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# FAIRFAX

FINANCIAL HOLDINGS LIMITED

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## **Annual Meeting**

**April 20, 2023**

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

# Forward-Looking Statements

Certain statements contained herein may constitute forward-looking information (within the meaning of Canadian securities legislation) and forward-looking statements (within the meaning of the United States Private Securities Litigation Reform Act of 1995). These statements can be identified by expressions of belief, expectation or intention, as well as those statements that are not historical fact. Forward-looking statements are based upon assumptions, estimates, opinions and analysis made by management in light of its experience, current conditions and its expectations of future developments that management believe to be reasonable and relevant, and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fairfax to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: a reduction in net earnings if our loss reserves are insufficient; underwriting losses on the risks we insure that are higher than expected; the occurrence of catastrophic events with a frequency or severity exceeding our estimates; changes in market variables, including unfavourable changes in interest rates, foreign exchange rates, equity prices and credit spreads, which could negatively affect our investment portfolio; the cycles of the insurance market and general economic conditions, which can substantially influence our and our competitors' premium rates and capacity to write new business; insufficient reserves for asbestos, environmental and other latent claims; exposure to credit risk in the event our reinsurers fail to make payments to us under our reinsurance arrangements; exposure to credit risk in the event our insureds, insurance producers or reinsurance intermediaries fail to remit premiums that are owed to us or failure by our insureds to reimburse us for deductibles that are paid by us on their behalf; our inability to maintain our long term debt ratings, the inability of our subsidiaries to maintain financial or claims paying ability ratings and the impact of a downgrade of such ratings on derivative transactions that we or our subsidiaries have entered into; risks associated with implementing our business strategies; the timing of claims payments being sooner or the receipt of reinsurance recoverables being later than anticipated by us; risks associated with any use we may make of derivative instruments; the failure of any hedging methods we may employ to achieve their desired risk management objective; a decrease in the level of demand for insurance or reinsurance products, or increased competition in the insurance industry; the impact of emerging claim and coverage issues or the failure of any of the loss limitation methods we employ; our inability to access cash of our subsidiaries; our inability to obtain required levels of capital on favourable terms, if at all; the loss of key employees; our inability to obtain reinsurance coverage in sufficient amounts, at reasonable prices or on terms that adequately protect us; the passage of legislation subjecting our businesses to additional adverse requirements, supervision or regulation, including additional tax regulation, in the United States, Canada or other jurisdictions in which we operate; risks associated with applicable laws and regulations relating to sanctions and corrupt practices in foreign jurisdictions in which we operate; risks associated with government investigations of, and litigation and negative publicity related to, insurance industry practice or any other conduct; risks associated with political and other developments in foreign jurisdictions in which we operate; risks associated with legal or regulatory proceedings or significant litigation; failures or security breaches of our computer and data processing systems; the influence exercisable by our significant shareholder; adverse fluctuations in foreign currency exchange rates; our dependence on independent brokers over whom we exercise little control; operational, financial reporting and other risks associated with IFRS 17; impairment of the carrying value of our goodwill, indefinite-lived intangible assets or investments in associates; our failure to realize deferred income tax assets; technological or other change which adversely impacts demand, or the premiums payable, for the insurance coverages we offer; disruptions of our information technology systems; assessments and shared market mechanisms which may adversely affect our insurance subsidiaries; risks associated with the global pandemic caused by COVID-19 and the conflict in Ukraine; and risks associated with recent events in the banking sector. Additional risks and uncertainties are described in our most recently issued Annual Report, which is available at [www.fairfax.ca](http://www.fairfax.ca), and in our Base Shelf Prospectus (under "Risk Factors") filed with the securities regulatory authorities in Canada, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Fairfax cautions readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

# Guiding Principles

## Objectives

- We expect to compound our mark-to-market book value per share over the long term by 15% annually by running Fairfax and its subsidiaries for the long term benefit of customers, employees, shareholders and the communities where we operate – at the expense of short term profits if necessary
- Our focus is long term growth in book value per share and not quarterly earnings. We plan to grow through internal means as well as through friendly acquisitions
- We always want to be soundly financed
- We provide complete disclosure annually to our shareholders

# Guiding Principles

## Structure

- Our companies are decentralized and run by the presidents except for performance evaluation, succession planning, acquisitions, financing and investments, which are done by or with Fairfax. Investing will always be conducted based on a long term value-oriented philosophy. Cooperation among companies is encouraged to the benefit of Fairfax in total
- Complete and open communication between Fairfax and its subsidiaries is an essential requirement at Fairfax
- Share ownership and large incentives are encouraged across the Group
- Fairfax will always be a very small holding company and not an operating company

# Guiding Principles

## Values

- Honesty and integrity are essential in all of our relationships and will never be compromised
- We are results oriented — not political
- We are team players — no "egos". A confrontational style is not appropriate. We value loyalty — to Fairfax and our colleagues
- We are hard working but not at the expense of our families
- We always look at opportunities but emphasize downside protection and look for ways to minimize loss of capital
- We are entrepreneurial. We encourage calculated risk taking. It is all right to fail but we should learn from our mistakes
- We will never bet the company on any project or acquisition
- We believe in having fun — at work!

