business model to a client fee and distribution services based recurring revenue model. As IIFL Wealth makes this transition, revenue from the former upfront commissions will decline while annual recurring revenues (ARR) will increase. In 2020, the upfront commission and brokerage revenue declined by 12% to $46.2 million, while ARR grew by 9% to $76.1 million, and ARR assets accounted for 43% of AUM. The wealth management business has embedded in it a non-bank finance company (NBFC) which makes loans to its clients secured by their assets held by IIFL Wealth, and has never had a bad loan.

The smaller asset management business is India's leading manager of alternate investment funds (AIF). AUM for this business grew by 20% in 2020 to $4.4 billion while revenues grew by 41% to $24.4 million. This business was strengthened by the addition of a new CIO, Anup Maheshwari, an experienced fund manager with a proven 25-year track record, and he has been successful in attracting more institutional asset management mandates.

To capitalize on the opportunity created by the fee-based model, IIFL Wealth has launched a new platform called "IIFL-ONE". Backed by strong product creation, deep research, specialist teams and innovative technology and using a portfolio management approach, IIFL-ONE is currently in the process of converting IIFL Wealth's existing customers to this platform and already has AUM of $3.6 billion.

Over the last five years, IIFL Wealth has generated an internal rate of return of about 10% and is now relatively overcapitalized for its level of earnings, resulting in ROEs dropping from about 16% to 9%. In order to address this, in addition to its policy of paying out about 70% of its earnings in dividends, IIFL Wealth paid a special dividend of 40 rupees per share in 2020 and will continue to look for avenues to maintain its ROEs sustainably in the 20% range.

Given the low penetration of wealth management in India and the high rate of wealth creation and growth in dollar millionaires, we believe that IIFL Wealth has a very bright future.

**IIFL Finance Limited (IIFL FIN)**

For over 50 years, NBFCs in India have been a source of debt financing for individuals and companies. Being relatively less regulated and therefore less bureaucratic than banks, NBFCs are able to meet customer needs on a faster and more flexible, albeit more expensive, basis. Today India has around 9,500 NBFCs of which 58 are permitted to take customer deposits and 292 are considered to be systemically important because they have assets of over

$70 million (five billion rupees). With total loans outstanding of $330 billion, NBFCs account for approximately 19% of the $1.7 trillion bank and NBFC loans outstanding in India.

Based on total revenue, IIFL FIN, which is non-deposit taking, is one of the larger NBFCs in India.

Under the able leadership of its CEO, Nirmal Jain, who is also the founder and significant shareholder of all the IIFL group companies, IIFL FIN is moving forward aggressively to consolidate its position as one of the major NBFCs in India. With over 2,400 branches and over 18,000 employees, it services over 6 million customers. Despite some of the challenges it faced due to the pandemic, described in more detail below, its AUM, which has grown at a CAGR of 18% over the past 5 years, grew 17% over the previous year to $5.8 billion in 2020. Loan to value is very conservative, at 71% for home loans, 72% for gold loans, 47% for business loans and 47% for construction and real estate loans. With a well-diversified asset portfolio of which 90% is retail in nature, a CAR of 21.4%, net interest margins at an all-time high of 7.4% and cost to income ratio down from 53% to 33%, IIFL FIN is well positioned to take advantage of the post-pandemic economic recovery expected to commence in 2021. In 2020, IIFL FIN's revenue increased 21% to $422.9 million and profit after tax excluding extraordinary items decreased by 30% to $70.5 million (mostly as a result of conservative provisions for NPAs), generating an ROE of 10%.

In spite of this good operational performance, IIFL FIN continues to have trouble accessing long term debt capital, which appears to be as a result of the continuation of the turmoil that started in late 2018 as a result of the default by a quasi-government lender, Infrastructure Leasing and Financial Services Limited (IL & FS). Other than a handful, most NBFCs are facing restricted access to longer term funding which they need as they have significantly reduced their dependence on short term commercial paper (CP) financing.

Another factor that appears to be adversely affecting IIFL FIN's access to long term funding is its construction and real estate loan book which amounts to about $591.1 million (10% of loans). Though gross NPAs in this category of loans are only 2.7% and net NPAs are 1.3% and well provided for, potential providers of financing to IIFL FIN are concerned because of the distressed state of the real estate market in India, which was further exacerbated by the pandemic.

During the pandemic, NBFCs were allowed to remain open during the government-imposed lockdown. However, in-person collection activity, which is an important part of their operations, to a large extent was not possible. Similar to the banks, NBFCs were also required by the government and the RBI to provide moratoriums to their borrowers. The extent of the NPAs that will result due to the moratoriums will only be known later in 2021. IIFL FIN has made provisions of about $177.2 million (including provisions of about $62.8 million to cover real estate loans) and it is expected that this will adequately cover pandemic-related delinquencies as well.

Despite these good results, IIFL FIN is trading at a deeply discounted valuation of only 12.6 times price to estimated March 2021 earnings and price to estimated March 2021 BVPS of 1.6 times. We believe there is potential for significant upside on the value of this investment.

### IIFL Securities (IIFL SEC)

IIFL SEC is one of the major capital market players in Indian financial services. It offers advisory and broking services (both retail and institutional), financial products distribution, institutional research and investment banking services. It operates in over 2,500 locations across India, comprised of a wide branch and sub-broker network providing unparalleled research coverage on over 225 companies. It serves over 1 million customers and has a strong online presence. Mobile trading has significantly aided in increasing the number of customers: mobile trading clients in 2020 accounted for 61% of trading.

IIFL SEC operates in three broad areas within the capital markets and financial services sector in India:

- Retail broking and financial products distribution (76% of revenue) – in retail broking it has established itself as a leading institution through a combination of leading-edge technology, diverse product offerings, management expertise, and a wide network of branches across India. IIFL Securities' mobile trading app, IIFL Markets, targeting retail clients, continues to be the highest rated among its peers with over 5.4 million downloads. Mobile brokerage constituted about 48% of total broking revenue in 2020. IIFL Securities' mutual fund app had over 909,000 downloads and is steadily building on its customer base. In financial products distribution, it offers retail clients a wide range of products including mutual funds, insurance, IPOs and debt instruments.
- Institutional broking (16% of revenue) – it is a leading independent (not associated with any international bank) broker, with a highly acclaimed, pedigreed 80-member strong sales and research team that covers over

225 Indian companies accounting for about 80% of India's market capitalization. It is a market leader in block sales placements, placing over $14 billion in blocks over the past five years. It has more than 700 domestic and foreign clients and has developed trusted long-term relationships with them through sustained high-quality performance.

- Investment banking (5% of revenue) – it is a highly regarded category 1 merchant banker in India and, despite volatile markets, completed 19 transactions in 2020, including 3 IPOs. It continues to have a substantial pipeline of transactions which are at various stages of execution.

IIFL SEC also owns a portfolio of commercial properties, rented mostly to group companies. In 2020, IIFL SEC monetized one of the properties and realized close to $10 million. With a current market value of about $89 million (amounting to about 42% of its market capitalization), this portfolio generates annual rental income of approximately $6 million. These assets may be monetized in the future.

IIFL SEC is one of the companies in our portfolio that appears to have benefited from the consequences of the pandemic:

- After the initial fall, Indian stock markets have boomed, ending the year up about 13%. The resultant stock market volumes have been very positive for both the retail and institutional broking businesses.
- Implementation of online processes in order to be able work remotely has resulted in short and long-term cost savings, leading to better margins.

In 2020 IIFL SEC's revenue increased 3% to $110.8 million and profit before tax (before exceptional items) increased 17% to $32.9 million and the dividend was increased by over 80% to 2 rupees per share. IIFL SEC also recently completed a buy back of about 5.3% of its shares outstanding. Despite these strong results, the stock is trading at a price to earnings ratio of 8.5 times 2020 earnings and a price to BVPS ratio of 1.5 times. Over the last four years IIFL SEC has generated an average ROE of 27%.

Based on its strong business franchise, growth potential and attractive ROE, we expect that IIFL SEC will be another successful investment for Fairfax India.

**5paisa Capital Limited (5paisa)**

5paisa, which literally means "5 cents", was spun off from IIFL Holdings in 2017 and Fairfax India owns a 26.6% equity interest in it. It is one of India's fastest growing technology-led financial services companies and offers an array of financial products and services through a digital platform and mobile application. Its services are targeted at retail investors and high-volume traders who actively invest and trade in securities markets and seek DIY (do-it-yourself) services at a low cost. With its diverse services and products encompassing online discounted stock broking, depository services, research and distribution of mutual funds and other financial products, 5paisa successfully fulfils its customers' diverse needs. Recently, 5paisa launched its digital peer-to-peer lending platform which is registered as an NBFC. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority, as it has done through the development of its robust trading platform, its advanced mobile app, an artificial-intelligence powered robo-advisory platform, and its paperless account opening process.

5paisa has sustained a strong pace of client acquisition since inception, taking its total client base to over 1 million in 2020. The 5paisa mobile app has been hugely popular, in 2020 recording over 6,000,000 downloads and has a rating of 4.0+ on Playstore.

This is another business in the Fairfax India portfolio that seems to have benefited from the situation caused by the pandemic. It had its best year ever in 2020 – total revenue grew 92% to $24.3 million and for the first time ever it made a small profit after tax.

While it is still a small startup, 5paisa has the potential to be a major player in digital discount broking and financial products distribution.

**Privi Speciality Chemicals Limited (Privi)**

In August 2020 Privi, the aroma chemicals business, was separated as planned from Fairchem Speciality Limited, the former combined oleochemicals and aroma chemicals listed entity, and started trading as an independent company on the Indian stock exchanges.

Privi, founded in 1992 and led by Mahesh Babani and D. B. Rao, is one of India's leading manufacturers of aroma chemicals. Privi started manufacturing aroma chemicals with only two products, which it gradually expanded to a range of over 65 products today, with a capacity of over 32 ktpa. Its products are used as fragrance additives in perfumes, soaps, shampoos and packaged food. Privi enjoys a dominant position and economies of scale in its product categories. Privi also develops and produces custom-made aroma chemicals to specific requirements of its customers. Privi sources most of its raw materials from pulp and paper companies globally and competes primarily with pure play and niche suppliers such as IFF and DRT.

One of Privi's significant strengths is its established research and development (R&D) capabilities in aroma chemicals, with a staff of 98 people comprised of PhDs in chemistry, chemical engineers and instrumentation engineers. The research specialists continuously strive to develop new products and processes. Importantly, one of the R&D labs is completely focused on developing, through biotechnology, green products and green technologies in technical collaboration with the University Institute of Chemical Technology, Mumbai.

Privi has made significant investments in manufacturing facilities that convert a waste product in pulp and paper manufacturing, crude sulphated turpentine (CST), into aroma chemicals. CST, a more cost-effective raw material than the more traditional plant-based gum turpentine oil (GTO), is procured through annual contracts, while GTO has to be purchased on volatile spot markets.

On April 26, 2018 there was a major fire at Privi's main production facility. In subsequently rebuilding its facilities, it has created a world class manufacturing plant, with the highest safety standards.

After an outstanding year in 2019, Privi faced many challenges in 2020, including pandemic – related disruptions. Privi's sales to customers who sell high-end products (fragrances) fell sharply because the customers' sales, which are primarily at duty-free stores at international airports, fell sharply. The loss of sales in this segment was only partially offset by increased sales to customers who had increased sales due to higher demand for soaps, detergents and handwash. Privi also had lower margins in some of its products due to higher raw material costs. In addition, it lost some volumes as production had to be shut down due to demerger related administrative requirements.

As a result, in 2020 Privi's revenue decreased 12% to $166.4 million and its net earnings decreased 44% to $12.3 million, although its shareholders' equity grew 15% to $90.6 million, generating an ROE of 14%.

Despite the above results, Privi's stock price has performed well, resulting in a 2020 investment value of our investment in Privi of $138.4 million versus our cost of $55.0 million.

**Fairchem Organics Limited (Fairchem)**

In August 2020, following the separation of the Privi business from the former combined listed entity, Fairchem Speciality Limited, as noted above, Fairchem became an independent oleochemical company. In December 2020, after the completion of certain regulatory requirements, it started trading as an independent company on the Indian stock exchanges.

Fairchem is led by its founder Nahoosh Jariwala. Oleochemicals are, broadly, chemicals that are derived from plant or animal fat, which can be used for making both edible and non-edible products. In recent years, the production of oleochemicals has been moving from the U.S. and Europe to Asian countries because of the local availability of key raw materials.

Fairchem occupies a unique niche in this large global playing field. It has developed an in-house technology that uses machinery manufactured by leading European companies to convert waste generated during the production of soya, sunflower and corn oils into valuable chemicals. These chemicals include acids that go into non-edible products like soaps, detergents, personal care products and paints, and other products that are used in the manufacture of health foods and vitamin E. The company's customers include major multinational companies including BASF, Archer Daniels Midland, Cargill, Arkema and Asian Paints. Fairchem operates out of a single plant in Ahmedabad, the largest city in Gujarat, the home state of Prime Minister Modi: the plant has one of the largest processing capacities for natural soft oil-based fatty acids in India. Over the last ten years Fairchem's sales have grown on average 20% per year, net earnings have grown on average 22% per year, and the average annual ROE was around 24%.

Fairchem had a very strong start in 2020 and was on track to achieve annual sales of over $45 million when the pandemic caused the plant to be shut down on March 24, 2020, resulting in significant disruptions to the operations of Fairchem. In addition to the lockdowns imposed nationally, Fairchem was subject to further disruptions because it was located in a part of Ahmedabad which had an extremely high level of COVID-19 infections. This, combined with poor demand from customers, caused it to resume production only after a 58-day shutdown of the plant. Fairchem utilized this prolonged shutdown period to undertake a thorough clean-up of the plant that would not have been possible under normal circumstances. Since the plant re-started production, sales have been very strong.

Despite the above-mentioned disruptions, based on IFRS, for the year ended December 31, 2020 Fairchem's revenue grew by 18% to $44.1 million, net earnings grew by 30% to $4.8 million, and shareholders' equity grew 30% to $20.8 million, generating an ROE of 23%. In December 2020, Fairfax India's investment in Fairchem was valued at $54.6 million versus our cost of $19.4 million.

We believe that Fairchem is poised to have another record-breaking year in 2021.

**Seven Islands Shipping (SISL)**

SISL, Fairfax India's most recent investment, had one of its best years ever in 2020!

While as a result of the pandemic it faced some operational difficulties and increased expenses, it was able to manage these issues while remaining fully operational through the entire lockdown and the subsequent gradual reopening of the economy.

In 2020, SISL's revenues grew by 57% to $121.7 million, net income grew by 87% to $21.6 million and shareholders' equity grew by 16% to $125.9 million, generating an ROE of 17%. SISL has demonstrated stable and consistent revenue and EBITDA CAGR of over 30% in the last 10 years.

Founded by Captain Thomas Wilfred Pinto, a passionate entrepreneur and operator, SISL owns and operates tanker shipping vessels that sail primarily along the Indian coast as well as in international waters. SISL is the second largest private tanker shipping company in India.

In March 2019 Fairfax India acquired a 41.4% equity interest in SISL for $71.8 million through a direct subscription of $28.9 million and a secondary acquisition from existing shareholders of $42.9 million. In September and October 2019, Fairfax India acquired an additional 7.1% from existing shareholders for $12.1 million, bringing our total ownership interest to 48.5%. At December 2020 our investment was valued at $103.5 million.

At the time of our initial transaction, SISL owned 14 vessels with a total deadweight capacity of about 1 million metric tons. Today, SISL owns 20 vessels with a capacity of about 1.1 million metric tons. All SISL's vessels are registered in India and operate as Indian-owned and flagged vessels.

SISL focuses on the pre-owned vessel market. It identifies good quality vessels (generally manufactured in Japan or South Korea, which are well maintained and are subject to stringent inspections) and acquires them opportunistically.

For operations along the Indian coast, the freight rates are based purely on bids and there is no distinction between old and new vessels. SISL benefits from lower upfront capital investment and enjoys the same status as those of the younger ships in bidding for customer contracts. The operating and maintenance costs for its fleet are not significantly different from those of the younger ships. SISL's current vessels range in age from 14 to 25 years, with an average age of around 18 years, and it will endeavour to reduce the average age of its vessel fleet over the next few years. Consistent with this objective, in 2020 SISL sold four older ships, and acquired four younger ships.

Until now SISL had only owned and operated tankers that transported liquid cargo. But based on the current ship prices and charter rates, it is seeing potential for better growth from gas carrier containers. They are in the process of assessing this opportunity in greater detail.

Under the current Indian regulatory framework, Indian owned and flagged vessels are given preference over foreign vessels for transporting any cargo that originates from India. This is implemented by giving the Indian owned vessels a 'right of first refusal' (also known as ''cabotage'') before a contract can be awarded to a foreign vessel owner. It is our understanding that, because of cabotage protection, foreign vessel owners typically refrain from bidding for contracts for movement of goods along the Indian coast. Hence, the charter rates in domestic shipping are apparently about 30-40% higher than the rates quoted in international shipping markets. SISL bids competitively and does not rely on cabotage protection to win contracts. Strategically, SISL operates a majority of its vessels in the domestic cargo oil market and has benefited from the general rate arbitrage in domestic vs. international deployment.

In order to assist Indian shipping companies to compete with their global counterparts, the government has implemented tax provisions that have resulted in SISL historically enjoying lower tax rates, resulting in higher cash flow. SISL has obtained a ruling from the Indian tax authorities that it is entitled to the beneficial tax regime until the year ending March 31, 2026, so the lower tax rate is applicable at least until that time.

SISL has a small and efficient operations team consisting of about 80 permanent employees at the head office who manage the entire business. It has significantly strengthened this organization with the addition of experienced senior executives from the industry. It has also completely revamped its information technology system, which has enabled the implementation of robust operational, safety and security procedures.

SISL plans to become listed through an IPO on the Indian stock exchanges in 2021. Regulatory documentation has been filed, and the IPO will be launched once SISL gets regulatory approval.

**National Collateral Management Services (NCML)**

NCML was Fairfax India's very first investment, completed in August 2015. NCML has operated for over 15 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML has about 1.4 million metric tons of storage capacity across 624 warehouses in 16 states in India. It has a network of 22 regional offices, more than 800 touch points at agricultural produce markets and thousands of farmers and traders to facilitate procurement of commodities. With AUM of $555.1 million, NCML has a 20% share of the agricultural commodities' collateral management business in India, offering custodial services to about 65 banks and financial institutions for the management of collateralized agricultural commodities, based on which those institutions advance post-harvest loans to farmers or dealers owning commodities. Beyond its major business segments, NCML offers a commodity and weather intelligence service and an online commerce portal (NCML MktYard)

In 2016 and 2017, NCML won 16 concessions from Food Corporation of India to build, own and operate (and in some instances transfer) modern grain storage silo projects across the agrarian states of Punjab, Haryana, Uttar Pradesh and Bihar. These projects will significantly improve India's grain quality and reduce storage losses.

In 2015, Fairfax India invested a total of $148.7 million to acquire an 88% interest in NCML: $30.7 million in primary infusion to fund growth plans and the remaining $118.0 million to buy out existing shareholders. In August 2017, Fairfax India acquired an additional 1.4% stake through a rights issue for $25.6 million. In September 2019, Fairfax India infused $14.0 million as compulsorily convertible debentures to meet equity requirements for construction of silos. At December 2020, NCML is valued at $101.1 million compared to our investment cost of $188.3 million.

NCML's performance in its various business verticals is linked to the underlying economic activities in two areas: the post-harvest agriculture value chain and the financing of agricultural produce by banks and financial institutions. The agriculture sector has been in a negative business cycle since 2016 and activity has yet to recover to previous levels. In addition, the credit crisis in India has had a continuing negative impact on the post-harvest agri value chain. These conditions have resulted in poor results for NCML.

Siraj Chaudhry, the new CEO appointed in 2019, and his management team have been working diligently to turn the business around by:

- restructuring and right-sizing NCML's balance sheet
- focusing on completion of silo construction
- redirecting capital to businesses with better return potential
- downsizing businesses with poor risk-reward characteristics, and
- reducing overheads to better align with the size of the business.

In addition to the many challenges they faced in trying to achieve the above objectives, they also had to navigate extremely tight financial liquidity conditions.

The arrival of the pandemic turned the situation into a perfect storm for NCML. Among all the Fairfax India portfolio companies, NCML was probably the business most seriously impacted by the pandemic. The four key business segments of storage and preservation, testing, supply chain management and collateral management all had steep declines in the April to September quarters as agri product deliveries fell sharply. Pandemic-related construction shutdowns also impacted timelines for silo construction. In 2020, NCML surrendered projects at 3 locations that were unviable. The business has since recovered but still not to pre-pandemic levels.

As a result, 2020 was a particularly difficult year: revenue declined 46% to $75.9 million and net loss increased to $9.4 million (including one-time charges of $4.4 million related to losses incurred on silos as discussed above and $3.0 million in other provisions) from $0.8 million in 2019.

With the easing of the pandemic, business is improving, and with the implementation of the initiatives described above, we expect the NCML business to stabilize in 2021 and return to profitability in 2022.

**National Stock Exchange of India (NSE)**

In July 2016, Fairfax India acquired a 1% stake in NSE for $26.8 million. NSE is the largest stock exchange in India with a market share of over 94% in cash equity trading and 100% in equity derivatives trading. With approximately 200,000 terminals in over 2,000 centres, NSE provides trading facilities with national reach. The exchange uses the latest communications technology for automated screen-based trading. Our investment is currently valued at $72.6 million. In 2020, NSE's revenue grew 37% to $708.1 million, net income before exceptional items grew 53% to $380.5 million and shareholders' equity grew 31% to $1.5 billion, generating an ROE of 25%. The planned initial public offering of NSE is now expected sometime in 2021 or 2022.

**Saurashtra Freight (Saurashtra)**

Saurashtra's principal business is owning and operating container freight stations (CFS), which are an important link between transport operators and shipping lines and effectively work as an extension of a port. It is in the port's best interest to focus on maximizing container traffic and not get bogged down handling containers that are waiting to be dispatched. Also, ports lack adequate storage facilities to hold containers for extended periods of time. CFSs provide a facility outside of congested ports for temporary storage of goods pending customs clearance and further distribution. Activities like stuffing and destuffing of containers, which might otherwise have to be done in the port, are done at the CFS.

Launched in 2005, Saurashtra is located five kilometers from Mundra port. With 24/7 operations, Saurashtra has the capacity to handle 180,000 TEUs (twenty-foot-equivalent unit shipping containers) per annum and handled about 100,000 TEUs in 2020, implying capacity utilization of about 54%. It has achieved a market share of about 14% at Mundra port, the highest among all CFSs there.

Despite the restricted capacity utilization described below, Saurashtra, under the able leadership of Raghav Agarwalla and Ashutosh Maheshwari, produced excellent financial results in 2020. Volume of containers handled remained stable at about 100,000 TEUs but revenues increased by 24% to $25.1 million and net profit grew by 26% to $4.7 million. Saurashtra generated $4.9 million of free cash in 2020, and at year-end had a cash balance of $22.2 million and no debt.

In the five years prior to our acquisition of Saurashtra in 2017, it generated an average ROE of 17%. However, as of 2020, performance has eroded significantly from the time of our investment and ROEs have dropped to an average of 9% over the last three years. Also, Raghav's efforts to grow the business inorganically through acquisitions have not been successful because he has been unable to find good businesses at reasonable valuations.

Since Saurashtra has been unable to find good acquisition targets, it has focused more on organic opportunities for growth. Fairfreight Lines, the non-vessel operating common carrier (NVOCC) business that Saurashtra launched in 2017, has made excellent progress in 2020. It has increased its dry box inventory from about 1,069 to 1,172 and its tank inventory from about 200 to 365. As a result, in 2020 this business accounted for 25% of Saurashtra's revenues and 15% of its net profit, up from 19% and 7% respectively in 2019.

India, in its zeal to improve its "ease-of-doing-business" scores, has implemented changes in its customs clearance processes that simplify the steps and improve the speed at which goods clear customs both for exporters and importers. This reduces the "dwell" time of goods in CFSs, reducing their revenues. Also, some exporters have adopted the "self-sealing exports" methodology which enables them to send their goods directly from their factory to the port, completely bypassing CFSs. In response, Saurashtra is making a small investment in building a five-acre logistics park in Mundra that will provide storage capacity to exporters and importers who don't need the full services offered by a CFS.

In February 2017 Fairfax India invested $30.0 million to acquire a 51% interest in Saurashtra. At the end of 2020, this investment was valued at $32.8 million.

**Financial Position**

Fairfax India came into being on January 30, 2015, when it issued 106.7 million shares at $10.00 per share, raising gross proceeds of $1.03 billion by completing a public offering, a placement to cornerstone investors and an issue to Fairfax. In September 2016, the company arranged a $225 million two-year secured loan from a syndicate of Canadian banks. In January 2017 Fairfax India issued 42.6 million shares at $11.75 per share in a public offering and a concurrent private placement to OMERS and Fairfax, raising gross proceeds of $500 million. In March 2017, the company repaid its term loan of $225 million to the syndicate of Canadian banks, and then in July 2017 it arranged a $400 million one-year secured loan from a Canadian bank. In June 2018 Fairfax India replaced its expiring secured loan with a $550 million secured loan with a syndicate of Canadian banks; the original one-year term of the loan has since been extended until June 2021. Fairfax India currently has about $207 million in cash and liquid marketable securities for new investments and ongoing expenses. This amount will increase by about $130 million to about $337 million when the sale of 11.5% of Anchorage to OMERS is completed, expected to take place later this month.

At December 31, 2020, the financial position of Fairfax India was as follows:

| | *($ millions)* |
|---|---|
| Undeployed cash and investments[(1)] | 207.0 |
| Secured term loan (from a syndicate of Canadian banks, maturing in June 2021) | 550.0 |
| Common shareholders' equity | 2,446.9 |
| Total debt to equity | 22.5% |

*(1) Includes passive investments in publicly traded Indian companies*

We are pleased to report that on February 26, 2021 Fairfax India completed its maiden bond issue, selling $500 million of seven-year unsecured senior notes with a coupon of 5%. The net proceeds of the issue were used to repay most of Fairfax India's above-described $550 million secured term loan.

**Developments in India**

India is currently rolling out its vaccination plan to deal with COVID-19, aiming to immunize 300 million people by August. It is the world's largest such program. On many important measures, India is showing progress: declining positivity rates, lower fatality rates than the world average and a sharp decline in the overall number of cases. Even before the pandemic hit India in spring of 2020, the country's economy was already experiencing slower growth. The pandemic intensified the challenges faced by India. The Modi government ordered a country-wide lockdown from the end of March to the end of May. Since then, COVID-19 cases have declined and the economy began to recover towards the end of 2020, with business activity ramping up across many sectors.

Despite significant economic challenges, India had important accomplishments in 2020. While foreign direct investments (FDI) declined in many Asian countries, India witnessed an increase of 13%, mainly in the digital sector. Similarly, India's continued progress on a number of measures, including its ranking in the World Bank's ''Ease of Doing Business Measure'' (#63 in 2019 from #130 in 2016) and the Global Innovation Index (#48 in 2020 from #66 in 2013), and its becoming a Top 10 FDI destination, attracting over $70 billion between January 2019 and August 2020. India's foreign exchange reserves reached an all-time high, surpassing $500 billion by mid-2020. Significantly, a number of business-friendly policy reforms were undertaken by the Modi government in the last calendar year.

India benefited from a good monsoon season, the second year in a row, resulting in increased agricultural production in the two crop seasons, Kharif, which is from July to October, and Rabi, which is from October to March. As well, a significant drop in food prices mitigated the inflationary effects. Agricultural output increased a healthy 3.4% on an annualized basis. The central bank, RBI, was able to maintain its inflation target of 2% – 6%.

Upcoming state elections in key jurisdictions like West Bengal and the southern states of Tamil Nadu and Kerala will have national implications, as will the ongoing farmer protests on the recently passed farm liberalization laws. Nevertheless, Prime Minister Narendra Modi is in a commanding position with broad support for his policies. In a recent national poll, almost three-fourths of respondents expressed satisfaction with Prime Minister Modi's handling of the pandemic and his overall performance. In addition, a fractured opposition party has given the ruling BJP a stronger hand in promoting reform-oriented policies.

Prime Minister Modi's government is a majority government, with the next national elections in 2024. This political stability has facilitated important policy initiatives in 2020. Modi's goal of becoming a $5 trillion economy in the next few years can become a reality with continued liberalization. The policy changes initiated during the pandemic are significant measures targeted to attract foreign capital. Notable policies include:

- Production Linked Incentives (PLI): The aim of this program is to position India as an investment destination. The focus is to increase domestic manufacturing by providing incentives to large foreign companies to locate in India, especially those seeking to diversify their global value chains. As companies seek to build more resilience and shorten their supply chains, India's aim is to be one of the main alternatives to China. Over ten sectors have been identified for PLI: electronics/technology, textile products, automobiles and auto components, pharmaceuticals, advance chemistry cell batteries, telecom and networking products, specialty steel, food products, white goods (air conditioners and light emitting diodes), and high frequency solar photovoltaic modules. These sectors are expected to advance the stated goal of becoming more self-reliant (Atmanirbhar).
- Farm Trade Reforms: In September 2020, the government passed three farm laws designed to modernize the agricultural sector. These three laws seek to promote freer inter-state trade including e-trade, facilitate contract farming, and greater deregulation in production and storage aspects of the sector. These new laws provide for a greater role for the private sector, enhance bulk procurement, reduce the role of middlemen and improve storage infrastructure. Adverse reaction from farmers' organizations has centered principally on the reduction of government procurement and a stronger guarantee for the minimum support price. The government and the farmer organizations have been in a series of discussions to resolve the outstanding concerns.
- Labour Law Reforms: These reforms represent a consolidation of 29 existing laws into four legislative areas: the Wage Code, the Industrial Relations Code, social security and occupational health, safety and working conditions. These four codes provide flexibility for employers and represent an important update from previous disparate pieces of legislation. Important areas of autonomy pertain to retrenchment of the workforce, inclusion of workers in the key service sectors and reducing compliance costs for companies.
- Rise of e-commerce & Start-ups: COVID-19 accelerated the pace of adoption of e-commerce and the Indian e-commerce market is expected to grow from $120 billion to $200 billion by 2026. Internet connections are now at 760 million, with three-fifths of it in urban areas. India is emerging as a vibrant hub for innovation and start-ups, now with 35 unicorn start-ups, 11 of them in 2020 alone.

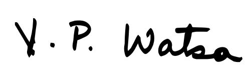
These developments represent a welcome signal to the global investor community. The combination of a reform-oriented government, a large population with rising consumer demand and the accelerated rate of technological adoption mean that India is in a unique position to capitalize on the opportunities in a post-pandemic world.

India recently announced a strong growth-oriented, yet fiscally responsible, budget that is very business-friendly. The key initiatives in the budget include privatization of several government owned companies, increased spending on infrastructure, increased FDI limit in insurance to 74% and creation of a bad bank to ease the bad loan crisis. As well, the government did not raise personal or corporate taxes. These measures, combined with a healthy level of foreign exchange reserves and stable inflation levels, make this one of the strongest pro-growth budgets in recent memory.

As we end our first six years of operations, we would like to acknowledge the strong support and leadership provided by Amy Sherk, Chief Financial Officer, Keir Hunt, General Counsel and Corporate Secretary, Gopalakrishnan Soundarajan (Gopal), Hamblin Watsa Managing Director for Indian Investments, John Varnell, Vice President of Corporate Affairs, and Jennifer Allen, Vice President. We would also like to thank our independent directors – Tony Griffiths, Chris Hodgson, Alan Horn, Deepak Parekh and Lauren Templeton – for their wise advice, support and encouragement.

We are looking forward to connecting with you at our online annual meeting at 2:00 p.m. (Eastern time) on April 15, 2021.

March 5, 2021



Chandran Ratnaswami
*Chief Executive Officer*

V. Prem Watsa
*Chairman*

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**Management's Responsibility for the Consolidated Financial Statements**

The preparation and presentation of the accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and all financial information are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of the consolidated financial statements.

We, as Fairfax India's Chief Executive Officer and Chief Financial Officer, have certified Fairfax India's annual disclosure documents filed with the Canadian Securities Administrators in accordance with Canadian securities legislation.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board and reviews the consolidated financial statements and MD&A; considers the report of the independent auditor; assesses the adequacy of the internal controls of the company; examines the fees and expenses for audit services; and recommends to the Board the independent auditor for appointment by the shareholders. The independent auditor has full access to the Audit Committee and meet with it to discuss their audit work, Fairfax India's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements and MD&A for issuance to the shareholders.

March 5, 2021

Chandran Ratnaswami
*Chief Executive Officer*

Amy Sherk
*Chief Financial Officer*

## Independent Auditor's Report

To the Shareholders of Fairfax India Holdings Corporation

### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fairfax India Holdings Corporation and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

*What we have audited*
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of earnings (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### 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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matter**

**Valuation of Private Indian common stocks**

*Refer to note 3 – Summary of Significant Accounting Policies, note 4 – Critical Accounting Estimates and Judgments, note 5 – Indian Investments and note 6 – Cash and Investments to the consolidated financial statements.*

The Company held financial instruments categorized as Private Indian common stocks measured at fair value of $2,055.3 million as at December 31, 2020. Valuation of these Private Indian common stocks uses valuation techniques that depend on the type of investment. Management uses unobservable inputs, as there is little, if any, market activity in these investments and no relevant observable inputs as at the measurement date.

Of these Private Indian common stocks, $1,957.3 million are primarily valued by management using discounted cash flow analyses that incorporate significant unobservable inputs, including multi-year free cash flow forecasts, after-tax discount rates and long term growth rates. The development of these significant unobservable inputs included added uncertainty related to the impacts of COVID-19.

We considered this a key audit matter due to the significant judgment required by management when developing the fair value estimate of these investments. This determination required the use of discounted cash flow analyses, which included significant unobservable inputs. This in turn led to a high degree of auditor subjectivity, judgment and effort in performing procedures relating to the valuation of these investments. The audit effort involved the use of professionals with specialized skills and knowledge in the field of valuation.

**How our audit addressed the key audit matter**

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the fair values of the Private Indian common stocks, which included the following:
  - Evaluated the appropriateness of the discounted cash flow analyses used by management, including assessing the reasonableness of the COVID-19 impact on the analyses and on the significant unobservable inputs.
  - Tested the underlying data used in management's discounted cash flow analyses by reviewing historical financial performance and the current environment, considering the degree of historical accuracy of management's assumptions and forecasts and considering other company-specific information including benchmarking against peers and current market conditions.
  - Evaluated the reasonableness of significant unobservable inputs such as multi-year free cash flow forecasts, after-tax discount rates and long term growth rates by considering consistency with, as applicable:
    - current and past performance of the particular investment;
    - relevant external market and industry data; and,
    - evidence obtained in other areas of the audit.
  - Professionals with specialized skills and knowledge in the field of valuation assisted us in evaluating the appropriateness of management's discounted cash flow analyses, including the after-tax discount rate and long term growth rate.
- In testing one investment, professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of a component of the valuation utilizing a market comparable approach by establishing an independent point estimate using relevant market and industry data.
- Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant unobservable inputs used.

## Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Financial Condition and Results of Operations and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report. The other information does not include information contained in the websites of the Company's Indian investments as disclosed in the annual report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 the Company's 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 the Company'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 consolidated 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 the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Wilson.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario
March 5, 2021

## Consolidated Financial Statements

**Consolidated Balance Sheets**
*as at December 31, 2020 and December 31, 2019*
*(US$ thousands)*

| | Notes | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 6, 15 | 22,057 | 48,713 |
| Restricted cash | 6, 7 | 16,315 | 16,915 |
| Bonds | 5, 6 | 35,873 | 138,425 |
| Common stocks | 5, 6 | 2,991,775 | 3,032,907 |
| Total cash and investments | | 3,066,020 | 3,236,960 |
| Interest and dividends receivable | | 1,911 | 3,453 |
| Income taxes refundable | 10 | 2,803 | 2,866 |
| Other assets | | 2,264 | 1,658 |
| Total assets | | 3,072,998 | 3,244,937 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | | 931 | 1,174 |
| Payable to related parties | 12 | 14,428 | 50,519 |
| Deferred income taxes | 10 | 63,477 | 64,477 |
| Income taxes payable | 10 | – | 3,688 |
| Borrowings | 7 | 547,228 | 547,228 |
| Total liabilities | | 626,064 | 667,086 |
| **Equity** | | | |
| Common shareholders' equity | 8 | 2,446,934 | 2,577,851 |
| | | 3,072,998 | 3,244,937 |

See accompanying notes.

Signed on behalf of the Board

V. P. Watsa
Director

Alan Horn
Director

**Consolidated Statements of Earnings (Loss)**
*for the years ended December 31, 2020 and 2019*
*(US$ thousands except per share amounts)*

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Income** | | | |
| Interest | 6 | 6,013 | 4,859 |
| Dividends | 6 | 16,449 | 10,141 |
| Net realized gains on investments | 6 | 5,372 | 181,123 |
| Net change in unrealized gains (losses) on investments | 6 | (26,618) | 530,372 |
| Net foreign exchange losses | 6 | (14,188) | (13,806) |
| | | (12,972) | 712,689 |
| **Expenses** | | | |
| Investment and advisory fees | 12 | 33,922 | 27,473 |
| Performance fee (recovery) | 12 | (41,991) | 48,514 |
| General and administration expenses | 14 | 4,233 | 5,300 |
| Interest expense | 7 | 29,844 | 38,781 |
| | | 26,008 | 120,068 |
| **Earnings (loss) before income taxes** | | (38,980) | 592,621 |
| Provision for income taxes | 10 | 2,496 | 76,283 |
| **Net earnings (loss)** | | (41,476) | 516,338 |
| **Net earnings (loss) per share** | 9 | $ (0.27) | $ 3.38 |
| **Net earnings (loss) per diluted share** | 9 | $ (0.27) | $ 3.30 |
| **Shares outstanding** (weighted average) | 9 | 151,001,909 | 152,654,875 |

See accompanying notes.

**Consolidated Statements of Comprehensive Income (Loss)**
*for the years ended December 31, 2020 and 2019*
*(US$ thousands)*

| | 2020 | 2019 |
|---|---|---|
| **Net earnings (loss)** | (41,476) | 516,338 |
| **Other comprehensive loss,** net of income taxes | | |
| **Item that may be subsequently reclassified to net earnings (loss)** | | |
| Unrealized foreign currency translation losses, net of income taxes of nil (2019 – nil) | (60,606) | (53,445) |
| **Other comprehensive loss,** net of income taxes | (60,606) | (53,445) |
| **Comprehensive income (loss)** | (102,082) | 462,893 |

See accompanying notes.

