To Our Shareholders,

We had a record year in 2017 in spite of a spate of hurricanes and other catastrophes that cost us $1.3 billion[(1)]. We earned a record $1.7 billion in 2017, our book value per share increased 24.7% (adjusted for the $10 per share dividend paid) to $450 per share and we ended the year with a record $2.4 billion in cash and marketable securities in the holding company. Since we began in 1985, our book value per share has compounded at 19.5% annually while our common stock price has compounded at 18.1% annually. Our company is in great shape.

Here's how our insurance companies performed in 2017:

	Underwriting Profit (Loss)	Combined Ratio	Catastrophe Losses	Combined Ratio Excluding Cat Losses
Northbridge	9	99.1%	0.9%	98.2%
OdysseyRe	60	97.4%	16.8%	80.6%
Crum & Forster	3	99.8%	2.3%	97.5%
Zenith	117	85.6%	1.0%	84.6%
Brit	(202)	113.1%	16.8%	96.3%
Allied World*	(587)	157.0%	52.7%	104.3%
Fairfax Asia	38	88.4%	–	88.4%
Other Insurance and Reinsurance	(80)	110.2%	10.0%	100.2%
Consolidated	(642)	106.6%	13.7%	92.9%

* *For the period since its acquisition on July 6, 2017*

The second half of 2017 reminded us yet again that ours is a risk business. During the third quarter of 2017, the insurance industry experienced some of the largest catastrophe losses in its history as a result of Hurricanes Harvey, Irma and Maria and earthquakes in Mexico. During the fourth quarter, the industry suffered losses from the California wildfires, resulting in total catastrophe losses of about $130 billion for the industry in 2017 – close to the largest losses the industry has suffered in its history. Catastrophe losses cost us 13.7% of net premiums earned in 2017 versus 4.6% in 2016. Over the past ten years, catastrophe losses have cost us 7.7% of net premiums earned. The table below shows you our 2017 losses from the major catastrophes (we acquired Allied World only in July 2017):

	Fairfax excluding Allied World	Allied World	Total
Hurricane Irma	218	154	372
Hurricane Maria	157	125	282
Hurricane Harvey	129	123	252
California wildfires	98	87	185
Mexico earthquakes	15	9	24
Other	171	44	215
Total catastrophe losses	788	542	1,330
As % of net premiums earned	9.1%	52.7%*	13.7%

* *% of net premiums earned by Allied World since we acquired it in July 2017*

As you can see, catastrophe losses for Fairfax amounted to $1.3 billion or 13.7% of net premiums earned; Allied World's losses as a percentage of net premiums earned were magnified as the losses were on only six months of premiums: for the year, Allied World's catastrophe losses were 25.1% of net premiums earned – higher than our own experience. We do not expect this to be the case in the future. Our combined ratio for Fairfax, including Allied World, was 106.6%, of which catastrophe losses accounted for 13.7%. Excluding Allied World, our catastrophe losses were

(1) *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 $ millions except as otherwise indicated.*

9.1% of net premiums earned – within the range you would expect in a very severe catastrophe year like 2017. Our combined ratio excluding Allied World was 100.6%.

With the exception of Brit, which demonstrated a combined ratio under 100% excluding catastrophe losses, all of our pre-existing major insurance subsidiaries continued to achieve a combined ratio under 100%, with Zenith and Fairfax Asia at 85.6% and 88.4% respectively. But special mention must be made of OdysseyRe, whose business is significantly subject to catastrophe risk.

OdysseyRe had an outstanding year in 2017, with a combined ratio of 97.4% in spite of the catastrophes, and premiums growing by 17%. This was the first time in OdysseyRe's history that its combined ratio was less than 100% in a year of major catastrophe losses. A big round of applause for Brian Young and his team. It helped that Brian had Hudson Insurance, which we began essentially from scratch in 2002 and which is run by Chris Gallagher, with $1 billion in premium in 2017 at a combined ratio of 92%!

We have always told you that our results will be lumpy, and this was demonstrated in spades by our two large capital gains in 2017:

1. from the reduction in our ownership of ICICI Lombard from 35% to 9.9%; and
2. from our strategic alliance with Mitsui Sumitomo Insurance Company and our sale of First Capital to them.

Why did we make these two sales?

ICICI Lombard is an Indian insurance company that we began in 2001 from scratch as a minority partner with ICICI Bank. Over the following 16 years, ICICI Lombard went on to become the largest non-government-owned property and casualty insurance company in India. Until fairly recently, our ownership interest was limited to 26% by government mandate. About three years ago, the government allowed the foreign ownership to go to 49%, which resulted in our going to 35% by buying 9% from ICICI Bank. Since then, given ICICI Lombard's intent to go public, ICICI Bank wanting to control ICICI Lombard with at least 55% ownership, and Indian law requiring that the public own at least 25% of a public company, our ownership would be reduced to a mere 20%. As property and casualty insurance is our core business and we are very optimistic about the growth prospects in India, and as Indian law does not permit an ownership of 10% or more in more than one insurance company, we agreed with ICICI Bank that we would reduce our interest in ICICI Lombard to below 10% so that we could start our own property and casualty company in India, Digit. ICICI Lombard is a great company led by an exceptional leader, Bhargav Dasgupta, and we wish them much success in the years to come. We have thoroughly enjoyed our partnership with ICICI Bank and its CEO Chanda Kochhar and we wish them also much success in the future.

The reduction in our equity interest in ICICI Lombard from 35% to 9.9% resulted in cash proceeds of $909 million plus our continuing to own 45 million shares of ICICI Lombard worth $450 million at the IPO (now worth about $550 million) resulting in an after-tax gain of $930 million.

For the past two years, Mr. Athappan has come to me saying that he had taken First Capital as far as he could in the commercial property and casualty business in Singapore and that he needed a partner like Mitsui with a brand name to build the personal lines business. I refused him twice as I really did not want to sell First Capital. His continued persistence, his position as the founder of the company, and the fact that he would continue to run Fairfax Asia and First Capital and we would have a 25% quota share in the business of First Capital going forward persuaded us, with unanimous support from our officers and directors, to form a global alliance with Mitsui Sumitomo Insurance Company and sell First Capital to them. We worked very closely with Matsumoto san, the Senior Executive Officer of International Business of Mitsui Sumitomo, and his team, and the partnership is going very well. Through our cooperation agreement with Mitsui Sumitomo, we have been working together on a number of fronts including opportunities on reinsurance, shared business and products and innovation to name a few. We are very excited to be a partner with Mitsui Sumitomo. Total proceeds from the sale of First Capital were $1.7 billion, resulting in an after-tax gain of $1.0 billion. I do want to emphasize that we agreed to this global alliance and sale only because of its truly unique circumstances and we do not see this being repeated! Our companies are not for sale, period!

By the way, Mr. Athappan has had an incredible record with us in building First Capital. We provided $35 million in 2002 to let him establish First Capital; 15 years later, with no additional capital having been added, he had grown First Capital to be the largest P&C company in Singapore and with the Mitsui Sumitomo deal, gave us back $1.7 billion. That's a compound rate of return of approximately 30% annually. A fantastic track record by Mr. Athappan!

While catastrophes in 2017 led to huge losses for us and the P&C industry, the following table shows the record of OdysseyRe's property book from 2000 to 2017 on an underwriting year basis (on this basis, losses are attributed to the year when the insurance contract generating those losses was entered into, which may be the year prior to the year when the loss was incurred):

Underwriting Year	Net Premiums Earned	Combined Ratio	Underwriting Profit (Loss)
2000	113	68.1%	36
2001	284	104.2%	(12)
2002	440	79.7%	89
2003	539	72.9%	146
2004	555	94.8%	29
2005	636	130.4%	(193)
2006	581	65.4%	201
2007	597	77.3%	135
2008	627	81.0%	119
2009	638	81.6%	117
2010	706	120.0%	(141)
2011	884	78.4%	191
2012	1,140	66.5%	382
2013	1,056	72.4%	291
2014	970	70.0%	291
2015	704	73.8%	185
2016	683	92.8%	49
2017	468	137.1%	(174)
Total	**11,621**	**85.1%**	**1,741**

In spite of September 11 in 2001, hurricanes in 2005, the Tokyo earthquake, Thai floods and New Zealand earthquakes in 2011, Super Storm Sandy in 2012 and the catastrophes of 2017, the cumulative combined ratio of OdysseyRe's property business over the last 18 years on an underwriting year basis was 85%. Catastrophes are the foremost risk that a P&C company faces and we take great care to monitor our exposures carefully.

As I mentioned in the section on ICICI Lombard earlier, we are very excited to welcome Kamesh Goyal and his more than 240 employees at Digit to Fairfax. Kamesh built Bajaj Allianz from scratch to be the second largest non-government-owned P&C company in India and then spent a total of 17 years at Allianz, the last five years in Munich operating at the highest levels. He is building a digital property and casualty insurance company in India, which was created in December 2016 and has begun actively selling policies. We are very excited about the prospects of Digit.

We closed our acquisition of Allied World on July 6, 2017 and we welcomed Scott Carmilani and Allied World's 1,430 employees to the Fairfax family. As you know, Allied World is the largest acquisition that we have done and we pursued this acquisition because of Allied World's outstanding track record over its 15 years of existence and the quality of its management team. We are very thankful to our financing partners OMERS ($1 billion), AIMCO ($0.5 billion) and two others. We issued a total of 5.1 million shares for Allied World. The effect of this acquisition is shown in the table below, which was previously presented to you at our 2017 annual shareholders' meeting:

($ billions)	Fairfax	Allied World	Combined	% Change
Gross premiums written	10.2	3.1	13.3	30%
Investment portfolio	27.4	8.7	35.3[1]	29%
Common shareholders' equity	8.5	3.6	10.9[1]	28%
Shares outstanding *(millions)*	23.1		28.2	22%
Investments per share *($)*	1,186		1,250	5%

(1) Combined numbers adjusted for financing and goodwill

As you can see, while this acquisition increased our gross premiums, investment portfolio and common equity by about 30%, our shares outstanding grew by only 22%. Although we issued the Fairfax shares at a 6% premium to book value while we purchased Allied World at a 32% premium to book value, we are confident that the high quality of Allied World, let by Scott Carmilani, will make this an excellent acquisition for us, but we were not pleased at issuing our shares at only a 6% premium to book value.