# 2022 Results

- 16% growth in gross premiums to \$27.6 billion
- Record underwriting profit of \$1.1 billion
- Combined ratio of 94.7% despite significant catastrophe losses of \$1.3 billion
- Interest and dividend income of \$962 million – current run rate > \$1.5 billion
- Net income of \$1.15 billion impacted by:
  - Unrealized investment losses of \$1.7 billion – driven by bond losses
  - Gain of \$1.2 billion from the sale of our pet insurance operations to JAB

# Last 5 Years – Fairfax has been Transformed

	<u>2017</u>	<u>2022</u>	<u>% Change</u>
<b>Shares outstanding</b>	<b>27.8</b>	<b>23.3</b>	<b>-16%</b>
<i>(in millions)</i>			
	<u>(\$ billions)</u>		
Gross premiums	13.8	27.6	99%
Float	22.9	31.2	36%
Investment portfolio	39.3	55.5	41%
Shareholders' equity	12.5	15.3	23%
<b>Per share</b>	<u>(\$)</u>		
Gross premiums	499	1,182	137%
Float	826	1,339	62%
Investment portfolio	1,415	2,378	68%
Shareholders' equity	450	658	46%

# Operating Income Outlook Improved Significantly

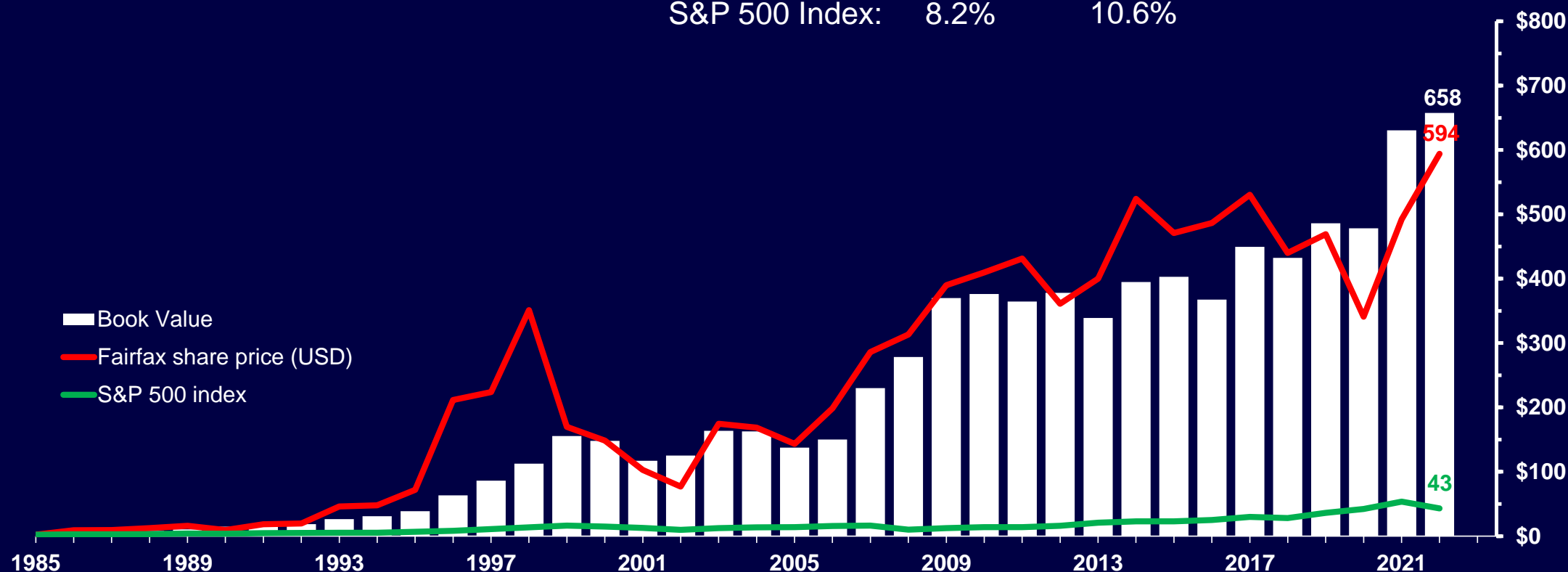
	(\$ billions)
Interest and dividend income	1.5+
Underwriting profit	1.0+
Non-insurance profit (associates and consolidated investments)	0.5+
<b>Operating income</b>	<b>3.0+</b>

➤ *Potential earnings of ~\$100 per share, before any investment gains*



# Track Record

<u>37 Year Compound Annual Growth Rate</u>	<u>With Dividends</u>
Fairfax book value per share: 17.8%	18.5%
Fairfax share price (USD): 16.1%	17.4%
S&P 500 Index: 8.2%	10.6%



# Success of Our Formula

- Our combination of disciplined underwriting and total-return value investing has produced superior returns over a long period.