## Consolidated Statements of Changes in Equity

*for the years ended December 31, 2020 and 2019*
*(US$ thousands)*

| | Subordinate voting shares | Multiple voting shares | Share-based payments, net | Retained earnings | Accumulated other comprehensive loss | Common shareholders' equity |
|---|---|---|---|---|---|---|
| **Balance as of January 1, 2020** | 1,295,005 | 300,000 | (82) | 1,200,603 | (217,675) | 2,577,851 |
| Net loss for the year | – | – | – | (41,476) | – | (41,476) |
| Other comprehensive loss: | | | | | | |
| Unrealized foreign currency translation losses | – | – | – | – | (60,606) | (60,606) |
| Purchases for cancellation (note 8) | (33,271) | – | – | 4,366 | – | (28,905) |
| Amortization | – | – | 70 | – | – | 70 |
| **Balance as of December 31, 2020** | 1,261,734 | 300,000 | (12) | 1,163,493 | (278,281) | 2,446,934 |
| **Balance as of January 1, 2019** | 1,297,426 | 300,000 | (93) | 684,842 | (164,230) | 2,117,945 |
| Net earnings for the year | – | – | – | 516,338 | – | 516,338 |
| Other comprehensive loss: | | | | | | |
| Unrealized foreign currency translation losses | – | – | – | – | (53,445) | (53,445) |
| Purchases for cancellation (note 8) | (2,421) | – | – | (577) | – | (2,998) |
| Purchases and amortization | – | – | 11 | – | – | 11 |
| **Balance as of December 31, 2019** | 1,295,005 | 300,000 | (82) | 1,200,603 | (217,675) | 2,577,851 |

See accompanying notes.

**Consolidated Statements of Cash Flows**
*for the years ended December 31, 2020 and 2019*
*(US$ thousands)*

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Net earnings (loss) | | (41,476) | 516,338 |
| Items not affecting cash and cash equivalents: | | | |
| Net bond premium amortization | | 937 | 68 |
| Performance fee (recovery) | 12 | (41,991) | 48,514 |
| Deferred income taxes | 10 | 484 | 64,689 |
| Amortization of share-based payment awards | | 70 | 96 |
| Net realized gains on investments | 6 | (5,372) | (181,123) |
| Net change in unrealized (gains) losses on investments | 6 | 26,618 | (530,372) |
| Net foreign exchange losses | 6 | 14,188 | 13,806 |
| Net decrease (increase) in restricted cash in support of borrowings | | 600 | (3,082) |
| Net purchases of short term investments | | – | (30) |
| Purchases of investments | 15 | (185,911) | (563,952) |
| Sales of investments | 15 | 231,193 | 666,407 |
| Changes in operating assets and liabilities: | | | |
| Interest and dividends receivable | | 1,441 | 3,480 |
| Payable to related parties | | 7,586 | (6,200) |
| Income taxes payable | | (3,556) | 2,220 |
| Other | | 6,080 | 5,739 |
| Cash provided by operating activities | | 10,891 | 36,598 |
| **Financing activities** | | | |
| Borrowings: | | | |
| Proceeds | 7 | – | 50,000 |
| Issuance costs | 7 | (5,545) | (5,545) |
| Repayments | 7 | – | (50,000) |
| Subordinate voting shares: | | | |
| Purchases for cancellation | 8 | (28,905) | (2,998) |
| Cash used in financing activities | | (34,450) | (8,543) |
| **Increase (decrease) in cash and cash equivalents** | | (23,559) | 28,055 |
| Cash and cash equivalents – beginning of year | | 48,713 | 21,240 |
| Foreign currency translation | | (3,097) | (582) |
| **Cash and cash equivalents – end of year** | | 22,057 | 48,713 |

See accompanying notes.

**Index to Notes to Consolidated Financial Statements**

# Notes to Consolidated Financial Statements

*for the years ended December 31, 2020 and 2019*
*(in US$ and thousands except share and per share amounts and as otherwise indicated)*

## 1. Business Operations

Fairfax India Holdings Corporation (''the company'' or ''Fairfax India'') is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India (''Indian Investments''). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries based in Mauritius, FIH Mauritius Investments Ltd (''FIH Mauritius'') and FIH Private Investments Ltd (''FIH Private''). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited (''Anchorage''), a wholly-owned subsidiary of FIH Mauritius based in India.

Fairfax Financial Holdings Limited (''Fairfax'') is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the ''Portfolio Advisor''), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

## 2. Basis of Presentation

The company's consolidated financial statements for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board (''IASB''). The company has determined that it continues to meet the definition of an investment entity under IFRS (see note 3).

The consolidated balance sheets of the company are presented on a non-classified basis. Except for bonds, common stocks, and deferred income taxes, all other assets expected to be realized and liabilities due to be settled within one year are considered current.

The preparation of the company's consolidated financial statements requires management to make a number of estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of income and expenses during the reporting periods covered by the consolidated financial statements and the related note disclosures. Critical accounting estimates and judgments are described in note 4.

These consolidated financial statements were approved for issue by the company's Board of Directors on March 5, 2021.

## 3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these consolidated financial statements and the methods of computation have been consistently applied to all periods presented unless otherwise stated, and are as set out below.

### *Determination of investment entity status*

An entity that meets the IFRS 10 *Consolidated Financial Statements* (''IFRS 10'') definition of an investment entity is required to measure its investments in subsidiaries at fair value through profit or loss (''FVTPL'') rather than consolidate them (other than those subsidiaries that provide services to the company).

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The company continues to meet the definition of an investment entity, as its strategic objective of investing in Indian Investments and providing investment management services to investors for the purpose of generating returns in the form of long term capital appreciation, remains unchanged. The company has also determined that FIH Mauritius and FIH Private continue to provide investment related services to the company and should continue to be consolidated.

The company may from time to time seek to realize on any of its Indian Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Indian Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private Indian Investments (''Private Indian Investments'', as disclosed later in note 5) either through initial public offerings (''IPO'') or private sales. For publicly traded Indian Investments (''Public Indian Investments'', as disclosed later in note 5), exit strategies may include selling the investments through private placements or in public markets.

### *Consolidation*

**Subsidiaries** – A subsidiary is an entity that the company controls. The company controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As an investment entity the company is required to account for its investments in subsidiaries (Privi Speciality Chemicals Limited (''Privi Speciality'', formerly known as Fairchem Speciality Limited), Fairchem Organics Limited (''Fairchem Organics''), National Collateral Management Services Limited (''NCML''), and Saurashtra Freight Private Limited (''Saurashtra'')) at FVTPL in accordance with IFRS 9 *Financial Instruments* (''IFRS 9'') rather than by consolidation.

As FIH Mauritius and FIH Private continue to be consolidated all intercompany balances, profits and transactions with these subsidiaries are eliminated in full.

### *Investments in associates*

An associate is an entity over which the company has the ability to exercise significant influence, but not control. As an investment entity, the company accounts for its investments in associates (IIFL Finance Limited (''IIFL Finance''), IIFL Securities Limited (''IIFL Securities''), CSB Bank Limited (''CSB Bank''), 5paisa Capital Limited (''5paisa''), Bangalore International Airport Limited (''BIAL''), Sanmar Chemicals Group (''Sanmar'') and Seven Islands Shipping Limited (''Seven Islands'')) at FVTPL in accordance with IFRS 9 rather than under the equity method of accounting.

### *Foreign currency translation*

**Functional and presentation currency –** The consolidated financial statements are presented in U.S. dollars while the Indian rupee is the functional currency of the company and its consolidated subsidiaries.

Although the company's Indian Investments are denominated in Indian rupees, its primary financial reporting objective is to measure long term capital appreciation in U.S. dollars. Accordingly, the company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities.

**Foreign currency transactions –** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net foreign exchange gains (losses) in the consolidated statements of earnings (loss). Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value are translated using the exchange rate at the date the fair value is determined.

**Translation to the presentation currency –** The consolidated balance sheets and consolidated statements of earnings (loss) of Fairfax India and its consolidated subsidiaries are translated to the presentation currency as follows:

- assets and liabilities are translated using exchange rates at the balance sheet dates;
- income and expenses are translated at average exchange rates for the periods presented; and
- net unrealized gains or losses resulting from this translation are recognized in accumulated other comprehensive income (loss).

Upon disposal or partial disposal of FIH Mauritius or FIH Private, a proportionate share of the cumulative amount of exchange differences recognized in accumulated other comprehensive income (loss) and accumulated in a separate component in equity would be recycled to the consolidated statements of earnings (loss) as part of the determination of the gain or loss on disposal of these consolidated subsidiaries.

### *Comprehensive income (loss)*

Comprehensive income (loss) consists of net earnings (loss) and other comprehensive income (loss), and includes all changes in common shareholders' equity during a period, except for those resulting from investments by owners and distributions to owners. Unrealized foreign currency translation gains (losses), net of income taxes, arising from the translation of the company's Indian rupee functional currency consolidated financial statements to the U.S. dollar presentation currency are recognized in other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until recycled to the consolidated statements of earnings (loss) in the future. Accumulated other comprehensive income (loss) is included in the consolidated balance sheets as a component of common shareholders' equity.

### *Consolidated statements of cash flows*

The company's consolidated statements of cash flows are prepared in accordance with the indirect method, classifying cash flows by operating, investing and financing activities.

**Cash and cash equivalents –** Cash and cash equivalents consist of cash on hand, demand deposits with banks and other short term highly liquid investments with maturities of three months or less when purchased, and exclude cash that is restricted. The carrying value of cash and cash equivalents approximates fair value.

**Restricted cash –** Restricted cash primarily consists of amounts required to be maintained on deposit with Canadian banks to support the borrowings (see note 7). The carrying value of restricted cash approximates fair value.

### *Total Cash and Investments*

Total cash and investments include cash and cash equivalents, restricted cash, short term investments, derivatives, bonds and common stocks. Management determines the appropriate classifications of investments at their acquisition date.

**Classification –** Short term investments, derivatives, bonds and common stocks are classified as FVTPL. The company manages these investments on a fair value basis, using fair value information to assess investment performance and to make investment decisions.

**Recognition and measurement –** The company recognizes purchases and sales of investments on the trade date, the date on which the company commits to purchase or sell the investment. Transactions pending settlement are reflected on the consolidated balance sheets as payable for partly paid securities. Transaction costs related to investments classified as FVTPL are expensed as incurred in the consolidated statements of earnings (loss). The company recognizes cash and investments at fair value upon initial recognition.

Subsequent to initial recognition, investments classified as FVTPL are measured at fair value with changes in fair value reported in the consolidated statements of earnings (loss) as income comprised of interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments. Interest represents interest income on short term investments and bonds (except for Sanmar bonds where estimated interest income was included in its fair value measurement (see note 5)) calculated using the effective interest method, net of investment expenses and includes bank interest. Calculation of a debt instrument's effective interest rate does not consider expected credit losses and requires estimates of future cash flows considering all contractual terms of the financial instrument including the stated interest rate, discount or premium, and any origination or structuring fees.

Interest receivable is shown separately on the consolidated balance sheets based on the debt instruments' stated rates of interest. Dividends represent dividends received on holdings of common stocks and are recognized when the company's right to receive payment is established. All other changes in fair value are reported in net realized gains (losses) on investments and net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss). For short term investments and bonds, the sum of interest income, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments is equal to their total change in fair value for the reporting period.

Interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments are reported as operating activities in the consolidated statements of cash flows.

**Derecognition –** An investment is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the company has transferred substantially all the risks and rewards of ownership.

**Short term investments –** Highly liquid debt instruments with maturity dates between three and twelve months when purchased are classified as short term investments.

**Bonds –** Debt instruments with maturity dates greater than twelve months when purchased, or illiquid debt instruments with maturity dates of less than twelve months when purchased, are classified as bonds. The carrying value of bonds excludes the debt instrument's accrued interest receivable at the stated rate of interest.

**Derivatives –** Derivatives represent forward contracts and warrants, which derive their value primarily from changes in underlying equity instruments. The fair value of derivatives in a gain position are presented on the consolidated balance sheets within total cash and investments, as derivatives. The fair value of derivatives with no upfront cost and in a loss position are presented on the consolidated balance sheets in derivative obligations. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each reporting date. Changes in the fair value of derivatives are recorded within net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss).

**Determination of fair value –** Fair values for substantially all of the company's financial instruments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of financial instruments are based on bid prices for financial assets and ask prices for financial liabilities. The company categorizes its fair value measurements using a three-level fair value hierarchy in accordance with IFRS as described below:

Level 1 – Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the company's Public Indian Investments that are not subject to selling restrictions are based on published quotes in active markets.

Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair values of the company's investments in Government of India and Indian corporate bonds are based on information provided by independent pricing service providers.

Level 3 – Inputs include unobservable inputs that require management to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. The fair values of the company's Public Indian Investments subject to selling restrictions are based on published quotes in active markets, net of a discount for lack of marketability, which is not a market observable input. The majority of the company's Private Indian Investments are based on discounted cash flow analyses and recent third party transactions which utilize inputs that are not market observable such as after-tax discount rates, long term growth rates, and third party transaction prices.

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified.

Valuation techniques used by the company's independent pricing service providers and third party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The company assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk-free rate).

***Net realized gains (losses) on investments, and Net change in unrealized gains (losses) on investments***

Where a financial instrument continues to be held by the company at the end of a reporting period, changes in the fair value of that instrument during the reporting period, excluding those changes reported as interest and dividends, are presented in net change in unrealized gains (losses) on investments. On disposition of that financial instrument, its inception-to-date net gain (loss), excluding those changes previously reported as interest and dividends, is presented as net realized gains (losses) on investments in the consolidated statements of earnings (loss). The cumulative unrealized net gain (loss) recognized in prior periods on that financial instrument is then reversed in net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss). The sum of the net realized gain (loss) and the cumulative reversal of prior period unrealized gains (losses) equals that financial instrument's net gain (loss) on investment for the current reporting period.

***Performance fees***

Performance fees are estimated and accrued at the end of each reporting period within the calculation period. An estimate is also made for the number of shares to be issued, if any, on settlement for the purposes of the calculation of diluted earnings per share based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the reporting period. The amount of the performance fee payable and the subordinate voting shares to be issued which are determined at the end of each calculation period, if any, may differ when performance fee is settled in accordance with the terms as disclosed in note 12.

***Income taxes***

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the consolidated statements of earnings (loss), except when related to items recognized in other comprehensive income (loss) or directly in equity. In those cases, income taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases at the current substantively enacted tax rates. Changes in deferred income tax associated with components of other comprehensive income (loss) are recognized in other comprehensive income (loss) while all other changes in deferred income tax are included in the provision for income taxes in the consolidated statements of earnings (loss).

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Carry forwards of unused losses or unused tax credits are tax effected and recognized as deferred tax assets when it is probable that future taxable profits will be available against which these losses or tax credits can be utilized.

Deferred income tax is not recognized on unremitted earnings from the company's subsidiaries' holdings of Indian Investments where the company has determined it is not probable that those earnings will be repatriated in the foreseeable future.

Current and deferred income tax assets and liabilities are offset when income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

***Borrowings***

Borrowings are initially recognized at fair value, net of incremental and directly attributable transaction costs, and subsequently measured at amortized cost. Interest expense on borrowings is recognized in the consolidated statements of earnings (loss) using the effective interest method. Borrowings are derecognized when extinguished, with any gain or loss on extinguishment recognized in other expenses in the consolidated statements of earnings (loss).

***Equity***

Common stock issued by the company is classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the shares. Incremental costs directly attributable to the issue or purchase for cancellation of equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of the company's equity instruments are recognized directly in equity.

***Share-based payments***

The company has restricted share plans or equivalent for its directors with vesting periods of up to ten years from the date of grant. The fair value of restricted share awards on the grant date is amortized to salaries and employee benefit expenses, included in general and administration expenses in the consolidated statements of earnings (loss), over the vesting period, with a corresponding increase in share-based payments, net, in the consolidated statements of changes in equity. At each balance sheet date, the company reviews its estimates of the number of restricted share awards expected to vest.

***Net earnings (loss) per share***

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period.

***Net earnings (loss) per diluted share***

Diluted net earnings (loss) per share is calculated in the same manner as basic net earnings (loss) per share except that the weighted average number of subordinate and multiple voting shares outstanding during the period is adjusted for the dilutive effect, if any, of the contingently issuable subordinate voting shares or settlement in subordinate voting shares relating to the performance fee payable to Fairfax (see note 12) that would have been outstanding during the period had all potential subordinate voting shares been issued at the beginning of the period.

***New accounting pronouncement adopted in 2020***

*Conceptual Framework for Financial Reporting ("Conceptual Framework")*

The revised Conceptual Framework includes revised definitions of an asset and a liability as well as new guidance on measurement, derecognition, presentation and disclosure. It does not constitute an accounting pronouncement and did not result in any immediate change to IFRS, and will be used by the IASB and IFRS Interpretations Committee in setting future standards. Adoption of the revised Conceptual Framework on January 1, 2020 did not have an impact on the company's consolidated financial statements. The revised Conceptual Framework will apply when the company has to develop an accounting policy for an issue not addressed by IFRS.

*Definition of Material (Amendments to IAS 1 and IAS 8)*

The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the definition of "material". Prospective adoption of these amendments on January 1, 2020 did not have a significant impact on the company's consolidated financial statements.

***New accounting pronouncements issued but not yet effective***

The following new standards and amendments have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2020. The company does not expect to adopt any of them in advance of their respective effective dates.

*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

On August 27, 2020 the IASB issued amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* to address financial statement impacts and practical expedients when an existing interest rate benchmark such as LIBOR is replaced with an alternative reference rate. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively without restatement of prior periods. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

*Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

On May 14, 2020 the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to clarify the types of costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated and instead the cumulative effect of applying the amendments is recognized as an adjustment to opening equity at the date of initial application. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

*Annual Improvements to IFRS Standards 2018 – 2020*

On May 14, 2020, the IASB issued amendments to certain IFRS Standards as a result of its annual improvements project, which includes an amendment to IFRS 9 *Financial Instruments* to clarify which fees an entity includes when it applies the '10 per cent test' in assessing whether to derecognize a financial liability. The amendment to IFRS 9 is applied prospectively on or after January 1, 2022 and is not expected to have a significant impact on the company's consolidated financial statements.

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the criteria for classifying a liability as non-current which was to be applied retrospectively on or after January 1, 2022. On July 15, 2020 the IASB issued another amendment to IAS 1 *Presentation of Financial Statements* to defer the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023. The company is currently evaluating the expected impact of the amendments on its consolidated financial statements.

## 4. Critical Accounting Estimates and Judgments

In the preparation of the company's consolidated financial statements, management has made a number of critical accounting estimates and judgments which are discussed below, including the effects of the COVID-19 pandemic on the company's development of critical accounting estimates in 2020. The broad effects of the COVID-19 pandemic on the company are described in note 11. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where estimates were made, the reported amounts of assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future earnings were known at the time the consolidated financial statements were prepared.

### *Valuation of Private Indian Investments*

The valuation of the company's Private Indian Investments are assessed at the end of each reporting period.

For each Private Indian Investment acquired during the reporting period, the transaction price is generally considered to be representative of fair value, subject to changes in market conditions and factors specific to the investee. The company monitors various factors impacting the businesses of its investees and the transaction price of a Private Indian Investment may no longer be an appropriate estimate of fair value upon occurrence of certain events such as significant variances from budgeted earnings; changes in market conditions; changes to the regulatory environment; movements in interest rates, foreign exchange rates and other market variables; and the passage of time.

Estimates and judgments for Private Indian Investments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company utilizes Fairfax's valuation personnel to assist with the valuation of its investment portfolio. Detailed valuations are performed for those financial instruments that are priced internally, while external pricing received from independent pricing service providers and third party broker-dealers are evaluated by the company for reasonableness. The company does not use independent valuation experts to determine the fair value of its Private Indian Investments. The company's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company's Audit Committee.

Notwithstanding the rigour of the company's valuation processes, the valuation of Private Indian Investments, including the company's valuation of BIAL, Sanmar, Seven Islands, NCML, and Saurashtra, inherently has estimation uncertainty and different assumptions could lead to materially different fair values. Significant judgments and assumptions are required to determine the discounted cash flow, including multi-year free cash flow forecasts, after-tax discount rates and long term growth rates. Further discussion on these assumptions specific to each Indian Investment are included in note 5 under the respective heading of each Indian Investment. Discounted cash flows are subject to a sensitivity analysis (see note 6) given the uncertainty in preparing forecasts. Refer to notes 5 and 6 for additional disclosure related to the valuation of the company's Private Indian Investments.

*COVID-19 pandemic*

The development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Private Indian Investments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic, including further actions that may be taken by governments to contain it and the timing of the re-opening of the economy in various parts of the world. The company has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known, with gradual lifting of those restrictions. In particular, these restrictions include the lockdown imposed by the Indian government on March 25, 2020 which was later extended to May 31, 2020 and remains in place for containment zones until March 31, 2021 (and may extend further as the COVID-19 pandemic continues to evolve) while lockdown restrictions were being lifted in phases for districts that are deemed safe (''India's lockdown''). The company has incorporated assumptions related to the COVID-19 pandemic into the estimates of the amount and timing of future cash flows, and the uncertainty in those assumptions has been incorporated into the company's valuations of Private Indian Investments primarily through higher risk premiums. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates. Refer to notes 5 and 6 for details on the valuation of company's Private Indian Investments at December 31, 2020.

***Income taxes***

The company is subject to income taxes in Canada, Mauritius and India, and the company's determination of its tax liability or receivable is subject to review by those applicable tax authorities. The company exercised judgment in assessing that unremitted earnings related to its subsidiaries' holdings of Indian Investments, as disclosed in note 10, are not expected to result in taxable amounts as the company has determined it is not probable that those unremitted earnings will be repatriated in the foreseeable future; as a consequence no tax has been recorded in the consolidated financial statements on these unremitted earnings. While the company believes its tax positions to be reasonable, where the company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The company has Fairfax tax specialist personnel responsible for assessing the income tax consequences of planned transactions and events, and undertaking the appropriate tax planning.

Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for (recovery of) income taxes and expected timing of the reversal of deferred income tax assets and liabilities. The company exercised judgment that certain carryforwards of unused losses or unused tax credits and timing differences disclosed in note 10 should not be recognized as a deferred income tax asset as it was considered not probable that those losses could be utilized by the company.

## 5. Indian Investments

Throughout the company's consolidated financial statements for the year ended December 31, 2020, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed within this note.

### Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2020 is as follows:

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance as of January 1 | Purchases | Fairchem Reorganization | Sales | Net realized gains on investments | Net change in unrealized gains (losses) on investments[(1)] | Net unrealized foreign currency translation gains (losses) | Balance as of December 31 |
| **Public Indian Investments:** | | | | | | | | |
| Common stocks: | | | | | | | | |
| IIFL Finance | 166,014 | – | – | – | – | (30,262) | (4,274) | 131,478 |
| IIFL Wealth | 191,476 | – | – | – | – | (20,058) | (4,716) | 166,702 |
| IIFL Securities | 48,796 | – | – | – | – | 7,823 | (1,016) | 55,603 |
| CSB Bank | 229,262 | – | – | – | – | (9,484) | (5,437) | 214,341 |
| Privi Speciality (formerly Fairchem)[(2)] | 127,413 | – | (34,895) | – | – | 48,732 | (2,837) | 138,413 |
| Fairchem Organics[(2)] | – | – | 34,895 | – | – | 18,808 | 863 | 54,566 |
| 5paisa | 18,176 | – | – | – | – | 9,889 | (277) | 27,788 |
| Other | 95,892 | 84,672 | – | (41,913) | 3,782 | 5,896 | (725) | 147,604 |
| Total Public Indian Investments | 877,029 | 84,672 | – | (41,913) | 3,782 | 31,344 | (18,419) | 936,495 |
| **Private Indian Investments:** | | | | | | | | |
| Bonds – NCML CCD | 14,286 | – | – | – | – | 915 | (317) | 14,884 |
| Common stocks: | | | | | | | | |
| BIAL | 1,429,854 | – | – | – | – | (669) | (33,068) | 1,396,117 |
| Sanmar | 412,930 | – | – | – | – | (63,844) | (10,465) | 338,621 |
| Seven Islands | 88,800 | – | – | – | – | 16,558 | (1,815) | 103,543 |
| NCML | 120,734 | – | – | – | – | (31,277) | (3,241) | 86,216 |
| Saurashtra | 31,204 | – | – | – | – | 2,297 | (689) | 32,812 |
| NSE | 57,210 | – | – | – | – | 16,493 | (1,086) | 72,617 |
| IH Fund | 15,146 | 9,506 | – | (277) | – | 1,249 | (270) | 25,354 |
| Total Private Indian Investments | 2,170,164 | 9,506 | – | (277) | – | (58,278) | (50,951) | 2,070,164 |
| **Total Indian Investments** | 3,047,193 | 94,178 | – | (42,190) | 3,782 | (26,934) | (69,370) | 3,006,659 |

(1) *All Private Indian Investments and certain CSB Bank common shares (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to unrealized gains (losses) on investments held at the end of the reporting period.*

(2) *On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India.*

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2019 is as follows:

| | 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Balance as of January 1** | **Purchases** | **IIFL Holdings Reorganization** | **Transfer** | **Sales / Redemptions** | **Net realized gains (losses) on investments** | **Net change in unrealized gains (losses) on investments[(1)]** | **Net unrealized foreign currency translation gains (losses)** | **Balance as of December 31** |
| **Public Indian Investments:** | | | | | | | | | |
| Common stocks: | | | | | | | | | |
| IIFL Finance (formerly IIFL Holdings)[(2)] | 613,458 | – | (282,753) | – | – | 36,112 | (196,040) | (4,763) | 166,014 |
| IIFL Wealth[(2)] | – | – | 191,443 | – | – | – | 4,620 | (4,587) | 191,476 |
| IIFL Securities[(2)] | – | – | 91,310 | – | – | – | (40,916) | (1,598) | 48,796 |
| CSB Bank[(3)] | 93,081 | 80,987 | – | – | (19) | (45) | 60,901 | (5,643) | 229,262 |
| Fairchem | 96,574 | – | – | – | – | – | 33,412 | (2,573) | 127,413 |
| 5paisa[(4)] | 11,913 | 6,483 | – | – | – | – | 12 | (232) | 18,176 |
| Other | 98,180 | – | – | – | (36,907) | 7,115 | 30,182 | (2,678) | 95,892 |
| Total Public Indian Investments | 913,206 | 87,470 | – | – | (36,926) | 43,182 | (107,829) | (22,074) | 877,029 |
| **Private Indian Investments:** | | | | | | | | | |
| Loan – NCML Loan | – | 13,970 | – | (13,970) | – | – | – | – | – |
| Bonds: | | | | | | | | | |
| NCML CCD | – | – | – | 13,970 | – | – | 241 | 75 | 14,286 |
| Sanmar bonds | 392,776 | – | – | – | (433,873) | 156,540 | (107,758) | (7,685) | – |
| Common stocks: | | | | | | | | | |
| BIAL | 704,077 | – | – | – | – | – | 751,487 | (25,710) | 1,429,854 |
| Sanmar[(5)] | 217,170 | 178,422 | – | – | – | – | 23,062 | (5,724) | 412,930 |
| NCML | 165,380 | – | – | – | – | – | (41,594) | (3,052) | 120,734 |
| Seven Islands | – | 83,846 | – | – | – | – | 7,119 | (2,165) | 88,800 |
| Saurashtra | 24,843 | – | – | – | – | – | 7,001 | (640) | 31,204 |
| NSE | 60,285 | – | – | – | – | – | (1,779) | (1,296) | 57,210 |
| IH Fund | – | 14,893 | – | – | (24) | – | 482 | (205) | 15,146 |
| Derivatives: | | | | | | | | | |
| 5paisa forward derivative[(4)] | – | – | – | – | (2,706) | 2,767 | – | (61) | – |
| Sanmar forward derivative[(5)] | – | 19,617 | – | – | – | (19,816) | – | 199 | – |
| Total Private Indian Investments | 1,564,531 | 310,748 | – | – | (436,603) | 139,491 | 638,261 | (46,264) | 2,170,164 |
| **Total Indian Investments** | 2,477,737 | 398,218 | – | – | (473,529) | 182,673 | 530,432 | (68,338) | 3,047,193 |

*(1) All Private Indian Investments and CSB Bank common shares (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to unrealized gains (losses) on investments held at the end of the reporting period, with the exception of $107,758 of net change in unrealized losses recorded in 2019, related to the reversal of prior period unrealized gains recorded on Sanmar bonds.*

*(2) On May 31, 2019 IIFL Holdings spun off IIFL Wealth and IIFL Securities in the IIFL Holdings Reorganization. IIFL Holdings was renamed IIFL Finance, and shares of IIFL Wealth and IIFL Securities were publicly listed on the BSE and NSE of India in September 2019. The amount recorded in net realized gains on investments was $36,112 (all of which was recognized as unrealized gains on investments in prior periods).*

*(3) On December 4, 2019 CSB Bank closed its IPO and commenced trading on both the BSE and NSE of India.*

*(4) On August 20, 2019 Fairfax India participated in a 5paisa rights offer and acquired additional 5paisa common shares for cash consideration of $3,777. As a result the company derecognized the 5paisa forward derivative asset with a carrying value of $2,706, recorded a realized gain of $2,767 and recorded its investment in 5paisa common shares at a fair value at that date of $6,483.*

*(5) On December 21, 2019 Fairfax India acquired additional Sanmar common shares for cash consideration of $198,039. As a result the company derecognized the Sanmar forward derivative obligation with a carrying value of $19,617, recorded a realized loss of $19,816 and recorded its investment in Sanmar common shares at a fair value at that date of $178,422.*

## Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain CSB Bank common shares subject to selling restrictions.

### ***Investment in IIFL Holdings Limited / IIFL Finance Limited***

*IIFL Holdings Limited*

IIFL Holdings Limited ("IIFL Holdings") was a publicly traded diversified financial services holding company located in Mumbai, India with principal lines of business in wealth management, capital markets and other activities (comprised of retail investment brokerage, institutional equities, investment banking and financial products distribution) and a non-banking financial company ("NBFC").

In December 2015 and February 2017 the company acquired 84,641,445 common shares of IIFL Holdings (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees). In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5paisa Capital Limited ("5paisa") which resulted in a reduction to the company's cost of its investment in IIFL Holdings by $19,758. Upon closing of this transaction the company had invested $256,976 for a 26.9% equity interest in IIFL Holdings.

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities Limited ("IIFL Securities", comprised of investment brokerage, distribution and investment banking businesses) and its 53.3% equity interest in its subsidiary IIFL Wealth Management Limited ("IIFL Wealth", comprised of the wealth management and asset management businesses) in a non-cash transaction (the "IIFL Holdings Reorganization"). Shareholders of IIFL Holdings received seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL Holdings common shares held. The distribution of new common shares to IIFL Holdings shareholders was characterized as a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings and resulted in the company recording the initial cost of its investments in IIFL Securities and IIFL Wealth at their estimated fair values at that date of $91,310 (approximately 6.4 billion Indian rupees) and $191,443 (approximately 13.3 billion Indian rupees) respectively. Upon completion of the spin off transactions, IIFL Holdings Limited was renamed IIFL Finance Limited ("IIFL Finance") and continued to trade on the BSE and NSE of India. The shares of IIFL Wealth and IIFL Securities were listed on the BSE and NSE of India in September 2019. Additional details on the IIFL Holdings Reorganization, specific to IIFL Wealth and IIFL Securities, are disclosed later in note 5.

*IIFL Finance Limited*

IIFL Finance is a publicly traded diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans, microfinance, construction and real estate finance) and capital market finance.

In March 2020 IIFL Finance was granted an NBFC license by the Reserve Bank of India ("RBI") and on March 30, 2020 completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. Minority shareholders of India Infoline received 135 common shares of IIFL Finance for every 100 common shares of India Infoline held. As a result of the merger Fairfax India's equity interest in IIFL Finance decreased from 26.5% at December 31, 2019 to 22.4% at March 30, 2020.

At December 31, 2020 the fair value of the company's investment in IIFL Finance was $131,478 (December 31, 2019 – $166,014) comprised of 84,641,445 common shares representing a 22.4% equity interest (December 31, 2019 – 26.5%). The changes in fair value of the company's investment in IIFL Finance in 2020 and 2019 aggregated with IIFL Holdings are presented in the tables disclosed earlier in note 5.

### ***Investment in IIFL Wealth Management Limited***

IIFL Wealth is a publicly traded wealth management firm with principal lines of business in wealth management and asset management, located in Mumbai, India. The wealth management business serves the highly specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate.

On May 31, 2019 IIFL Holdings spun off its 53.3% equity interest in its subsidiary IIFL Wealth in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Wealth for every seven common shares of IIFL Holdings held. Upon completion of the IIFL Holdings Reorganization Fairfax India received 12,091,635 common shares of IIFL Wealth representing a 14.2% equity interest with an estimated fair value at

May 31, 2019 of $191,443 (approximately 13.3 billion Indian rupees), which was determined based on a third party valuation.

The shares of IIFL Wealth were listed on the BSE and NSE of India on September 19, 2019.

At December 31, 2020 the fair value of the company's investment in IIFL Wealth was $166,702 (December 31, 2019 – $191,476) comprised of 12,091,635 common shares representing a 13.8% equity interest (December 31, 2019 – 13.9%) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

***Investment in IIFL Securities Limited***

IIFL Securities is a publicly traded leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India.

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Securities for every one common share of IIFL Holdings held. Upon closing of the IIFL Holdings Reorganization Fairfax India received 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest with an estimated fair value at that date of $91,310 (approximately 6.4 billion Indian rupees). At May 31, 2019 the fair value of IIFL Securities was estimated based on the company's internal valuation model.

The shares of IIFL Securities were listed on the BSE and NSE of India on September 20, 2019.

At December 31, 2020 the fair value of the company's investment in IIFL Securities was $55,603 (December 31, 2019 – $48,796) comprised of 84,641,445 common shares representing a 26.5% equity interest (December 31, 2019 – 26.5%) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

***Investment in CSB Bank Limited***

CSB Bank Limited (''CSB Bank'') is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 454 branches and 319 automated teller machines across India.

During 2018 and 2019 Fairfax India invested aggregate cash consideration of $169,511 (approximately 12.1 billion Indian rupees) for a 51.0% equity interest in CSB Bank through the following transactions:

(i) October 19, 2018: the company completed its initial investment in CSB Bank and on closing recorded $88,524 (approximately 6.5 billion Indian rupees) in common stocks within the consolidated balance sheet relating to 100.0% of the common shares and 40.0% of the warrants, and on that date recorded $28,367 (approximately 2.1 billion Indian rupees) in payable for partly paid securities relating to 75.0% of the consideration payable on the common shares (''Tranche 1'').

(ii) March 20, 2019: the company invested in an additional 30.0% of the warrants of CSB Bank and recorded $40,547 (approximately 2.8 billion Indian rupees) in common stocks (''Tranche 2'') within the consolidated balance sheet.

(iii) June 29, 2019: CSB Bank issued a capital call for the remaining consideration payable for 30.0% of the warrants ($40,440) (''Final Tranche'') and 75.0% of the common shares ($30,167). The company recorded $40,440 (approximately 2.8 billion Indian rupees) in common stocks within the consolidated balance sheet, representing the Final Tranche of CSB Bank warrants, which were considered in-substance equity.

(iv) July 8, 2019: the company funded the June 29, 2019 capital call.

(v) August 7, 2019: the company exercised its CSB Bank warrants to acquire CSB Bank common shares. No CSB Bank warrants remain outstanding.

On December 4, 2019 CSB Bank closed its IPO, issuing 1,230,769 shares and commenced trading on both the BSE and NSE of India. In 2019 CSB Bank also issued 5,000,000 shares to CSB Bank's employee stock option trust which together with the IPO decreased Fairfax India's ownership slightly from 51.0% to 49.7%.

The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period to August 7, 2024 due to restrictions imposed by the RBI and the Securities and Exchange Board of India (''SEBI'').

As a result of CSB Bank's IPO the company was restricted from selling 17,372,952 of its shares of CSB Bank for one year from the IPO closing. On December 2, 2020 the selling restriction on 16,880,645 common shares of CSB Bank held by the company was released and the difference of 492,307 common shares remains restricted. The remaining 69,382,331 common shares of CSB Bank held by the company continue to be restricted until August 7, 2024.

At December 31, 2020 the company estimated the fair value of its investment in CSB Bank based on the bid price less a discount for lack of marketability of 20.9% on the remaining common shares subject to selling restrictions (December 31, 2019 – 12.0%). At December 31, 2020 the fair value of the company's investment in CSB Bank was $214,341 (December 31, 2019 – $229,262) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2019 – 49.7%) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

### *Investment in Fairchem Speciality Limited / Privi Speciality Chemicals Limited*

*Fairchem Speciality Limited*

Fairchem Speciality Limited (''Fairchem'') was a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. Privi Organics Limited (''Privi''), a wholly-owned subsidiary of Fairchem located in Mumbai, India, was a supplier of aroma chemicals to the fragrance industry.

In March 2017, upon closing of the merger of Fairchem and Privi, the company acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics Limited (''Fairchem Organics'', comprised of the oleochemicals and neutraceuticals businesses) in a non-cash transaction (''Fairchem Reorganization''). Shareholders of Fairchem received one common share of Fairchem Organics for every three Fairchem common shares held. The distribution of new common shares to Fairchem shareholders was characterized as a return of capital and resulted in the company recording the initial cost of its investment in Fairchem Organics at its estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). Concurrent with the spin off transaction, Privi amalgamated with the remaining Fairchem business and renamed Privi Speciality Chemicals Limited (''Privi Speciality''). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. Common shares of Fairchem Organics listed on the BSE and NSE of India on December 24, 2020. Additional details on the Fairchem Reorganization, specific to Fairchem Organics, are disclosed later in note 5.

*Privi Speciality Chemicals Limited*

Privi Speciality is a publicly traded specialty chemical manufacturer located in Mumbai, India. Privi Speciality is a supplier of aroma chemicals to the fragrance industry.

At December 31, 2020 the fair value of the company's investment in Privi Speciality was $138,413 (December 31, 2019 – $127,413) comprised of 19,046,078 common shares representing a 48.8% equity interest (December 31, 2019 – 48.8%) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

Subsequent to the anticipated closing of an open offer being made to public shareholders of Fairchem Organics as disclosed later in note 5 under the heading Investment in Fairchem Organics Limited, the company intends to decrease its equity interest in Privi Speciality to 38.9% from its current 48.8% and increase its equity interest in Fairchem Organics to 66.7% from its current 48.8% through a series of transactions with Privi's founders in the first quarter of 2021, subject to applicable regulatory approvals and customary closing conditions.

### *Investment in Fairchem Organics Limited*

Fairchem Organics is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products.

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics in a non-cash transaction that resulted in Fairfax India receiving one common share of Fairchem Organics for every three Fairchem common shares held. Upon completion of the Fairchem Reorganization Fairfax India received 6,348,692 common shares of Fairchem Organics representing 48.8% equity interest with an estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees) which was estimated based on the company's internal market approach valuation model which referenced the earnings multiple of a peer group of comparable companies. The distribution of new common shares of Fairchem Organics to Fairchem shareholders was characterized as a return of capital which resulted in Fairfax India recording the initial cost of its investment in Fairchem Organics at its fair value at that date.

