



## **Validus Holdings, Ltd.**

**Investor Financial Supplement - Fourth Quarter 2010**

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29 Richmond Road  
Pembroke, HM08 Bermuda  
Telephone: (441) 278-9000  
Facsimile: (441) 278-9009  
Website: [www.validusholdings.com](http://www.validusholdings.com)  
Mailing address: Suite 1790 48 Par-la-ville Road  
Hamilton, HM11 Bermuda



Validus Holdings, Ltd.  
Table of Contents

Section	Page
Table of Contents.....	2
Explanatory Notes.....	3
Consolidated Financial Highlights.....	4
Summary Consolidated Balance Sheets.....	5
Computation of Book Value per Common Share and Diluted Book Value per Common Share.....	6
Consolidated Statements of Cash Flows.....	7
Consolidated Statements of Operations and Comprehensive Income (Loss).....	8
Consolidated Statements of Operations - Underwriting Income Format.....	9
Computation of Earnings per Share.....	10
Computation of Weighted Average Dilutive Shares Outstanding.....	11
Consolidated Segment Income Statement - Three months ended .....	12
Underwriting Results by Class of Business - Three months ended - Validus Re.....	13
Underwriting Results by Class of Business - Three months ended - Talbot.....	14
Consolidated Segment Income Statement - Year ended .....	15
Underwriting Results by Class of Business - Year ended - Validus Re.....	16
Underwriting Results by Class of Business - Year ended - Talbot.....	17
Class of Business Treaty Type Detail - Gross Premiums Written - Validus Re.....	18
Consolidated Class of Business Policy Type Detail - Gross Premiums Written.....	19
Gross Premiums Written by Segment by Class of Business.....	20
Underwriting Income - Validus Re.....	21
Underwriting Income - Talbot.....	22
Underwriting Income - Class of Business - Property.....	23
Underwriting Income - Class of Business - Marine.....	24
Underwriting Income - Class of Business - Specialty.....	25
Consolidated Analysis of Reserves for Losses and Loss Expenses.....	26
Consolidated Losses and Loss Ratios by Segment.....	27
Losses and Loss Ratios by Classes of Business - Validus Re.....	28
Losses and Loss Ratios by Classes of Business - Talbot.....	29
Consolidated Reinsurance Recoverable Analysis.....	30
Consolidated Investment Portfolio Composition and Net Investment Income.....	31
Consolidated Fixed Maturity Portfolio Credit Quality and Maturity Profile.....	32
Top Ten Exposures to Fixed Income Corporate Issuers.....	33
Consolidated Agency Residential Mortgage-Backed Portfolio.....	34
Consolidated Non-Agency Mortgage-Backed and Asset-Backed Portfolio.....	35
Capitalization.....	36
Estimated Exposures to Peak Zone Property Catastrophe Losses - As of January 1, 2011.....	37
Estimated Exposures to Specified Loss Scenarios - As of July 1, 2010.....	38
Non-GAAP Financial Measure Reconciliation .....	39



**Validus Holdings, Ltd.  
Explanatory Notes**

**Basis of Presentation**

- All financial information contained herein is unaudited, however, certain information contained herein relating to the years ended December 31, 2010, 2009 and 2008 is derived from or agrees to audited financial information.
- Unless otherwise noted, dollar amounts are in thousands of U.S. dollars, except for share and per share amounts and ratio information.
- In September 2009, Validus Holdings, Ltd. ("Validus") completed its acquisition of IPC Holdings Ltd. ("IPC"). Operating results of IPC have been included in the consolidated financial statements and the Validus segment from the acquisition date in September 2009. The Validus data for all periods prior to September 2009 refer only to the company prior to the acquisition of IPC.
- Certain amounts in prior periods have been reclassified to conform to current period presentation. These reclassifications include internal re-categorization between classes of business and treaty types.
- During the first quarter 2010, to better align the Company's operating and reporting structure with its current strategy, there was a change in the segment structure. This change was to allocate all 'non-core underwriting' expenses, predominately general and administration and stock compensation expenses to the Corporate segment.

**Financial Measures**

In presenting our results, we include certain financial measures which are important for an understanding of our overall results of operations. We believe that these measures are important to investors and other interested parties, and that such persons benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly titled measures used by companies either inside or outside of the insurance industry.

- In the basic earnings per share calculation, dividends and distributions declared on warrants are deducted from net income. In calculating diluted earnings per share, we consider the application of the treasury stock method and the two-class method and which ever is more dilutive is included into the calculation of diluted earnings per share.
- Net operating income is calculated based on net income excluding net realized gains (losses), net unrealized gains (losses) on investments, gains (losses) arising from translation of non-U.S.\$ denominated balances and non-recurring items. Net operating income focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items (including the gain on bargain purchase, net of expenses relating to the acquisition of IPC). 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-U.S.\$ denominated balances are unrelated to our underlying business. A reconciliation of net operating income to net income is included on page 39.
- Underwriting income is a measure of profitability that takes into account net premiums earned and other insurance related income as revenue and net loss and loss expenses, acquisition costs and underwriting related general and administrative expenses as expenses. Underwriting income is the difference between revenues and expense items. A reconciliation of underwriting income to net income, the most comparable U.S. GAAP financial measure is presented in the 'Consolidated Statement of Operations - Underwriting Income Format' contained herein.
- Annualized effective investment yield is calculated by dividing the investment income generated from invested assets and other investments by the average balance of the assets managed by our portfolio managers and our other investments during the period. Percentages for the quarter periods are annualized.
- Annualized return on average equity represents the level of net income available to the shareholders generated from average shareholders' equity during the period. Average shareholders' equity is the average of the beginning, ending and intervening quarter end shareholders' equity balances. Percentages for the quarter periods are annualized.
- Annualized net operating return on average equity is calculated by dividing the operating income for the period by the average shareholders' equity during the period. Average shareholders' equity is the average of the beginning, ending and intervening quarter end shareholders' equity balances. Percentages for the quarter periods are annualized. A reconciliation of net operating income to net income is included on page 39.



**Validus Holdings, Ltd.**

**Consolidated Financial Highlights**

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

		Three Months Ended				Year Ended		
		December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2009	
<b>Highlights</b>	Net income (loss)	\$ 102,687	\$ 238,473	\$ 179,782	\$ (118,378)	\$ 165,759	\$ 402,564	\$ 897,407
	Net operating income (loss) (a)	156,351	173,037	129,800	(136,425)	176,921	322,763	533,285
	Gross premiums written	258,731	344,040	516,861	870,934	255,289	1,990,566	1,621,241
	Net premiums earned	432,811	432,674	437,944	457,694	427,901	1,761,123	1,449,577
	Total assets	7,060,878	7,503,242	7,614,623	7,632,576	7,019,140	7,060,878	7,019,140
	Total shareholders' equity	3,504,831	3,761,285	3,602,926	3,759,565	4,031,120	3,504,831	4,031,120
<b>Per share data</b>	<u>Earnings per basic share (b)</u>							
	Net income (loss)	\$ 0.95	\$ 2.14	\$ 1.47	\$ (0.95)	\$ 1.26	\$ 3.41	\$ 9.51
	Net operating income (loss)	1.46	1.55	1.06	(1.09)	1.34	2.72	5.62
	<u>Earnings per diluted share (b)</u>							
	Net income (loss)	\$ 0.92	\$ 2.08	\$ 1.44	\$ (0.95)	\$ 1.23	\$ 3.34	\$ 9.24
	Net operating income (loss)	1.40	1.51	1.04	(1.09)	1.31	2.68	5.49
	<u>Book value per share</u>							
	Reported	\$ 35.76	\$ 34.43	\$ 32.34	\$ 30.34	\$ 31.38	\$ 35.76	\$ 31.38
	With investments at amortized cost	35.26	33.60	31.94	30.31	31.42	35.26	31.42
	<u>Diluted book value per share (b)</u>							
	Reported	\$ 32.98	\$ 32.02	\$ 30.30	\$ 28.66	\$ 29.68	\$ 32.98	\$ 29.68
	With investments at amortized cost	32.54	31.29	29.94	28.63	29.72	32.54	29.72
	<u>Diluted book value per common share plus accumulated dividends</u>	\$ 35.46	\$ 34.28	\$ 32.34	\$ 30.48	\$ 31.28	\$ 35.46	\$ 31.28
<b>Financial ratios</b>	Losses and loss expense ratio	35.9%	36.7%	44.5%	104.6%	31.1%	56.1%	36.1%
	Policy acquisition costs ratio	17.4%	15.5%	16.9%	16.6%	17.0%	16.6%	18.1%
	General and administration expenses ratio	14.4%	13.0%	13.5%	13.1%	16.0%	13.5%	14.7%
	Expense ratio	31.8%	28.5%	30.4%	29.7%	33.0%	30.1%	32.8%
	Combined ratio	67.7%	65.2%	74.9%	134.3%	64.1%	86.2%	68.9%
	Annualized return on average equity (c)	11.3%	25.9%	19.5%	(12.2)%	16.6%	10.8%	31.8%
	Annualized net operating return on average equity (d)	17.2%	18.8%	14.1%	(14.0)%	17.7%	8.6%	18.9%

**Notes:**

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange (losses) gains losses and non-recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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. (Losses) gains arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

(b) In the basic earnings per share calculation, dividends and distributions declared on warrants are deducted from net income. In calculating diluted earnings per share, we consider the application of the treasury stock method and the two-class method and which ever is more dilutive is included into the calculation of diluted earnings per share.

(c) Annualized return on average equity represents the level of net income available to the shareholders generated from average shareholders' equity during the period. Average shareholders' equity is the average of the beginning, ending and intervening quarter end shareholders' equity balances. Percentages for the quarter periods are annualized.

(d) Annualized net operating return on average equity is calculated by dividing the operating income for the period by the average shareholders' equity during the period. Average shareholders' equity is the average of the beginning, ending and intervening quarter end shareholders' equity balances. Percentages for the quarter periods are annualized. A reconciliation of net operating income to net income is included on page 39.



**Validus Holdings, Ltd.**

**Summary Consolidated Balance Sheets**

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

	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
<b>Assets</b>									
Fixed maturities, at fair value	\$ 4,823,867	\$ 5,200,285	\$ 4,975,019	\$ 5,181,042	\$ 4,869,378	\$ 4,590,143	\$ 2,816,536	\$ 2,644,496	\$ 2,454,501
Short-term investments, at fair value	273,514	228,356	269,782	308,502	481,766	594,581	323,940	282,363	377,036
Other investments, at fair value	21,478	19,888	26,068	34,398	37,615	129,012	-	-	-
Cash and cash equivalents	620,740	518,770	492,489	478,476	387,585	393,788	390,090	535,798	449,848
Total investments and cash	5,739,599	5,967,299	5,763,358	6,002,418	5,776,344	5,707,524	3,530,566	3,462,657	3,281,385
Premiums receivable	568,761	745,968	931,670	803,921	551,616	723,029	679,189	600,943	408,259
Deferred acquisition costs	123,897	151,701	165,957	165,158	112,329	139,157	145,615	143,510	108,156
Prepaid reinsurance premiums	71,417	88,651	185,771	103,950	73,164	101,711	87,798	59,510	22,459
Securities lending collateral	22,328	33,135	99,224	99,230	90,350	100,053	166,496	99,727	98,954
Loss reserves recoverable	283,134	268,821	193,604	198,956	181,765	172,101	169,666	204,197	208,796
Paid losses recoverable	27,996	19,560	24,133	18,261	14,782	10,064	36,624	4,438	1,388
Net receivable for investments sold	-	-	25,542	13,879	-	-	-	-	490
Income taxes recoverable	1,142	1,027	1,171	2,261	2,043	3,027	1,876	1,244	1,365
Intangible assets	118,893	119,935	120,975	122,015	123,055	124,096	125,136	126,177	127,217
Goodwill	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393
Accrued investment income	33,726	41,464	38,643	42,867	38,077	43,190	19,636	20,511	20,433
Other assets	49,592	45,288	44,182	39,267	35,222	32,726	25,455	19,491	23,185
<b>Total assets</b>	<b>\$ 7,060,878</b>	<b>\$ 7,503,242</b>	<b>\$ 7,614,623</b>	<b>\$ 7,632,576</b>	<b>\$ 7,019,140</b>	<b>\$ 7,177,071</b>	<b>\$ 5,008,450</b>	<b>\$ 4,762,798</b>	<b>\$ 4,322,480</b>
<b>Liabilities</b>									
Reserve for losses and loss expenses	\$ 2,035,973	\$ 2,020,845	\$ 1,978,130	\$ 1,976,889	\$ 1,622,134	\$ 1,624,743	\$ 1,311,935	\$ 1,318,732	\$ 1,305,303
Unearned premiums	728,516	955,236	1,176,603	1,083,591	724,104	955,049	856,138	795,233	539,450
Reinsurance balances payable	63,667	60,561	98,740	44,715	65,414	40,879	101,004	66,180	33,042
Securities lending payable	23,093	33,905	100,000	100,000	90,106	101,040	168,923	105,369	105,688
Deferred income taxes	24,908	23,827	26,200	24,104	24,508	26,110	22,163	20,914	21,779
Net payable for investments purchased	43,896	14,415	-	-	44,145	39,224	16,346	57,434	-
Accounts payable and accrued expenses	99,320	96,521	95,404	107,119	127,809	119,534	75,672	71,650	74,184
Senior notes payable	246,874	246,847	246,820	246,793	-	-	-	-	-
Debentures payable	289,800	289,800	289,800	289,800	289,800	304,300	304,300	304,300	304,300
<b>Total liabilities</b>	<b>3,556,047</b>	<b>3,741,957</b>	<b>4,011,697</b>	<b>3,873,011</b>	<b>2,988,020</b>	<b>3,210,879</b>	<b>2,856,481</b>	<b>2,739,812</b>	<b>2,383,746</b>
<b>Shareholders' equity</b>									
Common shares	\$ 23,247	\$ 23,154	\$ 23,101	\$ 23,081	\$ 23,033	\$ 22,944	\$ 13,327	\$ 13,271	\$ 13,235
Treasury shares	(6,096)	(4,037)	(3,605)	(1,397)	(553)	-	-	-	-
Additional paid-in-capital	1,860,960	2,193,140	2,247,995	2,555,243	2,675,680	2,748,121	1,424,378	1,419,602	1,412,635
Accumulated other comprehensive (loss)	(5,455)	(4,945)	(6,726)	(6,658)	(4,851)	(4,976)	(4,061)	(8,054)	(7,858)
Retained earnings	1,632,175	1,553,973	1,342,161	1,189,296	1,337,811	1,200,103	718,325	598,167	520,722
<b>Total shareholders' equity</b>	<b>3,504,831</b>	<b>3,761,285</b>	<b>3,602,926</b>	<b>3,759,565</b>	<b>4,031,120</b>	<b>3,966,192</b>	<b>2,151,969</b>	<b>2,022,986</b>	<b>1,938,734</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,060,878</b>	<b>\$ 7,503,242</b>	<b>\$ 7,614,623</b>	<b>\$ 7,632,576</b>	<b>\$ 7,019,140</b>	<b>\$ 7,177,071</b>	<b>\$ 5,008,450</b>	<b>\$ 4,762,798</b>	<b>\$ 4,322,480</b>
Book value per common share	\$ 35.76	\$ 34.43	\$ 32.34	\$ 30.34	\$ 31.38	\$ 30.25	\$ 28.26	\$ 26.68	\$ 25.64
Diluted book value per common share	\$ 32.98	\$ 32.02	\$ 30.30	\$ 28.66	\$ 29.68	\$ 28.61	\$ 26.08	\$ 24.65	\$ 23.78
Diluted book value per common share plus accumulated dividends	\$ 35.46	\$ 34.28	\$ 32.34	\$ 30.48	\$ 31.28	\$ 30.01	\$ 27.28	\$ 25.65	\$ 24.58



