
FAIRFAX

FINANCIAL HOLDINGS LIMITED

Annual Meeting

April 16, 2015

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

Forward-Looking Statements

Certain statements contained herein may constitute forward-looking statements and are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements 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; risks associated with implementing our business strategies; 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 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 failure of any of the loss limitation methods we employ; the impact of emerging claim and coverage issues; our inability to access cash of our subsidiaries; our inability to obtain required levels of capital on favourable terms, if at all; loss of key employees; 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. 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. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements.

Guiding Principles

Objectives

- We expect to compound our 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 and shareholders – 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

Guiding Principles

Structure

- Our companies are decentralized and run by the presidents except for performance evaluation, succession planning, acquisitions and financing, which are done by or with Fairfax. 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 head office 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!

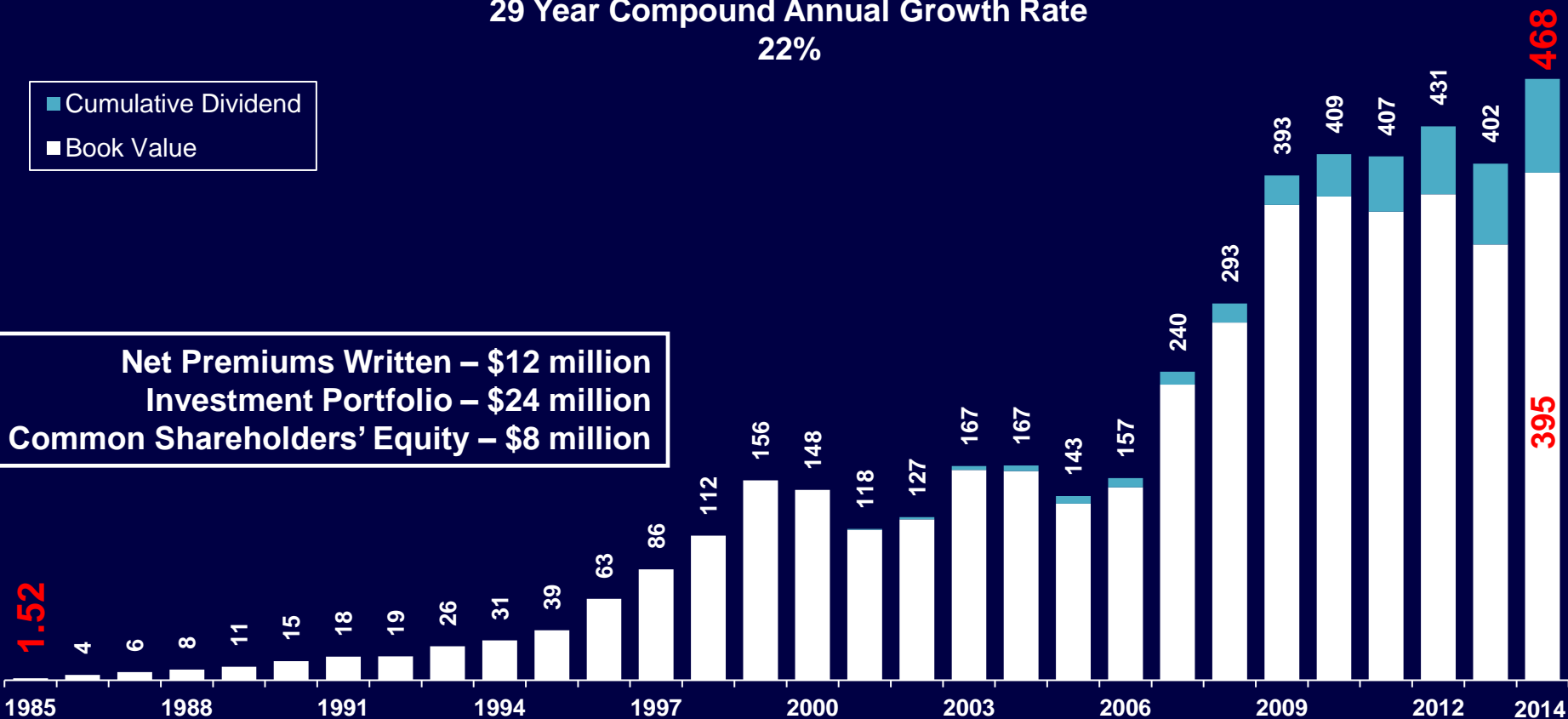
Fairfax – 29 Years

Book Value per Share plus Dividends (\$)

Net Premiums Written – \$6.1 billion*
Investment Portfolio – \$26.2 billion
Common Shareholders' Equity – \$8.4 billion

29 Year Compound Annual Growth Rate
22%

■ Cumulative Dividend
■ Book Value



Net Premiums Written – \$12 million
Investment Portfolio – \$24 million
Common Shareholders' Equity – \$8 million

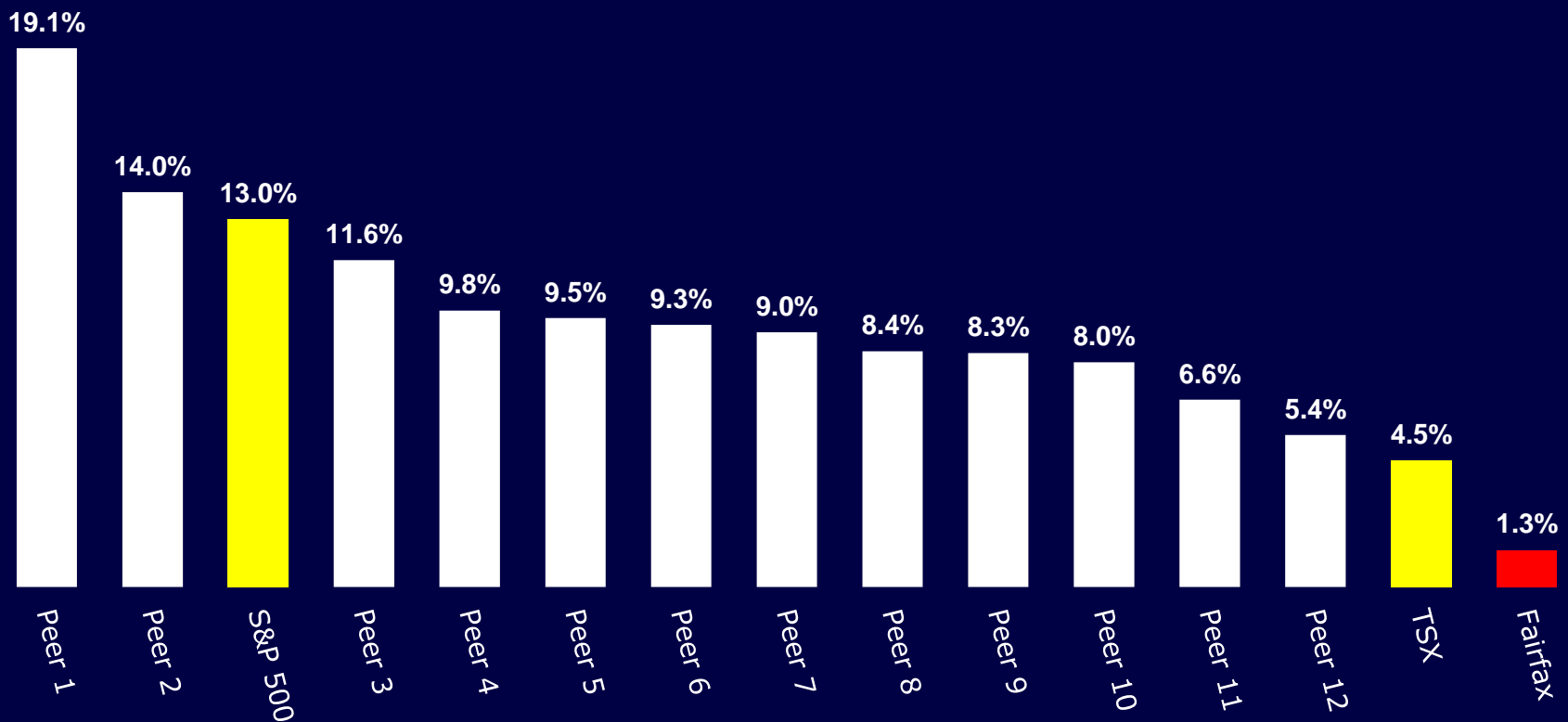
Financial Results

	<u>Book Value per Share ⁽¹⁾</u>	<u>% Change</u>
2007	\$ 230	
2008	\$ 278	21%
2009	\$ 370	33%
2010	\$ 376	2%
2011	\$ 365	(3%)
2012	\$ 378	4%
2013	\$ 339	(10%)
2014	\$ 395	16%

