



Validus Holdings, Ltd.

Investor Financial Supplement - Third Quarter 2011

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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 and 2009 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.
- On May 25, 2011, the Company joined with other investors in capitalizing AlphaCat Re 2011, Ltd. ("AlphaCat Re 2011") a new special purpose "sidecar" reinsurer formed for the purpose of writing collateralized reinsurance and retrocessional reinsurance. Validus Reinsurance, Ltd. ("Validus Re") has an equity interest in AlphaCat Re 2011 and as Validus Re holds a majority of AlphaCat Re 2011's outstanding voting rights, the financial statements of AlphaCat Re 2011 are included in the consolidated financial statements of the Company. The portion of AlphaCat Re 2011's earnings attributable to third party investors for the nine months ended September 30, 2011 is recorded in the consolidated statements of operations and comprehensive income as net income attributable to noncontrolling interest.
- 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.
- During the first quarter 2011, to better align the Company's operating and reporting structure with its current strategy, there was a change in segment structure. This change was to reallocate the New York operations from the Corporate Segment to the Talbot 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 (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 gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above, but excluding income (loss) available (attributable) to noncontrolling interest. Refer to the Non-GAAP Financial Measure Reconciliation 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 available to the shareholders 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 available to Validus to net income available to Validus 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					Nine Months Ended	
		September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2011	September 30, 2010
Highlights	Net income (loss) available (attributable) to Validus	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 102,687	\$ 238,473	\$ (5,995)	\$ 299,877
	Net operating income (loss) available (attributable) to Validus (a)	112,602	81,797	(165,448)	156,351	173,037	28,951	166,412
	Gross premiums written	391,129	605,387	849,896	258,731	344,040	1,846,412	1,731,835
	Net premiums earned	458,624	425,640	429,533	432,811	432,674	1,313,797	1,328,312
	Total assets	8,000,740	8,259,788	7,825,690	7,060,878	7,503,242	8,000,740	7,503,242
	Total shareholders' equity available to Validus	3,443,869	3,408,317	3,315,321	3,504,831	3,761,285	3,443,869	3,761,285
Per share data	<u>Earnings per basic share (b)</u>							
	Net income (loss) available (attributable) to Validus	\$ 0.55	\$ 1.10	\$ (1.78)	\$ 0.95	\$ 2.14	\$ (0.12)	\$ 2.47
	Net operating income (loss) available (attributable) to Validus	1.12	0.81	(1.71)	1.46	1.55	0.23	1.35
	<u>Earnings per diluted share (b)</u>							
	Net income (loss) available (attributable) to Validus	\$ 0.54	\$ 1.05	\$ (1.78)	\$ 0.92	\$ 2.08	\$ (0.12)	\$ 2.42
	Net operating income (loss) available (attributable) to Validus	1.09	0.78	(1.71)	1.40	1.51	0.23	1.34
	<u>Book value per share</u>							
	Reported	\$ 34.77	\$ 34.51	\$ 33.73	\$ 35.76	\$ 34.43	\$ 34.77	\$ 34.43
	With investments at amortized cost	34.48	33.87	33.27	35.26	33.60	34.48	33.60
	<u>Diluted book value per share (b)</u>							
	Reported	\$ 32.23	\$ 31.91	\$ 31.32	\$ 32.98	\$ 32.02	\$ 32.23	\$ 32.02
	With investments at amortized cost	31.97	31.35	30.92	32.54	31.29	31.97	31.29
	<u>Diluted book value per common share plus accumulated dividends</u>	\$ 35.46	\$ 34.89	\$ 34.05	\$ 35.46	\$ 34.28	\$ 35.46	\$ 34.28
	Financial ratios	Losses and loss expense ratio	49.3%	48.7%	110.9%	35.9%	36.7%	69.2%
Policy acquisition costs ratio		16.9%	18.4%	18.0%	17.4%	15.5%	17.7%	16.4%
General and administration expenses ratio		9.4%	16.1%	14.1%	14.4%	13.0%	13.1%	13.2%
Expense ratio		26.3%	34.5%	32.1%	31.8%	28.5%	30.8%	29.6%
Combined ratio		75.6%	83.2%	143.0%	67.7%	65.2%	100.0%	92.3%
Annualized return on average equity (c)		6.6%	13.1%	(20.2)%	11.3%	25.9%	(0.2)%	10.6%
Annualized net operating return on average equity (d)		13.1%	9.7%	(19.4)%	17.2%	18.8%	1.1%	5.9%

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 gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S. \$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S. \$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above, but excluding income (loss) available (attributable) to noncontrolling interest. 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)

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Assets								
Fixed maturities, at fair value	\$ 4,777,686	\$ 4,603,534	\$ 4,589,849	\$ 4,823,867	\$ 5,200,285	\$ 4,975,019	\$ 5,181,042	\$ 4,869,378
Short-term investments, at fair value	547,452	725,258	565,620	273,514	228,356	269,782	308,502	481,766
Other investments, at fair value	15,905	18,746	19,772	21,478	19,888	26,068	34,398	37,615.0
Cash and cash equivalents	855,982	815,921	717,444	620,740	518,770	492,489	478,476	387,585
Total investments and cash	6,197,025	6,163,459	5,892,685	5,739,599	5,967,299	5,763,358	6,002,418	5,776,344
Premiums receivable	808,472	1,046,775	916,012	568,761	745,968	931,670	803,921	551,616
Deferred acquisition costs	154,694	176,724	174,361	123,897	151,701	165,957	165,158	112,329
Prepaid reinsurance premiums	141,631	177,729	115,522	71,417	88,651	185,771	103,950	73,164
Securities lending collateral	24,250	21,409	33,143	22,328	33,135	99,224	99,230	90,350
Loss reserves recoverable	386,200	439,805	453,701	283,134	268,821	193,604	198,956	181,765
Paid losses recoverable	80,917	30,854	26,483	27,996	19,560	24,133	18,261	14,782
Net receivable for investments sold	-	-	-	-	-	25,542	13,879	-
Income taxes recoverable	3,057	3,503	876	1,142	1,027	1,171	2,261	2,043
Intangible assets	115,773	116,813	117,853	118,893	119,935	120,975	122,015	123,055
Goodwill	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393
Accrued investment income	27,062	21,320	33,282	33,726	41,464	38,643	42,867	38,077
Other assets	41,266	41,004	41,379	49,592	45,288	44,182	39,267	35,222
Total assets	\$ 8,000,740	\$ 8,259,788	\$ 7,825,690	\$ 7,060,878	\$ 7,503,242	\$ 7,614,623	\$ 7,632,576	\$ 7,019,140
Liabilities								
Reserve for losses and loss expenses	\$ 2,565,912	\$ 2,620,360	\$ 2,534,415	\$ 2,035,973	\$ 2,020,845	\$ 1,978,130	\$ 1,976,889	\$ 1,622,134
Unearned premiums	1,058,593	1,192,772	1,083,164	728,516	955,236	1,176,603	1,083,591	724,104
Reinsurance balances payable	103,997	181,013	157,645	63,667	60,561	98,740	44,715	65,414
Securities lending payable	25,000	22,133	33,878	23,093	33,905	100,000	100,000	90,106
Deferred income taxes	24,195	22,122	22,705	24,908	23,827	26,200	24,104	24,508
Net payable for investments purchased	12,549	49,479	59,671	43,896	14,415	-	-	44,145
Accounts payable and accrued expenses	83,647	91,969	82,190	99,320	96,521	95,404	107,119	127,809
Senior notes payable	246,955	246,928	246,901	246,874	246,847	246,820	246,793	-
Debentures payable	289,800	289,800	289,800	289,800	289,800	289,800	289,800	289,800
Total liabilities	4,410,648	4,716,576	4,510,369	3,556,047	3,741,957	4,011,697	3,873,011	2,988,020
Shareholders' equity								
Common shares	\$ 23,463	\$ 23,414	\$ 23,331	\$ 23,247	\$ 23,154	\$ 23,101	\$ 23,081	\$ 23,033
Treasury shares	(6,131)	(6,131)	(6,131)	(6,096)	(4,037)	(3,605)	(1,397)	(553)
Additional paid-in-capital	1,886,897	1,880,748	1,870,104	1,860,960	2,193,140	2,247,995	2,555,243	2,675,680
Accumulated other comprehensive (loss)	(4,932)	(4,519)	(4,498)	(5,455)	(4,945)	(6,726)	(6,658)	(4,851)
Retained earnings	1,544,572	1,514,805	1,432,515	1,632,175	1,553,973	1,342,161	1,189,296	1,337,811
Total shareholders' equity available to Validus	3,443,869	3,408,317	3,315,321	3,504,831	3,761,285	3,602,926	3,759,565	4,031,120
Noncontrolling interest	146,223	134,895	-	-	-	-	-	-
Total shareholders' equity	3,590,092	3,543,212	3,315,321	3,504,831	3,761,285	3,602,926	3,759,565	4,031,120
Total liabilities and shareholders' equity	\$ 8,000,740	\$ 8,259,788	\$ 7,825,690	\$ 7,060,878	\$ 7,503,242	\$ 7,614,623	\$ 7,632,576	\$ 7,019,140
Book value per common share	\$ 34.77	\$ 34.51	\$ 33.73	\$ 35.76	\$ 34.43	\$ 32.34	\$ 30.34	\$ 31.38
Diluted book value per common share	\$ 32.23	\$ 31.91	\$ 31.32	\$ 32.98	\$ 32.02	\$ 30.30	\$ 28.66	\$ 29.68
Diluted book value per common share plus accumulated dividends	\$ 35.46	\$ 34.89	\$ 34.05	\$ 35.46	\$ 34.28	\$ 32.34	\$ 30.48	\$ 31.28



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 September 30, 2011				At December 31, 2010			
	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share
<u>Book value per common share, reported</u>								
Book value per common share								
Total shareholders' equity available to Validus	\$ 3,443,869	99,039,622		\$ 34.77	\$ 3,504,831	98,001,226		\$ 35.76
Diluted book value per common share								
Total shareholders' equity available to Validus	\$ 3,443,869	99,039,622			\$ 3,504,831	98,001,226		
Assumed exercise of outstanding warrants (b)	137,992	7,862,262	\$ 17.55		139,272	7,934,860	\$ 17.55	
Assumed exercise of outstanding stock options (b)	45,584	2,265,849	\$ 20.12		54,997	2,723,684	\$ 20.19	
Unvested restricted shares	-	3,377,210			-	3,496,096		
Diluted book value per common share	\$ 3,627,445	112,544,943		\$ 32.23	\$ 3,699,100	112,155,866		\$ 32.98
<u>Book value per common share, adjusted (c)</u>								
Book value per common share								
Total shareholders' equity available to Validus	\$ 3,443,869				\$ 3,504,831			
Accumulated other comprehensive loss	4,932				5,455			
Unrealized (gains) on investments	(34,219)				(54,986)			
Total shareholders' equity, adjusted	\$ 3,414,582	99,039,622		\$ 34.48	\$ 3,455,300	98,001,226		\$ 35.26
Diluted book value per common share								
Total shareholders' equity available to Validus, adjusted	\$ 3,414,582	99,039,622			\$ 3,455,300	98,001,226		
Assumed exercise of outstanding warrants (b)	137,992	7,862,262	\$ 17.55		139,272	7,934,860	\$ 17.55	
Assumed exercise of outstanding stock options (b)	45,584	2,265,849	\$ 20.12		54,997	2,723,684	\$ 20.19	
Unvested restricted shares	-	3,377,210			-	3,496,096		
Diluted book value per common share	\$ 3,598,158	112,544,943		\$ 31.97	\$ 3,649,569	112,155,866		\$ 32.54

