Q1 2017

EARNINGS PRESENTATION

April 26, 2017

Cautionary Note Regarding Forward–Looking Statements

The Private Securities Litigation Reform Act of 1995 ("PSLRA") provides a "safe harbor" for forward-looking statements. This presentation contains forward-looking statements that reflect XL Group Ltd's ("XL" or the "Company") current views with respect to future events and financial performance, including with respect to statements regarding our estimated integration costs related to the Catlin Group Limited ("Catlin") acquisition, estimated operating expenses, estimated synergies, and the timing of anticipated completion of the incurrence of integration costs relating to the Catlin acquisition. Such statements include forward-looking statements both with respect to us in general, and to the insurance and reinsurance sectors in particular (both as to underwriting and investment matters). Statements that are not historical facts, including statements about XL's beliefs, plans or expectations, are forward-looking statements. These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Statements that include the words "expect," "estimate," "intend," "plan," "believe," "target," "project," "anticipate," "may," "could," or "would" and similar statements of a future or forward-looking nature identify forward-looking statements. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements include (a) the continuation of downward trends in rates for property and casualty insurance and reinsurance; (b) changes in the size of our claims relating to unpredictable natural or man-made catastrophe losses due to the preliminary nature of some reports and estimates of loss and damage to date; (c) changes in the number of insureds and ceding companies impacted or the ultimate number and value of individual claims relating to natural catastrophe events due to the preliminary nature of reports and estimates of loss and damage to date; (d) changes in the amount or type of business that we write, whether due to our actions, changes in market conditions or other factors, and the amount of premium attributable to such business; (e) the availability, cost or quality of ceded reinsurance, and the timely and full recoverability of such reinsurance, or other amounts due to us, or changes to our projections related to such recoverables; (f) actual loss experience from insured or reinsured events and the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than we anticipated; (g) increased competition on the basis of pricing, capacity, coverage terms or other factors, such as the increased inflow of third party capital into reinsurance markets, which could harm our ability to maintain or increase its business volumes or profitability; (h) greater frequency or severity of claims and loss activity than our underwriting, reserving or investment practices anticipate based on historical experience or industry data; (i) the impact of changes in the global financial markets, such as the effects of inflation on our business, including on pricing and reserving, changes in interest rates, credit spreads, foreign currency exchange rates and future volatility in the world's credit, financial and capital markets that adversely affect the performance and valuation of our investments, future financing activities and access to such markets, our ability to pay claims or general financial condition; (j) our ability to successfully implement our business strategy; (k) our ability to successfully attract and raise additional third party capital for existing or new investment vehicles; (l) changes in credit ratings and rating agency policies or practices, which could trigger cancelation provisions in our assumed reinsurance agreements or impact the availability of our credit facilities; (m) the potential for changes to methodologies, estimations and assumptions that underlie the valuation of our financial instruments that could result in changes to investment valuations; (n) changes to our assessment as to whether it is more likely than not that we will be required to sell, or have the intent to sell, available-for-sale fixed maturity securities before their anticipated recovery; (o) unanticipated constraints on our liquidity, including the availability of borrowings and letters of credit under credit facilities that inhibit our ability to support our operations, including our ability to underwrite policies and pay claims; (p) the ability of our subsidiaries to pay dividends to XL Group Ltd, XLIT Ltd. and Catlin Insurance Company Ltd; (q) changes in regulators or regulation applicable to us, including as a result of the completion of our redomestication from Ireland to Bermuda, such as changes in regulatory capital balances that our operating subsidiaries must maintain, or to our brokers or customers; (r) the effects of business disruption, economic contraction or economic sanctions due to unpredictable global political and social conditions such as war, terrorism or other hostilities, or pandemics; (s) the actual amount of new and renewal business and acceptance of our products and services, including new products and services and the materialization of risks related to such products and services; (t) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (u) bankruptcies or other financial concerns of companies insofar as they affect P&C insurance and reinsurance coverages or claims that we may have as a counterparty; (v) the loss of key personnel; (w) the effects of mergers, acquisitions and divestitures, including our ability to modify our internal controls over financial reporting, changes to our risk appetite and our ability to realize the value or benefits expected, in each case, as a result of such transactions; (x) changes in general economic conditions, including the political, monetary, economic and operational impacts of the "Brexit" referendum held on June 23, 2016 in which the UK electorate voted to withdraw from the EU, new or continued sovereign debt concerns in Euro-Zone countries or emerging markets such as Brazil or China, or governmental actions for the purposes of stabilizing financial markets; (y) changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; (z) judicial decisions and rulings, new theories of liability or emerging claims coverage issues, legal tactics and settlement terms; (aa) the effects of climate change (such as changes to weather patterns, sea levels or temperatures) on our business, which our modeling or risk management practices may not adequately address due to the uncertain nature of climate change; and (bb) the other factors set forth in our reports on Form 10-K and Form 10-Q and other documents on file with the Securities and Exchange Commission. XL undertakes no obligation to update publicly or revise any forward looking statement, whether as a result of new information, future developments or otherwise.

This document contain certain non-GAAP financial measures. The reconciliation of such measures to the most comparable GAAP measures in accordance with Regulation G is included in the Reconciliation starting on page 16 of this presentation.

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Overview of 1st Quarter 2017

compared to the same period last year unless otherwise noted

XL GROUP

Earnings & ROE

- Solid performance driven by focused growth and lower expenses, somewhat offset by higher global catastrophes and the impact of UK Ogden rate change
- Net income available to common shareholders $152.8 million compared to $21.9 million
  - $0.57 EPS, compared to $0.07
- Operating net income[1] $136.1 million compared to $103.4 million
  - $0.50 Operating EPS[2] compared to $0.35, an increase of 43%
- Annualized ROE 5.6% compared to 0.7%
- Annualized Operating ROE[1] excluding average accumulated other comprehensive income ("AOCI") and integration costs 6.5% compared to 5.7%
- Annualized Operating ROE[3] excluding AOCI, integration costs and seasonality of preferred share dividends of 7.7%
  - Includes negative impact of ~260 bps from UK Ogden rate change

1 Operating Net Income is a non-GAAP measure, see reconciliation to Net Income available to common shareholders on page 18.
2 Operating EPS (or "Operating Net Income Per Share") is a non-GAAP financial measure. See Reconciliation of operating net income per share to net income attributable to common shareholders per share starting on page 19.
3 Please see page 21 for a definition of Operating ROE and page 19 for the adjustments made to calculate Operating ROE, a non-GAAP measure

