
FAIRFAX

FINANCIAL HOLDINGS LIMITED

Annual Meeting

April 26, 2018

Note: All financial disclosure in this presentation is, unless otherwise noted, in US\$

Forward-Looking Statements

Certain statements contained herein may constitute forward-looking information (within the meaning of Canadian securities legislation) and forward-looking statements (within the meaning of the United States Private Securities Litigation Reform Act of 1995). These statements can be identified by expressions of belief, expectation or intention, as well as those statements that are not historical fact. Forward-looking statements are based upon assumptions, estimates, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant, and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fairfax to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: a reduction in net earnings if our loss reserves are insufficient; underwriting losses on the risks we insure that are higher or lower than expected; the occurrence of catastrophic events with a frequency or severity exceeding our estimates; changes in market variables, including interest rates, foreign exchange rates, equity prices and credit spreads, which could negatively affect our investment portfolio; the cycles of the insurance market and general economic conditions, which can substantially influence our and our competitors' premium rates and capacity to write new business; insufficient reserves for asbestos, environmental and other latent claims; exposure to credit risk in the event our reinsurers fail to make payments to us under our reinsurance arrangements; exposure to credit risk in the event our insureds, insurance producers or reinsurance intermediaries fail to remit premiums that are owed to us or failure by our insureds to reimburse us for deductibles that are paid by us on their behalf; the timing of claims payments being sooner or the receipt of reinsurance recoverables being later than anticipated by us; the inability of our subsidiaries to maintain financial or claims paying ability ratings; risks associated with implementing our business strategies; risks associated with our use of derivative instruments; the failure of our hedging methods to achieve their desired risk management objective; a decrease in the level of demand for insurance or reinsurance products, or increased competition in the insurance industry; the impact of emerging claim and coverage issues; the failure of any of the loss limitation methods we employ; our inability to access cash of our subsidiaries; our inability to obtain required levels of capital on favourable terms, if at all; the loss of key employees; technological or other change which adversely impacts demand, or the premiums payable, for the insurance coverages we offer; our inability to obtain reinsurance coverage in sufficient amounts, at reasonable prices or on terms that adequately protect us; the passage of legislation subjecting our businesses to additional supervision or regulation, including additional tax regulation, in the United States, Canada or other jurisdictions in which we operate; risks associated with government investigations of, and litigation and negative publicity related to, insurance industry practice or any other conduct; risks associated with political and other developments in foreign jurisdictions in which we operate; risks associated with legal or regulatory proceedings; failures or security breaches of our computer and data processing systems; the influence exercisable by our significant shareholder; adverse fluctuations in foreign currency exchange rates; our dependence on independent brokers over whom we exercise little control; an impairment in the carrying value of our goodwill and indefinite-lived intangible assets; our failure to realize deferred income tax assets; and assessments and shared market mechanisms which may adversely affect our U.S. insurance subsidiaries. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, change in assumption or opinion or otherwise, except as may be required by applicable securities laws. Additional risks and uncertainties are described in our most recently issued Annual Report which is available at www.fairfax.ca and in our Supplemental and Base Shelf Prospectus (under "Risk Factors") filed with the securities regulatory authorities in Canada, which is available on SEDAR at www.sedar.com.

Objectives

- We expect to compound our mark-to-market book value per share over the long term by 15% annually by running Fairfax and its subsidiaries for the long term benefit of customers, employees, shareholders and the communities where we operate – at the expense of short term profits if necessary
- Our focus is long term growth in book value per share and not quarterly earnings. We plan to grow through internal means as well as through friendly acquisitions
- We always want to be soundly financed
- We provide complete disclosure annually to our shareholders

Structure

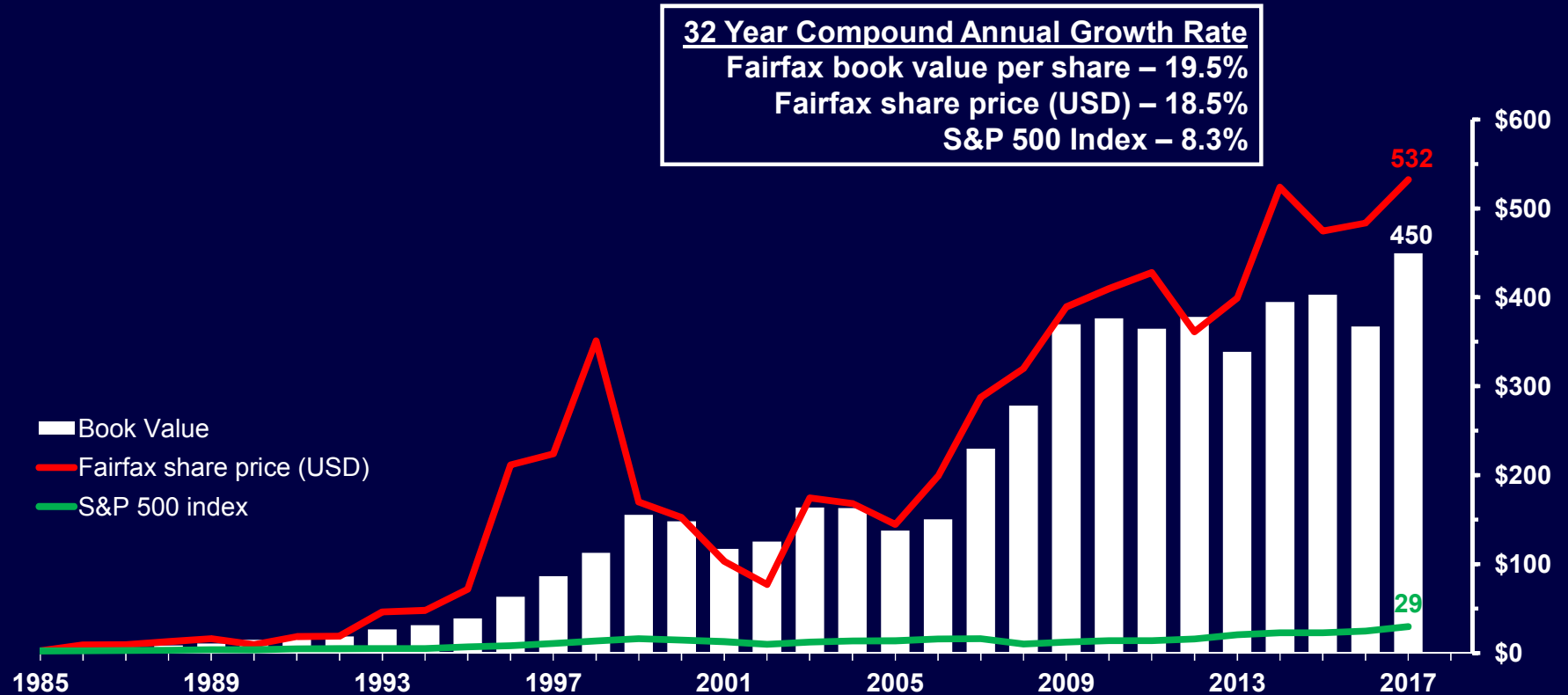
- Our companies are decentralized and run by the presidents except for performance evaluation, succession planning, acquisitions, financing and investments, which are done by or with Fairfax. Investing will always be conducted based on a long term value-oriented philosophy. Cooperation among companies is encouraged to the benefit of Fairfax in total
- Complete and open communication between Fairfax and its subsidiaries is an essential requirement at Fairfax
- Share ownership and large incentives are encouraged across the Group
- Fairfax will always be a very small holding company and not an operating company

