



VALIDUS ANNOUNCES THIRD QUARTER AND NINE MONTH 2014 FINANCIAL RESULTS

2014 YEAR TO DATE NET INCOME OF \$355.4 MILLION AND 12.8% ANNUALIZED OPERATING RETURN ON AVERAGE EQUITY

BOOK VALUE PER DILUTED COMMON SHARE OF \$38.70 AT SEPTEMBER 30, 2014

Pembroke, Bermuda, October 29, 2014 - Validus Holdings, Ltd. (“Validus” or the “Company”) (NYSE: VR) today reported net income available to Validus of \$39.7 million, or \$0.41 per diluted common share, for the three months ended September 30, 2014, compared to \$183.4 million, or \$1.77 per diluted common share, for the three months ended September 30, 2013. Net income available to Validus was \$355.4 million, or \$3.70 per diluted common share, for the nine months ended September 30, 2014, compared to \$437.3 million, or \$3.99 per diluted common share, for the nine months ended September 30, 2013.

Net operating income available to Validus was \$77.3 million, or \$0.82 per diluted common share, for the three months ended September 30, 2014, compared to \$155.2 million, or \$1.50 per diluted common share, for the three months ended September 30, 2013. Net operating income available to Validus was \$356.0 million, or \$3.71 per diluted common share, for the nine months ended September 30, 2014, compared to \$482.3 million, or \$4.41 per diluted common share, for the nine months ended September 30, 2013.

Book value per diluted common share stands at \$38.70, reflecting quarterly growth of 1.2% inclusive of dividends.

Commenting on the financial results for the three months ended September 30, 2014, Validus' Chairman and CEO Ed Noonan stated:

“Validus’ results for the quarter were impacted by \$61.4 million of losses concentrated in the classes of aviation war and energy. Despite these losses, the company still generated \$92.1 million in underwriting income, \$77.3 million in net operating income and an 8.3% annualized operating return on average equity. Validus takes on volatile business as we get paid more for assuming the risk. By definition this means that our results will sometimes be lumpy, but I’d rather have a lumpy high return on equity than a lower consistent one. Our thoughtful underwriting of these classes of business is what has allowed Validus to create strong growth in book value since the company’s formation.”

Western World results have not been included in the Company's consolidated results for the three and nine months ended September 30, 2014.

Net income and net operating income available to Validus, earnings and operating earnings per diluted share available to Validus, by segment for the three months ended September 30, 2014 were as follows:

| | Net Income Available to Validus | Net Operating Income Available to Validus |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------|
| | (Expressed in millions of U.S. dollars, except per share information) | |
| Validus Re | \$ 56.0 | \$ 78.8 |
| Talbot | 21.7 | 31.5 |
| PaCRe, Ltd. | (5.9) | — |
| Other AlphaCat Companies | <u>5.7</u> | <u>5.0</u> |
| AlphaCat subtotal | (0.2) | 5.0 |
| Corporate & Eliminations | (37.8) | (38.0) |
| Total | \$ 39.7 | \$ 77.3 |
| Earnings per diluted common share available to Validus | \$ 0.41 | |
| Operating earnings per diluted common share available to Validus | | \$ 0.82 |

Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and change in net unrealized gains (losses) on investments, income (loss) from investment affiliate, foreign exchange gains (losses) and non-recurring items. Net operating income (loss) available (attributable) to Validus is defined as above, but excludes income (loss) available (attributable) to noncontrolling interest. Reconciliations of these measures to net income (loss) and net income (loss) available (attributable) to Validus, the most directly comparable GAAP measures, are presented at the end of this release.

Third Quarter 2014 Results

Highlights for the third quarter include the following:

- Gross premiums written for the three months ended September 30, 2014 were \$359.0 million compared to \$356.8 million for the three months ended September 30, 2013, an increase of \$2.2 million, or 0.6%.
- Net premiums earned for the three months ended September 30, 2014 were \$494.7 million compared to \$531.3 million for the three months ended September 30, 2013, a decrease of \$36.6 million, or 6.9%.
- Underwriting income for the three months ended September 30, 2014 was \$92.1 million compared to \$166.8 million for the three months ended September 30, 2013, a decrease of \$74.7 million, or 44.8%.
- Combined ratio for the three months ended September 30, 2014 was 81.4% which included \$55.6 million of favorable loss reserve development on prior accident years, benefiting the loss ratio by 11.2 percentage points compared to a combined ratio for the three months ended September 30, 2013 of 68.6% which included \$65.1 million of favorable loss reserve development on prior accident years, benefiting the loss ratio by 12.2 percentage points. The favorable loss reserve development was primarily due to lower than expected development on attritional losses. Included within the incurred losses for the three months ended September 30, 2014 of \$224.1 million, was \$61.4 million of non-notable loss events.
- Net operating income available to Validus for the three months ended September 30, 2014 was \$77.3 million compared to \$155.2 million for the three months ended September 30, 2013, a decrease of \$78.0 million, or 50.2%.
- Net income available to Validus for the three months ended September 30, 2014 was \$39.7 million compared to \$183.4 million for the three months ended September 30, 2013, a decrease of \$143.7 million, or 78.4%.
- Annualized return on average equity of 4.2% and annualized net operating return on average equity of 8.3%.

Highlights for the year to date include the following:

- Gross premiums written for the nine months ended September 30, 2014 were \$2,026.6 million compared to \$2,163.8 million for the nine months ended September 30, 2013, a decrease of \$137.2 million, or 6.3%.
- Net premiums earned for the nine months ended September 30, 2014 were \$1,443.7 million compared to \$1,609.8 million for the nine months ended September 30, 2013, a decrease of \$166.2 million, or 10.3%.
- Underwriting income for the nine months ended September 30, 2014 was \$391.3 million compared to \$494.5 million for the nine months ended September 30, 2013, a decrease of \$103.3 million, or 20.9%.
- Combined ratio for the nine months ended September 30, 2014 was 72.9% which included \$167.6 million of favorable loss reserve development on prior accident years, benefiting the loss ratio by 11.6 percentage points compared to a combined ratio for the nine months ended September 30, 2013 of 69.3% which included \$171.8 million of favorable loss reserve development on prior accident years, benefiting the loss ratio by 10.7 percentage points.
- Net operating income available to Validus for the nine months ended September 30, 2014 was \$356.0 million compared to \$482.3 million for the nine months ended September 30, 2013, a decrease of \$126.3 million, or 26.2%.

