To our Shareholders:

We had the best year in our history in 2021 as the world began to return to normalcy. We earned a record $3.4 billion* and our book value per share increased by 34.2% (adjusted for the $10 per share dividend) to $631 per share. At $23.8 billion, our gross premiums grew by 25.4% or $4.8 billion – essentially all organic and the most in any one year in our history. It took us 18 years from our inception to write $4.8 billion in annual gross premiums, while in 2021 our premiums increased by that in one year! The 25% growth is perhaps the highest among the top 25 P&C companies in the world and we rank in that august group.

The S&P 500 came roaring back in 2021 with a 29% return and the rotation to value continued. As Ben Graham said a long time ago, the "renaissance of value" has begun – but only just begun. Our investment net gains were a record $3.4 billion: as I have said many times – we like lumpy!

Since we began in 1985, 36 years ago, our book value per share has compounded by 18.9% (including dividends) annually while our common stock price has compounded by 16.9% (including dividends) annually.

Here's how our insurance companies performed in 2021:

	Underwriting Profit	Combined Ratio	Catastrophe Losses	Combined Ratio Excluding Catastrophe Losses	Increase in Gross Premiums 2021 vs 2020
Northbridge	$202	89%	2%	87%	23%
Odyssey Group	92	98%	10%	88%	29%
Crum & Forster	102	96%	4%	92%	20%
Zenith	83	88%	0%	88%	9%
Brit(1)	56	97%	17%	80%	34%
Allied World	226	93%	9%	84%	25%
Fairfax Asia	20	92%	2%	90%	27%
Other insurance and reinsurance	20	99%	1%	98%	24%
Consolidated	$801	95%	7%	88%	25%

(1) Excluding Ki, Brit's increase in gross premiums was 17%.

All of our major insurance and reinsurance companies had a combined ratio below 100% for a consolidated combined ratio of 95% despite significant catastrophe losses of $1.1 billion or 7.2 combined ratio points. Because of diversification and the size of our company, we were able to absorb catastrophe losses in excess of $1 billion and still have a combined ratio below 100%. And with very strong reserving! As you can see, all of our major insurance/reinsurance companies (except Zenith) had exceptional growth, mainly because of significant rate increases. Year over year premium growth accelerated as the year went on, as shown below, principally as a result of rate increases:

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
17%	27%	25%	32%

In 2021, Zenith and Northbridge won the combined ratio sweepstakes with a combined ratio of 88% and 89% respectively. And Northbridge grew 23%!

Odyssey had the most growth at 29% and had a combined ratio of 98% in spite of Hurricane Ida, European floods and U.S. winter storms.

At $226 million, Allied World had the most underwriting profit and grew 25% in 2021. We purchased Allied World in 2017 when it had a gross written premium base of $3 billion; in 2021, Allied World wrote $5.8 billion, virtually double the premiums when we bought it. It is now our largest company (nip and tuck with Odyssey).

* *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. Certain of the performance measures and ratios in this letter do not have a prescribed meaning under IFRS 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.*

In spite of major catastrophe losses in 2021, Brit had a combined ratio of 97% (excluding Ki, its innovative follow only syndicate which began business in 2021, its combined ratio was 95%). Matthew Wilson, the President of Brit, took ill late last year. He is undergoing treatment and we expect him to be back in 2022. Please keep him in your thoughts and prayers. We were fortunate that Martin Thompson, the former President and CEO of RSA Canada, had joined us and we named him the interim CEO of Brit while Mark Allan, who is doing an outstanding job, is building Ki – more on Ki later.

Crum & Forster had an outstanding year also with a combined ratio of 96% and growth of 20% to $3.7 billion in gross premiums, a far cry from the $750 million when we purchased it in 1998.

Fairfax Asia, with a helping hand from the acquisition of Singapore Re, grew 27% and had a combined ratio of 92%.

These results were due to the outstanding Presidents and management teams we have at each of our decentralized companies (23 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	28	28
Odyssey Group	Brian Young	26	26
Crum & Forster	Marc Adee	22	22
Zenith	Kari Van Gundy	12	26
Brit	Matthew Wilson	7	22
Allied World	Lou Iglesias	5	10
Falcon (Hong Kong)	Chiu Furmen	1	1
Pacific (Malaysia)	Gobi Athappan	21	7
AMAG (Indonesia)	Pakaj Oberoi	5	5
Fairfirst (Sri Lanka)	Sandeep Gopal	2	2
Singapore Re	Phillippe Mallier	25	1
Bryte (South Africa)	Edwyn O’Neill	5	9
Colonnade (CEE)	Peter Csakvari	7	7
Polish Re	Jacek Kugacz	13	26
ARX Insurance (Ukraine)	Andrey Peretyazhko	2	16
Universalna (Ukraine)	Oleksiy Muzychko	2	13
Fairfax Brasil	Bruno Camargo	12	12
Southbridge Colombia	Marta Lucia Pava	5	15
Southbridge Chile	Fabiana de Nicolo	5	7
Southbridge Uruguay	Marcelo Lena	5	22
La Meridional (Argentina)	Juan Luis Campos	5	7
Eurolife (Greece)	Alex Sarrigeorgiou	5	18
RiverStone	Nick Bentley	24	24
Fairfax Insurance Group	Andy Barnard	26	
Fairfax Asia	Ramaswamy Athappan	19	
Fairfax Latam	Fabricio Campos	5	
Fairfax International	Bijan Khosrowshahi	12	

We owe our Presidents and management teams a huge debt of gratitude for their results and also for maintaining our fair and friendly Fairfax culture in all our companies. I want to particularly thank Andy Barnard who has been instrumental in building our global insurance business over the past 12 years.

As I mentioned to you last year, Odyssey Group completed 25 years with Fairfax in May 2021. Brian Young commissioned a book entitled “Enduring Momentum – The First 25 Years as a Fairfax Company”. It is a wonderful read and all attending in person at our AGM this year will be given a copy.

Throughout 2020 and 2021, I stated publicly that the market price of Fairfax shares was ridiculously cheap. We were able to take advantage of this opportunity and on December 29, 2021, we successfully completed a substantial issuer bid, purchasing and cancelling 2 million shares at a price of $500 per share.

To fund this purchase, while maintaining a rock solid financial position, we sold 10% of Odyssey Group to OMERS and CPPIB for $900 million. OMERS has been a great partner of ours and we consider CPPIB as another great long term partner.

Through the above-mentioned substantial issuer bid and other share buybacks, we have reduced our shares outstanding by 11% over the last two years, from 26.8 million at the end of 2019 to 23.9 million at the end of 2021. The table below shows you how our significant increases in gross premiums written, float, investment portfolio and shareholders' equity are magnified on a per share basis as a result of this reduction in outstanding shares:

	2019	**2021**	**% Change**
Shares outstanding	26.8	23.9	-11%
	($ billions)		
Gross premiums	16.9	23.8	41%
Float	22.4	27.8	24%
Investment portfolio	39.0	53.0	36%
Shareholders' equity	13.0	15.1	15%
Per Share	**($)**		
Gross premiums	630	997	58%
Float	834	1,166	40%
Investment portfolio	1,454	2,222	53%
Shareholders' equity	486	631	30%

I mentioned this to you in last year's annual report but it bears repeating. We have had a wonderful partnership with Kipco in the ownership of Gulf Insurance Group (GIG) in Kuwait. GIG is run by Khaled Saoud Al- Hasan, until just recently under the chairmanship of Faisal Al-Ayyar, the CEO of Kipco. GIG had $1.8 billion (including four months of AXA Gulf) in premiums in 2021, more than 3 times the premiums in 2010 when we became a partner (our interest is 44%). Khaled has an outstanding track record with an average combined ratio of 95%, with excellent reserving. As mentioned last year, GIG acquired AXA Gulf (now GIG Gulf) on September 7, 2021, which had $1 billion in premiums in 2021 and a combined ratio of 93%. The new GIG, operating in 13 countries with $2.6 billion in gross premiums, will be a force to be reckoned with. Paul Adamson and his team have done an outstanding job at AXA Gulf. From Fairfax, Bijan Khosrowshahi, Jean Cloutier and Quinn McLean have been very involved in the success of our partnership with GIG. It is with great regret that I have to announce that our partner, Faisal Al-Ayyar, has recently retired after a stellar 30+ year career with Kipco. He has been a wonderful friend and partner to Fairfax and myself and we will miss him greatly. We wish Faisal and his family much happiness and good health in his retirement. Sheikha Dana is the new CEO of Kipco and our partner at GIG. We look forward to working with her in the years to come.

Digit, under Kamesh Goyal, continued its exceptional performance in 2021 as a start-up (five years ago), with gross premiums expected to be up 50% to $700 million for the year ending March 2022. Recently, Kamesh raised $200 million, valuing Digit at $3.5 billion – the first unicorn in India in 2021. Unlike many unicorns, Digit is already profitable. As you will see later, this capital raise, including Sequoia (awaiting regulatory approval) and Wellington among its investors, contributed $1.5 billion to our net gains in 2021. More to come we think!

Ki, Brit's partnership with Blackstone, had a fantastic year in 2021 under Mark Allan's leadership, writing nearly $400 million in gross premiums in its very first year. There is no question that Ki's digital platform works and it expects to write $800 million in 2022 with a combined ratio below 100%. Ki had the fastest start-up in Lloyd's history.

We were very pleased to purchase the remaining 72% of Singapore Re. Brought to us by Mr. Athappan, who is the Chairman, we first invested in Singapore Re in 2009, so we knew the company very well. It is with deep sadness that we announce that Theresa Wee, the CEO of Singapore Re, lost her health battle late in the year. Theresa had been with Singapore Re for more than three decades and her loyalty, hard work and leadership built Singapore Re into the company it is today. Philippe Mallier is taking over as President and CEO – Philippe has been with Odyssey Group for 25 years and will remain CEO of its Latin America division. He will work closely with Mr. Athappan. We are very excited about this move as it will help link our North American operations with our Asian operations. Mr. Athappan, Brian Young and Andy Barnard have made this happen.

After 36 years, here's what our insurance business looks like worldwide:

Fairfax Worldwide Insurance Operations as at December 31, 2021

	Ownership	Country	Gross Premiums Written	% of Total	Combined Ratio	Investment Portfolio
Northbridge	100%	Canada	$ 2,122	9%	89%	$ 4,187
Odyssey Group	90%	United States	5,551	23%	98%	11,669
Crum & Forster	100%	United States	3,705	16%	96%	5,774
Zenith	100%	United States	718	3%	88%	1,728
Allied World	71%	Bermuda	5,794	24%	93%	10,739
North America			17,890	75%	94%	34,097
Brit	86%	United Kingdom	3,222	14%	97%	5,514
Falcon	100%	Hong Kong	90	0%	99%	192
Pacific	85%	Malaysia	137	1%	92%	177
AMAG	80%	Indonesia	144	1%	93%	179
Fairfirst	78%	Sri Lanka	64	0%	97%	52
Singapore Re[1]	100%	Singapore	100	0%	62%	317
Asia			534	2%	92%	916
Fairfax Brasil	100%	Brazil	322	1%	95%	175
SouthBridge Colombia	100%	Colombia	175	1%	99%	131
SouthBridge Chile	100%	Chile	337	1%	93%	91
SouthBridge Uruguay	100%	Uruguay	15	0%	98%	13
La Meridional	100%	Argentina	199	1%	100%	72
South America			1,047	4%	96%	483
Bryte	100%	South Africa	388	2%	105%	284
Colonnade (CEE)	100%	Luxembourg	214	1%	94%	280
Polish Re	100%	Poland	146	1%	99%	215
Fairfax Ukraine	70%	Ukraine	181	1%	97%	109
Eurolife General[1]	80%	Greece	36	0%	99%	159
Group Re	100%	Barbados	138	1%	98%	833
Other International			1,102	5%	99%	1,879
Other[2]						10,286
Consolidated Insurance Companies			**23,796**	**100%**	**95%**	53,176
Gulf Insurance (MENA)[3]	44%	Kuwait	1,818		94%	2,422
BIC	35%	Vietnam	127		95%	208
Digit	49%[6]	India	659		115%	1,075
Falcon	41%	Thailand	92		98%	48
Non-consolidated Insurance Companies[4]			**2,696**		**100%**	3,754
Total[5]			**$26,493**		**95%**	$56,930

(1) From date of consolidation

(2) Includes Eurolife's life insurance, Run-off and other investments in associates

(3) $2.6 billion gross premiums including full year of GIG Gulf

(4) Based on 100% level

(5) Numbers may not add due to rounding

(6) 74% upon conversion of securities, once regulatory approval is received

As the table shows, everything included, we have $26.5 billion in gross premiums with an investment portfolio of $56.9 billion. Our size now ranks us in the top 25 property and casualty companies in the world. While we have never been focused on size, compounding and time (36 years) have resulted in our having built one of the premier insurance businesses in the world – but fully decentralized and run by our Presidents! Our decentralized approach is a unique advantage we have and one that will further bear fruit as we encourage cooperation among our companies. We have forgone cost synergies for having highly empowered entrepreneurial insurance companies – nimble, team-oriented and responding quickly to their respective customers. This is why we had 25% growth in gross premiums in 2021. We are excited about our future prospects!

The $24 billion gross premiums of our consolidated insurance companies is generated through over 200 profit centres across the group. Each profit centre is focused on a unique set of customers, geographies or products that benefit through market leadership, product knowledge and the ability to provide excellent customer service. These profit centres also facilitate transparency when Andy Barnard and Peter Clarke monitor the insurance operations. Empowerment thrives at Fairfax.

