



FINANCIAL SUPPLEMENT

June 30, 2017

Issued on July 26, 2017

This supplement is being furnished to you for informational purposes only. It should be read in conjunction with XL Group Ltd's documents on file 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.xlgroup.com for further information describing XL Group Ltd.

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Forward-Looking Statement



Cautionary Note Regarding Forward-Looking Statements

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 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 cancellation 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.

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 following its financial supplement, SEC filings and public conference calls and webcasts.



STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(U.S. dollars in thousands)

(Unaudited)

(Note 1)

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016
Revenues					
Gross premiums written	\$ 3,612,949	\$ 4,678,417	\$ 3,079,772	\$ 2,783,603	\$ 3,599,323
Net premiums written	2,649,265	2,983,070	2,316,147	2,135,658	2,726,119
Net premiums earned - P&C operations	2,514,093	2,519,481	2,454,060	2,431,677	2,528,704
Net premiums earned - run-off Life operations	2,824	3,310	3,015	2,360	3,508
Net investment income - Life Funds Withheld Assets (Note 2)	31,439	33,364	35,108	38,937	39,146
Net investment income - excluding Life Funds Withheld Assets (Note 2)	177,235	167,168	160,980	170,834	176,242
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2)	29,778	34,474	44,048	44,011	30,114
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2)	49,169	4,218	43,242	58,395	19,468
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 2)	-	-	-	-	(252)
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2)	(22,319)	(1,406)	(56,195)	41,270	55,287
Net realized and unrealized gains (losses) on derivative instruments	(906)	(7,069)	(253)	5,490	906
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	(34,596)	(50,101)	151,342	(225,610)	(229,742)
Net income (loss) from investment fund affiliates (Note 3)	30,818	38,261	50,002	12,156	13,179
Fee income and other	10,225	13,661	7,968	8,600	10,862
Total revenues	\$ 2,787,760	\$ 2,755,361	\$ 2,893,317	\$ 2,588,120	\$ 2,647,422
Expenses					
Net losses and loss expenses incurred - P&C operations	\$ 1,529,083	\$ 1,583,456	\$ 1,566,161	\$ 1,491,803	\$ 1,632,386
Claims and policy benefits - run-off Life operations	7,595	7,291	11,950	5,875	5,482
Acquisition costs	433,584	435,869	392,996	403,888	420,520
Operating expenses	472,778	468,038	517,002	508,458	522,521
Foreign exchange losses (gains)	(5,643)	(3,336)	45,036	(1,695)	(19,100)
Loss (Gain) on sale of subsidiary (Note 4)	-	-	(3,418)	(3,670)	-
Interest expense - debt and other	43,422	40,250	41,687	43,025	43,733
Interest expense - deposit liability accretion	10,596	10,461	10,590	6,420	12,005
Total expenses	\$ 2,491,415	\$ 2,542,029	\$ 2,582,004	\$ 2,454,104	\$ 2,617,547
Income (loss) before income (loss) from operating affiliates and income tax	\$ 296,345	\$ 213,332	\$ 311,313	\$ 134,016	\$ 29,875
Income (loss) from operating affiliates (Note 3)	42,704	13,609	(2,081)	12,410	21,418
Provision (benefit) for income taxes	29,006	13,092	(382)	17,749	2,467
Net income (loss)	\$ 310,043	\$ 213,849	\$ 309,614	\$ 128,677	\$ 48,826
Non-controlling interests	(8,423)	(61,006)	(4,914)	(58,076)	(5,044)
Net income (loss) attributable to common shareholders	\$ 301,620	\$ 152,843	\$ 304,700	\$ 70,601	\$ 43,782
Reconciliation of Non-GAAP Financial Information:					
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2)	(29,778)	(34,474)	(44,048)	(44,011)	(30,114)
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets (Note 2)	(49,169)	(4,218)	(43,242)	(58,395)	(19,468)
OTTI on investments - Life Funds Withheld Assets (Note 2)	-	-	-	-	252
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2)	22,319	1,406	56,195	(41,270)	(55,287)
Net realized and unrealized (gains) losses on derivatives	906	7,069	253	(5,490)	(906)
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance	115	(2,051)	700	-	1,818
Net investment income - Life Funds Withheld Assets (Note 2)	(31,439)	(33,364)	(35,108)	(38,937)	(39,146)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	34,596	50,101	(151,342)	225,610	229,742
Loss (gain) on sale of subsidiary (Note 4)	-	-	(3,418)	(3,670)	-
Foreign exchange (gains) losses	(5,643)	(3,336)	45,036	(1,695)	(19,100)
Provision (benefit) for income tax on items excluded from operating income	11,553	2,167	(1,286)	19,711	(5,126)
Operating Net Income (Note 5)	\$ 255,080	\$ 136,143	\$ 128,440	\$ 122,454	\$ 106,447

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- On May 1, 2014, our wholly-owned subsidiary XLIB Ltd (on June 9, 2016, XLIB Ltd 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. During 2015, we entered into another reinsurance agreement (the "U.S. Term Life Retro Arrangements") ceding the vast majority of the remaining life reinsurance business.
- Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively. 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.
- On September 30, 2016, the Company completed the sale of its wholly-owned subsidiary, XL Life Insurance and Annuity Company ("XLLIAC") and, as a result, recorded a \$3.7 million gain and during Q4 2016 the Company recognized a \$3.4 million gain on the partial sale of its holdings in New Ocean Capital Management.
- Operating net income is defined as net income (loss) attributable to common 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 the Company's 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 XLLIAC and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the 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. "Operating net income" is a non-GAAP financial measure. For further information see page 37 for Comment on Regulation G.

RETURN ON COMMON SHAREHOLDERS' EQUITY

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

(Unaudited)
(Note 1)

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016
Return on Common Shareholders' Equity					
Opening shareholders' equity	\$ 13,000,626	\$ 12,960,679	\$ 13,592,880	\$ 13,663,932	\$ 13,667,718
Less: Non-controlling interest in equity of consolidated subsidiaries	(2,025,742)	(2,022,167)	(1,980,714)	(1,978,744)	(1,978,744)
Opening common shareholders' equity	10,974,884	10,938,512	11,612,166	11,685,188	11,688,744
Closing shareholders' equity	13,102,407	13,000,626	12,960,679	13,592,880	13,663,932
Less: Non-controlling interest in equity of consolidated subsidiaries	(2,021,855)	(2,025,742)	(2,022,167)	(1,980,714)	(1,978,744)
Closing common shareholders' equity	11,080,552	10,974,884	10,938,512	11,612,166	11,685,188
Average common shareholders' equity	11,027,718	10,956,698	11,275,339	11,648,677	11,686,966
Opening AOCI, net of tax	844,974	715,546	1,519,805	1,408,587	1,094,557
Closing AOCI, net of tax	921,165	844,974	715,546	1,519,805	1,408,587
Average AOCI, net of tax (Note 2)	883,070	780,260	1,117,676	1,464,196	1,251,572
Average common shareholders' equity excluding AOCI	10,144,649	10,176,438	10,157,664	10,184,481	10,435,394
Integration costs	39,118	33,949	58,800	54,461	52,117
Integration costs, net of tax	34,971	30,181	53,802	49,832	47,671
Provision (benefit) for income tax on integration costs	(4,147)	(3,768)	(4,998)	(4,629)	(5,472)
Net income (loss) attributable to common shareholders	301,620	152,843	304,700	70,601	43,782
Annualized net income (loss) attributable to common shareholders	1,206,480	611,372	1,218,800	282,404	175,128
Operating Net Income (Note 3)	255,080	136,143	128,440	122,454	106,447
Annualized Operating Net Income (Note 3)	1,020,320	544,572	513,760	489,816	425,788
Operating Net Income (excluding integration costs) (Note 3)	290,051	166,324	182,242	172,286	153,092
Annualized Operating Net Income (excluding integration costs) (Note 3)	1,160,206	665,295	728,969	689,143	616,473
Annualized operating return on average common shareholders' equity (Note 3)	9.3%	5.0%	4.6%	4.2%	3.6%
Annualized operating return on average common shareholders' equity excluding AOCI (Note 3)	10.1%	5.4%	5.1%	4.8%	4.1%
Annualized operating return on average common shareholders' equity excluding integration costs (Note 3)	10.5%	6.1%	6.5%	5.9%	5.3%
Annualized operating return on average common shareholders' equity excluding integration costs and AOCI (Note 3)	11.4%	6.5%	7.2%	6.8%	5.9%

	At June 30, 2017	At March 31, 2017	At December 31, 2016	At September 30, 2016	At June 30, 2016
Book Value per Common Share					
Closing common shareholders' equity	\$ 11,080,552	\$ 10,974,884	\$ 10,938,512	\$ 11,612,166	\$ 11,685,188
Common shares outstanding (Note 4)	258,489,379	263,773,739	266,927,220	270,409,084	276,772,053
Dilutive impact of stock and options	4,369,403	3,233,867	4,297,570	3,644,978	3,387,463
Diluted shares outstanding	262,858,782	267,007,606	271,224,790	274,054,062	280,159,516
Book value per common share	\$ 42.87	\$ 41.61	\$ 40.98	\$ 42.94	\$ 42.22
Fully diluted book value per common share	\$ 42.15	\$ 41.10	\$ 40.33	\$ 42.37	\$ 41.71
Fully diluted tangible book value per common share (Note 5)	\$ 33.71	\$ 32.83	\$ 32.21	\$ 34.22	\$ 33.79

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- 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.
- Operating net income is defined as net income (loss) attributable to common 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 the Company'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 ARX Holding Corp., (10) our gain on the sale of our wholly-owned subsidiary XLLIAC and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the 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. "Operating net income", "annualized operating net income" and "annualized operating return on average common shareholders' equity" including and excluding average AOCI, both inclusive and exclusive of integration costs are non-GAAP financial measures. For further information see page 37 for Comment on Regulation G.
- Common shares outstanding include all common shares legally issued and outstanding (as disclosed on the face of the balance sheet) as well as all director share units outstanding.
- Fully diluted tangible book value per common share is a non-GAAP financial measure which represents book value per common share (total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries, goodwill and intangible assets, divided by the number of outstanding common shares combined with the dilutive impact of potential future share issues at any period end). 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.