15% long-term book value  
per share CAGR target  
(achieved 18.5% since  
inception)

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# Income Statement

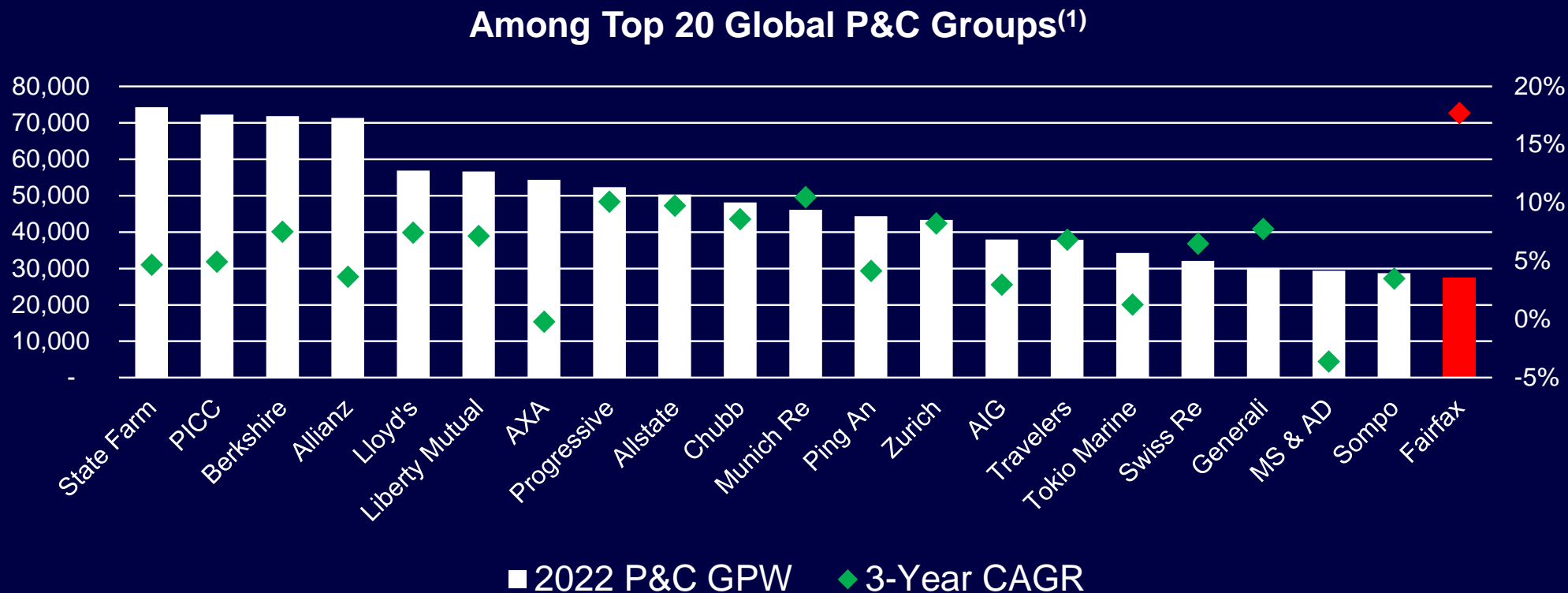
	(\$ billions)	
Gross premiums written	\$27.6	<u>Global diversified premium mix</u>
Underwriting profit	1.1	<u>94.7% combined ratio</u>
Investment return	0.2	Interest and dividends \$1.0 bn
		Share of profit of associates 1.0
		Losses on bonds (1.1)
		Losses on equities (0.2)
Net earnings	1.1	FX and other <u>(0.4)</u>
		<u>\$0.2</u>
Growth in book value	6%	<u>Most peers had a 10-30% decrease due to impact of rising interest rates</u>

# Strong Underwriting Results and Growth

	Combined Ratio	Change in Gross Premiums 2022 vs. 2021
Northbridge	89%	8%
Odyssey Group	96%	18%
Crum & Forster	95%	23%
Zenith	95%	1%
Brit	98%	22%
Allied World	91%	12%
International	<u>99%</u>	<u>10%</u>
<b>Consolidated</b>	<b><u>95%</u></b>	<b><u>16%</u></b>