**Validus Holdings, Ltd.**

**Computation of Book Value per Common Share and Diluted Book Value per Common Share**

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

	At December 31, 2010				At December 31, 2009			
	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share
<b><u>Book value per common share, reported</u></b>								
<b>Book value per common share</b>								
Total shareholders' equity	\$ 3,504,831	98,001,226		\$ 35.76	\$ 4,031,120	128,459,478		\$ 31.38
<b>Diluted book value per common share</b>								
Total shareholders' equity	\$ 3,504,831	98,001,226			\$ 4,031,120	128,459,478		
Assumed exercise of outstanding warrants (b)	139,272	7,934,860	\$ 17.55		139,576	7,952,138	\$ 17.55	
Assumed exercise of outstanding stock options (b)	54,997	2,723,684	\$ 20.19		65,159	3,278,015	\$ 19.88	
Unvested restricted shares	-	3,496,096			-	3,020,651		
Diluted book value per common share	\$ 3,699,100	112,155,866		\$ 32.98	\$ 4,235,855	142,710,282		\$ 29.68
<b><u>Book value per common share, adjusted (c)</u></b>								
<b>Book value per common share</b>								
Total shareholders' equity	\$ 3,504,831				\$ 4,031,120			
Accumulated other comprehensive loss	5,455				4,851			
Unrealized (gain) loss on investments	(54,986)				209			
Total shareholders' equity, adjusted	\$ 3,455,300	98,001,226		\$ 35.26	\$ 4,036,180	128,459,478		\$ 31.42
<b>Diluted book value per common share</b>								
Total shareholders' equity, adjusted	\$ 3,455,300	98,001,226			\$ 4,036,180	128,459,478		
Assumed exercise of outstanding warrants (b)	139,272	7,934,860	\$ 17.55		139,576	7,952,138	\$ 17.55	
Assumed exercise of outstanding stock options (b)	54,997	2,723,684	\$ 20.19		65,159	3,278,015	\$ 19.88	
Unvested restricted shares	-	3,496,096			-	3,020,651		
Diluted book value per common share	\$ 3,649,569	112,155,866		\$ 32.54	\$ 4,240,915	142,710,282		\$ 29.72

**Notes:**

(a) Weighted average exercise price for those warrants and stock options that have an exercise price lower than book value per shares.

(b) Using the "as-if-converted" method, assuming all proceeds received upon exercise of warrants and stock options will be retained by the Company and the resulting common shares from exercise remain outstanding.

(c) Adjusted book value excludes unrealized (gains) losses on investments and accumulated other comprehensive (income) loss.



Validus Holdings, Ltd.

Consolidated Statements of Cash Flows

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

	Three Months Ended					Year Ended	
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Cash flows provided by (used in) operating activities</b>							
Net income (loss)	\$ 102,687	\$ 238,473	\$ 179,782	\$ (118,378)	\$ 165,759	\$ 402,564	\$ 897,407
Adjustments to reconcile net income to cash provided by (used in) operating activities:							
Share compensation expenses	7,871	7,618	6,846	6,576	8,189	28,911	32,468
Realized gain on repurchase of debentures	-	-	-	-	(4,444)	-	(4,444)
Gain on bargain purchase	-	-	-	-	-	-	(352,349)
Amortization of discount on senior notes	27	27	27	-	-	81	-
Net realized losses (gains) on investments	14,399	(23,058)	(12,441)	(11,398)	(9,099)	(32,498)	11,543
Net unrealized losses (gains) on investments	42,689	(31,588)	(41,640)	(15,413)	25,042	(45,952)	(84,796)
Amortization of intangible assets	1,042	1,040	1,040	1,040	1,041	4,162	25,833
Foreign exchange losses (gains) on cash and cash equivalents included in net income	1,981	(20,561)	12,591	4,538	908	(1,451)	(9,579)
Amortization of premium on fixed maturities	9,239	14,526	4,697	3,713	7,308	32,175	16,277
Change in:							
Premiums receivable	175,928	188,732	(128,277)	(255,394)	171,170	(19,011)	37,163
Deferred acquisition costs	27,804	14,256	(799)	(52,829)	26,828	(11,568)	17,914
Prepaid reinsurance premiums	17,234	97,120	(81,821)	(30,786)	28,547	1,747	(47,070)
Loss reserves recoverable	(15,069)	(73,711)	5,383	(18,871)	(9,712)	(102,268)	32,922
Paid losses recoverable	(8,465)	4,585	(5,855)	(3,509)	(4,803)	(13,244)	(13,424)
Income taxes recoverable	(25)	159	901	(41)	940	994	(546)
Accrued investment income	7,747	(2,743)	4,222	(4,875)	5,110	4,351	5,176
Other assets	(3,911)	2,263	(4,993)	(6,557)	(3,065)	(13,198)	(3,622)
Reserve for losses and loss expenses	18,945	32,626	1,603	366,176	(1,337)	419,350	(10,238)
Unearned premiums	(226,720)	(221,367)	93,012	359,487	(230,945)	4,412	(20,846)
Reinsurance balances payable	3,867	(39,766)	54,443	(19,203)	24,830	(659)	28,733
Deferred income taxes	885	(2,060)	2,076	(624)	(1,642)	277	3,089
Accounts payable and accrued expenses	3,182	(1,489)	(11,181)	(19,686)	6,107	(29,174)	(6,495)
<b>Net cash provided by operating activities</b>	<b>181,337</b>	<b>185,082</b>	<b>79,616</b>	<b>183,966</b>	<b>206,732</b>	<b>630,001</b>	<b>555,116</b>
<b>Cash flows provided by (used in) investing activities</b>							
Proceeds on sales of investments	1,376,828	1,038,873	1,706,972	1,226,380	1,234,191	5,349,053	3,481,772
Proceeds on maturities of investments	77,682	73,532	85,296	113,341	101,965	349,851	568,030
Purchases of fixed maturities	(1,117,848)	(1,251,059)	(1,550,415)	(1,693,657)	(1,629,225)	(5,612,979)	(4,421,787)
(Purchases) sales of short-term investments, net	(45,062)	41,539	38,568	173,233	108,899	208,278	200,253
(Purchases) sales of other investments	(860)	6,460	7,227	4,383	92,442	17,210	90,395
Decrease (increase) in securities lending collateral	10,812	66,095	-	(9,894)	10,933	67,013	15,582
Purchase of subsidiary, net of cash acquired	-	-	-	-	-	-	(376,878)
<b>Net cash provided by (used in) investing activities</b>	<b>301,552</b>	<b>(24,560)</b>	<b>287,648</b>	<b>(186,214)</b>	<b>(80,795)</b>	<b>378,426</b>	<b>(442,633)</b>
<b>Cash flows provided by (used in) financing activities</b>							
Net proceeds on issuance of senior notes	-	-	-	246,793	-	246,793	-
Repurchase of debentures	-	-	-	-	(10,056)	-	(10,056)
Issuance (redemption) of common shares, net	8,450	(472)	(360)	348	3,024	7,966	1,250
Purchases of common shares under share repurchase program	(350,467)	(62,380)	(315,922)	(128,157)	(84,164)	(856,926)	(84,164)
Dividends paid	(23,803)	(25,865)	(26,050)	(29,944)	(27,577)	(105,662)	(78,515)
(Decrease) increase in securities lending payable	(10,812)	(66,095)	-	9,894	(10,933)	(67,013)	(15,582)
<b>Net cash (used in) provided by financing activities</b>	<b>(376,632)</b>	<b>(154,812)</b>	<b>(342,332)</b>	<b>98,934</b>	<b>(129,706)</b>	<b>(774,842)</b>	<b>(187,067)</b>
Effect of foreign currency rate changes on cash and cash equivalents	(4,287)	20,571	(10,919)	(5,795)	(2,434)	(430)	12,321
Net increase (decrease) in cash	101,970	26,281	14,013	90,891	(6,203)	233,155	(62,263)
<b>Cash and cash equivalents - beginning of period</b>	<b>518,770</b>	<b>\$ 492,489</b>	<b>\$ 478,476</b>	<b>\$ 387,585</b>	<b>\$ 393,788</b>	<b>\$ 387,585</b>	<b>\$ 449,848</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 620,740</b>	<b>\$ 518,770</b>	<b>\$ 492,489</b>	<b>\$ 478,476</b>	<b>\$ 387,585</b>	<b>\$ 620,740</b>	<b>\$ 387,585</b>
<b>Taxes paid during the period</b>	<b>\$ 21</b>	<b>\$ 1,023</b>	<b>\$ 1,137</b>	<b>\$ 198</b>	<b>\$ 278</b>	<b>\$ 2,379</b>	<b>\$ 1,673</b>
<b>Interest paid during the period</b>	<b>\$ 6,364</b>	<b>\$ 17,459</b>	<b>\$ 6,364</b>	<b>\$ 6,365</b>	<b>\$ 6,559</b>	<b>\$ 36,552</b>	<b>\$ 26,575</b>
<b>Losses paid during the period</b>	<b>\$ 153,492</b>	<b>\$ 213,846</b>	<b>\$ 178,432</b>	<b>\$ 127,652</b>	<b>\$ 144,051</b>	<b>\$ 673,422</b>	<b>\$ 507,435</b>



Validus Holdings, Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Three Months Ended (a)				Year Ended (a)		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Revenues</b>							
Gross premiums written	\$ 258,731	\$ 344,040	\$ 516,861	\$ 870,934	\$ 255,289	\$ 1,990,566	\$ 1,621,241
Reinsurance premiums ceded	(35,376)	(35,641)	(67,726)	(90,739)	(30,393)	(229,482)	(232,883)
Net premiums written	223,355	308,399	449,135	780,195	224,896	1,761,084	1,388,358
Change in unearned premiums	209,456	124,275	(11,191)	(322,501)	203,005	39	61,219
Net premiums earned	432,811	432,674	437,944	457,694	427,901	1,761,123	1,449,577
Gain on bargain purchase, net of expenses (b)	-	-	-	-	-	-	287,099
Net investment income	30,962	34,033	34,809	34,299	35,506	134,103	118,773
Realized gain on repurchase of debentures	-	-	-	-	4,444	-	4,444
Net realized (losses) gains on investments	(14,399)	23,058	12,441	11,398	9,099	32,498	(11,543)
Net unrealized (losses) gains on investments	(42,689)	31,588	41,640	15,413	(25,043)	45,952	84,796
Other income	552	1,082	2,697	888	1,759	5,219	4,634
Foreign exchange gains (losses)	3,424	10,790	(4,099)	(8,764)	338	1,351	(674)
<b>Total revenues</b>	<b>410,661</b>	<b>533,225</b>	<b>525,432</b>	<b>510,928</b>	<b>454,004</b>	<b>1,980,246</b>	<b>1,937,106</b>
<b>Expenses</b>							
Losses and loss expenses	155,225	158,936	194,894	478,531	133,020	987,586	523,757
Policy acquisition costs	75,523	67,074	74,126	76,176	72,843	292,899	262,966
General and administrative expenses	54,511	48,831	52,379	53,569	60,253	209,290	185,568
Share compensation expenses	7,871	7,618	6,846	6,576	8,189	28,911	27,037
Finance expenses	13,786	13,715	13,218	15,151	14,398	55,870	44,130
<b>Total expenses</b>	<b>306,916</b>	<b>296,174</b>	<b>341,463</b>	<b>630,003</b>	<b>288,703</b>	<b>1,574,556</b>	<b>1,043,458</b>
<b>Net income (loss) before taxes</b>	<b>103,745</b>	<b>237,051</b>	<b>183,969</b>	<b>(119,075)</b>	<b>165,301</b>	<b>405,690</b>	<b>893,648</b>
Tax (expense) benefit	(1,058)	1,422	(4,187)	697	458	(3,126)	3,759
<b>Net income (loss)</b>	<b>\$ 102,687</b>	<b>\$ 238,473</b>	<b>\$ 179,782</b>	<b>\$ (118,378)</b>	<b>\$ 165,759</b>	<b>\$ 402,564</b>	<b>\$ 897,407</b>
<b>Comprehensive income</b>							
Foreign currency translation adjustments	(510)	1,781	(68)	(1,807)	125	(604)	3,007
<b>Comprehensive income (loss)</b>	<b>\$ 102,177</b>	<b>\$ 240,254</b>	<b>\$ 179,714</b>	<b>\$ (120,185)</b>	<b>\$ 165,884</b>	<b>\$ 401,960</b>	<b>\$ 900,414</b>
<b>Earnings per share</b>							
Weighted average number of common shares and common share equivalents outstanding							
Basic	105,828,739	110,601,888	121,009,553	126,633,277	130,413,790	116,018,364	93,697,194
Diluted	111,316,736	114,842,742	125,152,300	126,633,277	134,794,120	120,630,945	97,168,409
<b>Basic earnings (loss) per share</b>	<b>\$ 0.95</b>	<b>\$ 2.14</b>	<b>\$ 1.47</b>	<b>\$ (0.95)</b>	<b>\$ 1.26</b>	<b>\$ 3.41</b>	<b>\$ 9.51</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ 0.92</b>	<b>\$ 2.08</b>	<b>\$ 1.44</b>	<b>\$ (0.95)</b>	<b>\$ 1.23</b>	<b>\$ 3.34</b>	<b>\$ 9.24</b>
<b>Cash dividends declared per share</b>	<b>\$ 0.22</b>	<b>\$ 0.22</b>	<b>\$ 0.22</b>	<b>\$ 0.22</b>	<b>\$ 0.20</b>	<b>\$ 0.88</b>	<b>\$ 0.80</b>

Notes:

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. in September 2009 and is net of transaction expenses.





Validus Holdings, Ltd.