- Net income available to Validus for the nine months ended September 30, 2014 was \$355.4 million compared to \$437.3 million for the nine months ended September 30, 2013, a decrease of \$81.9 million, or 18.7%.
- Annualized return on average equity of 12.8% and annualized net operating return on average equity of 12.8%.

Notable Loss Events

During the three months ended September 30, 2014 and 2013, the Company did not incur any notable losses, defined as consolidated losses which aggregate to a threshold greater than or equal to \$30.0 million. The Company's loss ratio, excluding prior year development and notable loss events, for the three months ended September 30, 2014 and 2013 was 56.5% and 45.7%, respectively.

Validus Re Segment - Third Quarter 2014 Results

Highlights for the third quarter include the following:

- Gross premiums written for the three months ended September 30, 2014 were \$114.9 million compared to \$130.9 million for the three months ended September 30, 2013, a decrease of \$16.0 million, or 12.2%. Gross premiums written for the three months ended September 30, 2014 included \$70.6 million of property premiums, \$23.0 million of marine premiums and \$21.3 million of specialty premiums, compared to \$96.5 million of property premiums, \$21.9 million of marine premiums and \$12.6 million of specialty premiums for the three months ended September 30, 2013.
- Net premiums earned for the three months ended September 30, 2014 were \$226.7 million compared to \$275.8 million for the three months ended September 30, 2013, a decrease of \$49.1 million, or 17.8%.
- The combined ratio for the three months ended September 30, 2014 was 70.3% compared to 48.0% for the three months ended September 30, 2013, an increase of 22.3 percentage points.
- The loss ratio for the three months ended September 30, 2014 was 45.0% compared to 22.6% for the three months ended September 30, 2013, an increase of 22.4 percentage points. The loss ratio for the three months ended September 30, 2014 included favorable loss reserve development on prior accident years of \$20.1 million, benefiting the loss ratio by 8.9 percentage points. The loss ratio for the three months ended September 30, 2013 included favorable loss reserve development on prior accident years of \$30.9 million, benefiting the loss ratio by 11.2 percentage points. The favorable loss reserve development was primarily due to lower than expected development on attritional losses.
- Net operating income available to Validus Re for the three months ended September 30, 2014 was \$78.8 million compared to \$153.9 million, for the three months ended September 30, 2013, a decrease of \$75.1 million, or 48.8%.
- General and administrative expenses for the three months ended September 30, 2014 were \$18.5 million compared to \$19.8 million for the three months ended September 30, 2013, a decrease of \$1.3 million, or 6.4%.

Highlights for the year to date include the following:

- Gross premiums written for the nine months ended September 30, 2014 were \$1,104.2 million compared to \$1,232.3 million for the nine months ended September 30, 2013, a decrease of \$128.1 million, or 10.4%. Gross premiums written for the nine months ended September 30, 2014 included \$617.0 million of property premiums, \$175.7 million of marine premiums and \$311.4 million of specialty premiums, compared to \$727.4 million of property premiums, \$194.0 million of marine premiums and \$310.8 million of specialty premiums for the nine months ended September 30, 2013.
- Net premiums earned for the nine months ended September 30, 2014 were \$686.8 million compared to \$883.7 million for the nine months ended September 30, 2013, a decrease of \$196.9 million, or 22.3%.
- The combined ratio for the nine months ended September 30, 2014 was 60.5% compared to 60.7% for the nine months ended September 30, 2013, a decrease of 0.2 percentage points.

- The loss ratio for the nine months ended September 30, 2014 and the nine months ended September 30, 2013 was 36.1%. The loss ratio for the nine months ended September 30, 2014 included favorable loss reserve development on prior accident years of \$56.8 million, benefiting the loss ratio by 8.3 percentage points. The loss ratio for the nine months ended September 30, 2013 included favorable loss reserve development on prior accident years of \$62.7 million, benefiting the loss ratio by 7.1 percentage points.
- Net operating income available to Validus Re for the nine months ended September 30, 2014 was \$318.8 million compared to \$409.7 million, for the nine months ended September 30, 2013, a decrease of \$91.0 million, or 22.2%.
- General and administrative expenses for the nine months ended September 30, 2014 were \$53.8 million compared to \$69.6 million for the nine months ended September 30, 2013, a decrease of \$15.9 million, or 22.8%.

Talbot Segment - Third Quarter 2014 Results

Highlights for the third quarter include the following:

- Gross premiums written for the three months ended September 30, 2014 were \$245.7 million compared to \$246.5 million for the three months ended September 30, 2013, a decrease of \$0.8 million, or 0.3%. Gross premiums written for the three months ended September 30, 2014 included \$67.0 million of property premiums, \$90.8 million of marine premiums and \$87.8 million of specialty premiums compared to \$82.8 million of property premiums, \$75.8 million of marine premiums and \$87.8 million of specialty premiums for the three months ended September 30, 2013.
- Net premiums earned for the three months ended September 30, 2014 were \$232.8 million compared to \$218.3 million for the three months ended September 30, 2013, an increase of \$14.5 million, or 6.6%.
- The combined ratio for the three months ended September 30, 2014 was 88.9% compared to 84.9% for the three months ended September 30, 2013, an increase of 4.0 percentage points.
- The loss ratio for the three months ended September 30, 2014 was 50.8% compared to 45.8% for the three months ended September 30, 2013, an increase of 5.0 percentage points. The loss ratio for the three months ended September 30, 2014 included favorable loss reserve development on prior accident years of \$35.4 million, benefiting the loss ratio by 15.2 percentage points. The loss ratio for the three months ended September 30, 2013 included favorable loss reserve development on prior accident years of \$34.2 million, benefiting the loss ratio by 15.7 percentage points. The favorable loss reserve development was primarily due to lower than expected development on attritional losses.
- Net operating income available to Talbot for the three months ended September 30, 2014 was \$31.5 million compared to \$36.8 million, for the three months ended September 30, 2013, a decrease of \$5.3 million, or 14.4%.
- General and administrative expenses for the three months ended September 30, 2014 were \$37.7 million compared to \$37.4 million for the three months ended September 30, 2013, an increase of \$0.3 million, or 0.8%.