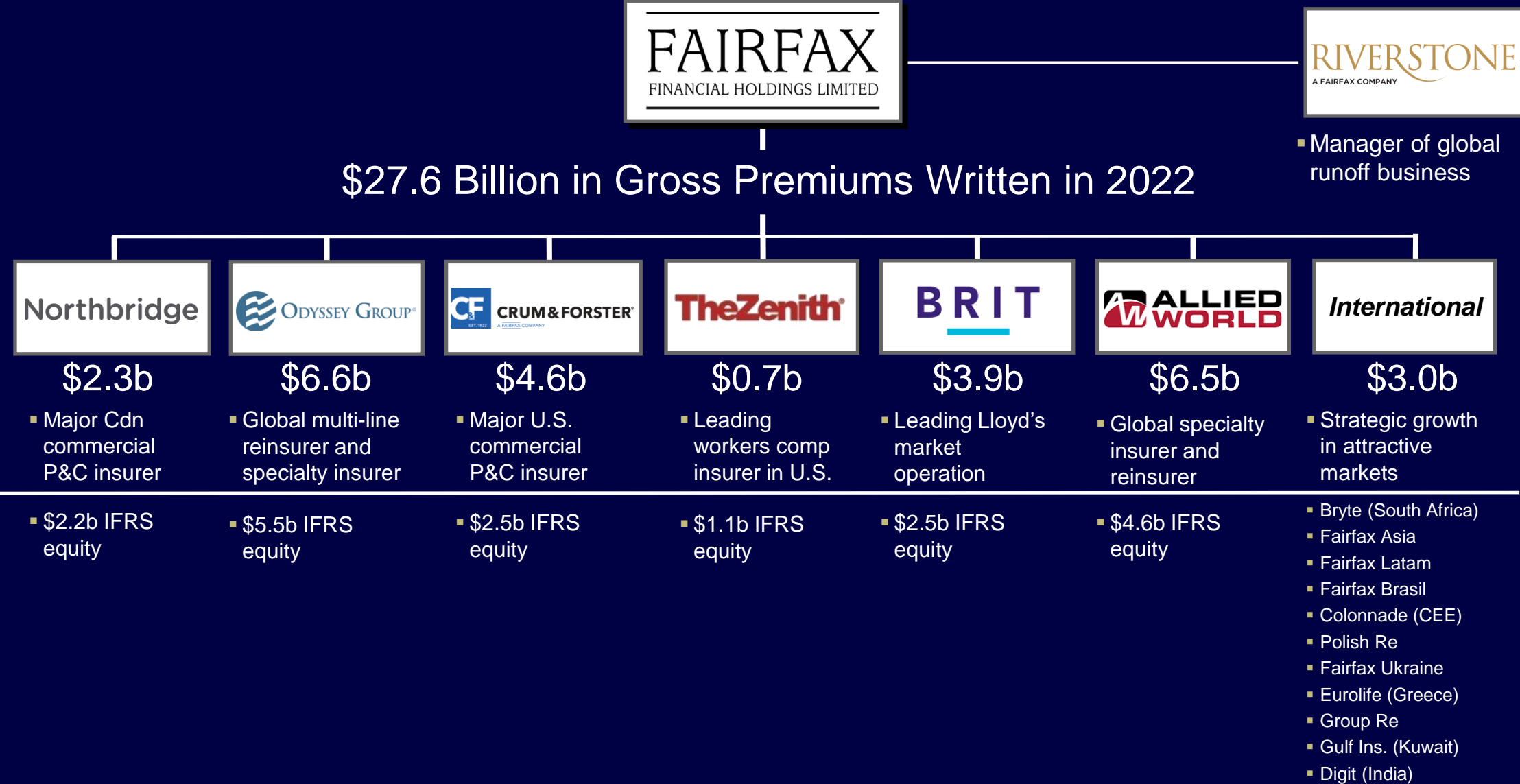
- Combined ratio of 95% with continued strong reserving

# Well Positioned at the Right Time for Growth



(1) Excluding Lloyd's  
Source: S&P Global Market Intelligence, company filings

# Decentralized Operations



# Global Diversified Operations

	<b>GPW</b> (\$m)	<b>Investment Portfolio</b> (\$m)
<b>North American Insurers</b>	<b>7,601</b>	<b>12,715</b>
<b>Global Insurers and Reinsurers</b>	<b>16,996</b>	<b>30,808</b>
Asian Insurers and Reinsurers	744	939
South American Insurers	1,105	526
Other International Insurers and Reinsurers	1,117	2,023
<b>International Insurers and Reinsurers</b>	<b>2,965</b>	<b>3,488</b>
Other <sup>(1)</sup>		8,658
<b>Consolidated Insurers and Reinsurers</b>	<b>27,562</b>	<b>55,668</b>
<b>Non-consolidated Insurers and Reinsurers<sup>(2)</sup></b>	<b>3,865</b>	<b>4,112</b>
<b>Total</b>	<b>31,427</b>	<b>59,780</b>

(1) Includes Eurolife's life insurance operations, Run-off and other investments in associates; (2) At 100% level