Consolidated Statements of Operations - Underwriting Income Format

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

	Three Months Ended (a)					Year Ended (a)	
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Underwriting income</b>							
Gross premiums written	\$ 258,731	\$ 344,040	\$ 516,861	\$ 870,934	\$ 255,289	\$ 1,990,566	\$ 1,621,241
Reinsurance premiums ceded	(35,376)	(35,641)	(67,726)	(90,739)	(30,393)	(229,482)	(232,883)
Net premiums written	223,355	308,399	449,135	780,195	224,896	1,761,084	1,388,358
Change in unearned premiums	209,456	124,275	(11,191)	(322,501)	203,005	39	61,219
<b>Net premiums earned</b>	<b>432,811</b>	<b>432,674</b>	<b>437,944</b>	<b>457,694</b>	<b>427,901</b>	<b>1,761,123</b>	<b>1,449,577</b>
<b>Underwriting deductions</b>							
Losses and loss expenses	155,225	158,936	194,894	478,531	133,020	987,586	523,757
Policy acquisition costs	75,523	67,074	74,126	76,176	72,843	292,899	262,966
General and administrative expenses	54,511	48,831	52,379	53,569	60,253	209,290	185,568
Share compensation expenses	7,871	7,618	6,846	6,576	8,189	28,911	27,037
<b>Total underwriting deductions</b>	<b>293,130</b>	<b>282,459</b>	<b>328,245</b>	<b>614,852</b>	<b>274,305</b>	<b>1,518,686</b>	<b>999,328</b>
<b>Underwriting income (loss)</b>	<b>\$ 139,681</b>	<b>\$ 150,215</b>	<b>\$ 109,699</b>	<b>\$ (157,158)</b>	<b>\$ 153,596</b>	<b>\$ 242,437</b>	<b>\$ 450,249</b>
Net investment income	30,962	34,033	34,809	34,299	35,506	134,103	118,773
Other income	552	1,082	2,697	888	1,759	5,219	4,634
Finance expenses	(13,786)	(13,715)	(13,218)	(15,151)	(14,398)	(55,870)	(44,130)
<b>Operating income (loss) before taxes</b>	<b>157,409</b>	<b>171,615</b>	<b>133,987</b>	<b>(137,122)</b>	<b>176,463</b>	<b>325,889</b>	<b>529,526</b>
Tax (expense) benefit	(1,058)	1,422	(4,187)	697	458	(3,126)	3,759
<b>Net operating income (loss) (b)</b>	<b>\$ 156,351</b>	<b>\$ 173,037</b>	<b>\$ 129,800</b>	<b>\$ (136,425)</b>	<b>\$ 176,921</b>	<b>\$ 322,763</b>	<b>\$ 533,285</b>
Gain on bargain purchase, net of expenses (c)	-	-	-	-	-	-	287,099
Realized gain on repurchase of debentures	-	-	-	-	4,444	-	4,444
Net realized (losses) gains on investments	(14,399)	23,058	12,441	11,398	9,099	32,498	(11,543)
Net unrealized (losses) gains on investments	(42,689)	31,588	41,640	15,413	(25,043)	45,952	84,796
Foreign exchange gains (losses)	3,424	10,790	(4,099)	(8,764)	338	1,351	(674)
<b>Net income (loss)</b>	<b>\$ 102,687</b>	<b>\$ 238,473</b>	<b>\$ 179,782</b>	<b>\$ (118,378)</b>	<b>\$ 165,759</b>	<b>\$ 402,564</b>	<b>\$ 897,407</b>
<b>Selected ratios:</b>							
Net premiums written / Gross premiums written	86.3%	89.6%	86.9%	89.6%	88.1%	88.5%	85.6%
Losses and loss expenses	35.9%	36.7%	44.5%	104.6%	31.1%	56.1%	36.1%
Policy acquisition costs	17.4%	15.5%	16.9%	16.6%	17.0%	16.6%	18.1%
General and administrative expenses (d)	14.4%	13.0%	13.5%	13.1%	16.0%	13.5%	14.7%
Expense ratio	31.8%	28.5%	30.4%	29.7%	33.0%	30.1%	32.8%
Combined ratio	67.7%	65.2%	74.9%	134.3%	64.1%	86.2%	68.9%

Notes:

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

(c) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. in September 2009 and is net of transaction expenses.

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



**Validus Holdings, Ltd.**

**Computation of Earnings per Share**

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

	Three Months Ended (a)						Year Ended (a)					
	December 31, 2010			December 31, 2009			December 31, 2010			December 31, 2009		
	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income	Net operating income	Net income	Comprehensive income	Net operating income	Net income	Comprehen- sive income
<b>Basic earnings per share (b)</b>												
Income	\$ 156,351	\$ 102,687	\$ 102,177	\$ 176,921	\$ 165,759	\$ 165,884	\$ 322,763	\$ 402,564	\$ 401,960	\$ 533,285	\$ 897,407	\$ 900,414
less: Dividends and distributions declared on outstanding warrants	(1,746)	(1,746)	(1,746)	(1,590)	(1,590)	(1,590)	(6,991)	(6,991)	(6,991)	(6,507)	(6,507)	(6,507)
Income available to common shareholders	<u>\$ 154,605</u>	<u>\$ 100,941</u>	<u>\$ 100,431</u>	<u>\$ 175,331</u>	<u>\$ 164,169</u>	<u>\$ 164,294</u>	<u>\$ 315,772</u>	<u>\$ 395,573</u>	<u>\$ 394,969</u>	<u>\$ 526,778</u>	<u>\$ 890,900</u>	<u>\$ 893,907</u>
Weighted average number of common shares outstanding	105,828,739	105,828,739	105,828,739	130,413,790	130,413,790	130,413,790	116,018,364	116,018,364	116,018,364	93,697,194	93,697,194	93,697,194
<b>Basic earning per share</b>	<u>\$ 1.46</u>	<u>\$ 0.95</u>	<u>\$ 0.95</u>	<u>\$ 1.34</u>	<u>\$ 1.26</u>	<u>\$ 1.26</u>	<u>\$ 2.72</u>	<u>\$ 3.41</u>	<u>\$ 3.40</u>	<u>\$ 5.62</u>	<u>\$ 9.51</u>	<u>\$ 9.54</u>
<b>Diluted earnings per share (b)</b>												
Income	\$ 156,351	\$ 102,687	\$ 102,177	\$ 176,921	\$ 165,759	\$ 165,884	\$ 322,763	\$ 402,564	\$ 401,960	\$ 533,285	\$ 897,407	\$ 900,414
less: Dividends and distributions declared on outstanding warrants	-	-	-	-	-	-	-	-	-	-	-	-
Income available to common shareholders	<u>\$ 156,351</u>	<u>\$ 102,687</u>	<u>\$ 102,177</u>	<u>\$ 176,921</u>	<u>\$ 165,759</u>	<u>\$ 165,884</u>	<u>\$ 322,763</u>	<u>\$ 402,564</u>	<u>\$ 401,960</u>	<u>\$ 533,285</u>	<u>\$ 897,407</u>	<u>\$ 900,414</u>
Weighted average number of common shares outstanding	105,828,739	105,828,739	105,828,739	130,413,790	130,413,790	130,413,790	116,018,364	116,018,364	116,018,364	93,697,194	93,697,194	93,697,194
Share equivalents:												
Warrants	3,146,067	3,146,067	3,146,067	2,620,747	2,620,747	2,620,747	2,657,258	2,657,258	2,657,258	2,220,096	2,220,096	2,220,096
Stock options	1,005,564	1,005,564	1,005,564	779,453	779,453	779,453	888,281	888,281	888,281	478,472	478,472	478,472
Unvested restricted shares	1,336,366	1,336,366	1,336,366	980,130	980,130	980,130	1,067,042	1,067,042	1,067,042	772,647	772,647	772,647
Weighted average number of diluted common shares outstanding	<u>111,316,736</u>	<u>111,316,736</u>	<u>111,316,736</u>	<u>134,794,120</u>	<u>134,794,120</u>	<u>134,794,120</u>	<u>120,630,945</u>	<u>120,630,945</u>	<u>120,630,945</u>	<u>97,168,409</u>	<u>97,168,409</u>	<u>97,168,409</u>
<b>Diluted earnings per share</b>	<u>\$ 1.40</u>	<u>\$ 0.92</u>	<u>\$ 0.92</u>	<u>\$ 1.31</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 2.68</u>	<u>\$ 3.34</u>	<u>\$ 3.33</u>	<u>\$ 5.49</u>	<u>\$ 9.24</u>	<u>\$ 9.27</u>

**Notes:**

(a) ASC 718 requires that any unrecognized stock based compensation expense that will be recorded in future periods be included as proceeds for purposes of treasury stock repurchases, which is applied against the unvested restricted shares balance.

(b) In the basic earnings per share calculation, dividends and distributions declared on warrants outstanding are deducted from net income. In calculating diluted earnings per share, we also consider the impact of increasing the number of dilutive shares by a portion of the warrants outstanding, calculated using the treasury stock method. Whichever adjustment is more dilutive is incorporated in the calculation of diluted earnings per share.



**Validus Holdings, Ltd.**

**Computation of Weighted Average Dilutive Shares Outstanding**

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

	Three Months Ended		Year Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Average fair value per share	\$ 29.07	\$ 26.18	\$ 26.47	\$ 24.21
Basic weighted average common shares outstanding	105,828,739	130,413,790	116,018,364	93,697,194
Add: weighted average unvested restricted shares	3,496,096	3,020,651	3,285,393	3,086,404
Proceeds from unrecognized restricted share expenses	\$ 62,783	\$ 53,421	\$ 58,720	\$ 56,016
Less: restricted shares bought back via treasury method	(2,159,730)	(2,040,521)	(2,218,351)	(2,313,757)
Add: weighted average dilutive warrants outstanding	7,934,860	7,952,138	7,945,314	8,134,141
Weighted average exercise price per share	\$ 17.55	\$ 17.55	\$ 17.55	\$ 17.55
Less: warrants bought back via treasury method	(4,788,793)	(5,331,391)	(5,288,056)	(5,914,045)
Add: weighted average dilutive options outstanding	2,723,684	3,278,015	3,096,080	3,074,525
Weighted average exercise price per share	\$ 20.19	\$ 19.88	\$ 19.93	\$ 19.06
Proceeds from unrecognized option expenses	\$ 1,240	\$ 5,516	\$ 2,897	\$ 7,176
Less: options bought back via treasury method	(1,718,120)	(2,498,562)	(2,207,799)	(2,596,053)
<b>Weighted average dilutive shares outstanding</b>	<b>111,316,736</b>	<b>134,794,120</b>	<b>120,630,945</b>	<b>97,168,409</b>



Validus Holdings, Ltd.

Consolidated Segment Income Statement - Three months ended

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

	Three Months Ended December 31, 2010 (a)				Three Months Ended December 31, 2009 (a)			
	Validus Re	Talbot	Corporate & Eliminations	Total	Validus Re	Talbot	Corporate & Eliminations	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 33,986	\$ 238,100	\$ (13,355)	\$ 258,731	\$ 33,694	\$ 229,548	\$ (7,953)	\$ 255,289
Reinsurance premiums ceded	(399)	(48,332)	13,355	(35,376)	(652)	(37,694)	7,953	(30,393)
Net premiums written	33,587	189,768	-	223,355	33,042	191,854	-	224,896
Change in unearned premiums	212,737	(3,281)	-	209,456	224,596	(21,591)	-	203,005
<b>Net premiums earned</b>	<u>246,324</u>	<u>186,487</u>	<u>-</u>	<u>432,811</u>	<u>257,638</u>	<u>170,263</u>	<u>-</u>	<u>427,901</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	49,799	105,426	-	155,225	44,134	88,886	-	133,020
Policy acquisition costs	39,299	37,726	(1,502)	75,523	37,088	37,555	(1,800)	72,843
General and administrative expenses	12,659	30,334	11,518	54,511	19,782	30,787	9,684	60,253
Share compensation expenses	1,934	2,142	3,795	7,871	2,590	1,367	4,232	8,189
<b>Total underwriting deductions</b>	<u>103,691</u>	<u>175,628</u>	<u>13,811</u>	<u>293,130</u>	<u>103,594</u>	<u>158,595</u>	<u>12,116</u>	<u>274,305</u>
<b>Underwriting income (loss)</b>	<b>\$ 142,633</b>	<b>\$ 10,859</b>	<b>\$ (13,811)</b>	<b>\$ 139,681</b>	<b>\$ 154,044</b>	<b>\$ 11,668</b>	<b>\$ (12,116)</b>	<b>\$ 153,596</b>
Net investment income	26,126	7,102	(2,266)	30,962	29,984	7,298	(1,776)	35,506
Other income	765	4,452	(4,665)	552	2,115	2,785	(3,141)	1,759
Finance expenses	(1,566)	-	(12,220)	(13,786)	(541)	(7,037)	(6,820)	(14,398)
<b>Operating income (loss) before taxes</b>	<u>167,958</u>	<u>22,413</u>	<u>(32,962)</u>	<u>157,409</u>	<u>185,602</u>	<u>14,714</u>	<u>(23,853)</u>	<u>176,463</u>
Tax benefit (expense)	10	(975)	(93)	(1,058)	(56)	514	-	458
<b>Net operating income (loss) (b)</b>	<b>\$ 167,968</b>	<b>\$ 21,438</b>	<b>\$ (33,055)</b>	<b>\$ 156,351</b>	<b>\$ 185,546</b>	<b>\$ 15,228</b>	<b>\$ (23,853)</b>	<b>\$ 176,921</b>
Realized gain on repurchase of debentures	-	-	-	-	-	-	4,444	4,444
Net realized (losses) gains on investments	(16,802)	2,403	-	(14,399)	8,854	245	-	9,099
Net unrealized (losses) on investments	(28,121)	(14,568)	-	(42,689)	(20,484)	(4,559)	-	(25,043)
Foreign exchange gains (losses)	1,902	1,338	184	3,424	(765)	1,103	-	338
<b>Net income (loss)</b>	<b>\$ 124,947</b>	<b>\$ 10,611</b>	<b>\$ (32,871)</b>	<b>\$ 102,687</b>	<b>\$ 173,151</b>	<b>\$ 12,017</b>	<b>\$ (19,409)</b>	<b>\$ 165,759</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	98.8%	79.7%		86.3%	98.1%	83.6%		88.1%
Losses and loss expenses	20.2%	56.5%		35.9%	17.1%	52.2%		31.1%
Policy acquisition costs	16.0%	20.2%		17.4%	14.4%	22.1%		17.0%
General and administrative expenses (d)	5.9%	17.4%		14.4%	8.7%	18.9%		16.0%
Expense ratio	<u>21.9%</u>	<u>37.6%</u>		<u>31.8%</u>	<u>23.1%</u>	<u>41.0%</u>		<u>33.0%</u>
Combined ratio	<u>42.1%</u>	<u>94.1%</u>		<u>67.7%</u>	<u>40.2%</u>	<u>93.2%</u>		<u>64.1%</u>

Notes:

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

(c) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. in September 2009 and is net of transaction expenses.

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



**Validus Holdings, Ltd.**

**Underwriting Results by Class of Business - Three months ended - Validus Re**

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

	Three Months Ended December 31, 2010 (a)				Three Months Ended December 31, 2009 (a)			
	Property (b)	Marine	Specialty (b)	Total	Property (b)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 17,301	\$ 4,244	\$ 12,441	\$ 33,986	\$ 21,204	\$ (1,060)	\$ 13,550	\$ 33,694
Reinsurance premiums ceded	(2,084)	1,685	-	(399)	(459)	90	(283)	(652)
Net premiums written	15,217	5,929	12,441	33,587	20,745	(970)	13,267	33,042
Change in unearned premiums	161,533	39,595	11,609	212,737	183,510	29,858	11,228	224,596
<b>Net premiums earned</b>	<b>176,750</b>	<b>45,524</b>	<b>24,050</b>	<b>246,324</b>	<b>204,255</b>	<b>28,888</b>	<b>24,495</b>	<b>257,638</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	18,105	9,821	21,873	49,799	19,593	13,152	11,389	44,134
Policy acquisition costs	25,775	10,062	3,462	39,299	27,463	5,257	4,368	37,088
<b>Total underwriting deductions before G&amp;A</b>	<b>43,880</b>	<b>19,883</b>	<b>25,335</b>	<b>89,098</b>	<b>47,056</b>	<b>18,409</b>	<b>15,757</b>	<b>81,222</b>
<b>Underwriting income (loss) before G&amp;A</b>	<b>\$ 132,870</b>	<b>\$ 25,641</b>	<b>\$ (1,285)</b>	<b>\$ 157,226</b>	<b>\$ 157,199</b>	<b>\$ 10,479</b>	<b>\$ 8,738</b>	<b>\$ 176,416</b>
General and administrative expenses				12,659				19,782
Share compensation expenses				1,934				2,590
<b>Total underwriting deductions</b>				<b>103,691</b>				<b>103,594</b>
<b>Underwriting income</b>				<b>\$ 142,633</b>				<b>\$ 154,044</b>
Net investment income				26,126				29,984
Other income				765				2,115
Finance expenses				(1,566)				(541)
<b>Operating income before taxes</b>				<b>167,958</b>				<b>185,602</b>
Tax benefit (expense)				10				(56)
<b>Net operating income (c)</b>				<b>\$ 167,968</b>				<b>\$ 185,546</b>
Net realized (losses) gains on investments				(16,802)				8,854
Net unrealized (losses) on investments				(28,121)				(20,484)
Foreign exchange gains (losses)				1,902				(765)
<b>Net income</b>				<b>\$ 124,947</b>				<b>\$ 173,151</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	88.0%	139.7%	100.0%	98.8%	97.8%	91.5%	97.9%	98.1%
Losses and loss expenses	10.2%	21.6%	90.9%	20.2%	9.6%	45.5%	46.5%	17.1%
Policy acquisition costs	14.6%	22.1%	14.4%	16.0%	13.4%	18.2%	17.8%	14.4%
General and administrative expenses (d)				5.9%				8.7%
Expense ratio				21.9%				23.1%
Combined ratio				42.1%				40.2%

**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation and Crisis Management. During 2009 Nuclear and Agriculture were reclassified from Property to Specialty.