Overview of 1st Quarter 2017

compared to the same period last year unless otherwise noted

XL GROUP

Underwriting	- Total P&C gross premiums written $4.622 billion, up 6%, which contains approximately 2% attributable to premium processing timing and other adjustments impacting current and prior year quarters
	  - Pricing remains competitive in insurance and reinsurance
	  - Underwriters maintaining discipline with focus on innovation initiatives and customer service as challenging market conditions continue to persist
	- Adverse prior year development ("PYD") $24 million, inclusive of previously announced $75 million of adverse development from the UK Ogden rate change, compared to a favorable $43 million
	- Higher catastrophes than prior year period including Cyclone Debbie in Australia, a series of US storms, wildfires in Chile and flooding in Peru
	- Accident year combined ratios excluding natural catastrophes
	  - P&C 89.5%, improved from 92.1%
	  - Insurance 91.2%, improved from 95.0%
	  - Reinsurance 86.5%, up slightly from 86.2%

Continuous improvement	- Operating expenses decreased 5.7% due to increased efficiencies and the benefit of foreign exchange - Excludes integration costs of $33.9 million, or $0.13 per fully diluted share

Overview of 1st Quarter 2017
compared to the same period last year unless otherwise noted

XL GROUP

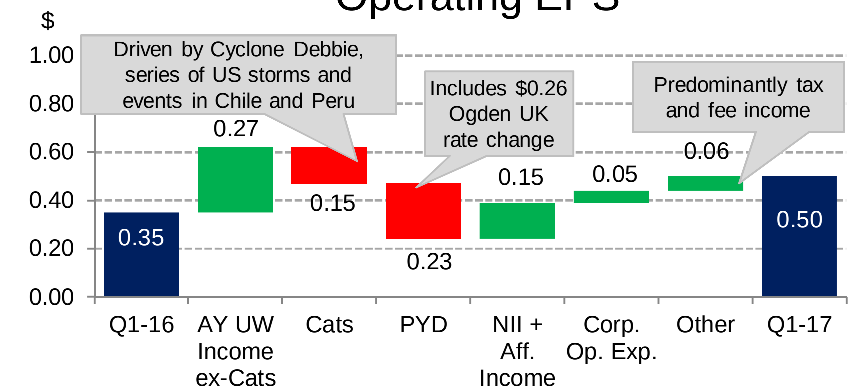
Capital Management	- Fully diluted book value per share $41.10, increased $0.77 compared to December 31, 2016
	- Investment portfolio performed well, driven by increases in affiliates
	- Repurchased 5.1 million shares for $200 million at an average price of $39.33
	    - $900 million remains outstanding on $1 billion authorization
	    - At this point, still anticipate repurchasing no less than $700 million worth of shares for the full year 2017

Culture & Innovation	- Seamless transitioning of CFO position underway - Realigned operating model in place since January 1st - Innovation advancements with 7 new product and product enhancements including in Environmental, Professional and Aviation - New partnership with Startupbootcamp InsurTech, the leading accelerator focused on insurance technology startups - Only insurance participant in DRIVEN, a consortium of companies working to deploy autonomous vehicles in the UK

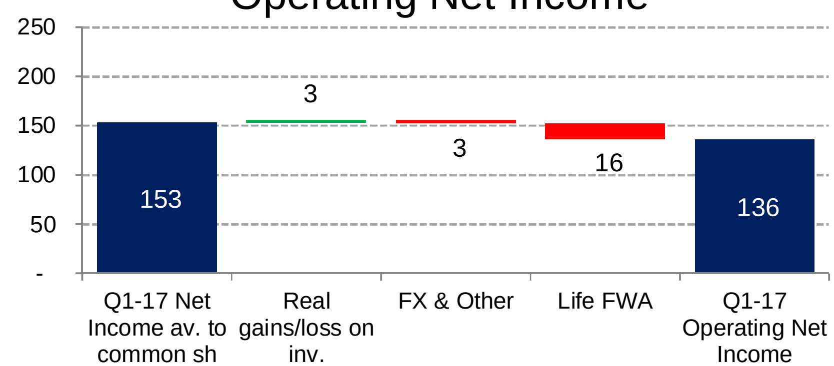
Financial Highlights 1st Quarter 2017
Earnings

Abbreviations defined in the glossary on page 15

Operating EPS[1]

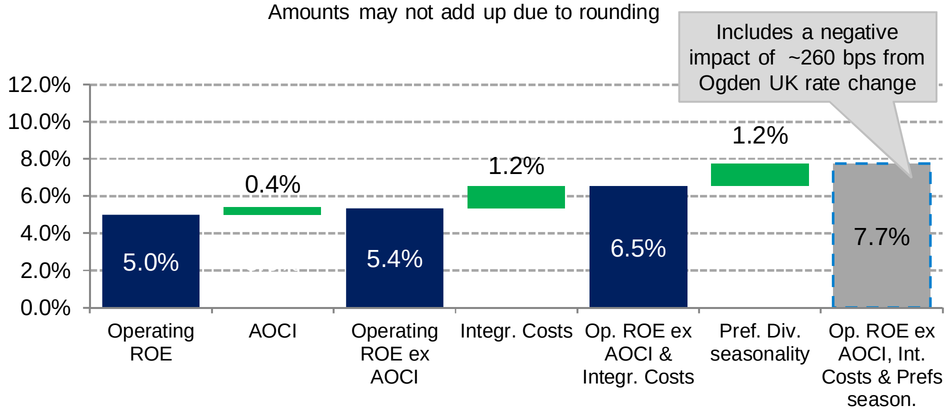


Net Income av. to common sh. vs. Operating Net Income[2]



Annualized Operating ROE[3]

Amounts may not add up due to rounding



- Operating EPS grew 43% yoy
- Catastrophe losses are broken out as follows:
  - U.S. $33 million: including U.S. storms
  - International $63 million: including Cyclone Debbie in Australia, wildfires in Chile and flooding in Peru
- Previously announced $75 million adverse PYD impact from Ogden UK rate change

1 Operating EPS (or "Operating Net Income Per Share") is a non-GAAP financial measure. See reconciliation of operating net income per share to net income attributable to common shareholders per share starting on page 19.

2 Operating Net Income is a non-GAAP measure see reconciliation to Net Income available to common shareholders on page 18.

