



FINANCIAL SUPPLEMENT

September 30, 2017

Issued on October 24, 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.

Investor Contacts:

Abbe Goldstein

Tel: (203) 964 3573

Email: Abbe.Goldstein@xlcatlin.com

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Forward-Looking Statement



Cautionary Note Regarding Forward-Looking Statements

This press release 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, and in particular our loss estimates and industry loss estimates relating hurricanes Harvey, Irma and Maria, given the complexities and nature of these particular events, including the magnitude, proximity and recent occurrence of these events, limited claims data received to date, the likelihood of longer development periods associated with the specific characteristics of these events and the geographic and infrastructure limitations related to the areas impacted, among other matters; (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 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 regulations applicable to us, including as a result of the completion of our redomestication from Ireland to Bermuda, such as changes in regulatory capital balances that our operating subsidiaries must maintain, or to our brokers or customers; (r) the effects of business disruption, economic contraction or economic sanctions due to unpredictable global political and social conditions such as war, terrorism or other hostilities, or pandemics; (s) the actual amount of new and renewal business and acceptance of our products and services, including new products and services and the materialization of risks related to such products and services; (t) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (u) bankruptcies or other financial concerns of companies insofar as they affect P&C insurance and reinsurance coverages or claims that we may have as a counterparty; (v) the loss of key personnel; (w) the effects of mergers, acquisitions and divestitures, including our ability to modify our internal control 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) the economic, political, monetary and operational impacts of the "Brexit" referendum held on June 23, 2016 in which the U.K. electorate voted to withdraw from the European Union ("E.U."), including unanticipated costs or complications associated with our decision to redomesticate XL Insurance Company SE from the U.K. to Ireland, or the possibility that this redomestication or other Brexit-related decisions do not have the results anticipated; (y) changes in general economic, political or monetary conditions, including 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; (z) changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; (aa) judicial decisions and rulings, new theories of liability or emerging claims coverage issues, legal tactics and settlement terms; (bb) 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 (cc) the other factors set forth in our reports on Form 10-K and Form 10-Q and other documents on file with the Securities and Exchange Commission. XL undertakes no obligation to update publicly any forward looking statement, whether as a result of new information, future developments or 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 press releases, 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 September 30, 2017 | Three Months Ended June 30, 2017 | Three Months Ended March 31, 2017 | Three Months Ended December 31, 2016 | Three Months Ended September 30, 2016 |
|---|--|-------------------------------------|--------------------------------------|---|--|
| Revenues | | | | | |
| Gross premiums written | \$ 3,075,561 | \$ 3,612,949 | \$ 4,678,417 | \$ 3,079,772 | \$ 2,783,603 |
| Net premiums written | 2,329,367 | 2,649,265 | 2,983,070 | 2,316,147 | 2,135,658 |
| Net premiums earned - P&C operations | 2,617,756 | 2,514,093 | 2,519,481 | 2,454,060 | 2,431,677 |
| Net premiums earned - run-off Life operations | 3,146 | 2,824 | 3,310 | 3,015 | 2,360 |
| Net investment income - excluding Life Funds Withheld Assets (Note 2) | 171,983 | 177,235 | 167,168 | 160,980 | 170,834 |
| Net investment income - Life Funds Withheld Assets (Note 2) | 30,796 | 31,439 | 33,364 | 35,108 | 38,937 |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2) | 31,726 | 49,169 | 4,218 | 43,242 | 58,395 |
| Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2) | 18,879 | 29,778 | 34,474 | 44,048 | 44,011 |
| Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2) | (7,331) | (22,319) | (1,406) | (56,195) | 41,270 |
| Net realized and unrealized gains (losses) on derivative instruments | (20,434) | (906) | (7,069) | (253) | 5,490 |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life | (31,662) | (34,596) | (50,101) | 151,342 | (225,610) |
| Net income (loss) from investment fund affiliates (Note 3) | 57,656 | 30,818 | 38,261 | 50,002 | 12,156 |
| Fee income and other | 11,469 | 10,225 | 13,661 | 7,968 | 8,600 |
| Total revenues | \$ 2,883,984 | \$ 2,787,760 | \$ 2,755,361 | \$ 2,893,317 | \$ 2,588,120 |
| Expenses | | | | | |
| Net losses and loss expenses incurred - P&C operations | \$ 3,066,723 | \$ 1,529,083 | \$ 1,583,456 | \$ 1,566,161 | \$ 1,491,803 |
| Claims and policy benefits - run-off Life operations | 10,592 | 7,595 | 7,291 | 11,950 | 5,875 |
| Acquisition costs | 445,685 | 433,584 | 435,869 | 392,996 | 403,888 |
| Operating expenses | 409,356 | 472,778 | 468,038 | 517,002 | 508,458 |
| Foreign exchange losses (gains) | 55,017 | (5,643) | (3,336) | 45,036 | (1,695) |
| Loss (Gain) on sale of subsidiary (Note 4) | - | - | - | (3,418) | (3,670) |
| (Gain) Loss on the early extinguishment of debt (Note 5) | 1,582 | - | - | - | - |
| Interest expense - debt and other | 39,509 | 43,422 | 40,250 | 41,687 | 43,025 |
| Interest expense - deposit liability accretion | (5,590) | 10,596 | 10,461 | 10,590 | 6,420 |
| Total expenses | \$ 4,022,874 | \$ 2,491,415 | \$ 2,542,029 | \$ 2,582,004 | \$ 2,454,104 |
| Income (loss) before income (loss) from operating affiliates and income tax | \$ (1,138,890) | \$ 296,345 | \$ 213,332 | \$ 311,313 | \$ 134,016 |
| Income (loss) from operating affiliates (Note 3) | 4,872 | 42,704 | 13,609 | (2,081) | 12,410 |
| Provision (benefit) for income taxes | (60,132) | 29,006 | 13,092 | (382) | 17,749 |
| Net income (loss) | \$ (1,073,886) | \$ 310,043 | \$ 213,849 | \$ 309,614 | \$ 128,677 |
| Non-controlling interests | 30,197 | (8,423) | (61,006) | (4,914) | (58,076) |
| Net income (loss) attributable to common shareholders | \$ (1,043,689) | \$ 301,620 | \$ 152,843 | \$ 304,700 | \$ 70,601 |
| Reconciliation of Non-GAAP Financial Information: | | | | | |
| Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets (Note 2) | (31,726) | (49,169) | (4,218) | (43,242) | (58,395) |
| Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2) | (18,879) | (29,778) | (34,474) | (44,048) | (44,011) |
| Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2) | 7,331 | 22,319 | 1,406 | 56,195 | (41,270) |
| Net realized and unrealized (gains) losses on derivatives | 20,434 | 906 | 7,069 | 253 | (5,490) |
| Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance | (89) | 115 | (2,051) | 700 | - |
| Net investment income - Life Funds Withheld Assets (Note 2) | (30,796) | (31,439) | (33,364) | (35,108) | (38,937) |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life | 31,662 | 34,596 | 50,101 | (151,342) | 225,610 |
| Loss (gain) on sale of subsidiary (Note 4) | - | - | - | (3,418) | (3,670) |
| Foreign exchange (gains) losses | 55,017 | (5,643) | (3,336) | 45,036 | (1,695) |
| (Gain) Loss from repurchase of preference ordinary shares (Note 6) | (14,290) | - | - | - | - |
| (Gain) Loss on the early extinguishment of debt (Note 5) | 1,582 | - | - | - | - |
| Provision (benefit) for income tax on items excluded from operating income | (5,419) | 11,553 | 2,167 | (1,286) | 19,711 |
| Operating Net income (loss) (Note 7) | \$ (1,028,862) | \$ 255,080 | \$ 136,143 | \$ 128,440 | \$ 122,454 |

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.
- Income related to the alternative funds and to the private investment and operating fund affiliates 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; during Q4 2016 the Company recognized a \$3.4 million gain on the partial sale of its holdings in New Ocean Capital Management.
- On July 7, 2017, the Company repurchased through a tender offer and canceled outstanding 5.5% Subordinated Notes due 2045 issued by XLIT with a net carrying value of \$16.3 million for \$17.9 million, inclusive of transaction costs. As a result of these repurchases, the Company recorded a loss of approximately \$1.6 million through "Extinguishment of debt" and interest expense of \$0.3 million in the Unaudited Consolidated Statements of Income.
- During the quarter, the Company repurchased and canceled the outstanding Series D, Series E and the Non-Cumulative Preference Shares. As a result of these repurchases, the Company recorded a gain of \$14.3 million through "Non-controlling interests" in the Unaudited Consolidated Statements of Income.

RETURN ON COMMON SHAREHOLDERS' EQUITY AND BOOK VALUE PER SHARE

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

| | Three Months Ended September 30, 2017 | Three Months Ended June 30, 2017 | Three Months Ended March 31, 2017 | Three Months Ended December 31, 2016 | Three Months Ended September 30, 2016 |
|--|--|-------------------------------------|--------------------------------------|---|--|
| Return on Common Shareholders' Equity | | | | | |
| Opening shareholders' equity | \$ 13,102,408 | \$ 13,000,627 | \$ 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) |
| Opening common shareholders' equity | 11,080,553 | 10,974,885 | 10,938,512 | 11,612,166 | 11,685,188 |
| Closing shareholders' equity | 11,528,510 | 13,102,408 | 13,000,627 | 12,960,679 | 13,592,880 |
| Less: Non-controlling interest in equity of consolidated subsidiaries | (1,588,663) | (2,021,855) | (2,025,742) | (2,022,167) | (1,980,714) |
| Closing common shareholders' equity | 9,939,847 | 11,080,553 | 10,974,885 | 10,938,512 | 11,612,166 |
| Average common shareholders' equity | 10,510,200 | 11,027,719 | 10,956,699 | 11,275,339 | 11,648,677 |
| Opening AOCI, net of tax (Note 2) | 921,166 | 844,975 | 715,546 | 1,519,805 | 1,408,587 |
| Closing AOCI, net of tax (Note 2) | 968,928 | 921,166 | 844,975 | 715,546 | 1,519,805 |
| Average AOCI, net of tax (Note 2) | 945,047 | 883,071 | 780,261 | 1,117,676 | 1,464,196 |
| Average common shareholders' equity excluding AOCI | 9,565,153 | 10,144,649 | 10,176,439 | 10,157,664 | 10,184,481 |
| Integration costs | - | 39,118 | - | 58,800 | 52,117 |
| Provision (benefit) for income tax on integration costs | - | (4,147) | - | (4,998) | (5,472) |
| Net income (loss) attributable to common shareholders | (1,043,689) | 301,620 | 152,843 | 304,700 | 70,601 |
| Annualized net income (loss) attributable to common shareholders | (4,174,756) | 1,206,480 | 611,372 | 1,218,800 | 282,404 |
| Operating Net Income (Note 3) | (1,028,862) | 255,080 | 136,143 | 128,440 | 122,454 |
| Annualized Operating Net Income (Note 3) | (4,115,448) | 1,020,320 | 544,572 | 513,760 | 489,816 |
| Operating Net Income (excluding integration costs) (Note 3) | (1,028,862) | 290,051 | 136,143 | 182,242 | 169,099 |
| Annualized Operating Net Income (excluding integration costs) (Note 3) | (4,115,448) | 1,160,206 | 665,295 | 728,969 | 689,143 |
| Annualized return on average common shareholders' equity | -39.7% | 10.9% | 5.6% | 10.8% | 2.4% |
| Annualized operating return on average common shareholders' equity (Note 3) | -39.2% | 9.3% | 5.0% | 4.6% | 4.2% |
| Annualized operating return on average common shareholders' equity excluding AOCI (Note 3) | -43.0% | 10.1% | 5.4% | 5.1% | 4.8% |
| Annualized operating return on common shareholders' equity excluding integration costs (Note 3) | -39.2% | 10.5% | 6.1% | 6.5% | 5.9% |
| Annualized operating return on common shareholders' equity excluding integration costs and AOCI (Note 3) | -43.0% | 11.4% | 6.5% | 7.2% | 6.8% |

| | At September 30, 2017 | At June 30, 2017 | At March 31, 2017 | At December 31, 2016 | At September 30, 2016 |
|--|--------------------------|---------------------|----------------------|-------------------------|--------------------------|
| Book Value per Common Share | | | | | |
| Closing common shareholders' equity | \$ 9,939,847 | \$ 11,080,553 | \$ 10,974,885 | \$ 10,938,512 | \$ 11,612,166 |
| Common shares outstanding (Note 4) | 255,980,636 | 258,489,379 | 263,773,739 | 266,927,220 | 270,409,084 |
| Dilutive impact of stock and options | 3,736,712 | 4,369,403 | 3,233,867 | 4,297,570 | 3,644,978 |
| Diluted shares outstanding | 259,717,348 | 262,858,782 | 267,007,606 | 271,224,790 | 274,054,062 |
| Book value per common share | \$ 38.83 | \$ 42.87 | \$ 41.61 | \$ 40.98 | \$ 42.94 |
| Fully diluted book value per common share | \$ 38.27 | \$ 42.15 | \$ 41.10 | \$ 40.33 | \$ 42.37 |
| Fully diluted tangible book value per common share (Note 5) | \$ 29.70 | \$ 33.71 | \$ 32.83 | \$ 32.21 | \$ 34.22 |

Notes

- Certain amounts have been reclassified to conform with the current period presentation.
- Accumulated other comprehensive income ("AOCI") consists primarily of unrealized (gain) loss on investments, net of tax, which 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 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 net (gains) losses on the early extinguishment of debt, (13) our net (gains) losses from the repurchase of preference shares, and (14) 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. A reconciliation of Operating net income (loss) to Net income (loss) is included on page 7.
- 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 - YTD

