FAIRFAX FINANCIAL HOLDINGS

Interim Report for the three months ended March 31, 2000

To Our Shareholders:

In the first quarter, net earnings decreased 54% to $35.9 million from $78.1 million last year. Net earnings per share for the first quarter decreased to $2.58 per share from $6.37 per share last year. The weighted average outstanding shares for the three months ended March 31, 2000 were 13.3 million versus 12.3 million last year.

Revenue in the first quarter increased to $1,555.9 million from $1,023.2 million as a result of increased premium and investment income, mainly related to the April 13, 1999 acquisition of TIG Holdings Inc. which was not included in Fairfax's results for the first quarter of 1999.

The combined ratio for the three months ended March 31, 2000 decreased to 110% from 111% last year. The decrease in the Canadian insurance combined ratio to 104% from 108% last year is primarily due to improvement in Lombard's and Commonwealth's underwriting results. In 1999, Commonwealth suffered significant losses from its U.S. Property and Oil, Gas and Petrochemicals business written in 1998. The increase in the U.S. insurance combined ratio to 114% from 113% last year is due to continuing poor results from C&F due to a more difficult pricing environment in 1999 than had been expected, partially offset by TIG Insurance's lower combined ratio in the first quarter of 2000. The decrease in the reinsurance group's combined ratio to 107% from 111% last year is due to the inclusion of Sphere Drake's results in the reinsurance group in the first quarter of 1999. Sphere Drake ceased active underwriting effective May 25, 1999 as part of Odyssey Re's consolidation of its London market operations.

Interest and dividend income in the first quarter increased to $237.0 million from $167.6 million last year. Realized gains on disposal of portfolio securities were $18.3 million for the first quarter of 2000, principally from the sale of Latin American common shares, offset by put and other amortization. In the first quarter of 1999, realized gains amounted to $50.0 million, principally from the sale of Korean common shares. The company recorded an income tax recovery of $12.6 million in the first quarter, principally due to higher income and realized gains in lower tax rate jurisdictions.

The run-off operations consist of International Insurance, Odyssey Re Stockholm and Sphere Drake. Net investment income exceeded the claims handling costs and underwriting losses on the run-off of Sphere Drake's unearned premium, by $21.4 million. Corporate overhead and other decreased this year, principally due to the write-off of bond issue costs in the first quarter of 1999.

At March 31, 2000 the Fairfax investment portfolio had a pre-tax unrealized loss of $791.3 million compared to an unrealized loss of $1,226.6 million at December 31, 1999. The unrealized loss primarily relates to the impact of higher interest rates on the bond portfolio of U.S. subsidiaries with the improvement in the first quarter of 2000 coming from somewhat lower long term interest rates. The unrealized loss on bonds does not impact regulatory capital.

On September 17, 1999, the company announced its intention to make a normal course issuer bid for up to 865,000 subordinate voting shares, representing less than 10% of the public float of its outstanding subordinate voting shares. In the first quarter of 2000, the company purchased 244,044 subordinate voting shares for $46.4 million.

Common shareholders' equity at March 31, 2000 was $3.1 billion or about $234.96 per share.

May 4, 2000

V. P. Watsa

V. PREM WATSA
Chairman and Chief Executive Officer

FAIRFAX FINANCIAL HOLDINGS

Interim Report for the three months ended March 31, 2000

CONSOLIDATED BALANCE SHEETS

as at March 31, 2000 and December 31, 1999

(unaudited - $ millions)

	2000	1999
ASSETS		
Cash and short term investments	**574.1**	613.2
Marketable securities	**70.9**	99.5
Accounts receivable and other	**3,783.4**	3,661.1
Recoverable from reinsurers	**8,820.0**	8,671.6
Income taxes refundable	**165.2**	83.2
	13,413.6	**13,128.6**
Portfolio Investments		
Cash and short term investments	**1,643.2**	1,802.9
Bonds - (market value - $11,873.2; 1999 - $12,065.7)	**12,742.5**	13,306.8
Preferred stocks - (market value - $115.2; 1999 - $132.6)	**117.6**	133.9
Common stocks - (market value - $1,538.2; 1999 - $1,413.6)	**1,457.8**	1,397.9
Real estate	**57.4**	80.7
Total (market value - $15,227.2; 1999 - $15,495.6)	**16,018.5**	16,722.2
Investment in Hub and Zenith	**365.0**	363.4
Deferred premium acquisition costs	**343.3**	361.2
Deferred income taxes	**884.4**	893.0
Capital assets	**109.8**	122.2
Goodwill (Lindsey Morden)	**241.4**	246.1
Other assets	**81.1**	98.6
	31,457.1	31,935.3
LIABILITIES		
Accounts payable and accrued liabilities	**1,038.2**	1,385.6
Premium deposits	**1,162.3**	1,198.5
	2,470.5	2,584.1

Provision for claims	**20,005.0**	20,442.2
Unearned premiums	**2,400.4**	2,276.3
Long term debt	**2,078.8**	2,102.0
Trust preferred securities		
of subsidiary	**378.9**	378.8
	24,863.1	25,199.3
Non-controlling interest	**595.8**	601.6
Excess of net assets acquired over purchase price	**225.8**	234.2
SHAREHOLDERS' EQUITY		
Capital Stock	**2,026.3**	2,066.3
Preferred Stock	**200.0**	200.0
Retained earnings	**1,075.6**	1,049.7
	3,301.9	3,316.0
	31,457.1	31,935.3