CONSOLIDATED STATEMENTS OF INCOME AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues		
Gross premiums written	\$ 8,291,366	\$ 8,027,549
Net premiums written	\$ 5,632,335	\$ 5,790,878
Net premiums earned - P&C operations	\$ 5,033,574	\$ 4,880,150
Net premiums earned - run-off Life operations	6,134	6,672
Net investment income - Life Funds Withheld Assets (Note 2)	64,803	80,706
Net investment income - excluding Life Funds Withheld Assets (Note 2)	344,403	340,568
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2)	64,252	64,530
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2)	53,387	11,052
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 2)	-	(2,598)
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2)	(23,725)	124,383
Net realized and unrealized gains (losses) on derivative instruments	(7,975)	(2,716)
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	(84,697)	(465,822)
Net income (loss) from investment fund affiliates (Note 3)	69,079	8,600
Fee income and other	23,886	19,124
Total revenues	\$ 5,543,121	\$ 5,064,649
Expenses		
Net losses and loss expenses incurred - P&C operations	\$ 3,112,539	\$ 3,014,871
Claims and policy benefits - run-off Life operations	14,886	10,419
Acquisition costs	869,453	823,787
Operating expenses	940,816	1,037,902
Foreign exchange losses (gains)	(8,979)	(52,919)
Interest expense - debt and other	83,672	85,346
Interest expense - deposit liability accretion	21,057	22,695
Total expenses	\$ 5,033,444	\$ 4,942,101
Income (loss) before income (loss) from operating affiliates and income tax	\$ 509,677	\$ 122,548
Income (loss) from operating affiliates (Note 3)	56,313	34,068
Provision (benefit) for income taxes	42,098	24,762
Net income (loss)	\$ 523,892	\$ 131,854
Non-controlling interests	(69,429)	(66,187)
Net income (loss) attributable to common shareholders	\$ 454,463	\$ 65,667
Reconciliation of Non-GAAP Financial Information:		
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2)	(64,252)	(64,530)
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets (Note 2)	(53,387)	(11,052)
OTTI on investments - Life Funds Withheld Assets (Note 2)	-	2,598
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2)	23,725	(124,383)
Net realized and unrealized (gains) losses on derivatives	7,975	2,716
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	(1,936)	2,231
Net investment income - Life Funds Withheld Assets (Note 2)	(64,803)	(80,706)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	84,697	465,822
Foreign exchange (gains) losses	(8,979)	(52,919)
Provision (benefit) for income tax on items excluded from operating income	13,720	4,391
Operating Net Income (Note 4)	\$ 391,223	\$ 209,835

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation.
2. On May 1, 2014, our wholly-owned subsidiary 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.
3. Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively. 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.
4. Operating net income is defined as net income (loss) attributable to common 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 the Company'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 ARX Holding Corp., (10) our gain on the sale of our wholly-owned subsidiary XLLIAC and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the 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. "Operating net income" is a non-GAAP financial measure. For further information see page 37 for Comment on Regulation G.

RETURN ON COMMON SHAREHOLDERS' EQUITY

(U.S. dollars in thousands, except share and per share amounts)
(Unaudited)
(Note 1)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Return on Common Shareholders' Equity		
Opening shareholders' equity	\$ 12,960,679	\$ 13,654,463
Less: Non-controlling interest in equity of consolidated subsidiaries	(2,022,167)	(1,977,384)
Opening common shareholders' equity	10,938,512	11,677,079
Closing shareholders' equity	13,102,407	13,663,932
Less: Non-controlling interest in equity of consolidated subsidiaries	(2,021,855)	(1,978,744)
Closing common shareholders' equity	11,080,552	11,685,188
Average common shareholders' equity	11,009,532	11,681,134
Opening AOCI, net of tax	715,546	686,616
Closing AOCI, net of tax	921,165	1,408,587
Average AOCI, net of tax (Note 2)	818,356	1,047,602
Average common shareholders' equity excluding AOCI	10,191,177	10,633,533
Integration costs	73,067	107,104
Provision (benefit) for income tax on integration costs	(7,745)	(9,108)
Net income (loss) attributable to common shareholders	454,463	65,667
Annualized net income (loss) attributable to common shareholders	908,926	131,334
Operating Net Income (Note 3)	391,223	209,835
Annualized Operating Net Income (Note 3)	782,446	419,670
Operating Net Income (excluding integration costs) (Note 3)	456,545	307,831
Annualized Operating Net Income (excluding integration costs) (Note 3)	913,090	615,663
Annualized operating return on average common shareholders' equity (Note 3)	7.1%	3.6%
Annualized operating return on average common shareholders' equity excluding AOCI (Note 3)	7.7%	3.9%
Annualized operating return on average common shareholders' equity excluding integration costs (Note 3)	8.3%	5.3%
Annualized operating return on average common shareholders' equity excluding integration costs and AOCI (Note 3)	9.0%	5.8%
Book Value per Common Share		
Closing common shareholders' equity	\$ 11,080,552	\$ 10,938,512
Common shares outstanding (Note 4)	258,489,379	266,927,220
Dilutive impact of stock and options	4,369,403	4,297,570
Diluted shares outstanding	262,858,782	271,224,790
Book value per common share	\$ 42.87	\$ 40.98
Fully diluted book value per common share	\$ 42.15	\$ 40.33
Fully diluted tangible book value per common share (Note 5)	\$ 33.71	\$ 32.21

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- 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.
- Operating net income is defined as net income (loss) attributable to common 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 the Company'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 ARX Holding Corp., (10) our gain on the sale of our wholly-owned subsidiary XLLIAC and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the 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. "Operating net income", "annualized operating net income" and "annualized operating return on average common shareholders' equity" including and excluding average AOCI, both inclusive and exclusive of integration costs are non-GAAP financial measures. For further information see page 37 for Comment on Regulation G.
- Common shares outstanding include all common shares legally issued and outstanding (as disclosed on the face of the balance sheet) as well as all director share units outstanding.
- Fully diluted tangible book value per common share is a non-GAAP financial measure which represents book value per common share (total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries, goodwill and intangible assets, divided by the number of outstanding common shares combined with the dilutive impact of potential future share issues at any period end). 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.



SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30, 2017

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

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 2,576,754	\$ 977,676	\$ 3,554,430	\$ 58,519	\$ 3,612,949
Net premiums written	1,741,201	905,240	2,646,441	2,824	2,649,265
Net premiums earned	1,652,304	861,789	2,514,093	2,824	2,516,917
Net losses and loss expenses incurred	(1,077,087)	(451,996)	(1,529,083)	(7,595)	(1,536,678)
Acquisition expenses	(231,908)	(200,394)	(432,302)	(1,282)	(433,584)
Operating expenses (Note 2)	(288,681)	(69,435)	(358,116)	(278)	(358,394)
Underwriting (loss) profit	<u>\$ 54,628</u>	<u>\$ 139,964</u>	<u>\$ 194,592</u>	<u>\$ (6,331)</u>	<u>\$ 188,261</u>
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	31,439	31,439
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	155,559	8,157	163,716
Net investment results structured products (Note 4)	1,981	942	2,923	-	2,923
Net fee income and other (Note 5)	(2,826)	694	(2,132)	135	(1,997)
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			-	7,459	7,459
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			57,140	(7,971)	49,169
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(34,596)	(34,596)
Net realized and unrealized gains (losses) on derivative instruments				(906)	(906)
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)				73,522	73,522
Foreign exchange (gains) losses				(5,643)	(5,643)
Corporate operating expenses (Note 7)				102,162	102,162
Contribution from P&C and Corporate and other			<u>\$ 408,082</u>	<u>\$ (25,611)</u>	<u>\$ 382,471</u>
Interest expense					(43,422)
Non-controlling interests					(8,423)
Income taxes					(29,006)
Net (loss) income attributable to XL Group Ltd					<u>\$ 301,620</u>
Ratios - P&C operations:					
Loss and loss expense ratio	65.2%	52.4%	60.8%		
Underwriting expense ratio	31.5%	31.4%	31.5%		
Combined ratio	96.7%	83.8%	92.3%		
Total net prior year development	(17,227)	(69,505)	(86,732)		
Natural catastrophe losses (Note 8)	79,389	13,032	92,421		
Reinstatement premium	-	273	273		
Loss and loss expense ratio excluding net prior year development	66.2%	60.5%	64.3%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	61.4%	59.0%	60.6%		

Notes :

- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB (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 \$13.5 million and \$10.6 million, respectively.
- Net fee income and other includes operating expenses of \$12.2 million from the Company's loss prevention consulting services business.
- Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively.
- Corporate operating expenses include \$39.1 million of integration costs resulting from the Catlin Acquisition.
- Natural Catastrophes include US Storms as well as development on Cyclone Debbie and March Peru Flooding.



SEGMENT INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2017

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

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 2,694,216	\$ 1,927,390	\$ 4,621,606	\$ 56,811	\$ 4,678,417
Net premiums written	1,508,591	1,471,169	2,979,760	3,310	2,983,070
Net premiums earned	1,635,315	884,166	2,519,481	3,310	2,522,791
Net losses and loss expenses incurred	(1,060,363)	(523,093)	(1,583,456)	(7,291)	(1,590,747)
Acquisition expenses	(210,483)	(224,079)	(434,562)	(1,307)	(435,869)
Operating expenses (Note 2)	(285,729)	(71,757)	(357,486)	(233)	(357,719)
Underwriting (loss) profit	<u>\$ 78,740</u>	<u>\$ 65,237</u>	<u>\$ 143,977</u>	<u>\$ (5,521)</u>	<u>\$ 138,456</u>
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	33,364	33,364
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	146,566	7,227	153,793
Net investment results structured products (Note 4)	2,269	645	2,914	-	2,914
Net fee income and other (Note 5)	1,967	686	2,653	(438)	2,215
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			-	33,068	33,068
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			4,831	(613)	4,218
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 3)				(50,101)	(50,101)
Net realized and unrealized gains (losses) on derivative instruments				(7,069)	(7,069)
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)				51,870	51,870
Foreign exchange (gains) losses				(3,336)	(3,336)
Corporate operating expenses (Note 7)				98,873	98,873
Contribution from P&C and Corporate and other			\$ 300,941	\$ (33,750)	\$ 267,191
Interest expense					(40,250)
Non-controlling interests					(61,006)
Income taxes					(13,092)
Net (loss) income attributable to XL Group Ltd					\$ 152,843
Ratios - P&C operations:					
Loss and loss expense ratio	64.8%	59.2%	62.8%		
Underwriting expense ratio	30.4%	33.4%	31.5%		
Combined ratio	95.2%	92.6%	94.3%		
Total net prior year development	(4,642)	28,646	24,004		
Natural catastrophe losses (Note 8)	70,330	25,745	96,075		
Loss and loss expense ratio excluding net prior year development	65.1%	55.9%	61.9%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	60.8%	53.0%	58.1%		

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 (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 \$13.4 million and \$10.5 million, respectively.
- Net fee income and other includes operating expenses of \$11.4 million from the Company's loss prevention consulting services business.
- Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively.
- Corporate operating expenses include \$33.9 million of integration costs resulting from the Catlin Acquisition.
- Natural Catastrophes include Cyclone Debbie, US Storms and Peru Flooding.



SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30, 2016

(U.S. dollars in thousands, except ratios)
(Unaudited)
(Note 1)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 2)	TOTAL
Gross premiums written	\$ 2,512,012	\$ 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	1,696,720	831,984	2,528,704	3,508	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 3)	(307,468)	(68,260)	(375,728)	(405)	(376,133)
Underwriting (loss) profit	<u>\$ 61,099</u>	<u>\$ 40,794</u>	<u>\$ 101,893</u>	<u>\$ (4,202)</u>	<u>\$ 97,691</u>
Net investment income - Life Funds Withheld Assets (Note 4)	-	-	-	39,146	39,146
Net investment income - excluding Life Funds Withheld Assets (Note 4)	-	-	154,642	7,525	162,167
Net investment results structured products (Note 5)	2,765	(706)	2,059	-	2,059
Net fee income and other (Note 6)	(3,749)	1,248	(2,501)	171	(2,330)
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)				85,220	85,149
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)			27,948	(8,480)	19,468
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 4)				(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 7)				34,597	34,597
Foreign exchange (gains) losses				(19,100)	(19,100)
Corporate operating expenses (Note 8)				133,185	133,185
Contribution from P&C and Corporate and other			<u>\$ 283,970</u>	<u>\$ (188,944)</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 Ltd					<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 9)	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 :

- Certain amounts have been reclassified to conform with the current period presentation.
- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB (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.
- Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively.
- Corporate operating expenses include approximately \$52.1 million of integration costs resulting from the Catlin Acquisition.
- Natural Catastrophes include Alberta, Canada Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japanese and Ecuador Earthquakes and March US Storms.