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

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 (Note 2) |
|--|---|---|
| Revenues | | |
| Gross premiums written | \$ 11,366,927 | \$ 10,811,152 |
| Net premiums written | \$ 7,961,702 | \$ 7,926,536 |
| Net premiums earned - P&C operations | \$ 7,651,330 | \$ 7,311,827 |
| Net premiums earned - run-off Life operations | 9,280 | 9,032 |
| Net investment income - excluding Life Funds Withheld Assets (Note 2) | 516,386 | 511,402 |
| Net investment income - Life Funds Withheld Assets (Note 2) | 95,599 | 119,643 |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2) | 85,113 | 69,447 |
| Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2) | 83,131 | 108,541 |
| 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) | (31,056) | 165,653 |
| Net realized and unrealized gains (losses) on derivative instruments | (28,409) | 2,774 |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2) | (116,359) | (691,432) |
| Net income (loss) from investment fund affiliates (Note 3) | 126,735 | 20,756 |
| Fee income and other | 35,355 | 27,724 |
| Total revenues | \$ 8,427,105 | \$ 7,652,769 |
| Expenses | | |
| Net losses and loss expenses incurred - P&C operations | \$ 6,179,262 | \$ 4,506,674 |
| Claims and policy benefits - run-off Life operations | 25,478 | 16,294 |
| Acquisition costs | 1,315,138 | 1,227,675 |
| Operating expenses | 1,350,172 | 1,546,360 |
| Foreign exchange losses (gains) | 46,038 | (54,614) |
| Loss (Gain) on sale of subsidiary (Note 4) | - | (3,670) |
| (Gain) Loss on the early extinguishment of debt (Note 5) | 1,582 | - |
| Interest expense - debt and other | 123,181 | 128,371 |
| Interest expense - deposit liability accretion | 15,467 | 29,115 |
| Total expenses | \$ 9,056,318 | \$ 7,396,205 |
| Income (loss) before income (loss) from operating affiliates and income tax | \$ (629,213) | \$ 256,564 |
| Income (loss) from operating affiliates (Note 3) | 61,185 | 46,478 |
| Provision (benefit) for income taxes | (18,034) | 42,511 |
| Net income (loss) | \$ (589,994) | \$ 260,531 |
| Non-controlling interests | (39,232) | (124,263) |
| Net income (loss) attributable to common shareholders | \$ (589,226) | \$ 136,268 |
| Reconciliation of Non-GAAP Financial Information: | | |
| Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets (Note 2) | (85,113) | (69,447) |
| Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2) | (83,131) | (108,541) |
| OTTI on investments - Life Funds Withheld Assets (Note 2) | - | 2,598 |
| Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2) | 31,056 | (165,653) |
| Net realized and unrealized (gains) losses on derivatives | 28,409 | (2,774) |
| Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates | (2,025) | 2,231 |
| Net investment income - Life Funds Withheld Assets (Note 2) | (95,599) | (119,643) |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2) | 116,359 | 691,432 |
| Loss (gain) on sale of subsidiary (Note 4) | - | (3,670) |
| Foreign exchange (gains) losses | 46,038 | (54,614) |
| (Gain) Loss from repurchase of preference ordinary shares (Note 6) | (14,290) | - |
| (Gain) Loss on the early extinguishment of debt (Note 5) | 1,582 | - |
| Provision (benefit) for income tax on items excluded from operating income | 8,301 | 24,102 |
| Operating Net income (loss) (Note 7) | \$ (637,639) | \$ 332,289 |

Notes

1. Certain amounts have been reclassified to conform with the current period presentation.
2. On May 1, 2014, our wholly-owned subsidiary XLJB (on June 9, 2016, XLJB 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 XLJB'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 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. 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.
5. On July 7, 2017, the Company repurchased through a tender offer and canceled outstanding 5.5% Subordinated Notes due 2045 issued by XLIT with a net carrying value of \$16.3 million for \$17.9 million, inclusive of transaction costs. As a result of these repurchases, the Company recorded a loss of approximately \$1.6 million through "Extinguishment of debt" and interest expense of \$0.3 million in the Unaudited Consolidated Statements of Income.
6. During the quarter, the Company repurchased and canceled the outstanding Series D, Series E and the Non-Cumulative Preference Shares. As a result of these repurchases, the Company recorded a gain of \$14.3 million through "Non-controlling interests" in the Unaudited Consolidated Statements of Income.
7. 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 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 net (gains) losses on the early extinguishment of debt, (13) our net (gains) losses from the repurchase of preference shares, and (14) 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. A reconciliation of Operating net income (loss) to Net income (loss) is included on page 7.

RETURN ON COMMON SHAREHOLDERS' EQUITY AND BOOK VALUE PER SHARE - YTD

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

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 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 | 11,528,510 | 13,592,880 |
| Less: Non-controlling interest in equity of consolidated subsidiaries | (1,588,663) | (1,980,714) |
| Closing common shareholders' equity | 9,939,847 | 11,612,166 |
| Average common shareholders' equity | 10,439,180 | 11,644,623 |
| Opening AOCI, net of tax | 715,546 | 686,616 |
| Closing AOCI, net of tax | 968,928 | 1,519,805 |
| Average AOCI, net of tax (Note 2) | 842,237 | 1,103,211 |
| Average common shareholders' equity excluding AOCI | 9,596,943 | 10,541,413 |
| Integration costs | 69,051 | 107,104 |
| Provision (benefit) for income tax on integration costs | (3,729) | 40,724 |
| Net income (loss) attributable to common shareholders | (589,226) | 136,268 |
| Annualized net income (loss) attributable to common shareholders | (785,635) | 181,691 |
| Operating Net Income (Note 3) | (637,639) | 332,289 |
| Annualized Operating Net Income (Note 3) | (850,185) | 443,052 |
| Operating Net Income (excluding integration costs) (Note 3) | (572,317) | 480,117 |
| Annualized Operating Net Income (excluding integration costs) (Note 3) | (763,089) | 640,156 |
| Annualized return on average common shareholders' equity | -7.5% | 1.6% |
| Annualized operating return on average common shareholders' equity (Note 3) | -8.1% | 3.8% |
| Annualized operating return on average common shareholders' equity excluding AOCI (Note 3) | -8.9% | 4.2% |
| Annualized operating return on common shareholders' equity excluding integration costs (Note 3) | -7.3% | 5.5% |
| Annualized operating return on common shareholders' equity excluding integration costs and AOCI (Note 3) | -8.0% | 6.1% |

| | At September 30, 2017 | At December 31, 2016 |
|--|--------------------------|-------------------------|
| Book Value per Common Share | | |
| Closing common shareholders' equity | \$ 9,939,847 | \$ 10,938,512 |
| Common shares outstanding (Note 4) | 255,980,636 | 266,927,220 |
| Dilutive impact of stock and options | 3,736,712 | 4,297,570 |
| Diluted shares outstanding | 259,717,348 | 271,224,790 |
| Book value per common share | \$ 38.83 | \$ 40.98 |
| Fully diluted book value per common share | \$ 38.27 | \$ 40.33 |
| Fully diluted tangible book value per common share (Note 5) | \$ 29.70 | \$ 32.21 |

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- Accumulated other comprehensive income ("AOCI") consists primarily of unrealized (gain) loss on investments, net of tax, which 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 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 net (gains) losses on the early extinguishment of debt, (13) our net (gains) losses from the repurchase of preference shares, and (14) 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 SEPTEMBER 30, 2017

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

| | INSURANCE | REINSURANCE | TOTAL P&C | CORPORATE AND OTHER (Note 1) | TOTAL |
|--|---------------------|---------------------|-----------------------|------------------------------------|-----------------------|
| Gross premiums written | \$ 2,311,090 | \$ 704,641 | \$ 3,015,731 | \$ 59,830 | \$ 3,075,561 |
| Net premiums written | 1,660,304 | 665,917 | 2,326,221 | 3,146 | 2,329,367 |
| Net premiums earned | 1,677,189 | 940,567 | 2,617,756 | 3,146 | 2,620,902 |
| Net losses and loss expenses incurred | (1,724,755) | (1,341,968) | (3,066,723) | (10,592) | (3,077,315) |
| Acquisition expenses | (228,188) | (216,371) | (444,559) | (1,126) | (445,685) |
| Operating expenses (Note 2) | (269,727) | (63,723) | (333,450) | (186) | (333,636) |
| Underwriting (loss) profit | <u>\$ (545,481)</u> | <u>\$ (681,495)</u> | <u>\$ (1,226,976)</u> | <u>\$ (8,758)</u> | <u>\$ (1,235,734)</u> |
| Net investment income - excluding Life Funds Withheld Assets (Note 3) | - | - | 152,132 | 7,533 | 159,665 |
| Net investment income - Life Funds Withheld Assets (Note 3) | - | - | - | 30,796 | 30,796 |
| Net investment results structured products (Note 4) | 1,862 | 16,046 | 17,908 | - | 17,908 |
| Net fee income and other (Note 5) | (1,578) | 863 | (715) | (1,304) | (2,019) |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3) | | | 32,618 | (892) | 31,726 |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3) | | | - | 11,548 | 11,548 |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | | | | (31,662) | (31,662) |
| Net realized and unrealized gains (losses) on derivative instruments | | | | (20,434) | (20,434) |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 6) | | | | 62,528 | 62,528 |
| Foreign exchange (gains) losses | | | | 55,017 | 55,017 |
| Corporate operating expenses | | | | 62,232 | 62,232 |
| Contribution from P&C and Corporate and other | | | <u>\$ (1,025,033)</u> | <u>\$ (69,476)</u> | <u>\$ (1,094,509)</u> |
| Interest expense | | | | | (39,509) |
| Non-controlling interests | | | | | 30,197 |
| Income taxes | | | | | 60,132 |
| Net (loss) income attributable to XL Group Ltd | | | | | <u>\$ (1,043,689)</u> |
| Ratios - P&C operations: | | | | | |
| Loss and loss expense ratio | 102.8% | 142.7% | 117.2% | | |
| Underwriting expense ratio | 29.7% | 29.8% | 29.7% | | |
| Combined ratio | 132.5% | 172.5% | 146.9% | | |
| Total net prior year development | (8,811) | (22,051) | (30,862) | | |
| Natural catastrophe losses (Note 7) | 697,956 | 873,440 | 1,571,396 | | |
| Reinstatement premium | (18,324) | 70,655 | 52,331 | | |
| Loss and loss expense ratio excluding net prior year development | 103.4% | 145.0% | 118.3% | | |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 61.1% | 56.4% | 59.5% | | |

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 \$12.3 million and \$(5.6) million, respectively.
- Net fee income and other includes operating expenses of \$13.5 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 on a one-month and three-month lag, respectively.
- Natural catastrophes include hurricanes Harvey, Irma and Maria and the Mexican Earthquakes.



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 - excluding Life Funds Withheld Assets (Note 3) | - | - | 155,559 | 8,157 | 163,716 |
| Net investment income - Life Funds Withheld Assets (Note 3) | - | - | - | 31,439 | 31,439 |
| 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 sold - excluding Life Funds Withheld Assets (Note 3) | | | 57,140 | (7,971) | 49,169 |
| 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 and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (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 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 SEPTEMBER 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 | \$ 2,153,379 | \$ 565,541 | \$ 2,718,920 | \$ 64,683 | \$ 2,783,603 |
| Net premiums written | 1,615,132 | 518,166 | 2,133,298 | 2,360 | 2,135,658 |
| Net premiums earned | 1,653,461 | 778,216 | 2,431,677 | 2,360 | 2,434,037 |
| Net losses and loss expenses incurred | (1,068,268) | (423,535) | (1,491,803) | (5,875) | (1,497,678) |
| Acquisition expenses | (221,137) | (181,749) | (402,886) | (1,002) | (403,888) |
| Operating expenses (Note 3) | (302,373) | (67,764) | (370,137) | (142) | (370,279) |
| Underwriting (loss) profit | <u>\$ 61,683</u> | <u>\$ 105,168</u> | <u>\$ 166,851</u> | <u>\$ (4,659)</u> | <u>\$ 162,192</u> |
| Net investment income - excluding Life Funds Withheld Assets (Note 4) | - | - | 148,579 | 8,127 | 156,706 |
| Net investment income - Life Funds Withheld Assets (Note 4) | - | - | - | 38,937 | 38,937 |
| Net investment results structured products (Note 5) | 2,353 | 5,355 | 7,708 | - | 7,708 |
| Net fee income and other (Note 6) | (4,486) | 620 | (3,866) | 595 | (3,271) |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4) | | | 60,401 | (2,006) | 58,395 |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4) | | | | 85,213 | 85,281 |
| Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 4) | | | | (225,610) | (225,610) |
| Net realized and unrealized gains (losses) on derivative instruments | | | | 5,490 | 5,490 |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 7) | | | | 24,566 | 24,566 |
| Foreign exchange (gains) losses | | | | (1,695) | (1,695) |
| Corporate operating expenses (Note 8) | | | | 126,308 | 126,308 |
| Loss (Gain) on sale of subsidiary (Note 9) | | | | (3,670) | (3,670) |
| Contribution from P&C and Corporate and other | | | <u>\$ 379,741</u> | <u>\$ (190,290)</u> | <u>\$ 189,451</u> |
| Interest expense | | | | | (43,025) |
| Non-controlling interests | | | | | (58,076) |
| Income taxes | | | | | (17,749) |
| Net (loss) income attributable to XL Group Ltd | | | | | <u>\$ 70,601</u> |
| Ratios - P&C operations: | | | | | |
| Loss and loss expense ratio | 64.6% | 54.4% | 61.3% | | |
| Underwriting expense ratio | 31.7% | 32.1% | 31.8% | | |
| Combined ratio | 96.3% | 86.5% | 93.1% | | |
| Total net prior year development | (22,685) | (30,920) | (53,605) | | |
| Natural catastrophe losses (Note 10) | 71,157 | 27,986 | 99,143 | | |
| Reinstatement premium | - | 1,777 | 1,777 | | |
| Loss and loss expense ratio excluding net prior year development | 66.0% | 58.4% | 63.6% | | |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 61.7% | 54.9% | 59.5% | | |

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 \$6.4 million, respectively.
- Net fee income and other includes operating expenses of \$11.9 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 on a one-month and three-month lag, respectively.
- Corporate operating expenses include approximately \$54.5 million of integration costs resulting from the Catlin Acquisition.
- On September 30, 2016, the Company completed the sale of its wholly-owned subsidiary, XLLIAC and as a result, recorded a \$3.7 million gain.
- Natural catastrophes include Louisiana Flooding, West Virginia Storm, Hurricane Hermine and US Storms.