The table below shows the shares we have issued and retired over our history:

	Shares Issued	Shares Repurchased	Shares Outstanding	Reason for Issue
		(shares in millions)		
1985			5.0	
1986-90	2.3	1.8	5.5	Morden & Helwig
1991-95	3.8	0.4	8.9	Hamblin Watsa/Ranger/Lombard
1996-00	5.3	1.1	13.1	OdysseyRe/Sphere Drake/Crum & Forster/TIG
2001-05	5.5	0.8	17.8	Financial soundness
2006-10	4.3	1.6	20.5	Zenith/OdysseyRe minority
2011-15	2.2	0.5	22.2	Brit
2016	1.0	0.1	23.1	ICICI Lombard/Eurolife
2017	5.1	0.4	27.8	Allied World
Total	29.5	6.7	27.8	

Over our history, we have issued 29.5 million shares as we expanded Fairfax from net premiums written of $10 million to $10 billion (current run rate of $11.5 billion). During this period, we have also reduced our shares outstanding by 6.7 million, for a net increase of 22.8 million. As the table below shows, our shares outstanding have grown by 5.6x while net premiums written, investments and common equity have increased by 1,000x or more. Henry Singleton, at Teledyne, reversed this trend, as you know, and over the next ten years we expect to do the same – use our free cash flow to buy back our shares!

	1985	2017
Net premiums written	10	9,984
Net earnings	(1)	1,741
Investment portfolio	24	39,255
Common shareholders' equity	8	12,476
Shares outstanding *(millions)*	5.0	27.8

We have now completed our acquisition of AIG's insurance operations in Argentina, Chile, Colombia and Uruguay. In 2017, these Latin American operations had aggregate premiums of $580 million, an investment portfolio of $249 million and common equity of $145 million. In total, 980 employees have joined the Fairfax family and we give them a warm welcome.

Our Latin American operations, excluding Brazil, report to Fabricio Campos. We have a very small office in Miami with Fabricio, Simon Bobbin (CFO) and Marcelo Milani (Chief Risk Officer) – and like it that way! We have strong country managers in Juan Luis Campos (Argentina), Fabiana De Nicolo (Chile), Marta Lucia Pava (Colombia) and Marcelo Lena (Uruguay). Latin America is very under-penetrated in insurance and has huge opportunity for us over time.

Our Colonnade Insurance subsidiary, run by Peter Csakvari, acquired AIG's operations in Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. We have strong country managers in Venislav Yotov (Bulgaria and Romania), Dominik Štros (Czech Republic), Gabor Kovács (Hungary), Pawel Holnicki-Szulc (Poland), Peter Císar (Slovakia) and Svyatoslav Yaroshevych (Ukraine), all reporting to Peter Csakvari. We welcome the 229 employees of these Central and Eastern Europe operations to the Fairfax family.

Both Fabricio and Peter work closely with Bijan Khosrowshahi while Andy Barnard provides oversight, as he does with all of Fairfax's insurance operations.

I like to review all our annual reports before I begin writing the most recent one. I noticed this year that in 2011, I wrote to you that the major risks for the economy would be felt in the next three years and after that, common stocks would do very well over the next decade – and it was unlikely that bonds would outperform stocks in the next decade as they had in the past two decades, given that long term treasuries were yielding only 2.9% at the time! Unfortunately, we did not eliminate our index hedges after three years, since we continued to be concerned about the economy, but that changed when the new U.S. administration got elected in 2016. We quickly eliminated our index hedges and have virtually eliminated our individual shorts also, and it is extremely unlikely that we will resort to shorting to protect our portfolios in the future. The new U.S. administration's reduction in the corporate tax rate to 21%, accelerated depreciation for capital expenditures, roll back in regulation and potential massive infrastructure spending – combined with the fact that the U.S. has never had an eight year stretch of less than 2% real economic growth – could result in much higher economic growth in the next few years. Higher economic growth would result, we think, in higher profits for many companies, so that even though the indices may not go up significantly, we think this will be a ''stock pickers'' market in which a value investor like us can thrive. So we are back to playing offense again, recognizing of course that the stock market is not cheap. Long interest rates have bottomed out and will likely go higher over the next five years, perhaps significantly higher.

We continue to be vigilant, though, about the many risks to global economic growth that prevail, including protectionism and a collapse in world trade, China unraveling and a significant blow up in the junk bond market, which is trading at record low spreads. To protect us against these risks, we continue to retain the $117 billion notional amount in deflation swaps, which have 4½ years to go and cannot cost us more (their carried value is only $40 million). We also have more than $17 billion in cash and short term securities in our insurance portfolios which should benefit from rising interest rates.

More on all of this in our section on investments.

In last year's annual report, I documented the significant opportunity cost to our shareholders of our decision to hedge our common stocks. Another cost of our hedging, and why it is extremely unlikely that we will repeat this in the future, is that it required us to sell some wonderful long term common stock holdings, as shown below:

	Cost	Total Sale Proceeds	Realized Gain	%	Current Value	Increase from Sale	%
Johnson & Johnson	512	725	213	42%	1,071	346	48%
US Bancorp	258	567	309	120%	859	292	52%
Kraft	291	385	94	32%	805	420	109%
Wells Fargo	388	795	407	105%	1,144	349	44%
Total	1,449	2,472	1,023	70%	3,879	1,407	57%

While we realized $1.0 billion on the sale of these long term common stock holdings, these compound growth machines resulted in us leaving $1.4 billion on the table. A costly mistake we will try not to repeat!

Fairfax has benefitted greatly from its decentralized structure over its 32 years. It gives us a major competitive edge, as it empowers our Presidents to run their operations unfettered from head office and allows us at head office to respond quickly to risks and opportunities. Our North American insurance operations are run by Silvy Wright, Brian Young, Marc Adee, Kari Van Gundy and Scott Carmilani; Brit is run by Matthew Wilson and Mark Cloutier; Advent is run by Nigel Fitzgerald and William Beveridge; Fairfax Asia is run by Mr. Athappan; our Middle Eastern partnership, Gulf Insurance, is run by Khaled Al Hasan; our Latin American operations, excluding Brazil, which is run by Bruno Camargo, are under the supervision of Fabricio Campos; while Peter Csakvari runs our Central and Eastern European operations and Bryte is run by Edwyn O'Neill. We, of course, monitor all of these insurance operations and provide assistance as requested, essentially through Andy Barnard, supported by Peter Clarke, our Chief Risk Officer, and others including Bijan Khosrowshahi, Jean Cloutier, Gobi Athappan, Ravi Prabhakar and Mark Cloutier, so that we are confident that we are on top of all of the insurance operations (we buttress this by advising all our Presidents that when there is bad news, we want to hear it quickly).

This same decentralized structure applies to our non-insurance operations. Cara is run by Bill Gregson but its subsidiaries, such as Keg Restaurants and St. Hubert, are run separately by their own Presidents; Thomas Cook is run by Madhavan Menon but its subsidiaries are run independently – Quess by Ajit Isaac and Sterling Holidays by Ramesh Ramanathan; Fairfax's Fairbridge subsidiary is run by Harsha Raghavan; and Fairfax Africa is run by Mike Wilkerson and Neil Holzapfel. Our monitoring and assistance of these non-insurance operations is by Chandran Ratnaswami as to the Indian operations, and otherwise by Paul Rivett; again, this and our instruction to give us bad news quickly makes us confident that we are on top of all of the non-insurance operations.

As you can see, this structure allows us to attract the best and brightest in all the countries where we operate, while our fair and friendly culture binds us all together. So when you see Fairfax acquiring companies, rest assured that there is a proven President running the operations independently, with light monitoring by us.

In 1995, Chandran Ratnaswami joined us to build our international insurance and common stock investments, particularly in India. I said then, "this may be an acorn for a future oak tree." Well what an oak tree Chandran has developed! We, with ICICI Bank, created the largest non-government-owned property and casualty insurance company in India from scratch, managed an Indian investment portfolio with outstanding results for over 20 years, created Fairbridge with Harsha Raghavan as Managing Director, acquired a 77% interest in Thomas Cook India which then acquired Quess and Sterling Resorts, and finally created Fairfax India which now has a market value of $2.5 billion. Chandran was intimately involved with all of these activities and serves on most of the Boards of our Indian companies.

We now have approximately $5 billion*(1)* invested in India, employing a total of approximately 285,000 people, as shown in the table below:

Company	% Ownership	Cost of Investment	Market Value	% Change	Market Value (under management)(1)	Number of Employees	CEO
Fairfax India	30.2	469	666	42%	2,207		Chandran Ratnaswami
IIFL	26.6	277	908	228%		14,239	Nirmal Jain
NCML	89.5	174	179	3%		3,521	Sanjay Kaul
Sanmar		300	334	11%		2,252	N. Sankar
BIAL.	48.0	586	608	4%		903	Hari Marar
Fairchem	48.8	74	149	101%		1,336	Nahoosh Jariwala/Mahesh Babani
Other		423	430	2%			
Thomas Cook	67.6	253	997	294%	1,474	6,686	Madhavan Menon
Quess	49.0	47	1,292	2,650%		250,000	Ajit Isaac
Sterling Resorts	100.0	140	152	9%		2,479	Ramesh Ramanathan
Government Bonds		425	475	12%	475		
IIFL	8.9	65	303	364%	303	14,239	Nirmal Jain
ICICI Lombard	9.9	99	549	453%	549	6,460	Bhargav Dasgupta
Other		299	327	10%	327		
Total investments		1,610	3,317	106%	5,335		

(1) Includes 100% of Fairfax India and Thomas Cook

Our first major acquisition in India was the purchase of a 77% interest (later reduced to 68%) in Thomas Cook India led by Madhavan Menon. Thomas Cook, first set up in India in 1881, is the leading integrated travel and travel-related financial services company in India, offering, through its about 6,700 employees, a broad spectrum of services that include foreign exchange, corporate travel, leisure travel, insurance, visa and passport services and e-business. Through Thomas Cook India, we purchased Quess, founded and run by Ajit Isaac, and Sterling Resorts, run by Ramesh Ramanathan. Thomas Cook India dominates the foreign exchange and high end travel business in India. Through the purchase of Kuoni's Indian travel business, and last year, its international operations all over the world, Thomas Cook India is today one of the largest travel service provider networks headquartered in the Asia-Pacific region. We welcome Asian Trails, Allied T Pro, Australian Tours Management, Desert Adventures, Travel Circle International and Private Safaris East & South Africa to the Fairfax family, which added to Thomas Cook India's existing Thomas Cook, SOTC, TCI and Sita brands.

