

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 attached.

18 Can any resulting loss be recognized? ▶ See attached.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached.

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.

Sign Here

Signature ▶  Date ▶ 3/13/19

Print your name ▶ Edward Peña Title ▶ VP, Director Investor Relations

Paid Preparer Use Only

Print/Type preparer's name <u>Erika Nijenhuis</u>	Preparer's signature 	Date <u>3/13/19</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P01481357</u>
Firm's name ▶ <u>Cleary Gottlieb Steen & Hamilton LLP</u>			Firm's EIN ▶ <u>13-5589083</u>	
Firm's address ▶ <u>One Liberty Plaza, New York, NY 10006</u>			Phone no. <u>(212) 225-2000</u>	

Liberty Mutual Group Inc.
EIN: 04-3583679
Date of Action: January 28, 2019
Attachment to Internal Revenue Service Form 8937

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended, and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Exchange (as defined below) on the tax basis of the new notes issued by Liberty Mutual Group Inc. ("Liberty Mutual") to holders of three series of existing notes of Liberty Mutual in exchange therefor. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of holders. Liberty Mutual does not provide tax advice to holders of its debt obligations and the examples provided below are based on certain assumptions and are merely illustrative. Holders should consult their own tax advisers regarding the particular tax consequences of the Exchange to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws.

10. CUSIP Numbers.

Old Notes:
53079EAV6
53079EAW4
53079EBE3

New Notes:
53079EBG8

14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On January 28, 2019, holders of three outstanding series of notes of Liberty Mutual ("Old Notes") exchanged their Old Notes for a combination of Liberty Mutual's newly issued 4.569% senior notes due 2029 (the "New Notes") and cash (the "Exchange"). Each \$1000 principal amount of Old Note was exchanged for a \$1000 principal amount of New Note plus cash in the amount shown below.

- | | |
|---------------------------------|---------------------------------|
| 1. 5.000% Senior Notes due 2021 | Cash: \$32.94 for each Old Note |
| 2. 4.950% Senior Notes due 2022 | Cash: \$43.17 for each Old Note |
| 3. 4.250% Senior Notes due 2023 | Cash: \$24.70 for each Old Note |

For more information, see the press release for the final results of the Exchange, available on the Company's website: https://www.libertymutualgroup.com/about-liberty-mutual-site/investor-relations-site/Documents/LIBERTY_MUTUAL_ANNOUNCES_PRICING_OF_ITS_PREVIOUSLY_ANNOUNCED_EXCHANGE_OFFERS.pdf

15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

Liberty Mutual will treat all of the Old Notes and the New Notes exchanged therefor as securities, and will treat the exchange of the Old Notes for New Notes as recapitalizations.

Recapitalizations generally do not result in the recognition of gain or loss, subject to certain exceptions. However, a holder recognizes gain in a recapitalization equal to the lesser of (i) the cash amount received (not including any amounts received in respect of accrued and unpaid interest on the Old Notes, which will be taxed as such) plus the fair market value of the “excess principal” amount received (collectively, “boot”), and (ii) the gain realized by the holder. The gain realized by a holder is equal to the excess of (i) the issue price of the New Notes received in exchange for Old Notes, plus any cash received (not including any amounts received in respect of accrued and unpaid interest on the Old Notes) over (ii) the holder’s tax basis in the Old Notes surrendered in the exchange.

See the response to Question 16 regarding the calculation of initial tax basis in the New Notes.

16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

Under the rules applicable to recapitalizations, a holder’s initial tax basis in the New Notes is the same as the holder’s tax basis in the Old Notes allocated thereto, increased by the amount of gain recognized by the holder in the exchange, if any, and decreased by the amount of boot received by the holder. As an example, assume that an investor held a \$1000 principal amount of an Old Note with a \$1,000 tax basis, and exchanged the Old Note for total consideration of \$1,050 consisting of a New Note with a principal amount of \$1,000 and cash of \$50. The holder’s initial tax basis in the New Note would be \$1,000 (holder’s tax basis in the Old Note), increased by \$50 (gain recognized), and decreased by \$50 (cash received), resulting in a \$1,000 basis in the New Note.

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

Section 1001; Section 368(a)(1)(E); Section 354; Section 356; Section 358; Treasury Regulation section 1.1273-2.

18. Can any resulting loss be recognized?

A holder that exchanges Old Notes for New Notes in an exchange treated as a recapitalization generally will not be permitted to recognize any loss on the exchange.

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

The Exchange was consummated on January 28, 2019. For a holder whose taxable year is the calendar year, the reportable tax year is 2019.

Pursuant to U.S. Treasury Regulation section 1.1273-2(f)(9), Liberty Mutual has determined that, within the meaning of U.S. Treasury Regulation section 1.1273-2:

- The New Notes are “traded on an established market.”
- The issue price of New Notes is \$1,000.00 per \$1,000 face amount of such New Notes, or 100.00%.