Highlights for the year to date include the following:

- Gross premiums written for the nine months ended September 30, 2014 were \$854.3 million compared to \$855.5 million for the nine months ended September 30, 2013, a decrease of \$1.2 million, or 0.1%. Gross premiums written for the nine months ended September 30, 2014 included \$261.1 million of property premiums, \$319.8 million of marine premiums and \$273.4 million of specialty premiums compared to \$285.0 million of property premiums, \$306.1 million of marine premiums and \$264.4 million of specialty premiums for the nine months ended September 30, 2013.
- Net premiums earned for the nine months ended September 30, 2014 were \$658.6 million compared to \$626.4 million for the nine months ended September 30, 2013, an increase of \$32.2 million, or 5.1%.

- The combined ratio for the nine months ended September 30, 2014 was 84.8% compared to 77.6% for the nine months ended September 30, 2013, an increase of 7.2 percentage points.
- The loss ratio for the nine months ended September 30, 2014 was 46.3% compared to 40.2% for the nine months ended September 30, 2013, an increase of 6.1 percentage points. The loss ratio for the nine months ended September 30, 2014 included favorable loss reserve development on prior accident years of \$99.2 million, benefiting the loss ratio by 15.1 percentage points. The loss ratio for the nine months ended September 30, 2013 included favorable loss reserve development on prior accident years of \$109.1 million, benefiting the loss ratio by 17.4 percentage points.
- Net operating income available to Talbot for the nine months ended September 30, 2014 was \$113.7 million compared to \$153.1 million, for the nine months ended September 30, 2013, a decrease of \$39.3 million, or 25.7%.
- General and administrative expenses for the nine months ended September 30, 2014 were \$107.0 million compared to \$100.5 million for the nine months ended September 30, 2013, an increase of \$6.5 million, or 6.5%.

AlphaCat Segment - Third Quarter 2014 Results

Highlights for the third quarter include the following:

- Gross premiums written from our consolidated entities, including PaCRe, for the three months ended September 30, 2014 were \$6.9 million compared to \$3.5 million for the three months ended September 30, 2013, an increase of \$3.5 million, or 99.3%.
- Net premiums earned for the three months ended September 30, 2014 were \$35.1 million compared to \$37.2 million for the three months ended September 30, 2013, a decrease of \$2.0 million, or 5.5%.
- Other income for the three months ended September 30, 2014 was \$6.0 million compared to \$3.8 million for the three months ended September 30, 2013, an increase of \$2.2 million, or 57.7%.
- Income from operating affiliates for the three months ended September 30, 2014 was \$3.8 million compared to \$1.5 million for the three months ended September 30, 2013, an increase of \$2.3 million, or 157.1%.
- Income attributable to operating affiliate investors for the three months ended September 30, 2014 was \$25.8 million compared to \$11.8 million for the three months ended September 30, 2013, resulting in a decrease to net operating income of \$14.0 million, or 118.4%.
- The combined ratio for the three months ended September 30, 2014 was 42.7% compared to 68.0% for the three months ended September 30, 2013, a decrease of 25.3 percentage points.
- The loss ratio for the three months ended September 30, 2014 was 10.6% compared to 42.0% for the three months ended September 30, 2013, a decrease of 31.4 percentage points. The loss ratios for the three months ended September 30, 2014 and 2013 did not include any loss reserve development on prior accident years.
- Net operating income available to AlphaCat for the three months ended September 30, 2014 was \$5.0 million compared to \$3.1 million, for the three months ended September 30, 2013, an increase of \$1.8 million, or 59.0%.

Highlights for the year to date include the following:

- Gross premiums written from our consolidated entities, including PaCRe, for the nine months ended September 30, 2014 were \$135.1 million compared to \$146.8 million for the nine months ended September 30, 2013, a decrease of \$11.7 million, or 8.0%.
- Net premiums earned for the nine months ended September 30, 2014 were \$98.3 million compared to \$99.8 million for the nine months ended September 30, 2013, a decrease of \$1.5 million, or 1.5%.

- Other income for the nine months ended September 30, 2014 was \$21.5 million compared to \$17.4 million for the nine months ended September 30, 2013, an increase of \$4.0 million, or 23.2%.
- Income from operating affiliates for the nine months ended September 30, 2014 was \$13.6 million compared to \$8.8 million for the nine months ended September 30, 2013, an increase of \$4.8 million, or 54.7%.
- Income attributable to operating affiliate investors for the nine months ended September 30, 2014 was \$82.8 million compared to \$42.2 million for the nine months ended September 30, 2013, resulting in a decrease to net operating income of \$40.7 million, or 96.5%.
- The combined ratio for the nine months ended September 30, 2014 was 18.5% compared to 41.1% for the nine months ended September 30, 2013, a decrease of 22.6 percentage points.
- The loss ratio for the nine months ended September 30, 2014 was (7.3)% compared to 17.0% for the nine months ended September 30, 2013, a decrease of 24.3 percentage points. The loss ratio for the nine months ended September 30, 2014 included favorable loss reserve development on prior accident years of \$11.6 million, benefiting the loss ratio by 11.8 percentage points. Accounting for Validus' ownership interest in the various AlphaCat entities, the impact of the AlphaCat favorable loss reserve development on net operating income available to Validus was \$0.3 million. The loss ratio for the nine months ended September 30, 2013 did not include any loss reserve development on prior accident years.
- Net operating income available to AlphaCat for the nine months ended September 30, 2014 was \$29.6 million compared to \$33.4 million, for the nine months ended September 30, 2013, a decrease of \$3.7 million, or 11.2%.

Corporate Results

Corporate results include executive and board expenses, internal and external audit expenses, interest and costs incurred in connection with the Company's senior notes and junior subordinated deferrable debentures and other costs relating to the Company as a whole.

General and administrative expenses for the three months ended September 30, 2014, net of eliminations related to the operating segments, were \$19.4 million compared to \$18.2 million for the three months ended September 30, 2013, an increase of \$1.2 million or 6.6%. Share compensation expenses for the three months ended September 30, 2014, net of operating segment eliminations were \$3.0 million compared to \$4.9 million for the three months ended September 30, 2013, a decrease of \$1.9 million or 38.6%. In addition to the general and administrative expenses noted above, there were \$0.1 million of non-recurring costs relating to the acquisition of Western World Insurance Group, Inc. ("Western World") in the quarter.