PREMIUMS BY LINE OF BUSINESS

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

	FOR THE THREE MONTHS ENDED JUNE 30, 2017				FOR THE THREE MONTHS ENDED JUNE 30, 2016			
	<u>GROSS PREMIUMS WRITTEN</u>				<u>GROSS PREMIUMS WRITTEN</u>			
	Insurance	Reinsurance	Corporate and Other (Note 2)	Total	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:								
Professional	\$ 494,463	\$ 9,037		\$ 503,500	\$ 412,926	\$ 43,437	\$ -	\$ 456,363
Casualty	865,022	147,972		1,012,994	810,522	173,647	-	984,169
Property catastrophe	-	305,487		305,487	-	343,173	-	343,173
Property	622,857	383,348		1,006,205	710,956	298,143	-	1,009,099
Specialty	595,619	62,481		658,100	578,550	60,882	-	639,432
Other (Note 3)	(1,207)	69,351		68,144	(942)	99,484	-	98,542
Total P&C operations	2,576,754	977,676	-	3,554,430	2,512,012	1,018,766	-	3,530,778
Corporate and Other :								
Run-Off Life Operations - Annuity			26,674	26,674			31,783	31,783
Run-Off Life Operations - Other Life			31,845	31,845			36,762	36,762
Total Corporate and Other	-	-	58,519	58,519	-	-	68,545	68,545
Total	\$ 2,576,754	\$ 977,676	\$ 58,519	\$ 3,612,949	\$ 2,512,012	\$ 1,018,766	\$ 68,545	\$ 3,599,323
	NET PREMIUMS WRITTEN				NET PREMIUMS WRITTEN			
P&C Operations:								
Professional	\$ 327,789	\$ 8,980		\$ 336,769	\$ 263,011	\$ 42,121	\$ -	\$ 305,132
Casualty	516,747	137,571		654,318	517,335	167,882	-	685,217
Property catastrophe	-	275,448		275,448	-	287,459	-	287,459
Property	463,062	365,413		828,475	513,030	299,792	-	812,822
Specialty	434,920	55,173		490,093	477,236	51,155	-	528,391
Other (Note 3)	(1,317)	62,655		61,338	9,580	94,010	-	103,590
Total P&C operations	1,741,201	905,240	-	2,646,441	1,780,192	942,419	-	2,722,611
Corporate and Other :								
Run-Off Life Operations - Annuity			-	-			1	1
Run-Off Life Operations - Other Life			2,824	2,824			3,507	3,507
Total Corporate and Other	-	-	2,824	2,824	-	-	3,508	3,508
Total	\$ 1,741,201	\$ 905,240	\$ 2,824	\$ 2,649,265	\$ 1,780,192	\$ 942,419	\$ 3,508	\$ 2,726,119
	NET PREMIUMS EARNED				NET PREMIUMS EARNED			
P&C Operations:								
Professional	\$ 306,072	\$ 54,304		\$ 360,376	\$ 292,764	\$ 39,798	\$ -	\$ 332,562
Casualty	542,439	149,627		692,066	563,159	191,447	-	754,606
Property catastrophe	-	164,057		164,057	-	214,313	-	214,313
Property	401,446	286,493		687,939	376,529	260,270	-	636,799
Specialty	403,101	47,676		450,777	454,688	45,812	-	500,500
Other (Note 3)	(754)	159,632		158,878	9,580	80,344	-	89,924
Total P&C operations	1,652,304	861,789	-	2,514,093	1,696,720	831,984	-	2,528,704
Corporate and Other :								
Run-Off Life Operations - Annuity			-	-			1	1
Run-Off Life Operations - Other Life			2,824	2,824			3,507	3,507
Total Corporate and Other	-	-	2,824	2,824	-	-	3,508	3,508
Total	\$ 1,652,304	\$ 861,789	\$ 2,824	\$ 2,516,917	\$ 1,696,720	\$ 831,984	\$ 3,508	\$ 2,532,212

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation.
2. Corporate and Other includes the Company's run-off Life operations.
3. Other within the Insurance segment includes: 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)



	<u>Three Months Ended June 30, 2017</u>	<u>Three Months Ended March 31, 2017</u>	<u>Three Months Ended December 31, 2016</u>	<u>Three Months Ended September 30, 2016</u>	<u>Three Months Ended June 30, 2016</u>	<u>% Change Q2 17 vs. Q1 17 vs. Q2 16</u>
Gross premiums written	\$ 2,576,754	\$ 2,694,216	\$ 2,481,140	\$ 2,153,379	\$ 2,512,012	-4.4% 2.6%
Net premiums written	1,741,201	1,508,591	1,816,711	1,615,132	1,780,192	15.4% -2.2%
Net premiums earned	1,652,304	1,635,315	1,707,440	1,653,461	1,696,720	1.0% -2.6%
Net losses incurred	(1,077,087)	(1,060,363)	(1,157,138)	(1,068,268)	(1,095,739)	1.6% -1.7%
Acquisition expenses	(231,908)	(210,483)	(218,299)	(221,137)	(232,414)	10.2% -0.2%
Operating expenses (Note 2)	(288,681)	(285,729)	(301,960)	(302,373)	(307,468)	1.0% -6.1%
Underwriting profit (loss)	\$ 54,628	\$ 78,740	\$ 30,043	\$ 61,683	\$ 61,099	-30.6% -10.6%

RATIOS

Loss and loss expense ratio	65.2%	64.8%	67.8%	64.6%	64.6%
Acquisition expense ratio	14.0%	12.9%	12.8%	13.4%	13.7%
Operating expense ratio	17.5%	17.5%	17.6%	18.3%	18.1%
Combined ratio	96.7%	95.2%	98.2%	96.3%	96.4%
Total net prior year development, strengthening (release)	\$ (17,227)	\$ (4,642)	\$ (23,961)	\$ (22,685)	\$ (33,455)
Natural catastrophe losses	79,389	70,330	126,208	71,157	97,230
Loss and loss expense ratio excluding net prior year development	66.2%	65.1%	69.2%	66.0%	66.6%
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	61.4%	60.8%	61.8%	61.7%	60.8%
Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	92.9%	91.2%	92.3%	93.3%	92.6%

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation.
2. Operating expenses exclude corporate operating expenses.

REINSURANCE SEGMENT

(U.S. dollars in thousands)
(Unaudited)
(Note 1, 2)



	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	% Change Q2 17 vs. Q1 17	vs. Q2 16
Gross premiums written	\$ 977,676	\$ 1,927,390	\$ 535,456	\$ 565,541	\$ 1,018,766	-49.3%	-4.0%
Net premiums written	905,240	1,471,169	496,421	518,166	942,419	-38.5%	-3.9%
Net premiums earned	861,789	884,166	746,620	778,216	831,984	-2.5%	3.6%
Net losses incurred	(451,996)	(523,093)	(409,023)	(423,535)	(536,647)	-13.6%	-15.8%
Acquisition expenses	(200,394)	(224,079)	(173,208)	(181,749)	(186,283)	-10.6%	7.6%
Operating expenses (Note 3)	(69,435)	(71,757)	(68,012)	(67,764)	(68,260)	-3.2%	1.7%
Underwriting profit (loss)	\$ 139,964	\$ 65,237	\$ 96,377	\$ 105,168	\$ 40,794	NM	NM
RATIOS							
Loss and loss expense ratio	52.4%	59.2%	54.8%	54.4%	64.5%		
Acquisition expense ratio	23.3%	25.3%	23.2%	23.4%	22.4%		
Operating expense ratio	8.1%	8.1%	9.1%	8.7%	8.2%		
Combined ratio	83.8%	92.6%	87.1%	86.5%	95.1%		
Total net prior year development, strengthening (release)	\$ (69,505)	\$ 28,646	\$ (81,934)	\$ (30,920)	\$ (65,175)		
Natural catastrophe losses	13,032	25,745	123,746	27,986	157,045		
Reinstatement premium	273	-	3,856	1,777	14,179		
Loss and loss expense ratio excluding net prior year development	60.5%	55.9%	65.8%	58.4%	72.3%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	59.0%	53.0%	49.4%	54.9%	54.4%		
Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	90.3%	86.5%	81.9%	87.1%	85.5%		

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.
3. Operating expenses exclude corporate operating expenses.

NM = Not meaningful

**SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT ("PYD") AND NATURAL CATASTROPHES
THREE MONTHS ENDED JUNE 30, 2017 vs JUNE 30, 2016**

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



	FOR THE THREE MONTHS ENDED JUNE 30, 2017					FOR THE THREE MONTHS ENDED JUNE 30, 2016				
	Including Cats & PYD	PYD	Excluding PYD but incl. Cats (Note 1)	Cats	Excluding Cats and PYD	Including Cats & PYD	PYD	Excluding PYD but incl. Cats (Note 2 and 3)	Cats	Excluding Cats and PYD
INSURANCE										
Gross premiums written	\$ 2,576,754	-	\$ 2,576,754	-	\$ 2,576,754	\$ 2,512,012	-	\$ 2,512,012	-	\$ 2,512,012
Net premiums written	1,741,201	-	1,741,201	-	1,741,201	1,780,192	-	1,780,192	-	1,780,192
Net premiums earned	1,652,304	-	1,652,304	-	1,652,304	1,696,720	-	1,696,720	-	1,696,720
Net losses incurred	1,077,087	(17,227)	1,094,314	79,389	1,014,925	1,095,739	(33,455)	1,129,194	97,230	1,031,964
Acquisition expenses	231,908	-	231,908	-	231,908	232,414	-	232,414	-	232,414
Operating expenses	288,681	-	288,681	-	288,681	307,468	-	307,468	-	307,468
Underwriting profit / (loss)	\$ 54,628	\$ 17,227	\$ 37,401	\$ (79,389)	\$ 116,790	\$ 61,099	\$ 33,455	\$ 27,644	\$ (97,230)	\$ 124,874
Loss Ratio	65.2%		66.2%		61.4%	64.6%		66.6%		60.8%
Combined Ratio	96.7%		97.7%		92.9%	96.4%		98.4%		92.6%
REINSURANCE										
Gross premiums written	\$ 977,676	-	\$ 977,676	\$ 280	\$ 977,396	\$ 1,018,766	-	\$ 1,018,766	\$ 15,435	\$ 1,003,331
Net premiums written	905,240	-	905,240	273	904,967	942,419	-	942,419	14,179	928,240
Net premiums earned	861,789	-	861,789	273	861,516	831,984	-	831,984	14,179	817,805
Net losses incurred	451,996	(69,505)	521,501	13,032	508,469	536,647	(65,175)	601,822	157,045	444,777
Acquisition expenses	200,394	-	200,394	-	200,394	186,283	-	186,283	-	186,283
Operating expenses	69,435	-	69,435	-	69,435	68,260	-	68,260	-	68,260
Underwriting profit / (loss)	\$ 139,964	\$ 69,505	\$ 70,459	\$ (12,759)	\$ 83,218	\$ 40,794	\$ 65,175	\$ (24,381)	\$ (142,866)	\$ 118,485
Loss Ratio	52.4%		60.5%		59.0%	64.5%		72.3%		54.4%
Combined Ratio	83.8%		91.8%		90.3%	95.1%		102.9%		85.5%
TOTAL										
Gross premiums written	\$ 3,554,430	-	\$ 3,554,430	\$ 280	\$ 3,554,150	\$ 3,530,778	-	\$ 3,530,778	\$ 15,435	\$ 3,515,343
Net premiums written	2,646,441	-	2,646,441	273	2,646,168	2,722,611	-	2,722,611	14,179	2,708,432
Net premiums earned	2,514,093	-	2,514,093	273	2,513,820	2,528,704	-	2,528,704	14,179	2,514,525
Net losses incurred	1,529,083	(86,732)	1,615,815	92,421	1,523,394	1,632,386	(98,630)	1,731,016	254,275	1,476,741
Acquisition expenses	432,302	-	432,302	-	432,302	418,697	-	418,697	-	418,697
Operating expenses	358,116	-	358,116	-	358,116	375,728	-	375,728	-	375,728
Underwriting profit / (loss)	\$ 194,592	\$ 86,732	\$ 107,860	\$ (92,148)	\$ 200,008	\$ 101,893	\$ 98,630	\$ 3,263	\$ (240,096)	\$ 243,359
Loss Ratio	60.8%		64.3%		60.6%	64.6%		68.5%		58.7%
Combined Ratio	92.3%		95.7%		92.0%	96.0%		99.9%		90.3%

