



Validus Announces Second Quarter 2009 Results

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HAMILTON, Bermuda--(BUSINESS WIRE)-- Validus Holdings, Ltd. ("Validus" or the "Company") (NYSE: VR) today reported net income of \$137.6 million, or \$1.74 per diluted common share for the three months ended June 30, 2009, compared with net income of \$75.9 million, or \$0.98 per diluted common share, for the three months ended June 30, 2008. Net income for the six months ended June 30, 2009 was \$232.5 million, or \$2.94 per diluted share, compared with \$142.4 million, or \$1.83 per diluted share, for the six months ended June 30, 2008.

Net operating income for the three months ended June 30, 2009 was \$110.4 million, or \$1.40 per diluted share, compared with net operating income of \$111.7 million, or \$1.45 per diluted common share, for the three months ended June 30, 2008. Net operating income for the six months ended June 30, 2009 was \$210.8 million, or \$2.67 per diluted share, compared with net operating income of \$177.2 million, or \$2.28 per diluted common share, for the six months ended June 30, 2008.

Net operating income, a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. Reconciliations of this measure to net income, the most directly comparable GAAP measure, are presented at the end of this release.

Commenting on second quarter results and 2009 business conditions, Validus' Chairman and Chief Executive Officer Ed Noonan stated: "We are very pleased with our financial, strategic and operational achievements in the quarter. We produced an annualized operating return on average shareholders' equity of 21.2%, diluted EPS of \$1.74 and diluted operating EPS of \$1.40. Our diluted book value per common share at June 30, 2009 reached \$26.08 and, inclusive of our \$0.20 quarterly dividend, we increased diluted book value per common share by 6.6%. We benefited from favorable investment markets, continued strong premium growth and a near absence of notable worldwide catastrophes and other loss events. Subsequent to quarter end, we furthered our efforts to acquire IPC Holdings, Ltd. by agreeing with the board of directors of IPC to sign an Agreement and Plan of Amalgamation with IPC."

Second quarter 2009 results

Highlights for the second quarter include the following:

- Gross premiums written of \$425.0 million compared to \$379.9 million for the same quarter last year, an increase of \$45.1 million or 11.9%;
- Net premiums earned of \$328.2 million compared to \$309.3 million for the same quarter last year, an increase of \$18.9 million or 6.1%;
- Combined ratio of 71.9% which included \$13.2 million of favorable prior year loss reserve development, benefiting the loss ratio by 4.0 percentage points;
- \$11.0 million of loss expense attributable to Air France which represented 3.4 percentage points on the loss ratio;
- Net operating income of \$110.4 million, a decrease of \$1.3 million or 1.1% from net operating income of \$111.7 million in the second quarter of 2008, primarily reflecting increased contribution from underwriting income of \$2.6 million and lower finance charges of \$2.0 million, offset by lower investment income of \$9.5 million;
- Net income of \$137.6 million, an increase of \$61.6 million or 81.2% from net income of \$75.9 million in the second quarter of 2008, reflecting a small reduction in operating income, an increase in net unrealized investment gains of \$80.2 million, an increase in foreign exchange gains of \$7.5 million, offset in part by non-recurring IPC related expenses of \$15.9 million;
- Annualized return on average equity of 26.4% and annualized operating return on average equity of 21.2%.

Highlights for the six months ended June 30, 2009 include the following:

- Gross premiums written of \$1,034.9 million compared to \$901.5 million for the same period last year, an increase of \$133.4 million or 14.8%;
- Net premiums earned of \$647.0 million compared to \$601.2 million for the same period last year, an increase of \$45.8 million or 7.6%;

- Combined ratio of 73.5% which included \$21.3 million of favorable prior year loss reserve development, benefiting the loss ratio by 3.3 percentage points;
- Net operating income of \$210.8 million, an increase of \$33.6 million or 19.0% from net operating income of \$177.2 million for the six months ended June 30, 2008, primarily reflecting increased contribution from underwriting income of \$31.1 million and lower finance charges of \$15.8 million, offset by lower investment income of \$18.7 million;
- Net income of \$232.5 million, an increase of \$90.1 million or 63.3% from net income of \$142.4 million for the six months ended June 30, 2008, reflecting growth in operating income of \$33.6 million, an increase in net unrealized investment gains of \$117.4 million, offset in part by a change in net realized losses on investments of \$31.4 million and IPC related expenses of \$15.9 million;
- Annualized return on average equity of 22.8% and annualized operating return on average equity of 20.7%.

Validus Re Segment Results

Gross premiums written during the second quarter of 2009 were \$199.6 million, an increase of \$11.8 million or 6.3% from \$187.8 million in the second quarter of 2008. Gross premiums written comprised \$183.9 million of property premiums, \$4.0 million of marine premiums and \$11.7 million of specialty premiums compared to \$171.3 million of property premiums, \$8.7 million of marine premiums and \$7.8 million of specialty premiums in the second quarter of 2008.

Net premiums earned for the second quarter of 2009 were \$163.7 million compared to \$164.1 million for the second quarter of 2008, a decrease of \$0.4 million or 0.3%.

The combined ratio for the quarter increased to 52.5% from 52.1% in the second quarter of 2008. The loss ratio of 25.1% included favorable prior year loss reserve development of \$3.0 million (representing 1.8 percentage points on the loss ratio). The reduction in the loss ratio from 29.7% in the second quarter of 2008 was due to a lower incidence of significant second quarter property and other loss events in the second quarter of 2009, which added 6.2% to the second quarter 2008 loss ratio.

Gross premiums written during the first six months of 2009 were \$609.7 million, an increase of \$90.8 million or 17.5% from \$518.9 million in the first six months of 2008. Gross premiums written comprised \$418.6 million of property premiums, \$125.5 million of marine premiums and \$65.6 million of specialty premiums compared to \$374.4 million of property premiums, \$92.8 million of marine premiums and \$51.7 million of specialty premiums in the first six months of 2008.

Net premiums earned for the first six months of 2009 were \$338.1 million compared to \$307.8 million for the first six months of 2008, an increase of \$30.3 million or 9.8%.

The combined ratio decreased to 54.9% from 57.0% in the first six months of 2008. The loss ratio of 28.6% included favorable prior year loss reserve development of \$4.8 million (representing 1.4 percentage points on the loss ratio).

Talbot Segment Results

Gross premiums written during the second quarter of 2009 were \$235.1 million, compared to \$197.2 million for the second quarter of 2008, an increase of \$37.9 million or 19.2%. Gross premiums written comprised \$78.8 million of property premiums, \$82.6 million of marine premiums and \$73.7 million of specialty premiums compared to \$47.4 million of property premiums, \$73.1 million of marine premiums and \$76.7 million of specialty premiums in the second quarter of 2008.

Net premiums earned for the second quarter of 2009 were \$164.5 million compared to \$145.2 million for the second quarter of 2008, an increase of \$19.3 million or 13.3%.

The combined ratio increased to 87.5% from 86.4% in the second quarter of 2008. The loss ratio of 50.9% included favorable prior year loss reserve development of \$10.3 million (representing 6.2 percentage points on the loss ratio).

