



Press Release

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XL Group Ltd Announces First Quarter 2018 Results

Solid Start to 2018, In-Line with Our Expectations

- Net income attributable to common shareholders of \$152.6 million, or \$0.58 per fully diluted share, compared to \$152.8 million, or \$0.57 per fully diluted share, in the prior year quarter
- Operating net income¹ of \$214.4 million, or \$0.82 per fully diluted share, compared to \$136.1 million, \$0.50 per fully diluted share, in the prior year quarter
- Broad rate increases throughout our portfolio included increases of 3.3% in Insurance and 4.3% in Reinsurance
- P&C gross premiums written ("GPW") increased 6.6% compared to the prior year quarter; GPW increased by 3.8%, excluding the impact of foreign exchange
- Natural catastrophe pre-tax losses net of reinsurance, reinstatement and premium adjustments for the quarter of \$73.2 million (2.8 points to the loss ratio), compared to \$96.1 million (3.8 points to the loss ratio) in the prior year quarter
- Net favorable prior year development ("PYD") was \$9.1 million (0.3 points to the loss ratio) in the current quarter, compared to adverse PYD of \$24.0 million (0.9 points to the loss ratio) in the prior year quarter
- P&C combined ratio of 95.3% compared to 94.3% in the prior year quarter

Hamilton, Bermuda– May 2, 2018 – XL Group Ltd ("XL" or the "Company") (NYSE: XL) today reported its first quarter 2018 results.

Commenting on the Company's performance, XL's Chief Executive Officer Mike McGavick said:

"We are pleased with our solid start to 2018, in-line with our expectations. During the first quarter our performance reflected benefits of our market leadership, focus on underwriting discipline, strong culture of innovation, continuous improvement, and efficiency.

In the quarter we grew gross premiums written more than 6% compared with the first quarter of 2017 and we continued to improve the Insurance loss ratio excluding PYD and the impact of catastrophe losses. We did see a lower Reinsurance margin in the quarter, largely driven by our strategic initiatives including a shift in portfolio mix towards lower volatility and an increase in outward reinsurance protections. With respect to pricing, we are pleased to have achieved broad rate increases throughout our Insurance and Reinsurance portfolio, which will earn into our results over the rest of the year. Also during the quarter we had strong contributions from the investment portfolio, and we continued managing our expenses.

As we look forward to the next phase in XL's journey, with the proposed combination with AXA, we believe there is substantial opportunity to continue realizing the potential of what we have built."

Book Value and Return on Common Shareholder's Equity

	March 31, 2018	December 31, 2017
Book value per common share	<i>(Unaudited)</i>	
Fully diluted book value per common share	\$ 36.53	\$ 38.04
Fully diluted tangible book value per common share ²	\$ 28.06	\$ 29.44
Return on average common shareholder's equity ("ROE")	March 31, 2018	March 31, 2017
Annualized Return on average common shareholder's equity ("ROE") ³	6.3%	5.6%
Annualized Operating ROE ^{1,3}	8.8%	5.0%
Annualized Operating ROE ex-Accumulated other comprehensive income ("AOCI") ¹	9.4%	5.4%
Annualized Operating ROE ex-Catlin-related integration cost ^{1,4}	8.8%	6.1%
Annualized Operating ROE ex-AOCI and ex-Catlin-related integration cost ^{1,4}	9.4%	6.5%

First Quarter Summary

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

	Three Months Ended			
	March 31,			
	<i>(Unaudited)</i>			
	2018	2017	\$ Change	% Change
Net income (loss) attributable to common shareholders	\$ 152,648	\$ 152,843	\$ (195)	(0.1)%
Per average common share outstanding-basic	\$ 0.59	\$ 0.58	\$ 0.01	1.7 %
Per average common share outstanding-fully diluted	\$ 0.58	\$ 0.57	\$ 0.01	1.8 %
Operating net income (loss)	\$ 214,359	\$ 136,143	\$ 78,216	57.5 %
Per average common share outstanding-fully diluted	\$ 0.82	\$ 0.50	\$ 0.32	64.0 %