On December 24, 2020 common shares of Fairchem Organics were listed on the BSE and NSE of India. At the time of listing and in accordance with Indian regulations, as a result of the anticipated changes in ownership of Fairchem Organics, the company announced an open offer for the acquisition of up to 3,377,953 common shares, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share (''Fairchem Open Offer''). The potential obligation is approximately 1.9 billion Indian rupees ($26,607 at period end exchange rates). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of approximately 19.5 million Indian rupees ($267 at period end exchange rates) and a bank guarantee for approximately 486.1 million Indian rupees ($6,652 at period end exchange rates), representing 1.0% and 25.0% of the potential obligation, respectively. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020. The Fairchem Open Offer is subject to regulatory approvals and customary closing conditions, and is expected to close in the first quarter of 2021.

At December 31, 2020 the fair value of the company's investment in Fairchem Organics was $54,566 comprised of 6,348,692 common shares representing a 48.8% equity interest with the changes in fair value in 2020 presented in the table disclosed earlier in note 5.

Subsequent to the anticipated closing of the Fairchem Open Offer, the company intends to decrease its equity interest in Privi Speciality to 38.9% from its current 48.8% and increase its equity interest in Fairchem Organics to 66.7% from its current 48.8% through a series of transactions with Privi's founders in the first quarter of 2021, subject to applicable regulatory approvals and customary closing conditions.

*Subsequent to December 31, 2020*

The tender period related to the Fairchem Open Offer commenced on February 9, 2021 and closed on February 23, 2021 with a total of 290 common shares of Fairchem Organics tendered. On March 2, 2021 the company completed the settlement of the common shares tendered. The company's equity interest in Fairchem Organics remains at 48.8%.

***Investment in 5paisa Capital Limited***

5paisa Capital Limited (''5paisa'') is a publicly traded online financial services provider with a ''do-it-yourself'' investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa is located in Mumbai, India.

In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5Paisa Digital Undertaking, through the formation of a new public company, 5paisa Capital Limited, listed on the BSE and the NSE of India. This non-cash transaction resulted in Fairfax India receiving one new common share of 5paisa for every 25 common shares of IIFL Holdings held for a total of 3,385,657 common shares of 5paisa with a fair value of $19,758.

On May 29, 2019 5paisa announced a rights offer to existing shareholders whereby shareholders were given the right to participate on a pro rata basis in a common share issuance at a price of 80.00 Indian rupees per share (''5paisa Rights Offer''). In connection with the 5paisa Rights Offer, Fairfax India committed to participate and acquire 3,385,657 common shares of 5paisa and as a result the company recorded a forward derivative asset (''5paisa forward derivative''). On August 20, 2019 Fairfax India participated in the 5paisa Rights Offer and acquired 3,385,657 5paisa common shares for cash consideration of $3,777. As a result the company derecognized the 5paisa forward derivative with a carrying value of $2,706, recorded a realized gain of $2,767 and recorded its investment in 5paisa common shares at a fair value at that date of $6,483.

At December 31, 2020 the fair value of the company's investment in 5paisa was $27,788 (December 31, 2019 – $18,176) comprised of 6,771,314 common shares representing a 26.6% equity interest (December 31, 2019 – 26.6%) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

### *Investment in Other Public Indian Investments*

During 2018 the company acquired common shares of public companies in India's financial services sector, listed on both the BSE and NSE of India, for aggregate cash consideration of $94,090. In 2019 the company partially sold an investment in Other Public Indian Investments for total net proceeds of $36,907, resulting in a realized gain of $7,115.

In 2020 the company acquired common shares of public companies in India's utilities and financial services sectors, listed on both the BSE and NSE of India, for aggregate consideration of $84,672. In 2020 the company partially sold investments in Other Public Indian Investments for total net proceeds of $41,913, resulting in a realized gain of $3,782.

At December 31, 2020 the fair value of the company's investment in Other Public Indian Investments was $147,604 (December 31, 2019 – $95,892) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments in 2020 and 2019 are presented in the tables disclosed earlier in note 5.

## Private Indian Investments

The fair values of Fairfax India's Private Indian Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments.

### *Investment in Bangalore International Airport Limited*

Bangalore International Airport Limited (''BIAL'') is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru (''KIAB'') through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership.

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) (inclusive of $74,202 of costs incurred, approximately 4.8 billion Indian rupees) for a 54.0% equity interest in BIAL through the following transactions: (i) in March 2017 the company acquired a 38.0% equity interest in BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees); (ii) in July 2017 the company acquired an additional 10.0% equity interest in BIAL for cash consideration of $200,093 (12.9 billion Indian rupees) which the company determined included $74,202 of consideration in excess of the fair value of those additional shares acquired; and (iii) in May 2018 the company acquired an additional 6.0% equity interest in BIAL for cash consideration of $67,391 (approximately 4.6 billion Indian rupees).

On December 16, 2019 the company entered into an agreement with Ontario Municipal Employees Retirement System (''OMERS'') to sell an interest in Anchorage of approximately 11.5% on a fully-diluted basis for gross proceeds of approximately 9.5 billion Indian rupees (approximately $130 million at the 2020 period end exchange rate). Anchorage was formed in 2019 and is a wholly-owned subsidiary of FIH Mauritius, intended to be its flagship company for investing in companies, businesses and opportunities in the airport and infrastructure sectors of India as well as its platform for bidding on airport privatization projects in India. As part of the transaction, the company shall restructure approximately 43.6% equity interest in BIAL of its 54.0% equity interest such that it shall be held through Anchorage, implying an equity valuation of BIAL of approximately 189.7 billion Indian rupees (approximately $2.6 billion at the 2020 period end exchange rate) for 100%. Upon closing of the transaction, the company's effective ownership interest in BIAL will decrease to approximately 49.0% on a fully-diluted basis, while its actual ownership will remain unchanged. The transaction is subject to customary closing conditions, including various third party consents. The company expected to close the transaction in 2020, however due to the impacts of COVID-19 and resulting delays in obtaining required consents, the company and OMERS agreed to extend the long-stop date to March 31, 2021 and estimate the transaction will close in the first quarter of 2021.

Upon closing of the transaction with OMERS, the company intends to use commercially reasonable efforts to list Anchorage by way of IPO in India, subject to regulatory approvals and market conditions. If the valuation of Anchorage upon closing of the IPO is below 91.6 billion Indian rupees (approximately $1.3 billion at period end exchange rates), then OMERS' ownership in Anchorage will increase to a maximum of 15.0%.

The COVID-19 pandemic has significantly impacted BIAL's airport business in 2020, which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of India's lockdown. Domestic flights resumed on May 25, 2020, while international flights will remain suspended until March 31, 2021 with the exception of certain countries with which India has established air bubble arrangements. The suspension may be extended further as the COVID-19 pandemic continues to evolve. Cargo flights and flights catering to medical emergencies and other essential requirements remain operational. Construction activities for BIAL's capital projects and real estate development were slowed down and have since resumed as lockdown restrictions were gradually lifted. The airport is expected to commence regular operations upon lifting of the present restrictions with a gradual recovery in domestic passenger traffic by BIAL's fiscal year 2022 and international passenger traffic in BIAL's fiscal year 2023 to levels witnessed before the pandemic.

At December 31, 2020 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.8% to 15.0% and a long term growth rate of 3.5% (December 31, 2019 – 12.9% to 13.4%, and 3.5%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by BIAL's management.

*Free Cash Flow Forecast Inputs*

The primary drivers of the free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods and plans to monetize and develop leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, this may result in a negative impact on the fair value of the company's investment in BIAL.

*Current Model Assumptions*

As a result of the continued business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by BIAL's management in 2020 to primarily reflect (i) a temporary reduction, including a halt during the lockdown period, in passenger traffic as a result of travel restrictions imposed by the Indian government; (ii) a gradual recovery in passenger traffic over two years to levels expected before the pandemic; (iii) updates to estimated airport tariffs for the third control period commencing in BIAL's fiscal year 2022 to reflect a recovery of lost return during the lockdown and subsequent period; and (iv) delays in BIAL's capital projects and real estate development plans.

The COVID-19 pandemic did not have a significant impact on BIAL's fair value at December 31, 2020 as BIAL is an infrastructure investment that is currently in a period of capital expansion and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. As a result of the COVID-19 pandemic, BIAL's forecast reflected a delay in expected discretionary capital expenditures, an increase in the expected total cost for Terminal 2 and a revised timeline for its real estate development plans. Additionally, BIAL's aeronautical revenues are primarily driven by user development fees ("UDF") charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. BIAL is operating in its second control period until March 31, 2021. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues due to the COVID-19 pandemic in the second control period will be substantially recovered through, among other factors, higher UDFs in the third control period.

A gradual recovery in passenger traffic over a two year time horizon to levels expected before the pandemic is supported by significant efforts by BIAL's management and the Indian government to support a return to normal patterns of travel and the recovery of airport operations, including the implementation of contactless passenger experiences, the easing of capacity limits for airlines, the reconnection of several domestic city pairs and the resumption of certain international flights.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. These risk premiums were reflective of the increased uncertainty of the revised free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates and were not adjusted downward for the short term impacts of COVID-19.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,396,117 (December 31, 2019 – $1,429,854), which approximates the equity valuation of BIAL implied by the Anchorage transaction discussed above. The changes in fair value of the company's investment in BIAL in 2020 and 2019 are presented in the tables disclosed earlier in note 5.

In 2020 net change in unrealized losses of $669 was primarily driven by business disruptions caused by the COVID-19 pandemic as discussed above, partially offset by delayed discretionary capital spending to conserve cash including delaying capital spending on maintenance and on the construction of Terminals 2 and 3, and updated airport tariff assumptions for future control periods which were expected to be adjusted for past periods of underperformance.

In 2019 net change in unrealized gains of $751,487 was primarily driven by BIAL management's finalization of plans for a Terminal 3 expansion and related infrastructure, and the development of its monetizable leasehold land (approximately 460 acres).

***Investment in Sanmar Chemicals Group***

Sanmar Chemicals Group (''Sanmar''), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride (''PVC'') manufacturers in India, operating in India and Egypt. Sanmar also manufactures caustic soda, calcium chloride, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates.

In April 2016 Fairfax India invested $250,000 in Sanmar comprised of $1,000 in common shares (representing a 30.0% equity interest) and $249,000 in Sanmar bonds, and in September 2016 invested an additional $50,000 in Sanmar bonds. Both tranches of Sanmar bonds had a maturity date of April 22, 2023 (7 years from the date of issuance of the first tranche), subject to earlier redemption at the option of Sanmar under certain circumstances. In lieu of cash, the coupon payment on the bond was payable in kind in the form of additional Sanmar bonds over the life of the bond. A redemption premium was also payable in kind to the company resulting in an effective annual interest rate of 13.0%.

On December 21, 2019 the company completed its previously announced transaction with Sanmar, resulting in the settlement of Sanmar bonds with a principal amount of $300,000 for net cash proceeds of $425,472 (30.3 billion Indian rupees) ($433,873 net of withholding tax of $8,401), which was equal to the bonds' principal amount plus an effective annual interest rate of 13.0%. The company recorded a net gain on investment of $48,782 (realized gains of $156,540, of which $107,758 was recorded as unrealized gains in prior periods). The company reinvested cash of $198,039 (approximately 14.1 billion Indian rupees) into 171,710 newly issued common shares of Sanmar, increasing the company's equity interest from 30.0% to 42.9%.

Upon closing of the transaction the company settled a forward derivative obligation at a fair value of $19,617 (approximately 1.4 billion Indian rupees), which was a result of the agreed upon transaction price for Sanmar common shares exceeding the transaction date fair value. The company recorded its additional investment in Sanmar common shares at a fair value of $178,422 (approximately 12.7 billion Indian rupees).

The COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown in 2020. The plant at Sanmar Egypt was temporarily closed on March 18, 2020 and re-opened its operations on April 3, 2020. The operations at the suspension PVC plant in India was constrained until May 15, 2020. The remaining plants in India, including the specialty PVC plant, gradually re-opened operations in May 2020. Specialty Chemicals has not been significantly impacted by the COVID-19 pandemic.

At December 31, 2020 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 15.0% to 20.5% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2019 – four business units ranging from 12.9% to 19.0% and 3.0% to 4.0%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar's three business units (with additional financial information and analysis completed for Chemplast's underlying business units involved in new capital projects) prepared in the fourth quarter of 2020 (December 31, 2019 – four business units prepared in the fourth quarter of 2019) by Sanmar's management.

*Free Cash Flow Forecast Inputs*

The primary driver of the free cash flow estimates is the future commodity price of petrochemical products. In the event that the commodity price of petrochemical products does not develop favourably in future periods, this may result in a negative impact on the fair value of the company's investment in Sanmar.

*Current Model Assumptions*

As a result of the business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by Sanmar's management to primarily reflect (i) downward pressure on forecasted sales and profit margins at Sanmar Egypt over Sanmar's fiscal years 2021 to 2023; (ii) indefinite postponement of the planned Kem One Chemplast joint venture and various capital expansion projects as Sanmar shifts its focus to deleveraging; and (iii) new planned capital projects in specialty PVC resin and at Specialty Chemicals.

The overall impact on the valuation of the indefinite postponement of capital expansion projects was negative as the near-term cash savings from the delay of discretionary capital spending was more than offset by lower forecasted revenues and EBITDA in the later years of the discreet forecast period given a decrease in future production capacities. The company reflected Sanmar's increased pressure on liquidity by increasing its after-tax discount rates, primarily reflecting a higher cost of debt. The valuation also reflected an increase in Sanmar's net debt, which lowered the fair value of the company's equity interest.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due the economic and social impacts of the COVID-19 pandemic as well as the resulting liquidity pressures. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates and were not adjusted downward for the short term impacts of COVID-19.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $338,621 (December 31, 2019 – $412,930) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

The changes in fair value of the company's investment in Sanmar bonds in 2019 are presented in the table disclosed earlier in note 5.

### *Investment in Seven Islands Shipping Limited*

Seven Islands Shipping Limited (''Seven Islands''), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. At December 31, 2020 Seven Islands owned 19 vessels with a total deadweight capacity of approximately 1.0 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

In 2019 Fairfax India had invested aggregate cash consideration of $83,846 (approximately 5.8 billion Indian rupees) for a 48.5% equity interest in Seven Islands through the following transactions: (i) on March 29, 2019 the company acquired a 41.4% equity interest in Seven Islands for cash consideration of $71,767 (approximately 4,972.0 million Indian rupees) through a direct subscription and secondary acquisition; (ii) on September 11, 2019 the company acquired an additional 7.1% equity interest in Seven Islands in a secondary acquisition for cash consideration of $12,056 (approximately 863.9 million Indian rupees); and (iii) on October 24, 2019 the company acquired an additional 0.01% equity interest in Seven Islands for cash consideration of $23 (approximately 1.7 million Indian rupees).

During 2020 Seven Islands continued to operate as transportation of goods is considered an essential service under India's lockdown guidelines.

At December 31, 2020 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 13.5% and a long term growth rate of 3.0% (December 31, 2019 – 11.5% and 3.0%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by Seven Islands' management.

*Free Cash Flow Forecast Inputs*

The primary driver of the free cash flow estimates is the vessel profile composition, including planned vessel acquisitions and charter rates.

*Current Model Assumptions*

Free cash flows were revised by Seven Islands' management primarily to reflect market conditions of the shipping industry in the near term, including the planned addition of larger vessels with higher contribution margins. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $103,543 (December 31, 2019 – $88,800) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

### *Investment in National Collateral Management Services Limited*

National Collateral Management Services Limited (''NCML''), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and market and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance.

During 2020 NCML's commodity management solutions and NBFC businesses operated at reduced capacities as agri-business and financial services are considered essential services under India's lockdown guidelines.

*NCML Common Shares*

In August 2015 and August 2017 Fairfax India acquired an 89.5% equity interest in NCML for cash consideration of $174,318 (approximately 11.3 billion Indian rupees).

At December 31, 2020 the company estimated the fair value of its investment in NCML common shares using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 11.3% to 11.7% and long term growth rates ranging from 2.4% to 6.0% for two of NCML's business units (December 31, 2019 – free cash flow forecasts with assumed after-tax discount rates ranging from 12.7% to 23.5% and long term growth rates ranging from 2.4% to 6.0% for three business units). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the fourth quarter of 2020 (December 31, 2019 – second quarter of 2019 for all three business units) by NCML's management.

*Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are warehouse capacity and future EBITDA growth of NCML's commodity management solutions business.

*Current Model Assumptions*

In the fourth quarter of 2020 free cash flow forecasts were revised by NCML's management to primarily reflect changes to its business strategy resulting in a planned reduction of owned and leased warehouse capacity and a shift toward a less capital-intensive franchisee model with lower margins. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates and were not adjusted downward for the short term impacts of COVID-19.

During the third quarter of 2020, NCML's NBFC business unit experienced decreased funding from public sector banks which limited its ability to advance loans, in addition to a decline in the demand for lending as a result of the continued business disruptions in agri-businesses caused by the COVID-19 pandemic and India's lockdown. As a result, NCML's management commenced a process of scaling down its loan book. Accordingly, the company determined growth rates would not be relevant and it was more appropriate to value NCML's NBFC business unit using an asset-based approach rather than performing a discounted cash flow analysis as it had done previously.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $86,216 (December 31, 2019 – $120,734) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

*NCML Compulsorily Convertible Debentures*

On September 17, 2019 the company invested an additional $13,970 (approximately 1.0 billion Indian rupees) in NCML to pre-fund an allotment of compulsorily convertible debentures (''NCML CCD''). The company recorded the pre-funded amount as an interest-free bridge loan (''NCML Loan'') maturing on October 1, 2019 upon NCML's issuance of the CCDs. On October 1, 2019 the company was issued 12.5% unsecured NCML CCD, due September 30, 2029. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At December 31, 2020 the fair value of the company's investment in NCML CCD was $14,884 (December 31, 2019 – $14,286) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

***Investment in Saurashtra Freight Private Limited***

Saurashtra Freight Private Limited (''Saurashtra''), a private company located in Mumbai, India, operates one of the largest container freight stations (''CFS'') at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

In February 2017 Fairfax India acquired a 51.0% equity interest in Saurashtra for cash consideration of $30,018 (approximately 2.0 billion Indian rupees).

During 2020 Saurashtra's businesses continued to operate as transportation of goods was considered an essential service under India's lockdown guidelines.

At December 31, 2020 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 14.3% to 17.7% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2019 – 13.4% to 14.4%, and 4.0% to 5.0%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2020 (December 31, 2019 – second quarter of 2019) by Saurashtra's management.

*Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are the import and export handling capacity and utilization.

*Current Model Assumptions*

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Saurashtra operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Saurashtra operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $32,812 (December 31, 2019 – $31,204) with the changes in fair value in 2020 and 2019 presented in the tables disclosed earlier in note 5.

***Investment in National Stock Exchange of India Limited***

National Stock Exchange of India Limited (''NSE''), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

In the third quarter of 2016 Fairfax India acquired a 1.0% equity interest in NSE for cash consideration of $26,783 (approximately 1.8 billion Indian rupees).

At December 31, 2020 the company's estimated fair value of its investment in NSE of $72,617 (December 31, 2019 – $57,210) was based on recent third party transactions completed in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019). The changes in fair value of the company's investment in NSE in 2020 and 2019 are presented in the tables disclosed earlier in note 5.

***Investment in India Housing Fund***

On December 24, 2018 the company entered into an agreement whereby it committed to invest 1.7 billion Indian rupees (approximately $25,000 at the date of the agreement) in the India Housing Fund (''IH Fund''). IH Fund is a closed-ended fund of IIFL Private Equity Fund (the ''Trust'') registered as a Category II Alternative Investment Fund (''AIF'') under SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

At December 31, 2020 Fairfax India had invested aggregate cash consideration of $24,399 (approximately 1.7 billion Indian rupees) in IH Fund through the following transactions: (i) on January 7, 2019 the company invested 25.0% or 437.0 million Indian rupees ($6,272) of the committed investment amount in IH Fund; (ii) on November 7, 2019 the company invested an additional 35.0% or 611.8 million Indian rupees ($8,621) of the committed investment amount in IH Fund; and, (iii) on December 24, 2020 the company invested the remaining 40.0% or 699.2 million Indian rupees ($9,506) of the committed investment amount in IH Fund.

At December 31, 2020 the company estimated the fair value of its investment in IH Fund of $25,354 (December 31, 2019 – $15,146) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund in 2020 and 2019 are presented in the tables disclosed earlier in note 5.

## 6. Cash and Investments

### Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities by type of issuer was as follows:

| | December 31, 2020 | | | | | December 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Quoted prices (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value of assets | Total fair value of assets in Indian rupees (in millions) | Quoted prices (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value of assets | Total fair value of assets in Indian rupees (in millions) |
| Cash and cash equivalents | 22,057 | – | – | 22,057 | 1,612 | 48,713 | – | – | 48,713 | 3,477 |
| Restricted cash[1] | 16,315 | – | – | 16,315 | 1,192 | 16,915 | – | – | 16,915 | 1,207 |
| | 38,372 | – | – | 38,372 | 2,804 | 65,628 | – | – | 65,628 | 4,684 |
| Bonds: | | | | | | | | | | |
| Government of India[2] | – | 20,989 | – | 20,989 | 1,533 | – | 88,775 | – | 88,775 | 6,337 |
| Indian corporate[2] | – | – | – | – | – | – | 35,364 | – | 35,364 | 2,524 |
| NCML CCD | – | – | 14,884 | 14,884 | 1,088 | – | – | 14,286 | 14,286 | 1,020 |
| | – | 20,989 | 14,884 | 35,873 | 2,621 | – | 124,139 | 14,286 | 138,425 | 9,881 |
| Common stocks: | | | | | | | | | | |
| IIFL Finance | 131,478 | – | – | 131,478 | 9,607 | 166,014 | – | – | 166,014 | 11,850 |
| IIFL Wealth | 166,702 | – | – | 166,702 | 12,180 | 191,476 | – | – | 191,476 | 13,667 |
| IIFL Securities | 55,603 | – | – | 55,603 | 4,063 | 48,796 | – | – | 48,796 | 3,483 |
| Privi Speciality / Fairchem[3] | 138,413 | – | – | 138,413 | 10,113 | 127,413 | – | – | 127,413 | 9,095 |
| Fairchem Organics[3] | 54,566 | – | – | 54,566 | 3,987 | – | – | – | – | – |
| 5paisa | 27,788 | – | – | 27,788 | 2,030 | 18,176 | – | – | 18,176 | 1,297 |
| Other | 147,604 | – | – | 147,604 | 10,785 | 95,892 | – | – | 95,892 | 6,845 |
| BIAL | – | – | 1,396,117 | 1,396,117 | 102,011 | – | – | 1,429,854 | 1,429,854 | 102,060 |
| Sanmar | – | – | 338,621 | 338,621 | 24,742 | – | – | 412,930 | 412,930 | 29,474 |
| CSB Bank[4] | 50,410 | – | 163,931 | 214,341 | 15,661 | – | – | 229,262 | 229,262 | 16,364 |
| Seven Islands | – | – | 103,543 | 103,543 | 7,566 | – | – | 88,800 | 88,800 | 6,338 |
| NCML | – | – | 86,216 | 86,216 | 6,300 | – | – | 120,734 | 120,734 | 8,618 |
| Saurashtra | – | – | 32,812 | 32,812 | 2,398 | – | – | 31,204 | 31,204 | 2,227 |
| NSE | – | – | 72,617 | 72,617 | 5,306 | – | – | 57,210 | 57,210 | 4,084 |
| IH Fund | – | – | 25,354 | 25,354 | 1,853 | – | – | 15,146 | 15,146 | 1,081 |
| | 772,564 | – | 2,219,211 | 2,991,775 | 218,602 | 647,767 | – | 2,385,140 | 3,032,907 | 216,483 |
| Total cash and investments | 810,936 | 20,989 | 2,234,095 | 3,066,020 | 224,027 | 713,395 | 124,139 | 2,399,426 | 3,236,960 | 231,048 |
| | 26.4% | 0.7% | 72.9% | 100.0% | 100.0% | 22.0% | 3.8% | 74.2% | 100.0% | 100.0% |

*(1) Primarily comprised of funds set aside as restricted cash to fund the borrowings interest payments.*

*(2) Priced based on information provided by independent pricing service providers at December 31, 2020 and 2019.*

*(3) On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. At December 31, 2019 the fair value of $127,413 represented the fair value of the company's investment in Fairchem.*

*(4) The company is restricted from selling its investment in CSB Bank for a specified period ranging from December 1, 2020 to August 7, 2024 and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the remaining restricted common shares of CSB Bank held by the company at December 31, 2020.*

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified. During 2020 and 2019 there were no transfers of financial instruments between Level 1 and Level 2.

During 2020 as a result of the Fairchem Reorganization and the subsequent listing of the shares of Fairchem Organics on the BSE and NSE of India, described in note 5, the company's investment in Fairchem Organics is presented as Level 1 in the fair value hierarchy. During 2020 as a result of the release of selling restrictions on 16,880,645 common shares of CSB Bank held by the company, described in note 5, a portion of the company's investment in CSB Bank was transferred out of Level 3 and into Level 1 in the fair value hierarchy.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the years ended December 31 was as follows:

| | Year ended | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | | | | | | **2019** | | | | | | |
| **Indian rupees** *(in millions)* | **Balance as of January 1** | **Purchases** | **Sales** | **Transfers** | **Net change in unrealized gains (losses) on investments** | **Balance as of December 31** | **Balance as of January 1** | **Purchases** | **Sales / Redemptions** | **Transfers** | **Net realized gains (losses)on investments** | **Net change in unrealized gains (losses) on investments** | **Balance as of December 31** |
| Loan: | | | | | | | | | | | | | |
| NCML Loan | – | – | – | – | – | – | – | 1,003 | – | (1,003) | – | – | – |
| Bonds: | | | | | | | | | | | | | |
| NCML CCD | 1,020 | – | – | – | 68 | 1,088 | – | – | – | 1,003 | – | 17 | 1,020 |
| Sanmar bonds | – | – | – | – | – | – | 27,422 | – | (30,856) | – | 11,020 | (7,586) | – |
| Common stocks: | | | | | | | | | | | | | |
| BIAL | 102,060 | – | – | – | (49) | 102,011 | 49,155 | – | – | – | – | 52,905 | 102,060 |
| Sanmar | 29,474 | – | – | – | (4,732) | 24,742 | 15,162 | 12,689 | – | – | – | 1,623 | 29,474 |
| CSB Bank | 16,364 | – | – | (3,639) | (747) | 11,978 | 6,498 | 5,583 | (1) | – | (3) | 4,287 | 16,364 |
| Seven Islands | 6,338 | – | – | – | 1,228 | 7,566 | – | 5,837 | – | – | – | 501 | 6,338 |
| NCML | 8,618 | – | – | – | (2,318) | 6,300 | 11,546 | – | – | – | – | (2,928) | 8,618 |
| Saurashtra | 2,227 | – | – | – | 171 | 2,398 | 1,734 | – | – | – | – | 493 | 2,227 |
| NSE | 4,084 | – | – | – | 1,222 | 5,306 | 4,209 | – | – | – | – | (125) | 4,084 |
| IH Fund | 1,081 | 699 | (20) | – | 93 | 1,853 | – | 1,049 | (2) | – | – | 34 | 1,081 |
| Derivatives: | | | | | | | | | | | | | |
| 5paisa forward derivative | – | – | – | – | – | – | – | – | (194) | – | 194 | – | – |
| Sanmar forward derivative | – | – | – | – | – | – | – | 1,395 | – | – | (1,395) | – | – |
| Total | 171,266 | 699 | (20) | (3,639) | (5,064) | 163,242 | 115,726 | 27,556 | (31,053) | – | 9,816 | 49,221 | 171,266 |

The changes in fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy in the company's presentation currency of U.S. dollars are disclosed in note 5. For all Indian Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods, with the exception of net change in unrealized losses of 7,586 million Indian rupees recorded in 2019, which related to the reversal of prior period unrealized gains recorded on the Sanmar bonds.

The table that follows illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation models for its Indian Investments classified as Level 3 in the fair value hierarchy at December 31, 2020. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on an analysis of the return on various equity indices, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates. To reflect increased market volatility due to the economic and social impacts of the COVID-19 pandemic in 2020, management widened its reasonably possible range of after-tax discount rates to changes within 100 basis points at December 31, 2020 from changes within 50 basis points at December 31, 2019. The change reflects the additional uncertainty in determining the discounted cash flows for assessing the fair values of Private Indian Investments. This sensitivity analysis excludes the company's investments in NCML CCD, NSE and IH Fund as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

| Investments | Fair value of Level 3 investment | Valuation technique | Significant unobservable inputs | Significant unobservable inputs used in the internal valuation models | Hypothetical $ change effect on fair value measurement(1) | Hypothetical $ change effect on net earnings(1)(2) |
|---|---|---|---|---|---|---|
| **Common stocks:** | | | | | | |
| BIAL | $1,396,117 | Discounted cash flow | After-tax discount rate | 12.8% to 15.0% | (346,345) / 453,435 | (300,455) / 393,355 |
| | | | Long term growth rate | 3.5% | 22,648 / (21,465) | 19,647 / (18,620) |
| Sanmar | $338,621 | Discounted cash flow | After-tax discount rate | 15.0% to 20.5% | (74,099) / 86,967 | (64,281) / 75,444 |
| | | | Long term growth rate | 3.0% to 4.0% | 10,159 / (9,755) | 8,813 / (8,463) |
| CSB Bank(3) | $163,931 | Bid price, net of discount | Discount for lack of marketability | 20.9% | (3,287) / 3,307 | (2,851) / 2,869 |
| Seven Islands | $103,543 | Discounted cash flow | After-tax discount rate | 13.5% | (18,055) / 22,088 | (15,663) / 19,161 |
| | | | Long term growth rate | 3.0% | 3,662 / (3,490) | 3,176 / (3,028) |
| NCML(4) | $86,216 | Discounted cash flow and adjusted net book value | After-tax discount rate | 11.3% to 11.7% | (17,953) / 24,366 | (15,575) / 21,137 |
| | | | Long term growth rate | 2.4% to 6.0% | 2,796 / (2,575) | 2,426 / (2,234) |
| Saurashtra | $32,812 | Discounted cash flow | After-tax discount rate | 14.3% to 17.7% | (1,733) / 2,087 | (1,504) / 1,810 |
| | | | Long term growth rate | 4.0% to 5.0% | 405 / (386) | 352 / (335) |

*(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the table above shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (100 basis points), long term growth rates (25 basis points) and discount for lack of marketability (19.3% and 22.5%), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates, or a decrease (increase) in after-tax discount rates and discount for lack of marketability would result in a higher (lower) fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy. After-tax discount rates are subject to a mitigating factor: increases (decreases) in after-tax discount rates tend to be accompanied by increases (decreases) in free cash flows, and the resulting changes in the fair value of an investment may offset each other.*

*(2) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.*

*(3) A discount for lack of marketability is applied to the quoted price of common shares that the company is restricted from selling for a specified period, and is determined using an industry accepted option pricing model that incorporates unobservable long-dated historical share price volatility. A higher (lower) historical share price volatility generally results in a higher (lower) option value and a lower (higher) fair value of the common shares.*

*(4) During the third quarter of 2020, NCML's NBFC business unit experienced decreased funding from public sector banks which limited its ability to advance loans, in addition to a decline in the demand for lending as a result of the continued business disruptions in agri-businesses caused by the COVID-19 pandemic and India's lockdown. As a result, NCML's management commenced a process of scaling down its loan book. Accordingly, the company determined growth rates would not be relevant and it was more appropriate to value NCML's NBFC business unit using an asset-based approach rather than performing a discounted cash flow analysis as it had done previously. The company determined that there were no significant unobservable inputs suited for a sensitivity analysis for this business unit.*

## Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At December 31, 2020 and 2019 there were no bonds containing call or put features. The decrease in bonds due in 1 year or less and after 1 year through 5 years primarily reflects the net sales of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments and IH Fund, and used to fund the debt service reserve account.

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Amortized cost | Fair value | Amortized cost | Fair value |
| Due in 1 year or less | – | – | 7,054 | 6,983 |
| Due after 1 year through 5 years | 20,936 | 20,989 | 117,360 | 117,156 |
| Due after 5 years through 10 years | 13,724 | 14,884 | 14,048 | 14,286 |
| | 34,660 | 35,873 | 138,462 | 138,425 |
| Effective interest rate | | 7.3% | | 6.7% |

### Investment Income

An analysis of investment income for the years ended December 31 is summarized in the table that follows:

*Interest and dividends*

| | 2020 | 2019 |
|---|---|---|
| Interest: | | |
| Cash and cash equivalents | 94 | 670 |
| Short term investments | – | 54 |
| Bonds(1) | 5,919 | 4,135 |
| | 6,013 | 4,859 |
| Dividends: Common stocks | 16,449 | 10,141 |

*(1) In 2019, excludes Sanmar bonds as the estimated interest income was included in its fair value measurement.*

*Net gains (losses) on investments and net foreign exchange gains (losses)*

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Net realized gains (losses) | Net change in unrealized gains (losses) | Net gains (losses) | Net realized gains (losses) | Net change in unrealized gains (losses) | Net gains (losses) |
| **Net gains (losses) on investments:** | | | | | | |
| Short term investments | – | – | – | 71 | – | 71 |
| Bonds | 1,590 | 1,231 | 2,821 | 154,919(1) | (107,577)(1) | 47,342(1) |
| Common stocks | 3,782(2) | (27,849)(2) | (24,067) | 43,182(2)(3) | 637,949(2)(3) | 681,131 |
| Derivatives | – | – | – | (17,049)(2) | – | (17,049) |
| | 5,372 | (26,618) | (21,246) | 181,123 | 530,372 | 711,495 |
| **Net foreign exchange gains (losses) on:** | | | | | | |
| Cash and cash equivalents | (514) | – | (514) | 549 | – | 549 |
| Investments | – | – | – | (102) | – | (102) |
| Borrowings | – | (12,521) | (12,521) | (1,669)(4) | (12,051)(4) | (13,720)(4) |
| Other | (1,153) | – | (1,153) | (533) | – | (533) |
| | (1,667) | (12,521) | (14,188) | (1,755) | (12,051) | (13,806) |

*(1) In 2019, net gains on bonds primarily comprised of realized gains from Sanmar bonds ($156,540), partially offset by net change in unrealized losses, primarily related to the reversal of prior period unrealized gains recorded on Sanmar bonds ($107,758).*

*(2) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2020 and 2019.*

*(3) On May 31, 2019 IIFL Holdings spun off IIFL Wealth and IIFL Securities in the IIFL Holdings Reorganization. The amount recorded in net realized gains on investments was $36,112 (all of which was recorded as unrealized gains on investments in prior periods).*

*(4) In 2019 foreign exchange losses on borrowings of $13,720 primarily comprised of net change in unrealized losses of $12,051 related to unrealized foreign exchange losses on the $550.0 million term loan and realized foreign exchange losses of $1,669 related to the Revolving Credit Facility (repaid on December 31, 2019).*

## 7. Borrowings

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Principal | Carrying value(1) | Fair value(2) | Principal | Carrying value(1) | Fair value(2) |
| 1 Year Secured Term Loan, floating rate due June 28, 2021 | 550,000 | 547,228 | 550,000 | 550,000 | 547,228 | 550,000 |

*(1) Principal net of unamortized issue costs.*

*(2) Principal approximated fair value at December 31, 2020 and 2019.*

*Secured Term Loan*

On June 28, 2018 the company completed a $550,000 principal amount, 1 year secured term loan, with an option to extend for an additional year (''$550.0 million term loan''), with a syndicate led by a Canadian bank. The $550.0 million term loan is secured by way of a general lien on the company's assets and had an interest rate of LIBOR plus 350 basis points. On June 28, 2019 the company amended and restated the existing $550.0 million term and extended the maturity to June 26, 2020 while maintaining the interest rate and option to extend for an additional year. On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 while maintaining the option to extend for an additional year. The $550.0 million term loan now bears interest at a rate of LIBOR plus 400 basis points.

At December 31, 2020 the $550.0 million term loan was recognized net of unamortized issuance costs of $2,772 (issuance costs of $5,545 less amortization of $2,773) (December 31, 2019 – $2,772 (issuance costs of $5,545 less amortization of $2,773)) and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the $550.0 million term loan and recorded in interest expense in the consolidated statements of earnings (loss).

Under the terms of the $550.0 million term loan, the company is required to maintain a debt service reserve account to fund the term loan interest payments. The cash held in the debt service reserve account is classified as restricted cash within the consolidated balance sheets. The $550.0 million term loan includes a financial covenant requiring the company to maintain common shareholders' equity of not less than $1.5 billion. At December 31, 2020 the company was in compliance with the $550.0 million term loan financial covenant.

*Revolving Credit Facility*

Concurrent with amending and restating the $550.0 million term loan on June 28, 2019, the company entered into a $50.0 million, 1 year secured revolving credit facility with a Canadian bank bearing interest at a rate of LIBOR plus 350 basis points, with an option to extend for an additional year (''Revolving Credit Facility''). The Revolving Credit Facility was fully drawn on June 28, 2019 and the proceeds were used to partially finance the settlement of the payable for partly paid securities on July 8, 2019 relating to the company's investment in CSB Bank and to fund the debt service reserve account. On December 31, 2019 the company repaid the Revolving Credit Facility using a portion of the proceeds received from the redemption of the Sanmar bonds. The option to extend was not exercised and the Revolving Credit Facility was cancelled on June 26, 2020.

*Interest Expense*

In 2020 interest expense of $29,844 (2019 – $38,781) was comprised of coupon payments of $24,299 (2019 – $33,236) and the amortization of issuance costs of $5,545 (2019 – $5,545).

*Subsequent to December 31, 2020*

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan. Fairfax purchased $58,400 of the $500.0 million principal amount under the same terms as the other participants.

## 8. Common Shareholders' Equity

*Authorized Capital*

The company's authorized share capital consists of: (i) an unlimited number of multiple voting shares that may only be issued to Fairfax or its affiliates; (ii) an unlimited number of subordinate voting shares; and (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

*Issued Capital*

Issued capital at December 31, 2020 included 30,000,000 (December 31, 2019 – 30,000,000) multiple voting shares and 119,470,571 (December 31, 2019 – 122,631,481) subordinate voting shares without par value. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax, through its subsidiaries, owns all the issued and outstanding multiple voting shares, which are not publicly traded. At December 31, 2020 there were no preference shares outstanding.

*Common Stock*

The number of shares outstanding was as follows:

| | **2020** | **2019** |
|---|---|---|
| Subordinate voting shares – January 1 | 122,631,481 | 122,861,534 |
| Purchases for cancellation | (3,160,910) | (230,053) |
| Subordinate voting shares – December 31 | 119,470,571 | 122,631,481 |
| Multiple voting shares – beginning and end of year | 30,000,000 | 30,000,000 |
| Common shares effectively outstanding – December 31 | 149,470,571 | 152,631,481 |

*Capital Transactions*

*Subsequent to December 31, 2020*

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement (defined in note 12), settlement of the performance fee was through the issuance of subordinate voting shares, calculated based on the performance fee payable at December 31, 2020 of $5,217 divided by the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period ("VWAP") of $9.55. Refer to note 12 for additional details on the settlement of the December 31, 2020 performance fee payable.

*Purchase of Shares*

During 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 3,160,910 subordinate voting shares (2019 – 230,053) for a net cost of $28,905 (2019 – $2,998), of which $4,366 was recorded as a benefit to retained earnings (2019 – $577 was charged to retained earnings).

