

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE STATEMENT

18 Can any resulting loss be recognized? ▶ SEE STATEMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE STATEMENT

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ *Kent W. Ziegler* Date ▶ 9/12/2017
Print your name ▶ Kent W. Ziegler Title ▶ SVP, Chief Financial Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
WILL MCCALLUM	<u><i>Will McCallum</i></u>	09/12/2017		P01558805
Firm's name ▶ KPMG TAX LIMITED			Firm's EIN ▶ 98-1277666	
Firm's address ▶ CROWN HOUSE, 4 PAR-LA-VILLE ROAD, HAMILTON, BERMUDA HM 12			Phone no. (441) 295-5063	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Allied World Assurance Company Holdings, AG
EIN: 98-0681223
Statement to Form 9937

Line 14:

On August 17, 2017, Fairfax Financial Holdings Limited ("Fairfax") completed the acquisition of Allied World Assurance Company Holdings, AG ("Allied World"), as follows:

- (i) On July 6, 2017, Fairfax (Switzerland) GmbH ("Fairfax (Switzerland)"), a wholly owned subsidiary of Fairfax, acquired substantially all of the outstanding common shares of Allied World pursuant to the terms of the Agreement and Plan of Merger dated December 18, 2016. For each Allied World common share held, Allied World shareholders received cash consideration of \$23.00 and 0.057937 of a voting share of Fairfax, plus cash in lieu of any fractional shares (together, the "Offer Consideration")
- (ii) On August 17, 2017, Allied World merged with and into Fairfax (Switzerland) with Fairfax (Switzerland) as the surviving entity. As a result of the merger, all remaining Allied World shares not previously tendered as of July 6, 2017 were cancelled in exchange for a right to receive the Offer Consideration.

Fairfax and Allied World intended that the acquisition would qualify as a tax-deferred reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Line 15:

A U.S. shareholder that exchanged its Allied World shares for the Offer Consideration will recognize gain in an amount equal to the lesser of (i) the amount of any cash received by such U.S. shareholder pursuant to the exchange (excluding cash received in lieu of fractional shares) and (ii) the amount of gain realized by such U.S. shareholder in such exchange. The amount of a U.S. shareholder's realized gain will equal the excess of (i) the sum of (a) the fair market value of the Fairfax shares received (including any fractional Fairfax shares for which cash is received) and (b) the amount of cash consideration received pursuant to the share exchange (other than cash received in lieu of fractional Fairfax shares) over (ii) the U.S. shareholder's adjusted tax basis in the Allied World shares exchanged. Cash received in lieu of a fractional Fairfax share will be treated as a payment in exchange for the fractional Fairfax share, resulting in a U.S. shareholder's recognition of gain or loss in an amount equal to the difference between the amount of cash received for the fractional Fairfax share and the U.S. shareholder's adjusted tax basis attributable to the fractional Fairfax share. The aggregate adjusted tax basis of a U.S. shareholder in Fairfax shares received pursuant to the exchange will equal such U.S. shareholder's aggregate adjusted tax basis in its Allied World shares exchanged therefor, increased by the amount of gain recognized and decreased by the amount of cash received by such U.S. shareholder pursuant to the exchange. If a U.S. shareholder acquired Allied World shares at different times or different prices, gain realized in accordance with the preceding rules will be determined separately with respect to each block of shares.

Line 16:

U.S. federal income tax law does not specify how U.S. shareholders should determine the fair market value of Fairfax shares on the dates of exchange. For purposes of calculating the potential gain on the Allied World shares exchanged, one potential approach for determining the fair market value of Fairfax shares received is to use the mean between the highest and lowest trading prices of Fairfax shares on the exchange dates, which is CAD 560.26 on July 6, 2017 and CAD 597.88 on August 17, 2017. You should consult your tax advisor regarding the determination of the fair market value of Fairfax shares for purposes of determining the potential gain described in line 15.

Line 17:

IRC sections 368(a), 354, 356, 358, and 1001.

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(continued)

Line 18:

No, except with respect to cash received in lieu of fractional shares. Cash received in lieu of a fractional Fairfax share will be treated as a payment in exchange for the fractional Fairfax share, resulting in a U.S. shareholder's recognition of gain or loss in an amount equal to the difference between the amount of cash received for the fractional Fairfax share and the U.S. shareholder's adjusted tax basis attributable to the fractional Fairfax share.

Line 19:

The reportable tax year for shareholders who exchanged Allied World shares on July 6, 2017 pursuant to the tender offer will be their tax year that included July 6, 2017. The reportable tax year for shareholders who relinquished Allied World shares pursuant to the merger on August 17, 2017 will be their tax year that included August 17, 2017.