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# FAIRFAX

FINANCIAL HOLDINGS LIMITED

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**Annual Meeting**

**April 15, 2021**

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; risks associated with the global pandemic caused by COVID-19, and the related global reduction in commerce and substantial downturns in stock markets worldwide; 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; our inability to maintain our long term debt ratings, the inability of our subsidiaries to maintain financial or claims paying ability ratings and the impact of a downgrade of such ratings on derivative transactions that we or our subsidiaries have entered into; 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; risks associated with any use we may make of derivative instruments; the failure of any hedging methods we may employ 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 or 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; 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 adverse requirements, 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 or significant litigation; 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; impairment of the carrying value of our goodwill, indefinite-lived intangible assets or investments in associates; our failure to realize deferred income tax assets; technological or other change which adversely impacts demand, or the premiums payable, for the insurance coverages we offer; disruptions of our information technology systems; assessments and shared market mechanisms which may adversely affect our insurance subsidiaries; and adverse consequences to our business, our investments and our personnel resulting from or related to the COVID-19 pandemic. Additional risks and uncertainties are described in our most recently issued Annual Report, which is available at [www.fairfax.ca](http://www.fairfax.ca), and in our Base Shelf Prospectus (under "Risk Factors") filed with the securities regulatory authorities in Canada, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Fairfax cautions readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

# Guiding Principles

## 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

# Guiding Principles

## 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!

# We have Successfully Navigated the Pandemic

- COVID-19 closed down the economies of more than 180 countries
- We had 15,000 employees working from home across the world without missing a beat
- No COVID-19 related layoffs at any of our insurance operations
- Joined the Black North Initiative in Canada

# *We have Successfully Navigated the Pandemic*

## **– Strong Underwriting**

	<b>Combined Ratio</b>	<b>Covid-19 Losses</b>	<b>Combined Ratio Excluding Covid-19 Losses</b>	<b>Change in Gross Premiums 2020 vs 2019</b>
Northbridge	92%	3%	89%	14%
Odyssey Group	95%	4%	91%	15%
Crum & Forster	98%	2%	96%	10%
Zenith	92%	3%	89%	-10%
Brit	114%	16%	98%	7%
Allied World	95%	4%	91%	22%
Fairfax Asia	97%	0%	97%	-4%
Other	<u>100%</u>	<u>4%</u>	<u>96%</u>	<u>8%</u>
<b>Consolidated</b>	<b><u>98%</u></b>	<b><u>5%</u></b>	<b><u>93%</u></b>	<b><u>12%</u></b>

- Combined ratio below 100% with continued strong reserving

# *We have Successfully Navigated the Pandemic*

## **– Sources of Earnings**

	<u>(\$m)</u>
Underwriting profit – (combined ratio of 97.8%)	309
Investment income – insurance and reinsurance	607
<b>Operating income</b>	<b>916</b>
Runoff	(195)
Non-insurance operating loss	(179)
Interest expense	(476)
Corporate overhead and other	(136)
Net investment gains	313
Pre-tax income	244
<b>Net earnings</b>	<b>218</b>

# *We have Successfully Navigated the Pandemic* – **Monetized Private Investments**

- Reverse acquisition of Horizon North by Dexterra
- Sale of Davos Brands to Diageo
- Merger of Fairfax Africa with Helios Investment Partners
- Peak Achievement sold its holdings in Easton to Rawlings
- IPO of Farmers Edge & Boat Rocker in Q1 2021
- Several IPOs in the works at Fairfax India

# *We have Successfully Navigated the Pandemic* – **Investment Grade Corporate Bonds**

- Added \$3.9 billion in investment grade corporate bonds
  - Average yield of 4.1% and term to maturity of 4 years
  - Net gains on corporate bonds of \$474 million in 2020