(c) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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



Validus Holdings, Ltd.

Underwriting Results by Class of Business - Three months ended - Talbot

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

	Three Months Ended December 31, 2010 (a)				Three Months Ended December 31, 2009 (a)			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 58,165	\$ 68,452	\$ 111,483	\$ 238,100	\$ 50,933	\$ 62,697	\$ 115,918	\$ 229,548
Reinsurance premiums ceded	(24,350)	(4,600)	(19,382)	(48,332)	(19,083)	(4,110)	(14,501)	(37,694)
Net premiums written	33,815	63,852	92,101	189,768	31,850	58,587	101,417	191,854
Change in unearned premiums	7,606	10,328	(21,215)	(3,281)	4,682	6,218	(32,491)	(21,591)
<b>Net premiums earned</b>	<b>41,421</b>	<b>74,180</b>	<b>70,886</b>	<b>186,487</b>	<b>36,532</b>	<b>64,805</b>	<b>68,926</b>	<b>170,263</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	36,840	23,593	44,993	105,426	10,537	41,181	37,168	88,886
Policy acquisition costs	5,315	16,603	15,808	37,726	6,031	16,523	15,001	37,555
<b>Total underwriting deductions before G&amp;A</b>	<b>42,155</b>	<b>40,196</b>	<b>60,801</b>	<b>143,152</b>	<b>16,568</b>	<b>57,704</b>	<b>52,169</b>	<b>126,441</b>
<b>Underwriting (loss) income before G&amp;A</b>	<b>\$ (734)</b>	<b>\$ 33,984</b>	<b>\$ 10,085</b>	<b>\$ 43,335</b>	<b>\$ 19,964</b>	<b>\$ 7,101</b>	<b>\$ 16,757</b>	<b>\$ 43,822</b>
General and administrative expenses				30,334				30,787
Share compensation expenses				2,142				1,367
<b>Total underwriting deductions</b>				<b>175,628</b>				<b>158,595</b>
<b>Underwriting income</b>				<b>\$ 10,859</b>				<b>\$ 11,668</b>
Net investment income				7,102				7,298
Other income				4,452				2,785
Finance expenses				-				(7,037)
<b>Operating income before taxes</b>				<b>22,413</b>				<b>14,714</b>
Tax (expense) benefit				(975)				514
<b>Net operating income (c)</b>				<b>\$ 21,438</b>				<b>\$ 15,228</b>
Net realized gains on investments				2,403				245
Net unrealized (losses) on investments				(14,568)				(4,559)
Foreign exchange gains				1,338				1,103
<b>Net income</b>				<b>\$ 10,611</b>				<b>\$ 12,017</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	58.1%	93.3%	82.6%	79.7%	62.5%	93.4%	87.5%	83.6%
Losses and loss expenses	88.9%	31.8%	63.5%	56.5%	28.8%	63.5%	53.9%	52.2%
Policy acquisition costs	12.8%	22.4%	22.3%	20.2%	16.5%	25.5%	21.8%	22.1%
General and administrative expenses (d)				17.4%				18.9%
Expense ratio				37.6%				41.0%
Combined ratio				94.1%				93.2%

Notes:

(a) Property includes Onshore Energy.

(b) Specialty includes Accident & Health, Aviation (Direct & Other), Bloodstock, Contingency, Financial Institutions and War.

(c) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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



Validus Holdings, Ltd.

Consolidated Segment Income Statement - Year ended

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

	Year Ended December 31, 2010 (a)				Year Ended December 31, 2009 (a)			
	Validus Re	Talbot	Corporate & Eliminations	Total	Validus Re	Talbot	Corporate & Eliminations	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 1,101,239	\$ 981,073	\$ (91,746)	\$ 1,990,566	\$ 768,084	\$ 919,906	\$ (66,749)	\$ 1,621,241
Reinsurance premiums ceded	(63,147)	(258,081)	91,746	(229,482)	(95,446)	(204,186)	66,749	(232,883)
Net premiums written	1,038,092	722,992	-	1,761,084	672,638	715,720	-	1,388,358
Change in unearned premiums	13,108	(13,069)	-	39	122,912	(61,693)	-	61,219
<b>Net premiums earned</b>	<u>1,051,200</u>	<u>709,923</u>	<u>-</u>	<u>1,761,123</u>	<u>795,550</u>	<u>654,027</u>	<u>-</u>	<u>1,449,577</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	601,610	385,976	-	987,586	186,704	337,053	-	523,757
Policy acquisition costs	160,599	143,769	(11,469)	292,899	127,433	139,932	(4,399)	262,966
General and administrative expenses	45,617	114,043	49,630	209,290	65,710	96,352	23,506	185,568
Share compensation expenses	7,181	6,923	14,807	28,911	7,576	7,171	12,290	27,037
<b>Total underwriting deductions</b>	<u>815,007</u>	<u>650,711</u>	<u>52,968</u>	<u>1,518,686</u>	<u>387,423</u>	<u>580,508</u>	<u>31,397</u>	<u>999,328</u>
<b>Underwriting income (loss)</b>	<b>\$ 236,193</b>	<b>\$ 59,212</b>	<b>\$ (52,968)</b>	<b>\$ 242,437</b>	<b>\$ 408,127</b>	<b>\$ 73,519</b>	<b>\$ (31,397)</b>	<b>\$ 450,249</b>
Net investment income	113,968	29,287	(9,152)	134,103	94,973	30,114	(6,314)	118,773
Other income	4,211	12,802	(11,794)	5,219	5,149	5,225	(5,740)	4,634
Finance expenses	(5,471)	(3,140)	(47,259)	(55,870)	(1,774)	(14,725)	(27,631)	(44,130)
<b>Operating income (loss) before taxes</b>	<u>348,901</u>	<u>98,161</u>	<u>(121,173)</u>	<u>325,889</u>	<u>506,475</u>	<u>94,133</u>	<u>(71,082)</u>	<u>529,526</u>
Tax (expense) benefit	(175)	(2,730)	(221)	(3,126)	(163)	3,922	-	3,759
<b>Net operating income (loss) (b)</b>	<b>\$ 348,726</b>	<b>\$ 95,431</b>	<b>\$ (121,394)</b>	<b>\$ 322,763</b>	<b>\$ 506,312</b>	<b>\$ 98,055</b>	<b>\$ (71,082)</b>	<b>\$ 533,285</b>
Gain on bargain purchase, net of expenses (c)	-	-	-	-	-	-	287,099	287,099
Realized gain on repurchase of debentures	-	-	-	-	-	-	4,444	4,444
Net realized gains (losses) on investments	23,637	8,861	-	32,498	(5,428)	(6,115)	-	(11,543)
Net unrealized gains on investments	45,276	676	-	45,952	75,209	9,587	-	84,796
Foreign exchange (losses) gains	(1,185)	2,091	445	1,351	(1,406)	676	56	(674)
<b>Net income (loss)</b>	<b>\$ 416,454</b>	<b>\$ 107,059</b>	<b>\$ (120,949)</b>	<b>\$ 402,564</b>	<b>\$ 574,687</b>	<b>\$ 102,203</b>	<b>\$ 220,517</b>	<b>\$ 897,407</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	94.3%	73.7%		88.5%	87.6%	77.8%		85.6%
Losses and loss expenses	57.2%	54.4%		56.1%	23.5%	51.5%		36.1%
Policy acquisition costs	15.3%	20.3%		16.6%	16.0%	21.4%		18.1%
General and administrative expenses (d)	5.0%	17.0%		13.5%	9.2%	15.8%		14.7%
Expense ratio	<u>20.3%</u>	<u>37.3%</u>		<u>30.1%</u>	<u>25.2%</u>	<u>37.2%</u>		<u>32.8%</u>
Combined ratio	<u>77.5%</u>	<u>91.7%</u>		<u>86.2%</u>	<u>48.7%</u>	<u>88.7%</u>		<u>68.9%</u>

Notes:

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

(c) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. in September 2009 and is net of transaction expenses.

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



**Validus Holdings, Ltd.**

**Underwriting Results by Class of Business - Year ended - Validus Re**

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

	Year Ended December 31, 2010 (a)				Year Ended December 31, 2009 (a)			
	Property (b)	Marine	Specialty (b)	Total	Property (b)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 790,590	\$ 227,135	\$ 83,514	\$ 1,101,239	\$ 526,428	\$ 152,853	\$ 88,803	\$ 768,084
Reinsurance premiums ceded	(45,536)	(17,643)	32	(63,147)	(80,475)	(13,120)	(1,851)	(95,446)
Net premiums written	745,054	209,492	83,546	1,038,092	445,953	139,733	86,952	672,638
Change in unearned premiums	20,611	(32,891)	25,388	13,108	132,499	(16,460)	6,873	122,912
<b>Net premiums earned</b>	<u>765,665</u>	<u>176,601</u>	<u>108,934</u>	<u>1,051,200</u>	<u>578,452</u>	<u>123,273</u>	<u>93,825</u>	<u>795,550</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	434,811	123,233	43,566	601,610	73,501	80,150	33,053	186,704
Policy acquisition costs	112,550	33,691	14,358	160,599	88,589	25,311	13,533	127,433
<b>Total underwriting deductions before G&amp;A</b>	<u>547,361</u>	<u>156,924</u>	<u>57,924</u>	<u>762,209</u>	<u>162,090</u>	<u>105,461</u>	<u>46,586</u>	<u>314,137</u>
<b>Underwriting income before G&amp;A</b>	<b>\$ 218,304</b>	<b>\$ 19,677</b>	<b>\$ 51,010</b>	<b>\$ 288,991</b>	<b>\$ 416,362</b>	<b>\$ 17,812</b>	<b>\$ 47,239</b>	<b>\$ 481,413</b>
General and administrative expenses				45,617				65,710
Share compensation expenses				7,181				7,576
<b>Total underwriting deductions</b>				<u>815,007</u>				<u>387,423</u>
<b>Underwriting income</b>				<b>\$ 236,193</b>				<b>\$ 408,127</b>
Net investment income				113,968				94,973
Other income				4,211				5,149
Finance expenses				(5,471)				(1,774)
<b>Operating income before taxes</b>				<u>348,901</u>				<u>506,475</u>
Tax (expense)				(175)				(163)
<b>Net operating income (c)</b>				<b>\$ 348,726</b>				<b>\$ 506,312</b>
Net realized gains (losses) on investments				23,637				(5,428)
Net unrealized gains on investments				45,276				75,209
Foreign exchange (losses)				(1,185)				(1,406)
<b>Net income</b>				<b>\$ 416,454</b>				<b>\$ 574,687</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	94.2%	92.2%	100.0%	94.3%	84.7%	91.4%	97.9%	87.6%
Losses and loss expenses	56.8%	69.8%	40.0%	57.2%	12.7%	65.0%	35.2%	23.5%
Policy acquisition costs	14.7%	19.1%	13.2%	15.3%	15.3%	20.5%	14.4%	16.0%
General and administrative expenses (d)				5.0%				9.2%
Expense ratio				20.3%				25.2%
Combined ratio				77.5%				48.7%

**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation and Crisis Management. During 2009 Nuclear and Agriculture were reclassified from Property to Specialty.

(c) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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





**Validus Holdings, Ltd.**

**Underwriting Results by Class of Business - Year ended - Talbot**

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

	Year Ended December 31, 2010 (a)				Year Ended December 31, 2009 (a)			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 314,769	\$ 315,102	\$ 351,202	\$ 981,073	\$ 269,583	\$ 307,385	\$ 342,938	\$ 919,906
Reinsurance premiums ceded	(146,145)	(37,988)	(73,948)	(258,081)	(114,774)	(31,296)	(58,116)	(204,186)
Net premiums written	168,624	277,114	277,254	722,992	154,809	276,089	284,822	715,720
Change in unearned premiums	(10,919)	(8,289)	6,139	(13,069)	(20,599)	(2,301)	(38,793)	(61,693)
<b>Net premiums earned</b>	<b>157,705</b>	<b>268,825</b>	<b>283,393</b>	<b>709,923</b>	<b>134,210</b>	<b>273,788</b>	<b>246,029</b>	<b>654,027</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	123,895	100,988	161,093	385,976	39,481	162,577	134,995	337,053
Policy acquisition costs	18,628	58,614	66,527	143,769	20,722	60,984	58,226	139,932
<b>Total underwriting deductions before G&amp;A</b>	<b>142,523</b>	<b>159,602</b>	<b>227,620</b>	<b>529,745</b>	<b>60,203</b>	<b>223,561</b>	<b>193,221</b>	<b>476,985</b>
<b>Underwriting income before G&amp;A</b>	<b>\$ 15,182</b>	<b>\$ 109,223</b>	<b>\$ 55,773</b>	<b>\$ 180,178</b>	<b>\$ 74,007</b>	<b>\$ 50,227</b>	<b>\$ 52,808</b>	<b>\$ 177,042</b>
General and administrative expenses				114,043				96,352
Share compensation expenses				6,923				7,171
<b>Total underwriting deductions</b>				<b>650,711</b>				<b>580,508</b>
<b>Underwriting income</b>				<b>\$ 59,212</b>				<b>\$ 73,519</b>
Net investment income				29,287				30,114
Other income				12,802				5,225
Finance expenses				(3,140)				(14,725)
<b>Operating income before taxes</b>				<b>98,161</b>				<b>94,133</b>
Tax (expense) benefit				(2,730)				3,922
<b>Net operating income (c)</b>				<b>\$ 95,431</b>				<b>\$ 98,055</b>
Net realized gains (losses) on investments				8,861				(6,115)
Net unrealized gains on investments				676				9,587
Foreign exchange gains				2,091				676
<b>Net income</b>				<b>\$ 107,059</b>				<b>\$ 102,203</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	53.6%	87.9%	78.9%	73.7%	57.4%	89.8%	83.1%	77.8%
Losses and loss expenses	78.6%	37.6%	56.8%	54.4%	29.4%	59.4%	54.9%	51.5%
Policy acquisition costs	11.8%	21.8%	23.5%	20.3%	15.4%	22.3%	23.7%	21.4%
General and administrative expenses (d)				17.0%				15.8%
Expense ratio				37.3%				37.2%
Combined ratio				91.7%				88.7%

**Notes:**

(a) Property includes Onshore Energy.