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				Nine Months Ended	
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2010
Cash flows provided by (used in) operating activities						
Net income (loss)	\$ 70,001	\$ 110,478	\$ (172,364)	\$ 102,687	\$ 238,473	\$ 299,877
Adjustments to reconcile net income to cash provided by (used in) operating activities:						
Share compensation expenses	7,382	7,628	12,049	7,871	7,618	21,040
Amortization of discount on senior notes	27	27	27	27	27	81
Net realized (gains) losses on investments	(5,246)	(11,552)	(6,379)	14,399	(23,058)	(46,897)
Net unrealized losses (gains) on investments	27,848	(18,526)	12,828	42,689	(31,588)	(88,641)
Amortization of intangible assets	1,040	1,040	1,040	1,042	1,040	3,120
Foreign exchange losses (gains) on cash and cash equivalents included in net income	22,331	(8,035)	(4,694)	1,981	(20,561)	(3,432)
Amortization of premium on fixed maturities	7,223	7,705	8,542	9,239	14,526	22,936
Change in:						
Premiums receivable	235,185	(130,094)	(345,025)	175,928	188,732	(194,939)
Deferred acquisition costs	22,030	(2,363)	(50,464)	27,804	14,256	(39,372)
Prepaid reinsurance premiums	36,098	(62,207)	(44,105)	17,234	97,120	(15,487)
Loss reserves recoverable	51,954	13,834	(168,836)	(15,069)	(73,711)	(87,199)
Paid losses recoverable	(50,028)	(4,371)	1,546	(8,465)	4,585	(4,779)
Income taxes recoverable	236	(2,706)	306	(25)	159	1,019
Accrued investment income	(5,786)	11,962	444	7,747	(2,743)	(3,396)
Other assets	(1,611)	3,942	5,409	(3,911)	2,263	(9,287)
Reserve for losses and loss expenses	(44,907)	86,476	489,356	18,945	32,626	400,405
Unearned premiums	(134,179)	109,608	354,648	(226,720)	(221,367)	231,132
Reinsurance balances payable	(75,874)	23,425	92,655	3,867	(39,766)	(4,526)
Deferred income taxes	2,093	1,280	(3,891)	885	(2,060)	(608)
Accounts payable and accrued expenses	(5,528)	3,506	(14,535)	3,182	(1,489)	(32,356)
Net cash provided by operating activities	160,289	141,057	168,557	181,337	185,082	448,664
Cash flows provided by (used in) investing activities						
Proceeds on sales of investments	769,658	1,073,598	1,581,206	1,376,828	1,038,873	3,972,225
Proceeds on maturities of investments	71,539	86,426	108,629	77,682	73,532	272,169
Purchases of fixed maturities	(1,083,563)	(1,164,283)	(1,449,698)	(1,117,848)	(1,251,059)	(4,495,131)
Sales (purchases) of short-term investments, net	177,767	(159,575)	(292,131)	(45,062)	41,539	253,340
Sales (purchases) of other investments	555	3,809	-	(860)	6,460	18,070
(Increase) decrease in securities lending collateral	(2,867)	11,745	(10,785)	10,812	66,095	56,201
Net cash (used in) provided by investing activities	(66,911)	(148,280)	(62,779)	301,552	(24,560)	76,874
Cash flows provided by (used in) financing activities						
Net proceeds on issuance of senior notes	-	-	-	-	-	246,793
(Redemption) issuance of common shares, net	(1,184)	3,099	3,139	8,450	(472)	(484)
Purchases of common shares under share repurchase program	-	-	(5,995)	(350,467)	(62,380)	(506,459)
Dividends paid	(27,108)	(26,804)	(27,196)	(23,803)	(25,865)	(81,859)
Investment by parent company	-	-	-	-	-	-
Increase (decrease) in securities lending payable	2,867	(11,745)	10,785	(10,812)	(66,095)	(56,201)
Third party investment in noncontrolling interest	(2,188)	134,301	-	-	-	132,113
Net cash (used in) provided by financing activities	(27,613)	98,851	(19,267)	(376,632)	(154,812)	(398,210)
Effect of foreign currency rate changes on cash and cash equivalents	(25,704)	6,849	10,193	(4,287)	20,571	3,857
Net increase in cash	40,061	98,477	96,704	101,970	26,281	131,185
Cash and cash equivalents - beginning of period	815,921	\$ 717,444	\$ 620,740	\$ 518,770	\$ 492,489	\$ 620,740
Cash and cash equivalents - end of period	\$ 855,982	\$ 815,921	\$ 717,444	\$ 620,740	\$ 518,770	\$ 855,982
Taxes (recovered) paid during the period	\$ (303)	\$ (3,399)	\$ 26	\$ 21	\$ 1,023	\$ (3,676)
Interest paid during the period	\$ 15,513	\$ 6,365	\$ 17,458	\$ 6,364	\$ 17,459	\$ 39,336
Losses paid during the period	\$ 200,256	\$ 121,046	\$ 163,257	\$ 153,492	\$ 213,846	\$ 484,559



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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2011	September 30, 2010
Revenues							
Gross premiums written	\$ 391,129	\$ 605,387	\$ 849,896	\$ 258,731	\$ 344,040	\$ 1,846,412	\$ 1,731,835
Reinsurance premiums ceded	(30,586)	(132,346)	(109,820)	(35,376)	(35,641)	(272,752)	(194,106)
Net premiums written	360,543	473,041	740,076	223,355	308,399	1,573,660	1,537,729
Change in unearned premiums	98,081	(47,401)	(310,543)	209,456	124,275	(259,863)	(209,417)
Net premiums earned	458,624	425,640	429,533	432,811	432,674	1,313,797	1,328,312
Net investment income	27,747	26,494	29,975	30,962	34,033	84,216	103,141
Net realized gains (losses) on investments	5,246	11,552	6,379	(14,399)	23,058	23,177	46,897
Net unrealized (losses) gains on investments	(27,848)	18,526	(12,828)	(42,689)	31,588	(22,150)	88,641
Other income	-	595	1,606	552	1,082	2,201	4,667
Foreign exchange (losses) gains	(19,932)	(1,991)	(467)	3,424	10,790	(22,390)	(2,073)
Total revenues	443,837	480,816	454,198	410,661	533,225	1,378,851	1,569,585
Expenses							
Losses and loss expenses	226,067	207,307	476,198	155,225	158,936	909,572	832,361
Policy acquisition costs	77,405	78,230	77,296	75,523	67,074	232,931	217,376
General and administrative expenses	35,926	60,841	48,477	54,511	48,831	145,244	154,779
Share compensation expenses	7,382	7,628	12,049	7,871	7,618	27,059	21,040
Finance expenses	10,935	16,361	14,001	13,786	13,715	41,297	42,084
Transaction expenses (a)	13,583	-	-	-	-	13,583	-
Total expenses	371,298	370,367	628,021	306,916	296,174	1,369,686	1,267,640
Net income (loss) before taxes	72,539	110,449	(173,823)	103,745	237,051	9,165	301,945
Tax (expense) benefit	(2,538)	29	1,459	(1,058)	1,422	(1,050)	(2,068)
Net income (loss)	70,001	110,478	(172,364)	102,687	238,473	8,115	299,877
Net income attributable to noncontrolling interest	(13,516)	(594)	-	-	-	(14,110)	-
Net income (loss) available (attributable) to Validus	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 102,687	\$ 238,473	\$ (5,995)	\$ 299,877
Comprehensive income							
Foreign currency translation adjustments	(413)	(21)	957	(510)	1,781	523	(94)
Comprehensive income (loss) available (attributable) to Validus	\$ 56,072	\$ 109,863	\$ (171,407)	\$ 102,177	\$ 240,254	\$ (5,472)	\$ 299,783
Earnings per share							
Weighted average number of common shares and common share equivalents outstanding							
Basic	98,961,795	98,385,924	97,944,340	105,828,739	110,601,888	98,430,686	119,414,906
Diluted	100,823,335	104,562,450	97,944,340	111,316,736	114,842,742	98,430,686	123,735,683
Basic earnings (loss) per share available (attributable) to common shareholders	\$ 0.55	\$ 1.10	\$ (1.78)	\$ 0.95	\$ 2.14	\$ (0.12)	\$ 2.47
Diluted earnings (loss) per share available (attributable) to common shareholders	\$ 0.54	\$ 1.05	\$ (1.78)	\$ 0.92	\$ 2.08	\$ (0.12)	\$ 2.42
Cash dividends declared per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.22	\$ 0.22	\$ 0.75	\$ 0.66

(a) The transaction expenses relate to costs incurred in relation to the proposed acquisition of Transatlantic Holdings, Inc. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.



