**To Our Shareholders:**

We had, by far, the best year in our history. Fairfax has transformed itself to become one of the largest property and casualty companies in the world with $32 billion[1] in gross written premium, including the acquisition of Gulf Insurance. We posted a record underwriting profit of $1.5 billion and record net earnings of $4.4 billion, or $173 per share. Book value per share increased 25% to $940 a share. In the last three years, our book value per share has doubled and our stock price has almost tripled. More importantly, our adjusted operating income (undiscounted underwriting profit, interest and dividends plus income from associates) of $3.9 billion may continue at these levels for the next four years (more on this later).

Since we began in 1985, 38 years ago, our book value per share has compounded by 18.9% per year (including dividends) while our common stock price has compounded at 18.2% (including dividends) annually. Our success throughout our history, and again in 2023, has come under a decentralized structure with outstanding management executing a disciplined approach to underwriting.

The table below shows our growth since 2017, after we purchased Allied World. We have benefited greatly from a hard market in insurance that began in 2019.

| | Gross Premiums Written | | | Average |
|---|---|---|---|---|
| | **2017** | **2023** | **% Change** | **Combined Ratio** |
| | *($ billions)* | | | |
| Northbridge | 1.2 | 2.4 | 107% | 92% |
| Odyssey Group | 2.7 | 6.3 | 132% | 96% |
| Crum & Forster | 2.1 | 5.2 | 146% | 97% |
| Brit | 2.0 | 3.7 | 82% | 99% |
| Allied World | 3.1 | 6.8 | 121% | 93% |
| Total | 13.8 | 28.9 | 109% | 95% |

We have more than doubled our premium since 2017 – and almost all the growth has been organic! We paid $4.2 billion for Allied World in 2017 (which had $3.1 billion in gross premiums at the time) and $1.6 billion for Brit in 2015 (with $2.0 billion in gross premiums at the time). That's $5.8 billion spent for $5.1 billion in gross premiums. But those assets have been instrumental in helping to drive $15.1 billion in added gross premiums in the last six years – at no cost. The build-up of intrinsic value, or the ability of our assets to drive future top-line and bottom-line growth is very significant, as shown in the table below:

| | **2017** | **2023** | **Change** |
|---|---|---|---|
| | *($ billions)* | | |
| Gross premiums | 13.8 | 28.9 | 109% |
| Float | 22.9 | 35.1 | 53% |
| Investment portfolio | 39.3 | 64.8 | 65% |
| Common shareholders' equity | 12.5 | 21.6 | 73% |
| Underwriting profit (loss) | (0.6) | 1.5 | |
| Interest and dividends | 0.6 | 1.9 | 3x |
| Share of profit of associates | 0.2 | 1.0 | 5x |
| Insurance and reinsurance adjusted operating income (loss) | (0.2) | 3.9 | |

As you can see, as a result of a more than doubling of gross premiums since 2017, our float has increased 53% and the investment portfolio is up 65%. Underwriting profit improved from a loss to $1.5 billion in profit, interest and dividend income has seen a threefold increase, profit from associates is up fivefold and adjusted operating income managed to swing from a loss to $3.9 billion profit. This is what I mean by the very significant increase in intrinsic value!

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. Some numbers may not add due to rounding. Certain of the performance measures and ratios in this letter do not have a prescribed meaning under IFRS Accounting Standards and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A (MD&A Glossary) and the Appendix to Chairman's Letter to Shareholders (Appendix) for details.*

Of course, this has been magnified on a per-share basis as shares outstanding have decreased by 17% since 2017.

| | 2017 | 2023 | % Change |
|---|---|---|---|
| Shares outstanding | 27.8 | 23.0 | -17% |
| Per Share | *($)* | | |
| Gross premiums | 499 | 1,256 | 152% |
| Float | 826 | 1,525 | 85% |
| Investment portfolio | 1,415 | 2,815 | 99% |
| Common shareholders' equity | 450 | 940 | 109% |
| Insurance and reinsurance adjusted operating income | (8) | 171 | |

We can see sustaining our adjusted operating income for the next four years at $4.0 billion (no guarantees), consisting of: underwriting profit of $1.25 billion or more; interest and dividend income of at least $2.0 billion; and income from associates of $750 million, or about $125 per share after taxes, interest expense, corporate overhead and other costs. These figures are all, of course, before fluctuations in realized and unrealized gains in stocks and bonds!

On a per-share basis, our shareholders' equity or book value per share has increased 109% over the same period and the operating income of our insurance and reinsurance operations (before fluctuations in stock and bond prices) increased from a loss of $8 per share to a gain of $171 per share. To be clear, we expect to make significant profits from our common stock positions – but only in the long term! Remember we have $15.5 billion in common stock investments which we expect to realize significant profits over time. Since inception, we have made approximately $8.5 billion in common stock profits! Our operating income will give us a lot of stability going forward, but stock profits, even though lumpy, will be significant in the long term.

Here's how our insurance companies performed in 2023 (on an undiscounted basis):

| | Underwriting Profit | Combined Ratio | Catastrophe Losses | Combined Ratio Excluding Catastrophe Losses | Increase in Gross Premiums 2023 vs 2022 |
|---|---|---|---|---|---|
| Northbridge | 180 | 91% | 1% | 91% | 6% |
| Crum & Forster | 87 | 98% | 3% | 94% | 14% |
| Zenith | 46 | 94% | 1% | 93% | 1% |
| Allied World | 482 | 89% | 4% | 85% | 5% |
| Brit | 240 | 92% | 3% | 89% | (5%) |
| Odyssey Group | 397 | 93% | 7% | 86% | (3%) |
| International Re/Insurers | 91 | 96% | 2% | 94% | 21% |
| Consolidated | 1,522 | 93% | 4% | 89% | 5% |

We had record underwriting profit again in 2023 of $1.5 billion as all our major insurance companies had a combined ratio, in the mid 90s or below, despite absorbing catastrophe losses of $900 million. At 4 combined ratio points catastrophe losses were lower than the average 5.6 combined ratio points in the past decade. Our reserves continue to be very strong with favourable development in 2023 of $310 million, with average favourable development of more than $450 million annually over the last 10 years. Premium growth moderated in 2023 with gross premium up 5%, as our companies remained disciplined in writing only profitable business. Odyssey Group, for example, had a 3% decline in premium due to the non-renewal of a large-quota-share account over pricing. Profitable underwriting continues to be key at Fairfax, not just growing the top line!

In 2023, like in 2022, Northbridge and Allied World had the lowest combined ratios of 91% and 89%, respectively, with Allied World producing record underwriting profits. With gross premiums of $6.8 billion and $6.3 billion, respectively, Allied World and Odyssey Group were our largest companies.

Brit had an excellent combined ratio of 92% in 2023, almost making up for the cumulative underwriting losses we have had since we acquired them – in one year! Brit's premium dropped in 2023 as it reduced and rebalanced its catastrophe exposures and the benefits can be seen on the bottom line.

These record underwriting results were due to the outstanding Presidents and management teams we have at each of our decentralized insurance companies (26 in total). We list them here for you and the tenure of each of the Presidents.

| Company | President | Years with Fairfax | Years with the Company |
|---|---|---|---|
| Northbridge | Silvy Wright | 30 | 30 |
| Odyssey Group | Brian Young | 28 | 28 |
| Crum & Forster | Marc Adee | 24 | 24 |
| Zenith | Kari Van Gundy | 14 | 28 |
| Brit | Martin Thompson | 3 | 2 |
| Allied World | Lou Iglesias | 7 | 12 |
| Gulf Insurance Group | Khaled Saoud al Hasan | 14 | 46 |
| GIG Gulf (Subsidiary of Gulf Insurance Group) | Paul Adamson | 3 | 23 |
| Falcon (Hong Kong) | Jeff Sung | 1 | 1 |
| Falcon (Thailand) | Sopa Kanjanarintr | 17 | 17 |
| Pacific (Malaysia) | Gobi Athappan | 23 | 9 |
| AMAG (Indonesia) | Pankaj Oberoi | 7 | 7 |
| Fairfirst (Sri Lanka) | Sandeep Gopal | 4 | 4 |
| Singapore Re | Phillippe Mallier | 27 | 3 |
| Bryte (South Africa) | Edwyn O'Neill | 7 | 11 |
| Colonnade (CEE) | Peter Csakvari | 9 | 9 |
| Polish Re | Jacek Kugacz | 15 | 28 |
| ARX Insurance (Ukraine) | Andrey Peretyazhko | 4 | 18 |
| Universalna (Ukraine) | Oleksiy Muzychko | 4 | 15 |
| Fairfax Brasil | Bruno Camargo | 14 | 14 |
| Southbridge Colombia | Marta Lucia Pava | 7 | 17 |
| Southbridge Chile | Fabiana de Nicolo | 7 | 9 |
| Southbridge Uruguay | Marcelo Lena | 7 | 24 |
| La Meridional (Argentina) | Juan Luis Campos | 7 | 9 |
| Eurolife (Greece) | Alex Sarrigeorgiou | 7 | 20 |
| RiverStone | Nick Bentley | 26 | 26 |
| | | | |
| Fairfax Insurance Group | Andy Barnard | 28 | |
| Fairfax Insurance Group | Brian Young | 28 | |
| Fairfax Asia | Ramaswamy Athappan | 21 | |
| Fairfax Latam | Fabricio Campos | 7 | |
| Fairfax International | Bijan Khosrowshahi | 14 | |

Given the record results we have achieved at Fairfax in 2023 ($4.4 billion in net income), we thought it appropriate to show you the full Team Fairfax that runs our company:

| | Title | Years with Fairfax |
|---|---|---|
| **Fairfax Officers** * | | |
| Jennifer Allen | VP & Chief Financial Officer | 18 |
| Bryan Bailey | VP, Tax | 7 |
| Derek Bulas | VP & Chief Legal Officer | 12 |
| Peter Clarke | President & Chief Operating Officer | 26 |
| Jean Cloutier | VP & Chairman International | 30 |
| Vinodh Loganadhan | VP, Administrative Services | 16 |
| Bradley Martin | VP, Strategic Investments | 26 |
| Olivier Quesnel | VP & Chief Actuary | 17 |
| Thomas Rowe | VP, Corporate Affairs | 8 |
| Rick Salsberg | VP & Corporate Secretary | 38 |
| John Varnell | VP, Corporate Development | 37 |
| Michael Wallace | VP, Insurance Operations | 4 |
| **Fairfax Investment Committee*** | | |
| Brian Bradstreet | Sr. Managing Director, Fixed Income | 37 |
| Wade Burton | President & Chief Investment Officer – Hamblin Watsa | 16 |
| Lawrence Chin | Chief Operating Officer – Hamblin Watsa | 8 |
| Peter Clarke | President & Chief Operating Officer – Fairfax | 26 |
| Roger Lace | Chairman | 38 |
| Quinn McLean | Sr. Managing Director, Middle East & Africa | 13 |
| Chandran Ratnaswami | Sr. Managing Director, Asia | 30 |

* *All members of the Fairfax Executive Committee*

On your behalf, I want to thank our outstanding Team Fairfax for the transformation that has taken place in our company.

One of the best moves we have made was having Andy Barnard join our holding company team as President of our Insurance Group in 2011 – with all of our insurance Presidents reporting directly or indirectly to him. Over these past 13 years we have written close to $200 billion of gross premium and produced cumulative underwriting profits of $5.3 billion with reserve redundancies each and every year. An outstanding track record!

As I mentioned last year, Andy Barnard and Peter Clarke decided it was time to have Brian Young work with Andy, overseeing our insurance business all over the world. Just as it made sense in 2011 to create a holding company position for Andy to supervise our companies, it made sense in 2023, after years of significant expansion, to add depth to that position. Andy will move to Chairman of the Fairfax Insurance Group and Brian Young will become President. Brian has done an outstanding job in his first year formally working with Andy and Peter, while at the same time remaining the CEO of Odyssey Group. His knowledge of the insurance industry and experience will be a huge asset for the group going forward.

Succession at Odyssey Group is going very well with Carl Overy becoming Global Reinsurance CEO of Odyssey Re and Bob Pollock running Odyssey Group's London Market division. Succession is always internal! Hudson Insurance continues to be run by Chris Gallagher.

Kamesh Goyal and his team at Digit had another great year surpassing $1 billion in premium for the first time. Remember, Digit only began six years ago and now has over 4,000 employees, including a team of 650 people focused on its digital strategy and data science. Most impressive is the company has been profitable again – with the help of investment income. Digit continues to explore and prepare for a potential IPO and we are very excited about their future prospects.

In October 2022, I got a call from Sheikha Dana, the Group CEO at KIPCO. KIPCO had made a decision to sell their 46% ownership of Gulf Insurance (GIG) – preferably to Fairfax! With some negotiation, we came to an agreement on April 19, 2023 to pay KIPCO 2KD per share (approximately 2.4x book value) – $200 million at closing and four equal payments of $165 million annually beginning in December 2024 and ending in 2027. We paid approximately 13x normalized earnings. We closed the deal on December 26, 2023 and now own 90% of GIG. We have made a follow-up offer to the public shareholders recently and expect the offer to close in the second quarter of 2024. We will continue to have a public company in Kuwait.

GIG closed the year 2023 with gross premiums of approximately $3 billion with a combined ratio of 93.7%. The company has made an annual underwriting profit since we first became a shareholder in 2010. With an investment portfolio of $2.4 billion, and a well-capitalized balance sheet, we expect dividends from GIG to contribute to the annual installments in the next four years. We thank Sheikha Dana for being an excellent partner and wish her and Kipco well in the future. We will always take a call from her! Our strategy of waiting for the phone to ring continues!

We are thrilled to have GIG and its experienced and talented team led by Khaled Saoud Al Hasan and Paul Adamson join the Fairfax group. GIG has a very strong presence in the Middle East and North Africa region, operating in over 13 different countries. GIG's position in the region was further cemented with their acquisition of Axa Gulf's operations in 2021. We know GIG very well, having had an ownership position in them for the past 13 years and they have an outstanding track record with a 94% combined ratio and a 15% return on equity over this time period. We look forward to working with Khaled, Paul and the entire GIG team to further develop GIG's business over the long term.

In 2023, we continued to have positive movement in our ratings on the back of a number of positive movements in 2022. Our debt ratings were upgraded by Moody's to Baa2, by A.M. Best to bbb+ and by DBRS to A (low), in addition to upgrades in the financial strength ratings of several of our insurance operations. In 2022, Standard & Poor's increased our subsidiary financial strength ratings to A and our debt rating to BBB, and in late 2023 Standard & Poor's placed our ratings on CreditWatch positive following the release of their new insurance capital model. In May of 2023, Fitch began rating Fairfax and assigned an initial senior debt rating of BBB. The strength of Fairfax and our insurance and reinsurance operations is being reflected in our ratings and we are focused on increasing them further.

This year we had the most significant accounting change in our history, moving from IFRS 4 to IFRS 17 (International Financial Reporting Standards). This resulted in some major changes to the financials with the discounting of our insurance contract liabilities and establishment of a risk adjustment having the most significant effects. As I have said many times, we have never been a fan of discounting but, unfortunately, we do not have a choice. At a high level, we now are required to discount our current-year claims, which is partially offset by applying a risk adjustment. For prior years, we unwind the discount as claims are paid, and as we move closer to the time of payment, and we adjust the discount on prior-year claims for changes in interest rates. These movements are all reflected in our earnings for the year and can have a positive or negative effect. We discount our net liabilities basically using government bond yields as a base that matches our payout patterns by the line of business and the geography of our net insurance liabilities. The risk adjustment is calculated using standard actuarial methods that set the undiscounted insurance liabilities at approximately an 84% confidence level – this can vary over time based on a variety of factors.

