



**COMBINED STATEMENTS OF INCOME FOR XL GROUP AND CATLIN GROUP
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

These combined statements do not represent pro-forma statements in accordance with SEC and GAAP guidance - see comment on Regulation G

(U.S. Dollars in thousands)
(Unaudited)

	COMBINED	XL GROUP	CATLIN GROUP
	Six Months Ended	Six Months Ended	Six Months Ended
	December 31, 2014	December 31, 2014	December 31, 2014
			<small>(Note 1)</small>
Revenues			
Gross premiums written	\$ 5,688,993	\$ 3,383,751	\$ 2,305,242
Net premiums written	4,178,728	2,457,146	1,721,582
Net premiums earned - P&C operations	4,972,609	2,866,834	2,105,775
Net premiums earned - run-off Life operations	42,803	42,803	-
Net investment income - excluding Life Funds Withheld Assets (Note 2)	402,002	342,253	59,749
Net investment income - Life Funds Withheld Assets (Note 2)	110,410	110,410	-
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2)	51,169	22,918	28,251
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2)	13,214	13,214	-
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 2)	(20,587)	(20,587)	-
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2)	(9)	(9)	-
Net realized and unrealized gains (losses) on derivative instruments	(2,504)	16,477	(18,981)
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	(470,676)	(470,676)	-
Net income (loss) from investment fund affiliates (Note 3)	44,830	44,830	-
Fee income and other	22,470	22,470	-
Total revenues	\$ 5,165,731	\$ 2,990,937	\$ 2,174,794
Expenses			
Net losses and loss expenses incurred - P&C operations	\$ 2,751,623	\$ 1,599,008	\$ 1,152,615
Claims and policy benefits - run-off Life operations	44,077	44,077	-
Acquisition costs	802,197	354,085	448,112
Operating expenses (Note 4)	1,093,382	697,861	395,521
Foreign exchange losses (gains)	(57,628)	(69,150)	11,522
Loss on sale of life reinsurance subsidiary (Note 2)	-	-	-
Interest expense - debt and other	58,547	56,777	1,770
Interest expense - deposit liability accretion	20,303	20,303	-
Total expenses	\$ 4,712,501	\$ 2,702,961	\$ 2,009,540
Income (loss) before income (loss) from operating affiliates and income tax	\$ 453,230	\$ 287,976	\$ 165,254
Income (loss) from operating affiliates (Note 5)	36,745	33,195	3,550
Provision (benefit) for income taxes	71,452	68,230	3,222
Net income (loss)	\$ 418,523	\$ 252,941	\$ 165,582
Non-controlling interests	(62,807)	(41,057)	(21,750)
Net income (loss) attributable to ordinary shareholders	\$ 355,716	\$ 211,884	\$ 143,832
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, net of tax	\$ (65,119)	\$ (36,868)	\$ (28,251)
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2)	(5,067)	(5,067)	-
OTTI on investments - Life Funds Withheld Assets (Note 2)	20,587	20,587	-
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2)	9	9	-
Net realized and unrealized (gains) losses on derivatives, net of tax	2,503	(16,478)	18,981
Net realized and unrealized (gains) losses on investments and derivatives related to Company's insurance company affiliates	1,751	1,751	-
Net investment income - Life Funds Withheld Assets (Note 2)	(110,410)	(110,410)	-
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	470,676	470,676	-
Loss on sale of life reinsurance subsidiary (Note 2)	-	-	-
Foreign exchange (gains) losses, net of tax	(48,703)	(55,068)	6,365
Operating Net Income (Note 6)	\$ 621,943	\$ 481,016	\$ 140,927

Notes:

- Catlin's financial statements have been adjusted from those previously released. See page 3 for an explanation of these adjustments.
- On May 1, 2014, our wholly-owned subsidiary XL Insurance (Bermuda) Ltd ("XLIB"), entered into a sale and purchase agreement with GreyCastle Holdings Ltd. ("GreyCastle") providing for the sale of 100% of the common shares of XLIB's wholly-owned subsidiary, XL Life Reinsurance (SAC) Ltd ("XLLR"), for \$570 million in cash. This transaction was completed on May 30, 2014. As a result of the transaction, we have ceded the majority of our life reinsurance business to XLLR via 100% quota share reinsurance (the "Life Retrocession Arrangements"). The designated investments that support the Life Retrocession Arrangements, which are written on a funds withheld basis ("Life Funds Withheld Assets"), are included within "Total investments available for sale" and "Fixed maturities, trading at fair value" on our balance sheet.
- Earnings are generally lagged by one month for alternative funds and three months for private investment fund affiliates. The fair market values of certain of these alternative investments often take longer to obtain as compared to other investments of XL Group plc and its consolidated subsidiaries ("XL" or the "Company") and are therefore unavailable at the time of quarter close.
- See page 2 for split of segment and corporate operating expenses.
- Earnings from operating affiliates are generally lagged by three months as the information is unavailable at the time of quarter close.
- Operating net income is defined as net income (loss) attributable to ordinary shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold, net of tax, (3) our Other-than temporary impairments on investments - Life Funds Withheld Assets, (4) our net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets, (5) our net realized and unrealized (gains) losses on derivatives, net of tax, (6) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (7) our share of items (2) and (4) for our insurance company affiliates for the periods presented, (8) our loss on sale of life reinsurance subsidiary, XLLR, net of tax, and, (9) our foreign exchange (gains) losses, net of tax. "Operating net income" is a non-GAAP financial measure. For further information see Comment on Regulation G.



**COMBINED FINANCIAL DATA FOR XL GROUP AND CATLIN GROUP
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

These combined statements do not represent pro-forma statements in accordance with SEC and GAAP guidance - see comment on Regulation G

(U.S. Dollars in thousands)
(Unaudited)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 4,636,756	\$ 889,807	\$ 5,526,563	\$ 162,430	\$ 5,688,993
Net premiums written	3,332,304	803,619	4,135,923	42,805	4,178,728
Net premiums earned	3,296,056	1,676,553	4,972,609	42,803	5,015,412
Net losses and loss expenses incurred	(2,029,785)	(721,838)	(2,751,623)	(44,077)	(2,795,700)
Acquisition expenses	(447,013)	(352,130)	(799,143)	(3,054)	(802,197)
Operating expenses (Note 2)	(706,490)	(191,624)	(898,114)	(5,296)	(903,410)
Underwriting (loss) profit	<u>\$ 112,768</u>	<u>\$ 410,961</u>	<u>\$ 523,729</u>	<u>\$ (9,624)</u>	<u>\$ 514,105</u>
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	346,125	23,548	369,673
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	110,410	110,410
Net investment results structured products (Note 4)	7,175	4,196	11,371	-	11,371
Net fee income and other (Note 5)	(5,272)	1,463	(3,809)	270	(3,539)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			51,446	(277)	51,169
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			-	(7,382)	(7,382)
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)			-	(470,676)	(470,676)
Net realized and unrealized gains (losses) on derivative instruments			-	(2,504)	(2,504)
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)			-	81,575	81,575
Gain on sale of operating affiliate			-	-	-
Foreign exchange (gains) losses			-	(57,628)	(57,628)
Corporate operating expenses			-	163,308	163,308
Loss on sale of life reinsurance subsidiary (Note 3)			-	-	-
Contribution from P&C and Corporate and other			<u>928,862</u>	<u>(380,340)</u>	<u>548,522</u>
Interest expense (Note 7)					(58,547)
Non-controlling interests					(62,807)
Income tax					(71,452)
Net income (loss) attributable to ordinary shareholders					<u>\$ 355,716</u>
Ratios - P&C operations:					
Loss and loss expense ratio	61.6%	43.1%	55.3%		
Underwriting expense ratio	35.0%	32.4%	34.1%		
Combined ratio	96.6%	75.5%	89.5%		
Total net prior year development	(124,517)	(79,131)	(203,648)		
Natural catastrophe losses (Note 8)	47,440	67,126	114,566		
Reinstatement premium	-	8,015	8,015		
Loss and loss expense ratio excluding net prior year development	65.4%	47.8%	59.4%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	63.9%	44.0%	57.2%		
Combined ratio excluding net prior year development	100.4%	80.2%	93.6%		
Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	98.9%	76.6%	91.4%		