- Notes:**
- 2017 Natural Catastrophes include US Storms as well as development on Cyclone Debbie and March Peru Flooding.
 - Certain amounts have been reclassified to conform with the current period presentation.
 - 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 SIX MONTHS ENDED JUNE 30, 2017

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

(Unaudited)

(Note 1)



	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 5,270,970	\$ 2,905,066	\$ 8,176,036	\$ 115,330	\$ 8,291,366
Net premiums written	\$ 3,249,792	\$ 2,376,409	\$ 5,626,201	\$ 6,134	\$ 5,632,335
Net premiums earned	\$ 3,287,619	\$ 1,745,955	\$ 5,033,574	\$ 6,134	\$ 5,039,708
Net losses and loss expenses incurred	(2,137,450)	(975,089)	(3,112,539)	(14,886)	(3,127,425)
Acquisition expenses	(442,391)	(424,473)	(866,864)	(2,589)	(869,453)
Operating expenses (Note 2)	(574,410)	(141,192)	(715,602)	(511)	(716,113)
Underwriting (loss) profit	<u>\$ 133,368</u>	<u>\$ 205,201</u>	<u>\$ 338,569</u>	<u>\$ (11,852)</u>	<u>\$ 326,717</u>
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	64,803	64,803
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	302,125	15,384	317,509
Net investment results structured products (Note 4)	4,250	1,587	5,837	-	5,837
Net fee income and other (Note 5)	(859)	1,380	521	(303)	218
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			-	40,527	40,527
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			61,971	(8,584)	53,387
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(84,697)	(84,697)
Net realized and unrealized gains (losses) on derivative instruments				(7,975)	(7,975)
Net income (loss) from investment fund affiliates and operating affiliates (Note 6)				125,392	125,392
Foreign exchange (gains) losses				(8,979)	(8,979)
Corporate operating expenses (Note 7)				201,035	201,035
Contribution from P&C and Corporate and other			<u>\$ 709,023</u>	<u>\$ (59,361)</u>	<u>\$ 649,662</u>
Interest expense					(83,672)
Non-controlling interests					(69,429)
Income tax					(42,098)
Net (loss) income attributable to XL Group Ltd					<u>\$ 454,463</u>
Ratios - P&C operations:					
Loss and loss expense ratio	65.0%	55.8%	61.8%		
Underwriting expense ratio	30.9%	32.4%	31.5%		
Combined ratio	95.9%	88.2%	93.3%		
Total net prior year development	(21,869)	(40,859)	(62,728)		
Natural catastrophe losses (Note 8)	149,719	38,777	188,496		
Reinstatement premium	-	273	273		
Loss and loss expense ratio excluding net prior year development	65.7%	58.2%	63.1%		
Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium	61.1%	56.0%	59.3%		

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 (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 \$26.9 million and \$21.1 million, respectively.
- Net fee income and other includes operating expenses of \$23.7 million from the Company's loss prevention consulting services business.
- Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively.
- Corporate operating expenses include approximately \$73.1 million of integration costs resulting from the Catlin Acquisition.
- 2017 Natural Catastrophes include US Storms, Cyclone Debbie and March Peru Flooding.



SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2016

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

(Unaudited)
(Note 1)

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 2)	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	\$ 3,290,594	\$ 1,589,556	\$ 4,880,150	\$ 6,672	\$ 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 3)	(619,900)	(147,494)	(767,394)	(623)	(768,017)
Underwriting (loss) profit	<u>\$ 117,491</u>	<u>\$ 159,891</u>	<u>\$ 277,382</u>	<u>\$ (7,654)</u>	<u>\$ 269,728</u>
Net investment income - Life Funds Withheld Assets (Note 4)	-	-	-	80,706	80,706
Net investment income - excluding Life Funds Withheld Assets (Note 4)	-	-	297,773	16,058	313,831
Net investment results structured products (Note 5)	3,987	42	4,029	-	4,029
Net fee income and other (Note 6)	(7,611)	2,085	(5,526)	473	(5,053)
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)			(71)	186,386	186,315
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)			16,788	(5,736)	11,052
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 4)				(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 7)				42,668	42,668
Foreign exchange (gains) losses				(52,919)	(52,919)
Corporate operating expenses (Note 8)				245,695	245,695
Contribution from P&C and Corporate and other			\$ 590,375	\$ (348,413)	\$ 241,962
Interest expense					(85,346)
Non-controlling interests					(66,187)
Income taxes					(24,762)
Net (loss) income attributable to XL Group Ltd					\$ 65,667
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 :

- Certain amounts have been reclassified to conform with the current period presentation.
- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB (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.
- Income related to the alternative funds and to the private investment and operating fund affiliates are on a one-month and three-month lag, respectively.
- Operating expenses includes approximately \$107.1 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, Taiwan and Ecuador Earthquakes and US Storms.

PREMIUMS BY LINE OF BUSINESS

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



FOR THE SIX MONTHS ENDED JUNE 30, 2017 GROSS PREMIUMS WRITTEN

	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:				
Professional	\$ 874,853	\$ 160,225		\$ 1,035,078
Casualty	1,804,994	458,186		2,263,180
Property catastrophe	-	788,405		788,405
Property	1,331,592	985,374		2,316,966
Specialty	1,258,397	172,006		1,430,403
Other (Note 3)	1,134	340,870		342,004
Total P&C operations	5,270,970	2,905,066		8,176,036
Corporate and Other :				
Run-Off Life Operations - Annuity			53,615	53,615
Run-Off Life Operations - Other Life			61,715	61,715
Total Corporate and Other			115,330	115,330
Total	\$ 5,270,970	\$ 2,905,066	\$ 115,330	\$ 8,291,366

NET PREMIUMS WRITTEN

	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:				
Professional	\$ 546,108	\$ 151,874		\$ 697,982
Casualty	1,014,626	426,784		1,441,410
Property catastrophe	-	462,509		462,509
Property	803,670	876,309		1,679,979
Specialty	884,676	146,230		1,030,906
Other (Note 3)	712	312,703		313,415
Total P&C operations	3,249,792	2,376,409		5,626,201
Corporate and Other :				
Run-Off Life Operations - Annuity			-	-
Run-Off Life Operations - Other Life			6,134	6,134
Total Corporate and Other			6,134	6,134
Total	\$ 3,249,792	\$ 2,376,409	\$ 6,134	\$ 5,632,335

NET PREMIUMS EARNED

	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:				
Professional	\$ 611,556	\$ 107,230		\$ 718,786
Casualty	1,072,792	306,261		1,379,053
Property catastrophe	-	312,463		312,463
Property	795,790	558,839		1,354,629
Specialty	805,787	84,302		890,089
Other (Note 3)	1,694	376,860		378,554
Total P&C operations	3,287,619	1,745,955		5,033,574
Corporate and Other :				
Run-Off Life Operations - Annuity			-	-
Run-Off Life Operations - Other Life			6,134	6,134
Total Corporate and Other			6,134	6,134
Total	\$ 3,287,619	\$ 1,745,955	\$ 6,134	\$ 5,039,708

Notes:

1. Certain amounts have been reclassified to conform with the current period presentation.
2. Corporate and Other includes the Company's run-off Life operations.
3. Other within the Insurance segment includes: 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.

FOR THE SIX MONTHS ENDED JUNE 30, 2016 GROSS PREMIUMS WRITTEN

	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:				
Professional	\$ 794,186	\$ 91,625	-	\$ 885,811
Casualty	1,637,110	539,012	-	2,176,122
Property catastrophe	-	852,761	-	852,761
Property	1,358,776	862,248	-	2,221,024
Specialty	1,227,569	179,593	-	1,407,162
Other (Note 3)	(1,657)	348,870	-	347,213
Total P&C operations	5,015,984	2,874,109	-	7,890,093
Corporate and Other :				
Run-Off Life Operations - Annuity			63,718	63,718
Run-Off Life Operations - Other Life			73,738	73,738
Total Corporate and Other			137,456	137,456
Total	\$ 5,015,984	\$ 2,874,109	\$ 137,456	\$ 8,027,549

NET PREMIUMS WRITTEN

	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:				
Professional	\$ 508,413	\$ 91,451	-	\$ 599,864
Casualty	1,033,271	512,726	-	1,545,997
Property catastrophe	-	653,387	-	653,387
Property	817,266	764,789	-	1,582,055
Specialty	916,293	157,478	-	1,073,771
Other (Note 3)	8,883	320,249	-	329,132
Total P&C operations	3,284,126	2,500,080	-	5,784,206
Corporate and Other :				
Run-Off Life Operations - Annuity			1	1
Run-Off Life Operations - Other Life			6,671	6,671
Total Corporate and Other			6,672	6,672
Total	\$ 3,284,126	\$ 2,500,080	\$ 6,672	\$ 5,790,878

NET PREMIUMS EARNED

	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:				
Professional	\$ 597,045	\$ 82,953	-	\$ 679,998
Casualty	1,083,586	346,186	-	1,429,772
Property catastrophe	-	419,614	-	419,614
Property	722,717	514,669	-	1,237,386
Specialty	878,364	82,005	-	960,369
Other (Note 3)	8,882	144,129	-	153,011
Total P&C operations	3,290,594	1,589,556	-	4,880,150
Corporate and Other :				
Run-Off Life Operations - Annuity			1	1
Run-Off Life Operations - Other Life			6,671	6,671
Total Corporate and Other			6,672	6,672
Total	\$ 3,290,594	\$ 1,589,556	\$ 6,672	\$ 4,886,822



**SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT AND NATURAL CATASTROPHES
FOR THE SIX MONTHS ENDED JUNE 30, 2017 vs JUNE 30, 2016**