On the adoption of IFRS 17 (January 1, 2022 being the first balance sheet re-valued under this accounting change), our shareholders' equity increased by $150 million. The benefit was relatively small as interest rates at that time were very low and the establishment of our risk adjustment offset the impact of discounting. The table below shows the net benefit from discounting in our 2022 and 2023 financials and how the effect of changes in interest rates on discounting offsets the investment gains (losses) on our bonds. (The net gains or losses on bonds were always reported through income under IFRS 4.)

| | **2023** | **2022** |
|---|---|---|
| Current year discounting | 1,848 | 1,291 |
| Change in risk adjustment and other | (32) | 115 |
| Unwinding of discount on prior years | (1,387) | (311) |
| Effect of changes in interest rates on discounting | (218) | 1,929 |
| Total pre-tax benefit in consolidated statement of earnings | 210 | 3,024 |
| | | |
| Effect of changes in interest rates on discounting | (218) | 1,929 |
| Net investment gains (losses) on bonds | 714 | (1,086) |
| Net effect of changes in interest rates | 496 | 843 |

In 2023, the net effect of discounting and risk adjustment benefited pre-tax earnings by $210 million. Included in this was a loss from the effect of the change in interest rates (interest rates decreased slightly in 2023) on prior-year insurance liabilities of $218 million, which somewhat offset the gain on our bond portfolio of $714 million. In 2022, the net effect of discounting benefited pre-tax earnings by $3.0 billion, which included a gain of $1.9 billion from the effect of the change in interest rates on prior-year insurance liabilities (interest rates increased dramatically in 2022), which more than offset our bond losses of $1.1 billion in 2022. IFRS 17 brings to the financials the matching of marking our bond portfolio and our net liabilities to fair value so both assets and liabilities reflect change in interest rates. The volatility from bond gains or losses going forward will be cushioned by the discounting of our insurance liabilities – not a bad thing!

The table below shows the net discount (discount less risk adjustment) embedded in our discounted net claim liabilities carried on our balance sheet for years ending 2023, 2022 and January 1st 2022 (first balance sheet restated under IFRS 17).

| | **2023** | **2022** | **2021** |
|---|---|---|---|
| Total discount | 5,429 | 5,107 | 1,770 |
| Total risk adjustment | (2,309) | (2,091) | (1,873) |
| Net discount | 3,120 | 3,016 | (103) |
| Change in net discount during the year | 104 | 3,119 | |

The discount recorded on our balance sheet increased considerably from our initial IFRS 17 balance sheet, primarily due to the significant increase in interest rates (for example three-year treasuries increased from 0.97% on January 1, 2022 to 4.01% at December 31, 2023). Also contributing to the increase was the growth in net premium written and corresponding increase in net claim liabilities over this time period. The increase in the risk adjustment was generally related to the increase in business volume. The table below reconciles the pre-tax effect of discounting and risk adjustment ($210 million in 2023, $3.0 billion in 2022) to the change in the net discount for the years 2023 ($104 million) and 2022 ($3.1 billion)

| | **2023** | **2022** |
|---|---|---|
| Pre-tax effect of discounting and risk adjustment | 210 | 3,024 |
| Discount and risk adjustment from acquisitions | 54 | 0 |
| Effect of discounting on insurance revenue - life | 41 | 169 |
| Foreign exchange and other | (202) | (74) |
| Change in net discount during the year | 104 | 3,119 |

As I have previously said, please be assured we will continue to manage our insurance business on an undiscounted basis focusing on underwriting profit and strong reserving before the effect of discounting.

Final item on IFRS 17, preparing for this transition has been a massive amount of work over multiple years for our accounting, actuarial and finance teams all across the world and no more so than for Jenn Allen and her small team at Fairfax – a big thank you from us all!

**That brings me to a major mea culpa!** We began investing in Blackberry in 2010 and helped John Chen become CEO in November 2013 by investing $500 million in a convertible debenture at the same time. Blackberry had come down from $148 per share (down 95%) and had $10 billion in sales. I joined the Board in 2013. Our total investment in BlackBerry early in 2014 was $1.375 billion ($500 million in the convertible and $787 million in common shares).

When John joined the company, BlackBerry reported a loss of $1.0 billion – in one quarter and most analysts were predicting bankruptcy! BlackBerry was indeed in difficulty! John saved the company by quickly bringing it to breakeven on a cash basis and then on a net income basis. No CEO worked harder but, unfortunately, John could not make it grow! Revenues for the year ending February 2023 were $656 million. John retired from the company at the end of his contract on November 14, 2023 and I retired from the Board on February 15, 2024. We got our money back on our convertible ($167 million in 2020, $183 million in 2023 and $150 million in 2024) plus cumulative interest income of approximately $200 million. Our common stock position as of 2023 ($162 million or 8% of the company) which was acquired at a cost of $17.16 per share was valued on our balance sheet at $3.54 per share. Another horrendous investment by your Chairman. To make matters worse, imagine if we had invested it in the FAANG stocks! The opportunity cost to you our shareholder was huge! Please don’t do the calculation! No technology investment for me!

During 2023, we invested in a leading United Kingdom-based manufacturer of food ingredients, Meadow Foods Limited. Founded by the Chantler family, Meadow has a 30+ year history of partnering exclusively (in the U.K.) with the world's leading food manufacturers and brands such as Cadbury, Ben & Jerry's and Nestle. It provides bespoke dairy, confectionery and plant ingredients. Led by its CEO Raj Tugnait, the company and its people are trusted for their ability to solve customers' most complex food challenges, from maintaining a secure and stable supply base to creating niche ingredients at scale. Under Raj, the company has professionalized operations and grown sales to £510 million with a record £40 million EBITDA in 2023. We expect to leverage Raj's three decades of experience in the food sector to further scale the business in the United Kingdom and internationally. We are thrilled to partner with the management team and the Chantler family as we continue to build Meadow for long-term success. Meadow Foods is carried at 11x enterprise value-to-EBITDA on our balance sheet.

Recipe was taken private on October 28, 2022 with 99% of shareholders voting in favour. Atlas (now called Poseidon) was taken private on March 28, 2023 with 85% of shareholders voting in favour.

On May 9th, 2023 the telephone rang again! Bill McMorrow from Kennedy Wilson was considering some real estate construction loans from Pacific Western Bank (a team he knew very well), subject to due diligence. Our Wade Burton worked with Bill and Matt Windisch and, in only three weeks, we announced on June 5, 2023 that we had partnered with Kennedy Wilson to acquire an approximately 95% interest in 65 U.S. first-mortgage real estate construction loans amounting to $2.0 billion with future funding obligations of approximately $1.7 billion. The loans are first mortgages (on average 51% loan to value) on mainly multi-family residential buildings with an average all-in yield of about 10% over approximately three years. In connection with this transaction, Fairfax purchased $200 million in preferred shares from Kennedy Wilson with a 6% dividend rate and seven-year warrants exercisable at $16.21 per share. When Bill McMorrow calls, we listen! As you know, we have had a very successful partnership with Bill since 2010! At December 31, 2023, we had $4.6 billion in first mortgages on mainly multi-family buildings. By the way, Kennedy Wilson owns and manages 40,000 apartments in the U.S. So, if we have any problems with the construction loans, they know how to finish the construction!

Early in 2023 we announced the sale of Ambridge Group to Amynta Group, a Managing General Underwriter (MGU) that offers transactional, specialty casualty, cyber, professional liability and reinsurance coverages and writes on behalf of Brit and a number of other global insurers. Brit received total proceeds of $379 million, comprised of cash of $266 million and a promissory note of $113 million. Brit acquired 50% of Ambridge in 2015 for $29 million and the remaining 50% in 2019 for $47 million. Amynta, which, by the way, is run by Rob Giammarco whom we have known for almost 30 years, will be great owners of Ambridge in building a high-quality MGU business with expanding markets and carriers. Ambridge and Amynta remain key partners for Brit, and we look forward to continuing our strong relationship with them as an independent MGU. We wish Rob Giammarco, Jess Pryor, Jeff Cowhey and the rest of the team all the best in the future.

In November 2023, we entered into our second deal of the year with Rob and the Amynta Group, signing a definitive agreement to sell Brit's 49%-owned Sutton Special Risk. It is expected to close in the first quarter of 2024 after customary closing conditions. Sutton is a managing general underwriter (MGU) in Canada that offers a broad range of accident and health coverages, including personal accident, disability, critical illness and specialty coverages focused on professional sports and entertainment. The proceeds are expected to be approximately $30 million for our 49% interest based on Sutton's audited 2023 EBITDA, payable half on close and the remainder over the next two years. We purchased our 49% interest in Sutton in January 2019 for $13 million. Brit will continue to participate on Sutton's business and we look forward to a long-term relationship. A big thank-you to Greg Sutton and his team. We wish them all the best in the future.

After 38 years, here's what our insurance business looks like worldwide.

**Fairfax Worldwide Insurance Operations as at December 31, 2023**

| | Ownership | Country | Gross Premiums Written | % of Total | Combined Ratio | Investment Portfolio |
|---|---|---|---|---|---|---|
| Northbridge | 100% | Canada | 2,442 | 8% | 91% | 4,883 |
| Crum & Forster | 100% | United States | 5,218 | 17% | 98% | 7,534 |
| Zenith | 100% | United States | 738 | 2% | 94% | 1,808 |
| **North American Insurers** | | | **8,398** | **27%** | **95%** | **14,225** |
| Odyssey Group | 90% | United States | 6,333 | 20% | 93% | 15,294 |
| Brit | 86% | United Kingdom | 3,732 | 12% | 92% | 6,686 |
| Allied World | 83% | Bermuda | 6,840 | 22% | 89% | 13,223 |
| **Global Insurers and Reinsurers** | | | **16,905** | **53%** | **92%** | **35,203** |
| Falcon | 100% | Hong Kong | 114 | 0% | 95% | 257 |
| Falcon(1) | 97% | Thailand | 94 | 0% | 100% | 46 |
| Pacific | 85% | Malaysia | 189 | 1% | 101% | 200 |
| AMAG | 80% | Indonesia | 167 | 1% | 94% | 176 |
| Fairfirst | 78% | Sri Lanka | 41 | 0% | 101% | 47 |
| Singapore Re | 100% | Singapore | 355 | 1% | 87% | 422 |
| Asian Insurers and Reinsurers | | | 960 | 3% | 94% | 1,148 |
| Fairfax Brasil | 100% | Brazil | 321 | 1% | 95% | 351 |
| Southbridge Colombia | 100% | Colombia | 239 | 1% | 96% | 220 |
| Southbridge Chile | 100% | Chile | 423 | 1% | 88% | 134 |
| Southbridge Uruguay | 100% | Uruguay | 20 | 0% | 95% | 18 |
| La Meridional | 100% | Argentina | 302 | 1% | 100% | 79 |
| South American Insurers | | | 1,305 | 4% | 95% | 802 |
| Bryte | 100% | South Africa | 394 | 1% | 97% | 317 |
| Colonnade | 100% | Luxembourg | 299 | 1% | 95% | 389 |
| Polish Re | 100% | Poland | 202 | 1% | 98% | 281 |
| Fairfax Ukraine | 70% | Ukraine | 163 | 1% | 95% | 119 |
| Eurolife General | 80% | Greece | 95 | 0% | 123% | 192 |
| Gulf Insurance(1) | 90% | Kuwait | 2,879 | 9% | 94% | 2,247 |
| Group Re | 100% | Barbados | 220 | 1% | 94% | 1,218 |
| Other International Insurers and Reinsurers | | | 4,252 | 13% | 95% | 4,763 |
| **International Insurers and Reinsurers** | | | **6,517** | **20%** | **95%** | **6,712** |
| Other(2) | | | | | | 9,063 |
| **Consolidated Insurers and Reinsurers** | | | **31,820** | **100%** | **93%** | **65,204** |
| BIC(3) | 35% | Vietnam | 204 | | 97% | 242 |
| Digit | 49%(4) | India | 1,115 | | 107% | 1,786 |
| **Non-consolidated Insurance Companies(5)** | | | **1,319** | | **106%** | **2,028** |
| **Total** | | | **33,139** | | **94%** | **67,232** |

*(1) Results shown above for Falcon Thailand and GIG represent the full twelve months ended December 31, 2023 (Falcon Thailand was consolidated on July 11, 2023, and GIG was consolidated on December 26, 2023)*

*(2) Includes Life insurance, Run-off, and other investments in associates*

*(3) As at and for the twelve months ended September 30, 2023*

*(4) 68% upon conversion of securities, once regulatory approval is received*

*(5) Based on 100% level*

As the table shows, including our non-consolidated insurance companies, we have $33 billion in gross premiums written with an investment portfolio of $67 billion. As I said previously, our size ranks us in the top 20 property and casualty insurance companies in the world. Over 38 years, we have never focused on size but it's amazing what compounding does over time! We have built one of the premier insurance businesses in the world – fully decentralized and run by our Presidents. We have forgone the cost synergies that might have come from consolidation and centralization, in exchange for highly-empowered entrepreneurial companies that are nimble, team-oriented and provide outstanding service to our customers all over the world. And they do it all within our unique fair and friendly culture! We value people, not expense savings, at Fairfax!

With the addition of added business from GIG, the $32 billion in consolidated gross premiums written is generated through our more than 225 profit centres across the group. Each profit centre is focused on a unique set of customers, geographies or products that benefit from market leadership, product knowledge and the ability to provide excellent customer service. These profit centres facilitate transparency, enabling Andy Barnard, Brian Young and Peter Clarke to effectively monitor the insurance operations. Empowerment thrives at Fairfax.

Of the $32 billion of our consolidated gross premiums, North America continues to account for 68%. Brit at Lloyd's accounts for 12% and the remaining 20% is widely dispersed in the Middle East (9%), Asia (3%), Latin America (4%) and other international locations (4%).

We continue to expect significant growth in our insurance operations in under-penetrated markets in countries outside North America and Europe.

Our Ukrainian operations continue to thrive, notwithstanding the difficulties that continue in their country from the horrifying effects of this on-going brutal invasion. Our three Presidents in Ukraine – Andrey Peretyazhko, Oleksiy Muzychko and Svyatoslav Yaroshevych – continue to do an outstanding job looking after the safety of our employees and their families, while producing record results. Our thoughts and prayers continue to be with our employees, their families and all of the people of Ukraine and we hope we can say this war is over when I write next year's shareholders letter.

In 2023, only three small international companies of our 26 consolidated insurance companies had a combined ratio more than 100%. We expect them to be back below 100% in the years to come. More in the insurance section.

The big strength we have in insurance is the float that it generates. Here's our growth since 1985:

| | **Gross Premiums Written** | | **Float** | |
|---|---|---|---|---|
| | *$ billions* | *$ per Share* | *$ billions* | *$ per Share* |
| 1985 | 0.02 | 3 | 0.01 | $ 2½ |
| 1990 | 0.1 | 15 | 0.2 | 30 |
| 1995 | 0.9 | 104 | 0.7 | 74 |
| 2000 | 3.7 | 284 | 5.9 | 449 |
| 2005 | 5.5 | 310 | 8.8 | 492 |
| 2010 | 5.4 | 263 | 13.1 | 641 |
| 2015 | 8.3 | 375 | 17.2 | 775 |
| 2020 | 19.0 | 725 | 24.3 | 927 |
| 2023 | 28.9 | 1,256 | 35.1 | 1,525 |

In the last three years, our gross premiums per share has increased by 75% and float per share by 65%. They have compounded at 17.2% and 18.4% annually, respectively, since inception. As I have said previously, float continues to be a massive benefit to Fairfax for the long term (discussed in a later section).

