Q2 2017

EARNINGS PRESENTATION

July 26, 2017

Cautionary Note Regarding Forward–Looking Statements

The Private Securities Litigation Reform Act of 1995 ("PSLRA") provides a "safe harbor" for forward-looking statements. This presentation contains forward-looking statements that reflect XL Group Ltd's ("XL" or the "Company") current views with respect to future events and financial performance, including with respect to statements regarding our estimated integration costs related to the Catlin Group Limited ("Catlin") acquisition, estimated operating expenses, estimated synergies, and the timing of anticipated completion of the incurrence of integration costs relating to the Catlin acquisition. Such statements include forward-looking statements both with respect to us in general, and to the insurance and reinsurance sectors in particular (both as to underwriting and investment matters). 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," "target," "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 include (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 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 recoverability 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 claims 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 cancelation provisions in our assumed reinsurance agreements or impact the availability of 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, XLIT Ltd. and Catlin Insurance Company Ltd; (q) changes in regulators or regulation 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) the 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 or revise any forward looking statement, whether as a result of new information, future developments or otherwise.

This document contain certain non-GAAP financial measures. The reconciliation of such measures to the most comparable GAAP measures in accordance with Regulation G is included in the Reconciliation starting on page 19 of this document.

Overview of 2nd Quarter 2017

compared to corresponding prior year period unless otherwise noted

XL GROUP

Second Quarter 2017	

	• Remained focused on disciplined underwriting
	• Generated positive investment returns from both net investment income and affiliates
	• Continued to capture efficiencies as an organization
	• Actively managed our capital
	  • Continued share repurchases
	  • Completed new sub debt and tender transaction
	• Committed to fully delivering the value of the franchise we have built

Overview of 2nd Quarter 2017

compared to corresponding prior year period unless otherwise noted

XL GROUP

Earnings & ROE

- Net income available to common shareholders $301.6 million compared to $43.8 million
  - $1.14 per fully diluted share compared to $0.15
- Operating net income[1] $255.1 million compared to $106.4 million
  - $0.96 Operating EPS[1] compared to $0.37

	Quarterly		YTD	
Annualized Operating ROE[2]	3 months 6/30/17	3 months 6/30/16	6 months 6/30/17	6 months 6/30/16
ROE excluding average AOCI[3]	10.1%	4.1%	7.7%	3.9%
ROE excluding average AOCI[3] and Integration Cost	11.4%	5.9%	9.0%	5.8%

(Includes negative impact of 140 bps from UK Ogden rate change in Q1-17)

1 Operating Net Income and Operating EPS are non-GAAP financial measure. See reconciliation to Net Income available to common shareholders on page 20.
2 Please see page 21 for a definition and adjustments made to calculate Annualized Operating ROE, a non-GAAP financial measure.
3 Accumulated Other Comprehensive Income ("AOCI")

 I **MAKE YOUR WORLD GO**

Overview of 2nd Quarter 2017

compared to corresponding prior year period unless otherwise noted

XL GROUP

Market Presence	• P&C Gross Premiums Written ("GPW") $3.554 billion, up 0.7%; • GPW increased by 2.1% excluding the impact of foreign exchange • Pricing remains competitive in insurance and reinsurance • Underwriters maintaining discipline with focus on innovation initiatives and customer service as challenging market conditions continue to persist • Seeing inflationary and rising loss cost trends in the market

Underwriting & Portfolio Management	• Favorable prior year development ("PYD") of $86.7 million compared to a favorable $98.6 million
	• Catastrophe pre-tax losses net of reinsurance and related reinstatement premiums of $92.1 million for the quarter, compared to $240.1 million
	  • Q2-16 was significantly impacted by the Fort McMurray Wildfire loss of nearly $130 million
	• Accident year combined ratios excluding natural catastrophes
	  • P&C 92.0% up from 90.3%
	  • Insurance 92.9% broadly in line with 92.6%
	  • Reinsurance 90.3% from 85.5%, primarily due to mix of business, unfavorable loss experience in short tail lines and a large facultative loss in Asia Pacific

Overview of 2nd Quarter 2017

compared to corresponding prior year period unless otherwise noted

XL GROUP

Continuous Improvement

- Operating expenses declined by 9.5% due to increased efficiencies and the benefit of foreign exchange
  - Reduced by 4% excluding foreign exchange
  - Completed integration cost in the second quarter 2017

Capital Management

- Fully diluted book value per share $42.15, increased $1.82 or 4.5% compared to December 31, 2016
- Repurchased 6 million XL shares for $250.1 million in Q2-17 at an average price of $41.87; YTD repurchased 11.1 million shares for $450.1 million
  - $650 million remains outstanding on current $1 billion authorization
  - Anticipate repurchasing no less than $700 million worth of shares for the full year 2017, as long as the right conditions persist
- Completed $420 million tender of certain preferred shares and subordinated debt in July 2017
- Financed tender with new € 500 million subordinated debt in June 2017
  - Reduced floating rate exposure
  - Natural hedge for European operations
  - Favorable market conditions in Europe
  - Diversified fixed income investors base
- Anticipate lowering financial leverage longer-term

Overview of 2nd Quarter 2017

compared to corresponding prior year period unless otherwise noted

XL GROUP

Culture & Innovation

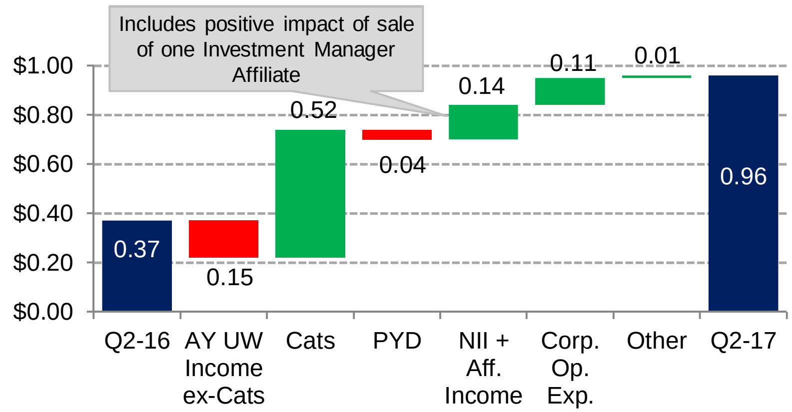
- Introduced twelve new or expanded products, services and capacities including:
  - Insurance solution in Iberia for Fusion for Energy (F4E), part of the world's largest experimental fusion project
  - M&A insurance coverage and added to M&A team
  - Political Risk, Credit and Bond underwriting capabilities in Canada
  - Protect and Assist in the UK -- an accident and health insurance solution combining comprehensive personal accident and business travel insurance
  - Real Estate Environmental Protection (REEP) solution in Asia Pacific to help property portfolio owners and Real Estate Investment Trusts (REITs) investors deal with environmental liabilities
  - New Contractors Pollution Liability Express Program to provide a streamlined, speed-to-market environmental insurance underwriting process
  - New underwriting agreement with the McGowan Companies to offer workplace violence insurance
- North American Construction team reached inception to date $2 billion GPW milestone (since 2010)
- Announced the results of a study on "Operationalizing Digital Transformation", in conjunction with Harvard Business Review