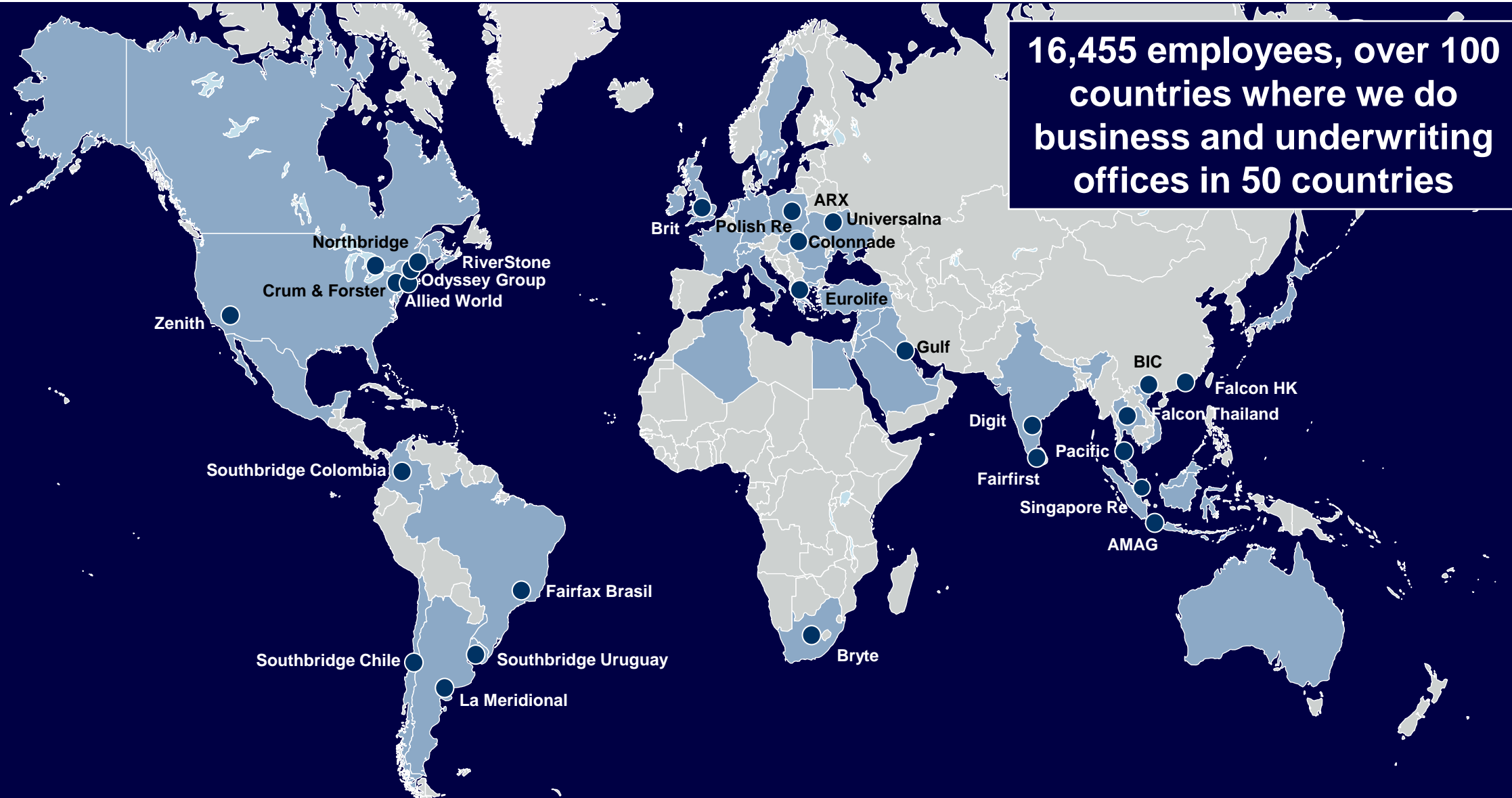


# Importance of Float

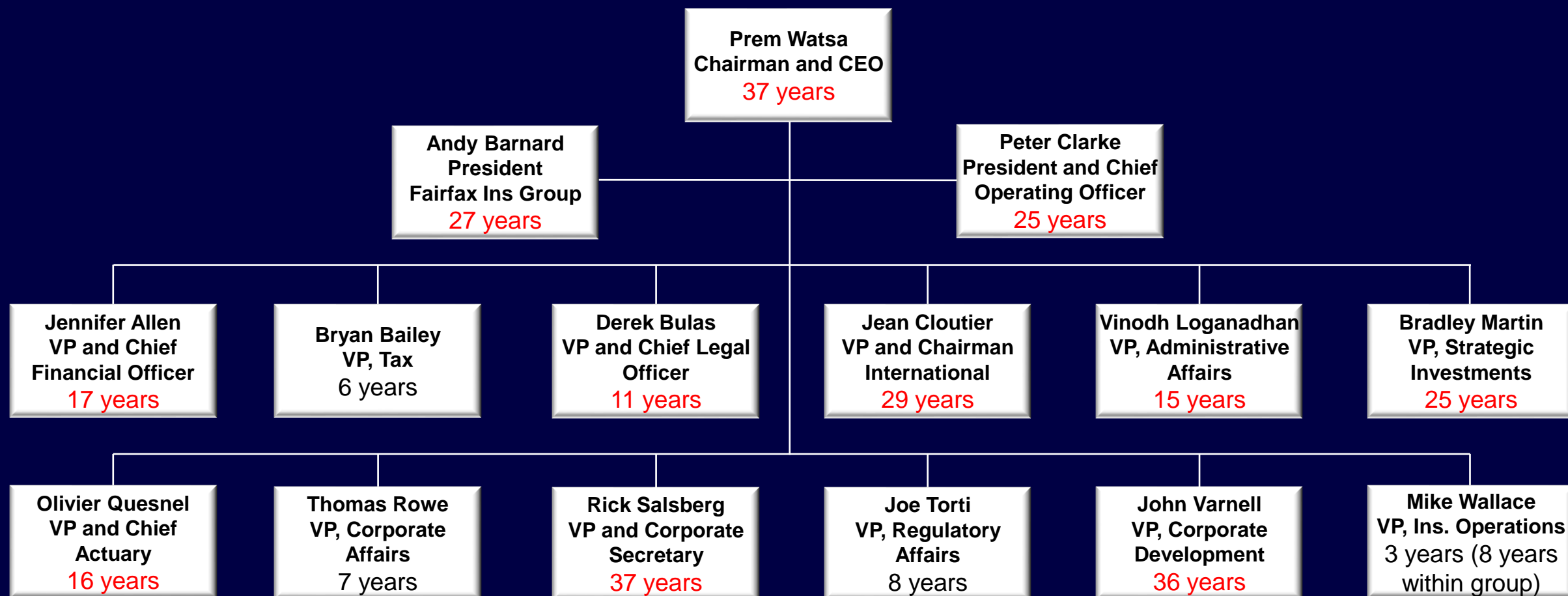
	Total Float (\$ billions)	Float per Share
1985	0.01	\$2 ½
1995	0.7	74
2005	8.8	492
2015	17.2	775
2022	31.2	1,339
CAGR		19%
	<u>Benefit of float</u>	<u>Cumulative</u> <u>underwriting profit</u>
Last 5 years	2.6%	\$2.9 billion
Last 10 years	2.5%	\$4.6 billion