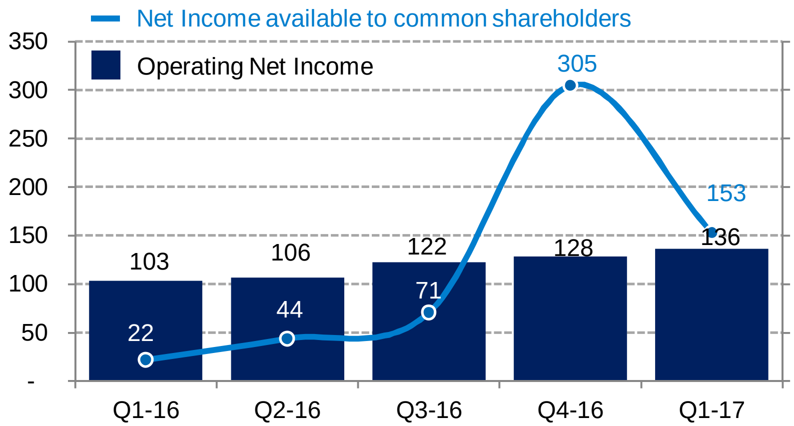
3 See reconciliation of Annualized Operating ROE, a non-GAAP measure, on page 19. The impact of Preferred Dividends seasonality is calculated by converting preferred dividends declared in the quarter to ¼ of the annual expected dividends (corresponding to an adjustment of approximately $30 million in the current quarter)

Financial Highlights 1st Quarter 2017
Earnings – Quarterly Progress

XL GROUP

Net Income Av. to Common Shareholders & Operating Net Income[1]

USD million



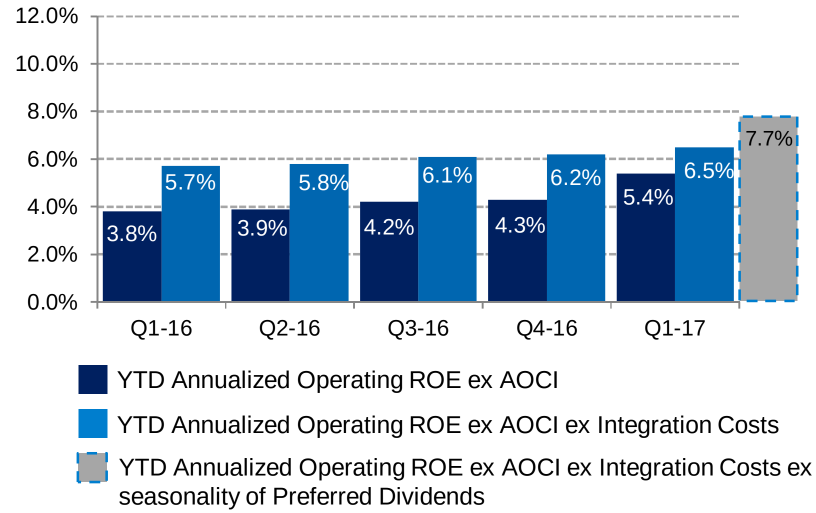
Net inc/(loss) attrib to common shareholders per share

0.07	0.15	0.25	1.12	0.57

Operating EPS[2]

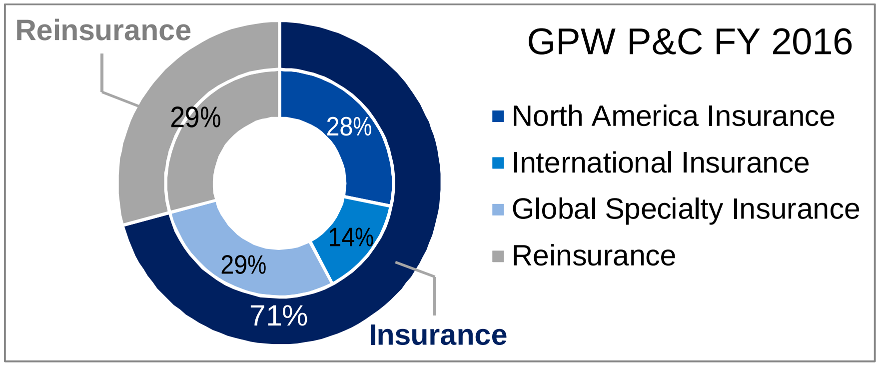
0.35	0.37	0.44	0.47	0.50

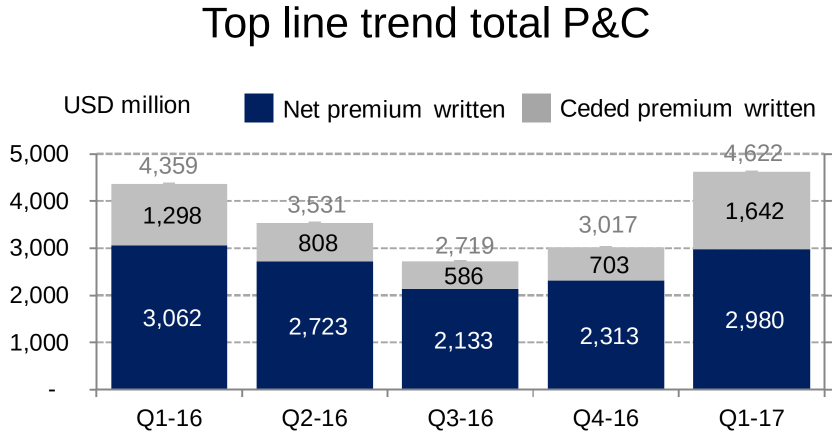
YTD Annualized Operating ROE[3]