General and administrative expenses for the nine months ended September 30, 2014, net of eliminations related to the operating segments, were \$55.2 million compared to \$48.4 million for the nine months ended September 30, 2013, an increase of \$6.8 million, or 14.0%. Share compensation expenses for the nine months ended September 30, 2014 were \$8.4 million compared to \$7.0 million for the nine months ended September 30, 2013, an increase of \$1.4 million, or 19.6%. In addition to the general and administrative expenses noted above, there were \$3.4 million of non-recurring costs relating to the acquisition of Western World for the nine months ended September 30, 2014.

Investments

Net investment income for the three months ended September 30, 2014 was \$25.3 million compared to \$20.0 million for the three months ended September 30, 2013, an increase of \$5.3 million, or 26.2%.

Net realized gains on investments for the three months ended September 30, 2014 were \$4.6 million compared to net realized losses of (\$6.3) million for the three months ended September 30, 2013, an increase of \$10.9 million, or 172.7%.

The change in net unrealized losses on investments for the three months ended September 30, 2014 was \$(85.0) million compared to the change in net unrealized gains of \$70.0 million for the three months ended September 30, 2013, a decrease of \$154.9 million,

or 221.4%. Net unrealized losses on investments for the three months ended September 30, 2014 were driven by (\$61.0) million in unrealized losses relating to PaCRE. The amount of PaCRE's net unrealized losses attributable to noncontrolling interest was \$54.9 million for the three months ended September 30, 2014, leaving a net impact to the Company of (\$6.1) million.

The change in net unrealized gains on investments for the three months ended September 30, 2013 was driven by \$43.3 million in unrealized gains relating to PaCRE. The amount of PaCRE's net unrealized gains attributable to noncontrolling interest was (\$39.0) million for the three months ended September 30, 2013, leaving a net impact to the Company of \$4.3 million.

Net investment income for the nine months ended September 30, 2014 was \$69.9 million compared to \$71.9 million for the nine months ended September 30, 2013, a decrease of \$2.0 million, or 2.7%.

Net realized gains on investments for the nine months ended September 30, 2014 were \$16.2 million compared to net realized losses of (\$1.2) million for the nine months ended September 30, 2013, an increase of \$17.4 million.

The change in net unrealized gains on investments for the nine months ended September 30, 2014 was \$16.1 million compared to the change in net unrealized losses of (\$78.6) million for the nine months ended September 30, 2013, an increase of \$94.8 million, or 120.5%. Net unrealized gains on investments for the nine months ended September 30, 2014 were driven by \$16.9 million in unrealized gains relating to PaCRE. The amount of PaCRE's net unrealized gains attributable to noncontrolling interest was (\$15.2) million for the nine months ended September 30, 2014, leaving a net impact to the Company of \$1.7 million.

The change in net unrealized losses on investments for the nine months ended September 30, 2013 was driven by (\$32.7) million in unrealized losses relating to PaCRE. The amount of PaCRE's net unrealized losses attributable to noncontrolling interest was \$29.4 million for the nine months ended September 30, 2013, leaving a net impact to the Company of (\$3.3) million.

Finance Expenses

Finance expenses for the three months ended September 30, 2014 were \$15.4 million compared to \$15.3 million for the three months ended September 30, 2013, an increase of 0.2%.

Finance expenses for the nine months ended September 30, 2014 were \$47.4 million compared to \$47.3 million for the nine months ended September 30, 2013, an increase of \$0.1 million, or 0.3%.

Shareholders' Equity and Capitalization

As at September 30, 2014, total shareholders' equity was \$4.2 billion including \$522.3 million of noncontrolling interest. Shareholders' equity available to Validus was \$3.7 billion as at September 30, 2014. Book value per diluted common share was \$38.70 at September 30, 2014, compared to \$38.55 at June 30, 2014. Book value per diluted common share is a non-GAAP financial measure. A reconciliation of this measure to book value per common share is presented at the end of this release.

Total capitalization at September 30, 2014 was \$5.1 billion, including \$540.0 million of junior subordinated deferrable debentures, \$247.3 million of senior notes and \$70.5 million of redeemable noncontrolling interest. Total capitalization available to Validus at September 30, 2014 was \$4.5 billion, excluding \$522.3 million of noncontrolling interest and \$70.5 million of redeemable noncontrolling interest.

Share Repurchases

For the three months ended September 30, 2014, the number of shares repurchased was 2.3 million. A summary of the share repurchases made to date under the Company's previously announced share repurchase program is as follows:

| Share Repurchase Activity (Expressed in thousands of U.S. dollars except for share and per share information) | | | | | |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------|-----------|-----------|-------------------------------------|
| Effect of share repurchases: | As at June 30, 2014 (cumulative) | July | August | September | Quarter ended September 30, 2014 |
| Aggregate purchase price (a) | \$ 1,917,688 | \$ 6,887 | \$ 40,929 | \$ 41,371 | \$ 89,187 |
| Shares repurchased | 62,171,982 | 187,661 | 1,082,445 | 1,060,322 | 2,330,428 |
| Average price (a) | \$ 30.84 | \$ 36.70 | \$ 37.81 | \$ 39.02 | \$ 38.27 |

Estimated cumulative net accretive (dilutive) impact on:

| | |
|------------------------------------------|------|
| Book value per diluted common share (b) | 3.00 |
| Earnings per diluted share - Quarter (c) | 0.12 |

| Share Repurchase Activity (Expressed in thousands of U.S. dollars except for share and per share information) | | | | |
|------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------|---------------------------|------------------------------|
| Effect of share repurchases: | As at September 30, 2014 | October | As at October 28, 2014 | Cumulative to Date Effect |
| Aggregate purchase price (a) | \$ 2,006,875 | \$ 65,633 | \$ 65,633 | \$ 2,072,508 |
| Shares repurchased | 64,502,410 | 1,663,577 | 1,663,577 | 66,165,987 |
| Average price (a) | \$ 31.11 | \$ 39.45 | \$ 39.45 | \$ 31.32 |

(a) Share transactions are on a trade date basis through October 28, 2014 and are inclusive of commissions. Average share price is rounded to two decimal places.

(b) As the average price per share repurchased during certain periods between 2009 and 2014 was lower than the book value per common share, the repurchase of shares increased the Company's period ending book value per share.

(c) The estimated impact on earnings per diluted share was calculated by comparing reported results versus i) net income per share plus an estimate of lost net investment income on the cumulative share repurchases divided by ii) weighted average diluted shares outstanding excluding the weighted average impact of cumulative share repurchases. The impact of cumulative share repurchases was accretive to earnings per diluted share.

