



FINANCIAL SUPPLEMENT

December 31, 2017

Issued on February 1, 2018

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

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FINANCIAL SUPPLEMENT - TABLE OF CONTENTS



	PAGE
Statements of Income	4
Consolidated Statements of Income and Reconciliation of Non-GAAP Financial Measures	5
Return on Common Shareholders' Equity and Book Value per Share	6
Consolidated Statements of Income and Reconciliation of Non-GAAP Financial Measures - YTD	7
Return on Common Shareholders' Equity and Book Value per Share - YTD	8
<i>Quarterly Data:</i>	
Segment Information	9
Premiums By Line of Business	12
Segment Consecutive Quarters	13
Summary of Financial Impact of PYD and Natural CATs	15
<i>Year to Date Data:</i>	
Segment Information	16
Premiums By Line of Business	18
Summary of Financial Impact of Prior Year Development and Natural CATs	19
Effective Tax Rate Analysis	20
Balance Sheets	21
Consolidated Balance Sheets	22
Supplementary Capital Information	23
Recoverable and Reinsurance Balances Receivable by Reinsurer	24
Loss Analysis	25
Analysis of Losses and Loss Expenses Incurred	26
Analysis of Unpaid Losses and Loss Expenses	27
Investment Portfolio Information	28
Schedule 1 - Summary Investments	29
Schedule 2 - Fixed Income Investments	30
Schedule 3 - Government	31
Schedule 4 - Corporate	32
Schedule 5 - Mortgage-backed and Asset-backed securities	33
Schedule 6 - Unrealized Gains (Losses)	34
Schedule 7 - Investment Income Statement Analysis	35
Schedule 8 - Summary Investments - Life Funds Withheld Assets	36
Regulation G	37

Forward-Looking Statement



Cautionary Note Regarding Forward-Looking Statements

This financial supplement contains forward-looking statements. Statements that are not historical facts, including statements about XL's beliefs, plans, expectations or future results of operations are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Investors should consider the important risks and uncertainties that may cause actual results to differ, including in particular those discussed in our press release issued on February 1, 2018, as well as those included in our reports on Form 10-K, 10-Q and other documents on file with the Securities and Exchange Commission.

Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the dates on which they are made. We undertake no obligation to update publicly or revise any forward looking statement, whether as a result of new information, future developments or otherwise.



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 December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016
Revenues					
Gross premiums written	\$ 3,619,924	\$ 3,075,561	\$ 3,612,949	\$ 4,678,417	\$ 3,079,772
Net premiums written	2,719,056	2,329,367	2,649,265	2,983,070	2,316,147
Net premiums earned - P&C operations	2,672,948	2,617,756	2,514,093	2,519,481	2,454,060
Net premiums earned - run-off Life operations	3,054	3,146	2,824	3,310	3,015
Net investment income - excluding Life Funds Withheld Assets (Note 2)	186,290	171,983	177,235	167,168	160,980
Net investment income - Life Funds Withheld Assets (Note 2)	31,448	30,796	31,439	33,364	35,108
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2)	37,091	31,726	49,169	4,218	43,242
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2)	32,780	18,879	29,778	34,474	44,048
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 2)	(1,434)	-	-	-	-
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2)	16,251	(7,331)	(22,319)	(1,406)	(56,195)
Net realized and unrealized gains (losses) on derivative instruments	(13,323)	(20,434)	(906)	(7,069)	(253)
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	(89,656)	(31,662)	(34,596)	(50,101)	151,342
Income (loss) from investment affiliates (Note 3)	12,311	57,656	30,818	38,261	50,002
Fee income and other	13,292	11,469	10,225	13,661	7,968
Total revenues	\$ 2,901,052	\$ 2,883,984	\$ 2,787,760	\$ 2,755,361	\$ 2,893,317
Expenses					
Net losses and loss expenses incurred - P&C operations	\$ 1,822,658	\$ 3,066,723	\$ 1,529,083	\$ 1,583,456	\$ 1,566,161
Claims and policy benefits - run-off Life operations	13,711	10,592	7,595	7,291	11,950
Acquisition costs	473,002	445,685	433,584	435,869	392,996
Operating expenses	406,887	409,356	472,778	468,038	517,002
Foreign exchange losses (gains)	(1,418)	55,017	(5,643)	(3,336)	45,036
Loss (Gain) on sale of subsidiary (Note 4)	-	-	-	-	(3,418)
(Gain) Loss on the early extinguishment of debt (Note 5)	-	1,582	-	-	-
Interest expense - debt and other	41,880	39,509	43,422	40,250	41,687
Interest expense - deposit liability accretion	9,831	(5,590)	10,596	10,461	10,590
Total expenses	\$ 2,766,551	\$ 4,022,874	\$ 2,491,415	\$ 2,542,029	\$ 2,582,004
Income (loss) before income (loss) from operating affiliates and income tax	\$ 134,501	\$ (1,138,890)	\$ 296,345	\$ 213,332	\$ 311,313
Income (loss) from operating affiliates (Note 3)	2,460	4,872	42,704	13,609	(2,081)
Provision (benefit) for income taxes	77,104	(60,132)	29,006	13,092	(382)
Net income (loss)	\$ 59,857	\$ (1,073,886)	\$ 310,043	\$ 213,849	\$ 309,614
Non-controlling interests	(31,029)	30,197	(8,423)	(61,006)	(4,914)
Net income (loss) attributable to common shareholders	\$ 28,828	\$ (1,043,689)	\$ 301,620	\$ 152,843	\$ 304,700
Reconciliation of Non-GAAP Financial Information:					
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets (Note 2)	(37,091)	(31,726)	(49,169)	(4,218)	(43,242)
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2)	(32,780)	(18,879)	(29,778)	(34,474)	(44,048)
OTTI on investments - Life Funds Withheld Assets (Note 2)	1,434	-	-	-	-
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2)	(16,251)	7,331	22,319	1,406	56,195
Net realized and unrealized (gains) losses on derivatives	13,323	20,434	906	7,069	253
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	1,243	(89)	115	(2,051)	700
Net investment income - Life Funds Withheld Assets (Note 2)	(31,448)	(30,796)	(31,439)	(33,364)	(35,108)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	89,656	31,662	34,596	50,101	(151,342)
Loss (gain) on sale of subsidiary (Note 4)	-	-	-	-	(3,418)
Foreign exchange (gains) losses	(1,418)	55,017	(5,643)	(3,336)	45,036
(Gain) Loss from repurchase of preference ordinary shares (Note 6)	-	(14,290)	-	-	-
(Gain) Loss on the early extinguishment of debt (Note 5)	-	1,582	-	-	-
Write-down of deferred tax asset related to U.S. Tax Cuts and Jobs Act	100,500	-	-	-	-
Provision (benefit) for income tax on items excluded from operating income	58	(5,419)	11,553	2,167	(1,286)
Operating Net income (loss) (Note 7)	\$ 116,054	\$ (1,028,862)	\$ 255,080	\$ 136,143	\$ 128,440

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 is generally 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.
- During the fourth quarter of 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 third quarter of 2017, the Company repurchased and canceled a portion of 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.
- Operating net income (loss) 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, (14) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (15) a provision (benefit) for income tax on items excluded from operating income. "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. A reconciliation of Operating net income (loss) to Net income (loss) is included above. For further information see page 37 for Comment on Regulation G.



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 December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016
Return on Common Shareholders' Equity					
Opening shareholders' equity	\$ 11,528,510	\$ 13,102,407	\$ 13,000,626	\$ 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)
Opening common shareholders' equity	9,939,847	11,080,552	10,974,884	10,938,512	11,612,166
Closing shareholders' equity	11,461,320	11,528,510	13,102,407	13,000,626	12,960,679
Less: Non-controlling interest in equity of consolidated subsidiaries	(1,613,003)	(1,588,663)	(2,021,855)	(2,025,742)	(2,022,167)
Closing common shareholders' equity	9,848,317	9,939,847	11,080,552	10,974,884	10,938,512
Average common shareholders' equity	9,894,082	10,510,200	11,027,718	10,956,698	11,275,339
Opening AOCI, net of tax (Note 2)	968,928	921,165	844,974	715,546	1,519,805
Closing AOCI, net of tax (Note 2)	889,431	968,928	921,165	844,974	715,546
Average AOCI, net of tax (Note 2)	929,180	945,047	883,070	780,260	1,117,676
Average common shareholders' equity excluding AOCI	8,964,903	9,565,154	10,144,649	10,176,438	10,157,664
Integration costs	-	-	39,118	33,949	58,789
Integration costs, net of tax	-	-	34,971	30,181	53,802
Provision (benefit) for income tax on integration costs	-	-	(4,147)	(3,768)	(4,987)
Net income (loss) attributable to common shareholders	28,828	(1,043,689)	301,620	152,843	304,700
Annualized net income (loss) attributable to common shareholders	115,312	(4,174,756)	1,206,480	611,372	1,218,800
Operating Net Income (Note 3)	116,054	(1,028,862)	255,080	136,143	128,440
Annualized Operating Net Income (Note 3)	464,216	(4,115,448)	1,020,320	544,572	513,760
Operating Net Income (excluding integration costs) (Note 3)	116,054	(1,028,862)	290,051	166,324	182,242
Annualized Operating Net Income (excluding integration costs) (Note 3)	464,216	(4,115,448)	1,160,206	665,295	728,969
Annualized return on average common shareholders' equity	1.2%	-39.7%	10.9%	5.6%	10.8%
Annualized operating return on average common shareholders' equity (Note 3)	4.7%	-39.2%	9.3%	5.0%	4.6%
Annualized operating return on average common shareholders' equity excluding AOCI (Note 3)	5.2%	-43.0%	10.1%	5.4%	5.1%
Annualized operating return on common shareholders' equity excluding integration costs (Note 3)	4.7%	-39.2%	10.5%	6.1%	6.5%
Annualized operating return on common shareholders' equity excluding integration costs and AOCI (Note 3)	5.2%	-43.0%	11.4%	6.5%	7.2%

	At December 31, 2017	At September 30, 2017	At June 30, 2017	At March 31, 2017	At December 31, 2016
Book Value per Common Share					
Closing common shareholders' equity	\$ 9,848,317	\$ 9,939,847	\$ 11,080,552	\$ 10,974,884	\$ 10,938,512
Common shares outstanding (Note 4)	256,033,895	255,980,636	258,489,379	263,773,739	266,927,220
Dilutive impact of stock and options	2,867,317	3,736,712	4,369,403	3,233,867	4,297,570
Diluted shares outstanding	258,901,212	259,717,348	262,858,782	267,007,606	271,224,790
Book value per common share	\$ 38.46	\$ 38.83	\$ 42.87	\$ 41.61	\$ 40.98
Fully diluted book value per common share	\$ 38.04	\$ 38.27	\$ 42.15	\$ 41.10	\$ 40.33
Fully diluted tangible book value per common share (Note 5)	\$ 29.44	\$ 29.70	\$ 33.71	\$ 32.83	\$ 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 (loss) 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 Catin 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, (14) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (15) a provision (benefit) for income tax on items excluded from operating income. "Operating net income" and "annualized operating return on average common shareholders' equity" including and excluding average AOCI, both inclusive and exclusive of integration costs are non-GAAP financial measures. For further information see page 37 for Comment on Regulation G.
- Common shares outstanding include all common shares legally issued and outstanding (as disclosed on the face of the balance sheet) as well as all director share units outstanding.
- Fully diluted tangible book value per common share is a non-GAAP financial measure which represents book value per common share (total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries, goodwill and intangible assets, divided by the number of outstanding common shares combined with the dilutive impact of potential future share issues at any period end). XL believes that fully diluted tangible book value per common share is a financial measure important to investors and other interested parties who benefit from having a consistent basis for comparison with other companies within the industry. However, this measure may not be comparable to similarly titled measures used by companies either outside or inside of the insurance industry.