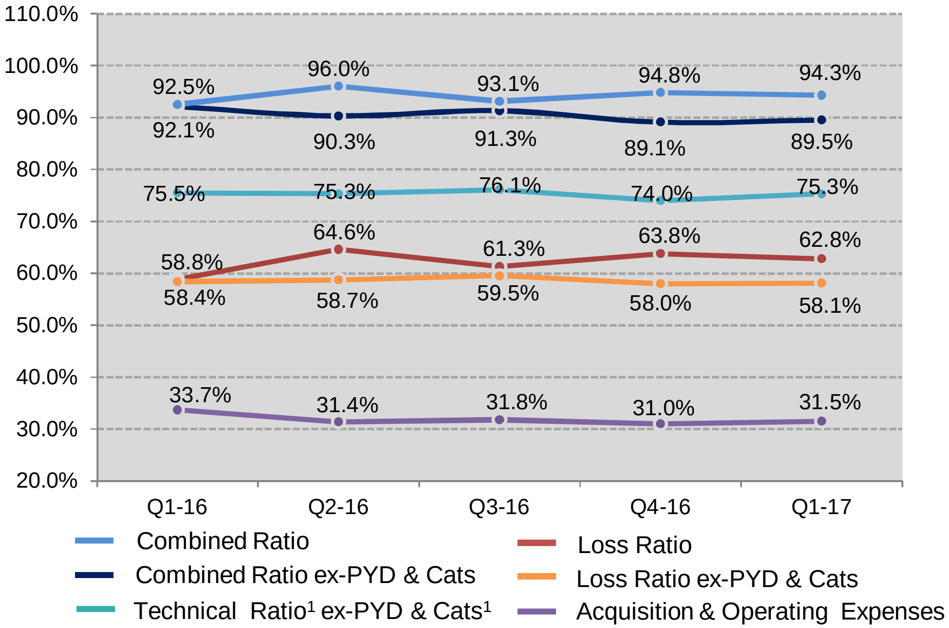


1 Operating Net Income is a non-GAAP measure see reconciliation to Net Income available to common shareholders on page 18.
2 Operating EPS (or "Operating Net Income Per Share") is a non-GAAP financial measure. See reconciliation of operating net income per share to net income attributable to common shareholders per share starting on page 19.
3 Operating ROE is based on Operating Net Income which is a non-GAAP measure see reconciliation on page 19. Please see page 6 for details of the impact of Preferred Dividends seasonality

Financial Highlights 1st Quarter 2017
Underwriting Profitability - Total P&C







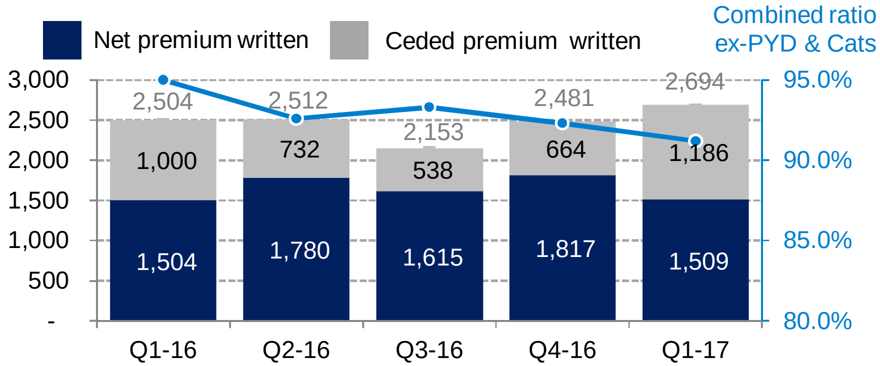
USD millions	Q1-17	Q1-16
Gross premium written	4,622	4,359
Net premium earned	2,519	2,351
Loss ratio	62.8%	58.8%
Acquisition expense ratio	17.2%	17.1%
Operating expense ratio	14.3%	16.6%
Combined ratio	94.3%	92.5%
Underwriting profit (loss)	*144*	*175*
PYD (release)/strengthen	24	(43)
Combined ratio ex-PYD	93.3%	94.4%
Combined ratio ex-PYD & Cats	89.5%	92.1%

1 Loss Ratio plus Acquisition Costs ratio

Financial Highlights 1st Quarter 2017
Underwriting Profitability - Insurance and Reinsurance

Insurance

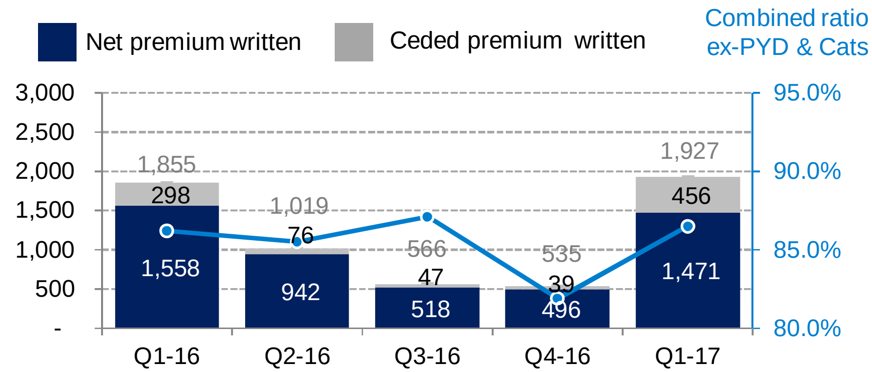
USD million



USD millions	Q1-17	Q1-16
Gross premium written	2,694	2,504
Net premium earned	1,635	1,594
Loss ratio	64.8%	62.7%
Acquisition expense ratio	12.9%	14.1%
Operating expense ratio	17.5%	19.7%
Combined ratio	95.2%	96.5%
Underwriting profit (loss)	*79*	*56*
PYD (release)/strengthen	(5)	(11)
Combined ratio ex-PYD	95.5%	97.2%
Combined ratio ex-PYD & Cats	91.2%	95.0%