- Net income attributable to common shareholders of \$152.6 million was virtually unchanged compared with the prior year quarter income of \$152.8 million.
- Operating net income of \$214.4 million increased compared to \$136.1 million in the prior year quarter, primarily driven by improved investment returns and lower financing costs associated with our preferred shares, partially offset by marginally lower overall underwriting profit.
- Net investment income for the current quarter was \$218.5 million, compared to \$200.5 million in the prior year quarter. Net investment income for the current quarter, excluding the Life Funds Withheld Assets, was \$188.1 million, compared to \$167.2 million in the prior year quarter. This increase was primarily due to active sector rotation and portfolio management activities, and an increase in new money rates, all of which resulted in an increase in investment yields.
- Income from investment affiliates was \$56.0 million for the current quarter, compared to \$51.9 million in the prior year quarter. Hedge fund performance was strong in the current quarter, consistent with prior year quarter results. Results for private equity fund affiliates and investment manager affiliates improved in the current quarter, more than offsetting weaker results in other affiliates as compared to the prior year quarter.
- Operating expenses during the current quarter of \$472.6 million were \$4.5 million or 1.0% unfavorable compared to the prior year quarter. After excluding the \$22.6 million of AXA-related transaction costs in the current quarter and \$33.9 million of

Catlin-related integration costs in the prior year quarter, expenses increased \$15.7 million, or 3.6%, reflecting further investment in our business, predominately within the Insurance segment.

- Income tax expense of \$31.9 million is higher as compared to \$13.1 million recognized during the prior year quarter. The increase in current quarter income tax expense is primarily attributable to the combination of the significant increase in operating income and a greater proportion of earnings in taxable jurisdictions in Q1 of 2018 as compared to the prior year quarter.
- Fully diluted book value per common share decreased by \$1.51 from the end of the prior quarter to \$36.53, driven primarily by unrealized losses on mark to market investments, share-based compensation activity and the payment of dividends, partially offset by net income earned in the quarter. Fully diluted tangible book value per common share decreased by \$1.38 from the end of the prior quarter to \$28.06.
- There were no share buybacks⁵ during the current quarter. At March 31, 2018, \$529.1 million of common shares remained available for purchase under the current share buyback authorization.

P&C Operations

(U.S. dollars in thousands)

	Three Months Ended					
	March 31, 2018			March 31, 2017		
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	Insurance	Reinsurance	Total P&C	Insurance	Reinsurance	Total P&C
Gross premiums written	\$ 2,866,539	\$ 2,060,601	\$ 4,927,140	\$ 2,694,216	\$ 1,927,390	\$ 4,621,606
Net premiums written	\$ 1,481,867	\$ 1,670,744	\$ 3,152,611	\$ 1,508,591	\$ 1,471,169	\$ 2,979,760
Net premiums earned	\$ 1,665,789	\$ 931,392	\$ 2,597,181	\$ 1,635,315	\$ 884,166	\$ 2,519,481
Underwriting profit (loss)	\$ 62,455	\$ 59,985	\$ 122,440	\$ 78,740	\$ 65,237	\$ 143,977
Loss ratio	63.9%	59.8%	62.5%	64.8%	59.2%	62.8%
Underwriting expense ratio	32.4%	33.8%	32.8%	30.4%	33.4%	31.5%
Combined ratio	96.3%	93.6%	95.3%	95.2%	92.6%	94.3%

- P&C gross premiums written (“GPW”) in the first quarter increased 6.6% compared to the prior year quarter. Excluding the impact of foreign exchange, GPW increased by 3.8%.
- The Insurance segment GPW increased 6.4% from the prior year quarter, driven primarily by favorable rate changes across business groups as well as stronger renewals. Excluding the impact of foreign exchange, Insurance GPW increased 4.1%.
- The Reinsurance segment GPW increased by 6.9% from the prior year quarter primarily due to rate improvements. Excluding the impact of foreign exchange, GPW increased 3.5%. New business written in the quarter from our Bermuda and London businesses was largely offset by canceled business, a reflection of disciplined underwriting.
- The P&C loss ratio excluding PYD and the impact of catastrophe losses in the current quarter was 60.0%, compared to 58.1% in the prior year quarter. On the same basis, the Insurance segment loss ratio in the current quarter improved to 60.4%, compared to 60.8% in the prior year quarter as underwriting actions improved the overall portfolio. The Reinsurance segment loss ratio was 59.2% in the current quarter compared to 53.0% in the prior

year quarter, largely driven by strategic initiatives including a shift in portfolio mix towards lower volatility and an increase in outward reinsurance protection.