Gross premiums written during the first six months of 2009 were \$463.0 million, compared to \$399.0 million for the first six months of 2008, an increase of \$64.0 million or 16.0%. Gross premiums written comprised \$139.5 million of property premiums, \$175.0 million of marine premiums and \$148.5 million of specialty premiums compared to \$87.8 million of property premiums, \$164.1 million of marine premiums and \$147.1 million of specialty premiums the first six months of 2008.

Net premiums earned for the first six months of 2009 were \$308.8 million compared to \$293.4 million for the first six months of 2008, an increase of \$15.4 million or 5.3%.

The combined ratio decreased to 89.3% from 90.3% in the first six months of 2008. The loss ratio of 51.8% included favorable prior year loss reserve development of \$16.5 million (representing 5.3 percentage points on the loss ratio).

Corporate Segment Results

Corporate results are comprised of executive and board expenses, internal and external audit expenses, interest and costs incurred in connection with the Company's junior subordinated deferrable debentures and other costs relating to the Company as a whole. General and administrative expenses for the three months ended June 30, 2009 were \$5.1 million compared to \$4.2 million for the three months ended June 30, 2008. Additionally, there were \$15.9 million of non-recurring costs relating to the IPC transaction in the quarter. Share compensation expenses for the three months ended June 30, 2009 were \$2.0 million compared to \$4.5 million for the three months ended June 30, 2008. The decrease of \$2.5 million was due to the vesting of a tranche of restricted stock to senior executives during the first quarter of 2009.

General and administrative expenses for the six months ended June 30, 2009 were \$9.2 million compared to \$11.0 million for the six months ended June 30, 2008. Share compensation expenses for the six months ended June 30, 2009 were \$5.3 million compared to \$8.9 million for the six months ended June 30, 2008.

Investments

Investment income was \$27.0 million in the second quarter of 2009 compared to \$36.4 million in the second quarter of 2008. Investment income was \$53.7 million in the first six months of 2009 compared to \$72.5 million in the first six months of 2008. Net investment income decreased as a result of reduced market yields and higher average cash balances. Net realized losses on investments in the quarter were \$2.7 million, compared to \$2.4 million of net realized losses in the second quarter of 2008. Net realized losses on investments in the six months ended June 30, 2009 were \$26.1 million, compared to \$5.3 million of net realized gains in the six months ended June 30, 2008.

The Company recorded \$37.2 million of net unrealized gains in the three months ended June 30, 2009 and \$59.4 million in the six months ended June 30, 2009. The Company recorded \$43.0 million of net unrealized losses in the three months ended June 30, 2008 and \$58.0 million in the six months ended June 30, 2008. The net unrealized gains in the three months ended June 30, 2009 resulted primarily from unrealized gains in non-agency RMBS and corporate bonds sectors, partially offset by unrealized losses in US government and government agency securities. At June 30, 2009, the unrealized gain on investments was \$20.6 million, which represented 0.6% of total investments and cash.

Finance Expenses

Finance expenses for the three months ended June 30, 2009 were \$10.8 million, decreasing from \$12.8 million in the three months ended June 30, 2008. Finance expenses consisted principally of interest on the Company's junior subordinated deferrable debentures and third-party capital costs for Talbot. The decrease primarily related to the termination of third-party capital for Talbot commencing with the 2008 year of account.

Finance expenses for the six months ended June 30, 2009 were \$18.5 million, decreasing from \$34.3 million in the six months ended June 30, 2008. Finance expenses consisted principally of interest on the Company's junior subordinated deferrable debentures and third-party capital costs for Talbot. The decrease primarily related to the termination of third-party capital for Talbot commencing with the 2008 year of account.

Shareholders' Equity and Capitalization

At June 30, 2009, shareholders' equity was \$2.2 billion. Diluted book value per common share was \$26.08 compared to \$24.65 at March 31, 2009. Diluted book value per common share is a non-GAAP financial measure. A reconciliation of this measure to shareholders' equity is presented at the end of this release.

Total capitalization at June 30, 2009 was \$2.5 billion, including \$304.3 million of junior subordinated deferrable debentures.

Recent Developments

On July 9, 2009, the Company announced that the boards of directors of both the Company and IPC Holdings, Ltd. ("IPC") had approved a definitive amalgamation agreement under the terms of which, IPC shareholders will receive \$7.50 in cash and 0.9727 Validus voting common shares for each IPC common share.

Completion of the transaction, which is expected to take place in the third quarter of 2009, is subject to customary closing conditions, including the Company and IPC shareholder approvals. Aquiline Capital Partners LLC, Vestar Capital Partners, and New Mountain Capital, LLC, which collectively owned approximately 38% of Validus' outstanding voting common shares as of April 30, 2009, have agreed to vote in favor of the issuance of Validus shares in connection with the transaction. Upon closing of the transaction, the Company's current shareholders will own approximately 62% of the combined company on a fully diluted basis, with IPC shareholders owning approximately 38%.

In connection with the signing of the Amalgamation Agreement, the Company has withdrawn and terminated its previously announced Exchange Offer for all of the outstanding common shares of IPC and has instructed BNY Mellon Shareowner Services to promptly return all IPC common shares previously tendered to the Company. Additionally, the Company has terminated its solicitation efforts in connection with its other previously announced alternative steps to complete a transaction with IPC, including a scheme of arrangement and calling of a special meeting of IPC shareholders.

Conference Call

The Company will host a conference call for analysts and investors on July 30, 2009 at 9:00 AM (Eastern) to discuss the second quarter 2009 financial results and related matters. The conference call can be accessed via telephone by dialing 1-800-860-2442 (toll-free U.S.) or 1-412-858-4600 (international). Those who intend to participate in the conference call should register at least ten minutes in advance to ensure access to the call. A telephone replay of the conference call will be available through August 13, 2009 by dialing 1-877-344-7529 and entering the pass code 431703#.

This conference call will also be available through a live audio webcast accessible through the Investor Information section of the Company's website located at www.validusre.bm. In addition, a financial supplement relating to our financial results for the three and six months ended June 30, 2009 is available in the Investor Information section of the Company's website.

About Validus Holdings, Ltd.

Validus Holdings, Ltd. is a provider of reinsurance and insurance, conducting its operations worldwide through two wholly-owned subsidiaries, Validus Reinsurance, Ltd. ("Validus Re") and Talbot Holdings Ltd. ("Talbot"). Validus Re is a Bermuda based reinsurer focused on short-tail lines of reinsurance. Talbot is the Bermuda parent of the specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183.

Validus Re is rated "A-" ("Excellent") by A.M. Best. For more information about Validus, visit our website at www.validusre.bm.

Validus Holdings, Ltd.