Quess has had a phenomenal run since we acquired our interest in it in 2013. Thomas Cook India invested $47 million in Quess in 2013, sold 5.4% last year for $97 million and retains 49%, which is currently worth over $1 billion. Because of Quess' great success, Thomas Cook India intends to spin its holding in Quess out to its shareholders during 2018 so that Quess can be run independently as a public company under the leadership of Ajit Isaac. A big thank you to Madhavan Menon for nurturing Quess under the Thomas Cook India umbrella as it became large enough to be a freestanding company. Today, Quess is India's leading integrated business services provider. With over 250,000 employees, the company has a pan-India presence with 65 offices across 34 cities, along with an overseas footprint in North America, the Middle East and South East Asia. It serves over 1,700 customers across five segments – Industrials, Global Technology Solutions, People and Services, Integrated Facility Management and Internet Solutions.

When Mr. Modi got elected in 2014, we thought, based on his outstanding track record in Gujarat, that India could be transformed by ''an unabashedly business friendly government''. We are even more excited about India's prospects today than we were in 2014. Mr. Modi's election led us to create Fairfax India, which has just completed its third year as a public company listed on the TSX. I must say, its success, under the leadership of Chandran Ratnaswami, Harsha Raghavan and the team at Fairbridge, has far exceeded even our most optimistic expectations. I cannot fail to mention that Deepak Parekh, the Founder and Chairman of HDFC and now a director on the Board of Fairfax India, has been instrumental in Fairfax India's success, as we have not done anything without his wise counsel.

Fairfax India's investments are shown in the table on page 9. Chandran's letter to shareholders in Fairfax India's annual report and the individual company websites give you a lot more information on each of Fairfax India's investee companies. Please read that report for more details.

Suffice it to say, we have built a huge amount of intrinsic value in Fairfax India which is much in excess of its current market value. When after-tax profits are growing at over 30%, as they have at IIFL and other companies in India, a P/E ratio of 20x drops quickly to 9x in three years. We are optimistic about all our investments in Fairfax India and expect over the years to invest much more money in that country. We think the opportunity in India is unparalleled! Our investment in Fairfax India was $469 million, and its market value today is $753 million.

Also, every three years we are eligible for a performance fee from Fairfax India. In the three years ending December 31, 2017, from the IPO price of $10 per share, Fairfax India investors enjoyed a 15.5% gross annual compound return and a net 13.5% return after payment of the performance fee, versus 5.9% for the US$ S&P BSE Sensex Index. As a result of this excellent performance, the performance fee for the three-year period to the end of 2017 was $114 million, which we took, as required, in shares of Fairfax India, thereby increasing our ownership to 33.6% from 30.2%. Much more to come from Fairfax India.

With Roger Lace, Brian Bradstreet and I having worked together for over 40 years, we felt it was time to begin the transition to a younger group for the management of our investment portfolios, of course supervised by the three of us. So Roger will pass the title of President of Hamblin Watsa to Wade Burton, while he becomes Chairman. Wade, currently Hamblin Watsa's Chief Investment Officer, has been with us since 2009 and has achieved an outstanding return on the investment portfolio he has been managing (he should have been managing all of the portfolios!). Wade, Lawrence Chin and Quinn McLean (who is also responsible for the Middle East and Africa) will be responsible for running our North American portfolios, Jamie Lowry our U.K. and European portfolios, Yi Sang our Southeast Asia and greater China portfolios, and Jeff Ware our Latin American portfolios. Peter Furlan is our Director of Research and Paul Ianni is Vice President and our exceptional analyst. Together we work as a team, and with our investment decision-making now more dispersed than in the past but supervised by Roger, Brian and myself, I am really excited about our potential returns under Wade's leadership. Wade works closely with Paul Rivett and myself.

With $40 billion in investments, a current run rate of $11.5 billion in net premiums written and $12.5 billion in common shareholders' equity, we need an investment return of approximately 7% in order to achieve an annual 15% increase in book value per share, assuming a consolidated combined ratio of 95% at our insurance operations. We have drilled deeper and by analyzing each of our consolidated insurance companies (a total of 21), we have estimated the investment return needed for each company in order for us to achieve our 15% target. We have delegated investment responsibility for each of our insurance companies to one member of our investment team.

In our restaurant businesses, we ended the year with a bang! After over four years of working together collaboratively, David Aisenstat from the Keg and Bill Gregson at Cara decided to merge their two businesses. Fairfax assisted with the transaction by agreeing to contribute its 51% ownership of the Keg, primarily in return for shares of Cara. The combined businesses will have a network of 1,365 restaurants with total system sales in excess of Cdn$3.5 billion and EBITDA in excess of Cdn$200 million. Much like with the St. Hubert transaction, the Keg business will continue to be run independently from its head office in Vancouver and regional office in Toronto under the leadership of David Aisenstat and his senior executive team, including Neil Maclean, Doug Smith and Jamie Henderson. David will also assist with the other premium brand restaurants in the Cara group. In the coming months, the publicly traded Cara will look to change its name and ticker symbol to reflect the changing nature of the business following the Keg transaction. In 2017, Cara also purchased the Pickle Barrel restaurant group from a group led by its CEO, Peter Higley. Pickle Barrel had approximately Cdn$50 million in sales in 2017 from 12 restaurants as well as a 50% partnership with Rose Reisman in one of Canada's premier catering businesses. Peter Higley will continue to run the company and provide his expertise to the Cara group. The Cara team continues to watch for accretive acquisition

opportunities, but if none present themselves, they will focus on debt reduction and share buybacks with excess free cash flow.

Our partner, Mark McEwan, grew the sales in his business for the fifth straight year. Mark continues to grow his highly-respected brand with the entrepreneurial, customer service focus we look for in each of our business partners. We are particularly excited about the growth of his high-end grocery and ready-made meal locations.

In addition to our restaurant businesses, our investment in the Davos craft spirit brands, in partnership with our good friend David Sokol and the management team led by Andrew Chrisomalis, continues to do exceptionally well. Davos' brands include TYKU Sake, Aviation American Gin, Sombra Mezcal and Astral Tequila. Davos recently partnered with Ryan Reynolds (star of the blockbuster movie Deadpool) in Aviation American Gin.

Our partners at Sporting Life, David and Patti Russell, had a fantastic year with over Cdn$160 million in sales as they continued to roll their brand out across Canada. We love the winter here in Canada!

On the other side of the seasonal divide, our boys of summer, Chad McKinnon and Fred Lecoq, continued to exceed expectations, with the Golf Town business now running profitably on approximately Cdn$250 million in sales in 2017 following a somewhat difficult exit from bankruptcy last year (we bought Golf Town on its exit from bankruptcy). Chad and Fred and their team have also worked collaboratively with the team at Sporting Life on a number of mutually beneficial projects.

Kitchen Stuff Plus continued its profitable, steady growth in Ontario. Our partner, Mark Halpern, is relentless on costs but has also found ways to expand creatively and profitably. Meanwhile, Jackie Chiesa and her team at William Ashley have been focused on the build-out of their new one-of-a-kind retail location while continuing to benefit from the ongoing success of their iconic holiday warehouse sale.

Sean Smith, Alan Maresky, Mike Wallace, Michelle Cole and the entire team at Pethealth continue to grow their business, recently acquiring the pet portfolio from PC Financial. With Pethealth's software solutions in over 3,000 locations across the U.S. and Canada, the business continues to see substantial proprietary opportunities assisting pets and their owners with adoption, recovery and health insurance.

David Fortier, Ivan Schneeberg and John Young, our partners at Boat Rocker Media, continued to grow their business with several acquisitions, including Proper Television and Fremantle Media's Kids and Family Entertainment division. The company has grown from Cdn$90 million in production volume in 2015 to Cdn$130 million last year and has been profitable since inception eleven years ago.

Rouge Media and our partners, Martin Poitras and his wife Alison Jacobs, continued their profitable expansion in the out-of-home media space across the U.S. and Canada while doubling sales in 2017. The Rouge team continues to see many long-term organic growth and acquisition opportunities, particularly in certain U.S. niches.

Our partnership with Paul Desmarais III and his excellent team at Sagard Capital progressed well through 2017. The Bauer and Cascade brands are overseen by Ed Kinnaly and the Easton business by Tony Palma. Both businesses have recovered nicely since we acquired them on their exit from bankruptcy and both revenue and earnings are outpacing expectations.

Arbor Memorial, which we helped the Scanlan family take private in 2012, continues to do well. Brian Snowden and the Scanlan family have proven to be great partners. Death care continues to be an excellent business in Canada.