*Subsequent to December 31, 2020*

Subsequent to December 31, 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 375,337 subordinate voting shares for a net cost of $4,106.

*Dividends*

The company did not pay any dividends on its outstanding multiple and subordinate voting shares during 2020 and 2019.

## 9. Net Earnings (Loss) per Share

Net earnings (loss) per common share is calculated in the following table based on the weighted average common shares outstanding:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Net earnings (loss) – basic and diluted | | (41,476) | | 516,338 |
| Weighted average common shares outstanding – basic | | 151,001,909 | | 152,654,875 |
| Settlement of performance fees in subordinate voting shares[(1)] | | 546,263 | | 3,748,129 |
| Weighted average common shares outstanding – diluted | | 151,548,172 | | 156,403,004 |
| Net earnings (loss) per common share – basic | $ | (0.27) | $ | 3.38 |
| Net earnings (loss) per common share – diluted | $ | (0.27) | $ | 3.30 |

*(1) In 2019, the issuance of 3,748,129 subordinate voting shares to settle the performance fee was contingent on the performance fee payable recorded at December 31, 2019 being payable at the end of the second calculation period.*

At December 31, 2020 there were 546,263 subordinate voting shares expected to be issued to Fairfax relating to the performance fee payable for the second calculation period (December 31, 2019 – 3,748,129 contingently issuable subordinate voting shares). The performance fee for the second calculation period is assessed quarterly and relates to the three-year period from January 1, 2018 to December 31, 2020. The performance fee payable to Fairfax for the second calculation period (ending on December 31, 2020) was settled on March 5, 2021 by the company issuing 546,263 subordinate voting shares to Fairfax. Under the terms of the Investment Advisory Agreement (defined in note 12), settlement of the performance fee will take place in subordinate voting shares of the company if the market price per share is less than two times the then book value per share (defined in note 12). The number of subordinate voting shares issued was calculated based on the VWAP. Refer to note 12 for further details on the performance fee payable.

## 10. Income Taxes

The company's provision for income taxes for the years ended December 31 are summarized in the following table:

| | 2020 | 2019 |
|---|---|---|
| Current income tax: | | |
| Current year expense | 1,820 | 11,594 |
| Adjustment to prior years' income taxes | 192 | – |
| | 2,012 | 11,594 |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | 484 | 64,689 |
| Provision for income taxes | 2,496 | 76,283 |

A significant portion of the company's earnings (loss) before income taxes is earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate (and may be significantly higher or lower).

On March 27, 2020 India enacted the Finance Act 2020 which amended the regulations pertaining to dividend income. Dividend income which was received by the company from an Indian company on or before March 31, 2020 was exempt from tax in India, while dividend income received by the company from an Indian company subsequent to March 31, 2020 will be taxable. The Indian company is liable to withhold the appropriate tax.

At December 31, 2020 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius and FIH Private. The company recorded deferred income taxes of $484 in 2020 attributable to unrealized gains on the company's investment in equity shares acquired subsequent to April 1, 2017, primarily Seven Islands, 5paisa, and Other Public Indian Investments, partially offset by a reversal of prior period deferred taxes recognized on the company's investment in

IIFL Wealth and CSB Bank. The company recorded deferred income taxes of $64,689 in 2019 attributable to unrealized gains on the company's investment in equity shares acquired subsequent to April 1, 2017, primarily BIAL, IIFL Wealth resulting from the IIFL Holdings Reorganization, CSB Bank, Saurashtra, Other Public Indian Investments, and Seven Islands. The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

The company's earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for 2020 and 2019 are summarized in the following table:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **Mauritius** | **Total** | **Canada** | **Mauritius** | **Total** |
| Earnings (loss) before income taxes | (43,731) | 4,751 | (38,980) | (51,759) | 644,380 | 592,621 |
| Provision for income taxes | – | 2,496 | 2,496 | – | 76,283[(1)] | 76,283 |
| Net earnings (loss) | (43,731) | 2,255 | (41,476) | (51,759) | 568,097 | 516,338 |

*(1) Includes $64,689 of potential capital gains tax in India (primarily related to unrealized gains on BIAL, IIFL Wealth resulting from the IIFL Holdings Reorganization, and CSB Bank) and $7,788 of Indian withholding taxes (primarily related to the redemption of Sanmar bonds).*

The decrease in loss before income taxes in Canada during 2020 compared to 2019 principally related to decreased interest expense. The decrease in earnings before income taxes in Mauritius during 2020 compared to 2019 primarily reflected net unrealized losses on investments during 2020 compared to net unrealized gains on investments during 2019, decreased net realized gains on investments, and increased investment and advisory fees, partially offset by a performance fee recovery in 2020 and increased interest and dividend income.

A reconciliation of the provision for (recovery of) income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the years ended December 31 are summarized in the following table:

| | **2020** | **2019** |
|---|---|---|
| Canadian statutory income tax rate | 26.5% | 26.5% |
| Provision for (recovery of) income taxes at the Canadian statutory income tax rate | (10,330) | 157,044 |
| Tax rate differential on income earned outside of Canada | 3,198 | (110,966) |
| Provision relating to prior years | 192 | – |
| Change in unrecorded tax benefit of losses and temporary differences | 6,333 | 27,658 |
| Foreign exchange effect | 3,080 | 2,521 |
| Other including permanent differences | 23 | 26 |
| Provision for income taxes | 2,496 | 76,283 |

The tax rate differential on income earned outside of Canada of $3,198 in 2020 principally reflected the impact of net investment losses recorded in India and taxed at a lower rate, partially offset by earnings taxed in India and Mauritius at lower rates. The tax rate differential on income earned outside of Canada of $110,966 in 2019 principally reflected the impact of net investment income taxed in India and Mauritius at lower rates.

The change in unrecorded tax benefit of losses and temporary differences of $6,333 in 2020 principally reflected changes in unrecorded deferred tax assets related to net operating loss carryforward in Canada of $7,730, foreign accrual property losses of $6,343 with respect to the company's wholly-owned subsidiaries, the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $3,409, the impact of foreign exchange of $2,829, partially offset by temporary timing differences on performance fee and professional fees of $11,724 and temporary timing differences on debt and equity issuance costs of $2,254 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. The change in unrecorded tax benefit of losses and temporary differences of $27,658 in 2019 principally reflected changes in unrecorded deferred tax assets related to foreign accrual property losses of $16,283 with respect to the company's wholly-owned subsidiaries, net operating loss carryforwards in Canada of $7,258, the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $3,531, and temporary timing differences of issuance costs on borrowings of $586 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. At December 31, 2020 deferred tax assets of $71,268 in Canada and $8,410 in India (December 31, 2019 – $69,747 in Canada and $5,069 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $3,080 in 2020 (2019 – $2,521) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Indian rupee as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its Mauritius subsidiaries is the Indian rupee.

Income taxes refundable and payable were as follows:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Income taxes refundable | 2,803 | 2,866 |
| Income taxes payable | – | (3,688) |
| Net income taxes refundable (payable) | 2,803 | (822) |

Changes in net income taxes refundable (payable) for the years ended December 31 were as follows:

| | **2020** | **2019** |
|---|---|---|
| Balance – January 1 | (822) | 1,423 |
| Amounts recorded in the consolidated statements of earnings (loss) | (2,012) | (11,594) |
| Payments made during the year | 5,568 | 9,349 |
| Foreign currency translation | 69 | – |
| Balance – December 31 | 2,803 | (822) |

Management reviews the recoverability of potential deferred tax assets on an ongoing basis and adjusts, as necessary, to reflect their anticipated realization. Deferred income tax liability of $63,477 at December 31, 2020 (December 31, 2019 – $64,477) principally related to the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares as noted above. At December 31, 2020 deferred tax assets not recorded by the company of $79,678 (December 31, 2019 – $74,816) were primarily comprised of foreign accrual property losses of $39,519 (December 31, 2019 – $43,409), net operating loss carryforwards of $32,341 (December 31, 2019 – $24,786), and potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $8,410 (December 31, 2019 – $5,069). The net operating loss carryforwards and foreign accrual property losses expire between 2037 and 2040, and between 2035 and 2040, respectively.

Deferred income tax has not been recognized for the withholding tax and other taxes that could be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings amounted to approximately $1,214,285 at December 31, 2020 (December 31, 2019 – $1,263,217).

## 11. Financial Risk Management

### *Overview*

The primary goals of the company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheet from events that have the potential to materially impair its financial strength. The company's activities expose it to certain financial risks during or at the end of the reporting period. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at December 31, 2020 compared to those identified at December 31, 2019, except as described below.

### *COVID-19*

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The company's Indian Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the company's Indian Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

## *Market Risk*

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is largely dependent on the underlying performance of the companies within the portfolio, but may also be affected, along with other financial statement items, by fluctuations in interest rates, foreign currency exchange rates and market prices.

*Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in foreign exchange rates and produce an adverse effect on net earnings and common shareholders' equity when measured in Indian rupees, the company's functional currency. The company's net earnings and common shareholders' equity may also be significantly affected by foreign currency translation movements as the majority of its net assets and net earnings are denominated in a currency other than the company's U.S. dollar presentation currency. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at December 31, 2020 compared to December 31, 2019.

The company's net foreign currency exposure on balances denominated in currencies other than the Indian rupee (expressed in U.S. dollars) are primarily comprised as follows:

| | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Borrowings | Payable to related parties | Net exposure | Cash and cash equivalents | Borrowings | Payable to related parties | Net exposure |
| U.S. dollars | 35,369(1) | (547,228) | (14,404) | (526,263) | 25,082(1) | (547,228) | (50,495) | (572,641) |
| All other currencies | 777 | – | (24) | 753 | 482 | — | (24) | 458 |
| Total | 36,146 | (547,228) | (14,428) | (525,510) | 25,564 | (547,228) | (50,519) | (572,183) |

(1) *At December 31, 2020 cash and cash equivalents included restricted cash of $16,048 (December 31, 2019 – $16,915) held to fund the interest payments on borrowings.*

The table above shows the company's net exposure to the U.S. dollar and all other currencies, other than the Indian rupee. The company's net liability exposure to the U.S. dollar decreased at December 31, 2020 compared to December 31, 2019 primarily due to a decrease in payable to related parties as a result of the reversal of the performance fee accrued at December 31, 2019 and an increase in cash and cash equivalents denominated in U.S. dollars, partially offset by the performance fee payable at December 31, 2020 and increased investment and advisory fees payable.

The following table illustrates the potential impact on pre-tax earnings (loss) and net earnings (loss) of a hypothetical appreciation or depreciation of the Indian rupee against the U.S dollar and all other currencies.

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Net foreign currency exposure | Hypothetical $ change effect on pre-tax earnings | Hypothetical $ change effect on net earnings(1) | Net foreign currency exposure | Hypothetical $ change effect on pre-tax earnings | Hypothetical $ change effect on net earnings(1) |
| **Change in Indian rupee exchange rate** | | | | | | |
| 10.0% appreciation | (472,959) | 52,551 | 38,625 | (514,965) | 57,218 | 42,055 |
| 5.0% appreciation | (499,234) | 26,276 | 19,313 | (543,574) | 28,609 | 21,028 |
| No change | (525,510) | – | – | (572,183) | – | – |
| 5.0% depreciation | (551,786) | (26,276) | (19,313) | (600,792) | (28,609) | (21,028) |
| 10.0% depreciation | (578,061) | (52,551) | (38,625) | (629,401) | (57,218) | (42,055) |

*(1) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.*

Certain shortcomings are inherent in the method of analysis presented, including the assumption that the hypothetical appreciation or depreciation of the Indian rupee against the U.S. dollar and all other currencies occurred with all other variables held constant.

*Interest Rate Risk*

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in India may affect the company's common shareholders' equity and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in India and the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at December 31, 2020 compared to December 31, 2019.

The company's exposure to interest rate risk decreased in 2020 primarily reflecting net sales of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments and IH Fund, and used to fund the debt service reserve account. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments which the company believes to be reasonably possible in the current economic environment during COVID-19. This analysis was performed on each individual security, with the hypothetical effect on net earnings (loss).

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Fair value of fixed income portfolio | Hypothetical $ change effect on net earnings(1) | Hypothetical % change in fair value | Fair value of fixed income portfolio | Hypothetical $ change effect on net earnings(1) | Hypothetical % change in fair value |
| **Change in interest rates** | | | | | | |
| 200 basis point increase | 35,373 | (367) | (1.4)% | 135,224 | (2,353) | (2.3)% |
| 100 basis point increase | 35,621 | (185) | (0.7)% | 136,837 | (1,168) | (1.1)% |
| No change | 35,873 | – | – | 138,425 | – | – |
| 100 basis point decrease | 36,130 | 189 | 0.7 % | 140,160 | 1,275 | 1.3 % |
| 200 basis point decrease | 36,392 | 381 | 1.4 % | 141,872 | 2,533 | 2.5 % |

*(1) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.*

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

*Market Price Fluctuations*

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at December 31, 2020 compared to December 31, 2019 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition. As discussed earlier, COVID-19 has increased uncertainty and may adversely impact the fair value and future cash flows of the company's equity investments.

The company's exposure to market price risk decreased to $2,991,775 at December 31, 2020 from $3,032,907 at December 31, 2019 primarily as a result of unrealized losses on Private Indian Investments (principally Sanmar and NCML common shares) and unrealized losses on Public Indian Investments (principally IIFL Finance, IIFL Wealth and CSB Bank), partially offset by unrealized gains on Public Indian Investments (principally Privi Speciality (formerly Fairchem), Fairchem Organics, 5paisa, IIFL Securities, and Other Public Indian Investments), unrealized gains on Private Indian Investments (principally Seven Islands, NSE and Saurashtra), and the company's net purchases in Other Public Indian Investments and IH Fund. Refer to note 6 for the potential impact on net earnings (loss) of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

The company estimates the potential impact on net earnings (loss) from a 20% increase or decrease in the fair value of its Public Indian Investments at December 31, 2020 to be an increase or decrease in net earnings (loss) of $158,570 (December 31, 2019 – increase or decrease in net earnings (loss) of $74,812 from a 10% increase or decrease in the fair value of its Public Indian Investments). For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

***Credit Risk***

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company, and arises predominantly from cash and cash equivalents and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at December 31, 2020 compared to December 31, 2019.

*Cash and Cash Equivalents*

At December 31, 2020 the company's cash and cash equivalents of $22,057 (December 31, 2019 – $48,713) were primarily held in major financial institutions. The company monitors risks associated with cash and cash equivalents by regularly reviewing the financial strength and creditworthiness of these financial institutions. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

*Investments in Debt Instruments*

The company's risk management strategy for debt instruments is to invest primarily in high credit quality issuers. Management considers high quality debt instruments to be those with a S&P or Moody's issuer credit rating of BBB/Baa or higher. While the company reviews third party credit ratings, it also carries out its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

At December 31, 2020 the company's debt instruments were all considered to be subject to credit risk with a fair value of $35,873 (December 31, 2019 – $138,425), representing 1.2% (December 31, 2019 – 4.3%) of the total cash and investments portfolio.

The composition of the company's fixed income portfolio is presented in the table below:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | **Fair value** | **Rating** | **Fair value** | **Rating** |
| Government of India bonds[(1)] | 20,989 | Baa3/BBB – | 88,775 | Baa2/BBB – |
| Indian corporate bonds[(2)] | – | – | 14,046 | Baa3 |
| Indian corporate bonds | – | – | 21,318 | Not rated |
| NCML CCD | 14,884 | Not rated | 14,286 | Not rated |
| Total bonds | 35,873 | | 138,425 | |

*(1) Rated Baa3 by Moody's and BBB – by S&P at December 31, 2020. Rated Baa2 by Moody's and BBB – by S&P at December 31, 2019.*

*(2) Rated Baa3 by Moody's at December 31, 2019.*

The company's exposure to credit risk from its investments in fixed income securities decreased at December 31, 2020 compared to December 31, 2019 primarily reflecting net sales of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments and IH Fund, and used to fund the debt service reserve account. Except as described above, there were no other significant changes to the composition of the company's fixed income portfolio classified according to each security's respective issuer credit rating at December 31, 2020 compared to December 31, 2019.

### *Liquidity Risk*

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at December 31, 2020 compared to December 31, 2019.

The undeployed cash and investments at December 31, 2020 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of interest expense, investment and advisory fees, and general and administration expenses. At December 31, 2020 the company had a principal repayment on the $550.0 million term loan coming due in June 2021 that can be extended for an additional year. On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. At December 31, 2020 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $772,564 and Government of India bonds with a fair value of $20,989. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

On December 24, 2020 as part of the Fairchem Open Offer the company announced an open offer for the acquisition of up to 3,377,953 common shares of Fairchem Organics, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share. The potential obligation is approximately 1.9 billion Indian rupees ($26,607 at period end exchange rates). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of approximately 19.5 million Indian rupees ($267 at period end exchange rates) and a bank guarantee for approximately 486.1 million Indian rupees ($6,652 at period end exchange rates), representing 1.0% and 25.0% of the potential obligation, respectively. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020. The Fairchem Open Offer is subject to regulatory approvals and customary closing conditions, and is expected to close in the first quarter of 2021.

The tender period related to the Fairchem Open Offer commenced on February 9, 2021 and closed on February 23, 2021 with a total of 290 common shares of Fairchem Organics tendered. On March 2, 2021 the company completed the settlement of the common shares tendered.

The performance fee payable to Fairfax for the second calculation period (ending on December 31, 2020) was settled on March 5, 2021 by the company issuing 546,263 subordinate voting shares to Fairfax. Refer to note 12 for additional details on the performance fee payable.

***Concentration Risk***

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At December 31, 2020 and 2019 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at December 31, 2020 represented 98.8% (December 31, 2019 – 99.2%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at December 31, 2020 and 2019 are summarized by the issuer's primary industry sector in the table below:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Infrastructure | 1,396,117 | 1,429,854 |
| Financial services | 788,384 | 821,972 |
| Commercial and industrial | 632,700 | 675,363 |
| Ports and shipping | 136,355 | 120,004 |
| Utilities | 53,103 | – |
| | 3,006,659 | 3,047,193 |

During 2020 the company's concentration risk in the infrastructure sector decreased primarily due to unrealized foreign currency translation losses on the company's investment in BIAL. The company's concentration risk in the financial services sector decreased primarily due to unrealized losses (including foreign currency translation losses) on the company's investments in IIFL Finance, IIFL Wealth, CSB Bank, and an investment in financial services sector within Other Public Indian Investments, partially offset by an additional investment in the IH Fund and unrealized gains on the company's investments in NSE, 5paisa, IIFL Securities, and the IH Fund. The company's concentration risk in the commercial and industrial sector decreased primarily due to unrealized losses (including foreign currency translation losses) on the company's investment in Sanmar and NCML common shares, partially offset by unrealized gains on the company's investments in Privi Speciality (formerly Fairchem) and Fairchem Organics. The company's concentration risk in the ports and shipping sector increased primarily due to unrealized gains on the company's investments in Seven Islands and Saurashtra. The company's concentration risk in the utilities sector increased primarily due to investments in and unrealized gains on Other Public Indian Investments within India's utilities sector.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at December 31, 2020 from December 31, 2019 principally as a result of unrealized foreign currency translation losses, investment and advisory fees, interest expense, net unrealized losses on investments, and purchases of subordinate voting shares for cancellation, partially offset by dividend and interest income. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

### *Capital Management*

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings and common shareholders' equity) decreased from $3,125,079 at December 31, 2019 to $2,994,162 at December 31, 2020 principally reflecting a decrease in common shareholders' equity, as described below.

Common shareholders' equity decreased from $2,577,851 at December 31, 2019 to $2,446,934 at December 31, 2020 primarily reflecting unrealized foreign currency translation losses of $60,606, a net loss of $41,476, and purchases of subordinate voting shares for cancellation of $28,905 during 2020.

On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 while maintaining the option to extend for an additional year. The $550.0 million term loan now bears interest at a rate of LIBOR plus 400 basis points. The $550.0 million term loan includes a financial covenant requiring the company to maintain common shareholders' equity of not less than $1.5 billion. At December 31, 2020 the company was in compliance with the $550.0 million term loan financial covenant.

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan.

## 12. Related Party Transactions

### *Payable to Related Parties*

The company's payable to related parties was comprised as follows:

| | December 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| Performance fee | | 5,217 | | 47,850 |
| Investment and advisory fees | 9,187 | | 8,704 | |
| Investment and advisory fees – recovery | – | | (6,064) | |
| Investment and advisory fees | | 9,187 | | 2,640 |
| Other | | 24 | | 29 |
| | | 14,428 | | 50,519 |

*Investment Advisory Agreement*

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

*Performance Fee*

The performance fee is accrued quarterly and is calculated, on a cumulative basis, as 20% of any increase (including distributions) in book value per share above a 5% per annum increase less any performance fees settled in prior calculation periods. On any date, book value per share is calculated as common shareholders' equity at the end of the reporting period, divided by the total number of common shares of the company effectively outstanding on that date. The amount of book value per share at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share".

*Second Calculation Period*

The period from January 1, 2018 to December 31, 2020 (the "second calculation period") was the next consecutive three-year period after December 31, 2017 for which a performance fee was accrued. The calculation of the performance fee was reassessed and adjusted during 2019 to appropriately account for performance fees settled in prior calculation periods, and is calculated on a cumulative basis as 20% of any increase in the book value per share (before factoring in the impact of the performance fee for the second calculation period) above a 5% per annum increase less the performance fee previously settled in the first calculation period. Under the Investment Advisory Agreement, the performance fee shall be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2020, in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued was calculated based on the VWAP in respect of which the performance fee is paid.

The company determined that a performance fee of $5,217 was payable at December 31, 2020 (December 31, 2019 – accrual of $47,850). In 2020 the performance fee recovery recorded in the consolidated statements of earnings (loss) was $41,991 representing the reversal of the performance fee accrual at December 31, 2019, net of the performance fee payable at December 31, 2020 (2019 – performance fee of $48,514).

*Subsequent to December 31, 2020*

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period. Under the terms of the Investment Advisory Agreement, settlement of the performance fee was through the issuance of subordinate voting shares of the company as the market price per share was less than two times the then book value per share. The number of subordinate voting shares issued was calculated as the performance fee payable at December 31, 2020 of $5,217 divided by the VWAP of $9.55. The issuance of these subordinate voting shares, along with the purchases of subordinate voting shares for cancellation subsequent to December 31, 2020 as disclosed under note 8 (Common Shareholders' Equity), increased Fairfax's equity interest in Fairfax India from 28.0% at December 31, 2020 to 28.4% at March 5, 2021.

*Investment and Advisory Fees*

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2019 the company and Fairfax retroactively revised the interpretation of the Investment Advisory Agreement to clarify that deployed capital should exclude any Indian Investments financed by debt, resulting in a recovery of investment and advisory fees from Fairfax of $6,064. In 2020 the investment and advisory fees recorded in the consolidated statements of earnings (loss) was $33,922 (2019 – $27,473).

### ***Fairfax's Voting Rights and Equity Interest***

At December 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2019 – 30,000,000) and 11,915,978 subordinate voting shares (December 31, 2019 – 21,558,422) of Fairfax India. At December 31, 2020 Fairfax's holdings of multiple and subordinate voting shares represented 93.4% of the voting rights and 28.0% of the equity interest in Fairfax India (December 31, 2019 – 93.8% and 33.8%).

### ***Management Compensation***

Pursuant to the Investment Advisory Agreement, Fairfax is required to provide a Chief Executive Officer, a Chief Financial Officer and a Corporate Secretary to the company. For so long as the Investment Advisory Agreement remains in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary of the company will be borne by Fairfax. In addition, all compensation payable to the Vice President and Vice President, Corporate Affairs is borne by Fairfax.

***Director Compensation***

Compensation for the company's Board of Directors for the years ended December 31, determined in accordance with the company's IFRS accounting policies, was recognized in general and administration expenses in the consolidated statements of earnings and was as follows:

| | **2020** | **2019** |
|---|---|---|
| Retainers and fees | 150 | 150 |
| Share-based payments | 70 | 96 |
| Other | 50 | 50 |
| | 270 | 296 |

## 13. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns, that are different from those of segments operating in other economic environments.

The company has concluded that Fairfax India is engaged in a single geographic and business segment, that of investing in India and Indian Investments.

## 14. General and Administration Expenses

General and administration expenses for the years ended December 31 were comprised as follows:

| | **2020** | **2019** |
|---|---|---|
| Audit, legal and tax professional fees | 2,071 | 2,673 |
| Salaries and employee benefit expenses | 977 | 1,083 |
| Administrative expenses | 646 | 1,123 |
| Other | 539 | 421 |
| | 4,233 | 5,300 |

## 15. Supplementary Cash Flow Information

Cash and cash equivalents were included in the consolidated balance sheets and statements of cash flows as follows:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| Cash and term deposits with banks | 22,057 | 46,642 |
| U.S. treasury bills | – | 2,071 |
| | 22,057 | 48,713 |

Details of certain cash flows included in the consolidated statements of cash flows for the years ended December 31 were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Purchases of investments** | | |
| Bonds | (91,733) | (152,178) |
| Common stocks | (94,178) | (411,774) |
| | (185,911) | (563,952) |
| **Sales of investments** | | |
| Bonds | 189,003 | 629,457 |
| Common stocks | 42,190 | 36,950 |
| | 231,193 | 666,407 |
| **Net interest and dividends received (paid)** | | |
| Net interest income received | 8,718 | 8,434 |
| Dividends received | 16,043 | 10,141 |
| Interest paid on borrowings | (25,047) | (34,746) |
| | (286) | (16,171) |
| **Income taxes paid** | 5,568 | 9,349 |

## Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

## Management's Discussion and Analysis of Financial Condition and Results of Operations (as of March 5, 2021)

*(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)*

### Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the entire Annual Report for additional commentary and information. Additional information relating to the company, including its annual information form, can be found on SEDAR at www.sedar.com. Additional information can also be accessed from the company's website www.fairfaxindia.ca.

(2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and is presented in U.S. dollars with the Indian rupee as the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the reporting period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively outstanding on that date. Those amounts are presented in the consolidated balance sheet and note 8 (Common Shareholders' Equity under the heading *Common Stock*) respectively within the consolidated financial statements for the year ended December 31, 2020. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee, if any, to Fairfax Financial Holdings Limited ("Fairfax").

(4) The MD&A contains references to "Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments", which provides a measure of the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. This measure is not a standard measurement under IFRS and therefore may not be comparable to similar measures presented by other issuers.

(5) Throughout this MD&A, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2020.

### Business Developments

#### Overview

Fairfax is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. The multiple voting shares of the company are not publicly traded.

The book value per share at December 31, 2020 was $16.37 compared to $16.89 at December 31, 2019 representing a decrease in 2020 of 3.1%, primarily reflecting unrealized foreign currency translation losses of $60,606 and a net loss of $41,476 (primarily related to investment and advisory fees, interest expense, net change in unrealized losses on investments, and net foreign exchange losses, partially offset by a performance fee recovery, dividend and interest income).

The following narrative sets out the company's key business developments in 2020 and 2019.

### Capital Transactions

On June 28, 2018 the company completed a $550,000 principal amount, 1 year secured term loan, with an option to extend for an additional year (''$550.0 million term loan''), with a syndicate led by a Canadian bank. The $550.0 million term loan is secured by way of a general lien on the company's assets and had an interest rate of LIBOR plus 350 basis points. On June 28, 2019 the company amended and restated the existing $550.0 million term and extended the maturity to June 26, 2020 while maintaining the interest rate and option to extend for an additional year. On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 while maintaining the option to extend for an additional year. The $550.0 million term loan now bears interest at a rate of LIBOR plus 400 basis points.

Concurrent with amending and restating the $550.0 million term loan on June 28, 2019, the company entered into a $50.0 million, 1 year secured revolving credit facility with a Canadian bank bearing interest at a rate of LIBOR plus 350 basis points, with an option to extend for an additional year (''Revolving Credit Facility''). The Revolving Credit Facility was fully drawn on June 28, 2019 and the proceeds were used to partially finance the settlement of the payable for partly paid securities on July 8, 2019 relating to the company's investment in CSB Bank and to fund the debt service reserve account. On December 31, 2019 the company repaid the Revolving Credit Facility using a portion of the proceeds received from the redemption of the Sanmar bonds. The option to extend was not exercised and the Revolving Credit Facility was cancelled on June 26, 2020.

During 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 3,160,910 subordinate voting shares (2019 – 230,053) for a net cost of $28,905 (2019 – $2,998), of which $4,366 was recorded as a benefit to retained earnings (2019 – $577 was charged to retained earnings).

*Subsequent to December 31, 2020*

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan. Fairfax purchased $58,400 of the $500.0 million principal amount under the same terms as the other participants.

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2020), settlement of the performance fee was through the issuance of subordinate voting shares, calculated based on the performance fee payable at December 31, 2020 of $5,217 divided by the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period (''VWAP'') of $9.55.

For further details refer to notes 7 (Borrowings) and 8 (Common Shareholders' Equity) to the consolidated financial statements for the year ended December 31, 2020.

### Indian Investments

Full descriptions of the Indian Investments committed to and acquired in 2020 and 2019 are provided in the Indian Investments section of this MD&A.

### Operating Environment

***Overview***

India continues to be one of the world's largest and fastest growing major economies, despite setbacks during the year arising from the shift in focus to protect the country from the social and economic impact of the COVID-19 pandemic, which tested the resilience of countries around the world. India's economic fundamentals accelerated in recent years with the combined impact of strong government reforms, higher government spending on infrastructure development and the Reserve Bank of India's (''RBI'') focus on encouraging financial inclusion.

***COVID-19 Pandemic***

The year 2020 was marked by the rapid surge of the global COVID-19 pandemic. Governments worldwide responded with border closures, lockdowns, and restrictions on non-essential services in an effort to contain and mitigate the spread of COVID-19. Positive developments on vaccine deployment arrived towards the end of 2020, contributing to an improved outlook over recovery into a reshaped post-pandemic environment. According to the World Economic Outlook Update (January 2021) published by the International Monetary Fund (''IMF'') global GDP was estimated to have contracted by 3.5% in 2020 (a less severe contraction than earlier estimates ranging 4.4% to 4.9%) and is forecasted to grow by 5.5% in 2021, reflecting expectations of a vaccine-powered strengthening of activity and additional policy support. Against this backdrop, oil prices have fallen and remained subdued during the year as a result of the combined effect of price wars among large oil-producing countries and a severe reduction in global demand due to government-imposed lockdowns and travel restrictions. Financial conditions have tightened sharply in 2020 and emerging markets faced unprecedented withdrawals of foreign capital at the start of the crisis, which increased sovereign borrowing costs, adding strain to the ability of many emerging market countries to fight the public health emergency.

***India's Response to the COVID-19 Pandemic***

In March 2021 India was ranked second globally in the number of COVID-19 cases after the United States, having surpassed eleven million cases, although daily infection rates have declined significantly. In an effort to contain the spread of COVID-19 the Indian government extended the 21-day nationwide lockdown which commenced on March 25, 2020 to May 31, 2020 and it remains in place for containment zones until March 31, 2021 (and may extend further as the COVID-19 pandemic continues to evolve) while lockdown restrictions were being lifted in phases for districts that are deemed safe (''India's lockdown''). International travel has been limited to select countries with which India has established air bubble arrangements.

On January 16, 2021 the Indian government launched its mass COVID-19 vaccination program following the approval of two COVID-19 vaccines earlier in the month. The program aims to inoculate 300 million people by July 2021, making it one of the world's largest mass vaccination campaigns against COVID-19. As part of the 2021 Union Budget of India (described further below) the Indian government budgeted 350 billion Indian rupees towards the implementation of the COVID-19 vaccination program and committed to provide further funds if needed.

***Economic Impact in India***

The Indian economy declined sharply as the effects of government-mandated lockdowns and travel restrictions (discussed above) negatively impacted near-term expectations of India's economic growth, with GDP contracting 23.9% in the first quarter of its fiscal year 2021 compared to the first quarter of its fiscal year 2020. A faster than expected recovery in the second quarter of fiscal year 2021 resulted in a significantly softer contraction of 7.5% year over year. In its January 2021 report the IMF estimated that the Indian economy will contract 8.0% for the 2020-21 fiscal year (decreased from its previous estimate of a 10.3% contraction in October 2020) and forecasted a strong rebound of 11.5% for the 2021-22 fiscal year (increased from its previous estimate of 8.8%).

The intermittent local lockdowns and remaining restrictions to businesses and movement of labour will continue to negatively impact the Indian economy. Travel restrictions have reduced demand for domestic and international travel, impacting various industries such as airlines, hospitality and retail.

The Indian government reacted quickly to the economic downturn and to date, have announced nearly 30.0 trillion Indian rupees of economic monetary stimulus, making up approximately 15% of India's GDP, which aims to ease the economic and social hardships for businesses and individuals impacted by the COVID-19 pandemic and set forth a path to recovery. The economic stimulus packages included liquidity support through loans and guarantees for stressed sectors, equity injections into financial institutions and the electricity sector, production-linked incentives to boost manufacturing capabilities and enhance exports, and housing and infrastructure incentives to encourage urbanization.

On March 27, 2020 the Reserve Bank of India (''RBI'') announced a number of measures to ease liquidity such as cutting interest rates by 75 basis points, providing financial institutions access to more liquidity, implementing several long term asset purchase programs and allowing financial institutions to grant three-month loan moratoriums for debt servicing payments due between March 1, 2020 and May 31, 2020. In May 2020 in response to the increasing economic disruptions caused by COVID-19 the RBI further cut interest rates by 40 basis points and extended the loan moratorium for another three months to August 31, 2020. In August 2020 the RBI announced a new resolution plan which would allow lenders to execute a one-time restructuring of loans with borrowers experiencing financial stress on account of COVID-19 while allowing lenders to continuing classifying such loans as standard assets for loan impairment provisioning purposes. Despite a surplus in system liquidity, constrained lending has resulted in liquidity pressures across many business sectors.

As one of the world's largest net importers of oil, India will benefit from the sharp decline in oil prices. During the first quarter of 2020 West Texas Intermediate plunged to $20.48 at March 31, 2020 from $61.06 at December 31, 2019, lower than $26.21 at the peak of the 2016 oil crisis, as a result of the combined impact of price wars among large oil-producing countries and a severe reduction in global demand due to COVID-19 lockdowns. However, the benefit of the lower oil prices was partially offset by increased domestic prices of refined products such as gasoline and diesel, primarily due to higher excise duties. Oil prices partially recovered to $48.52 at December 31, 2020 but remained lower than levels seen in 2018 and 2019, while gasoline and diesel prices remained high. The partial recovery in oil prices was primarily due to OPEC+ countries reaching an agreement to reduce oil production output.

### *Indian Market Indices and Foreign Exchange Rate*

In the first quarter of 2020 Indian equity markets experienced significant declines with the S&P BSE Sensex 30 falling 32.6%. The sell-off of Indian equities during this period was consistent with the market decline observed in other major emerging markets globally and a result of the economic impact of the COVID-19 pandemic. The S&P BSE Sensex 30 has since recovered beyond pre-pandemic levels and reached new milestone highs in December 2020, resulting in growth of 13.1% during 2020. The Indian rupee demonstrated recovery over each subsequent quarter but remained down 2.3% for the calendar year at December 31, 2020, consistent with overall declines observed in other emerging market currencies. The declines in equity markets and emerging market currencies were primarily attributable to higher risk aversion in global financial markets, leading to a "flight to quality", with the uptick towards the end of the year reflective of increased appetite for risk amid positive news on development of a COVID-19 vaccine and better than expected GDP growth estimates.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments declined sharply in the first quarter followed by a partial recovery throughout the remainder of 2020. The company also recorded unrealized foreign currency translation losses consistent with the decline in the Indian rupee as the company's net assets and net earnings (loss) are primarily denominated in Indian rupees.

The company's Indian Investments faced varying degrees of business disruption as a result of the response to the COVID-19 pandemic. While the company's valuation techniques for Private Indian Investments remained primarily unchanged during 2020, the development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. Further discussion on the degree and severity of business disruption specific to each Indian Investment are included in the Indian Investments section under the respective heading of each Indian Investment of this MD&A.

### *Union Budget for Fiscal Year 2021-22*

On February 1, 2021 Finance Minister Nirmala Sitharaman presented the 2021 Union Budget of India, which focused on supporting the momentum of India's economic recovery. The budget placed major emphasis on infrastructure spending, including healthcare and agriculture, stabilization of the financial sector, education and innovation. Tax incentives will be granted to infrastructure, real estate and start-up investments which are expected to encourage more private investments in these sectors and stimulate India's economic growth.

## Business Objectives

### Investment Objective

Fairfax India is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), a wholly-owned subsidiary of FIH Mauritius based in India.

### Investment Strategy

The company invests in businesses that are expected to benefit from India's pro-business political environment, its growing middle class and its demographic trends that are likely to drive strong growth for several years. Sectors of the Indian economy that the company believes will benefit most from such trends include infrastructure, financial institutions, consumer services, retail and exports. The company is not limited to investing solely in these sectors and intends to invest in other sectors as and when opportunities arise.

The company utilizes, and expects to benefit significantly from, the experience and expertise of Fairfax and the Portfolio Advisor, and their respective networks in India, to source and evaluate investment opportunities for the company.

The company employs a conservative, fundamental value-based approach to identifying and investing in high quality public and private Indian businesses. This approach is designed to compound book value per share over the long term. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

The company intends to make Indian Investments with a view to be a strategic partner to grow the business and as a result optimize investment returns for the shareholders of Fairfax India. The level and nature of this strategic relationship will vary by investment. It may include one or more of the following, as deemed appropriate by the company: (i) board appointment or nomination rights; (ii) board observer rights; (iii) input on management selection; (iv) the provision of managerial assistance; and (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the company and with the company's and Fairfax's fundamental values (as set forth in Fairfax's guiding principles which are included in Fairfax's publicly available annual reports).

Fairfax India's involvement with the Indian Investments may include providing specialized guidance or expertise in limited circumstances or on a temporary basis and does not extend to any involvement in the day-to-day operations of those Indian Investments. Activities are expected to be ancillary and undertaken to maximize returns from investments. Board representation is sought only to maintain protective rights and to maximize the value of the company's investment for its shareholders.

The company may from time to time seek to realize on any of its Indian Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Indian Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private Indian Investments (''Private Indian Investments'' as disclosed in the Indian Investments section of this MD&A) either through initial public offerings (''IPO'') or private sales. For publicly traded Indian Investments (''Public Indian Investments'' as disclosed in the Indian Investments section of this MD&A), exit strategies may include selling the investments through private placements or in public markets.

### Investment Selection

To identify potential investments, the company principally relies on the experience and expertise of Fairfax and the Portfolio Advisor, and their respective networks in India.

The following is an illustrative list of criteria that the company, Fairfax and the Portfolio Advisor believe to be paramount when identifying and investing in Indian Investments:

*Attractive valuation* – The company's conservative fundamental value approach leads it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. The company does not invest in start-up businesses or businesses that have speculative business plans.

*Experienced and aligned management* – The company focuses on businesses with experienced, entrepreneurial management teams with strong, long term track records. The company generally requires the portfolio businesses to have in place, either prior to or immediately following investment by the company, proper incentives to drive the businesses' profitability and maintain effective governance structures.