Consolidated Balance Sheets

As at June 30, 2009 and December 31, 2008

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

| | June 30, 2009 | December 31, 2008 |
|---------------------------------------|------------------|----------------------|
| Assets | | |
| Fixed maturities, at fair value | \$ 2,816,536 | \$ 2,454,501 |
| Short-term investments, at fair value | 323,940 | 377,036 |
| Cash and cash equivalents | 390,090 | 449,848 |
| Total investments and cash | 3,530,566 | 3,281,385 |
| Premiums receivable | 679,189 | 408,259 |
| Deferred acquisition costs | 145,615 | 108,156 |
| Prepaid reinsurance premiums | 87,798 | 22,459 |
| Securities lending collateral | 166,496 | 98,954 |
| Loss reserves recoverable | 169,666 | 208,796 |
| Paid losses recoverable | 36,624 | 1,388 |
| Net receivable for investments sold | - | 490 |
| Income taxes recoverable | 1,876 | 1,365 |
| Intangible assets | 125,136 | 127,217 |

| | | |
|--|--------------|--------------|
| Goodwill | 20,393 | 20,393 |
| Accrued investment income | 19,636 | 20,433 |
| Other assets | 25,455 | 23,185 |
| Total assets | \$ 5,008,450 | \$ 4,322,480 |
| Liabilities | | |
| Reserve for losses and loss expenses | \$ 1,311,935 | \$ 1,305,303 |
| Unearned premiums | 856,138 | 539,450 |
| Reinsurance balances payable | 101,004 | 33,042 |
| Securities lending payable | 168,923 | 105,688 |
| Deferred income taxes | 22,163 | 21,779 |
| Net payable for investments purchased | 16,346 | - |
| Accounts payable and accrued expenses | 75,672 | 74,184 |
| Debentures payable | 304,300 | 304,300 |
| Total liabilities | 2,856,481 | 2,383,746 |
| Commitments and contingent liabilities | | |
| Shareholders' equity | | |
| Common shares | \$ 13,327 | \$ 13,235 |
| Additional paid-in capital | 1,424,378 | 1,412,635 |
| Accumulated other comprehensive (loss) | (4,061) | (7,858) |
| Retained earnings | 718,325 | 520,722 |
| Total shareholders' equity | 2,151,969 | 1,938,734 |
| Total liabilities and shareholders' equity | \$ 5,008,450 | \$ 4,322,480 |

Validus Holdings, Ltd.

Consolidated Statements of Operations and Comprehensive Income

For the three and six months ended June 30, 2009 and 2008

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

| | |
|--------------------|------------------|
| Three months ended | Six months ended |
| June 30, | June 30, |
| June 30, | June 30, |

| | 2009 | 2008 | 2009 | 2008 |
|--|------------|------------|--------------|------------|
| Revenues | | | | |
| Gross premiums written | \$ 425,032 | \$ 379,919 | \$ 1,034,924 | \$ 901,513 |
| Reinsurance premiums ceded | (62,291) | (1,399) | (134,803) | (86,299) |
| Net premiums written | 362,741 | 378,520 | 900,121 | 815,214 |
| Change in unearned premiums | (34,541) | (69,222) | (253,162) | (214,052) |
| Net premiums earned | 328,200 | 309,298 | 646,959 | 601,162 |
| Net investment income | 26,963 | 36,435 | 53,735 | 72,478 |
| Realized gain on repurchase of debentures | - | 8,752 | - | 8,752 |
| Net realized (losses) gains on investments | (2,650) | (2,425) | (26,071) | 5,319 |
| Net unrealized gains (losses) on investments | 37,249 | (42,982) | 59,402 | (57,959) |
| Other income | 1,017 | 1,462 | 1,774 | 2,397 |
| Foreign exchange gains | 8,432 | 911 | 4,232 | 9,090 |
| Total revenues | 399,211 | 311,451 | 740,031 | 641,239 |
| Expenses | | | | |
| Losses and loss expenses | 124,751 | 122,089 | 256,585 | 262,113 |
| Policy acquisition costs | 64,438 | 56,419 | 125,887 | 113,120 |
| General and administrative expenses | 41,200 | 33,912 | 79,279 | 71,019 |
| Share compensation expenses | 5,632 | 7,271 | 12,986 | 13,806 |

| | | | | |
|---|------------|------------|------------|------------|
| Finance expenses | 10,752 | 12,762 | 18,475 | 34,279 |
| Transaction expenses (a) | 15,851 | - | 15,851 | - |
| Total expenses | 262,624 | 232,453 | 509,063 | 494,337 |
| Net income before taxes | 136,587 | 78,998 | 230,968 | 146,902 |
| Income tax benefit (expense) | 976 | (3,077) | 1,502 | (4,506) |
| Net income | \$ 137,563 | \$ 75,921 | 232,470 | \$ 142,396 |
| Comprehensive income | | | | |
| Foreign currency translation adjustments | 3,993 | 10 | 3,797 | 77 |
| Comprehensive income | \$ 141,556 | \$ 75,931 | 236,267 | \$ 142,473 |
| Earnings per share | | | | |
| Weighted average number of common shares and common share equivalents outstanding | | | | |
| Basic | 76,138,038 | 74,233,425 | 75,941,308 | 74,221,398 |
| Diluted | 78,942,065 | 77,257,545 | 79,022,355 | 77,793,636 |
| Basic earnings per share | \$ 1.79 | \$ 1.00 | \$ 3.02 | \$ 1.87 |
| Diluted earnings per share | \$ 1.74 | \$ 0.98 | \$ 2.94 | \$ 1.83 |
| Cash dividends declared per share | \$ 0.20 | \$ 0.20 | \$ 0.40 | \$ 0.40 |

(a) The transaction expenses relates to costs incurred in relation to the agreement and plan of amalgamation with IPC Holdings, Ltd.

Validus Holdings, Ltd.

Consolidated Statements of Operations

For the three months ended June 30, 2009

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

| | Validus Re | Talbot | Corporate & Elimination | Total |
|--------------------------------------|------------|------------|-------------------------------|------------|
| Gross premiums written | \$ 199,560 | \$ 235,113 | \$ (9,641) | \$ 425,032 |
| Reinsurance premiums ceded | (43,070) | (28,862) | 9,641 | (62,291) |
| Net premiums written | 156,490 | 206,251 | - | 362,741 |
| Change in unearned premiums | 7,207 | (41,748) | - | (34,541) |
| Net premiums earned | 163,697 | 164,503 | - | 328,200 |
| Losses and loss expenses | 41,121 | 83,630 | - | 124,751 |
| Policy acquisition costs | 29,120 | 36,114 | (796) | 64,438 |
| General and administrative expenses | 14,149 | 21,927 | 5,124 | 41,200 |
| Share compensation expense | 1,548 | 2,098 | 1,986 | 5,632 |
| Underwriting income | \$ 77,759 | \$ 20,734 | \$ (6,314) | \$ 92,179 |
| Net investment income | 20,783 | 7,693 | (1,513) | 26,963 |
| Other income | 902 | 911 | (796) | 1,017 |
| Finance expenses | (477) | (3,339) | (6,936) | (10,752) |
| Operating income before taxes | 98,967 | 25,999 | (15,559) | 109,407 |
| Income tax (expense) benefit | (28) | 1,004 | - | 976 |
| Net operating income | \$ 98,939 | \$ 27,003 | \$ (15,559) | \$ 110,383 |
| Net realized (losses) on investments | (2,140) | (510) | - | (2,650) |
| Net unrealized gains on investments | 35,793 | 1,456 | - | 37,249 |
| Foreign exchange gains | 1,827 | 6,549 | 56 | 8,432 |
| Transaction expenses (a) | - | - | (15,851) | (15,851) |
| Net income | \$ 134,419 | \$ 34,498 | \$ (31,354) | \$ 137,563 |

| | | | | | | |
|--|------|---|------|---|------|---|
| Losses and loss expense ratio | 25.1 | % | 50.8 | % | 38.0 | % |
| Policy acquisition cost ratio | 17.8 | % | 22.0 | % | 19.6 | % |
| General and administrative expense ratio | 9.6 | % | 14.6 | % | 14.3 | % |
| Expense ratio | 27.4 | % | 36.6 | % | 33.9 | % |
| Combined ratio | 52.5 | % | 87.4 | % | 71.9 | % |