# Global Diversified Operations

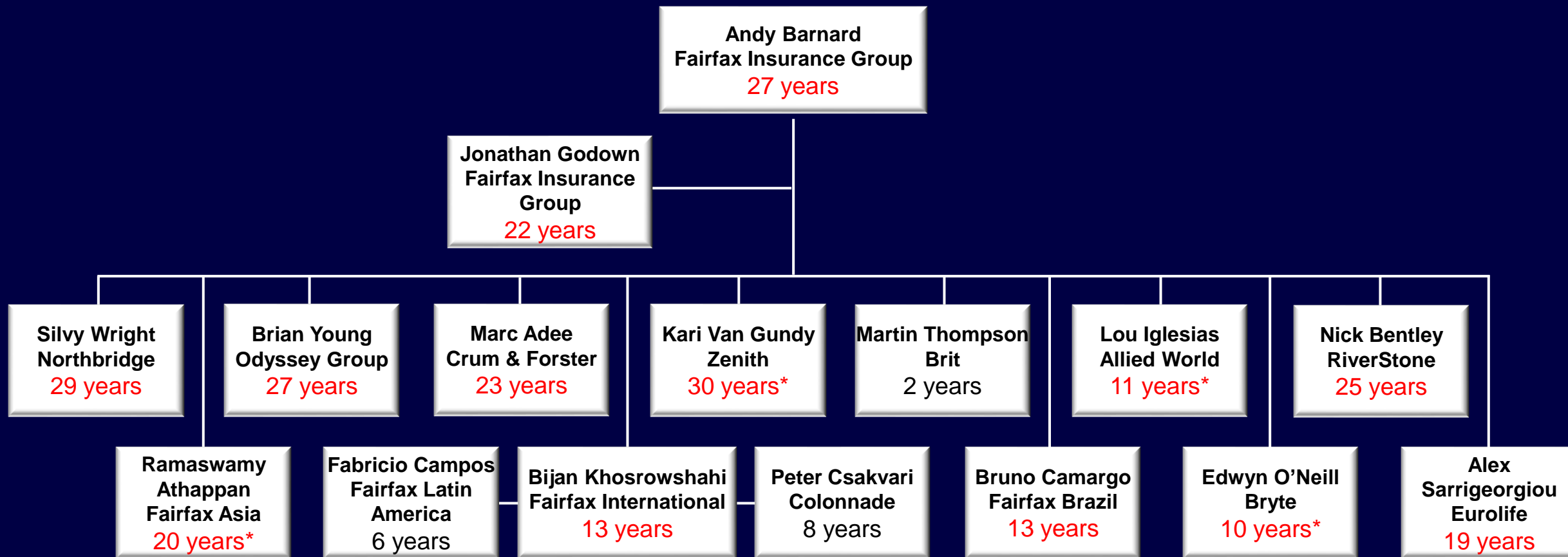
**16,455 employees, over 100 countries where we do business and underwriting offices in 50 countries**