Conference Call

The Company will host a conference call for analysts and investors on October 30, 2014 at 10:00 AM (Eastern) to discuss the third quarter 2014 financial results and related matters. The conference call may be accessed by dialing 1-888-771-4371 (toll-free U.S.) or 1-847-585-4405 (international) and entering the passcode 3791 8174. 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 November 13, 2014, by dialing 1-888-843-7419 (toll-free U.S.) or 1-630-652-3042 (international) and entering the passcode 3791 8174.

This conference call will also be available through a live audio webcast accessible through the Investor Relations section of the Company's website located at www.validusholdings.com. A replay of the webcast will be available at the Investor Relations section of the Company's website through November 13, 2014. In addition, a financial supplement relating to the Company's financial results for the three and nine months ended September 30, 2014 is available in the Investor Relations section of the Company's website.



About Validus Holdings, Ltd.

Validus Holdings, Ltd. is a holding company for reinsurance and insurance operating companies and investment advisors including Validus Reinsurance, Ltd. (“Validus Re”), Talbot Holdings Ltd. (“Talbot”), Western World Insurance Group, Inc. (“Western World”) and AlphaCat Managers, Ltd. (“AlphaCat”).

Western World results have not been included in the Company's consolidated results for the three and nine months ended September 30, 2014.

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. AlphaCat is a Bermuda based investment adviser managing capital for third parties and the Group in insurance linked securities and other property catastrophe reinsurance investments.

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Validus Holdings, Ltd.
Consolidated Balance Sheets

As at September 30, 2014 and December 31, 2013

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

| | <u>September 30, 2014</u> | <u>December 31, 2013</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------|
| Assets | | |
| Fixed maturities, at fair value (amortized cost: 2014—\$4,668,585; 2013—\$5,522,853) | \$ 4,670,173 | \$ 5,542,258 |
| Short-term investments, at fair value (amortized cost: 2014—\$1,684,997; 2013—\$751,734) | 1,684,982 | 751,778 |
| Other investments, at fair value (cost: 2014—\$714,508; 2013—\$637,728) | 718,633 | 618,316 |
| Cash and cash equivalents | 843,747 | 1,056,346 |
| Total investments and cash | 7,917,535 | 7,968,698 |
| Investments in affiliates | 217,612 | 141,243 |
| Premiums receivable | 936,306 | 697,233 |
| Deferred acquisition costs | 186,277 | 134,269 |
| Prepaid reinsurance premiums | 129,809 | 103,251 |
| Securities lending collateral | 9,056 | 3,392 |
| Loss reserves recoverable | 298,502 | 370,154 |
| Paid losses recoverable | 62,991 | 80,080 |
| Intangible assets | 103,287 | 106,407 |
| Goodwill | 20,393 | 20,393 |
| Accrued investment income | 15,415 | 18,876 |
| Other assets | 155,867 | 202,436 |
| Total assets | \$ 10,053,050 | \$ 9,846,432 |
| Liabilities | | |
| Reserve for losses and loss expenses | \$ 2,752,168 | \$ 3,030,399 |
| Unearned premiums | 1,158,429 | 824,496 |
| Reinsurance balances payable | 141,482 | 154,874 |
| Securities lending payable | 9,522 | 3,858 |
| Deferred income taxes | 11,687 | 19,086 |
| Net payable for investments purchased | 54,735 | 19,383 |
| Accounts payable and accrued expenses | 186,649 | 278,187 |
| Notes payable to operating affiliates | 655,976 | 439,272 |
| Senior notes payable | 247,279 | 247,198 |
| Debentures payable | 539,953 | 541,416 |
| Total liabilities | 5,757,880 | 5,558,169 |
| Commitments and contingent liabilities | | |
| Redeemable noncontrolling interest | 70,473 | 86,512 |
| Shareholders' equity | | |
| Common shares, 571,428,571 authorized, par value \$0.175 (Issued: 2014—155,253,556; 2013—154,488,497; Outstanding: 2014—89,112,271; 2013—96,044,312) | 27,169 | 27,036 |
| Treasury shares (2014—66,141,285; 2013—58,444,185) | (11,575) | (10,228) |
| Additional paid-in-capital | 1,413,145 | 1,677,894 |
| Accumulated other comprehensive (loss) | (2,738) | (617) |
| Retained earnings | 2,276,409 | 2,010,009 |
| Total shareholders' equity available to Validus | 3,702,410 | 3,704,094 |
| Noncontrolling interest | 522,287 | 497,657 |
| Total shareholders' equity | 4,224,697 | 4,201,751 |
| Total liabilities, noncontrolling interests and shareholders' equity | \$ 10,053,050 | \$ 9,846,432 |

Validus Holdings, Ltd.