(a) The transaction expenses relates to costs incurred in relation to the agreement and plan of amalgamation with IPC Holdings, Ltd.

Validus Holdings, Ltd.

Consolidated Statements of Operations

For the three months ended June 30, 2008

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

| | Three months ended June 30 2008 | | | |
|-------------------------------------|---------------------------------|------------|-------------------------------|------------|
| | Validus Re | Talbot | Corporate & Elimination | Total |
| Gross premiums written | \$ 187,820 | \$ 197,235 | \$ (5,136) | \$ 379,919 |
| Reinsurance premiums ceded | (1,208) | (5,327) | 5,136 | (1,399) |
| Net premiums written | 186,612 | 191,908 | - | 378,520 |
| Change in unearned premiums | (22,500) | (46,722) | - | (69,222) |
| Net premiums earned | 164,112 | 145,186 | - | 309,298 |
| Losses and loss expense | 48,677 | 73,412 | - | 122,089 |
| Policy acquisition costs | 25,309 | 31,134 | (24) | 56,419 |
| General and administrative expenses | 9,955 | 19,787 | 4,170 | 33,912 |
| Stock compensation expenses | 1,597 | 1,126 | 4,548 | 7,271 |
| Underwriting income | \$ 78,574 | \$ 19,727 | \$ (8,694) | \$ 89,607 |

| | | | | |
|--|------------|-----------|--------------|------------|
| Net investment income | 25,725 | 11,726 | (1,016) | 36,435 |
| Other income | 24 | 1,462 | (24) | 1,462 |
| Finance expenses | (88) | (5,400) | (7,274) | (12,762) |
| Operating income before taxes | 104,235 | 27,515 | (17,008) | 114,742 |
| Income tax expense | (20) | (3,057) | - | (3,077) |
| Net operating income | \$ 104,215 | \$ 24,458 | \$ (17,008) | \$ 111,665 |
| Realized gain on repurchase of debentures | - | - | 8,752 | 8,752 |
| Net realized (losses) gains on investments | (3,260) | 835 | - | (2,425) |
| Net unrealized losses on investments | (24,059) | (18,923) | - | (42,982) |
| Foreign exchange (loss) gains | (403) | 1,314 | - | 911 |
| Net income | \$ 76,493 | \$ 7,684 | \$ (8,256) | \$ 75,921 |
| Loss and loss expense ratio | 29.7 % | 50.6 % | | 39.5 % |
| Policy acquisition cost ratio | 15.4 % | 21.4 % | | 18.2 % |
| General and administrative expense ratio | 7.0 % | 14.4 % | | 13.3 % |
| Expense ratio | 22.4 % | 35.8 % | | 31.5 % |
| Combined ratio | 52.1 % | 86.4 % | | 71.0 % |

Validus Holdings, Ltd.

Consolidated Statements of Operations

For the six months ended June 30, 2009

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

Six months ended June 30, 2009

| | Validus Re | Talbot | Corporate & Elimination | Total |
|----------------|------------|------------|-------------------------|--------------|
| Gross premiums | \$ 609,686 | \$ 463,033 | \$ (37,795) | \$ 1,034,924 |

written

| | | | | |
|--------------------------------------|------------|------------|--------------|------------|
| Reinsurance premiums ceded | (56,359) | (116,239) | 37,795 | (134,803) |
| Net premiums written | 553,327 | 346,794 | - | 900,121 |
| Change in unearned premiums | (215,183) | (37,979) | - | (253,162) |
| Net premiums earned | 338,144 | 308,815 | - | 646,959 |
| Losses and loss expenses | 96,583 | 160,002 | - | 256,585 |
| Policy acquisition costs | 57,697 | 69,271 | (1,081) | 125,887 |
| General and administrative expenses | 27,941 | 42,141 | 9,197 | 79,279 |
| Share compensation expense | 3,220 | 4,433 | 5,333 | 12,986 |
| Underwriting income | \$ 152,703 | \$ 32,968 | \$ (13,449) | \$ 172,222 |
| Net investment income | 41,569 | 15,187 | (3,021) | 53,735 |
| Other income | 1,187 | 1,668 | (1,081) | 1,774 |
| Finance expenses | (840) | (3,762) | (13,873) | (18,475) |
| Operating income before taxes | 194,619 | 46,061 | (31,424) | 209,256 |
| Income tax (expense) benefit | (66) | 1,568 | - | 1,502 |
| Net operating income | \$ 194,553 | \$ 47,629 | \$ (31,424) | \$ 210,758 |
| Net realized (losses) on investments | (19,679) | (6,392) | - | (26,071) |
| Net unrealized gains on investments | 54,800 | 4,602 | - | 59,402 |
| Foreign exchange (losses) gains | (1,380) | 5,556 | 56 | 4,232 |
| Transaction expenses (a) | - | - | (15,851) | (15,851) |

| | | | | | | |
|--|------------|---|-----------|---|-------------------|------------|
| Net income | \$ 228,294 | | \$ 51,395 | | \$ (47,219)1,034 | \$ 232,470 |
| Losses and loss expense ratio | 28.6 | % | 51.8 | % | | 39.7 % |
| Policy acquisition cost ratio | 17.1 | % | 22.4 | % | | 19.5 % |
| General and administrative expense ratio | 9.2 | % | 15.1 | % | | 14.3 % |
| Expense ratio | 26.3 | % | 37.5 | % | | 33.8 % |
| Combined ratio | 54.9 | % | 89.3 | % | | 73.5 % |

(a) The transaction expenses relates to costs incurred in relation to the agreement and plan of amalgamation with IPC Holdings, Ltd.

Validus Holdings, Ltd.