North America now accounts for 75% of the $23.8 billion business of our consolidated insurance companies; Brit (Lloyd's market), 14%; Asia, 2%; and Latin America, 4%. Outside North America and Europe, the insurance markets are very underpenetrated and in the future we expect significant growth from our companies there.

As this letter goes to print, we would be remiss if we did not mention the brutal invasion of Ukraine by Russia. We have $181 million or 1% of our consolidated premiums in Ukraine. While it is small, we are very concerned about our more than 1,000 employees in that country. Rest assured we will do everything we can to ensure their safety. Our thoughts and prayers are with our employees, their families and the people of Ukraine.

In 2021, all our consolidated worldwide insurance companies had a combined ratio less than 100% except for Bryte in South Africa; excluding some remaining COVID-19 losses, it had a combined ratio of 98%.

Here's how our gross premiums (on a consolidated basis) per share have compounded since we began in 1985:

	Gross Premiums Written	
	$ millions	**$ per share**
1985	17	3
1990	81	15
1995	920	104
2000	3,722	284
2005	5,516	310
2010	5,361	263
2015	8,331	375
2020	18,979	725
2021	23,796	997

Our gross premiums per share increased by 38% in 2021, reflecting our 2 million share buyback. This is not exactly right because we did sell 10% of Odyssey Group and have other minority interests – but we have the right to buy each of these back over time!

This is perhaps a good time to mention that, during 2010 – 2016 (seven lean years!) because of hedging losses, our book value per share was essentially flat after paying a $10 per share dividend annually. However, during that period our gross premiums per share increased from $255 to $405 (or by 59%) – only one of the reasons why we think our intrinsic value increased significantly during that period.

As we mentioned last year, over the years we have made common stock investments pursuant to which we have significant ownership positions in a number of individual names. Although the returns can be lumpy, these holdings have served us well over the years – especially on sale. The downside of larger ownership positions is that the accounting rules for these holdings are somewhat confusing! As we did last year, we find it useful to separate these common stock holdings into three buckets. Generally, for positions where we hold less than a 20% economic interest and no control, we mark to market; where we have an economic interest of 20% or more but no control (these holdings are called associates), we equity account; and where we have control or an economic interest above 50%, we consolidate. I hope that the following table and commentary will help to break through the difficulties of understanding the value of our investments resulting from the accounting rules and to provide a better understanding of the value of our investments.

Below is a table of our largest holdings in each of the above buckets. The table shows you for each bucket, as at December 31, 2021, the shares we own and the per share and total 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 $346 million.

Common Stock Holdings as at December 31, 2021

	Shares *(millions)*	Ownership	Carrying Value per Share ($)	Share Price ($)	Carrying Value	Market Value
Common Stocks – Mark to Market						
Stelco	13.0	17%	32.47	32.47	$ 422	$ 422
BlackBerry(1)(3)	44.9	8%	9.35	9.35	420	420
Commercial International Bank(3)	103.4	5%	3.32	3.32	343	343
Kennedy Wilson(3)	12.9	9%	23.88	23.88	307	307
Foran Mining(2)	55.6	23%	1.98	1.98	110	110
Mytilineos	3.7	3%	17.17	17.17	64	64
Micron Technology	0.7	0%	93.12	93.12	64	64
Alphabet	0.0	0%	2,897.00	2,897.00	40	40
Franklin Resources	1.0	0%	33.47	33.47	33	33
Other					1,826	1,826
Common stocks					3,630	3,630
Limited partnerships					1,864	1,864
Total Mark to Market					5,494	5,494
Common Stocks – Equity Accounted (Associates)						
Eurobank Ergasias(3)	1,194.1	32%	1.09	1.01	1,298	1,210
Atlas(2)(3)	90.7	37%	10.16	14.17	922	1,286
Quess	44.6	30%	11.03	11.52	492	514
Resolute Forest Products(3)	24.8	32%	11.14	15.23	276	377
Helios Fairfax Partners(3)	35.3	34%	5.84	3.20	206	116
Exco Resources(3)	—	43%	—	—	195	267
Peak Achievement	—	43%	—	—	141	181
Kennedy Wilson partnerships	—	—	—	—	125	125
Astarta(3)	7.1	28%	14.66	10.33	104	73
Other					357	391
Total Associates					4,117	4,542
Common Stocks – Consolidated						
Recipe(3)	22.6	38%	21.60	14.01	489	317
Fairfax India(3)	42.5	30%	10.46	12.60	444	535
Thomas Cook India	248.2	67%	1.02	0.80	254	259
Farmers Edge	25.7	61%	7.39	2.50	190	64
Dexterra Group	31.8	49%	3.69	6.76	117	215
Boat Rocker Media	25.3	45%	4.35	5.36	110	136
Other					178	178
Total Consolidated					1,783	1,704
Total Common Stock Holdings					$11,394	$11,740

(1) Excludes 48 million shares from convertible bonds

(2) Excludes 16 million and 31 million warrants of Foran Mining and Atlas, respectively

(3) Excludes shares controlled and directed through our asset value note from the sale of RiverStone Barbados

It is important to recognize that, because our common stock investments are shown on our balance sheet at their carrying values, for publicly traded common stocks in both the second and third buckets it is only on sale that their market values will be reflected on our balance sheet. By showing the above tables to you on a regular basis, you can mark to market the great majority of our common stock positions – up and down! Additionally, remember, it is only in the long term that stock prices reflect underlying intrinsic values.

When you compare carrying values to market values at the end of 2021, market values exceed carrying values by $346 million: a $425 million excess for equity accounted associates and a $79 million deficit for consolidated investments, which may be temporary since it reflects the impact of the pandemic on tourism (Thomas Cook India) and restaurants (Recipe). More on Farmers Edge in the section on Investments.

We discuss our investments in more detail in the section on Investments. We see huge potential from our common stock investments over time.

The table below shows the dollar and percentage contribution (the percentage is of our approximately $48 billion in average total investment portfolio) of the various components to our investment return in 2021:

Interest and dividends	$ 641	1.3%
Share of profit of associates	402	0.8%
Net gains on common stocks	2,312	4.8%
Net losses on bonds	(261)	(0.5)%
Other net gains	1,352	2.8%
	4,446	9.2%
Excluding Digit	$2,956	6.1%

Our interest and dividend income continued to drop from $880 million in 2019 to $769 million in 2020 to $641 million in 2021, reflecting declining interest rates and the fact that we have 50% of our investment portfolio in cash and short term investments. During 2021, we sold $5.2 billion in corporate bonds, mainly acquired in March/April of 2020, at a yield of approximately 1%, for a gain of $253 million. At the end of 2021, our fixed income portfolio, inclusive of cash and short term treasuries, which effectively comprised 72% of our investment portfolio, had a very short duration of approximately 1.2 years and an average rating of AA-. Rising rates in 2021 resulted in a small unrealized bond loss of $261 million. During the last two years, we were able to invest $1.6 billion in first mortgages with Kennedy Wilson at an average rate of 4.5%, with an average term of three years.

After the stock market crash in March/April 2020, we added approximately $1.1 billion in common stocks. We have sold these positions for a gain of $620 million or 56%.

Share of profit of associates of $402 million includes our share of profits of Eurobank ($162 million), Resolute Forest Products ($76 million), Atlas ($70 million) and Gulf Insurance ($56 million), partially offset by our share of losses of Atlas Mara ($57 million) and Exco Resources ($41 million).

Net gains on common stocks of $2.3 billion in 2021 consisted of gains on Stelco, BlackBerry and BDT. Net gains on common stock included realized gains on the sale of IIFL Wealth and IIFL Finance (we continue to hold both through Fairfax India) Other net gains included preferred shares in Digit of $1.5 billion.

Total return in 2021 was $4.4 billion or 9.2%. Excluding Digit, the total return was $3.0 billion or 6.1%.

Below is, once again, a table that shows, for successive periods over our 36 years of operations, the compound growth in our book value per share (including dividends paid) together with the average combined ratio and total return on investments:

	Compound Growth in Book Value per Share	**Average Combined Ratio**	**Average Total Return on Investments**
1985-1990	57.7%	106.7%	10.4%
1991-1995	21.2%	104.2%	9.7%
1996-2000	30.7%	114.4%	8.8%
2001-2005	(0.7)%	105.4%	8.6%
2006-2010	24.0%	99.9%	11.0%
2011-2016	2.1%	96.0%	2.3%
2017-2021	13.1%	98.2%	5.7%

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. Our insurance businesses have produced on average a combined ratio below 100% for the last 16 years. Our investments are in many outstanding businesses that will produce excellent results for years to come. Our investment results went through a dip in 2011 to 2016 (really 2010 to 2016) because of our hedging losses. That is behind us (and will never again be repeated) and our returns should continue their comeback to historical levels – but lumpy!

India

Mr. Modi continues to focus on improving the quality of life and enhancing the ease of living for the people of India. After he got elected for his second term in May 2019, he said that in the next five years he would ensure clean tap water for the 192 million families – i.e. 980 million population – living in rural India. He put Mr. Bharat Lal, who as it happened was in charge of bringing tap water to every home in Gujarat when Mr. Modi was first elected Chief Minister of that state, in charge of planning and implementing this $51 billion five-year program called Jal Jeevan Mission. When Mr. Lal began this project in August 2019, fewer than 17% – 32 million – of the households had clean tap water. In spite of the COVID-19 pandemic, two and a half years later, now more than 92 million households have assured tap water supply, thus changing the lives of people – particularly women and children. Prime Minister Modi and Mr. Lal are well on their way to accomplishing the impossible. We wish them well. Also about four months ago, Mr. Modi created the Infrastructure Bank (a private bank funded by the government) and appointed Mr. K.V. Kamath as CEO. K.V. Kamath, some of you will remember, built ICICI Bank from a development bank to the most dynamic and innovative bank in India (they were our partner at ICICI Lombard). With Mr. Kamath's dynamism, the Infrastructure Bank, which is being run as a private bank, will help increase India's infrastructure at a faster pace as well as help with privatizations which the government has embarked on. We continue to believe India is the single biggest opportunity for investors in the next decade.

The table below shows our investments in India and how they have performed up to December 31, 2021:

	Date of Initial Investment	Ownership	Cost	Fair Value at December 31, 2021	Compound Annualized Return
Thomas Cook India	Aug 2012	66.8%	$ 313	$ 259	10.6%(1)
Fairfax India	Jan 2015	36.9%	469	657	5.6%
Digit	Feb 2017	49.0%	154	2,464	114.2%
Quess	Dec 2019	30.0%	335(2)	514	28.2%
Other			279	251	
			$1,550	$4,145	
Fairfax India's investments					
Bangalore International Airport	Mar 2017	54.0%	$ 653	$1,372	17.7%
IIFL companies(3)	Dec 2015		312	693	19.3%
Sanmar Chemicals	Apr 2016	42.9%	199	421	17.7%
CSB Bank	Oct 2018	49.7%	170	228	11.0%
Seven Islands	Mar 2019	48.5%	84	106	9.1%
NCML	Aug 2015	89.5%	188	84	-13.2%
Fairchem Organics	Feb 2016	52.8%	30	155	45.9%
National Stock Exchange	Jul 2016	1.0%	27	111	33.4%
Saurashtra Freight	Feb 2017	51.0%	30	47	10.3%
Maxop	Nov 2021	51.0%	30	30	—
Other			72	101	24.9%
			$1,795	$3,348	

(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.

(3) IIFL companies include IIFL Finance, IIFL Wealth, IIFL Securities and 5paisa.

Just when India was getting through the COVID-19 crisis in April 2021, the Delta variant hit the country. It was a very serious situation as there were no beds (or doctors and nurses) for the many thousands of people that got the Delta variant. Many passed away. To provide assistance, we joined many businesses in India, domestic and foreign, by contributing $1 million to the PM Cares Fund, created a 150-bed COVID-19 care centre at Bangalore International

Airport, donated six oxygen generation plants to the government hospitals and provided a variety of other financial support. Since then, the government has embarked on a massive vaccination program and over 75% of the adult population has been fully vaccinated. India's vaccination program is the largest in the world, with a goal of attaining a vaccination rate of 80% – 90% of the population.

Yet in 2021, India continued to be an attractive investment destination with $74 billon in FDI (foreign direct investment). As well, India has rapidly emerged as a top ranked nation for start-ups, next only to the U.S. and China. India created 40 unicorns in 2021. The number of internet users in India has expanded to 825 million, providing unlimited opportunity to Indians irrespective of caste or creed!

Since Fairfax India began, it has completed investments in eleven companies and exited one (13 currently, as one has split into four listed entities), all sourced and reviewed by Fairbridge, Fairfax's wholly-owned sub-advisor in India. Fairbridge does outstanding work under the excellent leadership of CEO Sumit Maheshwari, supported by its Director Anish Thurthi, Vice President Sheetal Sancheti and analysts Jinesh Rambhia and Ramin Irani. Fairfax India's Mauritius subsidiary, FIH Mauritius Investments, ably led by its CEO Amy Tan, supported by its senior manager Vishal Mungur and its independent Board of Directors, is an integral part of the investment process. Also, since Fairfax India began, Deepak Parekh, both as a trusted advisor and a member of the Board of Directors, has provided it with invaluable advice on almost all of its transactions.

All 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.

The crown jewel (and largest) of Fairfax India's investments, constituting by fair value at December 31, 2021 more than 1/3 of its investments, continues to be Bangalore International Airport (BIAL) run by Hari Marar, who aims to make it one of the best airports in the world. As discussed last year, Fairfax India created Anchorage, a holding company for its BIAL investment, with OMERS as a partner for 11.5%. Anchorage will be Fairfax India's holding company for airports and infrastructure investments in India and Fairfax India expects to take it public in the near future.

