



# FINANCIAL SUPPLEMENT

## December 31, 2015

**Issued on February 3, 2016**

This supplement is being furnished to you for informational purposes only. It should be read in conjunction with documents filed by XL Group plc with the U.S. Securities and Exchange Commission (the "SEC"), including its reports on Form 10-K and Form 10-Q. Please refer to the Company's website at [www.xlcatlin.com](http://www.xlcatlin.com) for further information describing XL Group plc.

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## FINANCIAL SUPPLEMENT - TABLE OF CONTENTS



|  | PAGE |
|--|------|
| <b>Statements of Income</b>  | 3    |
| Consolidated Statements of Income  | 4    |
| Return on Ordinary Shareholders' Equity and Book Value per Share             | 5    |
| <i>Quarterly Data:</i>   |      |
| Segment Information  | 8    |
| Premiums By Line of Business   | 11   |
| Segment Consecutive Quarters   | 12   |
| Summary of Financial Impact of Prior Year Development and Natural CATS - QTR | 14   |
| <b>Balance Sheets</b>  | 19   |
| Consolidated Balance Sheets  | 20   |
| Supplementary Capital Information  | 21   |
| Recoverable and Reinsurance Balances Receivable by Reinsurer                 | 22   |
| <b>Loss Analysis</b>   | 23   |
| Analysis of Losses and Loss Expenses Incurred                                | 24   |
| Analysis of Unpaid Losses and Loss Expenses                                  | 25   |
| <b>Investment Portfolio Information</b>                                      | 26   |
| Schedule 1 - Summary Investment Portfolio                                    | 27   |
| Schedule 2 - P&C and Life Fixed Income Portfolio Information                 | 28   |
| Schedule 3 - Fixed Income Portfolio Characteristics                          | 29   |
| Schedule 4 - Government Related and Supported                                | 30   |
| Schedule 4 - (cont'd) U.S. Municipalities                                    | 31   |
| Schedule 5 - Corporate (Sector, Capital Structure)                           | 32   |
| Schedule 5 (cont'd) - Corporate (Issuer)                                     | 33   |
| Schedule 5 (cont'd) - Corporate (Country)                                    | 34   |
| Schedule 5 (cont'd) - Corporate (European Country)                           | 35   |
| Schedule 6 - RMBS  | 36   |
| Schedule 7 - CMBS  | 37   |
| Schedule 8 - ABS (CDO's)   | 38   |
| Schedule 9 - ABS (Consumer ABS, Other ABS)                                   | 39   |
| Schedule 10 - Unrealized Gains (Losses)                                      | 40   |
| Schedule 11 - Income Statement Analysis                                      | 41   |
| Schedule 12 - Life FWH   | 42   |
| <b>Regulation G</b>  | 43   |

### Cautionary Note Regarding Forward-Looking Statements

*This financial supplement contains forward-looking statements. Statements that are not historical facts, including statements about the beliefs, plans or expectations of XL Group plc and its consolidated subsidiaries ("XL"), are forward-looking statements. These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "may", "could", or "would" and similar statements of a future or forward-looking nature identify forward-looking statements. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes (a) changes in the size of XL's claims relating to natural or man-made catastrophe losses due to the preliminary nature of some reports and estimates of loss and damage to date; (b) trends in rates for property and casualty insurance and reinsurance; (c) the timely and full recoverability of reinsurance placed by XL with third parties, or other amounts due to XL; (d) changes in the projected amount of ceded reinsurance recoverables and the credit ratings and credit worthiness of reinsurers; (e) actual loss experience from insured or reinsured events and the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than anticipated; (f) increased competition on the basis of pricing, capacity, coverage terms or other factors such as the increased inflow of third party capital into reinsurance markets, which could harm XL's ability to maintain or increase its business volumes or profitability; (g) greater frequency or severity of claims and loss activity than XL's underwriting, reserving or investment practices anticipate based on historical experience or industry data; (h) the impact of changes in the global financial markets, such as the effects of inflation on XL's business, including on pricing and reserving, increased government involvement or intervention in the financial services industry and changes in interest rates, credit spreads, foreign currency exchange rates and future volatility in the world's credit, financial and capital markets that adversely affect the performance and valuation of XL's investments, future financing activities and access to such markets or general financial condition; (i) XL's ability to successfully implement its business strategy, including its recent acquisition of Catlin Group Limited ("Catlin"); (j) XL's ability to successfully attract and raise additional third party capital for existing or new investment vehicles; (k) the potential impact on XL of government-mandated insurance coverage for acts of terrorism; (l) changes in ratings and rating agency policies or practices; (m) the potential for changes to methodologies, estimations and assumptions that underlie the valuation of XL's financial instruments that could result in changes to investment valuations; (n) changes to XL's assessment as to whether it is more likely than not that it will be required to sell, or has the intent to sell, available-for-sale debt securities before their anticipated recovery; (o) the availability of borrowings and letters of credit under credit facilities; (p) the ability of XL's subsidiaries to pay dividends to XL Group plc and XLIT Ltd.; (q) the potential effect of legislative or regulatory developments in the jurisdictions in which XL operates, such as those that could impact the financial markets or increase XL's business costs and required capital levels, including but not limited to changes in regulatory capital balances that must be maintained by our operating subsidiaries and governmental actions for the purpose of stabilizing the financial markets; (r) the effects of business disruption, economic contraction or economic sanctions due to global political and social conditions such as war, terrorism or other hostilities, or pandemics; (s) changes in regulators or laws applicable to us or our subsidiaries, brokers or customers; (t) the actual amount of new and renewal business and acceptance of XL's products and services, including new products and services and the materialization of risks related to such products and services; (u) changes in the availability, cost or quality of reinsurance; (v) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (w) the loss of key personnel and changes in accounting standards, policies or practices or the application thereof; (x) changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; (y) the effects of mergers, acquisitions and divestitures, including XL's ability to modify its internal controls over financial reporting, changes to its risk appetite and its ability realize the value or benefits expected, in each case, as a result of such transactions, including the GreyCastle Life Retro Arrangements, the Other Life Retro Arrangements and XL's acquisition of Catlin; (z) changes in general economic conditions, including new or continued sovereign debt concerns in Euro-Zone countries or downgrades of US securities by credit rating agencies, which could affect XL's financial condition, results of operations, liquidity or cash flows; (aa) developments related to bankruptcies or other financial concerns of companies insofar as they affect property and casualty insurance and reinsurance coverage or claims that XL may have as a counterparty; (bb) judicial decisions and rulings, new theories of liability or emerging claims coverage issues, legal tactics and settlement terms and (cc) the other factors set forth in XL's reports on Form 10-K, Form 10-Q and other documents on file with the Securities and Exchange Commission. XL undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by the federal securities laws.*



# STATEMENTS OF INCOME

# CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in thousands)

(Unaudited)  
(Note 1)



|  | Three Months Ended<br>December 31, 2015 | Three Months Ended<br>September 30, 2015 | Three Months Ended<br>June 30, 2015<br>(Note 2) | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>December 31, 2014 |
|--|---|--|---|--------------------------------------|---|
| <b>Revenues</b>  |   |  |   |                                      |   |
| Gross premiums written   | \$ 2,603,080                            | \$ 2,739,350                             | \$ 3,081,135                                    | \$ 2,555,360                         | \$ 1,699,553                            |
| Net premiums written   | 1,890,455                               | 2,091,028                                | 2,118,331                                       | 1,851,249                            | 1,223,161                               |
| Net premiums earned - P&C operations   | 2,375,155                               | 2,405,740                                | 2,063,795                                       | 1,319,494                            | 1,413,161                               |
| Net premiums earned - run-off Life operations  | 11,665                                  | 17,812                                   | 18,258  | 14,506                               | 23,064                                  |
| Net investment income - excluding Life Funds Withheld Assets (Note 3)  | 171,887                                 | 178,560                                  | 176,340   | 158,094                              | 172,297                                 |
| Net investment income - Life Funds Withheld Assets (Note 3)  | 43,620                                  | 46,586                                   | 46,864  | 50,419                               | 53,936                                  |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)  | 11,245                                  | (201)                                    | 4,351   | 4,602                                | 13,105                                  |
| Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 3)  | 48,717                                  | 53,780                                   | 68,037  | 52,738                               | 2,421                                   |
| Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 3)  | (3,247)                                 | (2,023)                                  | (2,878)   | (5,209)                              | (4,322)                                 |
| Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)  | (8,802)                                 | (149)                                    | (19,543)  | 760                                  | (9)                                     |
| Net realized and unrealized gains (losses) on derivative instruments   | (4,004)                                 | (7,903)                                  | 48,509  | 16,521                               | 11,346                                  |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | (35,358)                                | (126,140)                                | 239,174   | (229,367)                            | (269,412)                               |
| Net income (loss) from investment fund affiliates (Note 4)   | 10,329                                  | (3,715)                                  | 31,377  | 35,329                               | 20,330                                  |
| Fee income and other   | 10,106                                  | 7,355                                    | 11,012  | 4,728                                | 11,688                                  |
| <b>Total revenues</b>  | <b>\$ 2,631,313</b>                     | <b>\$ 2,569,702</b>                      | <b>\$ 2,685,296</b>                             | <b>\$ 1,422,615</b>                  | <b>\$ 1,447,605</b>                     |
| <b>Expenses</b>  |   |  |   |                                      |   |
| Net losses and loss expenses incurred - P&C operations   | \$ 1,380,893                            | \$ 1,464,285                             | \$ 1,151,195                                    | \$ 769,827                           | \$ 739,420                              |
| Claims and policy benefits - run-off Life operations   | 51,950                                  | 22,579                                   | 22,081  | 19,387                               | 23,976                                  |
| Acquisition costs  | 412,982                                 | 408,173                                  | 341,617   | 153,696                              | 171,203                                 |
| Operating expenses (Note 5)  | 563,787                                 | 570,142                                  | 507,354   | 325,656                              | 356,607                                 |
| Foreign exchange losses (gains)  | (26,921)                                | 11,661                                   | 10,374  | 27,390                               | (45,802)                                |
| Extinguishment of debt (Note 6)  | 5,592                                   | -  | -   | -                                    | -                                       |
| Interest expense - debt and other  | 41,704                                  | 40,798                                   | 39,038  | 41,481                               | 25,074                                  |
| Interest expense - deposit liability accretion   | 10,477                                  | 11,131                                   | 10,629  | 9,957                                | 9,155                                   |
| <b>Total expenses</b>  | <b>\$ 2,440,444</b>                     | <b>\$ 2,529,769</b>                      | <b>\$ 2,082,268</b>                             | <b>\$ 1,347,394</b>                  | <b>\$ 1,279,633</b>                     |
| Income (loss) before income (loss) from operating affiliates and income tax  | \$ 190,869                              | \$ 39,933                                | \$ 603,008                                      | \$ 75,221                            | \$ 167,972                              |
| Income (loss) from operating affiliates (Note 7)   | 4,414                                   | 8,196                                    | 9,462   | 22,668                               | 13,174                                  |
| Provision (benefit) for income taxes   | (39,296)                                | (37,042)                                 | 32,959  | 24,218                               | 38,173                                  |
| Gain on sale of operating affiliate  | -                                       | -  | 340,407   | -                                    | -                                       |
| <b>Net income (loss)</b>   | <b>\$ 234,579</b>                       | <b>\$ 85,171</b>                         | <b>\$ 919,918</b>                               | <b>\$ 73,671</b>                     | <b>\$ 142,973</b>                       |
| Non-controlling interests  | (6,029)                                 | (67,689)                                 | (4,879)   | (37,390)                             | (3,474)                                 |
| <b>Net income (loss) attributable to ordinary shareholders</b>   | <b>\$ 228,550</b>                       | <b>\$ 27,282</b>                         | <b>\$ 915,039</b>                               | <b>\$ 36,281</b>                     | <b>\$ 139,499</b>                       |
| Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, net of tax   | \$ (8,689)                              | \$ 1,444                                 | \$ (669)  | \$ (4,518)                           | \$ (19,861)                             |
| Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 3)  | (48,717)                                | (53,780)                                 | (68,037)  | (52,738)                             | (2,421)                                 |
| OTTI on investments - Life Funds Withheld Assets (Note 3)  | 3,247                                   | 2,023                                    | 2,878   | 5,209                                | 4,322                                   |
| Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 3)  | 8,802                                   | 149                                      | 19,543  | (760)                                | 9                                       |
| Net realized and unrealized (gains) losses on derivatives, net of tax  | 3,453                                   | 8,158                                    | (48,667)  | (16,521)                             | (11,347)                                |
| Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates                      | 1,493                                   | (14)                                     | 595   | 658                                  | 1,743                                   |
| Net investment income - Life Funds Withheld Assets, net of tax (Note 3)  | (43,620)                                | (46,586)                                 | (46,864)  | (50,419)                             | (53,936)                                |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | 35,358                                  | 126,140                                  | (239,174)                                       | 229,367                              | 269,412                                 |
| Foreign exchange (gains) losses, net of tax  | (26,026)                                | 4,731                                    | 15,221  | 22,353                               | (33,453)                                |
| Expenses related to Catlin acquisition, net of tax   | 1,700                                   | 1,245                                    | 36,339  | 25,464                               | -                                       |
| Gain on sale of operating affiliate  | -                                       | -  | (340,407)                                       | -                                    | -                                       |
| Loss on Other Life Retro Arrangements, net of tax (Note 6)   | 34,986                                  | -  | -   | -                                    | -                                       |
| Extinguishment of debt, net of tax (Note 8)  | 4,492                                   | -  | -   | -                                    | -                                       |
| <b>Operating Net Income (Note 9)</b>   | <b>\$ 195,029</b>                       | <b>\$ 70,792</b>                         | <b>\$ 245,797</b>                               | <b>\$ 194,376</b>                    | <b>\$ 293,927</b>                       |

**Notes:**

- Certain amounts have been reclassified to conform with the current period presentation.
- The company's results for the three months ended June 30, 2015 include those of Catlin from May 1, 2015.
- 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 "GreyCastle Life Retro Arrangements"). The designated investments that support the GreyCastle Life Retro 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. 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.
- 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 and are therefore unavailable at the time of quarter close.
- Operating expenses includes approximately \$1.7 million related to the Catlin acquisition. See pages 8 - 10 for split of segment and corporate operating expenses.
- During the fourth quarter of 2015, we entered into the Other Life Retro Arrangements.
- During 2015, we entered into a large reinsurance agreement ceding approximately 80% of the remaining life reinsurance premiums that were not included in the GreyCastle Life Retro Arrangements ("Other Life Retro Arrangements").
- In December, 2015 \$68M and \$18M of subordinated notes that were acquired as a result of the combination with Catlin were repurchased by XL at par and extinguished. XL has recognized a \$5.6 million loss (\$4.5m net of \$1.1m tax benefit) on early extinguishment of debt for the year ended December 31, 2015.
- Operating net income is 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 Holding Corp. ("ARX"), (10) our loss on the GreyCastle Life Retro Arrangement, net of tax, (11) our loss on the Other Life Retro Arrangements, net of tax, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. "Operating net income" is a non-GAAP financial measure. For further information see page 43 for Comment on Regulation G.

## RETURN ON ORDINARY SHAREHOLDERS' EQUITY

(U.S. dollars in thousands, except share and per share amounts)

(Unaudited)

(Note 1)



|   | Three Months Ended<br>December 31, 2015 | Three Months Ended<br>September 30, 2015 | Three Months Ended<br>June 30, 2015<br>(Note 2) | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>December 31, 2014 |
|---|---|--|---|--------------------------------------|---|
| <b>Return on Ordinary Shareholders' Equity</b>  |   |  |   |                                      |   |
| Opening shareholders' equity  | \$ 13,900,508                           | \$ 14,205,105                            | \$ 11,646,423                                   | \$ 11,435,766                        | \$ 11,220,774                           |
| Less: Non-controlling interest in equity of consolidated subsidiaries   | (1,962,279)                             | (1,957,807)                              | (1,402,366)                                     | (1,402,015)                          | (1,379,720)                             |
| Opening ordinary shareholders' equity   | 11,938,229                              | 12,247,298                               | 10,244,057                                      | 10,033,751                           | 9,841,054                               |
| Closing shareholders' equity  | 13,654,463                              | 13,900,508                               | 14,205,105                                      | 11,646,423                           | 11,435,766                              |
| Less: Non-controlling interest in equity of consolidated subsidiaries   | (1,977,384)                             | (1,962,279)                              | (1,957,807)                                     | (1,402,366)                          | (1,402,015)                             |
| Closing ordinary shareholders' equity   | 11,677,079                              | 11,938,229                               | 12,247,298                                      | 10,244,057                           | 10,033,751                              |
| Average ordinary shareholders' equity   | 11,807,654                              | 12,092,764                               | 11,245,678                                      | 10,138,904                           | 9,937,403                               |
| Average unrealized (gain) loss on investments, net of tax (Note 3)  | (875,570)                               | (1,054,949)                              | (1,400,978)                                     | (1,605,837)                          | (1,383,597)                             |
| Average ordinary shareholders' equity excluding average unrealized gains and losses on investments  | 10,932,084                              | 11,037,815                               | 9,844,700                                       | 8,533,067                            | 8,553,806                               |
| Net income (loss) attributable to ordinary shareholders   | 228,550                                 | 27,282                                   | 915,039   | 36,281                               | 139,499                                 |
| Annualized net income (loss) attributable to ordinary shareholders  | 914,200                                 | 109,128                                  | 3,660,156                                       | 145,124                              | 557,996                                 |
| Operating Net Income (Note 4)   | 195,029                                 | 70,792                                   | 245,797   | 194,376                              | 293,927                                 |
| Annualized Operating Net Income (Note 4)  | 780,116                                 | 283,168                                  | 983,188   | 777,504                              | 1,175,708                               |
| Annualized return on average ordinary shareholders' equity - Net income attributable to ordinary shareholders   | 7.7%                                    | 0.9%                                     | 32.5%   | 1.4%                                 | 5.6%                                    |
| Annualized return on average ordinary shareholders' equity - Operating Net Income (Note 3)  | 6.6%                                    | 2.3%                                     | 8.7%  | 7.7%                                 | 11.8%                                   |
| Annualized return on average ordinary shareholders' equity excluding average unrealized gains and losses on investments - Operating Net Income (Note 3) | 7.1%                                    | 2.6%                                     | 10.0%   | 9.1%                                 | 13.7%                                   |

|  | At<br>December 31, 2015 | At<br>September 30, 2015 | At<br>June 30, 2015 | At<br>March 31, 2015 | At<br>December 31, 2014 |
|--|-------------------------|--------------------------|---------------------|----------------------|-------------------------|
| <b>Book Value per Ordinary Share</b>                                 |                         |                          |                     |                      |                         |
| Closing ordinary shareholders' equity                                | \$ 11,677,079           | \$ 11,938,229            | \$ 12,247,298       | \$ 10,244,057        | \$ 10,033,751           |
| Ordinary shares outstanding (Note 5)                                 | 294,783,992             | 299,356,093              | 303,932,111         | 256,723,675          | 255,222,835             |
| Dilutive impact of stock and options                                 | 5,606,482               | 4,967,736                | 4,737,655           | 3,962,693            | 5,332,159               |
| Diluted shares outstanding   | 300,390,474             | 304,323,829              | 308,669,766         | 260,686,368          | 260,554,994             |
| <b>Book value per ordinary share (Note 6)</b>                        | <b>\$ 39.61</b>         | <b>\$ 39.88</b>          | <b>\$ 40.30</b>     | <b>\$ 39.90</b>      | <b>\$ 39.31</b>         |
| <b>Fully diluted book value per ordinary share (Note 6)</b>          | <b>\$ 38.87</b>         | <b>\$ 39.23</b>          | <b>\$ 39.68</b>     | <b>\$ 39.30</b>      | <b>\$ 38.51</b>         |
| <b>Fully diluted tangible book value per ordinary share (Note 6)</b> | <b>\$ 31.52</b>         | <b>\$ 31.95</b>          | <b>\$ 32.53</b>     | <b>\$ 37.60</b>      | <b>\$ 36.79</b>         |

**Notes:**

1. Certain amounts have been reclassified to conform with the current period presentation.

2. The company's results for the three months ended June 30, 2015 include those of Catlin from May 1, 2015.

3. Unrealized (gain) loss on investments, net of tax is the cumulative impact of mark to market fluctuations on our investment portfolio that have not been realized through sales.

4. Operating net income is 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 (10) our loss on the GreyCastle Life Retro Arrangement, net of tax, (11) our loss on the Other Life Retro Arrangements, net of tax, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. "Operating net income" is a non-GAAP financial measure. For further information see page 43 for Comment on Regulation G.

5. Ordinary shares outstanding include all ordinary shares legally issued and outstanding (as disclosed on the face of the balance sheet) as well as all director share units outstanding.

6. Book value per ordinary share, fully diluted book value per ordinary share and fully diluted tangible book value per ordinary share are non-GAAP financial measures. Fully diluted book value per ordinary share represents book value per ordinary share (total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries, divided by the number of outstanding ordinary shares at any period end) combined with the dilutive impact of potential future share issues at any period end. Fully diluted tangible book value per ordinary share is 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. XL believes that fully diluted tangible book value per ordinary share is a financial measure important to investors and other interested parties who benefit from having a consistent basis for comparison with other companies within the industry. However, this measure may not be comparable to similarly titled measures used by companies either outside or inside of the insurance industry.

# CONSOLIDATED STATEMENTS OF INCOME

(U.S. Dollars in thousands)

(Note 1)



|  | Twelve Months Ended<br>December 31, 2015<br>(Unaudited)<br>(Note 2) | Twelve Months Ended<br>December 31, 2014 |
|--|---|--|
| <b>Revenues</b>  |   |  |
| Gross premiums written   | \$ 10,978,925   | \$ 8,094,926                             |
| Net premiums written   | \$ 7,951,063  | \$ 5,944,841                             |
| Net premiums earned - P&C operations   | \$ 8,164,184  | \$ 5,717,438                             |
| Net premiums earned - run-off Life operations  | 62,241  | 177,632                                  |
| Net investment income - excluding Life Funds Withheld Assets (Note 3)  | 684,881   | 789,050                                  |
| Net investment income - Life Funds Withheld Assets (Note 3)  | 187,489   | 129,575                                  |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)  | 19,997  | 122,991                                  |
| Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 3)  | 223,272   | 5,067                                    |
| Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 3)  | (13,357)  | (20,587)                                 |
| Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)  | (27,734)  | (9)                                      |
| Net realized and unrealized gains (losses) on derivative instruments   | 53,123  | 29,886                                   |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | (151,691)   | (488,222)                                |
| Net income (loss) from investment fund affiliates (Note 4)   | 73,320  | 95,816                                   |
| Fee income and other   | 33,201  | 43,630                                   |
| <b>Total revenues</b>  | <b>\$ 9,308,926</b>   | <b>\$ 6,602,267</b>                      |
| <b>Expenses</b>  |   |  |
| Net losses and loss expenses incurred - P&C operations   | \$ 4,766,200  | \$ 3,258,393                             |
| Claims and policy benefits - run-off Life operations   | 115,997   | 242,963                                  |
| Acquisition costs  | 1,317,448   | 738,118                                  |
| Operating expenses (Note 5)  | 1,966,939   | 1,341,315                                |
| Extinguishment of debt   | 5,592   | -  |
| Foreign exchange losses (gains)  | 22,504  | (37,568)                                 |
| Loss on sale of life reinsurance subsidiary (Note 3)   | -   | 666,423                                  |
| Interest expense - debt and other (Note 6)   | 163,021   | 121,221                                  |
| Interest expense - deposit liability accretion   | 42,194  | 12,885                                   |
| Impairment of goodwill   | -   | -  |
| <b>Total expenses</b>  | <b>\$ 8,399,895</b>   | <b>\$ 6,343,750</b>                      |
| Income (loss) before income (loss) from operating affiliates and income tax  | \$ 909,031  | \$ 258,517                               |
| Income (loss) from operating affiliates (Note 7)   | 44,740  | 107,218                                  |
| Provision (benefit) for income taxes   | (19,161)  | 96,897                                   |
| Gain on sale of operating affiliate  | 340,407   | -  |
| <b>Net income (loss)</b>   | <b>\$ 1,313,339</b>   | <b>\$ 268,838</b>                        |
| Non-controlling interests  | (106,187)   | (80,498)                                 |
| <b>Net income (loss) attributable to ordinary shareholders</b>   | <b>\$ 1,207,152</b>   | <b>\$ 188,340</b>                        |
| Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, net of tax   | \$ (12,432)   | \$ (124,759)                             |
| Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 3)  | (223,272)   | (5,067)                                  |
| OTTI on investments - Life Funds Withheld Assets (Note 3)  | 13,357  | 20,587                                   |
| Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 3)  | 27,734  | 9  |
| Net realized and unrealized (gains) losses on derivatives, net of tax  | (53,577)  | (29,884)                                 |
| Net realized and unrealized (gains) losses on investments and derivatives related to Company's insurance company affiliates                          | 2,732   | (985)                                    |
| Net investment income - Life Funds Withheld Assets (Note 3)  | (187,489)   | (129,575)                                |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | 151,691   | 488,222                                  |
| Loss on sale of life reinsurance subsidiary (Note 3)   | -   | 621,323                                  |
| Foreign exchange (gains) losses, net of tax  | 16,279  | (28,970)                                 |
| Expenses related to Catlin acquisition, net of tax   | 64,748  | -  |
| Gain on sale of operating affiliate  | (340,407)   | -  |
| Loss on Other Life Retro Arrangements, net of tax (Note 8)   | 34,986  | -  |
| Extinguishment of debt, net of tax (Note 9)  | 4,492   | -  |
| <b>Operating Net Income (Note 10)</b>  | <b>\$ 705,994</b>   | <b>\$ 999,241</b>                        |

## Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- The company's results for the twelve months ended December 31, 2015 include those of Catlin from May 1, 2015.
- 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 GreyCastle Life Retro 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.
- 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 of XL's investments and are therefore unavailable at the time of quarter close.
- Operating expenses includes approximately \$64.7 million related to the Catlin acquisition. See pages 15 - 16 for split of segment and corporate operating expenses.
- Interest expense includes approximately \$14.5 million in bridge financing costs related to the Catlin acquisition.
- Earnings from operating affiliates are generally lagged by three months as the information is unavailable at the time of quarter close.
- During the fourth quarter of 2015, we entered into the Other Life Retro Arrangements.
- In December, 2015 \$68M and €18M of subordinated notes that were acquired as a result of the combination with Catlin were repurchased by XL at par and extinguished. XL has recognized a \$5.6 million loss (\$4.5m net of \$1.1m tax benefit) on early extinguishment of debt for the year ended December 31, 2015.
- Operating net income is 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 (10) our loss on the GreyCastle Life Retro Arrangement, net of tax, (11) our loss on the Other Life Retro Arrangements, net of tax, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. "Operating net income" is a non-GAAP financial measure. For further information see page 43 for Comment on Regulation G.