*Strong competitive position in industry* – The company seeks to invest in businesses that hold leading and defendable market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities in the Indian economy. The company also seeks to invest in businesses that demonstrate significant competitive advantages as compared to their peers, such that they are in a position to protect their market position and profitability.

*Alignment of the management team with the values of the company* – The company, Fairfax and the Portfolio Advisor all seek to adhere to the highest standards of business practices and ethics. The company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the company's fundamental values, as described above.

The Portfolio Advisor, the company and their affiliates conduct thorough due diligence investigations when evaluating any Indian Investment prior to making a recommendation to the company and its subsidiaries to invest. This generally includes consultations with Fairfax's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and (vi) research relating to the businesses' management, industry, markets, products and services, and competitors.

### Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the ''Investment Concentration Restriction''). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at December 31, 2020 from December 31, 2019 principally as a result of unrealized foreign currency translation losses, investment and advisory fees, interest expense, net unrealized losses on investments, and purchases of subordinate voting shares for cancellation, partially offset by dividend and interest income.

The company intends to make multiple different investments as part of its prudent investment strategy. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

## Indian Investments

### Cautionary Statement Regarding Financial Information of Significant Indian Investments

Fairfax India has agreed to voluntarily provide within the MD&A, summarized financial information prepared in accordance with IFRS for all of its Indian Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations*. National Collateral Management Services Limited, IIFL Finance Limited (formerly IIFL Holdings Limited), Sanmar Chemicals Group, Bangalore International Airport Limited and CSB Bank (collectively, ''Significant Indian Investments''), for which the company had previously filed business acquisition reports, prepared their financial statements in accordance with Indian Accounting Standards (''Ind AS''), with the exception of the financial statements of CSB Bank prepared in accordance with Indian Generally Accepted Accounting Principles (''Indian GAAP'') as a result of the RBI's decision to defer implementation of Ind AS for scheduled commercial banks until further notice. Ind AS are based on and substantially converged with IFRS as issued by the IASB. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Significant Indian Investments' financial statements. The unaudited summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

The company's Significant Indian Investments' fiscal years each end on March 31. Summarized financial information of the company's Significant Indian Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant Indian Investments' summarized financial information should be read in conjunction with Fairfax India's historical consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax India's other public filings.

Fairfax India has no knowledge that would indicate that the Significant Indian Investments' summarized financial information contained herein requires material modifications. However, readers are cautioned that the Significant Indian Investments' summarized financial information contained in this MD&A may not be appropriate for their purposes.

## Summary of Indian Investments

The table below provides a summary of the company's Indian Investments:

| | | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Dates Acquired** | **Ownership %** | **Cost** | **Fair value** | **Net change** | **Ownership %** | **Cost** | **Fair value** | **Net change** |
| **Public Indian Investments:** | | | | | | | | | |
| Common stocks: | | | | | | | | | |
| IIFL Finance(1) | December 2015 and February 2017 | 22.4% | – | 131,478 | 131,478 | 26.5% | – | 166,014 | 166,014 |
| IIFL Wealth | May 2019 | 13.8% | 191,443 | 166,702 | (24,741) | 13.9% | 191,443 | 191,476 | 33 |
| IIFL Securities | May 2019 | 26.5% | 91,310 | 55,603 | (35,707) | 26.5% | 91,310 | 48,796 | (42,514) |
| CSB Bank | October 2018, March and June 2019 | 49.7% | 169,447 | 214,341 | 44,894 | 49.7% | 169,447 | 229,262 | 59,815 |
| Privi Speciality / Fairchem(2) | February and August 2016 | 48.8% | 39,489 | 138,413 | 98,924 | 48.8% | 74,384 | 127,413 | 53,029 |
| Fairchem Organics(2) | August 2020 | 48.8% | 34,895 | 54,566 | 19,671 | – | – | – | – |
| 5paisa | October 2017 and August 2019 | 26.6% | 23,535 | 27,788 | 4,253 | 26.6% | 23,535 | 18,176 | (5,359) |
| Other | March and August 2018, March to June 2020, August 2020 | <1.0% | 107,734 | 147,604 | 39,870 | <1.0% | 63,674 | 95,892 | 32,218 |
| | | | 657,853 | 936,495 | 278,642 | | 613,793 | 877,029 | 263,236 |
| **Private Indian Investments:** | | | | | | | | | |
| NCML CCD | October 2019 | – | 13,970 | 14,884 | 914 | – | 13,970 | 14,286 | 316 |
| Common stocks: | | | | | | | | | |
| BIAL(3) | March and July 2017, May 2018 | 54.0% | 652,982 | 1,396,117 | 743,135 | 54.0% | 652,982 | 1,429,854 | 776,872 |
| Sanmar | April 2016 and December 2019 | 42.9% | 199,039 | 338,621 | 139,582 | 42.9% | 199,039 | 412,930 | 213,891 |
| Seven Islands | March, September and October 2019 | 48.5% | 83,846 | 103,543 | 19,697 | 48.5% | 83,846 | 88,800 | 4,954 |
| NCML | August 2015 and August 2017 | 89.5% | 174,318 | 86,216 | (88,102) | 89.5% | 174,318 | 120,734 | (53,584) |
| Saurashtra | February 2017 | 51.0% | 30,018 | 32,812 | 2,794 | 51.0% | 30,018 | 31,204 | 1,186 |
| NSE | July 2016 | 1.0% | 26,783 | 72,617 | 45,834 | 1.0% | 26,783 | 57,210 | 30,427 |
| IH Fund | January and November 2019, December 2020 | – | 24,098 | 25,354 | 1,256 | – | 14,869 | 15,146 | 277 |
| | | | 1,205,054 | 2,070,164 | 865,110 | | 1,195,825 | 2,170,164 | 974,339 |
| **Total Indian Investments** | | | 1,862,907 | 3,006,659 | 1,143,752 | | 1,809,618 | 3,047,193 | 1,237,575 |

*(1) On March 30, 2020 IIFL Finance completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. As a result of the merger Fairfax India's equity interest in IIFL Finance decreased from 26.5% at December 31, 2019 to 22.4% (see note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2020).*

*(2) On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. At December 31, 2019 the fair value of $127,413 represented the fair value of the company's investment in Fairchem.*

*(3) Cost and net change includes $74,202 (approximately 4.8 billion Indian rupees) of cash consideration paid attributable to the costs incurred to acquire the additional 10.0% equity interest in BIAL in July 2017.*

## Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2020 is as follows:

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Balance as of January 1** | **Purchases** | **Fairchem Reorganization** | **Sales** | **Net realized gains on investments** | **Net change in unrealized gains (losses) on investments** | **Net unrealized foreign currency translation gains (losses)** | **Balance as of December 31** |
| **Public Indian Investments:** | | | | | | | | |
| Common stocks: | | | | | | | | |
| IIFL Finance | 166,014 | – | – | – | – | (30,262) | (4,274) | 131,478 |
| IIFL Wealth | 191,476 | – | – | – | – | (20,058) | (4,716) | 166,702 |
| IIFL Securities | 48,796 | – | – | – | – | 7,823 | (1,016) | 55,603 |
| CSB Bank | 229,262 | – | – | – | – | (9,484) | (5,437) | 214,341 |
| Privi Speciality (formerly Fairchem)(1) | 127,413 | – | (34,895) | – | – | 48,732 | (2,837) | 138,413 |
| Fairchem Organics(1) | – | – | 34,895 | – | – | 18,808 | 863 | 54,566 |
| 5paisa | 18,176 | – | – | – | – | 9,889 | (277) | 27,788 |
| Other | 95,892 | 84,672 | – | (41,913) | 3,782 | 5,896 | (725) | 147,604 |
| Total Public Indian Investments | 877,029 | 84,672 | – | (41,913) | 3,782 | 31,344 | (18,419) | 936,495 |
| **Private Indian Investments:** | | | | | | | | |
| Bonds – NCML CCD | 14,286 | – | – | – | – | 915 | (317) | 14,884 |
| Common stocks: | | | | | | | | |
| BIAL | 1,429,854 | – | – | – | – | (669) | (33,068) | 1,396,117 |
| Sanmar | 412,930 | – | – | – | – | (63,844) | (10,465) | 338,621 |
| Seven Islands | 88,800 | – | – | – | – | 16,558 | (1,815) | 103,543 |
| NCML | 120,734 | – | – | – | – | (31,277) | (3,241) | 86,216 |
| Saurashtra | 31,204 | – | – | – | – | 2,297 | (689) | 32,812 |
| NSE | 57,210 | – | – | – | – | 16,493 | (1,086) | 72,617 |
| IH Fund | 15,146 | 9,506 | – | (277) | – | 1,249 | (270) | 25,354 |
| Total Private Indian Investments | 2,170,164 | 9,506 | – | (277) | – | (58,278) | (50,951) | 2,070,164 |
| **Total Indian Investments** | 3,047,193 | 94,178 | – | (42,190) | 3,782 | (26,934) | (69,370) | 3,006,659 |

*(1) On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India.*

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2019 is as follows:

| | 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Balance as of January 1** | **Purchases** | **IIFL Holdings Reorganization** | **Transfer** | **Sales / Redemptions** | **Net realized gains (losses) on investments** | **Net change in unrealized gains (losses) on investments** | **Net unrealized foreign currency translation gains (losses)** | **Balance as of December 31** |
| **Public Indian Investments:** | | | | | | | | | |
| Common stocks: | | | | | | | | | |
| IIFL Finance (formerly IIFL Holdings)(1) | 613,458 | – | (282,753) | – | – | 36,112 | (196,040) | (4,763) | 166,014 |
| IIFL Wealth(1) | – | – | 191,443 | – | – | – | 4,620 | (4,587) | 191,476 |
| IIFL Securities(1) | – | – | 91,310 | – | – | – | (40,916) | (1,598) | 48,796 |
| CSB Bank(2) | 93,081 | 80,987 | – | – | (19) | (45) | 60,901 | (5,643) | 229,262 |
| Fairchem | 96,574 | – | – | – | – | – | 33,412 | (2,573) | 127,413 |
| 5paisa(3) | 11,913 | 6,483 | – | – | – | – | 12 | (232) | 18,176 |
| Other | 98,180 | – | – | – | (36,907) | 7,115 | 30,182 | (2,678) | 95,892 |
| Total Public Indian Investments | 913,206 | 87,470 | – | – | (36,926) | 43,182 | (107,829) | (22,074) | 877,029 |
| **Private Indian Investments:** | | | | | | | | | |
| Loan – NCML Loan | – | 13,970 | – | (13,970) | – | – | – | – | – |
| Bonds: | | | | | | | | | |
| NCML CCD | – | – | – | 13,970 | – | – | 241 | 75 | 14,286 |
| Sanmar bonds | 392,776 | – | – | – | (433,873) | 156,540 | (107,758) | (7,685) | – |
| Common stocks: | | | | | | | | | |
| BIAL | 704,077 | – | – | – | – | – | 751,487 | (25,710) | 1,429,854 |
| Sanmar(4) | 217,170 | 178,422 | – | – | – | – | 23,062 | (5,724) | 412,930 |
| NCML | 165,380 | – | – | – | – | – | (41,594) | (3,052) | 120,734 |
| Seven Islands | – | 83,846 | – | – | – | – | 7,119 | (2,165) | 88,800 |
| Saurashtra | 24,843 | – | – | – | – | – | 7,001 | (640) | 31,204 |
| NSE | 60,285 | – | – | – | – | – | (1,779) | (1,296) | 57,210 |
| IH Fund | – | 14,893 | – | – | (24) | – | 482 | (205) | 15,146 |
| Derivatives: | | | | | | | | | |
| 5paisa forward derivative(3) | – | – | – | – | (2,706) | 2,767 | – | (61) | – |
| Sanmar forward derivative(4) | – | 19,617 | – | – | – | (19,816) | – | 199 | – |
| Total Private Indian Investments | 1,564,531 | 310,748 | – | – | (436,603) | 139,491 | 638,261 | (46,264) | 2,170,164 |
| **Total Indian Investments** | 2,477,737 | 398,218 | – | – | (473,529) | 182,673 | 530,432 | (68,338) | 3,047,193 |

(1) *On May 31, 2019 IIFL Holdings spun off IIFL Wealth and IIFL Securities in the IIFL Holdings Reorganization. IIFL Holdings was renamed IIFL Finance, and shares of IIFL Wealth and IIFL Securities were publicly listed on the BSE and NSE of India in September 2019. The amount recorded in net realized gains on investments was $36,112 (all of which was recognized as unrealized gains on investments in prior periods).*

(2) *On December 4, 2019 CSB Bank closed its IPO and commenced trading on both the BSE and NSE of India.*

(3) *On August 20, 2019 Fairfax India participated in a 5paisa rights offer and acquired additional 5paisa common shares for cash consideration of $3,777. As a result the company derecognized the 5paisa forward derivative asset with a carrying value of $2,706, recorded a realized gain of $2,767 and recorded its investment in 5paisa common shares at a fair value at that date of $6,483.*

(4) *On December 21, 2019 Fairfax India acquired additional Sanmar common shares for cash consideration of $198,039. As a result the company derecognized the Sanmar forward derivative obligation with a carrying value of $19,617, recorded a realized loss of $19,816 and recorded its investment in Sanmar common shares at a fair value at that date of $178,422.*

### Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain CSB Bank common shares subject to selling restrictions.

### *Investment in IIFL Holdings Limited / IIFL Finance Limited*

*IIFL Holdings Limited*

#### *Business Overview*

IIFL Holdings Limited ("IIFL Holdings") was a publicly traded diversified financial services holding company located in Mumbai, India with principal lines of business in wealth management, capital markets and other activities (comprised of retail investment brokerage, institutional equities, investment banking and financial product distribution) and a non-banking financial company ("NBFC"). Over the past two decades, IIFL Holdings has created a brand that is known for its informed research and cutting-edge technology, extensive domestic and global footprint and high service standards.

#### *Transaction Description*

In December 2015 and February 2017 the company acquired 84,641,445 common shares of IIFL Holdings (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees). In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5paisa Capital Limited ("5paisa") which resulted in a reduction to the company's cost of its investment in IIFL Holdings by $19,758. Upon closing of this transaction the company had invested $256,976 for a 26.9% equity interest in IIFL Holdings.

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities Limited ("IIFL Securities", comprised of investment brokerage, distribution and investment banking businesses) and its 53.3% equity interest in its subsidiary IIFL Wealth Management Limited ("IIFL Wealth", comprised of the wealth management and asset management businesses) in a non-cash transaction (the "IIFL Holdings Reorganization"). Shareholders of IIFL Holdings received seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL Holdings common shares held. The distribution of new common shares to IIFL Holdings shareholders was characterized as a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings and resulted in the company recording the initial cost of its investments in IIFL Securities and IIFL Wealth at their estimated fair values at that date of $91,310 (approximately 6.4 billion Indian rupees) and $191,443 (approximately 13.3 billion Indian rupees) respectively. Upon completion of the spin off transactions, IIFL Holdings Limited was renamed IIFL Finance Limited ("IIFL Finance") and continued to trade on the BSE and NSE of India. The shares of IIFL Wealth and IIFL Securities were listed on the BSE and NSE of India in September 2019.

*IIFL Finance Limited*

#### *Business Overview*

IIFL Finance is a publicly traded diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans, microfinance, construction and real estate finance) and capital market finance.

Additional information can be accessed from IIFL Finance's website www.iifl.com.

#### *Transaction Description*

In March 2020 IIFL Finance was granted an NBFC license by the RBI and on March 30, 2020 completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. Minority shareholders of India Infoline received 135 common shares of IIFL Finance for every 100 common shares of India Infoline held. As a result of the merger Fairfax India's equity interest in IIFL Finance decreased from 26.5% at December 31, 2019 to 22.4% at March 30, 2020.

At December 31, 2020 the company held 84,641,445 common shares of IIFL Finance representing a 22.4% equity interest (December 31, 2019 – 26.5%). Fairfax had made an investment in IIFL Holdings prior to Fairfax India's investment and in that capacity was able to recommend the appointment of one board representative out of the eight-member board of directors. At December 31, 2020 the company did not have any representation on the board of IIFL Finance other than the board member appointed by Fairfax.

### ***Key Business Drivers, Events and Risks***

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its vast physical network to provide a one-stop shop for financial products to its customers. At December 31, 2020 IIFL Finance had the largest presence amongst retail focused NBFCs with 2,439 branches across 25 states in India.

IIFL Finance is a pioneer in the adoption of end-to-end digitization across processes with demonstrated ability to leverage technology to streamline processes, reduce turnaround times and use data-driven analytical models to help manage delinquencies.

IIFL Finance continues to achieve growth in volume and profit, driven primarily by core growth segments of affordable home loans, gold loans, small business loans and microfinance. As part of its capital optimization strategy, IIFL Finance focuses on originating assets that meet bank credit underwriting standards and are Priority Sector Lending compliant, enabling growth of its assigned and securitized loan book while managing liquidity and credit risk. In addition, IIFL Finance has entered into various bank partnerships for the co-lending, sourcing and servicing of loans. These partnerships provide the banks with access to IIFL Finance's vast branch network and segment experience to originate and service loans, while allowing IIFL Finance to scale its customer base and leverage capital more efficiently.

In February 2020 IIFL Finance completed an allotment of $400 million 5.875% senior secured notes due in 2023. The gross proceeds from the notes will be used to support growth.

At December 31, 2020 IIFL Finance managed assets worth approximately 423 billion Indian rupees (approximately $6 billion) comprised of home loans (32%), gold loans (29%), business loans (18%), construction and real estate finance (10%), microfinance (9%) and capital market finance (2%).

In January 2021 IIFL Finance announced plans for the transfer of its construction and real estate loan assets to an Alternate Investment Fund ("AIF"). Subject to the completion of due diligence, the AIF is expected to comprise 33.3% sponsor contribution from IIFL Finance, 33.3% contribution from a renowned global alternate investment manager who has signed a binding agreement with IIFL Asset Management Limited (a subsidiary of IIFL Wealth), and remaining contribution from other investors. The AIF has a target size of 36 billion Indian rupees (approximately $0.5 billion) for the secondary purchase of non-convertible debentures of real estate projects and providing additional liquidity for the projects' completion.

*COVID-19 Impact*

During 2020 IIFL Finance continued to operate as financial services are considered essential services under India's lockdown guidelines. IIFL Finance has shifted its strategy to focus on optimizing capital through the origination of secured retail loans suitable for assignment and bank partnerships, while accelerating its technology integration to improve efficiencies, reduce costs and enhance customer engagement.

As discussed in the Business Developments section under the heading Operating Environment of this MD&A, the RBI has introduced several measures to assist borrowers facing financial difficulty on account of COVID-19, including the deferral of the collection of principal and interest payments on all term loans outstanding on March 1, 2020 up to the extended date of August 31, 2020. IIFL Finance has been sufficiently capitalized to withstand any liquidity pressures arising from the moratorium period and experienced limited exposure to the one-time debt restructuring option permitted by the RBI. IIFL Finance continued to source long term funding during the pandemic primarily through term loans and refinancing from banks and issuances of non-convertible debentures, as well as incremental funding through the assignment and securitization of loans.

### ***Valuation and Consolidated Financial Statement Impact***

At December 31, 2020 the fair value of the company's investment in IIFL Finance was $131,478 (December 31, 2019 – $166,014) with the changes in fair value in 2020 and 2019 aggregated with IIFL Holdings and presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Finance's share price decreased by 18.9% from 140.00 Indian rupees per share at December 31, 2019 to 113.50 Indian rupees per share at December 31, 2020.

In 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of $2,628 (2019 – $6,006).

*Subsequent to December 31, 2020*

On February 17, 2021 the company received dividend income from the company's investment in IIFL Finance of approximately $3.5 million (254 million Indian rupees).

***Summarized Financial Information of IIFL Finance***

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at September 30, 2020 and March 31, 2020.

**Balance Sheets**
*(unaudited – US$ thousands)*

| | **September 30, 2020(1)** | **March 31, 2020(1)** |
|---|---|---|
| Financial assets | 4,620,496 | 4,378,051 |
| Non-financial assets | 165,941 | 161,342 |
| Financial liabilities | 4,064,179 | 3,886,568 |
| Non-financial liabilities | 44,585 | 22,880 |
| Shareholders' equity | 677,673 | 629,945 |

(1) *The net assets of IIFL Finance were translated at September 30, 2020 at $1 U.S. dollar = 73.78 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Financial assets increased primarily as a result of growth in IIFL Finance's loan book, particularly in gold loans, home loans and the capital market segment, partially offset by a decrease in construction and real estate loans and increased COVID-19 provisioning (discussed in further detail below). IIFL Finance's asset quality remains stable with gross and net non-performing assets at 1.8% and 0.8% of IIFL Finance's loans at September 30, 2020, down from 2.3% and 1.0% at March 31, 2020. Non-financial assets increased primarily due to increased deferred tax assets, partially offset by a decrease in other non-financial assets. Financial liabilities increased primarily due to the issuance of non-convertible debentures partially offset by net repayments of other borrowings. Non-financial liabilities increased primarily due to an increase in current tax liabilities and other non-financial liabilities, principally comprised of advances from customers.

Summarized below are IIFL Finance's statements of earnings for the six months ended September 30, 2020 and 2019.

**Statements of Earnings**
*(unaudited – US$ thousands)*

| | **Six months ended September 30, 2020(1)** | **Six months ended September 30, 2019(1)(2)** |
|---|---|---|
| Revenue | 374,148 | 343,471 |
| Earnings before income taxes | 44,732 | 67,894 |
| Net earnings | 32,553 | 37,396 |

(1) *Amounts for the six months ended September 30, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 75.11 Indian rupees and $1 U.S. dollar = 69.96 Indian rupees prevailing during those periods.*

(2) *The summarized financial information has been presented for IIFL Finance, the remaining company after the IIFL Holdings Reorganization and effects of the merger with India Infoline.*

IIFL Finance's revenue increased primarily due to an increase in interest and other income arising from higher assets under management, particularly across higher yielding segments such as gold loans and microfinance which increased 65% and 28% respectively from the comparative period. Earnings before income taxes and net earnings decreased primarily due to the incremental COVID-19 loan loss provisioning of 4.1 billion Indian rupees (approximately $55 million) recorded in the six month period ended September 30, 2020, partially offset by the increased interest income discussed above and decreased operating expenses attributable to IIFL Finance's cost optimization plan. Net earnings in 2019 were impacted by a reversal of previously recognized deferred tax assets of 1.0 billion Indian rupees (approximately $14 million).

### Investment in IIFL Wealth Management Limited

#### *Business Overview*

IIFL Wealth is a publicly traded wealth management firm with principal lines of business in wealth management and asset management, located in Mumbai, India. The wealth management business serves the highly specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate.

Additional information can be accessed from IIFL Wealth's website www.iiflwealth.com.

#### *Transaction Description*

On May 31, 2019 IIFL Holdings spun off its 53.3% equity interest in its subsidiary IIFL Wealth in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Wealth for every seven common shares of IIFL Holdings held. Upon completion of the IIFL Holdings Reorganization Fairfax India received 12,091,635 common shares of IIFL Wealth representing a 14.2% equity interest with an estimated fair value at May 31, 2019 of $191,443 (approximately 13.3 billion Indian rupees), which was determined based on a third party valuation.

The shares of IIFL Wealth were listed on the BSE and NSE of India on September 19, 2019.

At December 31, 2020 the company held 12,091,635 common shares of IIFL Wealth representing a 13.8% equity interest (December 31, 2019 – 13.9%). At December 31, 2020 the company had appointed one of the eleven IIFL Wealth board members.

#### *Key Business Drivers, Events and Risks*

IIFL Wealth provides its clients with investment management services with the aim to preserve capital while generating steady inflation-adjusted returns from a diversified portfolio with low volatility, along with additional services such as trust and estate planning and credit solutions. IIFL Wealth has a presence in 29 locations across 6 countries and continues to be one of India's leading fund managers of alternative investment funds.

India's wealthy are expected to increase their net assets through organic growth of existing assets or from the sale of businesses (unlocking potential value through secondary sales), with rising new wealth creators fueled by innovative startups, family businesses with strong professional management and the demographic advantage of a very large and young mass affluent segment. In 2019 it was estimated that there were over 260,000 ultra high and high net worth households, with significant growth expected of both the number of wealthy Indians and their affluence.

In 2020 IIFL Wealth launched IIFL One, a service offering that institutionalizes the complete range of investment options for clients under a competitive and transparent fee structure. The model redefines client engagement in India's wealth management industry in terms of its approach to transparent conduct and open disclosures. IIFL Wealth will endeavour, over the course of the next few years, to grow this model to be the primary engagement model with clients over the historical broker/dealer distribution model where commissions were earned on a transaction by transaction basis. They aim to evolve into a predictable, revenue-led, asset under management-driven organization, different from an industry dominated by product promotion and distribution.

In its 2020 fiscal year, IIFL Wealth changed its income model to recognize the majority of its distribution income on an annuity basis, moving away from the upfront income model that was previously followed, leading to a more stable annual recurring revenue model.

At December 31, 2020 the wealth management business had assets under management of 1,682 billion Indian rupees (approximately $23 billion) (December 31, 2019 – 1,412 billion Indian rupees (approximately $20 billion)) and the asset management business had assets under management of 323 billion Indian rupees (approximately $4 billion) (December 31, 2019 – 269 billion Indian rupees (approximately $4 billion)).

On April 24, 2020 IIFL Wealth completed the acquisition of L&T Capital Markets Limited ("L&T"), a wealth management company providing services to individual and institutional investors, for 3.0 billion Indian rupees (approximately $39 million), which includes cash and cash equivalents at L&T. L&T was subsequently renamed IIFL

Wealth Capital Markets Limited, and its integration added 99 billion Indian rupees (approximately $1.3 billion) of assets under management and over 900 relevant families to the IIFL Wealth portfolio.

*COVID-19 Impact*

During 2020 IIFL Wealth continued to operate at close to full capacity as financial services are considered essential services under India's lockdown guidelines. A robust technology platform and an extensive business continuity plan have ensured that all of IIFL Wealth's employees have seamless connectivity and zero disruption as they continue to work from the safety of their homes.

IIFL Wealth continues to monitor the impact of COVID-19 on the economic environment and changes in client sentiment or investment behaviour. During the period, the business maintained close and impactful client engagement through multiple touchpoints and completed stringent review of client risk profiles, focusing on long term portfolio construction. From a liquidity perspective IIFL Wealth along with its NBFC subsidiary, IIFL Wealth Finance Limited, continue to be well capitalized and insulated from any shocks in the domestic debt markets.

***Valuation and Consolidated Financial Statement Impact***

At December 31, 2020 the fair value of the company's investment in IIFL Wealth was $166,702 (December 31, 2019 – $191,476) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Wealth's share price decreased by 10.9% from 1,130.30 Indian rupees per share at December 31, 2019 to 1,007.35 Indian rupees per share at December 31, 2020.

In 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Wealth of $8,145 (2019 – $1,718).

*Subsequent to December 31, 2020*

On February 26, 2021 the company received dividend income from the company's investment in IIFL Wealth of approximately $4.9 million (363 million Indian rupees).

**Investment in IIFL Securities Limited**

***Business Overview***

IIFL Securities is a publicly traded leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India.

Additional information can be accessed from IIFL Securities' website www.iiflsecurities.com.

***Transaction Description***

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Securities for every one common share of IIFL Holdings held. Upon closing of the IIFL Holdings Reorganization Fairfax India received 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest with an estimated fair value at that date of $91,310 (approximately 6.4 billion Indian rupees). At May 31, 2019 the fair value of IIFL Securities was estimated based on the company's internal valuation model.

The shares of IIFL Securities were listed on the BSE and NSE of India on September 20, 2019.

At December 31, 2020 the company held 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest (December 31, 2019 – 26.5%). At December 31, 2020 the company did not have any representation on the board of IIFL Securities.

***Key Business Drivers, Events and Risks***

IIFL Securities' key business drivers relate to its ability to identify emerging trends in the capital markets sector in India and provide a comprehensive range of financial products and services that cater to a diverse customer base. IIFL Securities is a key player in both retail and institutional segments. The company's strategy continues to be built on improving and fortifying its research content, and investing in technology for trading platforms as well as human resources.

IIFL Securities has a presence in approximately 2,500 locations, covering branches and business partners in over 500 cities in India along with a strong digital presence backed by cutting-edge technology. IIFL Securities' trading interfaces have continued to gain traction and popularity, including mobile applications IIFL Markets and IIFL Mutual Funds which are widely used and highly rated, as well as the Advisor Anytime Anywhere (''AAA'') platform for the growing sub-broker segment. AAA is a mobile office solution for investment portfolio management which empowers aspiring entrepreneurs in the capital markets and enhances their ability to reach investors in smaller towns and cities. At December 31, 2020 IIFL Securities had assets under management across its retail segment (comprised of depository participant services and financial product distribution) of 387 billion Indian rupees (approximately $5 billion).

IIFL Securities' institutional broking franchise business services over 700 domestic and foreign clients, and provides comprehensive research coverage over 225 stocks in more than 20 sectors, which account for over 80% of India's market capitalization. The investment banking business closed 19 transactions in 2020 across the capital markets and advisory business segments, despite volatile market conditions, and has a number of transactions in the pipeline.

In December 2020, IIFL Securities announced an offer for the buy-back of equity shares from shareholders of the company (excluding promoters, promoter group and persons in control of the company), at a price not exceeding 54.00 Indian rupees per share, up to aggregate consideration of 900 million Indian rupees (approximately $12 million at period end exchange rates). The buy-back of shares commenced on December 30, 2020.

*COVID-19 Impact*

During 2020 IIFL Securities continued to operate as financial services were considered essential services under India's lockdown guidelines. During the lockdown period, IIFL Securities' technology platforms continued to provide uninterrupted service and the account opening process was transitioned to be completely digitized.

*Subsequent to December 31, 2020*

On February 15, 2021 IIFL Securities announced the completion of the buy-back offer, which resulted in the buy-back of 17,000,394 common shares of IIFL Securities for 867 million Indian rupees (approximately $12 million). The company did not tender any shares and as a result, its equity interest in IIFL Securities increased to 27.9%.

On February 24, 2021 IIFL Securities was announced as the successful bidder for the transfer of electronic securities holding accounts (''demat accounts'') held by another Indian stock broking and depository participant services company. IIFL Securities is expected to acquire 1.1 million demat accounts which will increase its assets under management. The demat accounts had a custody value of approximately 3.0 trillion Indian rupees (approximately $41 billion) at January 31, 2021.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the fair value of the company's investment in IIFL Securities was $55,603 (December 31, 2019 – $48,796) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Securities' share price increased by 16.6% to 48.00 Indian rupees per share at December 31, 2020 from 41.15 Indian rupees per share at December 31, 2019.

## Investment in CSB Bank Limited

### *Business Overview*

CSB Bank is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 454 branches and 319 automated teller machines across India.

Additional information can be accessed from CSB Bank's website www.csb.co.in.

***Transaction Description***

During 2018 and 2019 Fairfax India invested aggregate cash consideration of $169,511 (approximately 12.1 billion Indian rupees) for a 51.0% equity interest in CSB Bank through the following transactions:

(i) October 19, 2018: the company completed its initial investment in CSB Bank and on closing recorded $88,524 (approximately 6.5 billion Indian rupees) in common stocks within the consolidated balance sheet relating to 100.0% of the common shares and 40.0% of the warrants, and on that date recorded $28,367 (approximately 2.1 billion Indian rupees) in payable for partly paid securities relating to 75.0% of the consideration payable on the common shares (''Tranche 1'').

(ii) March 20, 2019: the company invested in an additional 30.0% of the warrants of CSB Bank and recorded $40,547 (approximately 2.8 billion Indian rupees) in common stocks (''Tranche 2'') within the consolidated balance sheet.

(iii) June 29, 2019: CSB Bank issued a capital call for the remaining consideration payable for 30.0% of the warrants ($40,440) (''Final Tranche'') and 75.0% of the common shares ($30,167). The company recorded $40,440 (approximately 2.8 billion Indian rupees) in common stocks within the consolidated balance sheet, representing the Final Tranche of CSB Bank warrants, which were considered in-substance equity.

(iv) July 8, 2019: the company funded the June 29, 2019 capital call.

(v) August 7, 2019: the company exercised its CSB Bank warrants to acquire CSB Bank common shares. No CSB Bank warrants remain outstanding.

On December 4, 2019 CSB Bank closed its IPO, issuing 1,230,769 shares and commenced trading on both the BSE and NSE of India. In 2019 CSB Bank also issued 5,000,000 shares to CSB Bank's employee stock option trust which together with the IPO decreased Fairfax India's ownership slightly from 51.0% to 49.7%.

The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period to August 7, 2024 due to restrictions imposed by the RBI and the Securities and Exchange Board of India (''SEBI'').

As a result of CSB Bank's IPO the company was restricted from selling 17,372,952 of its shares of CSB Bank for one year from the IPO closing. On December 2, 2020 the selling restriction on 16,880,645 common shares of CSB Bank held by the company was released and the difference of 492,307 common shares remains restricted. The remaining 69,382,331 common shares of CSB Bank held by the company continue to be restricted until August 7, 2024. At December 31, 2020 the company held 86,262,976 common shares of CSB Bank representing a 49.7% equity interest (December 31, 2019 – 49.7%).

At December 31, 2020 the company had appointed two of the seven CSB Bank board members.

***Key Business Drivers, Events and Risks***

According to the RBI, India's banking sector is sufficiently capitalized and well-regulated. The increase in India's working population and growth in disposable income is anticipated to increase the demand for banking related services, particularly in rural banking locations. In addition, the Indian banking industry has evolved through technology innovations in digital payments systems, mobile and online banking.

CSB Bank's key business drivers relate to its ability to provide financial services in India, particularly in the area of retail, SMEs, gold and corporate lending, and mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB Bank has recently taken various strategic initiatives, including attracting talent to its sales and marketing team, as well as creating specialized banking verticals in gold, two-wheeler vehicles, small-to-medium enterprise and wholesale banking. Non-performing assets (''NPA'') are being addressed by CSB Bank through the creation of asset recovery branches to accelerate delinquent loan recovery, with the goal of effectively minimizing losses by improving credit monitoring and risk management practices. In addition, CSB Bank continues to strive for increases in employee productivity and will invest in technology across its banking platforms, providing more efficient and cost effective services for its customers. CSB has plans to open more than 100 branches in its fiscal year ended March 31, 2021, of which 43 branches were opened as at December 31, 2020.

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. The voting rights of any one shareholder of banks in India are limited to 26.0% of available voting rights subject to change as notified by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India in the long run. Fairfax India is required to follow a dilution schedule for its ownership in CSB Bank whereby: (i) the company was required to purchase a minimum of 40.0% of the voting equity shares in CSB Bank within 5 years which was completed; (ii) the company's shareholding in CSB Bank must be brought down to 30.0% of the voting equity shares within 10 years; and (iii) the company's shareholding in CSB Bank must be brought down to 15.0% of the voting equity shares within 15 years. In addition, the RBI mandated that CSB Bank list its shares on the BSE and NSE of India through an IPO.

On December 4, 2019 CSB Bank closed its IPO at a price of 195.00 Indian rupees per share.

*COVID-19 Impact*

During 2020 CSB Bank continued to operate as financial services are considered essential services under India's lockdown guidelines, with the exception of certain retail locations located in COVID-19 ''hotspot'' districts, which were required to close. In light of the COVID-19 pandemic, CSB Bank has currently shifted its focus to gold loans and away from retail, SMEs, and corporate lending. CSB Bank has a stable deposit franchise which remains largely unaffected by the COVID-19 pandemic and deposit inflows remain positive despite interest rate reductions by the RBI. As discussed in the Business Developments section under the heading Operating Environment of this MD&A, as a result of measures being implemented by the RBI, the cost of funds for CSB Bank has decreased resulting in healthy lending spreads and a sustainable net interest income growth.

On March 27, 2020 the RBI permitted all banks and NBFCs to defer the collection of principal and interest payments on all term loans outstanding on March 1, 2020 by three months to May 31, 2020, and on May 22, 2020 the RBI extended the deferral by another three months to August 31, 2020. CSB Bank had sufficient capital and adequate investments which allowed it to withstand liquidity pressures from the moratorium on loan payments.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the company estimated the fair value of its investment in CSB Bank based on the bid price less a discount for lack of marketability of 20.9% on the remaining common shares subject to selling restrictions (December 31, 2019 – 12.0%). At December 31, 2020 the fair value of the company's investment in CSB Bank was $214,341 (December 31, 2019 – $229,262) with the changes in fair value for 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A. CSB Bank's share price increased by 1.2% from 215.55 Indian rupees per share at December 31, 2019 to 218.20 Indian rupees per share at December 31, 2020.

### *CSB Bank's Summarized Financial Information*

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at September 30, 2020 and March 31, 2020.

**Balance Sheets**
*(unaudited – US$ thousands)*

| | **September 30, 2020**(1) | **March 31, 2020**(1) |
|---|---|---|
| Financial assets | 2,851,190 | 2,339,259 |
| Non-financial assets | 155,946 | 162,116 |
| Financial liabilities | 2,674,412 | 2,205,370 |
| Non-financial liabilities | 49,795 | 44,961 |
| Shareholders' equity | 282,929 | 251,044 |

(1) *The net assets of CSB Bank were translated at September 30, 2020 at $1 U.S. dollar = 73.78 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Financial assets increased primarily as a result of increased investment securities and loans and advances to customers. Non-financial assets decreased primarily as a result of deferred tax expense in the current period resulting in decreased deferred tax assets. Financial liabilities increased as a result of increased savings and term deposits from customers and increased borrowings. Non-financial liabilities moderately increased primarily as a result of increased interest accrued and other payables.

Summarized below are CSB Bank's statements of earnings for the six months ended September 30, 2020 and 2019.

**Statements of Earnings**
*(unaudited – US$ thousands)*

| | Six months ended September 30, 2020[(1)] | Six months ended September 30, 2019[(1)] |
|---|---|---|
| Revenue | 82,550 | 53,681 |
| Earnings before income taxes | 44,101 | 16,151 |
| Net earnings | 33,024 | 10,461 |

*(1) Amounts for the six months ended September 30, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 75.11 Indian rupees and $1 U.S. dollar = 69.96 Indian rupees prevailing during those periods.*

Revenue increased primarily as a result of an increase in net interest income due to higher yielding advances, increased investments and reduced cost of deposits. Earnings before income taxes and net earnings for the six months ended September 30, 2020 increased primarily reflecting increased revenues as discussed above and reduced cost-income ratio (37.1% for the six months ended September 30, 2020 compared to 54.5% for the six months ended September 30, 2019).

**Investment in Fairchem Speciality Limited / Privi Speciality Chemicals Limited**

*Fairchem Speciality Limited*

***Business Overview***

Fairchem Speciality Limited (''Fairchem'') was a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. Privi Organics Limited (''Privi''), a wholly-owned subsidiary of Fairchem located in Mumbai, India, was a supplier of aroma chemicals to the fragrance industry.