Please read Chandran Ratnaswami's letter to shareholders in the Fairfax India annual report for a lot of information on Fairfax India's investee companies. Some highlights from his letter to shareholders follow.

Sanmar, managed by Vijay Sankar, had an outstanding year in 2021. Sanmar's revenue grew 88% over the previous year to $1.3 billion. EBITDA grew by 123% to $276 million and profit before tax turned around from a loss in 2020 to a profit of $92 million.

In 2021, Sanmar decided to take its Chemplast Sanmar subsidiary public to reduce debt significantly in the holding company and in its subsidiaries. Vijay has made our investment financially very strong and we expect our 43% ownership of Sanmar to be very valuable in the future.

Under the leadership of Mr. C.V.R. Rajendran, who has been the CEO of CSB Bank (CSB) for the last five years, the bank continues to make excellent progress on its transformative journey which began with the recapitalization of the bank that was enabled by Fairfax India's investment. 2021 was the best year ever for CSB.

Despite the pandemic-driven volatility in business sentiment and activity and high levels of system liquidity which constrained opportunities for lending, CSB made excellent progress in its key performance measures in 2021, with loan advances growth of 11% and deposits growth of 7% (including lower cost current and savings accounts (CASA) growth of 22%). Net interest income grew 37% and the loan to deposit ratio improved from 74% to 77%. In addition, the yield on loans improved to 11.2% from 10.9%, CASA improved to 34.6% from 30.4% of total deposits, net interest margin (NIM) improved to an industry leading 5.3% from 4.4% and the cost of deposits reduced to 4.4% from 5.4%. It is likely that NIM will moderate to around the 4% level.

In spite of these improvements, gross non-performing assets (NPA) increased to 2.6% from 1.8%, net NPAs increased to 1.4% from 0.7% and the provision coverage ratio decreased from 91% to 83%. In 2021, CSB's revenue increased by 22% to $195 million, its net income increased 63% to $66 million from $40 million in 2020 and its capital adequacy ratio was 20.6%.

These exceptional results are the result of Mr. Rajendran's relentless pursuit of his objective of transforming CSB by focusing on profitability, productivity, efficiency and asset quality.

For health reasons, Mr. Rajendran is retiring in March 2022. We wish him and his family well in his retirement. We owe him a huge debt of gratitude. Pralay Mondal is now the Deputy Managing Director of CSB and will take charge as interim CEO. We are very excited about the long term prospects of CSB.

The demerger of Privi Speciality Chemicals and Fairchem took place in August 2020. After Fairchem's demerger from Privi, 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% of Fairchem valued at $155 million on December 31, 2021. In early 2021, the founder of Privi, Mahesh Babani, decided to buy Fairfax India's 49% position in Privi for $165 million, realizing a gain of $132 million for Fairfax India and an annual compound rate of return of 27% over the approximate 4.5 year life of its investment. Mahesh has built a wonderful business and we wish him much success in the future.

I am pleased to inform you that after a hiatus of about two and a half years, Fairfax India completed two acquisitions within a short span of time.

First, in November 2021, Fairfax India acquired 51% of Maxop Engineering (Maxop) from its founder Shailesh Arora and his family for $30 million, and it will buy a further 16% in September 2022. Maxop is a precision aluminum diecasting and machining solution provider for aluminum die cast components used by the automotive and industrial sectors, with customers in India, Asia, North America and Europe. Based in New Delhi, it operates four plants in Manesar and two plants in Jaipur.

Shailesh, who is a passionate first-generation entrepreneur and hands-on operator, chose to enter into this transaction because he recognized Fairfax India as a long term partner with an excellent reputation which would let him run the business independently, allowing him to take advantage of the long runway for growth that lies ahead for this business, especially with customers in North America and Europe.

Then in February 2022, Fairfax India acquired 70% of Jaynix Engineering (Jaynix) for $33 million. Jaynix is a manufacturer of non-ferrous (primarily aluminium) electrical neutral bars, lugs, connectors and assemblies and is a Tier 1 supplier to major electrical original equipment manufacturers such as Schneider, Eaton and Siemens in North America and Europe.

Jaynix was founded in 2008 by two brothers and engineering graduates, Nikhil Diwakar and Ninad Diwakar, in Nashik, Maharashtra. Jaynix is now headquartered in Vadodara, Gujarat and operates with three manufacturing plants (one in Vadodara and two in Nashik).

Nikhil and Ninad are passionate hands-on operators, with Nikhil focused on commercial business development efforts and Nikhil on engineering and production. They will continue to drive the business and stay invested with a significant minority stake.

Given the global movement to diversify supply sources, Fairfax India believes that Maxop and Jaynix have significant growth opportunities with existing and new customers, particularly in North America and Europe, and that with Fairfax India's support each of them can be built into a world class leader in the engineered components manufacturing industry.

While the book value per share of Fairfax India is $19.65, we believe that the underlying intrinsic value is much higher. Fairfax India has taken the opportunity over the last four years to buy back 14.4 million shares for $191 million or an average price of $13.26 per share, including the 7.0 million shares it bought in 2021 through a substantial issuer bid for $105 million or an average price of $14.90 per share. Recently, Fairfax purchased 5.4 million shares at $12.00 per share.

Following a difficult year in 2020 when COVID-19 caused its travel business to decline by 90% and its foreign exchange business to decline by 75%, Thomas Cook India (Thomas Cook) and we were optimistic of a recovery of travel at the commencement of 2021. However, the virulent second wave only made the expected recovery elusive, resulting in a pre-tax loss of $46 million in 2021. Thomas Cook implemented extensive cost saving initiatives combined with enhanced automation to mitigate the drop in business and improve profitability once normalcy returns. We are happy to note that total costs were down over 50% compared to pre-pandemic levels, with Thomas Cook reporting a recovery of 53% in forex business and 27% in travel business from its pre-pandemic levels as it exited the December 2021 quarter. During 2021, Thomas Cook raised $60 million from Fairfax through optionally convertible redeemable preference shares with a 10.7% dividend yield, a seven-year tenure and an option to convert into ordinary shares of the company at 47.30 rupees per share within 18 months from the date of issuance. Approximately $40 million of the issue will be converted before the company's March 31, 2022 financial year-end, subject to all regulatory approvals. As Thomas Cook's business normalizes after the pandemic, we expect it to emerge stronger and more efficient, generating superior returns.

You will recall from my letter in 2014 that Thomas Cook acquired Sterling Resorts in 2014, mainly because of Ramesh Ramanathan, the CEO of the company. As you can imagine, Sterling faced difficult times in the last two years during the COVID-19-inspired lockdowns. Ramesh did a remarkable job in managing cash flow, allowing the company to stay self-sufficient throughout this period. Also, Ramesh used this time to reorient Sterling's business model and transform it into a holiday experience company. Earlier this year, Ramesh expressed his desire to retire from Sterling to spend time with his family. We have accepted his resignation with much reluctance. We wish him and his family a very happy retirement. Vikram Lalvani, Ramesh's COO who led business development, sales and customer engagement at Sterling since 2015, will become the CEO of Sterling in April 2022. We wish Vikram much success.

Quess, you will remember, was spun out of Thomas Cook in 2019 and had a better-than-expected outcome in 2021, emerging successfully from the ravages caused by the pandemic. While its clients and overall economic activities are still recovering from the effects of the pandemic, revenue from its operations grew 17% to $1.8 billion and profit before tax grew 52% to $50 million. Business recovery at Quess is reflective of the strong economic recovery of India. Under the leadership of chairman and founder Ajit Isaac and a long serving senior management team, Quess has emerged stronger through the pandemic, with more clients, better growth, very marginal net debt of $14.5 million and improved free cash generation from its operations. Better times are ahead for Quess as it moves forward to the other side of the pandemic. Quess remains India's leading integrated business services provider. With over 422,000 employees (26% growth in 2021), it is the largest domestic private sector employer in India. 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 customers across three platforms – workforce management, operating asset management and global technology solutions.

As I mentioned last year, we have two major healthcare initiatives in India as part of our commitment to give back to the communities where we do business. Our dialysis initiative is led by Thomas Cook and its CEO Madhavan Menon, with a goal to deploy 1,000 dialysis machines at 250 district hospitals across the country. We will soon surpass 700 machines purchased and installed, which are helping provide access to free or subsidized high quality dialysis nearer to home for India's poorest. We plan to complete the deployment of the full 1,000 dialysis machines over the next couple of years. Under the leadership of Ajit Isaac and our Chandran Ratnaswami and helped by our close relationship with SickKids Hospital in Toronto, one of the best in the world, we are also funding a 350-bed children's hospital (with the ability to double its bed capacity) which will be built by CMC Vellore at its new Kannigapuram campus. Architectural planning is underway, with construction expected to start towards the end of 2022; construction should take approximately three years to complete. CMC is one of the top healthcare, education and research institutes in the country, with a deep concern for the poor and vulnerable.

In 2020 we reported the purchase of 49% of Paramount Health Services – one of India's leading third party claims administrators, specializing in the health business. Led by Dr. Nayan Shah and his team, Paramount during our first year performed excellently, with revenue up 40% to $14 million and net income of close to $1 million in 2021. With oversight by Mr. Athappan, we are very excited about Paramount's future prospects.

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)]	2021 ($ billions)	2021 ($ per share)
Assets		
Insurance and Reinsurance Operations		
Northbridge	1.8	77
Odyssey Group	3.7	155
Crum & Forster	2.1	86
Zenith	1.0	41
Brit	1.8	78
Allied World	2.9	122
Fairfax Asia	2.6	108
Other Insurance and Reinsurance	1.1	47
Life Insurance and Run-off	0.5	19
Total	17.5	733
Non-Insurance Operations		
Recipe	0.5	21
Thomas Cook India	0.3	11
Fairfax India	0.4	19
Other Non-Insurance	0.6	25
Total	1.8	76
Total consolidated operations	19.3	809
Holding company cash and investments	1.5	62
Investments in associates	0.9	40
Other holding company assets	0.7	25
Total assets	22.4	936
Liabilities		
Accounts payable and other liabilities	0.7	25
Long term debt	5.3	224
	6.0	249
Shareholders' equity		
Common equity	15.1	631
Preferred stock	1.3	56
	16.4	687
Total liabilities and shareholders' equity	22.4	936

(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 even though some of them may be held in our insurance companies' investment portfolios.

As you can see, we have $17.5 billion ($733 per share) invested in our insurance companies – up from $15 billion ($572 per share) last year. And that is at book value – the intrinsic values are much higher in our view as we have periodically demonstrated through third party market transactions over the years.

Our consolidated non-insurance businesses (and your investment per share in them) are shown separately in the above table: they are significant, and again, in our view worth more than the amount at which they are carried on our balance sheet. As I said last year, we expect each of these non-insurance operations to generate a 15% annual return or better over the long term.

So as a shareholder of Fairfax, you benefit from four sources of income – underwriting income, interest and dividend income, income from our non-insurance businesses and capital gains.

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

	INTRINSIC VALUE **% Change in** **US$ Book Value per Share**	**STOCK PRICE** **% Change in** **Cdn$ Price per Share**
1986	+180	+292
1987	+48	−3
1988	+31	+21
1989	+27	+25
1990	+41	−41
1991	+24	+93
1992	+1	+18
1993	+42	+145
1994	+18	+9
1995	+25	+46
1996	+63	+196
1997	+36	+10
1998	+30	+69
1999	+38	−55
2000	−5	−7
2001	−21	−28
2002	+7	−26
2003	+31	+87
2004	−1	−11
2005	−16	−17
2006	+9	+38
2007	+53	+24
2008	+21	+36
2009	+33	+5
2010	+2	—
2011	−3	+7
2012	+4	−18
2013	−10	+18
2014	+16	+44
2015	+2	+8
2016	−9	−1
2017	+22	+3
2018	−4	−10
2019	+12	+1
2020	−2	−29
2021	+32	+43
1985-2021 (compound annual growth)	**+18.2**	**+15.7**

The table shows, excluding dividends, the change in book value in U.S. dollars and in 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 and now 2021. Many more such years yet to come!

Over our 36 years, excluding dividends, we have compounded book value by 18.2% annually and our stock price has compounded by 15.7% annually. Over these 36 years, there are only 67 companies of the 6,000 companies listed in 1985 on the U.S. exchanges (NYSE, NASDAQ and American) – i.e. only 1% – that have had an annual return above 15%.

For our stock price to match our book value's compound rate of 18.2%, our stock price in Canadian dollars should be $1,335. And our intrinsic value exceeds book value, a principal reason being that our insurance companies generate huge amounts of float at no cost. This is the reason we continue to hold total return swaps with respect to 1.96 million subordinate voting shares of Fairfax with a total market value of $968 million at year-end.

Here is how our stock price has done over the periods shown ending in 2021, compared to the TSX and S&P500 (all including dividends):

	Fairfax (CDN$)	TSX	S&P500
5 years	1.4%	10.0%	18.5%
10 years	6.0%	9.1%	16.6%
15 years	9.2%	6.5%	10.7%
20 years	9.0%	8.1%	9.5%
36 years since our inception	16.9%	8.5%	11.5%

Our long term returns have been affected by our recent stock prices as returns are very sensitive to end dates and our relative returns are affected by the huge speculation reflected in the index returns (particularly the S&P500). We made a little headway in 2021 – more to come!