# Fairfax Executives – Holding Company



# Outstanding Operating Management Team



\* Represents years with their company; otherwise represents years with Fairfax

# Outstanding Investment Team

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



# U.S. Treasury Rates



# Tech Stocks, Cryptocurrency and Other Speculations

	<b>% Change From 2021 High</b>
	<small>(At March 31, 2023)</small>
<b>Alphabet</b>	<b>-31%</b>
<b>Amazon</b>	<b>-45%</b>
<b>Apple</b>	<b>-10%</b>
<b>Meta</b>	<b>-45%</b>
<b>Netflix</b>	<b>-51%</b>
<b>Microsoft</b>	<b>-18%</b>
<b>Zoom</b>	<b>-84%</b>
<b>Shopify</b>	<b>-73%</b>
<b>Pinterest</b>	<b>-70%</b>
<b>Tesla</b>	<b>-50%</b>
<b>Ark Innovation</b>	<b>-75%</b>
<b>Lemonade</b>	<b>-92%</b>
<b>Palantir</b>	<b>-81%</b>
<b>Bitcoin</b>	<b>-59%</b>

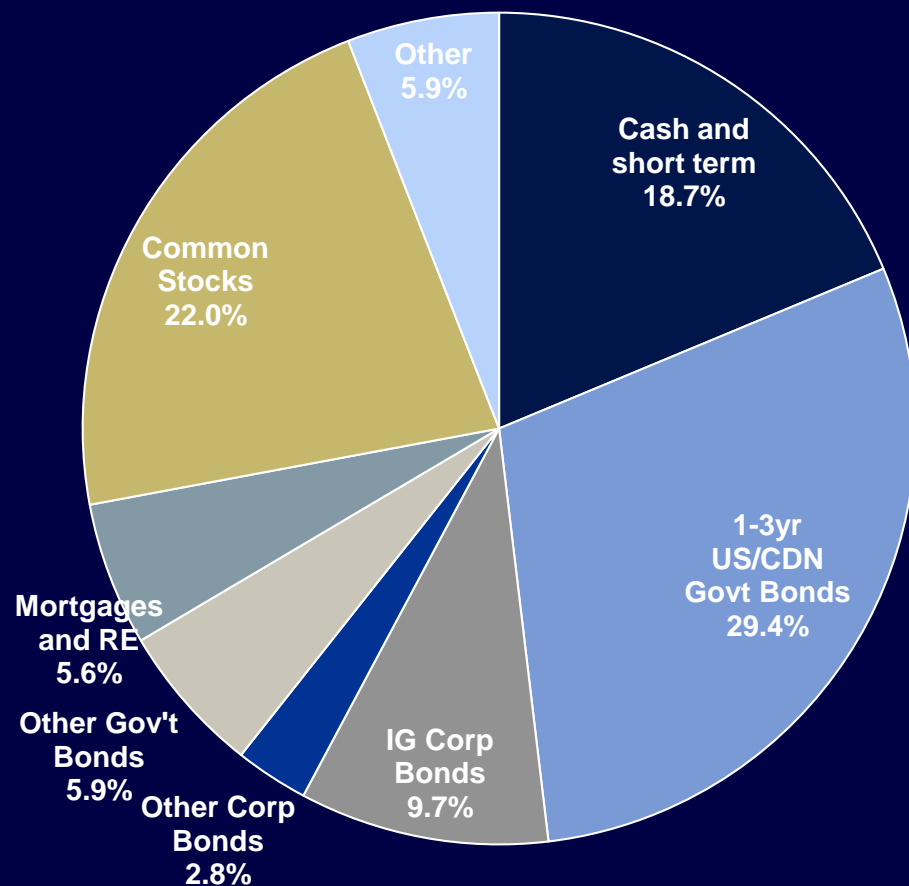
# Dot-Com Experience

	<u>% Change from YE 1999 – YE 2002</u>
S&P 500	-40%
NASDAQ	-67%
S&P/TSX	-21%
FTSE (London)	-43%
CAC (France)	-49%
DAX (Germany)	-58%
Fairfax's equities	+100%



# Well Positioned Investment Portfolio

\$55.4 billion at December 31, 2022



- Not focused on short term results
- Capital preservation a priority
- Reinvested cash into 1-3yr U.S. Treasuries
  - Low duration of 1.6 yrs. with limited credit risk
  - Extending duration in 2023 with U.S. Treasuries

# Investments in India

	Date of Investment	Ownership	Cost (\$m)	Fair Value at Dec 31, 2022 (\$m)	Compound Annualized Return
Thomas Cook India	Aug 2012	73%	315	293	10.7% <sup>(1)</sup>
Fairfax India	Jan 2015	42%	534	703	4.3%
Digit	Feb 2017	49%	154	2,278	79.5%
Quess	Dec 2019	30%	335 <sup>(2)</sup>	222	-7.1%
Other			365	308	
			<u>1,703</u>	<u>3,804</u>	

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

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

# Digit Insurance

- Another outstanding year for Digit
  - Gross premium up 50% to over \$900 million
  - 2022 was again profitable
- Entered Fortune India magazine's ranking of 500 largest companies by revenue
- Filed documents for IPO
- Huge opportunity for Digit

