



FINANCIAL SUPPLEMENT

June 30, 2016

Issued on July 27, 2016

This supplement is being furnished to you for informational purposes only. It should be read in conjunction with documents filed by XL Group Ltd 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 for further information.

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<p><i>This financial supplement contains forward-looking statements. Statements that are not historical facts, including statements about XL's beliefs, plans or expectations, 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," "estimate," "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) the continuation of downward trends in rates for property and casualty insurance and reinsurance; (b) changes in the size of our claims relating to unpredictable natural or man-made catastrophe losses due to the preliminary nature of some reports and estimates of loss and damage to date; (c) changes in the number of insureds and ceding companies impacted or the ultimate number and value of individual claims relating to the second quarter of 2016 natural catastrophe events due to the preliminary nature of reports and estimates of loss and damage to date; (d) changes in the amount or type of business that we write, whether due to our actions, changes in market conditions or other factors, and the amount of premium attributable to such business; (e) the availability, cost or quality of ceded reinsurance, and the timely and full re-coverage of such reinsurance, or other amounts due to us, or changes to our projections related to such recoverables; (f) actual loss experience from insured or reinsured events and the timing of claim payments being faster or the receipt of reinsurance recoverables being slower than we anticipated; (g) 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 our ability to maintain or increase its business volumes or profitability; (h) greater frequency or severity of claims and loss activity than our underwriting, reserving or investment practices anticipate based on historical experience or industry data; (i) the impact of changes in the global financial markets, such as the effects of inflation on our business, including on pricing and reserving, 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 our investments, future financing activities and access to such markets, our ability to pay claims or general financial condition; (j) our ability to successfully implement our business strategy; (k) our ability to successfully attract and raise additional third party capital for existing or new investment vehicles; (l) changes in credit ratings and rating agency policies or practices, which could trigger cancellation provisions in our assumed reinsurance agreements or an event of default under our credit facilities; (m) the potential for changes to methodologies, estimations and assumptions that underlie the valuation of our financial instruments that could result in changes to investment valuations; (n) changes to our assessment as to whether it is more likely than not that we will be required to sell, or have the intent to sell, available-for-sale fixed maturity securities before their anticipated recovery; (o) unanticipated constraints on our liquidity, including the availability of borrowings and letters of credit under credit facilities that inhibit our ability to support our operations, including our ability to underwrite policies and pay claims; (p) the ability of our subsidiaries to pay dividends to XL Group Ltd, XL Group plc, XLIT Ltd, and Catlin Insurance Company Ltd; (q) changes in regulators or regulations applicable to us, including as a result of the completion of our redomestication from Ireland to Bermuda, such as changes in regulatory capital balances that our operating subsidiaries must maintain, or to our brokers or customers; (r) the effects of business disruption, economic contraction or economic sanctions due to unpredictable global political and social conditions such as war, terrorism or other hostilities, or pandemics; (s) the actual amount of new and renewal business and acceptance of our products and services, including new products and services and the materialization of risks related to such products and services; (t) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (u) bankruptcies or other financial concerns of companies insofar as they affect P&C insurance and reinsurance coverages or claims that we may have as a counterparty; (v) loss of key personnel; (w) the effects of mergers, acquisitions and divestitures, including our ability to modify our internal controls over financial reporting, changes to our risk appetite and our ability to realize the value or benefits expected, in each case, as a result of such transactions; (x) changes in general economic conditions, including the political, monetary, economic and operational impacts of the "Brexit" referendum held on June 23, 2016 in which the UK electorate voted to withdraw from the EU, new or continued sovereign debt concerns in Euro-Zone countries or emerging markets such as Brazil or China, or governmental actions for the purposes of stabilizing financial markets; (y) changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; (z) judicial decisions and rulings, new theories of liability or emerging claims coverage issues, legal tactics and settlement terms; (aa) the effects of climate change (such as changes to weather patterns, sea levels or temperatures) on our business, which our modeling or risk management practices may not adequately address due to the uncertain nature of climate change; and (bb) the other factors set forth in our reports on Form 10-K and Form 10-Q and other documents on file with the Securities and Exchange Commission. XL undertakes no obligation to update publicly any forward looking statement, whether as a result of new information, future developments or a otherwise.</i></p> <p><i>XL intends to use its website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included on the website in the Investor Relations section. Accordingly, investors should monitor such portions of XL's website, in addition to a following its financial supplement, SEC filings and public conference calls and webcasts.</i></p>	

STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in thousands)

(Unaudited)

(Note 1)

	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015
Revenues					
Gross premiums written	\$ 3,599,323	\$ 4,428,226	\$ 2,603,080	\$ 2,739,350	\$ 3,081,135
Net premiums written	2,726,119	3,064,759	1,890,455	2,091,028	2,118,331
Net premiums earned - P&C operations	2,528,702	2,351,446	2,375,155	2,405,740	2,063,795
Net premiums earned - run-off Life operations	3,508	3,164	11,665	17,812	18,258
Net investment income - excluding Life Funds Withheld Assets (Note 2)	176,242	164,326	171,887	178,560	176,340
Net investment income - Life Funds Withheld Assets (Note 2)	39,146	41,560	43,620	46,586	46,864
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2)	19,468	19,468	(8,418)	11,245	(201)
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2)	30,114	34,416	48,717	53,780	68,037
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 2)	(252)	(2,346)	(3,247)	(2,023)	(2,878)
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2)	55,287	69,096	(8,802)	(149)	(19,543)
Net realized and unrealized gains (losses) on derivative instruments	906	(3,622)	(4,004)	(7,903)	48,509
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	(229,742)	(236,080)	(35,358)	(126,140)	239,174
Net income (loss) from investment fund affiliates (Note 3)	13,179	(4,579)	10,329	(3,715)	31,377
Fee income and other	10,862	8,262	10,106	7,355	11,012
Total revenues	\$ 2,647,422	\$ 2,417,227	\$ 2,631,313	\$ 2,569,702	\$ 2,685,296
Expenses					
Net losses and loss expenses incurred - P&C operations	\$ 1,632,386	\$ 1,382,485	\$ 1,380,893	\$ 1,464,285	\$ 1,151,195
Claims and policy benefits - run-off Life operations	5,482	4,937	51,950	22,579	22,081
Acquisition costs	420,520	403,267	412,962	409,173	341,617
Operating expenses	522,521	515,381	563,787	570,142	507,354
Foreign exchange losses (gains)	(19,100)	(33,819)	(26,921)	11,661	10,374
Extinguishment of debt (Note 5)	-	-	5,592	-	-
Interest expense - debt and other	43,733	41,613	41,704	40,798	39,038
Interest expense - deposit liability accretion	12,005	10,690	10,477	11,131	10,629
Total expenses	\$ 2,617,547	\$ 2,324,554	\$ 2,440,444	\$ 2,529,769	\$ 2,082,288
Income (loss) before income (loss) from operating affiliates and income tax	\$ 29,875	\$ 92,673	\$ 190,869	\$ 39,933	\$ 603,008
Income (loss) from operating affiliates (Note 3)	21,418	12,650	4,414	8,196	9,462
Provision (benefit) for income taxes	2,467	22,295	(39,296)	(37,042)	32,959
Gain on sale of operating affiliate	-	-	-	-	340,407
Net income (loss)	\$ 48,826	\$ 83,028	\$ 234,579	\$ 85,171	\$ 919,918
Non-controlling interests	(5,044)	(61,143)	(6,029)	(57,889)	(4,879)
Net income (loss) attributable to ordinary shareholders	\$ 43,782	\$ 21,885	\$ 228,550	\$ 27,282	\$ 915,039
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets	(19,468)	8,416	(11,245)	201	(4,351)
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2)	(30,114)	(34,416)	(48,717)	(53,780)	(68,037)
OTTI on investments - Life Funds Withheld Assets (Note 2)	252	2,346	3,247	2,023	2,878
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2)	(55,287)	(69,096)	8,802	149	19,543
Net realized and unrealized (gains) losses on derivatives	(906)	3,622	4,004	7,903	(48,509)
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	1,818	413	1,493	(14)	595
Net investment income - Life Funds Withheld Assets (Note 2)	(39,146)	(41,560)	(43,620)	(46,586)	(46,864)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	229,742	236,080	35,358	126,140	(239,174)
Foreign exchange (gains) losses	(19,100)	(33,819)	(26,921)	11,661	10,374
Expenses related to Catlin acquisition	-	-	1,700	1,245	36,339
Gain on sale of operating affiliate	-	-	-	-	(340,407)
Loss on Other Life Retro Arrangements (Note 4)	-	-	34,986	-	-
Extinguishment of debt (Note 5)	-	-	5,592	-	-
Provision (benefit) for income tax on items excluded from operating income	(5,126)	9,517	1,800	(5,432)	8,371
Operating Net Income (Note 6)	\$ 106,447	\$ 103,388	\$ 195,029	\$ 70,792	\$ 245,797

Notes:

- Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin Group Limited (Catlin) on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.
- On May 1, 2014, our wholly-owned subsidiary XL Insurance (Bermuda) Ltd ("XLIB") (on June 9, 2016, XLIB and XL Re Ltd amalgamated to form XL Bermuda Ltd), 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.
- During the fourth quarter of 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 Agreements ("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 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, a non-GAAP measure, is defined as net income (loss) attributable to ordinary shareholders excluding, as applicable: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (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, (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, (8) our expenses related to the Catlin acquisition, (9) our gain on the sale of our interest in our operating affiliate, ARX Holding Corp. ("ARX"), (10) our provision (benefit) for income tax on items excluded from operating income, (11) our loss on the Other Life Retro Arrangements, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. For further information see page 44 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 June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015
Return on Ordinary Shareholders' Equity					
Opening shareholders' equity	\$ 13,667,718	\$ 13,654,463	\$ 13,900,510	\$ 14,205,105	\$ 11,646,423
Less: Non-controlling interest in equity of consolidated subsidiaries	(1,978,974)	(1,977,384)	(1,962,279)	(1,957,807)	(1,402,366)
Opening ordinary shareholders' equity	11,688,744	11,677,079	11,938,231	12,247,298	10,244,057
Closing shareholders' equity	13,663,932	13,667,718	13,654,463	13,900,510	14,205,105
Less: Non-controlling interest in equity of consolidated subsidiaries	(1,978,744)	(1,978,974)	(1,977,384)	(1,962,279)	(1,957,807)
Closing ordinary shareholders' equity	11,685,188	11,688,744	11,677,079	11,938,231	12,247,298
Average ordinary shareholders' equity	11,686,966	11,682,912	11,807,655	12,092,765	11,245,678
Average unrealized (gain) loss on investments, net of tax (Note 2)	(1,296,379)	(958,326)	(875,570)	(1,054,949)	(1,400,978)
Average ordinary shareholders' equity excluding average unrealized gains and losses on investments	10,390,587	10,724,586	10,932,085	11,037,816	9,844,700
Net income (loss) attributable to ordinary shareholders	43,782	21,885	228,550	27,282	915,039
Annualized net income (loss) attributable to ordinary shareholders	175,128	87,540	914,200	109,128	3,660,156
Operating Net Income (Note 3)	106,447	103,388	195,029	70,792	245,797
Annualized Operating Net Income (Note 3)	425,788	413,552	780,116	283,168	983,188
Annualized return on average ordinary shareholders' equity - Net income attributable to ordinary shareholders	1.5%	0.7%	7.7%	0.9%	32.5%
Annualized return on average ordinary shareholders' equity - Operating Net Income (Note 2)	3.6%	3.5%	6.6%	2.3%	8.7%
Annualized return on average ordinary shareholders' equity excluding average unrealized gains and losses on investments - Operating Net Income (Note 2)	4.1%	3.9%	7.1%	2.6%	10.0%

	At June 30, 2016	At March 31, 2016	At December 31, 2015	At September 30, 2015	At June 30, 2015
Book Value per Ordinary Share					
Closing ordinary shareholders' equity	\$ 11,685,188	\$ 11,688,744	\$ 11,677,079	\$ 11,938,231	\$ 12,247,298
Ordinary shares outstanding (Note 4)	276,772,053	286,312,517	294,783,992	299,356,093	303,932,111
Dilutive impact of stock and options	3,387,463	3,504,607	5,606,482	4,967,736	4,737,655
Diluted shares outstanding	280,159,516	289,817,124	300,390,474	304,323,829	308,669,766
Book value per ordinary share	\$ 42.22	\$ 40.83	\$ 39.61	\$ 39.88	\$ 40.30
Fully diluted book value per ordinary share	\$ 41.71	\$ 40.33	\$ 38.87	\$ 39.23	\$ 39.68
Fully diluted tangible book value per ordinary share (Note 5)	\$ 33.79	\$ 32.62	\$ 31.52	\$ 31.95	\$ 32.53

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.

2. 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.

3. Operating net income, a non-GAAP measure, is defined as net income (loss) attributable to ordinary shareholders excluding, as applicable: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (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, (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, (8) our expenses related to the Catlin acquisition, (9) our gain on the sale of our interest in our operating affiliate, ARX Holding Corp. ("ARX"), (10) our provision (benefit) for income tax on items excluded from operating income, (11) our loss on the Other Life Retro Arrangements, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. For further information see page 44 for Comment on Regulation G.

4. 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.