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

(U.S. Dollars in thousands)

(Note 1)

(Unaudited)

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016 <small>(Note 2)</small>
Revenues		
Gross premiums written	\$ 14,986,851	\$ 13,890,824
Net premiums written	\$ 10,680,758	\$ 10,242,683
Net premiums earned - P&C operations	\$ 10,324,278	\$ 9,765,887
Net premiums earned - run-off Life operations	12,334	12,047
Net investment income - excluding Life Funds Withheld Assets (Note 2)	702,676	672,382
Net investment income - Life Funds Withheld Assets (Note 2)	127,047	154,751
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 2)	122,204	112,689
Net realized gains (losses) on investments sold - Life Funds Withheld Assets (Note 2)	115,911	152,589
Other-than temporary impairments on investments - Life Funds Withheld Assets (Note 2)	(1,434)	(2,598)
Net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 2)	(14,805)	109,458
Net realized and unrealized gains (losses) on derivative instruments	(41,732)	2,521
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	(206,015)	(540,090)
Income (loss) from investment affiliates (Note 3)	139,046	70,758
Fee income and other	48,647	35,692
Total revenues	\$ 11,328,157	\$ 10,546,086
Expenses		
Net losses and loss expenses incurred - P&C operations	\$ 8,001,920	\$ 6,072,835
Claims and policy benefits - run-off Life operations	39,189	28,244
Acquisition costs	1,788,140	1,620,671
Operating expenses	1,757,059	2,063,362
Foreign exchange losses (gains)	44,620	(9,578)
Loss (Gain) on sale of subsidiary (Note 4)	-	(7,088)
(Gain) Loss on the early extinguishment of debt (Note 5)	1,582	-
Interest expense - debt and other	165,061	170,058
Interest expense - deposit liability accretion	25,298	39,705
Total expenses	\$ 11,822,869	\$ 9,978,209
Income (loss) before income (loss) from operating affiliates and income tax	\$ (494,712)	\$ 567,877
Income (loss) from operating affiliates (Note 3)	63,645	44,397
Provision (benefit) for income taxes	59,070	42,129
Net income (loss)	\$ (490,137)	\$ 570,145
Non-controlling interests	(70,261)	(129,177)
Net income (loss) attributable to common shareholders	\$ (560,398)	\$ 440,968
Reconciliation of Non-GAAP Financial Information:		
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets (Note 2)	(122,204)	(112,689)
Net realized (gains) losses on investments sold - Life Funds Withheld Assets (Note 2)	(115,911)	(152,589)
OTTI on investments - Life Funds Withheld Assets (Note 2)	1,434	2,598
Net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets (Note 2)	14,805	(109,458)
Net realized and unrealized (gains) losses on derivatives	41,732	(2,521)
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	(782)	2,931
Net investment income - Life Funds Withheld Assets (Note 2)	(127,047)	(154,751)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	206,015	540,090
Loss (gain) on sale of subsidiary (Note 4)	-	(7,088)
Foreign exchange (gains) losses	44,620	(9,578)
(Gain) Loss from repurchase of preference ordinary shares (Note 6)	(14,290)	-
(Gain) Loss on the early extinguishment of debt (Note 5)	1,582	-
Write-down of deferred tax asset related to U.S. Tax Cuts and Jobs Act	100,500	-
Provision (benefit) for income tax on items excluded from operating income	8,359	22,816
Operating Net income (loss) (Note 7)	\$ (521,585)	\$ 460,729

Notes:

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

2. On May 1, 2014, our wholly-owned subsidiary XLIB (on June 9, 2016, XLIB and XL Re Ltd amalgamated to form XL Bermuda Ltd), entered into a sale and purchase agreement with GreyCastle providing for the sale of 100% of the common shares of XLIB's wholly-owned subsidiary XLLR for \$570 million in cash. This transaction was completed on May 30, 2014. As a result of the transaction, we have ceded the majority of our life reinsurance business to XLLR via the GreyCastle Life Retro Arrangements. The Life Funds Withheld Assets are included within "Total investments available for sale" and "Fixed maturities, trading at fair value" on our balance sheet. Investment results for these assets - including interest income, unrealized gains and losses, and gains and losses from sales - are passed directly to the reinsurer pursuant to a contractual arrangement which is accounted for as a derivative.

3. Income related to the alternative funds and to the private investment and operating fund affiliates is generally 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. During the fourth quarter of 2016 the Company recognized a \$3.4 million gain on the partial sale of its holdings in New Ocean Capital Management.

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 third quarter of 2017, the Company repurchased and canceled a portion of 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 (loss) 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, (14) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (15) a provision (benefit) for income tax on items excluded from operating income. "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. A reconciliation of Operating net income (loss) to Net income (loss) is included above. For further information see page 37 for Comment on Regulation G.

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)

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 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	11,461,320	12,960,679
Less: Non-controlling interest in equity of consolidated subsidiaries	(1,613,003)	(2,022,167)
Closing common shareholders' equity	9,848,317	10,938,512
Average common shareholders' equity	10,393,415	11,307,796
Opening AOCI, net of tax	715,546	686,616
Closing AOCI, net of tax	889,431	715,546
Average AOCI, net of tax (Note 2)	802,489	701,081
Average common shareholders' equity excluding AOCI	9,590,927	10,606,715
Integration costs	73,067	220,355
Integration costs, net of tax	65,322	201,630
Provision (benefit) for income tax on integration costs	7,745	(18,725)
Net income (loss) attributable to common shareholders	(560,398)	440,968
Operating Net Income (Note 3)	(521,585)	460,729
Operating Net Income (excluding integration costs) (Note 3)	(456,263)	662,359
Return on average common shareholders' equity	-5.4%	3.9%
Operating return on average common shareholders' equity (Note 3)	-5.0%	4.1%
Operating return on average common shareholders' equity excluding AOCI (Note 3)	-5.4%	4.3%
Operating return on common shareholders' equity excluding integration costs (Note 3)	-4.4%	5.9%
Operating return on common shareholders' equity excluding integration costs and AOCI (Note 3)	-4.8%	6.2%

	At December 31, 2017	At December 31, 2016
Book Value per Common Share		
Closing common shareholders' equity	\$ 9,848,317	\$ 10,938,512
Common shares outstanding (Note 4)	256,033,895	266,927,220
Dilutive impact of stock and options	2,867,317	4,297,570
Diluted shares outstanding	258,901,212	271,224,790
Book value per common share	\$ 38.46	\$ 40.98
Fully diluted book value per common share	\$ 38.04	\$ 40.33
Fully diluted tangible book value per common share (Note 5)	\$ 29.44	\$ 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 (loss) 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, (14) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (15) a provision (benefit) for income tax on items excluded from operating income. "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 DECEMBER 31, 2017

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

	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 2,488,403	\$ 1,072,403	\$ 3,560,806	\$ 59,118	\$ 3,619,924
Net premiums written	1,794,452	921,550	2,716,002	3,054	2,719,056
Net premiums earned	1,757,004	915,944	2,672,948	3,054	2,676,002
Net losses and loss expenses incurred	(1,262,828)	(559,830)	(1,822,658)	(13,711)	(1,836,369)
Acquisition expenses	(251,530)	(220,260)	(471,790)	(1,212)	(473,002)
Operating expenses (Note 2)	(284,788)	(67,372)	(352,160)	(278)	(352,438)
Underwriting (loss) profit	<u>\$ (42,142)</u>	<u>\$ 68,482</u>	<u>\$ 26,340</u>	<u>\$ (12,147)</u>	<u>\$ 14,193</u>
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	166,334	7,442	173,776
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	31,448	31,448
Net investment results structured products (Note 4)	2,208	475	2,683	-	2,683
Net fee income and other (Note 5)	(2,092)	1,683	(409)	134	(275)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			39,238	(2,147)	37,091
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			-	47,597	47,597
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(89,656)	(89,656)
Net realized and unrealized gains (losses) on derivative instruments				(13,323)	(13,323)
Income (loss) from investment affiliates and operating affiliates (Note 6)				14,771	14,771
Foreign exchange (gains) losses				(1,418)	(1,418)
Corporate operating expenses				40,882	40,882
Extinguishment of debt				1,582	1,582
Contribution from P&C and Corporate and other			<u>\$ 234,186</u>	<u>\$ (55,345)</u>	<u>\$ 178,841</u>
Interest expense (Note 7)					(41,880)
Non-controlling interests					(31,029)
Income taxes					(77,104)
Net (loss) income attributable to XL Group Ltd					<u>\$ 28,828</u>
PYD and Catastrophe					
Total net prior year development	(11,079)	(43,101)	(54,180)		
Natural catastrophe losses (Note 8)	195,867	110,468	306,335		
Reinstatement premium	(3,645)	2,430	(1,215)		
Ratios - P&C operations:					
Loss and loss expense ratio	71.9%	61.1%	68.2%		
Underwriting expense ratio	30.5%	31.4%	30.8%		
Combined ratio	102.4%	92.5%	99.0%		
Loss and loss expense ratio excluding net PYD	72.5%	65.8%	70.2%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	61.2%	53.9%	58.7%		
Combined ratio excluding net PYD	103.0%	97.2%	101.0%		
Combined ratio excluding net PYD, CATS and reinstatement premium	91.7%	85.4%	89.5%		

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 \$12.5 million and \$9.8 million, respectively.
- Net fee income and other includes operating expenses of \$13.6 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 is generally on a one-month and three-month lag, respectively.
- Excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- Natural catastrophes include Northern and Southern California Wildfires and October US Storms.



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, net of tax (Note 3)				(31,662)	(31,662)
Net realized and unrealized gains (losses) on derivative instruments				(20,434)	(20,434)
Income (loss) from investment 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
Extinguishment of debt				1,582	1,582
Contribution from P&C and Corporate and other			<u>\$ (1,025,033)</u>	<u>\$ (69,476)</u>	<u>\$ (1,094,509)</u>
Interest expense (Note 7)					(39,509)
Non-controlling interests					30,197
Income taxes					60,132
Net (loss) income attributable to XL Group Ltd					<u>\$ (1,043,689)</u>
PYD and Catastrophe					
Total net prior year development	(8,811)	(22,051)	(30,862)		
Natural catastrophe losses (Note 8)	697,956	873,440	1,571,396		
Reinstatement premium	(18,324)	70,655	52,331		
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%		
Loss and loss expense ratio excluding net PYD	103.4%	145.0%	118.3%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	61.1%	56.4%	59.5%		
Combined ratio excluding net PYD	133.0%	174.8%	148.1%		
Combined ratio excluding net PYD, CATS and reinstatement premium	90.4%	88.6%	89.8%		

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 is generally on a one-month and three-month lag, respectively.
- Excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- Natural catastrophes include Hurricanes Harvey, Irma, Maria and Mexico Earthquakes.