- The P&C combined ratio excluding PYD and the impact of catastrophe losses in the current quarter was 92.8%, compared to 89.5% for the prior year quarter. On the same basis, the Insurance segment combined ratio in the current quarter was 92.8%, compared to 91.2% for the prior year quarter driven largely by investment in the business and certain one-time compensation related costs. The Reinsurance segment combined ratio on the same basis was 92.9% in the current quarter, compared to 86.5% for the prior year quarter, due in part to the strategic portfolio mix and retrocession items noted above, combined with increased outward profit commission on positive PYD.
- The P&C net favorable PYD resulting from the current quarter was \$9.1 million (0.3 points to the loss ratio), compared to net unfavorable development of \$24.0 million, (0.9 points to the loss ratio) in the prior year quarter. This reflects favorable development of \$5.3 million in the Insurance segment and \$3.8 million in the Reinsurance segment. The first quarter of 2018 includes adverse development of \$53.2 million, or 2.6% of 2017 catastrophe losses. The first quarter of 2017 included adverse development of \$75.0 million from the UK Ogden rate⁶ change.

Further details of the results for the current quarter may be found in the Company's Financial Supplement and Earnings Presentation, each of which is dated May 2, 2018 and is available on the Investor Relations section of XL's website at www.xlgroup.com.

About XL Group Ltd

XL Group Ltd (NYSE: XL), through its subsidiaries and under the "XL Catlin" brand, is a global insurance and reinsurance company providing property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises throughout the world. Clients look to XL Catlin for answers to their most complex risks and to help move their world forward. To learn more, visit www.xlgroup.com.

This press release contains forward-looking statements. Statements that are not historical facts, including statements about XL's beliefs, plans or expectations, are forward-looking statements. These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Statements that include the words "expect," "estimate," "intend," "plan," "believe," "project," "anticipate," "may," "could," or "would" and similar statements of a future or forward-looking nature identify forward-looking statements. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes (a) downward movement in rates for property and casualty insurance and reinsurance; (b) changes in the size of our claims relating to unpredictable natural or man-made catastrophe losses due to the preliminary nature of some reports and estimates of loss and damage to date and the likelihood of longer development periods associated with the characteristics of certain catastrophes; (c) risks and uncertainties relating to the proposed acquisition of XL by AXA SA, including but not limited to (i) that XL may be unable to complete the proposed transaction because, among other reasons, conditions to the closing of the proposed transaction may not be satisfied or waived, including the failure to obtain XL shareholder approval for the proposed transaction or that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; (ii) uncertainty as to the timing of completion of the proposed transaction; (iii) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement between XL and AXA dated March 5, 2018; (iv) risks related

to disruption of management's attention from XL's ongoing business operations due to the proposed transaction; (v) the effect of the announcement of the proposed transaction on XL's relationships with its clients, operating results and business generally; and (vi) the outcome of any legal proceedings to the extent initiated against XL or others following the announcement of the proposed transaction, as well as XL's management's response to any of the aforementioned factors; (d) the impact of tax reform on our business, investments and assets, including (i) changes to valuation of deferred tax assets and liabilities, (ii) that the costs associated with such tax reform may be greater than expected, (iii) the risk that technical corrections, regulations, and supplemental legislation and future interpretations or applications thereof or other changes may be issued in the future, including the rules affecting the valuation of deferred tax assets; (e) 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; (f) 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; (g) 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; (h) 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; (i) increased competition on the basis of pricing, capacity, coverage terms or other factors, such as the increased inflow of third party capital into reinsurance markets, which could harm our ability to maintain or increase business volumes or profitability; (j) greater frequency or severity of claims and loss activity than our underwriting, reserving or investment practices anticipate based on historical experience or industry data, including due to the change in climate conditions; (k) 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; (l) our ability to successfully implement our business strategy; (m) our ability to successfully attract and raise additional third party capital for existing or new investment vehicles; (n) 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; (o) 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; (p) 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; (q) the ability of our subsidiaries to pay dividends to XL Group Ltd, XLIT Ltd. and Catlin Insurance Company Ltd; (r) changes in regulators or regulations applicable to us; (s) 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; (t) 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; (u) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (v) 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; (w) the economic, political, monetary and operational impacts of the U.K.'s expected withdrawal vote in favor of withdrawing from European Union ("Brexit") effective March 2019, including unanticipated costs or complications associated with our decision to redomesticate XL Insurance Company SE from the U.K. to Ireland, or the possibility that this redomestication or other Brexit-related decisions do not have the results anticipated; (x) changes in general economic, political or monetary conditions in Euro-Zone countries or emerging markets, or governmental actions for the purposes of stabilizing financial markets; (y) judicial decisions and rulings, new theories of liability or emerging claims coverage issues, legal tactics and settlement terms; and (z) the other factors set forth in our reports on Form 10-K and Form 10-Q and other documents on file with the Securities and Exchange Commission. XL undertakes no obligation to

update publicly or revise any forward looking statement, whether as a result of new information, future developments or otherwise.