Guiding Principles

Values

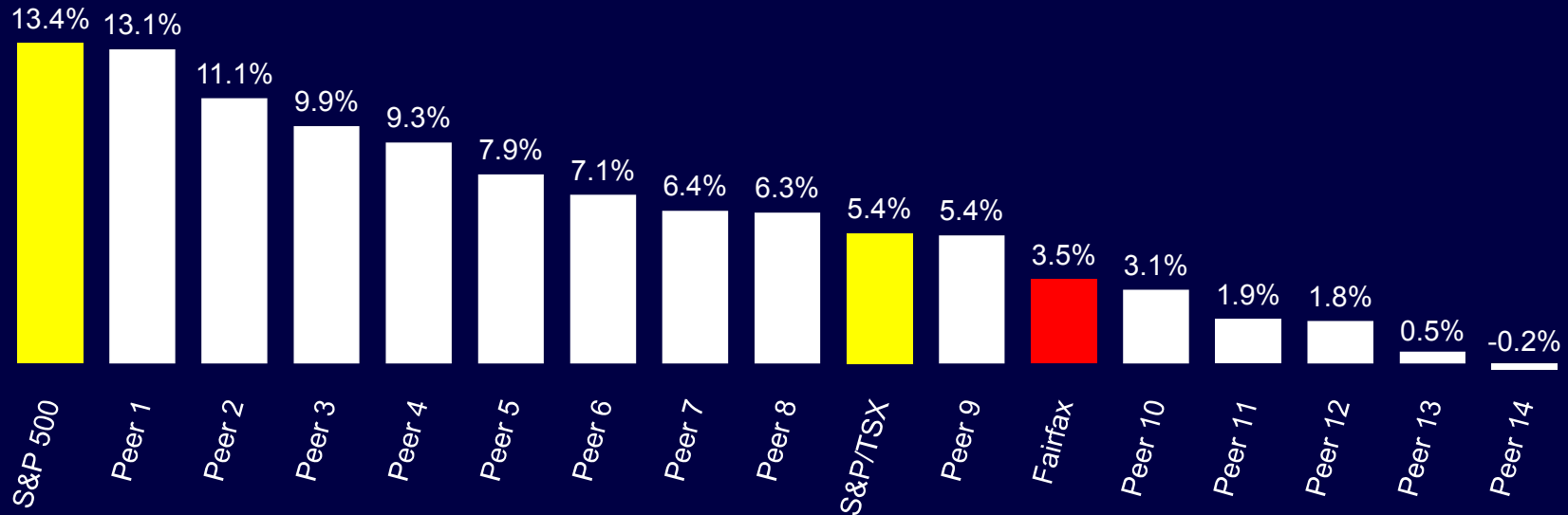
- Honesty and integrity are essential in all of our relationships and will never be compromised
- We are results oriented — not political
- We are team players — no "egos". A confrontational style is not appropriate. We value loyalty — to Fairfax and our colleagues
- We are hard working but not at the expense of our families
- We always look at opportunities but emphasize downside protection and look for ways to minimize loss of capital
- We are entrepreneurial. We encourage calculated risk taking. It is all right to fail but we should learn from our mistakes
- We will never bet the company on any project or acquisition
- We believe in having fun — at work!

Fairfax Value Creation – 32 Years



Historic Performance vs. Peer Group

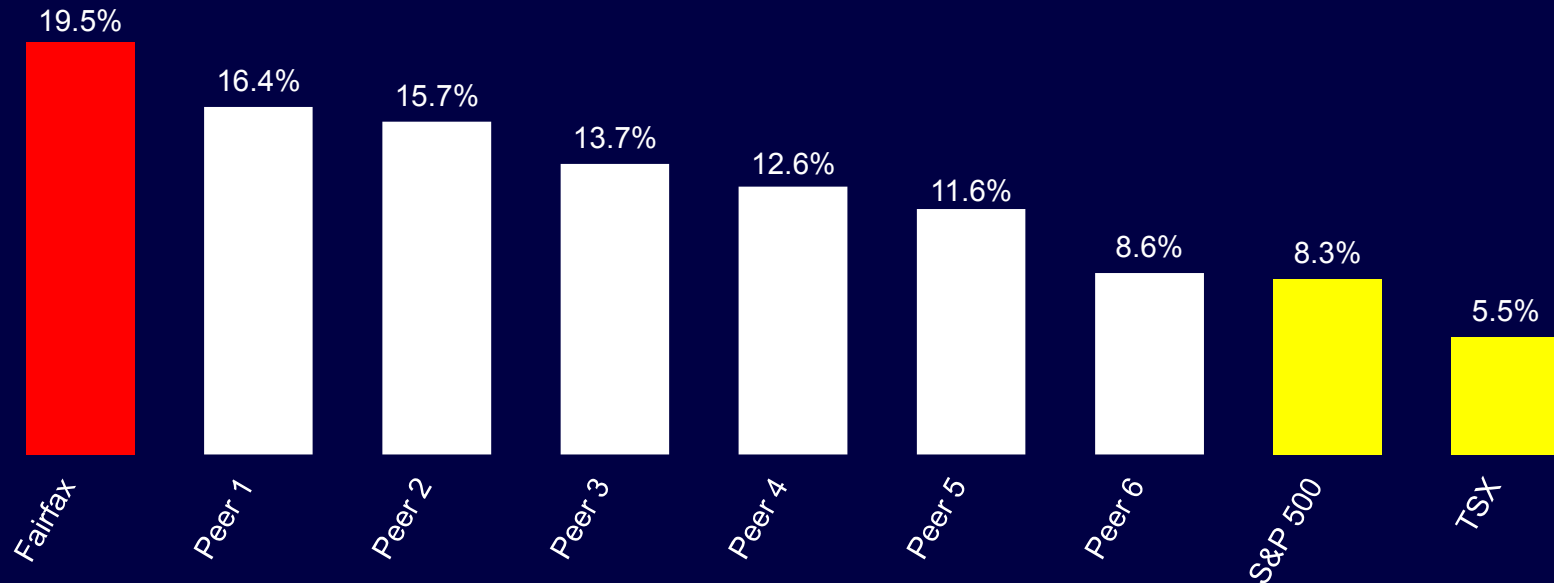
Compound Growth in Book Value per Share (5 Years Ended December 31, 2017) ⁽¹⁾



(1) Except for S&P 500 and TSX which are compound index returns excluding dividends

Historic Performance vs. Peer Group

Compound Growth in Book Value per Share (32 Years: since Fairfax's inception) ⁽¹⁾



(1) Except for S&P 500 and TSX which are compound index returns excluding dividends

Sources of Net Earnings in 2017

	<i>(\$ millions)</i>
Fairfax pre-tax income	74
■ Harvey, Irma and Maria hurricane losses	906
Gain on sale of First Capital	1,019
Gain on partial sale of ICICI Lombard	930
Pre-tax income	<u>2,023</u>
Net earnings	<u>1,615</u>