Financial Highlights 2nd Quarter 2017
Earnings

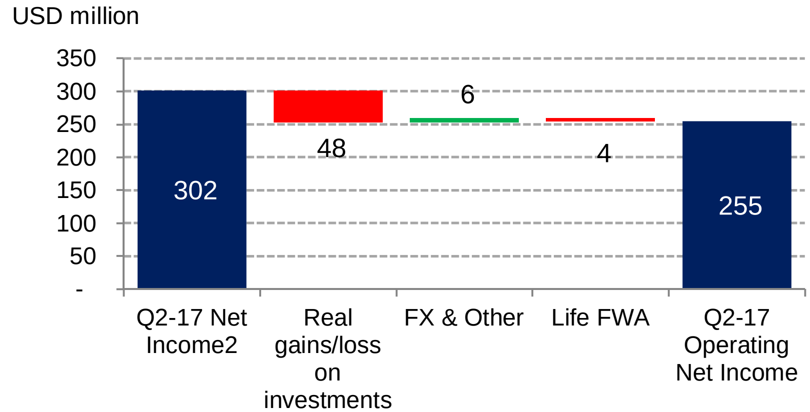
Abbreviations defined in the glossary on page 18

XL GROUP

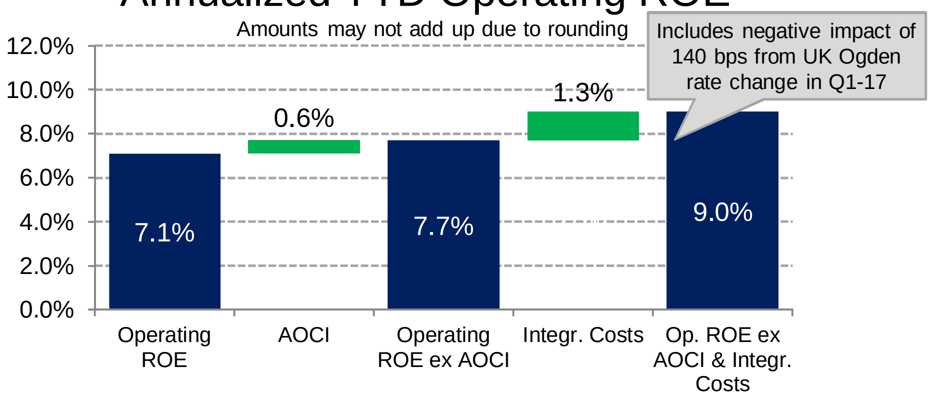
Operating EPS[1]



Net income[2] vs. Operating Net Income[4]



Annualized YTD Operating ROE[3]



Increased Operating EPS[1] relative to prior year quarter driven by

- Lower Catastrophe losses (current quarter split US $51 million and International $41 million)
- Positive Investments returns both in Affiliates and Net Investment Income, including positive impact of sale of one investment manager affiliate
- Improvement in operating efficiencies and leverage
- Partially offset by a lower Accident Year UW Income ex-Cats and a lower PYD

1 Operating EPS (or "Operating Net Income Per Share") is a non-GAAP financial measure. See Reconciliation of operating net income per share to net income attributable to common shareholders per share starting on page 21.

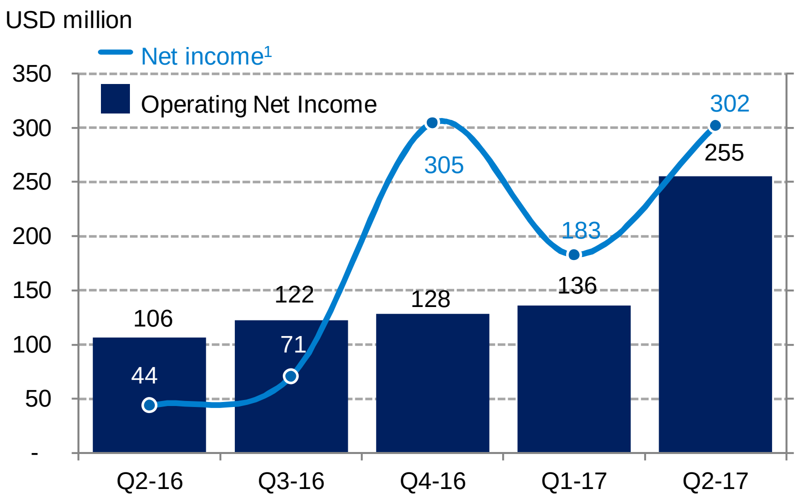
2 Net Income Available to Common Shareholders

3 See reconciliation of Annualized Operating ROE, a non-GAAP financial measure, on page 21.

4 Operating Net Income is a non-GAAP financial measure, see reconciliation to Net Income available to common shareholders on page 20.