5. Fully diluted tangible book value per ordinary share is a non-GAAP financial measure which represents book value per ordinary share (total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries, goodwill and intangible assets, divided by the number of outstanding ordinary shares combined with the dilutive impact of potential future share issues at any period end). 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)

	Six Months Ended	Six Months Ended
	June 30, 2016	June 30, 2015
	(Unaudited)	(Unaudited)
	(Note 2)	
Revenues		
Gross premiums written	\$ 8,027,549	\$ 5,636,495
Net premiums written	\$ 5,790,878	\$ 3,969,580
Net premiums earned - P&C operations	\$ 4,880,148	\$ 3,383,289
Net premiums earned - run-off Life operations	6,672	32,764
Net investment income - excluding Life Funds Withheld Assets (Note 3)	340,568	334,434
Net investment income - Life Funds Withheld Assets (Note 3)	80,706	97,283
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)	11,052	8,953
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 3)	64,530	120,775
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 3)	(2,598)	(8,087)
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)	124,383	(18,783)
Net realized and unrealized gains (losses) on derivative instruments	(2,716)	65,030
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)	(465,822)	9,807
Net income (loss) from investment fund affiliates (Note 4)	8,600	66,706
Fee income and other	19,124	15,740
Total revenues	\$ 5,064,649	\$ 4,107,911
Expenses		
Net losses and loss expenses incurred - P&C operations	\$ 3,014,871	\$ 1,921,022
Claims and policy benefits - run-off Life operations	10,419	41,468
Acquisition costs	823,787	495,313
Operating expenses (Note 5)	1,037,902	833,010
Foreign exchange losses (gains)	(52,919)	37,764
Interest expense - debt and other (Note 6)	85,346	80,519
Interest expense - deposit liability accretion	22,695	20,586
Total expenses	\$ 4,942,101	\$ 3,429,682
Income (loss) before income (loss) from operating affiliates and income tax	\$ 122,548	\$ 678,229
Income (loss) from operating affiliates (Note 7)	34,068	32,130
Provision (benefit) for income taxes	24,762	57,177
Gain on sale of operating affiliate	-	340,407
Net income (loss)	\$ 131,854	\$ 993,589
Non-controlling interests	(66,187)	(42,269)
Net income (loss) attributable to ordinary shareholders	\$ 65,667	\$ 951,320
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets	(11,052)	(8,953)
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 3)	(64,530)	(120,775)
OTTI on investments - Life Funds Withheld Assets (Note 3)	2,598	8,087
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 3)	(124,383)	18,783
Net realized and unrealized (gains) losses on derivatives	2,716	(65,030)
Net realized and unrealized (gains) losses on investments and derivatives related to Company's insurance company affiliates	2,231	1,253
Net investment income - Life Funds Withheld Assets (Note 3)	(80,706)	(97,283)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)	465,822	(9,807)
Foreign exchange (gains) losses	(52,919)	37,764
Expenses related to Catlin acquisition	-	61,803
Gain on sale of operating affiliate	-	(340,407)
Provision (benefit) for income tax on items excluded from operating income	4,391	3,418
Operating Net Income (Note 8)	\$ 209,835	\$ 440,173

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation.
2. The company's results for the six months ended June 30, 2016 include those of Catlin from May 1, 2015.
3. On May 1, 2014, our wholly-owned subsidiary XL Insurance (Bermuda) Ltd ("XLIB") (on June 9, 2016, XLIB and XL Re Ltd amalgamated to form XL Bermuda Ltd), 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.
4. 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.
5. Operating expenses includes approximately \$52.1 million related to the Catlin acquisition. See pages 15 - 16 for split of segment and corporate operating expenses.
6. Interest expense includes approximately \$14.5 million in bridge financing costs related to the Catlin acquisition.
7. Earnings from operating affiliates are generally lagged by three months as the information is unavailable at the time of quarter close.
8. Operating net income, a non-GAAP measure, is defined as net income (loss) attributable to ordinary shareholders excluding, as applicable: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (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, (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, (8) our expenses related to the Catlin acquisition, (9) our gain on the sale of our interest in our operating affiliate, ARX Holding Corp. ("ARX"), (10) our provision (benefit) for income tax on items excluded from operating income, (11) our loss on the Other Life Retro Arrangements, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. For further information see page 44 for Comment on Regulation G.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY

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

(Note 1)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
	(Unaudited)	(Unaudited) (Note 2)
Opening shareholders' equity	13,654,463	11,435,766
Less: Non-controlling interest in equity of consolidated subsidiaries	(1,977,384)	(1,402,015)
Opening ordinary shareholders' equity	11,677,079	10,033,751
Closing shareholders' equity	13,663,932	14,205,105
Less: Non-controlling interest in equity of consolidated subsidiaries	(1,978,744)	(1,957,807)
Closing ordinary shareholders' equity	11,685,188	12,247,298
Average ordinary shareholders' equity	11,681,134	11,140,525
Average unrealized (gain) loss on investments, net of tax	(1,083,645)	(1,309,209)
Average ordinary shareholders' equity excluding average unrealized gains and losses on investments	10,597,489	9,831,316
Net income (loss) attributable to ordinary shareholders	65,667	951,320
Operating net income (Note 3)	209,835	440,173
Return on average ordinary shareholders' equity - Net income attributable to ordinary shareholders	1.1%	17.1%
Return on ordinary average shareholders' equity - operating net income (Note 3)	3.6%	7.9%
Return on ordinary average shareholders' equity excluding unrealized gains and losses on investments - operating net income (Note 3)	4.0%	9.0%

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation.
2. The company's results for the six months ended June 30, 2015 include those of Catlin from May 1, 2015.
3. Operating net income, a non-GAAP measure, is defined as net income (loss) attributable to ordinary shareholders excluding, as applicable: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (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, (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, (8) our expenses related to the Catlin acquisition, (9) our gain on the sale of our interest in our operating affiliate, ARX Holding Corp. ("ARX"), (10) our provision (benefit) for income tax on items excluded from operating income, (11) our loss on the Other Life Retro Arrangements, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. For further information see page 44 for Comment on Regulation G.

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30, 2016

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

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 2,512,012	\$ 1,018,766	\$ 3,530,778	\$ 68,545	\$ 3,599,323
Net premiums written	1,780,192	942,419	2,722,611	3,508	2,726,119
Net premiums earned	1,696,718	831,984	2,528,702	3,510	2,532,212
Net losses and loss expenses incurred	(1,095,739)	(536,647)	(1,632,386)	(5,482)	(1,637,868)
Acquisition expenses	(232,414)	(186,283)	(418,697)	(1,823)	(420,520)
Operating expenses (Note 2)	(307,468)	(68,260)	(375,728)	(405)	(376,133)
Underwriting (loss) profit	<u>\$ 61,097</u>	<u>\$ 40,794</u>	<u>\$ 101,891</u>	<u>\$ (4,200)</u>	<u>\$ 97,691</u>
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	154,642	7,525	162,167
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	39,146	39,146
Net investment results structured products (Note 4)	2,765	(706)	2,059	-	2,059
Net fee income and other (Note 5)	(3,749)	1,248	(2,501)	171	(2,330)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			27,948	(8,480)	19,468
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			(71)	85,220	85,149
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(229,742)	(229,742)
Net realized and unrealized gains (losses) on derivative instruments				906	906
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)				34,597	34,597
Foreign exchange (gains) losses				(19,100)	(19,100)
Corporate operating expenses (7)				133,185	133,185
Contribution from P&C and Corporate and other			<u>\$ 283,968</u>	<u>\$ (188,942)</u>	<u>\$ 95,026</u>
Interest expense					(43,733)
Non-controlling interests					(5,044)
Income taxes					(2,467)
Net (loss) income attributable to XL Group plc					<u>\$ 43,782</u>
Ratios - P&C operations:					
Loss and loss expense ratio	64.6%	64.5%	64.6%		
Underwriting expense ratio	31.8%	30.6%	31.4%		
Combined ratio	96.4%	95.1%	96.0%		
Total net prior year development	(33,455)	(65,175)	(98,630)		
Natural catastrophe losses (Note 8)	97,230	157,045	254,275		
Reinstatement premium	-	14,179	14,179		
Loss and loss expense ratio excluding net prior year development	66.6%	72.3%	68.5%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	60.8%	54.4%	58.7%		

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 XL Insurance (Bermuda) Ltd ("XLIB") (on June 9, 2016, XLIB and XL Re Ltd amalgamated to form XL Bermuda Ltd), 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 \$14.1 million and \$12.0 million, respectively.
- Net fee income and other includes operating expenses of \$13.2 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 \$52.1 million of integration costs resulting from the Catlin acquisition.
- 2016 Natural Catastrophes include Alberta, Canada Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japanese and Ecuador Earthquakes and March US Storms.

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2016

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

(Unaudited)
(Note 1)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER	TOTAL
Gross premiums written	\$ 2,503,972	\$ 1,855,343	\$ 4,359,315	\$ 68,911	\$ 4,428,226
Net premiums written	1,503,934	1,557,661	3,061,595	3,164	3,064,759
Net premiums earned	1,593,874	757,572	2,351,446	3,164	2,354,610
Net losses and loss expenses incurred	(999,592)	(382,893)	(1,382,485)	(4,937)	(1,387,422)
Acquisition expenses	(225,458)	(176,348)	(401,806)	(1,461)	(403,267)
Operating expenses (Note 2)	(312,432)	(79,234)	(391,666)	(218)	(391,884)
Underwriting (loss) profit	<u>\$ 56,392</u>	<u>\$ 119,097</u>	<u>\$ 175,489</u>	<u>\$ (3,452)</u>	<u>\$ 172,037</u>
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	143,131	8,533	151,664
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	41,560	41,560
Net investment results structured products (Note 4)	1,222	748	1,970	-	1,970
Net fee income and other (Note 5)	(3,862)	837	(3,025)	302	(2,723)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			(11,160)	2,744	(8,416)
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)				101,166	101,166
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 3)				(236,080)	(236,080)
Net realized and unrealized gains (losses) on derivative instruments				(3,622)	(3,622)
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)				8,071	8,071
Foreign exchange (gains) losses				(33,819)	(33,819)
Corporate operating expenses				112,510	112,510
Contribution from P&C and Corporate and other			<u>\$ 306,405</u>	<u>\$ (159,469)</u>	<u>\$ 146,936</u>
Interest expense (Note 7)					(41,613)
Non-controlling interests					(61,143)
Income taxes					(22,295)
Net (loss) income attributable to XL Group plc					<u>\$ 21,885</u>
Ratios - P&C operations:					
Loss and loss expense ratio	62.7%	50.5%	58.8%		
Underwriting expense ratio	33.8%	33.8%	33.7%		
Combined ratio	96.5%	84.3%	92.5%		
Total net prior year development	(11,358)	(32,054)	(43,412)		
Natural catastrophe losses (Note 8)	35,283	19,493	54,776		
Reinstatement premium	-	2,000	2,000		
Loss and loss expense ratio excluding net prior year development	63.4%	54.8%	60.6%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	61.2%	52.3%	58.4%		

Notes :

- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB, entered into a sale and purchase agreement with GreyCastle providing for the sale of 100% of the common shares of XLIB's wholly-owned subsidiary XLLR for \$570 million in cash. This transaction was completed on May 30, 2014. As a result of the transaction, we have ceded the majority of our life reinsurance business to XLLR via the 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 \$12.7 million and \$10.7 million, respectively.
- Net fee income and other includes operating expenses of \$11.0 million from the Company's loss prevention consulting services business.
- XL records the income related to the alternative funds and to the private investment and operating fund affiliates on a one-month and three-month lag, respectively.
- Interest expense excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- 2016 Natural Catastrophes include US Storms and Taiwan Earthquake.

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30, 2015

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

(Unaudited)
(Note 1)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 2)	TOTAL
Gross premiums written	\$ 2,219,444	\$ 782,248	\$ 3,001,692	\$ 79,443	\$ 3,081,135
Net premiums written	1,401,772	698,301	2,100,073	18,258	2,118,331
Net premiums earned	1,412,906	650,889	2,063,795	18,258	2,082,053
Net losses and loss expenses incurred	(896,370)	(254,825)	(1,151,195)	(22,081)	(1,173,276)
Acquisition expenses	(181,716)	(158,217)	(339,933)	(1,684)	(341,617)
Operating expenses (Note 3)	(292,161)	(71,727)	(363,888)	59	(363,829)
Underwriting (loss) profit	<u>\$ 42,659</u>	<u>\$ 166,120</u>	<u>\$ 208,779</u>	<u>\$ (5,448)</u>	<u>\$ 203,331</u>
Net investment income - excluding Life Funds Withheld Assets (Note 4)	-	-	149,461	10,831	160,292
Net investment income - Life Funds Withheld Assets (Note 4)	-	-	-	46,864	46,864
Net investment results structured products (Note 5)	3,401	1,856	5,257	-	5,257
Net fee income and other (Note 6)	(2,033)	623	(1,410)	46	(1,364)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)			4,223	128	4,351
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)				45,616	45,616
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 3)				239,174	239,174
Net realized and unrealized gains (losses) on derivative instruments				48,509	48,509
Net income (loss) from investment fund affiliates and operating affiliates (Note 7)				40,839	40,839
Gain on sale of operating affiliate				340,407	340,407
Foreign exchange (gains) losses				10,374	10,374
Corporate operating expenses				130,987	130,987
Contribution from P&C and Corporate and other			<u>\$ 366,310</u>	<u>\$ 625,605</u>	<u>\$ 991,915</u>
Interest expense (Note 8)					(39,038)
Non-controlling interests					(4,879)
Income taxes					(32,959)
Net (loss) income attributable to XL Group plc					<u>\$ 915,039</u>
Ratios - P&C operations:					
Loss and loss expense ratio	63.4%	39.2%	55.8%		
Underwriting expense ratio	33.6%	35.3%	34.1%		
Combined ratio	97.0%	74.5%	89.9%		
Total net prior year development	(38,135)	(70,735)	(108,870)		
Natural catastrophe losses (Note 9)	59,892	-	59,892		
Loss and loss expense ratio excluding net prior year development	66.1%	50.0%	61.1%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	61.9%	50.0%	58.2%		

Notes :

- Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.
- 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 \$16.0 million and \$10.6 million, respectively.
- Net fee income and other includes operating expenses of \$12.4 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 catastrophe losses include Chile Flooding, Storm Niklas and Sydney Hailstorm.