(1) Excludes dividends paid

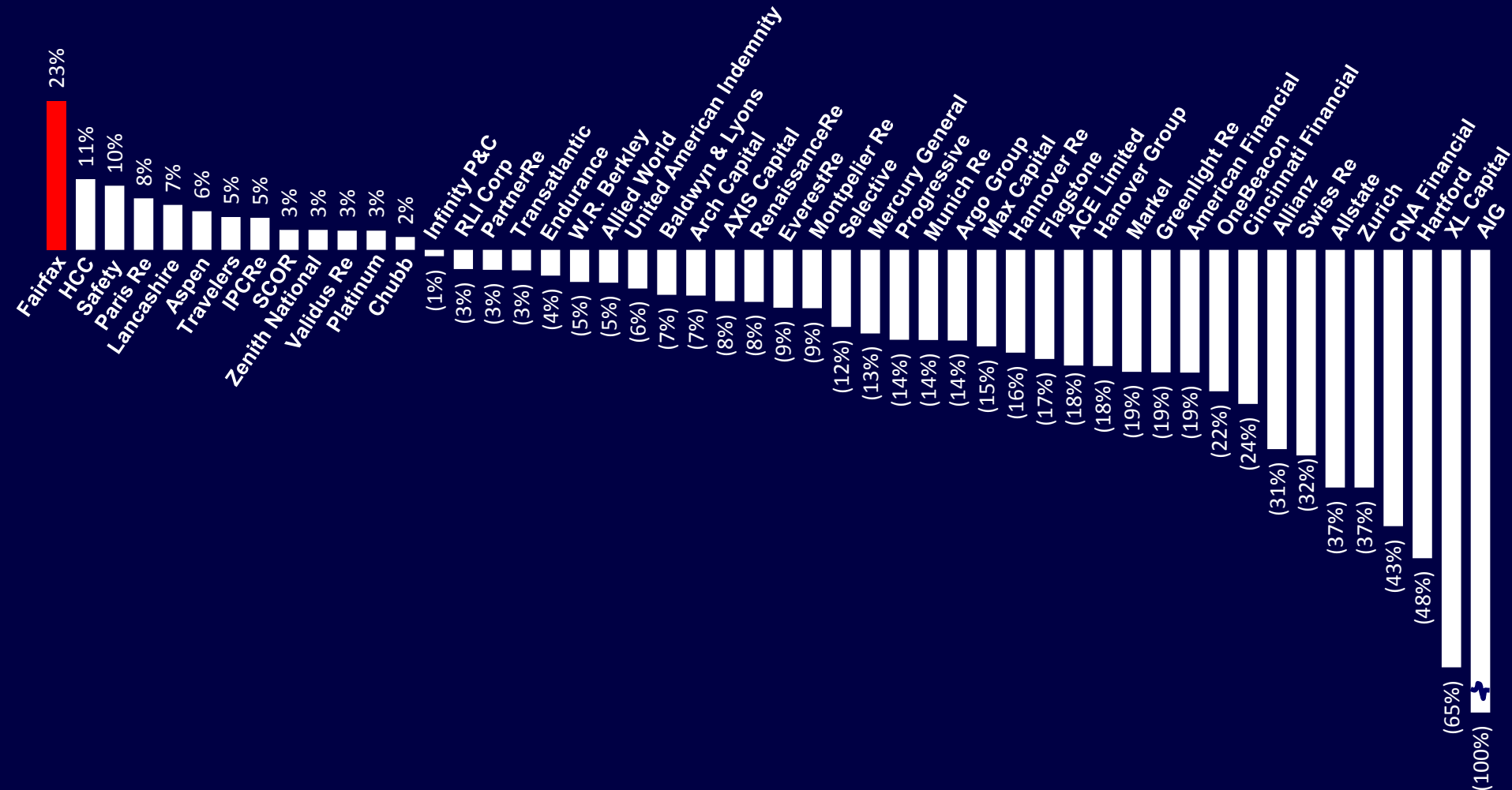
Historic Performance vs. Peer Group

Compound Growth in Book Value per Share (5 Years ending 2014) ⁽¹⁾



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

2008 Change in Book Value per Share

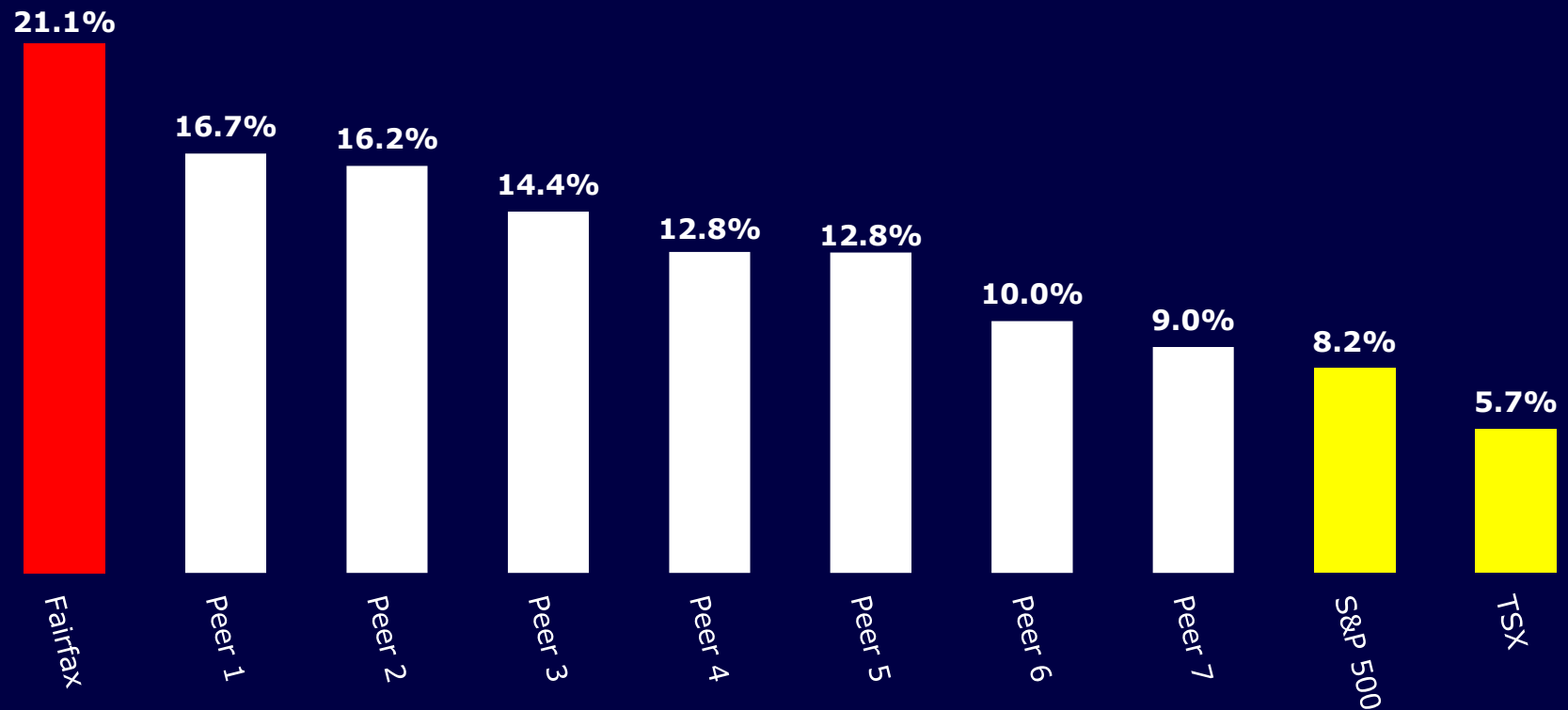


SOURCE: Dowling & Partners, IBNR #12

Fairfax and AIG calculated using the same methodology as Dowling & Partners, based on company data (AIG excludes government financing)

Historic Performance vs. Peer Group

Compound Growth in Book Value per Share (29 Years: since Fairfax's inception) ⁽¹⁾



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

Sources of Net Earnings in 2014

(\$ millions)

Underwriting profit – (combined ratio of 90.8%)	552
Investment income and other	441
Operating income	993
Other ⁽¹⁾	(391)
Realized investment gains	778
Pre-tax income including realized investment gains	1,379
Unrealized investment gains (mostly from bonds)	1,153
Hedging losses	(195)
Pre-tax income	2,338
Net earnings	1,665

Underwriting Results in 2014

	Combined Ratio	Underwriting Profit
		(\$ millions)
Northbridge	95.5%	43
Crum & Forster	99.8%	2
Zenith	87.5%	90
OdysseyRe	84.7%	360
Fairfax Asia	86.7%	36
Other Insurance and Reinsurance	94.7%	21
Consolidated	90.8%	552

Net Gains on Investments in 2014

	Realized Gains <u>(Losses)</u> (\$ millions)	Unrealized Gains <u>(Losses)</u> (\$ millions)	Net Gains <u>(Losses)</u> (\$ millions)
Equity and equity related investments	597	(55)	542
Equity hedges	13	(208)	(195)
Net equity	610	(263)	347
Bonds	103	1,134	1,237
CPI-linked derivatives	-	18	18
Other	78	56	134
	<u>791</u>	<u>945</u>	<u>1,736</u>

Net Gains on Investments 2010 – 2014

	Realized Gains (Losses) (\$ millions)	Unrealized Gains (Losses) (\$ millions)	Net Gains (Losses) (\$ millions)
Equity and equity related investments	3,364	(146)	3,218
Equity hedges	(1,331)	(2,374)	(3,705)
Net equity	<u>2,033</u>	<u>(2,520)</u>	<u>(487)</u>
Bonds	1,724	667	2,391
CPI-linked derivatives	-	(444)	(444)
Other	(131)	174	43
	<u>3,626</u>	<u>(2,123)</u>	<u>1,503</u>

Accident Year Combined Ratios

	2005-2014	
	Cumulative Net Premiums Written	Average Combined Ratio
	(\$ billions)	
Northbridge	Cdn 10.8	100.3%
Crum & Forster	10.4	102.2%
OdysseyRe	21.6	93.2%
Fairfax Asia	1.5	87.3%
	44.3	96.8%

Accident Year Reserve Redundancies

Average Annual Reserve Redundancies 2004-2013

Northbridge	11.7%
Crum & Forster	3.9%
OdysseyRe	11.1%
Fairfax Asia	6.7%

Importance of Float

	Year-End		
	<u>Operating Companies</u>	<u>Total (including Runoff)</u>	<u>Per Share</u>
1985	\$ 12.5 million	\$ 12.5 million	\$ 3
2014	\$ 11.6 billion	\$ 15.1 billion	\$ 711

10 year average cost of float: 0.3%
(2005 – 2014)

Importance of Float

	Year-End 2014	
	(\$ millions)	Per Share
Total Float	15,065	\$ 711
Common Shareholders' Equity	8,361	\$ 395
Net Liabilities	2,767	\$ 131
Total Investment Portfolio	26,193	\$ 1,237
Investment Portfolio including Brit	30,229	\$ 1,354
Investment Portfolio in 1985	24	\$ 5

Pre-Tax Income – Runoff Operations

	(\$ millions)
2007	188
2008	393
2009	31
2010	165
2011	351
2012	184
2013	(229)
2014	273
Cumulative (2007-2014)	1,356

Pre-Tax Realized and Unrealized Gains

	<u>Gains (Losses)</u> (\$ millions)	<u>Per Share</u>
1985	0.5	10¢
2008	2,144	\$ 118
2009	1,981	\$ 108
2010	(3)	-
2011	691	\$ 34
2012	643	\$ 31
2013	(1,564)	\$ (77)
2014	1,736	\$ 80
Cumulative Gains	\$11.7 billion	

Acquisitions in 2014 / 2015

- Brit PLC
- Pethealth – 100% ownership
- Fairfax Indonesia – 80% ownership
- MCIS Insurance Berhad (Malaysia)
- Union Assurance (Sri Lanka) – 78% ownership
- Fairfax Eastern Europe (Slovakia/Hungary/Czech Republic/Ukraine)

- Insurance bolt-on acquisitions
- Runoff acquisitions
- Fairfax India

Investment Performance

Hamblin Watsa Investment Performance

	As at December 31, 2014		
	5 Years	10 Years	15 Years
Common stocks (with equity hedging)	(2.7)%	6.5%	11.6%
S&P 500	15.5%	7.7%	4.2%
Taxable bonds	10.2%	11.1%	11.5%
Merrill Lynch U.S.corporate (1-10 year) bond index	5.5%	5.0%	6.1%

Note: Bonds do not include returns from credit default swaps.