Insurance and Reinsurance Operations

	Combined Ratio			Change in Net Premiums Written
	2021	2020	2019	2021 vs 2020
Northbridge	89%	92%	96%	24%
Odyssey Group	98%	95%	97%	28%
Crum & Forster	96%	98%	98%	20%
Zenith	88%	92%	85%	10%
Brit	97%	114%	97%	32%
Allied World	93%	95%	98%	30%
Fairfax Asia	92%	97%	97%	18%
Other Insurance and Reinsurance	99%	100%	102%	24%
Consolidated	95%	98%	97%	26%

Northbridge recorded over $200 million of underwriting profit in 2021, almost doubling the level of 2020. Net premiums earned grew over 25%, and its combined ratio dropped 3 points from 92% to 89%. Reserve levels remain strong, and favorable development on prior years once again contributed to the positive results. Silvy Wright and her team continue to focus on the mid-market commercial space, with extra emphasis in the commercial transportation segment. Especially gratifying for Northbridge has been the strong performance at its Federated Insurance subsidiary, which continued its improvement over the last several years, producing a combined ratio of 88%. Northbridge enters the year with strong momentum and high expectations.

With a combined ratio of 98% in 2021, Odyssey Group stretched its streak of consecutive years of positive underwriting results to ten, an enviable record in a challenging industry. Though elevated catastrophe losses, including the European floods, Hurricane Ida and U.S. winter storms, contributed 10 points to Odyssey's loss ratio, the strength of its diversified portfolio enabled it to produce $92 million of underwriting profit. Gross premiums written grew close to 30% over the year. Growth was strong across both its insurance and reinsurance segments, as all of Odyssey's platforms demonstrated an ability to expand during strong market conditions. In particular, Hudson Insurance Group, under Chris Gallagher, closed the year just shy of $2.5 billion of gross premiums written and produced a combined ratio of 91%. Brian Young and his team continue to build a uniquely nimble underwriting powerhouse.

Crum & Forster enjoyed its best year yet in 2021 under Marc Adee's stewardship, cracking the $100 million threshold in underwriting profit. Its combined ratio of 96% is a further step toward its aspiration of consistent, superior underwriting profitability. Growth at Crum was strong at 20%, once again led by the accident and health, and surplus and specialty divisions. Crum's Seneca Insurance subsidiary produced another sterling result, with a combined ratio of 87% and an underwriting profit of $43 million. During the year, Crum's surety division consolidated after several years of expansion while also posting a strong result. As in 2020, Crum's results were set back by its property business and the impact of natural catastrophes. Strong measures have been implemented to eliminate the likelihood of negative impacts in 2022.

As has been customary, Zenith posted the lowest combined ratio among our larger companies in 2021, closing the year at 88%. Favorable reserve development once again contributed materially to the 2021 result. Growth was muted in the face of competitive headwinds in the workers' compensation field. Kari Van Gundy and her management team continue to explore opportunities to selectively expand their business model.

At Brit, the management team deserves great credit for bringing in the year at a combined ratio of 97%, absorbing another larger-than-usual level of catastrophe losses. The underlying strength of its portfolio, along with reserve releases flowing from prior years, allowed Brit to close with $56 million of underwriting profit. Along with growth in its core syndicate, Brit benefited from the successful launch of the Mark Allan-led Ki Syndicate, which recorded almost $400 million of gross premiums written in its first year of operation. Ki is the first fully automated follow only underwriter operating in the Lloyd's subscription market. With Martin Thompson stepping in as interim CEO while Matthew Wilson takes a health-related leave of absence, Brit enters 2022 with a strong head of steam and a bright future.

Allied World in 2021 produced the highest level of underwriting income across all Fairfax companies, posting a 93% combined ratio and $226 million of underwriting profit. Under Lou Iglesias, Allied World grew its gross premiums written 25% and its net premiums earned 27%. Growth in the hardest market segments, such as director's and officer's liability, professional liability and cyber risk, was much more dramatic. The company is enjoying multiple benefits from its hard market expansion, including an expense and commission ratio reduction in 2021 of 3 points to 21.7%. Allied World has also been able to reduce its purchase of reinsurance, allowing its net premiums earned to grow at a faster clip. The favorable effects from Allied World's powerful expansion in the current hard market are expected to last for years. And Lou and company see more opportunity to grow in 2022!

Our international companies also continued to advance in 2021.

Fairfax Asia produced $534 million of gross premiums and a combined ratio of 92% in 2021. Added to the fold in 2021 was Singapore Re, as we increased our ownership to assume full control. Alongside Pacific (Malaysia), AMAG (Indonesia), Fairfirst (Sri Lanka) and Falcon (Hong Kong), Singapore Re will provide a new platform for expansion. Each of our separate operating companies in Fairfax Asia achieved an underwriting profit in 2021. Mr. Athappan continues to oversee Fairfax Asia from his base in Singapore.

Fairfax Latam generated a combined ratio of 97% in 2021 and an underwriting profit of $6 million. Operating via separate companies in Colombia, Chile, Uruguay and Argentina, Fairfax Latam is overseen by a management group in Miami led by Fabricio Campos. Each of the four companies in the group produced a combined ratio below 100%.

In Central and Eastern Europe, Colonnade enjoyed another strong year, producing a combined ratio of 94% and an underwriting profit of $11 million. Peter Csakvari and his team, through Colonnade, have done an outstanding job of overseeing its operations in Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria and Ukraine.

Run separately from Colonnade, our two Ukrainian companies also posted positive results. ARX Insurance, run by Andrey Peretyazhko, is the largest general insurance company in Ukraine, and produced a combined ratio of 97%. Universalna, managed by Oleksiy Muzychko, is a smaller specialty company, and it produced a combined ratio of 97% as well.

In Warsaw, Polish Re produced a combined ratio of 99%. During 2021, steps were taken to allow Polish Re to work closely with Allied World's reinsurance arm. Jacek Kugacz continues to run the operations.

Working closely with Fairfax Latam and Colonnade, Bijan Khosrowshahi has provided valuable experience and insights that have been a significant factor in the success of these operations. Bijan, along with Jean Cloutier, has also been intimately involved with GIG in the Middle East. We own 44% of GIG, alongside Kipco. In 2021, GIG completed the acquisition of AXA Gulf, vaulting the combined operations well over the $2.5 billion gross premium mark. AXA Gulf (now GIG Gulf) will operate on a decentralized basis within GIG, and will continue to be managed by Paul Adamson. We are thrilled to welcome Paul and his colleagues into the greater Fairfax family.

Fairfax Brasil, led by Bruno Camargo, in 2021 produced another strong combined ratio of 95%, and underwriting profit exceeded $5 million. This was Bruno's sixth straight year delivering an underwriting profit while also generating significant growth.

Eurolife, based in Athens and which we began consolidating in 2021, writes both life and non-life business in the Greek market. Led by Alex Sarrigeorgiou, the company has been a huge success for us. Eurolife posted another strong combined ratio in its non-life business of 82%, writing $74 of gross premiums for the full year.

Finally, Bryte, our business in South Africa, reported a combined ratio of 105%, attributable to lingering effects of COVID-19 losses. Excluding pandemic-related activity, the underlying portfolio of Bryte is running very well. Edwyn O'Neil and his team have a wonderful business and it is expected to return to underwriting profitability in 2022.

In addition to the companies discussed above, all of which are consolidated in Fairfax's financial and underwriting results, we have, as mentioned earlier, significant holdings in various operations which are not consolidated. The most significant among them is the aforementioned GIG. With $1.8 billion in gross premiums written (which included GIG Gulf for only four months) and a combined ratio in the mid-90s, GIG had another very successful year. In India, Digit continued to build out its capabilities, utilizing cutting edge technology to enhance its expansion in this rapidly growing market. Expected to reach $700 million in gross premiums written in less than five years, Digit, led by CEO Kamesh Goyal, is now producing a net bottom line profit, though not yet an underwriting profit.

The tables that follow show you how our international operations (excluding North America and Brit) have grown in the last five years. The top table is at the 100% level and the bottom table is Fairfax's share; both exclude First Capital and ICICI Lombard, which were sold during this time period.

	International Operations		Compound Growth
Based on 100% level	**2016**	**2021**	**5-year**
Gross premiums written	$2,434	$ 5,639	18%
Shareholders' equity	2,031	4,106	15%
Investment portfolio	5,167	10,157	14%

	International Operations		Compound Growth
Fairfax's share	**2016**	**2021**	**5-year**
Gross premiums written	$1,490	$3,968	22%
Shareholders' equity	1,381	3,033	17%
Investment portfolio	2,997	7,320	20%

All of our major companies are well capitalized, as shown in the table below (further detail is provided in the MD&A):

	As at and for the Year Ended December 31, 2021		
	Net Premiums Written	**Statutory Surplus**	**Net Premiums Written/Statutory Surplus**
Northbridge	Cdn$2,403	Cdn$1,975	1.2x
Odyssey Group	4,849	5,364	0.9x
Crum & Forster	3,047	1,853	1.6x
Zenith	713	708	1.0x
Brit	2,342	2,147	1.1x
Allied World	3,908	4,704	0.8x
Fairfax Asia	261	670	0.4x

On average, we are writing at 1.0 times net premiums written to statutory surplus. In the hard markets of 2002 – 2005, we wrote on average at 1.5 times. When insurance rates are rising, we expand significantly, as we did in 2021.

The net premiums and combined ratios of our companies which we have owned since 2012, and of our major companies acquired since then, are shown in the table below:

	2012 – 2021	
	Cumulative Net Premiums Written *($ billions)*	**Average Combined Ratio**
Northbridge	Cdn 14.6	95%
Odyssey Group	28.8	92%
Crum & Forster	19.1	99%
Zenith	7.4	89%
Brit(1)	11.4	103%
Allied World(1)	12.7	101%
Fairfax Asia(2)	2.6	89%
Total	96.5	96%

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

(2) Fairfax Asia included First Capital until December 28, 2017.

Since we began in 1985, we have written over $200 billion in gross premiums, with a combined ratio of approximately 99.8%.

The table below shows the average annual reserve redundancies for the past ten years (business written from 2011 onwards) for our companies which we have owned since 2011:

	2011 – 2020
	Average Annual Reserve Redundancies
Northbridge	11%
Odyssey Group	11%
Crum & Forster	2%
Zenith	19%
Fairfax Asia(1)	18%

(1) Fairfax Asia included First Capital until December 28, 2017.

The table shows you how our reserves have developed for the ten accident years prior to 2021. We are very pleased with this reserving record, but given the inherent uncertainty in setting reserves in the property casualty business, we continue to be focused on being conservative in our reserving process. More on our reserves in the MD&A and in the Annual Financial Supplement for the year ended December 31, 2021 which is available on our website *www.fairfax.ca.*

As a reminder, RiverStone, our run-off group, manages essentially all our latent reserves for the group – some going back over 30 years. 2021 was a challenging year, with continued development on asbestos claims as well as recent emerging claims such as molestation and opioids. Given the nature of these claims, the results can be lumpy, with significant uncertainty around the eventual exposures and potential outcomes. Nick Bentley and his experienced team resolved a number of major exposures during the year and continue to do an outstanding job mitigating future exposures. RiverStone has not entered into any traditional third party run-off acquisitions over the last number of years but continues to make some small, very successful captive insurance deals. Crum & Forster took advantage of RiverStone's expertise during 2021, entering into a loss portfolio transfer on prior year loss reserves. RiverStone continues to grow its third party administrator business, providing an additional revenue stream while redeploying its experienced and valuable personnel. The team continues to deliver significant value and savings from its dedicated focus and best in class experience.

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

Year	Underwriting Profit	Average Float	Cost (Benefit) of Float	Average Long Term Canada Treasury Bond Yield
1986	$ 3	$ 22	(11.6)%	9.6%
⋮				
2011	(754)	11,315	6.7%	3.3%
⋮				
2021	801	24,321	(3.3)%	1.9%
Weighted average last ten years			(2.1)%	2.1%
Fairfax weighted average positive financing differential last ten years: 4.2%				

Float is essentially the sum of loss reserves, including loss adjustment expense reserves, insurance contract payables and unearned premium reserves, less insurance contract receivables, reinsurance recoverables and deferred premium acquisition costs. Our long term goal is to increase the float at no cost, by achieving combined ratios consistently 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 2021, our underwriting profit was a record $801 million and our "cost of float" was a 3.3% benefit. In the past ten 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.

Over the last ten years, our float has cost us nothing (in fact it provided an average benefit of 2.1% per year) while during that time, it cost the Government of Canada an average 2.1% per year to borrow for ten years – our advantage over the Government of Canada of 4.2% per year is the highest for any ten-year period. Our float of $27.8 billion at the end of 2021 is a huge advantage for the future. Think of it as negative interest rates! Every 1% additional benefit would provide approximately $280 million of income, or $12 pre-tax per share.

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

	Insurance and Reinsurance										
Year	Northbridge	Odyssey Group	Crum & Forster	Zenith	Brit	Allied World	Fairfax Asia	Other	Total Insurance and Reinsurance	Run-off	Total
						($ billions)					
2017	1.8	4.5	2.9	1.2	3.1	5.5	0.2	1.2	20.4	2.5	22.9
2018	1.7	4.7	2.9	1.2	2.8	5.1	0.2	1.1	19.7	3.0	22.7
2019	1.9	5.1	3.0	1.1	3.0	5.1	0.3	1.1	20.6	1.8	22.4
2020	2.1	5.9	3.3	1.1	3.2	5.7	0.3	1.1	22.7	1.6	24.3
2021	2.5	6.8	3.4	1.1	3.6	6.9	0.4	1.2	25.9	1.9	27.8

Our float increased 14% in 2021 and 21% since 2017. It should increase significantly in the next few years as Northbridge, Odyssey, Crum & Forster, Brit, Allied World and our international operations expand organically. The float in Run-off decreased in 2019 due to the sale of our European run-off operations.