Since 2021, we have shown the table below of our largest common stock holdings in each of three buckets: common stocks, which are marked to market; common stocks of associates, which are equity accounted; and common stocks, which are consolidated. The table shows you for each bucket, as at December 31, 2023, the shares we own and the per-share carrying values and market values of those shares. At year-end, the total market value of these common stock holdings exceeded their total carrying value by $1.0 billion. As at March 1st, 2024, the total market value exceeded the total year-end carrying value by approximately $1.3 billion.

**Common Stock Holdings as at December 31, 2023**

| | Shares *(millions)* | Ownership | Carrying Value per Share *($)* | Share Price *($)* | Carrying Value | Market Value |
|---|---|---|---|---|---|---|
| **Common Stocks – Mark to Market** | | | | | | |
| Commercial International Bank | 214.7 | 7% | 2.24 | 2.24 | 480 | 480 |
| Micron Technology | 3.9 | 0% | 85.34 | 85.34 | 330 | 330 |
| Occidental Petroleum | 5.5 | 1% | 59.70 | 59.70 | 329 | 329 |
| Mytilineos(1) | 6.7 | 5% | 40.39 | 40.39 | 270 | 270 |
| Foran Mining | 74.0 | 22% | 2.95 | 2.95 | 218 | 218 |
| Kennedy Wilson(2) | 13.3 | 10% | 12.37 | 12.37 | 165 | 165 |
| BlackBerry | 45.8 | 8% | 3.54 | 3.54 | 162 | 162 |
| Orla Mining | 37.7 | 12% | 3.23 | 3.23 | 122 | 122 |
| Altius Minerals | 6.7 | 14% | 13.95 | 13.95 | 93 | 93 |
| Other | | | | | 2,656 | 2,656 |
| Common stocks | | | | | 4,822 | 4,822 |
| Limited partnerships | | | | | 2,065 | 2,065 |
| **Total Mark to Market** | | | | | 6,890 | 6,890 |
| **Common Stocks – Equity Accounted (Associates)** | | | | | | |
| Eurobank Ergasias | 1,266.0 | 34% | 1.66 | 1.78 | 2,099 | 2,252 |
| Poseidon | 132.0 | 43% | 12.93 | 15.50 | 1,706 | 2,046 |
| Quess | 51.2 | 35% | 8.40 | 6.28 | 430 | 322 |
| Stelco | 13.0 | 24% | 22.44 | 37.84 | 292 | 492 |
| Exco Resources | 22.9 | 48% | 18.24 | 19.01 | 418 | 435 |
| Helios Fairfax Partners | 37.3 | 36% | 5.28 | 2.40 | 198 | 91 |
| Kennedy Wilson partnerships | — | — | — | — | 143 | 143 |
| Peak Achievement | — | 43% | — | — | 129 | 226 |
| Other | | | | | 793 | 805 |
| **Total Associates** | | | | | 6,208 | 6,812 |
| **Common Stocks – Consolidated(3)** | | | | | | |
| Recipe | 49.4 | 84% | 13.83 | 13.83 | 684 | 684 |
| Fairfax India | 57.6 | 43% | 13.17 | 15.20 | 758 | 875 |
| Grivalia Hospitality | 339.4 | 85% | 1.67 | 1.67 | 567 | 567 |
| Thomas Cook India | 300.3 | 65% | 0.67 | 1.63 | 201 | 490 |
| Dexterra Group | 31.8 | 49% | 3.41 | 4.28 | 109 | 136 |
| Boat Rocker Media | 25.3 | 45% | 3.31 | 0.95 | 84 | 24 |
| Other | | | | | 0 | 29 |
| **Total Consolidated** | | | | | 2,403 | 2,805 |
| **Total Common Stock Holdings** | | | | | **15,501** | **16,507** |

*(1) Excludes 2.5 million shares from convertible debentures*

*(2) Excludes 25.4 million warrants*

*(3) Market value shown for unlisted consolidated stocks is Fairfax's carrying value*

So, for example, until we sell Eurobank (carrying value $1.66 per share, year-end market value $1.78 per share), which is in the equity-accounted bucket, the gain will not be realized in our income statement. Similarly, until we sell Quess (carrying value of $8.40 per share, market value of $6.28 per share), this loss will not be realized in our income statement unless an impairment is deemed appropriate or the shares are sold at this price. Our investment in Farmers Edge (included in Other in the consolidated bucket) is carried at zero.

When you compare total carrying values to market values at the end of 2023, market values exceed carrying values by $1.0 billion – a $604 million excess for equity-accounted associates plus a $402 million excess for consolidated investments (see the associate income by company in note 6 to our financial statements).

As the table on page 15 shows, the consolidated investments include the following: Recipe, Fairfax India, Grivalia Hospitality, Thomas Cook India, Dexterra Group and Boat Rocker Media. Our consolidated investments are significant, producing total revenue of $6.6 billion and pre-tax income of $271 million in 2023. Fairfax India had pre-tax income of $380 million, Recipe $38 million, Thomas Cook $27 million and Dexterra $29 million. Those were offset by losses at Grivalia of $66 million, Boat Rocker $26 million and Farmers Edge of $112 million which included impairments of $64 million.

We discuss our investments in more detail in the section on Investments. The long-term potential of our investments continues to be very significant.

The table below shows the dollar and percentage contribution (expressed as a percentage of our approximately $60-billion average investment portfolio) of the various components of our investment return in 2023. Please note, neither our gain on the sale of Ambridge nor the gain on the consolidation of Gulf Insurance are included in the investment return.

| | **2023** | | **2022** | |
|---|---|---|---|---|
| Interest and dividends | 1,896 | 3.2% | 962 | 1.8% |
| Share of profit of associates | 1,022 | 1.7% | 1,022 | 1.9% |
| Net gains (losses) on common stocks | 1,218 | 2.0% | (244) | -0.4% |
| Net gains (losses) on bonds | 714 | 1.2% | (1,086) | -2.0% |
| Other net gains (losses) | 188 | 0.3% | (413) | -0.8% |
| | 5,038 | 8.4% | 241 | 0.4% |

Interest and dividend income from our total portfolio almost doubled in 2023 to $1.9 billion from $962 million in 2022 due to rising interest rates. Interest and dividends as a percentage of our fixed income portfolio for the last five years are shown below as well as the yield on our fixed-income portfolio.

| | **2023** | **2022** | **2021** | **2020** | **2019** |
|---|---|---|---|---|---|
| | | | *$ million* | | |
| Interest and dividends | 1,896 | 962 | 641 | 769 | 880 |
| Yield on fixed income portfolio (including cash) | 4.6% | 2.2% | 1.5% | 2.3% | 2.8% |
| Percentage of fixed income portfolio in cash and short-dated treasuries | 23% | 54% | 69% | 56% | 61% |

This increase in interest and dividend income happened because we did not reach for yield when interest rates were low in the 2019-2021 time period. In fact, over half our fixed-income portfolio was in cash and short-dated treasuries, yielding almost no interest. Our interest and dividend income is now running at $2 billion annually and can be expected to be maintained at that level for the next four years. Profit of associates continued at $1 billion while fluctuations in stock and bonds added almost $2 billion in 2023. Please note the total return on our investment portfolio of 8.4% in 2023 was just above our 38-year average of 7.7%!

Below is a table that shows successive periods over our 38 years of operations, with the compound growth in our book value per share (including dividends paid) together with the average combined ratio and average total return on investments:

| | **Compound Growth in Book Value per Share** | **Average Combined Ratio** | **Average Total Return on Investments** |
|---|---|---|---|
| 1986-1990 | 57.7% | 106.7% | 10.4% |
| 1991-1995 | 21.2% | 104.2% | 9.7% |
| 1996-2000 | 30.7% | 114.4% | 8.8% |
| 2001-2005 | (0.9)% | 105.4% | 8.6% |
| 2006-2010 | 24.0% | 99.9% | 11.0% |
| 2011-2016 | 2.1% | 96.0% | 2.3% |
| 2017-2020 | 9.0% | 99.2% | 4.8% |
| 2021-2023 | 26.6% | 94.2% | 6.0% |

As we have discussed previously, our growth in book value consists of two major variables – the combined ratio of our insurance companies and the total return on our investment portfolio. For each of the last four time periods above, starting in 2006, our insurance companies have produced average combined ratios below 100%. In the last three years, our investment returns have turned upwards (still less than our average of 7.7% for the last 38 years), which has resulted in book value growing at 26.6% per year (last two years under IFRS 17). We hope to grow book value at 15% per year in the future.

**India**

As I said last year, Prime Minister Modi has taught the average Indian to dream. Anything is possible! The Indian economy is expected to grow at 7% for the foreseeable future, the highest growth rate for a major economy. In the next four years, India is expected to be the third largest economy behind the U.S. and China and ahead of Japan and Germany. Mr. Modi is expected to easily win re-election in May of this year – perhaps even getting a larger majority than in his second term. This will establish India clearly as a business-friendly nation, with great prospects for the future. It is very unlikely that India will go back to its socialist ways that were in place when I left India 51 years ago!

While I was writing this shareholder letter to you, I came across an outstanding report on India by Jefferies' Head of Equity India Research, Mahesh Nandurkar titled "India's March Onto the Global Stage," which recommended India for seven reasons:

1. India will be the third largest economy by 2027.
2. Continued reforms lay the foundation of approximately 7% long-term GDP growth.
3. Nearly US$10 trillion market cap by 2030.
4. Supportive global geopolitics.
5. Rising entrepreneurship / vibrant start-up ecosystem driving innovation.
6. India now becoming a services exports hub.
7. Strong corporate culture and a history of strong market returns.

Also, Amitabh Kant, former CEO of NITI Aayog (public policy think tank of Government of India), has written an outstanding book "Made in India", a 75-year history of business and enterprise in India – particularly since Mr. Modi was elected in 2014. Because of the size of its population, and the business-friendly policies adopted by Prime Minister Modi, India will be the best economy to invest in for the next few decades.

The table below shows our investments in India and how they have performed up to December 31, 2023:

| **Fairfax investment** | **Date of Initial Investment** | **Ownership** | **Cost** | **Fair Value at December 31, 2023** | **Compounded Annualized Return** |
|---|---|---|---|---|---|
| Thomas Cook India | Aug-12 | 64.6% | 278 | 490 | 14.1%[(1)] |
| Fairfax India | Jan-15 | 42.5% | 534 | 875 | 6.7% |
| Digit | Feb-17 | 49.0% | 154 | 2,265 | 61.9% |
| Quess | Dec-19 | 34.5% | 346[(2)] | 322 | 0.4% |
| Other | | | 318 | 295 | (0.3)% |
| | | | 1,630 | 4,247 | 16.2% |
| **Fairfax India's investments** | | | | | |
| Bangalore International Airport | Mar-17 | 64.0% | 903 | 1,600 | 11.7% |
| IIFL Finance | Dec-15 | 15.1% | 76 | 412 | 25.8% |
| CSB Bank | Oct-18 | 49.7% | 170 | 409 | 20.0% |
| Sanmar Chemicals | Apr-16 | 42.9% | 199 | 303 | 10.9% |
| National Stock Exchange | Jul-16 | 1.0% | 27 | 189 | 33.4% |
| IIFL Securities | Dec-15 | 27.5% | 51 | 147 | 16.9% |
| Seven Islands | Mar-19 | 48.5% | 84 | 143 | 13.0% |
| Fairchem Organics | Feb-16 | 52.8% | 30 | 103 | 23.3% |
| Maxop | Nov-21 | 67.0% | 51 | 57 | 5.6% |
| 5paisa | Dec-15 | 24.6% | 17 | 52 | 22.5% |
| Saurashtra Freight | Feb-17 | 51.0% | 30 | 51 | 11.0% |
| NCML | Aug-15 | 91.0% | 188 | 50 | (15.7)% |
| Jaynix | Feb-22 | 70.0% | 33 | 49 | 24.7% |
| Other | | | 48 | 47 | 4.5% |
| | | | 1,906 | 3,613 | 13.0% |

*(1) Includes dividends received ($12 million) and spinoff of Quess ($330 million)*

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

Thomas Cook's business rebounded in 2023 as travel recovered, with revenues up and a pre-tax profit of $34 million, up from a loss of $2 million last year. Thomas Cook stock price was up 90% in the Indian stock market in 2023. We sold 40 million shares at $1.67 to repay the $60 million we invested last year in the company. Future prospects for Thomas Cook look excellent in the years to come.

Sterling Holiday Resorts, a subsidiary of Thomas Cook India, remains a premier Leisure Hospitality Brand in India with 49 resorts, 46 destinations and more than 2,800 rooms, in addition to offering Vacation Time Share. Under the leadership of Vikram Lalwani, Sterling had record results in 2023 with 20% growth in revenue and 35% growth in EBITDA. Sterling's future looks very bright.

Quess, spun out of Thomas Cook in 2019, is the largest domestic private sector employer in India with over 557,000 employees (10% growth in 2023). Quess is India's leading integrated business services provider. It has a pan-India presence along with an overseas footprint in North America, South America, the Middle East and Southeast Asia. It serves over 3,000 clients across India, North America, APAC and the Middle East. Quess continued to show excellent growth in its core business. While some segments of its businesses are still recovering from the effects of the pandemic, revenue from its operations grew 13% to $2.25 billion. It reported a lower profit before tax of $33 million, compared to $36 million reported in 2022. Quess is incubating certain product-led businesses, on which it incurred about a $9 million loss during 2023. Quess's business model is well-aligned to benefit from the strong economic growth in India. Under the leadership of chairman and founder Ajit Isaac and a long-serving senior management team, Quess continues to consolidate its position in the market with more clients and good growth. Better times are ahead for Quess as it moves forward with its plan to demerge into three separate entities, a significant strategic initiative announced by Quess in February 2024. While it remains a market leader in its core workforce management business, each of the demerged entities will be a market-leading player with the ability to leverage opportunities that come their way through its renewed focus. We expect that this strategic initiative will benefit all shareholders in the years to come.

In Fairfax India's 2023 annual report, Chandran Ratnaswami, our CEO, has said that "including $1.7 billion in unrealized gains on its existing portfolio, it has achieved a 13% annualized return since inception in 2015 – 22% on listed investments and 10% on our private investments which are conservatively valued. Since its inception, Fairfax India has also generated realized gains, including dividends and interest, of $724 million and has never lost money on a monetized investment. We have achieved an annualized return of 28% on partially monetized investments and 17% on fully monetized investments. Including its stake in NSE, whose sale will close in 2024, the realized gain since inception was $900 million, an annual return of 20%. Most of Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management who are not only excellent but also adhere to the highest ethical standards."

While the book value per share of Fairfax India is $21.85, the underlying intrinsic value is much higher. As Fairfax India's shares continue to trade at a discount to book value, we have bought back, since inception, 22.0 million shares (or 14% of shares outstanding) for $285 million at an average price of $12.93 per share. That includes the 2.9 million shares we bought in 2023 for $37 million at an average price of $12.97 per share.

DBRS upgraded Fairfax India from BBB (low) to BBB, reaffirming the company's strong financial position. Every three years, Fairfax India pays a management fee (in cash or shares) to Fairfax for investment services, based on performance. In 2023, at the end of the third three-year period, Fairfax earned an incentive fee of $110 million which will be paid in cash as it was more advantageous for Fairfax India to pay it in cash versus shares. In the first two control periods, Fairfax had no choice but to take our incentive fee in shares! (Which we were delighted to do!)