Consolidated Statements of Operations

For the six months ended June 30, 2008

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

Six months ended June 30, 2008

| | Validus Re | Talbot | Corporate & Elimination | Total |
|-------------------------------------|------------|------------|-------------------------------|------------|
| Gross premiums written | \$ 518,869 | \$ 399,028 | \$ (16,384) | \$ 901,513 |
| Reinsurance premiums ceded | (24,951) | (77,732) | 16,384 | (86,299) |
| Net premiums written | 493,918 | 321,296 | - | 815,214 |
| Change in unearned premiums | (186,151) | (27,901) | - | (214,052) |
| Net premiums earned | 307,767 | 293,395 | - | 601,162 |
| Losses and loss expense | 107,591 | 154,522 | - | 262,113 |
| Policy acquisition costs | 45,712 | 67,432 | (24) | 113,120 |
| General and administrative expenses | 19,334 | 40,710 | 10,975 | 71,019 |

| | | | | | | | | |
|--|------------|---|-----------|---|--------------|--|------------|---|
| Stock compensation expenses | 2,823 | | 2,102 | | 8,881 | | 13,806 | |
| Underwriting income | \$ 132,307 | | \$ 28,629 | | \$ (19,832) | | \$ 141,104 | |
| Net investment income | 50,752 | | 22,708 | | (982) | | 72,478 | |
| Other income | 24 | | 2,397 | | (24) | | 2,397 | |
| Finance expenses | (442) | | (18,620) | | (15,217) | | (34,279) | |
| Operating income before taxes | 182,641 | | 35,114 | | (36,055) | | 181,700 | |
| Income tax expense | (48) | | (4,458) | | - | | (4,506) | |
| Net operating income | \$ 182,593 | | \$ 30,656 | | \$ (36,055) | | \$ 177,194 | |
| Realized gain on repurchase of debentures | - | | - | | 8,752 | | 8,752 | |
| Net realized (losses) gains on investments | (1,183) | | 6,502 | | - | | 5,319 | |
| Net unrealized losses on investments | (42,671) | | (15,288) | | - | | (57,959) | |
| Foreign exchange gains | 7,272 | | 1,818 | | - | | 9,090 | |
| Net income | \$ 146,011 | | \$ 23,688 | | \$ (27,303) | | \$ 142,396 | |
| Loss and loss expense ratio | 35.0 | % | 52.7 | % | | | 43.6 | % |
| Policy acquisition cost ratio | 14.9 | % | 23.0 | % | | | 18.8 | % |
| General and administrative expense ratio | 7.1 | % | 14.6 | % | | | 14.1 | % |
| Expense ratio | 22.0 | % | 37.6 | % | | | 32.9 | % |
| Combined ratio | 57.0 | % | 90.3 | % | | | 76.5 | % |

Validus Holdings, Ltd.

Non-GAAP Financial Measure Reconciliation

Net Operating Income, Net Operating Income per share and Annualized Net Operating Return on Average Equity

For the three and six months ended June 30, 2009 and 2008

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

| | Three months ended | | Six months ended | |
|--|--------------------|-----------|------------------|------------|
| | June 30, | June 30, | June 30, | June 30, |
| | 2009 | 2008 | 2009 | 2008 |
| Net income | \$ 137,563 | \$ 75,921 | \$ 232,470 | \$ 142,396 |
| Adjustment for realize gain on repurchase of debentures | - | (8,752) | - | (8,752) |
| Adjustment for net realized (gains) on investments | 2,650 | 2,425 | 26,071 | (5,319) |
| Adjustment for net unrealized losses (gains) on investments | (37,249) | 42,982 | (59,402) | 57,959 |
| Adjustment for foreign exchange (gains) | (8,432) | (911) | (4,232) | (9,090) |
| Adjustment for transaction expenses | 15,851 | - | 15,851 | - |
| Net operating income | \$ 110,383 | 111,665 | \$ 210,758 | \$ 177,194 |
| Net income | \$ 137,563 | \$ 75,921 | \$ 232,470 | \$ 142,396 |
| Less: Dividends and distributions declared on outstanding warrants | - | - | - | - |
| Net income available to common shareholders | \$ 137,563 | \$ 75,921 | \$ 232,470 | \$ 142,396 |
| Net income per share - diluted | \$ 1.74 | \$ 0.98 | \$ 2.94 | \$ 1.83 |
| Adjustment for realize gain on repurchase of debentures | - | (0.11) | - | (0.11) |
| Adjustment for net realized | | | | |

| | | | | | |
|---|------------|------------|------------|------------|---|
| losses (gains) | 0.03 | 0.03 | 0.33 | (0.07) |) |
| on investments | | | | | |
| Adjustment for net unrealized (gains) losses on investments | (0.47) |) 0.56 | (0.75) |) 0.75 | |
| Adjustment for foreign exchange losses (gains) | (0.10) |) (0.01) |) (0.05) |) (0.12) |) |
| Adjustment for transaction expenses | 0.20 | - | 0.20 | - | |
| Net operating income per share - diluted | \$ 1.40 | \$ 1.45 | \$ 2.67 | \$ 2.28 | |
| Weighted average number of common shares and common share equivalents - diluted | 78,942,065 | 77,257,545 | 79,022,355 | 77,793,636 | |
| Net operating income | \$ 110,383 | \$ 111,665 | \$ 210,758 | \$ 177,194 | |
| Average shareholders' equity | 2,087,478 | 2,023,720 | 2,037,896 | 1,994,080 | |
| Annualized net operating return on average equity | 21.2 | % 22.1 | % 20.7 | % 17.8 | % |

Validus Holdings, Ltd.

Non-GAAP Financial Measure Reconciliation

Diluted Book Value Per Common Share

As at June 30, 2009 and December 31, 2008

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

At June 30, 2009

Exercise Book value per

| | Equity amount | Shares | Price | share |
|---|---------------|------------|----------|----------|
| Book value per common share | | | | |
| Total shareholders' equity | \$ 2,151,969 | 76,151,473 | | \$ 28.26 |
| Diluted book value per common share | | | | |
| Total shareholders' equity | \$ 2,151,969 | 76,151,473 | | |
| Assumed exercise of outstanding warrants | 139,576 | 7,952,138 | \$ 17.55 | |
| Assumed exercise of outstanding stock options | 50,904 | 2,793,402 | \$ 18.22 | |
| Unvested restricted shares | | 2,928,813 | | |
| Diluted book value per common share | \$ 2,342,449 | 89,825,826 | | \$ 26.08 |

At December 31, 2008

| | Equity amount | Shares | Exercise Price | Book value per share |
|---|---------------|------------|----------------|----------------------|
| Book value per common share | | | | |
| Total shareholders' equity | \$ 1,938,734 | 75,624,697 | | \$ 25.64 |
| Diluted book value per common share | | | | |
| Total shareholders' equity | \$ 1,938,734 | 75,624,697 | | |
| Assumed exercise of outstanding warrants | 152,316 | 8,680,149 | \$ 17.55 | |
| Assumed exercise of outstanding stock options | 51,043 | 2,799,938 | \$ 18.23 | |
| Unvested restricted shares | - | 2,986,619 | | |
| Diluted book value per common share | \$ 2,142,093 | 90,091,403 | | \$ 23.78 |

Validus Holdings, Ltd.

Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.