SEGMENT INFORMATION FOR THE THREE MONTHS ENDED DECEMBER 31, 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	\$ 2,481,140	\$ 535,456	\$ 3,016,596	\$ 63,176	\$ 3,079,772
Net premiums written	1,816,711	496,421	2,313,132	3,015	2,316,147
Net premiums earned	1,707,440	746,620	2,454,060	3,015	2,457,075
Net losses and loss expenses incurred	(1,157,138)	(409,023)	(1,566,161)	(11,950)	(1,578,111)
Acquisition expenses	(218,299)	(173,208)	(391,507)	(1,489)	(392,996)
Operating expenses (Note 3)	(301,960)	(68,012)	(369,972)	(591)	(370,563)
Underwriting (loss) profit	<u>\$ 30,043</u>	<u>\$ 96,377</u>	<u>\$ 126,420</u>	<u>\$ (11,015)</u>	<u>\$ 115,405</u>
Net investment income - excluding Life Funds Withheld Assets (Note 4)	-	-	140,306	7,541	147,847
Net investment income - Life Funds Withheld Assets (Note 4)	-	-	-	35,108	35,108
Net investment results structured products (Note 5)	2,155	388	2,543	-	2,543
Net fee income and other (Note 6)	(6,409)	575	(5,834)	843	(4,991)
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 4)			50,344	(7,102)	43,242
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 4)				(12,147)	(12,147)
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, net of tax (Note 4)				151,342	151,342
Net realized and unrealized gains (losses) on derivative instruments				(253)	(253)
Income (loss) from investment affiliates and operating affiliates (Note 7)				47,921	47,921
Foreign exchange (gains) losses				45,036	45,036
Corporate operating expenses (Note 8)				133,480	133,480
Loss (Gain) on sale of subsidiary (Note 9)				(3,418)	(3,418)
Contribution from P&C and Corporate and other			<u>\$ 313,779</u>	<u>\$ 37,140</u>	<u>\$ 350,919</u>
Interest expense (Note 10)					(41,687)
Non-controlling interests					(4,914)
Income taxes					382
Net (loss) income attributable to XL Group Ltd					<u>\$ 304,700</u>
PYD and Catastrophe					
Total net prior year development	(23,961)	(81,934)	(105,895)		
Natural catastrophe losses (Note 11)	126,208	123,746	249,954		
Reinstatement premium	-	3,856	3,856		
Ratios - P&C operations:					
Loss and loss expense ratio	67.8%	54.8%	63.8%		
Underwriting expense ratio	30.4%	32.3%	31.0%		
Combined ratio	98.2%	87.1%	94.8%		
Loss and loss expense ratio excluding net PYD	69.2%	65.8%	68.1%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	61.8%	49.4%	58.0%		
Combined ratio excluding net PYD	99.6%	98.1%	99.2%		
Combined ratio excluding net PYD, CATS and reinstatement premium	92.3%	81.9%	89.1%		

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 \$13.1 million and \$10.6 million, respectively.
- Net fee income and other includes operating expenses of \$13.0 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 is generally on a one-month and three-month lag, respectively.
- Corporate operating expenses include approximately \$58.8 million of integration costs resulting from the Catlin Acquisition.
- During the fourth quarter of 2016 the Company recognized a \$3.4 million gain on the partial sale of its holdings in New Ocean Capital Management.
- Excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- Natural catastrophes include Hurricane Matthew, New Zealand Earthquake and Tennessee Wildfires.

PREMIUMS BY LINE OF BUSINESS

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

	FOR THE THREE MONTHS ENDED DECEMBER 31, 2017				FOR THE THREE MONTHS ENDED DECEMBER 31, 2016			
	<u>GROSS PREMIUMS WRITTEN</u>				<u>GROSS PREMIUMS WRITTEN</u>			
	(Note 1)				(Note 1)			
	Insurance	Reinsurance	Corporate and Other (Note 2)	Total	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:								
Professional	\$ 587,797	\$ 54,674	\$ -	\$ 642,471	\$ 566,942	\$ 9,081	\$ -	\$ 576,023
Casualty	779,865	59,270	-	839,135	769,520	40,661	-	810,181
Property catastrophe	-	42,316	-	42,316	-	19,455	-	19,455
Property	490,452	105,513	-	595,965	503,954	78,550	-	582,504
Specialty	628,703	5,143	-	633,846	641,147	11,775	-	652,922
Other (Note 3, 4)	1,586	805,487	-	807,073	(423)	375,934	-	375,511
Total P&C operations	2,488,403	1,072,403	-	3,560,806	2,481,140	535,456	-	3,016,596
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	28,146	28,146	-	-	26,875	26,875
Run-Off Life Operations - Other Life	-	-	30,972	30,972	-	-	36,301	36,301
Total Corporate and Other	-	-	59,118	59,118	-	-	63,176	63,176
Total	\$ 2,488,403	\$ 1,072,403	\$ 59,118	\$ 3,619,924	\$ 2,481,140	\$ 535,456	\$ 63,176	\$ 3,079,772
	<u>NET PREMIUMS WRITTEN</u>				<u>NET PREMIUMS WRITTEN</u>			
	(Note 1)				(Note 1)			
	Insurance	Reinsurance	Corporate and Other (Note 2)	Total	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:								
Professional	\$ 411,690	\$ 51,446	\$ -	\$ 463,136	\$ 409,696	\$ 8,777	\$ -	\$ 418,473
Casualty	509,573	54,620	-	564,193	509,839	37,670	-	547,509
Property catastrophe	-	(38,469)	-	(38,469)	-	12,427	-	12,427
Property	374,722	83,624	-	458,346	395,520	47,054	-	442,574
Specialty	497,025	7,343	-	504,368	502,068	11,187	-	513,255
Other (Note 3, 4)	1,442	762,986	-	764,428	(412)	379,306	-	378,894
Total P&C operations	1,794,452	921,550	-	2,716,002	1,816,711	496,421	-	2,313,132
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	-	-	-	-	-	-
Run-Off Life Operations - Other Life	-	-	3,054	3,054	-	-	3,015	3,015
Total Corporate and Other	-	-	3,054	3,054	-	-	3,015	3,015
Total	\$ 1,794,452	\$ 921,550	\$ 3,054	\$ 2,719,056	\$ 1,816,711	\$ 496,421	\$ 3,015	\$ 2,316,147
	<u>NET PREMIUMS EARNED</u>				<u>NET PREMIUMS EARNED</u>			
	(Note 1)				(Note 1)			
	Insurance	Reinsurance	Corporate and Other (Note 2)	Total	Insurance	Reinsurance	Corporate and Other (Note 2)	Total
P&C Operations:								
Professional	\$ 356,211	\$ 91,775	\$ -	\$ 447,986	\$ 325,156	\$ 41,175	\$ -	\$ 366,331
Casualty	531,527	134,029	-	665,556	572,141	147,559	-	719,700
Property catastrophe	-	199,657	-	199,657	-	189,450	-	189,450
Property	424,356	283,786	-	708,142	385,415	243,633	-	629,048
Specialty	441,183	38,402	-	479,585	425,140	48,760	-	473,900
Other (Note 3)	3,727	168,295	-	172,022	(412)	76,043	-	75,631
Total P&C operations	1,757,004	915,944	-	2,672,948	1,707,440	746,620	-	2,454,060
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	-	-	-	-	-	-
Run-Off Life Operations - Other Life	-	-	3,054	3,054	-	-	3,015	3,015
Total Corporate and Other	-	-	3,054	3,054	-	-	3,015	3,015
Total	\$ 1,757,004	\$ 915,944	\$ 3,054	\$ 2,676,002	\$ 1,707,440	\$ 746,620	\$ 3,015	\$ 2,457,075

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.
4. Other within the Reinsurance segment is primarily driven by an increased share on a large multi-line quota share with one of our core clients.

INSURANCE SEGMENT

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



	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	% Change Q4 17 vs. Q3 17	vs. Q4 16
Gross premiums written	\$ 2,488,403	\$ 2,311,090	\$ 2,576,754	\$ 2,694,216	\$ 2,481,140	7.7%	0.3%
Net premiums written	1,794,452	1,660,304	1,741,201	1,508,591	1,816,711	8.1%	-1.2%
Net premiums earned	1,757,004	1,677,189	1,652,304	1,635,315	1,707,440	4.8%	2.9%
Net losses incurred	(1,262,828)	(1,724,755)	(1,077,087)	(1,060,363)	(1,157,138)	-26.8%	9.1%
Acquisition expenses	(251,530)	(228,188)	(231,908)	(210,483)	(218,299)	10.2%	15.2%
Operating expenses (Note 2)	(284,788)	(269,727)	(288,681)	(285,729)	(301,960)	5.6%	-5.7%
Underwriting profit (loss)	\$ (42,142)	\$ (545,481)	\$ 54,628	\$ 78,740	\$ 30,043	-92.3%	NM
PYD and Catastrophe							
Total net prior year development, strengthening (release)	\$ (11,079)	\$ (8,811)	\$ (17,227)	\$ (4,642)	\$ (23,961)		
Natural catastrophe losses	195,867	697,956	79,389	70,330	126,208		
Reinstatement premium	(3,645.00)	(18,324.00)	-	-	-		
Ratios - P&C operations:							
Loss and loss expense ratio	71.9%	102.8%	65.2%	64.8%	67.8%		
Acquisition expense ratio	14.3%	13.6%	14.0%	12.9%	12.8%		
Operating expense ratio	16.2%	16.1%	17.5%	17.5%	17.6%		
Combined ratio	102.4%	132.5%	96.7%	95.2%	98.2%		
Loss and loss expense ratio excluding net PYD	72.5%	103.4%	66.2%	65.1%	69.2%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	61.2%	61.1%	61.4%	60.8%	61.8%		
Combined ratio excluding net PYD	103.0%	133.0%	97.7%	95.5%	99.6%		
Combined ratio excluding net PYD, CATS and reinstatement premium	91.7%	90.4%	92.9%	91.2%	92.3%		

Notes:

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

NM = Not meaningful

REINSURANCE SEGMENT

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



	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	% Change Q4 17 vs. Q3 17	vs. Q4 16
Gross premiums written	\$ 1,072,403	\$ 704,641	\$ 977,676	\$ 1,927,390	\$ 535,456	52.2%	100.3%
Net premiums written	921,550	665,917	905,240	1,471,169	496,421	38.4%	85.6%
Net premiums earned	915,944	940,567	861,789	884,166	746,620	-2.6%	22.7%
Net losses incurred	(559,830)	(1,341,968)	(451,996)	(523,093)	(409,023)	-58.3%	36.9%
Acquisition expenses	(220,260)	(216,371)	(200,394)	(224,079)	(173,208)	1.8%	27.2%
Operating expenses (Note 3)	(67,372)	(63,723)	(69,435)	(71,757)	(68,012)	5.7%	-0.9%
Underwriting profit (loss)	\$ 68,482	\$ (681,495)	\$ 139,964	\$ 65,237	\$ 96,377	-110.0%	-28.9%
PYD and Catastrophe							
Total net prior year development, strengthening (release)	\$ (43,101)	\$ (22,051)	\$ (69,505)	\$ 28,646	\$ (81,934)		
Natural catastrophe losses	110,468	873,440	13,032	25,745	123,746		
Reinstatement premium	2,430	70,655	273	0	3,856		
Ratios - P&C operations:							
Loss and loss expense ratio	61.1%	142.7%	52.4%	59.2%	54.8%		
Acquisition expense ratio	24.0%	23.0%	23.3%	25.3%	23.2%		
Operating expense ratio	7.4%	6.8%	8.1%	8.1%	9.1%		
Combined ratio	92.5%	172.5%	83.8%	92.6%	87.1%		
Loss and loss expense ratio excluding net PYD	65.8%	145.0%	60.5%	55.9%	65.8%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	53.9%	56.4%	59.0%	53.0%	49.4%		
Combined ratio excluding net PYD	97.2%	174.8%	91.8%	89.4%	98.1%		
Combined ratio excluding net PYD, CATS and reinstatement premium	85.4%	88.6%	90.3%	86.5%	81.9%		

- 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.

**SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT ("PYD") AND NATURAL CATASTROPHES ("CATS")
THREE MONTHS ENDED DECEMBER 31, 2017 vs DECEMBER 31, 2016**

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



	FOR THE THREE MONTHS ENDED DECEMBER 31, 2017					FOR THE THREE MONTHS ENDED DECEMBER 31, 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 (Note 2)	CATs (Note 3)	Excluding CATs and PYD
INSURANCE										
Gross premiums written	\$ 2,488,403	-	\$ 2,488,403	-	\$ 2,488,403	\$ 2,481,140	-	\$ 2,481,140	-	\$ 2,481,140
Net premiums written	1,794,452	-	1,794,452	(3,645)	1,798,097	1,816,711	-	1,816,711	-	1,816,711
Net premiums earned	1,757,004	-	1,757,004	(3,645)	1,760,649	1,707,440	-	1,707,440	-	1,707,440
Net losses incurred	1,262,828	(11,079)	1,273,907	195,867	1,078,040	1,157,138	(23,961)	1,181,099	126,208	1,054,891
Acquisition expenses	251,530	-	251,530	-	251,530	218,299	-	218,299	-	218,299
Operating expenses	284,788	-	284,788	-	284,788	301,960	-	301,960	-	301,960
Underwriting profit / (loss)	\$ (42,142)	\$ 11,079	\$ (53,221)	\$ (199,512)	\$ 146,291	\$ 30,043	\$ 23,961	\$ 6,082	\$ (126,208)	\$ 132,290
Loss Ratio	71.9%		72.5%		61.2%	67.8%		69.2%		61.8%
Combined Ratio	102.4%		103.0%		91.7%	98.2%		99.6%		92.3%
REINSURANCE										
Gross premiums written	\$ 1,072,403	-	\$ 1,072,403	3,694	\$ 1,068,709	\$ 535,456	-	\$ 535,456	4,369	\$ 531,087
Net premiums written	921,550	-	921,550	2,430	919,120	496,421	-	496,421	3,856	492,565
Net premiums earned	915,944	-	915,944	2,430	913,514	746,620	-	746,620	3,856	742,764
Net losses incurred	559,830	(43,101)	602,931	110,468	492,463	409,023	(81,934)	490,957	123,746	367,211
Acquisition expenses	220,260	-	220,260	-	220,260	173,208	-	173,208	-	173,208
Operating expenses	67,372	-	67,372	-	67,372	68,012	-	68,012	-	68,012
Underwriting profit / (loss)	\$ 68,482	\$ 43,101	\$ 25,381	\$ (108,038)	\$ 133,419	\$ 96,377	\$ 81,934	\$ 14,443	\$ (119,890)	\$ 134,333
Loss Ratio	61.1%		65.8%		53.9%	54.8%		65.8%		49.4%
Combined Ratio	92.5%		97.2%		85.4%	87.1%		98.1%		81.9%
TOTAL										
Gross premiums written	\$ 3,560,806	-	\$ 3,560,806	3,694	\$ 3,557,112	\$ 3,016,596	-	\$ 3,016,596	4,369	\$ 3,012,227
Net premiums written	2,716,002	-	2,716,002	(1,215)	2,717,217	2,313,132	-	2,313,132	3,856	2,309,276
Net premiums earned	2,672,948	-	2,672,948	(1,215)	2,674,163	2,454,060	-	2,454,060	3,856	2,450,204
Net losses incurred	1,822,658	(54,180)	1,876,838	306,335	1,570,503	1,566,161	(105,895)	1,672,056	249,954	1,422,102
Acquisition expenses	471,790	-	471,790	-	471,790	391,507	-	391,507	-	391,507
Operating expenses	352,160	-	352,160	-	352,160	369,972	-	369,972	-	369,972
Underwriting profit / (loss)	\$ 26,340	\$ 54,180	\$ (27,840)	\$ (307,550)	\$ 279,710	\$ 126,420	\$ 105,895	\$ 20,525	\$ (246,098)	\$ 266,623
CATs attributable to non-controlling interest										
CATs net of non-controlling interest				\$ (307,550)					\$ (246,098)	
Loss Ratio	68.2%		70.2%		58.7%	63.8%		68.1%		58.0%
Combined Ratio	99.0%		101.0%		89.5%	94.8%		99.2%		89.1%

Notes:

- 2017 Natural catastrophes include Northern and Southern California Wildfires and October US Storms.
- Certain amounts have been reclassified to conform with the current period presentation.
- 2016 Natural Catastrophes include Hurricane Matthew, New Zealand Earthquake and Tennessee Wildfires.

SEGMENT INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

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



	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 10,070,463	\$ 4,682,110	\$ 14,752,573	\$ 234,278	\$ 14,986,851
Net premiums written	\$ 6,704,548	\$ 3,963,876	\$ 10,668,424	\$ 12,334	\$ 10,680,758
Net premiums earned	\$ 6,721,812	\$ 3,602,466	\$ 10,324,278	\$ 12,334	\$ 10,336,612
Net losses and loss expenses incurred	(5,125,033)	(2,876,887)	(8,001,920)	(39,189)	(8,041,109)
Acquisition expenses	(922,109)	(861,104)	(1,783,213)	(4,927)	(1,788,140)
Operating expenses (Note 2)	(1,128,925)	(272,287)	(1,401,212)	(975)	(1,402,187)
Underwriting (loss) profit	<u>\$ (454,255)</u>	<u>\$ (407,812)</u>	<u>\$ (862,067)</u>	<u>\$ (32,757)</u>	<u>\$ (894,824)</u>
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	127,047	127,047
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	620,591	30,359	650,950
Net investment results structured products (Note 4)	8,320	18,108	26,428	-	26,428
Net fee income and other (Note 5)	(4,529)	3,926	(603)	(1,473)	(2,076)
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			-	99,672	99,672
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			133,827	(11,623)	122,204
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(206,015)	(206,015)
Net realized and unrealized gains (losses) on derivative instruments				(41,732)	(41,732)
Income (loss) from investment affiliates and operating affiliates (Note 6)				202,691	202,691
Foreign exchange (gains) losses				44,620	44,620
Corporate operating expenses (Note 7)				304,149	304,149
Extinguishment of debt				1,582	1,582
Contribution from P&C and Corporate and other			<u>\$ (81,824)</u>	<u>\$ (184,182)</u>	<u>\$ (266,006)</u>
Interest expense (Note 8)					(165,061)
Non-controlling interests					(70,261)
Income tax					(59,070)
Net (loss) income attributable to XL Group Ltd					<u>\$ (560,398)</u>
PYD and Catastrophe					
Total net prior year development	(41,759)	(106,011)	(147,770)		
Natural catastrophe losses (Note 9)	1,043,542	1,022,685	2,066,227		
Reinstatement premium	(21,969)	73,358	51,389		
Ratios - P&C operations:					
Loss and loss expense ratio	76.2%	79.9%	77.5%		
Underwriting expense ratio	30.6%	31.4%	30.8%		
Combined ratio	106.8%	111.3%	108.3%		
Loss and loss expense ratio excluding net PYD	76.9%	82.8%	78.9%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	61.1%	55.5%	59.2%		
Combined ratio excluding net PYD	107.4%	114.3%	109.8%		
Combined ratio excluding net PYD, CATS and reinstatement premium	91.6%	87.7%	90.2%		

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 \$51.7 million and \$25.3 million, respectively.
- Net fee income and other includes operating expenses of \$50.7 million from the Company's loss prevention consulting services business.
- Income related to the alternative funds and to the private investment and operating fund affiliates is generally 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.
- Excludes interest expense related to deposit liabilities recorded in the Insurance and Reinsurance segments.
- Natural catastrophes include Northern and Southern California Wildfires, October US Storms, Hurricanes Harvey, Irma, Maria, Mexico Earthquakes, EU Hail Storms, Tennessee Wildfires, February US Storms, April US Storms, May US Storms, June US Storms, Cyclone Debbie and March Peru Flooding.

SEGMENT INFORMATION FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

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



	INSURANCE	REINSURANCE	TOTAL P&C	CORPORATE AND OTHER (Note 1)	TOTAL
Gross premiums written	\$ 9,650,503	\$ 3,975,106	\$ 13,625,609	\$ 265,315	\$ 13,890,924
Net premiums written	\$ 6,715,969	\$ 3,514,667	\$ 10,230,636	\$ 12,047	\$ 10,242,683
Net premiums earned	\$ 6,651,495	\$ 3,114,392	\$ 9,765,887	\$ 12,047	\$ 9,777,934
Net losses and loss expenses incurred	(4,320,737)	(1,752,098)	(6,072,835)	(28,244)	(6,101,079)
Acquisition expenses	(897,308)	(717,588)	(1,614,896)	(5,775)	(1,620,671)
Operating expenses (Note 2)	(1,224,233)	(283,270)	(1,507,503)	(1,356)	(1,508,859)
Underwriting (loss) profit	<u>\$ 209,217</u>	<u>\$ 361,436</u>	<u>\$ 570,653</u>	<u>\$ (23,328)</u>	<u>\$ 547,325</u>
Net investment income - Life Funds Withheld Assets (Note 3)	-	-	-	154,751	154,751
Net investment income - excluding Life Funds Withheld Assets (Note 3)	-	-	586,658	31,726	618,384
Net investment results structured products (Note 4)	8,495	5,785	14,280	-	14,280
Net fee income and other (Note 5)	(18,506)	3,280	(15,226)	1,911	(13,315)
Net realized gains (losses) on investments and net unrealized gains (losses) on investments, Trading - Life Funds Withheld Assets (Note 3)			(3)	259,452	259,449
Net realized gains (losses) on investments sold - excluding Life Funds Withheld Assets (Note 3)			127,533	(14,844)	112,689
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 3)				(540,090)	(540,090)
Net realized and unrealized gains (losses) on derivative instruments				2,521	2,521
Income (loss) from investment affiliates and operating affiliates (Note 6)				115,155	115,155
Gain on sale of operating affiliate				-	-
Foreign exchange (gains) losses				(9,578)	(9,578)
Corporate operating expenses (Note 7)				505,483	505,483
Loss (Gain) on sale of subsidiary (Note 8)				(7,088)	(7,088)
Contribution from P&C and Corporate and other			<u>\$ 1,283,895</u>	<u>\$ (501,563)</u>	<u>\$ 782,332</u>
Interest expense (Note 9)					(170,058)
Non-controlling interests					(129,177)
Income taxes					(42,129)
Net (loss) income attributable to XL Group Ltd					<u>\$ 440,968</u>
PYD and Catastrophe					
Total net prior year development	(91,459)	(210,083)	(301,542)		
Natural catastrophe losses (Note 10)	329,878	328,270	658,148		
Reinstatement premium	-	21,812	21,812		
Ratios - P&C operations:					
Loss and loss expense ratio	65.0%	56.3%	62.2%		
Underwriting expense ratio	31.9%	32.1%	32.0%		
Combined ratio	96.9%	88.4%	94.2%		
Loss and loss expense ratio excluding net PYD	66.3%	63.0%	65.3%		
Loss and loss expense ratio excluding net PYD, CATS and reinstatement premium	61.4%	52.8%	58.7%		
Combined ratio excluding net PYD	98.2%	95.1%	97.2%		
Combined ratio excluding net PYD, CATS and reinstatement premium	93.3%	85.2%	90.7%		

Notes :