As you have read many times, the crown jewel (and largest) investment in the Fairfax India portfolio is Bangalore International Airport (BIAL), run by Hari Marar. Not only is it the most beautiful airport in the world, it also is self-sustaining in energy, water and soon, biodegradable waste and offers seamless boarding (your face is your boarding pass). Terminal 2 (or T2) is designed to provide the highest level of passenger experience, while also making it an unforgettable destination for passengers with its memorable visual impact, sustainable practices and technology. Fairfax India had purchased 54% of BIAL in 2017/2018 for $653 million and added another 10% in 2023 (from Siemens) for $250 million for a total investment of $903 million for 64% of BIAL.

In 2023, passenger numbers in BIAL surpassed 2019 levels with total passengers of 37.2 million (32.7 million domestic and 4.5 million international) versus 33.7 million passengers in 2019. Passenger traffic is expected to increase to 90 million by 2038. Also, BIAL is developing real estate at Airport City on 460 acres adjacent to the airport.

Despite the unprecedented events that impacted operations and financial performance in 2020, 2021 and 2022, BIAL generated an average ROE of 14% for the second control period and an ROE of 17% for the combined first and second control periods. ROE in 2023 was 14%.

The valuation of Fairfax India's 64% interest in BIAL increased to $1.6 billion in 2023 from $1.2 billion in 2022, implying an equity value of approximately $2.5 billion. With no assigned value for the 460 acres in Airport City, BIAL is carried on Fairfax India's books at 9.5x normalized free cash flow for the company.

Please read Chandran's letter to shareholders in the Fairfax India 2023 Annual Report for a lot of excellent information on Terminal 2 and our other investments in India. Chandran, Sumit and Gopal continue to do an outstanding job in building Fairfax India.

Some brief comments on our major investments in India follow:

Under Nirmal Jain's and his partner, R. Venkararaman's leadership, IIFL group of companies have done extremely well. We bought our position of 27% in IIFL Holdings for $288 million in December 2015 and then a second piece in February 2017. IIFL split into four companies in 2017 and 2019. To date, we have completed total sales of $421 million, received dividends of $78 million, and at the end of 2023 continued to hold remaining IIFL group investments with a fair value of $612 million, aggregating to over $1 billion in value and representing an annualized return of 21%

Due to poor global demand for PVC, Sanmar's revenues declined to $965 million from $1.4 billion and EBITDA to $96 million from $224 million. We expect this to pick up significantly as India continues to grow. India's consumption of PVC per capita at 2.6 kilograms is still significantly less than in China (16 kilograms) or the U.S. (13 kilograms). Vijay Sankar, its CEO continues to do an outstanding job.

CSB Bank, under Pralay Mondal, who took over as CEO in 2022, had the best year in its history. CSB's revenues increased 27% in 2023 from $196 million to $236 million, while net income increased by 10% to $69 million from $66 million. Non-performing loans dropped to 1.2%. Capital continues to be strong with a capital adequacy ratio of 23%. Net interest margin of 5.2% and a loan-to-deposit ratio of 83% are all excellent indicators of CSB's performance in 2023.

Fairfax India acquired a 1% stake in NSE for $27 million. NSE is the largest stock exchange in India with a market share of over 93% in cash equity trading and over 98% in equity derivatives trading. Early in 2024, we expect to close the sale of our investment in NSE for proceeds of $189 million, generating an annualized return on the investment of 33%.

Fairfax India owned a 67% stake in Fairchem for an investment since inception of $38 million. In November 2021, Fairfax India sold 14% of Fairchem for $46 million, recouping more than its entire investment while still owning 53%, valued at $103 million on December 31, 2023.

Seven Islands Shipping had its best year ever in 2023! Its revenue increased by 34% to $166 million, net income increased by 310% to $84 million and shareholders' equity grew by 50% to $213 million, generating an ROE of 39%. Since the time we acquired our interest in Seven Islands for $84 million, it has generated free cash flow of $209 million, for an average annual free cash flow on investment of about 25%.

The investment in NCML has not lived up to our expectations. A confluence of market situations (including the implementation of GST, the demonetization of some currency, a banking crisis for the farm sector, a failed farm reform bill, and, finally, the pandemic) impacted the rural economy and severely constrained NCML's business. It has taken a long time to recover from these setbacks. 2023 was another difficult year: although revenue increased by 8% to $33 million, net loss increased to $19 million from a loss of $12 million in 2022. With the appointment of Sanjay Gupta as CEO in 2022, a significant part of NCML's restructuring will be completed by 2024. Under Sanjay's leadership, NCML's work on capital allocation and business strategies should help it return to operating profitability in 2024. We continue to be positive on the long term outlook of NCML and India's agriculture sector.

As I mentioned last year, under Ajit Isaac's leadership, Fairfax and Quess have committed to fund the construction of CMC Vellore's new 350-bed children's hospital in Tamil Nadu. This hospital will be dedicated to delivering top-notch care and ensuring inclusivity with minimal financial strain on its patients. Building plans are finalized and construction will commence in the coming weeks once final approvals are received. On completion in 2026, this world-class facility will enable CMC Vellore to develop and provide specialized pediatric services and training programs for India.

Having surpassed our initial goal of installing 1,000 dialysis machines across India last year, we are now up to 1,200 machines installed at 325 centres. This has enabled the delivery of more than two million free dialysis sessions. There is a great need for this life-saving service, especially the access to free or subsidized dialysis in India's rural communities. With Thomas Cook India and Madhavan Menon leading the effort, we plan to install another 800 machines over the next couple of years.

As we do regularly, we show you our unconsolidated balance sheet so that you can better see where your money is invested.

| **Unconsolidated Balance Sheet**[1] | **2023** *($ billions)* | **2023** *($ per share)* |
|---|---|---|
| **Assets** | | |
| Insurance and Reinsurance Operations | | |
| Northbridge | 2.3 | 101 |
| Odyssey Group | 5.3 | 228 |
| Crum & Forster | 2.7 | 115 |
| Zenith | 1.2 | 53 |
| Brit | 2.4 | 104 |
| Allied World | 4.8 | 210 |
| International Re/Insurers | 5.6 | 245 |
| Life Insurance and Run-off | 0.3 | 13 |
| Total | 24.6 | 1,069 |
| Non-Insurance Operations | | |
| Recipe | 0.7 | 30 |
| Fairfax India | 0.8 | 33 |
| Grivalia Hospitality | 0.6 | 25 |
| Thomas Cook India | 0.2 | 9 |
| Other Non-Insurance | 0.1 | 8 |
| Total | 2.4 | 105 |
| **Total consolidated operations** | 27.0 | 1,174 |
| Holding company cash and investments | 1.8 | 77 |
| Investments in associates | 1.0 | 45 |
| Other holding company assets | 0.6 | 26 |
| **Total assets** | 30.4 | 1,322 |
| **Liabilities** | | |
| Accounts payable and other liabilities | 0.6 | 22 |
| Long term debt | 6.9 | 302 |
| | 7.5 | 324 |
| **Shareholders' equity** | | |
| Common equity | 21.6 | 940 |
| Preferred stock | 1.3 | 58 |
| | 22.9 | 998 |
| **Total liabilities and shareholders' equity** | 30.4 | 1,322 |

*(1) Equity shown for the Insurance and Reinsurance Operations excludes minority interests, investments in other consolidated operations, investments at the holding company and intercompany debt.*

The table shows you our insurance companies, which are decentralized and separately capitalized, with our consolidated non-insurance companies shown separately with the majority of them held in our insurance companies' investment portfolio and the rest in our holding company.

As you can see, we have $24.6 billion ($1,069 per share) invested in our insurance companies – up from $866 per share last year. And that is at book value – the intrinsic values are much higher in our view.

Our consolidated non-insurance businesses (and your investment per share in them) are shown separately in the above table. They are significant and in our view worth more than the amount at which they are carried on our balance sheet. We expect each of these non-insurance operations to generate a 15% annual return or better over the long term. Please note our cash and investments of $1.8 billion in our holding company is for protection from the unexpected. We also hold investments in associates and consolidated non-insurance operations at the holding company level.

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**<br>**% Change in**<br>**US$ Book Value per Share** | **STOCK PRICE**<br>**% Change in**<br>**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 |
| 2018 | −4 | −10 |
| 2019 | +12 | +1 |
| 2020 | −2 | −29 |
| 2021 | +33 | +43 |
| 2022 | +20 | +29 |
| 2023 | +23 | +52 |
| **1985-2023 (compound annual growth)** | **+18.4** | **+16.9** |

The table shows, excluding dividends, 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 book value has increased significantly and our stock price has gone up more: please note 1993, 1995, 1996, 1998, 2003, 2008, 2014, 2021 and 2022 and now, 2023. In the last three years, our book value has grown at more than 20% annually and our stock price has followed suit. Perhaps more years like this are yet to come!

Last year, I said that for our stock price to match our book value compound growth rate of 17.8%, our stock price in Canadian dollars should be $1,375. Well, we went through that early this year!

Here is how our stock price has done over the periods ending in 2023, compared to the TSX and S&P 500 (all including dividends):

| | Fairfax (CDN$) | TSX | S&P500 |
|---|---|---|---|
| 5 years | 17.7% | 11.3% | 15.7% |
| 10 years | 13.5% | 7.6% | 12.0% |
| 15 years | 10.4% | 9.0% | 14.0% |
| 20 years | 11.0% | 7.8% | 9.7% |
| 38 years since our inception | 18.2% | 8.2% | 11.0% |

**Insurance and Reinsurance Operations**

| | Combined Ratio | | | Change in Net Premiums Written |
|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2023 vs 2022 |
| Northbridge | 91% | 89% | 89% | 4% |
| Crum & Forster | 98% | 95% | 96% | 7% |
| Zenith | 94% | 95% | 88% | 2% |
| Allied World | 89% | 91% | 93% | 9% |
| Brit | 92% | 98% | 97% | (5)% |
| Odyssey Group | 93% | 96% | 98% | (3)% |
| International Re/Insurers | 96% | 99% | 98% | 19% |
| Consolidated | 93% | 95% | 95% | 4% |

Allied World delivered the best single company underwriting performance in Fairfax history, posting a combined ratio of 89.5% and yielding $482 million of underwriting profit. Under the expert guidance of Lou Iglesias, Allied World expanded dramatically over the last four years. Its expense ratio, at 22%, continues to provide a significant competitive advantage. Fairfax is very grateful to Lou, John Bender, Wes Dupont and the entire team at Allied World for their terrific efforts!

Outstanding as always, Odyssey Group chipped in $397 million of underwriting profit off a combined ratio of 93.4%. Odyssey's positive result in 2023 extended its streak to 12 consecutive years of underwriting profit, no mean feat in an ever-challenging industry. Gross written premium declined in 2023, due to the termination of one exceptionally large transaction, but Odyssey is well-positioned, with its diversified global footprint, to resume its expansion where market conditions warrant. No CEO at Fairfax has contributed more underwriting profit to shareholders than Brian Young, ably assisted by Carl Overy, Chris Gallagher and the entire Odyssey family.

Northbridge once again produced another strong result in 2023, with a combined ratio of 91.1% and underwriting profit of $180 million. With Silvy Wright at the helm, Northbridge has been an important and reliable force at Fairfax. Enjoying an exceptional reputation in the Canadian marketplace, it continues profitably growing in the commercial property and casualty space. Federated led by George Halkiotis, its direct writing subsidiary, continues to expand and came in at an 87% combined ratio.

We are delighted to report that Brit, now under the exacting eye of Martin Thompson, far surpassed any previous year during Fairfax ownership. Underwriting profit of $240 million and a combined ratio of 91.9% contributed materially to our success in 2023. Brit's results include the favourable performance of its innovative Ki Syndicate, which Mark Allan continued to build out during the year.

Crum and Forster is now three times its size since Marc Adee took over in 2015, and it has reported an underwriting profit in all nine of those years. In 2023, the combined ratio rose to 97.7% and the underwriting result declined to $87 million, due largely to Crum's Hawaiian-based unit and the devastating fires in Maui. Crum heads into 2024 with a collection of compelling businesses and a strong head of steam.

Among our North American companies, Zenith has had the hardest road to hoe. We estimate Workers' Compensation rates have declined cumulatively over the last seven years by close to 40%. Yet, due to its outstanding customer service, portfolio management skills and favourable loss trends, Zenith has maintained underwriting profitability over the last 11 years. Kari Van Gundy and team generated $46 million of underwriting profit and a combined ratio of 93.8% in 2023.

Our Fairfax Asia group reported a combined ratio of 93.9% and underwriting profit of $26 million. Amongst the various companies of Fairfax Asia, Singapore Re, under the able and energetic guidance of Phillipe Mallier, was the stand-out, contributing $21 million to the result. Overall direction of Fairfax Asia continues to be under Mr. Athappan, with assistance from his son, Gobi, and Ravi Prabhakar.

Fairfax LatAm, managed by Fabricio Campos and team, had another fine year, with a combined ratio of 94.9% and underwriting profit of $15 million. Each of the four companies in Fairfax LatAm produced a positive underwriting result.

Fairfax Brasil, under Bruno Camargo, rebounded in 2023 and generated $7 million of underwriting profit off a combined ratio of 94.8%

In Eastern and Central Europe, Peter Csakvari's Colonnade delivered its 6th consecutive year of underwriting profits, coming in with $11 million of gain and a combined ratio of 94.9%. Our separate units in Ukraine, ARX and Universalna, maintained their profitability despite extraordinary conditions, contributing $5 million and $2 million underwriting results, respectively. And Polish Re reported a 10th straight year of profits, with a $4 million underwriting gain in 2023.

In South Africa, Bryte rebounded to produce an underwriting profit of $8 million with a combined ratio of 97.2%. In 2024, Edwyn O'Neill is passing the reins of CEO to JP Blignaut, while he takes on the role of Chairman with pan-African responsibilities.

In Greece, the property and casualty operations of Eurolife produced an underwriting loss of $15 million with a combined ratio of 123%. Catastrophic fires and floods added 24 points to the loss ratio in 2023. Run by Alex Sarrigeorgiou, Eurolife also writes a large profitable book of life insurance.

Finally, our underwriting result was topped off by a $29 million contribution from Group Re, largely reflecting the Fairfax Internal Reinsurance Vehicle (FIRV), whereby we retain a portion of the outgoing reinsurance our decentralized operations purchase from third parties.

A review of our international operations is not complete without acknowledging the contributions of Bijan Khosrowshahi. In addition to overseeing Colonnade and Fairfax LatAm, Bijan has facilitated collaboration amongst all of our international groups via a biweekly forum he chairs. And, importantly, he has been instrumental in the Middle East with Gulf Insurance Group, the newest member of the Fairfax family following our buyout of KIPCO.

All of our major insurance companies are well capitalized even though we have grown significantly in the last six years, as shown in the table below (further details are provided in the MD&A).

| | As at and for the Year Ended December 31, 2023 | | |
|---|---|---|---|
| | **Net Premiums Written** | **Statutory Surplus** | **Net Premiums Written/Statutory Surplus** |
| Northbridge | 2,145 | 1,981 | 1.1x |
| Crum & Forster | 3,902 | 2,282 | 1.7x |
| Zenith | 755 | 734 | 1.0x |
| Allied World | 4,840 | 5,670 | 0.9x |
| Brit | 2,983 | 2,625 | 1.1x |
| Odyssey Group | 5,741 | 5,961 | 1.0x |
| International Re/Insurers | 2,330 | 2,543 | 0.9x |

On average, we are writing at 1.0x net premiums to statutory surplus vs 1.2x in 2022.