XL intends to use its website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included on the website in the Investor Relations section. Accordingly, investors should monitor such portions of XL's website, in addition to following its press releases, SEC filings and public conference calls and webcasts.

¹Operating 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 7 below), (2) our net realized (gains) losses on investments available for sale - excluding Life Funds Withheld Assets, (3) our net realized and change in net unrealized (gains) losses on equity securities - excluding Life Funds Withheld Assets, (4) our net realized (gains) losses on investments (including OTTI) and change in net unrealized (gains) losses on investments, trading - Life Funds Withheld Assets, (5) our net realized and unrealized (gains) losses on derivatives, (6) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (7) our share of items (2) and (5) for our insurance company affiliates for the periods presented, (8) our foreign exchange (gains) losses, (9) our expenses related to the pending acquisition by AXA SA, (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 net (gains) losses on the early extinguishment of debt, (12) our net (gains) losses from the repurchase of preference shares, (13) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (14) a provision (benefit) for income tax on items excluded from operating income. "Operating net income", "annualized operating return on average common shareholders' equity" ("Operating ROE") including and excluding average AOCI, both inclusive and exclusive of Catlin-related integration costs are non-GAAP financial measures. See the schedule entitled "Reconciliation of Non-GAAP Financial Measures" on pages 10 and 11 of this press release for a reconciliation of net income (loss) attributable to common shareholders to "operating net income" and the calculation of "annualized operating return on average common shareholders' equity" including and excluding average AOCI, both inclusive and exclusive of Catlin-related integration costs, which are based on operating net income.

²Fully diluted tangible book value per common share is a non-GAAP financial measure. See page 11 of this press release for a reconciliation of fully diluted tangible book value per common share to fully diluted book value per common share.

³Common shareholders' equity is defined as total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries.

⁴Catlin-related integration costs were completed in the second quarter of 2017.

⁵Amount remaining for purchase under our share buyback program does not include (i) the commission expense paid to brokers for execution of share buyback, or (ii) purchases associated with settling employee withholding taxes incurred in connection with the vesting of share-based compensation awards, however, these two items are included in the share buyback calculation.

⁶The U.K. Ministry of Justice announced a significant decrease of the discount rate used to calculate lump sum awards in U.K. bodily injury cases from +2.5% to -0.75%, a decrease of 325 basis points and the first rate change since 2001. This decrease of discount rate, which was effective on March 20, 2017, is referred to as the UK Ogden rate table change in this press release.

⁷On May 1, 2014, our wholly-owned subsidiary, XL Insurance (Bermuda) Ltd ("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 Holdings Ltd. ("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 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 that is accounted for as a derivative. Net income attributable to common shareholders excluding the contribution from the GreyCastle Life Retro Arrangements is a non-GAAP measure. See the schedule entitled "Reconciliation of Non-GAAP Financial Measures" on pages 10 and 11 of this press release for a reconciliation of net income (loss) attributable to common shareholders to net income (loss) attributable to common shareholders excluding the Contribution from the GreyCastle Life Retro Arrangements. During 2015, we entered into another reinsurance agreement (the "U.S. Term Life Retro Arrangements") ceding the vast majority of the remaining life reinsurance business.