Reinsurance

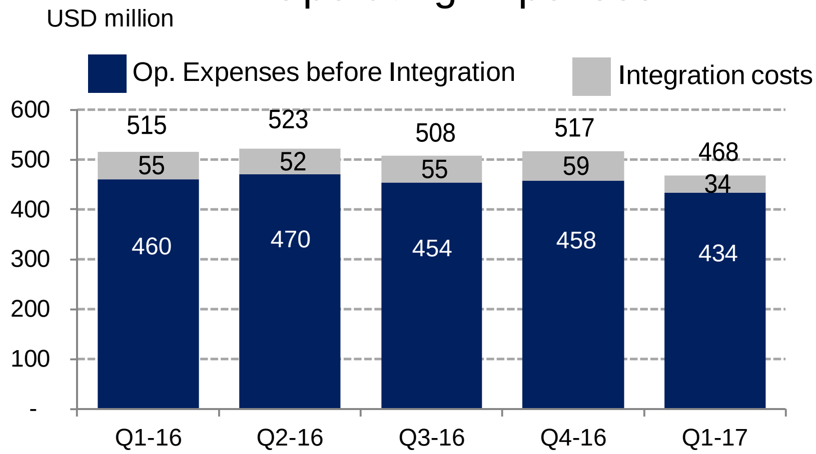
USD million



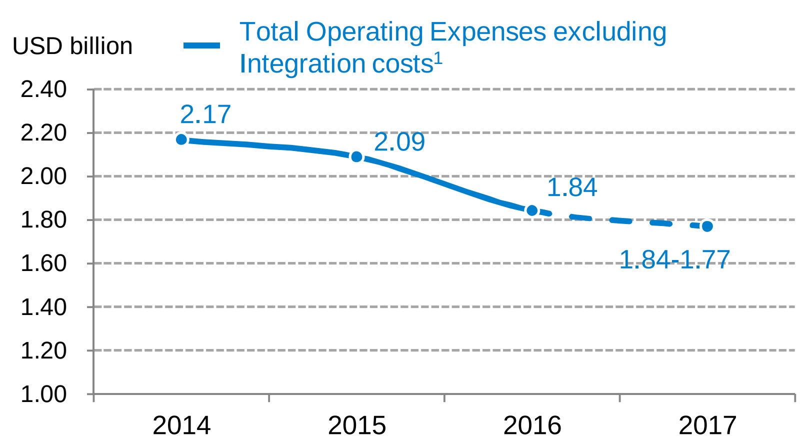
USD millions	Q1-17	Q1-16
Gross premium written	1,927	1,855
Net premium earned	884	758
Loss ratio	59.2%	50.5%
Acquisition expense ratio	25.3%	23.3%
Operating expense ratio	8.1%	10.5%
Combined ratio	92.6%	84.3%
Underwriting profit (loss)	*65*	*119*
PYD (release)/strengthen	29	(32)
Combined ratio ex-PYD	89.4%	88.5%
Combined ratio ex-PYD & Cats	86.5%	86.2%

Financial Highlights 1st Quarter 2017
Expenses

Operating Expenses



Efficiency trend continues to improve



- Integration costs expected to be completed in second quarter of 2017
  - $30 - $35 million anticipated

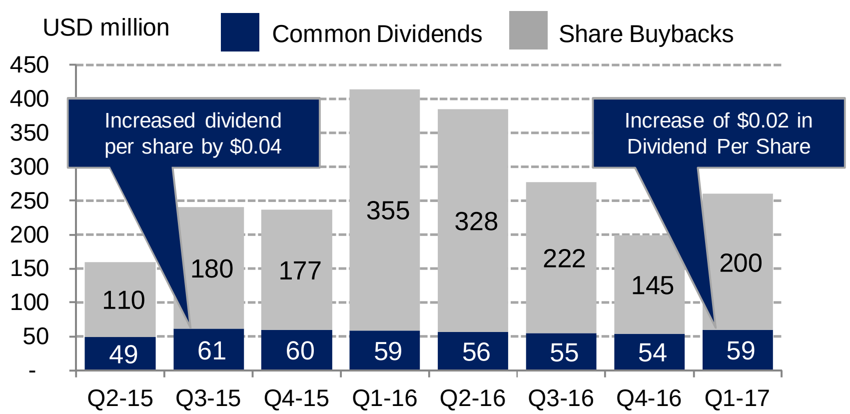
Total P&C	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17
Acq. Exp. Ratio	17.1%	16.6%	16.6%	16.0%	17.2%
Op. Exp. Ratio	16.6%	14.8%	15.2%	15.0%	14.3%

- Operational leverage continues to be enhanced as we continue to be more efficient
- Still on track to meet previous 2017 guidance of $1.77 - $1.84 billion of operating expenses, excluding integration costs
  - Lower end continues to be more likely if foreign exchange rates remain at current levels

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

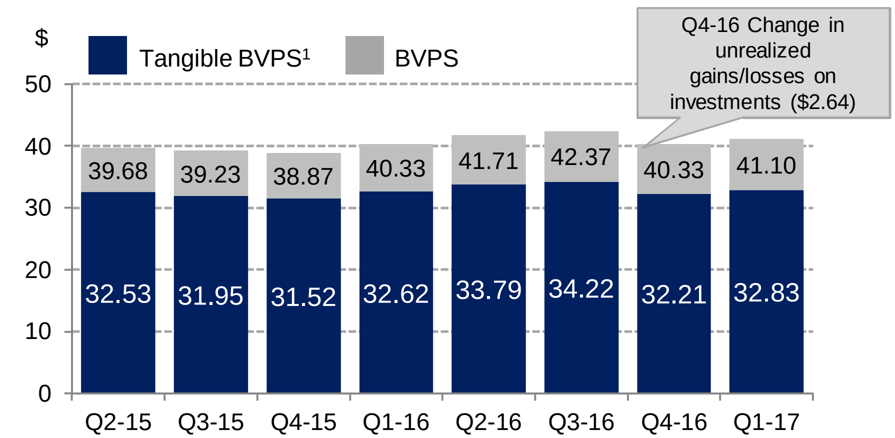
Financial Highlights 1st Quarter 2017
Capital Management

Capital Returned to Shareholders



- Cumulative benefit of share buyback since Catlin acquisition $0.75[2]
  - During Q1-17 repurchased 5.1 million shares at average price of $39.33 for a total of $200 million
  - $900 million remaining of outstanding $1 billion share authorization
- Cumulative dividends per share since Catlin acquisition $1.58

Fully Diluted Book Value Per Share



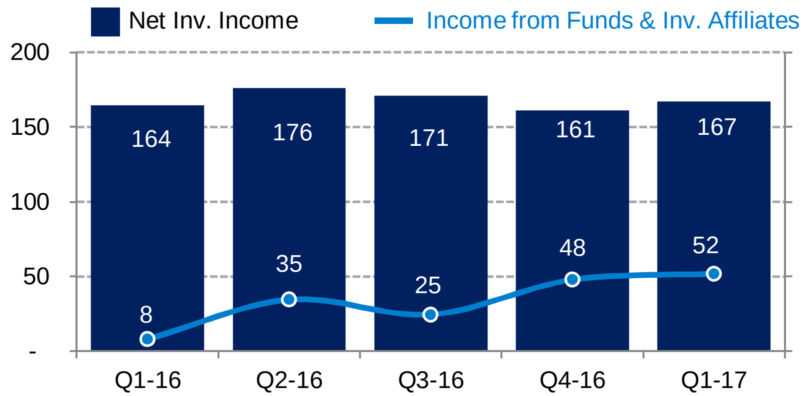
- Fully diluted book value per common share increased $0.77 from prior quarter to $41.10

1 Fully diluted tangible book value per share is a non-GAAP financial measure, see reconciliation on page 17.
2 See detailed reconciliation on page 16

Financial Highlights 1st Quarter 2017
Investments[1]