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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2011	September 30, 2010
Underwriting income							
Gross premiums written	\$ 391,129	\$ 605,387	\$ 849,896	\$ 258,731	\$ 344,040	\$ 1,846,412	\$ 1,731,835
Reinsurance premiums ceded	(30,586)	(132,346)	(109,820)	(35,376)	(35,641)	(272,752)	(194,106)
Net premiums written	360,543	473,041	740,076	223,355	308,399	1,573,660	1,537,729
Change in unearned premiums	98,081	(47,401)	(310,543)	209,456	124,275	(259,863)	(209,417)
Net premiums earned	458,624	425,640	429,533	432,811	432,674	1,313,797	1,328,312
Underwriting deductions							
Losses and loss expenses	226,067	207,307	476,198	155,225	158,936	909,572	832,361
Policy acquisition costs	77,405	78,230	77,296	75,523	67,074	232,931	217,376
General and administrative expenses	35,926	60,841	48,477	54,511	48,831	145,244	154,779
Share compensation expenses	7,382	7,628	12,049	7,871	7,618	27,059	21,040
Total underwriting deductions	346,780	354,006	614,020	293,130	282,459	1,314,806	1,225,556
Underwriting income (loss)	\$ 111,844	\$ 71,634	\$ (184,487)	\$ 139,681	\$ 150,215	\$ (1,009)	\$ 102,756
Net investment income	27,747	26,494	29,975	30,962	34,033	84,216	103,141
Other income	-	595	1,606	552	1,082	2,201	4,667
Finance expenses	(10,935)	(16,361)	(14,001)	(13,786)	(13,715)	(41,297)	(42,084)
Operating income (loss) before taxes	128,656	82,362	(166,907)	157,409	171,615	44,111	168,480
Tax (expense) benefit	(2,538)	29	1,459	(1,058)	1,422	(1,050)	(2,068)
Net operating income (loss) (a)	\$ 126,118	\$ 82,391	\$ (165,448)	\$ 156,351	\$ 173,037	\$ 43,061	\$ 166,412
Net realized gains (losses) on investments	5,246	11,552	6,379	(14,399)	23,058	23,177	46,897
Net unrealized (losses) gains on investments	(27,848)	18,526	(12,828)	(42,689)	31,588	(22,150)	88,641
Foreign exchange (losses) gains	(19,932)	(1,991)	(467)	3,424	10,790	(22,390)	(2,073)
Transaction expenses (c)	(13,583)	-	-	-	-	(13,583)	-
Net income (loss)	\$ 70,001	\$ 110,478	\$ (172,364)	\$ 102,687	\$ 238,473	\$ 8,115	\$ 299,877
Net income attributable to noncontrolling interest	(13,516)	(594)	-	-	-	(14,110)	-
Net income (loss) available (attributable) to Validus	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 102,687	\$ 238,473	\$ (5,995)	\$ 299,877
Selected ratios:							
Net premiums written / Gross premiums written	92.2%	78.1%	87.1%	86.3%	89.6%	85.2%	88.8%
Losses and loss expenses	49.3%	48.7%	110.9%	35.9%	36.7%	69.2%	62.7%
Policy acquisition costs	16.9%	18.4%	18.0%	17.4%	15.5%	17.7%	16.4%
General and administrative expenses (b)	9.4%	16.1%	14.1%	14.4%	13.0%	13.1%	13.2%
Expense ratio	26.3%	34.5%	32.1%	31.8%	28.5%	30.8%	29.6%
Combined ratio	75.6%	83.2%	143.0%	67.7%	65.2%	100.0%	92.3%

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 gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S. currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S. \$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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

(c) The transaction expenses relate to costs incurred in relation to the proposed acquisition of Transatlantic Holdings, Inc. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.



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)						Nine Months Ended (a)					
	September 30, 2011			September 30, 2010			September 30, 2011			September 30, 2010		
	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income	Net operating income	Net Income (c)	Comprehensive income (c)	Net operating income	Net Income	Comprehensive income
Basic earnings per share (b)												
Income	\$ 126,118	\$ 70,001	\$ 69,588	\$ 173,037	\$ 238,473	\$ 240,254	\$ 43,061	\$ 8,115	\$ 8,638	\$ 166,412	\$ 299,877	\$ 299,783
Income attributable to noncontrolling interest	(13,516)	(13,516)	(13,516)	-	-	-	(14,110)	(14,110)	(14,110)	-	-	-
Income (loss) available (attributable) to Validus	\$ 112,602	\$ 56,485	\$ 56,072	\$ 173,037	\$ 238,473	\$ 240,254	\$ 28,951	\$ (5,995)	\$ (5,472)	\$ 166,412	\$ 299,877	\$ 299,783
less: Dividends and distributions declared on outstanding warrants	(1,966)	(1,966)	(1,966)	(1,747)	(1,747)	(1,747)	(5,916)	(5,916)	(5,916)	(5,245)	(5,245)	(5,245)
Income (loss) available (attributable) to common shareholders	\$ 110,636	\$ 54,519	\$ 54,106	\$ 171,290	\$ 236,726	\$ 238,507	\$ 23,035	\$ (11,911)	\$ (11,388)	\$ 161,167	\$ 294,632	\$ 294,538
Weighted average number of common shares outstanding	98,961,795	98,961,795	98,961,795	110,601,888	110,601,888	110,601,888	98,430,686	98,430,686	98,430,686	119,414,906	119,414,906	119,414,906
Basic income (loss) per share available (attributable) to common shareholders	\$ 1.12	\$ 0.55	\$ 0.55	\$ 1.55	\$ 2.14	\$ 2.16	\$ 0.23	\$ (0.12)	\$ (0.12)	\$ 1.35	\$ 2.47	\$ 2.47
Diluted earnings per share (b)												
Income	\$ 126,118	\$ 70,001	\$ 69,588	\$ 173,037	\$ 238,473	\$ 240,254	\$ 43,061	\$ 8,115	\$ 8,638	\$ 166,412	\$ 299,877	\$ 299,783
Income attributable to noncontrolling interest	(13,516)	(13,516)	(13,516)	-	-	-	(14,110)	(14,110)	(14,110)	-	-	-
Income (loss) available (attributable) to Validus	\$ 112,602	\$ 56,485	\$ 56,072	\$ 173,037	\$ 238,473	\$ 240,254	\$ 28,951	\$ (5,995)	\$ (5,472)	\$ 166,412	\$ 299,877	\$ 299,783
less: Dividends and distributions declared on outstanding warrants	-	(1,966)	(1,966)	-	-	-	(5,916)	(5,916)	(5,916)	-	-	-
Income (loss) available (attributable) to common shareholders	\$ 112,602	\$ 54,519	\$ 54,106	\$ 173,037	\$ 238,473	\$ 240,254	\$ 23,035	\$ (11,911)	\$ (11,388)	\$ 166,412	\$ 299,877	\$ 299,783
Weighted average number of common shares outstanding	98,961,795	98,961,795	98,961,795	110,601,888	110,601,888	110,601,888	98,430,686	98,430,686	98,430,686	119,414,906	119,414,906	119,414,906
Share equivalents:												
Warrants	2,658,928	-	-	2,442,095	2,442,095	2,442,095	-	-	-	2,494,322	2,494,322	2,494,322
Stock options	603,581	603,581	603,581	867,429	867,429	867,429	804,214	-	-	849,187	849,187	849,187
Unvested restricted shares	1,257,959	1,257,959	1,257,959	931,330	931,330	931,330	1,561,380	-	-	977,268	977,268	977,268
Weighted average number of diluted common shares outstanding	103,482,263	100,823,335	100,823,335	114,842,742	114,842,742	114,842,742	100,796,280	98,430,686	98,430,686	123,735,683	123,735,683	123,735,683
Diluted earnings (loss) per share available (attributable) to common shareholders	\$ 1.09	\$ 0.54	\$ 0.54	\$ 1.51	\$ 2.08	\$ 2.09	\$ 0.23	\$ (0.12)	\$ (0.12)	\$ 1.34	\$ 2.42	\$ 2.42

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.

(c) Due to the net loss and comprehensive loss incurred in the nine months ended September 30, 2011, share equivalents were not included in the computation of diluted earnings per share, because of their anti-dilutive effect.



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		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Average fair value per share	\$ 26.52	\$ 25.34	\$ 29.75	\$ 25.60
Basic weighted average common shares outstanding	98,961,795	110,601,888	98,430,686	119,414,906
Add: weighted average unvested restricted shares	3,377,210	3,400,376	-	3,215,158
Proceeds from unrecognized restricted share expenses	\$ 56,203	\$ 62,556	\$ -	\$ 57,290
Less: restricted shares bought back via treasury method	(2,119,251)	(2,469,046)	-	(2,237,890)
Add: weighted average dilutive warrants outstanding	7,862,262	7,942,120	-	7,948,799
Weighted average exercise price per share	\$ 17.55	\$ 17.55	\$ -	\$ 17.55
Less: warrants bought back via treasury method	(7,862,262)	(5,500,025)	-	(5,454,477)
Add: weighted average dilutive options outstanding	2,265,849	3,215,198	-	3,220,212
Weighted average exercise price per share	\$ 20.12	\$ 19.84	\$ -	\$ 19.84
Proceeds from unrecognized option expenses	\$ 392	\$ 2,171	\$ -	\$ 3,271
Less: options bought back via treasury method	(1,662,268)	(2,347,769)	-	(2,371,025)
Weighted average dilutive shares outstanding	100,823,335	114,842,742	98,430,686	123,735,683

Notes:

(a) Due to the net loss incurred in the nine months ended September 30, 2011, share equivalents were not included in the computation of diluted earnings per share, because of their anti-dilutive effect.



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 September 30, 2011				Three Months Ended September 30, 2010			
	Validus Re	Talbot	Corporate &		Validus Re	Talbot	Corporate &	
			Eliminations	Total			Eliminations	Total
Underwriting income								
Gross premiums written	\$ 182,803	\$ 238,937	\$ (30,611)	\$ 391,129	\$ 142,630	\$ 218,722	\$ (17,312)	\$ 344,040
Reinsurance premiums ceded	(5,646)	(55,551)	30,611	(30,586)	(8,463)	(44,490)	17,312	(35,641)
Net premiums written	177,157	183,386	-	360,543	134,167	174,232	-	308,399
Change in unearned premiums	90,755	7,326	-	98,081	124,747	(472)	-	124,275
Net premiums earned	267,912	190,712	-	458,624	258,914	173,760	-	432,674
Underwriting deductions								
Losses and loss expenses	128,823	97,244	-	226,067	79,098	79,838	-	158,936
Policy acquisition costs	42,834	36,651	(2,080)	77,405	39,818	32,451	(5,195)	67,074
General and administrative expenses	8,129	23,164	4,633	35,926	5,663	33,201	9,967	48,831
Share compensation expenses	2,190	1,903	3,289	7,382	1,869	1,754	3,995	7,618
Total underwriting deductions	181,976	158,962	5,842	346,780	126,448	147,244	8,767	282,459
Underwriting income (loss)	\$ 85,936	\$ 31,750	\$ (5,842)	\$ 111,844	\$ 132,466	\$ 26,516	\$ (8,767)	\$ 150,215
Net investment income	23,557	6,451	(2,261)	27,747	28,683	7,614	(2,264)	34,033
Other income	2,297	1,418	(3,715)	-	891	3,291	(3,100)	1,082
Finance expenses	(697)	(151)	(10,087)	(10,935)	(1,505)	-	(12,210)	(13,715)
Operating income (loss) before taxes	111,093	39,468	(21,905)	128,656	160,535	37,421	(26,341)	171,615
Tax (expense) benefit	(7)	(2,345)	(186)	(2,538)	-	1,544	(122)	1,422
Net operating income (loss) (a)	\$ 111,086	\$ 37,123	\$ (22,091)	\$ 126,118	\$ 160,535	\$ 38,965	\$ (26,463)	\$ 173,037
Net realized gains on investments	4,513	733	-	5,246	20,297	2,761	-	23,058
Net unrealized (losses) gains on investments	(25,973)	(1,875)	-	(27,848)	25,505	6,083	-	31,588
Foreign exchange (losses) gains	(9,942)	(9,943)	(47)	(19,932)	2,895	7,595	300	10,790
Transaction expenses (c)	-	-	(13,583)	(13,583)	-	-	-	-
Net income (loss)	\$ 79,684	\$ 26,038	\$ (35,721)	\$ 70,001	\$ 209,232	\$ 55,404	\$ (26,163)	\$ 238,473
Net income attributable to noncontrolling interest	(13,516)	-	-	(13,516)	-	-	-	-
Net income (loss) available to Validus	\$ 66,168	\$ 26,038	\$ (35,721)	\$ 56,485	\$ 209,232	\$ 55,404	\$ (26,163)	\$ 238,473
Selected ratios:								
Net premiums written / Gross premiums written	96.9%	76.8%		92.2%	94.1%	79.7%		89.6%
Losses and loss expenses	48.1%	51.0%		49.3%	30.5%	45.9%		36.7%
Policy acquisition costs	16.0%	19.2%		16.9%	15.4%	18.7%		15.5%
General and administrative expenses (b)	3.9%	13.1%		9.4%	2.9%	20.1%		13.0%
Expense ratio	19.9%	32.3%		26.3%	18.3%	38.8%		28.5%
Combined ratio	68.0%	83.3%		75.6%	48.8%	84.7%		65.2%