XL Group Ltd

Unaudited Consolidated Statements Of Income

	Three Months Ended	
	March 31,	
	2018	2017
		(Note 1)
<i>(U.S. dollars in thousands)</i>		
Revenues:		
Net premiums earned	\$ 2,600,288	\$ 2,522,791
Net investment income:		
Net investment income - excluding Life Funds Withheld Assets (Note 2)	188,083	167,168
Net investment income - Life Funds Withheld Assets (Note 2)	30,398	33,364
Total net investment income	\$ 218,481	\$ 200,532
Total realized investments gains (losses) (Note 3)	(83,355)	37,286
Net realized and unrealized gains (losses) on derivative instruments	4,221	(7,069)
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (Note 2)	22,921	(50,101)
Income (loss) from investment affiliates	45,669	38,261
Fee income and other	6,717	13,661
Total revenues	\$ 2,814,942	\$ 2,755,361
Expenses:		
Net losses and loss expenses incurred	\$ 1,622,006	\$ 1,583,456
Claims and policy benefits	10,307	7,291
Acquisition costs	463,827	435,869
Operating expenses	472,563	468,038
Foreign exchange (gains) losses	9,841	(3,336)
Interest expense	53,545	50,711
Total expenses	\$ 2,632,089	\$ 2,542,029
Income (loss) before income tax and income (loss) from operating affiliates	\$ 182,853	\$ 213,332
Income (loss) from operating affiliates	10,282	13,609
Provision (benefit) for income tax	31,902	13,092
Net income (loss)	\$ 161,233	\$ 213,849
Non-controlling interests	8,585	61,006
Net income (loss) attributable to common shareholders	\$ 152,648	\$ 152,843

Note 1: Certain items have been reclassified to conform to the current period presentation.

Note 2: On May 1, 2014, our wholly-owned subsidiary, XL Insurance (Bermuda) Ltd ("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 Holdings Ltd. ("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 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 that is accounted for as a derivative. Net income attributable to common shareholders excluding the contribution from the GreyCastle Life Retro Arrangements is a non-GAAP measure. See the schedule entitled "Reconciliation of Non-GAAP Financial Measures" on pages 10 and 11 of this press release for a reconciliation of net income (loss) attributable to common shareholders to net income (loss) attributable to common shareholders excluding the Contribution from the GreyCastle Life Retro Arrangements. During 2015, we entered into another reinsurance agreement (the "U.S. Term Life Retro Arrangements") ceding the vast majority of the remaining life reinsurance business.

Note 3: Effective 2018, in accordance with ASU 2016-01, realized investment gains (losses) includes the change in net unrealized gains (losses) on equity securities and other investments.

XL Group Ltd Key Financial Data

Selected balance sheet and other data:

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

	At	At
	March 31, 2018	December 31, 2017
	<i>(Unaudited)</i>	<i>(Note 1)</i>
Total investments	\$ 36,973,434	\$ 36,973,434
Cash and cash equivalents	3,484,763	3,435,954
Unpaid losses and loss expenses recoverable	7,271,013	7,247,723
Goodwill and other intangible assets	2,230,506	2,225,751
Total assets	65,337,963	63,436,236
Unpaid losses and loss expenses	29,701,568	29,696,779
Deposit liabilities	982,963	1,042,677
Future policy benefit reserves	3,680,958	3,610,926
Funds withheld liability on GreyCastle Life Retro Arrangements, net of future policy benefit reserves recoverable (Note 2)	989,140	999,219
Unearned premiums	9,687,293	8,307,431
Notes payable and debt	3,240,461	3,220,769
Total shareholders' equity	11,235,222	11,461,320
Common shareholders' equity	9,628,529	9,848,317
Common shares outstanding (Note 3)	258,171,836	256,033,895
Basic book value per common share	\$ 37.30	\$ 38.46
Fully diluted book value per common share	\$ 36.53	\$ 38.04
Fully diluted tangible book value per common share (Note 4)	\$ 28.06	\$ 29.44

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

Note 2: On May 1, 2014, our wholly-owned subsidiary, XL Insurance (Bermuda) Ltd ("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 Holdings Ltd. ("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 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 that is accounted for as a derivative. Net income attributable to common shareholders excluding the contribution from the GreyCastle Life Retro Arrangements is a non-GAAP measure. See the schedule entitled "Reconciliation of Non-GAAP Financial Measures" on pages 10 and 11 of this press release for a reconciliation of net income (loss) attributable to common shareholders to net income (loss) attributable to common shareholders excluding the Contribution from the GreyCastle Life Retro Arrangements. During 2015, we entered into another reinsurance agreement (the "U.S. Term Life Retro Arrangements") ceding the vast majority of the remaining life reinsurance business.

Note 3: Common shares outstanding include all common shares issued and outstanding (as disclosed on the face of the balance sheet).

Note 4: Fully diluted tangible book value per common share is a non-GAAP financial measure. See page 11 of this press release for a reconciliation of fully diluted tangible book value per common share to fully diluted book value per common share.