# *We have Successfully Navigated the Pandemic*

## **– First Mortgage Loans**

- Invested ~\$1.5 billion with our long term partner Kennedy Wilson in first mortgage loans
  - Secured by high-quality real estate in the western U.S., Ireland and the UK
  - LTV ratio of less than 60%
  - Average yield of 4.9% and maturity of 4 years

# We have Successfully Navigated the Pandemic

## – Financial Position

<i>(\$ millions)</i>	<b>2020</b>	<b>2019</b>
Holding company cash and investments	<u>1,229</u>	<u>975</u>
Borrowings - holding company	5,581	4,117
Borrowings - insurance and reinsurance companies	<u>1,033</u>	<u>1,040</u>
<b>Total debt</b>	<b>6,614</b>	<b>5,157</b>
Common shareholders' equity	12,521	13,043
Preferred stock	1,336	1,336
Non-controlling interests	<u>1,832</u>	<u>1,545</u>
<b>Total capital</b>	<b>22,302</b>	<b>21,080</b>
<b>Total debt/total capital</b>	<b>29.7%</b>	<b>24.5%</b>
<b>Net debt/net total capital</b>	<b>25.6%</b>	<b>20.8%</b>

# Long Term Strength of Fairfax

## – Decentralized Operations

**FAIRFAX**  
FINANCIAL HOLDINGS LIMITED

**RIVERSTONE**  
A FAIRFAX COMPANY

\$19 Billion in Gross Premiums Written in 2020

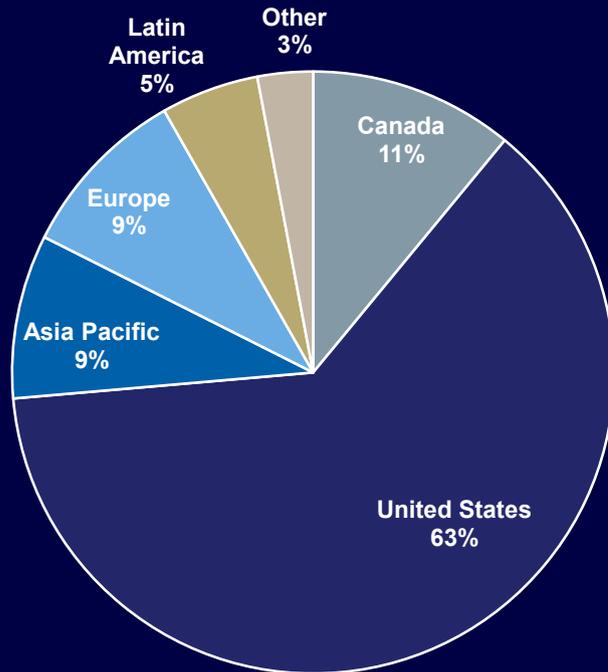
- Manager of global runoff business



# Long Term Strength of Fairfax

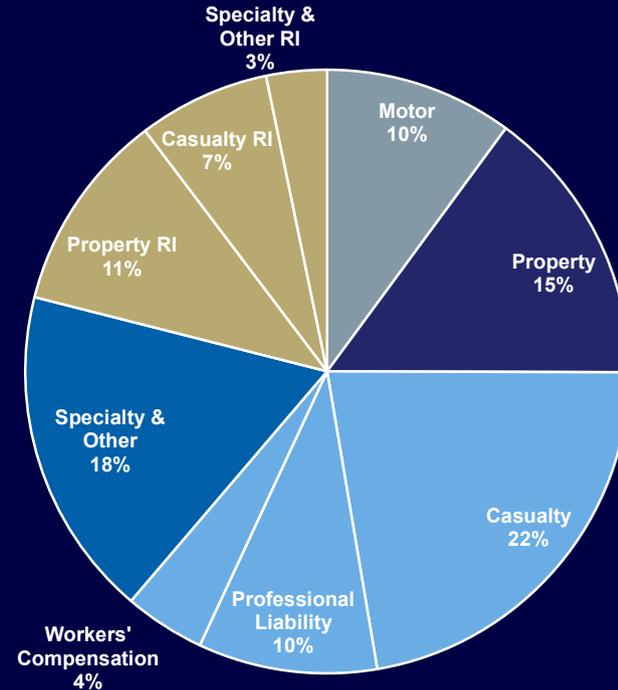
## – Global Diversified Operations

### \$19 Billion in Gross Premiums Written in 2020



Notes:

- Asia Pacific includes Middle East
- Other includes Africa and other American countries



Notes:

- Specialty & Other includes A&H, crop, marine and fidelity/surety

# Long Term Strength of Fairfax

## – Global Diversified Operations

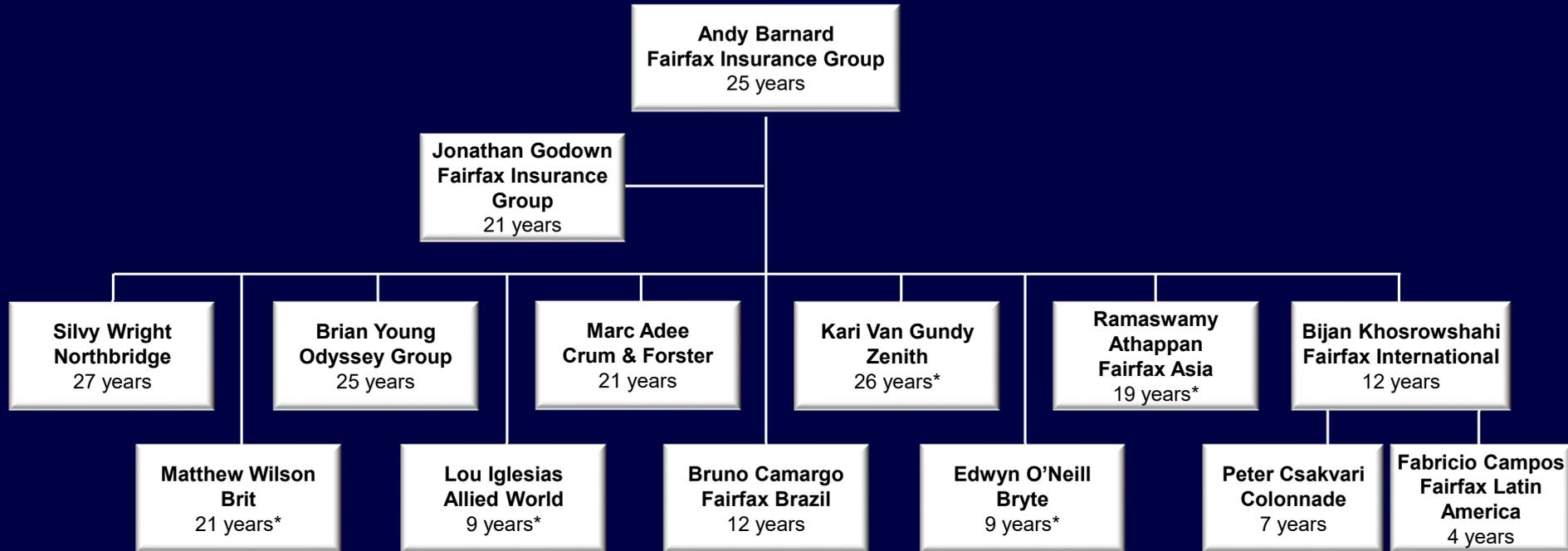
	<b>GPW</b> (\$m)	<b>% of Total</b>	<b>Combined Ratio</b>	<b>Investment Portfolio</b> (\$m)
North America	14,412	76%	95%	29,683
United Kingdom	2,408	13%	114%	4,912
Asia	421	2%	97%	620
Latin America	855	5%	98%	544
Other International	884	5%	100%	1,562
Other <sup>(1)</sup>				4,787
<b>Consolidated Insurance Companies</b>	<b>18,980</b>	<b>100%</b>	<b>98%</b>	<b>42,109</b>
<b>Non-consolidated Insurance Companies<sup>(2)</sup></b>	<b>2,562</b>		<b>97%</b>	<b>5,600</b>
<b>Total</b>	<b>21,542</b>		<b>98%</b>	<b>47,709</b>