Pro Forma Combined Balanced Sheet

As at June 30, 2009

(expressed in thousands of U.S. dollars, except share and per share information)

| | Historical Validus Holdings Ltd. | Historical IPC Holdings Ltd. | IPC Holdings Ltd. accounting adjustments | Pro Forma Consolidated |
|---|--|---------------------------------|---|---------------------------|
| Assets | | | | |
| Fixed maturities, at fair value | \$ 2,816,536 | \$ 1,706,461 | \$ - | \$ 4,522,997 |
| Short-term investments, at fair value | 323,940 | - | - | 323,940 |
| Equity investments, at fair value | - | 329,986 | - | 329,986 |
| Cash and cash equivalents | 390,090 | 272,049 | (502,727) | 159,412 |
| Total investments and cash | 3,530,566 | 2,308,496 | (502,727 | 5,336,335 |
| Premiums receivable | 679,189 | 244,737 | (133) | 923,793 |
| Deferred acquisition costs | 145,615 | 26,634 | - | 172,249 |
| Prepaid reinsurance premiums | 87,798 | 4,851 | (133) | 92,516 |
| Securities lending collateral | 166,496 | - | - | 166,496 |
| Loss reserves recoverable | 169,666 | 3,168 | - | 172,834 |
| Paid losses recoverable | 36,624 | - | - | 36,624 |
| Income taxes recoverable | 1,876 | - | - | 1,876 |
| Intangible assets | 125,136 | - | - | 125,136 |
| Goodwill | 20,393 | - | - | 20,393 |
| Accrued | | | | |

| | | | | |
|---|--------------|--------------|---------------|--------------|
| investment income | 19,636 | 20,761 | - | 40,397 |
| Other assets | 25,455 | 4,021 | - | 29,476 |
| Total assets | \$ 5,008,450 | \$ 2,612,668 | \$ (502,993) | \$ 7,118,125 |
| Liabilities | | | | |
| Reserve for losses and loss expense | 1,311,935 | 320,322 | - | 1,632,257 |
| Unearned premiums | \$ 856,138 | \$ 248,797 | \$ (133) | \$ 1,104,802 |
| Reinsurance balances payable | 101,004 | 4,828 | (133) | 105,699 |
| Securities lending payable | 168,923 | - | - | 168,923 |
| Deferred taxation | 22,163 | - | - | 22,163 |
| Net payable for investments purchased | 16,346 | - | - | 16,346 |
| Accounts payable and accrued expenses | 75,672 | 24,503 | - | 100,175 |
| Debentures payable | 304,300 | - | - | 304,300 |
| Total liabilities | \$ 2,856,481 | \$ 598,450 | \$ (266) | \$ 3,454,665 |
| Shareholders' equity | | | | |
| Ordinary shares | 13,327 | 562 | 9,062 | 22,951 |
| Additional paid-in capital | 1,424,378 | 1,093,965 | 170,059 | 2,688,402 |
| Accumulated other comprehensive (loss) income | (4,061) | (173) | 173 | (4,061) |
| Retained | | | | |

| | | | | |
|--|--------------|--------------|---------------|--------------|
| earnings (deficit) | 718,325 | 919,864 | (682,021) | 956,168 |
| Total shareholders' equity | 2,151,969 | 2,014,218 | (502,727) | 3,663,460 |
| Total liabilities and shareholders' equity | \$ 5,008,450 | \$ 2,612,668 | \$ (502,993) | \$ 7,118,125 |
| Book value per share | | | | |
| Common shares outstanding | 76,151,473 | 56,078,931 | 54,552,393 | 130,703,866 |
| Common shares and common share equivalents outstanding | 89,825,826 | 57,046,895 | 55,493,931 | 145,319,757 |
| Book value per common share | \$ 28.26 | \$ 35.92 | | \$ 28.03 |
| Diluted book value per common share | \$ 26.08 | \$ 35.62 | | \$ 26.64 |
| Diluted tangible book value per common share | \$ 24.46 | \$ 35.62 | | \$ 25.64 |

Validus Holdings, Ltd.

Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.

Pro Forma Combined Income Statement

For the six months ended June 30, 2009

(expressed in thousands of U.S. dollars, except share and per share information)

| Historical Validus Holdings Ltd. | Historical IPC Holdings Ltd. | Pro Forma Purchase adjustments | Pro Forma Consolidated |
|--|---------------------------------|--------------------------------------|---------------------------|
|--|---------------------------------|--------------------------------------|---------------------------|

Revenues

| | | | | |
|--|--------------|------------|-----------|--------------|
| Gross premiums written | \$ 1,034,924 | \$ 362,159 | \$ (265) | \$ 1,396,818 |
| Reinsurance premiums ceded | (134,803) | (6,615) | 265 | (141,153) |
| Net premiums written | 900,121 | 355,544 | - | 1,255,665 |
| Change in unearned premiums | (253,162) | (160,638) | - | (413,800) |
| Net premiums earned | 646,959 | 194,906 | - | 841,865 |
| Net investment income | 53,735 | 43,145 | (7,893) | 88,987 |
| Net realized (losses) gains on investments | (26,071) | 1,162 | - | (24,909) |
| Net unrealized gains on investments | 59,402 | 40,651 | - | 100,053 |
| Other income | 1,774 | 26 | - | 1,800 |
| Foreign exchange gains (losses) | 4,232 | (1,467) | - | 2,765 |
| Total revenues | 740,031 | 278,423 | (7,893) | 1,010,561 |
| Expenses | | | | |
| Losses and loss expenses | 256,585 | 30,692 | - | 287,277 |
| Policy acquisition costs | 125,887 | 19,744 | - | 145,631 |
| General and administrative expenses | 95,130 | 40,513 | (36,302) | 99,341 |
| Share compensation expenses | 12,986 | 4,964 | - | 17,950 |
| Finance expenses | 18,475 | 383 | - | 18,858 |
| Total expenses | 509,063 | 96,296 | (36,302) | 569,057 |
| Income before taxes | 230,968 | 182,127 | 28,409 | 441,504 |

| | | | | |
|---|------------|------------|------------|-------------|
| Income tax benefit | 1,502 | - | - | 1,502 |
| Net income | \$ 232,470 | \$ 182,127 | \$ 28,409 | \$ 443,006 |
| Preferred dividend and warrant dividend | 3,326 | - | - | 3,326 |
| Net income available to common shareholders | \$ 229,144 | \$ 182,127 | \$ 28,409 | \$ 439,680 |
| Earnings per share | | | | |
| Weighted average number of common shares and common share equivalents outstanding | | | | |
| Basic | 75,941,308 | 55,943,928 | 54,552,393 | 130,493,701 |
| Diluted | 79,022,355 | 55,954,235 | 54,997,854 | 134,020,209 |
| Basic earnings per common share | \$ 3.02 | \$ 3.26 | | \$ 3.37 |
| Diluted earnings per common share | \$ 2.94 | \$ 3.25 | | \$ 3.31 |

Validus Holdings, Ltd.

Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.