FairVentures' innovation efforts at Fairfax continued to progress well throughout 2017. As you will recall, FairVentures, led by Gerry McGuire, is focused on identifying innovations and technologies that may disrupt the Fairfax group businesses. Gerry works closely with Dave Kruis and the Innovation Lab in Waterloo, Davidson Pattiz and the many dedicated creative volunteers participating in the Fairfax Innovation Working Group as well as JD Dolan and his accelerator group at LDR. This year we will be presenting the inaugural Presidents' Innovation Award to the team in the Fairfax group that has shown the most innovative achievement in the year (no easy task to choose a winner from over 31 submissions from over 10 companies across our group!).

John Chen has completed the transition of BlackBerry from a smartphone company to a software company with about $1 billion in revenue and growing. BlackBerry's reputation for security for mobile devices, its focus on an integrated internet of things system and its very large patent portfolio stand it in good stead for the future. Its QNX platform has had much success with building autonomous car systems for the major automobile companies, and its Radar for the trucking industry continues to excel. In 2017, BlackBerry also benefitted from a $1 billion (about $2 per share) arbitration award from Qualcomm. We continue to bet on John!

Early in 2017, we listed another Fairfax company, Fairfax Africa, on the TSX. This was a result of our excellent experience with Mike Wilkerson and Neil Holzapfel on taking the Afgri Group private in 2014. Mike and Neil had further opportunities for investment in Africa and we enthusiastically adopted Paul Rivett's proposal that the best way to take advantage of those opportunities was to clone Fairfax India and create Fairfax Africa, a company focused on investments in Africa. Neil, Trent Hudson and Jim Bisenius, based in Johannesburg, South Africa, have a heart for Africa and, with Mike, fit our fair and friendly culture well. So we raised $500 million, of which we contributed $325 million, including our interest in Afgri Group. Fairfax Africa made two additional investments in 2017 – Atlas Mara and Nova Pioneer. Richie Boucher of Bank of Ireland fame joined the Eurobank Board and has also joined the Atlas Mara Board. We are excited to have Richie as our partner, especially on anything to do with banks. Fairfax Africa has had a good start in 2017. Please read the company's annual report for further details.

2018 should be the year for Greece as the government fulfills all its requirements to exit the ECB program. Also, Greece has at last accessed the bond market – once in August 2017 for €3 billion and more recently in February 2018 for €3 billion of seven-year bonds with a yield to maturity of 3.5%. Greece is expected to have GDP growth of 2.6% in 2017 and the unemployment rate has dropped from 28% to 21% currently. Greece attracted foreign direct investment for the first time in a long time in 2017. Given how far the Greek economy has fallen (27%), it is likely that Greece will recover strongly in the next four years. In fact, the Greek purchasing manager index has recently been at record highs. The yield on ten-year Greek government bonds, which at the height of the Greek crisis reached 35%, has recently dropped below 4%. With Greece having access to the bond market and strong economic growth, we expect our Greek investments to do very well (at last!). The table below shows our investments in Greece:

	December 31, 2017	
	Cost	**Fair Value**
Eurobank Ergasias	975.5	395.0
Grivalia Properties *(see more detail below)*	396.3	568.6
Mytilineos	15.9	31.5
Praktiker and Other	32.7	34.5
	1,420.4	1,029.6
Percent decline		(28)%

Not shown in the table above is our investment in Eurolife led by Alex Sarrigeorgiou. As you know, Eurolife is one of Greece's leading life and non-life insurance companies, created by Eurobank in 2000. We bought our share of Eurolife in 2016 for $181 million, with Eurolife being 40% owned by us, 40% by OMERS and 20% by Eurobank. We expect to buy out OMERS within the next two years, so Eurolife will become a Fairfax insurance subsidiary. Eurolife has earned $111 million (our share) since we acquired it, benefitting greatly from a Greek bond portfolio of about €1 billion. The non-life portfolio had a combined ratio less than 70% again in 2017. We are very excited to be partners with Alex and his team at Eurolife as they build a very successful company in Greece.

In 2017, we raised our equity interest in Grivalia to 52.7% by buying 10.3% for $100 million when Eurobank decided to divest its interest in Grivalia. It has been six years since we first met George Chryssikos, the outstanding CEO of Grivalia. Through Wade Burton, we took our first position in Grivalia in 2011 at €5.77 per share. George has navigated the Greek economic crisis superbly by buying only the highest quality commercial buildings and shopping centres at huge discounts to replacement cost and unlevered returns of 8% to 10%, not using excessive leverage and always focusing on the long term. We are very excited to be partners with George and his team as they build a fantastic real estate company. Like Bill McMorrow at Kennedy Wilson, George has a unique nose for value in real estate! And like all our Fairfax companies, he is building a fine company, focused on its customers, looking after its employees, making a return for shareholders and gratefully reinvesting in the communities where it operates. Business is a good thing!!

As this may well be Greece's year, we think Eurobank will benefit greatly as its non-performing loans drop significantly and margins begin to increase again. Eurobank has been superbly run by Fokion Karavias as he also navigated an economy undergoing a depression. Eurobank is well financed and we expect it to pass the stress tests all Greek banks will go through this spring. At 74 Euro cents, with a book value of €2.64 per share, we consider Eurobank to be one of the cheaper stocks in the world! Let's see what happens this year!

Finally in Greece, Praktiker and Mytilineos also continue to do well.

Below we update the table on our intrinsic value and stock price. As discussed in previous annual reports, we use book value as a first measure of intrinsic value.

	INTRINSIC VALUE % Change in US$ Book Value per Share	**STOCK PRICE % Change in Cdn$ Price per Share**
1986	+180	+292
1987	+48	− 3
1988	+31	+21
1989	+27	+25
1990	+41	− 41
1991	+24	+93
1992	+1	+18
1993	+42	+145
1994	+18	+9
1995	+25	+46
1996	+63	+196
1997	+36	+10
1998	+30	+69
1999	+38	− 55
2000	− 5	− 7
2001	− 21	− 28
2002	+7	− 26
2003	+31	+87
2004	− 1	− 11
2005	− 16	− 17
2006	+9	+38
2007	+53	+24
2008	+21	+36
2009	+33	+5
2010	+2	–
2011	− 3	+7
2012	+4	− 18
2013	− 10	+18
2014	+16	+44
2015	+2	+8
2016	− 9	− 1
2017	+22	+3
1985-2017 (compound annual growth)	**+19.5**	**+18.1**

The table shows the change in book value in U.S. dollars and our stock price in Canadian dollars. As I have said before, we think our intrinsic value far exceeds our book value. As shown in the table, there have been many years when our stock price has gone up significantly as that intrinsic value is recognized in the marketplace. We are focused on performing to make that happen again!

Insurance and Reinsurance Operations

The table below shows the recent combined ratios and the 2017 change in net premiums written of our insurance and reinsurance operations:

	Combined Ratio			Change in Net Premiums Written
	2017	2016	2015	2017
Northbridge	99.1%	94.9%	91.8%	13.0%[1]
OdysseyRe	97.4%	88.7%	84.7%	18.8%
Crum & Forster	99.8%	98.2%	97.7%	3.5%
Zenith	85.6%	79.7%	82.5%	2.2%
Brit	113.1%	97.9%	94.9%[2]	3.4%
Allied World	157.0%[3]	–	–	–
Fairfax Asia	88.4%	86.4%	87.9%	(6.2)%[4]
Other Insurance and Reinsurance	110.2%	93.7%	89.6%	4.9%[5]
Consolidated	106.6%	92.5%	89.9%	8.3%[6]

(1) An increase of 10.7% in Canadian dollars

(2) For the period since its acquisition on June 5, 2015

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

(4) Excluding AMAG and Fairfirst

(5) Excluding Bryte, Fairfax Latin America (other than Fairfax Brasil) and operations acquired by Colonnade in 2017

(6) Insurance and reinsurance operations, excluding Allied World and the acquisitions described in footnotes (4) and (5)

Northbridge continued to strengthen its position in the Canadian marketplace. A flurry of large loss activity adversely affected results at its Federated subsidiary, generating an unfavorable 117% combined ratio. For Northbridge as whole, Silvy Wright and her team produced a combined ratio of 99.1% – 96.0% excluding Federated. As has consistently been the case, Northbridge's conservative reserving practices benefitted our calendar year results once again. Premiums grew over 10%, and the various brand and distribution initiatives undertaken over the last several years are expected to bear fruit in the years ahead.

At OdysseyRe, Brian Young and his colleagues distinguished themselves in 2017 by posting a combined ratio of 97.4% despite the historic level of catastrophe losses. Compared with others in the market, this stands out as a remarkable accomplishment and speaks to the singular underwriting discipline and portfolio management skills present at Odyssey. Also worth noting, Odyssey's specialist insurance arm, Hudson Insurance, posted a 91.8% combined ratio and surpassed the billion dollar mark in gross premiums written in 2017. Great credit goes to Chris Gallagher, CEO of Hudson, and the terrific team he has assembled over the years!

Crum and Forster's results were largely stable. Its combined ratio of 99.8% reflected approximately one point of catastrophe activity from the major windstorms. Results were very favorable in the excess and surplus lines division, which includes business from the prior acquisitions of First Mercury and American Safety. The transportation division, under Joe DeVito, continued to ramp up. Under the leadership of Marc Adee, Crum and Forster continues to develop its middle market specialty lines footprint in the United States, and we think its future is bright.

Guided by the strong leadership of Kari Van Gundy, Zenith outshone all of our companies in 2017 by producing an underwriting profit of $117 million and a combined ratio of 85.6%. Since our purchase of Zenith in 2010, it has gone from producing our worst combined ratio to our best. Throughout that period, Kari and her predecessors, Jack Miller and Stanley Zax, have maintained an unwavering commitment to professional excellence. Aside from the superlative results being generated within Zenith, its unparalleled expertise in the workers' compensation field has been a boon elsewhere in Fairfax, as our companies have been adept at leveraging the Zenith capabilities to improve their own results.