(b) Specialty includes Accident & Health, Aviation (Direct & Other), Bloodstock, Contingency, Financial Institutions and War.

(c) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies 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-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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



**Validus Holdings, Ltd.**

**Class of Business Treaty Type Detail - Gross Premiums Written - Validus Re**

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

<u>Validus Re Segment</u>		<u>Three Months Ended (a)</u>				<u>Year Ended (a)</u>			
		<u>December 31, 2010</u>		<u>December 31, 2009</u>		<u>December 31, 2010</u>		<u>December 31, 2009</u>	
<u>Class of business</u>	<u>Treaty type</u>	<u>Gross premiums written</u>		<u>Gross premiums written (a)</u>		<u>Gross premiums written</u>		<u>Gross premiums written (a)</u>	
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>Property (b)</b>	Cat XOL (c)	\$ 9,270	27.3%	\$ 13,027	38.7%	\$ 571,874	51.9%	\$ 386,860	50.3%
	Per Risk XOL	4,767	14.0%	5,060	15.0%	67,809	6.2%	47,417	6.2%
	Proportional (d)	<u>3,264</u>	<u>9.6%</u>	<u>3,117</u>	<u>9.3%</u>	<u>150,907</u>	<u>13.7%</u>	<u>92,151</u>	<u>12.0%</u>
		<u>17,301</u>	<u>50.9%</u>	<u>21,204</u>	<u>63.0%</u>	<u>790,590</u>	<u>71.8%</u>	<u>526,428</u>	<u>68.5%</u>
<b>Marine</b>	Cat XOL (e)	(592)	-1.7%	(1,810)	-5.4%	14,509	1.3%	7,436	1.0%
	Per Risk XOL	6,827	20.1%	5,866	17.4%	86,421	7.8%	70,660	9.2%
	Proportional (d)	<u>(1,991)</u>	<u>-5.9%</u>	<u>(5,116)</u>	<u>-15.2%</u>	<u>126,205</u>	<u>11.5%</u>	<u>74,757</u>	<u>9.7%</u>
		<u>4,244</u>	<u>12.5%</u>	<u>(1,060)</u>	<u>-3.2%</u>	<u>227,135</u>	<u>20.6%</u>	<u>152,853</u>	<u>19.9%</u>
<b>Specialty (b) (f)</b>	Cat XOL (c)	11,079	32.6%	9,206	27.3%	51,864	4.8%	43,124	5.7%
	Per Risk XOL	(958)	-2.8%	(482)	-1.4%	10,440	0.9%	8,490	1.1%
	Proportional (d)	<u>2,320</u>	<u>6.8%</u>	<u>4,826</u>	<u>14.3%</u>	<u>21,210</u>	<u>1.9%</u>	<u>37,189</u>	<u>4.8%</u>
		<u>12,441</u>	<u>36.6%</u>	<u>13,550</u>	<u>40.2%</u>	<u>83,514</u>	<u>7.6%</u>	<u>88,803</u>	<u>11.6%</u>
<b>Total</b>	Cat XOL (c) (e)	19,757	58.2%	20,423	60.6%	638,247	58.0%	437,420	57.0%
	Per Risk XOL	10,636	31.3%	10,444	31.0%	164,670	14.9%	126,567	16.5%
	Proportional (d)	<u>3,593</u>	<u>10.5%</u>	<u>2,827</u>	<u>8.4%</u>	<u>298,322</u>	<u>27.1%</u>	<u>204,097</u>	<u>26.5%</u>
		<u>\$ 33,986</u>	<u>100.0%</u>	<u>\$ 33,694</u>	<u>100.0%</u>	<u>\$ 1,101,239</u>	<u>100.0%</u>	<u>\$ 768,084</u>	<u>100.0%</u>

**Notes:**

(a) Operating results of IPC have been included in the Validus Re segment from the September 2009 date of acquisition.

(b) During 2009 Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(c) Property and Specialty Cat XOL is comprised of Catastrophe XOL, Aggregate XOL, RPP, Per Event XOL, Second Event and Third Event covers.

(d) Proportional is comprised of Quota Share and Surplus Share covers.

(e) Marine Cat XOL is comprised of Catastrophe XOL, Aggregate XOL, RPP, Second Event and Third Event covers.

(f) Specialty includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation and Crisis Management.



Validus Holdings, Ltd.

Consolidated Class of Business Policy Type Detail - Gross Premiums Written

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

Line of business	Treaty type	Three Months Ended (a)				Year Ended (a)			
		December 31, 2010		December 31, 2009		December 31, 2010		December 31, 2009	
		Gross premiums written	%	Gross premiums written (a)	%	Gross premiums written	%	Gross premiums written (a)	%
<b>Property (b)</b>	Treaty Reinsurance	\$ 19,698	7.6%	\$ 19,504	7.6%	\$ 810,748	40.7%	\$ 549,917	33.9%
	Facultative Reinsurance	25,710	9.9%	26,183	10.3%	139,294	7.0%	113,916	7.0%
	Direct Insurance	17,845	6.9%	19,766	7.7%	87,019	4.4%	86,908	5.4%
		<u>63,253</u>	<u>24.4%</u>	<u>65,453</u>	<u>25.6%</u>	<u>1,037,061</u>	<u>52.1%</u>	<u>750,741</u>	<u>46.3%</u>
<b>Marine</b>	Treaty Reinsurance	11,571	4.5%	186	0.1%	261,367	13.1%	182,236	11.2%
	Facultative Reinsurance	16,650	6.5%	20,309	8.0%	85,560	4.3%	90,369	5.6%
	Direct Insurance	43,335	16.7%	40,164	15.7%	178,380	9.0%	174,357	10.8%
		<u>71,556</u>	<u>27.7%</u>	<u>60,659</u>	<u>23.8%</u>	<u>525,307</u>	<u>26.4%</u>	<u>446,962</u>	<u>27.6%</u>
<b>Specialty (b) (c)</b>	Treaty Reinsurance	23,857	9.2%	21,820	8.5%	120,319	6.0%	129,284	8.0%
	Facultative Reinsurance	39,280	15.2%	37,514	14.7%	112,941	5.7%	95,747	5.9%
	Direct Insurance	60,785	23.5%	69,843	27.4%	194,938	9.8%	198,507	12.2%
		<u>123,922</u>	<u>47.9%</u>	<u>129,177</u>	<u>50.6%</u>	<u>428,198</u>	<u>21.5%</u>	<u>423,538</u>	<u>26.1%</u>
<b>Total</b>	Treaty Reinsurance	55,126	21.3%	41,510	16.2%	1,192,434	59.8%	861,437	53.1%
	Facultative Reinsurance	81,640	31.6%	84,006	33.0%	337,795	17.0%	300,032	18.5%
	Direct Insurance	121,965	47.1%	129,773	50.8%	460,337	23.2%	459,772	28.4%
		<u>\$ 258,731</u>	<u>100.0%</u>	<u>\$ 255,289</u>	<u>100.0%</u>	<u>\$ 1,990,566</u>	<u>100.0%</u>	<u>\$ 1,621,241</u>	<u>100.0%</u>

Notes:

(a) Operating results of IPC have been included in the Validus Re segment from the September 2009 date of acquisition.

(b) During 2009 Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(c) For the Validus Re segment, the Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation and Crisis Management. For the Talbot segment, Specialty includes Accident & Health, Aviation (Direct & Other), Bloodstock, Contingency, Financial Institutions and War.



**Validus Holdings, Ltd.**

**Gross Premiums Written by Segment by Class of Business**

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

	Three Months Ended (a)				Year Ended (a)		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2009	
<b>Validus Re</b>							
Property (b)	\$ 17,301	\$ 99,313	\$ 261,568	\$ 412,408	\$ 21,204	790,590	\$ 526,428
Marine	4,244	37,495	15,410	169,986	(1,060)	227,135	152,853
Aerospace & Aviation (c)	169	(1,034)	4,133	15,842	2,421	19,110	30,179
Agriculture (b)	(186)	465	(318)	2,951	163	2,912	3,044
Financial	1,036	178	171	1,992	1,079	3,377	2,446
Life and A&H	420	(140)	54	3,475	3	3,809	3,306
Nuclear (b)	(959)	1,614	1,884	992	-	3,531	3,049
Terrorism	10,121	(901)	1,117	27,144	10,098	37,481	39,492
Workers' Comp	-	1,828	(3)	5,505	(214)	7,330	7,287
Crisis Management	1,840	3,812	312	-	-	5,964	-
<b>Total Validus Re Segment</b>	<b>33,986</b>	<b>142,630</b>	<b>284,328</b>	<b>640,295</b>	<b>33,694</b>	<b>1,101,239</b>	<b>768,084</b>
<b>Talbot</b>							
Property	35,171	45,440	50,322	60,807	28,620	191,740	172,782
Onshore Energy	22,994	27,761	47,207	25,067	22,313	123,029	96,801
Marine	68,452	64,422	79,355	102,873	62,697	315,102	307,385
Accident & Health	4,456	5,283	4,328	5,648	2,424	19,715	18,506
Aviation, Direct	33,580	17,640	9,802	8,719	35,358	69,741	55,387
Aviation & Other	11,273	5,088	11,811	15,915	13,058	44,087	46,657
Bloodstock	3,955	3,408	2,436	3,692	3,982	13,491	14,382
Contingency	2,797	7,158	4,314	4,094	2,592	18,363	19,077
Financial Institutions	12,747	11,489	7,456	7,954	13,945	39,646	41,669
War	42,675	31,033	36,679	35,772	44,559	146,159	147,260
<b>Total Talbot Segment</b>	<b>238,100</b>	<b>218,722</b>	<b>253,710</b>	<b>270,541</b>	<b>229,548</b>	<b>981,073</b>	<b>919,906</b>
<b>Intersegment Revenue</b>							
Property	(12,213)	(16,133)	(18,807)	(21,145)	(6,684)	(68,298)	(45,270)
Marine	(1,140)	(1,171)	(2,385)	(12,234)	(978)	(16,930)	(13,276)
Specialty	(2)	(8)	15	(6,523)	(291)	(6,518)	(8,203)
<b>Total Intersegment Revenue Eliminated</b>	<b>(13,355)</b>	<b>(17,312)</b>	<b>(21,177)</b>	<b>(39,902)</b>	<b>(7,953)</b>	<b>(91,746)</b>	<b>(66,749)</b>
<b>Total Gross Premiums Written</b>	<b>\$ 258,731</b>	<b>\$ 344,040</b>	<b>\$ 516,861</b>	<b>\$ 870,934</b>	<b>\$ 255,289</b>	<b>\$ 1,990,566</b>	<b>\$ 1,621,241</b>

**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) During 2009, Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(c) Prior to March 31, 2010 this category only included Aerospace.



**Validus Holdings, Ltd.**

**Underwriting Income - Validus Re**

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

	Three Months Ended (a)				Year Ended (a)		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Underwriting income</b>							
Gross premiums written	\$ 33,986	\$ 142,630	\$ 284,328	\$ 640,295	\$ 33,694	\$ 1,101,239	\$ 768,084
Reinsurance premiums ceded	(399)	(8,463)	(41,175)	(13,110)	(652)	(63,147)	(95,446)
Net premiums written	33,587	134,167	243,153	627,185	33,042	1,038,092	672,638
Change in unearned premiums	212,737	124,747	18,888	(343,264)	224,596	13,108	122,912
Net premiums earned	<u>246,324</u>	<u>258,914</u>	<u>262,041</u>	<u>283,921</u>	<u>257,638</u>	<u>1,051,200</u>	<u>795,550</u>
<b>Underwriting deductions</b>							
Losses and loss expenses	49,799	79,098	123,793	348,920	44,134	601,610	186,704
Policy acquisition costs	39,299	39,818	37,979	43,503	37,088	160,599	127,433
General and administrative expenses	12,659	5,663	10,983	16,312	19,782	45,617	65,710
Share compensation expenses	1,934	1,869	1,749	1,629	2,590	7,181	7,576
Total underwriting deductions	<u>103,691</u>	<u>126,448</u>	<u>174,504</u>	<u>410,364</u>	<u>103,594</u>	<u>815,007</u>	<u>387,423</u>
<b>Underwriting income (loss)</b>	<u>\$ 142,633</u>	<u>\$ 132,466</u>	<u>\$ 87,537</u>	<u>\$ (126,443)</u>	<u>\$ 154,044</u>	<u>\$ 236,193</u>	<u>\$ 408,127</u>
<b>Selected ratios:</b>							
Losses and loss expenses	20.2%	30.5%	47.2%	122.9%	17.1%	57.2%	23.5%
Policy acquisition costs	16.0%	15.4%	14.5%	15.3%	14.4%	15.3%	16.0%
General and administrative expenses (b)	5.9%	2.9%	4.9%	6.3%	8.7%	5.0%	9.2%
Expense ratio	21.9%	18.3%	19.4%	21.6%	23.1%	20.3%	25.2%
Combined ratio	<u>42.1%</u>	<u>48.8%</u>	<u>66.6%</u>	<u>144.5%</u>	<u>40.2%</u>	<u>77.5%</u>	<u>48.7%</u>

**Notes:**

(a) Operating results of IPC have been included in the Validus Re segment from the September 2009 date of acquisition.