PREMIUMS BY LINE OF BUSINESS

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

| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 | | | | FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 | | | |
|--------------------------------------|---|-------------------|------------------------------------|---------------------|--|-------------------|------------------------------------|---------------------|
| | <u>GROSS PREMIUMS WRITTEN</u> | | | | <u>GROSS PREMIUMS WRITTEN</u> (Note 1) | | | |
| | Insurance | Reinsurance | Corporate and Other (Note 2) | Total | Insurance | Reinsurance | Corporate and Other (Note 2) | Total |
| P&C Operations: | | | | | | | | |
| Professional | \$ 472,900 | \$ 77,229 | \$ - | \$ 550,129 | \$ 432,240 | \$ 38,124 | \$ - | \$ 470,364 |
| Casualty | 748,380 | 106,479 | - | 854,859 | 780,676 | 138,407 | - | 919,083 |
| Property catastrophe | - | 201,019 | - | 201,019 | - | 116,867 | - | 116,867 |
| Property | 530,670 | 213,454 | - | 744,124 | 454,467 | 191,981 | - | 646,448 |
| Specialty | 559,542 | 29,853 | - | 589,395 | 486,026 | 19,163 | - | 505,189 |
| Other (Note 3) | (402) | 76,607 | - | 76,205 | (30) | 60,999 | - | 60,969 |
| Total P&C operations | 2,311,090 | 704,641 | - | 3,015,731 | 2,153,379 | 565,541 | - | 2,718,920 |
| Corporate and Other : | | | | | | | | |
| Run-Off Life Operations - Annuity | | | 25,469 | 25,469 | | | 29,397 | 29,397 |
| Run-Off Life Operations - Other Life | | | 34,361 | 34,361 | | | 35,286 | 35,286 |
| Total Corporate and Other | - | - | 59,830 | 59,830 | | | 64,683 | 64,683 |
| Total | \$ 2,311,090 | \$ 704,641 | \$ 59,830 | \$ 3,075,561 | \$ 2,153,379 | \$ 565,541 | \$ 64,683 | \$ 2,783,603 |
| | <u>NET PREMIUMS WRITTEN</u> | | | | <u>NET PREMIUMS WRITTEN</u> (Note 1) | | | |
| | Insurance | Reinsurance | Corporate and Other (Note 2) | Total | Insurance | Reinsurance | Corporate and Other (Note 2) | Total |
| P&C Operations: | | | | | | | | |
| Professional | \$ 339,943 | \$ 73,349 | \$ - | \$ 413,292 | \$ 306,314 | \$ 37,059 | \$ - | \$ 343,373 |
| Casualty | 502,902 | 99,570 | - | 602,472 | 567,833 | 127,737 | - | 695,570 |
| Property catastrophe | - | 184,222 | - | 184,222 | - | 91,023 | - | 91,023 |
| Property | 382,565 | 206,472 | - | 589,037 | 374,334 | 183,247 | - | 557,581 |
| Specialty | 435,159 | 26,849 | - | 462,008 | 377,197 | 19,685 | - | 396,882 |
| Other (Note 3) | (265) | 75,455 | - | 75,190 | (10,546) | 59,415 | - | 48,869 |
| Total P&C operations | 1,660,304 | 665,917 | - | 2,326,221 | 1,615,132 | 518,166 | - | 2,133,298 |
| Corporate and Other : | | | | | | | | |
| Run-Off Life Operations - Annuity | | | - | - | | | (1) | (1) |
| Run-Off Life Operations - Other Life | | | 3,146 | 3,146 | | | 2,361 | 2,361 |
| Total Corporate and Other | | | 3,146 | 3,146 | | | 2,360 | 2,360 |
| Total | \$ 1,660,304 | \$ 665,917 | \$ 3,146 | \$ 2,329,367 | \$ 1,615,132 | \$ 518,166 | \$ 2,360 | \$ 2,135,658 |
| | <u>NET PREMIUMS EARNED</u> | | | | <u>NET PREMIUMS EARNED</u> (Note 1) | | | |
| | Insurance | Reinsurance | Corporate and Other (Note 2) | Total | Insurance | Reinsurance | Corporate and Other (Note 2) | Total |
| P&C Operations: | | | | | | | | |
| Professional | \$ 328,253 | \$ 58,304 | \$ - | \$ 386,557 | \$ 287,039 | \$ 39,029 | \$ - | \$ 326,068 |
| Casualty | 522,564 | 136,532 | - | 659,096 | 553,223 | 163,845 | - | 717,068 |
| Property catastrophe | - | 221,023 | - | 221,023 | - | 183,381 | - | 183,381 |
| Property | 390,156 | 278,651 | - | 668,807 | 414,888 | 263,324 | - | 678,212 |
| Specialty | 437,350 | 53,611 | - | 490,961 | 408,857 | 43,712 | - | 452,569 |
| Other (Note 3) | (1,134) | 192,446 | - | 191,312 | (10,546) | 84,925 | - | 74,379 |
| Total P&C operations | 1,677,189 | 940,567 | - | 2,617,756 | 1,653,461 | 778,216 | - | 2,431,677 |
| Corporate and Other : | | | | | | | | |
| Run-Off Life Operations - Annuity | | | - | - | | | - | - |
| Run-Off Life Operations - Other Life | | | 3,146 | 3,146 | | | 2,360 | 2,360 |
| Total Corporate and Other | | | 3,146 | 3,146 | | | 2,360 | 2,360 |
| Total | \$ 1,677,189 | \$ 940,567 | \$ 3,146 | \$ 2,620,902 | \$ 1,653,461 | \$ 778,216 | \$ 2,360 | \$ 2,434,037 |

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)



| | Three Months Ended September 30, 2017 | Three Months Ended June 30, 2017 | Three Months Ended March 31, 2017 | Three Months Ended December 31, 2016 | Three Months Ended September 30, 2016 | vs. Q2 17 | vs. Q3 16 |
|--|--|-------------------------------------|--------------------------------------|---|--|-----------|-----------|
| Gross premiums written | \$ 2,311,090 | \$ 2,576,754 | \$ 2,694,216 | \$ 2,481,140 | \$ 2,153,379 | -10.3% | 7.3% |
| Net premiums written | 1,660,304 | 1,741,201 | 1,508,591 | 1,816,711 | 1,615,132 | -4.6% | 2.8% |
| Net premiums earned | 1,677,189 | 1,652,304 | 1,635,315 | 1,707,440 | 1,653,461 | 1.5% | 1.4% |
| Net losses incurred | (1,724,755) | (1,077,087) | (1,060,363) | (1,157,138) | (1,068,268) | 60.1% | 61.5% |
| Acquisition expenses | (228,188) | (231,908) | (210,483) | (218,299) | (221,137) | -1.6% | 3.2% |
| Operating expenses (Note 2) | (269,727) | (288,681) | (285,729) | (301,960) | (302,373) | -6.6% | -10.8% |
| Underwriting profit (loss) | \$ (545,481) | \$ 54,628 | \$ 78,740 | \$ 30,043 | \$ 61,683 | NM | NM |
| RATIOS | | | | | | | |
| Loss and loss expense ratio | 102.8% | 65.2% | 64.8% | 67.8% | 64.6% | | |
| Acquisition expense ratio | 13.6% | 14.0% | 12.9% | 12.8% | 13.4% | | |
| Operating expense ratio | 16.1% | 17.5% | 17.5% | 17.6% | 18.3% | | |
| Combined ratio | 132.5% | 96.7% | 95.2% | 98.2% | 96.3% | | |
| Total net prior year development, strengthening (release) | \$ (8,811) | \$ (17,227) | \$ (4,642) | \$ (23,961) | \$ (22,685) | | |
| Natural catastrophe losses | 697,956 | 79,389 | 70,330 | 126,208 | 71,157 | | |
| Loss and loss expense ratio excluding net prior year development | 103.4% | 66.2% | 65.1% | 69.2% | 66.0% | | |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 61.1% | 61.4% | 60.8% | 61.8% | 61.7% | | |
| Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 90.4% | 92.9% | 91.2% | 92.3% | 93.3% | | |

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 September 30, 2017 | Three Months Ended June 30, 2017 | Three Months Ended March 31, 2017 | Three Months Ended December 31, 2016 | Three Months Ended September 30, 2016 | % Change Q3 17 vs. Q2 17 | vs. Q3 16 |
|--|--|-------------------------------------|--------------------------------------|---|--|-----------------------------|-----------|
| Gross premiums written | \$ 704,641 | \$ 977,676 | \$ 1,927,390 | \$ 535,456 | \$ 565,541 | -27.9% | 24.6% |
| Net premiums written | 665,917 | 905,240 | 1,471,169 | 496,421 | 518,166 | -26.4% | 28.5% |
| Net premiums earned | 940,567 | 861,789 | 884,166 | 746,620 | 778,216 | 9.1% | 20.9% |
| Net losses incurred | (1,341,968) | (451,996) | (523,093) | (409,023) | (423,535) | NM | NM |
| Acquisition expenses | (216,371) | (200,394) | (224,079) | (173,208) | (181,749) | 8.0% | 19.0% |
| Operating expenses (Note 3) | (63,723) | (69,435) | (71,757) | (68,012) | (67,764) | -8.2% | -6.0% |
| Underwriting profit (loss) | \$ (681,495) | \$ 139,964 | \$ 65,237 | \$ 96,377 | \$ 105,168 | NM | NM |
| RATIOS | | | | | | | |
| Loss and loss expense ratio | 142.7% | 52.4% | 59.2% | 54.8% | 54.4% | | |
| Acquisition expense ratio | 23.0% | 23.3% | 25.3% | 23.2% | 23.4% | | |
| Operating expense ratio | 6.8% | 8.1% | 8.1% | 9.1% | 8.7% | | |
| Combined ratio | 172.5% | 83.8% | 92.6% | 87.1% | 86.5% | | |
| Total net prior year development, strengthening (release) | \$ (22,051) | \$ (69,505) | \$ 28,646 | \$ (81,934) | \$ (30,920) | | |
| Natural catastrophe losses | 873,440 | 13,032 | 25,745 | 123,746 | 27,986 | | |
| Reinstatement premium | 70,655 | 273 | 0 | 3,856 | 1,777 | | |
| Loss and loss expense ratio excluding net prior year development | 145.0% | 60.5% | 55.9% | 65.8% | 58.4% | | |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 56.4% | 59.0% | 53.0% | 49.4% | 54.9% | | |
| Combined ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 88.6% | 90.3% | 86.5% | 81.9% | 87.1% | | |

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 ("CATs")
THREE MONTHS ENDED SEPTEMBER 30, 2017 vs SEPTEMBER 30, 2016**

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



| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 | | | | | FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 | | | | |
|--|---|------------------|------------------------------|-----------------------|------------------------|---|------------------|------------------------------|--------------------|------------------------|
| | Including CATs & PYD | PYD | Excluding PYD but incl. CATs | CATs (Note 1) | Excluding CATs and PYD | Including CATs & PYD | PYD | Excluding PYD but incl. CATs | CATs (Note 3) | Excluding CATs and PYD |
| INSURANCE | | | | | | | | | | |
| Gross premiums written | \$ 2,311,090 | | \$ 2,311,090 | - | \$ 2,311,090 | \$ 2,153,379 | | \$ 2,153,379 | - | \$ 2,153,379 |
| Net premiums written | 1,660,304 | | 1,660,304 | (18,324) | 1,678,628 | 1,615,132 | | 1,615,132 | - | 1,615,132 |
| Net premiums earned | 1,677,189 | | 1,677,189 | (18,324) | 1,695,513 | 1,653,461 | | 1,653,461 | - | 1,653,461 |
| Net losses incurred | 1,724,755 | (8,811) | 1,733,566 | 697,956 | 1,035,610 | 1,068,268 | (22,685) | 1,090,953 | 71,157 | 1,019,796 |
| Acquisition expenses | 228,188 | | 228,188 | - | 228,188 | 221,137 | | 221,137 | - | 221,137 |
| Operating expenses | 269,727 | | 269,727 | - | 269,727 | 302,373 | | 302,373 | - | 302,373 |
| Underwriting profit / (loss) | \$ (545,481) | \$ 8,811 | \$ (554,292) | \$ (716,280) | \$ 161,988 | \$ 61,683 | \$ 22,685 | \$ 38,998 | \$ (71,157) | \$ 110,155 |
| Loss Ratio | 102.8% | | 103.4% | | 61.1% | 64.6% | | 66.0% | | 61.7% |
| Combined Ratio | 132.5% | | 133.0% | | 90.4% | 96.3% | | 97.6% | | 93.3% |
| REINSURANCE | | | | | | | | | | |
| Gross premiums written | \$ 704,641 | | \$ 704,641 | 90,219 | \$ 614,422 | \$ 565,541 | | \$ 565,541 | 1,934 | \$ 563,607 |
| Net premiums written | 665,917 | | 665,917 | 70,655 | 595,262 | 518,166 | | 518,166 | 1,777 | 516,389 |
| Net premiums earned | 940,567 | | 940,567 | 70,655 | 869,912 | 778,216 | | 778,216 | 1,777 | 776,439 |
| Net losses incurred | 1,341,968 | (22,051) | 1,364,019 | 873,440 | 490,579 | 423,535 | (30,920) | 454,455 | 27,986 | 426,469 |
| Acquisition expenses | 216,371 | | 216,371 | - | 216,371 | 181,749 | | 181,749 | - | 181,749 |
| Operating expenses | 63,723 | | 63,723 | - | 63,723 | 67,764 | | 67,764 | - | 67,764 |
| Underwriting profit / (loss) | \$ (681,495) | \$ 22,051 | \$ (703,546) | \$ (802,785) | \$ 99,239 | \$ 105,168 | \$ 30,920 | \$ 74,248 | \$ (26,209) | \$ 100,457 |
| Loss Ratio | 142.7% | | 145.0% | | 56.4% | 54.4% | | 58.4% | | 54.9% |
| Combined Ratio | 172.5% | | 174.8% | | 88.6% | 86.5% | | 90.5% | | 87.1% |
| TOTAL | | | | | | | | | | |
| Gross premiums written | \$ 3,015,731 | | \$ 3,015,731 | 90,219 | \$ 2,925,512 | \$ 2,718,920 | | \$ 2,718,920 | 1,934 | \$ 2,716,986 |
| Net premiums written | 2,326,221 | | 2,326,221 | 52,331 | 2,273,890 | 2,133,298 | | 2,133,298 | 1,777 | 2,131,521 |
| Net premiums earned | 2,617,756 | | 2,617,756 | 52,331 | 2,565,425 | 2,431,677 | | 2,431,677 | 1,777 | 2,429,900 |
| Net losses incurred | 3,066,723 | (30,862) | 3,097,585 | 1,571,396 | 1,526,189 | 1,491,803 | (53,605) | 1,545,408 | 99,143 | 1,446,265 |
| Acquisition expenses | 444,559 | | 444,559 | - | 444,559 | 402,886 | | 402,886 | - | 402,886 |
| Operating expenses | 333,450 | | 333,450 | - | 333,450 | 370,137 | | 370,137 | - | 370,137 |
| Underwriting profit / (loss) | \$ (1,226,976) | \$ 30,862 | \$ (1,257,838) | \$ (1,519,065) | \$ 261,227 | \$ 166,851 | \$ 53,605 | \$ 113,246 | \$ (97,366) | \$ 210,612 |
| CATs attributable to non-controlling interest | | | | 34,431 | | | | | - | |
| CATs net of non-controlling interest | | | | \$ (1,484,634) | | | | \$ (97,366) | | |
| Loss Ratio | 117.2% | | 118.3% | | 59.5% | 61.3% | | 63.6% | | 59.5% |
| Combined Ratio | 146.9% | | 148.1% | | 89.8% | 93.1% | | 95.3% | | 91.3% |

Notes:

- 2017 Natural catastrophes include hurricanes Harvey, Irma and Maria and Mexican Earthquakes.
- Certain amounts have been reclassified to conform with the current period presentation.
- 2016 Natural catastrophes include Louisiana Flooding, West Virginia Storm, Hurricane Hermine and US Storms.