Brit's results were negatively impacted by the spate of catastrophes in 2017, as both its insurance and reinsurance divisions were hit hard. Its combined ratio of 113.1% included over 16 points related to the storms, earthquakes and wildfires. Brit's underlying business remains sound, and the underwriting culture guided by CEO Matthew Wilson is well-positioned to capitalize as opportunities emerge from the ever-changing markets. Special mention should be made of CFO Mark Allan, who has overseen a variety of innovative initiatives designed to improve Brit's financial flexibility.

Allied World became part of the Fairfax group in 2017, and it sure entered with a bang! As a prominent writer of catastrophe risk, Allied World was not spared the worst of the losses in the second half of the year. At Fairfax, we were unfortunately deprived of Allied World's favorable results from the first half of the year. Hence, for the six months Allied World's results are included in Fairfax, its combined ratio was an unpleasant 157%. As we turn the page into 2018 and beyond, we expect big things from Allied World, carrying on the consistent excellence of every one of the 15 pre-2017 years since it began. Scott Carmilani and his team are savvy operators, and they give us a prominent presence in markets in which we have heretofore had a limited presence.

From Singapore, Mr. Athappan had another excellent year for Fairfax Asia with an 88.4% combined ratio. First Capital was, of course, the star performer and we will miss its performance in the future. Fairfax Asia, excluding First Capital, had a combined ratio of 99.2% with gross premiums written of $333 million.

In South Africa, Bryte Insurance had its first full year as a Fairfax company, generating gross premiums written of $349 million and a combined ratio of 101.2%. Local catastrophe losses pushed Bryte's combined ratio into the red in 2017. We expect Edwyn O'Neill and his strong team to deliver an underwriting profit for us in 2018.

Bruno Camargo of Fairfax Brasil brought his combined ratio in at 98.3%, despite ongoing market challenges. In fact, Fairfax Brasil was one of the few companies operating in the Brazilian market to produce an underwriting profit in 2017.

In London, Advent had a difficult year. Its combined ratio of 126.3% yielded an underwriting loss of $49 million. Catastrophe losses were the primary culprit, though adverse results in the marine and accident and health divisions contributed to the red ink. Nigel Fitzgerald and William Beveridge, our leaders at Advent, are hard at work righting the ship!

Our partnership in Gulf Insurance, which operates in 11 countries in the Middle East, is going very well. Although its results slipped a bit, we were pleased to see that it still produced an underwriting profit at a 99.8% combined ratio. Bijan Khosrowshahi continues to do an excellent job working with Khaled Al Hasan, Gulf's excellent CEO. As I have said previously, Faisal Al-Ayyar, from Kipco, has been an outstanding partner for us.

The table below shows you our international operations at December 31, 2017:

					Fairfax Share	
	Gross Premiums Written	Shareholders' Equity	Investment Portfolio	Fairfax Ownership	Gross Premiums Written	Shareholders' Equity
Consolidated						
Fairfax Latam[1]	580	145	249	100%	580	145
Advent (Lloyd's)	271	130	468	100%	271	130
Bryte Insurance (South Africa)	349	150	234	100%	349	150
Fairfax Brasil	148	64	159	100%	148	64
Colonnade (Central and Eastern Europe)	126	67	104	100%	126	67
Pacific Insurance (Malaysia)	122	109	152	85%	104	93
AMAG (Indonesia)	112	234	128	80%	90	187
Polish Re	65	96	229	100%	65	96
Falcon Insurance (Hong Kong)	63	73	134	100%	63	73
Fairfirst Insurance (Sri Lanka)	66	35	40	78%	51	27
	1,902	**1,103**	**1,897**		**1,847**	**1,032**
Non-consolidated						
Gulf Insurance (Middle East)	1,005	280	780	41%	416	116
Eurolife (Greece)	546	782	3,264	43%	236	338
Alltrust Insurance (China)	962	387	959	15%	144	58
BIC (Vietnam)[2]	83	93	143	35%	29	33
Falcon Insurance (Thailand)	52	17	33	41%	21	7
	2,648	**1,559**	**5,179**		**846**	**552**
Total International Operations	**4,550**	**2,662**	**7,076**		**2,693**	**1,584**

(1) Full year 2017 premium (the component operations basically joined at different times during 2017)

(2) As at and for the 12 months ended September 30, 2017

All of our major companies are well capitalized, as shown in the table below:

	As at and for the Year Ended December 31, 2017		
	Net Premiums Written	Statutory Surplus	Net Premiums Written/Statutory Surplus
Northbridge	Cdn 1,381.0	Cdn 1,442.2	1.0x
OdysseyRe	2,495.9	4,067.7[1]	0.6x
Crum & Forster	1,863.4	1,302.3	1.4x
Zenith	837.4	571.7	1.5x
Brit	1,530.9	1,130.3	1.4x
Allied World	2,238.8[2]	2,523.8[3]	0.9x
Fairfax Asia	201.3[4]	478.5[5]	0.4x

(1) IFRS total equity

(2) Net premiums written is for full year 2017

(3) US GAAP equity

(4) Net premiums written excludes First Capital

(5) IFRS equity, excluding certain holding company investments

On average we are writing at about 0.8 times net premiums written to surplus. In the hard markets of 2002 – 2005 we wrote, on average, at 1.5 times. We have significant unused capacity currently and our strategy during the times of soft pricing is to be patient and stand ready for the hard markets to come.

The combined ratios of our companies which we have owned since 2008 are shown in the table below:

	2008 – 2017	
	Cumulative Net Premiums Written *($ billions)*	**Average Combined Ratio**
Northbridge	Cdn 11.2	100.2%
OdysseyRe	21.7	93.8%
Crum & Forster	12.6	103.4%
Zenith[(1)]	5.4	96.2%
Fairfax Asia	2.3	82.9%
Total	53.2	97.2%

(1) Since acquisition on May 20, 2010

Since we began, we have written over $100 billion in net premiums, with a combined ratio of approximately 100%.

The table below shows the average annual reserve redundancies for the past ten years (business written from 2007 onwards) for our companies which we have owned since 2007:

	2007 – 2016 Average Annual Reserve Redundancies
Northbridge	14.7%
OdysseyRe	12.8%
Crum & Forster	0%
Zenith[(1)]	11.9%
Fairfax Asia	15.4%

(1) Since acquisition on May 20, 2010

The table shows you how our reserves have developed for the ten accident years prior to 2017. We are very pleased with this reserving record, but given the inherent uncertainty in setting reserves in the property casualty business, we continue to be focused on being conservative in our reserving process. More on our reserves in the MD&A and the Annual Financial Supplement for the year ended December 31, 2017 available on our website *www.fairfax.ca*.

Our run-off operations under the leadership of Nick Bentley continued to be busy in 2017, looking at over fifteen acquisition opportunities but completing only the one which met its standards. Nick and his team continue to exhibit a disciplined approach on the acquisition front, an approach which is validated by the success of their past run-off acquisitions. Run-off had an operating loss of $185 million in 2017, reflecting development on asbestos reserves from our legacy business and depressed investment income as a result of the low interest rate environment. Late in 2017, run-off made the final payment of $125 million in regard to the purchase consideration associated with the acquisition of TRG (our original run-off management team) in 2002. As we have said before, we strongly believe that RiverStone was one of the best acquisitions we have made.

We have updated the float table that we show you each year for our insurance and reinsurance companies:

Year	Underwriting Profit	Average Float	Cost (Benefit) of Float	Average Long Term Canada Treasury Bond Yield
1986	3	22	(11.6)%	9.6%
2008	(281)	8,918	3.1%	4.1%
2017	(642)	16,978	3.8%	2.3%
Weighted average last ten years			(0.5)%	2.9%
Fairfax weighted average financing differential last ten years: 3.4%				

Float is essentially the sum of loss reserves, including loss adjustment expense reserves, and unearned premium reserves, less accounts receivable, reinsurance recoverables and deferred premium acquisition costs. Our long term goal is to increase the float at no cost, by achieving combined ratios consistently at or below 100%. This, combined with our ability to invest the float well, is why we feel we can achieve our long term objective of compounding book value per share by 15% per annum. In 2017, our cost of float was 3.8% versus only 2.3% for the long term Canadian bond yield. In the last ten years, our float has cost us nothing (in fact, it provided a 0.5% benefit per year) – significantly less than the average 2.9% that it cost the Government of Canada to borrow for ten years.

The table below shows you the breakdown of our year-end float for the past five years:

	Insurance and Reinsurance										
Year	Northbridge	OdysseyRe	Crum & Forster	Zenith National	Brit	Allied World	Fairfax Asia	Other	Total Insurance and Reinsurance	Run-off	Total
				($ billions)							
2013	2.1	4.7	2.3	1.2	–	–	0.5	1.0	11.8	3.7	15.6
2014	1.9	4.5	2.6	1.2	–	–	0.5	0.9	11.6	3.5	15.1
2015	1.6	4.2	2.6	1.2	2.7	–	0.6	0.8	13.7	3.4	17.1
2016	1.7	4.0	2.7	1.2	2.8	–	0.6	0.8	13.8	2.9	16.7
2017	1.8	4.4	2.9	1.2	3.1	5.4	0.2	1.2	20.2	2.5	22.7

In the past five years our float has increased by 46%, due partly to organic growth in net premiums written at Crum & Forster, Zenith and Fairfax Asia, but due principally to the acquisition of Brit and Allied World.

Of course, our float and float per share have grown tremendously since we began in 1985, as the table below shows. This has been one of the key reasons for our success in the past and will continue to be a key reason in the future.

	Total Float	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

Our float increased to $819 per share, a 13% increase from 2016.

The table below shows the sources of our net earnings. This table, like various others in this letter, is set out in a format which we have consistently used and we believe assists you in understanding Fairfax.