Notes :

- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB, entered into a sale and purchase agreement with GreyCastle providing for the sale of 100% of the common shares of XLIB's wholly-owned subsidiary XLLR for \$570 million in cash. This transaction was completed on May 30, 2014. As a result of the transaction, we have ceded the majority of our life reinsurance business to XLLR via the Life Retrocession Arrangements. The Life Funds Withheld Assets are included within "Total investments available for sale" and "Fixed maturities, trading at fair value" on our balance sheet. Investment results for these assets - including interest income, unrealized gains and losses, and gains and losses from sales - are passed directly to the reinsurer pursuant to a contractual arrangement which is accounted for as a derivative.
- The net investment results from structured products include net investment income and interest expense of \$32.3 million and \$20.3 million, respectively.
- Net fee income and other includes operating expenses of \$26.0 million from the Company's loss prevention consulting services business.
- XL records the income related to the alternative funds and to the private investment and operating fund affiliates on a one-month and three-month lag, respectively.
- Interest expense excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- Natural Catastrophes include the US and Canada storm, Korea snow storm, European hailstorm, Netherlands & Germany heavy rain and flooding, Mexico Hurricane Odile, India floods, Australia Brisbane Superstorm Cells and several US wind & thunderstorms.

COMMENT ON REGULATION G

XL presents its operations in the way it believes will be most meaningful and useful to investors, analysts, rating agencies and others who use XL's financial information in evaluating XL's performance. This document contains the presentation of (i) operating net income (loss) ("Operating Net Income"), defined as net income (loss) attributable to ordinary shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, net of tax, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, net of tax, (3) our net realized (gains) losses on investments sold (including OTTI) and net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets, (4) our net realized and unrealized (gains) losses on derivatives, net of tax, (5) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (6) our share of items (2) and (4) for XL's insurance company affiliates for the periods presented, (7) our foreign exchange (gains) losses, net of tax, (8) our expenses related to the Catlin acquisition, net of tax, (9) our gain on the sale of our interest in our operating affiliate, ARX, and (10) our loss on sale of life reinsurance subsidiary, XLLR, net of tax; (ii) annualized return on average ordinary shareholders' equity ("ROE") based on operating net income (loss) ("Operating ROE"); (iii) Operating ROE excluding unrealized gains and losses on investments; (iv) net income (loss) attributable to ordinary shareholders excluding the impact of the Life Retrocession Arrangements and (v) book value per ordinary share (ordinary shareholders' equity divided by the number of shares outstanding at the period end date), fully diluted book value per ordinary share (book value per share combined with the dilutive impact of potential future share issues at any period end), and fully diluted tangible book value per ordinary share (calculated in the same manner as fully diluted book value per ordinary share except that goodwill and intangible assets are excluded from ordinary shareholders' equity). These items are "non-GAAP financial measures" as defined in Regulation G.

Although the investment of premiums to generate income (or loss) and realize capital gains (or losses) is an integral part of XL's operations, the determination to realize capital gains (or losses) is independent of the underwriting process. In addition, under applicable GAAP accounting requirements, losses can be created as the result of other than temporary declines in value and from goodwill impairment charges without actual realization. In this regard, certain users of XL's financial information, including certain rating agencies, evaluate earnings before tax and capital gains to understand the profitability of the operational sources of income without the effects of these two variables. Furthermore, these users believe that, for many companies, the timing of the realization of capital gains and the recognition of goodwill impairment charges are largely a function of economic and interest rate conditions.

Net realized and unrealized (gains) losses on derivatives, net of tax, include all derivatives entered into by XL other than certain credit derivatives and the life retrocession embedded derivative. With respect to credit derivatives, because XL and its insurance company operating affiliates generally hold financial guaranty contracts written in credit default derivative form to maturity, the net effects of the changes in fair value of these credit derivatives are excluded (similar with other companies' treatment of such contracts) as the changes in fair value each quarter are not indicative of underlying business performance.