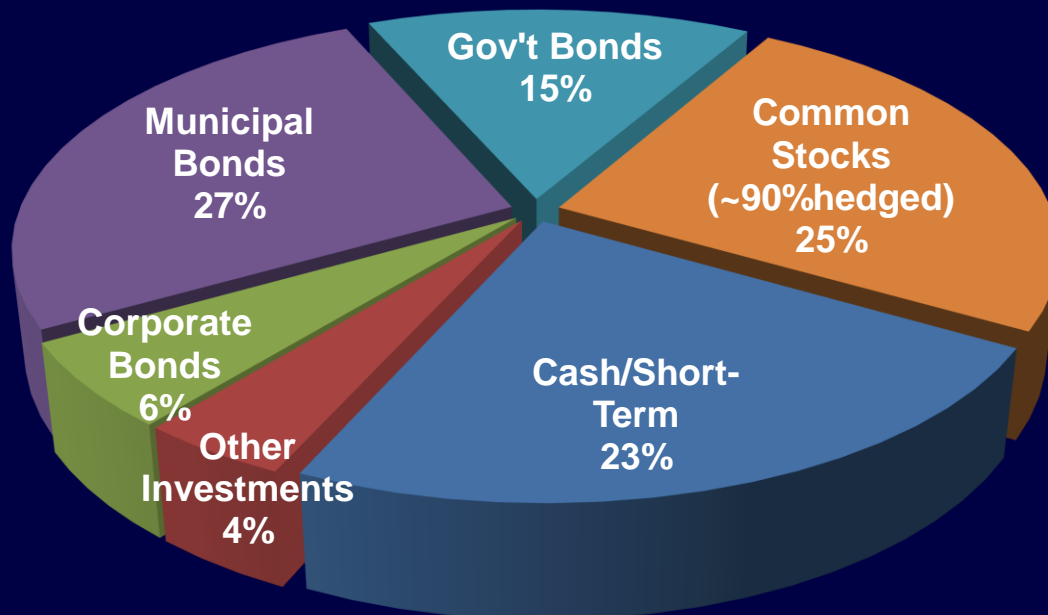
Investment Performance

Hamblin Watsa Investment Performance

	Compound Annual Returns		
	5 Years	10 Years	15 Years
<u>December 31, 2014</u>			
Common stocks (with equity hedging)	(2.7%)	6.5%	11.6%
S&P 500	15.5%	7.7%	4.2%
<u>December 31, 2013</u>			
Common stocks (with equity hedging)	3.2%	7.6%	13.5%
S&P 500	17.9%	7.4%	4.7%
<u>December 31, 2012</u>			
Common stocks (with equity hedging)	5.5%	14.5%	13.5%
S&P 500	1.7%	7.1%	4.5%

Fairfax's Investment Portfolio Remains Defensive

Fairfax Investment Portfolio \$26.2 billion at December 31, 2014⁽¹⁾



Investment Portfolio Well Positioned

- No focus on short term earnings
- Capital preservation a priority
- Positioned to take advantage of opportunities
- Fairfax capital base has benefitted significantly from investment gains – locked in common equity gains
- We have not deviated from our long term value-oriented investment philosophy

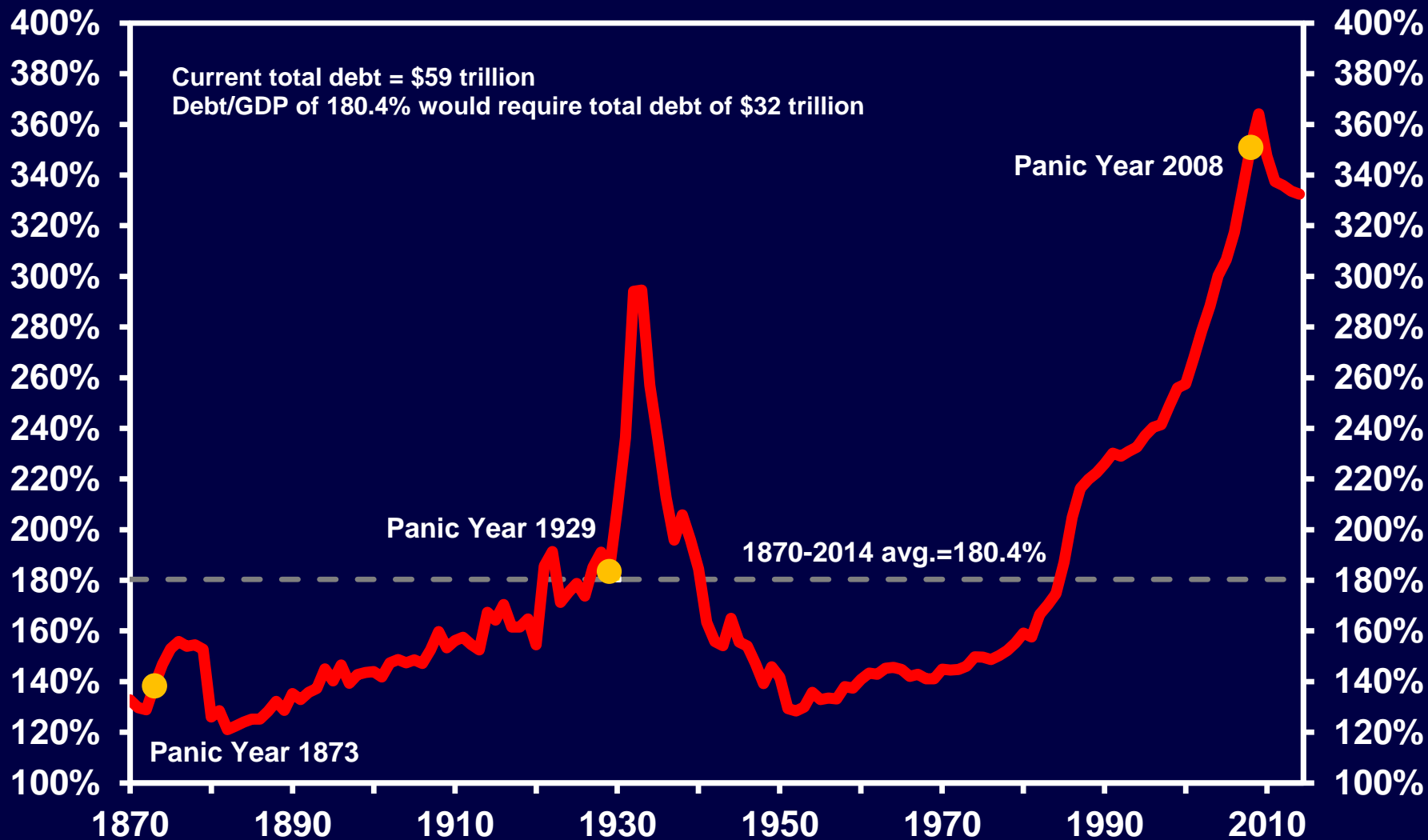
Investments not Carried at Market Value

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
	(\$ millions)	(\$ millions)	(\$ millions)
Insurance and reinsurance associates	440	673	234
Non-insurance associates	1,178	1,397	219
Thomas Cook India	270	473	203
Ridley	71	246	174
Total			<u>831</u>