	2017	2016
Underwriting – insurance and reinsurance		
Northbridge	9.0	46.3
OdysseyRe	60.0	235.2
Crum & Forster	3.2	32.4
Zenith	117.2	164.1
Brit	(201.9)	29.1
Allied World	(586.6)	–
Fairfax Asia	38.2	41.1
Other	(80.6)	27.7
Underwriting profit (loss)	(641.5)	575.9
Interest and dividends – insurance and reinsurance	425.8	463.3
Operating income (loss)	(215.7)	1,039.2
Run-off (excluding net gains (losses) on investments)	(184.6)	(149.4)
Non-insurance operations	212.1	133.5
Interest expense	(331.2)	(242.8)
Corporate overhead and other	56.5	(131.2)
Pre-tax income (loss) before net gains (losses) on investments	(462.9)	649.3
Net realized gains (losses) on investments	1,742.0	(2,071.4)
Pre-tax income (loss) including net realized gains (losses) on investments	1,279.1	(1,422.1)
Net change in unrealized gains (losses) on investments	744.1	867.8
Pre-tax income (loss)	2,023.2	(554.3)
Income taxes and non-controlling interests	(282.6)	41.8
Net earnings (loss)	1,740.6	(512.5)

The table shows the results from our insurance and reinsurance (underwriting and interest and dividends), run-off and non-insurance operations (which shows the pre-tax income (loss) before interest). Net realized gains (losses) and net change in unrealized gains (losses) are shown separately to help you understand the composition of our earnings. In 2017, after interest and dividend income, our insurance and reinsurance companies had an operating loss of $215.7 million because of the catastrophes discussed earlier. Excluding unrealized gains, our pre-tax income was $1.3 billion. All in, after-tax income was $1.74 billion. (See more detail in the MD&A.)

Financial Position

	Consolidated 2017	Excluding Non-Insurance Company Debt 2017
Holding company cash and investments (net of short sale and derivative obligations)	2,356.9	2,356.9
Borrowings – holding company	3,475.1	3,475.1
Borrowings – insurance and reinsurance companies	1,373.0	1,373.0
Borrowings – non-insurance companies	1,566.0	–
Total debt	6,414.1	4,848.1
Net debt	4,057.2	2,491.2
Common shareholders' equity	12,475.6	12,475.6
Preferred stock	1,335.5	1,335.5
Non-controlling interests	4,600.9	1,725.9(1)
Total equity	18,412.0	15,537.0
Net debt/total equity	22.0%	16.0%
Net debt/net total capital	18.1%	13.8%
Total debt/total capital	25.8%	23.8%
Interest coverage	7.1x	8.0x
Interest and preferred share dividend distribution coverage	6.0x	6.5x

(1) Excludes non-insurance minority interests

When we have a controlling interest in a company (for example, Cara or Thomas Cook India), we are required to consolidate that company's financial statements into our own financial statements even though we do not guarantee the debt – and quite often it is an investment in a public company. From this year onwards, we will show you our financial position both on a consolidated basis as well as excluding the debt of non-insurance companies that we do not own 100%. Excluding non-insurance company debt, our debt/capital ratios are excellent and for 2017, we had interest and fixed charge coverage of 8.0x and 6.5x respectively.

Excluding hedging losses, which we are quite confident will not be repeated, our interest and fixed charge coverage in the last five years was 7.1x and 5.4x respectively.

We have a very strong financial position, with $2.4 billion in cash and marketable securities at the end of 2017 and very limited debt maturities in the next three years as we continue to refinance near-term maturities. In addition, during 2017 we increased our unused four-year bank lines to $2 billion from $1 billion, while improving the covenants. Our financial position is rock solid, much better than our ratings would suggest!

Investments

The table below shows the time-weighted compound annual returns (excluding equity hedging) achieved by Hamblin Watsa, Fairfax's wholly-owned investment manager, on the stocks and bonds of our companies managed by it during the past 15 years, compared to the benchmark index in each case:

	5 Years	10 Years	15 Years
Common stocks	7.2%	4.2%	10.9%
S&P 500	15.8%	8.5%	9.9%
Taxable bonds	4.2%	9.0%	9.6%
Merrill Lynch U.S. corporate (1-10 year) bond index	2.8%	4.8%	4.7%

The table shows that our common equity results have been poor, particularly during the past five years! We are working on changing that soon. Our bond results continue to be outstanding.

The last five years have favoured momentum investing and growth stocks. Value investing has underperformed in the last five years but its time will come again. In fact, during the 1999-2001 period when the S&P 500 dropped 40%, Fairfax's stock portfolio went up 100%. Don't give up on us yet!

We think economic growth under the new U.S. administration will be robust due to the reduction in the corporate tax rate to 21%, the rollback in regulation and potential infrastructure spending. These policy changes, combined with the fact that the U.S. has never had an eight year stretch of economic growth less than 2%, potentially provides a long runway for above average economic growth. Animal spirits are alive and well in the U.S. as economic optimism by small business has never been higher. When President Reagan dropped taxes (corporate and personal) in 1981, economic growth in the following four years was 4% per year – and this may well be repeated in the next few years! Earnings for the S&P 500 index are forecasted to be about 150 in 2018 or a price earnings ratio of 18x at current levels. If economic growth is robust, these price earnings ratios could prevail for some time as they did in the 1960s. In this environment, a ''stock pickers'' market, we are playing offense even though we recognize the stock market is not cheap. Of course, it may not be as expensive as the Shiller CAPE Price Earnings Ratio suggests, because a price earnings ratio based on ten-year average earnings may not be appropriate when earnings are increasing significantly – as they are currently.

Here is a listing of the debt and warrants that we have acquired over the past 18 months:

Debt and warrant deals

Company	**Principal**	**Coupon**	**Warrant Maturity**	**Warrant Strike Price**	**Current Stock Price**	**Potential Ownership**
				(local currency)		
Seaspan	250	5.5%	Feb-2025	6.50	5.87	22.4%
Chorus Aviation	155	6.0%	Dec-2024	8.25	8.09	16.2%
AGT Foods	148	5.4%	Aug-2024	33.25	15.61	19.1%
Mosaic Capital	116	5.7%	Jan-2024	8.81	6.50	61.7%
Altius Minerals	78	5.0%	Dec-2024	15.00	13.42	13.4%
Westaim	39	5.0%	Dec-2024	3.50	2.95	8.2%
	786	5.5%				

We have invested approximately $800 million with an average yield of 5.5% in these debt and warrant deals. We will get an annual income of $43 million while we wait for the warrants to become valuable over time. We expect to do many more of these deals in the U.S. and Canada with companies that have great long term track records and who would like to have a supportive, friendly long term shareholder.

In this connection, you will have noticed that with the unanimous approval of our board of directors, we invested $50 million in a global small and mid-cap fund with a long term value orientation managed by my son, Ben. The fund has had excellent results over the six years since it began, and the small and mid-cap area where the fund invests is quite different from the areas where we invest. We invested in that fund to get access to these excellent returns, but also to potentially do debt and warrant deals with some of the fund's investee companies.

Late in 2017, we had the good fortune to be a partner with David Sokol and Dennis Washington, two outstanding businessmen with great track records, by investing in Seaspan. Dennis is the largest shareholder of Seaspan while David became its Executive Chairman in July 2017. David has one of the most outstanding records I have come across, as he built Mid American Energy from revenue of $116 million in 1991 to revenue of $11 billion in 2010, while net income increased from $27 million to $1.2 billion over the same period, representing a compound growth rate of 22.4% per year.

Seaspan is the world's largest independent owner of container ships, managing a fleet of 110 container ships representing a total capacity of approximately 900,000 TEUs (twenty foot equivalent unit cargo containers) and with a current operating fleet of 89 vessels with an average age of approximately six years and an average remaining lease period of approximately five years. Lease rates for container ships appear to have bottomed out and have increased significantly recently. We have invested $250 million in a seven-year debenture with a coupon of 5.5% with warrants exercisable at $6.50 per share, for a potential ownership position of 22.4%.

A couple of years ago, Paul Rivett came across a great Canadian entrepreneur, Murad Al-Katib from Regina, Saskatchewan. Murad, whose parents immigrated to Canada from Turkey, had the bright idea that the prairie

provinces could grow pulses (peas, lentils and beans) as a rotation crop instead of wheat. He began Saskcan Pulse Trading in 2001 and developed the market, one farm at a time. AGT was formed in 2007 through the merger of Saskcan with Arbel (a Turkish-based food ingredients company controlled by the Arslan family) *(http://www.agtfoods.com/about-agt/history.html)*. Huseyin Arslan joined the board of AGT as its Executive Chairman, overseeing global operations while Murad continued to oversee the head office based in Regina. Together Murad and Huseyin control 19% of the company. Today, AGT is the global leader in the procurement and distribution of pulses with over Cdn$2 billion in revenue from over 120 countries and Cdn$100 million in EBITDA. Over the last few years the company has spent significantly on capex, acquiring and building over 40 facilities on five continents as well as expanding rail and port facilities necessary to ensure product delivery. Without any further growth capex, we believe that the company will generate between Cdn$75-100 million annually in free cash flow (Cdn$3-4 per share). There is tremendous overlap between the AGT global operations and Fairfax's existing agricultural investments in Canada, India, the Ukraine and South Africa. We believe that our investment in AGT could be the first step towards building a global agricultural platform with our existing partners. We have invested $148 million in a debenture with a coupon of 5.375% with warrants exercisable at Cdn$33.25 per share, for a potential ownership of 19.1%

We also invested in Westaim, a TSX-listed investment holding company run by Cameron MacDonald that controls two businesses, a U.S. property and casualty insurer called Houston International Insurance Group and a U.S. commercial mortgage and debt origination investment manager called Arena Investors. At the time of our investment, Westaim's stock was trading at a slight discount to book value. The deal is structured on a similar basis to our recent transactions with Chorus, Mosaic and Altius (secured debt and warrants). Westaim has issued 5% debt to us, secured by its shares of Houston International and Arena, along with warrants exercisable at Cdn$3.50 per share. Fairfax has also agreed to invest up to $500 million in commercial mortgages and secured debt investments sourced by Arena, at Fairfax's discretion on a case by case basis.