PREMIUMS BY LINE OF BUSINESS

(U.S. dollars in thousands)

(Unaudited)

(Note 1)

FOR THE THREE MONTHS ENDED JUNE 30, 2016

GROSS PREMIUMS WRITTEN

	<i>Insurance</i>	<i>Reinsurance</i>	<i>Corporate and Other (Note 2)</i>	<i>Total</i>
P&C Operations:				
Professional	\$ 439,714	\$ 43,437	\$ -	\$ 483,151
Casualty	674,348	173,647	-	847,995
Property catastrophe	-	343,173	-	343,173
Property	720,087	298,143	-	1,018,230
Specialty	504,322	60,882	-	565,204
Other (Note 3)	173,541	99,484	(1)	273,024
Total P&C operations	2,512,012	1,018,766	(1)	3,530,777
Corporate and Other :				
Run-Off Life Operations - Annuity	-	-	31,784	31,784
Run-Off Life Operations - Other Life	-	-	36,762	36,762
Total Corporate and Other	-	-	68,546	68,546
Total	\$ 2,512,012	\$ 1,018,766	\$ 68,545	\$ 3,599,323

FOR THE THREE MONTHS ENDED JUNE 30, 2015

GROSS PREMIUMS WRITTEN

(Note 1)

	<i>Insurance</i>	<i>Reinsurance</i>	<i>Corporate and Other (Note 2)</i>	<i>Total</i>
P&C Operations:				
Professional	\$ 462,134	\$ 51,777	\$ -	\$ 513,911
Casualty	729,814	103,846	-	833,660
Property catastrophe	-	252,419	-	252,419
Property	594,215	305,754	-	899,969
Specialty	413,552	20,001	-	433,553
Other (Note 3)	19,729	48,451	-	68,180
Total P&C operations	2,219,444	782,248	-	3,001,692
Corporate and Other :				
Run-Off Life Operations - Annuity	-	-	34,054	34,054
Run-Off Life Operations - Other Life	-	-	45,389	45,389
Total Corporate and Other	-	-	79,443	79,443
Total	\$ 2,219,444	\$ 782,248	\$ 79,443	\$ 3,081,135

NET PREMIUMS WRITTEN

	<i>Insurance</i>	<i>Reinsurance</i>	<i>Corporate and Other (Note 2)</i>	<i>Total</i>
P&C Operations:				
Professional	\$ 286,608	\$ 42,121	\$ -	\$ 328,729
Casualty	418,189	167,882	-	586,071
Property catastrophe	-	287,459	-	287,459
Property	518,880	299,792	-	818,672
Specialty	411,773	51,155	-	462,928
Other (Note 3)	144,742	94,010	(1)	238,751
Total P&C operations	1,780,192	942,419	(1)	2,722,610
Corporate and Other :				
Run-Off Life Operations - Annuity	-	-	2	2
Run-Off Life Operations - Other Life	-	-	3,507	3,507
Total Corporate and Other	-	-	3,509	3,509
Total	\$ 1,780,192	\$ 942,419	\$ 3,508	\$ 2,726,119

NET PREMIUMS WRITTEN

	<i>Insurance</i>	<i>Reinsurance</i>	<i>Corporate and Other (Note 2)</i>	<i>Total</i>
P&C Operations:				
Professional	\$ 278,195	\$ 51,576	\$ -	\$ 329,771
Casualty	445,084	98,163	-	543,247
Property catastrophe	-	202,266	-	202,266
Property	337,780	290,620	-	628,400
Specialty	334,214	15,128	-	349,342
Other (Note 3)	6,499	40,548	-	47,047
Total P&C operations	1,401,772	698,301	-	2,100,073
Corporate and Other :				
Run-Off Life Operations - Annuity	-	-	1	1
Run-Off Life Operations - Other Life	-	-	18,257	18,257
Total Corporate and Other	-	-	18,258	18,258
Total	\$ 1,401,772	\$ 698,301	\$ 18,258	\$ 2,118,331

NET PREMIUMS EARNED

	<i>Insurance</i>	<i>Reinsurance</i>	<i>Corporate and Other (Note 2)</i>	<i>Total</i>
P&C Operations:				
Professional	\$ 319,342	\$ 39,798	\$ -	\$ 359,140
Casualty	447,986	191,447	-	639,433
Property catastrophe	-	214,313	-	214,313
Property	380,653	260,270	-	640,923
Specialty	395,963	45,812	-	441,775
Other (Note 3)	152,774	80,344	1	233,119
Total P&C operations	1,696,718	831,984	1	2,528,703
Corporate and Other :				
Run-Off Life Operations - Annuity	-	-	2	2
Run-Off Life Operations - Other Life	-	-	3,507	3,507
Total Corporate and Other	-	-	3,509	3,509
Total	\$ 1,696,718	\$ 831,984	\$ 3,510	\$ 2,532,212

NET PREMIUMS EARNED

	<i>Insurance</i>	<i>Reinsurance</i>	<i>Corporate and Other (Note 2)</i>	<i>Total</i>
P&C Operations:				
Professional	\$ 286,359	\$ 43,225	\$ -	\$ 329,584
Casualty	453,527	125,787	-	579,314
Property catastrophe	-	163,452	-	163,452
Property	306,028	231,898	-	537,926
Specialty	354,557	32,549	-	387,106
Other (Note 3)	12,435	53,978	-	66,413
Total P&C operations	1,412,906	650,889	-	2,063,795
Corporate and Other :				
Run-Off Life Operations - Annuity	-	-	1	1
Run-Off Life Operations - Other Life	-	-	18,257	18,257
Total Corporate and Other	-	-	18,258	18,258
Total	\$ 1,412,906	\$ 650,889	\$ 18,258	\$ 2,082,053

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.

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)

(Note 1)

	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	% Change Q2 16 vs. Q1 16	vs. Q2 15
Gross premiums written	\$ 2,512,012	\$ 2,503,972	\$ 2,321,459	\$ 2,200,196	\$ 2,219,444	0.3%	13.2%
Net premiums written	1,780,192	1,503,934	1,704,492	1,664,562	1,401,772	18.4%	27.0%
Net premiums earned	1,696,718	1,593,874	1,640,282	1,632,988	1,412,906	6.5%	20.1%
Net losses incurred	(1,095,739)	(999,592)	(1,063,004)	(1,037,727)	(896,370)	9.6%	22.2%
Acquisition expenses	(232,414)	(225,458)	(227,488)	(214,773)	(181,716)	3.1%	27.9%
Operating expenses (Note 2)	(307,468)	(312,432)	(319,931)	(334,211)	(292,161)	-1.6%	5.2%
Underwriting profit (loss)	\$ 61,097	\$ 56,392	\$ 29,859	\$ 46,277	\$ 42,659	8.3%	43.2%
RATIOS							
Loss and loss expense ratio	64.6%	62.7%	64.8%	63.5%	63.4%		
Acquisition expense ratio	13.7%	14.1%	13.9%	13.2%	12.9%		
Operating expense ratio	18.1%	19.7%	19.5%	20.5%	20.7%		
Combined ratio	96.4%	96.5%	98.2%	97.2%	97.0%		
Total net prior year development, strengthening (release)	\$ (33,455)	\$ (11,358)	\$ (27,962)	\$ 7,064	\$ (38,135)		
Natural catastrophe losses	97,230	35,283	68,386	7,461	59,892		
Loss and loss expense ratio excluding net prior year development	66.6%	63.4%	66.5%	63.1%	66.1%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	60.8%	61.2%	62.3%	62.7%	61.9%		
Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	92.6%	95.0%	95.7%	96.3%	95.4%		

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.
2. Operating expenses exclude corporate operating expenses.

REINSURANCE SEGMENT

(U.S. dollars in thousands)

(Unaudited)

(Note 1, 2)

	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	% Change Q2 16 vs. Q1 16	vs. Q2 15
Gross premiums written	\$ 1,018,766	\$ 1,855,343	\$ 206,307	\$ 458,946	\$ 782,248	-45.1%	30.2%
Net premiums written	942,419	1,557,661	174,300	408,654	698,301	-39.5%	35.0%
Net premiums earned	831,984	757,572	734,873	772,752	650,889	9.8%	27.8%
Net losses incurred	(536,647)	(382,893)	(317,889)	(426,558)	(254,825)	40.2%	NM
Acquisition expenses	(186,283)	(176,348)	(182,910)	(189,671)	(158,217)	5.6%	17.7%
Operating expenses (Note 3)	(68,260)	(79,234)	(80,475)	(88,682)	(71,727)	-13.9%	-4.8%
Underwriting profit (loss)	\$ 40,794	\$ 119,097	\$ 153,599	\$ 67,841	\$ 166,120	-65.7%	-75.4%
RATIOS							
Loss and loss expense ratio	64.5%	50.5%	43.3%	55.2%	39.2%		
Acquisition expense ratio	22.4%	23.3%	24.9%	24.5%	24.3%		
Operating expense ratio	8.2%	10.5%	10.9%	11.5%	11.0%		
Combined ratio	95.1%	84.3%	79.1%	91.2%	74.5%		
Total net prior year development, strengthening (release)	\$ (65,175)	\$ (32,054)	\$ (93,192)	\$ (35,182)	\$ (70,735)		
Natural catastrophe losses	157,045	19,493	44,454	24,720	0		
Reinstatement premium	14,179	2,000	5,011	1,350	0		
Loss and loss expense ratio excluding net prior year development	72.3%	54.8%	55.9%	59.8%	50.0%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	54.4%	52.3%	50.2%	56.7%	50.0%		
Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	85.5%	86.2%	86.3%	92.7%	85.3%		

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. Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.
 3. Operating expenses exclude corporate operating expenses.
- NM = Not meaningful

SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT AND NATURAL CATASTROPHES
THREE MONTHS ENDED JUNE 30, 2016 vs JUNE 30, 2015

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

	FOR THE THREE MONTHS ENDED JUNE 30, 2016					FOR THE THREE MONTHS ENDED JUNE 30, 2015				
	(Note 1)					(Note 2, 3)				
	Including Cats & PYD	PYD	Excluding PYD but incl. Cats	Cats	Excluding Cats and PYD	Including Cats & PYD	PYD	Excluding PYD but incl. Cats	Cats	Excluding Cats and PYD
INSURANCE										
Gross premiums written	\$ 2,512,012		\$ 2,512,012	-	\$ 2,512,012	\$ 2,219,444		\$ 2,219,444	-	\$ 2,219,444
Net premiums written	1,780,192	-	1,780,192	-	1,780,192	1,401,772	-	1,401,772	-	1,401,772
Net premiums earned	1,696,718	-	1,696,718	-	1,696,718	1,412,906	-	1,412,906	-	1,412,906
Net losses incurred	1,095,739	(33,455)	1,129,194	97,230	1,031,964	896,370	(38,135)	934,505	59,892	874,613
Acquisition expenses	232,414		232,414	-	232,414	181,716		181,716	-	181,716
Operating expenses	307,468		307,468	-	307,468	292,161		292,161	-	292,161
Underwriting profit / (loss)	\$ 61,097	\$ 33,455	\$ 27,642	\$ (97,230)	\$ 124,872	\$ 42,659	\$ 38,135	\$ 4,524	\$ (59,892)	\$ 64,416
Loss Ratio	64.6%		66.6%		60.8%	63.4%		66.1%		61.9%
Combined Ratio	96.4%		98.4%		92.6%	97.0%		99.7%		95.4%
REINSURANCE										
Gross premiums written	\$ 1,018,766		\$ 1,018,766	15,435	\$ 1,003,331	\$ 782,248		\$ 782,248	-	\$ 782,248
Net premiums written	942,419	-	942,419	14,179	928,240	698,301	-	698,301	-	698,301
Net premiums earned	831,984	-	831,984	14,179	817,805	650,889	-	650,889	-	650,889
Net losses incurred	536,647	(65,175)	601,822	157,045	444,777	254,825	(70,735)	325,560	-	325,560
Acquisition expenses	186,283		186,283	-	186,283	158,217		158,217	-	158,217
Operating expenses	68,260		68,260	-	68,260	71,727		71,727	-	71,727
Underwriting profit / (loss)	\$ 40,794	\$ 65,175	\$ (24,381)	\$ (142,866)	\$ 118,485	\$ 166,120	\$ 70,735	\$ 95,385	\$ -	\$ 95,385
Loss Ratio	64.5%		72.3%		54.4%	39.2%		50.0%		50.0%
Combined Ratio	95.1%		102.9%		85.5%	74.5%		85.3%		85.3%
TOTAL										
Gross premiums written	\$ 3,530,778		\$ 3,530,778	15,435	\$ 3,515,343	\$ 3,001,692		\$ 3,001,692	-	\$ 3,001,692
Net premiums written	2,722,611	-	2,722,611	14,179	2,708,432	2,100,073	-	2,100,073	-	2,100,073
Net premiums earned	2,528,702	-	2,528,702	14,179	2,514,523	2,063,795	-	2,063,795	-	2,063,795
Net losses incurred	1,632,386	(98,630)	1,731,016	254,275	1,476,741	1,151,195	(108,870)	1,260,065	59,892	1,200,173
Acquisition expenses	418,697		418,697	-	418,697	339,933		339,933	-	339,933
Operating expenses	375,728		375,728	-	375,728	363,888		363,888	-	363,888
Underwriting profit / (loss)	\$ 101,891	\$ 98,630	\$ 3,261	\$ (240,096)	\$ 243,357	\$ 208,779	\$ 108,870	\$ 99,909	\$ (59,892)	\$ 159,801
Loss Ratio	64.6%		68.5%		58.7%	55.8%		61.1%		58.2%
Combined Ratio	96.0%		99.9%		90.3%	89.9%		95.2%		92.3%

- Notes:**
- 2016 Natural Catastrophes include Alberta, Canada Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japanese and Ecuador Earthquakes and March US Storms.
 - 2015 natural catastrophe losses include Chile Flooding, Storm Niklas and Sydney Hailstorm.
 - The company's results for the three months ended June 30, 2015 include those of Catlin from May 1, 2015.

SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2016

(U.S. Dollars in thousands)

(Unaudited)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 5,015,984	\$ 2,874,109	\$ 7,890,093	\$ 137,456	\$ 8,027,549
Net premiums written	\$ 3,284,126	\$ 2,500,080	\$ 5,784,206	\$ 6,672	\$ 5,790,878
Net premiums earned	\$ 3,290,592	\$ 1,589,556	\$ 4,880,148	\$ 6,674	\$ 4,886,822
Net losses and loss expenses incurred	(2,095,331)	(919,540)	(3,014,871)	(10,419)	(3,025,290)
Acquisition expenses	(457,872)	(362,631)	(820,503)	(3,284)	(823,787)
Operating expenses (Note 2)	(619,900)	(147,494)	(767,394)	(623)	(768,017)
Underwriting (loss) profit	<u>\$ 117,489</u>	<u>\$ 159,891</u>	<u>\$ 277,380</u>	<u>\$ (7,652)</u>	<u>\$ 269,728</u>
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	297,773	16,058	313,831
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	80,706	80,706
Net investment results structured products (Note 4)	3,987	42	4,029	-	4,029
Net fee income and other (Note 5)	(7,611)	2,085	(5,526)	473	(5,053)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			16,788	(5,736)	11,052
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			(71)	186,386	186,315
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(465,822)	(465,822)
Net realized and unrealized gains (losses) on derivative instruments				(2,716)	(2,716)
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)				42,668	42,668
Foreign exchange (gains) losses				(52,919)	(52,919)
Corporate operating expenses (Note 7)				245,695	245,695
Contribution from P&C and Corporate and other			<u>\$ 590,373</u>	<u>\$ (348,411)</u>	<u>\$ 241,962</u>
Interest expense (Note 8)					(85,346)
Non-controlling interests					(66,187)
Income tax					(24,762)
Net (loss) income attributable to XL Group plc					<u>\$ 65,667</u>
Ratios - P&C operations:					
Loss and loss expense ratio	63.7%	57.8%	61.8%		
Underwriting expense ratio	32.7%	32.1%	32.5%		
Combined ratio	96.4%	89.9%	94.3%		
Total net prior year development	(44,813)	(97,229)	(142,042)		
Natural catastrophe losses (Note 9)	132,513	176,538	309,051		
Reinstatement premium	-	16,179	16,179		
Loss and loss expense ratio excluding net prior year development	65.0%	64.0%	64.7%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	61.0%	53.4%	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 XL Insurance (Bermuda) Ltd ("XLIB") (on June 9, 2016, XLIB and XL Re Ltd amalgamated to form XL Bermuda Ltd), 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 \$26.7 million and \$22.7 million, respectively.
- Net fee income and other includes operating expenses of \$24.2 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.
- Operating expenses includes \$52.1 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.
- 2016 Natural Catastrophes include Alberta, Canada Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japanese, Taiwan and Ecuador Earthquakes and US Storms.

SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2015

(U.S. dollars in thousands)

(Unaudited)
(Note 1)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 2)	TOTAL
Gross premiums written	\$ 3,874,191	\$ 1,607,910	\$ 5,482,101	\$ 154,394	\$ 5,636,495
Net premiums written	\$ 2,490,880	\$ 1,445,936	\$ 3,936,816	\$ 32,764	\$ 3,969,580
Net premiums earned	\$ 2,375,212	\$ 1,008,077	\$ 3,383,289	\$ 32,764	\$ 3,416,053
Net losses and loss expenses incurred	(1,513,317)	(407,705)	(1,921,022)	(41,468)	(1,962,490)
Acquisition expenses	(262,103)	(229,709)	(491,812)	(3,501)	(495,313)
Operating expenses (Note 3)	(500,618)	(114,222)	(614,840)	(872)	(615,712)
Underwriting (loss) profit	<u>\$ 99,174</u>	<u>\$ 256,441</u>	<u>\$ 355,615</u>	<u>\$ (13,077)</u>	<u>\$ 342,538</u>
Net investment income - excluding Life Funds Withheld Assets (Note 4)	-	-	282,269	21,041	303,310
Net investment income - Life Funds Withheld Assets (Note 4)	-	-	-	97,283	97,283
Net investment results structured products (Note 5)	6,306	3,976	10,282	-	10,282
Net fee income and other (Note 6)	(9,498)	1,448	(8,050)	178	(7,872)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)			10,030	(1,077)	8,953
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)				93,905	93,905
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 4)				9,807	9,807
Net realized and unrealized gains (losses) on derivative instruments				65,030	65,030
Net income (loss) from investment fund affiliates and operating affiliates (Note 7)				98,836	98,836
Gain on sale of operating affiliate				340,407	340,407
Foreign exchange (gains) losses				37,764	37,764
Corporate operating expenses				193,430	193,430
Contribution from P&C and Corporate and other			<u>\$ 650,146</u>	<u>\$ 481,139</u>	<u>\$ 1,131,285</u>
Interest expense (Note 8)					(80,519)
Non-controlling interests					(42,269)
Income taxes					(57,177)
Net (loss) income attributable to XL Group plc					<u>\$ 951,320</u>
Ratios - P&C operations:					
Loss and loss expense ratio	63.7%	40.4%	56.8%		
Underwriting expense ratio	32.1%	34.2%	32.7%		
Combined ratio	95.8%	74.6%	89.5%		
Total net prior year development	(44,132)	(113,226)	(157,358)		
Natural catastrophe losses (Note 9)	74,542	-	74,542		
Reinstatement premium	-	-	-		
Loss and loss expense ratio excluding net prior year development	65.6%	51.7%	61.4%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	62.4%	51.7%	59.2%		

Notes :

- Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.
- 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 \$31.1 million and \$20.6 million, respectively.
- Net fee income and other includes operating expenses of \$23.6 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.
- Interest expense excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- 2015 Natural Catastrophe losses include US Winter storms, Chile Flooding, Storm Niklas, Sydney Hailstorm, and Tropical Cyclone Marcia.

PREMIUMS BY LINE OF BUSINESS

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

FOR THE SIX MONTHS ENDED JUNE 30, 2016

FOR THE SIX MONTHS ENDED JUNE 30, 2015

GROSS PREMIUMS WRITTEN

GROSS PREMIUMS WRITTEN

(Unaudited)

(Unaudited)

(Note 2)

	Insurance	Reinsurance	Corporate and Other (Note 3)	Total	Insurance	Reinsurance	Corporate and Other (Note 3)	Total
P&C Operations:								
Professional	\$ 867,789	\$ 91,625	\$ -	\$ 959,414	\$ 803,846	\$ 103,408	\$ -	\$ 907,254
Casualty	1,333,872	539,012	-	1,872,884	1,404,379	225,777	-	1,630,156
Property catastrophe	-	852,761	-	852,761	-	479,471	-	479,471
Property	1,382,188	862,248	-	2,244,436	944,634	561,787	-	1,506,421
Specialty	1,080,824	179,593	-	1,260,417	685,401	66,336	-	751,737
Other (Note 4)	351,311	348,870	(1)	700,180	35,931	171,131	-	207,062
Total P&C operations	5,015,984	2,874,109	(1)	7,890,092	3,874,191	1,607,910	-	5,482,101
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	63,719	63,719	-	-	68,862	68,862
Run-Off Life Operations - Other Life	-	-	73,738	73,738	-	-	85,532	85,532
Total Corporate and Other	-	-	137,457	137,457	-	-	154,394	154,394
Total	\$ 5,015,984	\$ 2,874,109	\$ 137,456	\$ 8,027,549	\$ 3,874,191	\$ 1,607,910	\$ 154,394	\$ 5,636,495

NET PREMIUMS WRITTEN

NET PREMIUMS WRITTEN

	Insurance	Reinsurance	Corporate and Other (Note 3)	Total	Insurance	Reinsurance	Corporate and Other (Note 3)	Total
P&C Operations:								
Professional	\$ 565,893	\$ 91,451	\$ -	\$ 657,344	\$ 530,475	\$ 103,207	\$ -	\$ 633,682
Casualty	843,050	512,726	-	1,355,776	862,342	217,984	-	1,080,326
Property catastrophe	-	653,387	-	653,387	-	416,384	-	416,384
Property	833,915	764,789	-	1,598,704	559,433	509,696	-	1,069,129
Specialty	792,140	157,478	-	949,618	519,446	57,524	-	576,970
Other (Note 4)	249,128	320,249	(1)	569,376	19,184	141,141	-	160,325
Total P&C operations	3,284,126	2,500,080	(1)	5,784,205	2,490,880	1,445,936	-	3,936,816
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	2	2	-	-	-	-
Run-Off Life Operations - Other Life	-	-	6,671	6,671	-	-	32,764	32,764
Total Corporate and Other	-	-	6,673	6,673	-	-	32,764	32,764
Total	\$ 3,284,126	\$ 2,500,080	\$ 6,672	\$ 5,790,878	\$ 2,490,880	\$ 1,445,936	\$ 32,764	\$ 3,969,580

NET PREMIUMS EARNED

NET PREMIUMS EARNED

	Insurance	Reinsurance	Corporate and Other (Note 3)	Total	Insurance	Reinsurance	Corporate and Other (Note 3)	Total
P&C Operations:								
Professional	\$ 652,296	\$ 82,953	\$ -	\$ 735,249	\$ 552,772	\$ 78,233	\$ -	\$ 631,005
Casualty	868,198	346,186	-	1,214,384	794,843	183,995	-	978,838
Property catastrophe	-	419,614	-	419,614	-	257,525	-	257,525
Property	740,286	514,669	-	1,254,955	478,447	363,122	-	841,569
Specialty	763,315	82,005	-	845,320	526,553	50,624	-	577,177
Other (Note 4)	266,497	144,129	1	410,627	22,597	74,578	-	97,175
Total P&C operations	3,290,592	1,589,556	1	4,880,149	2,375,212	1,008,077	-	3,383,289
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	2	2	-	-	-	-
Run-Off Life Operations - Other Life	-	-	6,671	6,671	-	-	32,764	32,764
Total Corporate and Other	-	-	6,673	6,673	-	-	32,764	32,764
Total	\$ 3,290,592	\$ 1,589,556	\$ 6,674	\$ 4,886,822	\$ 2,375,212	\$ 1,008,077	\$ 32,764	\$ 3,416,053

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- The company's results for the six months ended June 30, 2015 include those of Catlin from May 1, 2015.
- Corporate and Other includes the Company's run-off Life operations.
- 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 SIX MONTHS ENDED JUNE 30, 2016 vs JUNE 30, 2015
(U.S. dollars in thousands)

	FOR THE SIX MONTHS ENDED JUNE 30, 2016					FOR THE SIX MONTHS ENDED JUNE 30, 2015				
	(Unaudited)					(Unaudited) (Note 1)				
	Including Cats & PYD	PYD	Excluding PYD but incl. Cats (Note 2)	Cats	Excluding Cats and PYD	Including Cats & PYD	PYD	Excluding PYD but incl. Cats (Note 3)	Cats	Excluding Cats and PYD
INSURANCE										
Gross premiums written	\$ 5,015,984		\$ 5,015,984	-	\$ 5,015,984	\$ 3,874,191		\$ 3,874,191	-	\$ 3,874,191
Net premiums written	3,284,126	-	3,284,126	-	3,284,126	2,490,880	-	2,490,880	-	2,490,880
Net premiums earned	3,290,592	-	3,290,592	-	3,290,592	2,375,212	-	2,375,212	-	2,375,212
Net losses incurred	2,095,331	(44,813)	2,140,144	132,513	2,007,631	1,513,317	(44,132)	1,557,449	74,542	1,482,907
Acquisition expenses	457,872		457,872	-	457,872	262,103		262,103	-	262,103
Operating expenses	619,900		619,900	-	619,900	500,618		500,618	-	500,618
Underwriting profit / (loss)	\$ 117,489	\$ 44,813	\$ 72,676	\$ (132,513)	\$ 205,189	\$ 99,174	\$ 44,132	\$ 55,042	\$ (74,542)	\$ 129,584
Loss Ratio	63.7%		65.0%		61.0%	63.7%		65.6%		62.4%
Combined Ratio	96.4%		97.8%		93.8%	95.8%		97.7%		94.5%
REINSURANCE										
Gross premiums written	\$ 2,874,109		\$ 2,874,109	17,435	\$ 2,856,674	\$ 1,607,910		\$ 1,607,910	-	\$ 1,607,910
Net premiums written	2,500,080	-	2,500,080	16,179	2,483,901	1,445,936	-	1,445,936	-	1,445,936
Net premiums earned	1,589,556	-	1,589,556	16,179	1,573,377	1,008,077	-	1,008,077	-	1,008,077
Net losses incurred	919,540	(97,229)	1,016,769	176,538	840,231	407,705	(113,226)	520,931	-	520,931
Acquisition expenses	362,631		362,631	-	362,631	229,709		229,709	-	229,709
Operating expenses	147,494		147,494	-	147,494	114,222		114,222	-	114,222
Underwriting profit / (loss)	\$ 159,891	\$ 97,229	\$ 62,662	\$ (160,359)	\$ 223,021	\$ 256,441	\$ 113,226	\$ 143,215	\$ -	\$ 143,215
Loss Ratio	57.8%		64.0%		53.4%	40.4%		51.7%		51.7%
Combined Ratio	89.9%		96.1%		85.8%	74.6%		85.8%		85.8%
TOTAL										
Gross premiums written	\$ 7,890,093		\$ 7,890,093	17,435	\$ 7,872,658	\$ 5,482,101		\$ 5,482,101	-	\$ 5,482,101
Net premiums written	5,784,206	-	5,784,206	16,179	5,768,027	3,936,816	-	3,936,816	-	3,936,816
Net premiums earned	4,880,148	-	4,880,148	16,179	4,863,969	3,383,289	-	3,383,289	-	3,383,289
Net losses incurred	3,014,871	(142,042)	3,156,913	309,051	2,847,862	1,921,022	(157,358)	2,078,380	74,542	2,003,838
Acquisition expenses	820,503		820,503	-	820,503	491,812		491,812	-	491,812
Operating expenses	767,394		767,394	-	767,394	614,840		614,840	-	614,840
Underwriting profit / (loss)	\$ 277,380	\$ 142,042	\$ 135,338	\$ (292,872)	\$ 428,210	\$ 355,615	\$ 157,358	\$ 198,257	\$ (74,542)	\$ 272,799
Loss Ratio	61.8%		64.7%		58.6%	56.8%		61.4%		59.2%
Combined Ratio	94.3%		97.2%		91.2%	89.5%		94.1%		91.9%

Notes:

- The company's results for the six months ended June 30, 2015 include those of Catlin from May 1, 2015.
- 2016 Natural Catastrophes include Alberta, Canada Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japanese, Taiwan and Ecuador Earthquakes and US Storms.
- 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.

EFFECTIVE TAX RATE ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2016

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

	<u>Profit/(Loss) before tax</u>	<u>Tax Expense /(Benefit)</u>	<u>Net Income/ (Loss)</u>	<u>Effective Tax Rate</u>
Net Income/(Loss)	\$ 156,616	\$ 24,762	\$ 131,854	15.8%
Non-controlling interests	(66,187)		(66,187)	
Net Income/(Loss) attributable to ordinary shareholders	<u>90,429</u>	<u>24,762</u>	<u>65,667</u>	<u>27.4%</u>
Net Income to Operating Net Income adjustments, excluding discrete tax adjustments	139,777	(591)	140,368	-0.4%
Operating Net Income, excluding discrete tax adjustments	<u>230,206</u>	<u>24,171</u>	<u>206,035</u>	<u>10.5%</u>
Discrete Tax Expense/(Benefit) adjustments		(3,800)	3,800	
Operating Net Income, including discrete tax adjustments (Note 1)	<u>\$ 230,206</u>	<u>\$ 20,371</u>	<u>\$ 209,835</u>	<u>8.8%</u>

Note

1. Operating net income, a non-GAAP measure, is defined as net income (loss) attributable to ordinary shareholders excluding, as applicable: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (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, (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, (8) our expenses related to the Catlin acquisition, (9) our gain on the sale of our interest in our operating affiliate, ARX Holding Corp. ("ARX"), (10) our provision (benefit) for income tax on items excluded from operating income, (11) our loss on the Other Life Retro Arrangements, and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition. For further information see page 44 for Comment on Regulation G.

BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

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

(Note 1)

	At June 30, 2016 (Unaudited)	At March 31, 2016 (Unaudited)	At December 31, 2015	At September 30, 2015 (Unaudited)	At June 30, 2015 (Unaudited)
Assets					
Fixed maturities, available for sale at fair value (amortized cost: June 30, 2016 - \$30,389,600; December 31, 2015 - \$31,517,654)	\$ 31,858,724	\$ 32,647,573	\$ 32,257,589	\$ 33,276,322	\$ 33,767,991
Equity securities, at fair value (cost: June 30, 2016 - \$955,231; December 31, 2015 - \$834,079)	1,039,793	878,407	878,919	969,706	1,073,470
Short-term investments, at fair value (amortized cost: June 30, 2016 - \$446,469; December 31, 2015 - \$618,851)	444,301	317,304	617,390	546,020	807,486
Total investments available for sale	33,342,818	33,843,284	33,753,898	34,792,048	35,648,947
Fixed maturities, at fair value (amortized cost: June 30, 2016 - \$1,385,588; December 31, 2015 - \$1,263,609)	1,478,407	1,409,583	1,235,699	914,337	748,931
Short-term investments, at fair value (amortized cost: June 30, 2016 - \$18,495; December 31, 2015 - \$60,176)	18,499	26,959	60,330	70,886	42,553
Total investments - trading	1,496,906	1,436,542	1,296,029	985,223	791,484
Investments in affiliates	1,968,801	1,953,711	1,708,899	1,592,841	1,663,852
Other investments	1,297,704	1,453,890	1,433,057	1,676,140	1,743,259
Total investments	38,106,229	38,687,427	38,191,883	39,046,252	39,847,542
Cash and cash equivalents	3,316,749	2,820,897	3,256,236	3,340,070	2,840,841
Restricted cash	181,858	161,019	154,992	147,810	135,638
Accrued investment income	289,911	291,016	312,667	311,679	312,856
Deferred acquisition costs and value of business acquired	1,050,653	1,057,941	890,568	1,036,260	1,121,362
Ceded unearned premiums	2,174,219	2,255,664	1,821,793	2,088,569	2,433,462
Premiums receivable	6,469,371	6,041,000	4,712,493	5,257,588	5,933,368
Reinsurance balances receivable	563,673	469,009	418,666	425,521	371,807
Unpaid losses and loss expenses recoverable	5,426,773	5,374,604	5,262,706	5,197,577	5,155,612
Net receivable from investments sold	222,558	65,471	231,158	95,571	118,415
Goodwill and other intangible assets	2,217,973	2,233,597	2,210,266	2,213,688	2,205,911
Deferred tax assets	224,786	245,927	282,311	252,492	204,155
Other assets	953,487	942,120	937,199	1,003,446	1,069,737
Total assets	\$ 61,198,240	\$ 60,645,692	\$ 58,682,938	\$ 60,416,523	\$ 61,750,706
Liabilities					
Unpaid losses and loss expenses	\$ 26,020,564	\$ 25,913,484	\$ 25,439,744	\$ 25,789,541	\$ 25,840,381
Deposit liabilities	1,178,113	1,170,595	1,168,376	1,194,815	1,212,206
Future policy benefit reserves	3,798,278	4,020,602	4,163,500	4,323,748	4,494,886
Funds withheld liability on GreyCastle life retro arrangements, net of future policy benefit reserves recoverable (Note 2)	1,145,314	998,391	914,629	930,834	915,116
Unearned premiums	8,274,300	8,217,539	7,043,358	7,840,331	8,548,841
Notes payable and debt	2,646,324	2,653,895	2,644,970	2,726,917	2,726,455
Reinsurance balances payable	2,911,974	2,583,962	2,117,727	2,295,890	2,494,201
Net payable for investments purchased	175,153	74,476	130,060	154,342	149,249
Deferred tax liabilities	107,778	105,589	120,651	126,130	144,044
Other liabilities	1,276,510	1,239,441	1,285,460	1,133,465	1,020,222
Total liabilities	\$ 47,534,308	\$ 46,977,974	\$ 45,028,475	\$ 46,516,013	\$ 47,545,601
Commitments and contingencies					
Shareholders' equity					
Ordinary shares, 999,990,000 authorized, par value \$0.01; issued and outstanding (June 30, 2016 - 276,732,659; December 31, 2015 - 294,745,045)	\$ 2,768	\$ 2,863	\$ 2,947	\$ 2,993	\$ 3,039
Additional paid in capital	8,341,882	8,608,726	8,910,167	9,036,407	9,153,868
Accumulated other comprehensive income (loss)	1,408,587	1,094,557	686,616	955,081	1,076,174
Retained earnings (deficit)	1,931,951	1,982,598	2,077,349	1,943,750	2,014,217
Shareholders' equity attributable to XL Group plc	11,685,188	11,688,744	11,677,079	11,938,231	12,247,298
Non-controlling interest in equity of consolidated subsidiaries	1,978,744	1,978,974	1,977,384	1,962,279	1,957,807
Total shareholders' equity	\$ 13,663,932	\$ 13,667,718	\$ 13,654,463	\$ 13,900,510	\$ 14,205,105
Total liabilities and shareholders' equity	\$ 61,198,240	\$ 60,645,692	\$ 58,682,938	\$ 60,416,523	\$ 61,750,706

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.

2. On May 1, 2014, our wholly-owned subsidiary XL Insurance (Bermuda) Ltd ("XLIB") (on June 9, 2016, XLIB and XL Re Ltd amalgamated to form XL Bermuda Ltd), 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 June 30, 2016 In Use (Unaudited)	March 31, 2016 In Use (Unaudited)	At December 31, 2015 In Use	At September 30, 2015 In Use (Unaudited)	At June 30, 2015 In Use (Unaudited)
<u>Maturity</u>	<u>Commitment</u>					
Debt						
2.30% Senior Notes	2018	300	298	298	298	298
5.75% Senior Notes	2021	400	398	398	397	397
6.375% Senior Notes	2024	350	349	349	349	349
4.45% Subordinated Notes	2025	500	493	493	492	492
6.25% Senior Notes	2027	325	323	323	323	323
Trust Preferred Securities, face amount \$8m (Note 4)	2035	-	-	8	-	-
Variable Rate Note, face amount €7m (Note 5)	2035	-	-	-	7	7
Variable Rate Note, face amount \$27m (Note 5)	2036	-	-	-	25	25
Variable Rate Note, face amount \$31m (Note 5)	2036	-	-	-	29	29
Variable Rate Note, face amount \$10m (Note 5)	2036	-	-	-	9	9
Variable Rate Note, face amount €11m (Note 5)	2036	-	-	-	12	11
5.25% Senior Notes	2043	300	296	296	296	296
5.5% Subordinated Notes	2045	500	489	488	488	488
Total debt		\$ 2,675	\$ 2,646	\$ 2,653	\$ 2,725	\$ 2,724
Adjustment to carrying value - impact of fair value hedges and other			0	1	(0)	2
Total debt per consolidated balance sheet			\$ 2,646	\$ 2,654	\$ 2,727	\$ 2,726
Shareholders' Capital						
Ordinary shares - capital and surplus		\$ 8,345	\$ 8,612	\$ 8,913	\$ 9,039	\$ 9,157
Non-controlling interest in equity of consolidated subsidiaries		1,979	1,979	1,977	1,962	1,958
Other		3,341	3,077	2,764	2,899	3,090
Total shareholders' capital		\$ 13,664	\$ 13,668	\$ 13,654	\$ 13,901	\$ 14,205
Total capital (total debt plus total shareholders' capital)		\$ 16,310	\$ 16,321	\$ 16,299	\$ 16,626	\$ 16,929
Debt to total capital			16.2%	16.3%	16.2%	16.4%
						16.1%

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- "In Use" data represents accreted values.

3. Excluded from the table are revolving credit capacity of \$1.4 billion at June 30, 2016, March 31, 2016 and December 31, 2015, \$1.5 billion at September 30, 2015 and \$1.7 billion at June 30, 2015. The amounts of this capacity for revolving loans utilized to issue letters of credit were \$501.2 million at June 30, 2016, \$526.5 million at March 31, 2016, \$527.1 million at December 31, 2015, \$467.9 million at September 30, 2015 and \$667.9 million at June 30, 2015, thus leaving available amounts of \$848.8 million at June 30, 2016, \$823.5 million at March 31, 2016, \$822.9 at December 31, 2015 and \$1.0 billion at the end of each of September 30, 2015 and June 30, 2015.

4. As a result of the Allied Acquisition the Company assumed \$8.2 million of trust preferred securities, due in 2035 was redeemed on June 15, 2016.

5. 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 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)
(Note 1)

	At June 30, 2016 (Unaudited)	At March 31, 2016 (Unaudited) (Note 3)	At December 31, 2015 (Unaudited)	At September 30, 2015 (Unaudited)	At June 30, 2015 (Unaudited)
Unpaid losses and loss expenses recoverable	\$ 5,426,773	\$ 5,374,604	\$ 5,262,706	\$ 5,197,577	\$ 5,155,612
Reinsurance balances receivable	563,673	469,009	418,666	425,521	371,807
Total recoverable and reinsurance balances receivable (Note 2)	<u>\$ 5,990,446</u>	<u>\$ 5,843,613</u>	<u>\$ 5,681,372</u>	<u>\$ 5,623,098</u>	<u>\$ 5,527,419</u>

The following is an analysis at March 31, 2016 of reinsurers owing more than 3% of the total recoverable and reinsurance balances receivable:

Name of reinsurer	Standard and Poor's Rating	% of Total
Munich Reinsurance Co.	AA-/Stable	26.2%
Lloyd's Syndicates	A+/Stable	12.1%
Swiss Reinsurance Co.	AA-/Stable	5.8%
RGA Reinsurance Company	AA-/Stable	4.9%
Swiss Re Europe S.A.	AA-/Stable	4.5%
Arch Reinsurance Company	A+/Stable	3.2%
AXIS Reinsurance Company	A+/Stable	3.1%

"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:

- Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.
- XL had a reserve for potential non-recoveries from reinsurers of \$57.3 million at June 30, 2016, \$57.2 million at March 31, 2016, \$56.9 million at December 31, 2015, \$59.7 million at September 30, 2015 and \$62.1 million at June 30, 2015.
- 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)

(Note 1)

P&C OPERATIONS

	For the three months ended June 30, 2016				For the six months ended June 30, 2016			
	GROSS	RECOVERIES	NET	Paid to incurred %	GROSS	RECOVERIES	NET	Paid to incurred %
Paid	\$ 1,589	\$ (345)	\$ 1,244	76.2%	\$ 3,163	\$ (748)	\$ 2,415	80.1%
Change in unpaid loss reserves	434	(45)	389		710	(110)	600	
Included losses	\$ 2,023	\$ (390)	\$ 1,633		\$ 3,873	\$ (858)	\$ 3,015	
Prior year development (PYD)			\$ (99)				\$ (142)	
Included losses excluding PYD			1,732	71.8%			3,157	76.5%

	For the three months ended March 31, 2016				For the three months ended March 31, 2016			
	GROSS	RECOVERIES	NET	Paid to incurred %	GROSS	RECOVERIES	NET	Paid to incurred %
Paid	\$ 1,575	\$ (402)	\$ 1,173	84.8%	\$ 1,575	\$ (402)	\$ 1,173	84.8%
Change in unpaid loss reserves	276	(66)	210		276	(66)	210	
Included losses	\$ 1,851	\$ (468)	\$ 1,383		\$ 1,851	\$ (468)	\$ 1,383	
PYD			\$ (43)				\$ (43)	
Included losses excluding PYD			1,426	82.3%			1,426	82.3%

	For the three months ended June 30, 2015				For the six months ended June 30, 2015			
	GROSS	RECOVERIES	NET	Paid to incurred %	GROSS	RECOVERIES	NET	Paid to incurred %
Paid	\$ 1,799	\$ (221)	\$ 1,578	137.1%	\$ 2,765	\$ (351)	\$ 2,414	125.7%
Change in unpaid loss reserves	(232)	(195)	(427)		(148)	(345)	(493)	
Included losses	\$ 1,567	\$ (416)	\$ 1,151		\$ 2,617	\$ (696)	\$ 1,921	
PYD			\$ (109)				\$ (157)	
Included losses excluding PYD			1,260	125.2%			2,078	116.2%

1. Certain amounts have been reclassified to conform with the current period presentation. The Company acquired Catlin on May 1, 2015 and Catlin's results are therefore included in those of the Company beginning as of that date.

ANALYSIS OF UNPAID LOSSES AND LOSS EXPENSES

(U.S. dollars in millions)

(Note 1)

P&C OPERATIONS

	At June 30, 2016 (Unaudited)			At March 31, 2016 (Unaudited)		
	GROSS	RECOVERIES	NET	GROSS	RECOVERIES	NET
Outstanding loss reserves	\$ 10,043	\$ (1,761)	\$ 8,282	\$ 10,293	\$ (1,873)	\$ 8,420
Incurred but not reported reserves	15,490	(3,527)	\$ 11,963	15,008	(3,361)	11,647
Fair value adjustments recoverable	\$ 112	(10)	\$ 102	\$ 139	(15)	124
Unpaid losses and loss expense reserves	<u>\$ 25,645</u>	<u>\$ (5,298)</u>	<u>\$ 20,347</u>	<u>\$ 25,440</u>	<u>\$ (5,249)</u>	<u>\$ 20,191</u>

	GROSS	RECOVERIES	NET
Balance at December 31, 2015	\$ 25,440	\$ (5,249)	\$ 20,191
Losses and loss expenses incurred	3,873	(858)	3,015
Loss and loss expenses paid	(3,163)	748	(2,415)
Foreign exchange revaluation and other	(505)	61	(444)
Balance at June 30, 2016 (Unaudited)	<u>\$ 25,645</u>	<u>\$ (5,298)</u>	<u>\$ 20,347</u>

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

INVESTMENT PORTFOLIO INFORMATION

**SCHEDULE 1 - SUMMARY INVESTMENT PORTFOLIO
CONSOLIDATED**

(U.S. dollars in millions)