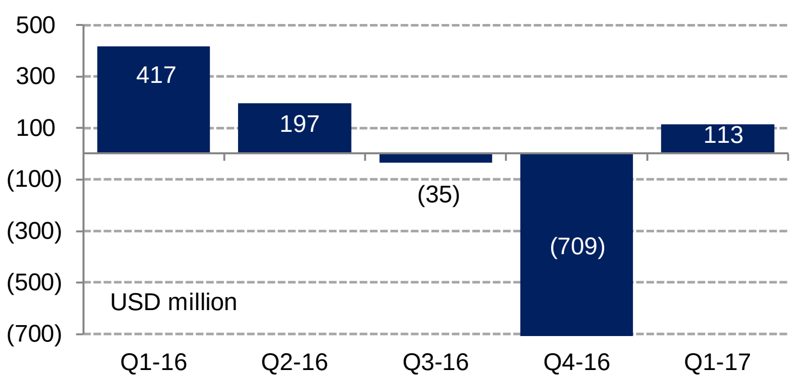
USD million

Net Investment Income

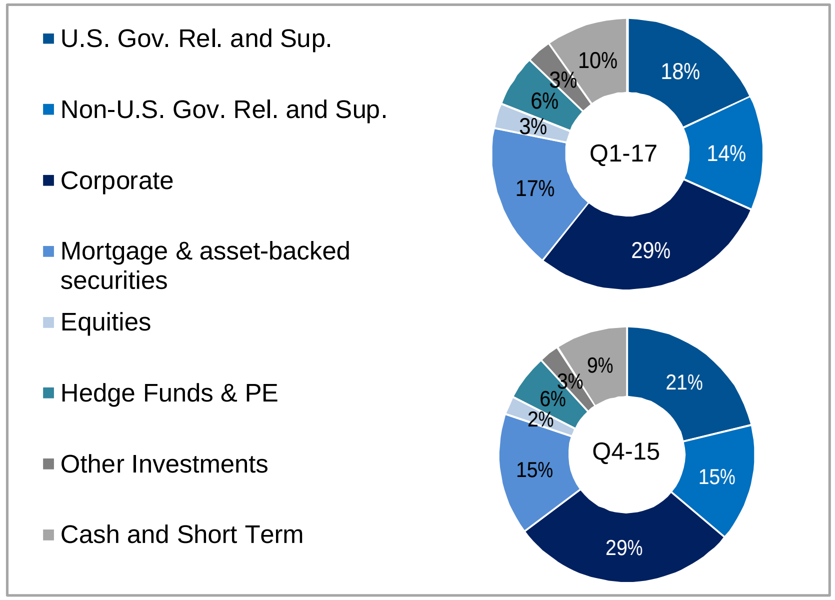


	Usual Accounting lag
Hedge Funds Affiliates	1 month
Private investment fund & Operating Affiliates	3 month

Change in unrealized gains & losses



Investment portfolio



	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17
Average pre-tax book yield[2]	2.4%	2.4%	2.4%	2.4%	2.4%
Avg new money yield	1.7%	1.7%	1.9%	2.0%	2.1%
Fixed Income ($m)	30,001	29,459	29,793	28,574	28,701
Average Duration	3.6	3.6	3.6	3.8	3.8

1 Excluding the designated investments that support the life retrocession arrangement with GreyCastle ("Life Funds Withheld Assets")
2 Gross of expenses

Q1 2017

EARNINGS PRESENTATION - APPENDIX

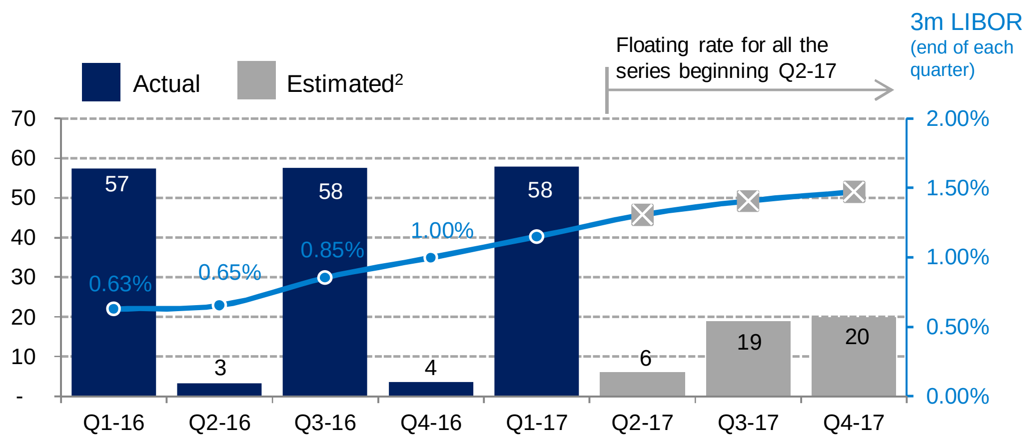
April 26, 2017

Financial Highlights 1st Quarter 2017
Preferred Shares Dividends

XL GROUP

Income Statement view[1] – Preferred Share Dividends

USD million



Q1-17 Income Statement
- Series D continues to be floating and callable
- Series E and legacy Catlin continue to be fixed

Q2-17 Income Statement
- Series D continues to be floating and callable
- Series E and legacy Catlin change to floating and callable
- No declaration[1] of dividends for Series D and E in Q2-17 because declaration date changed to July
- No change in declaration for legacy Catlin during Q2-17
- Declaration change does not affect timing of payments

Q3-17 and thereafter
- Series D, E and legacy Catlin continue to be floating and callable
- Preferred dividends will be declared in the same quarter they are paid

	Q1-17					Q2-17					Q3-17					Q4-17					FY 2017
	Type	Prin. $m	LIBOR spread	Coupon	Div. $m	Type	LIBOR spread	Est. LIBOR²	Est. Coupon	Div. $m	Type	LIBOR spread	Est. LIBOR²	Est. Coupon	Div. $m	Type	LIBOR spread	Est. LIBOR²	Est. Coupon	Div. $m	Div. $m
Series D	Float	345	3.12%	4.14%	4	Float	3.12%	na	na	0	Float	3.12%	1.16%	4.28%	4	Float	3.12%	1.35%	4.47%	4	11
Series E	Fixed	999.5	na	6.50%	32	Float	2.46%	na	na	0	Float	2.46%	1.16%	3.62%	9	Float	2.46%	1.35%	3.80%	10	51
Legacy Catlin	Fixed	600	na	7.25%	22	Float	2.98%	1.02%	4.00%	6	Float	2.98%	1.16%	4.13%	6	Float	2.98%	1.35%	4.32%	6	40
Total Preferred Dividends					**58**					**6**					**19**					**20**	**103**