An update on one of the best banks we have ever invested in, the CIB Bank of Egypt. It has an outstanding track record and has been run by Hisham Ezz Al-Arab since 2002 and Hussein Abaza (CEO since March 2017). Since 2002, earnings per share for CIB Bank have compounded by 23% annually and book value per share by 19.4% annually. Egypt has only 3 million bank accounts despite a population of 92 million people – an unlimited growth opportunity for CIB Bank.

We acquired the bulk of our 7.3% stake in CIB in May 2014 for a total cost of $330 million. Since then, in local currency, the book value per share has gone up 115%, while the stock price is up 183%. CIB today sells at 10x earnings. Unfortunately, in November 2016, the Egyptian pound was allowed to float and depreciated 50% very quickly. In dollar terms, our investment is valued at $392 million today, only 19% higher than our cost. You may find it interesting to know that HDFC, the premier financial services company in India and perhaps in the world, had a compound growth in stock price of 29% in rupee terms over the last 27 years. Even though the rupee depreciated by 70% during this time period, HDFC's share price compounded at 24% in U.S. dollars. So over the long term, exchange rates are not that important when you invest in growth companies!

Can I finish this section on investments without making a comment on Bitcoin and cryptocurrencies? I am always amazed at how rank speculation comes into markets once every decade or so! Reminds me of the outstanding book ''Extraordinary Popular Delusions and the Madness of Crowds''. Bitcoin, a digital currency operating independently of central banks that uses blockchain technology to regulate the creation of new coins, went from $500 in 2015 to $19,000 in 2017 – that's a parabolic curve if you have ever seen one! And it currently trades at under $10,000. It has no assets, no revenue and no profit. Madness of crowds all right! Will any of us be surprised to see this go back to $500 – down 97% from the top!! Having said that, I must say I felt the same about Amazon in 1999. It did fall 92% from the top but has had huge success in the last ten years. Perhaps Bitcoin and the blockchain technology will experience the same result – you have to survive the first 92% drop of course!!

With more robust economic growth, it is very likely that inflation and long treasury bond rates have bottomed and could be heading upwards: they have started to do so already. We have no net long term bonds (the interest rates on any we have are hedged), and we have over $17 billion (50% of our insurance portfolios) in cash and short term investments which should benefit from higher rates.

There are many risks in the world today as there will always be, like a collapse in world trade, problems in China or a significant blow-up in the junk bond market. As we have said earlier, to protect us against these risks, we continue to retain the $117 billion notional amount in deflation swaps, which have 4½ years to go and cannot cost us more (their carried value is only $40 million).

In 2017 we benefitted significantly by the removal of our hedges. Excluding the gain on the sale of ICICI Lombard and First Capital, we had net gains on our equity and equity-related holdings of $649 million. We had net gains on our long equity exposure of $1.1 billion offset by net losses on our remaining individual short positions of $418 million (now behind us). During 2017 we realized net gains of $201 million on our long equity exposures, primarily from the sale of our remaining holdings in Bank of Ireland, a partial sale of IIFL Holdings to Fairfax India and the sale of Tembec.

Also, when you review our financial statements, please remember that generally when we own more than 20% of a company, we equity account (and call them associates), and when we own above 50%, we consolidate, so that mark to market gains in these companies are not reflected in our results. Let me mention some of those gains.

As you can see in note 6 to our consolidated financial statements, the fair value of our investment in associates (excluding investments in associates held by Fairfax India and Fairfax Africa) is $2,824 million while its carrying value is $2,487 million, representing an unrealized gain of $337 million which is not on our balance sheet.

Also, we own significant positions in Cara, Grivalia, Thomas Cook, Fairfax India and Fairfax Africa which are consolidated in our statements. The unrealized gain on these positions, based on market values at December 31, 2017, is $896 million. This brings the total unrealized gain not reflected on our balance sheet to $1,233 million.

Our common stock portfolio, which reflects our long term value-oriented investment philosophy, is broken down by country as follows (at market value at year-end):

Canada	1,060.7
United States	2,078.2
Other	3,137.0
Total	6,275.9

We continue to like the long term prospects of our common stock holdings, which include names like General Motors, General Electric and US Gypsum, all of which should benefit from robust economic growth in the U.S. and are currently very reasonably priced.

Miscellaneous

Our dividend remained the same in 2017 in spite of record earnings. We are focused on using our free cash flow to buy back stock so it is unlikely our dividend will be increased soon. Since we began paying dividends, we have paid cumulative dividends per share of $103.

Our ''fair and friendly'' corporate culture is being recognized worldwide as executives and companies, insurance and non-insurance, want to join our company. Our culture is now our biggest strength – and one we guard fiercely. This principle of treating people in a ''fair and friendly'' way is firmly embedded in our culture and backed by our Guiding Principles (included as an Appendix to this annual report, as always). I am really excited about our small holding company team who with great integrity, team spirit and no egos keep the whole company going forward, protecting us from unexpected downside risks and taking advantage of opportunities when they arise. This team is led by our President, Paul Rivett. As I said last year, there is no one more hard working than Paul or who represents our culture so well, and he is a delight to work with! Paul leads our efforts in all areas but particularly the non-insurance acquisitions we have made. He, of course, is backed by a fantastic team of officers whom I again want to thank on your behalf. They are David Bonham, Peter Clarke, Jean Cloutier, Vinodh Loganadhan, Brad Martin, Rick Salsberg, Ronald Schokking and John Varnell. The glue that keeps our company together is trust and a long term focus. From our Board of Directors through our officers and all our employees, you can count on them to do the right thing, always taking the long term view. Our Presidents, officers and investment principals are ultimately the strength of our company and the reason I am so excited about our future.

As our 32nd year comes to an end, I want to particularly thank Rick Salsberg, who has been with me from day one in 1985 when this incredible journey began. As I have said many times over, Rick is our ''consigliere'' and we have never made any significant decision without his approval. He represents the heart and soul of our company and we are very grateful that he has not retired. Our future is bright with Rick!

As you all know, my multiple voting shares prevent our company from being taken over – now and after I pass away because these shares will never be sold. This allows our company to be built over the next 100 years with the same culture that has prevailed over the past 32 years. To help retain our culture, long after I have gone, we nominated my son Ben to the Board of Directors in April 2015. This year, as you will note in the management proxy circular, we have nominated my daughter Christine McLean to join our Board for the very same reason. Christine is the Director of Research at Sprucegrove, a money management firm in Toronto managing $20 billion, and she has been in the investment business for 13 years. With our Board of Directors, including Ben and Christine, I feel confident that our culture will stand the test of time.

Goodwill and intangibles (G&I) increased significantly last year to $6.1 billion from $3.8 billion in 2016. Of the $6.1 billion in G&I in 2017, $3.8 billion comes from our insurance companies ($1.7 billion being added in 2017 from Allied World). This is ''good'' goodwill as our companies have all demonstrated their ability to consistently generate underwriting profits (excluding huge hurricanes!). The remaining $2.3 billion in G&I comes from our consolidated non-insurance operations. We consider all of this G&I to be ''good'', but while the goodwill portion comprises only our share of the goodwill, a significant portion of these intangibles are not ours as we do not own 100% of these companies (for example, we only own 40% of Cara and 68% of Thomas Cook India). While we are comfortable with the goodwill on our balance sheet, we thought we would highlight these points for you.

We continue to encourage all our employees to be owners of our company through our employee share ownership plan, under which our employees' share purchases by way of payroll deduction are supplemented by contributions by their employer. It is an excellent plan and employees have had great returns over the long term, as shown below:

	Compound Annual Return				
	5 Years	**10 Years**	**15 Years**	**20 Years**	**Since Inception**
Employee Share Ownership Plan	23%	17%	16%	13%	16%

On May 8, 2017, we were profoundly saddened when we lost one of our own. Monika Wozniak-Makarska, President of Polish Re, passed away in Warsaw at the age of 44 after a courageous battle with cancer. Monika was appointed President and CEO of Polish Re on August 26, 2013. She was previously the Chief Underwriting Officer of the company and was with Polish Re since its formation in 1996. She left behind her husband, her two sons and her parents. We will always remember Monika as a wonderful person and a valuable member of the Fairfax family.

In our 2014 annual report, I mentioned that ''in tragedy there is always hope, and when one of our employee's ten-year-old daughter lost a valiant battle with cancer, the Odyssey and Fairfax family made a donation for the treatment and research for Merkel Cell Carcinoma, under the leadership of Andy Dickson and his wife Raquel, in honor of their beloved daughter Kelsey, whose legacy endures through our efforts to find a cure so others won't have to suffer what she and her parents went through.'' The 2015 Kelsey Dickson Team Science Courage Research Award at the University of Washington accelerated an absolute ''breakthrough'' in precision curative treatment for what is no longer a fatal cancer. This cancer has gone from chemotherapy incurable to over 60% curable. Pembrolizumab is now available to patients with Merkel Cell Cancer – like Kelsey had – in over 16 countries. What a miracle!

Our donations program continues to thrive across the communities all over the world where we do business. Our employees are all pitching in and having ''fun'', helping people less fortunate. In 2017, we donated $22 million, for a total of $177 million since we began. In 2017, we created a Fairfax foundation, with an initial donation of $20 million, which will allow us to help communities all over the world over the long term. Over the 27 years since we began our donations program, our annual donations have gone up approximately 125 times at a compound rate of 20% per year. Here are a few examples of our company donations that I would like to highlight:

In the wake of the suffering and destruction caused by the severe flooding in Houston in 2017, we donated $1 million to programs providing flood relief there.