The net premiums written and combined ratio of our companies which we have owned since 2014 (last 10 years) and our major companies acquired since then are shown in the table below.

| | 2014 – 2023 | |
|---|---|---|
| | **Cumulative Net Premiums Written** *($ billions)* | **Average Combined Ratio** |
| Northbridge | 14.0 | 93% |
| Crum & Forster | 24.1 | 97% |
| Zenith | 7.5 | 87% |
| Allied World[(1)] | 22.0 | 96% |
| Brit[(1)] | 17.0 | 100% |
| Odyssey Group | 35.7 | 94% |
| Total | 120.4 | 95% |

*(1) Brit since acquisition on June 5, 2015, Allied World since acquisition on July 6, 2017.*

The table below shows the average annual redundancies for the past 10 years (business written for 2013 onwards) for our companies which we have owned since 2013.

| | 2013 – 2022 |
|---|---|
| | **Average Annual Reserve Redundancies** |
| Northbridge | 7% |
| Crum & Forster | 3% |
| Zenith | 17% |
| Odyssey Group | 6% |
| Fairfax Asia | 20% |

Riverstone, led by Nick Bentley and Bob Sampson, continues to manage our run-off operations. Nick, Bob and the rest of the team do an outstanding job dealing with some of our most difficult claims in a very challenging U.S. legal system, while continuing to deal with emerging latent-type claims. In 2023 Riverstone strengthened reserves by $260 million, primarily related to asbestos liabilities on both their direct and assumed portfolios, talc, ULAE and uncollectible reinsurance. Our net run-off reserves of approximately $1.5 billion, which contain almost all our asbestos and latent exposures, are approximately 5% of our total net reserves. With developing science and laws addressing key liability and coverage issues as well as the challenging U.S. legal system (including social inflation, nuclear verdicts, third-party litigation funding) the volatility around future outcomes remains high, especially on emerging claims. That said, we believe we have one of the premier run-off teams in the industry who are working diligently to contain losses while paying claims when due.

We have updated the float table 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% |
| . | | | | |
| . | | | | |
| 2013 | 440 | 12,046 | (3.7)% | 2.8% |
| . | | | | |
| . | | | | |
| 2023 | 1,522 | 31,250 | (4.9)% | 3.3% |
| Weighted average last ten years | | | (2.8)% | 2.3% |
| Fairfax weighted average positive financing differential last ten years: | | | 5.1% | |

Float is essentially the sum of insurance contract liabilities and insurance contract payables, less reinsurance contract assets held and insurance contract receivables, on an undiscounted basis excluding risk adjustment. Our long-term goal is to increase the float at no cost, by achieving combined ratios consistently well 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. This no-cost float is perhaps one of Fairfax's biggest assets and will be a key reason for our success in the future. In 2023, our underwriting profit was a record $1.5 billion and our "cost of float" was a 4.9% benefit. In the past 10 years, the largest benefit we had was 5.5% in 2015, which corresponded to a combined ratio of 90% and an underwriting profit of $705 million. We showed you earlier the growth in our float per share and, as we said, this is a huge plus for Fairfax.

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

| | Insurance and Reinsurance | | | | | | | Total Insurance and Reinsurance | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Northbridge | Crum & Forster | Zenith | Odyssey Group | Brit | Allied World | Other | | Run-off | Total |
| | | | | | ($ billions) | | | | | |
| 2019 | 1.9 | 3.0 | 1.1 | 5.1 | 3.0 | 5.1 | 1.4 | 20.6 | 1.8 | 22.4 |
| 2020 | 2.1 | 3.3 | 1.1 | 5.9 | 3.2 | 5.7 | 1.4 | 22.7 | 1.6 | 24.3 |
| 2021 | 2.5 | 3.4 | 1.1 | 6.8 | 3.6 | 6.9 | 1.6 | 25.9 | 1.9 | 27.8 |
| 2022 | 2.6 | 4.2 | 1.1 | 7.9 | 4.0 | 7.7 | 1.6 | 29.1 | 1.8 | 30.9 |
| 2023 | 2.9 | 5.0 | 1.1 | 8.9 | 4.1 | 8.4 | 3.0 | 33.4 | 1.7 | 35.1 |

Our float increased 14% in 2023 and 54% in the last five years as our insurance and reinsurance operations expanded significantly in the hard market. The float in runoff continued to decrease as claims are paid.

The table below shows the sources of our net earnings (the gain on Ambridge and consolidation of Gulf Insurance is shown separately):

| | 2023 | 2022 |
|---|---|---|
| Insurance and reinsurance operations: | | |
| Underwriting profit | 1,522 | 1,105 |
| Interest and dividends | 1,655 | 746 |
| Share of profit of associates | 762 | 722 |
| Adjusted operating income | 3,939 | 2,573 |
| Operating loss – life insurance and Run-off | (169) | (55) |
| Operating income – non-insurance companies | 122 | 221 |
| Impact of discounting and risk adjustment | 210 | 3,024 |
| Net gains (losses) on investments | 1,950 | (1,573) |
| Interest expense | (510) | (453) |
| Corporate overhead and other expense | (183) | (52) |
| Gain on sale and consolidation of insurance subsidiaries | 550 | 1,220 |
| Pre-tax income | 5,908 | 4,660 |
| Income taxes and non-controlling interests | (1,527) | (1,530) |
| Net earnings | **4,382** | **3,374** |

In 2023, we had record operating income of $3.9 billion because of record underwriting profit of $1.5 billion, interest and dividend income of $1.7 billion and share of profits from associates of $762 million. As we suggested earlier, there is no certainty in life, but we feel this level of operating income may be repeatable in the next few years. Net gains of almost $2 billion consisted of net gains on equity exposures of $1.2 billion and bond gains of $0.7 billion.

**Financial Position**

The following table shows our financial position at the end of 2023 and 2022. When we have a controlling interest in a company (for example, Recipe 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. Consequently, this table excludes the debt of our consolidated non-insurance companies:

| | **2023** | **2022** |
|---|---|---|
| Holding company cash and investments (net of derivative obligations) | 1,749* | 1,326* |
| Borrowings – holding company | 6,929 | 5,888 |
| Borrowings – insurance and reinsurance companies | 896 | 733 |
| Total debt | 7,825 | 6,621 |
| Net debt | 6,075 | 5,295 |
| Common shareholders' equity | 21,615 | 17,780 |
| Preferred stock | 1,336 | 1,336 |
| Non-controlling interests | 3,116 | 2,213 |
| Total equity | 26,066 | 21,328 |
| Net debt/total equity | 23.3% | 24.8% |
| Net debt/net total capital | 18.9% | 19.9% |
| Adjusted operating income interest coverage | 11.9x | 8.1x |
| Adjusted operating income interest and preferred share dividend coverage | 9.9x | 6.8x |
| Total debt/total capital | 23.1% | 23.7% |

* *excludes $1.7 billion in 2023 ($1 billion in 2022) of investments in associates and non-insurance consolidated investments held in the holding company*

We ended 2023 with a very strong financial position with $1.7 billion in cash and marketable securities plus an additional $1.7 billion of associates and consolidated non-insurance investments owned by the holding company (largely consisting of shares of Quess ($187 million), Eurobank ($377 million), Poseidon ($223 million) and Thomas Cook India ($289 million)). Our total debt-to-total-capital ratio in 2023 of 23.1% (22.4% excluding our 2024 bonds that were redeemed in early 2024) was less than 23.7% in 2022. Our adjusted operating income interest coverage continues to remain strong, increasing to 11.9x in 2023 from 8.1x in 2022. Late in the year, we issued $400 million of 6% unsecured notes due 2033 and early in 2024 upsized that by $200 million. The proceeds will be used to take out Fairfax's 2024 and 2025 bond maturities and to extend out the term to 10 years.

**Investments**

After almost 50 years in the investment business, I think Phil Carret said it all (and I quote him again):

"Good management is rare at best, it is difficult to appraise and it is understandably the single most important factor in security analysis."

And as my mentor, John Templeton said, "Whenever you can buy a large amount of future earnings for a low price, you have made a good investment."

We have been blessed to know many of these exceptional leaders in our insurance business and in our investments. Here's how our great leaders, who lead our investments performed in 2023:

During 2023, Poseidon completed a privatization with our new partners Ocean Network Express. Now a private company under the continued leadership of David Sokol and Bing Chen, Poseidon remains on track to solidify its position as the world's leading containership owner operator. Poseidon successfully executed on its 70 containership newbuild program by delivering 22 vessels – 317,220 TEU total in 2023, along with 12 vessels delivered in 2021 and 2022 – with each commencing their scheduled long-term charters. Execution of the remainder of Poseidon's newbuild program remains ahead of schedule, with the expected delivery of an additional 36 vessels in 2024. Poseidon's other business, APR Energy, continues its pivot to long-term predictable cash flow opportunities. Upon completion of Poseidon's containership newbuild program, Poseidon is expected to deliver more than $2.5 billion of revenue and $1.9 billion of adjusted EBITDA. In December 2023, Poseidon announced the expansion into the pure car truck carrier segment, with a newbuild program of four car carrier ships that each can hold over

10,000 passenger vehicles. This is a continuation of the consistent operational excellence that David and Bing have delivered together with creative turnkey solutions for their customers. Poseidon is expected to make net earnings in excess of $400 million in 2024 and $500 million in 2025. We carry our 43% ownership in Poseidon at $1.7 billion – 10x 2024 expected earnings or 8x 2025 expected earnings.

Eurobank, led by Fokion Karavias, had another outstanding year in 2023 with net income of €1.14 billion. Recurring EPS jumped from 18 cents to over 31 cents, return on tangible book value increased to 18% and tangible book value finished at €2 per share. Eurobank's balance sheet also continues to strengthen – non-performing loans are less than 4% of loans (down from 5.2%) and core Tier 1 capital is up from 15.2% to 17%. The strong performance has started to be reflected in the stock price which rose over 50% in 2023 to €1.61 per share. This strong performance continues in 2024 as the bank prepares to pay its first dividend since 2008. On the strategic front, management made notable progress with the divestment of its Serbian bank and the acquisition of a majority stake in the number two bank in Cyprus.

The Greek economy continues its recovery with 2023 GDP growth around 2%, debt to GDP below 160% and the unemployment rate below 10% for the first time since the global financial crisis. DBRS, S&P and Fitch all upgraded Greece to investment grade status during the year. Finally, Prime Minister Mitsotakis won a resounding re-election and a second four-year term in office. Deservedly, Greece won The Economist's award for 'Country of the Year' in 2023. Eurobank is carried on our books at €1.50 per share (or $1.66 per share).

In a year of volatile steel prices, Stelco performed well, highlighting its competitive cost structure. Stelco's talented team – led by Alan Kestenbaum, Sujit Sanyal, and Paul Scherzer – continues to be excellent stewards of the business with a keen focus on creating shareholder value. We believe that Stelco owns the best-in-class blast furnace assets in North America, which is highlighted by its industry leading margins. The company's Lake Erie Works facility has had recent upgrades to its blast furnace, coke battery, a newly constructed co-generation facility and a new pig iron caster. Nippon recently announced an agreement to acquire US Steel at a multiple of 7.8x 2024 EBITDA, a significant premium to Stelco's trading multiple. We believe the US Steel acquisition highlights the value of blast furnace operations. Stelco continues to have significant net cash on its balance sheet, providing management with flexibility to take advantage of both organic and inorganic growth opportunities. The company rewarded shareholders with a Cdn$3 per share special dividend in addition to its Cdn$1.68 per share regular dividend in 2023. Stelco has raised its regular dividend for 2024 to Cdn$2.00 per share. We believe Stelco has a bright future under Alan Kestenbaum's leadership. Stelco is carried on our books at $22.44 per share versus a market price of $37.84 per share.

Fairfax continues to jointly own Peak Achievement with our partner, Sagard Holdings. Peak's core brands are Bauer, the leading hockey brand, and Maverik, a leading lacrosse brand. Peak also owns a minority investment in Rawlings, which is the number one brand in baseball. Fairfax paid $154 million for its stake in Peak in 2017. Since that time, EBITDA has increased steadily in the hockey and lacrosse businesses, and Fairfax has received $72 million in dividends. Hockey participation growth continues post-pandemic and exciting developments such as Bauer's partnership with the new Professional Women's Hockey League are expected to drive incremental girls' participation. More to come under CEO Ed Kinnaly's leadership, with opportunities in direct-to-consumer, apparel and training. We carry Peak on our balance sheet at less than 5x free cash flow.

The Helios Fairfax Partners (HFP) team led by Tope Lawani and Babatunde Soyoye have effectively completed the turnaround with the only legacy asset remaining being the private school operator, Nova Pioneer. HFP has approximately $75 million in cash available to invest, in addition to an undrawn $70 million bank facility. HFP is now poised to generate positive growth in book value per share. Platform investments in Helios Sports & Entertainment Group, Helios CLEAR (Climate Growth Fund), Helios Seven Rivers, Helios Digital Ventures and Helios Energy Transition have begun making initial investments with Helios Fairfax Partners balance sheet. The next step is for the various platform investments to raise third-party capital for which Helios Fairfax Partners will receive management and carry fee income. Helios remains the only listed dedicated African investment vehicle in a market scarce of capital. We are excited to be partners with Tope and Baba. Fairfax's carrying value of HFP is $198 million versus market value of $91 million. HFP currently trades at 50% of book value.

In 2023, Exco Resources (a U.S. oil and gas producer) repurchased 8% of its shares. This increased Fairfax's ownership of Exco from 44% to 48%. After year end, Exco repurchased another 2% of its shares, increasing our ownership to 49%. Both transactions occurred at steep discounts to intrinsic value. Sometimes, as T. Boone Pickens noted, "it is cheaper to drill for oil (and gas!!) on the stock exchange than it is to drill directly". Of course, Exco also did plenty of drilling. In 2023, Exco added more than twice as much to its reserves as it extracted through production. With weakness in commodity prices, the present value of proved reserves dropped. However, production volumes increased 3.2% year over year. Exco is well-positioned to navigate commodity price volatility. It has a strong balance sheet, nimble operations and decisive leadership. Chairman John Wilder and CEO Hal

Hickey lead Exco. Fairfax's Wendy Teramoto and Peter Furlan are on its Board. Fairfax is well served by our long-term partners, John and Hal, who transformed Exco into a resilient oil and gas company. Exco is carried on our balance sheet at $418 million or $18.24 per share, approximately 3x net income in 2023, an increase from $12.59 per share last year, due to our share of their 2023 earnings of $5.65 per share.

Recipe, operating in its first full normal year since the pandemic, achieved record system sales in 2023. Sales increased to Cdn$3.7 billion, up 9% from 2022 and 5.6% higher than 2019. Margins also increased by 20 basis points, or 15% in dollars terms, over 2022. Impressively, the company delivered over Cdn$150 million in free cash flow and reduced overall leverage to less than 2.5x. Frank Hennessey, Ken Grondin and his team are focused on continuing to improve the overall margin rate while emphasizing top line growth. Expansion is underway in the United States and India markets as well as organic growth in Canada driven by new restaurants. The company will also be launching new products in its already sizable consumer packaged goods business (where Recipe's brands are sold in grocery stores). Recipe is carried at 8x enterprise value to EBITDA on our balance sheet or 10x free cash flow.

Grivalia Hospitality, under George Chryssikos, had a strong year of execution as two assets, including its largest, opened for business. The One & Only resort in Athens is a flagship in ultra-luxury hospitality and we are the proud owners. If you haven't booked your summer vacation yet – you know what to do! 2024 will see one additional asset come into operation – which will take the operating portfolio to five. These include Amanzoe in Porto Heli, ON Residence in Thessaloniki, Avant Mar in Paros, One & Only and 91 Athens Riviera in Athens. Focus now turns to operational and service excellence for these resorts with Greece forecast to receive a record number of tourists in 2024. George has another five high end hotels in development over the next few years. George has an outstanding track record in real estate and as I said last year, he has already made us $1 billion! We expect George to repeat that accomplishment with Grivalia Hospitality over time! At year end we carried Grivalia at €513 million for our 85% stake.