Financial Highlights 2nd Quarter 2017
Earnings – Quarterly Progress

Net income[1] & Operating Net Income[2]



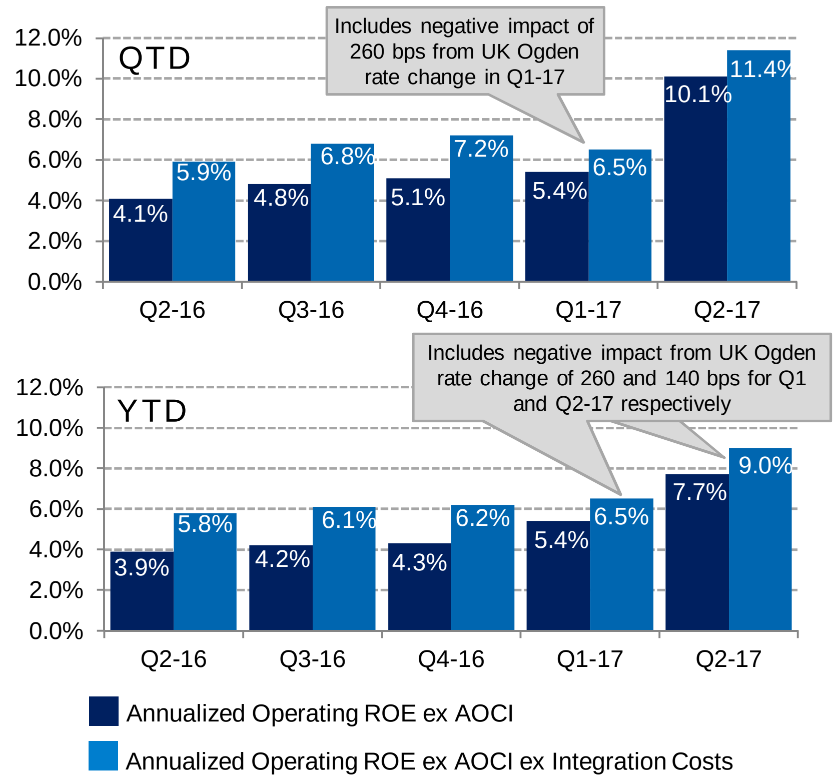
Net inc/(loss) attrib to common shareholders per share

0.15	0.25	1.12	0.57	1.14

Operating EPS[3]

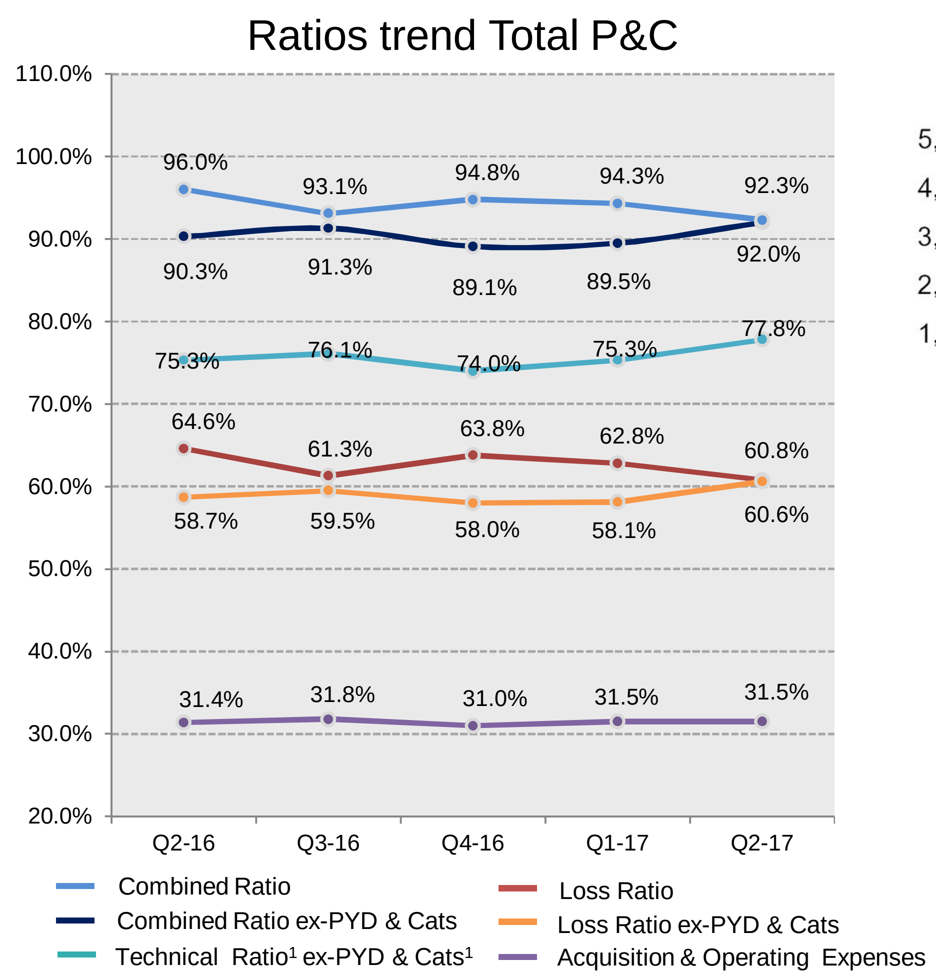
0.37	0.44	0.47	0.50	0.96

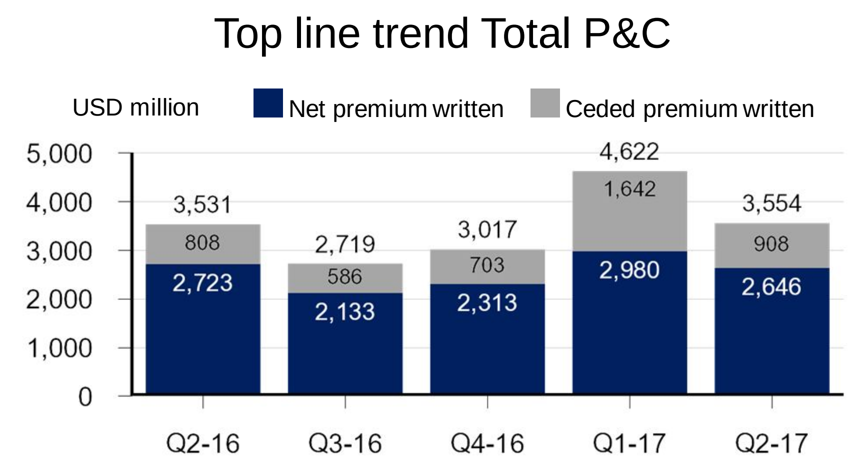
Annualized Operating ROE[4]



1 Net Income Available to Common Shareholders
2 Operating Net Income is a non-GAAP financial measure. See reconciliation to Net Income available to common shareholders on page 20.
3 Operating EPS (or "Operating Net Income Per Share") is a non-GAAP financial measure. See Reconciliation of operating net income per share to net income attributable to common shareholders per share starting on page 21.
4 Annualized Operating ROE is based on Operating Net Income which is a non-GAAP financial measure see reconciliation on page 21.