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

	FOR THE SIX MONTHS ENDED JUNE 30, 2017					FOR THE SIX MONTHS ENDED JUNE 30, 2016				
	Including Cats & PYD	PYD	Excluding PYD but incl. Cats (Note 1)	Cats	Excluding Cats and PYD	Including Cats & PYD	PYD	Excluding PYD but incl. Cats (Note 2 and 3)	Cats	Excluding Cats and PYD
INSURANCE										
Gross premiums written	\$ 5,270,970	-	\$ 5,270,970	-	\$ 5,270,970	\$ 5,015,984	-	\$ 5,015,984	-	\$ 5,015,984
Net premiums written	3,249,792	-	3,249,792	-	3,249,792	3,284,126	-	3,284,126	-	3,284,126
Net premiums earned	3,287,619	-	3,287,619	-	3,287,619	3,290,594	-	3,290,594	-	3,290,594
Net losses incurred	2,137,450	(21,869)	2,159,319	149,719	2,009,600	2,095,331	(44,813)	2,140,144	132,513	2,007,631
Acquisition expenses	442,391	-	442,391	-	442,391	457,872	-	457,872	-	457,872
Operating expenses	574,410	-	574,410	-	574,410	619,900	-	619,900	-	619,900
Underwriting profit / (loss)	\$ 133,368	\$ 21,869	\$ 111,499	\$ (149,719)	\$ 261,218	\$ 117,491	\$ 44,813	\$ 72,678	\$ (132,513)	\$ 205,191
Loss Ratio	65.0%		65.7%		61.1%	63.7%		65.0%		61.0%
Combined Ratio	95.9%		96.6%		92.1%	96.4%		97.8%		93.8%
REINSURANCE										
Gross premiums written	\$ 2,905,066	-	\$ 2,905,066	\$ 280	\$ 2,904,786	\$ 2,874,109	-	\$ 2,874,109	\$ 17,435	\$ 2,856,674
Net premiums written	2,376,409	-	2,376,409	273	2,376,136	2,500,080	-	2,500,080	16,179	2,483,901
Net premiums earned	1,745,955	-	1,745,955	273	1,745,682	1,589,556	-	1,589,556	16,179	1,573,377
Net losses incurred	975,089	(40,859)	1,015,948	38,777	977,171	919,540	(97,229)	1,016,769	176,538	840,231
Acquisition expenses	424,473	-	424,473	-	424,473	362,631	-	362,631	-	362,631
Operating expenses	141,192	-	141,192	-	141,192	147,494	-	147,494	-	147,494
Underwriting profit / (loss)	\$ 205,201	\$ 40,859	\$ 164,342	\$ (38,504)	\$ 202,846	\$ 159,891	\$ 97,229	\$ 62,662	\$ (160,359)	\$ 223,021
Loss Ratio	55.8%		58.2%		56.0%	57.8%		64.0%		53.4%
Combined Ratio	88.2%		90.6%		88.4%	89.9%		96.1%		85.8%
TOTAL										
Gross premiums written	\$ 8,176,036	-	\$ 8,176,036	\$ 280	\$ 8,175,756	\$ 7,890,093	-	\$ 7,890,093	\$ 17,435	\$ 7,872,658
Net premiums written	5,626,201	-	5,626,201	273	5,625,928	5,784,206	-	5,784,206	16,179	5,768,027
Net premiums earned	5,033,574	-	5,033,574	273	5,033,301	4,880,150	-	4,880,150	16,179	4,863,971
Net losses incurred	3,112,539	(62,728)	3,175,267	188,496	2,986,771	3,014,871	(142,042)	3,156,913	309,051	2,847,862
Acquisition expenses	866,864	-	866,864	-	866,864	820,503	-	820,503	-	820,503
Operating expenses	715,602	-	715,602	-	715,602	767,394	-	767,394	-	767,394
Underwriting profit / (loss)	\$ 338,569	\$ 62,728	\$ 275,841	\$ (188,223)	\$ 464,064	\$ 277,382	\$ 142,042	\$ 135,340	\$ (292,872)	\$ 428,212
Loss Ratio	61.8%		63.1%		59.3%	61.8%		64.7%		58.6%
Combined Ratio	93.3%		94.5%		90.8%	94.3%		97.2%		91.2%

Notes:

1. 2017 Natural Catastrophes include US Storms, Cyclone Debbie and March Peru Flooding.
2. Certain amounts have been reclassified to conform with the current period presentation.
3. 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.



EFFECTIVE TAX RATE ANALYSIS

(U.S. Dollars in thousands)

(Unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30, 2017				FOR THE SIX MONTHS ENDED JUNE 30, 2017			
	Profit/(loss) before tax	Tax Expense /(Benefit)	Net Income/ (Loss)	Effective Tax Rate	Profit/(loss) before tax	Tax Expense /(Benefit)	Net Income/ (Loss)	Effective Tax Rate
Net Income/(Loss) - before non-controlling interest	\$ 339,049	\$ 29,006	\$ 310,043	8.6%	\$ 565,990	\$ 42,098	\$ 523,892	7.4%
Non-controlling interest expense	(8,423)		(8,423)		(69,429)		(69,429)	
Net Income/(Loss) attributable to common shareholders	<u>330,626</u>	<u>29,006</u>	<u>301,620</u>	<u>8.8%</u>	<u>496,561</u>	<u>42,098</u>	<u>454,463</u>	<u>8.5%</u>
Adjustments to Net Income (Note 1)	(58,093)	(853)	(57,240)	1.5%	(76,960)	2,380	(79,340)	-3.1%
Operating Net Income, excluding impact of discrete tax adj (Note 2)	<u>272,533</u>	<u>28,153</u>	<u>244,380</u>	<u>10.3%</u>	<u>419,601</u>	<u>44,478</u>	<u>375,123</u>	<u>10.6%</u>
Discrete Tax Expense/(Benefit) Adjustments		(10,700)	10,700			(16,100)	16,100	
Operating Net Income, including impact of discrete tax adj (Note 2)	<u>\$ 272,533</u>	<u>\$ 17,453</u>	<u>\$ 255,080</u>	<u>6.4%</u>	<u>\$ 419,601</u>	<u>\$ 28,378</u>	<u>\$ 391,223</u>	<u>6.8%</u>

Note:

1. Adjustments to Net Income represents the reconciliation of non-GAAP financial information.

2. Operating net income is defined as net income (loss) attributable to common 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 The Company'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 ARX Holding Corp., (10) our gain on the sale of our wholly-owned subsidiary XLLIAC and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the 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. "Operating net income" is a non-GAAP financial measure. For further information see page 37 for Comment on Regulation G.



BALANCE SHEETS



CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

(Note 1)

	At June 30, 2017	At March 31, 2017	At December 31, 2016	At September 30, 2016	At June 30, 2016
Assets					
Fixed maturities, available for sale at fair value (Note 2)	\$ 30,810,724	\$ 30,651,790	\$ 30,256,602	\$ 31,934,135	\$ 31,858,724
Equity securities, at fair value (Note 3)	1,174,500	1,094,509	1,037,331	1,038,165	1,039,793
Short-term investments, at fair value (Note 4)	617,894	260,153	625,193	652,772	444,301
Total investments available for sale	32,603,118	32,006,452	31,919,126	33,625,072	33,342,818
Fixed maturities, at fair value (Note 5)	1,772,877	1,700,108	1,617,014	1,608,882	1,478,407
Short-term investments, at fair value (Note 6)	-	754	9,563	24,169	18,499
Total investments - trading	1,772,877	1,700,862	1,626,577	1,633,051	1,496,906
Investments in affiliates	2,127,115	2,172,611	2,177,645	2,118,489	1,968,801
Other investments	1,126,741	1,150,492	1,164,564	1,260,938	1,297,704
Total investments	37,629,851	37,030,417	36,887,912	38,637,550	38,106,229
Cash and cash equivalents	3,133,822	3,352,651	3,426,988	3,393,277	3,316,749
Restricted cash	181,230	160,523	153,504	150,118	181,858
Accrued investment income	270,730	262,237	284,366	285,504	289,911
Deferred acquisition costs and value of business acquired	1,143,671	1,161,159	946,721	989,733	1,050,653
Ceded unearned premiums	2,566,652	2,501,294	1,687,864	1,917,127	2,174,219
Premiums receivable	6,973,206	6,746,116	5,522,976	5,925,969	6,469,371
Reinsurance balances receivable	755,511	641,720	577,479	524,343	563,673
Unpaid losses and loss expenses recoverable	5,858,369	5,685,623	5,491,297	5,481,882	5,426,773
Net receivable from investments sold	442,339	95,344	128,411	105,781	222,558
Goodwill and other intangible assets	2,219,390	2,208,612	2,203,653	2,234,071	2,217,973
Deferred tax assets	293,219	302,301	310,542	219,905	224,786
Other assets	914,260	876,622	812,389	906,790	953,487
Total assets	\$ 62,382,250	\$ 61,024,619	\$ 58,434,102	\$ 60,772,050	\$ 61,198,240
Liabilities					
Unpaid losses and loss expenses	\$ 26,822,346	\$ 26,445,124	\$ 25,939,571	\$ 26,170,383	\$ 26,020,564
Deposit liabilities	1,123,628	1,121,194	1,116,233	1,138,789	1,178,113
Future policy benefit reserves	3,591,573	3,520,069	3,506,047	3,721,451	3,798,278
Funds withheld liability on GreyCastle life retro arrangements, net of future policy benefit reserves recoverable (Note 7)	918,304	954,327	998,968	1,283,055	1,145,314
Unearned premiums	8,848,374	8,581,973	7,293,028	7,724,957	8,274,300
Notes payable and debt	3,207,339	2,648,353	2,647,677	2,647,000	2,646,324
Reinsurance balances payable	3,428,302	3,325,748	2,451,717	2,698,185	2,911,974
Net payable for investments purchased	268,771	211,880	226,009	370,456	175,153
Deferred tax liabilities	97,879	89,862	77,271	108,996	107,778
Other liabilities	973,327	1,125,463	1,216,902	1,315,898	1,276,510
Total liabilities	\$ 49,279,843	\$ 48,023,993	\$ 45,473,423	\$ 47,179,170	\$ 47,534,308
Commitments and contingencies					
Shareholders' equity					
Common shares, 999,990,000 authorized, par value \$0.01 (Note 8)	\$ 2,586	\$ 2,637	\$ 2,669	\$ 2,704	\$ 2,768
Additional paid in capital	7,790,913	7,934,161	8,068,503	8,165,141	8,341,882
Accumulated other comprehensive income (loss)	921,165	844,974	715,546	1,519,805	1,408,587
Retained earnings (deficit)	2,365,888	2,193,112	2,151,794	1,924,516	1,931,951
Shareholders' equity attributable to XL Group Ltd	11,080,552	10,974,884	10,938,512	11,612,166	11,685,188
Non-controlling interest in equity of consolidated subsidiaries	2,021,855	2,025,742	2,022,167	1,980,714	1,978,744
Total shareholders' equity	\$ 13,102,407	\$ 13,000,626	\$ 12,960,679	\$ 13,592,880	\$ 13,663,932
Total liabilities and shareholders' equity	\$ 62,382,250	\$ 61,024,619	\$ 58,434,102	\$ 60,772,050	\$ 61,198,240