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 gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S. currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S. denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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

(c) The transaction expenses relate to costs incurred in relation to the proposed acquisition of Transatlantic Holdings, Inc. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.



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 September 30, 2011				Three Months Ended September 30, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Underwriting income								
Gross premiums written	\$ 141,558	\$ 32,780	\$ 8,465	\$ 182,803	\$ 99,313	\$ 37,495	\$ 5,822	\$ 142,630
Reinsurance premiums ceded	(3,320)	(2,326)	-	(5,646)	(178)	(8,035)	(250)	(8,463)
Net premiums written	138,238	30,454	8,465	177,157	99,135	29,460	5,572	134,167
Change in unearned premiums	52,860	22,959	14,936	90,755	91,892	12,434	20,421	124,747
Net premiums earned	<u>191,098</u>	<u>53,413</u>	<u>23,401</u>	<u>267,912</u>	<u>191,027</u>	<u>41,894</u>	<u>25,993</u>	<u>258,914</u>
Underwriting deductions								
Losses and loss expenses	121,035	8,611	(823)	128,823	41,141	37,117	840	79,098
Policy acquisition costs	26,052	12,609	4,173	42,834	27,335	9,113	3,370	39,818
Total underwriting deductions before G&A	<u>147,087</u>	<u>21,220</u>	<u>3,350</u>	<u>171,657</u>	<u>68,476</u>	<u>46,230</u>	<u>4,210</u>	<u>118,916</u>
Underwriting income (loss) before G&A	\$ 44,011	\$ 32,193	\$ 20,051	\$ 96,255	\$ 122,551	\$ (4,336)	\$ 21,783	\$ 139,998
General and administrative expenses				8,129				5,663
Share compensation expenses				2,190				1,869
Total underwriting deductions				<u>181,976</u>				<u>126,448</u>
Underwriting income				\$ 85,936				\$ 132,466
Net investment income				23,557				28,683
Other income				2,297				891
Finance expenses				(697)				(1,505)
Operating income before taxes				<u>111,093</u>				<u>160,535</u>
Tax (expense)				(7)				-
Net operating income (b)				\$ 111,086				\$ 160,535
Net realized gains on investments				4,513				20,297
Net unrealized (losses) gains on investments				(25,973)				25,505
Foreign exchange (losses) gains				(9,942)				2,895
Net income				\$ 79,684				\$ 209,232
Net income attributable to noncontrolling interest				(13,516)				-
Net income available to Validus				\$ 66,168				\$ 209,232
Selected ratios:								
Net premiums written / Gross premiums written	97.7%	92.9%	100.0%	96.9%	99.8%	78.6%	95.7%	94.1%
Losses and loss expenses	63.3%	16.1%	-3.5%	48.1%	21.5%	88.6%	3.2%	30.5%
Policy acquisition costs	13.6%	23.6%	17.8%	16.0%	14.3%	21.8%	13.0%	15.4%
General and administrative expenses (c)				3.9%				2.9%
Expense ratio				19.9%				18.3%
Combined ratio				68.0%				48.8%

Notes:

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

(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. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests.

(c) 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 September 30, 2011				Three Months Ended September 30, 2010			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
Underwriting income								
Gross premiums written	\$ 86,063	\$ 69,159	\$ 83,715	\$ 238,937	\$ 73,201	\$ 64,422	\$ 81,099	\$ 218,722
Reinsurance premiums ceded	(42,628)	(1,480)	(11,443)	(55,551)	(29,617)	(3,513)	(11,360)	(44,490)
Net premiums written	43,435	67,679	72,272	183,386	43,584	60,909	69,739	174,232
Change in unearned premiums	(93)	5,538	1,881	7,326	(2,494)	7,101	(5,079)	(472)
Net premiums earned	43,342	73,217	74,153	190,712	41,090	68,010	64,660	173,760
Underwriting deductions								
Losses and loss expenses	41,490	22,509	33,245	97,244	18,830	11,214	49,794	79,838
Policy acquisition costs	2,178	15,674	18,799	36,651	433	15,302	16,716	32,451
Total underwriting deductions before G&A	43,668	38,183	52,044	133,895	19,263	26,516	66,510	112,289
Underwriting (loss) income before G&A	\$ (326)	\$ 35,034	\$ 22,109	\$ 56,817	\$ 21,827	\$ 41,494	\$ (1,850)	\$ 61,471
General and administrative expenses				23,164				33,201
Share compensation expenses				1,903				1,754
Total underwriting deductions				158,962				147,244
Underwriting income				\$ 31,750				\$ 26,516
Net investment income				6,451				7,614
Other income				1,418				3,291
Finance expenses				(151)				-
Operating income before taxes				39,468				37,421
Tax (expense) benefit				(2,345)				1,544
Net operating income (c)				\$ 37,123				\$ 38,965
Net realized gains on investments				733				2,761
Net unrealized (losses) gains on investments				(1,875)				6,083
Foreign exchange (losses) gains				(9,943)				7,595
Net income				\$ 26,038				\$ 55,404
Selected ratios:								
Net premiums written / Gross premiums written	50.5%	97.9%	86.3%	76.8%	59.5%	94.5%	86.0%	79.7%
Losses and loss expenses	95.7%	30.7%	44.8%	51.0%	45.8%	16.5%	77.0%	45.9%
Policy acquisition costs	5.0%	21.4%	25.4%	19.2%	1.1%	22.5%	25.9%	18.7%
General and administrative expenses (d)				13.1%				20.1%
Expense ratio				32.3%				38.8%
Combined ratio				83.3%				84.7%

Notes:

(a) Property includes Onshore Energy.

(b) Specialty includes Accident & Health, Aviation (Direct & Treaty), 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 gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business.

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



Validus Holdings, Ltd.

Consolidated Segment Income Statement - Nine months ended

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

	Nine Months Ended September 30, 2011				Nine Months Ended September 30, 2010			
	Validus Re	Talbot	Corporate &		Validus Re	Talbot	Corporate &	
			Eliminations	Total			Eliminations	Total
Underwriting income								
Gross premiums written	\$ 1,135,692	\$ 778,880	\$ (68,160)	\$ 1,846,412	\$ 1,067,253	\$ 742,973	\$ (78,391)	\$ 1,731,835
Reinsurance premiums ceded	(150,669)	(190,243)	68,160	(272,752)	(62,748)	(209,749)	78,391	(194,106)
Net premiums written	985,023	588,637	-	1,573,660	1,004,505	533,224	-	1,537,729
Change in unearned premiums	(232,124)	(27,739)	-	(259,863)	(199,629)	(9,788)	-	(209,417)
Net premiums earned	752,899	560,898	-	1,313,797	804,876	523,436	-	1,328,312
Underwriting deductions								
Losses and loss expenses	533,402	376,170	-	909,572	551,811	280,550	-	832,361
Policy acquisition costs	118,669	116,174	(1,912)	232,931	121,300	106,043	(9,967)	217,376
General and administrative expenses	34,244	86,604	24,396	145,244	32,958	83,709	38,112	154,779
Share compensation expenses	7,118	6,648	13,293	27,059	5,247	4,781	11,012	21,040
Total underwriting deductions	693,433	585,596	35,777	1,314,806	711,316	475,083	39,157	1,225,556
Underwriting income (loss)	\$ 59,466	\$ (24,698)	\$ (35,777)	\$ (1,009)	\$ 93,560	\$ 48,353	\$ (39,157)	\$ 102,756
Net investment income	71,597	19,413	(6,794)	84,216	87,842	22,185	(6,886)	103,141
Other income	4,584	6,402	(8,785)	2,201	3,446	8,350	(7,129)	4,667
Finance expenses	(6,912)	(214)	(34,171)	(41,297)	(3,905)	(3,140)	(35,039)	(42,084)
Operating income (loss) before taxes	128,735	903	(85,527)	44,111	180,943	75,748	(88,211)	168,480
Tax (expense)	(13)	(760)	(277)	(1,050)	(185)	(1,755)	(128)	(2,068)
Net operating income (loss) (a)	\$ 128,722	\$ 143	\$ (85,804)	\$ 43,061	\$ 180,758	\$ 73,993	\$ (88,339)	\$ 166,412
Net realized gains on investments	17,984	5,193	-	23,177	40,439	6,458	-	46,897
Net unrealized (losses) gains on investments	(19,931)	(2,219)	-	(22,150)	73,397	15,244	-	88,641
Foreign exchange (losses) gains	(19,639)	(2,632)	(119)	(22,390)	(3,087)	753	261	(2,073)
Transaction expenses (c)	-	-	(13,583)	(13,583)	-	-	-	-
Net income (loss)	\$ 107,136	\$ 485	\$ (99,506)	\$ 8,115	\$ 291,507	\$ 96,448	\$ (88,078)	\$ 299,877
Net income attributable to noncontrolling interest	(14,110)	-	-	(14,110)	-	-	-	-
Net income (loss) available (attributable) to Validus	\$ 93,026	\$ 485	\$ (99,506)	\$ (5,995)	\$ 291,507	\$ 96,448	\$ (88,078)	\$ 299,877
Selected ratios:								
Net premiums written / Gross premiums written	86.7%	75.6%		85.2%	94.1%	71.8%		88.8%
Losses and loss expenses	70.8%	67.1%		69.2%	68.6%	53.6%		62.7%
Policy acquisition costs	15.8%	20.7%		17.7%	15.1%	20.3%		16.4%
General and administrative expenses (b)	5.5%	16.6%		13.1%	4.7%	16.9%		13.2%
Expense ratio	21.3%	37.3%		30.8%	19.8%	37.2%		29.6%
Combined ratio	92.1%	104.4%		100.0%	88.4%	90.8%		92.3%

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 gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S. currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S. denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 39.