***Transaction Description***

In March 2017 Fairchem and Privi were merged with the surviving entity continuing as Fairchem and with no changes to management of the underlying companies. Upon closing of the merger of Fairchem and Privi, the company acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics Limited (''Fairchem Organics'', comprised of the oleochemicals and neutraceuticals businesses) in a non-cash transaction (''Fairchem Reorganization''). Shareholders of Fairchem received one common share of Fairchem Organics for every three Fairchem common shares held. The distribution of new common shares to Fairchem shareholders was characterized as a return of capital and resulted in the company recording the initial cost of its investment in Fairchem Organics at its estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). Concurrent with the spin off transaction, Privi amalgamated with the remaining Fairchem business and renamed Privi Speciality Chemicals Limited (''Privi Speciality''). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. Common shares of Fairchem Organics listed on the BSE and NSE of India on December 24, 2020.

*Privi Speciality Chemicals Limited*

***Business Overview***

Privi Speciality is a publicly traded specialty chemical manufacturer located in Mumbai, India. Privi Speciality is a supplier of aroma chemicals to the fragrance industry. Privi Speciality's world-class products are the result of its very strong research and development team that has proven expertise in developing new products, customizing aromas per customer specifications, scaling up products from basic research to commercial scale, and designing process improvements to drive quality and cost optimization. Privi Speciality has four manufacturing facilities located in Mahad, Maharashtra and a manufacturing facility located in Jhagadia, Gujarat.

Additional information can be accessed from Privi Speciality's website www.privi.com.

### *Transaction Description*

At December 31, 2020 the company held 19,046,078 common shares, representing a 48.8% equity interest in Privi Speciality (December 31, 2019 – 48.8%). Subsequent to the anticipated closing of an open offer being made to public shareholders of Fairchem Organics as disclosed later in this MD&A under the heading Investment in Fairchem Organics Limited, the company intends to decrease its equity interest in Privi Speciality to 38.9% from its current 48.8% and increase its equity interest in Fairchem Organics to 66.7% from its current 48.8% through a series of transactions with Privi's founders in the first quarter of 2021, subject to applicable regulatory approvals and customary closing conditions.

At December 31, 2020 the company had appointed one of the eight Privi Speciality board members.

### *Key Business Drivers, Events and Risks*

Privi Speciality's key business drivers relate to its ability to: (i) develop, manufacture and supply additional (newer) aroma chemicals to existing customers; (ii) create value added products from the by-products of manufacturing aroma chemicals; (iii) strengthen margins by increasing vertical integration capacities; and (iv) offer a variety of aroma chemical products to sustain being recognized as a preferred supplier to the global fragrance market.

At December 31, 2020 Privi Speciality has received partial settlement on their insurance claim of 1,218.0 million Indian rupees (approximately $17 million at period end exchange rates) in relation to its April 2018 manufacturing facilities fire. On January 28, 2021 Privi Speciality received the balance on their insurance claim of 150.0 million Indian rupees (approximately $2 million at exchange rates on that date). Privi has fully reinstated its manufacturing facilities affected by the fire.

*COVID-19 Impact*

Privi Speciality was required to temporarily stop operations at the onset of India's lockdown. Privi Speciality gradually resumed operations and on April 7, 2020 restarted operations at its last plant. From June 2020 onwards sales and operations returned to levels prior to COVID-19. Privi Speciality's management is actively monitoring its liquidity situation and has no significant, immediate short term liquidity needs.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the fair value of the company's investment in Privi Speciality was $138,413 (December 31, 2019 – $127,413) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A. Privi Speciality's share price increased by 11.2% to 531.00 Indian rupees per share at December 31, 2020 from 477.50 Indian rupees per share at December 31, 2019.

In 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Privi Speciality of $385 (2019 – $679).

## Investment in Fairchem Organics Limited

### *Business Overview*

Fairchem Organics is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. It has developed an in-house technology that uses machinery designed and manufactured by leading European companies to physically separate and convert waste generated during the production of soya, sunflower and corn oils into valuable neutraceutical and fatty acids.

Additional information can be accessed from Fairchem Organics' website www.fairchem.in.

### *Transaction Description*

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics in a non-cash transaction that resulted in Fairfax India receiving one common share of Fairchem Organics for every three Fairchem common shares held. Upon completion of the Fairchem Reorganization Fairfax India received 6,348,692 common shares of Fairchem Organics representing 48.8% equity interest with an estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees) which was estimated based on the company's internal market approach valuation model which referenced the earnings multiple of a peer group of comparable companies. The distribution of new common shares of Fairchem Organics to Fairchem shareholders was characterized as a return of capital which resulted in Fairfax India recording the initial cost of its investment in Fairchem Organics at its fair value at that date.

On December 24, 2020 common shares of Fairchem Organics were listed on the BSE and NSE of India. At the time of listing and in accordance with Indian regulations, as a result of the anticipated changes in ownership of Fairchem Organics, the company announced an open offer for the acquisition of up to 3,377,953 common shares, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share (''Fairchem Open Offer''). The potential obligation is approximately 1.9 billion Indian rupees ($26,607 at period end exchange rates). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of approximately 19.5 million Indian rupees ($267 at period end exchange rates) and a bank guarantee for approximately 486.1 million Indian rupees ($6,652 at period end exchange rates), representing 1.0% and 25.0% of the potential obligation, respectively. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020. The Fairchem Open Offer is subject to regulatory approvals and customary closing conditions, and is expected to close in the first quarter of 2021.

Subsequent to the anticipated closing of the Fairchem Open Offer, the company intends to decrease its equity interest in Privi Speciality to 38.9% from its current 48.8% and increase its equity interest in Fairchem Organics to 66.7% from its current 48.8% through a series of transactions with Privi's founders in the first quarter of 2021, subject to applicable regulatory approvals and customary closing conditions.

At December 31, 2020 the company had appointed one of the six Fairchem Organics board members.

*Subsequent to December 31, 2020*

The tender period related to the Fairchem Open Offer commenced on February 9, 2021 and closed on February 23, 2021 with a total of 290 common shares of Fairchem Organics tendered. On March 2, 2021 the company completed the settlement of the common shares tendered. The company's equity interest in Fairchem Organics remains at 48.8%.

### *Key Business Drivers, Events and Risks*

Fairchem Organics' key business drivers relate to the success of its oleochemicals business and vertical integration into value added products, such as fatty acids and natural vitamin E. As environmental concerns increase, the demand for sustainable and biodegradable oleochemicals used in lubricants, paper printing, paints and coatings, and animals feed industries has been experiencing strong growth in recent years.

India is one of the largest consumers of soft oils which provides Fairchem Organics with a competitive advantage by having easy access to the raw materials that it uses in its manufacturing processes. The close proximity to raw materials available in Asia (India, Malaysia and Indonesia) has resulted in a shift of oleochemical production away from the U.S. and Europe. Lower cost of raw materials and efficient manufacturing processes have provided Fairchem Organics with certain competitive advantages in comparison to its international peers. Fairchem Organics has a strong market presence for some of its products, with little or no direct competition, and is considered to produce a superior quality product in comparison to its competitors.

*COVID-19 Impact*

Fairchem Organics was required to temporarily stop operations at the onset of India's lockdown, and resumed operations on May 21, 2020. From June 2020 onwards sales and operations returned to levels prior to COVID-19. Fairchem Organics' management is actively monitoring its liquidity situation and has no significant, immediate short term liquidity needs.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the fair value of the company's investment in Fairchem Organics was $54,566 with the changes in fair value in 2020 presented in the table at the outset of the Indian Investments section of this MD&A. Following the listing of shares of Fairchem Organics the share price decreased by 4.8% from 660.00 Indian rupees per share at December 24, 2020 to 628.00 Indian rupees per share at December 31, 2020.

### **Investment in 5paisa Capital Limited**

#### ***Business Overview***

5paisa Capital Limited (''5paisa'') is a publicly traded online financial services provider with a ''do-it-yourself'' investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa is located in Mumbai, India.

Additional information can be accessed from 5paisa's website www.5paisa.com.

#### ***Transaction Description***

In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5Paisa Digital Undertaking, through the formation of a new public company, 5paisa Capital Limited, listed on the BSE and the NSE of India. This non-cash transaction resulted in Fairfax India receiving one new common share of 5paisa for every 25 common shares of IIFL Holdings held for a total of 3,385,657 common shares of 5paisa with a fair value of $19,758.

On May 29, 2019 5paisa announced a rights offer to existing shareholders whereby shareholders were given the right to participate on a pro rata basis in a common share issuance at a price of 80.00 Indian rupees per share (''5paisa Rights Offer''). In connection with the 5paisa Rights Offer, Fairfax India committed to participate and acquire 3,385,657 common shares of 5paisa and as a result the company recorded a forward derivative asset (''5paisa forward derivative''). On August 20, 2019 Fairfax India participated in the 5paisa Rights Offer and acquired 3,385,657 5paisa common shares for cash consideration of $3,777. As a result the company derecognized the 5paisa forward derivative with a carrying value of $2,706, recorded a realized gain of $2,767 and recorded its investment in 5paisa common shares at a fair value at that date of $6,483.

At December 31, 2020 the company held 6,771,314 common shares of 5paisa representing a 26.6% equity interest (December 31, 2019 – 26.6%). At December 31, 2020 the company did not have any representation on the board of 5paisa.

#### ***Key Business Drivers, Events and Risks***

5paisa's key business driver relates to its ability to provide a digital method of trading in securities, which is emerging as a new segment with the potential to achieve critical mass and grow in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paisa's ability to acquire, service and grow the emerging do-it-yourself customer segment provides its customers with lower costs for various financial products, enabling investors to invest seamlessly, on their own and from anywhere. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority through the developments of its robust trading platform, advanced mobile app, its Artificial-Intelligence powered Robo-Advisory platform, and the paperless account opening process.

In February 2020 5paisa incorporated a wholly-owned subsidiary 5paisa Trading Limited to facilitate e-commerce activity. In May 2020 5paisa, through its wholly-owned subsidiary, 5paisa P2P Limited (''5paisa P2P''), launched 5paisa Loans, a digital peer-to-peer lending platform which connects verified creditworthy lenders and individual borrowers in India. 5paisa P2P is a registered NBFC with the RBI which received its Peer-to-Peer Lending license in December 2019.

In September 2020 5paisa received approval from its board of directors (and subsequently from shareholders in October 2020) to raise up to 11.5 billion India rupees in financing, comprised of up to 9 billion Indian rupees through issuance of equity shares along with warrants or any other security and up to 2.5 billion Indian rupees through issuance of non-convertible debentures on a private placement basis. 5paisa intends to use proceeds towards customer acquisition and investments in technology.

At December 31, 2020 the 5paisa mobile application has reached over 6.4 million downloads (December 31, 2019 – over 3.6 million downloads). The total customer base exceeded 1 million with a rapid pace of client acquisitions throughout the year.

*COVID-19 Impact*

During 2020 5paisa continued to operate as financial services were considered essential services under India's lockdown guidelines. 5paisa experienced a significant increase in retail participation and broking activity during this period due to its largely digital service offerings combined with low costs.

***Valuation and Consolidated Financial Statement Impact***

At December 31, 2020 the fair value of the company's investment in 5paisa was $27,788 (December 31, 2019 – $18,176) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A. 5paisa's share price increased by 56.5% from 191.60 Indian rupees per share at December 31, 2019 to 299.85 Indian rupees per share at December 31, 2020.

**Investment in Other Public Indian Investments**

During 2018 the company acquired common shares of public companies in India's financial services sector, listed on both the BSE and NSE of India, for aggregate cash consideration of $94,090. In 2019 the company partially sold an investment in Other Public Indian Investments for total net proceeds of $36,907, resulting in a realized gain of $7,115.

In 2020 the company acquired common shares of public companies in India's utilities and financial services sectors, listed on both the BSE and NSE of India, for aggregate consideration of $84,672. In 2020 the company partially sold investments in Other Public Indian Investments for total net proceeds of $41,913, resulting in a realized gain of $3,782.

At December 31, 2020 the fair value of the company's investment in Other Public Indian Investments was $147,604 (December 31, 2019 – $95,892) and represents less than 1.0% equity interest in each of the public Indian companies. At December 31, 2020 the company did not have any board representation in Other Public Indian Investments.

The changes in fair value of the company's investment in Other Public Indian Investments in 2020 and 2019 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In 2020 the consolidated statements of earnings (loss) included dividend income earned from the investment in Other Public Indian Investments of $1,712 (2019 – $353).

**Private Indian Investments**

**Cautionary Statement Regarding the Valuation of Private Indian Investments**

In the absence of an active market for the company's Private Indian Investments, fair values for these investments are determined by management using industry acceptable valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, contractual rights relating to the investment, public market comparables (if available) and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the company's Private Indian Investments could be disposed of may differ from the fair values assigned and those differences may be material.

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during 2020 the development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. The company has incorporated assumptions related to the COVID-19 pandemic into the estimates of the amount and timing of future cash flows, and the uncertainty in those assumptions has been incorporated into the company's valuations of Private Indian Investments primarily through higher risk premiums. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

## Investment in Bangalore International Airport Limited

### *Business Overview*

Bangalore International Airport Limited (''BIAL'') is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru (''KIAB'') through a public-private partnership (the ''concession agreement''). KIAB is the first greenfield airport in India built to the highest level of international standards through a public-private partnership.

BIAL's principal lines of business are as follows:

*Aeronautical revenue from the airport*

Aeronautical revenue is revenue earned from airlines for providing services such as landing, parking and housing fees (''aeronautical services''). BIAL's aeronautical revenues are also primarily driven by user development fees (''UDF'') charged to airlines and passengers and determined by the Airports Economic Regulatory Authority of India (the ''regulator'') in five-year control periods and are fixed in a manner to generate a 16.0% per annum regulated return on invested equity (the ''Regulatory Asset Base'') for the airport operator. Under the current regulatory approach applicable to BIAL, aviation concessions (which include cargo, ground handling, fuel throughput, and into-plane services) are treated as aeronautical services. In addition, the regulator also attributes 30.0% of non-aeronautical revenue (described below) as a part of aeronautical revenue when computing the regulated return.

*Non-aeronautical revenue from the airport*

All revenue sources from the airport other than aeronautical revenue (which includes aviation concessions, as described earlier) are treated as non-aeronautical revenue. This includes revenue from activities such as catering services, vehicle parking, advertising, retail and duty free shops, and food and beverages. BIAL earns its non-aeronautical revenue from concession arrangements that reflect a percentage of revenue sharing, with a minimum guaranteed revenue each year. Non-aeronautical revenue is expected to grow substantially due to the increase in the number of passengers using the airport, the availability of additional space for development and the increasing propensity of passengers to spend money.

*Real estate monetization*

The airport is located on 4,000 acres of land and the concession agreement provides for development of 1,000 acres of this land for commercial purposes such as hotels, retail establishments, offices and industrial or entertainment parks. This will permit BIAL to monetize approximately 460 acres after providing for the land required to build roads, utilities, landscaping and other services. Over time, there is potential for significant upside from monetization of this real estate.

*Other non-airport related revenue*

Taj Bangalore is a five-star hotel operated under a management contract with Indian Hotels Company Limited. The hotel is conveniently located next to the airport, includes 154 guest rooms and 13 conference rooms, and is currently undergoing expansion of 220 additional guest rooms.

Additional information can be accessed from BIAL's website www.bengaluruairport.com.

### *Transaction Description*

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) (inclusive of $74,202 of costs incurred, approximately 4.8 billion Indian rupees) for a 54.0% equity interest in BIAL through the following transactions: (i) in March 2017 the company acquired a 38.0% equity interest in BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees); (ii) in July 2017 the company acquired an additional 10.0% equity interest in BIAL for cash consideration of $200,093 (12.9 billion Indian rupees) which the company determined included $74,202 of consideration in excess of the fair value of those additional shares acquired; and (iii) in May 2018 the company acquired an additional 6.0% equity interest in BIAL for cash consideration of $67,391 (approximately 4.6 billion Indian rupees).

On December 16, 2019 the company entered into an agreement with Ontario Municipal Employees Retirement System (''OMERS'') to sell an interest in Anchorage of approximately 11.5% on a fully-diluted basis for gross proceeds of approximately 9.5 billion Indian rupees (approximately $130 million at the 2020 period end exchange rate). Anchorage was formed in 2019 and is a wholly-owned subsidiary of FIH Mauritius, intended to be its flagship company for investing in companies, businesses and opportunities in the airport and infrastructure sectors of India as well as its platform for bidding on airport privatization projects in India. As part of the transaction, the company shall restructure approximately 43.6% equity interest in BIAL of its 54.0% equity interest such that it shall be held through Anchorage, implying an equity valuation of BIAL of approximately 189.7 billion Indian rupees (approximately $2.6 billion at the 2020 period end exchange rate) for 100%. Upon closing of the transaction, the company's effective ownership interest in BIAL will decrease to approximately 49.0% on a fully-diluted basis, while its actual ownership will remain unchanged. The transaction is subject to customary closing conditions, including various third party consents. The company expected to close the transaction in 2020, however due to the impacts of COVID-19 and resulting delays in obtaining required consents, the company and OMERS agreed to extend the long-stop date to March 31, 2021 and estimate the transaction will close in the first quarter of 2021.

Upon closing of the transaction with OMERS, the company intends to use commercially reasonable efforts to list Anchorage by way of IPO in India, subject to regulatory approvals and market conditions. If the valuation of Anchorage upon closing of the IPO is below 91.6 billion Indian rupees (approximately $1.3 billion at period end exchange rates), then OMERS' ownership in Anchorage will increase to a maximum of 15.0%.

At December 31, 2020 the company had appointed five of the fifteen BIAL board members.

***Key Business Drivers, Events and Risks***

KIAB is the busiest airport in South India, the third largest in the country, and was awarded the 'Best Regional Airport in India and Central Asia' during 2020 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey. The airport handled approximately 33.7 million passengers in 2019 representing growth in overall traffic of 4.1% compared to 2018.

On December 6, 2019 BIAL commenced operating a second runway, making the airport the first in India to operate independent parallel runways, enabling aircraft to land or take-off simultaneously on both runways.

On October 16, 2020 BIAL exercised its right to extend the concession agreement for an additional 30 years until the year 2068.

Plans to expand the capacity of the airport are underway and include the following projects:

- ***Terminal 2:*** BIAL has commenced construction of an additional terminal building (''Terminal 2'') and expansion of the related infrastructure. Terminal 2 will be constructed in two phases: (i) the first phase will have the capacity to handle 25 million passengers per annum and is now estimated to be operational by April 2022; and (ii) the second phase will add capacity for another 20 million passengers per annum and is now expected to be complete in BIAL's fiscal year 2029. The combined capacity of the existing terminal and Terminal 2 will be approximately 73 million passengers per annum.

  The total cost of the Terminal 2 expansion is expected to increase as a result of a slowdown in construction activities during India's lockdown.

  On August 6, 2019 in connection with the construction of Terminal 2 and expansion of the related infrastructure, BIAL raised approximately $1.4 billion (approximately 102.1 billion Indian rupees) through a syndicate of banks, including State Bank of India and Axis Bank. Amounts are to be drawn down based on funding requirements throughout the project and are to be repaid over 10 years, with payments starting one year subsequent to completion of the project.

- ***Terminal 3:*** In 2019 BIAL finalized and adopted a strategy to further expand capacity to meet expected growth in passenger traffic over the next 20 years, including the construction of a third terminal building (''Terminal 3'') and related infrastructure (''master plan update''). BIAL has secured adequate space for this expansion. Total capacity for Terminal 3 is expected to be greater than 20 million passengers per annum. As a result of the impacts of the COVID-19 pandemic and related lockdowns, construction of Terminal 3 has been delayed until BIAL's fiscal year 2034. The combined capacity of the existing terminal, Terminal 2 and Terminal 3 is expected to be between 90 million to 100 million passengers per annum.

- ***Real Estate:*** In 2019 BIAL's management finalized its plans for the development of its monetizable leasehold land ("real estate master plan") which includes the development of 176 acres of land by 2026, including: (i) a business hotel comprised of a combination of three-star to four-star hotel rooms (for a total of 775 rooms) on approximately 5 acres of land; (ii) a retail, dining and entertainment village on approximately 23 acres of land; (iii) business parks on approximately 132 acres of land; (iv) a multi-purpose concert arena on approximately 6 acres of land; and (v) the remainder to be leased for a convention and exhibition centre (approximately 5 acres) and a five-star hotel (approximately 5 acres). BIAL has entered into an agreement with Phase 1 Events and Embassy Group to manage and operate the multipurpose concert arena, scheduled to be ready during 2022. BIAL's real estate development plans will be carried out by a new subsidiary, Bangalore Airport City Limited ("BACL"), which was formed in January 2020.

*COVID-19 Impact*

The COVID-19 pandemic has significantly impacted BIAL's airport business in 2020, which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of India's lockdown. Domestic flights resumed on May 25, 2020, while international flights will remain suspended until March 31, 2021 with the exception of certain countries with which India has established air bubble arrangements. The suspension may be extended further as the COVID-19 pandemic continues to evolve. Cargo flights and flights catering to medical emergencies and other essential requirements remain operational. Construction activities for BIAL's capital projects and real estate development were slowed down and have since resumed as lockdown restrictions were gradually lifted. The airport is expected to commence regular operations upon lifting of the present restrictions with a gradual recovery in domestic passenger traffic by BIAL's fiscal year 2022 and international passenger traffic in BIAL's fiscal year 2023 to levels witnessed before the pandemic.

The airport handled approximately 13.5 million passengers in 2020 representing a decline in overall traffic of 59.9% compared to 2019.

BIAL has sufficient liquidity in place to continue its operations.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.8% to 15.0% and a long term growth rate of 3.5% (December 31, 2019 – 12.9% to 13.4%, and 3.5%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by BIAL's management.

*Free Cash Flow Forecast Inputs*

The primary drivers of the free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods and plans to monetize and develop leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, this may result in a negative impact on the fair value of the company's investment in BIAL.

*Current Model Assumptions*

As a result of the continued business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by BIAL's management in 2020 to primarily reflect (i) a temporary reduction, including a halt during the lockdown period, in passenger traffic as a result of travel restrictions imposed by the Indian government; (ii) a gradual recovery in passenger traffic over two years to levels expected before the pandemic; (iii) updates to estimated airport tariffs for the third control period commencing in BIAL's fiscal year 2022 to reflect a recovery of lost return during the lockdown and subsequent period; and (iv) delays in BIAL's capital projects and real estate development plans.

The COVID-19 pandemic did not have a significant impact on BIAL's fair value at December 31, 2020 as BIAL is an infrastructure investment that is currently in a period of capital expansion and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. As a result of the COVID-19 pandemic, BIAL's forecast reflected a delay in expected discretionary capital expenditures, an increase in the expected total cost for Terminal 2 and a revised timeline for its real estate development plans. Additionally, BIAL's aeronautical revenues are primarily driven by UDFs fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. BIAL is operating in its second control period until March 31, 2021. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues due to the COVID-19 pandemic in the second control period will be substantially recovered through, among other factors, higher UDFs in the third control period.

A gradual recovery in passenger traffic over a two year time horizon to levels expected before the pandemic is supported by significant efforts by BIAL's management and the Indian government to support a return to normal patterns of travel and the recovery of airport operations, including the implementation of contactless passenger experiences, the easing of capacity limits for airlines, the reconnection of several domestic city pairs and the resumption of certain international flights.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. These risk premiums were reflective of the increased uncertainty of the revised free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates and were not adjusted downward for the short term impacts of COVID-19.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,396,117 (December 31, 2019 – $1,429,854), which approximates the equity valuation of BIAL implied by the Anchorage transaction discussed above in the Transaction Description section. The changes in fair value in 2020 and 2019 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In 2020 net change in unrealized losses of $669 was primarily driven by business disruptions caused by the COVID-19 pandemic as discussed above, partially offset by delayed discretionary capital spending to conserve cash including delaying capital spending on maintenance and on the construction of Terminals 2 and 3, and updated airport tariff assumptions for future control periods which were expected to be adjusted for past periods of underperformance.

In 2019 net change in unrealized gains of $751,487 was primarily driven by BIAL management's master plan update and real estate master plan.

### *BIAL's Summarized Financial Information*

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at September 30, 2020 and March 31, 2020.

**Balance Sheets**
**(***unaudited – US$ thousands***)**

| | **September 30, 2020(1)** | **March 31, 2020(1)** |
|---|---|---|
| Current assets | 102,684 | 147,016 |
| Non-current assets | 1,228,598 | 1,055,698 |
| Current liabilities | 138,303 | 103,396 |
| Non-current liabilities | 805,733 | 674,659 |
| Shareholders' equity | 387,246 | 424,659 |

*(1) The net assets of BIAL were translated at September 30, 2020 at $1 U.S. dollar = 73.78 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily due to decreased cash, cash equivalents, and bank deposits due to decreased revenues and collections and increased capital expenditures related to Terminal 2. Non-current assets increased principally as a result ongoing capital expenditures for BIAL's expansion projects. Current liabilities increased primarily as a result of increased accounts payable to vendors. Non-current liabilities increased primarily as a result of additional borrowings for BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the six months ended September 30, 2020 and 2019.

**Statements of Earnings (Loss)**
*(unaudited – US$ thousands)*

| | Six months ended September 30, 2020(1) | Six months ended September 30, 2019(1)(2) |
|---|---|---|
| Revenue | 22,885 | 109,223 |
| Earnings (loss) before income taxes | (47,288) | 41,439 |
| Net earnings (loss) | (46,889) | 40,067 |

*(1) Amounts for the six months ended September 30, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 75.11 Indian rupees and $1 U.S. dollar = 69.96 Indian rupees prevailing during those periods.*

*(2) Certain prior period comparative figures have been reclassified to be consistent with current period's presentation.*

The decrease in revenue is primarily a result of the decrease in domestic and international passenger traffic as described in the Key Business Drivers, Events and Risks section under COVID-19 Impact. Loss before income taxes and net loss for the six months ended September 30, 2020 compared to earnings before income taxes and net earnings for the six months ended September 30, 2019 primarily as a result of the decrease in the revenue as noted above, an increase in employee costs, and an increase in depreciation and interest expense recognized as a result of the capitalization of the second runway.

## Investment in Sanmar Chemicals Group

### *Business Overview*

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India with an operational presence in India and Egypt. Sanmar has an aggregate installed capacity of over 766,000 metric tons per annum, comprised of approximately 366,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt. As part of its expansion project in Egypt, Sanmar commissioned a calcium chloride facility with capacity of approximately 130,000 metric tons per annum.

Sanmar's principal lines of business are as follows:

*Chemplast Sanmar Limited ("Chemplast")*

Beginning as Chemicals and Plastics India Limited in 1962, Chemplast is currently the largest specialty PVC manufacturer in India, with the top two players capturing all of India's domestic manufacturing capacity. A significant portion of Chemplast's revenues are derived from integrated operations. Chemplast's product range falls into six distinct groups: specialty PVC resins, caustic soda, chloromethanes, refrigerant gases, hydrogen peroxide, and Chemplast's Specialty Chemicals (as described below). PVC is primarily used in shoes, flooring and cable industries. Caustic soda is primarily used in the manufacturing of paper and pulp, textiles, alumina, petroleum products, soaps and detergents, and is also the basic feedstock for various chemicals. Chloromethanes are primarily used in pharmaceutical sectors. The majority of Chemplast's revenues are generated through direct sales to end customers.

*Chemplast's Specialty Chemicals ("Specialty Chemicals")*

Chemplast's Specialty Chemicals business is primarily engaged in the custom manufacturing and marketing of advanced organic intermediates for the pharmaceutical, agro chemical, flavours and fragrances, and other fine chemical applications.

*Chemplast Cuddalore Vinyls Limited ("CCVL")*

CCVL is currently the second largest suspension PVC manufacturer in India. Suspension PVC is primarily used in pipes and fittings, window and door profiles. The majority of CCVL's revenues are generated through direct sales to end customers.

*TCI Sanmar Chemicals S.A.E. ("Sanmar Egypt")*

Sanmar Egypt is the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt. Sanmar invested approximately $1.2 billion during Phase 1 of its Egypt project and has created world-class manufacturing facilities for caustic soda and PVC in Port Said, Egypt. Phase 1 projects were completed in April 2012 at which time PVC production commenced. In September 2018 Phase 2 expansion projects were completed with Sanmar investing an additional $280 million, for an aggregate investment of approximately $1.5 billion. A new calcium chloride facility was also commissioned upon completion of the Phase 2 PVC projects. Calcium chloride granules are used worldwide for dust control, de-icing, drilling operations and as a food additive. Sanmar Egypt sells directly to end customers and also through distributors. PVC is mainly sold in key target markets like Egypt, Turkey and parts of western Europe.

Additional information can be accessed from Sanmar's website www.sanmargroup.com.

***Transaction Description***

In April 2016 Fairfax India invested $250,000 in Sanmar comprised of $1,000 in common shares (representing a 30.0% equity interest) and $249,000 in Sanmar bonds, and in September 2016 invested an additional $50,000 in Sanmar bonds. Both tranches of Sanmar bonds had a maturity date of April 22, 2023 (7 years from the date of issuance of the first tranche), subject to earlier redemption at the option of Sanmar under certain circumstances. In lieu of cash, the coupon payment on the bond was payable in kind in the form of additional Sanmar bonds over the life of the bond. A redemption premium was also payable in kind to the company resulting in an effective annual interest rate of 13.0%.

On December 21, 2019 the company completed its previously announced transaction with Sanmar, resulting in the settlement of Sanmar bonds with a principal amount of $300,000 for net cash proceeds of $425,472 (30.3 billion Indian rupees) ($433,873 net of withholding tax of $8,401), which was equal to the bonds' principal amount plus an effective annual interest rate of 13.0%. The company recorded a net gain on investment of $48,782 (realized gains of $156,540, of which $107,758 was recorded as unrealized gains in prior periods). The company reinvested cash of $198,039 (approximately 14.1 billion Indian rupees) into 171,710 newly issued common shares of Sanmar, increasing the company's equity interest from 30.0% to 42.9%.

Upon closing of the transaction the company settled a forward derivative obligation at a fair value of $19,617 (approximately 1.4 billion Indian rupees), which was a result of the agreed upon transaction price for Sanmar common shares exceeding the transaction date fair value. The company recorded its additional investment in Sanmar common shares at a fair value of $178,422 (approximately 12.7 billion Indian rupees).

At December 31, 2020 the company had appointed one of the five Sanmar board members.

***Key Business Drivers, Events and Risks***

India continues to be a PVC deficit market with more than 50% of the demand being met through imports. Egypt and Turkey, which are manufacturing hubs for exports to Europe, currently have a demand gap for PVC of approximately 750,000 metric tons per annum which is currently met by imports from the U.S. and Asia. Global PVC demand is projected to grow at a compound annual growth rate between 2.5% to 3.0% outpacing the growth of supply over the next 10 years and India is expected to become a bigger market than North America in the next few years. In addition due to environmental regulations, China has reduced production capacity of PVC thereby tightening supply and improving prices globally.

Sanmar continues to draw strength from the strong brand equity of Sanmar Group, experienced management, dominant market position in the chemicals industry and demand outlook for PVC and caustic soda industry in India and across global markets. Sanmar's key business drivers relate to the execution of its plan to increase PVC manufacturing capacity in India to align with the growing demand for PVC, and to improve the overall capacity utilization at all of its PVC production facilities. The implementation risk associated with its expansion projects at Sanmar Egypt significantly decreased with the successful implementation and commissioning of the expansion projects in September 2018.

As part of the Union Budget of India (2019-20) presented on July 5, 2019, import duties for Ethylene Dichloride ("EDC") decreased from 2.0% to nil, resulting in lower costs of imported raw materials. Import duties for PVC increased from 7.5% to 10.0%. Indian anti-dumping duties on suspension PVC were also renewed for another

30 months on imports from the U.S. and China. These changes will continue to positively impact Sanmar's profitability.

Sanmar's profitability during the fiscal years ended March 31, 2020 and 2019 was negatively impacted by lower PVC margins as a result of unexpected spikes in the price of EDC, a key raw material used in the production of PVC, caused by an alumina refinery plant shut down in Brazil that significantly decreased the supply of EDC in the international market. EDC prices reverted back to normal levels in the second half of Sanmar's fiscal year 2020. In addition, Sanmar Egypt experienced increased power and energy expenses as a result of new tariffs introduced by the Egyptian government effective July 2018.

In September 2020, the Egyptian government introduced import duties for PVC at 2.0% and reduced import duties on EDC from 2.0% to nil.

*COVID-19 Impact*

The COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown in 2020. The plant at Sanmar Egypt was temporarily closed on March 18, 2020 and re-opened its operations on April 3, 2020. The operations at the suspension PVC plant in India was constrained until May 15, 2020. The remaining plants in India, including the specialty PVC plant, gradually re-opened operations in May 2020. Specialty Chemicals has not been significantly impacted by the COVID-19 pandemic. In the second quarter of Sanmar's fiscal year 2021, global PVC supply tightened resulting in a swift recovery of suspension and specialty PVC prices, contributing to improved margins at CCVL and Chemplast.

As a result of unfavourable macroeconomic conditions created by COVID-19, Sanmar's management shifted its focus to deleveraging the company and will focus on capacity expansions planned at Chemplast and at Specialty Chemicals. Sanmar management is actively monitoring liquidity requirements at Sanmar Egypt, which have been under some pressure. Sanmar Egypt has applied for relief under the "Resolution Framework for Covid-19 Related Stress" circular dated August 6, 2020 as released by the RBI in an effort to ease financial pressures caused by the COVID-19 pandemic primarily through debt restructuring.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 15.0% to 20.5% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2019 – four business units ranging from 12.9% to 19.0% and 3.0% to 4.0%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar's three business units (with additional financial information and analysis completed for Chemplast's underlying business units involved in new capital projects) prepared in the fourth quarter of 2020 (December 31, 2019 – four business units prepared in the fourth quarter of 2019) by Sanmar's management.

*Free Cash Flow Forecast Inputs*

The primary driver of the free cash flow estimates is the future commodity price of petrochemical products. In the event that the commodity price of petrochemical products does not develop favourably in future periods, this may result in a negative impact on the fair value of the company's investment in Sanmar.

*Current Model Assumptions*

As a result of the business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by Sanmar's management to primarily reflect (i) downward pressure on forecasted sales and profit margins at Sanmar Egypt over Sanmar's fiscal years 2021 to 2023; (ii) indefinite postponement of the planned Kem One Chemplast joint venture and various capital expansion projects as Sanmar shifts its focus to deleveraging; and (iii) new planned capital projects in specialty PVC resin and at Specialty Chemicals.

The overall impact on the valuation of the indefinite postponement of capital expansion projects was negative as the near-term cash savings from the delay of discretionary capital spending was more than offset by lower forecasted revenues and EBITDA in the later years of the discreet forecast period given a decrease in future production capacities. The company reflected Sanmar's increased pressure on liquidity by increasing its after-tax discount rates, primarily reflecting a higher cost of debt. The valuation also reflected an increase in Sanmar's net debt, which lowered the fair value of the company's equity interest.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due the economic and social impacts of the COVID-19 pandemic as well as the resulting liquidity pressures. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates and were not adjusted downward for the short term impacts of COVID-19.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $338,621 (December 31, 2019 – $412,930) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A.

On December 21, 2019 the Sanmar bonds were fully redeemed as disclosed earlier in the Transaction Description section. The changes in fair value of the company's investment in Sanmar bonds in 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

### *Sanmar's Summarized Financial Information*

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at September 30, 2020 and March 31, 2020.

**Balance Sheets**
*(unaudited – US$ thousands)*

| | September 30, 2020(1) | March 31, 2020(1) |
|---|---|---|
| Current assets | 192,844 | 183,546 |
| Non-current assets | 1,780,835 | 1,800,199 |
| Current liabilities | 635,728 | 639,949 |
| Non-current liabilities | 1,487,639 | 1,428,863 |
| Shareholders' deficit | (149,688) | (85,067) |

*(1) The net assets of Sanmar were translated at September 30, 2020 at $1 U.S. dollar = 73.78 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets increased primarily due to increased bank balances as a result of the loan moratoriums granted by the RBI as discussed in the Business Developments section under the heading Operating Environment of this MD&A, as well as cash generated from operations. Non-current assets decreased primarily as a result of depreciation of property, plant and equipment. Current liabilities decreased primarily resulting from decreased trade and other payables due to lower volume of raw material purchases. Non-current liabilities increased primarily as a result of increased interest accrued on borrowings.

Summarized below are Sanmar's statements of earnings (loss) for the six months ended September 30, 2020 and 2019.

**Statements of Earnings (Loss)**
*(unaudited – US$ thousands)*

| | Six months ended September 30, 2020(1) | Six months ended September 30, 2019(1) |
|---|---|---|
| Revenue | 307,481 | 355,042 |
| Loss before income taxes | (52,827) | (118,185) |
| Net loss | (58,019) | (129,506) |

*(1) Amounts for the six months ended September 30, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 75.11 Indian rupees and $1 U.S. dollar = 69.96 Indian rupees prevailing during those periods.*

Revenue decreased primarily due to lower production as a result of COVID-19 lockdowns, which led to a stoppage of production during the lockdown as well as supply disruptions. Loss before income taxes and net loss decreased primarily reflecting a full recovery of previously written-off inventory (2,983 million Indian rupees), partially offset by decreased revenues as noted above, increased depreciation on property, plant and equipment and interest expense.

## Investment in Seven Islands Shipping Limited

### *Business Overview*

Seven Islands Shipping Limited (''Seven Islands''), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. At December 31, 2020 Seven Islands owned 19 vessels with a total deadweight capacity of approximately 1.0 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

Additional information can be accessed from Seven Islands' website www.sishipping.com.

### *Transaction Description*

In 2019 Fairfax India had invested aggregate cash consideration of $83,846 (approximately 5.8 billion Indian rupees) for a 48.5% equity interest in Seven Islands through the following transactions: (i) on March 29, 2019 the company acquired a 41.4% equity interest in Seven Islands for cash consideration of $71,767 (approximately 4,972.0 million Indian rupees) through a direct subscription and secondary acquisition; (ii) on September 11, 2019 the company acquired an additional 7.1% equity interest in Seven Islands in a secondary acquisition for cash consideration of $12,056 (approximately 863.9 million Indian rupees); and (iii) on October 24, 2019 the company acquired an additional 0.01% equity interest in Seven Islands for cash consideration of $23 (approximately 1.7 million Indian rupees).

At December 31, 2020 the company had appointed one of the eight Seven Islands board members.

### *Key Business Drivers, Events and Risks*

Seven Islands' key business drivers relate to its ability to acquire vessels from reputable vessel owners within the international market and to quickly deploy those vessels through charter contracts with India's largest oil companies. Seven Islands' business model is susceptible to overall shipping cycles and could be impacted by industry downturns in terms of lower rates and increased competition. However, Seven Islands operates primarily in the crude oil and oil products segment wherein India has one of the fastest growing oil consumption rates. The demand for oil tanker vessels to import and transport crude oil and oil products maintains a positive long term outlook, mitigating business deployment risk for oil tankers in India in comparison with other countries. In addition, India has witnessed a decline in the fleet of other shipping companies, due to lower operational efficiencies, forming a gap that Seven Islands has been able to fill.