	June 30, 2016 (Unaudited)		March 31, 2016 (Unaudited)		December 31, 2015 (Unaudited)		September 30, 2015 (Unaudited)		June 30, 2015 (Unaudited) (Note 1)	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
INVESTMENT PORTFOLIO										
Fixed Income Portfolio (excluding Life Funds Withheld Assets)										
U.S. Government Related and Supported (Schedule 4)	\$ 6,892	19.3%	\$ 7,304	20.4%	\$ 7,964	22.4%	\$ 7,145	19.7%	\$ 6,581	18.1%
U.S. Treasuries	3,219	9.0%	3,714	10.4%	4,332	12.2%	3,516	9.7%	3,350	9.2%
U.S. Agencies	219	0.6%	217	0.6%	245	0.7%	251	0.7%	265	0.7%
U.S. Municipals	2,669	7.5%	2,658	7.4%	2,670	7.5%	2,691	7.4%	2,436	6.7%
U.S. Government Guarantee	785	2.2%	715	2.0%	717	2.0%	687	1.9%	530	1.5%
Non-U.S. Government Related and Supported (Schedule 4)	5,735	15.9%	5,792	16.2%	5,557	15.6%	5,385	14.9%	5,671	15.4%
Corporate (Schedule 5)	10,692	29.8%	10,909	30.5%	10,689	30.1%	10,190	28.2%	10,342	28.4%
Financials	3,778	10.5%	3,782	10.6%	3,627	10.2%	3,140	8.7%	3,201	8.8%
Non-Financials	6,914	19.3%	7,127	19.9%	7,062	19.9%	7,050	19.5%	7,141	19.6%
Mortgage Backed Securities	5,037	14.1%	5,010	13.7%	4,506	12.6%	5,154	14.3%	5,282	14.5%
Agency RMBS (Schedule 6)	4,469	12.5%	4,380	12.2%	3,770	10.6%	3,935	10.9%	3,967	10.9%
Non-Agency RMBS (Schedule 6)	289	0.8%	303	0.7%	329	0.9%	366	1.0%	375	1.0%
CMBS (Schedule 7)	279	0.8%	327	0.8%	407	1.1%	853	2.4%	940	2.6%
Asset Backed Securities (Schedule 8 & 9)	1,311	3.7%	1,198	3.4%	1,233	3.4%	2,488	6.9%	2,882	8.0%
CDOs (Schedule 8)	18	0.1%	22	0.1%	47	0.1%	411	1.1%	495	1.4%
Consumer ABS (Schedule 9)	155	0.4%	222	0.6%	255	0.7%	865	2.4%	1,017	2.8%
Other ABS (Schedule 9)	1,138	3.2%	954	2.7%	931	2.6%	1,212	3.4%	1,370	3.8%
Cash and Equivalents (net of payables/receivables)	1,846	5.2%	1,308	3.7%	1,599	4.5%	1,547	4.3%	1,231	3.4%
Total Fixed Income - Investments (Schedule 2 & 3) (Note 2)	\$ 31,513	88.0%	\$ 31,521	87.9%	\$ 31,548	88.6%	\$ 31,909	88.3%	\$ 31,989	87.8%
Equity Securities										
Public Equities	896	2.5%	878	2.5%	879	2.5%	969	2.7%	1,073	2.9%
Fixed Income Funds	144	0.4%	-	0.0%	-	0.0%	1	0.0%	1	0.0%
Total Equity Securities	\$ 1,040	2.9%	\$ 878	2.5%	\$ 879	2.5%	\$ 970	2.7%	\$ 1,073	2.9%
Investments in Affiliates										
Hedge Funds	1,137	3.2%	1,212	3.4%	1,084	3.0%	1,040	2.9%	1,024	2.8%
Private Investments	311	0.9%	240	0.7%	303	0.9%	293	0.8%	340	0.9%
Investment Manager Affiliates	78	0.2%	79	0.2%	71	0.2%	102	0.3%	101	0.3%
Strategic and Other Operating Affiliates	443	1.2%	423	1.2%	251	0.7%	157	0.4%	199	0.5%
Total Investments in Affiliates	\$ 1,969	5.5%	\$ 1,954	5.5%	\$ 1,709	4.8%	\$ 1,592	4.4%	\$ 1,664	4.5%
Other Investments										
Hedge Funds	435	1.2%	543	1.5%	544	1.5%	690	1.9%	728	2.0%
Private Investments	190	0.5%	243	0.6%	245	0.8%	232	0.6%	206	0.6%
Fixed Income and Other	673	1.9%	668	2.0%	644	1.8%	754	2.1%	809	2.2%
Total Other Investments	\$ 1,298	3.6%	\$ 1,454	4.1%	\$ 1,433	4.1%	\$ 1,676	4.6%	\$ 1,743	4.8%
TOTAL INVESTMENTS	\$ 35,820	100.0%	\$ 35,807	100.0%	\$ 35,569	100.0%	\$ 36,147	100.0%	\$ 36,469	100.0%
Operating cash and Short-Term Treasury Deposits (Note 3)	1,605		1,579		1,817		1,812		1,664	
TOTAL INVESTMENTS AND OPERATING CASH	\$ 37,425		\$ 37,386		\$ 37,386		\$ 37,959		\$ 38,133	
Life Funds Withheld Assets (Schedule 12)										
Life Funds Withheld Assets	4,518		4,565		4,631		4,972		5,079	
Total Investments and Operating Cash including Life Funds Withheld Assets	\$ 41,943		\$ 41,952		\$ 42,017		\$ 43,106		\$ 43,212	
FIXED INCOME PORTFOLIO CREDIT QUALITY (excluding Life Funds Withheld Assets):										
AAA	\$ 13,954	44.3%	\$13,970	44.3%	\$ 14,242	45.1%	\$ 14,873	46.6%	\$ 14,744	46.1%
AA	7,209	22.8%	7,153	22.7%	7,005	22.3%	7,130	22.3%	7,139	22.4%
A	7,371	23.4%	7,487	23.8%	7,316	23.2%	6,835	21.4%	6,864	21.5%
BBB	2,271	7.2%	2,228	7.1%	2,343	7.4%	2,401	7.6%	2,446	7.6%
BB and Below	590	1.9%	598	1.9%	577	1.8%	596	1.9%	687	2.1%
Not Rated	118	0.4%	85	0.2%	65	0.2%	74	0.2%	109	0.3%
Total Fixed Income - Investments (Note 2)	\$ 31,513	100.0%	\$ 31,521	100.0%	\$ 31,548	100.0%	\$ 31,909	100.0%	\$ 31,989	100.0%
Fixed Income Portfolio Average Credit Quality (excluding Life Funds Withheld Assets) (Note 4)		AA		AA		AA		AA		AA

Notes:

- The Company acquired Catlin on May 1, 2015 and Catlin's investments are therefore included in those of the Company beginning as of that date.
- "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 \$1040m, Euro denominated \$431m, Sterling denominated \$125m and Other denominated \$9m.

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 - June 30, 2016							Total	%
	AAA	AA	A	BBB	BB and Below	Not Rated	Total		
Corporate	\$ 205	\$ 2,150	\$ 6,503	\$ 1,600	\$ 188	\$ 46	\$ 10,692	33.9%	
Agency Structured Credit	4,469	-	-	-	-	-	4,469	14.2%	
Non-Agency Structured Credit	1,440	112	45	33	245	4	1,879	5.9%	
Government Related and Supported	6,590	4,419	823	638	157	-	12,627	40.1%	
Cash and Equivalents (net of payables/receivables)	1,250	528	-	-	-	68	1,846	5.9%	
Total Fixed Income - Investments (Note 1)	\$ 13,954	\$ 7,209	\$ 7,371	\$ 2,271	\$ 590	\$ 118	\$ 31,513	100.0%	
% by Credit Rating	44.3%	22.8%	23.4%	7.2%	1.9%	0.4%	100.0%		
Fixed Income Portfolio Average Credit Quality (excluding Life Funds Withheld Assets)								AA	

Notes:

1. "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.

SCHEDULE 3 - FIXED INCOME PORTFOLIO CHARACTERISTICS

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

Summary by Core Currency Denomination	June 30, 2016				March 31, 2016			
	US Dollar	Weighted	Pre-Tax Book	Duration	US Dollar	Weighted Average	Pre-Tax Book	Duration
	Equivalent	Average Market	Yield		Equivalent	Market Yield to	Yield	
Total Fixed Income Investments (Note 1) (excluding Life Funds Withheld Assets)	Fair Value	Yield to Maturity	(Gross)		Fair Value	Maturity	(Gross)	
U.S. dollar denominated	\$ 23,006	1.7%	2.58%	3.6	\$ 23,060	1.9%	2.53%	3.6
Euro denominated	3,727	0.2%	1.30%	4.2	3,673	0.3%	1.34%	3.8
Sterling denominated	2,358	1.0%	1.91%	4.1	2,443	1.3%	2.05%	3.8
Other denominated	2,422	1.7%	2.14%	2.7	2,345	1.4%	2.74%	2.7
TOTAL FIXED INCOME INVESTMENTS	\$ 31,513	1.5%	2.34%	3.6	\$ 31,521	1.6%	2.37%	3.6
Life Funds Withheld Assets Fixed Income Investments (Schedule 12)	4,518	2.4%	3.80%	9.4	4,565	2.7%	3.90%	9.7
Total Fixed Income Investments including Life Funds Withheld Assets	\$ 36,031	1.6%	2.52%	4.4	\$ 36,086	1.7%	2.56%	4.3

Summary of estimated total fixed income maturities and paydowns over the next 12 months excluding cash and cash equivalents (excluding Life Funds Withheld Assets)	US Dollar	Pre-Tax Book	US Dollar	Pre-Tax Book
	Equivalent	Yield (Gross)	Equivalent	Yield (Gross)
	Fair Value		Fair Value	
U.S. Government Related and Supported	\$ 538	2.10%	\$ 543	1.95%
Non U.S. Government Related and Supported	712	1.79%	939	1.82%
Corporate	940	2.70%	1,038	2.66%
Mortgage Backed Securities (Note 2)	321	3.23%	621	3.04%
Asset Backed Securities (Note 2)	578	2.41%	436	2.39%
TOTAL	\$ 3,089	2.39%	\$ 3,577	2.36%

Notes:

1. "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.
2. 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 three 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

Fair Value by Current Rating

	FIXED INCOME CREDIT QUALITY: June 30, 2016						
	AAA	AA	A	BBB	BB and Below	Total	%
U.S. Treasuries	3,219	-	-	-	-	\$ 3,219	25.6%
U.S. Agencies	219	-	-	-	-	219	1.8%
U.S. Municipals (Note 1)	403	1,783	473	9	1	2,669	21.1%
Revenue	134	731	347	-	-	1,212	9.6%
State & Local Government Obligation	71	324	16	8	1	420	3.3%
Pre-Refunded	108	208	22	-	-	338	2.7%
Taxable	90	520	88	1	-	699	5.5%
U.S. Agency Government Guarantee	785	-	-	-	-	785	6.3%
Non-U.S. Government and Government-Related (includes Provincials and Local Authorities)	1,257	2,296	350	622	156	4,681	36.6%
United Kingdom	-	1,264	-	-	-	1,264	10.1%
Canada	427	212	7	-	-	646	5.1%
France	-	506	129	-	-	635	5.0%
Netherlands	248	-	4	-	-	252	2.0%
Switzerland	186	57	3	-	-	246	1.9%
Germany	132	30	7	-	-	169	1.3%
Australia	127	9	-	-	-	136	1.1%
Brazil	-	-	-	-	127	127	1.0%
Indonesia	-	-	-	104	9	113	0.9%
Singapore	107	-	-	-	-	107	0.8%
Mexico	-	-	-	105	-	105	0.8%
Norway	26	-	65	-	-	91	0.7%
Belgium	-	62	17	-	-	79	0.6%
Colombia	-	-	-	62	-	62	0.5%
Hong Kong	-	56	-	-	-	56	0.4%
Turkey	-	-	-	55	-	55	0.4%
Chile	-	22	17	5	-	44	0.3%
Kazakhstan	-	-	-	27	17	44	0.3%
Sweden	4	21	-	16	-	41	0.3%
Slovenia	-	-	-	39	-	39	0.3%
Peru	-	-	-	39	-	39	0.3%
China	-	5	25	1	-	31	0.2%
Panama	-	-	1	30	-	31	0.2%
Austria	-	26	4	-	-	30	0.2%
Spain	-	-	-	30	-	30	0.2%
Philippines	-	-	-	29	-	29	0.2%
Lithuania	-	-	23	-	-	23	0.2%
South Africa	-	-	-	23	-	23	0.2%
Uruguay	-	-	-	21	-	21	0.2%
Poland	-	-	21	-	-	21	0.2%
Others (Individually under \$20 million) (Note 2)	-	26	27	36	3	92	0.7%
Non-U.S. Government Guaranteed	602	91	-	7	-	700	5.7%
Canada	375	-	-	-	-	375	3.1%
Germany	225	-	-	-	-	225	1.8%
France	-	45	-	-	-	45	0.4%
United Kingdom	-	38	-	-	-	38	0.3%
Others (Individually under \$20 million) (Note 2)	2	8	-	7	-	17	0.1%
Supranationals	105	249	-	-	-	354	2.9%
European Financial Stability Facility	-	187	-	-	-	187	1.6%
European Investment Bank	68	-	-	-	-	68	0.5%
European Stability Mechanism	-	51	-	-	-	51	0.4%
Others (Individually under \$20 million) (Note 2)	37	11	-	-	-	48	0.4%
Total Government Related and Supported	\$ 6,590	\$ 4,419	\$ 823	\$ 638	\$ 157	\$ 12,627	100.0%
% of Total	52.2%	35.0%	6.5%	5.1%	1.2%	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: June 30, 2016					Total
	Revenue	Local & State G.O.	Pre-Refunded	Taxable	Total	
New York	\$ 149	\$ 15	\$ 9	\$ 64	\$ 237	
Washington	86	43	56	29	214	
Texas	63	29	15	88	195	
California	50	21	5	110	186	
Ohio	60	17	9	39	125	
Georgia	76	19	12	10	117	
Massachusetts	64	14	11	11	100	
Illinois	41	35	17	1	94	
Arizona	51	-	11	27	89	
Indiana	66	-	3	7	76	
Total Top 10 Municipals by State	\$ 706	\$ 193	\$ 148	\$ 386	\$ 1,433	

Notes:

1. 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 \$1 million.
2. 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: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
Financials	\$ 6	\$ 918	\$ 2,510	\$ 290	\$ 54	\$ 3,778	35.3%	
Banks	4	866	2,140	195	8	3,213	30.1%	
Insurance	2	44	21	9	34	110	1.0%	
Finance	-	8	248	-	12	268	2.5%	
REITS & Brokers	-	-	101	86	-	187	1.7%	
Non-Financials	199	1,232	3,993	1,310	180	6,914	64.7%	
Consumer, Non-Cyclical	100	367	1,111	317	11	1,906	17.8%	
Utilities	-	121	595	143	4	863	8.1%	
Communications	-	9	294	316	13	632	5.9%	
Industrial	-	145	628	143	8	924	8.6%	
Energy	-	322	290	129	13	754	7.1%	
Consumer, Cyclical	-	53	647	199	14	913	8.5%	
Technology	99	207	300	14	2	622	5.8%	
Basic Materials	-	8	100	38	1	147	1.5%	
Diversified	-	-	28	9	4	41	0.4%	
Other	-	-	-	2	110	112	1.0%	
Total Corporate	\$ 205	\$ 2,150	\$ 6,503	\$ 1,600	\$ 234	\$ 10,692	100.0%	
% of Total	1.9%	20.1%	60.8%	15.0%	2.2%	100.0%		