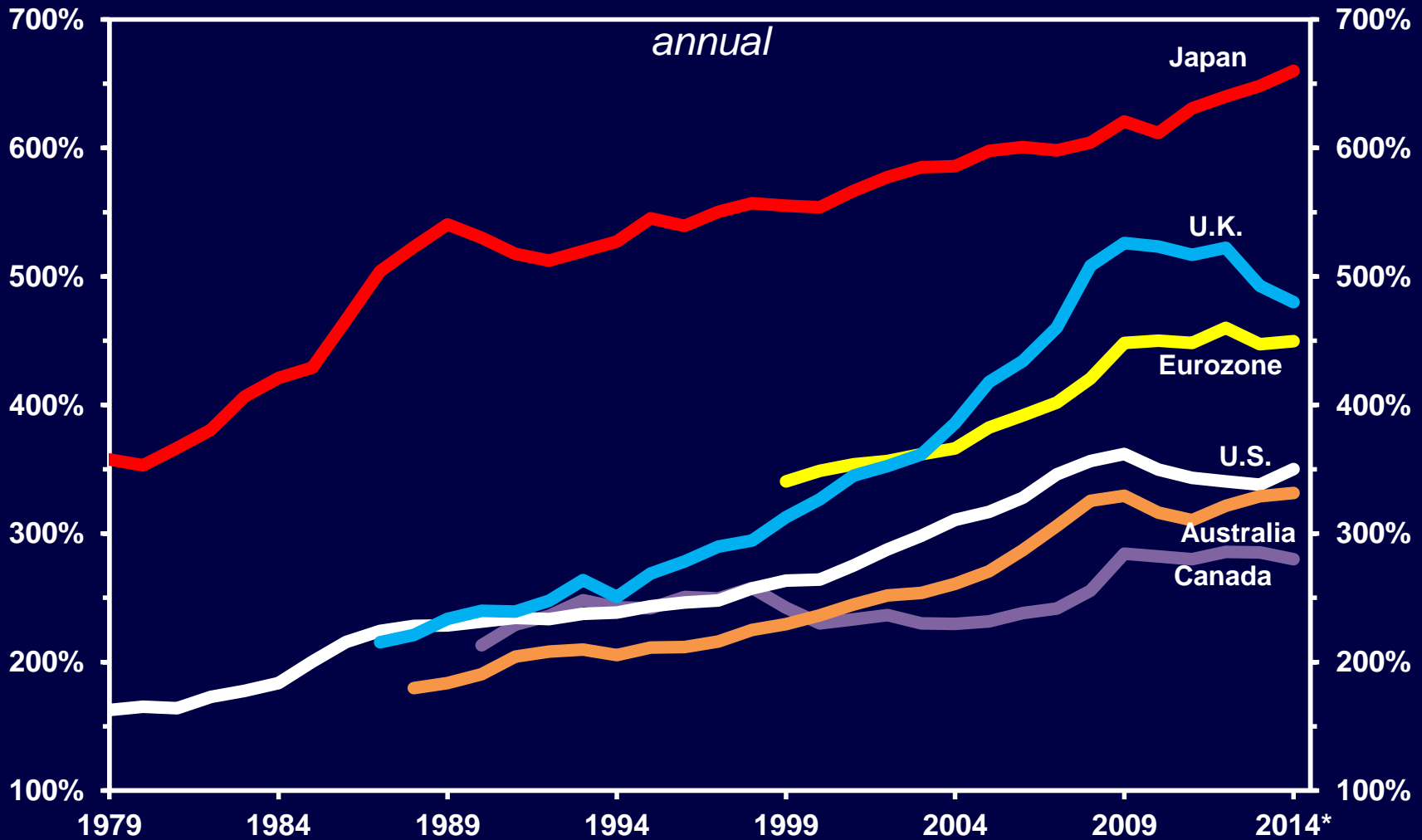
Emerging Markets and Asian Footprint

	Gross Premiums Written (\$ millions)	Ownership	Fairfax's Share of Gross Premiums Written (\$ millions)
First Capital (Singapore)	420	98%	411
Fairfax Brasil	158	100%	158
Polish Re	54	100%	54
Pacific Insurance (Malaysia)	75	100%	75
Falcon Insurance (Hong Kong)	82	100%	82
Fairfax Indonesia*	11	80%	9
Union Assurance (Sri Lanka)*	40	78%	31
	840		820
ICICI Lombard (India)	1,129	26%	293
Alltrust Insurance (China)	920	15%	138
Gulf Insurance (Middle East)	608	41%	252
Falcon Insurance (Thailand)	48	41%	19
Singapore Re	116	27%	32
Thai Re	201	30%	60
	3,022		795
Total	3,863		1,614

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



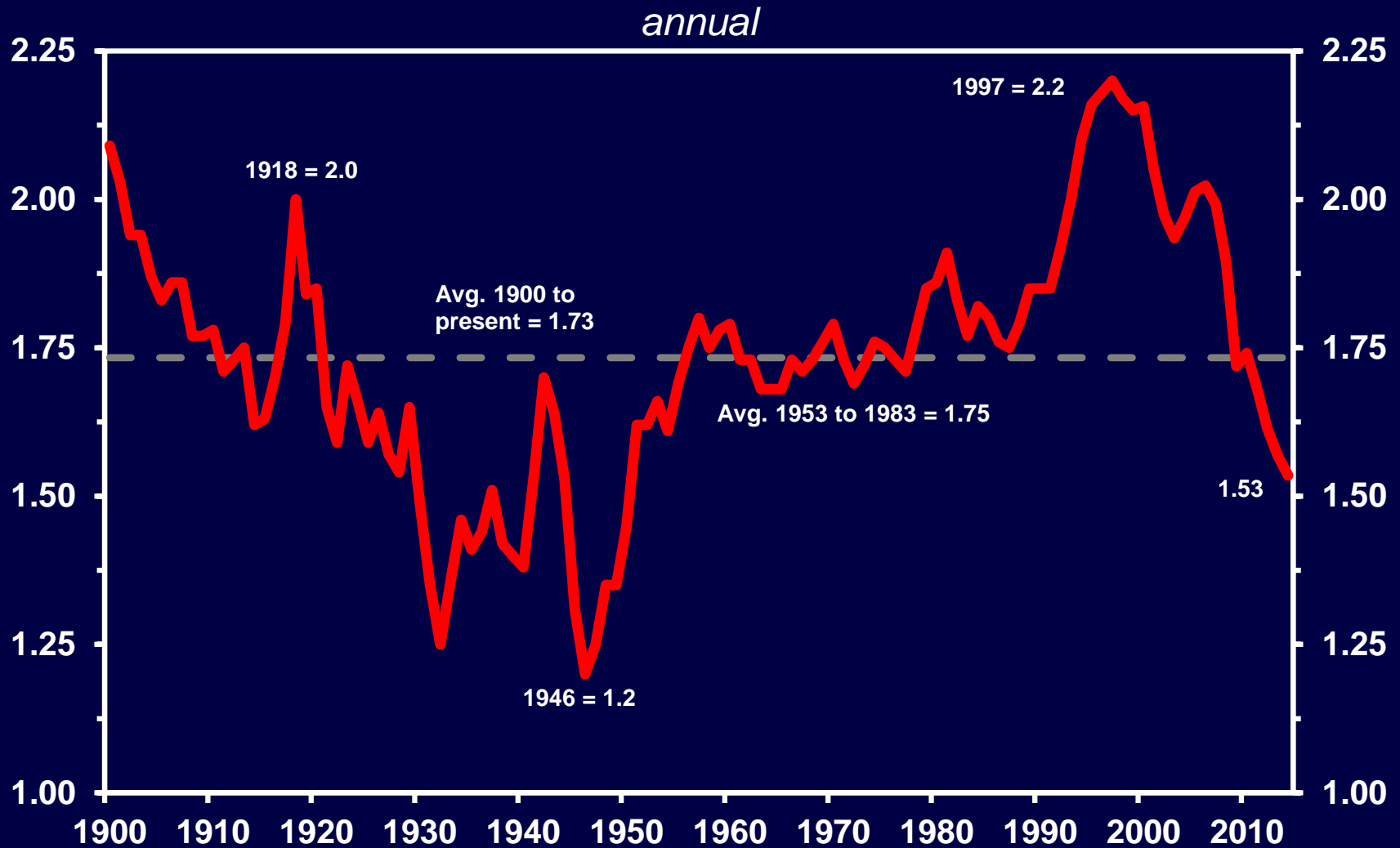
Total Public and Private Debt as a % of GDP – Major Countries



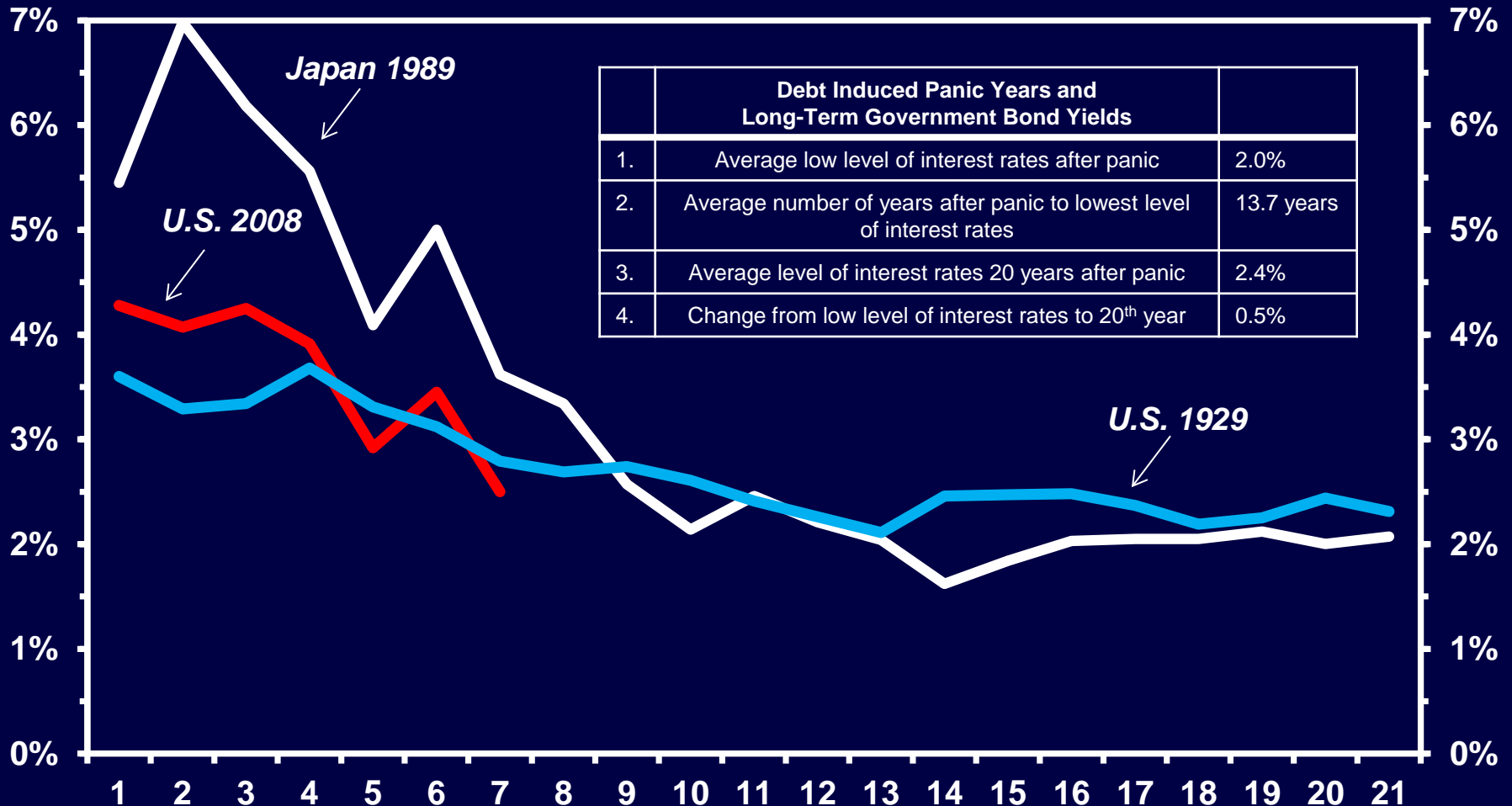
*Through Q2 2014, except U.S. which is through Q4 2014