Financial Highlights 2nd Quarter 2017
Underwriting Profitability - Total P&C





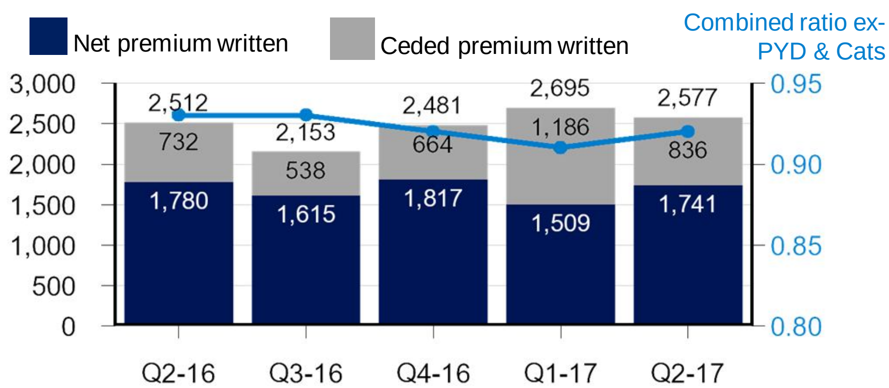
USD millions	Q2-17	Q2-16
Gross premium written	3,554	3,531
Net premium earned	2,514	2,529
Loss Ratio	60.8%	64.6%
Acquisition expense ratio	17.2%	16.6%
Operating expense ratio	14.3%	14.8%
Combined ratio	92.3%	96.0%
Underwriting profit (loss)	*195*	*102*
PYD (release)/strengthen	(87)	(99)
Combined ratio ex-PYD	95.7%	99.9%
Combined ratio ex-PYD & Cats	92.0%	90.3%

1 Loss Ratio plus Acquisition Costs Ratio

Financial Highlights 2nd Quarter 2017
Underwriting Profitability - Insurance and Reinsurance

Insurance

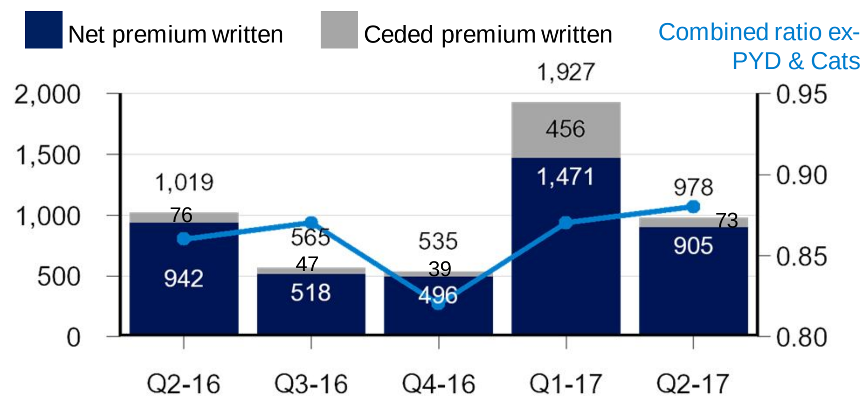
USD million



USD millions	Q2-17	Q2-16
Gross premium written	2,577	2,512
Net premium earned	1,652	1,697
Loss Ratio	65.2%	64.6%
Acquisition expense ratio	14.0%	13.7%
Operating expense ratio	17.5%	18.1%
Combined ratio	96.7%	96.4%
Underwriting profit (loss)	*55*	*61*
PYD (release)/strengthen	(17)	(33)
Combined ratio ex-PYD	97.7%	98.4%
Combined ratio ex-PYD & Cats	92.9%	92.6%

Reinsurance

USD million



USD millions	Q2-17	Q2-16
Gross premium written	978	1,019
Net premium earned	862	832
Loss Ratio	52.4%	64.5%
Acquisition expense ratio	23.3%	22.4%
Operating expense ratio	8.1%	8.2%
Combined ratio	83.8%	95.1%
Underwriting profit (loss)	*140*	*41*
PYD (release)/strengthen	(70)	(65)
Combined ratio ex-PYD	91.8%	102.9%
Combined ratio ex-PYD & Cats	90.3%	85.5%

Financial Highlights 2nd Quarter 2017
Portfolio Management

2nd Quarter 2017 GPW growing and contracting units
(Listed in order of largest fx adjusted nominal increase/decrease)

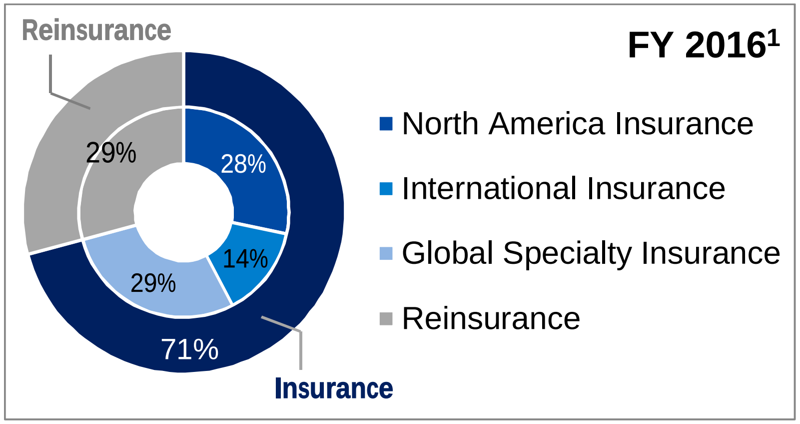
Growing units

- Re Property Treaty
- Political Risk and Trade Credit
- International Financial Lines
- Global Risk Management
- U.S. Programs