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



**Validus Holdings, Ltd.**

**Underwriting Income - Talbot**

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

	Three Months Ended				Year Ended		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Underwriting income</b>							
Gross premiums written	\$ 238,100	\$ 218,722	\$ 253,710	\$ 270,541	\$ 229,548	\$ 981,073	\$ 919,906
Reinsurance premiums ceded	(48,332)	(44,490)	(47,728)	(117,531)	(37,694)	(258,081)	(204,186)
Net premiums written	189,768	174,232	205,982	153,010	191,854	722,992	715,720
Change in unearned premiums	(3,281)	(472)	(30,079)	20,763	(21,591)	(13,069)	(61,693)
Net premiums earned	186,487	173,760	175,903	173,773	170,263	709,923	654,027
<b>Underwriting deductions</b>							
Losses and loss expenses	105,426	79,838	71,101	129,611	88,886	385,976	337,053
Policy acquisition costs	37,726	32,451	38,647	34,945	37,555	143,769	139,932
General and administrative expenses	30,334	33,201	24,960	25,548	30,787	114,043	96,352
Share compensation expenses	2,142	1,754	1,468	1,559	1,367	6,923	7,171
Total underwriting deductions	175,628	147,244	136,176	191,663	158,595	650,711	580,508
<b>Underwriting income (loss)</b>	<b>\$ 10,859</b>	<b>\$ 26,516</b>	<b>\$ 39,727</b>	<b>\$ (17,890)</b>	<b>\$ 11,668</b>	<b>\$ 59,212</b>	<b>\$ 73,519</b>
<b>Selected ratios:</b>							
Losses and loss expenses	56.5%	45.9%	40.4%	74.6%	52.2%	54.4%	51.5%
Policy acquisition costs	20.2%	18.7%	22.0%	20.1%	22.1%	20.3%	21.4%
General and administrative expenses (a)	17.4%	20.1%	15.0%	15.6%	18.9%	17.0%	15.8%
Expense ratio	37.6%	38.8%	37.0%	35.7%	41.0%	37.3%	37.2%
Combined ratio	94.1%	84.7%	77.4%	110.3%	93.2%	91.7%	88.7%

**Notes:**

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



**Validus Holdings, Ltd.**

**Underwriting Income - Class of Business - Property**

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

	Three Months Ended (a)				Year Ended (a)		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009 (b)
<b>Underwriting income</b>							
Net premiums written	\$ 49,032	\$ 142,719	\$ 286,463	\$ 435,464	\$ 52,595	\$ 913,678	\$ 600,762
Net premiums earned	218,171	232,117	223,597	249,485	240,787	923,370	712,662
<b>Underwriting deductions</b>							
Losses and loss expenses	54,945	59,971	70,055	373,735	30,130	558,706	112,982
Policy acquisition costs	31,090	27,768	33,006	39,314	33,494	131,178	109,311
Total underwriting deductions	86,035	87,739	103,061	413,049	63,624	689,884	222,293
<b>Underwriting income (loss) before G&amp;A</b>	<b>\$ 132,136</b>	<b>\$ 144,378</b>	<b>\$ 120,536</b>	<b>\$ (163,564)</b>	<b>\$ 177,163</b>	<b>\$ 233,486</b>	<b>\$ 490,369</b>
<b>Selected underwriting ratios (c):</b>							
Losses and loss expenses	25.2%	25.8%	31.3%	149.8%	12.5%	60.5%	15.9%
Policy acquisition costs	14.3%	12.0%	14.8%	15.8%	13.9%	14.2%	15.3%
Combined ratio before G&A	39.5%	37.8%	46.1%	165.6%	26.4%	74.7%	31.2%

**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) During 2009, Nuclear and Agriculture were reclassified from Property to Specialty.

(c) The selected underwriting ratios are calculated by dividing each item by net premiums earned.



**Validus Holdings, Ltd.**

**Underwriting Income - Class of Business - Marine**

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

	Three Months Ended				Year Ended		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Underwriting income</b>							
Net premiums written	\$ 69,781	\$ 90,369	\$ 81,455	\$ 245,001	\$ 57,617	\$ 486,606	\$ 415,822
Net premiums earned	119,704	109,904	111,565	104,253	93,693	445,426	397,061
<b>Underwriting deductions</b>							
Losses and loss expenses	33,414	48,331	84,830	57,646	54,333	224,221	242,727
Policy acquisition costs	26,665	24,415	23,021	18,204	21,780	92,305	86,295
Total underwriting deductions	60,079	72,746	107,851	75,850	76,113	316,526	329,022
<b>Underwriting income before G&amp;A</b>	<b>\$ 59,625</b>	<b>\$ 37,158</b>	<b>\$ 3,714</b>	<b>\$ 28,403</b>	<b>\$ 17,580</b>	<b>\$ 128,900</b>	<b>\$ 68,039</b>
<b>Selected underwriting ratios (a):</b>							
Losses and loss expenses	27.9%	44.0%	76.0%	55.3%	58.0%	50.3%	61.1%
Policy acquisition costs	22.3%	22.2%	20.6%	17.5%	23.2%	20.7%	21.7%
Combined ratio before G&A	50.2%	66.2%	96.6%	72.8%	81.2%	71.0%	82.8%

**Notes:**

(a) The selected underwriting ratios are calculated by dividing each item by net premiums earned.





**Validus Holdings, Ltd.**

**Underwriting Income - Class of Business - Specialty**

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

	Three Months Ended (a)				Year Ended (a)		
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009 (b)
<b>Underwriting income</b>							
Net premiums written	\$ 104,542	\$ 75,311	\$ 81,217	\$ 99,730	\$ 114,686	\$ 360,800	\$ 371,774
Net premiums earned	94,936	90,653	102,782	103,956	93,421	392,327	339,854
<b>Underwriting deductions</b>							
Losses and loss expenses	66,866	50,634	40,009	47,150	48,557	204,659	168,048
Policy acquisition costs	19,270	20,086	20,599	20,930	19,369	80,885	71,759
Total underwriting deductions	86,136	70,720	60,608	68,080	67,926	285,544	239,807
<b>Underwriting income before G&amp;A</b>	<b>\$ 8,800</b>	<b>\$ 19,933</b>	<b>\$ 42,174</b>	<b>\$ 35,876</b>	<b>\$ 25,495</b>	<b>\$ 106,783</b>	<b>\$ 100,047</b>
<b>Selected underwriting ratios (c):</b>							
Losses and loss expenses	70.4%	55.9%	38.9%	45.4%	52.0%	52.2%	49.4%
Policy acquisition costs	20.3%	22.2%	20.0%	20.1%	20.7%	20.6%	21.1%
Combined ratio before G&A	90.7%	78.1%	58.9%	65.5%	72.7%	72.8%	70.5%

**Notes:**

(a) For the Validus Re segment, the Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation and Crisis Management. For the Talbot segment, Specialty includes Accident & Health, Aviation (Direct & Other), Bloodstock, Contingency, Financial Institutions and War.

(b) During 2009, Nuclear and Agriculture were reclassified from Property to Specialty.

(c) The selected underwriting ratios are calculated by dividing each item by net premiums earned.



**Validus Holdings, Ltd.**

**Consolidated Analysis of Reserves for Losses and Loss Expenses**

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

	At December 31, 2010 (a)			At December 31, 2009 (a)		
	Reserve for losses and loss expenses	Loss reserves recoverable	Net	Reserve for losses and loss expenses	Loss reserves recoverable	Net
Property (b)	\$ 904,447	\$ 87,465	\$ 816,982	\$ 704,653	\$ 38,251	\$ 666,402
Marine	639,728	102,461	537,267	575,900	84,178	491,722
Specialty (c)	491,798	93,208	398,590	341,581	59,336	282,245
<b>Total</b>	<b>\$ 2,035,973</b>	<b>\$ 283,134</b>	<b>\$ 1,752,839</b>	<b>\$ 1,622,134</b>	<b>\$ 181,765</b>	<b>\$ 1,440,369</b>

	At December 31, 2010 (a)			At December 31, 2009 (a)		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
Property (b)	\$ 506,506	\$ 397,941	\$ 904,447	\$ 365,858	\$ 338,795	\$ 704,653
Marine	317,469	322,259	639,728	321,844	254,056	575,900
Specialty (c)	211,906	279,892	491,798	143,623	197,958	341,581
<b>Total</b>	<b>\$ 1,035,881</b>	<b>\$ 1,000,092</b>	<b>\$ 2,035,973</b>	<b>\$ 831,325</b>	<b>\$ 790,809</b>	<b>\$ 1,622,134</b>
<b>% of Total</b>	<b>50.9%</b>	<b>49.1%</b>	<b>100.0%</b>	<b>51.2%</b>	<b>48.8%</b>	<b>100.0%</b>

**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) For the Talbot segment, the Property class includes Onshore Energy.

(c) For the Validus Re segment, the Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers Compensation and Crisis Management. For the Talbot segment, Specialty includes Accident & Health, Aviation (Direct & Other), Bloodstock, Contingency, Financial Institutions and War.



**Validus Holdings, Ltd.**

**Consolidated Losses and Loss Ratios by Segment**

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

	At or for the Three Months Ended							
	December 31, 2010 (a)				December 31, 2009 (a)			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Gross reserves at period beginning	\$ 1,035,227	\$ 1,153,943	\$ (168,325)	\$ 2,020,845	\$ 783,235	\$ 870,079	\$ (28,571)	\$ 1,624,743
Losses recoverable	(81,368)	(355,778)	168,325	(268,821)	(57,608)	(143,064)	28,571	(172,101)
Net reserves at period beginning	953,859	798,165	-	1,752,024	725,627	727,015	-	1,452,642
Incurred losses- current year	71,864	113,926	-	185,790	73,013	108,730	-	181,743
Change in prior accident years	(22,065)	(8,500)	-	(30,565)	(28,879)	(19,844)	-	(48,723)
Incurred losses	49,799	105,426	-	155,225	44,134	88,886	-	133,020
Foreign exchange	2,140	(3,058)	-	(918)	(295)	(948)	-	(1,243)
Paid losses	(87,852)	(65,640)	-	(153,492)	(76,764)	(67,286)	-	(144,050)
Net reserves at period end	917,946	834,893	-	1,752,839	692,702	747,667	-	1,440,369
Losses recoverable	80,219	356,655	(153,740)	283,134	49,808	156,319	(24,362)	181,765
<b>Gross reserves at period end</b>	<b>\$ 998,165</b>	<b>\$ 1,191,548</b>	<b>\$ (153,740)</b>	<b>\$ 2,035,973</b>	<b>\$ 742,510</b>	<b>\$ 903,986</b>	<b>\$ (24,362)</b>	<b>\$ 1,622,134</b>
Net premiums earned	\$ 246,324	\$ 186,487		\$ 432,811	\$ 257,638	\$ 170,263		\$ 427,901
Current year loss ratio	29.2%	61.1%		43.0%	28.3%	63.9%		42.5%
Prior accident year adjustments	-9.0%	-4.6%		-7.1%	-11.2%	-11.7%		-11.4%
Net loss ratio	20.2%	56.5%		35.9%	17.1%	52.2%		31.1%
Paid to incurred	176.4%	62.3%		98.9%	173.9%	75.7%		108.3%

	At or for the Year Ended							
	December 31, 2010 (a)				December 31, 2009 (a)			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Gross reserves at period beginning	\$ 742,510	\$ 903,986	\$ (24,362)	\$ 1,622,134	\$ 535,888	\$ 790,199	\$ (20,784)	\$ 1,305,303
Losses recoverable	(49,808)	(156,319)	24,362	(181,765)	(84,523)	(145,057)	20,784	(208,796)
Net reserves at period beginning	692,702	747,667	-	1,440,369	451,365	645,142	-	1,096,507
Net reserves acquired in IPC acquisition	-	-	-	-	304,957	-	-	304,957
Incurred losses- current year	672,227	471,969	-	1,144,196	239,676	386,134	-	625,810
Change in prior accident years	(70,617)	(85,993)	-	(156,610)	(52,972)	(49,081)	-	(102,053)
Incurred losses	601,610	385,976	-	987,586	186,704	337,053	-	523,757
Foreign exchange	2,908	(4,602)	-	(1,694)	4,672	17,911	-	22,583
Paid losses	(379,274)	(294,148)	-	(673,422)	(254,996)	(252,439)	-	(507,435)
Net reserves at period end	917,946	834,893	-	1,752,839	692,702	747,667	-	1,440,369
Losses recoverable	80,219	356,655	(153,740)	283,134	49,808	156,319	(24,362)	181,765
<b>Gross reserves at period end</b>	<b>\$ 998,165</b>	<b>\$ 1,191,548</b>	<b>\$ (153,740)</b>	<b>\$ 2,035,973</b>	<b>\$ 742,510</b>	<b>\$ 903,986</b>	<b>\$ (24,362)</b>	<b>\$ 1,622,134</b>
Net premiums earned	\$ 1,051,200	\$ 709,923		\$ 1,761,123	\$ 795,550	\$ 654,027		\$ 1,449,577
Current year loss ratio	63.9%	66.5%		65.0%	30.2%	59.0%		43.1%
Prior accident year adjustments	-6.7%	-12.1%		-8.9%	-6.7%	-7.5%		-7.0%
Net loss ratio	57.2%	54.4%		56.1%	23.5%	51.5%		36.1%
Paid to incurred	63.0%	76.2%		68.2%	136.6%	74.9%		96.9%

**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.



Validus Holdings, Ltd.

Losses and Loss Ratios by Classes of Business - Validus Re

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

	At or for the Three Months Ended							
	December 31, 2010 (a)				December 31, 2009 (a)			
	Property	Marine	Specialty (b)	Total	Property	Marine	Specialty (b)	Total
Gross reserves at period beginning	\$ 711,282	\$ 239,641	\$ 84,304	\$ 1,035,227	\$ 519,449	\$ 194,176	\$ 69,610	\$ 783,235
Losses recoverable	(12,412)	(68,419)	(537)	(81,368)	(11,730)	(45,341)	(537)	(57,608)
Net reserves at period beginning	698,870	171,222	83,767	953,859	507,719	148,835	69,073	725,627
Incurred losses- current year	28,935	19,092	23,837	71,864	43,685	15,394	13,934	73,013
Change in prior accident years	(10,830)	(9,271)	(1,964)	(22,065)	(24,092)	(2,242)	(2,545)	(28,879)
Incurred losses	18,105	9,821	21,873	49,799	19,593	13,152	11,389	44,134
Foreign exchange	2,201	(70)	9	2,140	(244)	(42)	(9)	(295)
Paid losses	(84,641)	7,839	(11,050)	(87,852)	(47,602)	(23,037)	(6,125)	(76,764)
Net reserves at period end	634,535	188,812	94,599	917,946	479,466	138,908	74,328	692,702
Losses recoverable	24,117	55,565	537	80,219	10,494	37,740	1,574	49,808
<b>Gross reserves at period end</b>	<b>\$ 658,652</b>	<b>\$ 244,377</b>	<b>\$ 95,136</b>	<b>\$ 998,165</b>	<b>\$ 489,960</b>	<b>\$ 176,648</b>	<b>\$ 75,902</b>	<b>\$ 742,510</b>
Net premiums earned	\$ 176,750	\$ 45,524	\$ 24,050	\$ 246,324	\$ 204,255	\$ 28,888	\$ 24,495	\$ 257,638
Current year loss ratio	16.3%	42.0%	99.1%	29.2%	21.4%	53.3%	56.9%	28.3%
Prior accident year adjustments	-6.1%	-20.4%	-8.2%	-9.0%	-11.8%	-7.8%	-10.4%	-11.2%
Net loss ratio	10.2%	21.6%	90.9%	20.2%	9.6%	45.5%	46.5%	17.1%
Paid to incurred	467.5%	-79.8%	50.5%	176.4%	243.0%	175.2%	53.8%	173.9%

	At or for the Year Ended							
	December 31, 2010 (a)				December 31, 2009 (a)			
	Property	Marine	Specialty (b)	Total	Property	Marine	Specialty (b)	Total
Gross reserves at period beginning	\$ 489,960	\$ 176,648	\$ 75,902	\$ 742,510	\$ 311,685	\$ 190,104	\$ 34,099	\$ 535,888
Losses recoverable	(10,494)	(37,740)	(1,574)	(49,808)	(14,058)	(70,465)	-	(84,523)
Net reserves at period beginning	479,466	138,908	74,328	692,702	297,627	119,639	34,099	451,365
Net reserves acquired from IPC acquisition	-	-	-	-	269,300	4,763	30,894	304,957
Incurred losses- current year	484,642	140,849	46,736	672,227	138,610	60,522	40,544	239,676
Change in prior accident years	(49,831)	(17,616)	(3,170)	(70,617)	(65,109)	19,628	(7,491)	(52,972)
Incurred losses	434,811	123,233	43,566	601,610	73,501	80,150	33,053	186,704
Foreign exchange	2,980	(141)	69	2,908	4,719	(95)	48	4,672
Paid losses	(282,722)	(73,188)	(23,364)	(379,274)	(165,681)	(65,549)	(23,766)	(254,996)
Net reserves at period end	634,535	188,812	94,599	917,946	479,466	138,908	74,328	692,702
Losses recoverable	24,117	55,565	537	80,219	10,494	37,740	1,574	49,808
<b>Gross reserves at period end</b>	<b>\$ 658,652</b>	<b>\$ 244,377</b>	<b>\$ 95,136</b>	<b>\$ 998,165</b>	<b>\$ 489,960</b>	<b>\$ 176,648</b>	<b>\$ 75,902</b>	<b>\$ 742,510</b>
Net premiums earned	\$ 765,665	\$ 176,601	\$ 108,934	\$ 1,051,200	\$ 578,452	\$ 123,273	\$ 93,825	\$ 795,550
Current year loss ratio	63.3%	79.8%	42.9%	63.9%	24.0%	49.1%	43.2%	30.2%
Prior accident year adjustments	-6.5%	-10.0%	-2.9%	-6.7%	-11.3%	15.9%	-8.0%	-6.7%
Net loss ratio	56.8%	69.8%	40.0%	57.2%	12.7%	65.0%	35.2%	23.5%
Paid to incurred	65.0%	59.4%	53.6%	63.0%	225.4%	81.8%	71.9%	136.6%

Notes:

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) For the Validus Re segment, the Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation and Crisis Management.