1 Accounting of Preferred Shares dividends is based on the declaration date (i.e. no accrual). This may differ from the timing of the actual cash flow.
2 Estimate based on 3 months forward LIBOR from Bloomberg as of April 20, 2017

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Glossary and definitions

AY UW Income ex-Cats	Accident Year Underwriting Income excluding the impact of Catastrophe Losses
PYD	Prior Year Development
NII + Aff. Income	Net Investment Income plus Affiliates Income
Corp. Op. Exp.	Corporate Operating Expenses
Cats	Natural Catastrophe Losses including the impact of Reinstatement Premiums
Real gains/loss on inv.	Realized gains and losses on Investments
FX	Foreign Exchange gains or losses
Op. ROE ex AOCI & Integr. Costs	Operating ROE excluding average accumulated other comprehensive income and integration costs
Adj. Op. ROE ex AOCI & Int. Costs	Adjusted Operating ROE excluding average accumulated other comprehensive income and integration costs
Life FWA	Life Funds Withheld Assets, the designated investments that support the life retrocession arrangement with GreyCastle
Integr. Costs	Integration costs
Prefs Div.	Preferred Shares Dividends

Op. Income	Operating Income
Op. ROE	Operating ROE
GPW	Gross Premiums Written
Net Income av. to common sh.	Net Income available to common shareholders
AOCI	Accumulated Other Comprehensive Income
yoy	Year-Over-Year
BVPS	Book Value Per Share

Regulation G
Reconciliation of benefit of share buyback

XL GROUP

RECONCILIATION OF NON-GAAP MEASURES

Cumulative Benefit of share buyback since Catlin acquisition

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

		June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017
A	Diluted shares outstanding	308,670	304,324	300,390	289,817	280,160	274,054	271,225	267,008
B	Book value per ordinary share (Fully Diluted)	39.68	39.23	38.87	40.33	41.71	42.37	40.33	41.10
C	Ordinary Share Capital	12,247,298	11,938,229	11,677,079	11,688,744	11,685,188	11,612,166	10,938,512	10,974,884
D	Quarterly share buyback	109,917	179,882	176,701	355,141	328,300	221,751	144,908	200,469
E	Cumulative share buyback up to previous quarter		109,917	289,799	466,500	821,641	1,149,941	1,371,693	1,516,601
F	New Money Yield	1.2%	1.7%	1.4%	1.7%	1.7%	1.9%	2.0%	2.1%
G = D x F / 4	Opportunity cost	330	764	618	1,509	1,395	1,053	725	1,037
H	Cumulative opportunity cost up to previous quarter		330	1,094	1,713	3,222	4,617	5,671	6,395
I	n. of shares bought back in the quarter	2,928	4,756	4,692	9,952	9,656	6,595	4,032	5,097
J	Cumulative shares bought back up to previous quarter		2,928	7,683	12,376	22,327	31,983	38,578	42,610
K = A + I + J	Pro forma Diluted shares outstanding ex share buyback	311,597	312,007	312,766	312,144	312,143	312,633	313,835	314,715
L = C + D + E	Pro Forma Ord. Share Capital ex share buyback	12,357,545	12,229,122	12,145,292	12,513,607	12,839,747	12,989,529	12,461,508	12,699,386
M = L / K	Pro forma Book Value per ordinary share (Fully Diluted) ex share buyback	39.66	39.20	38.83	40.09	41.13	41.55	39.71	40.35
N = B - M	Difference BVPS less Pro Forma	0.02	0.03	0.04	0.24	0.58	0.82	0.62	0.75

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

RECONCILIATION OF NON-GAAP MEASURES

(U.S. Dollars in thousands except per share amounts)	Three Months Ended March 31, 2017	Twleve Months Ended December 31, 2016	Nine Months Ended September 30, 2016	Six Months Ended June 30, 2016	Three Months Ended March 31, 2016	Twleve Months Ended December 31, 2015	Nine Months Ended September 30, 2015	Six Months Ended June 30, 2015
Basic Common Shares	263,773,739	266,927,220	270,409,084	276,772,053	286,312,517	294,783,992	299,356,093	303,932,111
Book value per common share	41.61	40.98	42.94	42.22	40.83	39.61	39.88	40.30
Goodwill and other intangible assets	2,208,612	2,203,653	2,234,071	2,217,973	2,233,597	2,210,266	2,213,688	2,205,911
Tangible book value	8,766,272	8,734,859	9,378,095	9,467,218	9,455,149	9,466,813	9,724,541	10,041,387
Dilutive shares	267,007,606	271,224,790	274,054,062	280,159,516	289,817,124	300,390,474	304,323,829	308,669,766
Fully diluted tangible book value per common share	32.83	32.21	34.22	33.79	32.62	31.52	31.95	32.53

Regulation G Reconciliation

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

XL GROUP

RECONCILIATION OF NON-GAAP MEASURES

(U.S. Dollars in thousands except per share amounts)

	Three Months Ended March 31, 2017	Twleve Months Ended December 31, 2016	Nine Months Ended September 30, 2016	Six Months Ended June 30, 2016	Three Months Ended March 31, 2016
Net income (loss) attributable to common shareholders	**$ 152,843**	**$ 440,968**	**$ 136,268**	**$ 65,667**	**$ 21,885**
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (1)	50,101	540,090	691,432	465,822	236,080
Net realized (gains) losses on investments and net unrealized (gains) losses on investments, Trading	(33,068)	(259,449)	(271,596)	(186,315)	(101,166)
Net investment income - Life Funds Withheld Assets	(33,364)	(154,751)	(119,643)	(80,706)	(41,560)
Foreign exchange revaluation (gains) losses on and other income and expense items related to Life Funds Withheld Assets	(3,224)	9,143	(5,728)	(4,193)	(10,973)
Net income (loss) attributable to common shareholders excluding Contribution from Life Retrocession Arrangements	**133,288**	**576,001**	**430,733**	**260,275**	**104,266**
Net realized (gains) losses and OTTI on investments - excluding Life Funds Withheld Assets	(4,218)	(112,689)	(69,447)	(11,052)	8,416
Net realized and unrealized (gains) losses on derivatives	7,069	(2,521)	(2,774)	2,716	3,622
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	(2,051)	2,931	2,231	2,231	413
Exchange (gains) losses excluding Life Funds Withheld Assets	(112)	(18,721)	(48,886)	(48,726)	(22,846)
Expenses related to Catlin acquisition	—	—	—	—	—
Loss (gain) on sale of subsidiary	—	(7,088)	(3,670)	—	—
Gain on sale of operating affiliate	—	—	—	—	—
Loss on U.S. Term Life Retro Arrangements	—	—	—	—	—
Extinguishment of debt	—	—	—	—	—
Provision (benefit) for income tax on items excluded from operating income	2,167	22,816	24,102	4,391	9,517
Operating net income (loss)	**$ 136,143**	**$ 460,729**	**$ 332,289**	**$ 209,835**	**$ 103,388**