Contracting units

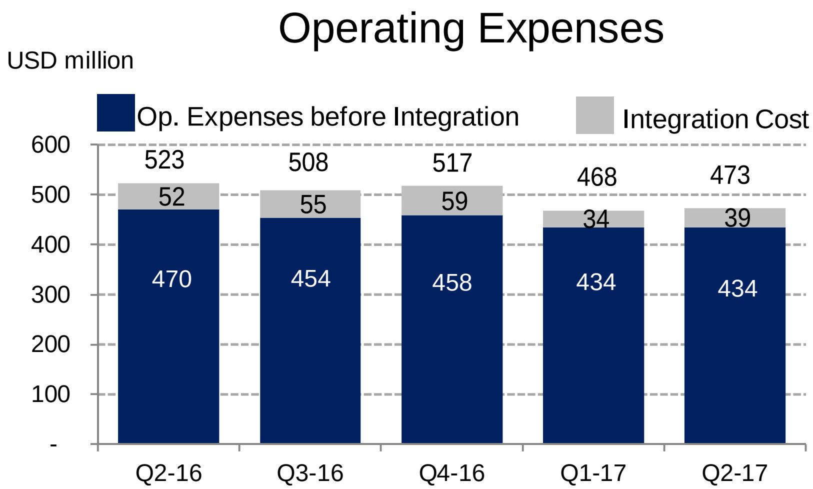
- Energy
- Re Casualty Treaty
- Re Property Catastrophe Treaty
- International Casualty
- Aerospace

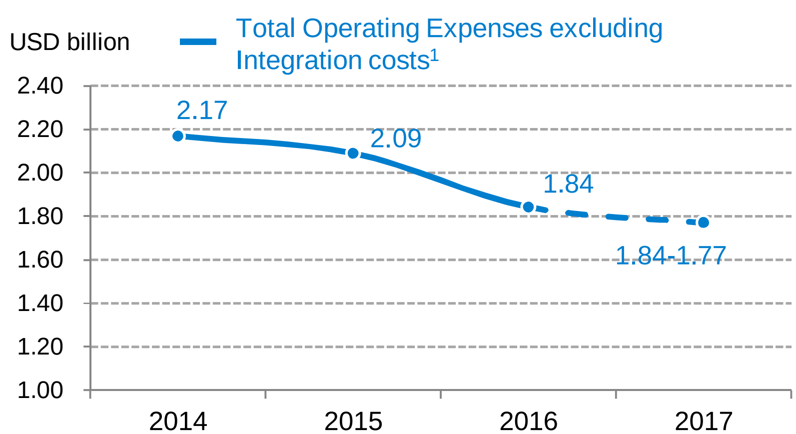
GPW



1 Due to the seasonality of the renewals, full year is more representative of the actual distribution of the portfolio across segments and units

Financial Highlights 2nd Quarter 2017
Expenses





- Continued focus on ongoing efficiencies
- Completed integration cost in the second quarter 2017
- Still on track to meet previous 2017 guidance of $1.77 - $1.84 billion of operating expenses, excluding integration costs. Lower end continues to be more likely if foreign exchange rates remain at current levels

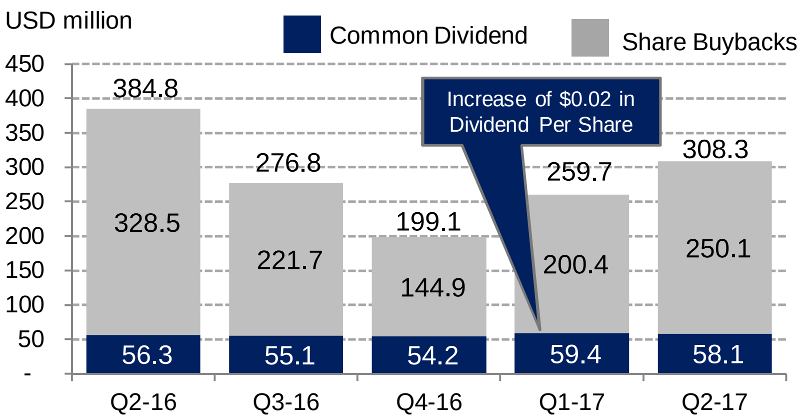
Total P&C	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17
Acq. Exp. Ratio	16.6%	16.6%	16.0%	17.2%	17.2%
Op. Exp. Ratio	14.8%	15.2%	15.0%	14.3%	14.3%

1 Total Operating Expenses excludes also costs related to the Catlin acquisition incurred in 2015 of $64.7 million. 2014 figure based on: (a) Catlin's 2014 "Administrative & other expenses" (as reported in Catlin's 2014 Annual Report), with a $100 million reclassification to reflect XL's accounting policies for certain ceding commissions, for a total of $827 million; plus (b) XL's 2014 operating expenses of $1.341 billion (as reported in XL's Form 10-K for the year ended December 31, 2014)

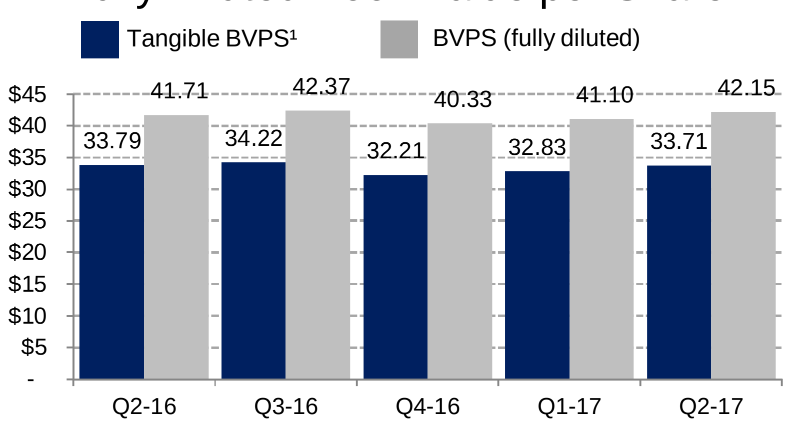
Financial Highlights 2nd Quarter 2017
Capital Management