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

	Total Float	Float per Share
1985	$ 13	$ 2½
1990	164	30
1995	653	74
2000	5,877	449
2005	8,757	492
2010	13,110	641
2015	17,209	775
2019	22,379	834
2020	24,278	927
2021	27,837	1,166

In 2021, our float grew to $27.8 billion, up 14% and per share up 26% to $1,166 per share – the per share increase reflecting the impact of our share buyback. Over the last five years, float per share has increased by 10% per year and since inception by 19% per year.

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

	2021	2020
Underwriting – insurance and reinsurance		
Northbridge	$ 202.2	$ 108.8
Odyssey Group	92.2	189.9
Crum & Forster	101.9	60.1
Zenith	82.8	51.9
Brit	55.6	(240.3)
Allied World	226.4	126.0
Fairfax Asia	20.1	7.1
Other	20.0	5.5
Underwriting profit	801.2	309.0
Interest and dividends and share of profits of associates	765.8	606.8
Operating income – insurance and reinsurance	1,567.0	915.8
Operating income (loss) – life insurance and run-off	(272.9)	(194.6)
Operating income (loss) – non-insurance operations	(7.0)	(178.7)
Interest expense	(513.9)	(475.9)
Gain on sale and consolidation of insurance subsidiaries	264.0	117.1
Corporate overhead and other expense	(89.7)	(252.7)
Pre-tax income (loss) before net gains (losses) on investments	947.5	(69.0)
Net realized gains (losses) on investments	1,463.0	(669.1)
Pre-tax income (loss) including net realized gains (losses) on investments	2,410.5	(738.1)
Net change in unrealized gains (losses) on investments	1,982.1	982.2
Pre-tax income	4,392.6	244.1
Income taxes and non-controlling interests	(991.5)	(25.7)
Net earnings	$3,401.1	$ 218.4

The table shows the results from our insurance and reinsurance (underwriting and interest, dividends and share of profits of associates), life insurance and run-off and non-insurance operations (which shows the pre-tax income (loss) before net gains (losses) on investments and interest expense). Net realized gains (losses) and net change in unrealized gains (losses) are shown separately to help you understand the composition of our earnings. In 2021, after interest and dividend income, our insurance and reinsurance companies' operating income increased to $1,567 million, due to higher underwriting profit, interest and dividend income and profits of associates. All in, after-tax earnings were $3.4 billion. Of our interest expense of $514 million, $357 million was from borrowings by our holding company and our insurance and reinsurance companies (including a loss of $46 million on the early extinguishment of our 2022 and 2023 debt maturities), while $99 million was from borrowings by our non-insurance companies, which are non-recourse to Fairfax, and $58 million was from our leases.

Corporate overhead and other expense of $90 million includes investment management fees, holding company interest and dividends and holding company share of profits of associates, less corporate overhead and amortization of subsidiary companies' intangible assets. The decrease in corporate overhead and other expense in 2021 primarily relates to investment management fees of $256 million versus $67 million in 2020 and share of profit of associates held at the holding company of $39 million versus share of loss of associates of $48 million in 2020. We continue to focus on keeping holding company expenses low. (See more detail in the MD&A.)

Financial Position

The following table shows our financial position at the end of 2021 and 2020. When we have a controlling interest in a company (for example, Recipe or Thomas Cook), 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 consolidated non-insurance companies that we do not own 100%:

	2021	**2020**
Holding company cash and investments (net of derivative obligations)	$ 1,446.2	$ 1,229.4
Borrowings – holding company	5,338.6	5,580.6
Borrowings – insurance and reinsurance companies	790.7	1,033.4
Total debt	6,129.3	6,614.0
Net debt	4,683.1	5,384.6
Common shareholders' equity	15,049.6	12,521.1
Preferred stock	1,335.5	1,335.5
Non-controlling interests(1)	2,931.4	1,831.8
Total equity	$19,316.5	$15,688.4
Net debt/total equity	24.2%	34.3%
Net debt/net total capital	19.5%	25.6%
Interest coverage	13.0x	3.3x
Interest and preferred share dividend coverage	11.1x	2.7x
Total debt/total capital	24.1%	29.7%

(1) Excludes consolidated non-insurance companies' minority interests

We ended 2021 in a very strong financial position, with $1.4 billion in cash and marketable investments at the holding company plus an additional $1.1 billion of associates and consolidated investments held at the holding company (largely consisting of Quess, Eurobank and Thomas Cook), our total debt to total capital reduced to 24%, our bank lines fully paid off and no significant holding company debt maturities until 2024. Our debt to capital ratios are close to the lowest levels in the last ten years and we expect these to decrease in the years to come.

Investments

Last year in our annual report, I quoted Phil Carret, who has had an outstanding long term track record. The quote is so good that I am repeating it. Here's what Phil said:

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

Find the company whose boss is heart and soul dedicated to profitable operation, and even more interested in the profits of five years hence than those of today! If he has sound business judgement, skill in selecting the other members of his team, the rare ability to inspire them to superior performance as well, the company's stock is worth investigation.

There is no substitute for buying quality assets and allowing them to compound over the long term. Patience can produce uncommon profits."

The first sentence is key: *"Good management is rare at best, it is difficult to appraise, and it is undoubtedly the single most important factor in security analysis."*

Here's a list of the great leaders at our existing investment positions:

Company	**Leaders**
Atlas	David Sokol, Bing Chen
Stelco	Alan Kestenbaum
Helios Fairfax Partners	Tope Lawani, Babatunde Soyoye
Eurobank	Fokion Karavias, George Chryssikos
Recipe	Frank Hennessey
Dexterra	John MacCuish
BlackBerry	John Chen
AGT	Murad Al-Katib
Commercial International Bank	Hussein Abaza
Golf Town/Sporting Life	Chad McKinnon, Bill Gregson
Resolute Forest Products	Duncan Davies, Remi Lalonde
BDT	Byron Trott
Kennedy Wilson	Bill McMorrow
Altius Minerals	Brian Dalton
Exco Resources	John Wilder, Hal Hickey
Boat Rocker Media	David Fortier, Ivan Schneeberg, John Young
Foran Mining	Dan Myerson, Darren Morcombe
ShawKwei	Kyle Shaw
John Keells	Krishan Balendra

Here's how several of our large common stock holdings did in 2021:

		MARKET PRICE (local currency)		
		Dec-31-20	Dec-31-21	% Change 2021
Common Stock				
Fairfax Financial	CAD	433.85	622.24	43%
BlackBerry	USD	6.63	9.35	41%
Stelco	CAD	22.63	41.01	81%
Commercial International Bank	EGP	44.25	52.22	18%
Kennedy Wilson	USD	17.89	23.88	33%
John Keells	LKR	149.60	149.25	0%
Leon's Furniture	CAD	20.35	*Sold @ 25.00*	23%
Foran Mining	CAD	1.80	2.50	39%
IIFL Wealth	INR	1,007.35	*Sold @ 1,428.2*	42%
				33%
Associates				
Eurobank	EUR	0.58	0.89	53%
Atlas	USD	10.83	14.17	31%
Quess	INR	540.00	856.35	59%
Helios Fairfax Partners	USD	5.25	3.20	–39%
Resolute Forest Products	USD	6.54	15.23	133%
IIFL Finance	INR	113.00	*Sold @ 302.65*	168%
IIFL Securities	INR	48.00	90.65	89%
Astarta	PLN	26.20	41.65	59%
				41%
Consolidated Investments				
Fairfax India	USD	9.60	12.60	31%
Recipe	CAD	16.51	17.70	7%
Farmers Edge	CAD	15.03	3.16	–79%
Thomas Cook India	INR	47.10	59.60	27%
Boat Rocker Media	CAD	5.46	6.77	24%
Dexterra	CAD	6.45	8.54	32%
				9%
Top Common Stock Holdings				**31%**

Many companies suffered from the pandemic but the companies led by outstanding CEOs thrived.

A case in point, Atlas, led by David Sokol and Bing Chen, had an outstanding year in 2021. Seaspan, the containership leasing company owned by Atlas, will grow by almost 1 million TEU to approximately 2 million TEU over the next several years, 73 vessels and close to $12 billion of gross contracted cash flow, primarily contributed by 70 new builds. Seaspan has already delivered three new build vessels ahead of schedule and expects all vessels to be in operation by year-end 2024 as scheduled. The modern new build program, with $7.5 billion in fully funded investment, is a testament to the consistent operational excellence that David and Bing have delivered together with creative turnkey solutions for their customers. Atlas has forecast earnings per share to increase from $1.68 to $2.50 in 2024. Lots more to come from David and Bing.

Stelco, under Alan Kestenbaum, had an outstanding year in 2021 as sales increased 172% to $4.1 billion and EBITDA increased to $2.1 billion, resulting in a leading EBITDA margin of 50%. High steel prices combined with Stelco being the low cost producer resulted in free cash flow of $1.4 billion in 2021. Stelco raised its dividend twice in 2021 to $1.20 per share (from $0.40 per share in 2020) and repurchased 11.4 million shares (13% of its shares outstanding) at $34.90 per share. In January 2022, through a Dutch auction, Stelco repurchased a further 4.4 million shares (5.7% of its shares outstanding) at $37 per share. As we have not sold a single share, our ownership has increased from 13.7% to 17.8%. Alan has also not sold a single share and owns 11.9% of Stelco. Stelco ended 2021 with net cash of $707 million.

In addition, Stelco recently signed a licensing agreement with Primobius GmgH to commercialize an EV battery recycling technology in North America. The proposed shredding and hydrometallurgical refinery will allow Stelco to recycle end-of-life EV batteries and recover up to 18,400 tonnes of nickel, manganese, cobalt sulphates and lithium hydroxide and 40,000 tonnes of steel annually. We believe this recent joint venture is an example of the entrepreneurial spirit at Stelco, taking advantage of an exciting new opportunity to create shareholder value.

2021 was a turnaround year for Tope Lawani and Babatunde Soyeye at Helios Fairfax Partners (Helios Fairfax) as they digested the existing positions in Fairfax Africa. Tope and Baba, co-founders of the Helios private equity business, completed their first year as Co-CEOs of Helios Fairfax with a focus on stabilizing the legacy holdings of Fairfax Africa in addition to making incremental new investments to create value for shareholders. The National Basketball Association chose Helios Fairfax as its only partner in Africa, and Helios Fairfax made a $30 million investment for a minority stake in NBA Africa. Other investments include a $16 million co-investment in Trone, a medical device distributor based in Morocco, and a $27 million investment in Helios Fund IV, showing investors in the Fund that Helios Fairfax eats its own cooking. With virtually all global private equity funds having exited Africa, Helios Fairfax is the only focused player in the continent and is often the first call for multinational companies looking to expand in Africa. Helios Fairfax investors will in time benefit from both the growth in balance sheet investments and the cash flow from the Helios business. With Helios Fairfax's share price of $3.40 per share and depressed book value of $5.40 per share, we feel the current discount is unwarranted. Please see Tope and Baba at the Helios Fairfax AGM to hear more about the opportunities they are seeing in Africa.

Eurobank, led by Fokion Karavias with support from George Chryssikos, had an outstanding year in 2021 as it expects its non-performing loan ratio to drop to 7%, return on tangible equity to increase to over 8%, and capital ratio (CETI) to be strong at approximately 13%. Under Fokion's leadership, Eurobank's profitability is expected to grow significantly with Greece's strong economic growth. As I have said previously, Greece is blessed with a great prime minister, Mr Mitsotakis, who is very business friendly and has dramatically improved the economic outlook of Greece since he got elected three years ago. Greece's GDP is expected to grow by 8.5% in 2021, its unemployment ratio fell to a decade low of 12.8% and real estate prices continued to increase. Since December 31, 2021, Eurobank shares have increased to a high of 1.14 euros per share – still a far cry from the book value of 1.47 euros per share. Eurobank is ready to begin paying dividends again (the first time since May 2008), subject to regulatory approval. The future is very bright for Eurobank.

Recipe survived another tough year in 2021 as lockdowns closed its restaurants for long periods during the year. In spite of these lockdowns, Recipe pivoted to e-commerce sales, curbside pick-up and home delivery to generate system sales of Cdn$2.7 billion, up 12% from 2020 and down 22% from 2019. E-commerce sales now account for Cdn$675 million or almost 25% of Recipe's system sales, up from Cdn$340 million or 10% of system sales in 2019. Recipe's franchise revenue was Cdn$150 million in 2021, up 18% from 2020, and EBITDA for the year was Cdn$144 million, down 33% from pre-pandemic levels of Cdn$216 million. Recipe was able to reduce its debt outstanding by Cdn$95 million in 2021, capping an outstanding performance by Frank Hennessey and his team.

Dexterra remains on track to achieve Cdn$1.0 billion in sales and Cdn$100 million in EBITDA in the near term. John MacCuish is leading the transformation to be a capital-light business. The workforce accommodations segment experienced strong growth and had strong profitability as resource industries in Canada rebounded in 2021. The strong underlying demand in affordable housing across Canada is also a priority for both the federal and provincial governments, and Dexterra's modular solution business is in an excellent position to support this very important social issue. In January 2022, Dexterra also closed two facilities management acquisitions at attractive multiples with a combined purchase price of approximately Cdn$50 million. Dana Hospitality expands the company's existing culinary services into education, entertainment, healthcare and leisure activities. Tricom Facility Services group, a business with a long history of providing janitorial and building maintenance services, builds the company's strength in the hospitality, transit and entertainment verticals. These acquisitions have been financed by the company's existing credit facility and the company's balance sheet continues to be strong to support future growth.