**Validus Holdings, Ltd.**

**Losses and Loss Ratios by Classes of Business - Talbot**

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

	At or for the Three Months Ended							
	December 31, 2010				December 31, 2009			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 362,548	\$ 419,832	\$ 371,563	\$ 1,153,943	\$ 174,206	\$ 428,214	\$ 267,659	\$ 870,079
Losses recoverable	(191,858)	(74,604)	(89,316)	(355,778)	(22,974)	(79,473)	(40,617)	(143,064)
Net reserves at period beginning	170,690	345,228	282,247	798,165	151,232	348,741	227,042	727,015
Incurred losses- current year	39,382	31,744	42,800	113,926	18,632	52,746	37,352	108,730
Change in prior accident years	(2,542)	(8,151)	2,193	(8,500)	(8,095)	(11,565)	(184)	(19,844)
Incurred losses	36,840	23,593	44,993	105,426	10,537	41,181	37,168	88,886
Foreign exchange	332	(2,145)	(1,245)	(3,058)	384	(1,142)	(190)	(948)
Paid losses	(25,415)	(18,221)	(22,004)	(65,640)	(10,786)	(31,203)	(25,297)	(67,286)
Net reserves at period end	182,447	348,455	303,991	834,893	151,367	357,577	238,723	747,667
Losses recoverable	186,270	73,123	97,262	356,655	36,674	59,788	59,857	156,319
<b>Gross reserves at period end</b>	<b>\$ 368,717</b>	<b>\$ 421,578</b>	<b>\$ 401,253</b>	<b>\$ 1,191,548</b>	<b>\$ 188,041</b>	<b>\$ 417,365</b>	<b>\$ 298,580</b>	<b>\$ 903,986</b>
Net premiums earned	\$ 41,421	\$ 74,180	\$ 70,886	\$ 186,487	\$ 36,532	\$ 64,805	\$ 68,926	\$ 170,263
Current year loss ratio	95.0%	42.8%	60.4%	61.1%	51.0%	81.3%	54.2%	63.9%
Prior accident year adjustments	-6.1%	-11.0%	3.1%	-4.6%	-22.2%	-17.8%	-0.3%	-11.7%
Net loss ratio	88.9%	31.8%	63.5%	56.5%	28.8%	63.5%	53.9%	52.2%
Paid to incurred	69.0%	77.2%	48.9%	62.3%	102.4%	75.8%	68.1%	75.7%

	At or for the Year Ended							
	December 31, 2010				December 31, 2009			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 188,041	\$ 417,365	\$ 298,580	\$ 903,986	\$ 170,277	\$ 415,408	\$ 204,514	\$ 790,199
Losses recoverable	(36,674)	(59,788)	(59,857)	(156,319)	(9,263)	(103,937)	(31,857)	(145,057)
Net reserves at period beginning	151,367	357,577	238,723	747,667	161,014	311,471	172,657	645,142
Incurred losses- current year	146,345	153,403	172,221	471,969	67,111	177,883	141,140	386,134
Change in prior accident years	(22,450)	(52,415)	(11,128)	(85,993)	(27,630)	(15,306)	(6,145)	(49,081)
Incurred losses	123,895	100,988	161,093	385,976	39,481	162,577	134,995	337,053
Foreign exchange	(815)	(1,610)	(2,177)	(4,602)	4,357	7,468	6,086	17,911
Paid losses	(92,000)	(108,500)	(93,648)	(294,148)	(53,485)	(123,939)	(75,015)	(252,439)
Net reserves at period end	182,447	348,455	303,991	834,893	151,367	357,577	238,723	747,667
Losses recoverable	186,270	73,123	97,262	356,655	36,674	59,788	59,857	156,319
<b>Gross reserves at period end</b>	<b>\$ 368,717</b>	<b>\$ 421,578</b>	<b>\$ 401,253</b>	<b>\$ 1,191,548</b>	<b>\$ 188,041</b>	<b>\$ 417,365</b>	<b>\$ 298,580</b>	<b>\$ 903,986</b>
Net premiums earned	\$ 157,705	\$ 268,825	\$ 283,393	\$ 709,923	\$ 134,210	\$ 273,788	\$ 246,029	\$ 654,027
Current year loss ratio	92.8%	57.1%	60.7%	66.5%	50.0%	65.0%	57.4%	59.0%
Prior accident year adjustments	-14.2%	-19.5%	-3.9%	-12.1%	-20.6%	-5.6%	-2.5%	-7.5%
Net loss ratio	78.6%	37.6%	56.8%	54.4%	29.4%	59.4%	54.9%	51.5%
Paid to incurred	74.3%	107.4%	58.1%	76.2%	135.5%	76.2%	55.6%	74.9%

**Notes:**

(a) For the Talbot segment, Specialty includes Accident, Health, Aviation (Direct & Other), Bloodstock, Contingency, Financial Institutions, Political Violence, Political Risk and War. The Property class includes Onshore Energy.



Validus Holdings, Ltd.

**Consolidated Reinsurance Recoverable Analysis**

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

**Consolidated Reinsurance Recoverable at December 31, 2010**

Categories	Reinsurance		Top 10 Reinsurers	Rating (b)	Reinsurance	
	Recoverable (a)	%			Recoverable (a)	%
Top 10 reinsurers	\$ 222,420	71.5%	Lloyd's Syndicates	A+	\$ 60,716	27.2%
Other reinsurers' balances > \$1 million	80,221	25.8%	Hannover Re	AA-	32,392	14.6%
Other reinsurers' balances < \$1 million	8,489	2.7%	Fully collateralized reinsurers	NR	23,750	10.7%
<b>Total</b>	<b>\$ 311,130</b>	<b>100.0%</b>	Montpelier Re	A-	20,000	9.0%
			Munich Re	AA-	17,411	7.8%
			Everest Re	A+	16,611	7.5%
			Allianz	AA	14,184	6.4%
			Transatlantic Re	A+	13,758	6.2%
			Tokio Millennium Re	AA	11,980	5.4%
			Platinum Re	A	11,618	5.2%
			<b>Total</b>		<b>\$ 222,420</b>	<b>100.0%</b>

**Consolidated Reinsurance Recoverable at December 31, 2009**

Categories	Reinsurance		Top 10 Reinsurers	Rating	Reinsurance	
	Recoverable (a)	%			Recoverable (a)	%
Top 10 reinsurers	\$ 170,810	86.9%	Fully collateralized reinsurers	NR	\$ 50,840	29.8%
Other reinsurers' balances > \$1 million	19,818	10.1%	Lloyd's Syndicates	A+	33,103	19.4%
Other reinsurers' balances < \$1 million	5,919	3.0%	Munich Re	AA-	19,921	11.7%
<b>Total</b>	<b>\$ 196,547</b>	<b>100.0%</b>	Hannover Re	AA-	13,427	7.8%
			Aspen	A	11,417	6.7%
			Allianz	AA	9,645	5.6%
			Swiss Re	A+	8,995	5.3%
			Transatlantic Re	A+	8,804	5.1%
			Brit Insurance Limited	A	8,159	4.8%
			Platinum Underwriters	A	6,499	3.8%
			<b>Total</b>		<b>\$ 170,810</b>	<b>100.0%</b>

**Notes:**

(a) Reinsurance Recoverable includes Loss Reserves Recoverable and Paid Losses Recoverable.

(b) 97.4% of Reinsurance Recoverable at December 31, 2010 were from reinsurers rated A- or better by internationally recognized rating agencies or were fully collateralized.



**Validus Holdings, Ltd.**

**Consolidated Investment Portfolio Composition and Net Investment Income**

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

Investment portfolio	December 31, 2010 (a)		December 31, 2009 (a)	
	Fair Value	%	Fair Value	%
U.S. Government and Government Agency	\$ 1,677,166	29.1%	\$ 1,918,811	33.3%
Non-U.S. Government and Government Agency	554,199	9.7%	673,680	11.7%
States, municipalities, political subdivision	26,285	0.5%	19,359	0.3%
Agency residential mortgage-backed securities	445,859	7.8%	551,610	9.5%
Non-Agency residential mortgage-backed securities	56,470	1.0%	137,569	2.4%
U.S. corporate	1,308,406	22.8%	1,027,225	17.8%
Non-U.S. corporate	502,067	8.7%	409,398	7.1%
Bank loans	52,566	0.9%	-	0.0%
Catastrophe bonds	58,737	1.0%	52,351	0.9%
Asset-backed securities	123,569	2.2%	36,712	0.6%
Commercial mortgage-backed securities	<u>18,543</u>	<u>0.3%</u>	<u>42,663</u>	<u>0.7%</u>
Total fixed maturities	4,823,867	84.0%	4,869,378	84.3%
Total short-term investments	273,514	4.8%	481,766	8.3%
Total other investments	<u>21,478</u>	<u>0.4%</u>	<u>37,615</u>	<u>0.7%</u>
Total investments	5,118,859	89.2%	5,388,759	93.3%
Cash and cash equivalents	<u>620,740</u>	<u>10.8%</u>	<u>387,585</u>	<u>6.7%</u>
<b>Total cash and cash equivalents, and investments</b>	<b><u>\$ 5,739,599</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 5,776,344</u></b>	<b><u>100.0%</u></b>

  

Net investment income	Three Months Ended (a)		Year Ended (a)	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Fixed maturities and short-term investments	\$ 30,033	\$ 35,290	\$ 132,669	\$ 117,631
Cash and cash equivalents	2,328	751	8,180	3,374
Securities lending income	<u>32</u>	<u>89</u>	<u>200</u>	<u>772</u>
Total gross investment income	32,393	36,130	141,049	121,777
Investment expenses	<u>(1,431)</u>	<u>(624)</u>	<u>(6,946)</u>	<u>(3,004)</u>
Net investment income	<b><u>\$ 30,962</u></b>	<b><u>\$ 35,506</u></b>	<b><u>\$ 134,103</u></b>	<b><u>\$ 118,773</u></b>

  

Annualized effective investment yield (b)	<u>2.12%</u>	<u>2.47%</u>	<u>2.29%</u>	<u>2.73%</u>
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**Notes:**

(a) Operating results of IPC have been included from the September 2009 date of acquisition.

(b) Annualized investment yield is calculated by dividing net investment income by the average balance of the assets managed by our portfolio managers and other investments. Average assets is the average of the beginning, ending and intervening quarter end asset balances. Percentages for the quarter periods are annualized.



**Validus Holdings, Ltd.**

**Consolidated Fixed Maturity Portfolio Credit Quality and Maturity Profile**

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

Fixed maturities - Credit Quality	December 31, 2010 (a)		December 31, 2009 (a)	
	Fair Value	%	Fair Value	%
AAA	\$ 2,946,514	61.2%	\$ 3,287,879	67.5%
AA	428,972	8.9%	487,364	10.0%
A	1,077,389	22.3%	925,532	19.0%
BBB	219,523	4.6%	14,416	0.3%
Investment grade	<u>4,672,398</u>	<u>97.0%</u>	<u>4,715,191</u>	<u>96.8%</u>
BB	74,475	1.5%	45,191	0.9%
B	45,660	0.9%	59,116	1.2%
CCC	29,219	0.6%	45,194	1.0%
CC	-	0.0%	-	0.0%
C	-	0.0%	-	0.0%
D/NR	2,115	0.0%	4,686	0.1%
Non-Investment grade	<u>151,469</u>	<u>3.0%</u>	<u>154,187</u>	<u>3.2%</u>
<b>Total fixed maturities</b>	<b><u>\$ 4,823,867</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 4,869,378</u></b>	<b><u>100.0%</u></b>

Fixed maturities - Maturity Profile	December 31, 2010		December 31, 2009	
	Fair Value	%	Fair Value	%
Due in one year or less	\$ 426,167	8.8%	\$ 270,688	5.6%
Due after one year through five years	3,540,408	73.4%	3,521,167	72.2%
Due after five years through ten years	206,317	4.3%	306,502	6.3%
Due after ten years	6,534	0.1%	2,467	0.1%
	<u>4,179,426</u>	<u>86.6%</u>	<u>4,100,824</u>	<u>84.2%</u>
Asset-backed and mortgage backed securities	644,441	13.4%	768,554	15.8%
<b>Total fixed maturities</b>	<b><u>\$ 4,823,867</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 4,869,378</u></b>	<b><u>100.0%</u></b>

**Notes:**

(a) Ratings used are the lower of Standard and Poor's ("S&P") and Moody's. When Moody's ratings are used, they are presented in S&P's equivalent rating.





**Validus Holdings, Ltd.**

**Top Ten Exposures to Fixed Income Corporate Issuers**

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

Issuer (a)	December 31, 2010		
	Fair Value (b)	S&P Rating (c)	% of Total Cash and Investments
JP Morgan Chase & Co	\$ 71,459	A+	1.2%
Verizon Communications Inc	52,840	A-	0.9%
Citigroup Inc	51,882	A	0.9%
General Electric Co	50,927	AA	0.9%
Pepsico Inc	45,578	A	0.8%
Morgan Stanley	40,230	A	0.7%
Svenska Handelsbanken AB	38,471	AA-	0.7%
Bank of America Corp	37,652	A	0.7%
Hewlett-Packard Company	37,506	A	0.7%
Southern Company	36,621	A	0.6%
<b>Total</b>	<u>\$ 463,166</u>		<u>8.1%</u>

**Notes:**

(a) Issuers exclude government-backed, government-sponsored enterprises and cash and cash equivalents.

(b) Credit exposures represent only direct exposure to fixed maturities and short-term investments of the parent issuer and its major subsidiaries. These exposures exclude asset and mortgage backed securities that were issued, sponsored or serviced by the parent.

(c) Ratings used are the lower of Standard and Poors (S&P) and Moody's. When Moody's ratings are used, they are presented in S&P's equivalent rating.