Net investment income - Life Funds Withheld Assets, net of tax, and net realized (gains) losses on the life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax, have been excluded because, as a result of the Life Retrocession Arrangement, XL no longer shares in the risks and rewards of the underlying performance of the Life Funds Withheld Assets that support these retrocession arrangements. The returns on the Life Funds Withheld Assets are passed directly to the reinsurer pursuant to a contractual arrangement that is accounted for as a derivative. Therefore, net investment income from the Life Funds Withheld Assets and changes in the fair value of the embedded derivative associated with these life retrocession arrangements are not relevant to XL's underlying business performance. In addition, the loss on the sale of life reinsurance subsidiary, net of tax, has been excluded due to the one-time, non-operating nature of this loss.

Foreign exchange (gains) losses in the income statement are only one element of the overall impact of foreign exchange fluctuations on XL's financial position and are not representative of any economic gain or loss made by XL. Accordingly, it is not a relevant indicator of financial performance and it is excluded.

In summary, XL evaluates the performance of and manages its business to produce an underwriting profit. In addition to presenting net income (loss), XL believes that showing operating net income (loss) enables investors and other users of XL's financial information to analyze XL's performance in a manner similar to how management of XL analyzes performance. In this regard, XL believes that providing only a GAAP presentation of net income (loss) would make it much more difficult for users of XL's financial information to evaluate XL's underlying business. Also, as stated above, XL believes that the equity analysts and certain rating agencies that follow XL (and the insurance industry as a whole) exclude these items from their analyses for the same reasons and they request that XL provide this non-GAAP financial information on a regular basis.

Operating ROE is a widely used measure of any company's profitability that is calculated by dividing annualized operating net income for any period other than a fiscal year when actual operating income is used by the average of the opening and closing ordinary shareholders' equity. XL establishes target Operating ROEs for its total operations, segments and lines of business. If XL's Operating ROE targets are not met with respect to any line of business over time, XL seeks to re-evaluate these lines. Operating ROE excluding average unrealized gains and losses on investments is an additional measure of a company's profitability that eliminates the impacts of mark to market fluctuations on a company's investment portfolio that have not been realized through sales, which XL believes provides a more consistent measure of company performance.

In addition, this document presents combined XL Catlin statements that do not represent pro-forma statements in accordance with SEC and GAAP guidance due to the following:

- No purchase accounting (PGAAP) adjustments have been reflected
- The income statement for Catlin is based on the Financial Statements for the year ended December 2014 and the six months ended June 2014 published by Catlin Group Ltd in press releases to the London Stock Exchange.
They are also available on XL Group's website (<http://xl.transactionannouncement.com/>). The figures included for Catlin reflect the following adjustments to Catlin's published Financial Statements:
- Net Investment return as per Catlin's published Financial Statements has been re-presented as follows:
 - Net Investment Income, Net realized gains (losses) on investments sold and Net realized and unrealized gains (losses) on derivative instruments are shown on separate line items
 - Net Unrealized Gains and Losses on debt and equity securities and loans are no longer recognized in the Income Statement, in accordance with XL's accounting policy.
 - No assessment has been made of Other Than Temporary Losses
- Overriders and Commissions reported within Administrative and Operating Expenses within Catlin's published Financial Statements have been reclassified to acquisition expenses.
- Profit commissions reported within net premiums earned within Catlin's published Financial Statements have been reclassified to acquisition expenses.
- The remaining Administrative and Other Expenses have been allocated to Income Statement line items and to the segments in a manner consistent with XL.
The segment information is shown on page 2.
- Commissions reported within Other Income in Catlin's financial statements have been reclassified as Acquisition costs, consistent with XL's treatment of similar income.
- Letters of Credit charges reported within Financing costs in Catlin's Financial Statements have been reclassified as Acquisition costs, consistent with XL's treatment of similar charges.