Consolidated Statements of Operations

For the three and nine months ended September 30, 2014 and 2013

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Underwriting income | | | | |
| Gross premiums written | \$ 358,974 | \$ 356,760 | \$ 2,026,639 | \$ 2,163,833 |
| Reinsurance premiums ceded | (30,137) | (39,415) | (275,610) | (348,027) |
| Net premiums written | 328,837 | 317,345 | 1,751,029 | 1,815,806 |
| Change in unearned premiums | 165,859 | 213,943 | (307,373) | (205,999) |
| Net premiums earned | 494,696 | 531,288 | 1,443,656 | 1,609,807 |
| Underwriting deductions | | | | |
| Losses and loss expenses | 224,125 | 177,965 | 545,541 | 587,780 |
| Policy acquisition costs | 86,404 | 94,900 | 251,006 | 275,663 |
| General and administrative expenses | 83,319 | 81,089 | 231,606 | 232,335 |
| Share compensation expenses | 8,764 | 10,527 | 24,252 | 19,483 |
| Total underwriting deductions | 402,612 | 364,481 | 1,052,405 | 1,115,261 |
| Underwriting income | \$ 92,084 | \$ 166,807 | \$ 391,251 | \$ 494,546 |
| Net investment income | 25,261 | 20,009 | 69,909 | 71,868 |
| Other (loss) income | (4,080) | (2,806) | 14,985 | 4,297 |
| Finance expenses | (15,354) | (15,317) | (47,380) | (47,252) |
| Operating income before taxes, income from operating affiliates and (income) attributable to operating affiliate investors | \$ 97,911 | \$ 168,693 | \$ 428,765 | \$ 523,459 |
| Tax benefit (expense) | 953 | (5) | (398) | 220 |
| Income from operating affiliates | 3,761 | 1,463 | 13,580 | 8,779 |
| (Income) attributable to operating affiliate investors | (25,807) | (11,815) | (82,833) | (42,156) |
| Net operating income | \$ 76,818 | \$ 158,336 | \$ 359,114 | \$ 490,302 |
| Net realized gains (losses) on investments | 4,595 | (6,320) | 16,193 | (1,190) |
| Change in net unrealized (losses) gains on investments | (84,974) | 69,967 | 16,146 | (78,618) |
| Income from investment affiliate | 1,754 | 1,044 | 7,881 | 4,274 |
| Foreign exchange (losses) gains | (11,441) | 6,036 | (14,761) | 4,735 |
| Transaction expenses (a) | (149) | — | (3,401) | — |
| Net (loss) income | \$ (13,397) | \$ 229,063 | \$ 381,172 | \$ 419,503 |
| Net loss (income) attributable to noncontrolling interest | 53,069 | (45,694) | (25,745) | 17,831 |
| Net income available to Validus | \$ 39,672 | \$ 183,369 | \$ 355,427 | \$ 437,334 |
| Selected ratios: | | | | |
| Net premiums written / Gross premiums written | 91.6% | 89.0% | 86.4% | 83.9% |
| Losses and loss expenses | 45.3% | 33.5% | 37.8% | 36.5% |
| Policy acquisition costs | 17.5% | 17.9% | 17.4% | 17.2% |
| General and administrative expenses (b) | 18.6% | 17.2% | 17.7% | 15.6% |
| Expense ratio | 36.1% | 35.1% | 35.1% | 32.8% |
| Combined ratio | 81.4% | 68.6% | 72.9% | 69.3% |

(a) The transaction expenses relate to costs incurred in connection with the acquisition of Western World Insurance Group, Inc. (“Western World”), which was completed on October 2, 2014. Western World results have not been included in the Company’s consolidated results for the three and nine months ended September 30, 2014. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.

(b) The general and administrative expense ratio includes share compensation expenses.

Validus Holdings, Ltd.
Consolidated Segment Operating Income (Loss)
For the three months ended September 30, 2014 and 2013

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

| | Three Months Ended September 30, 2014 | | | | | Three Months Ended September 30, 2013 | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------|----------------|----------------------------|----------------|---------------------------------------|---------------|----------------|----------------------------|----------------|
| | Validus Re | AlphaCat | Talbot | Corporate and Eliminations | Total | Validus Re | AlphaCat | Talbot | Corporate and Eliminations | Total |
| Underwriting income | | | | | | | | | | |
| Gross premiums written | 114,897 | 6,936 | 245,685 | (8,544) | 358,974 | 130,925 | 3,481 | 246,468 | (24,114) | 356,760 |
| Reinsurance premiums ceded | (10,899) | (648) | (27,134) | 8,544 | (30,137) | (13,006) | (525) | (49,998) | 24,114 | (39,415) |
| Net premiums written | 103,998 | 6,288 | 218,551 | — | 328,837 | 117,919 | 2,956 | 196,470 | — | 317,345 |
| Change in unearned premiums | 122,712 | 28,850 | 14,297 | — | 165,859 | 157,873 | 34,210 | 21,860 | — | 213,943 |
| Net premiums earned | 226,710 | 35,138 | 232,848 | — | 494,696 | 275,792 | 37,166 | 218,330 | — | 531,288 |
| Underwriting deductions | | | | | | | | | | |
| Losses and loss expenses | 102,005 | 3,738 | 118,382 | — | 224,125 | 62,250 | 15,615 | 100,100 | — | 177,965 |
| Policy acquisition costs | 36,177 | 3,378 | 47,862 | (1,013) | 86,404 | 47,662 | 3,787 | 44,899 | (1,448) | 94,900 |
| General and administrative expenses | 18,522 | 7,719 | 37,709 | 19,369 | 83,319 | 19,785 | 5,728 | 37,402 | 18,174 | 81,089 |
| Share compensation expenses | 2,582 | 179 | 2,990 | 3,013 | 8,764 | 2,479 | 152 | 2,992 | 4,904 | 10,527 |
| Total underwriting deductions | 159,286 | 15,014 | 206,943 | 21,369 | 402,612 | 132,176 | 25,282 | 185,393 | 21,630 | 364,481 |
| Underwriting income (loss) | 67,424 | 20,124 | 25,905 | (21,369) | 92,084 | 143,616 | 11,884 | 32,937 | (21,630) | 166,807 |
| Net investment income | 20,762 | 837 | 4,965 | (1,303) | 25,261 | 15,628 | 967 | 4,395 | (981) | 20,009 |
| Other (loss) income | (6,827) | 5,980 | 109 | (3,342) | (4,080) | (1,892) | 3,791 | 73 | (4,778) | (2,806) |
| Finance expenses | (3,622) | (385) | 162 | (11,509) | (15,354) | (3,640) | (80) | (107) | (11,490) | (15,317) |
| Operating income (loss) before taxes, income from operating affiliates and (income) attributable to operating affiliate investors | 77,737 | 26,556 | 31,141 | (37,523) | 97,911 | 153,712 | 16,562 | 37,298 | (38,879) | 168,693 |
| Tax benefit (expense) | 1,058 | — | 332 | (437) | 953 | 143 | — | (513) | 365 | (5) |
| Income from operating affiliates | — | 3,761 | — | — | 3,761 | — | 1,463 | — | — | 1,463 |
| (Income) attributable to operating affiliate investors | — | (25,807) | — | — | (25,807) | — | (11,815) | — | — | (11,815) |
| Net operating income (loss) (a) | 78,795 | 4,510 | 31,473 | (37,960) | 76,818 | 153,855 | 6,210 | 36,785 | (38,514) | 158,336 |
| Net operating loss (income) attributable to noncontrolling interest | — | 438 | — | — | 438 | — | (3,099) | — | — | (3,099) |
| Net operating income (loss) available (attributable) to Validus | 78,795 | 4,948 | 31,473 | (37,960) | 77,256 | 153,855 | 3,111 | 36,785 | (38,514) | 155,237 |

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and change in unrealized gains (losses) on investments, foreign exchange gains (losses), income (loss) from investment affiliate and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. 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-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests.