Velocity of Money 1900-2014

$$\text{Equation of Exchange: GDP (nominal)} = M * V$$



Long Term Government Bond Yields Historic Panic Years

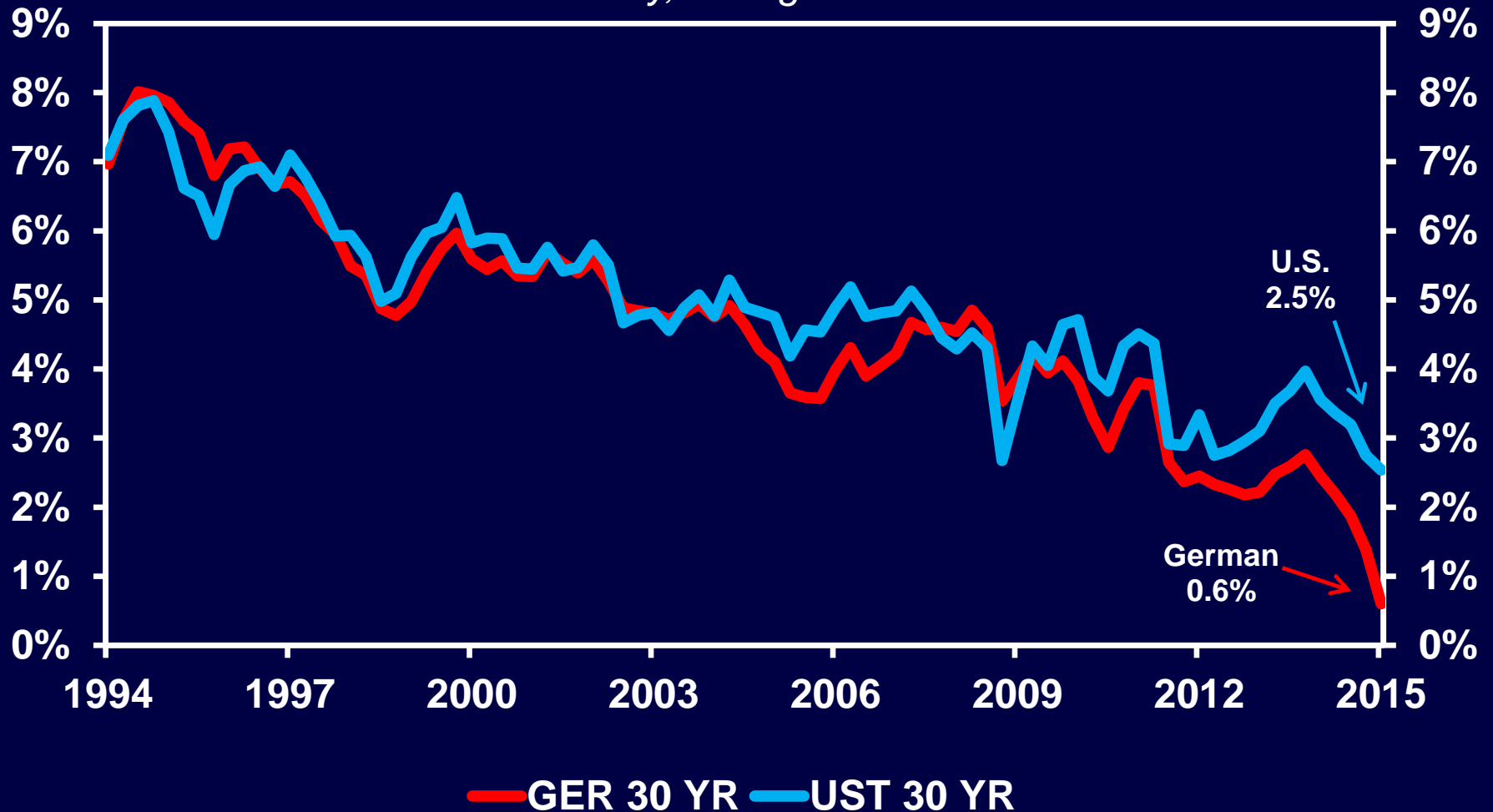


Long Term Treasury Rate 1871- Q1 2015

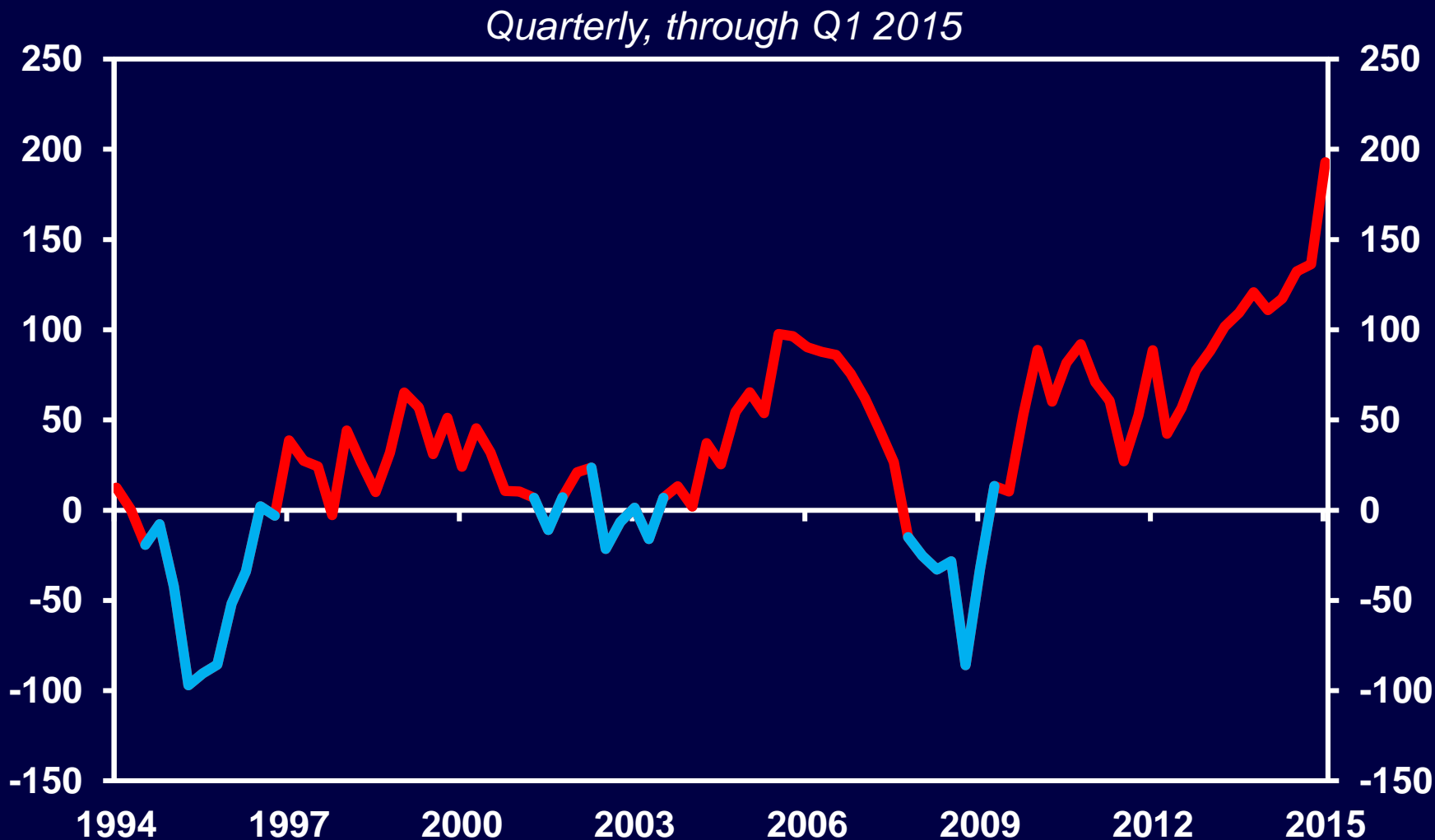


U.S. and German 30 Year Sovereign Yields