- **24.7% increase in book value per share (including dividend)**

Underwriting Results in 2017

	Combined Ratio	Catastrophe Losses	Combined Ratio Excluding Cat Losses
Northbridge	99.1%	0.9%	98.2%
OdysseyRe	97.4%	16.8%	80.6%
Crum & Forster	99.8%	2.3%	97.5%
Zenith	85.6%	1.0%	84.6%
Brit	113.1%	16.8%	96.3%
Allied World ⁽¹⁾	157.0%	52.7%	104.3%
Fairfax Asia	88.4%	-	88.4%
Other Insurance and Reinsurance	110.2%	10.0%	100.2%
Consolidated	106.6%	13.7%	92.9%

(1) For the period since its acquisition on July 6, 2017

OdysseyRe Property Business

(Underwriting year basis)

2000-2017

Net premiums earned

\$11.6 billion

Combined ratio

85.1%

Underwriting profit

\$1.7 billion

Shares Issued and Repurchased

<i>(shares in millions)</i>	Shares Issued	Shares Repurchased	Shares Outstanding
December 31, 1985			5.0
1986-2017	29.5	6.7	22.8
December 31, 2017			<u>27.8</u>

Fairfax 32 Years – Then and Now

<i>(\$ millions)</i>	1985	2017	Growth
Net premiums written	10	9,984	~1,000x
Net earnings	(1)	1,741	
Investment portfolio	24	39,255	~1,600x
Common shareholders' equity	8	12,476	~1,600x
Shares outstanding (<i>millions</i>)	5.0	27.8	5.6x

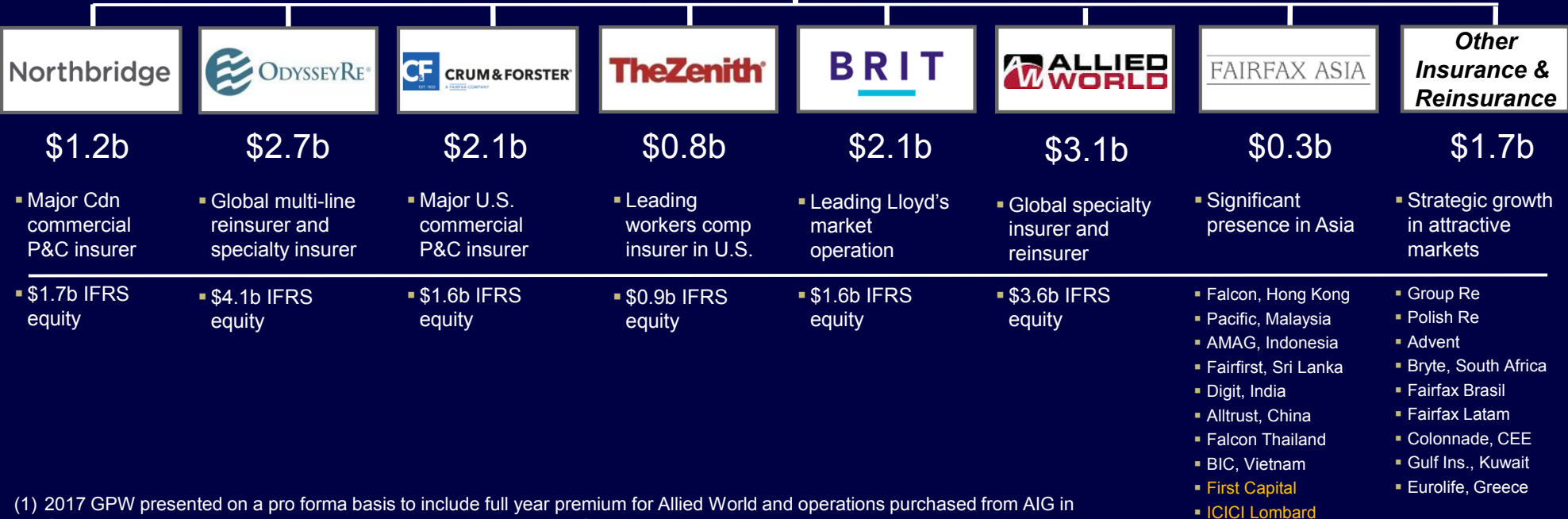
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- Manager of global runoff business

\$14.0 Billion in Gross Premiums Written in 2017⁽¹⁾



(1) 2017 GPW presented on a pro forma basis to include full year premium for Allied World and operations purchased from AIG in Central and Eastern Europe and Latin America and exclude First Capital

Fairfax's Global Presence



Importance of Float

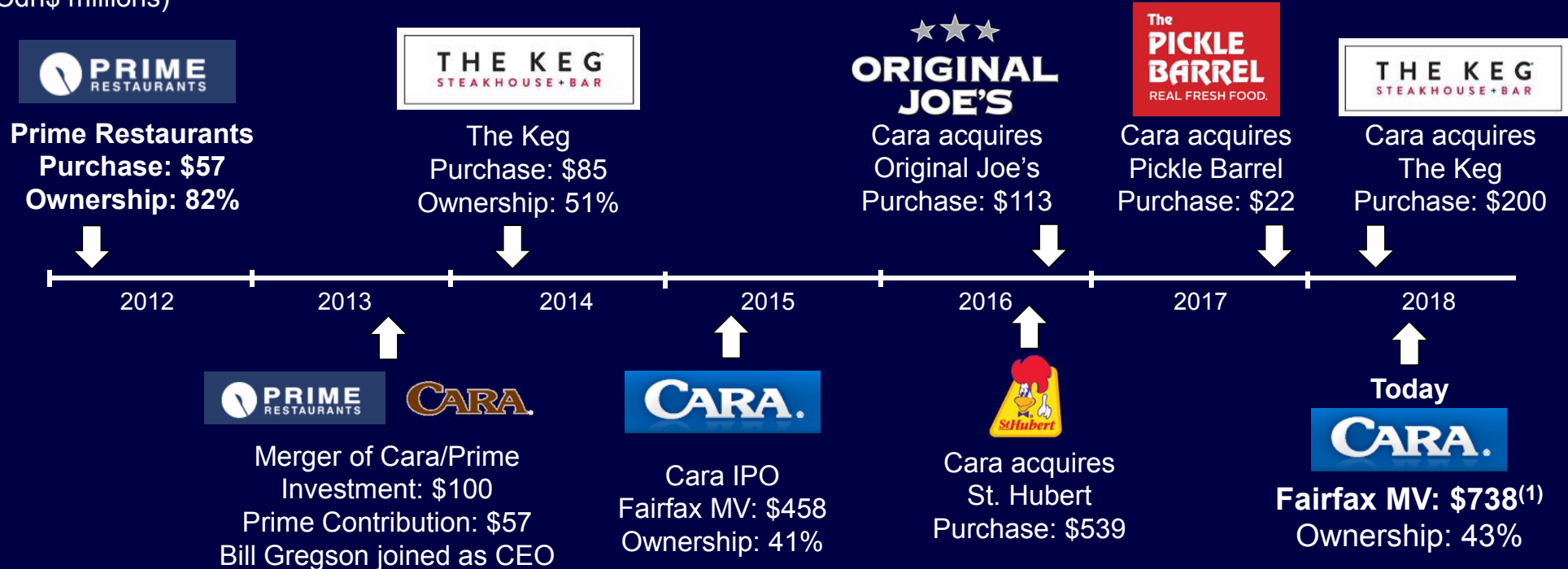
	Total Float <i>(\$ millions)</i>	Float per Share
1985	13	\$2 ½
1990	164	30
1995	653	74
2000	5,877	449
2005	8,757	492
2010	13,110	641
2016	16,673	722
2017	22,730	819
 <u>Benefit of float</u>		
Last 5 years	2.4%	
Last 10 years	0.5%	