(1) Includes run-off and other investments in associates; (2) At 100% level

# Long Term Strength of Fairfax – Global Diversified Operations



# Long Term Strength of Fairfax – Operating Management Team



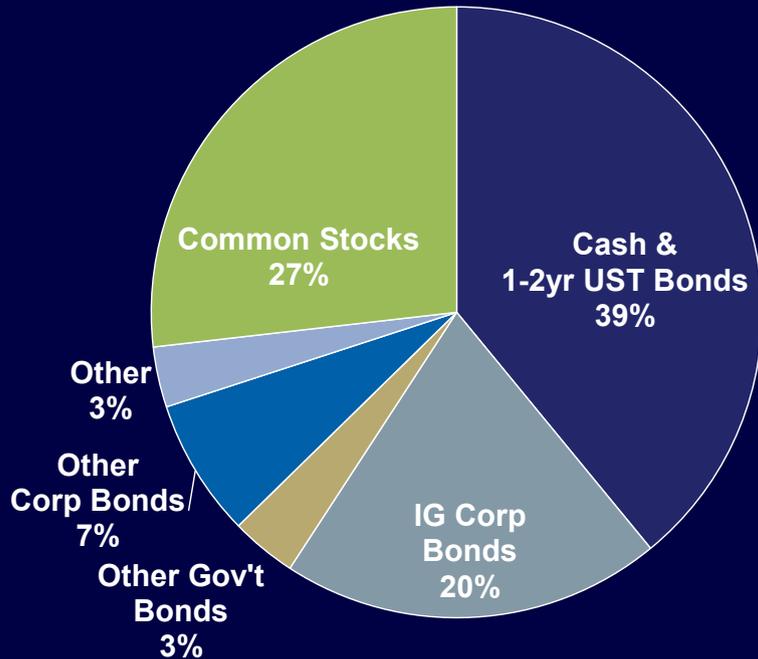
# Long Term Strength of Fairfax

## – Importance of Float

	<b>Total Float</b>	<b>Float per Share</b>
	<i>(\$m)</i>	
1985	13	\$2 ½
1990	164	30
1995	653	74
2000	5,877	449
2005	8,757	492
2010	13,110	641
2015	17,209	775
2020	24,278	927
CAGR		18%
	<u>Benefit of float</u>	
Last 5 years	1.0%	
Last 10 years	1.2%	

# Long Term Strength of Fairfax – Investment Portfolio

\$43.2 billion at December 31, 2020



## Investment Portfolio Well Positioned

- Not focused on short term results
- Capital preservation a priority
- Cash and short term U.S. treasury bonds to selectively take advantage of value opportunities
- Low duration portfolio given sizeable cash and low duration bond portfolio
- We have not deviated from our long term value-oriented investment philosophy