- Corporate and Other includes the Company's run-off Life operations.
- Operating expenses exclude corporate operating expenses, shown separately.
- On May 1, 2014, our wholly-owned subsidiary XLIB (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 \$54.0 million and \$39.7 million, respectively.
- Net fee income and other includes operating expenses of \$49.0 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 is generally 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 three month periods' split of segment and corporate operating expenses. See pages 15 - 16 for twelve month period' split of segment and corporate
- 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 TWELVE MONTHS ENDED DECEMBER 31, 2017				FOR THE TWELVE MONTHS ENDED DECEMBER 31, 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	\$ 1,935,550	\$ 292,128	\$ -	\$ 2,227,678	\$ 1,793,367	\$ 138,830	\$ -	\$ 1,932,197
Casualty	3,333,239	623,935	-	3,957,174	3,187,306	718,080	-	3,905,386
Property catastrophe		1,031,740	-	1,031,740		989,083	-	989,083
Property	2,352,714	1,304,341	-	3,657,055	2,317,198	1,132,779	-	3,449,977
Specialty	2,446,642	207,002	-	2,653,644	2,354,742	210,531	-	2,565,273
Other (Note 3, 4)	2,318	1,222,964	-	1,225,282	(2,110)	785,803	-	783,693
Total P&C operations	10,070,463	4,682,110	-	14,752,573	9,650,503	3,975,106	-	13,625,609
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	107,230	107,230	-	-	119,990	119,990
Run-Off Life Operations - Other Life	-	-	127,048	127,048	-	-	145,325	145,325
Total Corporate and Other	-	-	234,278	234,278	-	-	265,315	265,315
Total	\$ 10,070,463	\$ 4,682,110	\$ 234,278	\$ 14,986,851	\$ 9,650,503	\$ 3,975,106	\$ 265,315	\$ 13,890,924
	<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	\$ 1,297,741	\$ 276,669	\$ -	\$ 1,574,410	\$ 1,224,421	\$ 137,287	\$ -	\$ 1,361,708
Casualty	2,027,101	580,974	-	2,608,075	2,110,943	678,133	-	2,789,076
Property catastrophe		608,262	-	608,262		756,837	-	756,837
Property	1,560,957	1,166,405	-	2,727,362	1,587,122	995,090	-	2,582,212
Specialty	1,816,860	180,422	-	1,997,282	1,795,558	188,350	-	1,983,908
Other (Note 3)	1,889	1,151,144	-	1,153,033	(2,075)	758,970	-	756,895
Total P&C operations	6,704,548	3,963,876	-	10,668,424	6,715,969	3,514,667	-	10,230,636
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	-	-	-	-	-	-
Run-Off Life Operations - Other Life	-	-	12,334	12,334	-	-	12,047	12,047
Total Corporate and Other	-	-	12,334	12,334	-	-	12,047	12,047
Total	\$ 6,704,548	\$ 3,963,876	\$ 12,334	\$ 10,680,758	\$ 6,715,969	\$ 3,514,667	\$ 12,047	\$ 10,242,683
	<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	\$ 1,296,020	\$ 257,309	\$ -	\$ 1,553,329	\$ 1,209,237	\$ 163,157	\$ -	\$ 1,372,394
Casualty	2,126,883	576,822	-	2,703,705	2,208,949	657,590	-	2,866,539
Property catastrophe		733,143	-	733,143		792,445	-	792,445
Property	1,610,302	1,121,276	-	2,731,578	1,523,024	1,021,626	-	2,544,650
Specialty	1,684,320	176,315	-	1,860,635	1,712,361	174,477	-	1,886,838
Other (Note 3)	4,287	737,601	-	741,888	(2,076)	305,097	-	303,021
Total P&C operations	6,721,812	3,602,466	-	10,324,278	6,651,495	3,114,392	-	9,765,887
Corporate and Other :								
Run-Off Life Operations - Annuity	-	-	-	-	-	-	1	1
Run-Off Life Operations - Other Life	-	-	12,334	12,334	-	-	12,046	12,046
Total Corporate and Other	-	-	12,334	12,334	-	-	12,047	12,047
Total	\$ 6,721,812	\$ 3,602,466	\$ 12,334	\$ 10,336,612	\$ 6,651,495	\$ 3,114,392	\$ 12,047	\$ 9,777,934

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.
4. Other within the Reinsurance segment is primarily driven by an increased share on a large multi-line quota share with one of our core clients.



**SUMMARY OF FINANCIAL IMPACT OF PRIOR YEAR DEVELOPMENT AND NATURAL CATASTROPHES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 vs DECEMBER 31, 2016**

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

	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017					FOR THE TWELVE MONTHS ENDED DECEMBER 31, 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	\$ 10,070,463	-	\$ 10,070,463	-	\$ 10,070,463	\$ 9,650,503	-	\$ 9,650,503	-	\$ 9,650,503
Net premiums written	6,704,548	-	6,704,548	(21,969)	6,726,517	6,715,969	-	6,715,969	-	6,715,969
Net premiums earned	6,721,812	-	6,721,812	(21,969)	6,743,781	6,651,495	-	6,651,495	-	6,651,495
Net losses incurred	5,125,033	(41,759)	5,166,792	1,043,542	4,123,250	4,320,737	(91,459)	4,412,196	329,878	4,082,318
Acquisition expenses	922,109	-	922,109	-	922,109	897,308	-	897,308	-	897,308
Operating expenses	1,128,925	-	1,128,925	-	1,128,925	1,224,233	-	1,224,233	-	1,224,233
Underwriting profit / (loss)	\$ (454,255)	\$ 41,759	\$ (496,014)	\$ (1,065,511)	\$ 569,497	\$ 209,217	\$ 91,459	\$ 117,758	\$ (329,878)	\$ 447,636
Loss Ratio	76.2%		76.9%		61.1%	65.0%		66.3%		61.4%
Combined Ratio	106.8%		107.4%		91.6%	96.9%		98.2%		93.3%
REINSURANCE										
Gross premiums written	\$ 4,682,110	-	\$ 4,682,110	94,193	\$ 4,587,917	\$ 3,975,106	-	\$ 3,975,106	23,738	\$ 3,951,368
Net premiums written	3,963,876	-	3,963,876	73,358	3,890,518	3,514,667	-	3,514,667	21,812	3,492,855
Net premiums earned	3,602,466	-	3,602,466	73,358	3,529,108	3,114,392	-	3,114,392	21,812	3,092,580
Net losses incurred	2,876,887	(106,011)	2,982,898	1,022,685	1,960,213	1,752,098	(210,083)	1,962,181	328,270	1,633,911
Acquisition expenses	861,104	-	861,104	-	861,104	717,588	-	717,588	-	717,588
Operating expenses	272,287	-	272,287	-	272,287	283,270	-	283,270	-	283,270
Underwriting profit / (loss)	\$ (407,812)	\$ 106,011	\$ (513,823)	\$ (949,327)	\$ 435,504	\$ 361,436	\$ 210,083	\$ 151,353	\$ (306,458)	\$ 457,811
Loss Ratio	79.9%		82.8%		55.5%	56.3%		63.0%		52.8%
Combined Ratio	111.3%		114.3%		87.7%	88.4%		95.1%		85.2%
TOTAL										
Gross premiums written	\$ 14,752,573	-	\$ 14,752,573	94,193	\$ 14,658,380	\$ 13,625,609	-	\$ 13,625,609	23,738	\$ 13,601,871
Net premiums written	10,668,424	-	10,668,424	51,389	10,617,035	10,230,636	-	10,230,636	21,812	10,208,824
Net premiums earned	10,324,278	-	10,324,278	51,389	10,272,889	9,765,887	-	9,765,887	21,812	9,744,075
Net losses incurred	8,001,920	(147,770)	8,149,690	2,066,227	6,083,463	6,072,835	(301,542)	6,374,377	658,148	5,716,229
Acquisition expenses	1,783,213	-	1,783,213	-	1,783,213	1,614,896	-	1,614,896	-	1,614,896
Operating expenses	1,401,212	-	1,401,212	-	1,401,212	1,507,503	-	1,507,503	-	1,507,503
Underwriting profit / (loss)	\$ (862,067)	\$ 147,770	\$ (1,009,837)	\$ (2,014,838)	\$ 1,005,001	\$ 570,653	\$ 301,542	\$ 269,111	\$ (636,336)	\$ 905,447
CATs attributable to non-controlling interest				34,431					-	
CATs net of non-controlling interest				\$ (1,980,407)					\$ (636,336)	
Loss Ratio	77.5%		78.9%		59.2%	62.2%		65.3%		58.7%
Combined Ratio	108.3%		109.8%		90.2%	94.2%		97.2%		90.7%

Notes:

- 2017 Natural catastrophes include Northern and Southern California Wildfires, October US Storms, Hurricanes Harvey, Irma, Maria, Mexico Earthquakes, EU Hail Storms, Tennessee Wildfires, February US Storms, April US Storms, May US Storms, June 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 DECEMBER 31, 2017				FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017			
	Profit/(loss) before tax	Tax Expense /(Benefit)	Profit/(loss) after tax	Effective Tax Rate	Profit/(loss) before tax	Tax Expense /(Benefit)	Profit/(loss) after tax	Effective Tax Rate
Net Income (loss)	\$ 136,961	\$ 77,104	\$ 59,857	56.3%	\$ (431,067)	\$ 59,070	\$ (490,137)	-13.7%
Non-controlling interests	(31,029)	-	(31,029)	-	(70,261)	-	(70,261)	-
Net Income (loss) attributable to common shareholders (Note 1)	<u>105,932</u>	<u>77,104</u>	<u>28,828</u>	<u>72.8%</u>	<u>(501,328)</u>	<u>59,070</u>	<u>(560,398)</u>	<u>-11.8%</u>
Adjustments to Net Income (loss) (Note 2)	(13,332)	(178,058)	164,726	1335.6%	(70,046)	(155,359)	85,313	221.8%
Write-down of deferred tax asset related to U.S. Tax Cuts and Jobs Act	-	100,500	(100,500)	-	-	100,500	(100,500)	-
Operating Net Income (loss), excluding impact of discrete tax adj (Note 3)	<u>92,600</u>	<u>(454)</u>	<u>93,054</u>	<u>-0.5%</u>	<u>(571,374)</u>	<u>4,211</u>	<u>(575,585)</u>	<u>-0.7%</u>
Discrete Tax Expense/(Benefit) Adjustments	-	(23,000)	23,000	-	-	(54,000)	54,000	-
Operating Net Income (loss), including impact of discrete tax adj (Note 3)	<u>\$ 92,600</u>	<u>\$ (23,454)</u>	<u>\$ 116,054</u>	<u>-25.3%</u>	<u>\$ (571,374)</u>	<u>\$ (49,789)</u>	<u>\$ (521,585)</u>	<u>8.7%</u>

Note:

1. After reduction for non-controlling interest expense.

2. Adjustments to Net Income represents the reconciliation of non-GAAP financial information which can be found on pages 5 and 7.

3. Operating net income (loss) is defined as net income (loss) attributable to common shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, (as defined in Footnote 5 below), (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (3) our net realized (gains) losses on investments sold (including OTTI) and net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets, (4) our net realized and unrealized (gains) losses on derivatives, (5) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (6) our share of items (2) and (4) for our insurance company affiliates for the periods presented, (7) our foreign exchange (gains) losses, (8) our expenses related to the Catlin Acquisition, (9) our gain on the sale of our interest in ARX Holding Corp., (10) our gain on the sale of our wholly-owned subsidiary XL Life Insurance and Annuity Company and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the U.S. Term Life Retro Arrangements, (12) our net (gains) losses on the early extinguishment of debt, (13) our net (gains) losses from the repurchase of preference shares, (14) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (15) a provision (benefit) for income tax on items excluded from operating income. "Operating net income", both inclusive and exclusive of integration costs are non-GAAP financial measures. For further information see page 37 for Comment on Regulation G.