## RETURN ON ORDINARY SHAREHOLDERS' EQUITY

(U.S. Dollars in thousands, except share and per share amounts)

(Note 1)



|  | Twelve Months Ended<br>December 31, 2015<br>(Unaudited)<br>(Note 2) | Twelve Months Ended<br>December 31, 2014 |
|--|---|--|
| Opening shareholders' equity   | 11,435,766  | 11,349,298                               |
| Less: Non-controlling interest in equity of consolidated subsidiaries  | (1,402,015)   | (1,351,665)                              |
| Opening ordinary shareholders' equity  | 10,033,751  | 9,997,633                                |
| <br>   |   |  |
| Closing shareholders' equity   | 13,654,463  | 11,435,766                               |
| Less: Non-controlling interest in equity of consolidated subsidiaries  | (1,977,384)   | (1,402,015)                              |
| Closing ordinary shareholders' equity  | 11,677,079  | 10,033,751                               |
| <br>   |   |  |
| Average ordinary shareholders' equity  | 10,855,415  | 10,015,692                               |
| <br>   |   |  |
| Average unrealized (gain) loss on investments, net of tax  | (1,129,830)   | (1,123,655)                              |
| Average ordinary shareholders' equity excluding average unrealized gains and losses on investments                                   | 9,725,585   | 8,892,037                                |
| <br>   |   |  |
| Net income (loss) attributable to ordinary shareholders  | 1,207,152   | 188,340                                  |
| <br>   |   |  |
| Operating net income (Note 3)  | 705,994   | 999,241                                  |
| <br>   |   |  |
| Return on average ordinary shareholders' equity - Net income attributable to ordinary shareholders                                   | 11.1%   | 1.9%                                     |
| <br>   |   |  |
| Return on ordinary average shareholders' equity - operating net income (Note 3)  | 6.5%  | 10.0%                                    |
| <br>   |   |  |
| Return on ordinary average shareholders' equity excluding unrealized gains and losses on investments - operating net income (Note 3) | 7.3%  | 11.2%                                    |

1. Certain amounts have been reclassified to conform with the current period presentation.

2. The company's results for the twelve months ended December 31, 2015 include those of Catlin from May 1, 2015.

3. Operating net income is 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 (10) our loss on the GreyCastle Life Retro Arrangement, net of tax, (11) our loss on the Other Life Retro Arrangements, net of tax, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. "Operating net income" is a non-GAAP financial measure. For further information see page 43 for Comment on Regulation G.

## SEGMENT INFORMATION FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

(U.S. dollars in thousands, except ratios)  
(Unaudited)



|  | INSURANCE        | REINSURANCE       | TOTAL P&C         | CORPORATE AND<br>OTHER<br>(Note 1) | TOTAL             |
|--|------------------|-------------------|-------------------|------------------------------------|-------------------|
| Gross premiums written   | \$ 2,321,459     | \$ 206,307        | \$ 2,527,766      | \$ 75,314                          | \$ 2,603,080      |
| Net premiums written   | 1,704,492        | 174,300           | 1,878,792         | 11,663                             | 1,890,455         |
| Net premiums earned  | 1,640,282        | 734,873           | 2,375,155         | 11,665                             | 2,386,820         |
| Net losses and loss expenses incurred  | (1,063,004)      | (317,889)         | (1,380,893)       | (51,950)                           | (1,432,843)       |
| Acquisition expenses   | (227,488)        | (182,910)         | (410,398)         | (2,564)                            | (412,962)         |
| Operating expenses (Note 2)  | (319,931)        | (80,475)          | (400,406)         | (386)                              | (400,792)         |
| Underwriting (loss) profit   | <u>\$ 29,859</u> | <u>\$ 153,599</u> | <u>\$ 183,458</u> | <u>\$ (43,235)</u>                 | <u>\$ 140,223</u> |
| Net investment income - excluding Life Funds Withheld Assets (Note 3)  | -                | -                 | 148,864           | 9,274                              | 158,138           |
| Net investment income - Life Funds Withheld Assets (Note 3)  | -                | -                 | -                 | 43,620                             | 43,620            |
| Net investment results structured products (Note 4)  | 2,551            | 721               | 3,272             | -                                  | 3,272             |
| Net fee income and other (Note 5)  | (2,231)          | 977               | (1,254)           | 190                                | (1,064)           |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)  |                  |                   | 4,753             | 6,492                              | 11,245            |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)           |                  |                   |                   | 36,668                             | 36,668            |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) |                  |                   |                   | (35,358)                           | (35,358)          |
| Net realized and unrealized gains (losses) on derivative instruments   |                  |                   |                   | (4,004)                            | (4,004)           |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 6)  |                  |                   |                   | 14,743                             | 14,743            |
| Foreign exchange (gains) losses  |                  |                   |                   | (26,921)                           | (26,921)          |
| Corporate operating expenses (7)   |                  |                   |                   | 151,825                            | 151,825           |
| Extinguishment of debt   |                  |                   |                   | 5,592                              | 5,592             |
| <b>Contribution from P&amp;C and Corporate and other</b>   |                  |                   | <u>\$ 339,093</u> | <u>\$ (102,106)</u>                | <u>\$ 236,987</u> |
| Interest expense   |                  |                   |                   |                                    | (41,704)          |
| Non-controlling interests  |                  |                   |                   |                                    | (6,029)           |
| Income taxes   |                  |                   |                   |                                    | 39,296            |
| <b>Net (loss) income attributable to XL Group plc</b>  |                  |                   |                   |                                    | <u>\$ 228,550</u> |
| <b>Ratios - P&amp;C operations:</b>  |                  |                   |                   |                                    |                   |
| Loss and loss expense ratio  | 64.8%            | 43.3%             | 58.1%             |                                    |                   |
| Underwriting expense ratio   | 33.4%            | 35.8%             | 34.2%             |                                    |                   |
| Combined ratio   | 98.2%            | 79.1%             | 92.3%             |                                    |                   |
| Total net prior year development   | (27,962)         | (93,192)          | (121,154)         |                                    |                   |
| Natural catastrophe losses (Note 8)  | 68,386           | 44,454            | 112,840           |                                    |                   |
| Reinstatement premium  | -                | 5,011             | 5,011             |                                    |                   |
| Loss and loss expense ratio excluding net prior year development   | 66.5%            | 55.9%             | 63.2%             |                                    |                   |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium                               | 62.3%            | 50.2%             | 58.6%             |                                    |                   |

**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 GreyCastle Life Retro 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 \$13.7 million and \$10.5 million, respectively.
- Net fee income and other includes operating expenses of \$11.2 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.
- Corporate operating expenses include approximately \$1.7 million of deal related costs and \$73.3 million of integration costs resulting from the Catlin acquisition.
- 2015 Natural Catastrophes include Chennai Flood, December UK Storm Desmond, Australia Bush Fire & Hailstorm and Mid-Atlantic Heavy Rainfall & Flooding.





## SEGMENT INFORMATION FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

(U.S. dollars in thousands, except ratios)

(Unaudited)  
(Note 1)

|  | INSURANCE        | REINSURANCE      | TOTAL P&C         | CORPORATE AND<br>OTHER | TOTAL             |
|--|------------------|------------------|-------------------|------------------------|-------------------|
| Gross premiums written   | \$ 2,200,196     | \$ 458,946       | \$ 2,659,142      | \$ 80,208              | \$ 2,739,350      |
| Net premiums written   | 1,664,562        | 408,654          | 2,073,216         | 17,812                 | 2,091,028         |
| Net premiums earned  | 1,632,988        | 772,752          | 2,405,740         | 17,812                 | 2,423,552         |
| Net losses and loss expenses incurred  | (1,037,727)      | (426,558)        | (1,464,285)       | (22,579)               | (1,486,864)       |
| Acquisition expenses   | (214,773)        | (189,671)        | (404,444)         | (4,729)                | (409,173)         |
| Operating expenses (Note 2)  | (334,211)        | (88,682)         | (422,893)         | 26                     | (422,867)         |
| Underwriting (loss) profit   | <u>\$ 46,277</u> | <u>\$ 67,841</u> | <u>\$ 114,118</u> | <u>\$ (9,470)</u>      | <u>\$ 104,648</u> |
| Net investment income - excluding Life Funds Withheld Assets (Note 3)  | -                | -                | 152,738           | 10,254                 | 162,992           |
| Net investment income - Life Funds Withheld Assets (Note 3)  | -                | -                | -                 | 46,586                 | 46,586            |
| Net investment results structured products (Note 4)  | 3,328            | 1,109            | 4,437             | -                      | 4,437             |
| Net fee income and other (Note 5)  | (5,207)          | 533              | (4,674)           | 254                    | (4,420)           |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)  |                  |                  | (197)             | (4)                    | (201)             |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)                       |                  |                  |                   | 51,608                 | 51,608            |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 3) |                  |                  |                   | (126,140)              | (126,140)         |
| Net realized and unrealized gains (losses) on derivative instruments   |                  |                  |                   | (7,903)                | (7,903)           |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 6)  |                  |                  |                   | 4,481                  | 4,481             |
| Foreign exchange (gains) losses  |                  |                  |                   | 11,661                 | 11,661            |
| Corporate operating expenses   |                  |                  |                   | 135,500                | 135,500           |
| <b>Contribution from P&amp;C and Corporate and other</b>   |                  |                  | <u>\$ 266,422</u> | <u>\$ (177,495)</u>    | <u>\$ 88,927</u>  |
| Interest expense (Note 7)  |                  |                  |                   |                        | (40,798)          |
| Non-controlling interests  |                  |                  |                   |                        | (57,889)          |
| Income taxes   |                  |                  |                   |                        | 37,042            |
| <b>Net (loss) income attributable to XL Group plc</b>  |                  |                  |                   |                        | <u>\$ 27,282</u>  |
| <b>Ratios - P&amp;C operations:</b>  |                  |                  |                   |                        |                   |
| Loss and loss expense ratio  | 63.5%            | 55.2%            | 60.9%             |                        |                   |
| Underwriting expense ratio   | 33.7%            | 36.0%            | 34.4%             |                        |                   |
| Combined ratio   | 97.2%            | 91.2%            | 95.3%             |                        |                   |
| Total net prior year development   | 7,064            | (35,182)         | (28,118)          |                        |                   |
| Natural catastrophe losses (Note 8)  | 7,461            | 24,720           | 32,181            |                        |                   |
| Reinstatement premium  | -                | 1,350            | 1,350             |                        |                   |
| Loss and loss expense ratio excluding net prior year development   | 63.1%            | 59.8%            | 62.0%             |                        |                   |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium   | 62.7%            | 56.7%            | 60.7%             |                        |                   |

### 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 GreyCastle Life Retro 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 \$15.6 million and \$11.1 million, respectively.
- Net fee income and other includes operating expenses of \$11.8 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.
- 2015 Natural Catastrophes include US Flooding, Hail, Wind and Storms.

## SEGMENT INFORMATION FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

(U.S. dollars in thousands, except ratios)

(Unaudited)  
(Note 1)



|  | INSURANCE        | REINSURANCE       | TOTAL P&C         | CORPORATE AND<br>OTHER<br>(Note 2) | TOTAL             |
|--|------------------|-------------------|-------------------|------------------------------------|-------------------|
| Gross premiums written   | \$ 1,462,262     | \$ 158,358        | \$ 1,620,620      | \$ 78,933                          | \$ 1,699,553      |
| Net premiums written   | 1,053,719        | 146,378           | 1,200,097         | 23,064                             | 1,223,161         |
| Net premiums earned  | 1,011,867        | 401,294           | 1,413,161         | 23,064                             | 1,436,225         |
| Net losses and loss expenses incurred  | (626,032)        | (113,388)         | (739,420)         | (23,976)                           | (763,396)         |
| Acquisition expenses   | (92,464)         | (77,775)          | (170,239)         | (964)                              | (171,203)         |
| Operating expenses (Note 3)  | (230,328)        | (54,324)          | (284,652)         | (2,511)                            | (287,163)         |
| Underwriting (loss) profit   | <u>\$ 63,043</u> | <u>\$ 155,807</u> | <u>\$ 218,850</u> | <u>\$ (4,387)</u>                  | <u>\$ 214,463</u> |
| Net investment income - excluding Life Funds Withheld Assets (Note 4)  | -                | -                 | 144,801           | 11,996                             | 156,797           |
| Net investment income - Life Funds Withheld Assets (Note 4)  | -                | -                 | -                 | 53,936                             | 53,936            |
| Net investment results structured products (Note 5)  | 3,604            | 2,476             | 6,080             | -                                  | 6,080             |
| Net fee income and other (Note 6)  | (1,446)          | 862               | (584)             | 103                                | (481)             |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)  |                  |                   | 13,777            | (672)                              | 13,105            |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)                       |                  |                   |                   | (1,910)                            | (1,910)           |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 3) |                  |                   |                   | (269,412)                          | (269,412)         |
| Net realized and unrealized gains (losses) on derivative instruments   |                  |                   |                   | 11,346                             | 11,346            |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 7)  |                  |                   |                   | 33,504                             | 33,504            |
| Foreign exchange (gains) losses  |                  |                   |                   | (45,802)                           | (45,802)          |
| Corporate operating expenses   |                  |                   |                   | 57,010                             | 57,010            |
| <b>Contribution from P&amp;C and Corporate and other</b>   |                  |                   | <u>\$ 382,924</u> | <u>\$ (176,704)</u>                | <u>\$ 206,220</u> |
| Interest expense (Note 8)  |                  |                   |                   |                                    | (25,074)          |
| Non-controlling interests  |                  |                   |                   |                                    | (3,474)           |
| Income taxes   |                  |                   |                   |                                    | (38,173)          |
| <b>Net (loss) income attributable to XL Group plc</b>  |                  |                   |                   |                                    | <u>\$ 139,499</u> |
| <b>Ratios - P&amp;C operations:</b>  |                  |                   |                   |                                    |                   |
| Loss and loss expense ratio  | 61.9%            | 28.3%             | 52.3%             |                                    |                   |
| Underwriting expense ratio   | 31.9%            | 32.9%             | 32.2%             |                                    |                   |
| Combined ratio   | 93.8%            | 61.2%             | 84.5%             |                                    |                   |
| Total net prior year development   | (34,655)         | (62,006)          | (96,661)          |                                    |                   |
| Natural catastrophe losses (Note 9)  | 17,670           | 15,842            | 33,512            |                                    |                   |
| Reinstatement premium  | -                | 1,800             | 1,800             |                                    |                   |
| Loss and loss expense ratio excluding net prior year development   | 65.3%            | 43.7%             | 59.2%             |                                    |                   |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium   | 63.5%            | 39.9%             | 56.9%             |                                    |                   |

### Notes :

- Certain amounts have been reclassified to conform with the current period presentation.
- 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 GreyCastle Life Retro 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 \$15.5 million and \$9.2 million, respectively.
- Net fee income and other includes operating expenses of \$12.2 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 several US Wind & Thunderstorms, the India Floods, Mexico Hurricane Odile and Australia Brisbane Superstorm Cells.

## PREMIUMS BY LINE OF BUSINESS

(U.S. dollars in thousands)  
(Unaudited)  
(Note 1)



FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

### GROSS PREMIUMS WRITTEN

|                                      | Insurance           | Reinsurance       | Corporate and Other<br>(Note 2) | Total               |
|--------------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| <b>P&amp;C Operations:</b>           |                     |                   |                                 |                     |
| Professional                         | \$ 505,896          | \$ 21,318         | \$ -                            | \$ 527,214          |
| Casualty                             | 638,034             | 58,135            | -                               | 696,169             |
| Property catastrophe                 | -                   | 24,579            | -                               | 24,579              |
| Property                             | 440,157             | 54,407            | -                               | 494,564             |
| Specialty                            | 650,594             | 16,288            | -                               | 666,882             |
| Other (Note 3)                       | 86,778              | 31,580            | -                               | 118,358             |
| <b>Total P&amp;C operations</b>      | <b>2,321,459</b>    | <b>206,307</b>    | <b>-</b>                        | <b>2,527,766</b>    |
| <b>Corporate and Other :</b>         |                     |                   |                                 |                     |
| Run-Off Life Operations - Annuity    | -                   | -                 | 34,690                          | 34,690              |
| Run-Off Life Operations - Other Life | -                   | -                 | 40,624                          | 40,624              |
| <b>Total Corporate and Other</b>     | <b>-</b>            | <b>-</b>          | <b>75,314</b>                   | <b>75,314</b>       |
| <b>Total</b>                         | <b>\$ 2,321,459</b> | <b>\$ 206,307</b> | <b>\$ 75,314</b>                | <b>\$ 2,603,080</b> |

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

### GROSS PREMIUMS WRITTEN

|                                      | Insurance           | Reinsurance       | Corporate and Other<br>(Note 2) | Total               |
|--------------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| <b>P&amp;C Operations:</b>           |                     |                   |                                 |                     |
| Professional                         | \$ 455,121          | \$ 6,803          | \$ -                            | \$ 461,924          |
| Casualty                             | 467,815             | 60,947            | -                               | 528,762             |
| Property catastrophe                 | -                   | 9,057             | -                               | 9,057               |
| Property                             | 173,259             | 63,453            | -                               | 236,712             |
| Specialty                            | 268,887             | 8,439             | -                               | 277,326             |
| Other (Note 3)                       | 97,180              | 9,659             | -                               | 106,839             |
| <b>Total P&amp;C operations</b>      | <b>1,462,262</b>    | <b>158,358</b>    | <b>-</b>                        | <b>1,620,620</b>    |
| <b>Corporate and Other :</b>         |                     |                   |                                 |                     |
| Run-Off Life Operations - Annuity    | -                   | -                 | 36,483                          | 36,483              |
| Run-Off Life Operations - Other Life | -                   | -                 | 42,450                          | 42,450              |
| <b>Total Corporate and Other</b>     | <b>-</b>            | <b>-</b>          | <b>78,933</b>                   | <b>78,933</b>       |
| <b>Total</b>                         | <b>\$ 1,462,262</b> | <b>\$ 158,358</b> | <b>\$ 78,933</b>                | <b>\$ 1,699,553</b> |

### NET PREMIUMS WRITTEN

|                                      | Insurance           | Reinsurance       | Corporate and Other<br>(Note 2) | Total               |
|--------------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| <b>P&amp;C Operations:</b>           |                     |                   |                                 |                     |
| Professional                         | \$ 353,960          | \$ 20,108         | \$ -                            | \$ 374,068          |
| Casualty                             | 457,993             | 53,321            | -                               | 511,314             |
| Property catastrophe                 | -                   | 18,653            | -                               | 18,653              |
| Property                             | 316,569             | 39,418            | -                               | 355,987             |
| Specialty                            | 507,180             | 13,827            | -                               | 521,007             |
| Other (Note 3)                       | 68,790              | 28,973            | (2)                             | 97,761              |
| <b>Total P&amp;C operations</b>      | <b>1,704,492</b>    | <b>174,300</b>    | <b>(2)</b>                      | <b>1,878,790</b>    |
| <b>Corporate and Other :</b>         |                     |                   |                                 |                     |
| Run-Off Life Operations - Annuity    | -                   | -                 | 1                               | 1                   |
| Run-Off Life Operations - Other Life | -                   | -                 | 11,664                          | 11,664              |
| <b>Total Corporate and Other</b>     | <b>-</b>            | <b>-</b>          | <b>11,665</b>                   | <b>11,665</b>       |
| <b>Total</b>                         | <b>\$ 1,704,492</b> | <b>\$ 174,300</b> | <b>\$ 11,663</b>                | <b>\$ 1,890,455</b> |

### NET PREMIUMS WRITTEN

|                                      | Insurance           | Reinsurance       | Corporate and Other<br>(Note 2) | Total               |
|--------------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| <b>P&amp;C Operations:</b>           |                     |                   |                                 |                     |
| Professional                         | \$ 306,779          | \$ 6,793          | \$ -                            | \$ 313,572          |
| Casualty                             | 297,756             | 60,953            | -                               | 358,709             |
| Property catastrophe                 | -                   | 9,350             | -                               | 9,350               |
| Property                             | 135,630             | 51,311            | -                               | 186,941             |
| Specialty                            | 238,301             | 8,043             | -                               | 246,344             |
| Other (Note 3)                       | 75,253              | 9,928             | -                               | 85,181              |
| <b>Total P&amp;C operations</b>      | <b>1,053,719</b>    | <b>146,378</b>    | <b>-</b>                        | <b>1,200,097</b>    |
| <b>Corporate and Other :</b>         |                     |                   |                                 |                     |
| Run-Off Life Operations - Annuity    | -                   | -                 | -                               | -                   |
| Run-Off Life Operations - Other Life | -                   | -                 | 23,064                          | 23,064              |
| <b>Total Corporate and Other</b>     | <b>-</b>            | <b>-</b>          | <b>23,064</b>                   | <b>23,064</b>       |
| <b>Total</b>                         | <b>\$ 1,053,719</b> | <b>\$ 146,378</b> | <b>\$ 23,064</b>                | <b>\$ 1,223,161</b> |

### NET PREMIUMS EARNED

|                                      | Insurance           | Reinsurance       | Corporate and Other<br>(Note 2) | Total               |
|--------------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| <b>P&amp;C Operations:</b>           |                     |                   |                                 |                     |
| Professional                         | \$ 310,903          | \$ 43,257         | \$ -                            | \$ 354,160          |
| Casualty                             | 482,165             | 143,156           | -                               | 625,321             |
| Property catastrophe                 | -                   | 201,096           | -                               | 201,096             |
| Property                             | 312,762             | 234,867           | -                               | 547,629             |
| Specialty                            | 459,782             | 40,828            | -                               | 500,610             |
| Other (Note 3)                       | 74,670              | 71,669            | -                               | 146,339             |
| <b>Total P&amp;C operations</b>      | <b>1,640,282</b>    | <b>734,873</b>    | <b>-</b>                        | <b>2,375,155</b>    |
| <b>Corporate and Other :</b>         |                     |                   |                                 |                     |
| Run-Off Life Operations - Annuity    | -                   | -                 | 1                               | 1                   |
| Run-Off Life Operations - Other Life | -                   | -                 | 11,664                          | 11,664              |
| <b>Total Corporate and Other</b>     | <b>-</b>            | <b>-</b>          | <b>11,665</b>                   | <b>11,665</b>       |
| <b>Total</b>                         | <b>\$ 1,640,282</b> | <b>\$ 734,873</b> | <b>\$ 11,665</b>                | <b>\$ 2,386,820</b> |

### NET PREMIUMS EARNED

|                                      | Insurance           | Reinsurance       | Corporate and Other<br>(Note 2) | Total               |
|--------------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| <b>P&amp;C Operations:</b>           |                     |                   |                                 |                     |
| Professional                         | \$ 263,209          | \$ 41,659         | \$ -                            | \$ 304,868          |
| Casualty                             | 361,185             | 73,935            | -                               | 435,120             |
| Property catastrophe                 | -                   | 108,790           | -                               | 108,790             |
| Property                             | 122,586             | 122,592           | -                               | 245,178             |
| Specialty                            | 194,064             | 20,655            | -                               | 214,719             |
| Other (Note 3)                       | 70,823              | 33,663            | -                               | 104,486             |
| <b>Total P&amp;C operations</b>      | <b>1,011,867</b>    | <b>401,294</b>    | <b>-</b>                        | <b>1,413,161</b>    |
| <b>Corporate and Other :</b>         |                     |                   |                                 |                     |
| Run-Off Life Operations - Annuity    | -                   | -                 | -                               | -                   |
| Run-Off Life Operations - Other Life | -                   | -                 | 23,064                          | 23,064              |
| <b>Total Corporate and Other</b>     | <b>-</b>            | <b>-</b>          | <b>23,064</b>                   | <b>23,064</b>       |
| <b>Total</b>                         | <b>\$ 1,011,867</b> | <b>\$ 401,294</b> | <b>\$ 23,064</b>                | <b>\$ 1,436,225</b> |

**Notes:**

1. Certain amounts have been reclassified to conform with the current period presentation.
2. Corporate and Other includes the Company's run-off Life operations.
3. Other within the Insurance segment includes: excess and surplus, programs, surety, structured indemnity and certain other discontinued lines. Other within the Reinsurance segment includes: whole account contracts, credit and surety, accident and health and other lines.