Northbridge's *Northbridge Cares* program focuses on empowering, educating and supporting Canadian youth to reach their potential. Northbridge has partnered with six organizations that directly benefit the communities where its customers and employees live and work – Pathways to Education, DAREarts, SickKids, Jack.org, United Way and Tree Canada. Northbridge's employees are passionate about these charities, together with Northbridge have donated over $1.5 million to support these organizations, and have donated over 2,000 volunteer hours.

Crum & Forster reaffirmed its commitment to community health and wellness by stepping up as the Diamond Sponsor of Morristown Medical Center's signature fundraising event, which will help fund the new Center for Nursing Innovation and Research. While C&F employees make a difference in communities across the country, other causes close to home at corporate headquarters included, among many others, donations to the world-renowned Seeing Eye guide dog program and the Mayo Performing Arts Center, both based in Morristown, and C&F employees providing volunteer services for the relief of battered women and hunger. In recognition of leadership and community service across the state, NJBIZ, New Jersey's leading business journal, named Crum & Forster 2017 Corporate Citizen of the Year.

OdysseyRe continued its ongoing commitment to cancer research, global disaster relief, education and many other worthy causes, including the National Kidney Foundation, Institut Pasteur, Stamford Hospital and AmeriCares. Additional funding was provided to assist in rebuilding efforts in the wake of Hurricanes Harvey, Irma and Maria for those impacted in the U.S. and Caribbean countries. A new OdysseyRe Global Studies Award Fund was also established at the St. John's School of Risk Management.

Each year Brit supports ten charities chosen by its employees, which for 2017 were the Motor Neuron Disease Association, Autistica, Action Duchenne, The Disability Foundation, Ordinary 2 Extraordinary, Horatio's Garden, Rockinghorse (all U.K.), Bountiful Blessings (U.S.), Philabundance (U.S.) and Blossom Trust (India). Brit has also partnered with Decoda, a Canadian charity working to increase the literacy and learning skills of children in foster care, and the Creative Corrections Education Foundation, a U.S. charity helping the children of incarcerated parents through education. During 2017 Brit donated $200,000 for the completion of a dormitory to house up to 100 girls being educated at the Soweto Academy in Kibera, Kenya, the largest slum in Africa, and set up a fund to keep girls in an environment safe from the perils of sexual assault and early pregnancy.

Allied World has supported two NYC-based charities – the N.Y. Police and Fire Widows' & Children's Benefit Fund at whose gala Scott Carmilani, Allied World's CEO, was the honoree in November 2017, and the Citizens Committee for New York City, whose mission is to improve the quality of life for low-income New Yorkers via various community projects.

RiverStone U.S. supports a number of charities, including three major initiatives which respond to various needs of the local community. RiverStone U.S. enjoys a decades-long relationship with the New Hampshire Food Bank and contributed over $150,000 (as well as additional contributions to Atlanta and San Diego food banks) from a week-long, employee-driven campaign in its offices in 2017. RiverStone U.S. also provided a full, four-year scholarship to a local Manchester, NH student to attend St. Anselm's college, and continues to partner with City Year, which serves students who are at risk of dropping out of school by providing support and supportive programs.

RiverStone U.K. supports a wide variety of causes nominated by employees, including RISE, a charity which provides sanctuary and support for victims of domestic violence and abuse in the local area. RiverStone U.K.'s donation provides those individuals with access to a 12-week group-work program with specialist childcare support.

In addition to making charitable donations, Zenith actively promotes and enables volunteerism among its employees to benefit its local communities. In times of need, Zenith supports disaster relief and humanitarian aid programs by facilitating employee contributions and making matching donations. This year, Zenith responded to hurricanes Harvey, Irma and Maria, the earthquake in Mexico, the Las Vegas tragedy and the California wildfires. Many Zenith employees also volunteered their time to assist some of those affected by these disasters, which in some cases included customers and agents.

We are looking forward to seeing you at our annual meeting in Toronto at 9:30 a.m. (Eastern time) on Thursday, April 26, 2018 at Roy Thomson Hall. As in the past few years, we will have booths (the number keeps growing each year) which will provide information and allow you the opportunity to interact with the Presidents and senior members of our insurance companies, such as Northbridge, OdysseyRe, Crum & Forster, Zenith, Brit, Allied World, RiverStone, Fairfax Asia (which now includes AMAG, Pacific Insurance, Falcon, BIC, our insurance operation in Vietnam, and Fairfirst, our insurance operation in Sri Lanka), and our partners in the Middle East, the Gulf Insurance Group, along with Colonnade which covers Central and Eastern Europe, our Latin American operations and Digit, our insurance company that we launched late last year in India. We continue to be active in the pet insurance market and for all you pet lovers, Sean Smith and his team at Pethealth will be on hand to help you insure your favorite pet: Sean did not see enough of you last year, so please stop by the Pethealth booth and take advantage of some special offers that he has for you. To give you ample time to visit all our booths, the doors will open at 8:00 a.m.

The Fairfax Leadership Workshop continues to grow, so that now about 150 individuals have attended the program. Many have moved on to senior leadership roles and some are running our companies. You will recognize them by the special pins that they wear that even I do not get. You will see them at the various insurance company booths, so stop by and speak to them. In addition, the booths will showcase some of our non-insurance company investments, including some you have known previously, such as William Ashley, Sporting Life, Arbor Memorial, Quess, Golf Town, Boat Rocker Media and Blue Ant Media, and some new ones like AGT, Altius and Chorus Aviation. Our innovation lab that we started in Waterloo, for which we created our FairVentures company, continues to grow and support innovation at all our companies, so please stop by and visit their booth where Dave Kruis, who runs the FairVentures Innovation Lab, promises to have an interactive experience for you.

Like last year, after our meeting we will have Cara, which now includes The Keg, and McEwan's, led by celebrity chef Mark McEwan, tantalize your taste buds with some of their delicious offerings from their various restaurants. I reiterate that we are now the third largest restaurant company in Canada: you cannot go too far before you come across one of our restaurants in either the fast food or fine dining space.

Madhavan Menon from Thomas Cook India has said that not enough shareholders have taken advantage of the discount to take your family for a trip of a lifetime to India, so this year he will be auctioning off a "Trip of a Lifetime to India": all proceeds from the auction will go to the Crohn's and Colitis Foundation, so please be generous. This will be a truly memorable trip: we only ask that the winner come back and let everyone else know how wonderful it was, so others can experience it as well! Please visit Madhavan, Dipak Deva and others at the Thomas Cook India booth. We will have Hari Marar who runs the Bangalore Airport on hand and you can hear from him all the exciting things that he has planned in the year ahead. Ajit Isaac from Quess will be there, as will Nirmal Jain from IIFL and Vijay Sankar from Sanmar. Sterling Resorts, NCML, Saurashatra Freight, Fairchem, Privi, Quantum and Primary Real Estate will round out the investments that we have in India, each represented by its CEO. I guarantee that after you speak to them, you will be as excited as I am regarding our investments in India.

Also, stop by Golf Town, where you can improve your putting in a three-hole contest, with the winner getting a prize: you might find me there as well, practising my putting! We will also have Bauer, which will showcase some of its latest equipment.

Altogether, this is a fantastic opportunity for you to learn more about our companies, as well as to get some discounts for shopping at William Ashley, Sporting Life and Golf Town and for dining at Cara and The Keg.

As in the past, highlighted will be two excellent programs that we support: the Ben Graham Centre for Value Investing with George Athanassakos at the Ivey School of Business, and the Actuarial Program at the University of Waterloo – both among the best in North America! This year the staff at the University of Waterloo booth will again include co-op students working at our companies. I encourage you to speak to them: I assure you that you will be impressed. Many of you have hired, and will want to continue to hire, a few more at your own companies: the University will have someone on hand to let you know how you can go about doing so. George will also have many of his MBA students on hand, so speak to them: you may want to hire them as well. George runs a Value Investing Conference the day before our meeting. This will be its seventh year and in case you have not attended, please check the website for details *(www.bengrahaminvesting.ca)*. I highly recommend it and it is well worth your time to attend. Many who have attended have mentioned to me that it is one of the best of its kind, and this year's lineup of speakers is outstanding!

Also, as we have done in the past, we will be giving you a book by Sir John Templeton: this year, "Thrift and Generosity – The Joy of Giving". As I have said many times, Sir John was a mentor to me and the great admiration that I have had for him and the influence that he has had on me personally and others in our company will always resonate with us. Sanjeev Parsad will hand out the book for a donation of your choosing, and all the money collected will go to the Crohn's and Colitis Foundation in memory of my assistant Jo Ann Butler. Sanjeev has raised a little over Cdn$160,000 to date. Hats off to Sanjeev for spearheading this valiant effort.

Similarly to last year, Fairfax India (of which many of you are also shareholders) will hold its annual meeting at 2:00 p.m. on April 26 at Roy Thomson Hall. Chandran Ratnaswami, Jenn Allen, John Varnell, Harsha Raghavan and the CEOs of many of Fairfax India's investees will be on hand to answer any questions you may have. As noted above, Fairfax India will also showcase the companies in its portfolio at the booths in the foyer, so stop by and visit them and hear firsthand all the wonderful things taking place in India and the vast potential that lies ahead there.

This year Fairfax Africa will hold its first shareholders' meeting on Wednesday, April 25 at 2:30 p.m. at the Sheraton Hotel in Toronto. Fairfax Africa will also have a booth at our meeting, so stop by and say hello to Michael Wilkerson and his partner Neil Holzapfel and see the exciting opportunities that lie ahead in Africa.

So, as we have done for the last 32 years, we look forward to meeting you, our shareholders, and answering all your questions, as well as getting you to meet our dedicated directors and the fine men and women who work at and run our companies. I personally am inspired each and every time that I meet you all, and when I hear your stories I want to work twice as hard to make a return for you in the long term. We are truly blessed to have the loyal shareholders that we have and I look forward to seeing you at our shareholders' meeting in April.

March 9, 2018

V. P. Watsa

V. Prem Watsa
Chairman and Chief Executive Officer