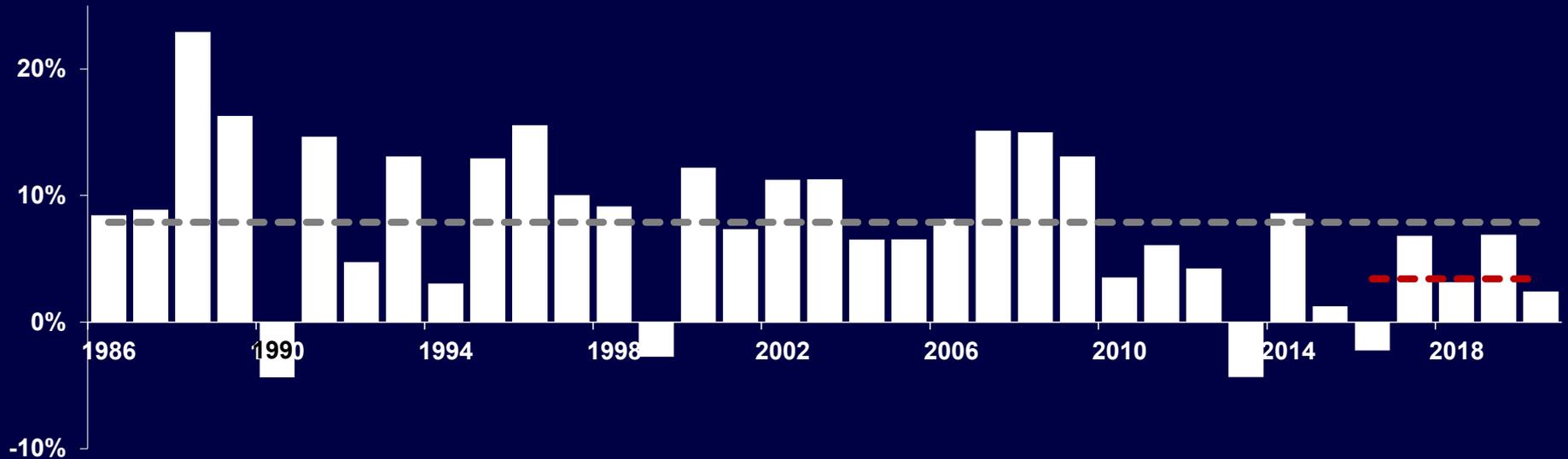
# Long Term Strength of Fairfax – Common Stock Holdings

(\$ millions)	At December 31, 2020	
	Carrying Value	Market Value
Common stocks - mark to market	4,628	4,628
Common stocks - equity accounted (associates) <sup>(1)</sup>	3,761	3,303
Common stocks - consolidated non-insurance	1,386	1,182
<b>Total common stocks</b>	<b>9,775</b>	<b>9,113</b>

(1) Excludes the company's insurance and reinsurance investments in associates which are considered long term strategic holdings

# Long Term Strength of Fairfax

## – Total Return on Investment Portfolio



— Average return – since inception: 7.9%

— Average return – last 5 years: 3.4%

# Long Term Strength of Fairfax

## – Investments in India

	<b>Date of Initial Investment</b>	<b>Ownership</b>	<b>Cost</b> (\$m)	<b>Fair Value at Dec 31, 2020</b> (\$m)	<b>Annualized Return</b>
Thomas Cook India	Aug 2012	67%	253	160	10.1% <sup>(1)</sup>
Fairfax India	Jan 2015	34%	469	495	1.4%
Digit	Feb 2017	49%	154	596	68.5%
Quess	Dec 2019	32%	335 <sup>(2)</sup>	352	4.7%
Other			323	361	
			<u>1,534</u>	<u>1,964</u>	

(1) Includes dividends received (\$11 million) and spinoff of Quess (\$330 million)

(2) Cost shown for Quess represents its market value on December 5, 2019, the date it was spun off from Thomas Cook India