## INSURANCE SEGMENT

(U.S. dollars in thousands)

(Unaudited)

|                                   | Three Months Ended<br>December 31, 2015 | Three Months Ended<br>September 30, 2015 | Three Months Ended<br>June 30, 2015<br>(Note 1) | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>December 31, 2014 | % Change Q4 15<br>vs. Q3 15 | vs. Q4 14 |
|-----------------------------------|---|--|---|--------------------------------------|---|-----------------------------|-----------|
| Gross premiums written            | \$ 2,321,459                            | \$ 2,200,196                             | \$ 2,219,444                                    | \$ 1,654,747                         | \$ 1,462,262                            | 5.5%                        | 58.8%     |
| Net premiums written              | 1,704,492                               | 1,664,562                                | 1,401,772                                       | 1,089,108                            | 1,053,719                               | 2.4%                        | 61.8%     |
| Net premiums earned               | 1,640,282                               | 1,632,988                                | 1,412,906                                       | 962,306                              | 1,011,867                               | 0.4%                        | 62.1%     |
| Net losses incurred               | (1,063,004)                             | (1,037,727)                              | (896,370)                                       | (616,947)                            | (626,032)                               | 2.4%                        | 69.8%     |
| Acquisition expenses              | (227,488)                               | (214,773)                                | (181,716)                                       | (80,387)                             | (92,464)                                | 5.9%                        | NM        |
| Operating expenses (Note 2)       | (319,931)                               | (334,211)                                | (292,161)                                       | (208,457)                            | (230,328)                               | -4.3%                       | 38.9%     |
| <b>Underwriting profit (loss)</b> | <b>\$ 29,859</b>                        | <b>\$ 46,277</b>                         | <b>\$ 42,659</b>                                | <b>\$ 56,515</b>                     | <b>\$ 63,043</b>                        | -35.5%                      | -52.6%    |

### RATIOS

|  |             |          |             |            |             |
|--|-------------|----------|-------------|------------|-------------|
| Loss and loss expense ratio  | 64.8%       | 63.5%    | 63.4%       | 64.1%      | 61.9%       |
| Acquisition expense ratio  | 13.9%       | 13.2%    | 12.9%       | 8.4%       | 9.1%        |
| Operating expense ratio  | 19.5%       | 20.5%    | 20.7%       | 21.6%      | 22.8%       |
| Combined ratio   | 98.2%       | 97.2%    | 97.0%       | 94.1%      | 93.8%       |
| Total net prior year development, strengthening (release)  | \$ (27,962) | \$ 7,064 | \$ (38,135) | \$ (5,997) | \$ (34,655) |
| Natural catastrophe losses   | 68,386      | 7,461    | 59,892      | 14,650     | 17,670      |
| Loss and loss expense ratio excluding net prior year development   | 66.5%       | 63.1%    | 66.1%       | 64.7%      | 65.3%       |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium                 | 62.3%       | 62.7%    | 61.9%       | 63.2%      | 63.5%       |
| Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium                              | 95.7%       | 96.3%    | 95.4%       | 93.2%      | 95.4%       |
| Combined ratio excluding net prior year development, natural catastrophe losses, reinstatement premium and losses from Costa Concordia | NA          | NA       | NA          | NA         | 96.3%       |

### Notes:

1. The company's results for the three months ended June 30, 2015 include those of Catlin from May 1, 2015.

2. Operating expenses exclude corporate operating expenses.

NA = Not applicable

NM = Not meaningful



## REINSURANCE SEGMENT

(U.S. dollars in thousands)  
(Unaudited)  
(Note 1)

|  | Three Months Ended<br>December 31, 2015 | Three Months Ended<br>September 30, 2015 | Three Months Ended<br>June 30, 2015<br>(Note 2) | Three Months Ended<br>March 31, 2015 | Three Months Ended<br>December 31, 2014 | % Change Q4 15<br>vs. Q3 15 vs. Q4 14 |
|--|---|--|---|--------------------------------------|---|---------------------------------------|
| Gross premiums written   | \$ 206,307                              | \$ 458,946                               | \$ 782,248                                      | \$ 825,662                           | \$ 158,358                              | -55.0% 30.3%                          |
| Net premiums written   | 174,300                                 | 408,654                                  | 698,301   | 747,635                              | 146,378                                 | -57.3% 19.1%                          |
| Net premiums earned  | 734,873                                 | 772,752                                  | 650,889   | 357,188                              | 401,294                                 | -4.9% 83.1%                           |
| Net losses incurred  | (317,889)                               | (426,558)                                | (254,825)                                       | (152,880)                            | (113,388)                               | -25.5% NM                             |
| Acquisition expenses   | (182,910)                               | (189,671)                                | (158,217)                                       | (71,492)                             | (77,775)                                | -3.6% NM                              |
| Operating expenses (Note 3)  | (80,475)                                | (88,682)                                 | (71,727)  | (42,495)                             | (54,324)                                | -9.3% 48.1%                           |
| <b>Underwriting profit (loss)</b>  | <b>\$ 153,599</b>                       | <b>\$ 67,841</b>                         | <b>\$ 166,120</b>                               | <b>\$ 90,321</b>                     | <b>\$ 155,807</b>                       | NM -1.4%                              |
| <b>RATIOS</b>  |   |  |   |                                      |   |                                       |
| Loss and loss expense ratio  | 43.3%                                   | 55.2%                                    | 39.2%   | 42.8%                                | 28.3%                                   |                                       |
| Acquisition expense ratio  | 24.9%                                   | 24.5%                                    | 24.3%   | 20.0%                                | 19.4%                                   |                                       |
| Operating expense ratio  | 10.9%                                   | 11.5%                                    | 11.0%   | 11.9%                                | 13.5%                                   |                                       |
| Combined ratio   | 79.1%                                   | 91.2%                                    | 74.5%   | 74.7%                                | 61.2%                                   |                                       |
| Total net prior year development, strengthening (release)  | \$ (93,192)                             | \$ (35,182)                              | \$ (70,735)                                     | \$ (42,491)                          | \$ (62,006)                             |                                       |
| Natural catastrophe losses   | 44,454                                  | 24,720                                   | 0   | 0                                    | 15,842                                  |                                       |
| Reinstatement premium  | 5,011                                   | 1,350                                    | 0   | 0                                    | 1,800                                   |                                       |
| Loss and loss expense ratio excluding net prior year development   | 55.9%                                   | 59.8%                                    | 50.0%   | 54.7%                                | 43.7%                                   |                                       |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 50.2%                                   | 56.7%                                    | 50.0%   | 54.7%                                | 39.9%                                   |                                       |
| Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium              | 86.3%                                   | 92.7%                                    | 85.3%   | 86.6%                                | 73.0%                                   |                                       |

**Notes:**

1. A significant portion of XL's reinsurance business incepts in the first quarter. This should be considered when making certain comparisons of gross and net premiums written.
  2. The company's results for the three months ended June 30, 2015 include those of Catlin from May 1, 2015.
  3. Operating expenses exclude corporate operating expenses.
- NA = Not applicable  
NM = Not meaningful

**SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT AND NATURAL CATASTROPHES**  
**THREE MONTHS ENDED DECEMBER 31, 2015 vs DECEMBER 31, 2014**  
(U.S. dollars in thousands)  
(Unaudited)



|                                     | FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 |                   |  |                     |                        | FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 |                  |  |                    |                        |
|-------------------------------------|--|-------------------|--|---------------------|------------------------|--|------------------|--|--------------------|------------------------|
|                                     | Including Cats & PYD                         | PYD               | (Note 1)<br>Excluding PYD but incl. Cats | Cats                | Excluding Cats and PYD | Including Cats & PYD                         | PYD              | (Note 2)<br>Excluding PYD but incl. Cats | Cats               | Excluding Cats and PYD |
| <b>INSURANCE</b>                    |  |                   |  |                     |                        |  |                  |  |                    |                        |
| Gross premiums written              | \$ 2,321,459                                 |                   | \$ 2,321,459                             | -                   | \$ 2,321,459           | \$ 1,462,262                                 |                  | \$ 1,462,262                             | -                  | \$ 1,462,262           |
| Net premiums written                | 1,704,492                                    | -                 | 1,704,492                                | -                   | 1,704,492              | 1,053,719                                    | -                | 1,053,719                                | -                  | 1,053,719              |
| Net premiums earned                 | 1,640,282                                    | -                 | 1,640,282                                | -                   | 1,640,282              | 1,011,867                                    | -                | 1,011,867                                | -                  | 1,011,867              |
| Net losses incurred                 | 1,063,004                                    | (27,962)          | 1,090,966                                | 68,386              | 1,022,580              | 626,032                                      | (34,655)         | 660,687                                  | 17,670             | 643,017                |
| Acquisition expenses                | 227,488                                      |                   | 227,488                                  | -                   | 227,488                | 92,464                                       |                  | 92,464                                   | -                  | 92,464                 |
| Operating expenses                  | 319,931                                      |                   | 319,931                                  | -                   | 319,931                | 230,328                                      |                  | 230,328                                  | -                  | 230,328                |
| <b>Underwriting profit / (loss)</b> | <b>\$ 29,859</b>                             | <b>\$ 27,962</b>  | <b>\$ 1,897</b>                          | <b>\$ (68,386)</b>  | <b>\$ 70,283</b>       | <b>\$ 63,043</b>                             | <b>\$ 34,655</b> | <b>\$ 28,388</b>                         | <b>\$ (17,670)</b> | <b>\$ 46,058</b>       |
| <b>Loss Ratio</b>                   | <b>64.8%</b>                                 |                   | <b>66.5%</b>                             |                     | <b>62.3%</b>           | <b>61.9%</b>                                 |                  | <b>65.3%</b>                             |                    | <b>63.5%</b>           |
| <b>Combined Ratio</b>               | <b>98.2%</b>                                 |                   | <b>99.9%</b>                             |                     | <b>95.7%</b>           | <b>93.8%</b>                                 |                  | <b>97.2%</b>                             |                    | <b>95.4%</b>           |
| <b>REINSURANCE</b>                  |  |                   |  |                     |                        |  |                  |  |                    |                        |
| Gross premiums written              | \$ 206,307                                   |                   | \$ 206,307                               | 5,011               | \$ 201,296             | \$ 158,358                                   |                  | \$ 158,358                               | 1,801              | \$ 156,557             |
| Net premiums written                | 174,300                                      | -                 | 174,300                                  | 5,011               | 169,289                | 146,378                                      | -                | 146,378                                  | 1,800              | 144,578                |
| Net premiums earned                 | 734,873                                      | -                 | 734,873                                  | 5,011               | 729,862                | 401,294                                      | -                | 401,294                                  | 1,800              | 399,494                |
| Net losses incurred                 | 317,889                                      | (93,192)          | 411,081                                  | 44,454              | 366,627                | 113,388                                      | (62,006)         | 175,394                                  | 15,842             | 159,552                |
| Acquisition expenses                | 182,910                                      |                   | 182,910                                  | -                   | 182,910                | 77,775                                       |                  | 77,775                                   | -                  | 77,775                 |
| Operating expenses                  | 80,475                                       |                   | 80,475                                   | -                   | 80,475                 | 54,324                                       |                  | 54,324                                   | -                  | 54,324                 |
| <b>Underwriting profit / (loss)</b> | <b>\$ 153,599</b>                            | <b>\$ 93,192</b>  | <b>\$ 60,407</b>                         | <b>\$ (39,443)</b>  | <b>\$ 99,850</b>       | <b>\$ 155,807</b>                            | <b>\$ 62,006</b> | <b>\$ 93,801</b>                         | <b>\$ (14,042)</b> | <b>\$ 107,843</b>      |
| <b>Loss Ratio</b>                   | <b>43.3%</b>                                 |                   | <b>55.9%</b>                             |                     | <b>50.2%</b>           | <b>28.3%</b>                                 |                  | <b>43.7%</b>                             |                    | <b>39.9%</b>           |
| <b>Combined Ratio</b>               | <b>79.1%</b>                                 |                   | <b>91.8%</b>                             |                     | <b>86.3%</b>           | <b>61.2%</b>                                 |                  | <b>76.6%</b>                             |                    | <b>73.0%</b>           |
| <b>TOTAL</b>                        |  |                   |  |                     |                        |  |                  |  |                    |                        |
| Gross premiums written              | \$ 2,527,766                                 |                   | \$ 2,527,766                             | 5,011               | \$ 2,522,755           | \$ 1,620,620                                 |                  | \$ 1,620,620                             | 1,801              | \$ 1,618,819           |
| Net premiums written                | 1,878,792                                    | -                 | 1,878,792                                | 5,011               | 1,873,781              | 1,200,097                                    | -                | 1,200,097                                | 1,800              | 1,198,297              |
| Net premiums earned                 | 2,375,155                                    | -                 | 2,375,155                                | 5,011               | 2,370,144              | 1,413,161                                    | -                | 1,413,161                                | 1,800              | 1,411,361              |
| Net losses incurred                 | 1,380,893                                    | (121,154)         | 1,502,047                                | 112,840             | 1,389,207              | 739,420                                      | (96,661)         | 836,081                                  | 33,512             | 802,569                |
| Acquisition expenses                | 410,398                                      |                   | 410,398                                  | -                   | 410,398                | 170,239                                      |                  | 170,239                                  | -                  | 170,239                |
| Operating expenses                  | 400,406                                      |                   | 400,406                                  | -                   | 400,406                | 284,652                                      |                  | 284,652                                  | -                  | 284,652                |
| <b>Underwriting profit / (loss)</b> | <b>\$ 183,458</b>                            | <b>\$ 121,154</b> | <b>\$ 62,304</b>                         | <b>\$ (107,829)</b> | <b>\$ 170,133</b>      | <b>\$ 218,850</b>                            | <b>\$ 96,661</b> | <b>\$ 122,189</b>                        | <b>\$ (31,712)</b> | <b>\$ 153,901</b>      |
| <b>Loss Ratio</b>                   | <b>58.1%</b>                                 |                   | <b>63.2%</b>                             |                     | <b>58.6%</b>           | <b>52.3%</b>                                 |                  | <b>59.2%</b>                             |                    | <b>56.9%</b>           |
| <b>Combined Ratio</b>               | <b>92.3%</b>                                 |                   | <b>97.4%</b>                             |                     | <b>92.8%</b>           | <b>84.5%</b>                                 |                  | <b>91.4%</b>                             |                    | <b>89.1%</b>           |

**Notes:**

- 2015 Natural Catastrophes include Chennai Flood, December UK Storm Desmond, Australia Bush Fire & Hailstorm and Mid-Atlantic Heavy Rainfall & Flooding.
- 2014 Natural Catastrophes include several US Wind & Thunderstorms, the India Floods, Mexico Hurricane Odile and Australia Brisbane Superstorm Cells.



## SEGMENT INFORMATION FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

(U.S. Dollars in thousands)  
(Unaudited)  
(Note 1)

|  | INSURANCE         | REINSURANCE       | TOTAL P&C           | CORPORATE AND<br>OTHER<br>(Note 2) | TOTAL               |
|--|-------------------|-------------------|---------------------|------------------------------------|---------------------|
| Gross premiums written   | \$ 8,395,846      | \$ 2,273,163      | \$ 10,669,009       | \$ 309,916                         | \$ 10,978,925       |
| Net premiums written   | \$ 5,859,934      | \$ 2,028,890      | \$ 7,888,824        | \$ 62,239                          | \$ 7,951,063        |
| Net premiums earned  | \$ 5,648,482      | \$ 2,515,702      | \$ 8,164,184        | \$ 62,241                          | \$ 8,226,425        |
| Net losses and loss expenses incurred  | (3,614,048)       | (1,152,152)       | (4,766,200)         | (115,997)                          | (4,882,197)         |
| Acquisition expenses   | (704,364)         | (602,290)         | (1,306,654)         | (10,794)                           | (1,317,448)         |
| Operating expenses (Note 3)  | (1,154,760)       | (283,379)         | (1,438,139)         | (1,232)                            | (1,439,371)         |
| Underwriting (loss) profit   | <u>\$ 175,310</u> | <u>\$ 477,881</u> | <u>\$ 653,191</u>   | <u>\$ (65,782)</u>                 | <u>\$ 587,409</u>   |
| Net investment income - excluding Life Funds Withheld Assets (Note 4)  | -                 | -                 | 583,871             | 40,569                             | 624,440             |
| Net investment income - Life Funds Withheld Assets (Note 4)  | -                 | -                 | -                   | 187,489                            | 187,489             |
| Net investment results structured products (Note 5)  | 12,185            | 5,806             | 17,991              | -                                  | 17,991              |
| Net fee income and other (Note 6)  | (16,936)          | 2,958             | (13,978)            | 622                                | (13,356)            |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)  |                   |                   | 14,586              | 5,411                              | 19,997              |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)           |                   |                   | -                   | 182,181                            | 182,181             |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 4) |                   |                   |                     | (151,691)                          | (151,691)           |
| Net realized and unrealized gains (losses) on derivative instruments   |                   |                   |                     | 53,123                             | 53,123              |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 7)  |                   |                   |                     | 118,060                            | 118,060             |
| Gain on sale of operating affiliate  |                   |                   |                     | 340,407                            | 340,407             |
| Foreign exchange (gains) losses  |                   |                   |                     | 22,504                             | 22,504              |
| Corporate operating expenses   |                   |                   |                     | 480,755                            | 480,755             |
| Extinguishment of debt   |                   |                   |                     | 5,592                              | 5,592               |
| <b>Contribution from P&amp;C and Corporate and other</b>   |                   |                   | <u>\$ 1,255,661</u> | <u>\$ 201,538</u>                  | <u>\$ 1,457,199</u> |
| Interest expense (Note 9)  |                   |                   |                     |                                    | (163,021)           |
| Non-controlling interests  |                   |                   |                     |                                    | (106,187)           |
| Income tax   |                   |                   |                     |                                    | 19,161              |
| <b>Net (loss) income attributable to XL Group plc</b>  |                   |                   |                     |                                    | <u>\$ 1,207,152</u> |
| <b>Ratios - P&amp;C operations:</b>  |                   |                   |                     |                                    |                     |
| Loss and loss expense ratio  | 64.0%             | 45.8%             | 58.4%               |                                    |                     |
| Underwriting expense ratio   | 32.9%             | 35.2%             | 33.6%               |                                    |                     |
| Combined ratio   | 96.9%             | 81.0%             | 92.0%               |                                    |                     |
| Total net prior year development   | (65,030)          | (241,600)         | (306,630)           |                                    |                     |
| Natural catastrophe losses (Note 10)   | 150,389           | 69,174            | 219,563             |                                    |                     |
| Reinstatement premium  | -                 | 6,361             | 6,361               |                                    |                     |
| Loss and loss expense ratio excluding net prior year development   | 65.1%             | 55.4%             | 62.1%               |                                    |                     |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium                               | 62.5%             | 52.8%             | 59.5%               |                                    |                     |

### Notes :

- The company's results for the twelve months ended December 31, 2015 include those of Catlin from May 1, 2015.
- 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 GreyCastle Life Retro 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 \$60.4 million and \$42.2 million, respectively.
- Net fee income and other includes operating expenses of \$46.6 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.
- Operating expenses includes approximately \$64.7 million of deal related costs and \$156.4 million of integration costs resulting from the Catlin acquisition. See pages 8 - 10 for split of segment and corporate operating expenses. See pages 15 - 16 for split of segment and corporate operating expenses.
- Interest expense includes approximately \$14.5 million in bridge financing costs related to the Catlin acquisition and excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- 2015 Natural Catastrophes include US Winterstorms, Chile Flooding, Storm Niklas, Sydney Hailstorm, Tropical Cyclone Marcia, US Storms, Mid-Atlantic Heavy Rainfall & Flooding, Chennai Flood, December UK Storm Desmond and Australia Bush Fire & Hailstorm.

## SEGMENT INFORMATION

### FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

(U.S. Dollars in thousands)  
(Note 1)



|  | INSURANCE         | REINSURANCE       | TOTAL P&C                  | CORPORATE<br>AND OTHER<br>(Note 2) | TOTAL                    |
|--|-------------------|-------------------|----------------------------|------------------------------------|--------------------------|
| Gross premiums written   | \$ 5,976,011      | \$ 1,785,479      | \$ 7,761,490               | \$ 333,436                         | \$ 8,094,926             |
| Net premiums written   | \$ 4,134,151      | \$ 1,633,058      | \$ 5,767,209               | \$ 177,632                         | \$ 5,944,841             |
| Net premiums earned  | \$ 4,026,713      | \$ 1,690,725      | \$ 5,717,438               | \$ 177,632                         | \$ 5,895,070             |
| Net losses and loss expenses incurred  | (2,543,108)       | (715,285)         | (3,258,393)                | (242,963)                          | (3,501,356)              |
| Acquisition expenses   | (393,319)         | (330,684)         | (724,003)                  | (14,115)                           | (738,118)                |
| Operating expenses (Note 3)  | (865,592)         | (193,404)         | (1,058,996)                | (10,693)                           | (1,069,689)              |
| Underwriting (loss) profit   | <u>\$ 224,694</u> | <u>\$ 451,352</u> | <u>\$ 676,046</u>          | <u>\$ (90,139)</u>                 | <u>\$ 585,907</u>        |
| Net investment income - excluding Life Funds Withheld Assets (Note 4)  | -                 | -                 | 574,458                    | 146,558                            | 721,016                  |
| Net investment income - Life Funds Withheld Assets (Note 4)  | -                 | -                 | -                          | 129,575                            | 129,575                  |
| Net investment results structured products (Note 5)  | 43,710            | 10,499            | 54,209                     | -                                  | 54,209                   |
| Net fee income and other (Note 6)  | (10,051)          | 2,800             | (7,251)                    | 360                                | (6,891)                  |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)  |                   |                   | 119,366                    | 3,625                              | 122,991                  |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)           |                   |                   |                            | (15,529)                           | (15,529)                 |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 4) |                   |                   |                            | (488,222)                          | (488,222)                |
| Net realized and unrealized gains (losses) on derivative instruments   |                   |                   |                            | 29,886                             | 29,886                   |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 7)  |                   |                   |                            | 203,034                            | 203,034                  |
| Foreign exchange (gains) losses  |                   |                   |                            | (37,568)                           | (37,568)                 |
| Corporate operating expenses   |                   |                   |                            | 220,165                            | 220,165                  |
| Loss on sale of life reinsurance subsidiary (Note 4)   |                   |                   |                            | 666,423                            | 666,423                  |
| <b>Contribution from P&amp;C and Corporate and other</b>   |                   |                   | <b><u>\$ 1,416,828</u></b> | <b><u>\$ (929,872)</u></b>         | <b><u>\$ 486,956</u></b> |
| Interest expense (Note 8)  |                   |                   |                            |                                    | (121,221)                |
| Non-controlling interests  |                   |                   |                            |                                    | (80,498)                 |
| Income taxes   |                   |                   |                            |                                    | (96,897)                 |
| <b>Net (loss) income attributable to XL Group plc</b>  |                   |                   |                            |                                    | <b><u>\$ 188,340</u></b> |
| <b>Ratios - P&amp;C operations:</b>  |                   |                   |                            |                                    |                          |
| Loss and loss expense ratio  | 63.2%             | 42.3%             | 57.0%                      |                                    |                          |
| Underwriting expense ratio   | 31.2%             | 31.0%             | 31.2%                      |                                    |                          |
| Combined ratio   | 94.4%             | 73.3%             | 88.2%                      |                                    |                          |
| Total net prior year development   | (99,758)          | (155,314)         | (255,072)                  |                                    |                          |
| Natural catastrophe losses (Note 9)  | 68,251            | 49,482            | 117,733                    |                                    |                          |
| Reinstatement premium  | -                 | 4,384             | 4,384                      |                                    |                          |
| Loss and loss expense ratio excluding net prior year development   | 65.6%             | 51.5%             | 61.5%                      |                                    |                          |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium                               | 63.9%             | 48.7%             | 59.4%                      |                                    |                          |

#### Notes :

- Certain amounts have been reclassified to conform with the current period presentation.
- 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 GreyCastle Life Retro 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 \$68.0 million and \$12.9 million, respectively.
- Net fee income and other includes operating expenses of \$50.5 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.
- 2014 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.