SEGMENT INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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



| | INSURANCE | REINSURANCE | TOTAL P&C | CORPORATE AND OTHER (Note 1) | TOTAL |
|--|---------------------|---------------------|---------------------|------------------------------------|---------------------|
| Gross premiums written | \$ 7,582,060 | \$ 3,609,707 | \$ 11,191,767 | \$ 175,160 | \$ 11,366,927 |
| Net premiums written | \$ 4,910,096 | \$ 3,042,326 | \$ 7,952,422 | \$ 9,280 | \$ 7,961,702 |
| Net premiums earned | \$ 4,964,808 | \$ 2,686,522 | \$ 7,651,330 | \$ 9,280 | \$ 7,660,610 |
| Net losses and loss expenses incurred | (3,862,205) | (2,317,057) | (6,179,262) | (25,478) | (6,204,740) |
| Acquisition expenses | (670,579) | (640,844) | (1,311,423) | (3,715) | (1,315,138) |
| Operating expenses (Note 2) | (844,137) | (204,915) | (1,049,052) | (697) | (1,049,749) |
| Underwriting (loss) profit | <u>\$ (412,113)</u> | <u>\$ (476,294)</u> | <u>\$ (888,407)</u> | <u>\$ (20,610)</u> | <u>\$ (909,017)</u> |
| Net investment income - Life Funds Withheld Assets (Note 3) | - | - | - | 95,599 | 95,599 |
| Net investment income - excluding Life Funds Withheld Assets (Note 3) | - | - | 454,257 | 22,917 | 477,174 |
| Net investment results structured products (Note 4) | 6,112 | 17,633 | 23,745 | - | 23,745 |
| Net fee income and other (Note 5) | (2,437) | 2,243 | (194) | (1,607) | (1,801) |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3) | | | - | 52,075 | 52,075 |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3) | | | 94,589 | (9,476) | 85,113 |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | | | | (116,359) | (116,359) |
| Net realized and unrealized gains (losses) on derivative instruments | | | | (28,409) | (28,409) |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 6) | | | | 187,920 | 187,920 |
| Foreign exchange (gains) losses | | | | 46,038 | 46,038 |
| Corporate operating expenses (Note 7) | | | | 263,267 | 263,267 |
| Contribution from P&C and Corporate and other | | | <u>\$ (316,010)</u> | <u>\$ (128,837)</u> | <u>\$ (444,847)</u> |
| Interest expense | | | | | (123,181) |
| Non-controlling interests | | | | | (39,232) |
| Income tax | | | | | 18,034 |
| Net (loss) income attributable to XL Group Ltd | | | | | <u>\$ (589,226)</u> |
| Ratios - P&C operations: | | | | | |
| Loss and loss expense ratio | 77.8% | 86.2% | 80.8% | | |
| Underwriting expense ratio | 30.5% | 31.5% | 30.8% | | |
| Combined ratio | 108.3% | 117.7% | 111.6% | | |
| Total net prior year development | (30,680) | (62,910) | (93,590) | | |
| Natural catastrophe losses (Note 8) | 847,675 | 912,217 | 1,759,892 | | |
| Reinstatement premium | (18,324) | 70,928 | 52,604 | | |
| Loss and loss expense ratio excluding net prior year development | 78.4% | 88.6% | 82.0% | | |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 61.1% | 56.1% | 59.4% | | |

Notes :

- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB (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 \$39.2 million and \$15.5 million, respectively.
- Net fee income and other includes operating expenses of \$37.2 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 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.
- Natural catastrophes include hurricanes Harvey, Irma and Maria, Mexican Earthquakes, US Storms, Cyclone Debbie and March Peru Flooding.



SEGMENT INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

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

| | INSURANCE | REINSURANCE | TOTAL P&C | CORPORATE AND OTHER (Note 1) | TOTAL |
|--|-------------------|-------------------|-------------------|------------------------------------|-------------------|
| Gross premiums written | \$ 7,169,363 | \$ 3,439,650 | \$ 10,609,013 | \$ 202,139 | \$ 10,811,152 |
| Net premiums written | \$ 4,899,258 | \$ 3,018,246 | \$ 7,917,504 | \$ 9,032 | \$ 7,926,536 |
| Net premiums earned | \$ 4,944,055 | \$ 2,367,772 | \$ 7,311,827 | \$ 9,032 | \$ 7,320,859 |
| Net losses and loss expenses incurred | (3,163,599) | (1,343,075) | (4,506,674) | (16,294) | (4,522,968) |
| Acquisition expenses | (679,009) | (544,380) | (1,223,389) | (4,286) | (1,227,675) |
| Operating expenses (Note 2) | (922,273) | (215,258) | (1,137,531) | (765) | (1,138,296) |
| Underwriting (loss) profit | <u>\$ 179,174</u> | <u>\$ 265,059</u> | <u>\$ 444,233</u> | <u>\$ (12,313)</u> | <u>\$ 431,920</u> |
| Net investment income - Life Funds Withheld Assets (Note 3) | - | - | - | 119,643 | 119,643 |
| Net investment income - excluding Life Funds Withheld Assets (Note 3) | - | - | 446,352 | 24,185 | 470,537 |
| Net investment results structured products (Note 4) | 6,340 | 5,397 | 11,737 | - | 11,737 |
| Net fee income and other (Note 5) | (12,097) | 2,705 | (9,392) | 1,068 | (8,324) |
| Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3) | | | (3) | 271,599 | 271,596 |
| Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3) | | | 77,189 | (7,742) | 69,447 |
| Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3) | | | | (691,432) | (691,432) |
| Net realized and unrealized gains (losses) on derivative instruments | | | | 2,774 | 2,774 |
| Net income (loss) from investment fund affiliates and operating affiliates (Note 6) | | | | 67,234 | 67,234 |
| Gain on sale of operating affiliate | | | | - | - |
| Foreign exchange (gains) losses | | | | (54,614) | (54,614) |
| Corporate operating expenses (Note 7) | | | | 372,003 | 372,003 |
| Loss (Gain) on sale of subsidiary (Note 8) | | | | (3,670) | (3,670) |
| Contribution from P&C and Corporate and other | | | <u>\$ 970,116</u> | <u>\$ (538,703)</u> | <u>\$ 431,413</u> |
| Interest expense (Note 9) | | | | | (128,371) |
| Non-controlling interests | | | | | (124,263) |
| Income taxes | | | | | (42,511) |
| Net (loss) income attributable to XL Group Ltd | | | | | <u>\$ 136,268</u> |
| Ratios - P&C operations: | | | | | |
| Loss and loss expense ratio | 64.0% | 56.7% | 61.6% | | |
| Underwriting expense ratio | 32.4% | 32.1% | 32.3% | | |
| Combined ratio | 96.4% | 88.8% | 93.9% | | |
| Total net prior year development | (67,498) | (128,149) | (195,647) | | |
| Natural catastrophe losses (Note 10) | 203,670 | 204,524 | 408,194 | | |
| Reinstatement premium | - | 17,956 | 17,956 | | |
| Loss and loss expense ratio excluding net prior year development | 65.4% | 62.1% | 64.3% | | |
| Loss and loss expense ratio excluding net prior year development, natural catastrophe losses and reinstatement premium | 61.2% | 53.9% | 58.9% | | |

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 \$40.9 million and \$29.1 million, respectively.
- Net fee income and other includes operating expenses of \$36.0 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 on a one-month and three-month lag, respectively.
- Operating expenses includes \$161.6 million of integration costs resulting from the Catlin acquisition. See pages 9 - 11 for split of segment and corporate operating expenses. See pages 15 - 16 for split of segment and corporate operating expenses.
- On September 30, 2016, the Company completed the sale of its wholly-owned subsidiary, XLLIAC and as a result, recorded a \$3.7 million gain.
- Excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- 2016 Natural catastrophes include Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japan, Taiwan and Ecuador Earthquakes, US Storms, Louisiana Flooding, West Virginia Storm and Hurricane Hermine.

PREMIUMS BY LINE OF BUSINESS

(U.S. Dollars in thousands)

(Unaudited)

| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 | | | | FOR THE NINE MONTHS ENDED SEPTEMBER 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 | \$ 1,347,753 | \$ 237,454 | \$ - | \$ 1,585,207 | \$ 1,226,425 | \$ 129,749 | \$ - | \$ 1,356,174 |
| Casualty | 2,553,374 | 564,665 | - | 3,118,039 | 2,417,786 | 677,419 | - | 3,095,205 |
| Property catastrophe | | 989,424 | - | 989,424 | | 969,628 | - | 969,628 |
| Property | 1,862,262 | 1,198,828 | - | 3,061,090 | 1,813,244 | 1,054,229 | - | 2,867,473 |
| Specialty | 1,817,939 | 201,859 | - | 2,019,798 | 1,713,595 | 198,756 | - | 1,912,351 |
| Other (Note 3) | 732 | 417,477 | - | 418,209 | (1,687) | 409,869 | - | 408,182 |
| Total P&C operations | 7,582,060 | 3,609,707 | | 11,191,767 | 7,169,363 | 3,439,650 | - | 10,609,013 |
| Corporate and Other : | | | | | | | | |
| Run-Off Life Operations - Annuity | | | 79,084 | 79,084 | | | 93,115 | 93,115 |
| Run-Off Life Operations - Other Life | | | 96,076 | 96,076 | | | 109,024 | 109,024 |
| Total Corporate and Other | | | 175,160 | 175,160 | | | 202,139 | 202,139 |
| Total | \$ 7,582,060 | \$ 3,609,707 | \$ 175,160 | \$ 11,366,927 | \$ 7,169,363 | \$ 3,439,650 | \$ 202,139 | \$ 10,811,152 |
| | <u>NET PREMIUMS WRITTEN</u> | | | | <u>NET PREMIUMS WRITTEN</u> | | | |
| | Insurance | Reinsurance | Corporate and Other (Note 2) | Total | Insurance | Reinsurance | Corporate and Other (Note 2) | Total |
| P&C Operations: | | | | | | | | |
| Professional | \$ 886,051 | \$ 225,223 | \$ - | \$ 1,111,274 | \$ 814,725 | \$ 128,510 | \$ - | \$ 943,235 |
| Casualty | 1,517,528 | 526,354 | - | 2,043,882 | 1,601,104 | 640,463 | - | 2,241,567 |
| Property catastrophe | | 646,731 | - | 646,731 | | 744,410 | - | 744,410 |
| Property | 1,186,235 | 1,082,781 | - | 2,269,016 | 1,191,602 | 948,036 | - | 2,139,638 |
| Specialty | 1,319,835 | 173,079 | - | 1,492,914 | 1,293,490 | 177,163 | - | 1,470,653 |
| Other (Note 3) | 447 | 388,158 | - | 388,605 | (1,663) | 379,664 | - | 378,001 |
| Total P&C operations | 4,910,096 | 3,042,326 | | 7,952,422 | 4,899,258 | 3,018,246 | - | 7,917,504 |
| Corporate and Other : | | | | | | | | |
| Run-Off Life Operations - Annuity | | | - | - | | | - | - |
| Run-Off Life Operations - Other Life | | | 9,280 | 9,280 | | | 9,032 | 9,032 |
| Total Corporate and Other | | | 9,280 | 9,280 | | | 9,032 | 9,032 |
| Total | \$ 4,910,096 | \$ 3,042,326 | \$ 9,280 | \$ 7,961,702 | \$ 4,899,258 | \$ 3,018,246 | \$ 9,032 | \$ 7,926,536 |
| | <u>NET PREMIUMS EARNED</u> | | | | <u>NET PREMIUMS EARNED</u> | | | |
| | Insurance | Reinsurance | Corporate and Other (Note 2) | Total | Insurance | Reinsurance | Corporate and Other (Note 2) | Total |
| P&C Operations: | | | | | | | | |
| Professional | \$ 939,809 | \$ 165,534 | \$ - | \$ 1,105,343 | \$ 884,081 | \$ 121,982 | \$ - | \$ 1,006,063 |
| Casualty | 1,595,356 | 442,793 | - | 2,038,149 | 1,636,808 | 510,031 | - | 2,146,839 |
| Property catastrophe | | 533,486 | - | 533,486 | | 602,995 | - | 602,995 |
| Property | 1,185,946 | 837,490 | - | 2,023,436 | 1,137,609 | 777,993 | - | 1,915,602 |
| Specialty | 1,243,137 | 137,913 | - | 1,381,050 | 1,287,221 | 125,717 | - | 1,412,938 |
| Other (Note 3) | 560 | 569,306 | - | 569,866 | (1,664) | 229,054 | - | 227,390 |
| Total P&C operations | 4,964,808 | 2,686,522 | | 7,651,330 | 4,944,055 | 2,367,772 | - | 7,311,827 |
| Corporate and Other : | | | | | | | | |
| Run-Off Life Operations - Annuity | | | - | - | | | 1 | 1 |
| Run-Off Life Operations - Other Life | | | 9,280 | 9,280 | | | 9,031 | 9,031 |
| Total Corporate and Other | | | 9,280 | 9,280 | | | 9,032 | 9,032 |
| Total | \$ 4,964,808 | \$ 2,686,522 | \$ 9,280 | \$ 7,660,610 | \$ 4,944,055 | \$ 2,367,772 | \$ 9,032 | \$ 7,320,859 |

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.