John Chen is the reason BlackBerry has survived. The company has two high growth markets, cyber security and embedded operating systems for the automotive industry. John is focusing on growth in both markets. Recently, John has sold BlackBerry patents for $600 million, which will increase net cash to just under $1 billion.

It has been almost three years since we took AGT private, partnering with founder and CEO Murad Al-Katib. After record results in 2020, in 2021 the company experienced a record drought in western Canada and the impact of silo collapses at the primary port in Vancouver. Both incidents reduced volumes and margins in the value added processing of pulses, grains, oilseeds and specialty crops and in its bulk handling business. However, continued progress in growing its ingredients, including texturized plant protein and packaged foods businesses, allowed its revenue and results in 2021 to be well above the take-private year levels in 2019. AGT also recently announced a joint venture with Federated Co-Operative Limited (FCL) to construct a canola crushing facility which will supply under a long term take or pay contract 50% of the feedstock required for a 15,000 barrel a day renewable diesel plant owned by FCL.

Fairfax continues to jointly own Peak Achievement with its partner, Sagard Holdings. Peak's core brands are Bauer, the leading hockey brand, and Maverik lacrosse. 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 and free cash flow have increased steadily in the hockey and lacrosse businesses, and Fairfax has received $33 million in dividends. More to come under CEO Ed Kinnaly's leadership, with opportunities in direct-to-consumer business, apparel and the overseas demand for high quality hockey equipment.

Sporting Life Group had another record year in 2021. CEO Chad McKinnon and his top management, including Freddie Lecoq and Barry Williams, continued to hit the cover off the ball. Bill Gregson, former CEO of Forzani, Recipe and The Brick, continues to be our trusted consultant on all things retail and real estate-related in Canada. We are very happy to have him in our corner. The 2021 EBITDA of the combined Sporting Life and Golf Town businesses is now higher than what Fairfax paid for its 71% stake several years ago. Golf, previously thought of as a declining sport, experienced a resurgence during COVID. Golf Town struggled to keep inventory (once finally received) on the shelf. The turnaround under the Sporting Life banner has begun to bear fruit and new locations are being opened. The revamped Sporting Life flagship store on Yonge Street in Toronto suggests that there is significant upside on the existing footprint.

Commercial International Bank (CIB), in Egypt, had a much better year in 2021, with net profit up over 30% from the prior year. The Egyptian economy has found its footing and is now showing mid-single digit GDP growth. With the depths of COVID-19 in the rear-view mirror, CIB dramatically reduced loan loss provisioning in 2021 by 60% from the prior year. Despite incremental provisioning declining, the non-performing loans remain well over 200% covered. Add to this a 30% capital adequacy ratio and a rock solid balance sheet. Egypt's Central Bank has begun to allow banks to reinstate dividends, which is helpful as CIB is arguably overcapitalized. Despite excess capital on the books, CEO Hussein Abaza has done a great job of sustaining 20% ROEs. With consistent double-digit compounding of earnings per share and book value per share since the 1990s and a digital transformation underway, the current valuation of 8 times earnings and 1.3 times book value appears to provide extraordinary value.

Resolute Forest Products continues to transform its business. Over the past decade, revenue from its mature paper segment declined from 76% of the total to 26%. Today, wood products represents close to half of Resolute's business. An increased focus on wood products paid off in 2021 as lumber prices hit a record high. Resolute used these strong, albeit cyclical, cash flows to reduce debt by $258 million, repurchase 6% of its outstanding shares for $48 million and pay a $1 per share special dividend aggregating $79 million. In the past two years, Resolute has repurchased 13% of its shares. In 2021, Duncan Davies succeeded our own Brad Martin as Chairman of the Board. Brad continues as Vice Chair. Over his nearly two decades as CEO, Duncan helped build one of the world's largest lumber companies. With Duncan, Brad and new CEO Remi Lalonde, Resolute is well positioned and remains in good hands.

We continue to invest in BDT Capital Partners – since 2009 we have invested $723 million, have received cash distributions of $887 million and have a remaining year-end market value of $541 million. Byron Trott and his team have provided fantastic returns for us over the long term and 2021 was no exception. We very much look forward to our continued partnership well into the future.

We have an outstanding partnership with Kennedy Wilson, led by its founder and CEO Bill McMorrow and Bill's partners, Mary Ricks and Matt Windisch. Since we met them in 2010, we have invested $1,150 million in real estate, received cash proceeds of $1,070 million and still have real estate worth about $542 million. Our average annual realized return on completed projects is approximately 20%. We also own 9% 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 60% on average. At the end of 2021, we had committed to mortgage loans of $1.44 billion in the U.S. at an average yield of 4.7% and an average maturity of 1.9 years. We had also committed to approximately $500 million of mortgage loans in the U.K. and Europe at an average yield of 3.8% and an average maturity of 1.7 years. We are truly grateful to Bill and his team, and Wade Burton on our side, for a very profitable and enjoyable relationship. In February 2022, we committed to invest $300 million in a 4.75% perpetual preferred in Kennedy Wilson, with seven-year warrants exercisable at $23 per share.

Our preferred share and warrant investment in Altius Minerals is gathering steam. Led by founder Brian Dalton, Altius has built its mineral royalty business from scratch over the past 20 plus years and now has a market capitalization in excess of Cdn$800 million. The company's business model of collecting royalties from a wide range of long-lived properties producing copper, gold, nickel, iron ore and potash generates considerable upside in an inflationary environment without having to make any additional capital investment. Royalty growth comes from production growth as well as price increases, not to mention meaningful optionality from existing royalty interests in projects which are likely to come onstream in the next few years. The company is also capitalizing on the increasing production of renewable energy resources through an in-house royalty model in partnership with Apollo, which trades publicly as Altius Renewable Resources.

Fairfax owns 43% of Exco Resources, a U.S. oil and gas producer. In 2021, Exco benefitted from a strong rebound in commodity prices. EBITDA, free cash flow, liquidity, leverage and reserves all improved. Net debt fell to $115 million (0.75 times EBITDA). The value of Exco's total proved reserves increased 85%. Its reserves replacement ratio for 2021, not related to commodity price improvements, was 434%. Led by Chairman John Wilder and CEO Hal Hickey, and Wendy Teramoto and Peter Furlan on our side, Exco achieved excellent results through high field level productivity and company-wide cost control. In January 2022, Exco recorded its 85th month without an employee lost time accident. John Wilder is a great long term partner, and we are well served by his leadership.

2021 was a remarkable year for Leon's. With consumers under lockdown at various points throughout the year, Canadians invested in their homes and Leon's was a beneficiary. In 2021, Leon's grew revenue by 13%, net income by 27% and EPS by 32%.

Leon's took advantage of its debt-free balance sheet to repurchase, via Dutch auction, 8 million common shares for an aggregate purchase price of Cdn$200 million. The share repurchase had the effect of reducing Leon's share count by 10.4%. We sold our shares in the Dutch auction at Cdn$25 per share, twice the share price in March 2013 when we acquired a debenture convertible at Cdn$12.64 per share. We wish the Leon family much success in the future.

Farmers Edge raised Cdn$144 million via its IPO in March 2021 in order to fund growth in its digital AG platform. While its first year as a public company did not meet the high market expectations, the team had a record year of new acres under subscription. A bright spot in 2021 was the success in the company's carbon product, which allows farmers to track and sell carbon credits, with over three million carbon acres sold in Canada. Continued growth in acres and in the distribution of insurance products is anticipated for this year and management has recently hired some new senior management to add bench strength and execution capability. The company has no debt and significant cash on its balance sheet.

Boat Rocker Media was successful in raising Cdn $170 million via its IPO in March 2021. The much-needed cash delevered the business, leaving Cdn$80 million of net cash on the balance sheet to fund contracted new TV shows in the pipeline. Boat Rocker has one of the largest Kids & Family studios in North America, with hit shows such as Dino Ranch (number 1 for kids 2-5 on Disney+), Tales Dark & Grimm (Netflix) and Daniel Spellbound (Netflix). While COVID-19 protocols played havoc with TV production and temporarily elevated costs, the animation team successfully transitioned to remote work and was running flat out all year. The company's talent management agency, Untitled Entertainment, rebounded quickly as actors went back to work. During 2021, the company is expected to more than double revenue to over Cdn$600 million and is expecting a significant increase in EBITDA. We continue to cheer on co-founders David Fortier and Ivan Schneeberg and CEO John Young.

Because of the sponsorship of Darren Morcombe and Pierre Lassonde and the leadership of Dan Myerson as President, Fairfax invested Cdn$100 million in Foran Mining, receiving 55.6 million shares and 16 million five-year warrants with an exercise price of Cdn$2.09 per share. Fairfax beneficially owns 28% of Foran's common shares assuming conversion of the warrants and non-voting shares. Foran's core asset is its McIlvenna Bay project located in the Flin Flon Greenstone Belt in Saskatchewan, one of the most successful mining regions in Canada. McIlvenna Bay is expected to become the world's first carbon neutral mine. The project has indicated copper resources in excess of 39 million tonnes (and growing), and is expected to have a 19+ year mine life with low copper production cash costs given its high precious metal content. The project benefits from the extensive transportation and power infrastructure in the region. Foran has received initial permits to begin construction at McIlvenna Bay, with the project likely fully operational in 2025.

Since 2008 we have been investing with founder Kyle Shaw and his private equity firm ShawKwei & Partners, which takes significant stakes in middle-market industrial, manufacturing and service companies across Asia, partnering with management to help improve their businesses. We have invested $398 million in two funds (with a commitment to invest an additional $202 million), received cash distributions of $198 million and have a remaining value of $374 million at year-end. The returns to date are primarily from our investment in the 2010 vintage fund, which increased 46% in value in 2021 and has produced a compound annual return of approximately 16% since 2010. The 2017 vintage fund has drawn about 50% of committed capital to date, with a much-improved outlook for new deals, including its recent acquisition of CR Asia Group.

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. Fairfax through its direct and indirect holdings has a 13% equity interest in the company.

I mentioned last year that 2021 may see the renaissance of value that Ben Graham referred to in 1974. The rotation to value stocks began in 2021 – with lots more to go. While value stocks moved up, high tech stocks began to come down, especially in early 2022 with interest rates rising due to inflation. Companies with no earnings are literally crashing – and suddenly! Netflix dropped over 20% on January 21, 2022 and is now down 35% in 2022. Shopify was down 14% on January 21, 2022 and another 16% on February 16, 2022 – it is now down 50% in 2022. The table below shows some of the declines that have taken place in 2021/2022 in tech stocks with little earnings.

	Market Value as at February 28, 2022	Stock Price as at December 31, 2021	% Decline from High	Stock Price as at February 28, 2022	% Decline from December 31, 2021
Netflix	$175 billion	$ 602	14%	$395	35%
Shopify	87 billion	1,378	22%	694	50%
Zoom	40 billion	184	69%	133	28%
Ark Innovation	13 billion	95	41%	70	26%
Lemonade	1.6 billion	42	78%	25	40%
Palantir	24 billion	18	60%	12	35%
Pinterest	18 billion	36	60%	27	26%

The market values listed above show that there are a lot more declines to come in these tech stocks. For example, Zoom is down 69% from its high but still has a market value of $40 billion – with sales of only $4 billion. I remind you that in the dot.com crash, the NASDAQ dropped 85% from 1999 to 2002 – and none of the tech stocks were spared. And as in past speculations, very few investors (speculators?) would have made money. If you didn't know why you bought a stock (i.e. no earnings, high valuations), what would make you sell it?

The table below shows you the market cap, revenue and net profit of Zoom and Shopify versus Atlas and Stelco.

	Zoom	Shopify	Atlas	Stelco
Market cap	$40 billion	$87 billion	$3.5 billion	$2.7 billion
Revenue	4.1 billion	4.6 billion	1.6 billion	4.1 billion
Net profit	1.4 billion	2.9 billion	0.4 billion	1.6 billion

When you compare Zoom and Shopify market caps to Atlas and Stelco you can see why the rotation from growth to value is taking place – and why we think we could experience another 1999 – 2002 time period, when our portfolios went up 100% even though stock markets worldwide dropped 40% – 50%.

We will look back with incredulity at the tech mania we have just experienced! The FAANG stocks have had outstanding growth records – and we missed them! Shame on us! But trees don't grow to the sky – and we continue to watch from the sidelines. At year-end 2021, the combined market cap of only three stocks – Microsoft, Apple and Google – was equal to the combined market cap of all of the stocks listed in Canada, France and Germany. We remember 2000, when Cisco had a market cap more than the whole Canadian market. 21 years later Cisco is still down 50%.

Inflation and higher interest rates are the big risks the markets face today. The CPI index was up 7.5% in January 2022, the highest in 40 years and the ninth consecutive monthly reading above 5%. The Fed is behind the curve as it was in the 1970s and we fear interest rates will increase significantly over time. We should benefit as our total fixed income portfolio, inclusive of cash and short term treasuries, has a duration of only 1.2 years (an average term of 2.2), but significantly higher long rates will have an impact on the economy. This may still be a few years away and, as I said earlier, we have companies with great management that should be able to navigate these "rocks" profitably! Higher interest rates will destroy the speculation we have seen in high tech and other growth stocks with high valuations, SPACS, crypto currencies, etc. Another risk we continue to see is China and its real estate bubble – which is being tested. We remain skeptical that it will not burst but do not know when it will!