## PREMIUMS BY LINE OF BUSINESS

(U.S. Dollars in thousands)  
(Note 1)



|                                      | FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 |                     |                                 |                      | FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 |                     |                                 |                     |
|--------------------------------------|---|---------------------|---------------------------------|----------------------|---|---------------------|---------------------------------|---------------------|
|                                      | <u>GROSS PREMIUMS WRITTEN</u>                 |                     |                                 |                      | <u>GROSS PREMIUMS WRITTEN</u>                 |                     |                                 |                     |
|                                      | (Unaudited)<br>(Note 2)                       |                     |                                 |                      |   |                     |                                 |                     |
|                                      | Insurance                                     | Reinsurance         | Corporate and Other<br>(Note 3) | Total                | Insurance                                     | Reinsurance         | Corporate and Other<br>(Note 3) | Total               |
| <b>P&amp;C Operations:</b>           |   |                     |                                 |                      |   |                     |                                 |                     |
| Professional                         | \$ 1,754,631                                  | \$ 148,964          | \$ -                            | \$ 1,903,595         | \$ 1,550,929                                  | \$ 126,876          | \$ -                            | \$ 1,677,805        |
| Casualty                             | 2,677,828                                     | 385,779             | -                               | 3,063,607            | 2,150,302                                     | 302,903             | -                               | 2,453,205           |
| Property catastrophe                 | -   | 623,291             | -                               | 623,291              | -   | 493,646             | -                               | 493,646             |
| Property                             | 1,621,919                                     | 777,181             | -                               | 2,399,100            | 874,198                                       | 585,782             | -                               | 1,459,980           |
| Specialty                            | 1,934,034                                     | 106,629             | -                               | 2,040,663            | 1,013,592                                     | 112,039             | -                               | 1,125,631           |
| Other (Note 4)                       | 407,434                                       | 231,319             | 1                               | 638,754              | 386,990                                       | 164,233             | -                               | 551,223             |
| <b>Total P&amp;C operations</b>      | <b>8,395,846</b>                              | <b>2,273,163</b>    | <b>1</b>                        | <b>10,669,010</b>    | <b>5,976,011</b>                              | <b>1,785,479</b>    | <b>-</b>                        | <b>7,761,490</b>    |
| <b>Corporate and Other :</b>         |   |                     |                                 |                      |   |                     |                                 |                     |
| Run-Off Life Operations - Annuity    | -   | -                   | 139,766                         | 139,766              | -   | -                   | 154,339                         | 154,339             |
| Run-Off Life Operations - Other Life | -   | -                   | 170,149                         | 170,149              | -   | -                   | 179,097                         | 179,097             |
| <b>Total Corporate and Other</b>     | <b>-</b>                                      | <b>-</b>            | <b>309,915</b>                  | <b>309,915</b>       | <b>-</b>                                      | <b>-</b>            | <b>333,436</b>                  | <b>333,436</b>      |
| <b>Total</b>                         | <b>\$ 8,395,846</b>                           | <b>\$ 2,273,163</b> | <b>\$ 309,916</b>               | <b>\$ 10,978,925</b> | <b>\$ 5,976,011</b>                           | <b>\$ 1,785,479</b> | <b>\$ 333,436</b>               | <b>\$ 8,094,926</b> |
|                                      | <u>NET PREMIUMS WRITTEN</u>                   |                     |                                 |                      | <u>NET PREMIUMS WRITTEN</u>                   |                     |                                 |                     |
|                                      | Insurance                                     | Reinsurance         | Corporate and Other<br>(Note 3) | Total                | Insurance                                     | Reinsurance         | Corporate and Other<br>(Note 3) | Total               |
| <b>P&amp;C Operations:</b>           |   |                     |                                 |                      |   |                     |                                 |                     |
| Professional                         | \$ 1,195,541                                  | \$ 147,103          | \$ -                            | \$ 1,342,644         | \$ 1,076,209                                  | \$ 126,873          | \$ -                            | \$ 1,203,082        |
| Casualty                             | 1,771,705                                     | 361,435             | -                               | 2,133,140            | 1,437,889                                     | 301,109             | -                               | 1,738,998           |
| Property catastrophe                 | -   | 538,803             | -                               | 538,803              | -   | 428,723             | -                               | 428,723             |
| Property                             | 1,069,837                                     | 695,421             | -                               | 1,765,258            | 538,027                                       | 531,203             | -                               | 1,069,230           |
| Specialty                            | 1,514,958                                     | 93,176              | -                               | 1,608,134            | 791,024                                       | 104,718             | -                               | 895,742             |
| Other (Note 4)                       | 307,893                                       | 192,952             | (2)                             | 500,843              | 291,002                                       | 140,432             | -                               | 431,434             |
| <b>Total P&amp;C operations</b>      | <b>5,859,934</b>                              | <b>2,028,890</b>    | <b>(2)</b>                      | <b>7,888,822</b>     | <b>4,134,151</b>                              | <b>1,633,058</b>    | <b>-</b>                        | <b>5,767,209</b>    |
| <b>Corporate and Other :</b>         |   |                     |                                 |                      |   |                     |                                 |                     |
| Run-Off Life Operations - Annuity    | -   | -                   | 1                               | 1                    | -   | -                   | 53,364                          | 53,364              |
| Run-Off Life Operations - Other Life | -   | -                   | 62,240                          | 62,240               | -   | -                   | 124,268                         | 124,268             |
| <b>Total Corporate and Other</b>     | <b>-</b>                                      | <b>-</b>            | <b>62,241</b>                   | <b>62,241</b>        | <b>-</b>                                      | <b>-</b>            | <b>177,632</b>                  | <b>177,632</b>      |
| <b>Total</b>                         | <b>\$ 5,859,934</b>                           | <b>\$ 2,028,890</b> | <b>\$ 62,239</b>                | <b>\$ 7,951,063</b>  | <b>\$ 4,134,151</b>                           | <b>\$ 1,633,058</b> | <b>\$ 177,632</b>               | <b>\$ 5,944,841</b> |
|                                      | <u>NET PREMIUMS EARNED</u>                    |                     |                                 |                      | <u>NET PREMIUMS EARNED</u>                    |                     |                                 |                     |
|                                      | Insurance                                     | Reinsurance         | Corporate and Other<br>(Note 3) | Total                | Insurance                                     | Reinsurance         | Corporate and Other<br>(Note 3) | Total               |
| <b>P&amp;C Operations:</b>           |   |                     |                                 |                      |   |                     |                                 |                     |
| Professional                         | \$ 1,163,302                                  | \$ 168,367          | \$ -                            | \$ 1,331,669         | \$ 1,075,420                                  | \$ 181,223          | \$ -                            | \$ 1,256,643        |
| Casualty                             | 1,685,748                                     | 468,286             | -                               | 2,154,034            | 1,422,684                                     | 300,223             | -                               | 1,722,907           |
| Property catastrophe                 | -   | 663,958             | -                               | 663,958              | -   | 433,602             | -                               | 433,602             |
| Property                             | 1,021,037                                     | 869,286             | -                               | 1,890,323            | 544,856                                       | 555,583             | -                               | 1,100,439           |
| Specialty                            | 1,473,929                                     | 127,797             | -                               | 1,601,726            | 737,281                                       | 95,745              | -                               | 833,026             |
| Other (Note 4)                       | 304,466                                       | 218,008             | -                               | 522,474              | 246,472                                       | 124,349             | -                               | 370,821             |
| <b>Total P&amp;C operations</b>      | <b>5,648,482</b>                              | <b>2,515,702</b>    | <b>-</b>                        | <b>8,164,184</b>     | <b>4,026,713</b>                              | <b>1,690,725</b>    | <b>-</b>                        | <b>5,717,438</b>    |
| <b>Corporate and Other :</b>         |   |                     |                                 |                      |   |                     |                                 |                     |
| Run-Off Life Operations - Annuity    | -   | -                   | 1                               | 1                    | -   | -                   | 53,363                          | 53,363              |
| Run-Off Life Operations - Other Life | -   | -                   | 62,240                          | 62,240               | -   | -                   | 124,269                         | 124,269             |
| <b>Total Corporate and Other</b>     | <b>-</b>                                      | <b>-</b>            | <b>62,241</b>                   | <b>62,241</b>        | <b>-</b>                                      | <b>-</b>            | <b>177,632</b>                  | <b>177,632</b>      |
| <b>Total</b>                         | <b>\$ 5,648,482</b>                           | <b>\$ 2,515,702</b> | <b>\$ 62,241</b>                | <b>\$ 8,226,425</b>  | <b>\$ 4,026,713</b>                           | <b>\$ 1,690,725</b> | <b>\$ 177,632</b>               | <b>\$ 5,895,070</b> |

**Notes:**

1. Certain amounts have been reclassified to conform with the current period presentation.
2. The company's results for the twelve months ended December 31, 2015 include those of Catlin from May 1, 2015.
3. Corporate and Other includes the Company's run-off Life operations.
4. Other within the Insurance segment includes: excess and surplus, programs, surety, structured indemnity and certain other discontinued lines. Other within the Reinsurance segment includes: whole account contracts, credit and surety, accident and health and other lines.

**SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT AND NATURAL CATASTROPHES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 vs DECEMBER 31, 2014**  
(U.S. Dollars in thousands)



|                                     | FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015 |                   |  |                     |                        | FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 |                   |  |                     |                        |
|-------------------------------------|---|-------------------|--|---------------------|------------------------|---|-------------------|--|---------------------|------------------------|
|                                     | Including Cats & PYD                          | PYD               | (Unaudited)<br>(Note 1)                  |                     | Excluding Cats and PYD | Including Cats & PYD                          | PYD               | (Note 3)                                 |                     | Excluding Cats and PYD |
|                                     |   |                   | Excluding PYD but incl. Cats<br>(Note 2) | Cats                |                        |   |                   | Excluding PYD but incl. Cats<br>(Note 3) | Cats                |                        |
| <b>INSURANCE</b>                    |   |                   |  |                     |                        |   |                   |  |                     |                        |
| Gross premiums written              | \$ 8,395,846                                  |                   | \$ 8,395,846                             | -                   | \$ 8,395,846           | \$ 5,976,011                                  |                   | \$ 5,976,011                             | -                   | \$ 5,976,011           |
| Net premiums written                | 5,859,934                                     | -                 | 5,859,934                                | -                   | 5,859,934              | 4,134,151                                     | -                 | 4,134,151                                | -                   | 4,134,151              |
| Net premiums earned                 | 5,648,482                                     | -                 | 5,648,482                                | -                   | 5,648,482              | 4,026,713                                     | -                 | 4,026,713                                | -                   | 4,026,713              |
| Net losses incurred                 | 3,614,048                                     | (65,030)          | 3,679,078                                | 150,389             | 3,528,689              | 2,543,108                                     | (99,758)          | 2,642,866                                | 68,251              | 2,574,615              |
| Acquisition expenses                | 704,364                                       |                   | 704,364                                  | -                   | 704,364                | 393,319                                       |                   | 393,319                                  | -                   | 393,319                |
| Operating expenses                  | 1,154,760                                     |                   | 1,154,760                                | -                   | 1,154,760              | 865,592                                       |                   | 865,592                                  | -                   | 865,592                |
| <b>Underwriting profit / (loss)</b> | <b>\$ 175,310</b>                             | <b>\$ 65,030</b>  | <b>\$ 110,280</b>                        | <b>\$ (150,389)</b> | <b>\$ 260,669</b>      | <b>\$ 224,694</b>                             | <b>\$ 99,758</b>  | <b>\$ 124,936</b>                        | <b>\$ (68,251)</b>  | <b>\$ 193,187</b>      |
| <b>Loss Ratio</b>                   | <b>64.0%</b>                                  |                   | <b>65.1%</b>                             |                     | <b>62.5%</b>           | <b>63.2%</b>                                  |                   | <b>65.6%</b>                             |                     | <b>63.9%</b>           |
| <b>Combined Ratio</b>               | <b>96.9%</b>                                  |                   | <b>98.0%</b>                             |                     | <b>95.4%</b>           | <b>94.4%</b>                                  |                   | <b>96.9%</b>                             |                     | <b>95.2%</b>           |
| <b>REINSURANCE</b>                  |   |                   |  |                     |                        |   |                   |  |                     |                        |
| Gross premiums written              | \$ 2,273,163                                  |                   | \$ 2,273,163                             | 6,361               | \$ 2,266,802           | \$ 1,785,479                                  |                   | \$ 1,785,479                             | 4,385               | \$ 1,781,094           |
| Net premiums written                | 2,028,890                                     | -                 | 2,028,890                                | 6,361               | 2,022,529              | 1,633,058                                     | -                 | 1,633,058                                | 4,384               | 1,628,674              |
| Net premiums earned                 | 2,515,702                                     | -                 | 2,515,702                                | 6,361               | 2,509,341              | 1,690,725                                     | -                 | 1,690,725                                | 4,384               | 1,686,341              |
| Net losses incurred                 | 1,152,152                                     | (241,600)         | 1,393,752                                | 69,174              | 1,324,578              | 715,285                                       | (155,314)         | 870,599                                  | 49,482              | 821,117                |
| Acquisition expenses                | 602,290                                       |                   | 602,290                                  | -                   | 602,290                | 330,684                                       |                   | 330,684                                  | -                   | 330,684                |
| Operating expenses                  | 283,379                                       |                   | 283,379                                  | -                   | 283,379                | 193,404                                       |                   | 193,404                                  | -                   | 193,404                |
| <b>Underwriting profit / (loss)</b> | <b>\$ 477,881</b>                             | <b>\$ 241,600</b> | <b>\$ 236,281</b>                        | <b>\$ (62,813)</b>  | <b>\$ 299,094</b>      | <b>\$ 451,352</b>                             | <b>\$ 155,314</b> | <b>\$ 296,038</b>                        | <b>\$ (45,098)</b>  | <b>\$ 341,136</b>      |
| <b>Loss Ratio</b>                   | <b>45.8%</b>                                  |                   | <b>55.4%</b>                             |                     | <b>52.8%</b>           | <b>42.3%</b>                                  |                   | <b>51.5%</b>                             |                     | <b>48.7%</b>           |
| <b>Combined Ratio</b>               | <b>81.0%</b>                                  |                   | <b>90.6%</b>                             |                     | <b>88.1%</b>           | <b>73.3%</b>                                  |                   | <b>82.5%</b>                             |                     | <b>79.8%</b>           |
| <b>TOTAL</b>                        |   |                   |  |                     |                        |   |                   |  |                     |                        |
| Gross premiums written              | \$ 10,669,009                                 |                   | \$ 10,669,009                            | 6,361               | \$ 10,662,648          | \$ 7,761,490                                  |                   | \$ 7,761,490                             | 4,385               | \$ 7,757,105           |
| Net premiums written                | 7,888,824                                     | -                 | 7,888,824                                | 6,361               | 7,882,463              | 5,767,209                                     | -                 | 5,767,209                                | 4,384               | 5,762,825              |
| Net premiums earned                 | 8,164,184                                     | -                 | 8,164,184                                | 6,361               | 8,157,823              | 5,717,438                                     | -                 | 5,717,438                                | 4,384               | 5,713,054              |
| Net losses incurred                 | 4,766,200                                     | (306,630)         | 5,072,830                                | 219,563             | 4,853,267              | 3,258,393                                     | (255,072)         | 3,513,465                                | 117,733             | 3,395,732              |
| Acquisition expenses                | 1,306,654                                     |                   | 1,306,654                                | -                   | 1,306,654              | 724,003                                       |                   | 724,003                                  | -                   | 724,003                |
| Operating expenses                  | 1,438,139                                     |                   | 1,438,139                                | -                   | 1,438,139              | 1,058,996                                     |                   | 1,058,996                                | -                   | 1,058,996              |
| <b>Underwriting profit / (loss)</b> | <b>\$ 653,191</b>                             | <b>\$ 306,630</b> | <b>\$ 346,561</b>                        | <b>\$ (213,202)</b> | <b>\$ 559,763</b>      | <b>\$ 676,046</b>                             | <b>\$ 255,072</b> | <b>\$ 420,974</b>                        | <b>\$ (113,349)</b> | <b>\$ 534,323</b>      |
| <b>Loss Ratio</b>                   | <b>58.4%</b>                                  |                   | <b>62.1%</b>                             |                     | <b>59.5%</b>           | <b>57.0%</b>                                  |                   | <b>61.5%</b>                             |                     | <b>59.4%</b>           |
| <b>Combined Ratio</b>               | <b>92.0%</b>                                  |                   | <b>95.8%</b>                             |                     | <b>93.1%</b>           | <b>88.2%</b>                                  |                   | <b>92.6%</b>                             |                     | <b>90.6%</b>           |

**Notes:**

- The company's results for the twelve months ended December 31, 2015 include those of Catlin from May 1, 2015.
- 2015 Natural Catastrophes include US Winterstorms, Chile Flooding, Storm Niklas, Sydney Hailstorm, Tropical Cyclone Marcia, US Storms, Mid-Atlantic Heavy Rainfall & Flooding, Chennai Flood, December UK Storm Desmond and Australia Bush Fire & Hailstorm.
- 2014 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.



# **BALANCE SHEETS**

**CONSOLIDATED BALANCE SHEETS**  
(U.S. dollars in thousands, except share and per share amounts)  
(Note 1)



|  | At<br>December 31, 2015<br>(Unaudited) | At<br>September 30, 2015<br>(Unaudited) | At<br>June 30, 2015<br>(Unaudited) | At<br>March 31, 2015<br>(Unaudited) | At<br>December 31, 2014 |
|--|--|---|------------------------------------|-------------------------------------|-------------------------|
| <b>Assets</b>  |  |   |                                    |                                     |                         |
| Fixed maturities, available for sale at fair value (amortized cost: December 31, 2015, \$31,517,654; December 31, 2014, \$27,728,771)              | \$ 32,257,589                          | \$ 33,276,322                           | \$ 33,767,991                      | \$ 29,110,400                       | \$ 29,359,034           |
| Equity securities, at fair value (cost: December 31, 2015, \$834,079; December 31, 2014, \$763,833)  | 878,919                                | 969,706                                 | 1,073,470                          | 783,471                             | 868,292                 |
| Short-term investments, at fair value (amortized cost: December 31, 2015, \$618,851; December 31, 2014, \$257,221)                                 | 617,390                                | 546,020                                 | 807,486                            | 168,862                             | 256,727                 |
| Total investments available for sale   | 33,753,898                             | 34,792,048                              | 35,648,947                         | 30,062,733                          | 30,484,053              |
| Fixed maturities, at fair value (amortized cost: December 31, 2015, \$1,263,609; December 31, 2014, \$1,180)                                       | 1,235,699                              | 914,337                                 | 748,931                            | 139,377                             | 1,171                   |
| Short-term investments, at fair value (amortized cost: December 31, 2015, \$60,175,855; December 31, 2014, \$0)                                    | 60,330                                 | 70,886                                  | 42,553                             | -                                   | -                       |
| Total investments - trading  | 1,296,029                              | 985,223                                 | 791,484                            | 139,377                             | 1,171                   |
| Investments in affiliates  | 1,708,899                              | 1,592,841                               | 1,663,852                          | 1,655,394                           | 1,637,620               |
| Other investments  | 1,433,057                              | 1,676,140                               | 1,743,259                          | 1,328,935                           | 1,248,439               |
| Total investments  | 38,191,883                             | 39,046,252                              | 39,847,542                         | 33,186,439                          | 33,371,283              |
| Cash and cash equivalents  | 3,256,236                              | 3,340,070                               | 2,840,841                          | 3,209,934                           | 2,521,814               |
| Restricted cash  | 154,992                                | 147,810                                 | 135,638                            | -                                   | -                       |
| Accrued investment income  | 312,667                                | 311,679                                 | 312,856                            | 278,714                             | 315,964                 |
| Deferred acquisition costs and value of business acquired  | 890,568                                | 1,036,260                               | 1,121,362                          | 417,275                             | 354,533                 |
| Ceded unearned premiums  | 1,821,793                              | 2,088,569                               | 2,433,462                          | 1,078,575                           | 952,525                 |
| Premiums receivable  | 4,712,493                              | 5,257,588                               | 5,933,368                          | 2,898,739                           | 2,473,736               |
| Reinsurance balances receivable  | 418,666                                | 425,521                                 | 371,807                            | 118,384                             | 131,519                 |
| Unpaid losses and loss expenses recoverable  | 5,262,706                              | 5,197,577                               | 5,155,612                          | 3,529,331                           | 3,429,368               |
| Net receivable from investments sold   | 231,158                                | 95,571                                  | 118,415                            | 19,627                              | 92,762                  |
| Goodwill and other intangible assets   | 2,210,266                              | 2,213,688                               | 2,205,911                          | 442,431                             | 447,952                 |
| Deferred tax assets  | 282,311                                | 252,492                                 | 204,155                            | 192,286                             | 204,491                 |
| Other assets   | 937,199                                | 1,003,446                               | 1,069,737                          | 708,821                             | 750,872                 |
| <b>Total assets</b>  | <b>\$ 58,682,938</b>                   | <b>\$ 60,416,523</b>                    | <b>\$ 61,750,706</b>               | <b>\$ 46,080,556</b>                | <b>\$ 45,046,819</b>    |
| <b>Liabilities</b>   |  |   |                                    |                                     |                         |
| Unpaid losses and loss expenses  | \$ 25,439,744                          | \$ 25,782,080                           | \$ 25,840,381                      | \$ 18,965,264                       | \$ 19,353,243           |
| Deposit liabilities  | 1,168,376                              | 1,194,815                               | 1,212,206                          | 1,211,203                           | 1,245,367               |
| Future policy benefit reserves   | 4,163,500                              | 4,323,748                               | 4,494,886                          | 4,375,863                           | 4,707,199               |
| Funds withheld liability on GreyCastle life retro arrangements, net of future policy benefit reserves recoverable (Note 2)                         | 914,629                                | 930,834                                 | 915,116                            | 1,138,652                           | 1,155,016               |
| Unearned premiums  | 7,043,358                              | 7,840,331                               | 8,548,841                          | 4,532,022                           | 3,973,132               |
| Notes payable and debt   | 2,644,970                              | 2,726,917                               | 2,726,455                          | 2,643,561                           | 1,662,580               |
| Reinsurance balances payable   | 2,117,727                              | 2,303,352                               | 2,494,201                          | 558,952                             | 493,230                 |
| Net payable for investments purchased  | 130,060                                | 154,342                                 | 149,249                            | 75,145                              | 42,291                  |
| Deferred tax liabilities   | 120,651                                | 126,130                                 | 144,044                            | 66,115                              | 66,246                  |
| Other liabilities  | 1,285,460                              | 1,133,466                               | 1,020,222                          | 867,356                             | 912,749                 |
| <b>Total liabilities</b>   | <b>\$ 45,028,475</b>                   | <b>\$ 46,516,015</b>                    | <b>\$ 47,545,601</b>               | <b>\$ 34,434,133</b>                | <b>\$ 33,611,053</b>    |
| <b>Commitments and contingencies</b>   |  |   |                                    |                                     |                         |
| <b>Shareholders' equity</b>  |  |   |                                    |                                     |                         |
| Ordinary shares, 999,990,000 authorized, par value \$0.01; issued and outstanding (December 31, 2015, 294,745,045; December 31, 2014, 255,182,955) | \$ 2,947                               | \$ 2,993                                | \$ 3,039                           | \$ 2,567                            | \$ 2,552                |
| Additional paid in capital   | 8,910,167                              | 9,036,407                               | 9,153,868                          | 7,361,138                           | 7,359,102               |
| Accumulated other comprehensive income (loss)  | 686,616                                | 955,082                                 | 1,076,174                          | 1,705,170                           | 1,484,458               |
| Retained earnings (deficit)  | 2,077,349                              | 1,943,747                               | 2,014,217                          | 1,175,182                           | 1,187,639               |
| Shareholders' equity attributable to XL Group plc  | 11,677,079                             | 11,938,229                              | 12,247,298                         | 10,244,057                          | 10,033,751              |
| Non-controlling interest in equity of consolidated subsidiaries  | 1,977,384                              | 1,962,279                               | 1,957,807                          | 1,402,366                           | 1,402,015               |
| <b>Total shareholders' equity</b>  | <b>\$ 13,654,463</b>                   | <b>\$ 13,900,508</b>                    | <b>\$ 14,205,105</b>               | <b>\$ 11,646,423</b>                | <b>\$ 11,435,766</b>    |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 58,682,938</b>                   | <b>\$ 60,416,523</b>                    | <b>\$ 61,750,706</b>               | <b>\$ 46,080,556</b>                | <b>\$ 45,046,819</b>    |

**Notes:**

1. Certain amounts have been reclassified to conform with the current period presentation.

2. 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 GreyCastle Life Retro 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.