Schedule 5(b) - Corporate Capital Structure

Fair Value by Capital Structure and Current Rating

	FIXED INCOME CREDIT QUALITY: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
Financials	\$ 6	\$ 918	\$ 2,510	\$ 290	\$ 54	\$ 3,778	35.3%	
Senior	6	918	2,418	176	46	3,564	33.3%	
Subordinated + Lower Tier 2	-	-	92	114	8	214	2.0%	
Non-Financials	199	1,232	3,993	1,310	180	6,914	64.7%	
Senior	199	1,230	3,993	1,308	180	6,910	64.7%	
Subordinated	-	2	-	2	-	4	0.0%	
Total Corporate	\$ 205	\$ 2,150	\$ 6,503	\$ 1,600	\$ 234	\$ 10,692	100.0%	

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

	FIXED INCOME CREDIT QUALITY: June 30, 2016						Total
	AAA	AA	A	BBB	BB and Below		
Financials	\$ -	\$ 20	\$ 51	\$ (2)	\$ -	\$ 69	
Senior	-	20	50	4	1	75	
Subordinated + Lower Tier 2	-	-	1	(6)	(1)	(6)	
Non-Financials	10	46	119	37	(4)	208	
Senior	10	46	119	37	(4)	208	
Subordinated	-	-	-	-	-	-	
Total Net Unrealized Gains (Losses)	\$ 10	\$ 66	\$ 170	\$ 35	\$ (4)	\$ 277	

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)

THE TORONTO-DOMINION BANK
WELLS FARGO & COMPANY
JPMORGAN CHASE & CO.
THE GOLDMAN SACHS GROUP, INC.
HSBC HOLDINGS PLC
ROYAL BANK OF CANADA
THE BANK OF NOVA SCOTIA
MORGAN STANLEY
RABOBANK NEDERLAND
BANK OF AMERICA CORPORATION

Fair Value - June 30, 2016			
Fair Value	% of Total Fixed Income - Investments		Average Credit Quality
\$	240	0.8%	AA+
	203	0.6%	A+
	200	0.6%	A
	182	0.6%	A-
	177	0.6%	A+
	156	0.5%	AA
	145	0.5%	AA+
	142	0.5%	A-
	139	0.4%	AA-
	139	0.4%	A-

Top 10 Issuers - NON-FINANCIALS

ANHEUSER-BUSCH INBEV SA
ROYAL DUTCH SHELL PLC
PHILIP MORRIS INTERNATIONAL INC.
BERKSHIRE HATHAWAY INC.
APPLE INC.
ORACLE CORPORATION
GENERAL ELECTRIC COMPANY
TOYOTA MOTOR CORPORATION
MICROSOFT CORPORATION
CHEVRON CORPORATION

Fair Value - June 30, 2016			
Fair Value	% of Total Fixed Income - Investments		Average Credit Quality
\$	170	0.5%	A-
	150	0.5%	AA-
	145	0.5%	A
	140	0.4%	A+
	140	0.4%	AA+
	125	0.4%	A+
	114	0.4%	AA-
	103	0.3%	A+
	99	0.3%	AAA
	94	0.3%	AA-

Notes:

- 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.
- This table does not include \$162 million of financial exposure to Berkshire Hathaway Inc. which is made up of \$21 million of senior insurance debt, and \$141 million of payment obligation from National Indemnity Company, an insurance company subsidiary of Berkshire Hathaway Inc.

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: June 30, 2016									
	AAA	AA	A	BBB	BB and Below	Not Rated	Total			
United States	\$ 199	\$ 1,087	\$ 4,504	\$ 983	\$ 134	\$ 28	\$ 6,935	64.9%		
United Kingdom	2	22	677	226	17	(1)	943	8.8%		
Canada	4	317	117	31	2	-	471	4.4%		
Netherlands	-	270	164	23	4	-	461	4.3%		
France	-	81	223	67	4	(1)	374	3.5%		
Australia	-	166	130	33	-	-	329	3.1%		
Switzerland	-	47	172	30	-	-	249	2.3%		
Germany	-	2	170	58	6	-	236	2.2%		
Japan	-	8	127	5	-	-	140	1.3%		
Sweden	-	111	14	9	-	-	134	1.3%		
Belgium	-	-	111	1	-	-	112	1.0%		
Norway	-	16	-	24	2	-	42	0.4%		
Denmark	-	-	2	34	-	-	36	0.3%		
China	-	-	28	5	-	-	33	0.3%		
Mexico	-	-	21	11	-	-	32	0.3%		
Luxembourg	-	1	22	-	5	-	28	0.3%		
Bermuda	-	-	-	1	10	9	20	0.2%		
Others (Individually under \$20 million) (Note 2)	-	22	21	59	4	11	117	1.1%		
Total Corporate	\$ 205	\$ 2,150	\$ 6,503	\$ 1,600	\$ 188	\$ 46	\$ 10,692	100.0%		
% of total	1.9%	20.1%	60.8%	15.0%	1.8%	0.4%	100.0%			

Notes:

- 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.
- Included in Others are Fixed Income exposures to Peripheral European corporate issues of \$8 million in Italy, \$6 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 (Note 1)

FIXED INCOME CREDIT QUALITY: June 30, 2016

Fair Value by Country Concentrations (Note 2)	Bank	Consumer, Non-Cyclical	Consumer, Cyclical	Energy	Industrial	Utilities	Communications	Other	Total	%
United Kingdom	\$ 273	\$ 238	\$ 37	\$ 112	\$ 38	\$ 142	\$ 51	\$ 52	\$ 943	35.6%
Netherlands	246	34	32	131	2	1	7	8	461	17.3%
France	180	30	17	65	37	21	22	2	374	14.1%
Switzerland	138	48	-	-	40	12	-	11	249	9.4%
Germany	-	28	134	5	26	23	11	9	236	8.9%
Sweden	111	9	-	-	14	-	-	-	134	5.1%
Belgium	-	111	-	-	-	-	-	1	112	4.2%
Norway	42	-	-	-	-	-	-	-	42	1.6%
Denmark	2	-	-	-	34	-	-	-	36	1.4%
Luxembourg	-	3	-	18	1	-	2	2	26	1.0%
Ireland	-	-	12	-	5	-	-	2	19	0.7%
Italy	-	1	-	-	-	8	-	-	9	0.3%
Spain	-	-	-	-	-	2	3	1	6	0.2%
Jersey	5	-	-	-	-	-	-	-	5	0.2%
Cyprus	-	-	-	-	-	-	-	-	-	0.0%
Total Corporate	\$ 997	\$ 502	\$ 232	\$ 331	\$ 197	\$ 209	\$ 96	\$ 88	\$ 2,652	100.0%
% of total	37.6%	18.9%	8.7%	12.5%	7.4%	7.9%	3.6%	3.4%	100.0%	

Fair Value - June 30, 2016

Top 10 Issuers - EUROPEAN BANKS (Note 3)

	Fair Value	Average Credit Quality
RABOBANK NEDERLAND	\$ 139	AA-
LLOYDS BANKING GROUP PLC	123	AA
ING GROEP N.V.	118	AA
HSBC HOLDINGS PLC	114	A
CREDIT SUISSE GROUP AG	99	A-
BNP PARIBAS	88	A+
UBS GROUP AG	84	AA
SVENSKA HANDELSBANKEN AB	65	AA
DNB ASA	61	A+
GOVERNMENT OF NETHERLANDS (ABN AMRO)	46	AAA

Notes:

- The Company also holds \$189 million of covered bonds in continental Europe 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.
- 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: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
FNMA	\$ 2,406	\$ -	\$ -	\$ -	\$ -	\$ -	2,406	53.8%
FHLMC	1,045	-	-	-	-	-	1,045	23.4%
GNMA	1,003	-	-	-	-	-	1,003	22.4%
Other (Note 1)	15	-	-	-	-	-	15	0.4%
Total Agency RMBS	\$ 4,469	\$ -	\$ -	\$ -	\$ -	\$ -	4,469	100.0%
% of total	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	
Total Weighted Average Life							5.1	

Schedule 6(b) - Non-Agency RMBS

Fair Value by Vintage and Current Rating

	FIXED INCOME CREDIT QUALITY: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
2008-2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0.0%
2007	-	1	-	-	44	-	45	15.6%
2006	4	-	-	-	64	-	68	23.5%
2005	-	-	15	26	93	-	134	46.4%
2004 and prior	1	2	5	4	30	-	42	14.5%
Total Non-Agency RMBS	\$ 5	\$ 3	\$ 20	\$ 30	\$ 231	\$ 289	289	100.0%
% of total	1.7%	1.0%	6.9%	10.4%	80.0%		100.0%	

Fair Value by Collateral and Current Rating

	FIXED INCOME CREDIT QUALITY: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
U.S. Prime (Note 2)	\$ -	\$ -	\$ 1	\$ 1	\$ 16	\$ 18	18	6.2%
Non-U.S. Prime (Note 2)	4	1	-	-	-	5	5	1.7%
Sub Prime First Lien (Note 3)	1	1	11	29	136	178	178	61.6%
Alt A (Note 4)	-	1	6	-	68	75	75	26.0%
Second Lien	-	-	2	-	11	13	13	4.5%
ABS CDOs	-	-	-	-	-	-	-	0.0%
Total Non-Agency RMBS	\$ 5	\$ 3	\$ 20	\$ 30	\$ 231	\$ 289	289	100.0%
% of total	1.7%	1.0%	6.9%	10.4%	80.0%		100.0%	

Par Value

Par Value	\$ 5	\$ 3	\$ 21	\$ 32	\$ 332	\$ 393	393	
Average Price as a % of Par	100%	100%	95%	94%	70%	74%	74%	
Net Unrealized Gains (Losses)	\$ -	\$ -	\$ (1)	\$ (1)	\$ 3	\$ 1	1	
Total Weighted Average Life							5.6	

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	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ 18	18	6.2%
Non-U.S. Prime	5	-	-	-	-	5	5	1.7%
Sub Prime First Lien	78	85	12	2	1	178	178	61.6%
Alt A	61	1	4	1	8	75	75	26.0%
Second Lien	7	1	3	2	-	13	13	4.5%
ABS CDOs	-	-	-	-	-	-	-	0.0%
Total Non-Agency RMBS	\$ 169	\$ 87	\$ 19	\$ 5	\$ 9	\$ 289	289	100.0%
% of total	58.5%	30.1%	6.6%	1.7%	3.1%		100.0%	

Notes:

- Included in Agency RMBS Other are exposures in the National Credit Union Administration.
- Prime securities have an average credit support of 21% for U.S. Prime and 25% for Non-U.S. Prime. Average delinquencies > 60 days are 11% and 0% respectively.
- Sub Prime securities have an average credit support of 42% and average delinquencies > 60 days are 23%.
- Alt-A securities have an average credit support of 20% and average delinquencies > 60 days are 19%.

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: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
2016	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	14	5.0%
2015	-	-	-	-	-	-	-	0.0%
2014	12	-	-	-	-	-	12	4.2%
2013	56	-	-	-	-	-	56	20.1%
2012	68	-	4	-	-	-	72	25.8%
2011	8	-	-	-	-	-	8	2.9%
2010	2	-	-	-	1	-	3	1.1%
2009	4	-	-	-	-	-	4	1.4%
2008	-	-	-	-	-	-	-	0.0%
2007	5	13	-	-	1	-	19	6.8%
2006	58	21	1	-	4	-	84	30.1%
2005	-	-	-	1	-	-	1	0.4%
2004 and prior	1	1	-	1	3	-	6	2.2%
Total CMBS	\$ 228	\$ 35	\$ 5	\$ 2	\$ 9	\$ -	279	100.0%
% of total	81.8%	12.5%	1.8%	0.7%	3.2%		100.0%	
Par Value	\$ 219	\$ 35	\$ 5	\$ 3	\$ 9	\$ -	271	
Average Price as a % of Par	104%	100%	100%	67%	100%		103%	
Net Unrealized Gains (Losses)	\$ 6	\$ -	\$ -	\$ -	\$ 1	\$ -	7	
Total Weighted Average Life							3.7	

FIXED INCOME CREDIT QUALITY: ORIGINAL ON ISSUE

Fair Value by Vintage and Original Rating

	FIXED INCOME CREDIT QUALITY: ORIGINAL ON ISSUE					Total	%	
	AAA	AA	A	BBB	BB and Below			
2016	\$ 14	\$ -	\$ -	\$ -	\$ -	14	5.0%	
2015	-	-	-	-	-	-	0.0%	
2014	12	-	-	-	-	12	4.2%	
2013	56	-	-	-	-	56	20.1%	
2012	68	-	4	-	-	72	25.8%	
2011	8	-	-	-	-	8	2.9%	
2010	2	-	-	-	1	3	1.1%	
2009	4	-	-	-	-	4	1.4%	
2008	-	-	-	-	-	-	0.0%	
2007	18	-	-	-	1	19	6.8%	
2006	84	-	-	-	-	84	30.1%	
2005	1	-	-	-	-	1	0.4%	
2004 and prior	-	-	-	1	5	6	2.2%	
Total CMBS	\$ 267	\$ -	\$ 4	\$ 1	\$ 7	\$ -	279	100.0%
% of total	95.7%	0.0%	1.4%	0.4%	2.5%		100.0%	

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: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
High Yield Loans	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ 12	66.7%	
Commercial Real Estate	-	-	1	-	1	2	11.1%	
Emerging Markets	-	-	-	-	-	-	0.0%	
Other	-	-	3	-	1	4	22.2%	
Total CDOs	\$ -	\$ 12	\$ 4	\$ -	\$ 2	\$ 18	100.0%	
% of total	0.0%	66.7%	22.2%	0.0%	11.1%	100.0%		

Fair Value by Vintage and Current Rating

	FIXED INCOME CREDIT QUALITY: June 30, 2016						Total	%
	AAA	AA	A	BBB	BB and Below			
2008-2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	
2007	-	12	-	-	-	12	66.7%	
2006	-	-	-	-	2	2	11.1%	
2005	-	-	4	-	-	4	22.2%	
2004 and prior	-	-	-	-	-	-	0.0%	
Total CDOs	\$ -	\$ 12	\$ 4	\$ -	\$ 2	\$ 18	100.0%	
% of total	0.0%	66.7%	22.2%	0.0%	11.1%	100.0%		

Par Value	\$ -	\$ 13	\$ 6	\$ -	\$ 13	\$ 32
Average Price as a % of Par	0%	92%	67%	0%	15%	56%
Net Unrealized Gains (Losses)	0	0	(3)	0	(1)	(4)
Total Weighted Average Life						5.4

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	66.7%	
2006	-	-	1	1	-	2	11.1%	
2005	3	1	-	-	-	4	22.2%	
2004 and prior	-	-	-	-	-	-	0.0%	
Total CDOs	\$ 3	\$ 13	\$ 1	\$ 1	\$ -	\$ 18	100.0%	
% of total	16.6%	72.2%	5.6%	5.6%	0.0%	100.0%		