Gross premiums written: FY 22/23

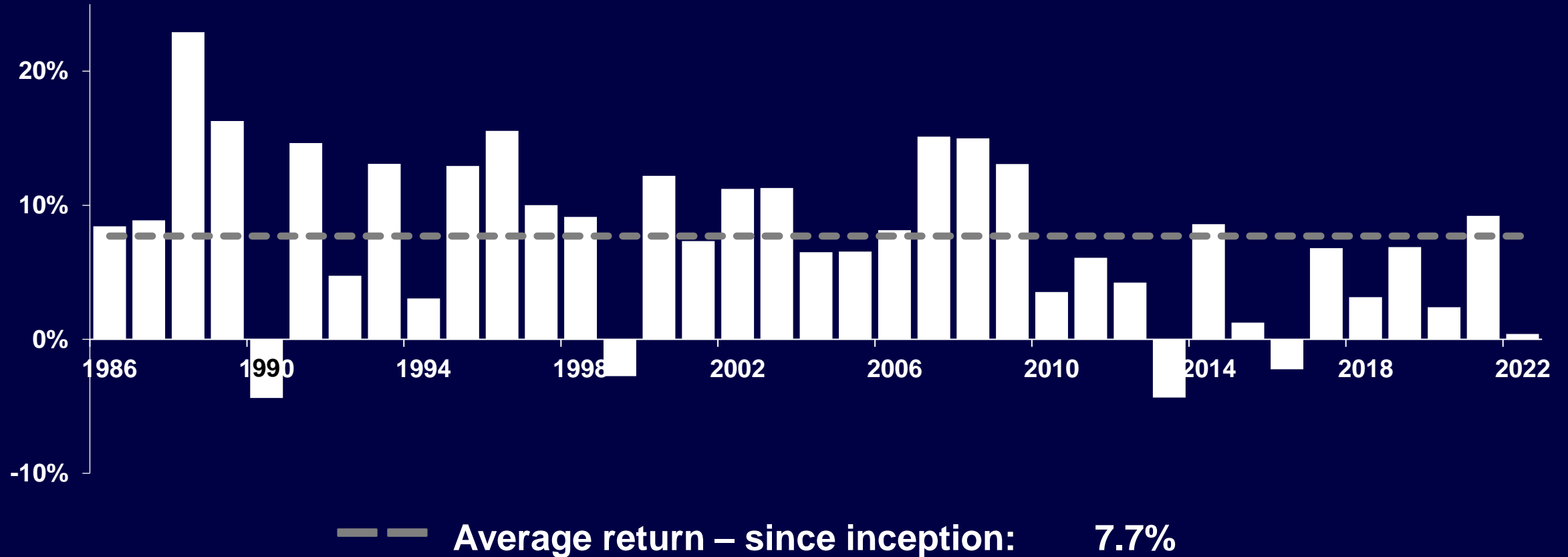
- Industry \$32 billion
- Digit \$0.9 billion
- Share 2.8%



Gross premiums written: FY 32/33

- Industry \$130 billion
- Digit \$6.5 billion
- Share 5.0%

# Total Return on Investment Portfolio



# Return to Value



# Strong Financial Position

(\$ millions)

	2022	2021
Holding company cash and investments	<u>1,326</u>	<u>1,446</u>
Borrowings - holding company	5,888	5,339
Borrowings - insurance and reinsurance companies	<u>733</u>	<u>791</u>
<b>Total debt</b>	<b>6,621</b>	<b>6,129</b>
Common shareholders' equity	15,341	15,050
Preferred stock	1,336	1,336
Non-controlling interests	<u>1,969</u>	<u>2,931</u>
<b>Total capital</b>	<b>25,266</b>	<b>25,446</b>
<b>Total debt/total capital</b>	<b>26.2%</b>	<b>24.1%</b>
<b>Net debt/net total capital</b>	<b>22.1%</b>	<b>19.5%</b>

- Fairfax was required to adopt the new IFRS 17 accounting standard
  - The impact will be presented in Fairfax's 2023 first quarter results
- Estimate an increase of ~\$2.2 billion in common shareholders' equity at year end
  - An increase of approximately ~\$94 per share
  - Driven by the discounting of net claims reserves (\$4.7 billion) less a risk margin (\$1.7 billion) and taxes and other (\$0.8 billion)
- We will measure and report our usual metrics on an undiscounted basis

# Gulf Insurance Group

- Fairfax owns 43.7% of Gulf Insurance Group (GIG) – purchased in 2010
  - GIG wrote \$2.7 billion of gross premium with 90.4% combined ratio in 2022
  - Outstanding track record with average 15% ROE and combined ratio of 94%
- Opportunity to buy our partner Kipco's 46.3% ownership in GIG
- Purchase price is \$860 million for Kipco's share
  - \$200 million payment on close and four annual payments of \$165 million
  - Similar offer must be made to 10% public shareholders



# Business Can be a Force for Good

- Over 37 years we wrote cumulative premiums of \$229 billion
- Pay annual salaries and benefits of \$2 billion to our employees all over the world
- Made cumulative donations of \$288 million since we began our donation program in 1991
- Paid taxes of \$4.3 billion since inception to countries where we do business
- Grew book value per share at 18.5% since inception for our shareholders
- Developed a strong fair and friendly culture

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