## SUPPLEMENTARY CAPITAL INFORMATION

(U.S. dollars in millions)  
(Notes 1, 2 and 3)



|  | At<br>December 31, 2015<br>In Use<br>(Unaudited) | September 30, 2015<br>In Use<br>(Unaudited) | At<br>June 30, 2015<br>In Use<br>(Unaudited) | At<br>March 31, 2015<br>In Use<br>(Unaudited) | At<br>December 31, 2014<br>In Use |
|--|--|---|--|---|-----------------------------------|
| <u>Maturity</u>  | <u>Commitment</u>                                | <u>Commitment</u>                           | <u>Commitment</u>                            | <u>Commitment</u>                             | <u>Commitment</u>                 |
| <b>Debt</b>  |  |   |  |   |                                   |
| 2.30% Senior Notes   | 300  | 298   | 298  | 298   | 297                               |
| 5.75% Senior Notes   | 400  | 398   | 397  | 397   | 397                               |
| 6.375% Senior Notes  | 350  | 349   | 349  | 349   | 349                               |
| 4.45% Subordinated Notes   | 500  | 493   | 492  | 492   | -                                 |
| 6.25% Senior Notes   | 325  | 323   | 323  | 323   | 323                               |
| Variable Rate Note, face amount €7m (Note 4)                         | -  | -   | 7  | -   | -                                 |
| Variable Rate Note, face amount \$27m (Note 4)                       | -  | -   | 25   | -   | -                                 |
| Variable Rate Note, face amount \$31m (Note 4)                       | -  | -   | 29   | -   | -                                 |
| Variable Rate Note, face amount \$10m (Note 4)                       | -  | -   | 9  | -   | -                                 |
| Variable Rate Note, face amount €11m (Note 4)                        | -  | -   | 12   | -   | -                                 |
| 5.25% Senior Notes   | 300  | 296   | 296  | 296   | 296                               |
| 5.5% Subordinated Notes  | 500  | 488   | 488  | 488   | -                                 |
| <b>Total debt</b>  | <b>\$ 2,675</b>                                  | <b>\$ 2,645</b>                             | <b>\$ 2,725</b>                              | <b>\$ 2,724</b>                               | <b>\$ 1,662</b>                   |
| Adjustment to carrying value - impact of fair value hedges and other | -  | (0)   | 2  | 1   | 1                                 |
| Total debt per consolidated balance sheet                            | <b>\$ 2,645</b>                                  | <b>\$ 2,645</b>                             | <b>\$ 2,727</b>                              | <b>\$ 2,726</b>                               | <b>\$ 1,663</b>                   |
| <b>Shareholders' Capital</b>   |  |   |  |   |                                   |
| Ordinary shares - capital and surplus                                | \$ 8,913   | \$ 9,039                                    | \$ 9,157                                     | \$ 7,364                                      | \$ 7,362                          |
| Non-controlling interest in equity of consolidated subsidiaries      | 1,977  | 1,962                                       | 1,958  | 1,402   | 1,402                             |
| Other  | 2,764  | 2,899                                       | 3,090  | 2,880   | 2,672                             |
| <b>Total shareholders' capital</b>                                   | <b>\$ 13,654</b>                                 | <b>\$ 13,901</b>                            | <b>\$ 14,205</b>                             | <b>\$ 11,646</b>                              | <b>\$ 11,436</b>                  |
| <b>Total capital (total debt plus total shareholders' capital)</b>   | <b>\$ 16,299</b>                                 | <b>\$ 16,626</b>                            | <b>\$ 16,929</b>                             | <b>\$ 14,289</b>                              | <b>\$ 13,098</b>                  |
| <b>Debt to total capital</b>   | 16.2%  | 16.4%                                       | 16.1%  | 18.5%   | 12.7%                             |

**Notes:**

1. Certain amounts have been reclassified to conform with the current period presentation.

2. "In Use" data represents accreted values.

3. Excluded from the table are revolving credit facilities of \$1.4 billion at December 31, 2015, \$1.5 billion at September 30, 2015, \$1.7 billion at June 30, 2015, \$1.6 billion at each of March 31, 2015 and December 31, 2014. The amounts utilized under these facilities to issue letters of credit were \$527.1 million at December 31, 2015, \$467.9 million at September 30, 2015, \$667.9 million at June 30, 2015, \$598.2 million at March 31, 2015, \$606.1 million at December 31, 2014, thus leaving available amounts of \$822.9 at December 31, 2015, \$1.0 billion at the end of each of September 30, 2015, June 30, 2015, March 31, 2015 and \$968.9 million at December 31, 2014.

4. These subordinated notes were acquired as a result of the combination with Catlin and were repurchased by XL at par and extinguished in December, 2015. XL has recognized a \$5.6 million loss on early extinguishment of debt for the year ended December 31, 2015.

## RECOVERABLE AND REINSURANCE BALANCES RECEIVABLE BY REINSURER

(U.S. dollars in thousands)



|  | At<br>December 31, 2015<br>(Unaudited) | At<br>September 30, 2015<br>(Unaudited) | At<br>June 30, 2015<br>(Unaudited) | At<br>March 31, 2015<br>(Unaudited) | At<br>December 31, 2014 |
|--|--|---|------------------------------------|-------------------------------------|-------------------------|
| Unpaid losses and loss expenses recoverable                    | \$ 5,262,706                           | \$ 5,197,577                            | \$ 5,155,612                       | \$ 3,529,331                        | \$ 3,429,368            |
| Reinsurance balances receivable                                | 418,666                                | 425,521                                 | 371,807                            | 118,384                             | 131,519                 |
| Total recoverable and reinsurance balances receivable (Note 1) | <u>\$ 5,681,372</u>                    | <u>\$ 5,623,098</u>                     | <u>\$ 5,527,419</u>                | <u>\$ 3,647,715</u>                 | <u>\$ 3,560,887</u>     |

The following is an analysis at September 30, 2015 of reinsurers owing more than 3% of the total recoverable and reinsurance balances receivable:

| Name of reinsurer                 | Standard and<br>Poor's Rating | % of Total |
|-----------------------------------|-------------------------------|------------|
| Munich Reinsurance Co.            | AA-/Stable                    | 26.0%      |
| Lloyd's Syndicates                | A+/Stable                     | 16.6%      |
| Swiss Reinsurance Co.             | AA-/Stable                    | 6.6%       |
| Swiss Re Europe S.A.              | AA-/Stable                    | 5.2%       |
| Transatlantic Reinsurance Company | A+/Stable                     | 4.6%       |

"AAA" : Extremely strong capacity to meet its financial commitments, "+" indicating the high end of the main rating and "-" indicating the low end of the main rating. "AAA" is the highest out of nine main ratings.

"AA" : Very strong capacity to meet its financial commitments, "+" indicating the high end of the main rating and "-" indicating the low end of the main rating. "AA" is the second highest out of nine main ratings.

"A" : Strong capacity to meet its financial commitments, "+" indicating the high end of the main rating and "-" indicating the low end of the main rating. "A" is the third highest out of nine main ratings.

### Notes:

- Total recoverable and reinsurance balances receivable reflect the company's reserve for potential non-recoveries from reinsurers of \$56.9 million at December 31, 2015, \$59.7 million at September 30, 2015, \$62.1 million at June 30, 2015, \$54.2 million at March 31, 2015 and \$64.4 million at December 31, 2014.
- 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 GreyCastle Life Retro Arrangements. Unpaid losses and loss expense recoverables under the GreyCastle Life Retro Arrangements are excluded from the amounts above, and are included as an offset within our balance sheet "Funds withheld on GreyCastle life retrocession arrangements" liability line. These amounts were approximately \$3.7 billion at December 31, 2015 and \$4.3 billion at December 31, 2014, respectively.
- During the fourth quarter of 2015, we entered into a large reinsurance agreement ceding approximately 80% of the remaining life insurance premiums that were not included in the GreyCastle Retro Arrangements. Unpaid losses and loss expense recoverables under these Other Life Retro Arrangements are also excluded from the amounts above, and are now included as an offset within our balance sheet "Reinsurance balances payable line". These amounts were approximately \$284 million at December 31, 2015.



# LOSS ANALYSIS

# ANALYSIS OF LOSSES AND LOSS EXPENSES INCURRED

(U.S. dollars in millions)

(Unaudited)



## P&C OPERATIONS

|                                | For the three months ended<br>December 31, 2015 |            |          |                       | For the twelve months ended<br>December 31, 2015 |            |          |                       |
|--------------------------------|---|------------|----------|-----------------------|--|------------|----------|-----------------------|
|                                | GROSS   | RECOVERIES | NET      | Paid to<br>incurred % | GROSS  | RECOVERIES | NET      | Paid to<br>incurred % |
| Paid                           | \$ 1,946  | \$ (298)   | \$ 1,648 | 119.3%                | \$ 6,505   | \$ (1,131) | \$ 5,374 | 112.8%                |
| Change in unpaid loss reserves | (194)   | (73)       | (267)    |                       | (168)  | (440)      | (608)    |                       |
| Included losses                | \$ 1,752  | \$ (371)   | \$ 1,381 |                       | \$ 6,337   | \$ (1,571) | \$ 4,766 |                       |
| Prior year development (PYD)   |   |            | \$ (121) |                       |  |            | \$ (307) |                       |
| Included losses excluding PYD  |   |            | 1,502    | 109.7%                |  |            | 5,073    | 105.9%                |

  

|                                | For the three months ended<br>September 30, 2015 |            |          |                       | For the nine months ended<br>September 30, 2015 |            |          |                       |
|--------------------------------|--|------------|----------|-----------------------|---|------------|----------|-----------------------|
|                                | GROSS  | RECOVERIES | NET      | Paid to<br>incurred % | GROSS   | RECOVERIES | NET      | Paid to<br>incurred % |
| Paid                           | \$ 1,796   | \$ (482)   | \$ 1,314 | 89.7%                 | \$ 4,559  | \$ (833)   | \$ 3,726 | 110.1%                |
| Change in unpaid loss reserves | 173  | (22)       | 151      |                       | 26  | (367)      | (341)    |                       |
| Included losses                | \$ 1,969   | \$ (504)   | \$ 1,465 |                       | \$ 4,585  | \$ (1,200) | \$ 3,385 |                       |
| PYD                            |  |            | \$ (28)  |                       |   |            | \$ (185) |                       |
| Included losses excluding PYD  |  |            | 1,493    | 88.0%                 |   |            | 3,570    | 104.4%                |

  

|                                | For the three months ended<br>December 31, 2014 |            |          |                       | For the twelve months ended<br>December 31, 2014 |            |          |                       |
|--------------------------------|---|------------|----------|-----------------------|--|------------|----------|-----------------------|
|                                | GROSS   | RECOVERIES | NET      | Paid to<br>incurred % | GROSS  | RECOVERIES | NET      | Paid to<br>incurred % |
| Paid                           | \$ 1,263  | \$ (202)   | \$ 1,061 | 143.6%                | \$ 4,499   | \$ (678)   | \$ 3,821 | 117.3%                |
| Change in unpaid loss reserves | (295)   | (27)       | (322)    |                       | (514)  | (49)       | (563)    |                       |
| Included losses                | \$ 968  | \$ (229)   | \$ 739   |                       | \$ 3,985   | \$ (727)   | \$ 3,258 |                       |
| PYD                            |   |            | \$ (97)  |                       |  |            | \$ (255) |                       |
| Included losses excluding PYD  |   |            | 836      | 126.9%                |  |            | 3,513    | 108.8%                |



## ANALYSIS OF UNPAID LOSSES AND LOSS EXPENSES

(U.S. dollars in millions)



### P&C OPERATIONS

|  | At December 31, 2015<br>(Unaudited) |                   |                  | At December 31, 2014 |                   |                  |
|--|-------------------------------------|-------------------|------------------|----------------------|-------------------|------------------|
|  | GROSS                               | RECOVERIES        | NET              | GROSS                | RECOVERIES        | NET              |
| Outstanding loss reserves                | \$ 10,293                           | \$ (1,873)        | \$ 8,420         | \$ 7,461             | \$ (1,116)        | \$ 6,345         |
| Incurred but not reported reserves       | 15,008                              | (3,361)           | 11,647           | 11,892               | (2,295)           | 9,597            |
| Fair value adjustments recoverable       | \$ 139                              | (15)              | \$ 124           | \$ -                 | -                 | -                |
| Unpaid losses and loss expense reserves  | <u>\$ 25,440</u>                    | <u>\$ (5,249)</u> | <u>\$ 20,191</u> | <u>\$ 19,353</u>     | <u>\$ (3,411)</u> | <u>\$ 15,942</u> |
|  | <b>GROSS</b>                        | <b>RECOVERIES</b> | <b>NET</b>       |                      |                   |                  |
| Balance at December 31, 2014             | \$ 19,353                           | \$ (3,411)        | \$ 15,942        |                      |                   |                  |
| Losses and loss expenses incurred        | 6,337                               | (1,571)           | 4,766            |                      |                   |                  |
| Loss and loss expenses paid              | (6,505)                             | 1,130             | (5,375)          |                      |                   |                  |
| Acquired Reserves                        | 6,933                               | (1,493)           | 5,440            |                      |                   |                  |
| Foreign exchange revaluation and other   | (678)                               | 96                | (582)            |                      |                   |                  |
| Balance at December 31, 2015 (Unaudited) | <u>\$ 25,440</u>                    | <u>\$ (5,249)</u> | <u>\$ 20,191</u> |                      |                   |                  |



# **INVESTMENT PORTFOLIO INFORMATION**

## SCHEDULE 1 - SUMMARY INVESTMENT PORTFOLIO

### CONSOLIDATED

(U.S. dollars in millions)



|  | December 31, 2015<br>(Unaudited) |               | September 30, 2015<br>(Unaudited) |               | June 30, 2015<br>(Unaudited)<br>(Note 1) |               | March 31, 2015<br>(Unaudited) |               | December 31, 2014 |               |
|--|----------------------------------|---------------|-----------------------------------|---------------|--|---------------|-------------------------------|---------------|-------------------|---------------|
|  | Fair Value                       | % of Total    | Fair Value                        | % of Total    | Fair Value                               | % of Total    | Fair Value                    | % of Total    | Fair Value        | % of Total    |
| <b>INVESTMENT PORTFOLIO</b>  |                                  |               |                                   |               |  |               |                               |               |                   |               |
| <b>Fixed Income Portfolio (excluding Life Funds Withheld Assets)</b>                                 |                                  |               |                                   |               |  |               |                               |               |                   |               |
| <b>U.S. Government Related and Supported (Schedule 4)</b>  | \$ 7,964                         | 22.4%         | \$ 7,145                          | 19.7%         | \$ 6,581                                 | 18.1%         | \$ 5,419                      | 17.9%         | \$ 4,266          | 14.2%         |
| U.S. Treasuries  | 4,332                            | 12.2%         | 3,516                             | 9.7%          | 3,350                                    | 9.2%          | 3,169                         | 10.5%         | 1,976             | 6.6%          |
| U.S. Agencies  | 245                              | 0.7%          | 251                               | 0.7%          | 265                                      | 0.7%          | 244                           | 0.8%          | 237               | 0.8%          |
| U.S. Municipals  | 2,670                            | 7.5%          | 2,691                             | 7.4%          | 2,436                                    | 6.7%          | 1,999                         | 6.6%          | 2,046             | 6.8%          |
| U.S. Government Guarantee  | 717                              | 2.0%          | 687                               | 1.9%          | 530                                      | 1.5%          | 7                             | 0.0%          | 7                 | 0.0%          |
| <b>Non-U.S. Government Related and Supported (Schedule 4)</b>  | <b>5,557</b>                     | <b>15.6%</b>  | <b>5,385</b>                      | <b>14.9%</b>  | <b>5,671</b>                             | <b>15.4%</b>  | <b>4,240</b>                  | <b>14.1%</b>  | <b>4,458</b>      | <b>14.9%</b>  |
| <b>Corporate (Schedule 5)</b>  | <b>10,689</b>                    | <b>30.1%</b>  | <b>10,190</b>                     | <b>28.2%</b>  | <b>10,342</b>                            | <b>28.4%</b>  | <b>8,243</b>                  | <b>27.4%</b>  | <b>8,892</b>      | <b>29.8%</b>  |
| Financials   | 3,627                            | 10.2%         | 3,140                             | 8.7%          | 3,201                                    | 8.8%          | 2,444                         | 8.1%          | 2,803             | 9.4%          |
| Non-Financials   | 7,062                            | 19.9%         | 7,050                             | 19.5%         | 7,141                                    | 19.6%         | 5,799                         | 19.3%         | 6,089             | 20.4%         |
| <b>Mortgage Backed Securities</b>  | <b>4,506</b>                     | <b>12.6%</b>  | <b>5,154</b>                      | <b>14.3%</b>  | <b>5,282</b>                             | <b>14.5%</b>  | <b>5,143</b>                  | <b>17.1%</b>  | <b>5,228</b>      | <b>17.5%</b>  |
| Agency RMBS (Schedule 6)   | 3,770                            | 10.6%         | 3,935                             | 10.9%         | 3,967                                    | 10.9%         | 3,723                         | 12.4%         | 3,740             | 12.5%         |
| Non-Agency RMBS (Schedule 6)   | 329                              | 0.9%          | 366                               | 1.0%          | 375                                      | 1.0%          | 383                           | 1.3%          | 431               | 1.4%          |
| CMBS (Schedule 7)  | 407                              | 1.1%          | 853                               | 2.4%          | 940                                      | 2.6%          | 1,037                         | 3.4%          | 1,057             | 3.6%          |
| <b>Asset Backed Securities (Schedule 8 &amp; 9)</b>  | <b>1,233</b>                     | <b>3.4%</b>   | <b>2,488</b>                      | <b>6.9%</b>   | <b>2,882</b>                             | <b>8.0%</b>   | <b>1,681</b>                  | <b>5.6%</b>   | <b>1,775</b>      | <b>5.9%</b>   |
| CDOs (Schedule 8)  | 47                               | 0.1%          | 411                               | 1.1%          | 495                                      | 1.4%          | 502                           | 1.7%          | 694               | 2.3%          |
| Consumer ABS (Schedule 9)  | 255                              | 0.7%          | 865                               | 2.4%          | 1,017                                    | 2.8%          | 505                           | 1.7%          | 340               | 1.1%          |
| Other ABS (Schedule 9)   | 931                              | 2.6%          | 1,212                             | 3.4%          | 1,370                                    | 3.8%          | 674                           | 2.2%          | 741               | 2.5%          |
| <b>Cash and Equivalents (net of payables/receivables)</b>  | <b>1,599</b>                     | <b>4.5%</b>   | <b>1,547</b>                      | <b>4.3%</b>   | <b>1,231</b>                             | <b>3.4%</b>   | <b>1,616</b>                  | <b>5.4%</b>   | <b>1,511</b>      | <b>5.1%</b>   |
| <b>Total Fixed Income - Investments (Schedule 2 &amp; 3) (Note 2)</b>                                | <b>\$ 31,548</b>                 | <b>88.6%</b>  | <b>\$ 31,909</b>                  | <b>88.3%</b>  | <b>\$ 31,989</b>                         | <b>87.8%</b>  | <b>\$ 26,342</b>              | <b>87.5%</b>  | <b>\$ 26,130</b>  | <b>87.4%</b>  |
| <b>Equity Securities</b>   |                                  |               |                                   |               |  |               |                               |               |                   |               |
| Public Equities  | 879                              | 2.5%          | 969                               | 2.7%          | 1,073                                    | 2.9%          | 782                           | 2.6%          | 789               | 2.6%          |
| Fixed Income Funds   | -                                | 0.0%          | 1                                 | 0.0%          | 1  | 0.0%          | 1                             | 0.0%          | 79                | 0.3%          |
| <b>Total Equity Securities</b>   | <b>\$ 879</b>                    | <b>2.5%</b>   | <b>\$ 970</b>                     | <b>2.7%</b>   | <b>\$ 1,073</b>                          | <b>2.9%</b>   | <b>\$ 783</b>                 | <b>2.6%</b>   | <b>\$ 868</b>     | <b>2.9%</b>   |
| <b>Investments in Affiliates</b>   |                                  |               |                                   |               |  |               |                               |               |                   |               |
| Hedge Funds  | 1,084                            | 3.0%          | 1,040                             | 2.9%          | 1,024                                    | 2.8%          | 1,018                         | 3.4%          | 1,023             | 3.5%          |
| Private Investments  | 303                              | 0.9%          | 293                               | 0.8%          | 340                                      | 0.9%          | 205                           | 0.7%          | 196               | 0.7%          |
| Investment Manager Affiliates  | 71                               | 0.2%          | 102                               | 0.3%          | 101                                      | 0.3%          | 94                            | 0.3%          | 101               | 0.3%          |
| Strategic Operating Affiliates   | 251                              | 0.7%          | 157                               | 0.4%          | 199                                      | 0.5%          | 339                           | 1.1%          | 317               | 1.1%          |
| <b>Total Investments in Affiliates</b>   | <b>\$ 1,709</b>                  | <b>4.8%</b>   | <b>\$ 1,592</b>                   | <b>4.4%</b>   | <b>\$ 1,664</b>                          | <b>4.5%</b>   | <b>\$ 1,655</b>               | <b>5.5%</b>   | <b>\$ 1,638</b>   | <b>5.6%</b>   |
| <b>Other Investments</b>   |                                  |               |                                   |               |  |               |                               |               |                   |               |
| Hedge Funds  | 544                              | 1.5%          | 690                               | 1.9%          | 728                                      | 2.0%          | 710                           | 2.4%          | 641               | 2.1%          |
| Private Investments  | 245                              | 0.8%          | 232                               | 0.6%          | 206                                      | 0.6%          | 136                           | 0.4%          | 129               | 0.4%          |
| Fixed Income and Other   | 644                              | 1.8%          | 754                               | 2.1%          | 809                                      | 2.2%          | 483                           | 1.6%          | 478               | 1.6%          |
| <b>Total Other Investments</b>   | <b>\$ 1,433</b>                  | <b>4.1%</b>   | <b>\$ 1,676</b>                   | <b>4.6%</b>   | <b>\$ 1,743</b>                          | <b>4.8%</b>   | <b>\$ 1,329</b>               | <b>4.4%</b>   | <b>\$ 1,248</b>   | <b>4.1%</b>   |
| <b>TOTAL INVESTMENTS</b>   | <b>\$ 35,569</b>                 | <b>100.0%</b> | <b>\$ 36,147</b>                  | <b>100.0%</b> | <b>\$ 36,469</b>                         | <b>100.0%</b> | <b>\$ 30,109</b>              | <b>100.0%</b> | <b>\$ 29,884</b>  | <b>100.0%</b> |
| Operating cash and Short-Term Treasury Deposits (Note 3)   | 1,817                            |               | 1,812                             |               | 1,664                                    |               | 1,432                         |               | 948               |               |
| <b>TOTAL INVESTMENTS AND OPERATING CASH</b>  | <b>\$ 37,386</b>                 |               | <b>\$ 37,959</b>                  |               | <b>\$ 38,133</b>                         |               | <b>\$ 31,541</b>              |               | <b>\$ 30,832</b>  |               |
| <b>Life Funds Withheld Assets (Schedule 12)</b>  |                                  |               |                                   |               |  |               |                               |               |                   |               |
| Life Funds Withheld Assets   | 4,631                            |               | 4,972                             |               | 5,079                                    |               | 5,427                         |               | 5,492             |               |
| <b>Total Investments and Operating Cash including Life Funds Withheld Assets</b>                     | <b>\$ 42,017</b>                 |               | <b>\$ 43,106</b>                  |               | <b>\$ 36,620</b>                         |               | <b>\$ 36,259</b>              |               | <b>\$ 36,550</b>  |               |
| <b>FIXED INCOME PORTFOLIO CREDIT QUALITY (excluding Life Funds Withheld Assets):</b>                 |                                  |               |                                   |               |  |               |                               |               |                   |               |
| AAA  | \$ 14,242                        | 45.1%         | \$ 14,873                         | 46.6%         | \$ 14,744                                | 46.1%         | \$ 12,781                     | 48.5%         | \$ 11,509         | 44.1%         |
| AA   | 7,005                            | 22.3%         | 7,130                             | 22.3%         | 7,139                                    | 22.4%         | 4,925                         | 18.7%         | 5,334             | 20.4%         |
| A  | 7,316                            | 23.2%         | 6,835                             | 21.4%         | 6,864                                    | 21.5%         | 5,688                         | 21.6%         | 6,158             | 23.6%         |
| BBB  | 2,343                            | 7.4%          | 2,401                             | 7.6%          | 2,446                                    | 7.6%          | 2,199                         | 8.4%          | 2,321             | 8.9%          |
| BB and Below   | 577                              | 1.8%          | 596                               | 1.9%          | 687                                      | 2.1%          | 724                           | 2.7%          | 793               | 3.0%          |
| Not Rated  | 65                               | 0.2%          | 74                                | 0.2%          | 109                                      | 0.3%          | 25                            | 0.1%          | 15                | 0.0%          |
| <b>Total Fixed Income - Investments (Note 2)</b>   | <b>\$ 31,548</b>                 | <b>100.0%</b> | <b>\$ 31,909</b>                  | <b>100.0%</b> | <b>\$ 31,989</b>                         | <b>100.0%</b> | <b>\$ 26,342</b>              | <b>100.0%</b> | <b>\$ 26,130</b>  | <b>100.0%</b> |
| <b>Fixed Income Portfolio Average Credit Quality (excluding Life Funds Withheld Assets) (Note 4)</b> |                                  | <b>AA</b>     |                                   | <b>AA</b>     |  | <b>AA</b>     |                               | <b>AA</b>     |                   | <b>AA-</b>    |

**Notes:**

- The company's results for the three months ended June 30, 2015 include those of Catlin from May 1, 2015.
- "Total Fixed Income - Investments" includes fixed maturities, short-term investments, invested cash & cash equivalents and net (payables) receivables for investments (purchased) sold, and excludes operating cash.
- Summary by core currency: U.S. Dollar denominated \$1097m, Sterling denominated \$223m, Euro denominated \$346m and Other denominated \$151m.
- The credit rating for each asset reflected above was principally determined based on the weighted average rating of the individual securities from Standard & Poor's, Moody's Investors Service and Fitch Ratings. For U.S. Treasuries, Agencies and Agency Government Guarantee securities, the average rating remains AAA as only one of the three major rating agencies downgraded the U.S. from AAA to AA+ in 2011.