The Sporting Life Group continued its winning ways by delivering its highest revenue number in the company's history. The combined companies of Golf Town and Sporting Life have grown substantially since 2019, achieving a 51% increase in revenue over the four-year period. The core leadership team of Chad McKinnon CEO, Frederic Lecoq Chief Marketing Officer, and Barry Williams Chief Merchant remain intact and have added Nadia Vattovaz as CFO. Bill Gregson, former CEO of The Brick and Recipe, continues to consult with the Sporting Life Group leadership team and lend his expertise to key projects. The Sporting Life Group expanded in 2023 with the launch of the Team Town Sports brand. Team Town Sports is a specialty sporting goods concept that focuses on 13 team sports and is designed and assorted with new Canadians and women athletes top of mind. In 2023, three brick & mortar locations opened in Calgary and Mississauga. teamtownsports.com launched in the fall of 2023 to serve athletes across the vast Canadian market. Sporting Life Group has ambitious plans for continued growth and a number of initiatives to bring that to life. The Sporting Life Group is carried at Cdn$82 million or 4x free cash flow on our balance sheet.

Dexterra is on track to achieve its vision of becoming a leader in delivering quality solutions to create, manage and operate infrastructure. Mark Becker became the CEO in 2023 and with a focus on execution and profitability, the company exceeded its medium-term goal of achieving Cdn$1 billion in revenue and Cdn$100 million EBITDA. Quite an accomplishment and great progress over the past three and a half years. The facilities management business took an important step forward with strong organic growth and improving profitability. The workforce accommodation segment experienced continued strong profitability, is building market share with new contracts and was pleased to support local communities during the unprecedented wildfire activity this past summer. Overall, Dexterra has a strong balance sheet and is generating significant free cash flow which positions it well to take advantage of acquisition opportunities. Dexterra is carried on our balance sheet at $108 million ($3.41 per share), which is less than the market value of $136 million ($4.28 per share).

AGT, run by founder and CEO Murad Al-Katib, had another record year in 2023, with EBITDA of over Cdn$160 million. Management is focused on several initiatives, including realizing hidden value from its existing asset base, enhancing the company's capital structure, growing the higher margin Ingredients and Packaged Foods business, and further expansion of AGT's role as a key supplier for global humanitarian programs in Ukraine, Syria and Afghanistan. AGT has built a global pulse sourcing and processing capability, which will become increasingly valuable as the total addressable market for plant-based protein continues to expand. Fairfax's 59.6% stake in AGT is currently carried at an enterprise to EBITDA ratio of 6x.

Farmers Edge had another challenging year in 2023. CEO, Vibhore Arora, reduced the cost base by nearly 50% since he took the reins in 2022. Unfortunately, acre and revenue growth has not yet materialized. In addition, the overall market for Digital/Precision Agriculture has been slower than anticipated to emerge. Management and the board have decided that the turnaround plan can be executed best outside of the public markets. As such, Farmers Edge is being taken private in 2024 so that management can focus on executing the business plan.

Boat Rocker Media, led by John Young as CEO and Co-Chairmen and founders David Fortier and Ivan Schneeberg, had a challenging year managing the Hollywood Writer's strike in 2023 which caused significant disruption to new content orders. The company had a win in the year with the sale of Sci-fi thriller Beacon 23 to streaming service MGM+. Unfortunately, this event was not enough to offset overall softness in the premium scripted TV business. With the poor performance of the share price post IPO, management is focused on maximizing the value of the company's existing assets. Boat Rocker is carried on our balance sheet at approximately 6x EBITDA.

We continue to invest with Byron Trott through various BDT Capital Funds. Since 2009, we have invested $978 million, have received $979 million in distributions and still have investments with a year-end market value of $683 million. Byron and his team have generated fantastic long-term returns for Fairfax, and we very much look forward to our continued partnership.

Since we met Bill McMorrow and Kennedy Wilson in 2010, we have invested $1.2 billion alongside them in real estate, have received cash proceeds of $1.1 billion and still have real estate worth about $570 million. Our average annual realized return on completed projects is approximately 22%. We also own 10% of the company. More recently, we have been investing with Kennedy Wilson in first mortgage loans secured by high quality real estate in the western United States, Ireland and the United Kingdom with a loan-to-value ratio of 58% on average, including the Pac West Mortgages. At the end of 2023, we had invested in $4.1 billion of first mortgage loans in the U.S. at an average yield of 8.7% and an average maturity of 1.4 years with two, one-year renewal rights, and in $439 million of first mortgage loans in the U.K. and Europe at an average yield of 6.5% and an average maturity of 2.4 years.

We own 14% of Altius Minerals, which had a more difficult year in 2023 with royalty revenues falling 29%. A key reason for the decline was lower potash prices which resulted in a 42% drop in Altius' potash royalties. Long-term, we are very optimistic about Altius' world-class, Saskatchewan-based potash royalty assets. Of note, the company's portfolio of long-lived mineral royalties could expand significantly if major projects currently on the drawing board come to fruition – all without Altius having to commit an additional dime of capital investment! One area of strength in 2023 was the performance of Altius' renewable energy royalty business. This business continues to generate momentum, with total royalties growing 49% in 2023. Brian Dalton continues to do an outstanding job at Altius, a company he founded in 1997. Altius is carried on our balance sheet at the listed market price of $13.95 or $93 million.

Foran Mining, led by its CEO, Dan Myerson, and its founder, Darren Morcombe, continued to make progress in advancing its world-class McIlvenna Bay carbon-neutral copper project in the Flin Flon region of Saskatchewan. Foran continued a drilling program that confirmed copper mineralization at its adjacent Tesla deposit and showed continuity between Tesla and McIlvenna Bay. The drilling results at Telsa indicate the potential for a larger copper deposit than originally expected. Other significant highlights in 2023 was the announcing of the environmental assessment approval for the McIlvenna Bay project as well as G Mining Services as construction partner for McIlvenna Bay. G Mining has an impeccable track record of building mines on time and on budget. The addition of G Mining derisks McIlvenna Bay's development and the mine is expected to be commissioned in the second half of 2025. Foran raised Cdn$300 million in equity financing in 2023, effectively funding the construction of the McIlvenna Bay mine. Fairfax participated in the equity financing. Foran is carried on our balance sheet at the listed market price of $2.95 per share or $218 million.

Commercial International Bank (CIB) results were very strong in 2023 with an ROE of over 40%, net interest margin of almost 8% and loan-loss provision coverage ratio of approximately 230%. There is significant hidden value in the build-up of provisions on the balance sheet which if adjusted for, reduces the price-to-book ratio well below 2x. Since 2014, the bank has continued to compound book value per share and EPS by nearly 20% per annum. The key driver of value to Fairfax and other foreign investors in CIB is the stability of the Egyptian Pound. Fairfax invested the vast majority of its position in CIB in the spring of 2014 when the market cap was less than $5 billion, at exchange rates at the time. During that same time, net profit at CIB in USD terms (at current exchange rates) has more than doubled and the market cap stands at just $7 billion with an estimated 2024 price to earnings ratio of 6x. By comparison, in local currency, the market cap has increased over five times! The Egyptian government has begun a massive asset disposal program to address the country's high sovereign debt. Execution will be critical to ensure foreign investors more than just tread water on their investments. Hisham Ezz Al-Arab, the Founder of the modern CIB Bank, came back as Chairman in December 2022.

Since 2008 we have invested with founder Kyle Shaw and his private equity firm ShawKwei & Partners. ShawKwei takes significant stakes in middle-market industrial, manufacturing and service companies across Asia, partnering with management to improve their businesses. We have invested $536 million in two funds (with a commitment to invest an additional $64 million), have received cash distributions of $217 million and have a remaining value of $504 million at year-end. The returns to date are primarily from our investment in the 2010 vintage fund, which, though decreasing 8.8% in value in 2023, has generated a 12% compound annual return since 2010. The 2017 vintage fund, which has drawn about 84% of committed capital to date, increased 23.1% in value in 2023 but has a compound annual return of 3.5% since inception. We expect Kyle to make higher returns on monetization of his major assets.

Led by its outstanding Chairman and CEO Krishan Balendra, John Keells Holdings is the largest listed conglomerate in Sri Lanka, with a significant presence in leisure, consumer foods, retail, transportation, property and financial services and a great long-term record. In the middle of the external crisis faced by Sri Lanka, the company raised $75 million in equity capital, entirely provided by Fairfax, to fund the West Container terminal in the port of Colombo which is under construction. This investment was made in the form of convertible debentures (CDs) having the option to convert any time after 18 months from the date of issuance at a price of Sri Lankan Rs130 per share. Both the currency and the underlying stock have appreciated considerably since our investment. Fairfax, through its direct and indirect holdings, has a 13% equity interest in the company currently which is being increased to 19.5% with a partial conversion of the CDs and it would increase to 24.5% upon full conversion. We believe that Sri Lanka will continue to be resilient and overcome the current challenges, as it has done on numerous occasions in the past, and that the country will soon begin again to realize its tremendous potential. John Keells Holdings is well-positioned to benefit from the revival of the Sri Lankan economy. The combined carrying value is its listed price of $195 million.

Orla Mining, run by Jason Simpson, had an outstanding year. The team at Orla have executed extremely well and the Camino Rojo open pit mine in Mexico is producing at capacity of approximately 120,000 ounces of gold per year at a cash cost of approximately $800 per ounce. The company continues to make progress in permitting its South Railroad mine in Nevada with production expected to begin in 2027. South Railroad has the potential to double Orla's gold production at very attractive project economics. Lastly, drilling results indicate the potential for a lucrative underground mine at Camino Rojo. The site has a significant resource that includes approximately 12.5 million ounces of gold equivalent. We expect 2024 to be an active year for the company as it seeks permitting approval to expand its Camino Rojo open pit mine and permitting to begin construction of South Railroad. Orla generates attractive levels of free cash flow and has ample liquidity to fund its development and exploration activity. Orla is carried at its listed price of $3.23 per share or $122 million.

In 2023, the NASDAQ was up 43% and then another 8% in early 2024. The Magnificent Seven now account for 28% and technology, 30%, of the S&P 500 – even higher than the 26% at the dot com peak. This sectorial weighting has never been higher – for any sector in the S&P 500 ever. So excluding the Magnificent Seven from the S&P 500, the remaining 493 stocks went up only 13.5% since January 1st, 2023. In 2000, Cisco sold at $77 per share, more than the whole Canadian stock market, and 23 years later it sells at $49 per share even though earnings have gone up nine times. Of course, today the excitement in the market is AI and Nividia is the star at $2 trillion. As my good friend Kiril Sokoloff chairman and founder of XIIID research says, "Nividia's market cap exceeds the combined market cap of the S&P500 energy sector (Exxon, Chevron etc) by $200 billion even though the net income for Nividia is $14 billion versus $147 billion for the energy sector". Perhaps trees grow to the sky after all – but call me a skeptic! This reminds me of the Nifty Fifty – 50 outstanding companies in the late 1960s and early 1970s – which included McDonald's, Johnson & Johnson and Proctor & Gamble and also Polaroid, Avon and Eastman Kodak. As I said in our 2020 annual report to you in March 2021, after the crash in 1973/1974, these companies never saw their highs for more than 15 years – and some of them went bankrupt!

Ben Graham had some advice about the Nifty Fifty in September 1974: Stay away! He said "a conservative analyst…would have to do the near impossible – namely turn his back on them and let them alone". This is exactly what we have done – and it has been painful! The Magnificent Seven have outstanding track records as I said in our 2019 annual report, but for them to grow at 10% – 20% in the future on revenue bases of $200 billion to $500 billion – means $20 to $100 billion additional revenue each year – only 170 companies in the S&P 500 had revenues of more than $20 billion in 2023.

In 2022/2023, credit has tightened significantly but we have yet to experience the after effects – particularly in commercial real estate and private credit – i.e. non-bank credit! Another area we continue to be very cautious about.

Our team at Hamblin Watsa led by Wade Burton, with strong support from Lawrence Chin, Roger Lace and Brian Bradstreet, continues to navigate the uncertain economic environment while providing excellent returns for you, our shareholders.

Shown below are the Hamblin Watsa professionals with their individual areas of focus:

| Hamblin Watsa Professionals | Responsibility |
|---|---|
| Wade Burton and Lawrence Chin | United States and Canada (stocks & bonds) |
| Reno Giancola | Canada (stocks & bonds) |
| Jamie Lowry and Ian Kelly | Europe (stocks & bonds) |
| Quinn McLean | Middle East, South Africa and private companies |
| Yi Sang | Asia (stocks & bonds) |
| Gopalakrishnan Soundarajan | India, Sri Lanka (stocks & bonds) |
| Jeff Ware | South America (stocks & bonds) |
| Wendy Teramoto | Private companies |
| Peter Furlan | Chief Research Officer |
| Paul Ianni | Private and public companies |
| Davis Town | Public companies |
| Joe Coccimiglio | Private and public companies |
| Navtej Sidhu | Private and public companies |
| Paul Blake | Stock trading |
| Kleven Sava | Bond trading |

The team continues to thrive, led by Wade and Lawrence, while everyone remains empowered in their respective areas of responsibility. Roger Lace, Brian Bradstreet, Chandran Ratnaswami and I continue to be active in managing the portfolio with more and more ideas flowing from Wade and his team. Our small investment committee (consisting of Wade Burton, Roger Lace, Brian Bradstreet, Lawrence Chin, Chandran Ratnaswami, Quinn McLean, Peter Clarke and me) will review large investments, asset mix, regulatory requirements and performance. As I have said in the past, committee decision-making in investments has some serious performance risks in our mind, we use this format solely to share information and discuss the pros and cons of any investment. We have built an extremely talented team with the ability to invest worldwide, working in a collaborative team environment, but individually empowered at the same time. We are excited about the future returns we expect from our investment team.

**Miscellaneous**

After not increasing our dividend of $10 per share for 14 years, we increased it by 50% to $15 per share. It is still only about 12% of our expected operating income after taxes.

The huge strength of our company – and impossible to copy – is the fair and friendly culture we have built in each of our companies over the past 38 years. Fairfax, our holding company, is led by Peter Clarke and our 11 outstanding Fairfax officers who have the highest integrity, team spirit and no ego. We are focused on protecting our company from unexpected downside risks and very quickly taking advantage of opportunities when they arise. On average, our officers have been with us for 19 years. The bedrock of our company is trust with a long-term focus.

This past year, Peter Clarke has again done an outstanding job in steering us through the rough waters that every business faces – always calm, confident with no ego!

I would be remiss if I did not thank our outstanding Board of Directors, led by Bill McFarland, for providing us with great guidance and wisdom as we build our company for the long term. We are truly blessed!

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 | 47% | 22% | 17% | 16% | 15% |

If an employee earning $40,000 had participated fully in this program since its inception, he or she would have accumulated 4,000 shares of Fairfax worth Cdn$4.9 million at the end of 2023. I am happy to say we have many employees who have done exactly that!

For the third time in our history we have made a small change to our Guiding Principles. Treating people well has always been a huge part of our culture but was never specifically addressed in our Guiding Principles. After reviewing we decided to add the following to our Guiding Principles: "We follow the Golden Rule: we treat others as we would want to be treated". Earlier in the year I came across a wonderful poster on The Golden Rule. It shows thirteen different religions and how each one of them has the golden rule in its scripture. I liked it so much I have asked all our companies around the world to hang the poster up in their offices!

It is with great sadness that I have to inform you that my partner, Tony Hamblin, of Hamblin Watsa Investment Counsel, passed away on October 2, 2023. Tony was our boss at Confederation Life during the 1970s and early 1980s before he and I began Hamblin Watsa in September 1984. Tony was president of Hamblin Watsa until he retired in 2006. He was a great boss and then a partner for Roger, Brian and me for all those years and we will miss him dearly. All of us at Hamblin Watsa and Fairfax offer our sincere condolences to Tony's wife Gail and their two sons, Drew and Geoff.