Pro Forma Combined Income Statement

For the three months ended June 30, 2009

(expressed in thousands of U.S. dollars, except share and per share information)

| Historical Validus Holdings Ltd. | Historical IPC Holdings Ltd. | Pro Forma Purchase adjustments | Pro Forma Consolidated |
|--|---------------------------------|--------------------------------------|---------------------------|
|--|---------------------------------|--------------------------------------|---------------------------|

Revenues

| | | | | |
|--|------------|------------|-----------|------------|
| Gross premiums written | \$ 425,032 | \$ 127,549 | \$ - | \$ 552,581 |
| Reinsurance premiums ceded | (62,291) | (3,461) | - | (65,752) |
| Net premiums written | 362,741 | 124,088 | - | 486,829 |
| Change in unearned premiums | (34,541) | (27,890) | - | (62,431) |
| Net premiums earned | 328,200 | 96,198 | - | 424,398 |
| Net investment income | 26,963 | 21,279 | (3,702) | 44,540 |
| Net realized (losses) gains on investments | (2,650) | 5,080 | - | 2,430 |
| Net unrealized gains on investments | 37,249 | 72,305 | - | 109,554 |
| Other income | 1,017 | 19 | - | 1,036 |
| Foreign exchange gains | 8,432 | 1,679 | - | 10,111 |
| Total revenues | 399,211 | 196,560 | (3,702) | 592,069 |
| Expenses | | | | |
| Losses and loss expenses | 124,751 | (8,417) | - | 116,334 |
| Policy acquisition costs | 64,438 | 9,906 | - | 74,344 |
| General and administrative expenses | 57,051 | 18,721 | (24,664) | 51,108 |
| Share compensation expenses | 5,632 | 2,475 | - | 8,107 |
| Finance expenses | 10,752 | - | - | 10,752 |
| Total expenses | 262,624 | 22,685 | (24,664) | 260,645 |
| Income before taxes | 136,587 | 173,875 | 20,962 | 331,424 |

| | | | | |
|---|------------|------------|------------|-------------|
| Income tax benefit | 976 | - | - | 976 |
| Net income | \$ 137,563 | \$ 173,875 | \$ 20,962 | \$ 332,400 |
| Preferred dividend and warrant dividend | 1,590 | - | - | 1,590 |
| Net income available to common shareholders | \$ 135,973 | \$ 173,875 | \$ 20,962 | \$ 330,810 |
| Earnings per share | | | | |
| Weighted average number of common shares and common share equivalents outstanding | | | | |
| Basic | 76,138,038 | 55,984,116 | 54,679,419 | 130,817,457 |
| Diluted | 78,942,065 | 55,990,946 | 55,036,063 | 133,978,128 |
| Basic earnings per common share | \$ 1.79 | 3.11 | | 2.53 |
| Diluted earnings per common share | \$ 1.74 | 3.11 | | 2.48 |

Validus Holdings, Ltd.

Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.

Pro Forma Combined Income Statement

For the three months ended March 31, 2009

(expressed in thousands of U.S. dollars, except share and per share information)

| Historical Validus Holdings Ltd. | Historical IPC Holdings Ltd. | Pro Forma Purchase adjustments | Pro Forma Consolidated |
|----------------------------------|------------------------------|--------------------------------|------------------------|
|----------------------------------|------------------------------|--------------------------------|------------------------|

Revenues

| | | | | |
|--|------------|------------|-----------|------------|
| Gross premiums written | \$ 609,892 | \$ 234,610 | \$ (265) | \$ 844,237 |
| Reinsurance premiums ceded | (72,512) | (3,154) | 265 | (75,401) |
| Net premiums written | 537,380 | 231,456 | - | 768,836 |
| Change in unearned premiums | (218,621) | (132,748) | - | (351,369) |
| Net premiums earned | 318,759 | 98,708 | - | 417,467 |
| Net investment income | 26,772 | 21,866 | (4,191) | 44,447 |
| Net realized (losses) on investments | (23,421) | (3,918) | - | (27,339) |
| Net unrealized gains (losses) on investments | 22,153 | (31,654) | - | (9,501) |
| Other income | 757 | 7 | - | 764 |
| Foreign exchange (losses) | (4,200) | (3,146) | - | (7,346) |
| Total revenues | 340,820 | 81,863 | (4,191) | 418,492 |
| Expenses | | | | |
| Losses and loss expenses | 131,834 | 39,109 | - | 170,943 |
| Policy acquisition costs | 61,449 | 9,838 | - | 71,287 |
| General and administrative expenses | 38,079 | 21,792 | (11,638) | 48,233 |
| Share compensation expenses | 7,354 | 2,489 | - | 9,843 |
| Finance expenses | 7,723 | 383 | - | 8,106 |
| Total expenses | 246,439 | 73,611 | (11,638) | 308,412 |
| Income before taxes | 94,381 | 8,252 | 7,447 | 110,080 |

| | | | | |
|---|------------|------------|------------|-------------|
| Income tax benefit | 526 | - | - | 526 |
| Net income | \$ 94,907 | \$ 8,252 | \$ 7,447 | \$ 110,606 |
| Preferred dividend and warrant dividend | 1,736 | - | - | 1,736 |
| Net income available to common shareholders | \$ 93,171 | \$ 8,252 | \$ 7,447 | \$ 108,870 |
| Earnings per share | | | | |
| Weighted average number of common shares and common share equivalents outstanding | | | | |
| Basic | 75,744,577 | 55,903,740 | 54,425,368 | 130,169,945 |
| Diluted | 79,102,643 | 55,916,256 | 54,959,647 | 134,062,290 |
| Basic earnings per common share | \$ 1.23 | \$ 0.15 | | \$ 0.84 |
| Diluted earnings per common share | \$ 1.20 | \$ 0.15 | | \$ 0.83 |

Validus Holdings, Ltd.

Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.

Pro Forma Combined Income Statement

For the year ended December 31, 2008

(expressed in thousands of U.S. dollars, except share and per share information)

| Historical Validus Holdings Ltd. | Historical IPC Holdings Ltd. | Pro Forma Purchase adjustments | Pro Forma Consolidated |
|--|---------------------------------|--------------------------------------|---------------------------|
|--|---------------------------------|--------------------------------------|---------------------------|

Revenues

| | | | | |
|--|--------------|------------|-----------|--------------|
| Gross premiums written | \$ 1,362,484 | \$ 403,395 | \$ (251) | \$ 1,765,628 |
| Reinsurance premiums ceded | (124,160) | (6,122) | 251 | (130,031) |
| Net premiums written | 1,238,324 | 397,273 | - | 1,635,597 |
| Change in unearned premiums | 18,194 | (9,906) | - | 8,288 |
| Net premiums earned | 1,256,518 | 387,367 | - | 1,643,885 |
| Net investment income | 139,528 | 94,105 | (20,203) | 213,430 |
| Realized gain on repurchase of debentures | 8,752 | - | - | 8,752 |
| Net realized (losses) gains on investments | (1,591) | 49,290 | - | 47,699 |
| Net unrealized (losses) on investments | (79,707) | (217,498) | - | (297,205) |
| Other income | 5,264 | 65 | - | 5,329 |
| Foreign exchange (losses) | (49,397) | (1,848) | - | (51,245) |
| Total revenues | 1,279,367 | 311,481 | (20,203) | 1,570,645 |
| Expenses | | | | |
| Losses and loss expenses | 772,154 | 155,632 | - | 927,786 |
| Policy acquisition costs | 234,951 | 36,429 | - | 271,380 |
| General and administrative expenses | 123,948 | 20,689 | - | 144,637 |
| Share compensation expenses | 27,097 | 5,625 | - | 32,722 |
| Finance expenses | 57,318 | 2,659 | - | 59,977 |