Capital Returned to Shareholders

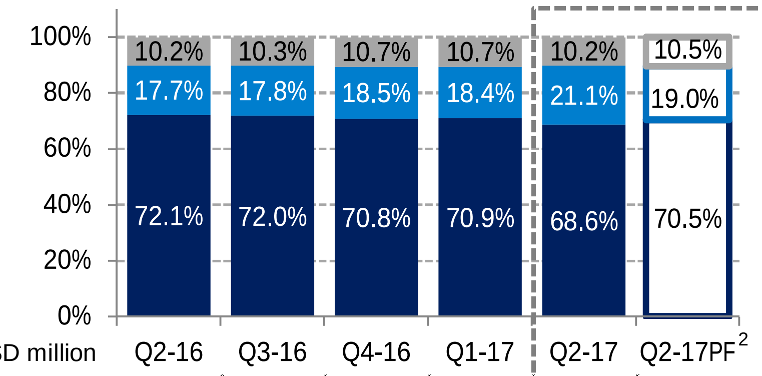
Amounts may not add up due to rounding



Fully Diluted Book Value per Share



Financial Leverage



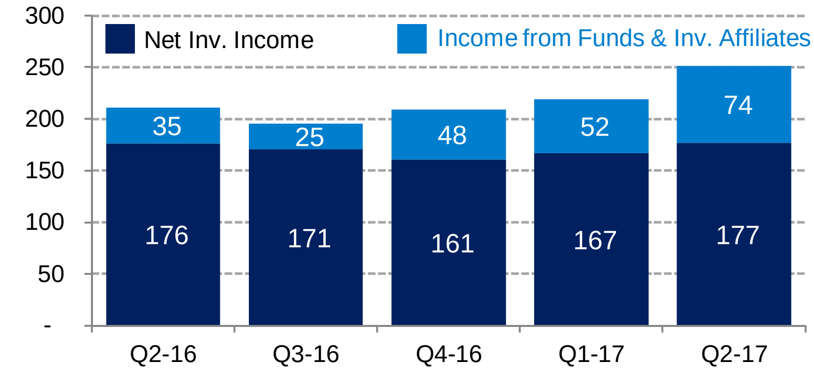
USD million	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q2-17PF[2]
Senior	1,666	1,667	1,668	1,668	1,669	1,669
Prefs + Hybrids	2,887	2,887	2,887	2,887	3,445	3,025
Common + MI[3]	11,757	11,686	11,054	11,094	11,196	11,196
Total	16,310	16,240	15,608	15,649	16,310	15,890

- Repurchased $250 million worth of stock in Q2-17
- $650 million remains outstanding on $1 billion authorization
- Anticipate buying back no less than $700 million worth of stock in 2017 as long as the right conditions persist
- Issued €500 new subordinated debt in June 2017 to finance tender offer
- Completed $420 million Tender Offer on Preferred Shares and Sub Debt in July 2017
- Anticipate lowering leverage longer-term

1 Fully diluted tangible book value per share is a non-GAAP financial measure. See reconciliation on page 19
2 Q2-17 Pro-Forma including the redemption of $420 million preferred shares as part of the tender offer concluded after quarter end on July 6th 2017
3 Minority Interests excluding Preferred Shares

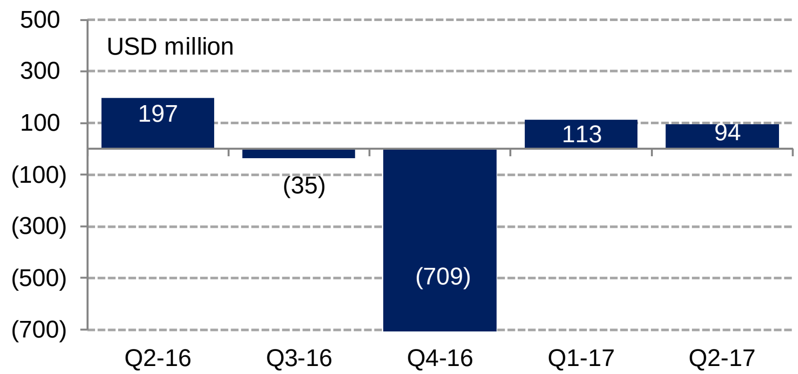
Financial Highlights 2nd Quarter 2017
Investments[1]

NII[2] and Affiliate Income[3]

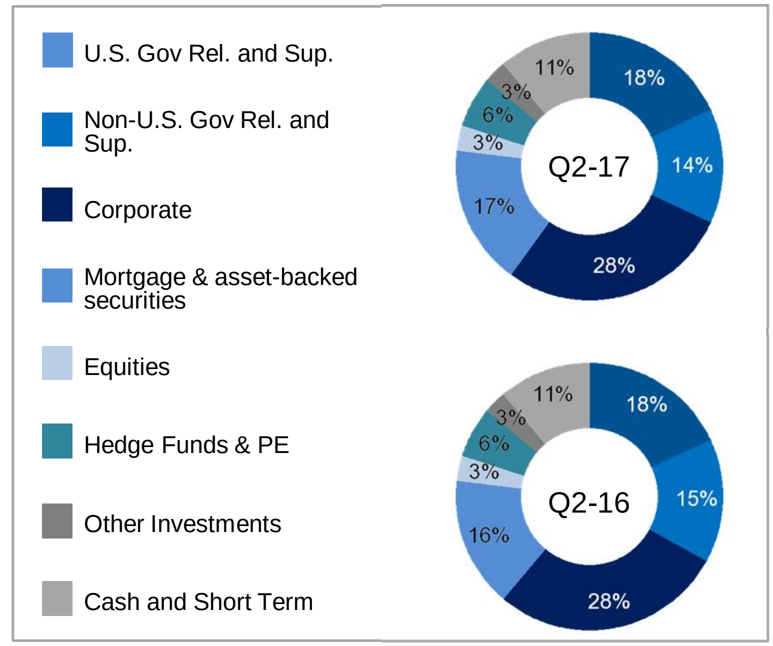


	Usual Accounting lag
Hedge Funds Affiliates	1 month
Private investment fund & Operating Affiliates	3 month

Change in unrealized gains & losses



Investment Portfolio



	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17
Average pre-tax book yield[4]	2.4%	2.4%	2.4%	2.4%	2.4%
Avg new money yield	1.7%	1.9%	2.0%	2.1%	2.1%
Fixed Income ($m)	29,459	29,793	28,574	28,701	29,260
Average Duration	3.6	3.6	3.8	3.8	3.9

1 All figures excluding the designated investments that support the life retrocession arrangement with GreyCastle ("Life Funds Withheld Assets")
2 Net Investment Income
3 Investment Funds & Operating Affiliates
4 Gross of expenses