XL Group Ltd

Reconciliation of Non-GAAP Financial Measures

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 net income (loss) attributable to common shareholders and annualized return on average common shareholders' equity including and excluding average AOCI, both inclusive and exclusive of Catlin-related integration costs and based on operating net income (loss) for the three months ended March 31, 2018 and 2017. (Notes 3 and 5)

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

	Three Months Ended	
	March 31,	
	<i>(Unaudited)</i>	
	(Note 1)	
	2018	2017
Net income (loss) attributable to common shareholders	\$ 152,648	\$ 152,843
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets	(22,921)	50,101
Net realized (gains) losses on investments and change in net unrealized (gains) losses on investments, trading and OTTI - Life Funds Withheld Assets	22,512	(33,068)
Net investment income - Life Funds Withheld Assets	(30,398)	(33,364)
Foreign exchange revaluation (gains) losses on and other income and expense items related to Life Funds Withheld Assets	(10,683)	(3,224)
Net income (loss) attributable to common shareholders excluding Contribution from GreyCastle Life Retro Arrangements (Note 2)	\$ 111,158	\$ 133,288
Net realized (gains) losses and OTTI on investments - excluding Life Funds Withheld Assets	—	(4,218)
Net realized (gains) losses on investments available for sale and OTTI - excluding Life Funds Withheld Assets	33,478	—
Net realized and change in net unrealized gains (losses) on equity securities - excluding Life Funds Withheld Assets	36,014	—
Net realized and unrealized (gains) losses on derivatives	(4,221)	7,069
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates	(636)	(2,051)
Foreign exchange (gains) losses excluding Life Funds Withheld Assets	20,524	(112)
Expenses related to the pending acquisition by AXA SA	22,648	—
Provision (benefit) for income tax on items excluded from operating income	(4,606)	2,167
Operating net income (loss) (Note 3)	\$ 214,359	\$ 136,143
Catlin-related integration costs (Note 5)	—	33,949
Provision (benefit) for income tax on Catlin-related integration costs	—	(3,768)
Operating net income (loss) (excluding Catlin-related integration costs)	\$ 214,359	\$ 166,324
Per common share results:		
Net income (loss) attributable to common shareholders	\$ 0.58	\$ 0.57
Operating net income (loss) (Note 3)	\$ 0.82	\$ 0.50
Weighted average common shares outstanding:		
Basic	256,922,376	265,690,364
Diluted (Note 4)	261,175,868	269,766,805
Diluted - Operating net income	261,175,868	269,766,805
Return on common shareholders' equity:		
Opening common shareholders' equity attributable to XL Group Ltd	\$ 9,848,317	\$ 10,938,512
Closing common shareholders' equity attributable to XL Group Ltd	\$ 9,628,529	\$ 10,974,884
Average common shareholders' equity attributable to XL Group Ltd for the period	\$ 9,738,423	\$ 10,956,698
Opening AOCI	\$ 889,431	\$ 715,546
Closing AOCI	\$ 312,255	\$ 844,974

Average AOCI for the period	\$	600,843	\$	780,260
Average common shareholders' equity attributable to XL Group Ltd excluding average AOCI	\$	9,137,580	\$	10,176,438
Annualized net income (loss)	\$	610,592	\$	611,372
Annualized operating net income (loss) (Note 3)	\$	857,436	\$	544,572
Annualized operating net income (loss) (excluding Catlin-related integration costs) (Note 3 and 5)	\$	857,436	\$	665,295
Annualized return on average common shareholders' equity		6.3%		5.6%
Annualized operating return on average common shareholders' equity (Note 3)		8.8%		5.0%
Annualized operating return on average common shareholders' equity excluding average AOCI (Note 3)		9.4%		5.4%
Annualized operating return on average common shareholders' equity excluding Catlin-related integration costs (Notes 3 and 5)		8.8%		6.1%
Annualized operating return on average common shareholders' equity excluding Catlin-related integration costs and AOCI (Notes 3 and 5)		9.4%		6.5%

Book value per common share:	March 31, 2018	December 31, 2017
Closing common shares outstanding - basic	258,171,836	256,033,895
Closing common shares outstanding - diluted	263,605,861	258,901,212
Book value per common share	\$ 37.30	\$ 38.46
Fully diluted book value per common share	\$ 36.53	\$ 38.04
Goodwill and other intangible assets	\$ 2,230,506	\$ 2,225,751
Tangible book value	\$ 7,398,023	\$ 7,622,566
Fully diluted tangible book value per common share	\$ 28.06	\$ 29.44

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

Note 2: Investment results for the Life Funds Withheld 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 that is accounted for as a derivative. Changes in the fair value of the embedded derivative associated with these GreyCastle Life Retro Arrangements are reflected within "Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets" in the reconciliation above.