Our team at Hamblin Watsa, led by Wade Burton, had an excellent year in 2021. Shown below again is the Hamblin Watsa team and their areas of focus:

Hamblin Watsa Professionals	Responsibility
Wade Burton and Lawrence Chin	United States and Canada (stocks & bonds)
Reno Giancola	Canada (stocks)
Jamie Lowry and Ian Kelly	Europe (stocks & bonds)
Quinn McLean	Middle East, South Africa & private companies
Yi Sang	Asia (stocks & bonds)
Gopalakrishnan Soundarajan	India (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
Nav Sidhu	Private and public companies
Paul Blake	Stock trading
Kleven Sava	Bond trading

The team has really jelled under Wade and Lawrence and its members are empowered in their respective areas of responsibility. Roger Lace, Brian Bradstreet, Chandran Ratnaswami and I continue to manage the rest of the portfolio with much input from Wade and his team. We now have a small investment committee consisting of Roger Lace, Brian Bradstreet, Wade Burton, Lawrence Chin, Chandran Ratnaswami, Quinn McLean, Peter Clarke and me that reviews large investments, asset mix, regulatory requirements and performance. While 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. And importantly, our empowering portfolio management structure fosters an entrepreneurial spirit and allows our individual team members to perform well using both a collaborative and an independent approach. We are excited about the future returns on our investment portfolios from this team.

Miscellaneous

As expected, we maintained our dividend of $10 per share in 2021 and used our excess cash flow to buy back 138,000 shares in the market and 2 million shares through our significant issuer bid. Since we began paying cash dividends, we have paid cumulative dividends of $142 per share or $3.2 billion.

I cannot overemphasize the exceptional culture we have built across our company, starting with our small team at Fairfax – 11 outstanding officers who have the highest integrity, team spirit and no ego and are focused on protecting our company from unexpected downside risks and very quickly taking advantage of opportunities when they arise. On average, our 11 Fairfax officers have been with us for 23 years. The bedrock of our company is trust with a long term focus.

On February 10, 2022, we announced that Peter Clarke will become President and Chief Operating Officer and all our officers will report to him. As I said in our press release, Peter has done an outstanding job for Fairfax in numerous roles over the past two decades and in many ways, Peter has been the President of Fairfax for some time now, it just took us a while to realize it. There is no one who represents Fairfax culture any better – smart, hard-working and with no ego. We all look forward to continuing to work closely with Peter.

It is with much regret and much gratitude that we announce that Sam Chan will retire from Fairfax in 2022. Sam has been with us for over 30 years, as a Fairfax officer and our Chief Actuary, then President of Fairfax Asia, helping build our Asian operations with Mr. Athappan. When Sam moved to Hong Kong to help build our Asian operations, we knew we could trust him. He never disappointed us. Sam will continue to consult for us and represent Fairfax on Boards in Asia. We wish Sam and Joanna great health and a very happy retirement.

Last year I mentioned to you that I had joined Wes Hall as he founded the BlackNorth Initiative in Toronto. Since then, great strides have been made to address and improve the lives and increase the opportunities of members of the Black community. While we have certainly increased awareness, much still needs to be done and the Board and the various committees at BlackNorth Initiative are looking at ways that can bring these programs into the mainstream. As always, education is the great leveler, and with the help of the Horatio Alger Association, we have expanded further college scholarships to members of the Black community and other minorities.

Craig Pinnock, our CFO at Northbridge, continues to Chair the Black Initiative Action Committee within our group of companies, and they have been active in addressing issues ensuring that we increase opportunities, mentor and make our group of decentralized companies an example of what an inclusive workplace should be.

Last year, I highlighted for you the characteristics of companies that have survived for over 100 years. To repeat:

1. They are sensitive to the business environment, so that they always provide outstanding customer service.
2. They have a strong culture – a strong sense of identity that encompasses not only the employees but also the community and everyone they deal with. Managers are chosen from the inside and considered stewards of the enterprise.
3. They are decentralized, refraining from centralized control.
4. They are conservatively financed, recognizing the advantage of having spare cash in the kitty.

We continue to focus on these characteristics as we build for the future – long after I am gone.

With Fairfax having just completed 36 years, you will be interested to know that we have written cumulative premiums of $200 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 $262 million since we began our donations program in 1991 and, yes, over the last 36 years we have paid cumulative taxes of $3.8 billion. This is why we consider business a good thing and why countries that are business friendly succeed mightily. We are a small microcosm of what business does worldwide.

Tony Griffiths, whom we have known for almost 40 years and who has been on our Board for 20 years, 17 years as Lead Director and Chair of the Compensation and Governance Committees, has decided, at an active 92 years old, to retire as a director after the upcoming annual meeting. We have been enormous beneficiaries of Tony's knowledge, experience and business acumen, as well as of his wonderful sense of humour, and we thank him for his great contribution, delivered not just professionally but out of an obvious affection for our company.

I am pleased to announce that we have recently published an updated Environmental, Social, Governance (ESG) report. While the formality of it is still fairly new to the business world, Fairfax was actually built on the foundation of many of its key concepts back in 1985. Supported by the Guiding Principles we wrote in our early years and which as usual we include in our annual report, our company culture is rooted in the golden rule of treating people the way you want to be treated. We believe – and always have – in doing good by doing well. You can read our full ESG report on our website *www.fairfax.ca.*

Our donations program continues to thrive across the communities all over the world where we do business. This year, in addition to our normal giving, we also donated to help with pandemic efforts in the areas most vulnerable within the countries where we do business, especially in India, which was hit particularly hard by the third wave of the virus. Hari Marar, who runs the Bangalore International Airport, built a field hospital on its premises to help during the height of the pandemic and to give medical care and oxygen to people who could not get into overburdened hospitals. We have similar stories from many of our companies around the world where our employees have volunteered and given their time and resources to help in their own communities. In 2021, we donated $23 million, for a total of $262 million since we began our donations program in 1991. Over the 31 years since we began our donations program, our annual donations have gone up approximately 134 times at a compound rate of 17% per year. Allow me to highlight briefly just a few examples of our company donations:

The Northbridge Cares program focuses on empowering, educating and supporting Canadian youth at risk to reach their potential by partnering with six national organizations. In 2021, Northbridge added two new programs in support of youth impacted by racial injustice and one program with a focus on the environment. In addition, the company brought in double the number of students for the summer through its Pathways to Education partner, providing these youth with an opportunity to build key employment skills in project management, finance, human resources and underwriting.

The Odyssey Group Foundation is committed to making a difference in the areas of health and medical, cancer research, food and shelter, community and human services, education and disaster relief. In 2021, its philanthropic endeavors provided much needed resources to communities that were still suffering from the pandemic, as well as those affected by the multiple natural disasters that occurred across the globe. In addition, Odyssey Group held its biennial employee nomination campaign that directed $2.5 million to 110 charities around the world.

Crum & Forster is committed to supporting the local communities where its employees live and work and donated over $1.6 million to charitable organizations throughout the United States in 2021. Corporate giving included continued support of a five-year pledge to the Foundation for the Morristown Medical Center to help add 55,000 square feet of clinical space, expand cardiac MRI capacity and establish 72 new private patient rooms. The employee-led Charitable Impact Committee supported homeless shelters, animal rescues, LGBTQ+ centres and educational institutions. Crum & Forster's seven Employee Resource Groups (ERGs) focused charitable giving on organizations aligned with their respective ERG missions, including PFLAG (the largest organization for LGBTQ+ people, their parents, families and allies), SHEWins (which provides free leadership to and supports social action for middle and high school girls affected by inner city violence) and JESPY House (which helps adults with intellectual and developmental disabilities achieve their full potential). Additionally, the Redwoods Foundation continued its sponsorship of sexual abuse and drowning prevention programs in YMCAs and other youth-serving organizations.

Zenith is dedicated to supporting the communities in which its employees, customers and agents live and work. Serving those most in need through volunteerism, employee contributions, regional events, matching gifts and responses to disasters brings the company's values to life. Zenith holds an annual weeklong Give Together Campaign, during which employees participate in charitable engagement activities. The two charities chosen during the 2021 campaign reflect Zenith's continued commitment to racial and social equity initiatives and food insecurity. *The Equal Justice Initiative* challenges racial and economic injustice and is committed to ending mass incarceration and excessive punishment through its critically acclaimed research, educational materials and recommendations to advocates and policymakers. *Feeding America* is not only the largest hunger-relief organization in America, providing meals to people in need, but it also raises awareness about hunger and poverty and conducts in-depth research to better understand these problems. Zenith also contributed $104,000 to the American Red Cross in support of relief efforts in response to various catastrophes, including the COVID-19 relief efforts in India.

In 2021, Brit donated $100,000 to CARE for the India COVID-19 Relief Appeal to help create emergency hospital facilities for those in India suffering from COVID and in need of urgent medical care. Further donations were made to the Captain Tom Foundation, supporting health service across the U.K., and to Conservation Without Borders, a charity actively involved in the fight against climate change. Brit continues to support its flagship initiative, the Soweto Academy, a school situated in the largest slum in Africa. In 2021, it donated $59,000 to fund teachers' salaries and classroom space and to provide masks and thermometers so that the Academy could continue its vital work, providing a safe haven from abuse and an education to help this generation escape the cycle of poverty.

In 2021, Allied World supported charities and community service projects with a primary focus on education, healthcare and addressing social challenges such as food insecurity and homelessness. Benefitted organizations include the Bermuda Education Network, P.A.L.S. Bermuda, Citizens Committee for New York City, the Felix Project, Providence Row and Habitat for Humanity Singapore. A significant donation was also given to the American Red Cross in response to devastating U.S. tornadoes. Allied World also continued supporting and partnering with the National Wildlife Federation to promote environmentally sound infrastructure, as well as with Career Ready, a social mobility charity focused on supporting young people who face barriers in education and employment due to their socioeconomic situation.

Charitable giving is a core part of RiverStone's culture. Through a generous 3:1 donation matching program, a grant program and an associate-driven community support committee, RiverStone donated over $720,000 to a diverse range of organizations. These organizations work to reduce food insecurity, provide child advocacy, enable education opportunities and support veterans' needs in the communities where RiverStone associates live and work. In addition to monetary donations, RiverStone once again provided meals for frontline healthcare workers as the Omicron variant surged across hospitals late in the year. RiverStone is proud of its culture of giving and grateful for the generosity of its associates.

Colonnade contributed to the local communities where it operates through initiatives chosen by its employees, and helped in causes its employees found important in Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria and Ukraine. The company's efforts included support of foundations focusing on child and student care and education, food bank supplies to people in need and hospital, school and kindergarten renovations, through financial donations and many hours of volunteering. The company's teams have also supported hospitals and medical institutions in fighting COVID-19 by providing personal protective equipment.

Bryte supported various youth programs, including the provision of grocery vouchers and toiletries for abandoned, abused and HIV+ and AIDS affected babies and children. The civil unrest in parts of South Africa in July saw the Bryte team mobilize to support employees in affected areas.

Fairfax Asia, through its subsidiaries and operating entities in nine regions, contributed significantly to charitable initiatives as well as COVID-19 relief support across Asia. Apart from over $100,000 donated across Asia to

COVID-19 relief programs. Fairfax Asia also participated in kind in various programs such as environmental awareness, insurance awareness, road safety practices and disaster relief. In Indonesia, AMAG distributed food packets and other relief items to victims of the Mount Sumeru volcano eruption. AMAG also aided in setting up wells in remote villages to help access to fresh water. In India, Paramount Health Services was involved in food distribution, sport promotion amongst villages and education against pandemic and other illnesses in remote rural areas. Fairfirst in Sri Lanka donated over 100 computers and related peripherals to the Department of Probation and created an education platform for children on probation. In addition, various multilingual education programs were held across the country promoting health and safety awareness and driving safety. Pacific in Malaysia donated food packets and other monthly essentials to over 600 families in distress as a result of the pandemic. Employees of Pacific collected funds (matched by the company) to donate towards old age and sickness programs monitored by Mercy Malaysia and Yayasan Food Services. Falcon Thailand, Thai Re and Falcon in Hong Kong were all involved in various COVID-19 relief, food, medical care and other educational programs across their respective countries.

In 2021, Southbridge Colombia, as it does annually, held an event that focuses on corporate social responsibility, and supported Fundación Corazón Verde, which develops initiatives to improve the quality of life of widows and orphans of the National Police of Colombia with education, home and psychological assistance programs. This year included a special donation for child education. In 2021, Southbridge Chile focused on forestry initiatives focusing on native trees in Chile and the impact of climate change: for each purchase of a policy that a client made using the company's digital platform, a contribution was made to the reforesting cause. The company also held a volunteering and donations day to help with the maintenance of native trees recently planted on a mountain where the vegetation was previously destroyed by a forest fire.

Supporting our employees' health and well-being has always been important to us, but the last couple of years have really emphasized the role workplaces can play in providing people with a safe and healthy foundation that supports them well beyond the office walls. In 2020, our decentralized structure enabled us to quickly transition all our employees to remote working, with operating companies also implementing their own wellness initiatives, such as virtual personal trainers and meditation sessions. As we saw the effects of another year of lockdown in 2021, our employees' mental health was at the forefront of all our efforts, along with ensuring they had access to vaccines and reliable health information from our partners at the Cleveland Clinic. From cross-company working groups discussing how we could help our people transition back to "normal life" to offering webinars on financial health, we took a holistic approach to our employees' well being. As the world continues to return to normalcy, our employees know that no matter what changes (or doesn't), they always have a support network within our Fairfax family.

The Fairfax Leadership Workshop continues to grow and develop our leaders of tomorrow. For the past two years we had to take a break as we were not able to have an in-person workshop, but we have identified many worthy candidates and will hold our next in-person workshop this June. However, this did not stop us from continuing to develop our leaders of tomorrow – we just had to take it online. Fairfax Asia took 68 of its senior leaders through a leadership workshop over six months, led by Sanjeev Jha, Orla O'Carroll and Gobi Athappan. Mr. Athappan and I had the privilege to attend the virtual graduation ceremony, and it was inspiring to hear the feedback and enthusiasm of the participants. Our culture is truly alive and well! We continue with training, workshops and seminars to help our employees through these unprecedented times in our lives. Going forward we hope to do them in person.