| | | | | |
|---|------------|------------|-------------|-------------|
| Total expenses | 1,215,468 | 221,034 | - | 1,436,502 |
| Income before taxes | 63,899 | 90,447 | (20,203) | 134,143 |
| Income tax expense | (10,788) | - | - | (10,788) |
| Net income | \$ 53,111 | \$ 90,447 | \$ (20,203) | \$ 123,355 |
| Preferred dividend and warrant dividend | 6,947 | 14,939 | (14,939) | 6,947 |
| Net income available to common shareholders | \$ 46,164 | \$ 75,508 | \$ (5,264) | \$ 116,408 |
| Earnings per share | | | | |
| Weighted average number of common shares and common share equivalents outstanding | | | | |
| Basic | 74,677,903 | 52,124,034 | 54,426,286 | 129,104,189 |
| Diluted | 75,819,413 | 59,301,939 | 54,960,566 | 130,779,979 |
| Basic earnings per common share | \$ 0.62 | \$ 1.45 | | \$ 0.90 |
| Diluted earnings per common share | \$ 0.61 | \$ 1.45 | | \$ 0.89 |

Cautionary Note Regarding Forward-Looking Statements

This press release may include forward-looking statements, both with respect to the Company and its industry, that reflect its current views with respect to future events and financial performance. Statements that include the words "expect," "intend," "plan," "confident," "believe," "project," "anticipate," "will," "may" and similar statements of a future or forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond the Company's control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. The parties believe that these factors include, but are not limited to, the following: 1) Validus and IPC may be unable to complete the proposed amalgamation because, among other reasons, conditions to the closing of the proposed amalgamation may not be satisfied or waived; 2) uncertainty as to the actual premium that will be realized by IPC shareholders in connection with the proposed amalgamation; 3) uncertainty as to the long-term value of Validus common shares; 4) unpredictability and severity of catastrophic events; 5) rating agency actions; 6) adequacy of Validus' or IPC's risk management and loss limitation methods; 7) cyclicity of demand and pricing in the insurance and reinsurance markets; 8) Validus' limited operating history; 9) Validus' ability to implement its business strategy during "soft" as well as "hard" markets; 10) adequacy of Validus' or IPC's loss reserves; 11) continued availability of capital and financing; 12) retention of key personnel; 13) competition; 14) potential loss of business from one or more major insurance or reinsurance brokers; 15) Validus' or IPC's ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to

develop accurate actuarial data to support the business and regulatory and reporting requirements; 16) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 17) the integration of Talbot or other businesses Validus may acquire or new business ventures Validus may start; 18) the effect on Validus' or IPC's investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; 19) acts of terrorism or outbreak of war; 20) availability of reinsurance and retrocessional coverage; 21) failure to realize the anticipated benefits of the proposed amalgamation, including as a result of failure or delay in integrating the businesses of Validus and IPC; and 22) the outcome of any legal proceedings to the extent initiated against Validus, IPC and others following the announcement of the proposed amalgamation, as well as management's response to any of the aforementioned factors.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the risk factors included in Validus' most recent reports on Form 10-K and Form 10-Q and the risk factors included in IPC's most recent reports on Form 10-K and Form 10-Q and other documents of Validus and IPC on file with the Securities and Exchange Commission ("SEC"). Any forward-looking statements made in this press release are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Validus will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Validus or its business or operations. Except as required by law, the parties undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Non-GAAP Financial Measures

In presenting the Company's results, management has included and discussed certain schedules containing net operating income (loss), net operating income per share underwriting income, annualized net operating return on average equity and diluted book value per common share that are not calculated under standards or rules that comprise U.S. GAAP. Such measures are referred to as non-GAAP. Non-GAAP measures may be defined or calculated differently by other companies. These measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP. A reconciliation of net operating income to net income, the most comparable U.S. GAAP financial measure, is presented in the section above entitled "Net Operating Income, Net Operating Income per share and Annualized Net Operating Return on Average Equity". A reconciliation of underwriting income to net income, the most comparable U.S. GAAP financial measure, is presented in the "Consolidated Statement of Operations" above. Annualized net operating return on average equity is presented in the section above entitled "Net Operating Income, Net Operating Income per share and Annualized Net Operating Return on Average Equity". A reconciliation of diluted book value per share to book value per share, the most comparable U.S. GAAP financial measure, is presented in the section above entitled "Diluted Book Value Per Share". Net operating income is calculated based on net income (loss) excluding net realized gains (losses), net unrealized gains (losses) on investments, gains (losses) arising from translation of non-US\$ denominated balances and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-US\$ denominated balances are unrelated to our underlying business.

Additional information about the proposed amalgamation and where to find it:

The issuance of Validus shares to IPC shareholders in the amalgamation will be submitted to shareholders of Validus for their consideration. The proposed amalgamation will be submitted to shareholders of IPC for their consideration. On July 16, 2009, Validus filed a Registration Statement on Form S-4 that contains a preliminary joint proxy statement/prospectus for the proposed amalgamation. These materials are not yet final and will be amended or supplemented. Validus and IPC shareholders are urged to read the preliminary joint proxy statement/prospectus and, when filed, the definitive version thereof, and any other relevant documents filed with the SEC because they contain and will contain important information. This press release is not a substitute for the joint proxy statement/prospectus or any other documents which Validus or IPC may file with the SEC and send to their respective shareholders in connection with the proposed amalgamation.

The preliminary joint proxy statement/prospectus filed on July 16, 2009 is, and the definitive version of the joint proxy statement/prospectus and other relevant materials, when filed, will be, available free of charge at the SEC's website (www.sec.gov) or by directing a request to Validus through Jon Levenson, Senior Vice President, at +1-441-278-9000, or IPC through John Weale, Interim President and Chief Executive Officer, at +1-441-298-5100.

This press release does not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a proxy statement/prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Participants in the Solicitation:

Validus and IPC and their directors and executive officers are deemed to be participants in any solicitation of Validus and IPC shareholders in connection with the proposed amalgamation. Information about Validus' directors and executive officers is available in Validus' definitive proxy statement, dated March 25, 2009, for its 2009 annual general meeting of shareholders. Information about IPC's directors and executive officers is available in IPC's Amendment No. 1 to Form 10-K, dated April 30, 2009, for the fiscal year ended December 31, 2008.

Source: Validus Holdings, Ltd.

Contact: Investors: Validus Holdings, Ltd. Jon Levenson, +1-441-278-9000 Senior Vice President Jon.Levenson@Validusre.bm or Media: Sard Verbinnen & Co. Jamie Tully/Jonathan Doorley +1-212-687-8080 or College Hill Roddy Watt / Tony Friend +44 (0) 207-457-2020

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