In his second year with us, Sanjay Tugnait, President and CEO of Fairfax Digital continued to build on the initiatives started in 2022. Sanjay, working with Thomas Cook, launched an AI powered sustainability platform to capture, measure and report carbon emissions for business travel, developed an innovative travel insurance product available through digital channels in Sri Lanka, and has been heavily involved in the development of Eurolife's embedded insurance platform and the recent announcement of the partnership between EuroLife and LTIMindtree in establishing a Gen AI and Digital Hub in Athens. Sanjay has done an outstanding job working with our companies and assisting in their digital initiatives.

We published our fourth ESG report in late 2023. The report highlights our global efforts in all areas related to ESG and is an aggregation of our operating company activities as well as what we do at Fairfax. While we cover all aspects of ESG in the report, our employees are our most important asset and a significant portion of the report is dedicated to our efforts to support our people around the world. We are very proud of these efforts as they exemplify our culture of doing good by doing well and following the golden rule of treating others the way you would want to be treated. To get a better understanding of these efforts, please read the full report available on our website www.fairfax.ca.

Craig Pinnock, Chief Financial Officer at Northbridge, continues to lead the Black Initiative Action Committee across our group of companies. Throughout 2023, we continued to advance the committee's recommendations. Additionally, the committee's work has resulted in a framework built upon six key pillars. This framework serves as a guide for organizing all our Diversity, Inclusion, and Belonging (DI&B) initiatives, extending beyond the initial focus on combating Anti-Black Systemic Racism. Many of these actions, along with details of the framework, are documented in the 2023 Fairfax ESG report, which highlights the progress made during the year. Lastly, we proudly maintain our strong partnership with the BlackNorth initiative, which, since its inception in June 2020, remains committed to eradicating Anti-Black Systemic Racism through collective efforts across corporate Canada.

We continue to focus on how Fairfax can survive for the next 100 years, long after I have gone! Our outstanding culture and my effective voting control will certainly help. As I have mentioned many times in the last 38 years, you, our shareholders, suffer a major negative as our company is not for sale at any price. So there will be no takeover bonanza. Of course, we have to perform for you over time and we plan to do exactly that in the long term.

As you know, we think business can be a force for good. Taking Fairfax as an example, we have written cumulative premiums of $258 billion while providing outstanding service to our customers. We are paying annual salaries and benefits to our employees all over the world of $2 billion. We have made cumulative donations of $315 million since we began our donations program in 1991 and, yes, over the 38 years we have paid cumulative taxes of $5.7 billion. This is why we consider business a force for good and why countries that are business friendly succeed mightily. We are a small microcosm of what business does worldwide.

In 2023, we donated $27 million, for a total of $315 million since we began our donations program in 1991. Over the 33 years since we began our donations program, our annual donations have gone up approximately 155 times at a compound rate of 17% per year. We are now donating 2% of pre-tax profit each year to charities across the globe – 1% through each of our insurance companies and 1% to our Fairfax foundations.

At our AGM, we will distribute our first annual report on our charitable givings and donations by company across the world. We are grateful because our company is successful, we can make these donations. "Doing good by doing well", we call it at Fairfax.

The Fairfax Leadership Workshop continued strong in 2023 with a class of 27 leaders from 13 different countries. This was our eleventh class as we missed two due to the pandemic. The five-day program centers around our Guiding Principles and is a wonderful opportunity for attendees to connect with Fairfax culture, our most senior people and each other. These connections are critical for success in our very decentralized structure. To date, over 250 of our leaders have attended the program with over 110 of them gathering in Toronto for a reunion the week of our annual meeting. The success of the program can be measured by its popularity. The upcoming 2024 class will be the largest ever with over 30 slots and we still couldn't accommodate everyone!

Another highly successful initiative that has allowed us to connect and collaborate across our decentralized structure is our working groups. One more great idea from Andy, these single discipline working groups allow us to share knowledge and expertise without compromising the entrepreneurial spirit of our individual operations. Much like the Leadership Workshop, they bring our people together in a spirit of sharing and working together.

After a break for a couple of years due to COVID, due to popular demand we are bringing back our investor trip to India which we will be offering to our shareholders so that they can see firsthand the transformation and opportunities that India has to offer. For those of you that may not be familiar, the trip gives our shareholders a chance to experience the culture, people and cuisine of India, while exposing them to some of the companies that we have invested in. They will also have the chance to interact with the Presidents who run those companies. Madhavan Menon, Dipak Deva and his group will give our shareholders a memorable trip giving them a deeper understanding of why we think India is going to continue to be an exceptional investment opportunity in the years to come. More at our AGM.

The Value Investing Conference held by George Athanassakos the day before our annual shareholders' meeting will take place again this year! This will be its twelfth year and I highly recommend that you attend – it is well worth your time. If you have not attended in the past, please see the website for details: bengrahaminvesting.ca. Many who have participated have mentioned to me that it is one of the best of its kind, and this year's lineup of speakers, as usual, is outstanding. This year's featured keynote speakers are Andi Kerenxhi, President Ubineer Corp., Jason Zweig, Columnist from the Wall Street Journal and Fokion Karavias, CEO, Eurobank.

Unlike previous years, Fairfax India (of which many of you are also shareholders) will hold its annual shareholders' meeting on Wednesday, April 10 at 9:30a.m. (Toronto time) the day before our annual shareholders' meeting which is on April 11: details will be posted on its website. Helios Fairfax Partners will hold its investor day at 2:30 p.m. on April 10: details will be posted on its website.

As we have done for the last 38 years, we look forward once again to seeing all of you in person at our annual shareholders' meeting in Toronto, where our leaders will be ready to answer all your questions. We are truly blessed to have loyal, long-term shareholders like you, and I look forward to seeing you on April 11.

March 8, 2024

V. P. Watsa

V. Prem Watsa
*Chairman and Chief Executive Officer*

### Glossary of Non-GAAP and Other Financial Measures

Management analyzes and assesses the underlying insurance and reinsurance companies, and the financial position of the consolidated company, through various measures and ratios. Certain of those measures and ratios, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS Accounting Standards and may not be comparable to similar measures presented by other companies.

***Supplementary Financial Measures***

**Net insurance revenue –** This measure of underwriting activity is calculated as insurance revenue less cost of reinsurance, both as presented in the consolidated statement of earnings.

**Combined ratio, discounted –** This performance measure of underwriting results under IFRS 17 is calculated as insurance service expenses less recoveries of insurance service expenses, expressed as a percentage of net insurance revenue.

**Book value per basic share** – The company considers book value per basic share a key performance measure as one of the company's stated objectives is to build long term shareholder value by compounding book value per basic share by 15% annually over the long term. This measure is calculated by the company as common shareholders' equity divided by the number of common shares effectively outstanding. Those amounts are presented in the consolidated balance sheet and note 16 (Total Equity, under the heading "Common stock") respectively to the consolidated financial statements for the year ended December 31, 2023. **Increase or decrease in book value per basic share** is calculated as the percentage change in book value per basic share from the end of the last annual reporting period to the end of the current reporting period. **Increase or decrease in book value per basic share adjusted for the $10.00 per common share dividend** is calculated in the same manner except that it assumes the annual $10.00 per common share dividend paid in the first quarter of 2023 was not paid and book value per basic share at the end of the current reporting period would be higher as a result.

**Equity exposures** – **Long equity exposures** refer to the company's long positions in equity and equity-related instruments held for investment purposes, and **long equity exposures and financial effects** refers to the aggregate position and performance of the company's long equity exposures. Long equity exposures exclude the company's insurance and reinsurance investments in associates, joint ventures, and other equity and equity-related holdings which are considered long-term strategic holdings. These measures are presented and explained in note 22 (Financial Risk Management, under the heading "Market risk") to the consolidated financial statements for the year ended December 31, 2023.

***Capital Management Measures***

**Net debt**, **net total capital**, **total capital**, **net debt divided by total equity**, **net debt divided by net total capital** and **total debt divided by total capital** are measures and ratios used by the company to assess the amount of leverage employed in its operations. The company also uses an **interest coverage ratio** and an **interest and preferred share dividend distribution coverage ratio** to measure its ability to service its debt and pay dividends to its preferred shareholders. These measures and ratios are calculated using amounts presented in the company's consolidated financial statements for the year ended December 31, 2023, both including and excluding the relevant balances of consolidated non-insurance companies, and are presented and explained in note 22 (Financial Risk Management, under the heading "Capital Management").

***Total of Segments Measures***

**Property and casualty insurance and reinsurance** – References in this MD&A to the company's property and casualty insurance and reinsurance operations do not include the company's life insurance and run-off operations. The company believes this aggregation of reporting segments to be helpful in evaluating the performance of its core property and casualty insurance and reinsurance companies and has historically disclosed measures on this basis including operating income (loss), consistent with the information presented in note 23 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2023, as well as net premiums written, net premiums earned and underwriting profit (loss), which are presented in this MD&A. References to "**insurance and reinsurance**" operations includes property and casualty insurance and reinsurance, life insurance and run-off operations.

**Net finance income (expense) from insurance contracts and reinsurance contract assets held** – This measure represents the net change in the carrying amounts of the company's insurance contracts and reinsurance contract assets held arising from the effects of the time value of money, and is calculated as the sum of the respective amounts presented in the consolidated statement of earnings.

**Operating income (loss)** – This measure is used by the company as a pre-tax performance measure of operations that excludes net finance income (expense) from insurance contracts and reinsurance contract assets held, net gains (losses) on investments, interest expense and corporate overhead and other, and that includes interest and dividends and share of profit (loss) of associates, which the company considers to be more predictable sources of investment income. Operating income (loss) includes the insurance service result and other insurance operating expenses of the insurance and reinsurance operations and the revenue and expenses of the non-insurance companies. A reconciliation of operating income (loss) to earnings before income taxes, the most directly comparable IFRS measure, is presented in note 23 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2023. All figures in that reconciliation are from the company's consolidated statement of earnings for the year ended December 31, 2023, except for net finance income (expense) from insurance contracts and reinsurance contract assets held, which is comprised of figures from the consolidated statement of earnings as described above, and corporate overhead and other, which is described below.

**Corporate overhead and other** – This measure includes corporate and other expenses as presented in the consolidated statement of earnings, representing the non-underwriting operating expenses of the Fairfax holding company and the holding companies of the insurance and reinsurance operations, and the amortization of intangible assets that primarily arose on acquisition of the insurance and reinsurance subsidiaries. Also included are investment management and administration fees paid by the insurance and reinsurance subsidiaries to the Fairfax holding company, interest and dividends earned on holding company cash and investments and holding company share of profit of associates. Refer to the Corporate Overhead and Other section in this MD&A.

***Non-GAAP Financial Measures and Ratios***

The financial measures and ratios described below are presented on the same basis as prior to the adoption of IFRS 17 *Insurance Contracts* on January 1, 2023.

**Net premiums earned** – Net premiums earned represents the portion of net premiums written that are considered earned by the company during a specified period in exchange for providing insurance coverage to the policyholder. This measure is used in the insurance industry and by the company primarily to evaluate business volumes, including related trends, and the management of insurance risk.

**Underwriting profit (loss)** – A measure of underwriting activity calculated as insurance service result with the effects of discounting for net claims incurred in the current period and changes in the risk adjustment and other excluded, and other insurance operating expenses deducted, as shown in the table in the Overview of Consolidated Performance section of this MD&A, under the heading "Underwriting Performance".

**Adjusted operating income (loss)** – Calculated as the sum of underwriting profit (loss), interest and dividends and share of profit of associates, this measure is used in a similar manner to operating income (loss).

**Adjusted operating income interest coverage** and **adjusted operating income interest and preferred share dividend distribution coverage** are ratios used to measure the ability of the property and casualty insurance and reinsurance companies to service their debt and the debt and preferred dividend obligations of the holding company. Balances related to the non-insurance companies are excluded from the calculation of these ratios. Adjusted operating income interest coverage is calculated as adjusted operating income of the property and casualty insurance and reinsurance companies divided by consolidated interest expense on borrowings excluding non-insurance companies. Adjusted operating income interest and preferred share dividend distribution coverage is calculated as adjusted operating income of the property and casualty insurance and reinsurance companies divided by the sum of consolidated interest expense on borrowings, excluding non-insurance companies, and preferred share distributions of the holding company adjusted to a pre-tax equivalent at the company's Canadian statutory income tax rate.

**Property and casualty insurance and reinsurance ratios** – The **combined ratio, undiscounted** is the traditional performance measure of underwriting results of property and casualty companies and is calculated by the company as the sum of the **loss ratio** (claims losses and loss adjustment expenses expressed as a percentage of net premiums earned), the **commission expense ratio** (commissions expressed as a percentage of net premiums earned) and the **underwriting expense ratio** (other underwriting expenses, including premium acquisition costs, expressed as a percentage of net premiums earned). Other ratios used by the company include the **accident year loss ratio**

(claims losses and loss adjustment expenses excluding the net favourable or adverse development of reserves established for claims that occurred in previous accident years, expressed as a percentage of net premiums earned), and the **accident year combined ratio** (the sum of the accident year loss ratio and the expense ratio). The ratios described are derived from information disclosed in the Net Earnings by Reporting Segment section of this MD&A and adjusted principally to remove the effects of discounting for net claims incurred in the current period, the change in the risk adjustment and other insurance operating expenses. These ratios are used by the company for comparisons to historical underwriting results, to the underwriting results of competitors and to the broader property and casualty industry, as well as for evaluating the performance of individual operating companies. The company may also refer to **combined ratio points**, which expresses, on an undiscounted basis, a loss that is a component of losses on claims, net, such as a catastrophe loss or net favourable or adverse prior year reserve development, as a percentage of net premiums earned during the same period.