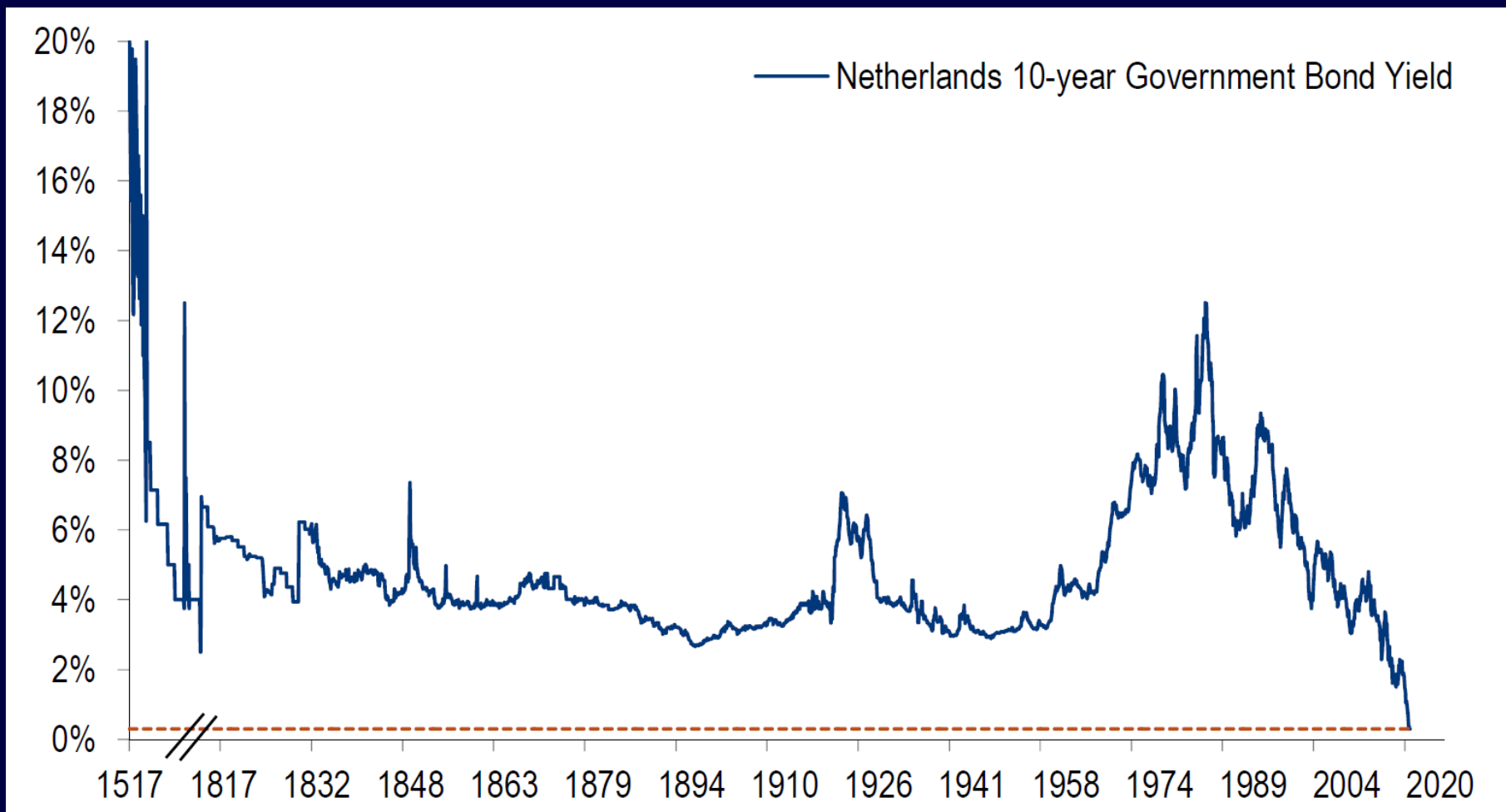
Quarterly, through Q1 2015



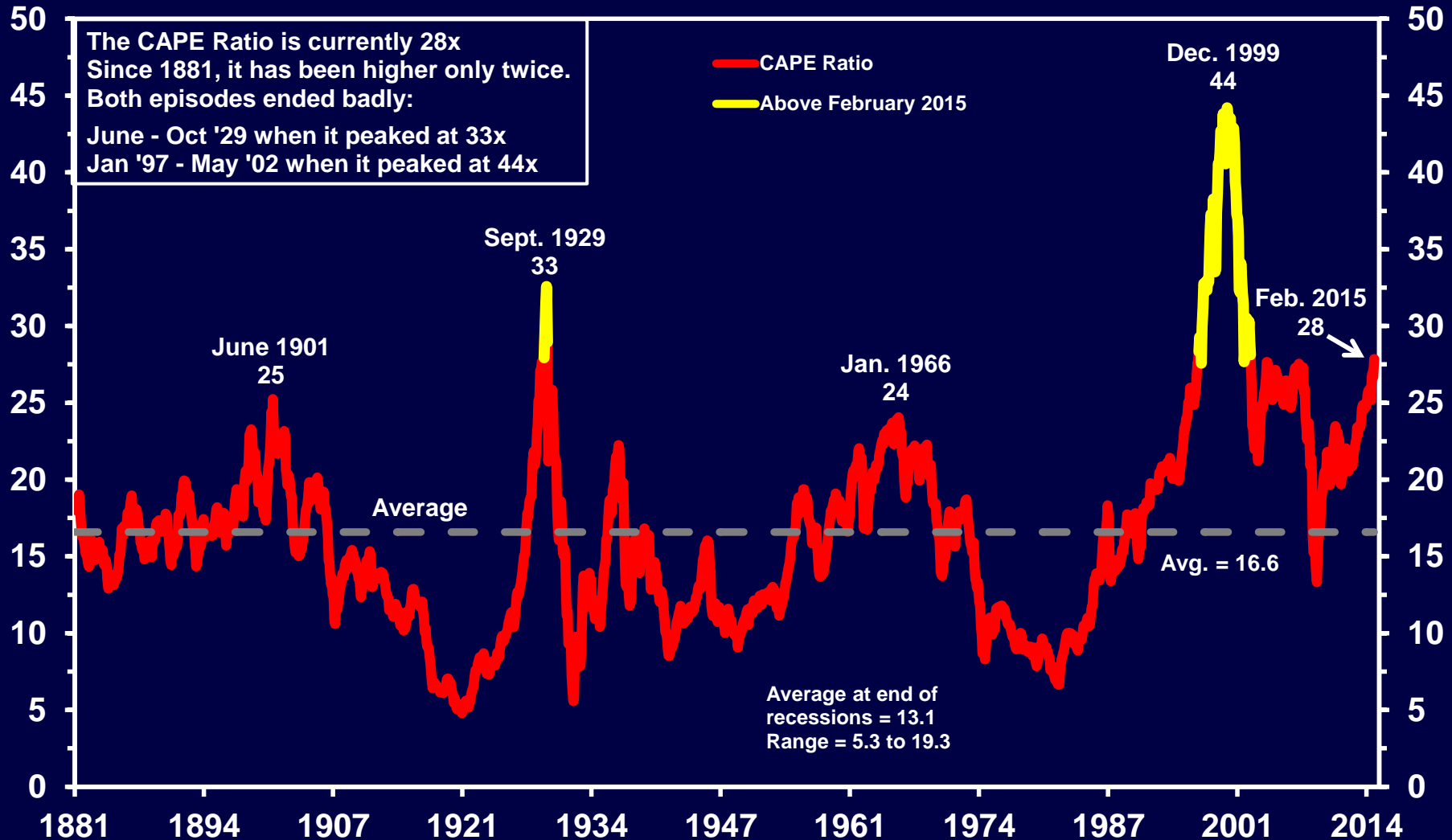
U.S. and German 30 Year Sovereign Yield Spread



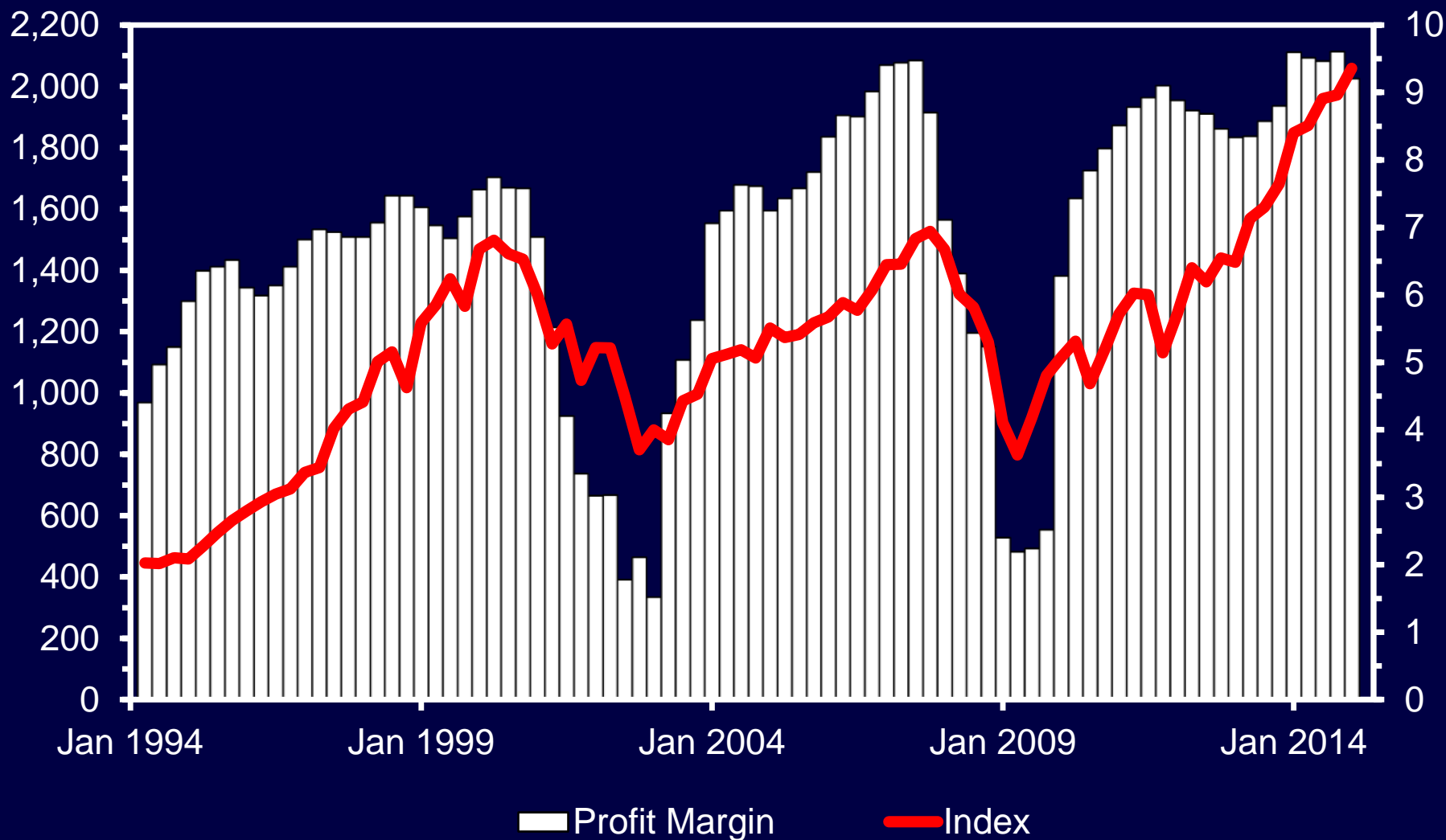
Netherlands 10 Year Sovereign Yield



Cyclically Adjusted P/E Ratio (S&P 500)