This year we again could not do our investor trip to India, but we will look at resurrecting it as I believe that India, although hit by the pandemic like the rest of the world, is poised to grow significantly under the leadership of Prime Minister Modi, who has once again released a very business-friendly budget. He is following through on his commitments towards privatization and asset monetization, making it clear that the government is pulling itself out of industry. We are excited to significantly grow our footprint there, and we would like to take you there so that you can see the opportunities for yourselves and why we feel India is going to be the investment opportunity of a lifetime. More to come.

George Athanassakos, who runs a Value Investing Conference the day before our annual shareholders' meeting that many of you have attended in the past, will do so again this year – albeit virtually, hopefully for the last time! This will be its tenth year and in case you have not attended, please check the website for details (*www.bengrahaminvesting.ca*). I highly recommend it – it is well worth your time to attend. Many who have attended have mentioned to me that it is one of the best of its kind, and this year's lineup of speakers as usual is outstanding! This year's featured keynote speaker will be Raj Subramanian, President and Chief Operating Officer and a Board member of FedEx. George has also written a book on value investing, From Theory to Practice, which I highly recommend. The book is well researched, thought provoking and a modern day "Security Analysis" that Ben Graham wrote in 1934. A must read for anyone who is a value investor.

Similarly to last year, Fairfax India (of which many of you are also shareholders) will hold its annual shareholders' meeting at 2:00 p.m. on April 21. Details will be posted on the Fairfax India website.

Helios Fairfax Partners will hold its shareholders' meeting on Wednesday, April 20 at 2:30 p.m. Details will be posted on its website.

So as we have done for the last 36 years, we look forward again to seeing all of you in person at our annual shareholders' meeting in Toronto, after a hiatus of two years because of COVID-19. Our leaders will also be there 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 21.

March 4, 2022

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, in various ways. 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 and may not be comparable to similar measures presented by other companies.

Supplementary Financial Measures

Gross premiums written and net premiums written – The company presents information on gross premiums written and net premiums written throughout its financial reporting. Gross premiums written represents the total premiums on policies issued by the company during a specified period, irrespective of the portion ceded or earned, and is an indicator of the volume of new business generated. Net premiums written represents gross premiums written less amounts ceded to reinsurers and is considered a measure of the insurance risk that the company has chosen to retain from the new business it has generated. These measures are 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) – This is a measure of underwriting activity in the insurance industry that is calculated by the company for its insurance and reinsurance operations as net premiums earned less **underwriting expenses**, which is comprised of losses on claims, net, commissions, net, and operating expenses (excluding corporate overhead), as presented in the consolidated statement of earnings. **Corporate overhead**, comprised of 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, is a component of operating expenses as presented in the consolidated statement of earnings.

	Year ended December 31,	
	2021	**2020**
Net premiums earned	16,558.0	13,988.7
Underwriting expenses:		
Losses on claims, net	10,740.5	9,324.5
Operating expenses	2,946.1	2,536.5
Commissions, net	2,787.9	2,355.0
Less: corporate overhead	(409.0)	(328.2)
	16,065.5	13,887.8
Underwriting profit	492.5	100.9

Property and casualty insurance and reinsurance ratios – The **combined ratio** 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) and the **expense ratio** (commissions, premium acquisition costs and other underwriting expenses expressed as a percentage of net premiums earned). Other ratios used by the company include the **commission expense ratio** (commissions expressed as a percentage of net premiums earned), the **underwriting expense ratio** (premium acquisition costs and other underwriting expenses expressed as a percentage of net premiums earned), 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). All of the ratios described above are calculated from information disclosed in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2021 and 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 a loss that is a component of losses on claims, net, such as a catastrophe loss or COVID-19 losses, as a percentage of net premiums earned during the same period. Similarly, net favourable or adverse prior year reserve development, which is also a component of losses on claims, net, may be expressed as combined ratio points. Both losses on claims, net, and net premiums earned, are amounts presented in the consolidated statement of earnings.

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 (comprised of provision for losses and loss adjustment expenses, and provision for unearned premiums) and insurance contract payables, less the sum of its recoverable from reinsurers, insurance contract receivables and deferred premium acquisition costs, all as presented on the consolidated balance sheet. 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) from note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2021 as a percentage of **average float** for the year (the simple average of float at the beginning and end of the year).

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 over the long term by 15% annually. 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, 2021.

Equity exposures – **Long equity exposures** and **short equity exposures** refer to the company's long and short positions respectively, in equity and equity-related instruments held for investment purposes, and **net equity exposures and financial effects** refers to the company's long equity exposures net of its short 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 24 (Financial Risk Management, under the heading "Market risk") to the consolidated financial statements for the year ended December 31, 2021.

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, 2021, both including and excluding the relevant balances of consolidated non-insurance companies, and are presented and explained in note 24 (Financial Risk Management, under the heading "Capital Management") thereto.

Total of Segments Measures

Operating income (loss) – This measure is used by the company as a pre-tax performance measure of operations that excludes net gains (losses) on investments, gain on sale and consolidation of insurance subsidiaries, interest expense and corporate overhead, 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 underwriting profit (loss) for the insurance and reinsurance operations and includes other revenue and other expenses for the non-insurance companies. A reconciliation of operating income (loss) to earnings before income taxes, the most directly comparable IFRS measure, is presented in the table below. All figures in that table are from the company's consolidated statement of earnings for the year ended December 31, 2021, except for underwriting profit and corporate overhead, which are described above under "Supplementary Financial Measures".

	Year ended December 31,	
	2021	**2020**
Underwriting profit:		
Property and casualty insurance and reinsurance	801.2	309.0
Life insurance and Run-off	(309.0)	(208.1)
Eliminations and adjustments	0.3	–
Non-insurance companies:		
Other revenue	5,158.0	4,719.6
Other expenses	(5,086.9)	(4,858.9)
Investments:		
Interest and dividends	640.8	769.2
Share of profit (loss) of associates	402.0	(112.8)
Operating income	1,606.4	618.0
Net gains on investments	3,445.1	313.1
Gain on sale and consolidation of insurance subsidiaries	264.0	117.1
Interest expense	(513.9)	(475.9)
Corporate overhead	(409.0)	(328.2)
Earnings before income taxes	4,392.6	244.1

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 net premiums written, net premiums earned, underwriting profit (loss) and operating income (loss), consistent with the information presented in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2021. References to "**insurance and reinsurance**" operations includes property and casualty insurance and reinsurance, life insurance and run-off operations.

Non-GAAP Financial Measures

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.

	December 31, 2021			December 31, 2020		
	Fair value	**Carrying value**	**Excess (deficiency) of fair value over carrying value**	**Fair value**	**Carrying value**	**Excess (deficiency) of fair value over carrying value**
Non-insurance associates	4,541.9	4,117.0	424.9	3,304.6	3,763.1	(458.5)
Non-insurance companies	1,525.8	1,604.3	(78.5)	1,016.6	1,220.7	(204.1)
	6,067.7	5,721.3	346.4	4,321.2	4,983.8	(662.6)

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, 2021 and 2020, 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, 2021		December 31, 2020	
	Fair value	Carrying value	Fair value	Carrying value
Investments in associates as presented on the consolidated balance sheets	5,671.9	4,755.1	4,154.3	4,381.8
Less:				
Insurance and reinsurance investments in associates[(1)]	1,099.1	607.4	812.0	575.2
Associates held by consolidated non-insurance companies[(2)]	30.9	30.7	37.7	43.5
Non-insurance associates included in the performance measure	4,541.9	4,117.0	3,304.6	3,763.1

(1) As presented in note 6 (Investments in Associates) to the consolidated financial statements for the year ended December 31, 2021, and excludes investment in associate held for sale at December 31, 2020.

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

Non-insurance companies included in the performance measure

The consolidated non-insurance subsidiaries included in this performance measure are those that are market traded – Recipe, Fairfax India, Thomas Cook India, Dexterra Group, Boat Rocker and Farmers Edge. Their fair values 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 is 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, 2021 and 2020, as shown in the table below which reconciles the consolidated balance sheet of the market traded non-insurance companies to that of the Non-insurance companies reporting segment included in the company's consolidated balance sheet.

	December 31, 2021			December 31, 2020		
	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	2,418.5	(165.7)	2,252.8	2,112.0	(301.7)	1,810.3
Deferred income tax assets	41.1	25.8	66.9	24.0	40.5	64.5
Goodwill and intangible assets	2,069.5	271.7	2,341.2	1,705.2	896.6	2,601.8
Other assets[(3)]	1,895.9	1,299.6	3,195.5	1,861.3	2,011.1	3,872.4
Total assets	6,425.0	1,431.4	7,856.4	5,702.5	2,646.5	8,349.0
Accounts payable and accrued liabilities[(3)]	1,565.2	647.3	2,212.5	1,303.2	1,380.8	2,684.0
Derivative obligations	–	47.9	47.9	–	50.0	50.0
Deferred income tax liabilities	153.7	44.8	198.5	139.2	58.5	197.7
Borrowings – non-insurance companies	1,093.4	522.8	1,616.2	1,270.0	922.5	2,192.5
Total liabilities	2,812.3	1,262.8	4,075.1	2,712.4	2,411.8	5,124.2
Shareholders' equity attributable to shareholders of Fairfax[(4)]	**1,604.3**	178.2	1,782.5	**1,220.7**	165.2	1,385.9
Non-controlling interests	2,008.4	(9.6)	1,998.8	1,769.4	69.5	1,838.9
Total equity	3,612.7	168.6	3,781.3	2,990.1	234.7	3,224.8
Total liabilities and equity	6,425.0	1,431.4	7,856.4	5,702.5	2,646.5	8,349.0

(1) Non-insurance companies reporting segment as presented in the Segmented Balance Sheet in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2021.

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

(3) Other assets includes due from affiliates, and 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 investments recorded 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,	
	2021	**2020**
Cash provided by (used in) operating activities (excluding operating cash flow activity related to investments recorded at FVTPL):		
Northbridge, Odyssey Group, Crum & Forster, Zenith National, Brit and Allied World	4,241.4	2,614.2
All other reporting segments	(214.8)	(138.2)
Net (purchases) sales of investments classified at FVTPL	2,614.4	(2,336.2)
Cash provided by operating activities as presented in the consolidated statement of cash flows	6,641.0	139.8

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 and may not be comparable to similar measures presented by other companies.

Fairfax Worldwide Insurance Operations as at December 31, 2021

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, 2021. 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 supplementary financial measure is 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 note 25 (Segmented Information) and note 16 (Total Equity) respectively to the consolidated financial statements for the year ended December 31, 2021. Management uses this measure as an indicator of organic growth and accretive acquisitions in its core 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".

Unconsolidated Balance Sheet

The unconsolidated balance sheet in the Letter presents the IFRS 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, 2021. 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, 2021. All figures are rounded to US$ billions, and may not add due to rounding.

	December 31, 2021			
	As presented in the unconsolidated balance sheet	Reclassifications	Consolidation of subsidiaries	As presented in the consolidated balance sheet
		(US$ billions)		
Assets				
Northbridge	1.8	—	(1.8)	—
Odyssey Group	3.7	—	(3.7)	—
Crum & Forster	2.1	—	(2.1)	—
Zenith National	1.0	—	(1.0)	—
Brit	1.8	—	(1.8)	—
Allied World	2.9	—	(2.9)	—
Fairfax Asia	2.6	—	(2.6)	—
Insurance and Reinsurance – Other	1.1	—	(1.1)	—
Life insurance and Run-off	0.5	—	(0.5)	—
Insurance and reinsurance operations	17.5	—	(17.5)	—
Recipe	0.5	—	(0.5)	—
Thomas Cook India	0.3	—	(0.3)	—
Fairfax India	0.4	—	(0.4)	—
Other Non-insurance	0.6	—	(0.6)	—
Non-insurance operations	1.8	—	(1.8)	—
Total consolidated operations	19.3	—	(19.3)	—
Holding company cash and investments	1.5	—	—	1.5
Insurance contract receivables	—	—	6.9	6.9
Investments in associates	0.9	(0.9)	—	—
Portfolio investments	—	0.9	50.8	51.7
Deferred premium acquisition costs	—	—	1.9	1.9
Recoverable from reinsurers	—	—	12.1	12.1
Deferred income tax assets	—	—	0.5	0.5
Goodwill and intangible assets	—	—	5.9	5.9
Other assets	—	0.7	5.4	6.1
Other holding company assets	0.7	(0.7)	—	—
Total assets	22.4	—	64.2	86.6
Liabilities				
Accounts payable and other liabilities	0.7	—	4.3	5.0
Derivative obligations	—	—	0.2	0.2
Deferred income tax liabilities	—	—	0.6	0.6
Insurance contract payables	—	—	4.5	4.5
Insurance contract liabilities	—	—	47.3	47.3
Borrowings – holding company and insurance and reinsurance companies	—	5.3	0.8	6.1
Borrowings – non-insurance companies	—	—	1.6	1.6
Borrowings – holding company	5.3	(5.3)	—	—
Total liabilities	6.0	—	59.3	65.3
Equity				
Common shareholders' equity	15.1	—	—	15.1
Preferred stock	1.3	—	—	1.3
Shareholders' equity attributable to shareholders of Fairfax	16.4	—	—	16.4
Non-controlling interests	—	—	4.9	4.9
Total Equity	16.4	—	4.9	21.3
Total Liabilities and Total Equity	22.4	—	64.2	86.6