BALANCE SHEETS



CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

(Note 1)

	At December 31, 2017	At September 30, 2017	At June 30, 2017	At March 31, 2017	At December 31, 2016
Assets					
Fixed maturities, available for sale at fair value (Note 2)	\$ 30,928,988	\$ 31,675,509	\$ 30,810,724	\$ 30,651,790	\$ 30,256,602
Equity securities, at fair value (Note 3)	713,967	1,011,942	1,174,500	1,094,509	1,037,331
Short-term investments, at fair value (Note 4)	815,481	336,054	617,894	260,153	625,193
Total investments available for sale	32,458,436	33,023,505	32,603,118	32,006,452	31,919,126
Fixed maturities, at fair value (Note 5)	2,006,385	1,866,465	1,772,877	1,700,108	1,617,014
Short-term investments, at fair value (Note 6)	14,965	9,361	-	754	9,563
Total investments - trading	2,021,350	1,875,826	1,772,877	1,700,862	1,626,577
Investments in affiliates	1,911,996	2,100,378	2,127,115	2,172,611	2,177,645
Other investments	1,163,863	1,145,588	1,126,741	1,150,492	1,164,564
Total investments	37,555,645	38,145,297	37,629,851	37,030,417	36,887,912
Cash and cash equivalents	3,435,954	3,030,088	3,133,822	3,352,651	3,426,988
Restricted cash	157,497	159,627	181,230	160,523	153,504
Accrued investment income	272,149	270,211	270,730	262,237	284,366
Deferred acquisition costs and value of business acquired	1,102,474	1,073,343	1,143,671	1,161,159	946,721
Ceded unearned premiums	2,198,217	2,311,619	2,566,652	2,501,294	1,687,864
Premiums receivable	6,934,482	7,078,700	6,973,206	6,746,116	5,522,976
Reinsurance balances receivable	930,114	1,079,821	755,511	641,720	577,479
Unpaid losses and loss expenses recoverable	7,247,723	6,962,787	5,858,369	5,685,623	5,491,297
Net receivable from investments sold	201,515	195,837	442,339	95,344	128,411
Goodwill and other intangible assets	2,225,751	2,227,014	2,219,390	2,208,612	2,203,653
Deferred tax assets	332,024	301,322	293,219	302,301	310,542
Other assets	842,691	954,542	914,260	876,622	812,389
Total assets	\$ 63,436,236	\$ 63,790,208	\$ 62,382,250	\$ 61,024,619	\$ 58,434,102
Liabilities					
Unpaid losses and loss expenses	\$ 29,696,779	\$ 29,988,337	\$ 26,822,346	\$ 26,445,124	\$ 25,939,571
Deposit liabilities	1,042,677	1,030,290	1,123,628	1,121,194	1,116,233
Future policy benefit reserves	3,610,926	3,656,859	3,591,573	3,520,069	3,506,047
Funds withheld liability on GreyCastle life retro arrangements, net of future policy benefit reserves recoverable (Note 7)	999,219	920,571	918,304	954,327	998,968
Unearned premiums	8,307,431	8,344,536	8,848,374	8,581,973	7,293,028
Notes payable and debt	3,220,769	3,210,063	3,207,339	2,648,353	2,647,677
Reinsurance balances payable	3,706,116	3,706,120	3,428,302	3,325,748	2,451,717
Net payable for investments purchased	332,989	273,449	268,771	211,880	226,009
Deferred tax liabilities	57,574	107,157	97,879	89,862	77,271
Other liabilities	1,000,436	1,024,316	973,327	1,125,463	1,216,902
Total liabilities	\$ 51,974,916	\$ 52,261,698	\$ 49,279,843	\$ 48,023,993	\$ 45,473,423
Commitments and contingencies					
Shareholders' equity					
Common shares, par value \$0.01 (Note 8)	\$ 2,560	\$ 2,560	\$ 2,586	\$ 2,637	\$ 2,669
Additional paid in capital	7,757,940	7,741,545	7,790,913	7,934,161	8,068,503
Accumulated other comprehensive income (loss)	889,431	968,928	921,165	844,974	715,546
Retained earnings (deficit)	1,198,386	1,226,814	2,365,888	2,193,112	2,151,794
Shareholders' equity attributable to XL Group Ltd	9,848,317	9,939,847	11,080,552	10,974,884	10,938,512
Non-controlling interest in equity of consolidated subsidiaries	1,613,003	1,588,663	2,021,855	2,025,742	2,022,167
Total shareholders' equity	\$ 11,461,320	\$ 11,528,510	\$ 13,102,407	\$ 13,000,626	\$ 12,960,679
Total liabilities and shareholders' equity	\$ 63,436,236	\$ 63,790,208	\$ 62,382,250	\$ 61,024,619	\$ 58,434,102

Notes:

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

2. Fixed maturities, available for sale at amortized cost: December 31, 2017 - \$30,157,581; September 30, 2017 - \$30,822,936; June 30, 2017 - \$30,012,097; March 31, 2017 - \$29,923,912; December 31, 2016 - \$29,587,656

3. Equity securities at cost: December 31, 2017 - \$638,455; September 30, 2017 - \$920,130; June 30, 2017 - \$1,094,494; March 31, 2017 - \$1,017,172; December 31, 2016 - \$996,610

4. Short-term investments at amortized cost: December 31, 2017 - \$816,638; September 30, 2017 - \$336,071; June 30, 2017 - \$617,866; March 31, 2017 - \$260,407; December 31, 2016 - \$626,142

5. Fixed maturities at amortized cost: December 31, 2017 - \$1,946,501; September 30, 2017 - \$1,823,406; June 30, 2017 - \$1,724,250; March 31, 2017 - \$1,631,045; December 31, 2016 - \$1,548,178

6. Short-term trading investments at amortized cost: December 31, 2017 - \$14,969; September 30, 2017 - \$9,362; June 30, 2017 - \$0; March 31, 2017 - \$742; December 31, 2016 - \$9,536

7. 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.

8. 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: December 31, 2017 - 256,033,895; September 30, 2017 - 255,980,636; June 30, 2017 - 258,611,313; March 31, 2017 - 263,735,436; December 31, 2016 - 266,889,127

SUPPLEMENTARY CAPITAL INFORMATION

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



	Maturity	Commitment	At		At		At		
			December 31, 2017 In Use	September 30, 2017 In Use	June 30, 2017 In Use	March 31, 2017 In Use	December 31, 2016 In Use		
Debt									
2.30% Senior Notes	2018	300	299	299	299	299	299	299	
5.75% Senior Notes	2021	400	398	398	398	398	398	398	
6.375% Senior Notes	2024	350	349	349	349	349	349	349	
4.45% Subordinated Notes	2025	500	494	494	494	494	494	493	
6.25% Senior Notes	2027	325	324	323	323	323	323	323	
5.25% Senior Notes	2043	300	297	297	296	296	296	296	
5.5% Subordinated Notes (Note 4)	2045	483	473	473	489	489	489	489	
3.25% Subordinated Notes (Note 5)	2047	597	587	577	558	-	-	-	
Total debt		\$ 3,255	\$ 3,221	\$ 3,210	\$ 3,206	\$ 2,648	\$ 2,648	\$ 2,647	
Adjustment to carrying value - impact of fair value hedges and other			(0)	0	1	0	0	1	
Total debt per consolidated balance sheet		\$	3,221	\$ 3,210	\$ 3,207	\$ 2,648	\$ 2,648	\$ 2,648	
Shareholders' Capital									
Common shares - capital and surplus		\$	7,761	\$ 7,744	\$ 7,793	\$ 7,937	\$ 8,071	\$ 8,071	
AOCI			889	969	921	845	716	716	
Retained Earnings			1,198	1,227	2,366	2,193	2,152	2,152	
Non-controlling interests - Series D preference ordinary shares of XLIT (Note 6)			287	287	345	345	345	345	
Non-controlling interests - Series E preference ordinary shares of XLIT (Note 6)			670	670	1,000	1,000	1,000	1,000	
Non-controlling interests - preference shares of Catlin-Bermuda (Note 6)			519	519	562	562	562	562	
Non-controlling interests - Other			137	113	115	119	115	115	
Total shareholders' capital		\$	11,461	\$ 11,529	\$ 13,102	\$ 13,001	\$ 12,961	\$ 12,961	
Total capital (total debt plus total shareholders' capital)		\$	14,682	\$ 14,739	\$ 16,310	\$ 15,649	\$ 15,608	\$ 15,608	
Debt to total capital			21.9%	21.8%	19.7%	16.9%	17.0%	17.0%	

Notes:

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

2. "In Use" data represents accreted values.

3. Excluded from the table are revolving credit capacity of \$750.0 million at December 31, 2017 and at September 30, 2017, \$1.0 billion at March 31, 2017 and \$1.0 billion at December 31, 2016. The amounts of this capacity for revolving loans utilized to issue letters of credit were \$2.0 million at December 31, 2017 and September 30, 2017, \$44.7 million at June 30, 2017, \$287.7 million at March 31, 2017 and \$245.0 million at December 31, 2016, thus leaving available amounts of \$748.0 million at December 31, 2017 and September 2017, \$705.3 million at June 30 2017, \$712.3 million at March 31, 2017 and \$755.0 million at December 31, 2016.

4. 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.

5. Debt issued in Euro denominated subordinated notes.

6. During the third quarter of 2017, the Company repurchased and canceled a portion of 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 December 31, 2017	At September 30, 2017	At June 30, 2017	At March 31, 2017	At December 31, 2016
Unpaid losses and loss expenses recoverable	\$ 7,247,723	\$ 6,962,787	\$ 5,858,369	\$ 5,685,623	\$ 5,491,297
Reinsurance balances receivable	930,114	1,079,821	755,511	641,720	577,479
Total recoverable and reinsurance balances receivable (Note 2)	<u>\$ 8,177,837</u>	<u>\$ 8,042,608</u>	<u>\$ 6,613,880</u>	<u>\$ 6,327,343</u>	<u>\$ 6,068,776</u>

The following is an analysis at September 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	20.2%
Lloyd's Syndicates	A+/Stable	15.7%
Swiss Reinsurance Co.	AA-/Stable	8.3%
Arch Reinsurance Company	A+/Negative	3.1%

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

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

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

Notes:

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 \$54.2 million at December 31, 2017, \$52.3 million at September 30, 2017, \$52.0 million at June 30, 2017, \$50.5 million at March 31, 2017 and \$51.2 million at December 31, 2016.



LOSS ANALYSIS

ANALYSIS OF LOSSES AND LOSS EXPENSES INCURRED

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



P&C OPERATIONS

	QTD				YTD			
	GROSS	RECOVERIES	NET	Paid to incurred %	GROSS	RECOVERIES	NET	Paid to incurred %
December 31, 2017								
Paid	\$ 2,627	\$ (322)	\$ 2,305	126.4%	\$ 8,038	\$ (1,574)	\$ 6,464	80.8%
Change in unpaid loss reserves	(211)	(271)	(482)		3,184	(1,646)	1,538	
Included losses	\$ 2,416	\$ (593)	\$ 1,823		\$ 11,222	\$ (3,220)	\$ 8,002	
PYD			\$ (54)				\$ (148)	
Included losses excluding PYD			1,877	122.8%			8,150	79.3%
September 30, 2017								
Paid	\$ 1,839	\$ (570)	\$ 1,269	41.4%	\$ 5,411	\$ (1,252)	\$ 4,159	67.3%
Change in unpaid loss reserves	2,867	(1,069)	1,798		3,395	(1,375)	2,020	
Included losses	\$ 4,706	\$ (1,639)	\$ 3,067		\$ 8,806	\$ (2,627)	\$ 6,179	
PYD			\$ (31)				\$ (94)	
Included losses excluding PYD			3,098	41.0%			6,273	66.3%
June 30, 2017								
Paid	\$ 1,926	\$ (363)	\$ 1,563	102.2%	\$ 3,572	\$ (681)	\$ 2,891	92.9%
Change in unpaid loss reserves	93	(127)	(34)		528	(307)	221	
Included losses	\$ 2,019	\$ (490)	\$ 1,529		\$ 4,100	\$ (988)	\$ 3,112	
PYD			\$ (87)				\$ (63)	
Included losses excluding PYD			1,616	96.7%			3,175	91.1%
March 31, 2017								
Paid	\$ 1,646	\$ (318)	\$ 1,328	83.9%	\$ 1,646	\$ (318)	\$ 1,328	83.9%
Change in unpaid loss reserves	435	(180)	255		435	(180)	255	
Included losses	\$ 2,081	\$ (498)	\$ 1,583		\$ 2,081	\$ (498)	\$ 1,583	
PYD			\$ 24				\$ 24	
Included losses excluding PYD			1,559	85.2%			1,559	85.2%
December 31, 2016								
Paid	\$ 1,866	\$ (367)	\$ 1,499	95.7%	\$ 6,828	\$ (1,494)	\$ 5,334	87.8%
Change in unpaid loss reserves	128	(61)	67		976	(238)	738	
Included losses	\$ 1,994	\$ (428)	\$ 1,566		\$ 7,804	\$ (1,732)	\$ 6,072	
PYD			\$ (106)				\$ (302)	
Included losses excluding PYD			1,672	89.7%			6,374	83.7%