Following a contraction in global oil demand in 2020, recovery to pre-pandemic levels in India is forecasted to occur throughout 2021 and may be impacted by factors such as changes in consumer behaviour, technological efficiencies and change in energy production policies. The sharp decline in oil prices in March 2020 encouraged countries and refiners to purchase and stockpile oil globally, leading to a significant spike for the crude oil tanker voyage chartering market and a highly profitable first half of 2020. Tanker rates settled into lower levels in the second half of 2020 as oil demand remained subdued and the unwinding of floating storage increased availability. With ongoing efforts to address the imbalance in the oil market by OPEC and participating non-OPEC countries, the tanker market is expected to benefit as oil trade trends are stabilized, and as the easing of lockdown measures and roll-out of the COVID-19 vaccine supports a return of economic activity.

Seven Islands' revenues are denominated in U.S. dollars, whereas a majority of expenses incurred are denominated in the Indian rupee. Seven Islands is also exposed to the fluctuations in the Indian rupee to the extent they acquire new vessels as the asset purchases are negotiated and settled in U.S. dollars.

*COVID-19 Impact*

During 2020 Seven Islands continued to operate as transportation of goods is considered an essential service under India's lockdown guidelines. Although Seven Islands' customers are primarily Indian oil companies which were impacted by the decline in oil prices and demand, Seven Islands has reasonable safeguards against loss of business in the short term since the majority of its revenue contracts are on time charter which range between six months to over a year.

Seven Islands' management has been managing its liquidity requirements with sufficient cash on hand.

*Subsequent to December 31, 2020*

Subsequent to December 31, 2020 Seven Islands completed the sale of one vessel and acquisition of two vessels, taking the fleet size to 20 vessels and total deadweight capacity to approximately 1.1 million metric tons.

On February 15, 2021 Seven Islands filed a draft red herring prospectus with SEBI in connection with an IPO. The IPO will mainly consist of a primary issuance of shares by Seven Islands and a secondary sale of shares by existing Seven Islands shareholders and Fairfax India. Seven Islands may raise up to 4.0 billion Indian rupees (approximately $55 million) in the IPO by issuing fresh equity shares.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 13.5% and a long term growth rate of 3.0% (December 31, 2019 – 11.5% and 3.0%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by Seven Islands' management.

*Free Cash Flow Forecast Inputs*

The primary driver of the free cash flow estimates is the vessel profile composition, including planned vessel acquisitions and charter rates.

*Current Model Assumptions*

Free cash flows were revised by Seven Islands' management primarily to reflect market conditions of the shipping industry in the near term, including the planned addition of larger vessels with higher contribution margins. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $103,543 (December 31, 2019 – $88,800) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A.

## Investment in National Collateral Management Services Limited

### *Business Overview*

National Collateral Management Services Limited ("NCML"), a private company located in Gurugram, India, is a leading agricultural commodities storage company operating for over 15 years in the agriculture value chain and offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML was promoted by a consortium of banks, cooperatives and the National Commodity and Derivatives Exchange Limited ("NCDEX") in 2004 as a warehousing and collateral management company to support commodity trading on NCDEX and has since evolved into a significant player in India.

NCML's principal lines of business are as follows:

*Commodity Management Solutions and Collateral Management*

The commodity management solutions business is primarily comprised of NCML's warehousing and supply chain management businesses which were merged in 2020 to enhance efficiency and scalability, alongside adjacent services such as testing and certification, weather and crop intelligence, and logistics services. NCML's warehousing business is a market leader in India and comprised of over 1.4 million metric tons of storage capacity across approximately 600 warehouses throughout 16 states in India. The supply chain management line of business provides end-to-end procurement and trading and disposal services, throughout the entire post-harvest agriculture value chain. NCML's clients include bulk consumers, large end users, aggregators and farmers. NCML's collateral management business manages capacity of over 1.9 million metric tons, has assets under management of approximately 40 billion Indian rupees (approximately $0.6 billion) and a market share of approximately 20%.

*Non-banking Financial Company*

NCML Finance Private Ltd (''NFin''), NCML's wholly-owned subsidiary, is an RBI registered NBFC with a focus on rural and agri-business financing. NFin provides a seamless facility for NCML's customers to receive post-harvest financing.

NFin initially started its operations in 2016 by offering loans secured by warehouse receipts for commodities kept in the custody of NCML to bulk consumers, farmer producer organizations and aggregators.

*Silo Projects*

The Food Corporation of India (''FCI'') is a government agency responsible for procurement and distribution of food grains throughout India. The majority of commodity storage in India is in facilities owned or leased directly by the government with only about 10% stored in organized private warehouses owned by companies that provide warehousing, storage and preservation services similar to NCML. The current storage capacity in India is approximately 125 million metric tons, of which approximately 75% is government owned. The Government of India reviewed the process of acquiring, storing and distributing food grains resulting in a new distribution model focused on a public-private partnership. There are a few large national players (similar to NCML) which own and/or run high quality infrastructure and provide diverse ancillary services to warehousing customers who have the potential to benefit from changes in the industry.

In 2016 the FCI called for bids for building 27 additional silos with an estimated combined grain storage capacity of 1.35 million metric tons to be located in the states of Punjab, Haryana, Uttar Pradesh, West Bengal, Bihar and Gujarat. In February 2017 NCML was awarded a 30 year concession agreement to build 11 of the silos with 550,000 metric tons of capacity, which would require capital expenditures of an estimated $107 million (approximately 7.5 billion Indian rupees). In 2020, NCML and FCI, mutually agreed to terminate the building of 3 silos due to unavailability of land with the specified requirements. NCML was awarded 2 additional silo locations with a combined 100,000 metric ton capacity and 3 additional silo locations with a combined 150,000 metric ton capacity in 2017 and 2018 respectively, bringing total capacity for all 13 silo locations to 650,000 metric tons. The silo projects, which are expected to be substantially completed throughout 2021 and 2022, will be financed through debt and common equity.

Additional information can be accessed from NCML's website www.ncml.com.

### *Transaction Description*

In August 2015 and August 2017 Fairfax India acquired an 89.5% equity interest in NCML for cash consideration of $174,318 (approximately 11.3 billion Indian rupees).

On September 17, 2019 the company invested an additional $13,970 (approximately 1.0 billion Indian rupees) in NCML to pre-fund an allotment of compulsorily convertible debentures (''NCML CCD''). The company recorded the pre-funded amount as an interest-free bridge loan (''NCML Loan'') maturing on October 1, 2019 upon NCML's issuance of the CCDs. On October 1, 2019 the company was issued 12.5% unsecured NCML CCD, due September 30, 2029. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At December 31, 2020 the company had appointed two of the eight NCML board members.

### *Key Business Drivers, Events and Risks*

NCML's key business drivers relate to its ability to achieve long term modernization of its grain storage facilities, the expansion of its commodity management solutions line of businesses with adjacent services, and the successful construction of the silos under the concession agreement with the FCI.

After achieving an estimated 4% growth in year over year food grain production in the 2019-20 agricultural crop year (July 2019 to June 2020), the Government of India set a new target to raise food grain production by approximately 1.5% for the 2020-21 crop year, representing a market of approximately 301 million metric tons of food grains. NCML's commodity management solutions business currently services approximately 1.5 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations in both the food and non-food grain sector.

The silo projects are comprised of 11 silos that will be constructed under a design, build, finance, own and operate model and 2 silos that will be constructed under a design, build, finance, operate and transfer model, with all 13 silos being constructed for the exclusive use by the FCI. The silo projects are expected to be substantially completed throughout 2021 and 2022.

*COVID-19 Impact*

During 2020 NCML's commodity management solutions and NBFC businesses operated at reduced capacities as agri-business and financial services are considered essential services under India's lockdown guidelines. The reduced capacities were primarily attributable to an overall decrease in volume of commodity deposits during the period and restrictions which affected inflows during the key April to June 2020 harvesting season, as well as a conscious effort to reduce loan exposure during the moratorium period permitted by the RBI. As lockdown restrictions relating to movement of goods and labour eased, NCML observed a gradual recovery of activity levels across its business lines, but volume remained below pre-pandemic levels due to decreased funding as a result of the tightened credit environment. To manage working capital, NCML focused on serving existing clients. Silo construction also experienced delays due to restrictions on the movement of goods and labour and incremental safety protocols enforced by NCML management.

NCML has been managing its liquidity requirements through utilization of its current credit lines and prudent working capital management. Additional capital may also be released through the sale of excess land and the scaling down of businesses with less favourable risk-reward characteristics.

***Valuation and Consolidated Financial Statement Impact***

*NCML Common Shares*

At December 31, 2020 the company estimated the fair value of its investment in NCML common shares using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 11.3% to 11.7% and long term growth rates ranging from 2.4% to 6.0% for two of NCML's business units (December 31, 2019 – free cash flow forecasts with assumed after-tax discount rates ranging from 12.7% to 23.5% and long term growth rates ranging from 2.4% to 6.0% for three business units). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the fourth quarter of 2020 (December 31, 2019 – second quarter of 2019 for all three business units) by NCML's management.

*Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are warehouse capacity and future EBITDA growth of NCML's commodity management solutions business.

*Current Model Assumptions*

In the fourth quarter of 2020 free cash flow forecasts were revised by NCML's management to primarily reflect changes to its business strategy resulting in a planned reduction of owned and leased warehouse capacity and a shift toward a less capital-intensive franchisee model with lower margins. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates and were not adjusted downward for the short term impacts of COVID-19.

During the third quarter of 2020, NCML's NBFC business unit experienced decreased funding from public sector banks which limited its ability to advance loans, in addition to a decline in the demand for lending as a result of the continued business disruptions in agri-businesses caused by the COVID-19 pandemic and India's lockdown. As a result, NCML's management commenced a process of scaling down its loan book. Accordingly, the company determined growth rates would not be relevant and it was more appropriate to value NCML's NBFC business unit using an asset-based approach rather than performing a discounted cash flow analysis as it had done previously.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $86,216 (December 31, 2019 – $120,734) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A.

*NCML Compulsorily Convertible Debentures*

At December 31, 2020 the fair value of the company's investment in NCML CCD was $14,884 (December 31, 2019 – $14,286) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A.

***NCML's Summarized Financial Information***

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at December 31, 2020 and March 31, 2020.

**Balance Sheets**
*(unaudited – US$ thousands)*

| | **December 31, 2020(1)** | **March 31, 2020(1)** |
|---|---|---|
| Current assets | 65,157 | 96,543 |
| Non-current assets | 132,185 | 119,161 |
| Current liabilities | 38,418 | 52,549 |
| Non-current liabilities | 67,313 | 67,150 |
| Shareholders' equity | 91,611 | 96,005 |

*(1) The net assets of NCML were translated at December 31, 2020 at $1 U.S. dollar = 73.07 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily reflecting decreased cash balances due to repayments of loans and borrowings, as well as decreased advances made by NCML's NBFC due to a tighter credit environment in India. Non-current assets increased principally due to continued construction of silo projects, partially offset by losses related to the withdrawal from three silo projects. Current liabilities decreased primarily due to repayments of short term loans and borrowings and reduced utilization of credit lines, partially offset by increased interest payable on the NCML CCD. Non-current liabilities increased modestly primarily due to the strengthening of the Indian rupee against the U.S. dollar during the nine months ended December 31, 2020, partially offset by repayments of long term loans and borrowings.

Summarized below are NCML's statements of earnings for the nine months ended December 31, 2020 and 2019.

**Statements of Earnings**
*(unaudited – US$ thousands)*

| | **Nine months ended December 31, 2020(1)** | **Nine months ended December 31, 2019(1)** |
|---|---|---|
| Revenue | 52,207 | 100,328 |
| Loss before income taxes | (10,460) | (3,424) |
| Net loss | (7,527) | (2,160) |

*(1) Amounts for the nine months ended December 31, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.66 Indian rupees and $1 U.S. dollar = 70.38 Indian rupees prevailing during those periods.*

Revenue decreased primarily reflecting declines in commodity management solutions and collateral management businesses, which operated at reduced capacities during the period due to India's lockdown restrictions, and encountered challenges in obtaining credit as a result of tightening liquidity in the market. Loss before income taxes and net loss increased principally as a result of losses incurred in connection with withdrawal from three silo projects and the decreased revenue noted above, partially offset by decreased borrowing costs as a result of reduced utilization of credit lines with banks and lower interest rates, and lower operating expenses arising from cost optimization measures implemented by NCML's management.

## Investment in Saurashtra Freight Private Limited

### *Business Overview*

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

Additional information can be accessed from Saurashtra's website www.saurashtrafreight.com.

### *Transaction Description*

In February 2017 Fairfax India acquired a 51.0% equity interest in Saurashtra for cash consideration of $30,018 (approximately 2.0 billion Indian rupees).

At December 31, 2020 the company had appointed one of the three Saurashtra board members.

### *Key Business Drivers, Events and Risks*

Saurashtra has the annual capacity to handle 180,000 standard twenty-foot equivalent units ("TEUs") and in 2020 handled 97,155 TEUs, implying a capacity utilization of approximately 54% (2019 – 96,917 TEUs, implying a capacity utilization of approximately 54%). At December 31, 2020 Saurashtra had the highest market share of imports at approximately 15% (December 31, 2019 – approximately 15%) and second highest market share in exports at approximately 13% (December 31, 2019 – approximately 14%) at Mundra port in India. Saurashtra remains the largest CFS at that port in terms of total throughput achieved with a 14% market share for the quarter ended December 31, 2020.

The CFS industry is highly fragmented with 14 CFS at Mundra port. Many of these CFS are inefficient and operating below capacity, providing Saurashtra with the opportunity to benefit from industry consolidation.

In the fourth quarter of 2020, Saurashtra experienced an 8% growth in year-over-year export volumes and an 18% growth in import volumes year-over-year, reaching record-high monthly shipping volumes over the period. Saurashtra is continuing to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and is evaluating expansion projects in their existing businesses and the wider logistics industry.

Saurashtra has been granted the status of Authorized Economic Operator ("AEO") under the World Customs Organization. As an AEO, Saurashtra is approved by customs as compliant with supply chain security standards and is eligible for certain benefits such as being a preferred CFS for customs and that bank guarantees are no longer required for customs.

*COVID-19 Impact*

During 2020 Saurashtra's businesses continued to operate as transportation of goods was considered an essential service under India's lockdown guidelines. Overall throughput declined during India's lockdown due to restrictions on the movement of goods. The impact on earnings was however offset by increased storage income during the lockdown period and a sharp recovery in throughput during the fourth quarter of 2020 as evidenced by the record-high shipping volumes in recent months, resulting in overall increase in profitability compared to the prior year.

At December 31, 2020 Saurashtra had a debt-free balance sheet and sufficient cash on hand to manage its liquidity needs.

*Subsequent to December 31, 2020*

In January 2021 Saurashtra entered into an aggregate 185 million Indian rupee term loan and working capital facility (approximately $2.5 million). Proceeds from borrowings will be used to fund the purchase of tank containers to expand capacity at Saurashtra's container carrier business.

### *Valuation and Consolidated Financial Statement Impact*

At December 31, 2020 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 14.3% to 17.7% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2019 – 13.4% to 14.4%, and 4.0% to 5.0%, respectively). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2020 (December 31, 2019 – second quarter of 2019) by Saurashtra's management.

*Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are the import and export handling capacity and utilization.

*Current Model Assumptions*

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Saurashtra operates. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Saurashtra operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $32,812 (December 31, 2019 – $31,204) with the changes in fair value in 2020 and 2019 presented in the tables at the outset of the Indian Investments section of this MD&A.

## Investment in National Stock Exchange of India Limited

### *Business Overview*

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

Additional information can be accessed from NSE's website www.nseindia.com.

### *Transaction Description*

In the third quarter of 2016 Fairfax India acquired a 1.0% equity interest in NSE for cash consideration of $26,783 (approximately 1.8 billion Indian rupees).

At December 31, 2020 the company did not have any representation on the board of NSE.

### *Key Business Drivers, Events and Risks*

India has two main stock exchanges where the majority of its trading takes place, the BSE and NSE of India. Although most significant firms in India are listed on both the BSE and NSE of India, NSE enjoys dominant market share positions including a 94% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 74% and 67% market share in the foreign exchange futures and options markets, respectively. NSE of India emerged as the world's largest exchange in derivatives trading volumes in 2019.

On December 28, 2016 NSE filed a draft prospectus with SEBI in connection with its proposed IPO. In May 2017, SEBI issued show-cause notices to NSE prompting responses on inquiries over certain broker members having access to co-location facilities at NSE thereby potentially gaining unfair trading advantages. On April 30, 2019 SEBI directed NSE to pay approximately $160 million (approximately 11 billion Indian rupees) in penalties and interest after finding that it had failed to provide equal access to all trading members. In May 2019 NSE filed an appeal with the Securities Appellate Tribunal ("SAT"). The hearings were conducted in January 2021 and the SAT order is expected to be finalized in the first quarter of 2021. As a result, subject to completion of the SAT ruling and regulatory approval from SEBI, it is estimated that the IPO will be completed sometime in 2021 or 2022. NSE will also seek to file for an overseas listing subsequent to closing of the IPO. NSE has appointed Citibank, JM Financial, Kotak Mahindra and Morgan Stanley as lead investment banks to manage the IPO.

*COVID-19 Impact*

During 2020 NSE continued to operate as financial services are considered essential services under India's lockdown guidelines.

***Valuation and Consolidated Financial Statement Impact***

At December 31, 2020 the company's estimated fair value of its investment in NSE of $72,617 (December 31, 2019 – $57,210) was based on recent third party transactions completed in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019). The changes in fair value of the company's investment in NSE in 2020 and 2019 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In 2020 the consolidated statements of earnings (loss) included dividend income earned from the investment in NSE of $743 (2019 – $1,269).

**Investment in India Housing Fund**

***Business Overview***

India Housing Fund (''IH Fund'') is a closed-ended fund of IIFL Private Equity Fund (the ''Trust'') registered as a Category II Alternative Investment Fund (''AIF'') under SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

At December 31, 2020 IH Fund had invested approximately 10,681 million Indian rupees (approximately $146 million at period end exchange rates) in 11 real estate sector investments. Subsequent to December 31, 2020, IH Fund had invested approximately 12,006 million Indian rupees (approximately $164 million at period end exchange rates) in 12 real estate sector investments.

***Transaction Description***

At December 31, 2020 Fairfax India had invested aggregate cash consideration of $24,399 (approximately 1.7 billion Indian rupees) in IH Fund through the following transactions: (i) on January 7, 2019 the company invested 25.0% or 437.0 million Indian rupees ($6,272) of the committed investment amount in IH Fund; (ii) on November 7, 2019 the company invested an additional 35.0% or 611.8 million Indian rupees ($8,621) of the committed investment amount in IH Fund; and (iii) on December 24, 2020 the company invested the remaining 40.0% or 699.2 million Indian rupees ($9,506) of the committed investment amount in IH Fund.

At December 31, 2020 the company had appointed one of the five members of IH Fund's Investment Committee.

***Key Business Drivers, Events and Risks***

The Indian real estate industry is a key growth driver of the country's economy. The industry has been growing steadily and witnessed growth in both commercial and residential markets, contributing between 5% and 6% to India's GDP. It is estimated that the current housing shortage is approximately 60 million housing units, and by 2022 India will need to develop approximately 110 million housing units. Cumulative investment of approximately 140 trillion Indian rupees is required until 2022 to meet this growth.

The Government of India developed a host of initiatives to boost the housing sector and continues to undertake various reforms to highlight its focus on affordable housing, such as: (i) interest rate subsidy on housing loans; (ii) 100% deduction in taxable income for qualified developers; (iii) ease of entry and exit for foreign direct investments; (iv) digitization of land records; and (v) establishment of the Real Estate (Regulation and Development Act), 2016 which seeks to protect home-buyers as well as help boost investments in the real estate industry.

*COVID-19 Impact*

The Indian real estate industry has experienced a slowdown as a result of the unavailability of labour for construction, reduced sales inquiries, tightened liquidity, and delays in project approvals from regulatory authorities and government offices. While there may be certain real estate project delays within investee companies impacting cash flows, IH Fund has sufficient capital in place to withstand these pressures.

***Valuation and Consolidated Financial Statement Impact***

At December 31, 2020 the company estimated the fair value of its investment in IH Fund of $25,354 (December 31, 2019 – $15,146) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund in 2020 and 2019 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In 2020 the consolidated statements of earnings (loss) included dividend income earned from the investment in IH Fund of $500 (2019 – $116).

**Results of Operations**

Fairfax India's consolidated statements of earnings (loss) for the years ended December 31, 2020, 2019 and 2018 are shown in the following table:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Income** | | | |
| Interest | 6,013 | 4,859 | 21,659 |
| Dividends | 16,449 | 10,141 | 8,699 |
| Net realized gains (losses) on investments | 5,372 | 181,123 | (7,985) |
| Net change in unrealized gains (losses) on investments | (26,618) | 530,372 | 178,998 |
| Net foreign exchange losses | (14,188) | (13,806) | (34,853) |
| | (12,972) | 712,689 | 166,518 |
| **Expenses** | | | |
| Investment and advisory fees | 33,922 | 27,473 | 33,908 |
| Performance fee (recovery) | (41,991) | 48,514 | – |
| General and administration expenses | 4,233 | 5,300 | 4,079 |
| Interest expense | 29,844 | 38,781 | 28,898 |
| | 26,008 | 120,068 | 66,885 |
| **Earnings (loss) before income taxes** | (38,980) | 592,621 | 99,633 |
| Provision for income taxes | 2,496 | 76,283 | 3,201 |
| **Net earnings (loss)** | (41,476) | 516,338 | 96,432 |
| **Net earnings (loss) per share** | $ (0.27) | $ 3.38 | $ 0.63 |
| **Net earnings (loss) per diluted share** | $ (0.27) | $ 3.30 | $ 0.63 |

Total loss from income of $12,972 in 2020 compared to total income of $712,689 in 2019 was principally due to net change in unrealized losses on investments (discussed below), decreased net realized gains on investments (primarily due to realized gains related to the redemption of Sanmar bonds and the IIFL Holdings Reorganization in 2019) and increased net foreign exchange losses, partially offset by increased interest and dividend income. In 2020, the net change in unrealized losses on investments of $26,618 was principally comprised of unrealized losses on the company's investments in Sanmar common shares ($63,844), NCML common shares ($31,277), IIFL Finance ($30,262), IIFL Wealth ($20,058) and CSB Bank ($9,484), partially offset by unrealized gains on the company's investments in Privi Speciality (formerly Fairchem) ($48,732), Fairchem Organics ($18,808), Seven Islands ($16,558), NSE ($16,493), 5paisa ($9,889) and IIFL Securities ($7,823). In 2019, the net change in unrealized gains on investments of $530,372 was principally comprised of unrealized gains on the company's investments in BIAL ($751,487), CSB Bank ($60,901), Fairchem ($33,412), Other Public Indian Investments ($30,182) and Sanmar common shares ($23,062), partially offset by unrealized losses on the company's investments in IIFL Finance ($196,040), NCML common shares ($41,594), IIFL Securities ($40,916) and the reversal of prior period unrealized gains on Sanmar bonds ($107,758). Interest income of $6,013 in 2020 increased from $4,859 in 2019 principally as a result of increased interest from Government of India bonds and interest income from the NCML CCD, partially offset by decreased interest income due to the sale of Indian corporate bonds. Dividend income of $16,449 in 2020 related to dividends received from the company's investments in IIFL Wealth, IIFL Finance, IIFL Securities, NSE, IH

Fund, Privi Speciality (formerly Fairchem) and Other Public Indian Investments compared to dividend income of $10,141 in 2019 related to dividends received from the company's investments in IIFL Finance, IIFL Wealth, NSE, Fairchem, IH Fund and Other Public Indian Investments.

Net gains (losses) on investments and net foreign exchange gains (losses) in 2020 and 2019 were comprised as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Net realized gains (losses)** | **Net change in unrealized gains (losses)** | **Net gains (losses)** | **Net realized gains (losses)** | **Net change in unrealized gains (losses)** | **Net gains (losses)** |
| **Net gains (losses) on investments:** | | | | | | |
| Short term investments | – | – | – | 71 | – | 71 |
| Bonds | 1,590 | 1,231 | 2,821 | 154,919(1) | (107,577)(1) | 47,342(1) |
| Common stocks | 3,782(2) | (27,849)(2) | (24,067) | 43,182(2)(3) | 637,949(2)(3) | 681,131 |
| Derivatives | – | – | – | (17,049)(2) | – | (17,049) |
| | 5,372 | (26,618) | (21,246) | 181,123 | 530,372 | 711,495 |
| **Net foreign exchange gains (losses) on:** | | | | | | |
| Cash and cash equivalents | (514) | – | (514) | 549 | – | 549 |
| Investments | – | – | – | (102) | – | (102) |
| Borrowings | – | (12,521) | (12,521) | (1,669)(4) | (12,051)(4) | (13,720)(4) |
| Other | (1,153) | – | (1,153) | (533) | – | (533) |
| | (1,667) | (12,521) | (14,188) | (1,755) | (12,051) | (13,806) |

*(1) In 2019, net gains on bonds primarily comprised of realized gains from Sanmar bonds ($156,540), partially offset by net change in unrealized losses, primarily related to the reversal of prior period unrealized gains recorded on Sanmar bonds ($107,758).*

*(2) Refer to the Indian Investments section of this MD&A for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2020 and 2019.*

*(3) On May 31, 2019 IIFL Holdings spun off IIFL Wealth and IIFL Securities in the IIFL Holdings Reorganization. The amount recorded in net realized gains on investments was $36,112 (all of which was recorded as unrealized gains on investments in prior periods).*

*(4) In 2019 foreign exchange losses on borrowings of $13,720 primarily comprised of net change in unrealized losses of $12,051 related to unrealized foreign exchange losses on the $550.0 million term loan and realized foreign exchange losses of $1,669 related to the Revolving Credit Facility (repaid on December 31, 2019).*

Total expenses of $120,068 in 2019 decreased to $26,008 in 2020 primarily related to a net performance fee recovery of $41,991 recorded by the company in 2020 compared to a performance fee of $48,514 recorded by the company in 2019, and decreased interest expense related to the borrowings, partially offset by increased investment and advisory fees.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2019 the company and Fairfax retroactively revised the interpretation of the Investment Advisory Agreement to clarify that deployed capital should exclude any Indian Investments financed by debt, resulting in a recovery of investment and advisory fees from Fairfax of $6,064. In 2020 the investment and advisory fees recorded in the consolidated statements of earnings was $33,922 (2019 – $27,473).

At December 31, 2020 the company determined that a performance fee of $5,217 was payable at December 31, 2020 (December 31, 2019 – accrual of $47,850). In 2020 the performance fee recovery recorded in the consolidated statements of earnings (loss) was $41,991 representing the reversal of the performance fee accrual at December 31, 2019, net of the performance fee payable at December 31, 2020 (2019 – performance fee of $48,514). Refer to the Related Party Transactions section of this MD&A for additional discussion on the performance fee payable at December 31, 2020.

The provision for income taxes of $2,496 in 2020 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's loss before income taxes primarily as a result of the change in unrecorded tax benefit of losses and temporary differences, the tax rate differential on income earned outside of Canada, and foreign exchange fluctuations.

The provision for income taxes of $76,283 in 2019 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of the tax rate differential on income earned outside of Canada (including the deferred income taxes recorded on BIAL, the IIFL Holdings Reorganization (related to the spin off of IIFL Wealth), CSB Bank, Saurashtra, and an investment in Other Public Indian Investments), partially offset by the change in unrecorded tax benefit of losses and temporary differences, and foreign exchange fluctuations.

The company reported a net loss of $41,476 (a net loss of $0.27 per basic and diluted share) in 2020 compared to net earnings of $516,338 (net earnings of $3.38 per basic share and $3.30 per diluted share) in 2019. The year-over-year decrease in profitability in 2020 primarily reflected the net change in unrealized losses on investments in 2020 compared to net change in unrealized gains on investments in 2019, decreased net realized gains on investments, and increased investment and advisory fees, partially offset by a performance recovery, decreased provision for income taxes and interest expense, and increased interest and dividend income.

### Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at December 31, 2020 were primarily impacted by unrealized foreign currency translation losses and net unrealized losses on investments, resulting in a recovery of the previously accrued performance fee, net of the performance fee payable at December 31, 2020. In addition the company had purchases of subordinate voting shares for cancellation, net sales of Government of India and Indian corporate bonds, and additional investments in IH Fund and Other Public Indian Investments.

### Total Assets

Total assets at December 31, 2020 of $3,072,998 (December 31, 2019 – $3,244,937) were principally comprised as follows:

**Total cash and investments** decreased from $3,236,960 at December 31, 2019 to $3,066,020 at December 31, 2020. The company's total cash and investments composition by the issuer's country of domicile was as follows:

| | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | India | Canada | Other | Total | India | Canada | Other | Total |
| Cash and cash equivalents | 1,959 | 16,577 | 3,521 | 22,057 | 40,064 | 3,300 | 5,349 | 48,713 |
| Restricted cash | 267 | 16,048 | – | 16,315 | – | 16,915 | – | 16,915 |
| Bonds: | | | | | | | | |
| Government of India | 20,989 | – | – | 20,989 | 88,775 | – | – | 88,775 |
| Indian corporate | – | – | – | – | 35,364 | – | – | 35,364 |
| NCML CCD | 14,884 | – | – | 14,884 | 14,286 | – | – | 14,286 |
| | 35,873 | – | – | 35,873 | 138,425 | – | – | 138,425 |
| Common stocks: | | | | | | | | |
| IIFL Finance | 131,478 | – | – | 131,478 | 166,014 | – | – | 166,014 |
| IIFL Wealth | 166,702 | – | – | 166,702 | 191,476 | – | – | 191,476 |
| IIFL Securities | 55,603 | – | – | 55,603 | 48,796 | – | – | 48,796 |
| CSB Bank | 214,341 | – | – | 214,341 | 229,262 | – | – | 229,262 |
| Privi Speciality / Fairchem(1) | 138,413 | – | – | 138,413 | 127,413 | – | – | 127,413 |
| Fairchem Organics(1) | 54,566 | – | – | 54,566 | – | – | – | – |
| 5paisa | 27,788 | – | – | 27,788 | 18,176 | – | – | 18,176 |
| Other | 147,604 | – | – | 147,604 | 95,892 | – | – | 95,892 |
| BIAL | 1,396,117 | – | – | 1,396,117 | 1,429,854 | – | – | 1,429,854 |
| Sanmar | 338,621 | – | – | 338,621 | 412,930 | – | – | 412,930 |
| Seven Islands | 103,543 | – | – | 103,543 | 88,800 | – | – | 88,800 |
| NCML | 86,216 | – | – | 86,216 | 120,734 | – | – | 120,734 |
| Saurashtra | 32,812 | – | – | 32,812 | 31,204 | – | – | 31,204 |
| NSE | 72,617 | – | – | 72,617 | 57,210 | – | – | 57,210 |
| IH Fund | 25,354 | – | – | 25,354 | 15,146 | – | – | 15,146 |
| | 2,991,775 | – | – | 2,991,775 | 3,032,907 | – | – | 3,032,907 |
| Total cash and investments | 3,029,874 | 32,625 | 3,521 | 3,066,020 | 3,211,396 | 20,215 | 5,349 | 3,236,960 |

*(1) On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. At December 31, 2019 the fair value of $127,413 represented the fair value of the company's investment in Fairchem.*

**Cash and cash equivalents** decreased from $48,713 at December 31, 2019 to $22,057 at December 31, 2020 principally reflecting purchases of subordinate voting shares for cancellation, partially offset by the net sales of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments and IH Fund, and used to fund the debt service reserve account.

**Restricted cash** of $16,315 at December 31, 2020 (December 31, 2019 – $16,915) primarily related to requirements under the borrowings for the company to set aside cash to fund interest payments.

**Bonds and Common stocks** – The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents, and bond portfolio into Indian Investments as and when those opportunities are identified. For more information about recent Indian Investments, see the Indian Investments section of this MD&A. For more information on the company's total cash and investments holdings of $3,066,020 at December 31, 2020 (December 31, 2019 – $3,236,960) see note 6 (Cash and Investments) to the consolidated financial statements for the year ended December 31, 2020.

**Interest and dividends receivable** decreased from $3,453 at December 31, 2019 to $1,911 at December 31, 2020 primarily reflecting decreased interest receivable as a result of net sales of Government of India and Indian corporate bonds, partially offset by increased interest receivable from the investment in NCML CCD and a dividend receivable from Other Public Indian Investments.

**Other assets** increased to $2,264 at December 31, 2020 from $1,658 at December 31, 2019 and is primarily comprised of prepaid interest of $2,027 related to the borrowings.

### Total Liabilities

Total liabilities at December 31, 2020 of $626,064 (December 31, 2019 – $667,086) were principally comprised as follows:

**Payable to related parties** decreased from $50,519 at December 31, 2019 to $14,428 at December 31, 2020 principally reflecting the reversal of the performance fee accrual of $47,850 at December 31, 2019, net of the performance fee payable of $5,217 to Fairfax (relating to the second calculation period ending on December 31, 2020), partially offset by increased investment and advisory fees payable. In 2019, investment and advisory fees payable to Fairfax were partially offset by a recovery resulting from the retroactively revised interpretation of the Investment Advisory Agreement to clarify that deployed capital should exclude any Indian Investments financed by debt.

**Deferred income taxes** decreased from $64,477 at December 31, 2019 to $63,477 at December 31, 2020 primarily as a result of partial recovery of deferred tax liabilities previously recognized as a result of unrealized losses on IIFL Wealth, CSB Bank, and BIAL, partially offset by deferred taxes recognized as a result of unrealized gains on Seven Islands, 5paisa, and Other Public Indian Investments.

**Borrowings** remained consistent at $547,228 at December 31, 2020 and December 31, 2019 and comprised of the $550.0 million term loan net of unamortized issuance costs. On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 while maintaining the option to extend for an additional year. The $550.0 million term loan now bears interest at a rate of LIBOR plus 400 basis points. Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2020.

**Comparison of 2019 to 2018 –** Total assets of $2,707,057 at December 31, 2018 increased to $3,244,937 at December 31, 2019 primarily due to net unrealized gains on investments, partially offset by unrealized foreign currency translation losses and the redemption of Sanmar bonds, the net proceeds of which were partially used to fund the company's investment in Sanmar common shares and to repay the company's Revolving Credit Facility. Refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2020 for details on the Indian Investments acquired during 2019.

## Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at December 31, 2020 compared to those identified at December 31, 2019, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2020.

### Capital Resources and Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings and common shareholders' equity) decreased from $3,125,079 at December 31, 2019 to $2,994,162 at December 31, 2020 principally reflecting a decrease in common shareholders' equity, as described below.

Common shareholders' equity decreased from $2,577,851 at December 31, 2019 to $2,446,934 at December 31, 2020 primarily reflecting a net loss of $41,476, unrealized foreign currency translation losses of $60,606, and purchases of subordinate voting shares for cancellation of $28,905 during 2020.

On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 while maintaining the option to extend for an additional year. The $550.0 million term loan now bears interest at a rate of LIBOR plus 400 basis points. The $550.0 million term loan includes a financial covenant requiring the company to maintain common shareholders' equity of not less than $1.5 billion. At December 31, 2020 the company was in compliance with the $550.0 million term loan financial covenant.

On February 19, 2021 the company was assigned an issuer credit rating of BBB (low) by DBRS Morningstar. On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan.

### Book Value per Share

Common shareholders' equity at December 31, 2020 was $2,446,934 (December 31, 2019 – $2,577,851). The book value per share at December 31, 2020 was $16.37 compared to $16.89 at December 31, 2019 representing a decrease in 2020 of 3.1%, primarily reflecting a net loss of $41,476 (primarily related to investment and advisory fees, interest expense, net change in unrealized losses on investments, and net foreign exchange losses, partially offset by a performance fee recovery, dividend and interest income) and unrealized foreign currency translation losses of $60,606.

The table below presents the book value per share before and after performance fees, if any, for the period from the company's IPO date of January 30, 2015 to December 31, 2020, and the annual growth rate and the compound annual growth rate in book value per share before and after performance fees.

| | Book value per share after Performance Fees | Annual growth in book value per share after Performance Fees | Book value per share before Performance Fees | Annual growth in book value per share before Performance Fees |
|---|---|---|---|---|
| January 30, 2015[(1)] | $10.00 | – | $10.00 | – |
| December 31, 2015 | $ 9.50 | (5.0)% | $ 9.50 | (5.0)% |
| December 31, 2016 | $10.25 | 7.9% | $10.25 | 7.9% |
| December 31, 2017 | $14.46 | 41.1% | $15.24 | 48.7% |
| December 31, 2018 | $13.86 | (4.1)% | $14.59 | (4.3)% |
| December 31, 2019 | $16.89 | 21.9% | $18.11 | 24.1% |
| December 31, 2020 | $16.37 | (3.1)% | $17.29 | (4.5)% |
| Compound annual growth in book value per share[(2)] | | 8.7% | | 9.7% |

*(1) On January 30, 2015 Fairfax India completed its IPO at an offering price of $10.00 per share.*

*(2) The company's book value per share of $16.37 at December 31, 2020 represented a compound annual growth rate from the IPO price of $10.00 per share of 8.7% (a growth of 9.7% prior to accounting for performance fees).*

The company has had strong performance during the period from the closing of its IPO in January 2015 to December 31, 2020. As a result of that strong performance, the company's book value per share of $16.37 at December 31, 2020 represented a compound annual growth rate during that period of 8.7% (9.7% prior to the performance fees described in the Related Party Transactions section of this MD&A) from the IPO price of $10.00 per share, outperforming the compound annual growth rate of the S&P USD BSE Sensex Index of 5.7% during the same period.

During 2020 and 2019 the total number of shares effectively outstanding decreased as a result of purchases of 3,160,910 and 230,053 subordinate voting shares for cancellation under the normal course issuer bid. At December 31, 2020 there were 149,470,571 common shares effectively outstanding.