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- Fixed maturities, available for sale at amortized cost: June 30, 2017 - \$30,012,097; March 31, 2017 - \$29,923,912; December 31, 2016 - \$29,587,656; September 30, 2016 - \$30,402,019; June 30, 2016 - \$30,389,600
- Equity securities at cost: June 30, 2017 - \$1,094,494; March 31, 2017 - \$1,017,172; December 31, 2016 - \$996,610; September 30, 2016 - \$968,040; June 30, 2016 - \$955,231
- Short-term investments at amortized cost: June 30, 2017 - \$617,866; March 31, 2017 - \$260,407; December 31, 2016 - \$626,142; September 30, 2016 - \$655,792; June 30, 2016 - \$446,469
- Fixed maturities at amortized cost: June 30, 2017 - \$1,724,250; March 31, 2017 - \$1,631,045; December 31, 2016 - \$1,548,178; September 30, 2016 - \$1,480,434; June 30, 2016 - \$1,385,588
- Short-term trading investments at amortized cost: June 30, 2017 - \$0; March 31, 2017 - \$74; December 31, 2016 - \$9,536; September 30, 2016 - \$24,179; June 30, 2016 - \$18,495
- On May 1, 2014, our wholly-owned subsidiary 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)

(Unaudited)



			At June 30, 2017 In Use	At March 31, 2017 In Use	At December 31, 2016 In Use	At September 30, 2016 In Use	At June 30, 2016 In Use
	Maturity	Commitment					
Debt							
2.30% Senior Notes	2018	300	299	299	299	299	298
5.75% Senior Notes	2021	400	398	398	398	398	398
6.375% Senior Notes	2024	350	349	349	349	349	349
4.45% Subordinated Notes	2025	500	494	494	493	493	493
6.25% Senior Notes	2027	325	323	323	323	323	323
5.25% Senior Notes	2043	300	296	296	296	296	296
5.5% Subordinated Notes	2045	500	489	489	489	489	489
3.25% Subordinated Notes (Note 4)	2047	569	558	-	-	-	-
Total debt		\$ 3,244	\$ 3,206	\$ 2,648	\$ 2,647	\$ 2,647	\$ 2,646
Adjustment to carrying value - impact of fair value hedges and other			1	-	1	-	-
Total debt per consolidated balance sheet			\$ 3,207	\$ 2,648	\$ 2,648	\$ 2,647	\$ 2,646
Shareholders' Capital							
Common shares - capital and surplus			\$ 7,793	\$ 7,937	\$ 8,071	\$ 8,168	\$ 8,345
Non-controlling interest in equity of consolidated subsidiaries (Note 5)			2,022	2,026	2,022	1,981	1,979
AOCI			921	845	716	1,520	1,409
Retained Earnings			2,366	2,193	2,152	1,925	1,932
Total shareholders' capital			\$ 13,102	\$ 13,001	\$ 12,961	\$ 13,593	\$ 13,664
Total capital (total debt plus total shareholders' capital)			\$ 16,310	\$ 15,649	\$ 15,608	\$ 16,240	\$ 16,310
Debt to total capital			19.7%	16.9%	17.0%	16.3%	16.2%

Notes:

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

2. "In Use" data represents accreted values.

3. Excluded from the table are revolving credit capacity of 750.0 million at June 30, 2017, \$1.0 billion at March 31, 2017, \$1.0 billion at December 31, 2016, \$1.1 billion at September 30, 2016 and \$1.4 billion at June 30, 2016. The amounts of this capacity for revolving loans utilized to issue letters of credit were \$44.7 million at June 30, 2017, \$287.7 million at March 31, 2017, \$245.0 million at December 31, 2016, \$501.5 million at September 30, 2016 and \$501.2 million at June 30, 2016, thus leaving available amounts of \$705.3 million at June 30 2017, \$712.3 million at March 31, 2017, \$755.0 million at December 31, 2016, \$598.5 million at September 30, 2016 and \$848.8 million at June 30, 2016.

4. Debt issued in Euro denominated subordinated notes.

5. Completed \$420 million tender offer on preferred shares after quarter-end on July 6, 2017.

RECOVERABLE AND REINSURANCE BALANCES RECEIVABLE BY REINSURER

(U.S. dollars in thousands)

(Note 1)



	At June 30, 2017 (Unaudited)	At March 31, 2017	At December 31, 2016 (Unaudited)	At September 30, 2016 (Unaudited)	At June 30, 2016 (Unaudited)
Unpaid losses and loss expenses recoverable	\$ 5,858,369	\$ 5,685,623	\$ 5,491,297	\$ 5,481,882	\$ 5,426,773
Reinsurance balances receivable	755,511	641,720	577,479	524,343	563,673
Total recoverable and reinsurance balances receivable (Note 2)	<u>\$ 6,613,880</u>	<u>\$ 6,327,343</u>	<u>\$ 6,068,776</u>	<u>\$ 6,006,225</u>	<u>\$ 5,990,446</u>

The following is an analysis at March 31, 2017 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	25.3%
Lloyd's Syndicates	A+/Stable	16.7%
Swiss Reinsurance Co.	AA-/Stable	6.8%
Transatlantic Reinsurance Company	A+/Stable	4.0%
Arch Reinsurance Company	A+/Negative	3.6%

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

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

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

Notes:

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

2. XL had a reserve for potential non-recoveries from reinsurers of \$52.0 million at June 30, 2017, \$50.5 million at March 31, 2017, \$51.2 million at December 31, 2016, \$53.4 million at September 30, 2016 and \$57.3 million at June 30, 2016.



LOSS ANALYSIS

ANALYSIS OF LOSSES AND LOSS EXPENSES INCURRED

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



P&C OPERATIONS

For the three months ended

June 30, 2017

	GROSS	RECOVERIES	NET	Paid to incurred %
Paid	\$ 1,926	\$ (363)	\$ 1,563	102.2%
Change in unpaid loss reserves	93	(127)	(34)	
Incurred losses	\$ 2,019	\$ (490)	\$ 1,529	
Prior year development (PYD)			\$ (87)	
Incurred losses excluding PYD			1,616	96.7%

For the six months ended

June 30, 2017

	GROSS	RECOVERIES	NET	Paid to incurred %
Paid	\$ 3,573	\$ (681)	\$ 2,892	92.9%
Change in unpaid loss reserves	528	(307)	221	
Incurred losses	\$ 4,101	\$ (988)	\$ 3,113	
Prior year development (PYD)			\$ (63)	
Incurred losses excluding PYD			3,176	91.1%

For the three months ended

March 31, 2017

	GROSS	RECOVERIES	NET	Paid to incurred %
Paid	\$ 1,646	\$ (318)	\$ 1,328	83.9%
Change in unpaid loss reserves	435	(180)	255	
Incurred losses	\$ 2,081	\$ (498)	\$ 1,583	
PYD			\$ 24	
Incurred losses excluding PYD			1,559	85.2%

For the three months ended

June 30, 2016

	GROSS	RECOVERIES (Note 1)	NET	Paid to incurred %
Paid	\$ 1,589	\$ (345)	\$ 1,244	76.2%
Change in unpaid loss reserves	434	(45)	389	
Incurred losses	\$ 2,023	\$ (390)	\$ 1,633	
PYD			\$ (99)	
Incurred losses excluding PYD			1,732	71.8%

For the six months ended

June 30, 2016

	GROSS	RECOVERIES (Note 1)	NET	Paid to incurred %
Paid	\$ 3,163	\$ (748)	\$ 2,415	80.1%
Change in unpaid loss reserves	710	(110)	600	
Incurred losses	\$ 3,873	\$ (858)	\$ 3,015	
PYD			\$ (142)	
Incurred losses excluding PYD			3,157	76.5%

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



ANALYSIS OF UNPAID LOSSES AND LOSS EXPENSES

(U.S. dollars in millions)

(Unaudited)

P&C OPERATIONS

At June 30, 2017

At June 30, 2016

(Note 1)

	At June 30, 2017			At June 30, 2016		
	GROSS	RECOVERIES	NET	GROSS	RECOVERIES	NET
Outstanding loss reserves	\$ 11,042	\$ (2,037)	\$ 9,005	\$ 10,343	\$ (1,851)	\$ 8,492
Incurred but not reported reserves	15,706	(3,806)	11,900	15,508	(3,622)	11,886
Fair value adjustments recoverable	74	(5)	69	89	(7)	82
Unpaid losses and loss expense reserves	\$ 26,822	\$ (5,848)	\$ 20,974	\$ 25,940	\$ (5,480)	\$ 20,460

	GROSS	RECOVERIES	NET
Balance at December 31, 2016	\$ 25,940	\$ (5,480)	\$ 20,460
Losses and loss expenses incurred	4,101	(988)	3,113
Loss and loss expenses paid	(3,573)	682	(2,891)
Foreign exchange revaluation and other (Note 2)	354	(62)	292
Balance at June 30, 2017	\$ 26,822	\$ (5,848)	\$ 20,974

1. Certain amounts have been reclassified to conform with the current period presentation.
2. Other includes acquired loss reserves.



INVESTMENT PORTFOLIO INFORMATION

SCHEDULE 1 - Summary Investments

Consolidated

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

	June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
Investments (excluding life funds withheld assets)										
Fixed income investments (Note 1)										
Fixed maturities										
U.S. Government and government agencies	\$ 4,355	11.7%	\$ 4,203	11.5%	\$ 3,895	10.6%	\$ 3,933	10.4%	\$ 4,134	11.1%
U.S. States, municipalities and political subdivisions	2,283	6.1%	2,351	6.4%	2,478	6.8%	2,599	6.9%	2,635	7.0%
Non-U.S. Governments	5,124	13.7%	4,980	13.6%	5,030	13.8%	5,642	15.0%	5,608	15.0%
Corporate	10,543	28.3%	10,579	28.9%	10,135	27.7%	10,677	28.4%	10,554	28.2%
Mortgage & asset-backed securities										
Residential mortgage-backed securities	3,954	10.6%	4,378	12.0%	4,493	12.3%	4,878	13.0%	4,745	12.7%
Commercial mortgage-backed securities	796	2.1%	700	1.9%	665	1.8%	296	0.8%	278	0.7%
Other asset-backed securities	1,587	4.2%	1,250	3.4%	1,253	3.4%	1,115	3.0%	1,061	2.8%
Total fixed maturities	28,642	76.7%	28,441	77.7%	27,949	76.4%	29,140	77.5%	29,015	77.5%
Short-term investments	618	1.7%	260	0.7%	625	1.7%	653	1.7%	444	1.2%
Total fixed income investments	\$ 29,260	78.4%	\$ 28,701	78.4%	\$ 28,574	78.1%	\$ 29,793	79.2%	\$ 29,459	78.7%
Equity securities										
Common stocks	\$ 174	0.5%	\$ 155	0.4%	\$ 166	0.4%	\$ 245	0.7%	\$ 507	1.4%
Equity funds	810	2.2%	788	2.2%	736	2.0%	646	1.7%	389	1.0%
Fixed income funds	190	0.5%	152	0.4%	135	0.4%	147	0.4%	144	0.4%
Total equity securities	\$ 1,174	3.2%	\$ 1,095	3.0%	\$ 1,037	2.8%	\$ 1,038	2.8%	\$ 1,040	2.8%
Other investments										
Hedge funds	\$ 256	0.7%	\$ 291	0.8%	\$ 332	0.9%	\$ 383	1.0%	\$ 435	1.2%
Private investments	196	0.5%	174	0.5%	176	0.5%	195	0.5%	190	0.5%
Fixed income and other	675	1.8%	685	1.8%	657	1.8%	683	1.8%	673	1.8%
Total other investments	\$ 1,127	3.0%	\$ 1,150	3.1%	\$ 1,165	3.2%	\$ 1,261	3.3%	\$ 1,298	3.5%
Investment in affiliates										
Hedge funds	\$ 1,351	3.6%	\$ 1,414	3.9%	\$ 1,317	3.6%	\$ 1,269	3.3%	\$ 1,137	3.0%
Private investments	381	1.0%	359	1.0%	358	1.0%	329	0.9%	311	0.8%
Investment manager affiliates	49	0.1%	58	0.1%	56	0.2%	79	0.2%	78	0.2%
Strategic and other operating affiliates	346	1.0%	342	0.9%	447	1.2%	442	1.2%	443	1.2%
Total investment in affiliates	\$ 2,127	5.7%	\$ 2,173	5.9%	\$ 2,178	6.0%	\$ 2,119	5.6%	\$ 1,969	5.2%
Total investments	\$ 33,688	90.3%	\$ 33,119	90.4%	\$ 32,953	90.1%	\$ 34,211	90.9%	\$ 33,766	90.2%
Cash and cash equivalents	\$ 3,222	8.6%	\$ 3,418	9.3%	\$ 3,490	9.5%	\$ 3,455	9.2%	\$ 3,381	9.0%
Accrued investment income	220	0.6%	212	0.6%	230	0.6%	221	0.6%	231	0.6%
Net receivable and payable for securities sold/purchased	180	0.5%	(116)	-0.3%	(97)	-0.2%	(256)	-0.7%	47	0.1%
Total investments and cash (excluding life funds withheld assets) (Note 2)	\$ 37,310	100.0%	\$ 36,633	100.0%	\$ 36,576	100.0%	\$ 37,631	100.0%	\$ 37,425	100.0%
Investments - life funds withheld assets (Schedule 8)										
Total fixed income investments	\$ 3,942		\$ 3,912		\$ 3,935		\$ 4,427		\$ 4,341	
Cash and cash equivalents	93		95		91		88		118	
Accrued investment income	51		50		54		65		59	
Net receivable and payable for securities sold/purchased	(6)		-		-		(9)		-	
Total investments and cash - life funds withheld assets	\$ 4,080		\$ 4,057		\$ 4,080		\$ 4,571		\$ 4,518	
Total investments and cash including life funds withheld assets	\$ 41,390		\$ 40,690		\$ 40,656		\$ 42,202		\$ 41,943	