Outstanding Performance – Last 7 Years

- \$49 billion of net premiums written
- Average combined ratio of 98.1%
- Average annual reserve redundancies of 3.5%
- 2017 net premiums written to shareholders' equity of 0.8x

Cara Operations

(Cdn\$ millions)



(1) As at April 20, 2018

- 1,365 restaurants – Cdn\$3.5 billion system sales – 57,000 employees

Thomas Cook

(\$ millions)



Thomas Cook (TC)
Purchase Price: \$173
Share Price ₹ 52

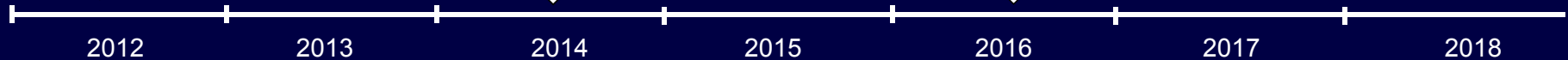


TC acquires Sterling Resorts
Purchase Price: \$140
Fairfax invests \$80 into TC
TC Ownership: 100%



Quess IPO – July 2016
Market Cap of \$600
TC Ownership: 62%

- Thomas Cook sold 5.4% of Quess in November 2017 for \$97
- Thomas Cook will spin its remaining 49% holding in Quess out to its shareholders



TC acquires Quess
Purchase Price: \$47
TC Ownership: 74%



TC acquires Kuoni (HK and India)
Purchase Price: \$81
TC Ownership: 100%



TC acquires Kuoni's Global Destination Management Network



Market Value: \$1,046⁽¹⁾
Carrying Value : \$450
Share Price ₹ 278⁽¹⁾

(1) As at April 20, 2018









Fairfax India Holdings (FIH)

- Compound annual growth in book value per share of 15.5% over first three years⁽¹⁾
- Performance fee for the three year period ended in 2017 was \$114 million

FAIRFAX INDIA

Fairfax Financial holds a 33.6% equity interest and 93.7% voting interest in Fairfax India

Over \$1.7 Billion Investments Completed (or Committed)

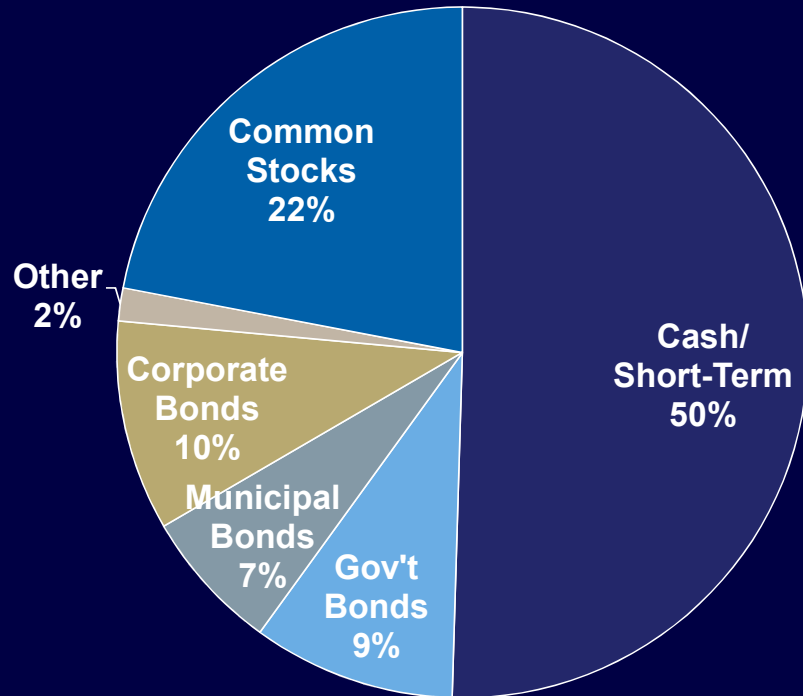
Company Logo	Investment Value	Business Description	Ownership & Status
	\$277m	Diversified financial services company	27% FIH ownership 9% FFH ownership Public
	\$586m (+\$67m)	India's 3rd largest airport	48% FIH ownership - add'l 6% expected to close Q2 2018 Private
	\$300m	PVC and caustic soda producer	30% FIH ownership 7-year debentures Private
	\$174m	Grain management	90% FIH ownership Private
	\$74m	Specialty chemical manufacturer	49% FIH ownership Public
	\$27m	Indian stock exchange	1% FIH ownership Private
	\$30m	Container freight stations	51% FIH ownership Private
	\$186m	Private sector bank	51% FIH ownership – expected to close Q2 2018 Private

(1) Compound annual growth rate in Fairfax India's book value per share (before performance fee) since its IPO price of \$10 per share on January 30, 2015

- Fairfax Africa raised \$500 million through an IPO and private placement
- Fairfax Financial contributed \$325 million including our interest in Afgri Group for a 64.2% ownership
- Fairfax Africa made two additional investments in 2017 – Atlas Mara and Nova Pioneer
- Significant pipeline of opportunities currently in progress

Investment Portfolio

\$36.9 billion at December 31, 2017⁽¹⁾



Investment Portfolio Well Positioned

- Not focused on short term results
- Capital preservation a priority
- Cash and short term holdings in excess of \$17 billion to selectively take advantage of opportunities
- Low duration portfolio given sizeable cash and low duration bond portfolio
- We have not deviated from our long term value-oriented investment philosophy

(1) Net of short sale and derivative obligations; investments in associates at carrying value; excludes Fairfax India and Fairfax Africa portfolio investments

Total Return on Investment Portfolio



Listed Consolidated Non-Insurance Operations

<i>At December 31, 2017</i>	Carrying Value <i>(\$ millions)</i>	Per FFH Share	Unrealized Gain/(Loss) <i>(\$ millions)</i>
Grivalia	573	\$21	(4)
Cara	519	19	(33)
Thomas Cook India	450	16	547
Fairfax India	448	16	218
Fairfax Africa	292	11	168
	2,282	82	896

Largest Equity Holdings

	Carrying Value Dec 31, 2017 <i>(\$ millions)</i>	Per FFH Share
ICICI Lombard	549	\$20
Blackberry Limited	512	18
Eurobank Ergasias	395	14
Commercial Intl Bk	367	13
BDT Capital Partners (Oak Fund)	355	13
Resolute Forest Products	321	12
APR Energy	309	11
USG Corp	253	9
Kennedy-Wilson	214	8
KWF Real Estate LPs	213	8
Top 10	3,489	126