## SCHEDULE 2 - TOTAL FIXED INCOME PORTFOLIO (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

**TOTAL FIXED INCOME SECTOR AND RATING ALLOCATION:**

|  | Fair Value - December 31, 2015 |                 |                 |                 |               |              |                  | Total         | % |
|--|--------------------------------|-----------------|-----------------|-----------------|---------------|--------------|------------------|---------------|---|
|  | AAA                            | AA              | A               | BBB             | BB and Below  | Not Rated    | Total            |               |   |
| Corporate  | \$ 220                         | \$ 2,158        | \$ 6,472        | \$ 1,540        | \$ 246        | \$ 53        | \$ 10,689        | 33.9%         |   |
| Agency Structured Credit   | 3,770                          | -               | -               | -               | -             | -            | 3,770            | 12.0%         |   |
| Non-Agency Structured Credit   | 1,445                          | 118             | 62              | 58              | 282           | 4            | 1,969            | 6.2%          |   |
| Government Related and Supported   | 7,671                          | 4,288           | 768             | 745             | 49            | -            | 13,521           | 42.8%         |   |
| Cash and Equivalents (net of payables/receivables)   | 1,136                          | 441             | 14              | -               | -             | 8            | 1,599            | 5.1%          |   |
| <b>Total Fixed Income - Investments (Note 1)</b>   | <b>\$ 14,242</b>               | <b>\$ 7,005</b> | <b>\$ 7,316</b> | <b>\$ 2,343</b> | <b>\$ 577</b> | <b>\$ 65</b> | <b>\$ 31,548</b> | <b>100.0%</b> |   |
| % by Credit Rating   | 45.1%                          | 22.3%           | 23.2%           | 7.4%            | 1.8%          | 0.2%         | 100.0%           |               |   |
| <b>Fixed Income Portfolio Average Credit Quality (excluding Life Funds Withheld Assets) (Note 2)</b> |                                |                 |                 |                 |               |              |                  | <b>AA</b>     |   |

**Notes:**

- "Total Fixed Income - Investments" includes fixed maturities, short-term investments, invested cash & cash equivalents and net (payables) receivables for investments (purchased) sold, and excludes operating cash.
- The credit rating for each asset reflected above was principally determined based on the weighted average rating of the individual securities from Standard & Poor's, Moody's Investors Service and Fitch Ratings. For U.S. Treasuries, Agencies and Agency Government Guarantee securities, the average rating remains AAA as only one of the three major rating agencies downgraded the U.S. from AAA to AA+ in 2011.



## SCHEDULE 3 - FIXED INCOME PORTFOLIO CHARACTERISTICS

(U.S. dollars in millions)  
(Unaudited)

|   | December 31, 2015                     |   |                                  |            | September 30, 2015                    |   |                                  |            |
|---|---------------------------------------|---|----------------------------------|------------|---------------------------------------|---|----------------------------------|------------|
|   | US Dollar<br>Equivalent<br>Fair Value | Weighted<br>Average Market<br>Yield to Maturity | Pre-Tax Book<br>Yield<br>(Gross) | Duration   | US Dollar<br>Equivalent<br>Fair Value | Weighted Average<br>Market Yield to<br>Maturity | Pre-Tax Book<br>Yield<br>(Gross) | Duration   |
| <b>Summary by Core Currency Liabilities</b>   |                                       |   |                                  |            |                                       |   |                                  |            |
| <b>Total Fixed Income Investments (Note 1) (excluding Life Funds Withheld Assets)</b>   |                                       |   |                                  |            |                                       |   |                                  |            |
| U.S. dollar denominated   | \$ 23,617                             | 2.2%  | 2.49%                            | 3.7        | \$ 23,649                             | 2.0%  | 2.53%                            | 3.6        |
| Euro denominated  | 3,470                                 | 0.6%  | 1.37%                            | 3.7        | 3,589                                 | 0.6%  | 1.36%                            | 3.6        |
| Sterling denominated  | 2,455                                 | 1.7%  | 1.94%                            | 3.6        | 2,551                                 | 1.8%  | 2.09%                            | 3.4        |
| Other denominated   | 2,006                                 | 1.5%  | 1.68%                            | 2.5        | 2,120                                 | 1.4%  | 2.27%                            | 2.6        |
| <b>TOTAL FIXED INCOME INVESTMENTS</b>   | <b>\$ 31,548</b>                      | <b>1.9%</b>                                     | <b>2.27%</b>                     | <b>3.6</b> | <b>\$ 31,909</b>                      | <b>1.8%</b>                                     | <b>2.35%</b>                     | <b>3.5</b> |
| Life Funds Withheld Assets Fixed Income Investments (Schedule 12)   | 4,632                                 | 3.6%  | 4.00%                            | 9.6        | 4,827                                 | 3.2%  | 4.10%                            | 9.5        |
| <b>Total Fixed Income Investments including Life Funds Withheld Assets</b>  | <b>\$ 36,180</b>                      | <b>2.1%</b>                                     | <b>2.49%</b>                     | <b>4.4</b> | <b>\$ 36,736</b>                      | <b>2.0%</b>                                     | <b>2.58%</b>                     | <b>4.3</b> |
|   |                                       |   |                                  |            |                                       |   |                                  |            |
| <b>Summary by Maturity (excluding Life Funds Withheld Assets)</b>   |                                       |   |                                  |            |                                       |   |                                  |            |
|   | US Dollar<br>Equivalent<br>Fair Value | %   |                                  |            | US Dollar<br>Equivalent<br>Fair Value | %   |                                  |            |
| Cash and cash equivalents   | \$ 1,599                              | 5.1%  |                                  |            | \$ 1,547                              | 4.8%  |                                  |            |
| Short term investments  | 588                                   | 1.9%  |                                  |            | 520                                   | 1.7%  |                                  |            |
| 0-5 years   | 15,062                                | 47.7%   |                                  |            | 13,851                                | 43.4%   |                                  |            |
| 5-10 years  | 5,294                                 | 16.8%   |                                  |            | 4,992                                 | 15.6%   |                                  |            |
| 10+ years   | 3,266                                 | 10.4%   |                                  |            | 3,356                                 | 10.6%   |                                  |            |
| Asset back and mortgage backed securities   | 5,739                                 | 18.1%   |                                  |            | 7,642                                 | 23.9%   |                                  |            |
| <b>TOTAL FIXED INCOME INVESTMENTS (Note 1)</b>  | <b>\$ 31,548</b>                      | <b>100.0%</b>                                   |                                  |            | <b>\$ 31,909</b>                      | <b>100.0%</b>                                   |                                  |            |
|   |                                       |   |                                  |            |                                       |   |                                  |            |
| <b>Summary of estimated total fixed income maturities and paydowns over the next 12 months excluding cash and cash equivalents (excluding Life Funds Withheld Assets)</b> |                                       |   |                                  |            |                                       |   |                                  |            |
|   | US Dollar<br>Equivalent<br>Fair Value | Pre-Tax Book<br>Yield (Gross)                   |                                  |            | US Dollar<br>Equivalent<br>Fair Value | Pre-Tax Book<br>Yield (Gross)                   |                                  |            |
| U.S. Government Related and Supported   | \$ 743                                | 1.47%   |                                  |            | \$ 549                                | 1.44%   |                                  |            |
| Non U.S. Government Related and Supported   | 902                                   | 1.85%   |                                  |            | 1,159                                 | 1.83%   |                                  |            |
| Corporate   | 1,028                                 | 2.73%   |                                  |            | 1,220                                 | 2.87%   |                                  |            |
| Mortgage Backed Securities (Note 2)   | 642                                   | 3.09%   |                                  |            | 643                                   | 3.13%   |                                  |            |
| Asset Backed Securities (Note 2)  | 354                                   | 2.83%   |                                  |            | 659                                   | 2.35%   |                                  |            |
| <b>TOTAL</b>  | <b>\$ 3,669</b>                       | <b>2.33%</b>                                    |                                  |            | <b>\$ 4,230</b>                       | <b>2.36%</b>                                    |                                  |            |

### Notes:

- "Total Fixed Income - Investments" includes fixed maturities, short-term investments, invested cash & cash equivalents and net (payables) receivables for investments (purchased) sold, and excludes operating cash.
- Estimated paydowns on Mortgage and Asset Backed securities are generated by a market leading software provider based on deal specific assumptions and by using the actual prepayment rate over the most recent 3 month period to project future paydowns. Actual paydowns may vary materially from estimates.

## SCHEDULE 4 - GOVERNMENT RELATED AND SUPPORTED (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 4 - Government Related and Supported (Note 1)

#### Fair Value by Current Rating

|  | FIXED INCOME CREDIT QUALITY: December 31, 2015 |                 |               |               |              |                  |               |
|--|--|-----------------|---------------|---------------|--------------|------------------|---------------|
|  | AAA  | AA              | A             | BBB           | BB and Below | Total            | %             |
| <b>U.S. Treasuries</b>   | <b>4,332</b>                                   | -               | -             | -             | -            | <b>\$ 4,332</b>  | <b>32.0%</b>  |
| <b>U.S. Agencies</b>   | <b>245</b>                                     | -               | -             | -             | -            | <b>245</b>       | <b>1.8%</b>   |
| <b>U.S. Municipals (Note 2)</b>  | <b>397</b>                                     | <b>1,784</b>    | <b>478</b>    | <b>9</b>      | <b>2</b>     | <b>2,670</b>     | <b>19.7%</b>  |
| Revenue  | 141  | 769             | 344           | 1             | -            | 1,255            | 9.3%          |
| State & Local Government Obligation  | 105  | 341             | 18            | 7             | 1            | 472              | 3.5%          |
| Pre-Refunded   | 67   | 168             | 23            | -             | 1            | 259              | 1.9%          |
| Taxable  | 84   | 506             | 93            | 1             | -            | 684              | 5.0%          |
| <b>U.S. Agency Government Guarantee</b>  | <b>717</b>                                     | -               | -             | -             | -            | <b>717</b>       | <b>5.2%</b>   |
| <b>Non-U.S. Government and Government-Related (includes Provincials and Local Authorities)</b> | <b>1,312</b>                                   | <b>2,166</b>    | <b>290</b>    | <b>730</b>    | <b>47</b>    | <b>4,545</b>     | <b>33.8%</b>  |
| United Kingdom   | -  | 1,224           | -             | -             | -            | 1,224            | 9.1%          |
| France   | -  | 471             | 134           | -             | -            | 605              | 4.5%          |
| Canada   | 404  | 182             | 7             | -             | -            | 593              | 4.4%          |
| Netherlands  | 320  | -               | 3             | -             | -            | 323              | 2.4%          |
| Germany  | 219  | 33              | 7             | -             | -            | 259              | 1.9%          |
| Switzerland  | 159  | 39              | 11            | -             | -            | 209              | 1.5%          |
| Brazil   | -  | -               | -             | 88            | 31           | 119              | 0.9%          |
| Indonesia  | -  | -               | -             | 95            | 8            | 103              | 0.8%          |
| Singapore  | 103  | -               | -             | -             | -            | 103              | 0.8%          |
| Mexico   | -  | -               | -             | 94            | -            | 94               | 0.7%          |
| Norway   | 29   | 38              | 27            | -             | -            | 94               | 0.7%          |
| Australia  | 62   | 9               | -             | -             | -            | 71               | 0.5%          |
| Colombia   | -  | -               | -             | 63            | -            | 63               | 0.5%          |
| Turkey   | -  | -               | -             | 56            | -            | 56               | 0.4%          |
| Hong Kong  | -  | 55              | -             | -             | -            | 55               | 0.4%          |
| Sweden   | 3  | 22              | 5             | 16            | -            | 46               | 0.3%          |
| Kazakhstan   | -  | -               | -             | 43            | -            | 43               | 0.3%          |
| Chile  | -  | 21              | 15            | 5             | -            | 41               | 0.3%          |
| Slovenia   | -  | -               | -             | 40            | -            | 40               | 0.3%          |
| Peru   | -  | -               | -             | 40            | -            | 40               | 0.3%          |
| Belgium  | -  | 19              | 16            | -             | -            | 35               | 0.3%          |
| Panama   | -  | -               | 1             | 34            | -            | 35               | 0.3%          |
| Philippines  | -  | -               | -             | 34            | -            | 34               | 0.3%          |
| China  | -  | 29              | 3             | 1             | -            | 33               | 0.2%          |
| Spain  | -  | -               | -             | 30            | -            | 30               | 0.2%          |
| South Africa   | -  | -               | -             | 25            | 3            | 28               | 0.2%          |
| Lithuania  | -  | -               | 23            | -             | -            | 23               | 0.2%          |
| Austria  | -  | 15              | 6             | -             | -            | 21               | 0.2%          |
| Others (Individually under \$20 million) (Note 2)  | 13   | 9               | 32            | 66            | 5            | 125              | 0.9%          |
| <b>Non-U.S. Government Guaranteed</b>  | <b>544</b>                                     | <b>104</b>      | -             | <b>6</b>      | -            | <b>654</b>       | <b>4.8%</b>   |
| Canada   | 311  | -               | -             | -             | -            | 311              | 2.3%          |
| Germany  | 231  | 1               | -             | -             | -            | 232              | 1.6%          |
| France   | -  | 48              | -             | -             | -            | 48               | 0.4%          |
| United Kingdom   | -  | 41              | -             | -             | -            | 41               | 0.3%          |
| Others (Individually under \$20 million) (Note 3)  | 2  | 14              | -             | 6             | -            | 22               | 0.2%          |
| <b>Supranationals</b>  | <b>124</b>                                     | <b>234</b>      | -             | -             | -            | <b>358</b>       | <b>2.7%</b>   |
| European Financial Stability Facility  | -  | 184             | -             | -             | -            | 184              | 1.4%          |
| European Investment Bank   | 62   | -               | -             | -             | -            | 62               | 0.4%          |
| European Stability Mechanism   | -  | 50              | -             | -             | -            | 50               | 0.4%          |
| International Bank For Reconstruction & Development  | 25   | -               | -             | -             | -            | 25               | 0.2%          |
| Others (Individually under \$20 million) (Note 3)  | 37   | -               | -             | -             | -            | 37               | 0.3%          |
| <b>Total Government Related and Supported</b>  | <b>\$ 7,671</b>                                | <b>\$ 4,288</b> | <b>\$ 768</b> | <b>\$ 745</b> | <b>\$ 49</b> | <b>\$ 13,521</b> | <b>100.0%</b> |
| % of Total   | 56.7%  | 31.7%           | 5.7%          | 5.5%          | 0.4%         | 100.0%           |               |

**SCHEDULE 4 (cont'd) - GOVERNMENT RELATED AND SUPPORTED (U.S. Municipals)**

(U.S. dollars in millions)  
(Unaudited)

| Fair Value Top 10 Municipals by State   | FIXED INCOME CREDIT QUALITY: December 31, 2015 |                    |               |               |           | Total        |
|---|--|--------------------|---------------|---------------|-----------|--------------|
|   | Revenue  | Local & State G.O. | Pre-Refunded  | Taxable       |           |              |
| New York                                | \$ 154   | \$ 15              | \$ 5          | \$ 61         | \$        | 235          |
| Texas                                   | 74   | 36                 | 15            | 85            |           | 210          |
| Washington                              | 80   | 48                 | 48            | 28            |           | 204          |
| California                              | 49   | 19                 | 9             | 114           |           | 191          |
| Ohio                                    | 58   | 25                 | 4             | 37            |           | 124          |
| Georgia                                 | 83   | 17                 | 7             | 10            |           | 117          |
| Massachusetts                           | 61   | 13                 | 10            | 11            |           | 95           |
| Illinois                                | 40   | 32                 | 18            | 1             |           | 91           |
| Arizona                                 | 49   | -                  | 11            | 26            |           | 86           |
| Colorado                                | 48   | 16                 | -             | 12            |           | 76           |
| <b>Total Top 10 Municipals by State</b> | <b>\$ 696</b>                                  | <b>\$ 221</b>      | <b>\$ 127</b> | <b>\$ 385</b> | <b>\$</b> | <b>1,429</b> |

**Notes:**

1. The credit rating for each asset reflected above was principally determined based on the weighted average rating of the individual securities from Standard & Poor's, Moody's Investors Service and Fitch Ratings. For U.S. Treasuries, Agencies and Agency Government Guarantee securities, the average rating remains AAA as only one of the three major rating agencies downgraded the U.S. from AAA to AA+ in 2011.
2. Ratings shown are the higher of the rating of the underlying issuer or the insurer in the case of securities enhanced by third-party insurance for the payment of principal and interest in the event of issuer default. Included in U.S. Municipals are exposures to Puerto Rican municipals of \$6 million.
3. The Company is monitoring its exposures to holdings representing risk in certain Eurozone countries. In particular, the Company has Fixed Income Peripheral European government holdings of \$30 million in Spain, (Nil in Portugal, Greece, Ireland and Italy).



## SCHEDULE 5 - CORPORATE (SECTOR, CAPITAL STRUCTURE) (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)

(Unaudited)

### Schedule 5(a) - Corporate Sector

#### Fair Value by Sector and Current Rating

|                        | FIXED INCOME CREDIT QUALITY: December 31, 2015 |                 |                 |                 |               |                  | Total         | % |
|------------------------|--|-----------------|-----------------|-----------------|---------------|------------------|---------------|---|
|                        | AAA  | AA              | A               | BBB             | BB and Below  |                  |               |   |
| <b>Financials</b>      | \$ 7   | \$ 828          | \$ 2,428        | \$ 305          | \$ 59         | \$ 3,627         | 33.9%         |   |
| Banks                  | -  | 751             | 2,063           | 208             | 9             | 3,031            | 28.4%         |   |
| Insurance              | 7  | 58              | 11              | 8               | 32            | 116              | 1.1%          |   |
| Finance                | -  | 19              | 281             | 7               | 18            | 325              | 3.0%          |   |
| REITS & Brokers        | -  | -               | 73              | 82              | -             | 155              | 1.4%          |   |
| <b>Non-Financials</b>  | <b>213</b>                                     | <b>1,330</b>    | <b>4,044</b>    | <b>1,235</b>    | <b>240</b>    | <b>7,062</b>     | <b>66.1%</b>  |   |
| Consumer, Non-Cyclical | 84   | 447             | 1,099           | 271             | 26            | 1,927            | 18.0%         |   |
| Utilities              | -  | 61              | 597             | 142             | 8             | 808              | 7.6%          |   |
| Communications         | -  | 14              | 273             | 294             | 21            | 602              | 5.6%          |   |
| Industrial             | -  | 172             | 578             | 160             | 12            | 922              | 8.6%          |   |
| Energy                 | 25   | 341             | 417             | 77              | 31            | 891              | 8.3%          |   |
| Consumer, Cyclical     | -  | 60              | 610             | 206             | 21            | 897              | 8.4%          |   |
| Technology             | 104  | 227             | 289             | 9               | 2             | 631              | 5.9%          |   |
| Basic Materials        | -  | 8               | 155             | 67              | -             | 230              | 2.2%          |   |
| Diversified (Note 1)   | -  | -               | 26              | 8               | 4             | 38               | 0.4%          |   |
| Other                  | -  | -               | -               | 1               | 115           | 116              | 1.1%          |   |
| <b>Total Corporate</b> | <b>\$ 220</b>                                  | <b>\$ 2,158</b> | <b>\$ 6,472</b> | <b>\$ 1,540</b> | <b>\$ 299</b> | <b>\$ 10,689</b> | <b>100.0%</b> |   |
| % of Total             | 2.1%   | 20.2%           | 60.5%           | 14.4%           | 2.8%          | 100.0%           |               |   |

### Schedule 5(b) - Corporate Capital Structure

#### Fair Value by Capital Structure and Current Rating

|                             | FIXED INCOME CREDIT QUALITY: December 31, 2015 |                 |                 |                 |               |                  | Total         | % |
|-----------------------------|--|-----------------|-----------------|-----------------|---------------|------------------|---------------|---|
|                             | AAA  | AA              | A               | BBB             | BB and Below  |                  |               |   |
| <b>Financials</b>           | \$ 7   | \$ 828          | \$ 2,428        | \$ 305          | \$ 59         | \$ 3,627         | 33.9%         |   |
| Senior                      | 7  | 828             | 2,318           | 157             | 50            | 3,360            | 31.4%         |   |
| Subordinated + Lower Tier 2 | -  | -               | 110             | 148             | 9             | 267              | 2.5%          |   |
| <b>Non-Financials</b>       | <b>213</b>                                     | <b>1,330</b>    | <b>4,044</b>    | <b>1,235</b>    | <b>240</b>    | <b>7,062</b>     | <b>66.1%</b>  |   |
| Senior                      | 213  | 1,325           | 4,044           | 1,234           | 240           | 7,056            | 66.0%         |   |
| Subordinated                | -  | 5               | -               | 1               | -             | 6                | 0.1%          |   |
| <b>Total Corporate</b>      | <b>\$ 220</b>                                  | <b>\$ 2,158</b> | <b>\$ 6,472</b> | <b>\$ 1,540</b> | <b>\$ 299</b> | <b>\$ 10,689</b> | <b>100.0%</b> |   |

#### Net Unrealized Gains (Losses) by Capital Structure and Current Rating

|  | FIXED INCOME CREDIT QUALITY: December 31, 2015 |              |              |               |                |              |
|--|--|--------------|--------------|---------------|----------------|--------------|
|  | AAA  | AA           | A            | BBB           | BB and Below   | Total        |
| <b>Financials</b>                          | \$ -   | \$ 8         | \$ 18        | \$ 1          | \$ (1)         | \$ 26        |
| Senior                                     | -  | 8            | 15           | -             | (1)            | 22           |
| Subordinated + Lower Tier 2                | -  | -            | 3            | 1             | -              | 4            |
| <b>Non-Financials</b>                      | <b>6</b>                                       | <b>21</b>    | <b>27</b>    | <b>(2)</b>    | <b>(15)</b>    | <b>37</b>    |
| Senior                                     | 6  | 21           | 27           | (2)           | (15)           | 37           |
| Subordinated                               | -  | -            | -            | -             | -              | -            |
| <b>Total Net Unrealized Gains (Losses)</b> | <b>\$ 6</b>                                    | <b>\$ 29</b> | <b>\$ 45</b> | <b>\$ (1)</b> | <b>\$ (16)</b> | <b>\$ 63</b> |

#### Notes:

1. Includes \$0 million of medium term notes supported primarily by pools of European investment grade credit with varying degrees of leverage.