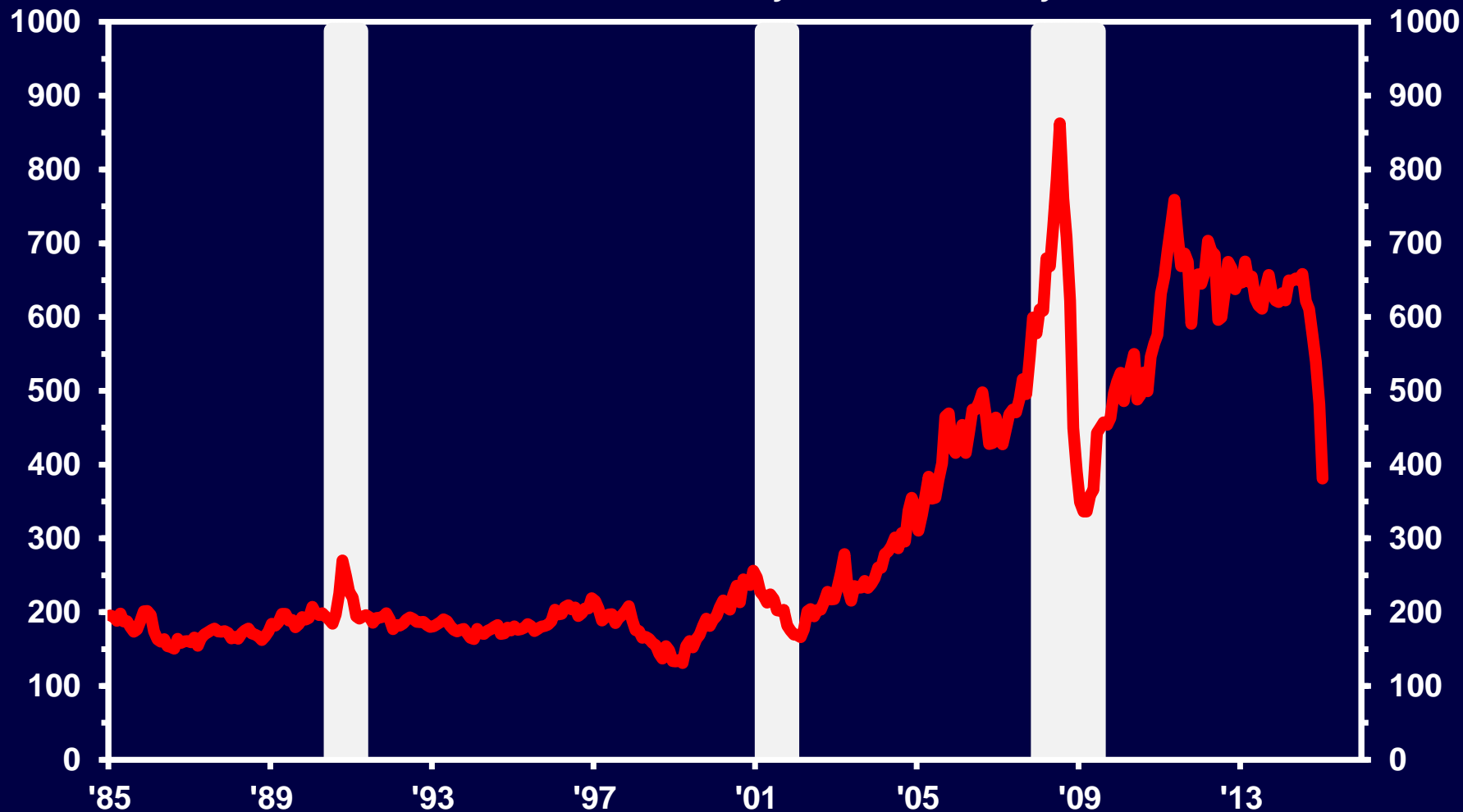


S&P 500 Index and Profit Margins

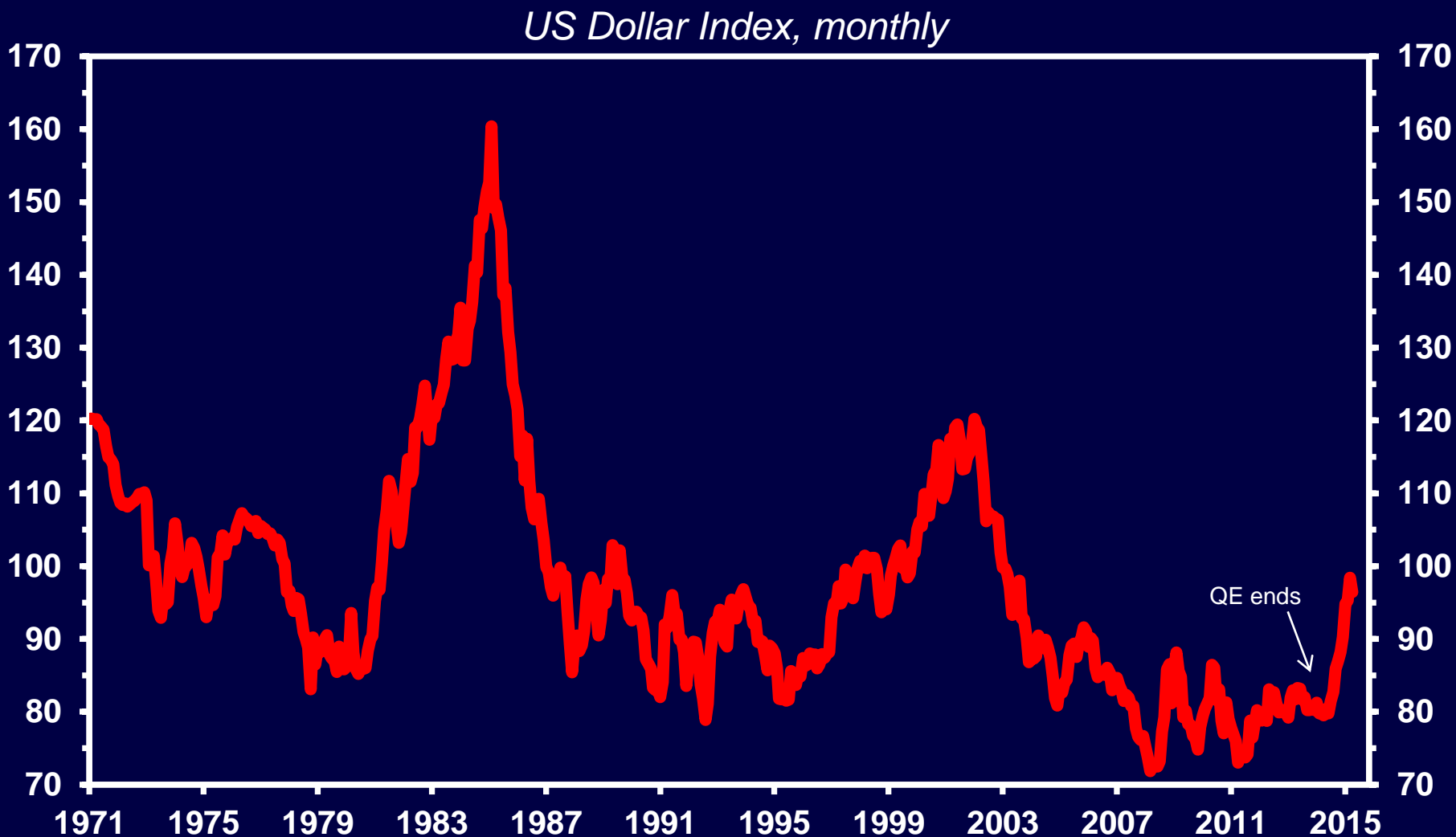


Commodity Price Declines

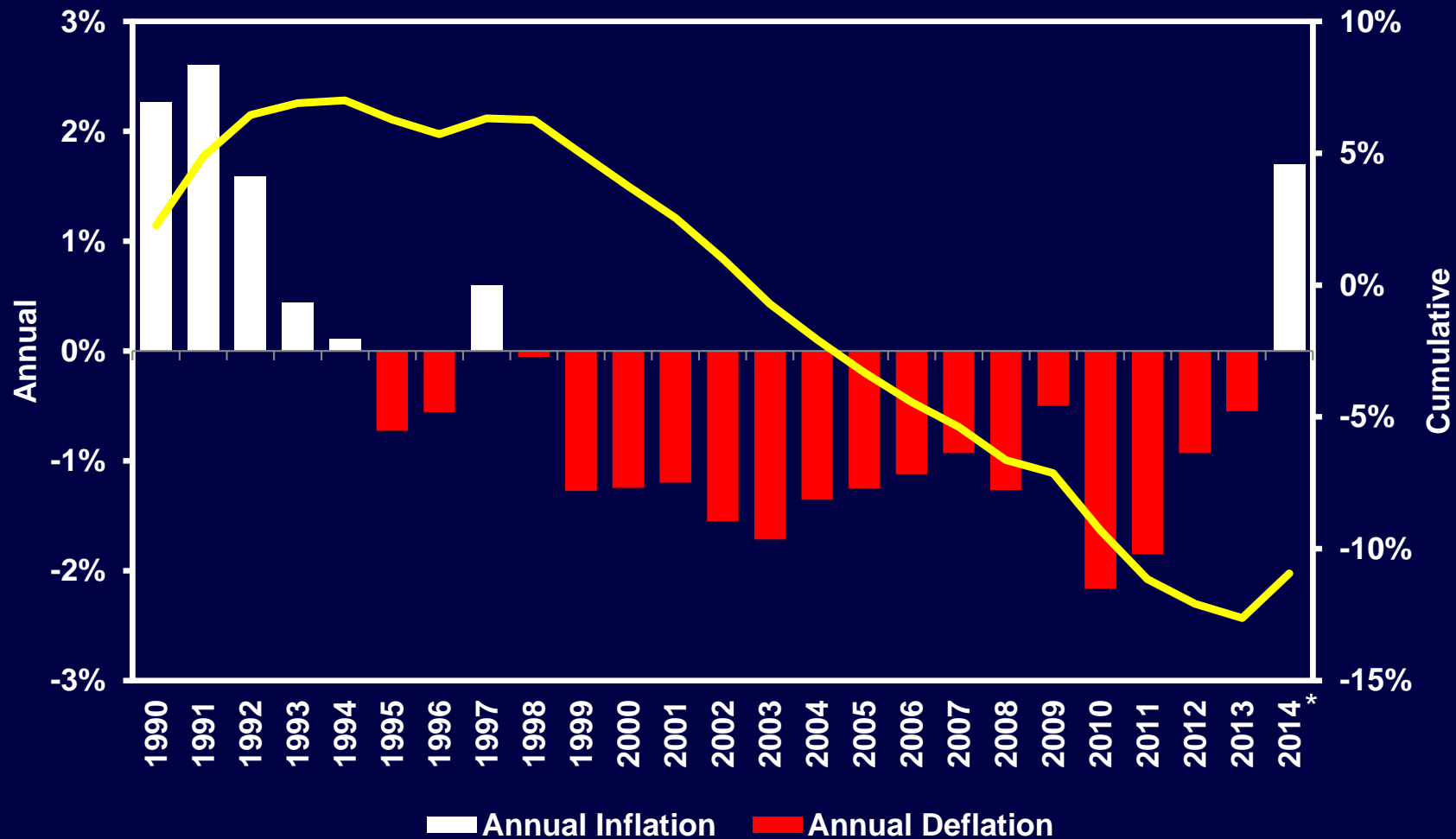
S&P GSCI Commodity Index, monthly



Upward Pressure on the Dollar



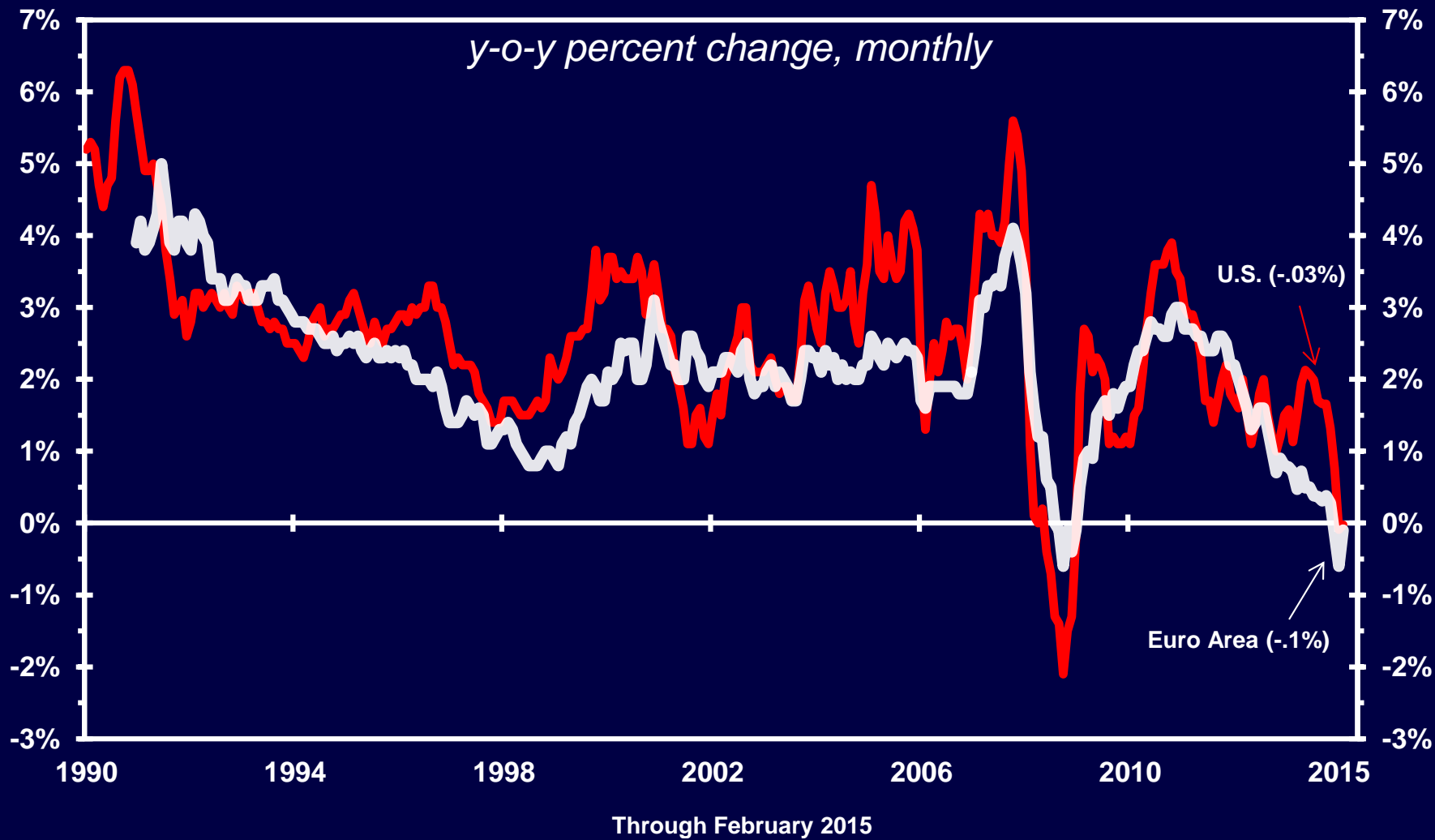
Deflation in Japan



* In April 2014 Japan raised its consumption tax from 5% to 8%

* Estimate - Japan Cabinet Office

U.S. and Euro Area Consumer Prices



Public High Tech Speculation

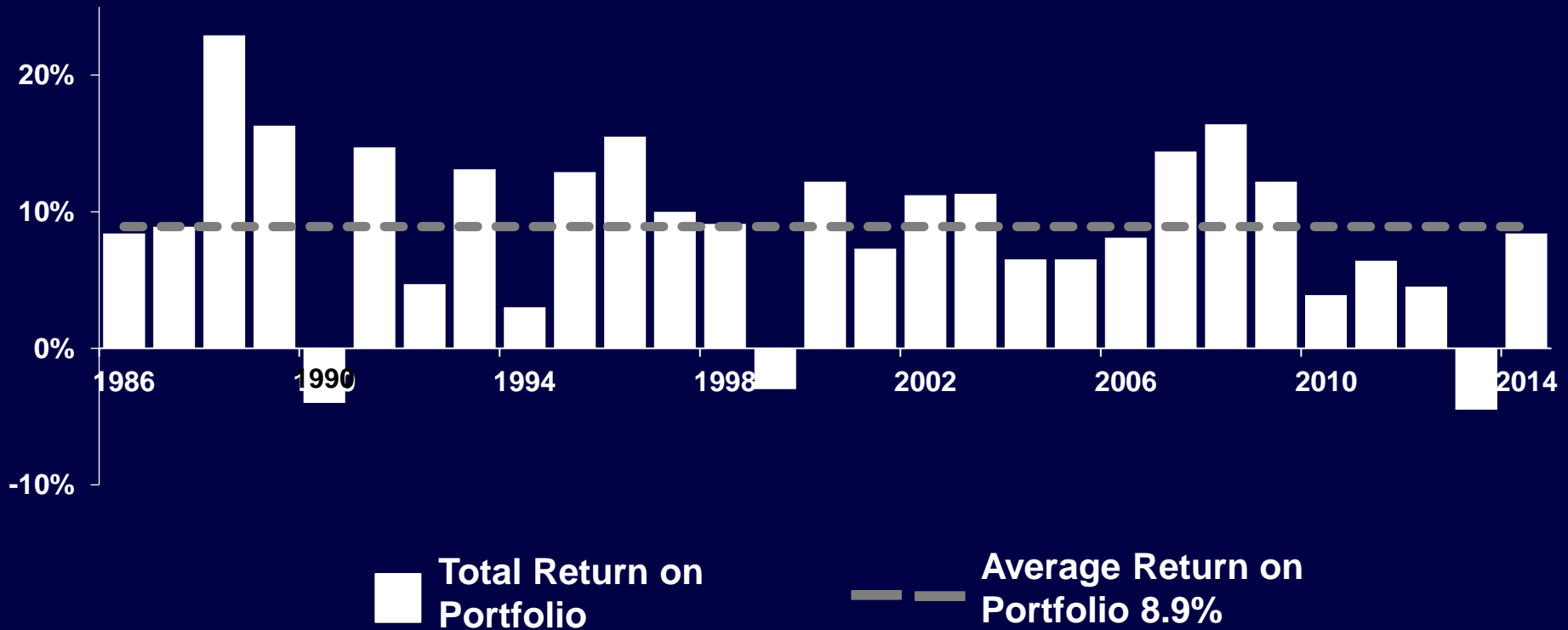
	Market Cap. (\$ billions)	P/E Ratio	Price to Sales
Social Media			
Twitter	31	(loss)	21x
Netflix	29	111x	5x
Facebook	223	73x	17x
LinkedIn	33	89x	15x
Yelp	3	358x	9x
Yandex	9	19x	6x
Tencent Holdings	164	46x	14x
Other Tech/Web			
Groupon	6	(loss)	2x
Service Now	12	(loss)	17x
Salesforce.com	40	(loss)	8x
Netsuite	8	(loss)	14x

CPI-Linked Derivative Contracts

December 31, 2014

<u>Underlying CPI Index</u>	<u>Notional Amount (\$ billions)</u>	<u>Cost (\$ millions)</u>	<u>Market Value (\$ millions)</u>	<u>Unrealized Gain (Loss) (\$ millions)</u>
United States	59	327	151	(175)
European Union	45	286	70	(215)
United Kingdom	5	24	5	(20)
France	3	18	12	(7)
	<u>112</u>	<u>655</u>	<u>238</u>	<u>(417)</u>

Fairfax Historic Total Return on Investment Portfolio



Ready for the 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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