FAIRFAX FINANCIAL HOLDINGS

Interim Report for the three months ended March 31, 2000

CONSOLIDATED STATEMENTS OF EARNINGS

for the three months ended March 31, 2000 and 1999
(unaudited - $ millions, except per share data)

	2000	1999
Revenue		
Gross premiums written	**1,697.3**	1,109.4
Net premiums written	**1,116.3**	817.0
Net premiums earned		
Insurance - Canada	**159.6**	154.2
- U.S.	**627.7**	315.6
Reinsurance	**303.0**	226.0
Run-off	**122.1**	----
Interest and dividends	**237.0**	167.6
Realized gains on investments	**18.3**	50.0
Claims fees	**88.2**	109.8
	1,555.9	1,023.2
Expenses		
Losses on claims	**970.3**	526.9
Operating expenses	**288.2**	258.9
Commissions, net	**227.1**	120.9
Interest expense	**44.8**	31.6
	1,530.4	938.3
Earnings before income taxes	**25.5**	84.9
Provision for income taxes	**(12.6)**	8.0
Earnings from operations	**38.1**	76.9
Non-controlling interest	**(2.2)**	1.2
Net earnings	**35.9**	78.1
Net earnings per share	**$2.58**	$6.37
Shares outstanding (000) (weighted average)	**13,343**	12,258

FAIRFAX FINANCIAL HOLDINGS LIMITED

Interim Report for the three months ended March 31, 2000

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

for the three months ended March 31, 2000 and 1999

(unaudited - $ millions)

	2000	1999
Retained earnings		
- beginning of period	**1,049.7**	1,016.5
Net earnings for the period	**35.9**	78.1
Excess over stated value of shares		
purchased for cancellation	**(6.3)**	----
Preferred dividends	**(3.7)**	----
Retained earnings		
- end of period	**1,075.6**	1,094.6

FAIRFAX FINANCIAL HOLDINGS

Interim Report for the three months ended March 31, 2000

CONSOLIDATED STATEMENTS OF CHANGES IN CASH RESOURCES

for the three months ended March 31, 2000 and 1999
(unaudited - $ millions)

	2000	1999
Operating Activities		
Earnings from operations	**38.1**	**76.9**
Amortization	**19.2**	**4.4**
Deferred income taxes	**13.2**	**(1.8)**
Gains on investments	**(18.3)**	**(50.0)**
	52.2	**29.5**
Increase(decrease) in:		
Provision for claims	**(437.2)**	(592.8)
Unearned premiums	**124.1**	88.2
Accounts receivable and other	**(122.3)**	(139.4)
Recoverable from reinsurers	**(148.4)**	19.0
Income taxe refundable	**(82.0)**	(5.3)
Accounts payable and accrued liabilities	**(113.6)**	158.4
Other	**25.1**	61.2
Cash resources provided by (used in) operating activities	**(752.3)**	(381.2)
Investing Activities		
Investments – net sales	**597.7**	315.1
Marketable securities	**28.6**	(63.5)
Capital assets	**8.5**	4.6
	634.8	256.2
Financing Activities		
Shares repurchases	**(46.4)**	----
Change in long term debt	**(23.2)**	385.9
Preferred dividends	**(3.7)**	----
Change in non-controlling interest	**(8.0)**	(11.5)
	(81.3)	374.4
Change in cash resources	**(198.8)**	**249.4**
Cash resources - beginning of period	**2,416.1**	1,142.2
Cash resources - end of period	**2,217.3**	1,391.6

Cash resources consist of cash and short term investments including subsidiary cash and short term investments.

FAIRFAX FINANCIAL HOLDINGS

Interim Report for the three months ended March 31, 2000

SOURCES OF NET EARNINGS
(Lindsey Morden equity accounted)
for the three months ended March 31, 2000 and 1999
(unaudited - $ millions)

	2000	1999
Underwriting:		
Insurance - Canada	**(6.8)**	(12.8)
- U.S.	**(87.3)**	(39.9)
Reinsurance	**(21.3)**	(24.5)
Interest and dividends	**161.7**	154.0
	46.3	76.8
Realized gains	**18.3**	50.0
Run-off operations	**21.4**	----
Claims adjusting (Fairfax portion)	**(3.9)**	(1..3)
Interest expense	**(41.7)**	(28.6)
Goodwill amortization	**(1.2)**	(1.2)
Swiss Re premium	**(1.7)**	----
Corporate overhead and other	**(3.7)**	(7.9)
Pre-tax income	**33.8**	87.8
Less: taxes	**7.0**	(9.7)
Less: non-controlling interest	**(4.9)**	----
Net earnings	**35.9**	78.1
Combined ratio		
Insurance - Canada	**104%**	108%
- U.S.	**114%**	113%
Reinsurance	**107%**	111%
Consolidated	**110%**	111%

FAIRFAX FINANCIAL HOLDINGS

Interim Report for the three months ended March 31, 2000

CAPITAL STRUCTURE

(Lindsey Morden equity accounted)
as at March 31, 2000 and December 31, 1999
(unaudited - $ millions, except per share data)

	2000	1999
Cash and short term investments	**574.1**	613.2
Marketable securities	**70.9**	99.5
Long term debt	**1,940.6**	1,959.0
Net debt	**1,295.6**	1,246.3
Common shareholders' equity	**3,101.9**	3,116.0
Preferred equity	**200.0**	200.0
Trust preferred securities of subsidiary	**378.9**	378.8
Total equity	**3,680.8**	3,694.8
Net debt/equity	**35%**	34%
Net debt/total capital	**26%**	25%
Shareholders' equity per share	**$234.96**	$231.98