Notes:

1. The classification of fixed income investments has been simplified to align internal and external reporting processes. U.S. Treasuries, U.S. Agencies and U.S. Government Guarantee have been merged into a single classification. Corporate securities and Residential mortgage-backed securities previously separated into two classifications have been merged into one. Collateralized debt obligations are now reported under Other asset-backed securities. Comparative period amounts have been re-presented to conform to this new classification system.

2. Total investments and cash (excluding life funds withheld assets) includes operating cash and short-term treasury deposits of \$2.1 billion.

SCHEDULE 2 - Fixed Income Investments - Credit Rating and Portfolio Characteristics (excluding Life Funds Withheld Assets)

Consolidated

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

	June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
Fixed income investments	US dollar equivalent fair value	Average pre-tax book yield (Gross of expenses)	US dollar equivalent fair value	Average pre-tax book yield (Gross of expenses)	US dollar equivalent fair value	Average pre-tax book yield (Gross of expenses)	US dollar equivalent fair value	Average pre-tax book yield (Gross of expenses)	US dollar equivalent fair value	Average pre-tax book yield (Gross of expenses)
Summary by core currency denomination										
Total fixed income investments										
U.S. dollar denominated	\$ 21,995	2.7%	\$ 21,749	2.7%	\$ 21,799	2.7%	\$ 22,531	2.7%	\$ 22,118	2.7%
Euro denominated	2,984	1.3%	2,790	1.3%	2,796	1.5%	3,036	1.4%	3,274	1.4%
Sterling denominated	2,101	1.9%	2,152	1.8%	2,117	1.8%	2,279	1.8%	2,241	2.0%
Other denominated	2,180	1.7%	2,010	1.7%	1,862	1.6%	1,947	1.5%	1,826	1.4%
Total Fixed Income Investments	\$ 29,260	2.4%	\$ 28,701	2.4%	\$ 28,574	2.4%	\$ 29,793	2.4%	\$ 29,459	2.4%
Credit rating (Note 1)										
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
AAA	\$ 13,288	45.4%	\$ 12,630	44.0%	\$ 12,859	45.0%	\$ 12,965	43.5%	\$ 12,657	43.0%
AA	5,379	18.4%	5,759	20.1%	5,913	20.7%	6,522	21.9%	6,624	22.5%
A	6,734	23.0%	6,948	24.2%	7,029	24.6%	7,395	24.8%	7,297	24.8%
BBB	3,067	10.5%	2,592	9.0%	2,045	7.2%	2,220	7.5%	2,246	7.6%
BB and below/not rated	792	2.7%	772	2.7%	728	2.5%	691	2.3%	635	2.1%
Total Fixed income investments	\$ 29,260	100.0%	\$ 28,701	100.0%	\$ 28,574	100.0%	\$ 29,793	100.0%	\$ 29,459	100.0%
Average credit rating	AA		AA		AA		AA		AA	
Portfolio characteristics (Note 2)										
Expected average duration	3.9		3.8		3.8		3.6		3.6	
Weighted average market yield to maturity	2.0 %		2.0 %		2.0 %		1.5 %		1.5 %	
Summary of estimated total fixed income securities and paydowns over the next 12 months including cash and cash equivalents										
U.S. dollar equivalent fair value (Note 3)	\$ 2,882		\$ 3,458		\$ 3,688		\$ 3,548		\$ 3,089	
Average pre-tax book yield, gross of expenses	2.2 %		2.4 %		2.5 %		2.4 %		2.4 %	
Average new money rate (Note 4)	2.1 %		2.1 %		2.0 %		1.9 %		1.7 %	

Notes:

- The credit rating for each asset reflected above and included in the following schedules was principally determined based on the weighted average rating of the individual securities from Standard & Poor's, Moody's Investors Service and Fitch Ratings. For U.S. Treasuries, Agencies and Agency Government Guarantee securities, the average rating remains AAA as only one of the three major rating agencies downgraded the U.S. from AAA to AA+ in 2011.
- Includes fixed maturities, short-term investments, funds holding fixed income securities, cash & cash equivalents and net receivables/(payables) for investments sold/(purchased), and excludes operating cash.
- Estimated paydowns on Mortgage and Asset Backed securities are generated by a market leading software provider based on deal specific assumptions and by using the actual prepayment rate over the most recent three month period to project future paydowns. Actual paydowns may vary materially from estimates.
- Average new money rate is weighted average book yield of fixed income purchases in the quarter excluding short term securities and cash and cash equivalents.



SCHEDULE 3 - Government (excluding Life Funds Withheld Assets)

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

Government bonds by credit rating

Fair value by credit rating

	June 30, 2017					
	AAA	AA	A	BBB	BB and below	Total
U.S. Government and government agencies	\$ 4,355	\$ -	\$ -	\$ -	\$ -	4,355
U.S. States, municipalities and political subdivisions (Note 1)	364	1,499	407	10	3	2,283
Non-U.S. Governments	1,943	2,076	341	531	233	5,124
Total government bonds	\$ 6,662	\$ 3,575	\$ 748	\$ 541	\$ 236	\$ 11,762
% of total	56.6%	30.4%	6.4%	4.6%	2.0%	100.0%

Non-U.S. Government

E.U. exposure

	June 30, 2017		
	Sovereign	Govt. agencies & others	Total
U.K.	\$ 998	\$ 25	\$ 1,023
France	274	157	431
Supranational	-	301	301
Netherlands	133	159	292
Germany	98	148	246
Others (less than \$100M per country)	250	34	284
E.U. exposure	\$ 1,753	\$ 824	\$ 2,577

Non-E.U. exposure

Canada	\$ 379	\$ 700	\$ 1,079
Switzerland	128	78	206
Australia	190	9	199
Brazil	186	-	186
Singapore	173	-	173
Indonesia	89	22	111
Others (less than \$100M per country)	363	230	593
Non-E.U. exposure	\$ 1,508	\$ 1,039	\$ 2,547
Total Non-U.S. Government	\$ 3,261	\$ 1,863	\$ 5,124

Notes:

1. Credit 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.

SCHEDULE 4 - Corporate (excluding Life Funds Withheld Assets)

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

Corporate bonds by sector and credit rating

Fair value by sector and credit rating

	June 30, 2017						Total
	AAA	AA	A	BBB	BB and Below		
Industrial	\$ 195	\$ 876	\$ 2,870	\$ 1,977	\$ 269	\$	6,187
Financials	22	660	2,462	338	50		3,532
Utilities	-	80	549	191	4		824
Total corporate	\$ 217	\$ 1,616	\$ 5,881	\$ 2,506	\$ 323	\$	10,543
% of total	2.0%	15.3%	55.8%	23.8%	3.1%		100.0%

Fair value by country concentration and credit rating (Note 1)

	June 30, 2017						Total
	AAA	AA	A	BBB	BB and Below		
U.S.	\$ 196	\$ 885	\$ 4,111	\$ 1,451	\$ 267	\$	6,910
U.K.	7	9	545	372	10		943
Canada	-	210	247	64	4		525
Netherlands	-	168	137	48	-		353
Australia	2	128	123	48	-		301
France	-	61	165	57	-		283
Switzerland	-	38	169	43	-		250
Germany	-	-	137	49	5		191
Belgium	-	-	-	168	-		168
Japan	-	1	130	12	-		143
Sweden	-	96	1	9	-		106
Others (less than \$100M per country) (Note 2)	12	20	116	185	37		370
Total corporate	\$ 217	\$ 1,616	\$ 5,881	\$ 2,506	\$ 323	\$	10,543

Top Ten exposure to fixed income corporate issuers

Issuer (Notes 3 & 4)

Issuer	June 30, 2017		
	Fair Value	% of total corporates	% of Aggregate Fixed Income Portfolio
JPMorgan Chase & Co.	\$ 194	1.8%	0.7%
The Goldman Sachs Group, Inc.	181	1.7%	0.6%
Wells Fargo & Company	180	1.7%	0.6%
Morgan Stanley	174	1.7%	0.6%
Anheuser-Busch Inbev SA	166	1.6%	0.6%
Bank Of America Corporation	161	1.5%	0.6%
HSBC Holdings PLC	155	1.5%	0.5%
Apple Inc.	149	1.4%	0.5%
Citigroup INC	138	1.3%	0.5%
Berkshire Hathaway Inc.	127	1.2%	0.4%
	\$ 1,625	15.4%	5.6%

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 \$36 million in Spain, \$34 million in Ireland, \$16 million in Italy, \$1million in Portugal and nil in Greece.
- Corporate issuers represent only direct exposure to fixed maturities investments of the parent issuer and its subsidiaries. These exposures exclude covered bonds and exclude mortgage and asset-backed securities that were issued, sponsored or serviced by the parent and government-guaranteed issues.
- This table does not include \$142 million of financial exposure to Berkshire Hathaway Inc. which is made up of payment obligation from National Indemnity Company, an insurance company subsidiary of Berkshire Hathaway Inc.