**Validus Holdings, Ltd.**

**Consolidated Agency Residential Mortgage-Backed Portfolio**

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

Agency Residential Mortgage-Backed Securities	Government Rated				Total
	GNMA	FNMA	FHLMC	FDIC	
<b>Vintage Year</b>					
2004 and prior	\$ 31,505	\$ 9,156	\$ 10,359	\$ -	\$ 51,020
2005	9,143	32,275	10,888	-	52,306
2006	5,714	10,955	10,319	-	26,988
2007	663	51,728	54,881	-	107,272
2008	14,043	37,383	5,719	-	57,145
2009	55,574	46,625	1,659	-	103,858
2010	27,463	16,147	2,098	1,562	47,270
<b>Total Agency RMBS</b>	<b>\$ 144,105</b>	<b>\$ 204,269</b>	<b>\$ 95,923</b>	<b>\$ 1,562</b>	<b>\$ 445,859</b>



**Validus Holdings, Ltd.**

**Consolidated Non-Agency Mortgage-Backed and Asset-Backed Portfolio**

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

	S&P Rating (a)						Total
	Gov't	AAA	AA	A	BBB	BB and below	
<b>Non-Agency Residential Mortgage-Backed Securities</b>							
<b>Vintage year</b>							
2004 and prior	-	\$ 3,832	\$ 389	\$ 232	\$ -	-	\$ 4,453
2005	-	209	-	-	7,375	21,014	28,598
2006	-	-	-	-	-	11,165	11,165
2007	-	-	-	2,720	737	5,872	9,329
2010	-	2,925	-	-	-	-	2,925
<b>Total Non-Agency RMBS</b>	<b>-</b>	<b>6,966</b>	<b>389</b>	<b>2,952</b>	<b>8,112</b>	<b>38,051</b>	<b>56,470</b>
<b>Commercial Mortgage-Backed Securities</b>							
<b>Vintage year</b>							
2004 and prior	-	13,134	-	-	-	-	13,134
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	4,632	-	-	-	-	4,632
2008	777	-	-	-	-	-	777
Total Commercial Mortgage-Backed Securities	<b>777</b>	<b>17,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,543</b>
<b>Total Non-agency RMBS and Commercial MBS</b>	<b>\$ 777</b>	<b>\$ 24,732</b>	<b>\$ 389</b>	<b>\$ 2,952</b>	<b>\$ 8,112</b>	<b>\$ 38,051</b>	<b>\$ 75,013</b>
<b>Asset-Backed Securities</b>							
Sub-Prime	-	\$ 418	-	\$ 1,162	\$ -	-	\$ 1,580
Credit Cards	-	\$ 8,151	-	-	-	-	8,151
Autos	-	\$ 75,158	-	-	\$ -	-	75,158
Student Loan	-	\$ 35,035	-	-	-	-	35,035
Stranded Cost & UK ABS	-	\$ 3,645	-	-	-	-	3,645
<b>Total Asset-Backed Securities</b>	<b>\$ -</b>	<b>\$ 122,407</b>	<b>\$ -</b>	<b>\$ 1,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 123,569</b>

**Notes:**

(a) Ratings used are the lower of Standard and Poor's ("S&P") and Moody's. When Moody's ratings are used, they are presented in S&P's equivalent rating.



**Validus Holdings, Ltd.**

**Capitalization**

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

<b>Capitalization</b>	<b>December 31, 2010</b>	<b>September 30, 2010</b>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>
Borrowings drawn under credit facility	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Notes (a)	246,874	246,847	246,820	246,793	-
Junior Subordinated Deferrable Debentures (JSDs) (b)	289,800	289,800	289,800	289,800	289,800
Total debt	<u>536,674</u>	<u>536,647</u>	<u>536,620</u>	<u>536,593</u>	<u>289,800</u>
Ordinary shares- capital and surplus	3,510,286	3,766,230	3,609,652	3,766,223	4,035,971
Accumulated other comprehensive (loss)	(5,455)	(4,945)	(6,726)	(6,658)	(4,851)
Total shareholders' equity	<u>3,504,831</u>	<u>3,761,285</u>	<u>3,602,926</u>	<u>3,759,565</u>	<u>4,031,120</u>
<b>Total capitalization (c)</b>	<b><u>\$ 4,041,505</u></b>	<b><u>\$ 4,297,932</u></b>	<b><u>\$ 4,139,546</u></b>	<b><u>\$ 4,296,158</u></b>	<b><u>\$ 4,320,920</u></b>
Debt to total capitalization	<u>13.3%</u>	<u>12.5%</u>	<u>13.0%</u>	<u>12.5%</u>	<u>6.7%</u>
Debt (excluding JSDs) to total capitalization	<u>6.1%</u>	<u>5.7%</u>	<u>6.0%</u>	<u>5.7%</u>	<u>0.0%</u>

**Notes:**

(a) On January 21, 2010, the Company offered and sold \$250.0 million of Senior Notes due 2040 (the "8.875% Senior Notes") in a registered public offering. The 8.875% Senior Notes mature on January 26, 2040, and are redeemable at the Company's option in whole any time or in part from time to time at a make-whole redemption price. Interest on the 8.875% Senior Notes is payable at 8.875% per annum through January 26, 2040. Interest on the Notes is payable semi-annually in arrears on January 26 and July 26 of each year, commencing on July 26, 2010. The net proceeds of \$244.0 million from the sale of the 8.875% Senior Notes, after the deduction of commissions paid to the underwriters in the transaction and other expenses, was used by the Company for general corporate purposes, which included the repurchase of our outstanding capital stock and dividends to our shareholders.

(b) \$150,000 of 9.069% Junior Subordinated Deferrable Debentures (the "9.069% Junior Debentures") were issued on June 15, 2006, mature on June 15, 2036, are redeemable at the Company's option at par beginning June 15, 2011, and require quarterly interest payments at a rate of 9.069% per annum. \$200,000 of 8.480% Junior Subordinated Deferrable Debentures ("8.480% Junior Debentures") were issued on June 21, 2007, mature on June 15, 2037, are redeemable at the Company's option at par beginning June 15, 2012, and require quarterly interest payments at a rate of 8.480% per annum. On April 29, 2008, the Company repurchased from an unaffiliated financial institution \$45,700 principal amount of its 8.480% Junior Debentures at an aggregate price of \$36,560, plus accrued and unpaid interest of \$474. The repurchase resulted in the recognition of a realized gain of \$8,752 for the year ended December 31, 2008. On December 1, 2009, the Company repurchased from an unaffiliated financial institution \$14,500 principal amount of its 8.480% Junior Subordinated Deferrable Debentures due 2037 at an aggregated price of \$9,933, plus accrued and unpaid interest of \$246. The repurchase resulted in the recognition of a realized gain of \$4,444 for the year ended December 31, 2009.

(c) Total capitalization equals total shareholders' equity plus borrowings drawn under credit facility and Junior Subordinated Deferrable Debentures.



**Validus Holdings, Ltd.**

**Estimated Exposures to Peak Zone Property Catastrophe Losses - As of January 1, 2011**

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

**Probable Maximum Losses by Zone and Peril**

		<b>Consolidated (Validus Re and Talbot) Estimated Net Loss</b>				<b>Validus Re Net</b>
<b>Zones</b>	<b>Perils</b>	<b>20 year return</b>	<b>50 year return</b>	<b>100 year return</b>	<b>250 year return</b>	<b>Maximum Zonal</b>
		<b>period</b>	<b>period</b>	<b>period</b>	<b>period</b>	<b>Aggregate</b>
United States	Hurricane	\$ 344,027	\$ 596,348	\$ 835,089	\$ 1,103,030	\$ 1,960,957
California	Earthquake	75,703	259,382	398,281	570,553	1,906,598
Europe	Windstorm	142,365	315,602	483,083	662,295	1,391,661
Japan	Earthquake	26,834	101,554	133,984	218,150	660,946
Japan	Typhoon	58,251	135,747	199,770	268,429	630,699

Net loss estimates and zonal aggregates are before income tax, net of reinstatement premiums, and net of reinsurance and retrocessional recoveries. The estimates set forth above are based on an Occurrence basis on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from those expressed above. In particular, modeled loss estimates do not necessarily accurately predict actual losses, and may significantly mis-estimate actual losses. Such estimates, therefore, should not be considered as a representation of actual losses.

The Company has developed the estimates of losses expected from certain catastrophes for its portfolio of property, marine, workers' compensation, and personal accident contracts using commercially available catastrophe models such as RMS, AIR and EQECAT, which are applied and adjusted by the Company. These estimates include assumptions regarding the location, size and magnitude of an event, the frequency of events, the construction type and damageability of property in a zone, policy terms and conditions and the cost of rebuilding property in a zone, among other assumptions. These assumptions will evolve following any actual event. Accordingly, if the estimates and assumptions that are entered into the risk model are incorrect, or if the risk model proves to be an inaccurate forecasting tool, the losses the Company might incur from an actual catastrophe could be materially higher than its expectation of losses generated from modeled catastrophe scenarios. In addition, many risks such as second-event covers, aggregate excess of loss, or attritional loss components cannot be fully evaluated using the vendor models. Further, the Company cannot assure that such third party models are free of defects in the modeling logic or in the software code.

Investors should not rely on the information set forth in this presentation when considering investment in the Company. The information contained in this presentation has not been audited nor has it been subject to independent verification. The estimates set forth above speak only as of the date of this presentation and the Company undertakes no obligation to update or revise such information to reflect the occurrence of future events, including, but not limited to, the composition of the Company's business. The events presented reflect a specific set of proscribed calculations and do not necessarily reflect all events that may impact the Company.



**Validus Holdings, Ltd.**

**Estimated Exposures to Specified Loss Scenarios - As of July 1, 2010**

(Expressed in millions of U.S. Dollars, except share and per share information)

**Consolidated (Validus Re and Talbot) Realistic Disaster Scenarios (RDS)**

Type	Catastrophe Scenarios		Estimated	
			Consolidated (Validus Re and Talbot) Net Loss	% of 2010 Consolidated Net Premiums Earned
Terrorism	Rockefeller Center	Midtown Manhattan suffers a 2-tonne conventional bomb blast	\$ 168.2	9.6%
Terrorism	Exchange Place	Lower Manhattan suffers a 2-tonne conventional bomb blast	130.4	7.4%
Marine	Marine collision in Prince William Sound	Fully laden tanker collides with a cruise vessel in Prince William Sound	183.0	10.4%
Marine	Major cruise vessel incident	US-owned cruise vessel sunk or severely damaged	130.3	7.4%
Marine	Loss of major complex	Total loss to all platforms and bridge links of a major oil complex	187.4	10.6%
Aviation	Aviation collision	Collision of two aircraft over a major city	102.5	5.8%
Satellite	Proton flare	Large single or sequence of proton flares results in loss to all satellites in synchronous orbit	21.8	1.2%
Satellite	Generic defect	Undetected defect in a number of operational satellites causing major loss	39.9	2.3%
Liability	Professional lines	Failure or collapse of a major corporation	38.3	2.2%
Liability	Professional lines	UK pensions mis-selling	24.2	1.4%
Political Risks	South East Asia	Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion	35.9	2.0%
Political Risks	South America	Severe economic crisis in Brazil due to political upheaval; regional contagion	34.8	2.0%
Political Risks	Middle East	US and Iran escalate into military confrontation; regional contagion	21.0	1.2%
Political Risks	Russia	The Russian corporate sector struggles to deal with the effects of crashing commodity and stock prices	23.5	1.3%
Political Risks	Turkey	Severe economic crisis in Turkey due to political upheaval	42.6	2.4%

The Company has presented the Company Realistic Disaster Scenarios for non-natural catastrophe events. Twice yearly, Lloyds' syndicates, including the Company's Talbot Syndicate 1183, are required to provide details of their potential exposures to specific disaster scenarios. Lloyds' makes its updated Realistic Disaster Scenarios (RDS) guidance available to the market annually. The RDS scenario specification document for 2010 can be accessed at the RDS part of the Lloyd's public website:  
<http://www.lloyds.com/The-Market/Tools-and-Resources/Research/Exposure-Management/Realistic-Disaster-Scenarios>

Modeling catastrophe threat scenarios is a complex exercise involving numerous variables and is inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses incurred by the Company to differ materially from those expressed above. Should an event occur, the modeled outcomes may prove inadequate, possibly materially so. This may occur for a number of reasons including, legal requirements, model deficiency, non-modeled risks or data inaccuracies.

A modeled outcome of net loss from a single event also relies in significant part on the reinsurance and retrocession arrangements in place, or expected to be in place at the time of the analysis, and may change during the year. Modeled outcomes assume that the reinsurance and retrocession in place responds as expected with minimal reinsurance failure or dispute. Reinsurance is purchased to match the original exposure as far as possible, but it is possible for there to be a mismatch or gap in cover which could result in higher than modeled losses to the Company. In addition, many parts of the reinsurance program are purchased with limited reinstatements and, therefore, the number of claims or events which may be recovered from second or subsequent events is limited. It should also be noted that renewal dates of the reinsurance program do not necessarily coincide with those of the inwards business written. Where original business is not protected by risks attaching reinsurance or retrocession programs, the programs could expire resulting in an increase in the possible net loss retained by the Company.

Investors should not rely on the information set forth in this presentation when considering investment in the Company. The information contained in this presentation has not been audited nor has it been subject to independent verification. The estimates set forth above speak only as of the date of this presentation and the Company undertakes no obligation to update or revise such information to reflect the occurrence of future events. The events presented reflect a specific set of proscribed calculations and do not necessarily reflect all events that may impact the Company.



**Validus Holdings, Ltd.**

**Non-GAAP Financial Measure Reconciliation**

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

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

	Three Months Ended		Year Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net income	\$ 102,687	\$ 165,759	\$ 402,564	\$ 897,407
Adjustments for:				
Gain on bargain purchase, net of expenses (a)	-	-	-	(287,099)
Realized (gain) on repurchase of debentures	-	(4,444)	-	(4,444)
Net realized losses (gains) on investments	14,399	(9,099)	(32,498)	11,543
Net unrealized losses (gains) on investments	42,689	25,043	(45,952)	(84,796)
Foreign exchange (gains) losses	(3,424)	(338)	(1,351)	674
Net operating income	\$ 156,351	\$ 176,921	\$ 322,763	\$ 533,285
less: Dividends and distributions declared on outstanding warrants	(1,746)	(1,590)	(6,991)	(6,507)
Net operating income, adjusted	<u>\$ 154,605</u>	<u>\$ 175,331</u>	<u>\$ 315,772</u>	<u>\$ 526,778</u>
<b>Net income per share - diluted</b>	\$ 0.92	\$ 1.23	\$ 3.34	\$ 9.24
Adjustments for:				
Gain on bargain purchase, net of expenses (a)	-	-	-	(2.95)
Realized (gain) on repurchase of debentures	-	(0.03)	-	(0.05)
Net realized losses (gains) on investments	0.13	(0.07)	(0.27)	0.12
Net unrealized losses (gains) on investments	0.38	0.18	(0.38)	(0.88)
Foreign exchange (gains) losses	(0.03)	-	(0.01)	0.01
Net operating income per share - diluted	<u>\$ 1.40</u>	<u>\$ 1.31</u>	<u>\$ 2.68</u>	<u>\$ 5.49</u>
<b>Weighted average number of common shares and common share equivalents</b>	<u>111,316,736</u>	<u>134,794,120</u>	<u>120,630,945</u>	<u>97,168,409</u>
<b>Average shareholders' equity</b>	<u>\$ 3,633,058</u>	<u>\$ 3,998,656</u>	<u>\$ 3,731,945</u>	<u>\$ 2,822,200</u>
<b>Annualized net operating return on average equity</b>	<u>17.2%</u>	<u>17.7%</u>	<u>8.6%</u>	<u>18.9%</u>

(a) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. in September 2009 and is net of transaction expenses.