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

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

| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 | | | | | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 (Note 2) | | | | |
|--|--|------------------|------------------------------|-----------------------|------------------------|--|-------------------|------------------------------|---------------------|------------------------|
| | Including CATs & PYD | PYD | Excluding PYD but incl. CATs | CATs (Note 1) | Excluding CATs and PYD | Including CATs & PYD | PYD | Excluding PYD but incl. CATs | CATs (Note 3) | Excluding CATs and PYD |
| INSURANCE | | | | | | | | | | |
| Gross premiums written | \$ 7,582,060 | | \$ 7,582,060 | - | \$ 7,582,060 | \$ 7,169,363 | | \$ 7,169,363 | - | \$ 7,169,363 |
| Net premiums written | 4,910,096 | | 4,910,096 | (18,324) | 4,928,420 | 4,899,258 | | 4,899,258 | - | 4,899,258 |
| Net premiums earned | 4,964,808 | | 4,964,808 | (18,324) | 4,983,132 | 4,944,055 | | 4,944,055 | - | 4,944,055 |
| Net losses incurred | 3,862,205 | (30,680) | 3,892,885 | 847,675 | 3,045,210 | 3,163,599 | (67,498) | 3,231,097 | 203,670 | 3,027,427 |
| Acquisition expenses | 670,579 | | 670,579 | - | 670,579 | 679,009 | | 679,009 | - | 679,009 |
| Operating expenses | 844,137 | | 844,137 | - | 844,137 | 922,273 | | 922,273 | - | 922,273 |
| Underwriting profit / (loss) | \$ (412,113) | \$ 30,680 | \$ (442,793) | \$ (865,999) | \$ 423,206 | \$ 179,174 | \$ 67,498 | \$ 111,676 | \$ (203,670) | \$ 315,346 |
| Loss Ratio | 77.8% | | 78.4% | | 61.1% | 64.0% | | 65.4% | | 61.2% |
| Combined Ratio | 108.3% | | 108.9% | | 91.5% | 96.4% | | 97.7% | | 93.6% |
| REINSURANCE | | | | | | | | | | |
| Gross premiums written | \$ 3,609,707 | | \$ 3,609,707 | 90,499 | \$ 3,519,208 | \$ 3,439,650 | | \$ 3,439,650 | 19,369 | \$ 3,420,281 |
| Net premiums written | 3,042,326 | | 3,042,326 | 70,928 | 2,971,398 | 3,018,246 | | 3,018,246 | 17,956 | 3,000,290 |
| Net premiums earned | 2,686,522 | | 2,686,522 | 70,928 | 2,615,594 | 2,367,772 | | 2,367,772 | 17,956 | 2,349,816 |
| Net losses incurred | 2,317,057 | (62,910) | 2,379,967 | 912,217 | 1,467,750 | 1,343,075 | (128,149) | 1,471,224 | 204,524 | 1,266,700 |
| Acquisition expenses | 640,844 | | 640,844 | - | 640,844 | 544,380 | | 544,380 | - | 544,380 |
| Operating expenses | 204,915 | | 204,915 | - | 204,915 | 215,258 | | 215,258 | - | 215,258 |
| Underwriting profit / (loss) | \$ (476,294) | \$ 62,910 | \$ (539,204) | \$ (841,289) | \$ 302,085 | \$ 265,059 | \$ 128,149 | \$ 136,910 | \$ (186,568) | \$ 323,478 |
| Loss Ratio | 86.2% | | 88.6% | | 56.1% | 56.7% | | 62.1% | | 53.9% |
| Combined Ratio | 117.7% | | 120.1% | | 88.5% | 88.8% | | 94.2% | | 86.2% |
| TOTAL | | | | | | | | | | |
| Gross premiums written | \$ 11,191,767 | | \$ 11,191,767 | 90,499 | \$ 11,101,268 | \$ 10,609,013 | | \$ 10,609,013 | 19,369 | \$ 10,589,644 |
| Net premiums written | 7,952,422 | | 7,952,422 | 52,604 | 7,899,818 | 7,917,504 | | 7,917,504 | 17,956 | 7,899,548 |
| Net premiums earned | 7,651,330 | | 7,651,330 | 52,604 | 7,598,726 | 7,311,827 | | 7,311,827 | 17,956 | 7,293,871 |
| Net losses incurred | 6,179,262 | (93,590) | 6,272,852 | 1,759,892 | 4,512,960 | 4,506,674 | (195,647) | 4,702,321 | 408,194 | 4,294,127 |
| Acquisition expenses | 1,311,423 | | 1,311,423 | - | 1,311,423 | 1,223,389 | | 1,223,389 | - | 1,223,389 |
| Operating expenses | 1,049,052 | | 1,049,052 | - | 1,049,052 | 1,137,531 | | 1,137,531 | - | 1,137,531 |
| Underwriting profit / (loss) | \$ (888,407) | \$ 93,590 | \$ (981,997) | \$ (1,707,288) | \$ 725,291 | \$ 444,233 | \$ 195,647 | \$ 248,586 | \$ (390,238) | \$ 638,824 |
| CATs attributable to non-controlling interest | | | | 34,431 | | | | | - | |
| CATs net of non-controlling interest | | | | \$ (1,672,857) | | | | | \$ (390,238) | |
| Loss Ratio | 80.8% | | 82.0% | | 59.4% | 61.6% | | 64.3% | | 58.9% |
| Combined Ratio | 111.6% | | 112.8% | | 90.5% | 93.9% | | 96.6% | | 91.2% |

Notes:

- 2017 Natural catastrophes include hurricanes Harvey, Irma and Maria, Mexican Earthquakes, US Storms, Cyclone Debbie and March Peru Flooding.
- Certain amounts have been reclassified to conform with the current period presentation.
- 2016 Natural catastrophes include Fort McMurray Wildfire, April Texas Hailstorm, May European Storms and Flooding, Japan, Taiwan and Ecuador Earthquakes, US Storms, Louisiana Flooding, West Virginia Storm and Hurricane Hermine.



EFFECTIVE TAX RATE ANALYSIS

(U.S. Dollars in thousands)

(Unaudited)

| | FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 | | | | FOR THE NINE MONTHS ENDED SEPTEMBER 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) | \$ (1,134,018) | \$ (60,132) | \$ (1,073,886) | 5.3% | \$ (568,028) | \$ (18,034) | \$ (549,994) | 3.2% |
| Non-controlling interests | 30,197 | | 30,197 | | (39,232) | | (39,232) | |
| Net Income (loss) attributable to common shareholders (Note 1) | <u>(1,103,821)</u> | <u>(60,132)</u> | <u>(1,043,689)</u> | <u>5.4%</u> | <u>(607,260)</u> | <u>(18,034)</u> | <u>(589,226)</u> | <u>3.0%</u> |
| Adjustments to Net Income (loss) (Note 2) | 20,246 | 20,319 | (73) | 100.4% | (56,714) | 22,699 | (79,413) | -40.0% |
| Operating Net Income (loss), excluding impact of discrete tax adj (Note 3) | <u>(1,083,575)</u> | <u>(39,813)</u> | <u>(1,043,762)</u> | <u>3.7%</u> | <u>(663,974)</u> | <u>4,665</u> | <u>(668,639)</u> | <u>-0.7%</u> |
| Discrete Tax Expense/(Benefit) Adjustments | | (14,900) | 14,900 | | | (31,000) | 31,000 | |
| Operating Net Income (loss), including impact of discrete tax adj (Note 3) | <u>\$ (1,083,575)</u> | <u>\$ (54,713)</u> | <u>\$ (1,028,862)</u> | <u>5.0%</u> | <u>\$ (663,974)</u> | <u>\$ (26,335)</u> | <u>\$ (637,639)</u> | <u>4.0%</u> |

Note:

1. After reduction for non-controlling interest expense.

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

3. 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 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 (gains) losses on the early extinguishment of debt, (13) our net (gains) losses from the repurchase of preference shares, and (14) 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. A reconciliation of Operating net income (loss) to Net income (loss) is included on page 7.



BALANCE SHEETS



CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

(Note 1)

| | At September 30, 2017 | At June 30, 2017 | At March 31, 2017 | At December 31, 2016 | At September 30, 2016 |
|--|--------------------------|----------------------|----------------------|-------------------------|--------------------------|
| Assets | | | | | |
| Fixed maturities, available for sale at fair value (Note 2) | \$ 31,675,509 | \$ 30,810,724 | \$ 30,651,790 | \$ 30,256,602 | \$ 31,934,135 |
| Equity securities, at fair value (Note 3) | 1,011,942 | 1,174,500 | 1,094,509 | 1,037,331 | 1,038,165 |
| Short-term investments, at fair value (Note 4) | 336,054 | 617,894 | 260,153 | 625,193 | 652,772 |
| Total investments available for sale | 33,023,505 | 32,603,118 | 32,006,452 | 31,919,126 | 33,625,072 |
| Fixed maturities, at fair value (Note 5) | 1,866,465 | 1,772,877 | 1,700,108 | 1,617,014 | 1,608,882 |
| Short-term investments, at fair value (Note 6) | 9,361 | - | 754 | 9,563 | 24,169 |
| Total investments - trading | 1,875,826 | 1,772,877 | 1,700,862 | 1,626,577 | 1,633,051 |
| Investments in affiliates | 2,100,378 | 2,127,115 | 2,172,611 | 2,177,645 | 2,118,489 |
| Other investments | 1,145,588 | 1,126,741 | 1,150,492 | 1,164,564 | 1,260,938 |
| Total investments | 38,145,297 | 37,629,851 | 37,030,417 | 36,887,912 | 38,637,550 |
| Cash and cash equivalents | 3,030,088 | 3,133,822 | 3,352,651 | 3,426,988 | 3,393,277 |
| Restricted cash | 159,627 | 181,230 | 160,523 | 153,504 | 150,118 |
| Accrued investment income | 270,211 | 270,730 | 262,237 | 284,366 | 285,504 |
| Deferred acquisition costs and value of business acquired | 1,073,343 | 1,143,671 | 1,161,159 | 946,721 | 989,733 |
| Ceded unearned premiums | 2,311,619 | 2,566,652 | 2,501,294 | 1,687,864 | 1,917,127 |
| Premiums receivable | 7,078,700 | 6,973,206 | 6,746,116 | 5,522,976 | 5,925,969 |
| Reinsurance balances receivable | 1,079,821 | 755,511 | 641,720 | 577,479 | 524,343 |
| Unpaid losses and loss expenses recoverable | 6,962,787 | 5,858,369 | 5,685,623 | 5,491,297 | 5,481,882 |
| Net receivable from investments sold | 195,837 | 442,339 | 95,344 | 128,411 | 105,781 |
| Goodwill and other intangible assets | 2,227,014 | 2,219,390 | 2,208,612 | 2,203,653 | 2,234,071 |
| Deferred tax assets | 301,322 | 293,219 | 302,301 | 310,542 | 219,905 |
| Other assets | 954,542 | 914,260 | 876,622 | 812,389 | 906,790 |
| Total assets | \$ 63,790,208 | \$ 62,382,250 | \$ 61,024,619 | \$ 58,434,102 | \$ 60,772,050 |
| Liabilities | | | | | |
| Unpaid losses and loss expenses | \$ 29,988,337 | \$ 26,822,346 | \$ 26,445,124 | \$ 25,939,571 | \$ 26,170,383 |
| Deposit liabilities | 1,030,290 | 1,123,628 | 1,121,194 | 1,116,233 | 1,138,789 |
| Future policy benefit reserves | 3,656,859 | 3,591,573 | 3,520,069 | 3,506,047 | 3,721,451 |
| Funds withheld liability on GreyCastle life retro arrangements, net of future policy benefit reserves recoverable (Note 7) | 920,571 | 918,304 | 954,327 | 998,968 | 1,283,055 |
| Unearned premiums | 8,344,536 | 8,848,374 | 8,581,973 | 7,293,028 | 7,724,957 |
| Notes payable and debt | 3,210,063 | 3,207,339 | 2,648,353 | 2,647,677 | 2,647,000 |
| Reinsurance balances payable | 3,706,120 | 3,428,302 | 3,325,748 | 2,451,717 | 2,698,185 |
| Net payable for investments purchased | 273,449 | 268,771 | 211,880 | 226,009 | 370,456 |
| Deferred tax liabilities | 107,157 | 97,879 | 89,862 | 77,271 | 108,996 |
| Other liabilities | 1,024,316 | 973,326 | 1,125,462 | 1,216,902 | 1,315,898 |
| Total liabilities | \$ 52,261,698 | \$ 49,279,842 | \$ 48,023,992 | \$ 45,473,423 | \$ 47,179,170 |
| Commitments and contingencies | | | | | |
| Shareholders' equity | | | | | |
| Common shares, par value \$0.01 (Note 8) | \$ 2,560 | \$ 2,586 | \$ 2,637 | \$ 2,669 | \$ 2,704 |
| Additional paid in capital | 7,741,545 | 7,790,913 | 7,934,161 | 8,068,503 | 8,165,141 |
| Accumulated other comprehensive income (loss) | 968,928 | 921,166 | 844,975 | 715,546 | 1,519,805 |
| Retained earnings (deficit) | 1,226,814 | 2,365,888 | 2,193,112 | 2,151,794 | 1,924,516 |
| Shareholders' equity attributable to XL Group Ltd | 9,939,847 | 11,080,553 | 10,974,885 | 10,938,512 | 11,612,166 |
| Non-controlling interest in equity of consolidated subsidiaries | 1,588,663 | 2,021,855 | 2,025,742 | 2,022,167 | 1,980,714 |
| Total shareholders' equity | \$ 11,528,510 | \$ 13,102,408 | \$ 13,000,627 | \$ 12,960,679 | \$ 13,592,880 |
| Total liabilities and shareholders' equity | \$ 63,790,208 | \$ 62,382,250 | \$ 61,024,619 | \$ 58,434,102 | \$ 60,772,050 |