Notes:

- Cash CLOs account for 66% of the holdings, the majority of which were originally rated AAA/AA.
- The tables above exclude \$12 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)

		AAA		AA		A		BBB		BB and Below		Total		%
\$		72	\$	6	\$	1	\$	-	\$	-	\$	79		51.0%
	U.S.	33		6		1		-		-		40		25.8%
	Non-U.S.	39		-		-		-		-		39		25.2%

Credit Card (Note 2)

\$		60	\$	-	\$	-	\$	-	\$	-	\$	60		38.7%
	U.S.	39		-		-		-		-		39		25.2%
	Non-U.S.	21		-		-		-		-		21		13.5%

Student Loans

\$		4	\$	12	\$	-	\$	-	\$	-	\$	16		10.3%
	U.S.	-		-		-		-		-		-		0.0%
	Non-U.S.	4		12		-		-		-		16		10.3%

Total Consumer ABS

\$		136	\$	18	\$	1	\$	-	\$	-	\$	155		100.0%
	% of total	87.7%		11.7%		0.6%		0.0%		0.0%		100.0%		
	Net Unrealized Gains (Losses)	(1)		(3)		0		0		0		(4)		
	Total Weighted Average Life													2.4

Schedule 9(b) - Other ABS

Fair Value by Collateral Type and Current Rating

Other Real Estate

\$		19	\$	5	\$	-	\$	-	\$	-	\$	24		2.1%
----	--	----	----	---	----	---	----	---	----	---	----	----	--	------

Telecoms & Utilities

		7		-		-		-		-		7		0.6%
--	--	---	--	---	--	---	--	---	--	---	--	---	--	------

Pfandbriefe & Covered Bonds

		1,029		14		-		-		-		1,043		91.7%
--	--	-------	--	----	--	---	--	---	--	---	--	-------	--	-------

Other ABS

		16		25		15		1		1		58		5.1%
--	--	----	--	----	--	----	--	---	--	---	--	----	--	------

Whole Business

		-		-		-		-		6		6		0.5%
--	--	---	--	---	--	---	--	---	--	---	--	---	--	------

Health Care

\$		-	\$	-	\$	-	\$	-	\$	-	\$	-		0.0%
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Sub Total Other ABS

\$		1,071	\$	44	\$	15	\$	1	\$	7	\$	1,138		100.0%
	% of total	94.1%		3.9%		1.3%		0.1%		0.6%		100.0%		
	Net Unrealized Gains (Losses)	19		0		0		0		(1)		18		
	Total Weighted Average Life													2.4

Notes:

1. Average credit support is 27% for Autos.
2. The average excess spread (net of charge offs) is 35% for credit cards.

SCHEDULE 10 - UNREALIZED GAINS (LOSSES)

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

	June 30, 2016					March 31, 2016				
	Fair Value	Fair Value (less accrued interest)	Amortized Cost	Net Unrealized Gains (Losses)	Gross Unrealized Losses	Fair Value	Fair Value (less accrued interest)	Amortized Cost	Net Unrealized Gains (Losses)	Gross Unrealized Losses
Fixed Income, Equity, and Other Investments Portfolio										
U.S. Government Related and Supported (Schedule 4)	\$ 6,892	\$ 6,834	\$ 6,524	\$ 310	\$ (5)	\$ 7,304	\$ 7,250	\$ 6,996	\$ 254	\$ (4)
U.S. Treasuries	3,219	3,205	3,127	78	(5)	3,714	3,701	3,631	70	(2)
U.S. Agencies	219	215	184	31	-	217	215	188	27	-
U.S. Municipals	2,669	2,633	2,450	183	-	2,658	2,621	2,473	148	(1)
U.S. Government Guarantee	785	781	763	18	-	715	713	704	9	(1)
Non-U.S. Government Related and Supported (Schedule 4)	5,735	5,696	5,573	123	(77)	5,792	5,743	5,650	93	(64)
Corporate (Schedule 5)	10,692	10,583	10,306	277	(82)	10,910	10,810	10,607	203	(82)
Financials	3,778	3,737	3,668	69	(27)	3,783	3,748	3,701	47	(28)
Non-Financials	6,914	6,846	6,638	208	(55)	7,127	7,062	6,906	156	(54)
Mortgage Backed Securities	5,037	5,023	4,889	134	(23)	5,010	4,994	4,880	114	(29)
Agency RMBS (Schedule 6)	4,469	4,456	4,330	126	(2)	4,380	4,366	4,259	107	(5)
Non-Agency RMBS (Schedule 6)	289	289	288	1	(18)	303	303	303	-	(21)
CMBS (Schedule 7)	279	278	271	7	(3)	327	325	318	7	(3)
Asset Backed Securities (Schedule 8 & 9)	1,311	1,301	1,291	10	(13)	1,198	1,192	1,187	5	(15)
CDOs (Schedule 8)	18	17	21	(4)	(4)	22	22	26	(4)	(4)
Consumer ABS (Schedule 9)	155	155	159	(4)	(4)	222	222	226	(4)	(5)
Other ABS (Schedule 9)	1,138	1,129	1,111	18	(5)	954	948	935	13	(6)
Cash and Equivalents (net of payables/receivables)	1,846	1,846	1,846	-	-	1,308	1,308	1,308	-	-
Total Fixed Income - Investments	\$ 31,513	\$ 31,283	\$ 30,429	\$ 854	\$ (200)	\$ 31,522	\$ 31,292	\$ 30,625	\$ 667	\$ (192)
Equity Securities	1,040	1,040	955	85	(20)	878	878	832	46	(47)
Other Investments	1,298	1,298	1,100	198	(4)	1,454	1,454	1,228	226	(2)
Total Fixed Income, Equity Securities and Other Investments (Excluding Life Funds Withheld Assets)	\$ 33,851	\$ 33,620	\$ 32,484	\$ 1,136	\$ (224)	\$ 33,854	\$ 33,624	\$ 32,685	\$ 939	\$ (241)
Life Funds Withheld Assets (Schedule 12)	4,518	4,458	3,752	706	-	4,565	4,503	3,916	587	-
Total Fixed Income, Equity Securities and Other Investments (including Life Funds Withheld Assets)	\$ 38,369	\$ 38,079	\$ 36,237	\$ 1,842	\$ (224)	\$ 38,419	\$ 38,127	\$ 36,601	\$ 1,526	\$ (241)

SCHEDULE 11 - INVESTMENT INCOME STATEMENT ANALYSIS

(U.S. dollars in thousands)

	Three months ended June 30, 2016 (Unaudited)	Three months ended March 31, 2016 (Unaudited)	Three months ended December 31, 2015 (Unaudited)	Three months ended September 30, 2015 (Unaudited)	Three months ended June 30, 2015 (Unaudited) (Note 1)
Net Investment Income - Total excluding Structured and Life Funds Withheld Assets					
Gross Investment Income	\$ 182,143	\$ 170,552	\$ 179,813	\$ 180,537	\$ 179,059
Investment expenses (Note 2)	(19,976)	(18,888)	(21,675)	(17,545)	(18,767)
Net Investment Income - Total excluding Structured and Life Funds Withheld Assets	\$ 162,167	\$ 151,664	\$ 158,138	\$ 162,992	\$ 160,292
Net Investment Income over average assets	2.03%	1.96%	2.05%	2.16%	2.16%
Net Investment Income - Structured (Excluding Life Funds Withheld Assets)					
Gross Investment Income	\$ 15,809	\$ 14,239	\$ 15,633	\$ 17,244	\$ 17,927
Investment expenses (Note 2)	(1,734)	(1,577)	(1,884)	(1,676)	(1,879)
Net Investment Income - Structured (Excluding Life Funds Withheld Assets)	\$ 14,075	\$ 12,662	\$ 13,749	\$ 15,568	\$ 16,048
Net Investment Income over average assets	4.22%	3.82%	4.25%	4.86%	4.97%
Interest Expense - Deposit Liability Accretion	(12,005)	(10,690)	(10,477)	(11,131)	(10,629)
Operating and Investment Expenses - P&C Structured	(11)	(2)	-	-	(162)
Net Investment Income - Structured (Excluding Life Funds Withheld Assets)	\$ 2,059	\$ 1,970	\$ 3,272	\$ 4,437	\$ 5,257
Net Investment Income - Total (Excluding Life Funds Withheld Assets)	\$ 176,242	\$ 164,326	\$ 171,887	\$ 178,560	\$ 176,340
Net Investment Income over average assets	2.12%	2.04%	2.15%	2.27%	2.29%
Net Investment Income - Life Funds Withheld Assets	\$ 39,146	\$ 41,560	\$ 43,620	\$ 46,586	\$ 46,864
Net Income (Loss) from Investment Affiliates (Note 3)					
Alternative Funds	\$ 2,423	\$ (10,580)	\$ 3,750	\$ (11,471)	\$ 19,489
Private Investment Fund Affiliates	10,756	6,001	6,579	7,757	11,888
Net Income (Loss) from Investment Affiliates (Note 3)	\$ 13,179	\$ (4,579)	\$ 10,329	\$ (3,714)	\$ 31,377
Net Income (Loss) from Operating Affiliates (Note 4)					
Investment Manager Affiliates	\$ 15,142	\$ 12,529	\$ (7,074)	\$ 5,943	\$ 8,524
Strategic Operating Affiliates	6,276	121	11,487	2,253	938
Net Income (Loss) from Operating Affiliates (Note 4)	\$ 21,418	\$ 12,650	\$ 4,413	\$ 8,196	\$ 9,462

Notes:

1. The Company acquired Catlin on May 1, 2015 and Catlin's investments are therefore included in those of the Company beginning as of that date.
2. Includes management fees, custody fees, and direct and allocated general and administrative expenses.
3. 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.
4. 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)

	June 30, 2016 (Unaudited)		March 31, 2016 (Unaudited)		December 31, 2015 (Unaudited)		September 30, 2015 (Unaudited)		December 31, 2014 (Unaudited)	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
INVESTMENT PORTFOLIO LIFE FUNDS WITHHELD ASSETS										
Fixed Income Portfolio										
U.S. Government Related and Supported	\$ 31	0.7%	\$ 28	0.6%	\$ 18	0.4%	\$ 18	0.4%	\$ 17	0.3%
Non-U.S. Government Related and Supported	1,300	28.8%	1,331	29.2%	1,383	29.9%	1,505	31.2%	1,503	30.2%
Corporate	2,810	62.2%	2,810	61.6%	2,790	60.2%	2,821	58.4%	2,962	59.6%
Mortgage Backed Securities	114	2.5%	117	2.6%	130	2.8%	148	3.1%	148	3.0%
Asset Backed Securities	170	3.8%	174	3.8%	205	4.4%	213	4.4%	235	4.7%
Cash and Equivalents (net of payables/receivables)	93	2.1%	105	2.3%	106	2.3%	122	2.5%	107	2.2%
Total Fixed Income - Investments (Note 1)	\$ 4,518	100.0%	\$ 4,565	100.0%	\$ 4,632	100.0%	\$ 4,827	100.0%	\$ 4,972	100.0%
Other Investments										
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%
Total Other Investments	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
TOTAL LIFE FUNDS WITHHELD ASSETS	\$ 4,518	100.0%	\$ 4,565	100.0%	\$ 4,632	100.0%	\$ 4,827	100.0%	\$ 4,972	100.0%
FIXED INCOME PORTFOLIO CREDIT QUALITY :										
AAA	\$ 540	12.1%	\$ 562	12.4%	\$ 616	13.3%	\$ 603	12.5%	\$ 572	11.5%
AA	1,370	30.3%	1,379	30.2%	1,389	30.0%	1,556	32.2%	1,543	31.0%
A	1,526	33.8%	1,537	33.7%	1,519	32.8%	1,458	30.2%	1,545	31.1%
BBB	1,035	22.9%	1,045	22.9%	1,073	23.2%	1,166	24.2%	1,253	25.2%
BB and Below	47	0.9%	41	0.8%	35	0.7%	44	0.9%	59	1.2%
Not Rated	-	0.0%	1	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Fixed Income - Investments (Note 1)	\$ 4,518	100.0%	\$ 4,565	100.0%	\$ 4,632	100.0%	\$ 4,827	100.0%	\$ 4,972	100.0%
Average credit quality		A+		A+		A+		A+		A+
Summary by Core Currency Denomination										
	US Dollar Equivalent Fair Value	Duration	US Dollar Equivalent Fair Value	Duration	US Dollar Equivalent Fair Value	Duration	US Dollar Equivalent Fair Value	Duration	US Dollar Equivalent Fair Value	Duration
Sterling denominated	\$ 3,072	9.2	\$ 3,105	9.0	\$ 3,268	8.7	\$ 3,425	8.7	\$ 3,568	8.9
Euro denominated	1,446	11.3	1,460	11.3	1,364	11.3	1,402	11.2	1,388	10.6
U.S. Dollar denominated	-	-	-	-	-	-	-	-	16	5.0
Total Duration	\$ 4,518	9.9	\$ 4,565	9.7	\$ 4,632	9.5	\$ 4,827	9.4	\$ 4,972	9.4
Net Investment Income - Life Funds Withheld Assets (in thousands)	\$ 39,146		\$ 41,560		\$ 43,620		\$ 46,586		\$ 46,864	

Notes:

1. "Total Fixed Income - Investments" includes fixed maturities, short-term investments, invested cash & cash equivalents and net (payables) receivables for investments (purchased) sold.

COMMENT ON REGULATION G

XL presents its operations in ways 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 financial supplement contains the presentation of (i) operating net income (loss) ("Operating Net Income"), a non-GAAP measure, which is defined as net income (loss) attributable to ordinary shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (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, (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, (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 provision (benefit) for income tax on items excluded from operating income, (11) our loss on the Other Life Retro Arrangements, 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 average unrealized gains and losses on investments and integration costs; (iv) annualized net income (loss) attributable to ordinary shareholders excluding the Contribution from the GreyCastle Life Retro Arrangements and (v) Fully diluted tangible book value per ordinary share (ordinary shareholders' equity excluding goodwill and intangible assets divided by the number of shares outstanding at the period end date combined with the dilutive impact of potential future share issues at any period). 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 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, and net realized (gains) losses on the life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, 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 retrocession arrangements. The returns on the Life Funds Withheld Assets are passed directly to the reinsurer pursuant to a contractual arrangement that is accounted for as a derivative. Therefore, net investment income from the Life Funds Withheld Assets and changes in the fair value of the embedded derivative associated with these GreyCastle Life Retro Arrangements are not relevant to XL's underlying business performance.

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 net 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.

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