1 See glossary

Regulation G Reconciliation

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

XL GROUP

RECONCILIATION OF NON-GAAP MEASURES

(U.S. Dollars in thousands except per share amounts)

	Three Months Ended March 31, 2017	Twleve Months Ended December 31, 2016	Nine Months Ended September 30, 2016	Six Months Ended June 30, 2016	Three Months Ended March 31, 2016
Per common share results:					
Net income (loss) attributable to common shareholders	$ **0.57**	$ **1.56**	$ **0.48**	$ **0.23**	$ **0.07**
Operating net income (loss)	$ **0.50**	$ **1.63**	$ **1.16**	$ **0.72**	$ **0.35**
Weighted average common shares outstanding:					
Basic	265,690,364	278,957,444	282,441,805	286,880,981	291,968,575
Diluted - Net income	269,766,805	282,757,804	286,125,400	290,929,362	296,665,595
Diluted - Operating net income	269,766,805	282,757,804	286,125,400	290,929,362	296,665,595
Return on common shareholders' equity:					
Opening common shareholders' equity	10,938,512	11,677,079	11,677,079	11,677,079	11,677,079
Closing common shareholders' equity (at period end)	10,974,884	10,938,512	11,612,166	11,685,188	11,688,744
Average common shareholders' equity for the period	10,956,698	11,307,796	11,644,623	11,681,134	11,682,912
Opening AOCI	715,546	686,616	686,616	686,616	686,616
Closing AOCI (at period end)	844,974	715,546	1,519,805	1,408,587	1,094,557
Average AOCI	780,260	701,081	1,103,211	1,047,602	890,587
Average common shareholders' equity for the period excluding AOCI	10,176,438	10,606,715	10,541,413	10,633,532	10,792,325
Integration costs	33,949	220,355	161,566	107,104	54,987
Integration costs, net of tax	30,181	201,630	147,828	97,996	50,325
Provision (benefit) for income tax on integration costs	(3,768)	(18,725)	(13,738)	(9,108)	(4,662)
Operating net income (loss) (excluding integration costs)	166,324	662,359	480,117	307,831	153,713
Annualized net income (loss)	611,372	440,968	181,691	131,334	87,540
Annualized operating net income (loss)	544,572	460,729	443,052	419,670	413,552
Annualized operating net income (loss) (excluding integration costs)	665,295	662,359	640,156	615,663	614,852
Annualized return on average common shareholders' equity	**5.6%**	**3.9%**	**1.6%**	**1.1%**	**0.7%**
Annualized operating return on common shareholders' equity	**5.0%**	**4.1%**	**3.8%**	**3.6%**	**3.5%**
Annualized operating return on common shareholders' equity excluding AOCI	**5.4%**	**4.3%**	**4.2%**	**3.9%**	**3.8%**
Annualized operating return on common shareholders' equity excluding integration costs	**6.1%**	**5.9%**	**5.5%**	**5.3%**	**5.3%**
Annualized operating return on common shareholders' equity excluding integration costs and AOCI	**6.5%**	**6.2%**	**6.1%**	**5.8%**	**5.7%**

Comment on Regulation G

XL presents its operations in ways it believes will be most meaningful and useful to investors, analysts, rating agencies and others who use XL's financial information in evaluating XL's performance. This document contains the presentation of (i) operating net income (loss) ("Operating Net Income"), which is defined as net income (loss) attributable to common shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, (defined below) (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, (3) our net realized (gains) losses on investments sold (including OTTI) and net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets, (4) our net realized and unrealized (gains) losses on derivatives, (5) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (6) our share of items (2) and (4) for The Company's insurance company affiliates for the periods presented, (7) our foreign exchange (gains) losses, (8) our expenses related to the Catlin Acquisition, (9) our gain on the sale of our interest in our former operating affiliate, (10) our gain on the sale of our wholly-owned subsidiary XL Life Insurance and Annuity Company and the partial sale of our holdings in New Ocean Capital Management, (11) our loss on the inception of the U.S. Term Life Retro Arrangements, (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin Acquisition, and (13) a provision (benefit) for income tax on items excluded from operating income.; (ii) annualized return on average common shareholders' equity ("ROE") based on operating net income (loss) ("Operating ROE"); (iii) Operating ROE excluding AOCI, both inclusive and exclusive of integration costs; and (iv) Fully diluted tangible book value per common share (common shareholders' equity excluding goodwill and intangible assets divided by the number of shares outstanding at the period end date combined with the dilutive impact of potential future share issues at any period end). These items are "non-GAAP financial measures" as defined in Regulation G. The reconciliation of such measures to the most directly comparable GAAP financial measures in accordance with Regulation G is included in this document on pages 18 and 19.

Although the investment of premiums to generate income (or loss) and realize capital gains (or losses) is an integral part of XL's operations, the determination to realize capital gains (or losses) is independent of the underwriting process. In addition, under applicable GAAP accounting requirements, losses can be created as the result of other than temporary declines in value and from goodwill impairment charges without actual realization. In this regard, certain users of XL's financial information, including certain rating agencies, evaluate earnings before tax and capital gains to understand the profitability of the operational sources of income without the effects of these two variables. Furthermore, these users believe that, for many companies, the timing of the realization of capital gains and the recognition of goodwill impairment charges are largely a function of economic and interest rate conditions.

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

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

Comment on Regulation G

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

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

Operating ROE is a widely used measure of any company's profitability that is calculated by dividing annualized operating net income for any period other than a fiscal year when actual operating income is used by the average of the opening and closing common shareholders' equity. XL establishes target Operating ROEs for its total operations, segments and lines of business. If XL's Operating ROE targets are not met with respect to any line of business over time, XL seeks to re-evaluate these lines. Operating ROE excluding and including 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 temporary integration costs related to the combination with Catlin. By providing these additional measures, users of our financial statements have the ability to include or exclude these items when considering our performance either on a standalone basis or for purposes of peer performance comparison.

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