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

(c) The transaction expenses relate to costs incurred in relation to the proposed acquisition of Transatlantic Holdings, Inc. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.



Validus Holdings, Ltd.

Underwriting Results by Class of Business - Nine months ended - Validus Re

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

	Nine Months Ended September 30, 2011				Nine Months Ended September 30, 2010			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Underwriting income								
Gross premiums written	\$ 829,934	\$ 222,659	\$ 83,099	\$ 1,135,692	\$ 773,289	\$ 222,891	\$ 71,073	\$ 1,067,253
Reinsurance premiums ceded	(135,389)	(14,779)	(501)	(150,669)	(43,452)	(19,328)	32	(62,748)
Net premiums written	694,545	207,880	82,598	985,023	729,837	203,563	71,105	1,004,505
Change in unearned premiums	(159,898)	(54,060)	(18,166)	(232,124)	(140,922)	(72,486)	13,779	(199,629)
Net premiums earned	<u>534,647</u>	<u>153,820</u>	<u>64,432</u>	<u>752,899</u>	<u>588,915</u>	<u>131,077</u>	<u>84,884</u>	<u>804,876</u>
Underwriting deductions								
Losses and loss expenses	414,414	113,131	5,857	533,402	416,706	113,412	21,693	551,811
Policy acquisition costs	74,473	33,266	10,930	118,669	86,775	23,629	10,896	121,300
Total underwriting deductions before G&A	<u>488,887</u>	<u>146,397</u>	<u>16,787</u>	<u>652,071</u>	<u>503,481</u>	<u>137,041</u>	<u>32,589</u>	<u>673,111</u>
Underwriting income (loss) before G&A	\$ 45,760	\$ 7,423	\$ 47,645	\$ 100,828	\$ 85,434	\$ (5,964)	\$ 52,295	\$ 131,765
General and administrative expenses				34,244				32,958
Share compensation expenses				7,118				5,247
Total underwriting deductions				<u>693,433</u>				<u>711,316</u>
Underwriting income				\$ 59,466				\$ 93,560
Net investment income				71,597				87,842
Other income				4,584				3,446
Finance expenses				(6,912)				(3,905)
Operating income before taxes				<u>128,735</u>				<u>180,943</u>
Tax (expense)				(13)				(185)
Net operating income (a)				\$ 128,722				\$ 180,758
Net realized gains on investments				17,984				40,439
Net unrealized (losses) gains on investments				(19,931)				73,397
Foreign exchange (losses)				(19,639)				(3,087)
Net income				\$ 107,136				\$ 291,507
Net income attributable to noncontrolling interest				(14,110)				-
Net income available to Validus				\$ 93,026				\$ 291,507
Selected ratios:								
Net premiums written / Gross premiums written	83.7%	93.4%	99.4%	86.7%	94.4%	91.3%	100.0%	94.1%
Losses and loss expenses	77.5%	73.5%	9.1%	70.8%	70.8%	86.5%	25.6%	68.6%
Policy acquisition costs	13.9%	21.6%	17.0%	15.8%	14.7%	18.0%	12.8%	15.1%
General and administrative expenses (b)				5.5%				4.7%
Expense ratio				21.3%				19.8%
Combined ratio				92.1%				88.4%

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 gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests.

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



Validus Holdings, Ltd.

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

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

	Nine Months Ended September 30, 2011				Nine Months Ended September 30, 2010			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
Underwriting income								
Gross premiums written	\$ 254,524	\$ 267,586	\$ 256,770	\$ 778,880	\$ 256,604	\$ 246,650	\$ 239,719	\$ 742,973
Reinsurance premiums ceded	(119,955)	(23,942)	(46,346)	(190,243)	(121,795)	(33,388)	(54,566)	(209,749)
Net premiums written	134,569	243,644	210,424	588,637	134,809	213,262	185,153	533,224
Change in unearned premiums	(14,439)	(27,041)	13,741	(27,739)	(18,525)	(18,617)	27,354	(9,788)
Net premiums earned	120,130	216,603	224,165	560,898	116,284	194,645	212,507	523,436
Underwriting deductions								
Losses and loss expenses	149,365	128,125	98,680	376,170	87,055	77,395	116,100	280,550
Policy acquisition costs	12,761	49,101	54,312	116,174	13,313	42,011	50,719	106,043
Total underwriting deductions before G&A	162,126	177,226	152,992	492,344	100,368	119,406	166,819	386,593
Underwriting (loss) income before G&A	\$ (41,996)	\$ 39,377	\$ 71,173	\$ 68,554	\$ 15,916	\$ 75,239	\$ 45,688	\$ 136,843
General and administrative expenses				86,604				83,709
Share compensation expenses				6,648				4,781
Total underwriting deductions				585,596				475,083
Underwriting (loss) income				\$ (24,698)				\$ 48,353
Net investment income				19,413				22,185
Other income				6,402				8,350
Finance expenses				(214)				(3,140)
Operating (loss) income before taxes				903				75,748
Tax (expense) benefit				(760)				(1,755)
Net operating income (c)				\$ 143				\$ 73,993
Net realized gains on investments				5,193				6,458
Net unrealized (losses) gains on investments				(2,219)				15,244
Foreign exchange (losses) gains				(2,632)				753
Net income				\$ 485				\$ 96,448
Selected ratios:								
Net premiums written / Gross premiums written	52.9%	91.1%	82.0%	75.6%	52.5%	86.5%	77.2%	71.8%
Losses and loss expenses	124.3%	59.2%	44.0%	67.1%	74.9%	39.8%	54.6%	53.6%
Policy acquisition costs	10.6%	22.7%	24.2%	20.7%	11.4%	21.6%	23.9%	20.3%
General and administrative expenses (d)				16.6%				16.9%
Expense ratio				37.3%				37.2%
Combined ratio				104.4%				90.8%

Notes:

(a) Property includes Onshore Energy.

(b) Specialty includes Accident & Health, Aviation (Direct & Treaty), 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 gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business.

(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</u>				<u>Nine Months Ended</u>			
		<u>September 30, 2011</u>		<u>September 30, 2010</u>		<u>September 30, 2011</u>		<u>September 30, 2010</u>	
<u>Class of business</u>	<u>Treaty type</u>	<u>Gross premiums written</u>		<u>Gross premiums written</u>		<u>Gross premiums written</u>		<u>Gross premiums written</u>	
		<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Property	Cat XOL (a)	\$ 81,779	44.7%	\$ 55,716	39.0%	\$ 657,748	58.0%	\$ 562,606	52.8%
	Per Risk XOL	24,475	13.4%	22,211	15.6%	59,240	5.2%	63,041	5.9%
	Proportional (b)	35,304	19.3%	21,386	15.0%	112,946	9.9%	147,642	13.8%
		<u>141,558</u>	<u>77.4%</u>	<u>99,313</u>	<u>69.6%</u>	<u>829,934</u>	<u>73.1%</u>	<u>773,289</u>	<u>72.5%</u>
Marine	Cat XOL (c)	(2,593)	(1.4)%	563	0.4%	13,608	1.2%	14,010	1.3%
	Per Risk XOL	5,359	2.9%	5,422	3.8%	83,438	7.3%	80,685	7.5%
	Proportional (b)	30,014	16.5%	31,510	22.1%	125,613	11.1%	128,196	12.0%
		<u>32,780</u>	<u>18.0%</u>	<u>37,495</u>	<u>26.3%</u>	<u>222,659</u>	<u>19.6%</u>	<u>222,891</u>	<u>20.8%</u>
Specialty (d)	Cat XOL (a)	4,078	2.2%	3,665	2.6%	46,191	4.0%	40,784	3.8%
	Per Risk XOL	103	0.1%	2,308	1.6%	7,481	0.7%	11,399	1.1%
	Proportional (b)	4,284	2.3%	(151)	-0.1%	29,427	2.6%	18,890	1.8%
		<u>8,465</u>	<u>4.6%</u>	<u>5,822</u>	<u>4.1%</u>	<u>83,099</u>	<u>7.3%</u>	<u>71,073</u>	<u>6.7%</u>
Total	Cat XOL (a) (c)	83,264	45.5%	59,944	42.0%	717,547	63.2%	617,400	57.9%
	Per Risk XOL	29,937	16.4%	29,941	21.0%	150,159	13.2%	155,125	14.5%
	Proportional (b)	69,602	38.1%	52,745	37.0%	267,986	23.6%	294,728	27.6%
		<u>\$ 182,803</u>	<u>100.0%</u>	<u>\$ 142,630</u>	<u>100.0%</u>	<u>\$ 1,135,692</u>	<u>100.0%</u>	<u>\$ 1,067,253</u>	<u>100.0%</u>

Notes:

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

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

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

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



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				Nine Months Ended			
		September 30, 2011		September 30, 2010		September 30, 2011		September 30, 2010	
		Gross premiums written	%	Gross premiums written	%	Gross premiums written	%	Gross premiums written (a)	%
Property	Treaty Reinsurance	\$ 144,494	36.9%	\$ 99,014	28.8%	\$ 858,941	46.5%	\$ 791,050	45.7%
	Facultative Reinsurance	34,861	8.9%	38,268	11.1%	104,334	5.7%	113,585	6.5%
	Direct Insurance	18,840	4.8%	19,099	5.6%	62,828	3.4%	69,173	4.0%
		<u>198,195</u>	<u>50.6%</u>	<u>156,381</u>	<u>45.5%</u>	<u>1,026,103</u>	<u>55.6%</u>	<u>973,808</u>	<u>56.2%</u>
Marine	Treaty Reinsurance	40,454	10.4%	42,360	12.3%	260,630	14.1%	249,797	14.4%
	Facultative Reinsurance	19,605	5.0%	16,356	4.8%	57,171	3.1%	68,909	4.0%
	Direct Insurance	40,684	10.4%	42,030	12.2%	167,933	9.1%	135,045	7.8%
		<u>100,743</u>	<u>25.8%</u>	<u>100,746</u>	<u>29.3%</u>	<u>485,734</u>	<u>26.3%</u>	<u>453,751</u>	<u>26.2%</u>
Specialty (a)	Treaty Reinsurance	14,354	3.7%	12,069	3.5%	118,629	6.4%	96,460	5.6%
	Facultative Reinsurance	28,546	7.3%	29,043	8.4%	75,454	4.1%	73,663	4.3%
	Direct Insurance	49,291	12.6%	45,801	13.3%	140,492	7.6%	134,153	7.7%
		<u>92,191</u>	<u>23.6%</u>	<u>86,913</u>	<u>25.2%</u>	<u>334,575</u>	<u>18.1%</u>	<u>304,276</u>	<u>17.6%</u>
Total	Treaty Reinsurance	199,302	51.0%	153,443	44.6%	1,238,200	67.0%	1,137,307	65.7%
	Facultative Reinsurance	83,012	21.2%	83,667	24.3%	236,959	12.9%	256,157	14.8%
	Direct Insurance	108,815	27.8%	106,930	31.1%	371,253	20.1%	338,371	19.5%
		<u>\$ 391,129</u>	<u>100.0%</u>	<u>\$ 344,040</u>	<u>100.0%</u>	<u>\$ 1,846,412</u>	<u>100.0%</u>	<u>\$ 1,731,835</u>	<u>100.0%</u>