## SCHEDULE 5 (cont'd) - CORPORATE (ISSUER) (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 5(c) - Corporate Top 10 Issuers (Note 1)

#### Top 10 Issuers - FINANCIALS (Note 2)

WELLS FARGO & COMPANY  
THE GOLDMAN SACHS GROUP, INC.  
JPMORGAN CHASE & CO.  
HSBC HOLDINGS PLC  
BANK OF AMERICA CORPORATION  
THE PNC FINANCIAL SERVICES GROUP, INC.  
UBS GROUP AG  
WESTPAC BANKING CORPORATION  
THE TORONTO-DOMINION BANK  
COMMONWEALTH BANK OF AUSTRALIA

|    | Fair Value - December 31, 2015 |  |                                 |
|----|--------------------------------|--|---------------------------------|
|    | Fair Value                     | % of Total Fixed Income -<br>Investments | Average Credit Quality (Note 3) |
| \$ | 182                            | 0.6%                                     | A+                              |
|    | 177                            | 0.6%                                     | A-                              |
|    | 176                            | 0.6%                                     | A                               |
|    | 162                            | 0.5%                                     | A+                              |
|    | 149                            | 0.5%                                     | A-                              |
|    | 132                            | 0.4%                                     | A                               |
|    | 126                            | 0.4%                                     | AA-                             |
|    | 125                            | 0.4%                                     | AA+                             |
|    | 116                            | 0.4%                                     | AA+                             |
|    | 113                            | 0.4%                                     | AA                              |

#### Top 10 Issuers - NON-FINANCIALS

PHILIP MORRIS INTERNATIONAL INC.  
ROYAL DUTCH SHELL PLC  
APPLE INC.  
GENERAL ELECTRIC COMPANY  
BERKSHIRE HATHAWAY INC.  
ORACLE CORPORATION  
MICROSOFT CORPORATION  
CISCO SYSTEMS, INC.  
PEPSICO, INC.  
PFIZER INC.

|    | Fair Value - December 31, 2015 |  |                                 |
|----|--------------------------------|--|---------------------------------|
|    | Fair Value                     | % of Total Fixed Income -<br>Investments | Average Credit Quality (Note 3) |
| \$ | 156                            | 0.5%                                     | A                               |
|    | 143                            | 0.5%                                     | AA                              |
|    | 143                            | 0.5%                                     | AA+                             |
|    | 133                            | 0.4%                                     | AA-                             |
|    | 129                            | 0.4%                                     | A                               |
|    | 117                            | 0.4%                                     | A+                              |
|    | 104                            | 0.3%                                     | AAA                             |
|    | 102                            | 0.3%                                     | A+                              |
|    | 98                             | 0.3%                                     | A                               |
|    | 98                             | 0.3%                                     | AA-                             |

#### Notes:

1. Corporate issuers represent only direct exposure to fixed maturities and short-term investments of the parent issuer and its subsidiaries. These exposures include covered bonds and exclude asset and mortgage backed securities that were issued, sponsored or serviced by the parent and government-guaranteed issues.
2. This table does not include \$160 million of financial exposure to Berkshire Hathaway Inc. which is made up of \$21 million of senior insurance debt, and \$139 million of payment obligation from National Indemnity Company, an insurance company subsidiary of Berkshire Hathaway Inc.
3. The credit rating for each asset reflected above was principally determined based on the weighted average rating of the individual securities from Standard & Poor's, Moody's Investors Service and Fitch Ratings.



## SCHEDULE 5 (cont'd) - CORPORATE (COUNTRY) (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 5(d) - Corporate Country

#### Fair Value by Country Concentrations and Current Rating (Note 1)

|   | FIXED INCOME CREDIT QUALITY: December 31, 2015 |                 |                 |                 |               |              |                  | Total         | % |
|---|--|-----------------|-----------------|-----------------|---------------|--------------|------------------|---------------|---|
|   | AAA  | AA              | A               | BBB             | BB and Below  | Not Rated    |                  |               |   |
| United States                                     | \$ 218   | \$ 1,100        | \$ 4,528        | \$ 941          | \$ 178        | \$ 35        | \$ 7,000         | 65.5%         |   |
| United Kingdom                                    | 2  | 34              | 674             | 198             | 22            | -            | 930              | 8.7%          |   |
| Netherlands                                       | -  | 246             | 172             | 37              | 6             | -            | 461              | 4.3%          |   |
| Canada  | -  | 251             | 137             | 21              | 1             | -            | 410              | 3.8%          |   |
| France  | -  | 99              | 196             | 59              | 7             | -            | 361              | 3.4%          |   |
| Australia   | -  | 192             | 106             | 27              | -             | -            | 325              | 3.0%          |   |
| Germany   | -  | 4               | 183             | 88              | 7             | -            | 282              | 2.6%          |   |
| Switzerland                                       | -  | 74              | 165             | 38              | -             | -            | 277              | 2.6%          |   |
| Japan   | -  | 8               | 117             | 8               | 2             | -            | 135              | 1.3%          |   |
| Sweden  | -  | 115             | 14              | -               | -             | -            | 129              | 1.2%          |   |
| Belgium   | -  | -               | 96              | 1               | -             | -            | 97               | 0.9%          |   |
| Norway  | -  | -               | 17              | 28              | 2             | -            | 47               | 0.5%          |   |
| China   | -  | -               | 29              | 5               | -             | -            | 34               | 0.3%          |   |
| Denmark   | -  | -               | -               | 33              | -             | -            | 33               | 0.3%          |   |
| Luxembourg  | -  | 18              | -               | -               | 11            | -            | 29               | 0.3%          |   |
| Mexico  | -  | -               | 23              | 6               | -             | -            | 29               | 0.3%          |   |
| Ireland   | -  | -               | -               | 23              | 2             | -            | 25               | 0.2%          |   |
| Others (Individually under \$20 million) (Note 2) | -  | 17              | 15              | 27              | 8             | 18           | 85               | 0.8%          |   |
| <b>Total Corporate</b>                            | <b>\$ 220</b>                                  | <b>\$ 2,158</b> | <b>\$ 6,472</b> | <b>\$ 1,540</b> | <b>\$ 246</b> | <b>\$ 53</b> | <b>\$ 10,689</b> | <b>100.0%</b> |   |
| % of total  | 2.1%   | 20.2%           | 60.5%           | 14.4%           | 2.3%          | 0.5%         | 100.0%           |               |   |

#### Notes:

1. Country concentration is defined as the country of the issuer's main operations, i.e., a United Kingdom company's subsidiary operating in the United States and issuing debt in the United States would be classified under United States in the table above. Similarly a United Kingdom company with main operations in the United Kingdom and issuing U.S. denominated debt in the United Kingdom would be classified under the United Kingdom in the above table.

2. Included in Others are Fixed Income exposures to Peripheral European corporate issues of \$4 million in Italy, \$5 million in Spain, and \$Nil in Greece and Portugal.



## SCHEDULE 5 (cont'd) - CORPORATE (EUROPEAN COUNTRY) (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 5(e) - European Corporate Portfolio (excluding United Kingdom) (Note 1)

FIXED INCOME CREDIT QUALITY: December 31, 2015

| Fair Value by Country Concentrations (Note 2) | Bank          | Utilities    | Diversified | Consumer, Non-Cyclical | Energy        | Communications | Other Financial | Other         | Total           | %             |
|---|---------------|--------------|-------------|------------------------|---------------|----------------|-----------------|---------------|-----------------|---------------|
| Netherlands                                   | \$ 207        | \$ -         | \$ -        | \$ 35                  | \$ 143        | \$ 14          | \$ 1            | \$ 61         | \$ 461          | 26.3%         |
| France  | 152           | 26           | -           | 43                     | 64            | 22             | -               | 54            | 361             | 20.6%         |
| Germany                                       | -             | 35           | -           | 28                     | -             | 14             | 1               | 204           | 282             | 16.1%         |
| Switzerland                                   | 143           | 12           | -           | 66                     | -             | -              | -               | 56            | 277             | 15.8%         |
| Sweden  | 115           | -            | -           | -                      | -             | -              | -               | 14            | 129             | 7.4%          |
| Belgium                                       | -             | -            | -           | 96                     | -             | -              | -               | 1             | 97              | 5.5%          |
| Norway  | 47            | -            | -           | -                      | -             | -              | -               | -             | 47              | 2.7%          |
| Denmark                                       | -             | -            | -           | -                      | -             | -              | -               | 33            | 33              | 1.9%          |
| Luxembourg                                    | -             | -            | -           | 1                      | 18            | 3              | 8               | (1)           | 29              | 1.7%          |
| Ireland                                       | -             | -            | -           | -                      | -             | -              | 2               | 23            | 25              | 1.4%          |
| Spain   | -             | 1            | -           | -                      | -             | 4              | -               | -             | 5               | 0.2%          |
| Austria                                       | -             | -            | -           | -                      | 4             | -              | -               | -             | 4               | 0.2%          |
| Italy   | -             | 3            | -           | 1                      | -             | -              | -               | -             | 4               | 0.2%          |
| <b>Total Corporate</b>                        | <b>\$ 664</b> | <b>\$ 77</b> | <b>\$ -</b> | <b>\$ 270</b>          | <b>\$ 229</b> | <b>\$ 57</b>   | <b>\$ 12</b>    | <b>\$ 445</b> | <b>\$ 1,754</b> | <b>100.0%</b> |
| % of total                                    | 37.9%         | 4.4%         | 0.0%        | 15.4%                  | 13.1%         | 3.2%           | 0.7%            | 25.3%         | 100.0%          |               |

#### Notes:

- The Company also holds \$211 million of covered bonds in continental Europe (excluding the United Kingdom) which are excluded from the above table, including Nil in covered bonds in Peripheral European countries. These are classified in Schedule 10 as Other ABS under Asset Backed Securities.
- Country concentration is defined as the country of the issuer's main operations, i.e., a French company's subsidiary operating in Germany and issuing debt in Germany would be classified under Germany in the table above.

#### Fair Value - December 31, 2015

### Top 10 Issuers - EUROPEAN BANKS (excluding United Kingdom) (Note 1)

|                                      | Fair Value | Average Credit Quality |
|--------------------------------------|------------|------------------------|
| CREDIT SUISSE GROUP AG               | \$ 107     | A                      |
| RABOBANK NEDERLAND                   | 102        | AA-                    |
| BNP PARIBAS                          | 81         | A+                     |
| UBS GROUP AG                         | 80         | AA                     |
| SVENSKA HANDELSBANKEN AB             | 76         | AA-                    |
| ING GROEP N.V.                       | 76         | AA-                    |
| DNB ASA                              | 68         | A                      |
| BPCE                                 | 49         | A+                     |
| GOVERNMENT OF NETHERLANDS (ABN AMRO) | 48         | AAA                    |
| ABN AMRO BANK N.V.                   | 47         | A                      |

#### Notes:

- Includes covered bonds.

## SCHEDULE 6 - RMBS (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 6(a) - Agency RMBS

#### Fair Value by Government Agency and Current Rating

|                             | FIXED INCOME CREDIT QUALITY: December 31, 2015 |             |             |             |              |             | Total        | %             |
|-----------------------------|--|-------------|-------------|-------------|--------------|-------------|--------------|---------------|
|                             | AAA  | AA          | A           | BBB         | BB and Below |             |              |               |
| FNMA                        | \$ 1,897                                       | \$ -        | \$ -        | \$ -        | \$ -         | \$ -        | 1,897        | 50.3%         |
| FHLMC                       | 992  | -           | -           | -           | -            | -           | 992          | 26.4%         |
| GNMA                        | 865  | -           | -           | -           | -            | -           | 865          | 22.9%         |
| Other (Note 1)              | 16   | -           | -           | -           | -            | -           | 16           | 0.4%          |
| <b>Total Agency RMBS</b>    | <b>\$ 3,770</b>                                | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>  | <b>\$ -</b> | <b>3,770</b> | <b>100.0%</b> |
| % of total                  | 100.0%   | 0.0%        | 0.0%        | 0.0%        | 0.0%         | 0.0%        | 100.0%       |               |
| Total Weighted Average Life |  |             |             |             |              |             | 5.8          |               |

### Schedule 6(b) - Non-Agency RMBS

#### Fair Value by Vintage and Current Rating

|                              | FIXED INCOME CREDIT QUALITY: December 31, 2015 |             |              |              |               |               | Total      | %             |
|------------------------------|--|-------------|--------------|--------------|---------------|---------------|------------|---------------|
|                              | AAA  | AA          | A            | BBB          | BB and Below  |               |            |               |
| 2008-2015                    | \$ -   | \$ -        | \$ -         | \$ -         | \$ -          | \$ -          | -          | 0.0%          |
| 2007                         | -  | 2           | -            | -            | 48            | -             | 50         | 15.2%         |
| 2006                         | 4  | -           | -            | -            | 70            | -             | 74         | 22.5%         |
| 2005                         | -  | -           | 9            | 41           | 105           | -             | 155        | 47.1%         |
| 2004 and prior               | 1  | 2           | 6            | 5            | 36            | -             | 50         | 15.2%         |
| <b>Total Non-Agency RMBS</b> | <b>\$ 5</b>                                    | <b>\$ 4</b> | <b>\$ 15</b> | <b>\$ 46</b> | <b>\$ 259</b> | <b>\$ 329</b> | <b>329</b> | <b>100.0%</b> |
| % of total                   | 1.5%   | 1.2%        | 4.6%         | 14.0%        | 78.7%         |               | 100.0%     |               |

#### Fair Value by Collateral and Current Rating

|                               | FIXED INCOME CREDIT QUALITY: December 31, 2015 |             |              |              |               |               | Total      | %             |
|-------------------------------|--|-------------|--------------|--------------|---------------|---------------|------------|---------------|
|                               | AAA  | AA          | A            | BBB          | BB and Below  |               |            |               |
| U.S. Prime (Note 2)           | \$ -   | \$ -        | \$ 3         | \$ 4         | \$ 20         | \$ -          | 27         | 8.2%          |
| Non-U.S. Prime (Note 2)       | 4  | 2           | -            | -            | -             | -             | 6          | 1.8%          |
| Sub Prime First Lien (Note 3) | 1  | 1           | 6            | 38           | 145           | -             | 191        | 58.1%         |
| Alt A (Note 4)                | -  | 1           | 3            | 3            | 80            | -             | 87         | 26.4%         |
| Second Lien                   | -  | -           | 3            | 1            | 14            | -             | 18         | 5.5%          |
| ABS CDOs                      | -  | -           | -            | -            | -             | -             | -          | 0.0%          |
| <b>Total Non-Agency RMBS</b>  | <b>\$ 5</b>                                    | <b>\$ 4</b> | <b>\$ 15</b> | <b>\$ 46</b> | <b>\$ 259</b> | <b>\$ 329</b> | <b>329</b> | <b>100.0%</b> |
| % of total                    | 1.5%   | 1.2%        | 4.6%         | 14.0%        | 78.7%         |               | 100.0%     |               |

|                               |      |      |       |        |        |        |     |  |
|-------------------------------|------|------|-------|--------|--------|--------|-----|--|
| Par Value                     | \$ 5 | \$ 4 | \$ 15 | \$ 49  | \$ 363 | \$ 436 | 436 |  |
| Average Price as a % of Par   | 100% | 100% | 100%  | 94%    | 71%    | 75%    | 75% |  |
| Net Unrealized Gains (Losses) | \$ - | \$ - | \$ -  | \$ (1) | \$ 10  | \$ 9   | 9   |  |
| Total Weighted Average Life   |      |      |       |        |        |        | 5.9 |  |

#### Fair Value by Collateral and Original Rating

|                              | FIXED INCOME CREDIT QUALITY: ORIGINAL ON ISSUE |              |              |             |              |               | Total      | %             |
|------------------------------|--|--------------|--------------|-------------|--------------|---------------|------------|---------------|
|                              | AAA  | AA           | A            | BBB         | BB and Below |               |            |               |
| U.S. Prime                   | \$ 26  | \$ 1         | \$ -         | \$ -        | \$ -         | \$ -          | 27         | 8.2%          |
| Non-U.S. Prime               | 6  | -            | -            | -           | -            | -             | 6          | 1.8%          |
| Sub Prime First Lien         | 86   | 88           | 12           | 4           | 1            | -             | 191        | 58.1%         |
| Alt A                        | 71   | 3            | 4            | 1           | 8            | -             | 87         | 26.4%         |
| Second Lien                  | 9  | 1            | 4            | 4           | -            | -             | 18         | 5.5%          |
| ABS CDOs                     | -  | -            | -            | -           | -            | -             | -          | 0.0%          |
| <b>Total Non-Agency RMBS</b> | <b>\$ 198</b>                                  | <b>\$ 93</b> | <b>\$ 20</b> | <b>\$ 9</b> | <b>\$ 9</b>  | <b>\$ 329</b> | <b>329</b> | <b>100.0%</b> |
| % of total                   | 60.2%  | 28.3%        | 6.1%         | 2.7%        | 2.7%         |               | 100.0%     |               |

#### Notes:

- Included in Agency RMBS Other are exposures in the National Credit Union Administration.
- Prime securities have an average credit support of 18% for U.S. Prime and 24% for Non-U.S. Prime. Average delinquencies > 60 days are 11% and 1% respectively.
- Sub Prime securities have an average credit support of 39% and average delinquencies > 60 days are 25%.
- Alt-A securities have an average credit support of 20% and average delinquencies > 60 days are 21%.



## SCHEDULE 7 - CMBS (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 7 - CMBS (Note 1)

#### Fair Value by Vintage and Current Rating

|                               | FIXED INCOME CREDIT QUALITY: December 31, 2015 |              |             |             |              | Total      | %             |
|-------------------------------|--|--------------|-------------|-------------|--------------|------------|---------------|
|                               | AAA  | AA           | A           | BBB         | BB and Below |            |               |
| 2015                          | \$ -   | \$ -         | \$ -        | \$ -        | \$ -         | -          | 0.0%          |
| 2014                          | 11   | -            | -           | -           | -            | 11         | 2.7%          |
| 2013                          | 52   | -            | -           | -           | -            | 52         | 12.8%         |
| 2012                          | 65   | -            | 5           | -           | -            | 70         | 17.2%         |
| 2011                          | 11   | -            | -           | -           | -            | 11         | 2.7%          |
| 2010                          | 4  | 6            | -           | -           | 1            | 11         | 2.7%          |
| 2009                          | 4  | -            | -           | -           | -            | 4          | 1.0%          |
| 2008                          | -  | -            | -           | -           | -            | -          | 0.0%          |
| 2007                          | 5  | 14           | -           | -           | 1            | 20         | 4.9%          |
| 2006                          | 175  | 29           | 1           | -           | 3            | 208        | 51.1%         |
| 2005                          | 10   | -            | -           | 2           | -            | 12         | 2.9%          |
| 2004 and prior                | 1  | 2            | -           | 1           | 4            | 8          | 2.0%          |
| <b>Total CMBS</b>             | <b>\$ 338</b>                                  | <b>\$ 51</b> | <b>\$ 6</b> | <b>\$ 3</b> | <b>\$ 9</b>  | <b>407</b> | <b>100.0%</b> |
| % of total                    | 83.0%  | 12.5%        | 1.5%        | 0.7%        | 2.3%         | 100.0%     |               |
| Par Value                     | \$ 335   | \$ 50        | \$ 6        | \$ 3        | \$ 12        | 406        |               |
| Average Price as a % of Par   | 101%   | 102%         | 100%        | 100%        | 75%          | 100%       |               |
| Net Unrealized Gains (Losses) | \$ 1   | \$ 1         | \$ -        | \$ -        | \$ 1         | 3          |               |
| Total Weighted Average Life   |  |              |             |             |              | 2.7        |               |

#### Fair Value by Vintage and Original Rating

|                   | FIXED INCOME CREDIT QUALITY: ORIGINAL ON ISSUE |             |             |             |              | Total      | %             |
|-------------------|--|-------------|-------------|-------------|--------------|------------|---------------|
|                   | AAA  | AA          | A           | BBB         | BB and Below |            |               |
| 2015              | \$ -   | \$ -        | \$ -        | \$ -        | \$ -         | -          | 0.0%          |
| 2014              | 11   | -           | -           | -           | -            | 11         | 2.7%          |
| 2013              | 52   | -           | -           | -           | -            | 52         | 12.8%         |
| 2012              | 65   | -           | 5           | -           | -            | 70         | 17.2%         |
| 2011              | 11   | -           | -           | -           | -            | 11         | 2.7%          |
| 2010              | 4  | 6           | -           | -           | 1            | 11         | 2.7%          |
| 2009              | 4  | -           | -           | -           | -            | 4          | 1.0%          |
| 2008              | -  | -           | -           | -           | -            | -          | 0.0%          |
| 2007              | 19   | -           | -           | -           | 1            | 20         | 4.9%          |
| 2006              | 208  | -           | -           | -           | -            | 208        | 51.1%         |
| 2005              | 12   | -           | -           | -           | -            | 12         | 2.9%          |
| 2004 and prior    | 1  | -           | 1           | 1           | 5            | 8          | 2.0%          |
| <b>Total CMBS</b> | <b>\$ 387</b>                                  | <b>\$ 6</b> | <b>\$ 6</b> | <b>\$ 1</b> | <b>\$ 7</b>  | <b>407</b> | <b>100.0%</b> |
| % of total        | 95.1%  | 1.5%        | 1.5%        | 0.2%        | 1.7%         | 100.0%     |               |

#### Notes:

1. CMBS have an average credit support of 35% and a debt service ratio of 1.5. Average delinquencies > 60 days are 4.1%.



## SCHEDULE 8 - ABS (CDOs) (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)

(Unaudited)

### Schedule 8 - CDOs (Notes 1 & 2)

#### Fair Value by Collateral and Current Rating

|                        | FIXED INCOME CREDIT QUALITY: December 31, 2015 |              |             |             |              | Total        | %             |
|------------------------|--|--------------|-------------|-------------|--------------|--------------|---------------|
|                        | AAA  | AA           | A           | BBB         | BB and Below |              |               |
| High Yield Loans       | \$ -   | \$ 12        | \$ -        | \$ -        | \$ -         | \$ 12        | 25.5%         |
| Commercial Real Estate | -  | -            | -           | 5           | 1            | 6            | 12.8%         |
| Emerging Markets       | -  | -            | -           | -           | -            | -            | 0.0%          |
| Other                  | 9  | 5            | 3           | 3           | 9            | 29           | 61.7%         |
| <b>Total CDOs</b>      | <b>\$ 9</b>                                    | <b>\$ 17</b> | <b>\$ 3</b> | <b>\$ 8</b> | <b>\$ 10</b> | <b>\$ 47</b> | <b>100.0%</b> |
| % of total             | 19.1%  | 36.2%        | 6.4%        | 17.0%       | 21.3%        | 100.0%       |               |

#### Fair Value by Vintage and Current Rating

|                   | FIXED INCOME CREDIT QUALITY: December 31, 2015 |              |             |             |              | Total        | %             |
|-------------------|--|--------------|-------------|-------------|--------------|--------------|---------------|
|                   | AAA  | AA           | A           | BBB         | BB and Below |              |               |
| 2008-2015         | \$ -   | \$ -         | \$ -        | \$ -        | \$ -         | \$ -         | 0.0%          |
| 2007              | -  | 12           | -           | -           | -            | 12           | 25.5%         |
| 2006              | 9  | 5            | -           | -           | 10           | 24           | 51.1%         |
| 2005              | -  | -            | 3           | 8           | -            | 11           | 23.4%         |
| 2004 and prior    | -  | -            | -           | -           | -            | -            | 0.0%          |
| <b>Total CDOs</b> | <b>\$ 9</b>                                    | <b>\$ 17</b> | <b>\$ 3</b> | <b>\$ 8</b> | <b>\$ 10</b> | <b>\$ 47</b> | <b>100.0%</b> |
| % of total        | 19.1%  | 36.2%        | 6.4%        | 17.0%       | 21.3%        | 100.0%       |               |

|                               |       |       |      |      |       |       |
|-------------------------------|-------|-------|------|------|-------|-------|
| Par Value                     | \$ 10 | \$ 18 | \$ 5 | \$ 9 | \$ 26 | \$ 68 |
| Average Price as a % of Par   | 90%   | 94%   | 60%  | 89%  | 38%   | 69%   |
| Net Unrealized Gains (Losses) | 5     | 4     | (2)  | 0    | (7)   | 0     |
| Total Weighted Average Life   |       |       |      |      |       | 2.0   |

#### Fair Value by Vintage and Original Rating

|                   | FIXED INCOME CREDIT QUALITY: ORIGINAL ON ISSUE |              |             |              |              | Total        | %             |
|-------------------|--|--------------|-------------|--------------|--------------|--------------|---------------|
|                   | AAA  | AA           | A           | BBB          | BB and Below |              |               |
| 2008-2015         | \$ -   | \$ -         | \$ -        | \$ -         | \$ -         | \$ -         | 0.0%          |
| 2007              | -  | 12           | -           | -            | -            | 12           | 25.5%         |
| 2006              | -  | 12           | 1           | 11           | -            | 24           | 51.1%         |
| 2005              | 3  | 5            | 3           | -            | -            | 11           | 23.4%         |
| 2004 and prior    | -  | -            | -           | -            | -            | -            | 0.0%          |
| <b>Total CDOs</b> | <b>\$ 3</b>                                    | <b>\$ 29</b> | <b>\$ 4</b> | <b>\$ 11</b> | <b>\$ -</b>  | <b>\$ 47</b> | <b>100.0%</b> |
| % of total        | 6.4%   | 61.7%        | 8.5%        | 23.4%        | 0.0%         | 100.0%       |               |

#### Notes:

1. Cash CLOs account for 25% of the holdings, the majority of which were originally rated AAA/AA.
2. The tables above exclude \$14 million of Synthetic CDOs that are classified as Other Investments in the Consolidated Balance Sheet.