Debt and Warrant Deals

	Principal <i>(\$ millions)</i>	Coupon	Warrant Maturity	Warrant Strike Price <i>(local currency)</i>	Current Stock Price	Potential Ownership
Seaspan	500	5.5%	2025	6.50	7.75	37%
Chorus Aviation	155	6.0%	2024	8.25	8.18	16%
AGT Foods	148	5.4%	2024	33.25	16.37	19%
Mosaic Capital	116	5.7%	2024	8.81	5.65	62%
Altius Minerals	78	5.0%	2024	15.00	14.18	13%
Westaim	<u>39</u>	<u>5.0%</u>	2024	3.50	3.11	8%
	1,036	5.5%				

Financial Strength

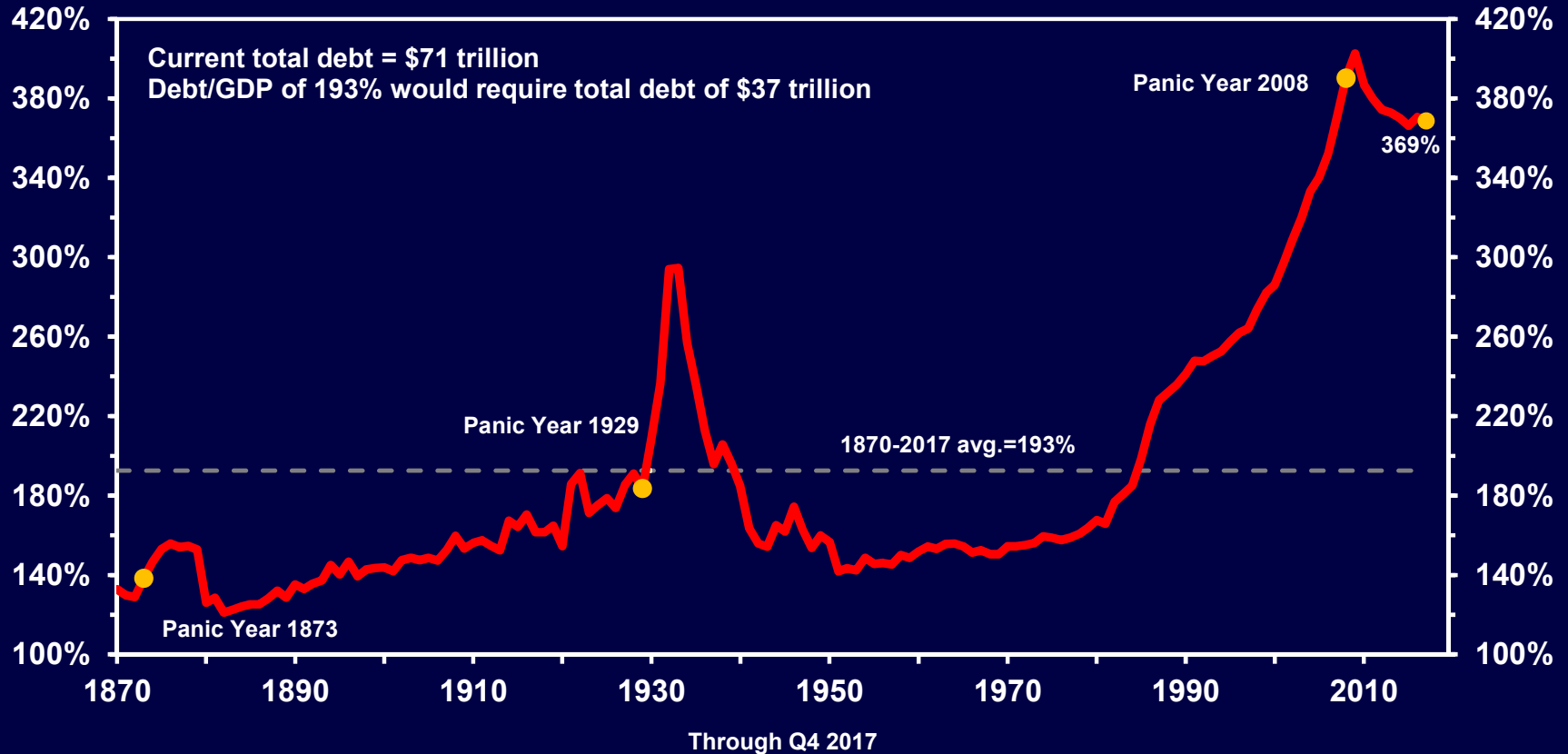
At December 31, 2017 (\$ millions)	Consolidated	Excluding Non-Insurance Company Debt
Holding company cash and investments	2,357	2,357
Borrowings - holdco and (re)insurance companies	4,848	4,848
Borrowings - non-insurance companies	1,566	-
Total debt	6,414	4,848
Common shareholders' equity	12,476	12,476
Preferred stock	1,336	1,336
Non-controlling interests	4,601	1,726
Total capital	24,826	20,385
Total debt/total capital	25.8%	23.8%
Net debt/net total capital	18.1%	13.8%
Interest coverage	7.1x	8.0x

Debt Refinancing

- Completed \$1.85 billion bond raising initiative in Canada (\$512 million), Europe (\$738 million) and the United States (\$600 million)
- Will have refinanced essentially all bond maturities for the next four years
- Saving \$50 million in interest expense annually and locking in lower interest expense for the next ten years