The tables below present the amounts used in the calculation of the property and casualty insurance and reinsurance ratios and reconciles insurance revenue to net premiums earned. A reconciliation of underwriting profit (loss) for the property and casualty insurance and reinsurance reporting segments to insurance service result, the most directly comparable IFRS measure, is shown in the Overview of Consolidated Performance section of this MD&A, under the heading “Underwriting Performance”.

| | Year ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | North American Insurers | | Global Insurers and Reinsurers | | International Insurers and Reinsurers | | Property and Casualty Insurance and Reinsurance | |
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| Reconciliation of net premiums earned: | | | | | | | | |
| Insurance revenue[1] | 8,137.2 | 7,260.6 | 15,600.3 | 14,790.2 | 3,453.8 | 2,852.1 | 27,191.3 | 24,902.9 |
| Cost of reinsurance[1] | (1,296.8) | (962.9) | (2,916.7) | (2,927.3) | (1,165.4) | (956.5) | (5,378.9) | (4,846.7) |
| Net insurance revenue | 6,840.4 | 6,297.7 | 12,683.6 | 11,862.9 | 2,288.4 | 1,895.6 | 21,812.4 | 20,056.2 |
| Adjust for: net ceding commissions on reinsurance assumed and other | (338.0) | (189.9) | 851.3 | 864.1 | (74.5) | (66.6) | 438.8 | 607.6 |
| **Net premiums earned** | **6,502.4** | **6,107.8** | **13,534.9** | **12,727.0** | **2,213.9** | **1,829.0** | **22,251.2** | **20,663.8** |
| Total underwriting expenses, net: | | | | | | | | |
| Losses on claims – accident year | 4,230.2 | 3,733.2 | 8,757.4 | 8,715.6 | 1,394.0 | 1,207.6 | 14,381.6 | 13,656.4 |
| Net favourable reserve development | (127.2) | (77.2) | (81.6) | (21.1) | (100.8) | (97.9) | (309.6) | (196.2) |
| Losses on claims – calendar year | 4,103.0 | 3,656.0 | 8,675.8 | 8,694.5 | 1,293.2 | 1,109.7 | 14,072.0 | 13,460.2 |
| Commissions | 1,008.5 | 998.3 | 2,337.7 | 2,109.6 | 359.4 | 324.3 | 3,705.6 | 3,432.2 |
| Other underwriting expenses | 1,078.2 | 1,020.5 | 1,402.8 | 1,263.9 | 470.4 | 381.7 | 2,951.4 | 2,666.1 |
| Total underwriting expenses, net | 6,189.7 | 5,674.8 | 12,416.3 | 12,068.0 | 2,123.0 | 1,815.7 | 20,729.0 | 19,558.5 |
| **Underwriting profit** | **312.7** | **433.0** | **1,118.6** | **659.0** | **90.9** | **13.3** | **1,522.2** | **1,105.3** |
| **Combined ratios, undiscounted** | **95.2%** | **92.9%** | **91.7%** | **94.8%** | **95.9%** | **99.3%** | **93.2%** | **94.7%** |

*(1) As presented in the Net Earnings by Reporting Segment section of this MD&A.*

**Float** – In the insurance industry the funds available for investment that arise as an insurance or reinsurance operation receives premiums in advance of the payment of claims is referred to as float. The company calculates its float as the sum of its insurance contract liabilities and insurance contract payables, less the sum of its reinsurance contract assets held and insurance contract receivables, adjusted to remove the effects of discounting, risk adjustment and life insurance operations from insurance contract liabilities and reinsurance contract assets held. Float of a reporting segment or segments is calculated in the same manner using the company’s segmented balance sheet. The **annual benefit (cost) of float** is calculated by expressing annual underwriting profit (loss) as described above as a percentage of **average float** for the year (the simple average of float at the beginning and end of the year).

**Excess (deficiency) of fair value over carrying value** – These pre-tax amounts, while not included in the calculation of book value per basic share, are regularly reviewed by management as an indicator of investment performance for the company's non-insurance associates and market traded consolidated non-insurance subsidiaries that are considered to be portfolio investments, which are Fairfax India, Thomas Cook India, Dexterra Group, Boat Rocker and Farmers Edge.

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Fair value** | **Carrying value** | **Excess of fair value over carrying value** | **Fair value** | **Carrying value** | **Excess of fair value over carrying value** |
| Non-insurance associates | 6,825.9 | 6,221.7 | 604.2 | 5,684.3 | 5,418.0 | 266.3 |
| Non-insurance companies | 1,529.4 | 1,127.6 | 401.8 | 1,052.9 | 1,009.2 | 43.7 |
| | 8,355.3 | 7,349.3 | 1,006.0 | 6,737.2 | 6,427.2 | 310.0 |

*Non-insurance associates included in the performance measure*

The fair values and carrying values of non-insurance associates used in the determination of this performance measure are the IFRS fair values and carrying values included in the consolidated balance sheets as at December 31, 2023 and December 31, 2022, and excludes investments in associates held by the company's consolidated non-insurance companies as those amounts are already included in the carrying values of the consolidated non-insurance companies used in this performance measure.

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | **Fair value** | **Carrying value** | **Fair value** | **Carrying value** |
| Investments in associates as presented on the consolidated balance sheets | 7,553.2 | 6,607.6 | 6,772.9 | 6,093.1 |
| Less: | | | | |
| Insurance and reinsurance investments in associates(1) | 711.2 | 368.7 | 1,069.0 | 649.1 |
| Associates held by consolidated non-insurance companies(2) | 16.1 | 17.2 | 19.6 | 26.0 |
| Non-insurance associates included in the performance measure | 6,825.9 | 6,221.7 | 5,684.3 | 5,418.0 |

*(1) As presented in note 6 (Investments in Associates) to the consolidated financial statements for the year ended December 31, 2023.*

*(2) Principally comprised of associates held by Thomas Cook India (including its share of Quess), Dexterra Group and Boat Rocker.*

*Non-insurance companies included in the performance measure*

The fair values of market traded consolidated non-insurance companies are calculated as the company's pro rata ownership share of each subsidiary's market capitalization as determined by traded share prices at the financial statement date. The carrying value of each subsidiary represents Fairfax's share of that subsidiary's net assets, calculated as the subsidiary's total assets, less total liabilities and non-controlling interests. Carrying value is included in shareholders' equity attributable to shareholders of Fairfax in the company's consolidated balance sheets as at December 31, 2023 and December 31, 2022, as shown in the table below which reconciles the consolidated balance sheet of the market traded non-insurance companies to that of the total non-insurance companies included in the company's consolidated balance sheet.

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Market traded non-insurance companies** | **All other non-insurance companies(2)** | **Total non-insurance companies(1)** | **Market traded non-insurance companies** | **All other non-insurance companies(2)** | **Total non-insurance companies(1)** |
| Portfolio investments | 2,445.1 | 51.4 | 2,496.5 | 2,099.4 | 19.9 | 2,119.3 |
| Deferred income tax assets | 29.2 | 24.9 | 54.1 | 37.5 | 17.0 | 54.5 |
| Goodwill and intangible assets | 585.8 | 1,535.8 | 2,121.6 | 759.9 | 1,524.5 | 2,284.4 |
| Other assets | 1,271.2 | 3,106.2 | 4,377.4 | 1,279.2 | 2,874.0 | 4,153.2 |
| Total assets | 4,331.3 | 4,718.3 | 9,049.6 | 4,176.0 | 4,435.4 | 8,611.4 |
| Accounts payable and accrued liabilities(3) | 1,026.8 | 1,758.7 | 2,785.5 | 929.4 | 1,583.7 | 2,513.1 |
| Derivative obligations | – | 61.0 | 61.0 | – | 58.2 | 58.2 |
| Deferred income tax liabilities | 38.8 | 235.4 | 274.2 | 28.5 | 223.9 | 252.4 |
| Borrowings – non-insurance companies | 721.6 | 1,170.2 | 1,891.8 | 845.8 | 1,151.1 | 1,996.9 |
| Total liabilities | 1,787.2 | 3,225.3 | 5,012.5 | 1,803.7 | 3,016.9 | 4,820.6 |
| Shareholders' equity attributable to shareholders of Fairfax(4) | **1,127.6** | 1,274.9 | 2,402.5 | **1,009.2** | 1,091.2 | 2,100.4 |
| Non-controlling interests | 1,416.5 | 218.1 | 1,634.6 | 1,363.1 | 327.3 | 1,690.4 |
| Total equity | 2,544.1 | 1,493.0 | 4,037.1 | 2,372.3 | 1,418.5 | 3,790.8 |
| Total liabilities and equity | 4,331.3 | 4,718.3 | 9,049.6 | 4,176.0 | 4,435.4 | 8,611.4 |

*(1) Non-insurance companies as presented in the Segmented Balance Sheet in note 23 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2023.*

*(2) Portfolio investments includes intercompany debt securities issued by a non-insurance company to Fairfax affiliates which are eliminated on consolidation.*

*(3) Accounts payable and accrued liabilities includes due to affiliates.*

*(4) **Bolded figures** represent the carrying values of the market traded non-insurance subsidiaries.*

**Cash provided by (used in) operating activities (excluding operating cash flow activity related to purchases and sales of investments classified at FVTPL)** is presented in this MD&A for each of the largest property and casualty insurance and reinsurance subsidiaries as management believes this measure to be a useful estimate of cash generated or used by a subsidiary's underwriting activities. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows, the most directly comparable IFRS measure.

| | Year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Cash provided by (used in) operating activities (excluding operating cash flow activity related to purchases and sales of investments classified at FVTPL): | | |
| North American Insurers and Global Insurers and Reinsurers | 5,002.9 | 5,301.6 |
| All other reporting segments | 456.8 | (81.3) |
| Net purchases of investments classified at FVTPL | (5,499.1) | (9,640.2) |
| Cash used in operating activities as presented in the consolidated statement of cash flows | (39.4) | (4,419.9) |

**Intercompany shareholdings** – On the segmented balance sheets intercompany shareholdings of insurance and reinsurance subsidiaries are presented as "**Investments in Fairfax insurance and reinsurance affiliates**", intercompany shareholdings of non-insurance subsidiaries are included in "Portfolio investments" and total intercompany shareholdings of subsidiaries are presented as "**Investments in Fairfax affiliates**" in the "Capital" section. Intercompany shareholdings of subsidiaries are carried at cost in the segmented balance sheets as management believes that provides a better comparison of operating performance over time, whereas those shareholdings are eliminated upon consolidation in the consolidated financial statements with no directly comparable IFRS measure.

## Appendix to Chairman's Letter to Shareholders

The Chairman's Letter to Shareholders ("the Letter") presents the performance of the underlying insurance and reinsurance companies, and the financial position of the consolidated company, in various ways. Certain of those measures and ratios, which have been used consistently and disclosed regularly in the Letter, do not have a prescribed meaning under IFRS Accounting Standards and may not be comparable to similar measures presented by other companies.

### Fairfax Worldwide Insurance Operations as at December 31, 2023

This table in the Letter includes information on certain non-consolidated insurance companies which are presented as insurance and reinsurance investments in associates in note 6 (Investments in Associates) to the company's consolidated financial statements for the year ended December 31, 2023. As associates are recorded using the equity method of accounting under IFRS and not consolidated, the gross premiums written and investment portfolios of these associates are not included in the relevant amounts presented in the company's consolidated statement of earnings and consolidated balance sheet respectively.

### Gross Premiums Written per Share

This is a non-GAAP financial measure calculated as gross premiums written by the property and casualty insurance and reinsurance companies divided by the number of common shares effectively outstanding, as presented in the MD&A of this Annual Report, under the heading "Overview of Consolidated Performance", and in note 16 (Total Equity) to the company's consolidated financial statements for the year ended December 31, 2023, respectively. Management uses this measure as an indicator of organic growth and accretive acquisitions in its property and casualty insurance and reinsurance operations, and to illustrate the benefit premiums have on book value per basic share.

### Compound Growth in Book Value per Share

This supplementary financial measure is calculated as the compound return on book value per basic share for the beginning and ending years of the relevant measurement period. Book value per basic share is described in the MD&A of this annual report, under the heading "Glossary of Non-GAAP and Other Financial Measures".

### Average Total Return on Investments

This supplementary financial measure is calculated as the simple average of total return on average investments for the relevant years in the measurement period. Total return on average investments is described in the MD&A of this annual report, under the heading "Total Return on the Investment Portfolio".

### Yield on Fixed Income Portfolio

This supplementary financial measure is used by the company, among other financial measures, to evaluate the investment performance of the company's fixed income portfolio, and is calculated as interest income earned on cash, short term investments and bonds divided by the average fixed income portfolio balance.

| | Year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Interest income: | | |
| Cash and short term investments(1) | 279.4 | 101.5 |
| Bonds(1) | 1,624.9 | 753.1 |
| Total | 1,904.3 | 854.6 |
| Fixed income portfolio: | | |
| Cash and cash equivalents(2) | 5,303.8 | 6,980.8 |
| Short term investments(2) | 1,953.1 | 3,405.2 |
| Bonds(2) | 36,304.7 | 29,001.2 |
| Total | 43,561.6 | 39,387.2 |
| Yield on Fixed Income Portfolio | 4.6% | 2.2% |

*(1) As presented in note 5 (Cash and Investments) to the consolidated financial statements for the year ended December 31, 2023.*

*(2) As presented in note 5 (Cash and Investments) to the consolidated financial statements for the year ended December 31, 2023, excluding Gulf Insurance's cash and cash equivalents, short term investments and bonds at December 31, 2023 of $459.9, $376.0 and $1,136.3, respectively (December 31, 2022 - nil, nil and nil).*

**Unconsolidated Balance Sheet**

The unconsolidated balance sheet in the Letter presents the carrying values of the company's subsidiaries prior to consolidation to better reflect the amount invested into the company's core property and casualty insurance and reinsurance operations. The company also presents per share amounts for each line item in the unconsolidated balance sheet to better illustrate the composition of book value per basic share. Per share amounts are calculated by dividing the dollar amount of each line item by the number of common shares effectively outstanding, which is presented in note 16 (Total Equity) to the consolidated financial statements for the year ended December 31, 2023. As IFRS requires that controlled subsidiaries be consolidated, the following table presents a reconciliation of the unconsolidated balance sheet to the company's consolidated balance sheet as at December 31, 2023. All figures are rounded to US$ billions, and may not add due to rounding.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | As presented in the unconsolidated balance sheet | Reclassifications | Consolidation of subsidiaries | As presented in the consolidated balance sheet |
| | | *(US$ billions)* | | |
| **Assets** | | | | |
| Northbridge | 2.3 | — | (2.3) | — |
| Odyssey Group | 5.3 | — | (5.3) | — |
| Crum & Forster | 2.7 | — | (2.7) | — |
| Zenith National | 1.2 | — | (1.2) | — |
| Brit | 2.4 | — | (2.4) | — |
| Allied World | 4.8 | — | (4.8) | — |
| International Insurers and Reinsurers | 5.6 | — | (5.6) | — |
| Life insurance and Run-off | 0.3 | — | (0.3) | — |
| Insurance and reinsurance operations | 24.6 | — | (24.6) | — |
| Recipe | 0.7 | — | (0.7) | — |
| Fairfax India | 0.8 | — | (0.8) | — |
| Grivalia Hospitality | 0.6 | — | (0.6) | — |
| Thomas Cook India | 0.2 | — | (0.2) | — |
| Other Non-insurance | 0.1 | — | (0.1) | — |
| Non-insurance operations | 2.4 | — | (2.4) | — |
| **Total consolidated operations** | 27.0 | — | (27.0) | — |
| Holding company cash and investments | 1.8 | — | — | 1.8 |
| Insurance contract receivables | — | — | 0.9 | 0.9 |
| Investments in associates | 1.0 | (1.0) | — | — |
| Portfolio investments | — | 1.0 | 62.4 | 63.4 |
| Reinsurance contract assets held | — | — | 10.9 | 10.9 |
| Deferred income tax assets | — | — | 0.3 | 0.3 |
| Goodwill and intangible assets | — | — | 6.4 | 6.4 |
| Other assets | — | 0.6 | 7.7 | 8.3 |
| Other holding company assets | 0.6 | (0.6) | — | — |
| Total assets | 30.4 | — | 61.6 | 92.0 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | 0.6 | — | 4.9 | 5.5 |
| Derivative obligations | — | — | 0.4 | 0.4 |
| Deferred income tax liabilities | — | — | 1.3 | 1.3 |
| Insurance contract payables | — | — | 1.2 | 1.2 |
| Insurance contract liabilities | — | — | 46.2 | 46.2 |
| Borrowings – holding company and insurance and reinsurance companies | — | 6.9 | 0.9 | 7.8 |
| Borrowings – non-insurance companies | — | — | 1.9 | 1.9 |
| Borrowings – holding company | 6.9 | (6.9) | — | — |
| Total liabilities | 7.5 | — | 56.8 | 64.3 |
| **Equity** | | | | |
| Common shareholders' equity | 21.6 | — | — | 21.6 |
| Preferred stock | 1.3 | — | — | 1.3 |
| Shareholders' equity attributable to shareholders of Fairfax | 22.9 | — | — | 22.9 |
| Non-controlling interests | — | — | 4.8 | 4.8 |
| Total Equity | 22.9 | — | 4.8 | 27.7 |
| Total Liabilities and Total Equity | 30.4 | — | 61.6 | 92.0 |