## SCHEDULE 9 - ABS (CONSUMER ABS, OTHER ABS) (EXCLUDING LIFE FUNDS WITHHELD ASSETS)

(U.S. dollars in millions)  
(Unaudited)

### Schedule 9(a) - Consumer ABS

#### Fair Value by Collateral Type and Current Rating

##### Autos (Note 1)

|                             | FIXED INCOME CREDIT QUALITY: December 31, 2015 |              |             |             |              |               |              |  |
|-----------------------------|--|--------------|-------------|-------------|--------------|---------------|--------------|--|
|                             | AAA  | AA           | A           | BBB         | BB and Below | Total         | %            |  |
| <b>Autos (Note 1)</b>       | <b>\$ 149</b>                                  | <b>\$ 5</b>  | <b>\$ 5</b> | <b>\$ -</b> | <b>\$ -</b>  | <b>\$ 159</b> | <b>62.4%</b> |  |
| U.S.                        | 69   | 5            | 5           | -           | -            | 79            | 31.0%        |  |
| Non-U.S.                    | 80   | -            | -           | -           | -            | 80            | 31.4%        |  |
| <b>Credit Card (Note 2)</b> | <b>\$ 67</b>                                   | <b>\$ -</b>  | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>  | <b>\$ 67</b>  | <b>26.3%</b> |  |
| U.S.                        | 37   | -            | -           | -           | -            | 37            | 14.5%        |  |
| Non-U.S.                    | 30   | -            | -           | -           | -            | 30            | 11.8%        |  |
| <b>Student Loans</b>        | <b>\$ 15</b>                                   | <b>\$ 14</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>  | <b>\$ 29</b>  | <b>11.3%</b> |  |
| U.S.                        | 11   | -            | -           | -           | -            | 11            | 4.3%         |  |
| Non-U.S.                    | 4  | 14           | -           | -           | -            | 18            | 7.0%         |  |

##### Total Consumer ABS

|                               |               |              |             |             |             |               |               |
|-------------------------------|---------------|--------------|-------------|-------------|-------------|---------------|---------------|
| <b>Total Consumer ABS</b>     | <b>\$ 231</b> | <b>\$ 19</b> | <b>\$ 5</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 255</b> | <b>100.0%</b> |
| % of total                    | 90.6%         | 7.5%         | 1.9%        | 0.0%        | 0.0%        | 100.0%        |               |
| Net Unrealized Gains (Losses) | (2)           | (2)          | 0           | 0           | 0           | (4)           |               |
| Total Weighted Average Life   |               |              |             |             |             |               | 2.3           |

### Schedule 9(b) - Other ABS

#### Fair Value by Collateral Type and Current Rating

|                             | FIXED INCOME CREDIT QUALITY: December 31, 2015 |              |              |             |              |               |               |  |
|-----------------------------|--|--------------|--------------|-------------|--------------|---------------|---------------|--|
|                             | AAA  | AA           | A            | BBB         | BB and Below | Total         | %             |  |
| <b>Other Real Estate</b>    | <b>\$ 21</b>                                   | <b>\$ 6</b>  | <b>\$ -</b>  | <b>\$ -</b> | <b>\$ -</b>  | <b>\$ 27</b>  | <b>2.9%</b>   |  |
| Telecoms & Utilities        | 6  | -            | -            | -           | -            | 6             | 0.6%          |  |
| Pfandbriefe & Covered Bonds | 813  | 17           | -            | -           | -            | 830           | 89.2%         |  |
| Other ABS                   | 22   | 4            | 33           | 1           | 1            | 61            | 6.6%          |  |
| Whole Business              | -  | -            | -            | -           | 7            | 7             | 0.7%          |  |
| Health Care                 | -  | -            | -            | -           | -            | -             | 0.0%          |  |
| <b>Sub Total Other ABS</b>  | <b>\$ 862</b>                                  | <b>\$ 27</b> | <b>\$ 33</b> | <b>\$ 1</b> | <b>\$ 8</b>  | <b>\$ 931</b> | <b>100.0%</b> |  |

|                               |       |      |      |      |      |        |     |
|-------------------------------|-------|------|------|------|------|--------|-----|
| % of total                    | 92.6% | 2.9% | 3.5% | 0.1% | 0.9% | 100.0% |     |
| Net Unrealized Gains (Losses) | 9     | 0    | 1    | 0    | (1)  | 9      |     |
| Total Weighted Average Life   |       |      |      |      |      |        | 3.2 |

#### Notes:

1. Average credit support is 24% for Autos.
2. The average excess spread (net of charge offs) is 37% for credit cards.



## SCHEDULE 10 - UNREALIZED GAINS (LOSSES)

(U.S. dollars in millions)  
(Unaudited)

|   | December 31, 2015 |                                       |                  |                                  |                               | September 30, 2015 |  |                   |                                  |                            |
|---|-------------------|---------------------------------------|------------------|----------------------------------|-------------------------------|--------------------|--|-------------------|----------------------------------|----------------------------|
|   | Fair Value        | Fair Value (less<br>accrued interest) | Amortized Cost   | Net Unrealized<br>Gains (Losses) | Gross<br>Unrealized<br>Losses | Fair Value         | Fair Value (less<br>accrued<br>interest) | Amortized<br>Cost | Net Unrealized<br>Gains (Losses) | Gross Unrealized<br>Losses |
| <b>Fixed Income, Equity, and Other Investments Portfolio</b>  |                   |                                       |                  |                                  |                               |                    |  |                   |                                  |                            |
| <b>U.S. Government Related and Supported (Schedule 4)</b>   | \$ 7,964          | \$ 7,904                              | \$ 7,775         | \$ 129                           | \$ (39)                       | \$ 7,145           | \$ 7,088                                 | \$ 6,934          | \$ 154                           | \$ (23)                    |
| U.S. Treasuries   | 4,332             | 4,314                                 | 4,313            | 1                                | (23)                          | 3,516              | 3,502                                    | 3,477             | 25                               | (12)                       |
| U.S. Agencies   | 245               | 243                                   | 221              | 22                               | (0)                           | 251                | 249                                      | 225               | 24                               | -                          |
| U.S. Municipals   | 2,670             | 2,633                                 | 2,520            | 113                              | (8)                           | 2,691              | 2,653                                    | 2,550             | 103                              | (9)                        |
| U.S. Government Guarantee   | 717               | 714                                   | 721              | (6)                              | (7)                           | 687                | 684                                      | 682               | 2                                | (2)                        |
| <b>Non-U.S. Government Related and Supported (Schedule 4)</b>   | <b>5,557</b>      | <b>5,503</b>                          | <b>5,508</b>     | <b>(5)</b>                       | <b>(107)</b>                  | <b>5,385</b>       | <b>5,338</b>                             | <b>5,289</b>      | <b>49</b>                        | <b>(86)</b>                |
| <b>Corporate (Schedule 5)</b>   | <b>10,689</b>     | <b>10,583</b>                         | <b>10,520</b>    | <b>63</b>                        | <b>(117)</b>                  | <b>10,190</b>      | <b>10,089</b>                            | <b>9,928</b>      | <b>161</b>                       | <b>(84)</b>                |
| Financials  | 3,627             | 3,593                                 | 3,567            | 26                               | (24)                          | 3,140              | 3,112                                    | 3,070             | 42                               | (18)                       |
| Non-Financials  | 7,062             | 6,990                                 | 6,953            | 37                               | (93)                          | 7,050              | 6,977                                    | 6,858             | 119                              | (66)                       |
| <b>Mortgage Backed Securities</b>   | <b>4,506</b>      | <b>4,492</b>                          | <b>4,420</b>     | <b>72</b>                        | <b>(39)</b>                   | <b>5,154</b>       | <b>5,138</b>                             | <b>5,023</b>      | <b>115</b>                       | <b>(31)</b>                |
| Agency RMBS (Schedule 6)  | 3,770             | 3,758                                 | 3,698            | 60                               | (18)                          | 3,935              | 3,923                                    | 3,832             | 91                               | (9)                        |
| Non-Agency RMBS (Schedule 6)  | 329               | 329                                   | 320              | 9                                | (17)                          | 366                | 365                                      | 354               | 11                               | (17)                       |
| CMBS (Schedule 7)   | 407               | 405                                   | 402              | 3                                | (4)                           | 853                | 850                                      | 837               | 13                               | (5)                        |
| <b>Asset Backed Securities (Schedule 8 &amp; 9)</b>   | <b>1,233</b>      | <b>1,223</b>                          | <b>1,218</b>     | <b>5</b>                         | <b>(23)</b>                   | <b>2,488</b>       | <b>2,479</b>                             | <b>2,464</b>      | <b>15</b>                        | <b>(21)</b>                |
| CDOs (Schedule 8)   | 47                | 47                                    | 47               | -                                | (9)                           | 411                | 410                                      | 418               | (8)                              | (10)                       |
| Consumer ABS (Schedule 9)   | 255               | 255                                   | 259              | (4)                              | (5)                           | 865                | 865                                      | 864               | 1                                | (4)                        |
| Other ABS (Schedule 9)  | 931               | 921                                   | 912              | 9                                | (9)                           | 1,212              | 1,204                                    | 1,182             | 22                               | (7)                        |
| <b>Cash and Equivalents (net of payables/receivables)</b>   | <b>1,599</b>      | <b>1,599</b>                          | <b>1,599</b>     | <b>-</b>                         | <b>-</b>                      | <b>1,547</b>       | <b>1,547</b>                             | <b>1,547</b>      | <b>-</b>                         | <b>-</b>                   |
| <b>Total Fixed Income - Investments</b>   | <b>\$ 31,548</b>  | <b>\$ 31,304</b>                      | <b>\$ 31,041</b> | <b>\$ 263</b>                    | <b>\$ (325)</b>               | <b>\$ 31,909</b>   | <b>\$ 31,680</b>                         | <b>\$ 31,186</b>  | <b>\$ 494</b>                    | <b>\$ (245)</b>            |
| Equity Securities   | 879               | 879                                   | 834              | 45                               | (45)                          | 970                | 970                                      | 984               | (14)                             | (81)                       |
| Other Investments   | 1,433             | 1,433                                 | 1,219            | 214                              | (2)                           | 1,676              | 1,676                                    | 1,409             | 267                              | (5)                        |
| <b>Total Fixed Income, Equity Securities and Other Investments<br/>(Excluding Life Funds Withheld Assets)</b> | <b>\$ 33,860</b>  | <b>\$ 33,616</b>                      | <b>\$ 33,094</b> | <b>\$ 522</b>                    | <b>\$ (372)</b>               | <b>\$ 34,555</b>   | <b>\$ 34,325</b>                         | <b>\$ 33,579</b>  | <b>\$ 746</b>                    | <b>\$ (331)</b>            |
| Life Funds Withheld Assets (Schedule 12)  | 4,632             | 4,562                                 | 4,115            | 447                              | -                             | 4,827              | 4,745                                    | 4,189             | 556                              | -                          |
| <b>Total Fixed Income, Equity Securities and Other Investments<br/>(including Life Funds Withheld Assets)</b> | <b>\$ 38,492</b>  | <b>\$ 38,178</b>                      | <b>\$ 37,209</b> | <b>\$ 969</b>                    | <b>\$ (372)</b>               | <b>\$ 39,382</b>   | <b>\$ 39,070</b>                         | <b>\$ 37,768</b>  | <b>\$ 1,303</b>                  | <b>\$ (331)</b>            |



**SCHEDULE 11 - INVESTMENT INCOME STATEMENT ANALYSIS**

(U.S. dollars in thousands)

(Unaudited)

|  | Three months ended<br>December 31, 2015 | Three months ended<br>September 30, 2015 | Three months ended<br>June 30, 2015 | Three months ended<br>March 31, 2015 | Three months ended<br>December 31, 2014 |
|--|---|--|-------------------------------------|--------------------------------------|---|
| <b>Net Investment Income - Total excluding Structured and Life Funds Withheld Assets</b> |   |  |                                     |                                      |   |
| Gross Investment Income  | \$ 179,813                              | \$ 180,537                               | \$ 179,059                          | \$ 158,419                           | \$ 174,433                              |
| Investment expenses (Note 1)   | (21,675)                                | (17,545)                                 | (18,767)                            | (15,401)                             | (17,636)                                |
| <b>Net Investment Income - Total excluding Structured and Life Funds Withheld Assets</b> | <b>\$ 158,138</b>                       | <b>\$ 162,992</b>                        | <b>\$ 160,292</b>                   | <b>\$ 143,018</b>                    | <b>\$ 156,797</b>                       |
| <b>Book Yield (Net of Expenses)</b>  | <b>2.05%</b>                            | <b>2.16%</b>                             | <b>2.16%</b>                        | <b>2.30%</b>                         | <b>2.37%</b>                            |
| <b>Net Investment Income - Structured (Excluding Life Funds Withheld Assets)</b>         |   |  |                                     |                                      |   |
| Gross Investment Income  | \$ 15,633                               | \$ 17,244                                | \$ 17,927                           | \$ 16,699                            | \$ 17,243                               |
| Investment expenses (Note 1)   | (1,884)                                 | (1,676)                                  | (1,879)                             | (1,623)                              | (1,743)                                 |
| <b>Net Investment Income - Structured (Excluding Life Funds Withheld Assets)</b>         | <b>\$ 13,749</b>                        | <b>\$ 15,568</b>                         | <b>\$ 16,048</b>                    | <b>\$ 15,076</b>                     | <b>\$ 15,500</b>                        |
| <b>Book Yield (Net of Expenses)</b>  | <b>4.25%</b>                            | <b>4.86%</b>                             | <b>4.97%</b>                        | <b>4.68%</b>                         | <b>4.77%</b>                            |
| Interest Expense - Deposit Liability Accretion   | (10,477)                                | (11,131)                                 | (10,629)                            | (9,957)                              | (9,155)                                 |
| Operating and Investment Expenses - P&C Structured                                       | -                                       | -  | (162)                               | (94)                                 | (265)                                   |
| <b>Net Investment Income - Structured (Excluding Life Funds Withheld Assets)</b>         | <b>\$ 3,272</b>                         | <b>\$ 4,437</b>                          | <b>\$ 5,257</b>                     | <b>\$ 5,025</b>                      | <b>\$ 6,080</b>                         |
| <b>Net Investment Income - Total (Excluding Life Funds Withheld Assets)</b>              | <b>\$ 171,887</b>                       | <b>\$ 178,560</b>                        | <b>\$ 176,340</b>                   | <b>\$ 158,094</b>                    | <b>\$ 172,297</b>                       |
| <b>Book Yield (Net of Expenses)</b>  | <b>2.15%</b>                            | <b>2.27%</b>                             | <b>2.29%</b>                        | <b>2.42%</b>                         | <b>2.51%</b>                            |
| <b>Net Investment Income - Life Funds Withheld Assets</b>                                | <b>\$ 43,620</b>                        | <b>\$ 46,586</b>                         | <b>\$ 46,864</b>                    | <b>\$ 50,419</b>                     | <b>\$ 53,936</b>                        |
| <b>Net Income (Loss) from Investment Affiliates (Note 2)</b>                             |   |  |                                     |                                      |   |
| Alternative Funds  | \$ 3,750                                | \$ (11,471)                              | \$ 19,489                           | \$ 30,901                            | \$ 9,710                                |
| Private Investment Fund Affiliates   | 6,579                                   | 7,757                                    | 11,888                              | 4,428                                | 10,620                                  |
| <b>\$ 10,329</b>   | <b>\$ (3,714)</b>                       | <b>\$ 31,377</b>                         | <b>\$ 35,329</b>                    | <b>\$ 20,330</b>                     |   |
| <b>Net Income (Loss) from Operating Affiliates (Note 3)</b>                              |   |  |                                     |                                      |   |
| Investment Manager Affiliates  | \$ (7,074)                              | \$ 5,943                                 | \$ 8,524                            | \$ 3,739                             | \$ 1,056                                |
| Strategic Operating Affiliates   | 11,487                                  | 2,253                                    | 938                                 | 18,929                               | 12,118                                  |
| <b>\$ 4,413</b>  | <b>\$ 8,196</b>                         | <b>\$ 9,462</b>                          | <b>\$ 22,668</b>                    | <b>\$ 13,174</b>                     |   |

**Notes:**

1. Includes management fees, custody fees, and direct and allocated general and administrative expenses.
2. The Company records the income related to the alternative funds and to the private investment fund affiliates on a one-month and three-month lag, respectively.
3. The Company records the income related to the investment manager affiliates and strategic operating affiliates generally on a three-month lag.



## SCHEDULE 12 - SUMMARY INVESTMENT PORTFOLIO LIFE FUNDS WITHHELD ASSETS

### CONSOLIDATED

(U.S. dollars in millions)

|  | December 31, 2015<br>(Unaudited)   |               | September 30, 2015<br>(Unaudited)  |               | June 30, 2015<br>(Unaudited)       |               | March 31, 2015<br>(Unaudited)         |               | December 31, 2014                     |               |
|--|------------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|---------------------------------------|---------------|---------------------------------------|---------------|
|  | Fair Value                         | % of Total    | Fair Value                         | % of Total    | Fair Value                         | % of Total    | Fair Value                            | % of Total    | Fair Value                            | % of Total    |
| <b>INVESTMENT PORTFOLIO LIFE FUNDS WITHHELD ASSETS</b>                   |                                    |               |                                    |               |                                    |               |                                       |               |                                       |               |
| <b>Fixed Income Portfolio</b>  |                                    |               |                                    |               |                                    |               |                                       |               |                                       |               |
| U.S. Government Related and Supported                                    | \$ 18                              | 0.4%          | \$ 18                              | 0.4%          | \$ 17                              | 0.3%          | \$ 18                                 | 0.4%          | \$ 19                                 | 0.4%          |
| Non-U.S. Government Related and Supported                                | 1,383                              | 29.9%         | 1,505                              | 31.2%         | 1,503                              | 30.2%         | 1,525                                 | 30.0%         | 1,817                                 | 33.6%         |
| Corporate  | 2,790                              | 60.2%         | 2,821                              | 58.4%         | 2,962                              | 59.6%         | 2,937                                 | 57.8%         | 2,873                                 | 53.2%         |
| Mortgage Backed Securities   | 130                                | 2.8%          | 148                                | 3.1%          | 148                                | 3.0%          | 163                                   | 3.2%          | 199                                   | 3.7%          |
| Asset Backed Securities  | 205                                | 4.4%          | 213                                | 4.4%          | 235                                | 4.7%          | 287                                   | 5.7%          | 364                                   | 6.7%          |
| Cash and Equivalents (net of payables/receivables)                       | 106                                | 2.3%          | 122                                | 2.5%          | 107                                | 2.2%          | 149                                   | 2.9%          | 133                                   | 2.5%          |
| <b>Total Fixed Income - Investments (Note 1)</b>                         | <b>\$ 4,632</b>                    | <b>100.0%</b> | <b>\$ 4,827</b>                    | <b>100.0%</b> | <b>\$ 4,972</b>                    | <b>100.0%</b> | <b>\$ 5,079</b>                       | <b>100.0%</b> | <b>\$ 5,405</b>                       | <b>100.0%</b> |
| <b>Other Investments</b>   |                                    |               |                                    |               |                                    |               |                                       |               |                                       |               |
| Hedge Funds  | \$ -                               | 0.0%          | \$ -                               | 0.0%          | \$ -                               | 0.0%          | \$ -                                  | 0.0%          | \$ -                                  | 0.0%          |
| Equity Securities  | -                                  | 0.0%          | -                                  | 0.0%          | -                                  | 0.0%          | -                                     | 0.0%          | -                                     | 0.0%          |
| Other Investments  | -                                  | 0.0%          | -                                  | 0.0%          | -                                  | 0.0%          | -                                     | 0.0%          | -                                     | 0.0%          |
| <b>Total Other Investments</b>   | <b>\$ -</b>                        | <b>0.0%</b>   | <b>\$ -</b>                        | <b>0.0%</b>   | <b>\$ -</b>                        | <b>0.0%</b>   | <b>\$ -</b>                           | <b>0.0%</b>   | <b>\$ -</b>                           | <b>0.0%</b>   |
| <b>TOTAL LIFE FUNDS WITHHELD ASSETS</b>                                  | <b>\$ 4,632</b>                    | <b>100.0%</b> | <b>\$ 4,827</b>                    | <b>100.0%</b> | <b>\$ 4,972</b>                    | <b>100.0%</b> | <b>\$ 5,079</b>                       | <b>100.0%</b> | <b>\$ 5,405</b>                       | <b>100.0%</b> |
| <b>FIXED INCOME PORTFOLIO CREDIT QUALITY :</b>                           |                                    |               |                                    |               |                                    |               |                                       |               |                                       |               |
| AAA  | \$ 616                             | 13.3%         | \$ 603                             | 12.5%         | \$ 572                             | 11.5%         | \$ 668                                | 13.2%         | \$ 912                                | 16.9%         |
| AA   | 1,389                              | 30.0%         | 1,556                              | 32.2%         | 1,543                              | 31.0%         | 1,509                                 | 29.7%         | 1,528                                 | 28.3%         |
| A  | 1,519                              | 32.8%         | 1,458                              | 30.2%         | 1,545                              | 31.1%         | 1,615                                 | 31.8%         | 1,623                                 | 30.0%         |
| BBB  | 1,073                              | 23.2%         | 1,166                              | 24.2%         | 1,253                              | 25.2%         | 1,214                                 | 23.9%         | 1,323                                 | 24.5%         |
| BB and Below   | 35                                 | 0.7%          | 44                                 | 0.9%          | 59                                 | 1.2%          | 73                                    | 1.4%          | 19                                    | 0.4%          |
| Not Rated  | -                                  | 0.0%          | -                                  | 0.0%          | -                                  | 0.0%          | -                                     | 0.0%          | -                                     | 0.0%          |
| <b>Total Fixed Income - Investments (Note 1)</b>                         | <b>\$ 4,632</b>                    | <b>100.0%</b> | <b>\$ 4,827</b>                    | <b>100.0%</b> | <b>\$ 4,972</b>                    | <b>100.0%</b> | <b>\$ 5,079</b>                       | <b>100.0%</b> | <b>\$ 5,405</b>                       | <b>100.0%</b> |
| Average credit quality (Note 2)  |                                    | A+            |                                    | A+            |                                    | A+            |                                       | A+            |                                       | A+            |
| <b>Summary by Core Currency Liabilities</b>                              |                                    |               |                                    |               |                                    |               |                                       |               |                                       |               |
|  | US Dollar Equivalent<br>Fair Value | Duration      | US Dollar Equivalent<br>Fair Value | Duration      | US Dollar Equivalent<br>Fair Value | Duration      | US Dollar<br>Equivalent<br>Fair Value | Duration      | US Dollar<br>Equivalent<br>Fair Value | Duration      |
| Sterling denominated   | \$ 3,268                           | 8.7           | \$ 3,425                           | 8.7           | \$ 3,568                           | 8.9           | \$ 3,588                              | 9.4           | \$ 3,683                              | 9.1           |
| Euro denominated   | 1,364                              | 11.3          | 1,402                              | 11.2          | 1,388                              | 10.6          | 1,472                                 | 10.4          | 1,696                                 | 9.9           |
| U.S. Dollar denominated  | -                                  | -             | -                                  | -             | 16                                 | 5.0           | 19                                    | 5.6           | 26                                    | 5.4           |
| <b>Total Duration</b>  | <b>\$ 4,632</b>                    | <b>9.5</b>    | <b>\$ 4,827</b>                    | <b>9.4</b>    | <b>\$ 4,972</b>                    | <b>9.4</b>    | <b>\$ 5,079</b>                       | <b>9.6</b>    | <b>\$ 5,405</b>                       | <b>9.4</b>    |
| <b>Net Investment Income - Life Funds Withheld Assets (in thousands)</b> | <b>\$ 43,620</b>                   |               | <b>\$ 46,586</b>                   |               | <b>\$ 46,864</b>                   |               | <b>\$ 50,419</b>                      |               | <b>\$ 53,936</b>                      |               |

**Notes:**

- "Total Fixed Income - Investments" includes fixed maturities, short-term investments, invested cash & cash equivalents and net (payables) receivables for investments (purchased) sold.
- The credit rating for each asset reflected above was principally determined based on the weighted average rating of the individual securities from Standard & Poor's, Moody's Investors Service and Fitch Ratings. For U.S. Treasuries, Agencies and Agency Government Guarantee securities, the average rating remains AAA as only one of the three major rating agencies downgraded the U.S. from AAA to AA+ in 2011.

## 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"), which is 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 (10) our loss on the GreyCastle Life Retro Arrangement, net of tax, (11) our loss on the Other Life Retro Arrangements, net of tax, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition; (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 GreyCastle Life Retro 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 GreyCastle Life Retro Arrangement, XL no longer shares in the risks and rewards of the underlying performance of the Life Funds Withheld Assets that support these retro 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 GreyCastle life retro 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.