Q2 2017

EARNINGS PRESENTATION - APPENDIX

July 26, 2017

Financial Highlights 2nd Quarter 2017
Coupon Interest Expenses[1] and Preferred Shares Dividends

Income Statement view[2]

USD million

				Q1			Q2			Q3 Estimated			Q4 Estimated			Estimated FY 2017
Maturity	Struct.	Coupon	Spread	Princ. ($m)	Prefs Coupon %	Int. / Div. ($m)	Princ. ($m)	Prefs Coupon %	Int. / Div. ($m)	Princ. ($m)	Prefs Coupon %	Int. / Div. ($m)	Princ. ($m)	Prefs Coupon %	Int. / Div. ($m)	Int. / Div. ($m)
2018	Senior	2.30%		300.0		1.7	300.0		1.7	300.0		1.7	300.0		1.7	6.9
2021	Senior	5.75%		400.0		5.8	400.0		5.8	400.0		5.8	400.0		5.8	23.0
2024	Senior	6.38%		350.0		5.6	350.0		5.6	350.0		5.6	350.0		5.6	22.3
2027	Senior	6.25%		325.0		5.1	325.0		5.1	325.0		5.1	325.0		5.1	20.3
2043	Senior	5.25%		300.0		3.9	300.0		3.9	300.0		3.9	300.0		3.9	15.8
2025	Sub	4.45%		500.0		5.6	500.0		5.6	500.0		5.6	500.0		5.6	22.3
2045	Sub	5.50%		500.0		6.9	500.0		6.9	483.3		6.6	483.3		6.6	27.0
2047	Sub[3]	3.25%				-	568.8		0.1	568.8		4.6	568.8		4.6	9.3
Coupon Interests on Debt Securities[1]						**34.5**			**34.6**			**38.9**			**38.9**	**146.9**
(Reported within Interest Expense in the Income Statement)																
Est. (Gain)/Loss on tendered Sub-Debt securities												**1.6**				**1.6**
(Reported within Extinguishment of Debt in the Income Statement)																
Perp.	Prefs D	Floating	3.1200%	345.0	4.14%	3.6	345.0			317.8	4.28%	3.4	317.8	4.43%	3.5	10.5
Perp.	Prefs CICL[5]	Floating	2.9750%	600.0	7.25%	21.7	600.0	4.00%	6.0	553.4	4.13%	5.7	553.4	4.28%	5.9	39.4
Perp.	Prefs E	Floating	2.4575%	999.5	6.50%	32.5	999.5			669.7	3.62%	6.1	669.7	3.76%	6.3	44.8
Preferred Shares Dividends						**57.8**			**6.0**			**15.2**			**15.7**	**94.7**
Est. (Gain)/Loss on tendered Preferred Shares												**(13.2)**				**(13.2)**
Total[6]						**57.8**			**6.0**			**2.0**			**15.7**	**81.5**
(Reported within Non-controlling Interests in the Income Statement)																
LIBOR 3m (source: Bloomberg)					1.02%			1.02%			1.16%			1.31%		
Determination Date[4]					1/13/2017			1/13/2017			4/12/2017			7/13/2017		

1 Coupon expense excludes the impact of discount accretion and amortization of issuance costs associated with these bonds. It also excludes other expenses related to a capital lease and funds held liabilities that are reported as interest expense within our financial statements.
2 Accounting of Preferred Shares dividends is based on the declaration date (i.e. no accrual made). This may differ from the timing of the actual cash flow.
3 EURO denominated Sub Debt converted into USD for US GAAP reporting
4 LIBOR determination date is defined as two LIBOR business days prior to the first day of dividend calculation period
5 CICL = Catlin Insurance Company Ltd.
6 Total represents only items related to Preferred Shares and does not include the equity interest attributable to third party investors which is also reported within Non-controlling Interests

Glossary and definitions

AOCI	Accumulated Other Comprehensive Income	**NII + Aff. Income**	Net Investment Income plus Affiliate Income
AY UW Income ex-Cats	Accident Year Underwriting Income excluding the impact of Catastrophe Losses	**Op. Income**	Operating Income
BVPS	Book Value Per Share	**Op. ROE**	Operating ROE
Cats (Catastrophe Losses)	Natural Catastrophe Losses including the impact of Reinstatement Premiums. For the Insurance segment defined as natural catastrophe-driven losses, regardless of event size. In Reinsurance, defined as natural catastrophe-driven events that generated a loss larger than $5 million to the company	**Op. ROE ex AOCI & Integr. Costs**	Operating ROE excluding average accumulated other comprehensive income and integration costs
Corp. Op. Exp.	Corporate Operating Expenses	**Prefs Div.**	Preferred Shares Dividends
EPS	Earnings Per Share	**PYD**	Prior Year Development
FX	Foreign Exchange gains or losses	**Real gains/loss on inv.**	Realized gains and losses on Investments
GPW	Gross Premiums Written		
Integr. Costs	Integration costs associated with the Catlin acquisition		
Life FWA	Life Funds Withheld Assets, the designated investments that support the life retrocession arrangement with GreyCastle		
Net Income av. to common sh.	Net Income available to common shareholders		

Regulation G
Reconciliation of Book Value Per Share to Tangible Book Value Per Share

XL GROUP

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(U.S. Dollars in thousands except per share amounts)	Six Months Ended June 30, 2017	Three Months Ended March 31, 2017	Twelve Months Ended December 31, 2016	Nine Months Ended September 30, 2016	Six Months Ended June 30, 2016	Three Months Ended March 31, 2016	Twelve Months Ended December 31, 2015	Nine Months Ended September 30, 2015
Closing common shares outstanding - basic	258,489,379	263,773,739	266,927,220	270,409,084	276,772,053	286,312.517	294,783.992	299,356.093
Closing common shares outstanding - diluted	262,858,782	267,007,606	271,224,790	274,054,062	280,159,516	289,817.124	300,390,474	304,323,829
Book value per common share	42.87	41.61	40.98	42.94	42.22	40.83	39.61	39.88
Fully diluted book value per common share	42.15	41.10	40.33	42.37	41.71	40.33	31.52	39.23
Goodwill and other intangible assets	2,219,390	2,208,612	2,203,653	2,234,071	2,217,973,000	2,233.597	2,210,266	2,213,688
Tangible book value	8,861,162	8,766,272	8,734,859	9,378,095	9,467,218,000	9,455.149	9,466,813	9,724,541
Fully diluted tangible book value per common share	33.71	32.83	32.21	34.22	33.79	32.62	31.52	31.95

Regulation G Reconciliation

The following is a reconciliation of XL's net income (loss) attributable to common shareholders to operating net income (loss) and also includes the calculation of annualized return on average common shareholders' equity and annualized return on average common shareholders' equity excluding average AOCI, in each case, both including and excluding integration costs and based on operating net income (loss).