The company has issued and purchased common shares since it was federally incorporated on November 25, 2014 as follows:

| Date | Number of subordinate voting shares | Number of multiple voting shares[(1)] | Total number of shares | Average issue/ purchase price per share | Net proceeds/ (purchase cost) |
|---|---|---|---|---|---|
| 2014 – issuance of shares | – | 1 | 1 | $10.00 | – |
| 2015 – issuance of shares | 76,678,879 | 29,999,999 | 106,678,878 | $ 9.62 | 1,025,825 |
| 2016 – purchase of shares | (1,797,848) | – | (1,797,848) | $11.78 | (21,178) |
| 2017 – issuance of shares | 42,553,500 | – | 42,553,500 | $11.60 | 493,504 |
| 2017 – purchase of shares | (1,900) | – | (1,900) | $14.21 | (27) |
| 2018 – issuance of shares[(2)] | 7,663,685 | – | 7,663,685 | $14.93 | 114,437 |
| 2018 – purchase of shares | (2,234,782) | – | (2,234,782) | $14.42 | (32,218) |
| 2019 – purchase of shares | (230,053) | – | (230,053) | $13.03 | (2,998) |
| 2020 – purchase of shares | (3,160,910) | – | (3,160,910) | $ 9.14 | (28,905) |
| | 119,470,571 | 30,000,000 | 149,470,571 | | |
| 2021 – purchase of shares | (375,337) | – | (375,337) | $10.94 | (4,106) |
| 2021 – issuance of shares[(3)] | 546,263 | – | 546,263 | $ 9.55 | 5,217 |
| | 119,641,497 | 30,000,000 | 149,641,497 | | |

*(1) Multiple voting shares that may only be issued to Fairfax or its affiliates and are not publicly traded.*

*(2) Subordinate voting shares issued to Fairfax on March 9, 2018 for settlement of the performance fee accrued at December 31, 2017 of $114,437. Issuance of the subordinate voting shares was a non-cash transaction and were issued at the VWAP of $14.93 in accordance with the Investment Advisory Agreement.*

*(3) Subordinate voting shares issued to Fairfax on March 5, 2021 for settlement of the performance fee accrued at December 31, 2020 of $5,217. Issuance of the subordinate voting shares was a non-cash transaction and were issued at the VWAP of $9.55 in accordance with the Investment Advisory Agreement.*

On September 26, 2019 the company announced that the TSX accepted its intention to commence a normal course issuer bid to purchase up to 3,500,000 subordinate voting shares, representing approximately 4.5% of the public float of its subordinate voting shares, over a twelve month period from September 30, 2019 to September 29, 2020. On September 28, 2020 the company announced that the TSX accepted its intention to commence a normal course issuer bid to purchase up to 3,500,000 subordinate voting shares, representing approximately 4.7% of the public float of its subordinate voting shares, over a twelve month period from September 30, 2020 to September 29, 2021. Decisions regarding any future purchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

During 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 3,160,910 subordinate voting shares (2019 – 230,053) for a net cost of $28,905 (2019 – $2,998), of which $4,366 was recorded as a benefit in retained earnings (2019 – $577 was charged to retained earnings).

Subsequent to December 31, 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 375,337 subordinate voting shares for a net cost of $4,106.

### Liquidity

The undeployed cash and investments at December 31, 2020 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of interest expense, investment and advisory fees, and general and administration expenses. At December 31, 2020 the company had a principal repayment on the $550.0 million term loan coming due in June 2021 that can be extended for an additional year. On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. The fair values of cash and investments at December 31, 2020, including selling restrictions and financial risks related to the investments, are disclosed in note 6 (Cash and Investments) and note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2020. At December 31, 2020 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $772,564 and Government of India bonds with a fair value of $20,989. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

At December 31, 2020 the company did not have long term commitments other than the recurring nature of expenses described above.

Highlights in 2020 (with comparisons to 2019) of major components of the statements of cash flows are presented in the following table:

| | 2020 | 2019 |
|---|---|---|
| **Operating activities** | | |
| Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments | (34,991) | (62,745) |
| Net decrease (increase) in restricted cash in support of borrowings | 600 | (3,082) |
| Net purchases of short term investments | – | (30) |
| Purchases of investments | (185,911) | (563,952) |
| Sales of investments | 231,193 | 666,407 |
| Cash provided by operating activities | 10,891 | 36,598 |
| **Financing activities** | | |
| Borrowings: | | |
| Proceeds | – | 50,000 |
| Issuance costs | (5,545) | (5,545) |
| Repayments | – | (50,000) |
| Purchases of subordinate voting shares for cancellation | (28,905) | (2,998) |
| Cash used in financing activities | (34,450) | (8,543) |
| **Increase (decrease) in cash and cash equivalents during the year** | (23,559) | 28,055 |

"Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments" provides a measure of the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments of $34,991 in 2020 decreased from $62,745 in 2019, with the change principally reflecting decreased cash used in interest expense, investment and advisory fees (primarily resulting from the recovery of investment and advisory fees in 2019 resulting in less fees paid in 2020), current income taxes, general and administration expenses, and increased cash provided by interest and dividend income.

Net decrease in restricted cash in support of borrowings of $600 in 2020 and net increase of $3,082 in 2019 primarily related to the changes in the restricted cash accounts required to be maintained to fund interest payments on borrowings. Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2020 for additional details. Purchases of investments of $185,911 in 2020 primarily related to the company's investments in Other Public Indian Investments, IH Fund and purchases of Government of India and Indian corporate bonds. Purchases of investments of $563,952 in 2019 primarily related to the company's investments in Sanmar common shares, Seven Islands, CSB Bank, IH Fund, NCML CCD, 5paisa and purchases of Government of India and Indian corporate bonds. Sales of investments of $231,193 and $666,407 in 2020 and 2019 related to the sales of Government of India and Indian corporate bonds, and partial sales of Other Public Indian Investments to partially finance the acquisitions of the Indian Investments and to fund the debt service reserve account, and in 2019 also included the redemption of Sanmar bonds. Refer to note 15 (Supplementary Cash Flow Information) to the consolidated financial statements for the year ended December 31, 2020 for details of purchases and sales of investments.

Issuance costs of $5,545 in 2020 related to issuance costs on the amended $550.0 million term loan on June 26, 2020. Proceeds from borrowings of $50,000 and issuance costs of $5,545 in 2019 related to the proceeds received from the funds borrowed from a revolving credit facility and issuance costs on the amended $550.0 million term loan on June 28, 2019. Repayment of borrowings of $50,000 related to the full repayment of a revolving credit facility on December 31, 2019 with a portion of the net proceeds received from the redemption of Sanmar bonds. Purchases of subordinate voting shares for cancellation of $28,905 in 2020 (2019 – $2,998) related to the company's purchases of 3,160,910 subordinate voting shares (2019 – 230,053) under the terms of the normal course issuer bids. Refer to note 8 (Common Shareholders' Equity) to the consolidated financial statements for the year ended December 31, 2020 for additional details.

### Contractual Obligations

On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 while maintaining the option to extend for an additional year. The $550.0 million term loan now bears interest at a rate of LIBOR plus 400 basis points.

On December 24, 2020 as part of the Fairchem Open Offer the company announced an open offer for the acquisition of up to 3,377,953 common shares of Fairchem Organics, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share. The potential obligation is approximately 1.9 billion Indian rupees ($26,607 at period end exchange rates). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of approximately 19.5 million Indian rupees ($267 at period end exchange rates) and a bank guarantee for approximately 486.1 million Indian rupees ($6,652 at period end exchange rates), representing 1.0% and 25.0% of the potential obligation, respectively. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020. The Fairchem Open Offer is subject to regulatory approvals and customary closing conditions, and is expected to close in the first quarter of 2021.

The tender period related to the Fairchem Open Offer commenced on February 9, 2021 and closed on February 23, 2021 with a total of 290 common shares of Fairchem Organics tendered. On March 2, 2021 the company completed the settlement of the common shares tendered.

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2020), the company and its subsidiaries are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded in the consolidated statements of earnings (loss) for 2020 were $33,922 (2019 – $27,473).

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The company used the net proceeds from the offering and cash to repay $500,000 of its $550.0 million term loan.

The company determined that a performance fee of $5,217 was payable at December 31, 2020 (December 31, 2019 – accrual of $47,850). Refer to the Related Party Transactions section of this MD&A that follows for a discussion on the performance fee payable determined at December 31, 2020 (related to the second calculation period) and settled on March 5, 2021.

## Related Party Transactions

*Investment Advisory Agreement*

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the ''Investment Advisory Agreement''). As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

*Performance Fee*

The performance fee is accrued quarterly and is calculated, on a cumulative basis, as 20% of any increase (including distributions) in book value per share above a 5% per annum increase less any performance fees settled in prior calculation periods. The amount of book value per share at any time which must be achieved before any performance fee would be payable is sometimes referred to as the ''hurdle per share''.

*Second Calculation Period*

The period from January 1, 2018 to December 31, 2020 (the ''second calculation period'') was the next consecutive three-year period after December 31, 2017 for which a performance fee was accrued. The calculation of the performance fee was reassessed and adjusted during 2019 to appropriately account for performance fees settled in prior calculation periods, and is calculated on a cumulative basis as 20% of any increase in the book value per share (before factoring in the impact of the performance fee for the second calculation period) above a 5% per annum increase less the performance fee previously settled in the first calculation period. Under the Investment Advisory Agreement, the performance fee shall be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2020, in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the VWAP in respect of which the performance fee is paid.

The company determined that a performance fee of $5,217 was payable at December 31, 2020 (December 31, 2019 – accrual of $47,850). In 2020 the performance fee recovery recorded in the consolidated statements of earnings (loss) was $41,991 representing the reversal of the performance fee accrual at December 31, 2019, net of the performance fee payable at December 31, 2020 (2019 – performance fee of $48,514).

*Subsequent to December 31, 2020*

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period. Under the terms of the Investment Advisory Agreement, settlement of the performance fee was through the issuance of subordinate voting shares of the company as the market price per share was less than two times the then book value per share. The number of subordinate voting shares issued was calculated as the performance fee payable at December 31, 2020 of $5,217 divided by the VWAP of $9.55. The issuance of these subordinate voting shares, along with the purchases of subordinate voting shares for cancellation subsequent to December 31, 2020, increased Fairfax's equity interest in Fairfax India from 28.0% at December 31, 2020 to 28.4% at March 5, 2021.

*Investment and Advisory Fees*

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2019 the company and Fairfax retroactively revised the interpretation of the Investment Advisory Agreement to clarify that deployed capital should exclude any Indian Investments financed by debt, resulting in a recovery of investment and advisory fees from Fairfax of $6,064. In 2020 the investment and advisory fees recorded in the consolidated statements of earnings (loss) was $33,922 (2019 – $27,473).

*Fairfax's Voting Rights and Equity Interest*

At December 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2019 – 30,000,000) and 11,915,978 subordinate voting shares (December 31, 2019 – 21,558,422) of Fairfax India. At December 31, 2020 Fairfax's holdings of multiple and subordinate voting share represented 93.4% of the voting rights and 28.0% of the equity interest in Fairfax India (December 31, 2019 – 93.8% and 33.8%).

For additional details on the company's related party transactions, see note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2020.

## Accounting and Disclosure Matters

### Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the company's management, including the company's CEO and CFO, the company conducted an evaluation of the effectiveness of its disclosure controls and procedures as of December 31, 2020, as required by Canadian securities legislation. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the company's CEO and CFO, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the CEO and CFO have concluded that as of December 31, 2020, the company's disclosure controls and procedures were effective.

### Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under National Instrument 52-109). The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board (''IASB''). A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2020. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (''COSO'') in *Internal Control – Integrated Framework (2013)*. Based on this assessment, the company's management, including the CEO and CFO, concluded that, as of December 31, 2020, the company's internal control over financial reporting was effective based on the criteria in *Internal Control – Integrated Framework (2013)* issued by COSO.

### Critical Accounting Estimates and Judgments

Please refer to note 4 (Critical Accounting Estimates and Judgments) to the consolidated financial statements for the year ended December 31, 2020.

### Significant Accounting Policy Changes

There were no significant accounting policy changes during 2020. Please refer to note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2020 for a detailed discussion of the company's accounting policies.

### Future Accounting Changes

Certain new IFRS may have a significant impact on the company's consolidated financial reporting in the future. Each of those standards will require a moderate degree of implementation effort. The company does not expect to adopt any of these new standards in advance of their respective effective dates. New standards and amendments that have been issued but are not yet effective are described in note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2020.

## Risk Management

### Overview

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at December 31, 2020 compared to those identified at December 31, 2019, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2020.

### Risks

The following risks, among others, should be considered in evaluating the outlook for the company. Additional risks not currently known to the company or that are currently deemed immaterial may also impair business operations. The company, its consolidated subsidiaries, Fairfax and the Portfolio Advisor monitor these risks on an on-going basis and take actions as needed to mitigate their impact. For further detail about the risks relating to the company, please see Risk Factors in Fairfax India's most recent annual information form, which is available on SEDAR at www.sedar.com.

#### *The COVID-19 Pandemic*

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The company's Indian Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the company's Indian Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

#### *Oil Price Risk*

India imports a majority of its requirements of petroleum oil and petroleum products. The Government of India has deregulated prices and has been reducing the subsidy in respect of certain oil products, resulting in international crude prices having a greater effect on domestic oil prices. Global oil prices continue to be volatile, any increase or volatility in oil prices, as well as the impact of Indian rupee depreciation, which makes imports more expensive, and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy, including a rise in inflation and market interest rates resulting in a significant impact on the profitability of certain Indian Investments.

#### *Geographic Concentration of Investments*

Substantially all of the company's investments will be made in India and in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India. As a result, the company's performance is particularly sensitive to economic changes in India. The market value of the company's investments, the income generated by the company and the company's performance is particularly sensitive to changes in the economic condition and regulatory environment in India. Adverse changes in the economic condition or regulatory environment of India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings.

### *Foreign Currency Fluctuation*

All of the company's portfolio investments have been and will be made in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India, and the financial position and results for these investments have been and are expected to be principally denominated in Indian rupees. The functional currency of the company and its consolidated subsidiaries is the Indian rupee and the company's presentation currency is the U.S. dollar.

The company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities.

Accordingly, the income and expenses are translated at the average rates of exchange in effect during the applicable reporting period. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. As a result, the company's consolidated financial position is subject to foreign currency fluctuation risk, which could materially adversely impact its operating results and cash flows. Although the company may enter into currency hedging arrangements in respect of its foreign currency cash flows, there can be no assurance that the company will do so or, if it does, that the full amount of the foreign currency exposure will be hedged at any time.

### *Volatility of the Indian Securities Markets*

Stock exchanges in India have, in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges in India have also experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the stock exchanges in India have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed businesses and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Such volatility in the trading performance may negatively affect the company's future income and earnings.

### *Investments May Be Made In Foreign Private Businesses Where Information Is Unreliable or Unavailable*

In pursuing the company's investment strategy, the company may seek to make investments in privately-held businesses as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2020. As minimal public information exists about private businesses, the company could be required to make investment decisions on whether to pursue a potential investment in a private business on the basis of limited information, which may result in an investment in a business that is not as profitable as the company initially suspected, if at all. Investments in private businesses pose certain incremental risks as compared to investments in public businesses, including that they:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under their debt securities that the company may hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the company realizing any guarantees that it may have obtained in connection with its investment;
- may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on an investment and, as a result, the company; and
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

### *Valuation Methodologies Involve Subjective Judgments*

The company's financial assets and liabilities are valued in accordance with IFRS. Accordingly, the company is required to follow a specific framework for measuring the fair value of its investments and, in its audited consolidated financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

A portion of the company's portfolio investments may be in the form of securities that are not publicly traded and thus have no readily ascertainable market prices. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The company will value these securities quarterly at fair value as determined in good faith by the company and in accordance with the valuation policies and procedures under IFRS. The company may utilize the services of an independent valuation firm to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of the company's investments include the nature and realizable value of any collateral, the portfolio business' ability to make payments and its earnings, the markets in which the portfolio investment does business, comparisons to publicly traded companies, discounted cash flows and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, such valuations may fluctuate over short periods of time and may be based on estimates. Thus, the company's determinations of fair value may differ materially from the prices that would have been obtained if a ready market for these securities existed. The value of the company's total assets could be materially adversely affected if the company's determinations regarding the fair value of its investments were materially higher than the values that it ultimately realizes upon the disposition of such securities.

The value of the company's investment portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, the company will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that the company is required to adopt could change the valuation of the company's investments.

Due to a wide variety of market factors and the nature of certain securities to be held by the company, there is no guarantee that the fair value determined by the company or any third party valuation agents will represent the value that will be realized by the company on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by the company or any third party valuation agents are inherently different from the valuation of the company's securities that would be performed if the company were forced to liquidate all or a significant portion of its securities, as liquidation valuation could be materially lower.

In addition, the values of the company's investments are subject to significant volatility, including due to a number of factors beyond the company's control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions or dispositions. In addition, because the company often holds substantial positions in its investees, the disposition of these securities often is delayed for, or takes place over, long periods of time, which can further expose the company to volatility risk. Even if the company holds an investment that may be difficult to liquidate in a single transaction, the company may not discount the market price of the security sufficiently for purposes of its valuations. If the company realizes value on an investment that is significantly lower that the value at which it was recorded in its balance sheet, the company would recognize investment losses.

### *Financial Market Fluctuations*

The company invests in both private businesses and publicly traded businesses. With respect to publicly traded businesses, as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2020, fluctuations in the market prices of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of businesses to refinance their debt through selling new securities, thereby limiting the company's investment options with regard to a particular portfolio investment.

Global capital markets have experienced extreme volatility and disruption in recent years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions, high levels of unemployment in certain Western economies and the introduction of austerity measures by certain governments.

Such worsening of financial market and economic conditions may have a negative effect on the valuations of, and the ability of the company to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of its positions, and could require the company to contribute additional collateral.

Depending on market conditions, the company may incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the company.

***Pace of Completing Investments***

The company's business is to identify, with the assistance of the Portfolio Advisor, suitable investment opportunities, pursuing such opportunities and consummating such investment opportunities. If the company is unable to source and manage its investments effectively, it would adversely impact the company's financial position and net earnings. There can be no assurance as to the pace of finding and implementing investment opportunities. Conversely, there may only be a limited number of suitable investment opportunities at any given time. This may cause the company, while it deploys cash proceeds not yet invested, to hold significant levels of cash, cash equivalents, short term U.S. treasury bills or Government of India or Indian corporate bonds. A lengthy period prior to which capital is deployed may adversely affect the company's overall performance.

***Minority Investments***

The company may make minority equity investments in which the company does not participate in the management or otherwise influence the business or affairs of such businesses. The company will monitor the performance of each investment and maintain an ongoing dialogue with each business' management team. However, day-to-day operations will primarily be the responsibility of each business' management team and the company may not have the right to influence such operations.

***Reliance on Key Personnel and Risks Associated with the Investment Advisory Agreement***

The management and governance of the company depends on the services of certain key personnel, including the Portfolio Advisor, Fairfax, as administrator, and certain executive officers of the company. The loss of the services of any key personnel, particularly V. Prem Watsa and Chandran Ratnaswami, could have a material adverse effect on the company and materially adversely affect the company's financial condition and net earnings.

The company relies on the Portfolio Advisor and any of its sub-advisors, from time to time, including Fairbridge, with respect to the sourcing and advising with respect to their investments. Consequently, the company's ability to achieve its investment objectives depends in large part on the Portfolio Advisor and its ability to identify and advise the company on attractive investment opportunities. This means that the company's investments are dependent upon the Portfolio Advisor's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the company were to lose the services provided by the Portfolio Advisor or its key personnel or if the Portfolio Advisor fails to satisfactorily perform its obligations under the Investment Advisory Agreement, the company's investments and growth prospects may decline.

The company may be unable to duplicate the quality and depth of management from the Portfolio Advisor if the company were to source and manage its own investments or if it were to hire another investment advisor. If the Portfolio Advisor should cease for whatever reason to be the investment advisor of the company or if Fairfax should cease to provide investment administration services to the company, the cost of obtaining substitute services may be greater than the fees the company will pay the Portfolio Advisor and Fairfax under the Investment Advisory Agreement, and this may adversely affect the company's ability to meet its objectives and execute its strategy which could materially and adversely affect the company's cash flows, net earnings and financial condition.

***Lawsuits***

The company may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada, India, Mauritius or elsewhere. The existence of such claims against the company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The company and its consolidated subsidiaries manage day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls. Internal and external legal counsel also work closely with the company and its consolidated subsidiaries to identify and mitigate areas of potential regulatory and legal risk. The company's results of operations, financial condition and liquidity could be materially adversely affected by any such legal risks.

***Use of Leverage***

The company may rely on the use of leverage when making its investments. As such, the ability to achieve attractive rates of return on such investments will significantly depend on the company's continued ability to access sources of debt financing on attractive terms. An increase in either market interest rates or in the risk spreads demanded by lenders would make it more expensive for the company to finance its investments and, in turn, would reduce net returns therein. Increases in interest rates could also make it more difficult for the company to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the company may not be able to access those markets on attractive terms, or at all, when completing an investment. In addition, we are subject to a leverage covenant under the terms of the unsecured senior notes. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the company.

***Significant Ownership by Fairfax May Adversely Affect the Market Price of the Subordinate Voting Shares***

At December 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2019 – 30,000,000) and 11,915,978 subordinate voting shares (December 31, 2019 — 21,558,422) of Fairfax India. At December 31, 2020 Fairfax's holdings of multiple and subordinate voting shares represented 93.4% of the voting rights and 28.0% of the equity interest in Fairfax India (December 31, 2019 — 93.8% and 33.8%). In accordance with the Investment Advisory Agreement, the performance fee payable of $5,217 to Fairfax for the second calculation period (ending on December 31, 2020) was settled on March 5, 2021 by the company issuing 546,263 subordinate voting shares to Fairfax. The issuance of these subordinate voting shares, along with the purchases of subordinate voting shares for cancellation subsequent to December 31, 2020, increased Fairfax's equity interest in Fairfax India 28.0% at December 31, 2020 to 28.4% at March 5, 2021 (see note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2020).

As of March 5, 2021, Fairfax and its affiliates hold 93.4% and 28.4% voting and equity interests respectively, in the company through ownership of all of the 30,000,000 multiple voting shares and 12,462,241 subordinate voting shares.

For so long as Fairfax, either directly or through one or more subsidiaries, maintains a significant voting interest in the company, Fairfax will have the ability to exercise substantial influence with respect to the company's affairs and significantly affect the outcome of shareholder votes, and may have the ability to prevent certain fundamental transactions.

Accordingly, the subordinate voting shares may be less liquid and trade at a relative discount compared to such subordinate voting shares in circumstances where Fairfax did not have the ability to significantly influence or determine matters affecting the company. Additionally, Fairfax's significant voting interest in the company may discourage transactions involving a change of control of the company, including transactions in which an investor, as a holder of subordinate voting shares, might otherwise receive a premium for its subordinate voting shares over the then-current market price.

***Weather Risk***

Certain Indian Investments are operating in industries exposed to weather risk. The revenues of these portfolio companies may be adversely affected during a period of severe weather conditions in India. Because weather events are unpredictable by nature, historical results of operations of certain Indian Investments may not be indicative of their future results of operations. As a result of the occurrence of one or more major weather catastrophes in any given period, the expected returns from Indian Investments impacted by weather risk may fall short of the company's expectations.

***Taxation Risks***

The company structures its business according to prevailing taxation law and practice in Canada, Mauritius and India. Any change in tax policy, tax legislation (including in relation to taxation rates), the interpretation of tax policy or legislation or practice could adversely affect the company's return earned on investments and on the capital available to be invested. Further, taxes and other constraints that would apply to the company and its consolidated subsidiaries in such jurisdictions may not apply to other parties, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing investments. A number of other factors may increase the effective tax rates, which would have a negative impact on net earnings. These include, but are not limited to, changes in the valuation of our deferred tax assets and liabilities, and any reassessment of taxes by a taxation authority.

The company utilizes Fairfax's tax specialist personnel for assessing the income tax consequences of planned transactions and events and undertaking the appropriate tax planning. The company also consults with external tax professionals as needed. Tax legislation of each jurisdiction in which the company operates is interpreted to determine income taxes and expected timing of the reversal of deferred income tax assets and liabilities.

Any amendments to the capital gains and permanent establishment articles in the India-Mauritius Double Taxation Avoidance Agreement may result in capital gains derived from the company or its investments in India becoming subject to tax in India, which could have a material adverse effect on the company's business, financial condition and net earnings. During the second quarter of 2016, India and Mauritius amended their India-Mauritius tax treaty. As a result, capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired on or after April 1, 2017 and disposed of on or before March 31, 2019 will be subject to tax in India at half of the India domestic tax rate. Capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired on or after April 1, 2017 and disposed of after March 31, 2019 will be subject to tax in India at the full India domestic tax rate. Capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired prior to April 1, 2017 remain exempt from capital gains tax in India.

On March 29, 2018 India enacted the Finance Act 2018 which repealed, with effect from April 1, 2018, the long term capital gains tax exemption which was available in respect of transfers of equity shares of Indian companies on which Securities Transaction Tax was paid at the time of acquisition and transfer of such shares. As a result, long term capital gains realized on such transfers will generally be taxed at a rate of 10.0%. However, grandfathering of the long term capital gains exemption in respect of any accrued gain on such shares held as of January 31, 2018 will generally be available to the extent of the accrued gain as of January 31, 2018. Capital gains realized by a tax resident of Mauritius on a transfer of equity shares of an Indian company which were acquired prior to April 1, 2017 will continue to be exempt from capital gains tax in India by virtue of the India-Mauritius tax treaty, notwithstanding the repeal of the long term capital gains tax exemption under Indian domestic law. In addition, a long term capital gain realized by a Mauritius tax resident on shares acquired on or after April 1, 2017, and sold prior to March 31, 2019, will continue to be taxed at a rate of 50.0% of the prevailing domestic Indian capital gains tax rate by virtue of the India-Mauritius tax treaty.

At December 31, 2020 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius and FIH Private. and recorded deferred income taxes primarily related to unrealized gains on the company's investment in equity shares acquired subsequent to April 1, 2017 (see note 10 (Income Taxes) to the consolidated financial statements for the year ended

December 31, 2020). The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

On July 31, 2018 Mauritius enacted the Finance (Miscellaneous Provision) Act (the "Mauritius Finance Act") which abolishes, with effect from January 1, 2019, the deemed Foreign Tax Credit ("FTC") regime available to Global Business License companies. For entities holding a Category 1 Global Business License issued before October 16, 2017 (held by both FIH Mauritius and FIH Private) the deemed FTC regime will continue to apply until June 30, 2021. In place of the deemed FTC, the Mauritius Finance Act introduces an 80% exemption regime on foreign source income including certain foreign dividends and foreign source interest. The 80% exemption is available upon meeting predefined substance requirements issued by the Financial Services Commission. The company evaluated the potential impact of the Mauritius Finance Act and concluded that it will not have a material impact to the company.

On March 27, 2020 India enacted the Finance Act 2020 which amended the regulations pertaining to dividend income. Dividend income which was received by the company from an Indian company on or before March 31, 2020 was exempt from tax in India, while dividend income received by the company from an Indian company subsequent to March 31, 2020 will be taxable. The Indian company is liable to withhold the appropriate tax.

***Emerging Markets***

The company's investment objective is to achieve long term capital appreciation, while preserving capital, by investing in Indian Investments. Foreign investment risk is particularly high given that the company invests in securities of issuers based in or doing business in an emerging market country.

The economies of emerging market countries have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging market countries may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in developed markets, which could reduce the company's income from securities or debt instruments of emerging market country issuers.

There is a heightened possibility of imposition of withholding taxes on interest or dividend income generated from emerging market securities. Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. In the past, emerging market countries have nationalized assets, companies and even entire sectors, including the assets of foreign investors, with inadequate or no compensation to the prior owners. There can be no assurance that the company will not suffer a loss of any or all of its investments or, interest or dividends thereon, due to adverse fiscal or other policy changes in emerging market countries.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic conditions in an emerging country and on market conditions, prices and yields of securities in the company's portfolio.

Bankruptcy law and creditor reorganization processes may differ substantially from those in Canada, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain emerging market countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. In addition, it may be impossible to seek legal redress against an issuer that is a sovereign state.

Also, because publicly traded debt instruments of emerging market issuers represent a relatively recent innovation in the world debt markets, there is little historical data or related market experience concerning the attributes of such instruments under all economic, market and political conditions.

Other heightened risks associated with emerging markets investments include without limitation: (i) risks due to less social, political and economic stability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the company's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and requirements that government approval be obtained prior to investment by foreign persons; (iv) certain national policies that may restrict the company's repatriation of investment income, capital or the proceeds of sales of securities, including temporary restrictions on foreign capital remittances; (v) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in Canada; (vi) less publicly available financial and other information regarding issuers; (vii) potential difficulties in enforcing contractual obligations; and (viii) higher rates of inflation, higher interest rates and other economic concerns. The company may invest to a substantial extent in emerging market securities that are denominated in Indian rupees, subjecting the company to a greater degree of foreign currency risk. Also, investing in emerging market countries may entail purchases of securities of issuers that are insolvent, bankrupt or otherwise of questionable ability to satisfy their payment obligations as they become due, subjecting the company to a greater amount of credit risk and/or high yield risk. Additionally, the demand for securities of the company may be more volatile due to general market volatility in demand for investments in emerging markets.

As reflected in the above discussion, investments in emerging market securities involve a greater degree of risk than, and special risks in addition to the risks associated with, investments in domestic securities or in securities of foreign developed countries.

### *MLI*

Under a mandate given by G20 nations to address global tax avoidance, in 2015, the Organization for Economic Co-operation and Development ("OECD") developed 15 action plans aimed at tackling Base Erosion and Profits Shifting ("BEPS") strategies. Action Plan 15 of the BEPS project envisaged a multilateral instrument ("MLI") for modifying the global tax treaty network in a timely and synchronized manner.

On June 2017, India proposed to modify its existing 93 comprehensive tax treaties when it joined 66 other countries (including Canada and Mauritius) in signing the MLI. On June 25, 2019, the Government of India deposited its instrument of ratification of the MLI with the OECD. Mauritius deposited its instrument of ratification of the MLI with the OECD on October 18, 2019, but has excluded India from its covered tax agreements. Accordingly, the MLI currently does not apply in respect of the India-Mauritius tax treaty. This position could, however, change in the future based on inter-government negotiations. If Mauritius includes India as one of its covered tax agreements, the effect of the inclusion would need to be assessed. A loss of treaty benefits could have a material adverse effect on the company's business and financial conditions and results of operations.

### *Economic Risk*

The Indian economy has grown rapidly during the past several years and there is no assurance that this growth rate will be maintained. India may experience substantial (and, in some cases, extremely high) rates of inflation or economic recessions causing a negative effect on the Indian economy. India may also impose restrictions on the exchange or export of currency, institute adverse currency exchange rates or experience a lack of available currency hedging instruments. Any of these events could have a material adverse effect on the Indian economy.

### *Trading Price of Subordinate Voting Shares Relative to Book Value per Share*

The company is neither a mutual fund nor an investment fund, and due to the nature of its business and investment strategy, and the composition of its investment portfolio, the market price of the subordinate voting shares, at any time, may vary significantly from its book value per share. This risk is separate and distinct from the risk that the market price of the subordinate voting shares may decrease.

## Other

### Quarterly Data (unaudited)

*Years ended December 31*

| *US$ thousands, except per share amounts* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Income (loss) | (295,364) | 72,723 | 99,448 | 110,221 | (12,972) |
| Expenses | (29,368) | 16,181 | 16,643 | 22,552 | 26,008 |
| Provision for (recovery of) income taxes | (12,187) | 4,158 | 5,153 | 5,372 | 2,496 |
| Net earnings (loss) | (253,809) | 52,384 | 77,652 | 82,297 | (41,476) |
| Net earnings (loss) per share | $ (1.67) | $ 0.35 | $ 0.52 | $ 0.55 | $ (0.27) |
| Net earnings (loss) per diluted share | $ (1.67) | $ 0.35 | $ 0.52 | $ 0.55 | $ (0.27) |
| **2019** | | | | | |
| Income (loss) | (28,487) | (5,480) | 112,788 | 633,868 | 712,689 |
| Expenses | 19,767 | 19,064 | 19,038 | 62,199 | 120,068 |
| Provision for income taxes | 4,331 | 30,940 | 4,567 | 36,445 | 76,283 |
| Net earnings (loss) | (52,585) | (55,484) | 89,183 | 535,224 | 516,338 |
| Net earnings (loss) per share | $ (0.34) | $ (0.36) | $ 0.58 | $ 3.51 | $ 3.38 |
| Net earnings (loss) per diluted share | $ (0.34) | $ (0.36) | $ 0.58 | $ 3.42 | $ 3.30 |

*Years ended December 31*

| *Indian rupees and in millions, except per share amounts*(1) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Income (loss) | (21,403) | 4,894 | 7,364 | 8,183 | (962) |
| Expenses | (2,128) | 1,150 | 1,234 | 1,671 | 1,927 |
| Provision for (recovery of) income taxes | (883) | 288 | 382 | 398 | 185 |
| Net earnings (loss) | (18,392) | 3,456 | 5,748 | 6,114 | (3,074) |
| Net earnings (loss) per share | (120.71) | 22.84 | 38.21 | 40.79 | (20.36) |
| Net earnings (loss) per diluted share | (120.71) | 22.84 | 38.21 | 40.64 | (20.28) |
| **2019** | | | | | |
| Income (loss) | (2,007) | (370) | 7,905 | 44,646 | 50,174 |
| Expenses | 1,393 | 1,325 | 1,340 | 4,395 | 8,453 |
| Provision for income taxes | 305 | 2,164 | 324 | 2,577 | 5,370 |
| Net earnings (loss) | (3,705) | (3,859) | 6,241 | 37,674 | 36,351 |
| Net earnings (loss) per share | (24.27) | (25.29) | 40.89 | 246.84 | 238.12 |
| Net earnings (loss) per diluted share | (24.27) | (25.29) | 40.89 | 240.92 | 232.41 |

*(1) Presented in the company's functional currency.*

Income of $110,221 in the fourth quarter of 2020 decreased from $633,868 in the fourth quarter of 2019 primarily as a result of decreased net change in unrealized gains on investments. Net change in unrealized gains on investments of $102,670 in the fourth quarter 2020 primarily included net unrealized gains on common stocks of $102,366 (principally related to unrealized gains on IIFL Finance, Other Public Indian Investments, Fairchem Organics, IIFL Securities, Seven Islands and IIFL Wealth, partially offset by unrealized losses on CSB Bank, NCML and Privi Speciality (formerly Fairchem). Net change in unrealized gains on investments of $495,582 in the fourth quarter of 2019 included net unrealized gains on common stocks of $640,088 (principally related to unrealized gains on BIAL, CSB Bank, Sanmar, IIFL Finance, IIFL Securities and Other Public Indian Investments, partially offset by unrealized losses on IIFL Wealth, Fairchem and NCML) and net unrealized losses on bonds of $144,506 (principally related to the reversal of prior period unrealized gains recorded on Sanmar bonds).

In addition, income decreased in the fourth quarter of 2020 compared to the fourth quarter of 2019 as a result of decreased net realized gains on investments (primarily due to the redemption of Sanmar bonds in the fourth quarter of 2019) and decreased dividend income (primarily due to the timing of dividend income from IIFL Wealth received earlier in the year), partially offset by net foreign exchange gains in the fourth quarter of 2020 compared to net foreign exchange losses in the fourth quarter of 2019 (principally as a result of the strengthening of the Indian rupee relative to the U.S. dollar in the fourth quarter of 2020).

Expenses of $62,199 in the fourth quarter of 2019 decreased to $22,552 in the fourth quarter of 2020 primarily as a result of $5,143 in performance fees recorded in the fourth quarter of 2020 (fourth quarter of 2019 — $48,514) and decreased interest expense, partially offset by increased investment and advisory fees. For additional details, see note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2020.

The company reported net earnings of $82,297 (net earnings of $0.55 per basic and diluted share) in the fourth quarter of 2020 compared to net earnings of $535,224 (net earnings of $3.51 per basic share and $3.42 per diluted share) in the fourth quarter of 2019. The decrease in profitability in the fourth quarter of 2020 primarily reflected decreased net unrealized gains on investments and net realized gains on investments, partially offset by decreased performance fee and provision for income taxes recorded in the fourth quarter of 2020.

Individual quarterly results have been (and are expected to continue to be) significantly impacted by net unrealized gains (losses) on the company's Indian Investments and net foreign exchange gains (losses), the timing of which is not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's Indian Investments which would result in a higher performance fee, if applicable, and investment and advisory fees.

### Stock Prices and Share Information

At March 5, 2021 the company had 119,641,497 subordinate voting shares and 30,000,000 multiple voting shares outstanding (an aggregate of 149,641,497 common shares effectively outstanding). Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax, through its subsidiaries, owns all the issued and outstanding multiple voting shares, which are not publicly traded.

The table that follows presents the TSX high, low and closing U.S. dollar prices of the subordinate voting shares of Fairfax India, trading under the symbol FIH.U, for each quarter of 2020 and 2019.

| | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
|---|---|---|---|---|
| | | *(US$)* | | |
| **2020** | | | | |
| High | 13.86 | 9.35 | 9.49 | 10.97 |
| Low | 5.28 | 5.60 | 6.80 | 6.84 |
| Close | 6.55 | 8.40 | 6.84 | 9.60 |
| **2019** | | | | |
| High | 14.26 | 14.48 | 13.80 | 13.89 |
| Low | 12.67 | 12.56 | 11.01 | 11.05 |
| Close | 14.00 | 12.70 | 12.00 | 12.80 |

### Compliance with Corporate Governance Rules

Fairfax India is a Canadian reporting issuer with securities listed on the TSX and trading in U.S. dollars under the symbol FIH.U. It has in place corporate governance practices that comply with all applicable rules and substantially comply with all applicable guidelines and policies of the Canadian Securities Administrators and the practices set out therein.

The company's Board of Directors has adopted a set of Corporate Governance Guidelines (which include a written mandate of the Board), established an Audit Committee and Governance, Compensation and Nominating Committee, approved written charters for all of its committees, approved a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the company and established, in conjunction with the Audit Committee, a Whistleblower Policy. The company continues to monitor developments in the area of corporate governance as well as its own procedures.

### Forward-Looking Statements

This annual report may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or an Indian Investment's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the company, an Indian Investment, or the Indian market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on our opinions and estimates as of the date of this annual report and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors that are described in greater detail elsewhere in this annual report: the COVID-19 pandemic; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; MLI; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxindia.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

**Directors of the Company**

Anthony F. Griffiths
*Corporate Director*

Christopher D. Hodgson
*President*
*Ontario Mining Association*

Alan D. Horn
*President and Chief Executive Officer*
*Rogers Telecommunications Limited*

Sumit Maheshwari
*Managing Director and Chief Executive Officer*
*Fairbridge Capital Private Limited*

Deepak Parekh
*Chairman*
*Housing Development Finance Corporation Limited*

Chandran Ratnaswami
*Chief Executive Officer of the Company*

Gopalakrishnan Soundarajan
*Managing Director, India*
*Hamblin Watsa Investment Counsel Ltd.*

Lauren C. Templeton
*President*
*Templeton and Phillips Capital Management, LLC*

V. Prem Watsa
*Chairman of the Company*

**Operating Management**

**FIH Mauritius Investments Ltd.**

Amy Tan
*Chief Executive Officer*

**Officers of the Company**

Jennifer Allen
*Vice President*

Keir Hunt
*General Counsel and Corporate Secretary*

Chandran Ratnaswami
*Chief Executive Officer*

Amy Sherk
*Chief Financial Officer*

John Varnell
*Vice President, Corporate Affairs*

V. Prem Watsa
*Chairman*

**Head Office**

95 Wellington Street West
Suite 800
Toronto, Ontario, Canada M5J 2N7
Telephone: (416) 367-4755
Website: www.fairfaxindia.ca

**Auditor**

PricewaterhouseCoopers LLP

**Transfer Agent and Registrar**

Computershare Trust Company of Canada, Toronto

**Share Listing**

Toronto Stock Exchange
Stock Symbol: FIH.U

**Annual Meeting**

The annual meeting of the shareholders of Fairfax India Holdings Corporation will be held on Thursday, April 15, 2021 at 2:00 p.m. (Toronto time) as a virtual conference call