# Long Term Strength of Fairfax – Investment Organization



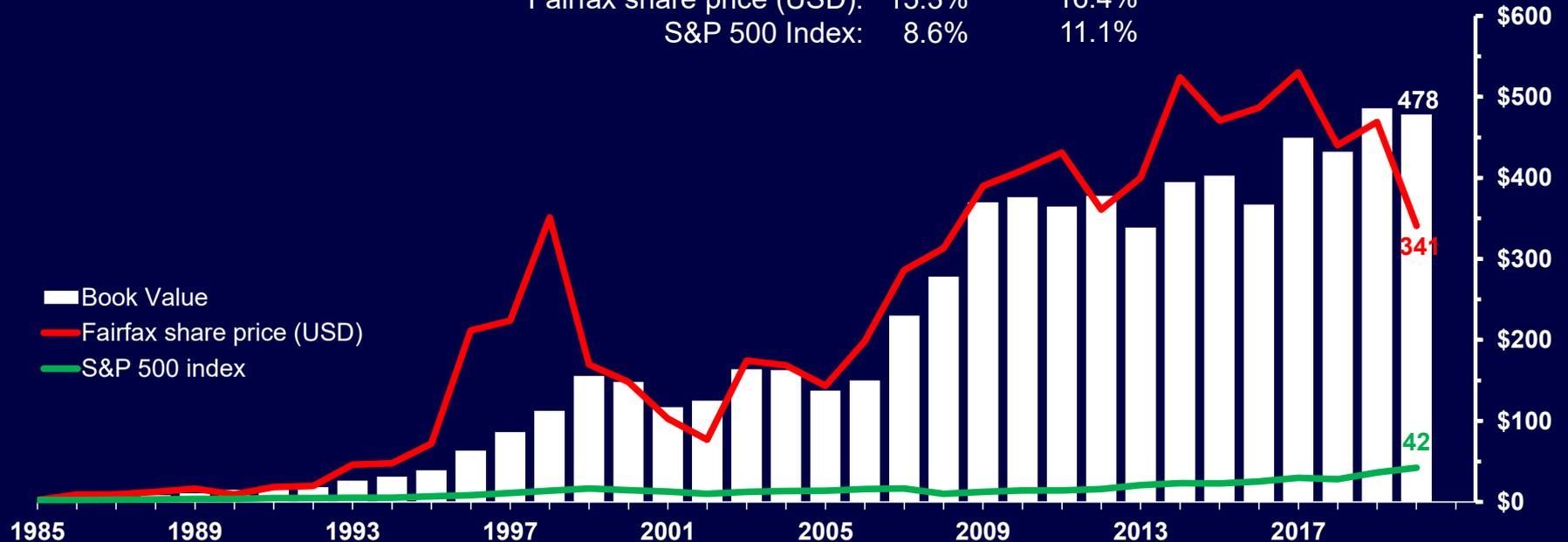
\* Represents years of industry experience; otherwise represents years with HWIC/Fairfax

- Decentralized investment organization based on a long term value investment philosophy

# Long Term Strength of Fairfax

## – Track Record

<u>35 Year Compound Annual Growth Rate</u>	<u>Dividends Reinvested</u> <sup>(1)</sup>
Fairfax book value per share: 17.9%	18.7%
Fairfax share price (USD): 15.3%	16.4%
S&P 500 Index: 8.6%	11.1%



(1) Except for Fairfax book value per share which is the compound annual growth rate including cumulative dividends paid as of December 31, 2020