Validus Holdings, Ltd.
Consolidated Segment Operating Income (Loss)
For the nine months ended September 30, 2014 and 2013

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

| | Nine Months Ended September 30, 2014 | | | | | Nine Months Ended September 30, 2013 | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------|----------------|----------------------------|------------------|--------------------------------------|---------------|----------------|----------------------------|------------------|
| | Validus Re | AlphaCat | Talbot | Corporate and Eliminations | Total | Validus Re | AlphaCat | Talbot | Corporate and Eliminations | Total |
| Underwriting income | | | | | | | | | | |
| Gross premiums written | 1,104,169 | 135,073 | 854,324 | (66,927) | 2,026,639 | 1,232,272 | 146,757 | 855,516 | (70,712) | 2,163,833 |
| Reinsurance premiums ceded | (184,074) | (4,348) | (154,115) | 66,927 | (275,610) | (226,292) | (525) | (191,922) | 70,712 | (348,027) |
| Net premiums written | 920,095 | 130,725 | 700,209 | — | 1,751,029 | 1,005,980 | 146,232 | 663,594 | — | 1,815,806 |
| Change in unearned premiums | (233,271) | (32,444) | (41,658) | — | (307,373) | (122,303) | (46,459) | (37,237) | — | (205,999) |
| Net premiums earned | 686,824 | 98,281 | 658,551 | — | 1,443,656 | 883,677 | 99,773 | 626,357 | — | 1,609,807 |
| Underwriting deductions | | | | | | | | | | |
| Losses and loss expenses | 247,848 | (7,155) | 304,848 | — | 545,541 | 319,298 | 16,928 | 251,554 | — | 587,780 |
| Policy acquisition costs | 106,547 | 9,414 | 138,383 | (3,338) | 251,006 | 142,195 | 10,011 | 127,092 | (3,635) | 275,663 |
| General and administrative expenses | 53,757 | 15,627 | 107,031 | 55,191 | 231,606 | 69,649 | 13,757 | 100,506 | 48,423 | 232,335 |
| Share compensation expenses | 7,126 | 330 | 8,434 | 8,362 | 24,252 | 5,421 | 314 | 6,754 | 6,994 | 19,483 |
| Total underwriting deductions | 415,278 | 18,216 | 558,696 | 60,215 | 1,052,405 | 536,563 | 41,010 | 485,906 | 51,782 | 1,115,261 |
| Underwriting income (loss) | 271,546 | 80,065 | 99,855 | (60,215) | 391,251 | 347,114 | 58,763 | 140,451 | (51,782) | 494,546 |
| Net investment income | 56,285 | 2,546 | 14,322 | (3,244) | 69,909 | 61,770 | 2,821 | 13,496 | (6,219) | 71,868 |
| Other income (loss) | 912 | 21,482 | 384 | (7,793) | 14,985 | 11,237 | 17,439 | 564 | (24,943) | 4,297 |
| Finance expenses | (11,131) | (2,039) | 68 | (34,278) | (47,380) | (12,133) | (4,273) | (256) | (30,590) | (47,252) |
| Operating income (loss) before taxes, income from operating affiliates and (income) attributable to operating affiliate investors | 317,612 | 102,054 | 114,629 | (105,530) | 428,765 | 407,988 | 74,750 | 154,255 | (113,534) | 523,459 |
| Tax benefit (expense) | 1,176 | — | (902) | (672) | (398) | 1,755 | — | (1,184) | (351) | 220 |
| Income from operating affiliates | — | 13,580 | — | — | 13,580 | — | 8,779 | — | — | 8,779 |
| (Income) attributable to operating affiliate investors | — | (82,833) | — | — | (82,833) | — | (42,156) | — | — | (42,156) |
| Net operating income (loss) (a) | 318,788 | 32,801 | 113,727 | (106,202) | 359,114 | 409,743 | 41,373 | 153,071 | (113,885) | 490,302 |
| Net operating (income) attributable to noncontrolling interest | — | (3,160) | — | — | (3,160) | — | (7,999) | — | — | (7,999) |
| Net operating income (loss) available (attributable) to Validus | 318,788 | 29,641 | 113,727 | (106,202) | 355,954 | 409,743 | 33,374 | 153,071 | (113,885) | 482,303 |

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and change in unrealized gains (losses) on investments, foreign exchange gains (losses), income (loss) from investment affiliate and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. 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-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests.

Validus Holdings, Ltd.

Non-GAAP Financial Measures Reconciliation

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

For the three and nine months ended September 30, 2014 and 2013

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

| | Three Months Ended | | Nine Months Ended | |
|------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Net income available to Validus | \$ 39,672 | \$ 183,369 | \$ 355,427 | \$ 437,334 |
| Adjustments for: | | | | |
| Net realized (gains) losses on investments | (4,595) | 6,320 | (16,193) | 1,190 |
| Change in net unrealized losses (gains) on investments | 84,974 | (69,967) | (16,146) | 78,618 |
| (Income) from investment affiliate | (1,754) | (1,044) | (7,881) | (4,274) |
| Foreign exchange losses (gains) | 11,441 | (6,036) | 14,761 | (4,735) |
| Transaction expenses (a) | 149 | — | 3,401 | — |
| Net (loss) income attributable to noncontrolling interest | (52,631) | 42,595 | 22,585 | (25,830) |
| Net operating income available to Validus | 77,256 | 155,237 | 355,954 | 482,303 |
| Less: Dividends and distributions declared on outstanding warrants | (1,552) | (1,552) | (4,656) | (17,662) |
| Net operating income available to Validus, adjusted | \$ 75,704 | \$ 153,685 | \$ 351,298 | \$ 464,641 |
| Net income per share available to Validus - diluted | \$ 0.41 | \$ 1.77 | \$ 3.70 | \$ 3.99 |
| Adjustments for: | | | | |
| Net realized (gains) losses on investments | (0.04) | 0.06 | (0.17) | 0.01 |
| Change in net unrealized losses (gains) on investments | 0.90 | (0.67) | (0.17) | 0.75 |
| (Income) from investment affiliate | (0.02) | (0.01) | (0.08) | (0.04) |
| Foreign exchange losses (gains) | 0.12 | (0.06) | 0.15 | (0.04) |
| Transaction expenses (a) | — | — | 0.04 | — |
| Net (loss) income attributable to noncontrolling interest | (0.55) | 0.41 | 0.24 | (0.26) |
| Net operating income per share available to Validus - diluted | \$ 0.82 | \$ 1.50 | \$ 3.71 | \$ 4.41 |
| Weighted average number of common shares and common share equivalents | 94,736,572 | 103,613,766 | 95,937,641 | 105,264,913 |
| Average shareholders' equity available to Validus | \$ 3,739,758 | \$ 3,701,009 | \$ 3,708,169 | \$ 3,831,684 |
| Annualized net operating return on average equity | 8.3% | 16.8% | 12.8% | 16.8% |

(a) The transaction expenses relate to costs incurred in connection with the acquisition of Western World Insurance Group, Inc. ("Western World"), which was completed on October 2, 2014. Western World results have not been included in the Company's consolidated results for the three and nine months ended September 30, 2014. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.