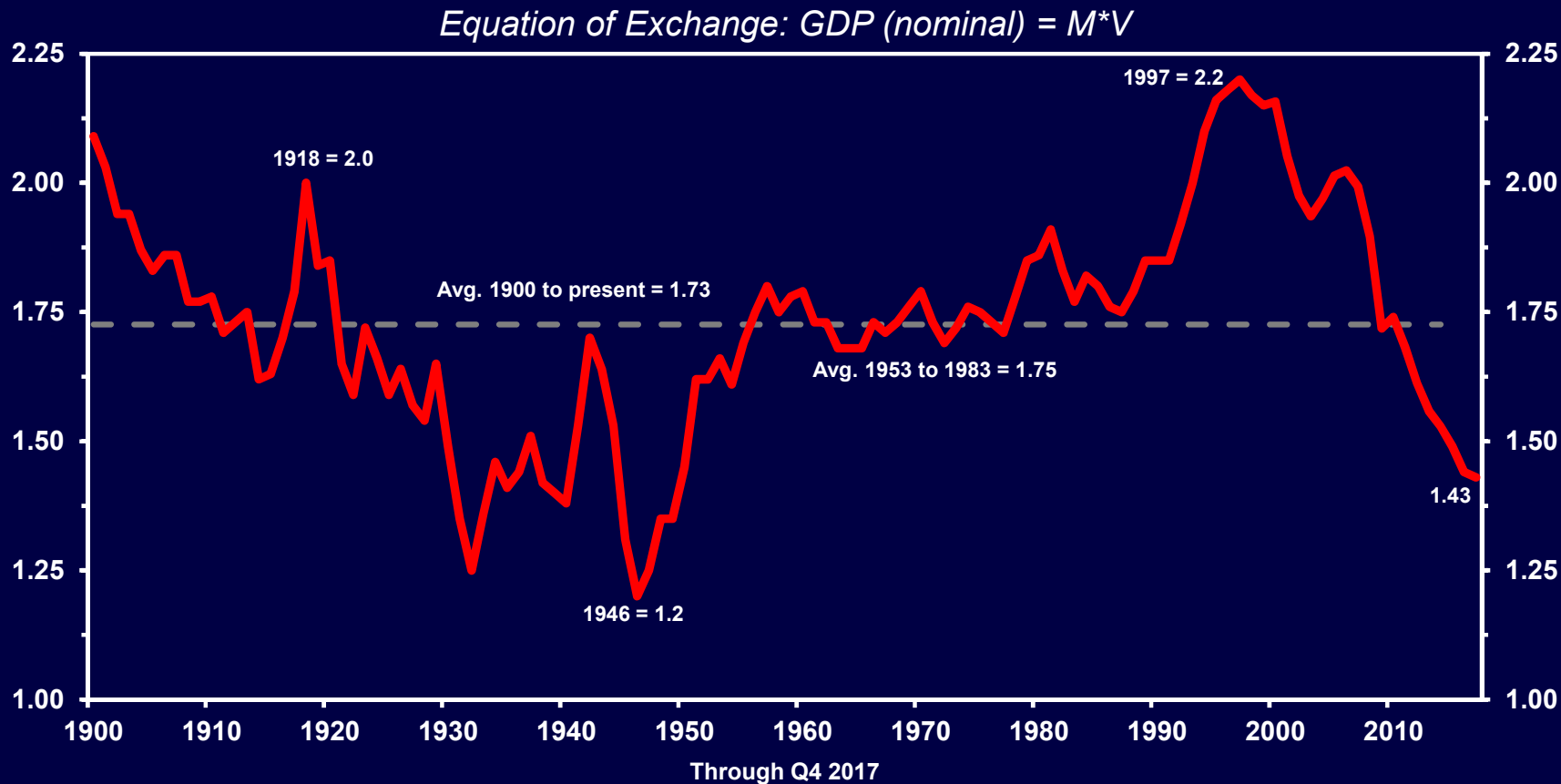
Risks

U.S. Private and Public Debt as % of GDP



Risks

Velocity of Money 1900-2017



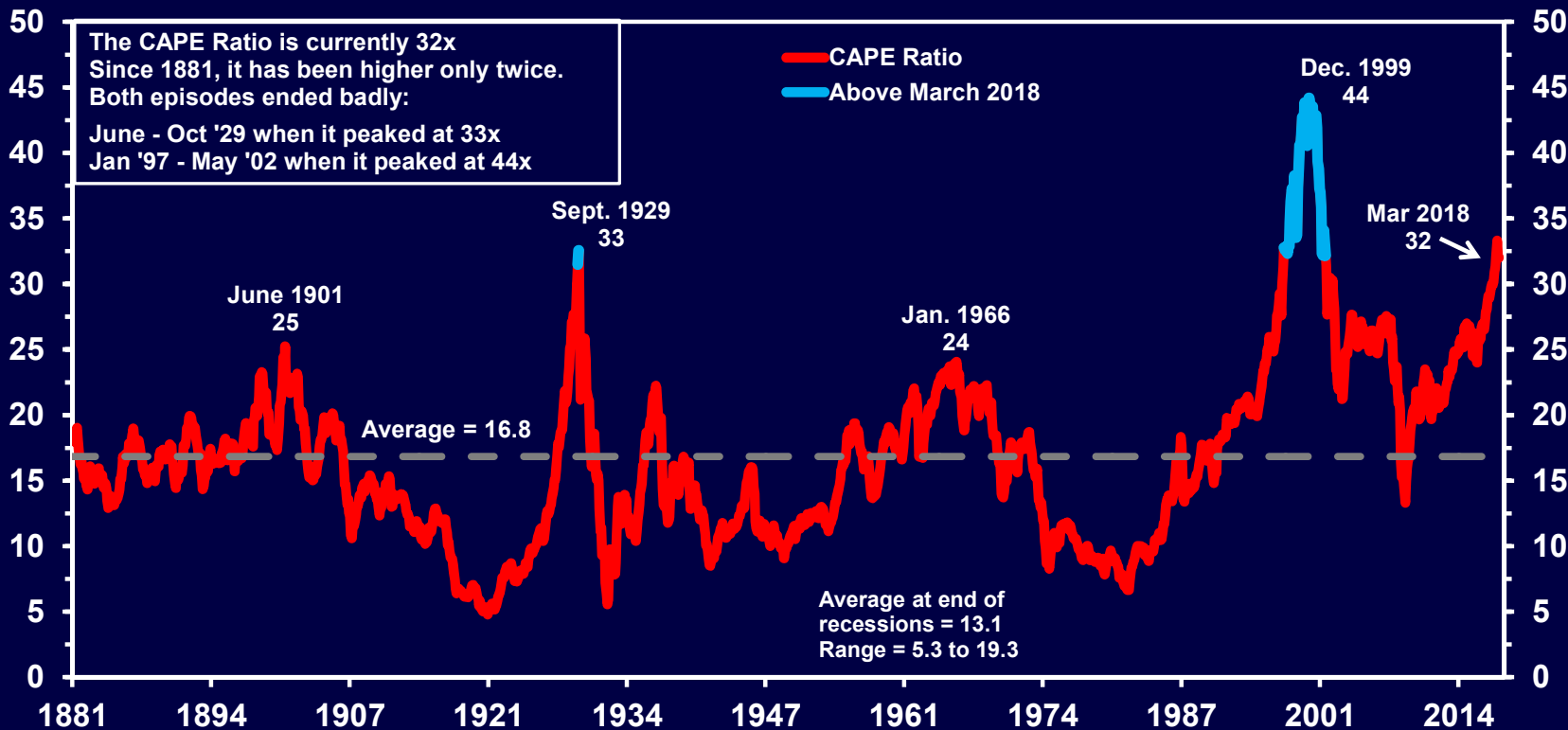
Risks

Long Term Treasury Rate 1871-2017



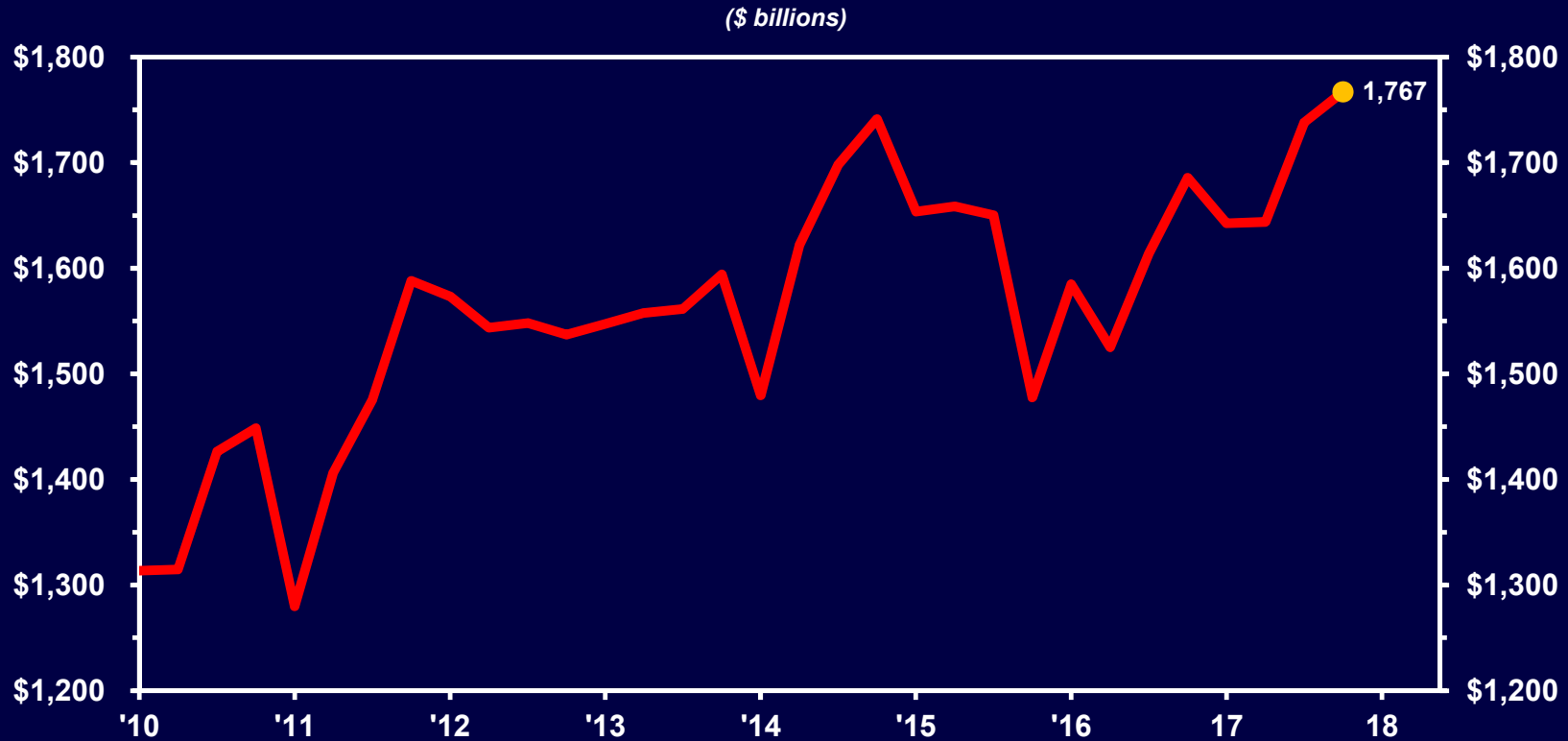
Risks

Cyclically Adjusted P/E Ratio – S&P 500



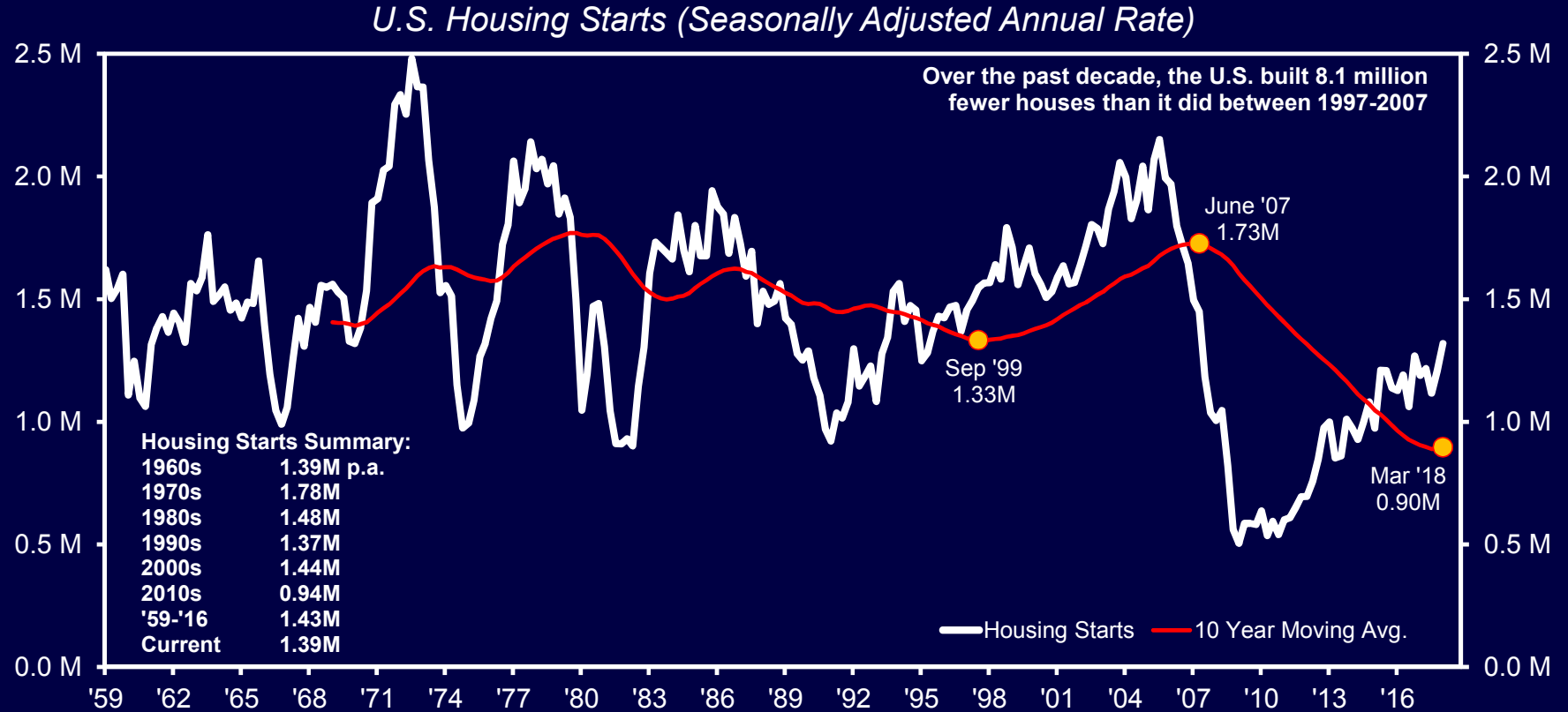
Risks