Note 3: 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 available for sale - excluding Life Funds Withheld Assets, (3) our net realized and change in net unrealized (gains) losses on equity securities - excluding Life Funds Withheld Assets, (4) our net realized (gains) losses on investments (including OTTI) and change in net unrealized (gains) losses on investments, trading - Life Funds Withheld Assets, (5) our net realized and unrealized (gains) losses on derivatives, (6) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (7) our share of items (2) and (5) for our insurance company affiliates for the periods presented, (8) our foreign exchange (gains) losses, (9) our expenses related to the pending acquisition by AXA SA, (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 net (gains) losses on the early extinguishment of debt, (12) our net (gains) losses from the repurchase of preference shares, (13) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (14) a provision (benefit) for income tax on items excluded from operating income. We believe that showing "operating net income (loss)", "annualized operating return on average common shareholders' equity including and excluding average AOCI, both inclusive and exclusive of Catlin-related integration costs" enables investors and other users of our financial information to analyze our performance in a manner similar to how we analyze our performance. In this regard, we believe that providing only a GAAP presentation of net income (loss) would make it more difficult for users of our financial information to evaluate our underlying business. We also believe that equity analysts and certain rating agencies that follow us (and the insurance industry as a whole) exclude these items from their analyses for the same reasons, and they request that we provide this non-GAAP financial information on a regular basis. A reconciliation of our net income (loss) attributable to common shareholders to operating net income (loss) is provided above.

Note 4: Diluted weighted average number of common shares outstanding is used to calculate per share data except when it is anti-dilutive to earnings per share or when there is a net loss. When it is anti-dilutive or when a net loss occurs, basic weighted average common shares outstanding is utilized in the calculation of net loss per share and net operating loss per share.

Note 5: Catlin-related integration costs were completed in the second quarter of 2017.

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 press release includes 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 available for sale - excluding Life Funds Withheld Assets, (3) our net realized and change in net unrealized (gains) losses on equity securities - excluding Life Funds Withheld Assets, (4) our net realized (gains) losses on investments (including OTTI) and change in net unrealized (gains) losses on investments, trading - Life Funds Withheld Assets, (5) our net realized and unrealized (gains) losses on derivatives, (6) our net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (7) our share of items (2) and (5) for our insurance company affiliates for the periods presented, (8) our foreign exchange (gains) losses, (9) our expenses related to the pending acquisition by AXA SA, (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 net (gains) losses on the early extinguishment of debt, (12) our net (gains) losses from the repurchase of preference shares, (13) tax provision arising from our write-down of our deferred tax asset related to the U.S. Tax Cuts and Jobs Act, and (14) a provision (benefit) for income tax on items excluded from operating income; (ii) annualized return on average common shareholders' equity ("ROE") based on operating net income (loss) ("Operating ROE") including and excluding average AOCI, both inclusive and exclusive of Catlin-related 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 press release on pages 10 and 11.

Although the investment of premiums to generate income (or loss) and realized capital gains (or losses) is an integral part of our operations, the determination to realize capital gains (or losses), as well as absorb the volatility associated with marking our portfolio of public equity securities to market, is independent of the underwriting process. In addition, losses as the result of other-than-temporary declines in value and goodwill impairment charges are recognized in net income without actual realization. In this regard, certain users of our financial information, including certain rating agencies, evaluate earnings before tax and realized capital gains to understand the profitability of the operational sources of income without the effects of these 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 Catlin-related 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 Catlin-related 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.

Fully diluted tangible book value per common share ("Fully diluted TBVPS") is a widely used non-GAAP financial measure that, much like BVPS, represents the value generated for our common shareholders excluding items such as goodwill and other intangible assets. The exclusion of these amounts allow for more meaningful comparisons between peers, specifically those that have been less acquisitive. Fully diluted TBVPS is calculated by dividing common shareholders' equity excluding intangible assets by the number of outstanding common shares at the applicable period end combined with the impact from dilution of share-based compensation and certain conversion features where dilutive.