# Speculation and Financial Markets

## Dot-Com “Darlings” – February 29, 2000

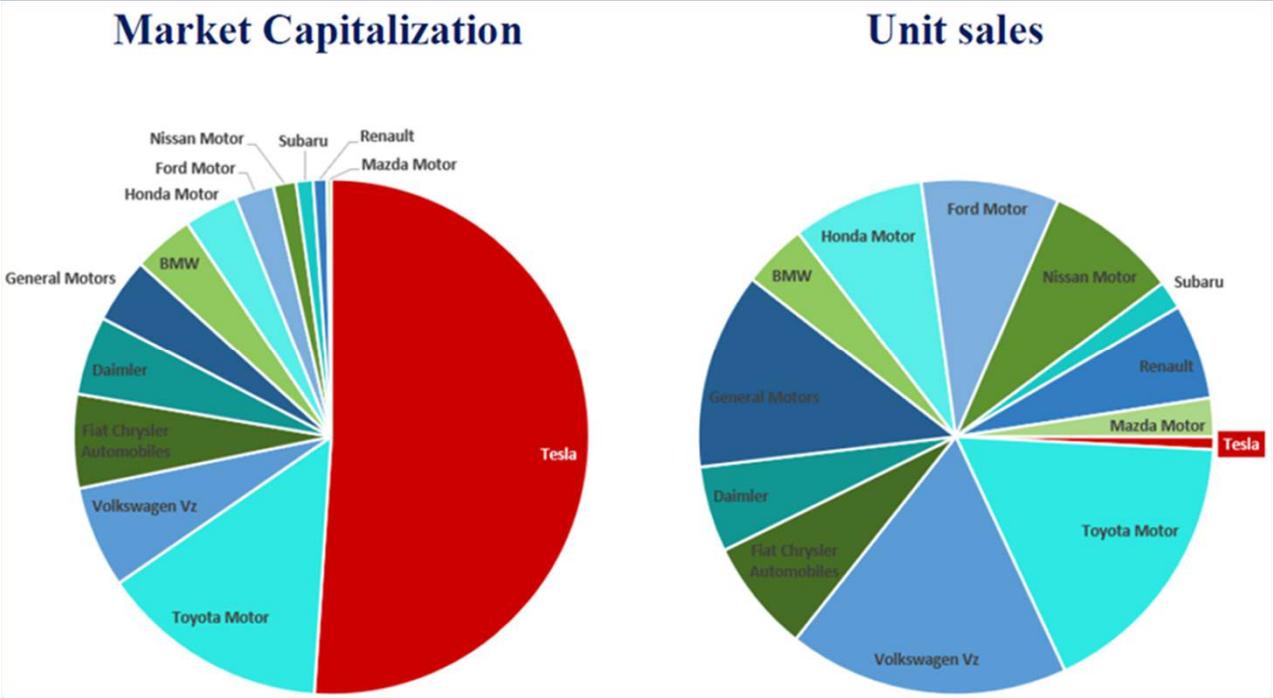
Cumulative Return Feb 29, 2000 - Dec 31, 2002		Market Cap (\$bn)	P/E (x)
-44%	Microsoft	\$460	57
-80%	Cisco Systems	433	322
-72%	Intel Corp.	375	48
-69%	Oracle Corp.	194	125
-26%	IBM	186	28
-97%	Lucent	185	47
-93%	Sun Microsystems	164	119
-97%	Nortel	156	131
-27%	AT&T	144	14
-65%	HP	129	16
-71%	<b>All 10 Stocks</b>		<b>90</b>
-32%	<b>S&amp;P 500 index</b>		<b>27</b>