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- Fixed maturities, available for sale at amortized cost: September 30, 2017 - \$30,822,936; June 30, 2017 - \$30,012,097; March 31, 2017 - \$29,923,912; December 31, 2016 - \$29,587,656; September 30, 2016 - \$30,402,019
- Equity securities at cost: September 30, 2017 - \$920,130; June 30, 2017 - \$1,094,494; March 31, 2017 - \$1,017,172; December 31, 2016 - \$996,610; September 30, 2016 - \$968,040
- Short-term investments at amortized cost: September 30, 2017 - \$336,071; June 30, 2017 - \$617,866; March 31, 2017 - \$260,407; December 31, 2016 - \$626,142; September 30, 2016 - \$655,792
- Fixed maturities at amortized cost: September 30, 2017 - \$1,823,406; June 30, 2017 - \$1,724,250; March 31, 2017 - \$1,631,045; December 31, 2016 - \$1,548,178; September 30, 2016 - \$1,480,434
- Short-term trading investments at amortized cost: September 30, 2017 - \$9,362; June 30, 2017 - \$0; March 31, 2017 - \$742; December 31, 2016 - \$9,536; September 30, 2016 - \$24,179
- 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 authorized share capital of XL Bermuda is \$999,990,000, divided into 500,000,000 common shares, par value \$0.01 and 499,990,000 shares, par value \$0.01. Common Shares issued and outstanding: September 30, 2017 - 255,980,636; June 30, 2017 - 258,611,313; March 31, 2017 - 263,735,436; December 31, 2016 - 266,889,127; September 30, 2016 - 270,371,192

SUPPLEMENTARY CAPITAL INFORMATION

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



| | At September 30, 2017 In Use | At June 30, 2017 In Use | At March 31, 2017 In Use | At December 31, 2016 In Use | September 30, 2016 In Use |
|--|------------------------------------|-------------------------------|--------------------------------|-----------------------------------|------------------------------|
| Maturity | Commitment | | | | |
| Debt | | | | | |
| 2.30% Senior Notes | 2018 | 300 | 299 | 299 | 299 |
| 5.75% Senior Notes | 2021 | 400 | 398 | 398 | 398 |
| 6.375% Senior Notes | 2024 | 350 | 349 | 349 | 349 |
| 4.45% Subordinated Notes | 2025 | 500 | 494 | 494 | 493 |
| 6.25% Senior Notes | 2027 | 325 | 323 | 323 | 323 |
| 5.25% Senior Notes | 2043 | 300 | 297 | 296 | 296 |
| 5.5% Subordinated Notes (Note 4) | 2045 | 483 | 473 | 489 | 489 |
| 3.25% Subordinated Notes (Note 5) | 2047 | 587 | 577 | - | - |
| Total debt | | \$ 3,245 | \$ 3,210 | \$ 2,648 | \$ 2,647 |
| Adjustment to carrying value - impact of fair value hedges and other | | 0 | 1 | 0 | 1 |
| Total debt per consolidated balance sheet | | \$ 3,210 | \$ 3,207 | \$ 2,648 | \$ 2,647 |
| Shareholders' Capital | | | | | |
| Common shares - capital and surplus | | \$ 7,744 | \$ 7,793 | \$ 7,937 | \$ 8,071 |
| AOCI | | 969 | 921 | 845 | 716 |
| Retained Earnings | | 1,227 | 2,366 | 2,193 | 2,152 |
| Non-controlling interests - Series D preference ordinary shares of XLIT (Note 6) | | 287 | 345 | 345 | 345 |
| Non-controlling interests - Series E preference ordinary shares of XLIT (Note 6) | | 670 | 1,000 | 1,000 | 1,000 |
| Non-controlling interests - preference shares of Catlin-Bermuda (Note 6) | | 519 | 562 | 562 | 562 |
| Non-controlling interests - Other | | 113 | 115 | 119 | 115 |
| Total shareholders' capital | | \$ 11,529 | \$ 13,102 | \$ 13,001 | \$ 12,961 |
| Total capital (total debt plus total shareholders' capital) | | \$ 14,739 | \$ 16,310 | \$ 15,649 | \$ 16,240 |
| Debt to total capital | | 21.8% | 19.7% | 16.9% | 17.0% |

Notes:

- Certain amounts have been reclassified to conform with the current period presentation.
- "In Use" data represents accreted values.
- Excluded from the table are revolving credit capacity of \$750.0 million at September 30, 2017 and at June 30, 2017, \$1.0 billion at March 31, 2017, \$1.0 billion at December 31, 2016, and \$1.1 billion at September 30, 2016. The amounts of this capacity for revolving loans utilized to issue letters of credit were \$2.0 million at September 30, 2017, \$44.7 million at June 30, 2017, \$287.7 million at March 31, 2017, \$245.0 million at December 31, 2016 and \$501.5 million at September 30, 2016, thus leaving available amounts of \$748.0 million at September 2017, \$705.3 million at June 30 2017, \$712.3 million at March 31, 2017, \$755.0 million at December 31, 2016, and \$598.5 million at September 30, 2016.
- On July 7, 2017, the Company repurchased through a tender offer and canceled outstanding 5.5% Subordinated Notes due 2045 issued by XLIT with a net carrying value of \$16.3 million for \$17.9 million, inclusive of transaction costs.
- Debt issued in Euro denominated subordinated notes.
- During the quarter, the Company repurchased and canceled the outstanding Series D, Series E and the Non-Cumulative Preference Shares.

RECOVERABLE AND REINSURANCE BALANCES RECEIVABLE BY REINSURER

(U.S. dollars in thousands)

(Note 1)

(Unaudited)



| | At September 30, 2017 | At June 30, 2017 | At March 31, 2017 | At December 31, 2016 | At September 30, 2016 |
|--|--------------------------|---------------------|----------------------|-------------------------|--------------------------|
| Unpaid losses and loss expenses recoverable | \$ 6,962,787 | \$ 5,858,369 | \$ 5,685,623 | \$ 5,491,297 | \$ 5,481,882 |
| Reinsurance balances receivable | 1,079,821 | 755,511 | 641,720 | 577,479 | 524,343 |
| Total recoverable and reinsurance balances receivable (Note 2) | <u>\$ 8,042,608</u> | <u>\$ 6,613,880</u> | <u>\$ 6,327,343</u> | <u>\$ 6,068,776</u> | <u>\$ 6,006,225</u> |

The following is an analysis at June 30, 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 | 23.6% |
| Lloyd's Syndicates | A+/Stable | 17.6% |
| Swiss Reinsurance Co. | AA-/Stable | 7.5% |
| Transatlantic Reinsurance Company | A+/Stable | 3.7% |
| Arch Reinsurance Company | A+/Negative | 3.7% |

"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 \$52.3 million at September 30, 2017, \$52.0 million at June 30, 2017, \$50.5 million at March 31, 2017, \$51.2 million at December 31, 2016 and \$53.4 million at September 30, 2016.



LOSS ANALYSIS

ANALYSIS OF LOSSES AND LOSS EXPENSES INCURRED

(U.S. dollars in millions)

(Unaudited)

(Note 1)



P&C OPERATIONS

For the three months ended
September 30, 2017

| | GROSS | RECOVERIES | NET | Paid to incurred % |
|--------------------------------|----------|------------|----------|-----------------------|
| Paid | \$ 1,839 | \$ (570) | \$ 1,269 | 41.4% |
| Change in unpaid loss reserves | 2,867 | (1,069) | 1,798 | |
| Incurring losses | \$ 4,706 | \$ (1,639) | \$ 3,067 | |
| PYD | | | \$ (31) | |
| Incurring losses excluding PYD | | | 3,098 | 41.0% |

For the nine months ended
September 30, 2017

| | GROSS | RECOVERIES | NET | Paid to incurred % |
|--------------------------------|----------|------------|----------|-----------------------|
| Paid | \$ 5,411 | \$ (1,252) | \$ 4,159 | 67.3% |
| Change in unpaid loss reserves | 3,395 | (1,375) | 2,020 | |
| Incurring losses | \$ 8,806 | \$ (2,627) | \$ 6,179 | |
| PYD | | | \$ (94) | |
| Incurring losses excluding PYD | | | 6,273 | 66.3% |

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) | |
| Incurring losses | \$ 2,019 | \$ (490) | \$ 1,529 | |
| PYD | | | \$ (87) | |
| Incurring losses excluding PYD | | | 1,616 | 96.7% |

For the six months ended
June 30, 2017

| | GROSS | RECOVERIES | NET | Paid to incurred % |
|--------------------------------|----------|------------|----------|-----------------------|
| Paid | \$ 3,572 | \$ (681) | \$ 2,891 | 92.9% |
| Change in unpaid loss reserves | 528 | (307) | 221 | |
| Incurring losses | \$ 4,100 | \$ (988) | \$ 3,112 | |
| PYD | | | \$ (63) | |
| Incurring losses excluding PYD | | | 3,175 | 91.1% |

For the three months ended
September 30, 2016

| | GROSS | RECOVERIES | NET | Paid to incurred % |
|--------------------------------|----------|------------|----------|-----------------------|
| Paid | \$ 1,799 | \$ (378) | \$ 1,421 | 95.2% |
| Change in unpaid loss reserves | 138 | (67) | 71 | |
| Incurring losses | \$ 1,937 | \$ (445) | \$ 1,492 | |
| PYD | | | \$ (54) | |
| Incurring losses excluding PYD | | | 1,546 | 91.9% |

For the nine months ended
September 30, 2016

| | GROSS | RECOVERIES | NET | Paid to incurred % |
|--------------------------------|----------|------------|----------|-----------------------|
| Paid | \$ 4,962 | \$ (1,126) | \$ 3,836 | 85.1% |
| Change in unpaid loss reserves | 848 | (177) | 671 | |
| Incurring losses | \$ 5,810 | \$ (1,303) | \$ 4,507 | |
| PYD | | | \$ (196) | |
| Incurring losses excluding PYD | | | 4,703 | 81.6% |

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)
(Note 1)

P&C OPERATIONS

At September 30, 2017

At September 30, 2016

| | GROSS | | RECOVERIES | | NET | | GROSS | | RECOVERIES | | NET | |
|---|-------|--------|------------|---------|-----|--------|-------|--------|------------|---------|-----|--------|
| Outstanding loss reserves | \$ | 11,321 | \$ | (1,841) | \$ | 9,480 | \$ | 10,343 | \$ | (1,851) | \$ | 8,492 |
| Incurred but not reported reserves | | 18,597 | | (5,108) | | 13,489 | | 15,508 | | (3,622) | | 11,886 |
| Fair value adjustments recoverable | | 70 | | (4) | | 66 | | 89 | | (7) | | 82 |
| Unpaid losses and loss expense reserves | \$ | 29,988 | \$ | (6,953) | \$ | 23,035 | \$ | 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 | | 8,806 | | (2,627) | | 6,179 |
| Loss and loss expenses paid | | (5,411) | | 1,251 | | (4,160) |
| Foreign exchange revaluation and other (Note 2) | | 653 | | (97) | | 556 |
| Balance at September 30, 2017 (Unaudited) | \$ | 29,988 | \$ | (6,953) | \$ | 23,035 |