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

	GROSS	RECOVERIES	NET
Balance at December 31, 2017			
Outstanding loss reserves	\$ 12,870	\$ (2,470)	\$ 10,400
Incurred but not reported reserves	16,761	(4,765)	11,996
Fair value adjustments recoverable	66	(4)	62
Unpaid losses and loss expense reserves	<u>\$ 29,697</u>	<u>\$ (7,239)</u>	<u>\$ 22,458</u>
Balance at September 30, 2017			
Outstanding loss reserves	\$ 11,321	\$ (1,841)	\$ 9,480
Incurred but not reported reserves	18,597	(5,108)	13,489
Fair value adjustments recoverable	70	(4)	66
Unpaid losses and loss expense reserves	<u>\$ 29,988</u>	<u>\$ (6,953)</u>	<u>\$ 23,035</u>
Balance at June 30, 2017			
Outstanding loss reserves	\$ 11,042	\$ (2,037)	\$ 9,005
Incurred but not reported reserves	15,706	(3,807)	11,899
Fair value adjustments recoverable	74	(5)	69
Unpaid losses and loss expense reserves	<u>\$ 26,822</u>	<u>\$ (5,849)</u>	<u>\$ 20,973</u>
Balance at March 31, 2017			
Outstanding loss reserves	\$ 10,602	\$ (1,945)	\$ 8,657
Incurred but not reported reserves	15,764	(3,724)	12,040
Fair value adjustments recoverable	79	(5)	74
Unpaid losses and loss expense reserves	<u>\$ 26,445</u>	<u>\$ (5,674)</u>	<u>\$ 20,771</u>
Balance at December 31, 2016			
Outstanding loss reserves	\$ 10,343	\$ (1,851)	\$ 8,492
Incurred but not reported reserves	15,508	(3,622)	11,886
Fair value adjustments recoverable	89	(7)	82
Unpaid losses and loss expense reserves	<u>\$ 25,940</u>	<u>\$ (5,480)</u>	<u>\$ 20,460</u>

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)

	December 31, 2017		September 30, 2017		June 30, 2017		March 31, 2017		December 31, 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	\$ 4,363	11.8%	\$ 4,313	11.5%	\$ 4,355	11.7%	\$ 4,203	11.5%	\$ 3,895	10.6%
U.S. States, municipalities and political subdivisions	2,064	5.6%	2,111	5.7%	2,283	6.1%	2,351	6.4%	2,478	6.8%
Non-U.S. Governments	5,202	14.0%	5,261	14.1%	5,124	13.7%	4,980	13.6%	5,030	13.8%
Corporate	9,795	26.4%	10,073	26.9%	10,543	28.3%	10,579	28.9%	10,135	27.7%
Mortgage & asset-backed securities										
Residential mortgage-backed securities	4,725	12.7%	4,942	13.2%	3,954	10.6%	4,378	12.0%	4,493	12.3%
Commercial mortgage-backed securities	1,244	3.3%	1,278	3.4%	796	2.1%	700	1.9%	665	1.8%
Other asset-backed securities	1,509	4.1%	1,567	4.2%	1,587	4.2%	1,250	3.4%	1,253	3.4%
Total fixed maturities	28,902	77.9%	29,545	79.0%	28,642	76.7%	28,441	77.7%	27,949	76.4%
Short-term investments	815	2.2%	336	0.9%	618	1.7%	260	0.7%	625	1.7%
Total fixed income investments	\$ 29,717	80.1%	\$ 29,881	79.9%	\$ 29,260	78.4%	\$ 28,701	78.4%	\$ 28,574	78.1%
Equity securities										
Common stocks	\$ 194	0.5%	\$ 234	0.6%	\$ 174	0.5%	\$ 155	0.4%	\$ 166	0.4%
Equity funds	363	1.0%	611	1.6%	810	2.2%	788	2.2%	736	2.0%
Fixed income funds	157	0.4%	167	0.5%	190	0.5%	152	0.4%	135	0.4%
Total equity securities	\$ 714	1.9%	\$ 1,012	2.7%	\$ 1,174	3.2%	\$ 1,095	3.0%	\$ 1,037	2.8%
Other investments										
Hedge funds	\$ 206	0.5%	\$ 203	0.6%	\$ 256	0.7%	\$ 291	0.8%	\$ 332	0.9%
Private investments	192	0.5%	191	0.5%	196	0.5%	174	0.5%	176	0.5%
Fixed income and other	766	2.1%	752	2.0%	675	1.8%	685	1.8%	657	1.8%
Total other investments	\$ 1,164	3.1%	\$ 1,146	3.1%	\$ 1,127	3.0%	\$ 1,150	3.1%	\$ 1,165	3.2%
Investment in affiliates										
Hedge funds	\$ 1,120	3.0%	\$ 1,315	3.5%	\$ 1,351	3.6%	\$ 1,414	3.9%	\$ 1,317	3.6%
Private investments	365	1.0%	394	1.1%	381	1.0%	359	1.0%	358	1.0%
Investment manager affiliates	45	0.1%	47	0.1%	49	0.1%	58	0.1%	56	0.2%
Strategic and other operating affiliates	382	1.1%	344	0.9%	346	1.0%	342	0.9%	447	1.2%
Total investment in affiliates	\$ 1,912	5.2%	\$ 2,100	5.6%	\$ 2,127	5.7%	\$ 2,173	5.9%	\$ 2,178	6.0%
Total investments	\$ 33,507	90.3%	\$ 34,139	91.3%	\$ 33,688	90.3%	\$ 33,119	90.4%	\$ 32,954	90.1%
Cash and cash equivalents	\$ 3,510	9.5%	\$ 3,110	8.3%	\$ 3,222	8.6%	\$ 3,418	9.3%	\$ 3,490	9.5%
Accrued investment income	220	0.6%	212	0.6%	220	0.6%	212	0.6%	230	0.6%
Net receivable/(payable) for securities sold/(purchased)	(131)	-0.4%	(75)	-0.2%	180	0.5%	(116)	-0.3%	(97)	-0.2%
Total investments and cash (excluding life funds withheld assets) (Note 2)	\$ 37,106	100.0%	\$ 37,386	100.0%	\$ 37,310	100.0%	\$ 36,633	100.0%	\$ 36,577	100.0%
Investments - life funds withheld assets (Schedule 8)										
Total fixed income investments	\$ 4,048		\$ 4,006		\$ 3,942		\$ 3,912		\$ 3,935	
Cash and cash equivalents	83		80		93		95		91	
Accrued investment income	52		58		51		50		54	
Net receivable/(payable) for securities sold/(purchased)	-		(3)		(6)		-		-	
Total investments and cash - life funds withheld assets	\$ 4,183		\$ 4,141		\$ 4,080		\$ 4,057		\$ 4,080	
Total investments and cash including life funds withheld assets	\$ 41,289		\$ 41,527		\$ 41,390		\$ 40,690		\$ 40,656	

Notes:

1. Beginning with March 31, 2017 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. The December 31, 2016 comparative period amounts were re-presented to conform to this new classification system.

2. Total investments and cash (excluding life funds withheld assets) at December 31, 2017 includes operating cash and short-term treasury deposits of \$1.7 billion.

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

Consolidated

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

	December 31, 2017		September 30, 2017		June 30, 2017		March 31, 2017		December 31, 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)
Fixed income investments										
Summary by core currency denomination										
U.S. dollar denominated	\$ 22,271	2.9%	\$ 22,366	2.9%	\$ 21,995	2.7%	\$ 21,749	2.7%	\$ 21,799	2.7%
Euro denominated	2,953	1.3%	2,981	1.4%	2,984	1.3%	2,790	1.3%	2,796	1.5%
Sterling denominated	2,158	1.8%	2,271	1.8%	2,101	1.9%	2,152	1.8%	2,117	1.8%
Other denominated	2,335	1.9%	2,263	1.8%	2,180	1.7%	2,010	1.7%	1,862	1.6%
Total fixed income Investments	\$ 29,717	2.6%	\$ 29,881	2.6%	\$ 29,260	2.4%	\$ 28,701	2.4%	\$ 28,574	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	\$ 14,511	48.8%	\$ 14,269	47.8%	\$ 13,288	45.4%	\$ 12,630	44.0%	\$ 12,859	45.0%
AA	4,826	16.2%	5,073	17.0%	5,379	18.4%	5,759	20.1%	5,913	20.7%
A	6,077	20.5%	6,160	20.6%	6,734	23.0%	6,948	24.2%	7,029	24.6%
BBB	3,322	11.2%	3,391	11.3%	3,067	10.5%	2,592	9.0%	2,045	7.2%
BB and below/not rated	981	3.3%	988	3.3%	792	2.7%	772	2.7%	728	2.5%
Total fixed income investments	\$ 29,717	100.0%	\$ 29,881	100.0%	\$ 29,260	100.0%	\$ 28,701	100.0%	\$ 28,574	100.0%
Average credit rating	AA		AA		AA		AA		AA	
Portfolio characteristics (Note 2)										
Expected average duration	3.9		4.0		3.9		3.8		3.8	
Weighted average market yield to maturity	2.3 %		2.1 %		2.0 %		2.0 %		2.0 %	
Summary of estimated total fixed income maturities and paydowns over the next 12 months including cash and cash equivalents										
U.S. dollar equivalent fair value (Note 3)	3,356		3,147		2,882		3,458		3,688	
Average pre-tax book yield, gross of expenses	2.2 %		2.2 %		2.2 %		2.4 %		2.5 %	
Average new money rate (Note 4)	2.3 %		2.6 %		2.1 %		2.1 %		2.0 %	

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. Government and government agencies, 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, representing \$460 million, 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.

SCHEDULE 3 - Government (excluding Life Funds Withheld Assets)

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

Government bonds by credit rating	December 31, 2017					
	AAA	AA	A	BBB	BB and below	Total
Fair value by credit rating						
U.S. Government and government agencies	\$ 4,363	\$ -	\$ -	\$ -	\$ -	4,363
U.S. States, municipalities and political subdivisions (Note 1)	338	1,318	402	4	2	2,064
Non-U.S. Governments	2,021	2,047	318	552	264	5,202
Total government bonds	\$ 6,722	\$ 3,365	\$ 720	\$ 556	\$ 266	\$ 11,629
% of total	57.8%	28.9%	6.2%	4.8%	2.3%	100.0%

Non-U.S. Government	December 31, 2017		
	Govt. agencies		Total
	Sovereign	& others	
E.U. exposure			
U.K.	\$ 1,029	\$ 26	\$ 1,055
France	257	140	397
Netherlands	125	153	278
Supranational	-	273	273
Germany	133	135	268
Others (less than \$100M per country)	260	33	293
E.U. exposure	\$ 1,804	\$ 760	\$ 2,564
Non-E.U. exposure			
Canada	\$ 437	\$ 716	\$ 1,153
Australia	196	4	200
Switzerland	122	78	200
Brazil	177	14	191
Singapore	177	-	177
Indonesia	89	21	110
Others (less than \$100M per country)	416	191	607
Non-E.U. exposure	\$ 1,614	\$ 1,024	\$ 2,638
Total Non-U.S. Government	\$ 3,418	\$ 1,784	\$ 5,202

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

	December 31, 2017					
	AAA	AA	A	BBB	BB and Below	Total
Industrial	\$ 160	\$ 581	\$ 2,400	\$ 2,092	\$ 441	\$ 5,674
Financials	15	570	2,360	383	63	3,391
Utilities	-	36	464	225	5	730
Total corporate	\$ 175	\$ 1,187	\$ 5,224	\$ 2,700	\$ 509	\$ 9,795
% of total	1.8%	12.1%	53.3%	27.6%	5.2%	100.0%