# Speculation and Financial Markets

## "Fabulous FAANGs" + Microsoft – December 31, 2020

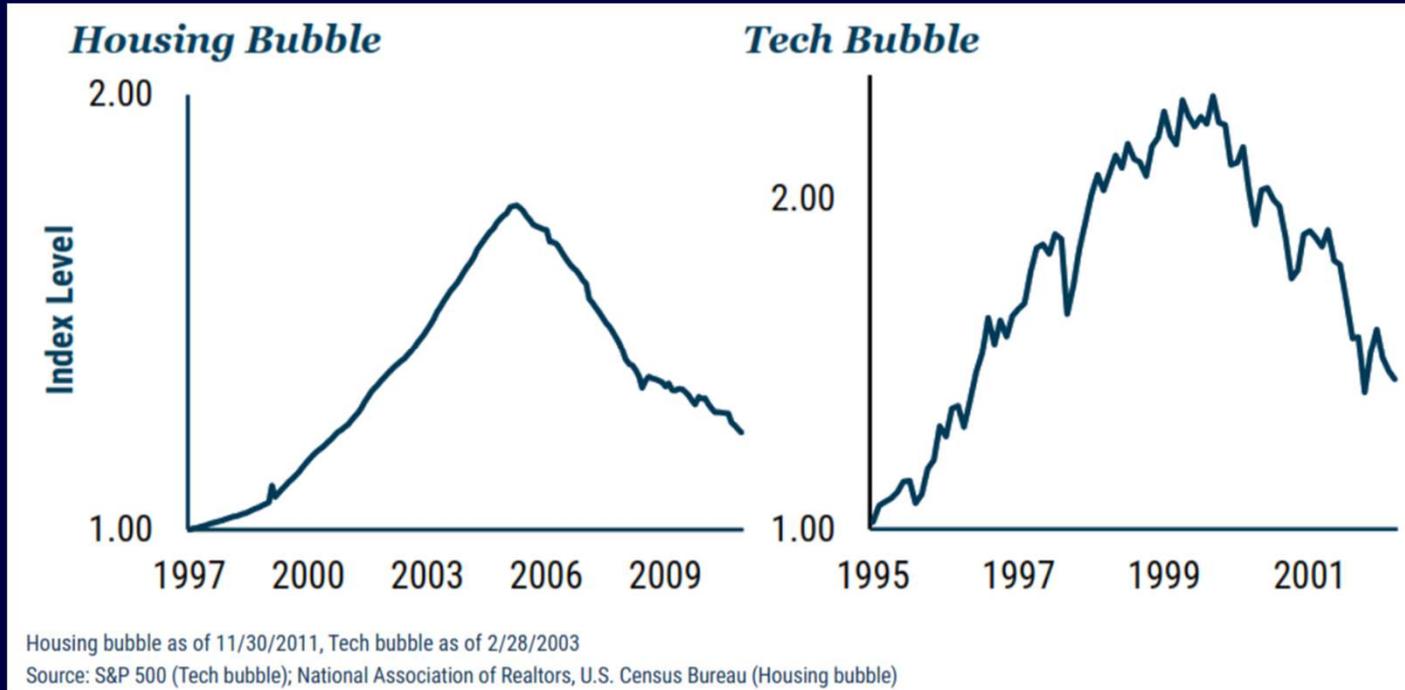
	Market Cap (\$bn)	P/E (x)	Cumulative Return Last 5 Years	Cumulative Return Next 5 Years
Facebook	\$778	27	 161%	?
Amazon	1,634	78	 382%	?
Netflix	239	68	 373%	?
Microsoft	1,682	33	 339%	?
Apple	2,256	36	 444%	?
Google	1,185	36	 131%	?
<b>Total</b>	<b>\$7.8 trillion</b>	<b>46</b>	 305%	?
S&P 500 Index	\$33.2 trillion	31	 103%	?

# Speculation and Financial Markets



Source: Giverny Capital

# Speculation and Financial Markets



# Fairfax Dot-Com Bubble Experience

	<b>2002 % Change</b>	<b>Cumulative % Change from Dec 31, 1999 to Dec 31, 2002</b>
S&P 500	(23.3)	(40.1)
NASDAQ	(31.5)	(67.2)
S&P/TSX	(14.0)	(21.4)
FTSE (London)	(24.5)	(43.1)
CAC (France)	(33.8)	(48.6)
DAX (Germany)	(43.9)	(58.4)
<b>Fairfax equities</b>	<b>25.0</b>	<b>100.5</b>

# U.S. Treasury Rates



# Business Can be a Force for Good

- Over 35 years we wrote cumulative premiums of \$175 billion
- Paying annual salaries and benefits of \$1.8 billion to our employees all over the world
- Made cumulative donations of \$239 million since we began our donation program in 1991
- Paid taxes of \$3.1 billion since inception to countries where we do business
- Grown book value per share at 18.7% since inception for our shareholders

# Shares Issued and Repurchased

<i>(shares in millions)</i>	<b>Shares Issued</b>	<b>Shares Repurchased</b>	<b>Shares Outstanding</b>
December 31, 1985			5.0
1986 - Q3 2017	29.5	6.5	23.0
Q4 2017 - 2020	-	1.8 <sup>(1)</sup>	(1.8)
December 31, 2020			<u>26.2</u>

(1) Includes 965,075 shares repurchased for cancellation and 808,292 shares repurchased (net of shares reissued) for use in various long term incentive plans across the company

# 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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FAIRFAX

FINANCIAL HOLDINGS LIMITED

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