**SCHEDULE 5 - Mortgage-backed and Asset-backed securities (excluding Life Funds With**(U.S. dollars in millions)
(unaudited)**Mortgage and asset-backed securities by type and credit rating****June 30, 2017**

	AAA	AA	A	BBB	BB and Below	Total
U.S. Residential mortgage-backed securities - agency	\$ 3,849	\$ -	\$ -	\$ -	\$ -	\$ 3,849
U.S. Residential mortgage-backed securities - non-agency	-	2	4	2	97	105
U.S. Commercial mortgage-backed securities - agency	168	-	-	-	-	168
U.S. Commercial mortgage-backed securities - non-agency	562	17	41	1	2	623
U.S. Other asset-backed securities	409	43	51	16	128	647
Total U.S.	\$ 4,988	\$ 62	\$ 96	\$ 19	\$ 227	\$ 5,392
Non-U.S. Commercial mortgage-backed securities	\$ 3	\$ -	\$ 1	\$ -	\$ 1	\$ 5
Non-U.S. Other asset-backed securities (Note 1)	846	87	2	-	5	940
Total Non-U.S.	\$ 849	\$ 87	\$ 3	\$ -	\$ 6	\$ 945
Total Mortgage and asset-backed Securities	\$ 5,837	\$ 149	\$ 99	\$ 19	\$ 233	\$ 6,337
% of total	92.1%	2.4%	1.5%	0.3%	3.7%	100.0%

Notes:

1. Non-U.S. Other asset-backed securities include covered bonds of \$651 million. Covered bonds are debt obligations of the issuer secured by a designated pool of assets.



SCHEDULE 6 - Unrealized Gains (Losses)

Consolidated

(U.S. dollars in millions)

(unaudited)

Investments (excluding life funds withheld assets)	June 30, 2017				March 31, 2017			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value/Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value/Carrying Value
Fixed income investments								
Fixed maturities								
U.S. Government and government agencies	\$ 4,338	\$ 45	\$ (28)	\$ 4,355	\$ 4,176	\$ 53	\$ (26)	\$ 4,203
U.S. States, municipalities and political subdivisions	2,180	105	(2)	2,283	2,260	96	(5)	2,351
Non-U.S. Governments	5,088	110	(74)	5,124	4,962	114	(96)	4,980
Corporate	10,391	220	(68)	10,543	10,466	214	(101)	10,579
Mortgage & asset-backed securities								
Residential mortgage-backed securities	3,937	52	(35)	3,954	4,370	66	(58)	4,378
Commercial mortgage-backed securities	795	8	(7)	796	705	6	(11)	700
Other asset-backed securities	1,571	26	(10)	1,587	1,244	14	(8)	1,250
Total fixed maturities	28,300	566	(224)	28,642	28,183	563	(305)	28,441
Short-term investments	618	-	-	618	260	-	-	260
Total fixed income investments	\$ 28,918	\$ 566	\$ (224)	\$ 29,260	\$ 28,443	\$ 563	\$ (305)	\$ 28,701
Equity securities								
Common stocks	\$ 157	\$ 21	\$ (4)	\$ 174	\$ 151	\$ 10	\$ (6)	\$ 155
Equity funds	748	62	-	810	715	74	(1)	788
Fixed income funds	189	1	-	190	152	-	-	152
Total equity securities	\$ 1,094	\$ 84	\$ (4)	\$ 1,174	\$ 1,018	\$ 84	\$ (7)	\$ 1,095
Other investments	950	179	(2)	1,127	980	171	(1)	1,150
Total available-for-sale and other investments	\$ 30,962	\$ 829	\$ (230)	\$ 31,561	\$ 30,441	\$ 818	\$ (313)	\$ 30,946
Investment in affiliates (Note 1)				\$ 2,127				\$ 2,173
Cash and cash equivalents				3,222				3,418
Accrued investment income				220				212
Net receivable and payable for securities sold/purchased				180				(116)
Total investments and cash (excluding life funds withheld assets)				\$ 37,310				\$ 36,633
Investments - life funds withheld assets (Schedule 8)								
Total fixed income investments				\$ 3,942				\$ 3,912
Cash and cash equivalents				93				95
Accrued investment income				51				50
Net receivable and payable for securities sold/purchased				(6)				-
Total investment and cash - life funds withheld assets				\$ 4,080				\$ 4,057
Total investments and cash including life funds withheld assets				\$ 41,390				\$ 40,690

Notes:

1. The carrying value of "Investment in affiliates" represents cost plus the Company's proportionate share of income or loss from such investments.

SCHEDULE 7 - Investment Income Statement Analysis

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

	Three months ended June 30, 2017	Three months ended March 31, 2017	Three months ended December 31, 2016	Three months ended September 30, 2016	Three months ended June 30, 2016
Net Investment Income - Total excluding Structured Products and Life Funds Withheld Assets					
Gross Investment Income	\$ 183,147	\$ 173,894	\$ 170,013	\$ 174,539	\$ 182,143
Investment expenses (Note 1)	(19,431)	(20,101)	(22,166)	(17,833)	(19,976)
Net Investment Income - Total excluding Structured Products and Life Funds Withheld Assets	\$ 163,716	\$ 153,793	\$ 147,847	\$ 156,706	\$ 162,167
Net Investment Income - Structured Products (Excluding Life Funds Withheld Assets)					
Gross Investment Income	\$ 15,124	\$ 15,123	\$ 15,102	\$ 15,736	\$ 15,809
Investment expenses (Note 1)	(1,605)	(1,748)	(1,969)	(1,608)	(1,734)
Net Investment Income - Structured Products (Excluding Life Funds Withheld Assets)	\$ 13,519	\$ 13,375	\$ 13,133	\$ 14,128	\$ 14,075
Interest Expense - Deposit Liability Accretion	(10,596)	(10,461)	(10,590)	(6,420)	(12,005)
Operating and Investment Expenses - P&C Structured	-	-	-	-	(11)
Net results from Structured Products	\$ 2,923	\$ 2,914	\$ 2,543	\$ 7,708	\$ 2,059
Net Investment Income - Total (Excluding Life Funds Withheld Assets)	\$ 177,235	\$ 167,168	\$ 160,980	\$ 170,834	\$ 176,242
Net Investment Income - Life Funds Withheld Assets	\$ 31,439	\$ 33,364	\$ 35,108	\$ 38,937	\$ 39,146
Net Income (Loss) from Investment Affiliates (Note 2)					
Hedge funds	\$ 11,839	\$ 34,811	\$ 45,421	\$ 4,406	\$ 2,423
Private investments	18,979	3,450	4,581	7,750	10,756
Net Income (Loss) from Investment Affiliates (Note 2)	\$ 30,818	\$ 38,261	\$ 50,002	\$ 12,156	\$ 13,179
Net Income (Loss) from Operating Affiliates (Note 3)					
Investment manager affiliates	\$ 36,108	\$ 3,297	\$ (2,649)	\$ 6,753	\$ 15,142
Strategic and other operating affiliates	6,596	10,312	568	5,657	6,276
Net Income (Loss) from Operating Affiliates (Note 3)	\$ 42,704	\$ 13,609	\$ (2,081)	\$ 12,410	\$ 21,418

Notes:

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

SCHEDULE 8 - Summary Investments - Life Funds Withheld Assets

Consolidated

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

Investments	June 30, 2017		March 31, 2017		December 31, 2016		September 30, 2016		June 30, 2016	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
Fixed income investments (Note 1)										
Fixed maturities										
U.S. Government and government agencies	\$ 27	0.7%	\$ 27	0.7%	\$ 25	0.6%	\$ 29	0.6%	\$ 31	0.7%
U.S. States, municipalities and political subdivisions	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Non-U.S. Governments	1,059	26.0%	1,058	26.1%	1,070	26.2%	1,248	27.3%	1,268	28.1%
Corporate	2,491	61.0%	2,563	63.2%	2,566	62.9%	2,846	62.3%	2,742	60.7%
Mortgage & asset-backed securities										
Residential mortgage-backed securities	2	0.0%	23	0.6%	23	0.6%	2	0.0%	27	0.6%
Commercial mortgage-backed securities	128	3.1%	100	2.5%	100	2.4%	112	2.5%	110	2.4%
Other asset-backed securities	235	5.8%	140	3.5%	141	3.5%	166	3.6%	144	3.2%
Total fixed maturities	3,942	96.6%	3,911	96.6%	3,925	96.2%	4,403	96.3%	4,322	95.7%
Short-term investments	-	0.0%	1	0.0%	10	0.2%	24	0.6%	19	0.4%
Total fixed income investments	\$ 3,942	96.6%	\$ 3,912	96.6%	\$ 3,935	96.4%	\$ 4,427	96.9%	\$ 4,341	96.1%
Cash and cash equivalents	\$ 93	2.3%	\$ 95	2.2%	\$ 91	2.2%	88	1.9%	\$ 118	2.6%
Accrued investment income	51	1.3%	50	1.2%	54	1.4%	65	1.4%	59	1.3%
Net receivable and payable for securities sold/purchased	(6)	-0.2%	-	0.0%	-	0.0%	(9)	-0.2%	-	0.0%
Total investment and cash	\$ 4,080	100.0%	\$ 4,057	100.0%	\$ 4,080	100.0%	\$ 4,571	100.0%	\$ 4,518	100.0%
Credit rating										
AAA	\$ 400	10.2%	\$ 405	10.4%	\$ 391	9.9%	\$ 428	9.7%	\$ 412	9.5%
AA	1,164	29.5%	1,154	29.5%	1,180	30.0%	1,378	31.1%	1,364	31.4%
A	1,437	36.4%	1,407	35.9%	1,395	35.5%	1,543	34.8%	1,502	34.6%
BBB	904	22.9%	912	23.3%	932	23.7%	1,035	23.4%	1,016	23.4%
BB and below/not rated	37	0.9%	34	0.9%	37	0.9%	43	1.0%	47	1.1%
Total Fixed income investments	\$ 3,942	100.0%	\$ 3,912	100.0%	\$ 3,935	100.0%	\$ 4,427	100.0%	\$ 4,341	100.0%
Average credit quality	A+		A+		A+		A+		A+	
Portfolio characteristics										
Average pre-tax book yield, gross of expenses	3.5 %		3.5 %		3.5 %		3.7 %		3.8 %	
Expected average duration (Note 2)	8.9		9.2		9.3		9.8		9.4	
Weighted average market yield to maturity (Note 2)	2.3 %		2.0 %		2.3 %		1.7 %		2.4 %	

Notes:

- The classification of fixed income investments has been simplified to align internal and external reporting processes. U.S. Treasuries, U.S. Agencies and U.S. Government Guarantee have been merged into a single classification. Corporate securities and Residential mortgage-backed securities previously separated into two classifications have been merged into one. Collateralized debt obligations are now reported under Other asset-backed securities. Comparative period amounts have been re-presented to conform to this new classification system.
- Includes fixed maturities, short-term investments, cash & cash equivalents and net receivables/(payables) for investments sold/(purchased), and excludes operating cash.

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"), which is defined as net income (loss) attributable to common shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, (defined below) (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 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 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 average 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 financial supplement on pages 5-9.

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 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 excluding and including net unrealized gains and losses on investments, both inclusive of and exclusive of integration costs, are additional measures of Company profitability that eliminate, as applicable, the impacts of mark to market fluctuations on XL's investment portfolio that have not been realized through sales, and/or distortions to XL's performance from temporary integration costs related to the combination with 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.