Notes:

(a) For the Validus Re segment, the Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation, Crisis Management and Motor. For the Talbot segment, Specialty includes Accident & Health, Aviation (Direct & Treaty), 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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2011	September 30, 2010
Validus Re							
Property - Validus Re	\$ 122,618	\$ 272,148	\$ 358,118	\$ 17,197	\$ 99,652	\$ 752,884	\$ 761,597
Property - Alpha Cat	97	8,405	7,150	104	(339)	15,652	11,692
Property - Alpha Cat Re 2011	18,843	42,555	-	-	-	61,398	-
Marine	32,780	4,846	185,033	4,244	37,495	222,659	222,891
Aerospace & Aviation (a)	4,247	4,839	5,590	169	(1,034)	14,676	18,941
Agriculture	889	398	2,927	(186)	465	4,214	3,098
Financial	265	160	6,636	1,036	178	7,061	2,341
Life and A&H	180	251	3,385	420	(140)	3,816	3,389
Nuclear	156	2,032	3	(959)	1,614	2,191	4,490
Terrorism	294	4,402	28,074	10,121	(901)	32,770	27,360
Workers' Compensation	2,027	58	5,209	-	1,828	7,294	7,330
Crisis Management	407	1,557	7,523	1,840	3,812	9,487	4,124
Motor	-	-	1,590	-	-	1,590	-
Total Validus Re Segment	182,803	341,651	611,238	33,986	142,630	1,135,692	1,067,253
Talbot							
Property	60,312	57,267	49,559	35,171	45,440	167,138	156,569
Onshore Energy	25,751	40,465	21,170	22,994	27,761	87,386	100,035
Marine	69,159	93,492	104,935	68,452	64,422	267,586	246,650
Accident & Health	6,692	4,711	5,349	4,456	5,283	16,752	15,259
Aviation, Direct	16,782	9,121	7,870	33,580	17,640	33,773	36,161
Aviation Treaty	2,979	12,345	18,237	11,273	5,088	33,561	32,814
Bloodstock	(34)	817	361	3,955	3,408	1,144	9,536
Contingency	3,556	5,980	5,273	2,797	7,158	14,809	15,566
Financial Institutions	9,438	8,632	7,667	12,747	11,489	25,737	26,899
War	44,302	44,056	42,636	42,675	31,033	130,994	103,484
Total Talbot Segment	238,937	276,886	263,057	238,100	218,722	778,880	742,973
Intersegment Revenue							
Property	(29,426)	(12,055)	(16,874)	(12,213)	(16,133)	(58,355)	(56,085)
Marine	(1,196)	(1,095)	(2,220)	(1,140)	(1,171)	(4,511)	(15,790)
Specialty	11	-	(5,305)	(2)	(8)	(5,294)	(6,516)
Total Intersegment Revenue Eliminated	(30,611)	(13,150)	(24,399)	(13,355)	(17,312)	(68,160)	(78,391)
Total Gross Premiums Written	\$ 391,129	\$ 605,387	\$ 849,896	\$ 258,731	\$ 344,040	\$ 1,846,412	\$ 1,731,835

Notes:

(a) 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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2011	September 30, 2010
Underwriting income							
Gross premiums written	\$ 182,803	\$ 341,651	\$ 611,238	\$ 33,986	\$ 142,630	\$ 1,135,692	\$ 1,067,253
Reinsurance premiums ceded	(5,646)	(98,218)	(46,805)	(399)	(8,463)	(150,669)	(62,748)
Net premiums written	177,157	243,433	564,433	33,587	134,167	985,023	1,004,505
Change in unearned premiums	90,755	(10,755)	(312,124)	212,737	124,747	(232,124)	(199,629)
Net premiums earned	267,912	232,678	252,309	246,324	258,914	752,899	804,876
Underwriting deductions							
Losses and loss expenses	128,823	94,035	310,544	49,799	79,098	533,402	551,811
Policy acquisition costs	42,834	35,769	40,066	39,299	39,818	118,669	121,300
General and administrative expenses	8,129	15,458	10,657	12,659	5,663	34,244	32,958
Share compensation expenses	2,190	1,823	3,105	1,934	1,869	7,118	5,247
Total underwriting deductions	181,976	147,085	364,372	103,691	126,448	693,433	711,316
Underwriting income (loss)	\$ 85,936	\$ 85,593	\$ (112,063)	\$ 142,633	\$ 132,466	\$ 59,466	\$ 93,560
Selected ratios:							
Losses and loss expenses	48.1%	40.4%	123.1%	20.2%	30.5%	70.8%	68.6%
Policy acquisition costs	16.0%	15.4%	15.9%	16.0%	15.4%	15.8%	15.1%
General and administrative expenses (a)	3.9%	7.4%	5.5%	5.9%	2.9%	5.5%	4.7%
Expense ratio	19.9%	22.8%	21.4%	21.9%	18.3%	21.3%	19.8%
Combined ratio	68.0%	63.2%	144.5%	42.1%	48.8%	92.1%	88.4%

Notes:

(a) 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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2011	September 30, 2010
Underwriting income							
Gross premiums written	\$ 238,937	\$ 276,886	\$ 263,057	\$ 238,100	\$ 218,722	\$ 778,880	\$ 742,973
Reinsurance premiums ceded	(55,551)	(47,278)	(87,414)	(48,332)	(44,490)	(190,243)	(209,749)
Net premiums written	183,386	229,608	175,643	189,768	174,232	588,637	533,224
Change in unearned premiums	7,326	(36,646)	1,581	(3,281)	(472)	(27,739)	(9,788)
Net premiums earned	190,712	192,962	177,224	186,487	173,760	560,898	523,436
Underwriting deductions							
Losses and loss expenses	97,244	113,272	165,654	105,426	79,838	376,170	280,550
Policy acquisition costs	36,651	42,307	37,216	37,726	32,451	116,174	106,043
General and administrative expenses	23,164	34,718	28,722	30,334	33,201	86,604	83,709
Share compensation expenses	1,903	2,026	2,719	2,142	1,754	6,648	4,781
Total underwriting deductions	158,962	192,323	234,311	175,628	147,244	585,596	475,083
Underwriting income (loss)	\$ 31,750	\$ 639	\$ (57,087)	\$ 10,859	\$ 26,516	\$ (24,698)	\$ 48,353
Selected ratios:							
Losses and loss expenses	51.0%	58.7%	93.5%	56.5%	45.9%	67.1%	53.6%
Policy acquisition costs	19.2%	21.9%	21.0%	20.2%	18.7%	20.7%	20.3%
General and administrative expenses (a)	13.1%	19.0%	17.7%	17.4%	20.1%	16.6%	16.9%
Expense ratio	32.3%	40.9%	38.7%	37.6%	38.8%	37.3%	37.2%
Combined ratio	83.3%	99.6%	132.2%	94.1%	84.7%	104.4%	90.8%

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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2010	
Underwriting income							
Net premiums written	\$ 181,673	\$ 296,486	\$ 350,955	\$ 49,032	\$ 142,719	\$ 829,114	\$ 864,646
Net premiums earned	234,440	204,624	215,713	218,171	232,117	654,777	705,199
Underwriting deductions							
Losses and loss expenses	162,525	107,960	293,294	54,945	59,971	563,779	503,761
Policy acquisition costs	28,230	29,763	29,241	31,090	27,768	87,234	100,088
Total underwriting deductions	190,755	137,723	322,535	86,035	87,739	651,013	603,849
Underwriting income (loss) before G&A	\$ 43,685	\$ 66,901	\$ (106,822)	\$ 132,136	\$ 144,378	\$ 3,764	\$ 101,350
Selected underwriting ratios (a):							
Losses and loss expenses	69.3%	52.8%	136.0%	25.2%	25.8%	86.1%	71.4%
Policy acquisition costs	12.0%	14.5%	13.6%	14.3%	12.0%	13.3%	14.2%
Combined ratio before G&A	81.3%	67.3%	149.6%	39.5%	37.8%	99.4%	85.6%

Notes:

(a) 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				Nine Months Ended		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2010	
Underwriting income							
Net premiums written	\$ 98,133	\$ 81,209	\$ 272,182	\$ 69,781	\$ 90,369	\$ 451,524	\$ 416,825
Net premiums earned	126,630	125,496	118,297	119,704	109,904	370,423	325,722
Underwriting deductions							
Losses and loss expenses	31,120	74,731	135,405	33,414	48,331	241,256	190,807
Policy acquisition costs	28,283	26,981	27,103	26,665	24,415	82,367	65,640
Total underwriting deductions	59,403	101,712	162,508	60,079	72,746	323,623	256,447
Underwriting income (loss) before G&A	\$ 67,227	\$ 23,784	\$ (44,211)	\$ 59,625	\$ 37,158	\$ 46,800	\$ 69,275
Selected underwriting ratios (a):							
Losses and loss expenses	24.6%	59.5%	114.5%	27.9%	44.0%	65.1%	58.6%
Policy acquisition costs	22.3%	21.5%	22.9%	22.3%	22.2%	22.2%	20.2%
Combined ratio before G&A	46.9%	81.0%	137.4%	50.2%	66.2%	87.3%	78.8%