U.S. Corporate After-Tax Profits



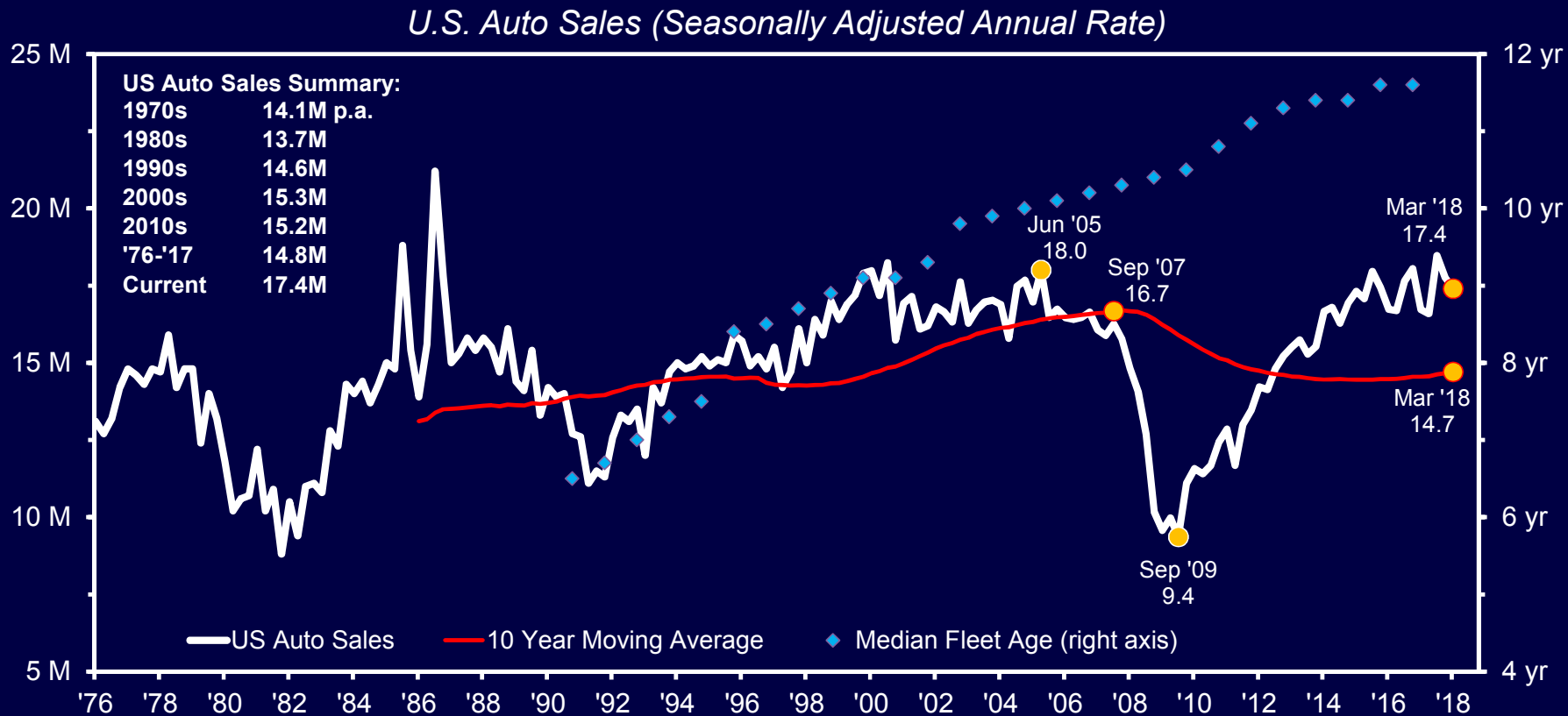
Through Q4 2017

Pent-Up Demand U.S. Housing Starts



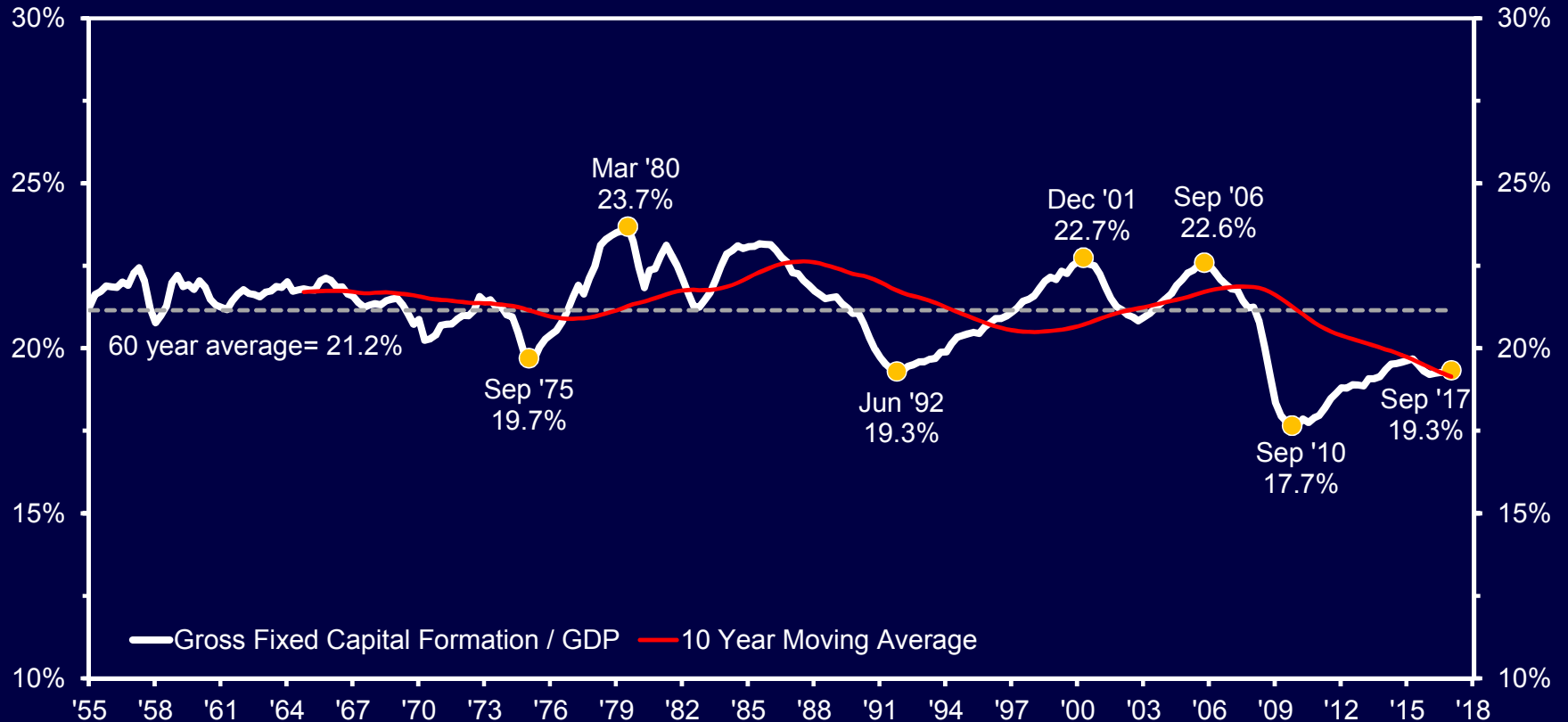
Pent-Up Demand

U.S. Auto Sales and Median Fleet Age



Pent-Up Demand

U.S. Gross Fixed Capital Formation to GDP



Next Decade - Building on Fairfax's Strengths

- Our guiding principles have remained intact
- Excellent long term performance
- Demonstrated strengths
 - Strong operating subsidiaries focused on underwriting profitability and prudent reserving
 - Conservative investment management providing excellent long term returns
- Well positioned for the future
 - Fair and friendly Fairfax culture

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