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)

| | September 30, 2017 | | June 30, 2017 | | March 31, 2017 | | December 31, 2016 | | September 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 | \$ 4,313 | 11.5% | \$ 4,355 | 11.7% | \$ 4,203 | 11.5% | \$ 3,895 | 10.6% | \$ 3,933 | 10.4% |
| U.S. States, municipalities and political subdivisions | 2,111 | 5.7% | 2,283 | 6.1% | 2,351 | 6.4% | 2,478 | 6.8% | 2,599 | 6.9% |
| Non-U.S. Governments | 5,261 | 14.1% | 5,124 | 13.7% | 4,980 | 13.6% | 5,030 | 13.8% | 5,642 | 15.0% |
| Corporate | 10,073 | 26.9% | 10,543 | 28.3% | 10,579 | 28.9% | 10,135 | 27.7% | 10,677 | 28.4% |
| Mortgage & asset-backed securities | | | | | | | | | | |
| Residential mortgage-backed securities | 4,942 | 13.2% | 3,954 | 10.6% | 4,378 | 12.0% | 4,493 | 12.3% | 4,878 | 13.0% |
| Commercial mortgage-backed securities | 1,278 | 3.4% | 796 | 2.1% | 700 | 1.9% | 665 | 1.8% | 296 | 0.8% |
| Other asset-backed securities | 1,567 | 4.2% | 1,587 | 4.2% | 1,250 | 3.4% | 1,253 | 3.4% | 1,115 | 3.0% |
| Total fixed maturities | 29,545 | 79.0% | 28,642 | 76.7% | 28,441 | 77.7% | 27,949 | 76.4% | 29,140 | 77.5% |
| Short-term investments | 336 | 0.9% | 618 | 1.7% | 260 | 0.7% | 625 | 1.7% | 653 | 1.7% |
| Total fixed income investments | \$ 29,881 | 79.9% | \$ 29,260 | 78.4% | \$ 28,701 | 78.4% | \$ 28,574 | 78.1% | \$ 29,793 | 79.2% |
| Equity securities | | | | | | | | | | |
| Common stocks | \$ 234 | 0.6% | \$ 174 | 0.5% | \$ 155 | 0.4% | \$ 166 | 0.4% | \$ 245 | 0.7% |
| Equity funds | 611 | 1.6% | 810 | 2.2% | 788 | 2.2% | 736 | 2.0% | 646 | 1.7% |
| Fixed income funds | 167 | 0.5% | 190 | 0.5% | 152 | 0.4% | 135 | 0.4% | 147 | 0.4% |
| Total equity securities | \$ 1,012 | 2.7% | \$ 1,174 | 3.2% | \$ 1,095 | 3.0% | \$ 1,037 | 2.8% | \$ 1,038 | 2.8% |
| Other investments | | | | | | | | | | |
| Hedge funds | \$ 203 | 0.6% | \$ 256 | 0.7% | \$ 291 | 0.8% | \$ 332 | 0.9% | \$ 383 | 1.0% |
| Private investments | 191 | 0.5% | 196 | 0.5% | 174 | 0.5% | 176 | 0.5% | 195 | 0.5% |
| Fixed income and other | 752 | 2.0% | 675 | 1.8% | 685 | 1.8% | 657 | 1.8% | 683 | 1.8% |
| Total other investments | \$ 1,146 | 3.1% | \$ 1,127 | 3.0% | \$ 1,150 | 3.1% | \$ 1,165 | 3.2% | \$ 1,261 | 3.3% |
| Investment in affiliates | | | | | | | | | | |
| Hedge funds | \$ 1,315 | 3.5% | \$ 1,351 | 3.6% | \$ 1,414 | 3.9% | \$ 1,317 | 3.6% | \$ 1,269 | 3.3% |
| Private investments | 394 | 1.1% | 381 | 1.0% | 359 | 1.0% | 358 | 1.0% | 329 | 0.9% |
| Investment manager affiliates | 47 | 0.1% | 49 | 0.1% | 58 | 0.1% | 56 | 0.2% | 79 | 0.2% |
| Strategic and other operating affiliates | 344 | 0.9% | 346 | 1.0% | 342 | 0.9% | 447 | 1.2% | 442 | 1.2% |
| Total investment in affiliates | \$ 2,100 | 5.6% | \$ 2,127 | 5.7% | \$ 2,173 | 5.9% | \$ 2,178 | 6.0% | \$ 2,119 | 5.6% |
| Total investments | \$ 34,139 | 91.3% | \$ 33,688 | 90.3% | \$ 33,119 | 90.4% | \$ 32,953 | 90.1% | \$ 34,211 | 90.9% |
| Cash and cash equivalents | \$ 3,110 | 8.3% | \$ 3,222 | 8.6% | \$ 3,418 | 9.3% | \$ 3,490 | 9.5% | \$ 3,455 | 9.2% |
| Accrued investment income | 212 | 0.6% | 220 | 0.6% | 212 | 0.6% | 230 | 0.6% | 221 | 0.6% |
| Net receivable and (payable) for securities sold/(purchased) | (75) | -0.2% | 180 | 0.5% | (116) | -0.3% | (97) | -0.2% | (256) | -0.7% |
| Total investments and cash (excluding life funds withheld assets) (Note 2) | \$ 37,386 | 100.0% | \$ 37,310 | 100.0% | \$ 36,633 | 100.0% | \$ 36,576 | 100.0% | \$ 37,631 | 100.0% |
| Investments - life funds withheld assets (Schedule 8) | | | | | | | | | | |
| Total fixed income investments | \$ 4,006 | | \$ 3,942 | | \$ 3,912 | | \$ 3,935 | | \$ 4,427 | |
| Cash and cash equivalents | 80 | | 93 | | 95 | | 91 | | 88 | |
| Accrued investment income | 58 | | 51 | | 50 | | 54 | | 65 | |
| Net receivable and (payable) for securities sold/(purchased) | (3) | | (6) | | - | | - | | (9) | |
| Total investments and cash - life funds withheld assets | \$ 4,141 | | \$ 4,080 | | \$ 4,057 | | \$ 4,080 | | \$ 4,571 | |
| Total investments and cash including life funds withheld assets | \$ 41,527 | | \$ 41,390 | | \$ 40,690 | | \$ 40,656 | | \$ 42,202 | |

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; U.S. Government and government agencies. Corporate securities which were previously separated into two classifications, have been merged into one. Residential mortgage-backed securities which were 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.
- Total investments and cash (excluding life funds withheld assets) includes operating cash and short-term treasury deposits of \$1.5 billion.

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

Consolidated

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

| Fixed income investments | September 30, 2017 | | June 30, 2017 | | March 31, 2017 | | December 31, 2016 | | September 30, 2016 | |
|--|---------------------------------|--|---------------------------------|--|---------------------------------|--|---------------------------------|--|---------------------------------|--|
| | 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 | 22,366 | 2.9% | 21,995 | 2.7% | \$ 21,749 | 2.7% | \$ 21,799 | 2.7% | \$ 22,531 | 2.7% |
| Euro denominated | 2,981 | 1.4% | 2,984 | 1.3% | 2,790 | 1.3% | 2,796 | 1.5% | 3,036 | 1.4% |
| Sterling denominated | 2,271 | 1.8% | 2,101 | 1.9% | 2,152 | 1.8% | 2,117 | 1.8% | 2,279 | 1.8% |
| Other denominated | 2,263 | 1.8% | 2,180 | 1.7% | 2,010 | 1.7% | 1,862 | 1.6% | 1,947 | 1.5% |
| Total fixed income investments | \$ 29,881 | 2.6% | \$ 29,260 | 2.4% | \$ 28,701 | 2.4% | \$ 28,574 | 2.4% | \$ 29,793 | 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 | \$ 14,269 | 47.8% | \$ 13,288 | 45.4% | \$ 12,630 | 44.0% | \$ 12,859 | 45.0% | \$ 12,965 | 43.5% |
| AA | 5,073 | 17.0% | 5,379 | 18.4% | 5,759 | 20.1% | 5,913 | 20.7% | 6,522 | 21.9% |
| A | 6,160 | 20.6% | 6,734 | 23.0% | 6,948 | 24.2% | 7,029 | 24.6% | 7,395 | 24.8% |
| BBB | 3,391 | 11.3% | 3,067 | 10.5% | 2,592 | 9.0% | 2,045 | 7.2% | 2,220 | 7.5% |
| BB and below/not rated | 988 | 3.3% | 792 | 2.7% | 772 | 2.7% | 728 | 2.5% | 691 | 2.3% |
| Total fixed income investments | \$ 29,881 | 100.0% | \$ 29,260 | 100.0% | \$ 28,701 | 100.0% | \$ 28,574 | 100.0% | \$ 29,793 | 100.0% |
| Average credit rating | AA | | AA | | AA | | AA | | AA | |
| Portfolio characteristics (Note 2) | | | | | | | | | | |
| Expected average duration | 4.0 | | 3.9 | | 3.8 | | 3.8 | | 3.6 | |
| Weighted average market yield to maturity | 2.1 % | | 2.0 % | | 2.0 % | | 2.0 % | | 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) | 3,147 | | 2,882 | | 3,458 | | 3,688 | | 3,548 | |
| Average pre-tax book yield, gross of expenses | 2.2 % | | 2.2 % | | 2.4 % | | 2.5 % | | 2.4 % | |
| Average new money rate (Note 4) | 2.6 % | | 2.1 % | | 2.1 % | | 2.0 % | | 1.9 % | |

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. The Q32017 increase in new money rates was related to targeted portfolio rebalancing activity during the quarter which is expected to normalize closer to levels realized in prior quarters.



SCHEDULE 3 - Government (excluding Life Funds Withheld Assets)

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

Government bonds by credit rating

Fair value by credit rating

| | September 30, 2017 | | | | | |
|---|--------------------|-----------------|---------------|---------------|---------------|------------------|
| | AAA | AA | A | BBB | BB and below | Total |
| U.S. Government and government agencies | \$ 4,308 | \$ 5 | \$ - | \$ - | \$ - | \$ 4,313 |
| U.S. States, municipalities and political subdivisions (Note 1) | 349 | 1,352 | 404 | 6 | - | 2,111 |
| Non-U.S. Governments | 1,964 | 2,123 | 339 | 578 | 257 | 5,261 |
| Total government bonds | \$ 6,621 | \$ 3,480 | \$ 743 | \$ 584 | \$ 257 | \$ 11,685 |
| % of total | 56.7% | 29.8% | 6.3% | 5.0% | 2.2% | 100.0% |

Non-U.S. Government

E.U. exposure

| | September 30, 2017 | | |
|---------------------------------------|--------------------|----------------------------|-----------------|
| | Sovereign | Govt. agencies & others | Total |
| U.K. | \$ 1,087 | \$ 26 | \$ 1,113 |
| France | 258 | 146 | 404 |
| Netherlands | 130 | 172 | 302 |
| Supranational | - | 289 | 289 |
| Germany | 110 | 144 | 254 |
| Others (less than \$100M per country) | 275 | 34 | 309 |
| E.U. exposure | \$ 1,860 | \$ 811 | \$ 2,671 |

Non-E.U. exposure

| | | | |
|---------------------------------------|-----------------|-----------------|-----------------|
| Canada | \$ 319 | \$ 778 | \$ 1,097 |
| Switzerland | 123 | 78 | 201 |
| Australia | 195 | 4 | 199 |
| Singapore | 175 | - | 175 |
| Brazil | 170 | 5 | 175 |
| Indonesia | 91 | 22 | 113 |
| Others (less than \$100M per country) | 418 | 212 | 630 |
| Non-E.U. exposure | \$ 1,491 | \$ 1,099 | \$ 2,590 |

Total Non-U.S. Government

| | | | |
|----------------------------------|-----------------|-----------------|-----------------|
| Total Non-U.S. Government | \$ 3,351 | \$ 1,910 | \$ 5,261 |
|----------------------------------|-----------------|-----------------|-----------------|

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

| | September 30, 2017 | | | | | | Total |
|------------------------|--------------------|-----------------|-----------------|-----------------|---------------|-----------|---------------|
| | AAA | AA | A | BBB | BB and Below | | |
| Industrial | \$ 162 | \$ 682 | \$ 2,496 | \$ 2,165 | \$ 405 | \$ | 5,910 |
| Financials | 26 | 616 | 2,297 | 382 | 76 | | 3,397 |
| Utilities | - | 38 | 503 | 218 | 7 | | 766 |
| Total corporate | \$ 188 | \$ 1,336 | \$ 5,296 | \$ 2,765 | \$ 488 | \$ | 10,073 |
| % of total | 1.9% | 13.3% | 52.6% | 27.4% | 4.8% | | 100.0% |

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

| | September 30, 2017 | | | | | | Total |
|--|--------------------|-----------------|-----------------|-----------------|---------------|-----------|---------------|
| | AAA | AA | A | BBB | BB and Below | | |
| U.S. | \$ 163 | 621 | 3,621 | 1,612 | 403 | \$ | 6,420 |
| U.K. | 7 | 8 | 533 | 448 | 4 | | 1,000 |
| Canada | - | 213 | 229 | 70 | 17 | | 529 |
| Netherlands | - | 168 | 117 | 59 | - | | 344 |
| Australia | 2 | 126 | 113 | 53 | - | | 294 |
| France | - | 57 | 161 | 55 | 3 | | 276 |
| Switzerland | - | 38 | 139 | 50 | - | | 227 |
| Germany | - | - | 131 | 57 | 8 | | 196 |
| Belgium | - | - | 9 | 145 | - | | 154 |
| Japan | - | - | 132 | 12 | - | | 144 |
| Others (less than \$100M per country) (Note 2) | 16 | 105 | 111 | 204 | 53 | | 489 |
| Total corporate | \$ 188 | \$ 1,336 | \$ 5,296 | \$ 2,765 | \$ 488 | \$ | 10,073 |

Top Ten exposure to fixed income corporate issuers

| Issuer (Notes 3 & 4) | September 30, 2017 | | |
|-------------------------------|--------------------|-----------------------|------------------------|
| | Fair Value | % of total corporates | % of Aggregate |
| | | | Fixed Income Portfolio |
| Wells Fargo & Company | \$ 195 | 1.9% | 0.7% |
| JPMorgan Chase & Co. | 189 | 1.9% | 0.6% |
| The Goldman Sachs Group, Inc. | 174 | 1.7% | 0.6% |
| Morgan Stanley | 170 | 1.7% | 0.6% |
| HSBC Holdings PLC | 158 | 1.6% | 0.5% |
| Bank Of America Corporation | 155 | 1.5% | 0.5% |
| Anheuser-Busch Inbev SA | 152 | 1.5% | 0.5% |
| Citigroup INC | 149 | 1.5% | 0.5% |
| Apple Inc. | 135 | 1.4% | 0.4% |
| Verizon Communications, Inc. | 112 | 1.1% | 0.4% |
| | \$ 1,589 | 15.8% | 5.3% |

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 \$43 million in Ireland, \$36 million in Spain, \$16 million in Italy, \$1 million 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 Withheld Assets)

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

Mortgage and asset-backed securities by type and credit rating

September 30, 2017

| | AAA | AA | A | BBB | BB and Below | Total |
|--|-----------------|---------------|---------------|--------------|---------------|-----------------|
| U.S. Residential mortgage-backed securities - agency | \$ 4,839 | \$ - | \$ - | \$ - | \$ - | \$ 4,839 |
| U.S. Residential mortgage-backed securities - non-agency | - | 2 | 4 | 1 | 96 | 103 |
| U.S. Commercial mortgage-backed securities - agency | 184 | - | - | - | - | 184 |
| U.S. Commercial mortgage-backed securities - non-agency | 997 | 25 | 56 | 8 | 2 | 1,088 |
| U.S. Other asset-backed securities | 389 | 41 | 51 | 24 | 128 | 633 |
| Total U.S. | \$ 6,409 | \$ 68 | \$ 111 | \$ 33 | \$ 226 | \$ 6,847 |
| Non-U.S. Commercial mortgage-backed securities | \$ 3 | \$ - | \$ 2 | \$ - | \$ 1 | \$ 6 |
| Non-U.S. Other asset-backed securities (Note 1) | 772 | 151 | 3 | 3 | 5 | 934 |
| Total Non-U.S. | \$ 775 | \$ 151 | \$ 5 | \$ 3 | \$ 6 | \$ 940 |
| Total Mortgage and asset-backed Securities | \$ 7,184 | \$ 219 | \$ 116 | \$ 36 | \$ 232 | \$ 7,787 |
| % of total | 92.3% | 2.8% | 1.5% | 0.4% | 3.0% | 100.0% |