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

	December 31, 2017					
	AAA	AA	A	BBB	BB and Below	Total
U.S.	\$ 160	507	3,551	1,583	435	\$ 6,236
U.K.	-	8	537	435	3	983
Canada	-	204	229	65	15	513
Netherlands	-	158	115	59	-	332
Australia	-	120	113	53	-	286
France	-	52	157	49	3	261
Switzerland	-	39	126	61	-	226
Germany	-	-	131	56	3	190
Japan	-	-	143	12	-	155
Belgium	-	-	11	131	-	142
Others (less than \$100M per country) (Note 2)	15	99	111	196	50	471
Total corporate	\$ 175	\$ 1,187	\$ 5,224	\$ 2,700	\$ 509	\$ 9,795

Top Ten exposure to fixed income corporate issuers

Issuer (Notes 3 & 4)	December 31, 2017		
	Fair Value	% of total corporates	% of Aggregate Fixed Income Portfolio
Wells Fargo & Company	\$ 189	2.0%	0.7%
JPMorgan Chase & Co.	186	1.9%	0.6%
The Goldman Sachs Group, Inc.	178	1.8%	0.6%
Morgan Stanley	176	1.8%	0.6%
HSBC Holdings PLC	160	1.7%	0.5%
Bank Of America Corporation	154	1.6%	0.5%
Citigroup INC	152	1.5%	0.5%
Anheuser-Busch Inbev SA	139	1.4%	0.5%
Apple Inc.	121	1.2%	0.4%
BP PLC	111	1.1%	0.4%
	\$ 1,566	16.0%	5.3%

Notes:

- Country concentration is defined as the country of the issuer's main operations, i.e., a United Kingdom company's subsidiary with its main operation 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 \$46 million in Ireland, \$43 million in Spain, \$19 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 \$143 million of financial exposure to Berkshire Hathaway Inc. which is made up of payment obligations 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	December 31, 2017					
	AAA	AA	A	BBB	BB and Below	Total
U.S. Residential mortgage-backed securities - agency	\$ 4,626	\$ -	\$ -	\$ -	\$ -	\$ 4,626
U.S. Residential mortgage-backed securities - non-agency	-	8	4	2	85	99
U.S. Commercial mortgage-backed securities - agency	173	-	-	-	-	173
U.S. Commercial mortgage-backed securities - non-agency	967	28	60	7	4	1,066
U.S. Other asset-backed securities	474	100	59	42	106	781
Total U.S.	\$ 6,240	\$ 136	\$ 123	\$ 51	\$ 195	\$ 6,745
Non-U.S. Commercial mortgage-backed securities	\$ 3	\$ -	\$ 1	\$ -	\$ 1	\$ 5
Non-U.S. Other asset-backed securities (Note 1)	609	100	4	9	6	728
Total Non-U.S.	\$ 612	\$ 100	\$ 5	\$ 9	\$ 7	\$ 733
Total Mortgage and asset-backed Securities	\$ 6,852	\$ 236	\$ 128	\$ 60	\$ 202	\$ 7,478
% of total	91.6%	3.2%	1.7%	0.8%	2.7%	100.0%

Notes:

1. Non-U.S. Other asset-backed securities include covered bonds of \$455 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)

	December 31, 2017				September 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	\$ 4,359	\$ 38	\$ (34)	\$ 4,363	\$ 4,292	\$ 41	\$ (20)	\$ 4,313
U.S. States, municipalities and political subdivisions	1,978	87	(1)	2,064	2,009	103	(1)	2,111
Non-U.S. Governments	5,136	115	(49)	5,202	5,205	118	(62)	5,261
Corporate	9,645	207	(57)	9,795	9,897	229	(53)	10,073
Mortgage & asset-backed securities								
Residential mortgage-backed securities	4,718	42	(35)	4,725	4,908	56	(22)	4,942
Commercial mortgage-backed securities	1,246	8	(10)	1,244	1,278	9	(9)	1,278
Other asset-backed securities	1,489	27	(7)	1,509	1,546	28	(7)	1,567
Total fixed maturities	28,571	524	(193)	28,902	29,135	584	(174)	29,545
Short-term investments	816	1	(2)	815	336	1	(1)	336
Total fixed income investments	\$ 29,387	\$ 525	\$ (195)	\$ 29,717	\$ 29,471	\$ 585	\$ (175)	\$ 29,881
Equity securities								
Common stocks	\$ 166	\$ 33	\$ (5)	\$ 194	\$ 200	\$ 37	\$ (3)	\$ 234
Equity funds	318	45	-	363	554	57	-	611
Fixed income funds	155	2	-	157	166	1	-	167
Total equity securities	\$ 639	\$ 80	\$ (5)	\$ 714	\$ 920	\$ 95	\$ (3)	\$ 1,012
Other investments	1,004	164	(4)	1,164	991	159	(4)	1,146
Total available-for-sale and other investments	\$ 31,030	\$ 769	\$ (204)	\$ 31,595	\$ 31,382	\$ 839	\$ (182)	\$ 32,039
Investment in affiliates (Note 1)				\$ 1,912				\$ 2,100
Cash and cash equivalents				3,510				3,110
Accrued investment income				220				212
Net receivable/(payable) for securities sold/(purchased)				(131)				(75)
Total investments and cash (excluding life funds withheld assets)				\$ 37,106				\$ 37,386
Investments - life funds withheld assets (Schedule 8)								
Total fixed income investments				\$ 4,048				\$ 4,006
Cash and cash equivalents				83				80
Accrued investment income				52				58
Net receivable/(payable) for securities sold/(purchased)				-				(3)
Total investment and cash - life funds withheld assets				\$ 4,183				\$ 4,141
Total investments and cash including life funds withheld assets				\$ 41,289				\$ 41,527

Notes:

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

SCHEDULE 7 - Investment Income Statement Analysis

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

	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended June 30, 2017	Three months ended March 31, 2017	Three months ended December 31, 2016
Net Investment Income - Total excluding Structured Products and Life Funds Withheld Assets					
Gross Investment Income	\$ 193,812	\$ 182,000	\$ 183,147	\$ 173,894	\$ 170,013
Investment expenses (Note 1)	(20,036)	(22,335)	(19,431)	(20,101)	(22,166)
Net Investment Income - Total excluding Structured Products and Life Funds Withheld Assets	\$ 173,776	\$ 159,665	\$ 163,716	\$ 153,793	\$ 147,847
Net Investment Income - Structured Products (Excluding Life Funds Withheld Assets)					
Gross Investment Income	\$ 13,957	\$ 14,041	\$ 15,124	\$ 15,123	\$ 15,102
Investment expenses (Note 1)	(1,443)	(1,723)	(1,605)	(1,748)	(1,969)
Net Investment Income - Structured Products (Excluding Life Funds Withheld Assets)	\$ 12,514	\$ 12,318	\$ 13,519	\$ 13,375	\$ 13,133
Interest Expense - Deposit Liability Accretion	(9,831)	5,590	(10,596)	(10,461)	(10,590)
Operating and Investment Expenses - P&C Structured	-	-	-	-	-
Net results from Structured Products	\$ 2,683	\$ 17,908	\$ 2,923	\$ 2,914	\$ 2,543
Net Investment Income - Total (Excluding Life Funds Withheld Assets)	\$ 186,290	\$ 171,983	\$ 177,235	\$ 167,168	\$ 160,980
Net Investment Income - Life Funds Withheld Assets	\$ 31,448	\$ 30,796	\$ 31,439	\$ 33,364	\$ 35,108
Net Income (Loss) from Investment Affiliates (Note 2)					
Hedge funds	\$ 2,412	\$ 55,107	\$ 11,839	\$ 34,811	\$ 45,421
Private investments	9,899	2,549	18,979	3,450	4,581
	\$ 12,311	\$ 57,656	\$ 30,818	\$ 38,261	\$ 50,002
Net Income (Loss) from Operating Affiliates (Note 3)					
Investment manager affiliates	\$ 363	\$ 953	\$ 36,108	\$ 3,297	\$ (2,649)
Strategic and other operating affiliates	2,097	3,919	6,596	10,312	568
	\$ 2,460	\$ 4,872	\$ 42,704	\$ 13,609	\$ (2,081)

Notes:

1. Includes management fees, custody fees, and direct and allocated general and administrative expenses.
2. The Company records the income related to the hedge funds and to the private investment 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)

	December 31, 2017		September 30, 2017		June 30, 2017		March 31, 2017		December 31, 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	\$ 22	0.5%	\$ 27	0.7%	\$ 27	0.7%	\$ 27	0.7%	\$ 25	0.6%
U.S. States, municipalities and political subdivisions	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Non-U.S. Governments	1,070	25.6%	1,077	26.0%	1,059	26.0%	1,058	26.1%	1,070	26.2%
Corporate	2,597	62.1%	2,546	61.5%	2,491	61.0%	2,563	63.2%	2,566	62.9%
Mortgage & asset-backed securities										
Residential mortgage-backed securities	1	0.0%	2	0.0%	2	0.0%	23	0.6%	23	0.6%
Commercial mortgage-backed securities	130	3.1%	130	3.1%	128	3.1%	100	2.5%	100	2.4%
Other asset-backed securities	213	5.1%	215	5.2%	235	5.8%	140	3.5%	141	3.5%
Total fixed maturities	4,033	96.4%	3,997	96.5%	3,942	96.6%	3,911	96.6%	3,925	96.2%
Short-term investments	15	0.4%	9	0.3%	-	0.0%	1	0.0%	10	0.2%
Total fixed income investments	\$ 4,048	96.8%	\$ 4,006	96.8%	\$ 3,942	96.6%	\$ 3,912	96.6%	\$ 3,935	96.4%
Cash and cash equivalents	\$ 83	2.0%	\$ 80	1.9%	\$ 93	2.3%	\$ 95	2.2%	\$ 91	2.2%
Accrued investment income	52	1.2%	58	1.4%	51	1.3%	50	1.2%	54	1.4%
Net receivable/(payable) for securities sold/(purchased)	-	0.0%	(3)	-0.1%	(6)	-0.2%	-	0.0%	-	0.0%
Total investment and cash	\$ 4,183	100.0%	\$ 4,141	100.0%	\$ 4,080	100.0%	\$ 4,057	100.0%	\$ 4,080	100.0%
Credit rating										
AAA	\$ 397	9.8%	\$ 405	10.1%	\$ 400	10.2%	\$ 405	10.4%	\$ 391	9.9%
AA	1,130	27.9%	1,201	30.0%	1,164	29.5%	1,154	29.5%	1,180	30.0%
A	1,530	37.8%	1,406	35.1%	1,437	36.5%	1,407	35.9%	1,395	35.5%
BBB	960	23.7%	951	23.7%	904	22.9%	912	23.3%	932	23.7%
BB and below/not rated	31	0.8%	43	1.1%	37	0.9%	34	0.9%	37	0.9%
Total Fixed income investments	\$ 4,048	100.0%	\$ 4,006	100.0%	\$ 3,942	100.0%	\$ 3,912	100.0%	\$ 3,935	100.0%
Average credit quality	A+		A+		A+		A+		A+	
Portfolio characteristics										
Average pre-tax book yield, gross of expenses	3.4 %		3.5 %		3.5 %		3.5 %		3.5 %	
Expected average duration (Note 2)	9.0		9.0		8.9		9.2		9.3	
Weighted average market yield to maturity (Note 2)	1.9 %		2.0 %		2.3 %		2.0 %		2.3 %	

Notes:

- Beginning with March 31, 2017 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. The December 31, 2016 comparative period amounts were 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, (14) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (15) 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 and 7.

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.