Validus Holdings, Ltd.

Non-GAAP Financial Measures Reconciliation

Book Value per Common Share, Book Value per Diluted Common Share and Book Value per Diluted Common Share plus Accumulated Dividends

As at September 30, 2014 and December 31, 2013

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

| | As at September 30, 2014 | | | |
|-----------------------------------------------------------------------|---------------------------------|--------------------|-----------------------|---------------------------------|
| | Equity Amount | Shares | Exercise Price | Book Value Per Share |
| Book value per common share | | | | |
| Total shareholders' equity available to Validus | \$ 3,702,410 | 89,112,271 | | \$ 41.55 |
| Book value per diluted common share | | | | |
| Total shareholders' equity available to Validus | 3,702,410 | 89,112,271 | | |
| Assumed exercise of outstanding warrants | 90,950 | 5,174,114 | \$ 17.58 | |
| Assumed exercise of outstanding stock options | 26,340 | 1,439,328 | \$ 18.30 | |
| Unvested restricted shares | — | 2,980,333 | | |
| Book value per diluted common share | \$ 3,819,700 | 98,706,046 | | \$ 38.70 |
| Adjustment for accumulated dividends | | | | 8.58 |
| Book value per diluted common share plus accumulated dividends | | | | \$ 47.28 |
| | | | | |
| | As at December 31, 2013 | | | |
| | Equity Amount | Shares | Exercise Price | Book Value Per Share |
| Book value per common share | | | | |
| Total shareholders' equity available to Validus | \$ 3,704,094 | 96,044,312 | | \$ 38.57 |
| Book value per diluted common share | | | | |
| Total shareholders' equity available to Validus | 3,704,094 | 96,044,312 | | |
| Assumed exercise of outstanding warrants | 98,513 | 5,296,056 | \$ 18.60 | |
| Assumed exercise of outstanding stock options | 29,688 | 1,572,713 | \$ 18.88 | |
| Unvested restricted shares | — | 2,853,083 | | |
| Book value per diluted common share | \$ 3,832,295 | 105,766,164 | | \$ 36.23 |
| Adjustment for accumulated dividends | | | | 7.68 |
| Book value per diluted common share plus accumulated dividends | | | | \$ 43.91 |

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 our current views with respect to future events and financial performance. Statements that include the words "expect", "intend", "plan", "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. We believe that these factors include, but are not limited to, the following: 1) unpredictability and severity of catastrophic events; 2) rating agency actions; 3) adequacy of Validus' risk management and loss limitation methods; 4) cyclicality of demand and pricing in the insurance and reinsurance markets; 5) statutory or regulatory developments including tax policy, reinsurance and other regulatory matters; 6) Validus' ability to implement its business strategy during "soft" as well as "hard" markets; 7) adequacy of Validus' loss reserves; 8) continued availability of capital and financing; 9) retention of key personnel; 10) competition; 11) potential loss of business from one or more major insurance or reinsurance brokers; 12) Validus' 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; 13) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 14) the integration of businesses Validus may acquire or new business ventures Validus may start; 15) the effect on Validus' investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; 16) acts of terrorism or outbreak of war; and 17) availability of reinsurance and retrocessional coverage, 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 other documents of the Company on file with or furnished to the U.S. 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 Company undertakes 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 (loss) available (attributable) to Validus, net operating income (loss) per share, underwriting income (loss), annualized net operating return on average equity, book value per diluted common share and book value per diluted common share plus accumulated dividends 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 (loss) to net income (loss), the most comparable U.S. GAAP financial measure, is presented in the section above entitled "Net Operating Income available to Validus, Net Operating Income per share available to Validus and Annualized Net Operating Return on Average Equity". A reconciliation of underwriting income and operating income to net income, the most comparable U.S. GAAP financial measure, is presented in the "Consolidated Statements of Operations" above.

Underwriting income indicates the performance of the Company's core underwriting function, excluding revenues and expenses such as net investment income (loss), other income, finance expenses, gain on bargain purchase, net of expenses, net realized and change in unrealized gains (losses) on investments, foreign exchange gains (losses) and transaction expenses. The Company believes the reporting of underwriting income enhances the understanding of our results by highlighting the underlying profitability of the Company's core insurance and reinsurance business. Underwriting profitability is influenced significantly by earned premium growth, adequacy of the Company's pricing and loss frequency and severity.

Underwriting profitability over time is also influenced by the Company's underwriting discipline, which seeks to manage exposure to loss through favorable risk selection and diversification, its management of claims, its use of reinsurance and its ability

to manage its expense ratio, which it accomplishes through its management of acquisition costs and other underwriting expenses. The Company believes that underwriting income provides investors with a valuable measure of profitability derived from underwriting activities.

Annualized net operating return on average equity is presented in the section above entitled “Net Operating Income available to Validus, Net Operating Income per share available to Validus and Annualized Net Operating Return on Average Equity.” A reconciliation of book value per diluted common share and book value per diluted common share plus accumulated dividends to book value per common share, the most comparable U.S. GAAP financial measure, is presented in the section above entitled “Book Value per Common Share, Book Value per Diluted Common Share and Book Value per Diluted Common Share plus Accumulated Dividends.” Net operating income (loss) is calculated based on net income (loss) excluding net realized gains (losses) on investments, change in net unrealized gains (losses) on investments, foreign exchange gains (losses), income (loss) from investment affiliates 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. Net operating income (loss) available (attributable) to Validus is defined as net operating income (loss) as defined above, but excluding income (loss) available (attributable) to noncontrolling interest.