Notes:

1. Non-U.S. Other asset-backed securities include covered bonds of \$541 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)

| | September 30, 2017 | | | | June 30, 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 |
| Investments (excluding life funds withheld assets) | | | | | | | | |
| Fixed income investments | | | | | | | | |
| Fixed maturities | | | | | | | | |
| U.S. Government and government agencies | \$ 4,292 | \$ 41 | \$ (20) | \$ 4,313 | \$ 4,338 | \$ 45 | \$ (28) | \$ 4,355 |
| U.S. States, municipalities and political subdivisions | 2,009 | 103 | (1) | 2,111 | 2,180 | 105 | (2) | 2,283 |
| Non-U.S. Governments | 5,205 | 118 | (62) | 5,261 | 5,088 | 110 | (74) | 5,124 |
| Corporate | 9,897 | 229 | (53) | 10,073 | 10,391 | 220 | (68) | 10,543 |
| Mortgage & asset-backed securities | | | | | | | | |
| Residential mortgage-backed securities | 4,908 | 56 | (22) | 4,942 | 3,937 | 52 | (35) | 3,954 |
| Commercial mortgage-backed securities | 1,278 | 9 | (9) | 1,278 | 795 | 8 | (7) | 796 |
| Other asset-backed securities | 1,546 | 28 | (7) | 1,567 | 1,571 | 26 | (10) | 1,587 |
| Total fixed maturities | 29,135 | 584 | (174) | 29,545 | 28,300 | 566 | (224) | 28,642 |
| Short-term investments | 336 | 1 | (1) | 336 | 618 | - | - | 618 |
| Total fixed income investments | \$ 29,471 | \$ 585 | \$ (175) | \$ 29,881 | \$ 28,918 | \$ 566 | \$ (224) | \$ 29,260 |
| Equity securities | | | | | | | | |
| Common stocks | \$ 200 | \$ 37 | \$ (3) | \$ 234 | \$ 157 | \$ 21 | \$ (4) | \$ 174 |
| Equity funds | 554 | 57 | - | 611 | 748 | 62 | - | 810 |
| Fixed income funds | 166 | 1 | - | 167 | 189 | 1 | - | 190 |
| Total equity securities | \$ 920 | \$ 95 | \$ (3) | \$ 1,012 | \$ 1,094 | \$ 84 | \$ (4) | \$ 1,174 |
| Other investments | 991 | 159 | (4) | 1,146 | 950 | 179 | (2) | 1,127 |
| Total available-for-sale and other investments | \$ 31,382 | \$ 839 | \$ (182) | \$ 32,039 | \$ 30,962 | \$ 829 | \$ (230) | \$ 31,561 |
| Investment in affiliates (Note 1) | | | | \$ 2,100 | | | | \$ 2,127 |
| Cash and cash equivalents | | | | 3,110 | | | | 3,222 |
| Accrued investment income | | | | 212 | | | | 220 |
| Net receivable and (payable) for securities sold/(purchased) | | | | (75) | | | | 180 |
| Total investments and cash (excluding life funds withheld assets) | | | | \$ 37,386 | | | | \$ 37,310 |
| Investments - life funds withheld assets (Schedule 8) | | | | | | | | |
| Total fixed income investments | | | | \$ 4,006 | | | | \$ 3,942 |
| Cash and cash equivalents | | | | 80 | | | | 93 |
| Accrued investment income | | | | 58 | | | | 51 |
| Net receivable and (payable) for securities sold/(purchased) | | | | (3) | | | | (6) |
| Total investment and cash - life funds withheld assets | | | | \$ 4,141 | | | | \$ 4,080 |
| Total investments and cash including life funds withheld assets | | | | \$ 41,527 | | | | \$ 41,390 |

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 September 30, 2017 | Three months ended June 30, 2017 | Three months ended March 31, 2017 | Three months ended December 31, 2016 | Three months ended September 30, 2016 |
|---|--|-------------------------------------|--------------------------------------|---|--|
| Net Investment Income - Total excluding Structured Products and Life Funds Withheld Assets | | | | | |
| Gross Investment Income | \$ 182,000 | \$ 183,147 | \$ 173,894 | \$ 170,013 | \$ 174,539 |
| Investment expenses (Note 1) | (22,335) | (19,431) | (20,101) | (22,166) | (17,833) |
| Net Investment Income - Total excluding Structured Products and Life Funds Withheld Assets | \$ 159,665 | \$ 163,716 | \$ 153,793 | \$ 147,847 | \$ 156,706 |
| Net Investment Income - Structured Products (Excluding Life Funds Withheld Assets) | | | | | |
| Gross Investment Income | \$ 14,041 | \$ 15,124 | \$ 15,123 | \$ 15,102 | \$ 15,736 |
| Investment expenses (Note 1) | (1,723) | (1,605) | (1,748) | (1,969) | (1,608) |
| Net Investment Income - Structured Products (Excluding Life Funds Withheld Assets) | \$ 12,318 | \$ 13,519 | \$ 13,375 | \$ 13,133 | \$ 14,128 |
| Interest Expense - Deposit Liability Accretion | 5,590 | (10,596) | (10,461) | (10,590) | (6,420) |
| Operating and Investment Expenses - P&C Structured | - | - | - | - | - |
| Net results from Structured Products | \$ 17,908 | \$ 2,923 | \$ 2,914 | \$ 2,543 | \$ 7,708 |
| Net Investment Income - Total (Excluding Life Funds Withheld Assets) | \$ 171,983 | \$ 177,235 | \$ 167,168 | \$ 160,980 | \$ 170,834 |
| Net Investment Income - Life Funds Withheld Assets | \$ 30,796 | \$ 31,439 | \$ 33,364 | \$ 35,108 | \$ 38,937 |
| Net Income (Loss) from Investment Affiliates (Note 2) | | | | | |
| Hedge funds | \$ 55,107 | \$ 11,839 | \$ 34,811 | \$ 45,421 | \$ 4,406 |
| Private investments | 2,549 | 18,979 | 3,450 | 4,581 | 7,750 |
| Net Income (Loss) from Investment Affiliates (Note 2) | \$ 57,656 | \$ 30,818 | \$ 38,261 | \$ 50,002 | \$ 12,156 |
| Net Income (Loss) from Operating Affiliates (Note 3) | | | | | |
| Investment manager affiliates | \$ 953 | \$ 36,108 | \$ 3,297 | \$ (2,649) | \$ 6,753 |
| Strategic and other operating affiliates | 3,919 | 6,596 | 10,312 | 568 | 5,657 |
| Net Income (Loss) from Operating Affiliates (Note 3) | \$ 4,872 | \$ 42,704 | \$ 13,609 | \$ (2,081) | \$ 12,410 |

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 investments on a one-month and three-month lag, respectively.
3. The Company records the income related to the investment manager affiliates and strategic and other operating affiliates generally on a three-month lag.



SCHEDULE 8 - Summary Investments - Life Funds Withheld Assets

Consolidated

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

| Investments | September 30, 2017 | | June 30, 2017 | | March 31, 2017 | | December 31, 2016 | | September 30, 2016 | |
|--|--------------------|---------------|-----------------|---------------|-----------------|---------------|-------------------|---------------|--------------------|---------------|
| | Fair Value | % of Total | Fair Value | % of Total | Fair Value | % of Total | Fair Value | % of Total | Fair Value | % of Total |
| Investments | | | | | | | | | | |
| Fixed income investments (Note 1) | | | | | | | | | | |
| Fixed maturities | | | | | | | | | | |
| U.S. Government and government agencies | \$ 27 | 0.7% | \$ 27 | 0.7% | \$ 27 | 0.7% | \$ 25 | 0.6% | \$ 29 | 0.6% |
| U.S. States, municipalities and political subdivisions | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% |
| Non-U.S. Governments | 1,077 | 26.0% | 1,059 | 26.0% | 1,058 | 26.1% | 1,070 | 26.2% | 1,248 | 27.3% |
| Corporate | 2,546 | 61.5% | 2,491 | 61.0% | 2,563 | 63.2% | 2,566 | 62.9% | 2,846 | 62.3% |
| Mortgage & asset-backed securities | | | | | | | | | | |
| Residential mortgage-backed securities | 2 | 0.0% | 2 | 0.0% | 23 | 0.6% | 23 | 0.6% | 2 | 0.0% |
| Commercial mortgage-backed securities | 130 | 3.1% | 128 | 3.1% | 100 | 2.5% | 100 | 2.4% | 112 | 2.5% |
| Other asset-backed securities | 215 | 5.2% | 235 | 5.8% | 140 | 3.5% | 141 | 3.5% | 166 | 3.6% |
| Total fixed maturities | 3,997 | 96.5% | 3,942 | 96.6% | 3,911 | 96.6% | 3,925 | 96.2% | 4,403 | 96.3% |
| Short-term investments | 9 | 0.3% | - | 0.0% | 1 | 0.0% | 10 | 0.2% | 24 | 0.6% |
| Total fixed income investments | \$ 4,006 | 96.8% | \$ 3,942 | 96.6% | \$ 3,912 | 96.6% | \$ 3,935 | 96.4% | \$ 4,427 | 96.9% |
| Cash and cash equivalents | \$ 80 | 1.9% | \$ 93 | 2.3% | \$ 95 | 2.2% | \$ 91 | 2.2% | 88 | 1.9% |
| Accrued investment income | 58 | 1.4% | 51 | 1.3% | 50 | 1.2% | 54 | 1.4% | 65 | 1.4% |
| Net receivable and (payable) for securities sold/(purchased) | (3) | -0.1% | (6) | -0.2% | - | 0.0% | - | 0.0% | (9) | -0.2% |
| Total investment and cash | \$ 4,141 | 100.0% | \$ 4,080 | 100.0% | \$ 4,057 | 100.0% | \$ 4,080 | 100.0% | \$ 4,571 | 100.0% |
| Credit rating | | | | | | | | | | |
| AAA | \$ 405 | 10.1% | \$ 400 | 10.2% | \$ 405 | 10.4% | \$ 391 | 9.9% | \$ 428 | 9.7% |
| AA | 1,201 | 30.0% | 1,164 | 29.5% | 1,154 | 29.5% | 1,180 | 30.0% | 1,378 | 31.1% |
| A | 1,406 | 35.1% | 1,437 | 36.4% | 1,407 | 35.9% | 1,395 | 35.5% | 1,543 | 34.8% |
| BBB | 951 | 23.7% | 904 | 22.9% | 912 | 23.3% | 932 | 23.7% | 1,035 | 23.4% |
| BB and below/not rated | 43 | 1.1% | 37 | 0.9% | 34 | 0.9% | 37 | 0.9% | 43 | 1.0% |
| Total Fixed income investments | \$ 4,006 | 100.0% | \$ 3,942 | 100.0% | \$ 3,912 | 100.0% | \$ 3,935 | 100.0% | \$ 4,427 | 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 % | | 3.5 % | | 3.7 % | |
| Expected average duration (Note 2) | 9.0 | | 8.9 | | 9.2 | | 9.3 | | 9.8 | |
| Weighted average market yield to maturity (Note 2) | 2.0 % | | 2.3 % | | 2.0 % | | 2.3 % | | 1.7 % | |

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; U.S. Government and government agencies. Corporate securities which were previously separated into two classifications, have been merged into one. Residential mortgage-backed securities which were 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, (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 net (gains) losses on the early extinguishment of debt, (13) our net (gains) losses from the repurchase of preference shares, and (14) 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") including and excluding average AOCI, both inclusive and exclusive of integration costs"; and (iii) 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 recognized as the result of other than temporary declines in value and from goodwill impairment charges without actual realization. In this regard, certain users of XL's financial information, including certain rating agencies, evaluate earnings before tax and capital gains to understand the profitability of the operational sources of income without the effects of these two variables. Furthermore, these users believe that, for many companies, the timing of the realization of capital gains is largely a function of economic and interest rate conditions.

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

Net investment income - Life Funds Withheld Assets, and net realized (gains) losses on the life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, have been excluded because, as a result of the GreyCastle Life Retro Arrangement, XL no longer shares in the risks and rewards of the underlying performance of the Life Funds Withheld Assets that support these retrocession arrangements. The returns on the Life Funds Withheld Assets are passed directly to the reinsurer pursuant to a contractual arrangement that is accounted for as a derivative. Therefore, net investment income from the Life Funds Withheld Assets and changes in the fair value of the embedded derivative associated with these GreyCastle Life Retro Arrangements are not relevant to XL's underlying business performance.

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

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

Operating ROE is a widely used measure of any company's profitability that is calculated by dividing annualized operating net income for any period other than a fiscal year when actual operating income is used by the average of the opening and closing common shareholders' equity. XL establishes target Operating ROEs for its total operations, segments and lines of business. If XL's Operating ROE targets are not met with respect to any line of business over time, XL seeks to re-evaluate these lines. Operating ROE including and excluding average AOCI, both inclusive and exclusive of integration costs, are additional measures of Company profitability. The most significant component of this exclusion is the mark to market fluctuations on XL's investment portfolio that have not been realized through sales, and/or distortions to XL's performance from integration costs related to the acquisition of Catlin. By providing these additional measures, users of our financial statements have the ability to include or exclude these items when considering our performance either on a standalone basis or for purposes of peer performance comparison.

XL believes that fully diluted tangible book value per common share is a financial measure important to investors and other interested parties who benefit from having a consistent basis for comparison with other companies within the industry. However, this measure may not be comparable to similarly titled measures used by companies either outside or inside of the insurance industry.