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(U.S. Dollars in thousands except per share amounts)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income (loss) attributable to common shareholders	$ 301,620	$ 43,782	$ 454,463	$ 65,667
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (1)	34,596	229,742	84,697	465,822
Net realized (gains) losses on investments and net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets	(7,459)	(85,149)	(40,527)	(186,315)
Net investment income - Life Funds Withheld Assets	(31,439)	(39,146)	(64,803)	(80,706)
Foreign exchange revaluation (gains) losses on and other income and expense items related to Life Funds Withheld Assets	(14,945)	6,779	(18,169)	(4,194)
Net income (loss) attributable to common shareholders excluding Contribution from Life Retrocession Arrangements	$ 282,373	$ 156,008	$ 415,661	$ 260,274
Net realized (gains) losses and OTTI on investments - excluding Life Funds Withheld Assets	(49,169)	(19,468)	(53,387)	(11,052)
Net realized and unrealized (gains) losses on derivatives	906	(906)	7,975	2,716
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	115	1,818	(1,936)	2,231
Exchange (gains) losses excluding Life Funds Withheld Assets	9,302	(25,879)	9,190	(48,725)
(Provision) benefit for income tax on items excluded from operating income	11,553	(5,126)	13,720	4,391
Operating net income (loss)	$ 255,080	$ 106,447	$ 391,223	$ 209,835
Integration costs	39,118	52,117	73,067	107,104
(Provision) benefit for income tax on integration costs	(4,147)	(4,446)	(7,745)	(9,108)
Operating net income (loss) (excluding integration costs)	$ 290,051	$ 154,118	$ 456,545	$ 307,831

1 See glossary

Regulation G Reconciliation

The following is a reconciliation of XL's net income (loss) attributable to common shareholders to operating net income (loss) and also includes the calculation of annualized return on average common shareholders' equity and annualized return on average common shareholders' equity excluding average AOCI, in each case, both including and excluding integration costs and based on operating net income (loss).

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(U.S. Dollars in thousands except per share amounts)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Per common share results - diluted:				
Net income (loss) attributable to common shareholders	$ 1.14	$ 0.15	$ 1.70	$ 0.23
Operating net income (loss)	$ 0.96	$ 0.37	$ 1.46	$ 0.72
Weighted average common shares outstanding:				
Basic	260,990	281,793	263,327	286,881
Diluted	264,943	285,082	267,279	290,929
Diluted - For Operating net income per share	264,943	285,082	267,279	290,929
Return on common shareholders' equity:				
Opening common shareholders' equity	$ 10,974,884	$ 11,688,744	$ 10,938,512	$ 11,677,079
Closing common shareholders' equity (at period end)	11,080,552	11,685,188	11,080,552	11,685,188
Average common shareholders' equity for the period	11,027,718	11,686,966	11,009,532	11,681,134
Opening AOCI	844,974	1,094,557	715,546	686,616
Closing AOCI (at period end)	921,165	1,408,587	921,165	1,408,587
Average AOCI for the period	883,070	1,251,572	818,356	1,047,602
Average common shareholders' equity for the period excluding average AOCI	10,144,649	10,435,394	10,191,177	10,633,533
Annualized net income (loss)	1,206,480	175,128	908,926	131,334
Annualized operating net income (loss)	1,020,320	425,788	782,446	419,670
Annualized operating net income (loss) (excluding integration costs)	1,160,206	616,473	913,090	615,663
Annualized operating return on average common shareholders' equity	9.3 %	3.6%	7.1%	3.6%
Annualized operating return on average common shareholders' equity excluding AOCI	10.1 %	4.1%	7.7%	3.9%
Annualized operating return on average common shareholders' equity excluding integration costs	10.5 %	5.3%	8.3%	5.3%
Annualized operating return on average common shareholders' equity excluding integration costs and AOCI	11.4 %	5.9%	9.0%	5.8%

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 document contains the presentation of (i) operating net income (loss) ("Operating Net Income"), which is defined as net income (loss) attributable to common shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, as defined in Item 1, Note 1, "Significant Accounting Policies," to the Unaudited Consolidated Financial Statements included herein, (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 our insurance company affiliates for the periods presented, (7) our foreign exchange (gains) losses, (8) our expenses related to the acquisition of Catlin Group Limited ("Catlin") completed on May 1, 2015 ("Catlin Acquisition"), (9) our gain on the sale of our interest in ARX Holding Corp., (10) our gain on the sale of our wholly-owned subsidiary XL Life Insurance and Annuity Company and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the reinsurance agreement ceding U.S. Term life reinsurance reserves ("U.S. Term Life Retro Arrangements"), (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin Acquisition, and (13) a provision (benefit) for income tax on items excluded from operating income; (ii) annualized return on average common shareholders' equity ("ROE") based on operating net income (loss) ("Operating ROE"); (iii) Operating ROE excluding AOCI, both inclusive and exclusive of integration costs; and (iv) Fully diluted tangible book value per common share (common 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 end). These items are "non-GAAP financial measures" as defined in Regulation G. The reconciliation of such measures to the most directly comparable GAAP financial measures in accordance with Regulation G is included in this document on pages 20 and 21.

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 recognized 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 is 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.

(continued in the next page)

Comment on Regulation G

(continued from previous page)

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 common 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 including and excluding average AOCI, both inclusive and exclusive of integration costs, are additional measures of Company profitability. The most significant component of this exclusion is the mark to market fluctuations on XL's investment portfolio that have not been realized through sales, and/or distortions to XL's performance from integration costs related to the acquisition of Catlin. By providing these additional measures, users of our financial statements have the ability to include or exclude these items when considering our performance either on a standalone basis or for purposes of peer performance comparison. XL believes that fully diluted tangible book value per common 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.