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)				Nine Months Ended (a)		
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	September 30, 2010	
Underwriting income							
Net premiums written	\$ 80,737	\$ 95,346	\$ 116,939	\$ 104,542	\$ 75,311	\$ 293,022	\$ 256,258
Net premiums earned	97,554	95,520	95,523	94,936	90,653	288,597	297,391
Underwriting deductions							
Losses and loss expenses	32,422	24,616	47,499	66,866	50,634	104,537	137,793
Policy acquisition costs	22,972	21,332	20,938	19,270	20,086	65,242	61,615
Total underwriting deductions	55,394	45,948	68,437	86,136	70,720	169,779	199,408
Underwriting income before G&A	\$ 42,160	\$ 49,572	\$ 27,086	\$ 8,800	\$ 19,933	\$ 118,818	\$ 97,983
Selected underwriting ratios (b):							
Losses and loss expenses	33.2%	25.8%	49.7%	70.4%	55.9%	36.2%	46.3%
Policy acquisition costs	23.5%	22.3%	21.9%	20.3%	22.2%	22.6%	20.7%
Combined ratio before G&A	56.7%	48.1%	71.6%	90.7%	78.1%	58.8%	67.0%

Notes:

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

(b) 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 September 30, 2011			At December 31, 2010		
	Reserve for losses and loss expenses	Loss reserves recoverable	Net	Reserve for losses and loss expenses	Loss reserves recoverable	Net
Property (a)	\$ 1,274,216	\$ 194,412	\$ 1,079,804	\$ 904,447	\$ 87,465	\$ 816,982
Marine	766,696	91,160	675,536	639,728	102,461	537,267
Specialty (b)	525,000	100,628	424,372	491,798	93,208	398,590
Total	\$ 2,565,912	\$ 386,200	\$ 2,179,712	\$ 2,035,973	\$ 283,134	\$ 1,752,839

	At September 30, 2011			At December 31, 2010		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
Property (a)	\$ 749,788	\$ 524,428	\$ 1,274,216	\$ 506,506	\$ 397,941	\$ 904,447
Marine	429,647	337,049	766,696	317,469	322,259	639,728
Specialty (b)	227,605	297,395	525,000	211,906	279,892	491,798
Total	\$ 1,407,040	\$ 1,158,872	\$ 2,565,912	\$ 1,035,881	\$ 1,000,092	\$ 2,035,973
% of Total	54.8%	45.2%	100.0%	50.9%	49.1%	100.0%

Notes:

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

(b) For the Validus Re segment, the Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation, Crisis Management and Motor. For the Talbot segment, Specialty includes Accident & Health, Aviation (Direct & Aviation), 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							
	September 30, 2011				September 30, 2010			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Gross reserves at period beginning	\$ 1,376,439	\$ 1,370,690	\$ (126,769)	\$ 2,620,360	\$ 1,029,478	\$ 1,142,715	\$ (194,063)	\$ 1,978,130
Losses recoverable	(182,306)	(384,268)	126,769	(439,805)	(60,145)	(327,522)	194,063	(193,604)
Net reserves at period beginning	1,194,133	986,422	-	2,180,555	969,333	815,193	-	1,784,526
Incurred losses- current year	166,720	120,429	-	287,149	98,295	110,394	-	208,689
Change in prior accident years	(37,897)	(23,185)	-	(61,082)	(19,197)	(30,556)	-	(49,753)
Incurred losses	128,823	97,244	-	226,067	79,098	79,838	-	158,936
Foreign exchange	(18,762)	(7,892)	-	(26,654)	13,812	8,596	-	22,408
Paid losses	(105,443)	(94,813)	-	(200,256)	(108,384)	(105,462)	-	(213,846)
Net reserves at period end	1,198,751	980,961	-	2,179,712	953,859	798,165	-	1,752,024
Losses recoverable	122,817	376,274	(112,891)	386,200	81,368	355,778	(168,325)	268,821
Gross reserves at period end	\$ 1,321,568	\$ 1,357,235	\$ (112,891)	\$ 2,565,912	\$ 1,035,227	\$ 1,153,943	\$ (168,325)	\$ 2,020,845
Net premiums earned	\$ 267,912	\$ 190,712		\$ 458,624	\$ 258,914	\$ 173,760		\$ 432,674
Current year loss ratio	62.2%	63.2%		62.6%	38.0%	63.5%		48.2%
Prior accident year adjustments	-14.1%	-12.2%		-13.3%	-7.5%	-17.6%		-11.5%
Net loss ratio	48.1%	51.0%		49.3%	30.5%	45.9%		36.7%
Paid to incurred	81.9%	97.5%		88.6%	137.0%	132.1%		134.5%

	At or for the Nine Months Ended							
	September 30, 2011				September 30, 2010			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Gross reserves at period beginning	\$ 998,165	\$ 1,191,548	\$ (153,740)	\$ 2,035,973	\$ 742,510	\$ 903,986	\$ (24,362)	\$ 1,622,134
Losses recoverable	(80,219)	(356,655)	153,740	(283,134)	(49,808)	(156,319)	24,362	(181,765)
Net reserves at period beginning	917,946	834,893	-	1,752,839	692,702	747,667	-	1,440,369
Incurred losses- current year	594,889	427,986	-	1,022,875	600,363	358,043	-	958,406
Change in prior accident years	(61,487)	(51,816)	-	(113,303)	(48,552)	(77,493)	-	(126,045)
Incurred losses	533,402	376,170	-	909,572	551,811	280,550	-	832,361
Foreign exchange	2,862	(1,002)	-	1,860	768	(1,544)	-	(776)
Paid losses	(255,459)	(229,100)	-	(484,559)	(291,422)	(228,508)	-	(519,930)
Net reserves at period end	1,198,751	980,961	-	2,179,712	953,859	798,165	-	1,752,024
Losses recoverable	122,817	376,274	(112,891)	386,200	81,368	355,778	(168,325)	268,821
Gross reserves at period end	\$ 1,321,568	\$ 1,357,235	\$ (112,891)	\$ 2,565,912	\$ 1,035,227	\$ 1,153,943	\$ (168,325)	\$ 2,020,845
Net premiums earned	\$ 752,899	\$ 560,898		\$ 1,313,797	\$ 804,876	\$ 523,436		\$ 1,328,312
Current year loss ratio	79.0%	76.3%		77.8%	74.6%	68.4%		72.2%
Prior accident year adjustments	-8.2%	-9.2%		-8.6%	-6.0%	-14.8%		-9.5%
Net loss ratio	70.8%	67.1%		69.2%	68.6%	53.6%		62.7%
Paid to incurred	47.9%	60.9%		53.3%	52.8%	81.5%		62.5%



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							
	September 30, 2011				September 30, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 972,345	\$ 311,534	\$ 92,560	\$ 1,376,439	\$ 741,102	\$ 202,891	\$ 85,485	\$ 1,029,478
Losses recoverable	(169,448)	(12,397)	(461)	(182,306)	(12,196)	(47,412)	(537)	(60,145)
Net reserves at period beginning	802,897	299,137	92,099	1,194,133	728,906	155,479	84,948	969,333
Incurred losses- current year	152,842	14,148	(270)	166,720	58,252	37,837	2,206	98,295
Change in prior accident years	(31,807)	(5,537)	(553)	(37,897)	(17,111)	(720)	(1,366)	(19,197)
Incurred losses	121,035	8,611	(823)	128,823	41,141	37,117	840	79,098
Foreign exchange	(18,640)	(53)	(69)	(18,762)	13,550	115	147	13,812
Paid losses	(91,945)	(9,296)	(4,202)	(105,443)	(84,727)	(21,489)	(2,168)	(108,384)
Net reserves at period end	813,347	298,399	87,005	1,198,751	698,870	171,222	83,767	953,859
Losses recoverable	110,926	11,430	461	122,817	12,412	68,419	537	81,368
Gross reserves at period end	\$ 924,273	\$ 309,829	\$ 87,466	\$ 1,321,568	\$ 711,282	\$ 239,641	\$ 84,304	\$ 1,035,227
Net premiums earned	\$ 191,098	\$ 53,413	\$ 23,401	\$ 267,912	\$ 191,027	\$ 41,894	\$ 25,993	\$ 258,914
Current year loss ratio	79.9%	26.5%	-1.1%	62.2%	30.5%	90.3%	8.5%	38.0%
Prior accident year adjustments	-16.6%	-10.4%	-2.4%	-14.1%	-9.0%	-1.7%	-5.3%	-7.5%
Net loss ratio	<u>63.3%</u>	<u>16.1%</u>	<u>-3.5%</u>	<u>48.1%</u>	<u>21.5%</u>	<u>88.6%</u>	<u>3.2%</u>	<u>30.5%</u>
Paid to incurred	76.0%	108.0%	-510.6%	81.9%	205.9%	57.9%	258.1%	137.0%

	At or for the Nine Months Ended							
	September 30, 2011				September 30, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 658,652	\$ 244,377	\$ 95,136	998,165	\$ 489,960	176,648	75,902	742,510
Losses recoverable	(24,117)	(55,565)	(537)	(80,219)	(10,494)	(37,740)	(1,574)	(49,808)
Net reserves at period beginning	634,535	188,812	94,599	917,946	479,466	138,908	74,328	692,702
Incurred losses- current year	458,695	123,083	13,111	594,889	455,707	121,757	22,899	600,363
Change in prior accident years	(44,281)	(9,952)	(7,254)	(61,487)	(39,001)	(8,345)	(1,206)	(48,552)
Incurred losses	414,414	113,131	5,857	533,402	416,706	113,412	21,693	551,811
Foreign exchange	2,802	79	(19)	2,862	779	(71)	60	768
Paid losses	(238,404)	(3,623)	(13,432)	(255,459)	(198,081)	(81,027)	(12,314)	(291,422)
Net reserves at period end	813,347	298,399	87,005	1,198,751	698,870	171,222	83,767	953,859
Losses recoverable	110,926	11,430	461	122,817	12,412	68,419	537	81,368
Gross reserves at period end	\$ 924,273	\$ 309,829	\$ 87,466	\$ 1,321,568	\$ 711,282	\$ 239,641	\$ 84,304	\$ 1,035,227
Net premiums earned	\$ 534,647	\$ 153,820	\$ 64,432	\$ 752,899	\$ 588,915	\$ 131,077	\$ 84,884	\$ 804,876
Current year loss ratio	85.8%	80.0%	20.4%	79.0%	77.4%	92.9%	27.0%	74.6%
Prior accident year adjustments	-8.3%	-6.5%	-11.3%	-8.2%	-6.6%	-6.4%	-1.4%	-6.0%
Net loss ratio	<u>77.5%</u>	<u>73.5%</u>	<u>9.1%</u>	<u>70.8%</u>	<u>70.8%</u>	<u>86.5%</u>	<u>25.6%</u>	<u>68.6%</u>
Paid to incurred	57.5%	3.2%	229.3%	47.9%	47.5%	71.4%	56.8%	52.8%

Notes:

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



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							
	September 30, 2011				September 30, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 441,011	\$ 489,398	\$ 440,281	\$ 1,370,690	\$ 398,876	\$ 420,319	\$ 323,520	\$ 1,142,715
Losses recoverable	(177,352)	(103,502)	(103,414)	(384,268)	(210,904)	(53,338)	(63,280)	(327,522)
Net reserves at period beginning	263,659	385,896	336,867	986,422	187,972	366,981	260,240	815,193
Incurred losses- current year	44,631	33,281	42,517	120,429	24,684	36,085	49,625	110,394
Change in prior accident years	(3,141)	(10,772)	(9,272)	(23,185)	(5,854)	(24,871)	169	(30,556)
Incurred losses	41,490	22,509	33,245	97,244	18,830	11,214	49,794	79,838
Foreign exchange	(2,046)	(2,899)	(2,947)	(7,892)	605	4,891	3,100	8,596
Paid losses	(36,646)	(28,369)	(29,798)	(94,813)	(36,717)	(37,858)	(30,887)	(105,462)
Net reserves at period end	266,457	377,137	337,367	980,961	170,690	345,228	282,247	798,165
Losses recoverable	167,783	103,573	104,918	376,274	191,858	74,604	89,316	355,778
Gross reserves at period end	\$ 434,240	\$ 480,710	\$ 442,285	\$ 1,357,235	\$ 362,548	\$ 419,832	\$ 371,563	\$ 1,153,943
Net premiums earned	\$ 43,342	\$ 73,217	\$ 74,153	\$ 190,712	\$ 41,090	\$ 68,010	\$ 64,660	\$ 173,760
Current year loss ratio	102.9%	45.4%	57.3%	63.2%	60.1%	53.1%	76.7%	63.5%
Prior accident year adjustments	-7.2%	-14.7%	-12.5%	-12.2%	-14.3%	-36.6%	0.3%	-17.6%
Net loss ratio	95.7%	30.7%	44.8%	51.0%	45.8%	16.5%	77.0%	45.9%
Paid to incurred	88.3%	126.0%	89.6%	97.5%	195.0%	337.6%	62.0%	132.1%

	At or for the Nine Months Ended							
	September 30, 2011				September 30, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 368,717	\$ 421,578	\$ 401,253	\$ 1,191,548	\$ 188,041	\$ 417,365	\$ 298,580	\$ 903,986
Losses recoverable	(186,270)	(73,123)	(97,262)	(356,655)	(36,674)	(59,788)	(59,857)	(156,319)
Net reserves at period beginning	182,447	348,455	303,991	834,893	151,367	357,577	238,723	747,667
Incurred losses- current year	157,233	149,392	121,361	427,986	106,963	121,659	129,421	358,043
Change in prior accident years	(7,868)	(21,267)	(22,681)	(51,816)	(19,908)	(44,264)	(13,321)	(77,493)
Incurred losses	149,365	128,125	98,680	376,170	87,055	77,395	116,100	280,550
Foreign exchange	(1,003)	77	(76)	(1,002)	(1,147)	535	(932)	(1,544)
Paid losses	(64,352)	(99,520)	(65,228)	(229,100)	(66,585)	(90,279)	(71,644)	(228,508)
Net reserves at period end	266,457	377,137	337,367	980,961	170,690	345,228	282,247	798,165
Losses recoverable	167,783	103,573	104,918	376,274	191,858	74,604	89,316	355,778
Gross reserves at period end	\$ 434,240	\$ 480,710	\$ 442,285	\$ 1,357,235	\$ 362,548	\$ 419,832	\$ 371,563	\$ 1,153,943
Net premiums earned	\$ 120,130	\$ 216,603	\$ 224,165	\$ 560,898	\$ 116,284	\$ 194,645	\$ 212,507	\$ 523,436
Current year loss ratio	130.8%	69.0%	54.1%	76.3%	92.0%	62.5%	60.9%	68.4%
Prior accident year adjustments	-6.5%	-9.8%	-10.1%	-9.2%	-17.1%	-22.7%	-6.3%	-14.8%
Net loss ratio	124.3%	59.2%	44.0%	67.1%	74.9%	39.8%	54.6%	53.6%
Paid to incurred	43.1%	77.7%	66.1%	60.9%	76.5%	116.6%	61.7%	81.5%

Notes:

(a) For the Talbot segment, Specialty includes Accident, Health, Aviation (Direct & Treaty), 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 September 30, 2011

Categories	Reinsurance		Top 10 Reinsurers	Rating (b)	Reinsurance	
	Recoverable (a)	%			Recoverable (a)	%
Top 10 reinsurers	\$ 314,983	67.5%	Lloyd's Syndicates	A+	\$ 69,900	22.3%
Other reinsurers' balances > \$1 million	143,607	30.7%	Allianz	AA-	69,643	22.1%
Other reinsurers' balances < \$1 million	8,527	1.8%	Hannover Re	AA-	35,293	11.2%
Total	\$ 467,117	100.0%	Everest Re	A+	31,149	9.9%
			Fully collateralized reinsurers	NR	20,077	6.4%
			Manufacturer's P&C Limited	AA-	20,000	6.3%
			Tokio Millennium Re Ltd	AA-	20,000	6.3%
			Transatlantic Re	A+	17,577	5.6%
			Odyssey Reinsurance Company	A-	16,154	5.1%
			Munich Re	AA-	15,190	4.8%
			Total		\$ 314,983	100.0%

Consolidated Reinsurance Recoverable at December 31, 2010

Categories	Reinsurance		Top 10 Reinsurers	Rating	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%
Total	\$ 311,130	100.0%	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%
			Total		\$ 222,420	100.0%

Notes:

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

(b) 99.3% of Reinsurance Recoverable at September 30, 2011 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	September 30, 2011		December 31, 2010	
	Fair Value	%	Fair Value	%
U.S. Government and Government Agency	\$ 1,011,622	16.3%	\$ 1,677,166	29.1%
Non-U.S. Government and Government Agency	462,961	7.5%	554,199	9.7%
States, municipalities, political subdivision	26,910	0.4%	26,285	0.5%
Agency residential mortgage-backed securities	484,501	7.8%	445,859	7.8%
Non-Agency residential mortgage-backed securities	34,904	0.6%	56,470	1.0%
U.S. corporate	1,353,497	21.8%	1,308,406	22.8%
Non-U.S. corporate	574,320	9.3%	502,067	8.7%
Bank loans	456,855	7.4%	52,566	0.9%
Catastrophe bonds	25,959	0.4%	58,737	1.0%
Asset-backed securities	334,480	5.4%	123,569	2.2%
Commercial mortgage-backed securities	11,677	0.2%	18,543	0.3%
Total fixed maturities	4,777,686	77.1%	4,823,867	84.0%
Total short-term investments	547,452	8.8%	273,514	4.8%
Total other investments	15,905	0.3%	21,478	0.4%
Total investments	5,341,043	86.2%	5,118,859	89.2%
Cash and cash equivalents	855,982	13.8%	620,740	10.8%
Total cash and cash equivalents, and investments	\$ 6,197,025	100.0%	\$ 5,739,599	100.0%

Net investment income	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Fixed maturities and short-term investments	\$ 27,773	\$ 34,531	\$ 84,243	\$ 106,632
Cash and cash equivalents	1,864	960	5,132	1,857
Securities lending income	7	49	31	168
Total gross investment income	29,644	35,540	89,406	108,657
Investment expenses	(1,897)	(1,507)	(5,190)	(5,516)
Net investment income	\$ 27,747	\$ 34,033	\$ 84,216	\$ 103,141

Annualized effective investment yield (a)	1.80%	2.32%	1.87%	2.34%
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Notes:

(a) 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	September 30, 2011 (a)		December 31, 2010 (a)	
	Fair Value	%	Fair Value	%
AAA	\$ 1,003,248	21.0%	\$ 2,946,514	61.2%
AA	1,875,316	39.3%	428,972	8.9%
A	1,074,441	22.5%	1,077,389	22.3%
BBB	334,289	7.0%	219,523	4.6%
Investment grade	<u>4,287,294</u>	<u>89.8%</u>	<u>4,672,398</u>	<u>97.0%</u>
BB	253,686	5.3%	74,475	1.5%
B	220,065	4.6%	45,660	0.9%
CCC	9,848	0.2%	29,219	0.6%
CC	4,712	0.1%	-	0.0%
C	-	0.0%	-	0.0%
D/NR	2,081	0.0%	2,115	0.0%
Non-Investment grade	<u>490,392</u>	<u>10.2%</u>	<u>151,469</u>	<u>3.0%</u>
Total fixed maturities	<u>\$ 4,777,686</u>	<u>100.0%</u>	<u>\$ 4,823,867</u>	<u>100.0%</u>

Fixed maturities - Maturity Profile	September 30, 2011 (a)		December 31, 2010	
	Fair Value	%	Fair Value	%
Due in one year or less	\$ 417,321	8.7%	\$ 426,167	8.8%
Due after one year through five years	3,128,465	65.5%	3,540,408	73.4%
Due after five years through ten years	358,078	7.5%	206,317	4.3%
Due after ten years	8,260	0.2%	6,534	0.1%
	<u>3,912,124</u>	<u>81.9%</u>	<u>4,179,426</u>	<u>86.6%</u>
Asset-backed and mortgage backed securities	865,562	18.1%	644,441	13.4%
Total fixed maturities	<u>\$ 4,777,686</u>	<u>100.0%</u>	<u>\$ 4,823,867</u>	<u>100.0%</u>

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)	September 30, 2011		
	Fair Value (b)	S&P Rating (c)	% of Total Cash and Investments
Morgan Stanley	\$ 62,266	A	1.0%
JP Morgan Chase & Co	57,620	A+	0.9%
Verizon Communications Inc	54,765	A-	0.9%
BP PLC	40,590	A	0.7%
Southern Company	39,980	A	0.6%
Goldman Sachs Group	39,496	A	0.6%
Citigroup Inc	39,217	A	0.6%
Pepsico Inc	38,033	A-	0.6%
Anheuser-Busch Inbev NV	37,178	A-	0.6%
Hewlett-Packard Company	37,110	A	0.6%
Total	<u>\$ 446,255</u>		<u>7.1%</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	
Vintage Year					
2004 and prior	\$ 61,620	\$ 11,893	\$ 12,793	\$ -	\$ 86,306
2005	8,132	32,747	7,099	-	47,978
2006	4,791	10,789	7,601	-	23,181
2007	505	41,463	46,202	-	88,170
2008	14,545	28,118	4,126	-	46,789
2009	68,857	38,500	14,977	-	122,334
2010	24,602	19,230	-	1,266	45,098
2011	-	6,492	18,153	-	24,645
Total Agency RMBS	\$ 183,052	\$ 189,232	\$ 110,951	\$ 1,266	\$ 484,501



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	
Non-Agency Residential Mortgage-Backed Securities							
Vintage year							
2004 and prior	\$ -	\$ 992	\$ -	\$ 1,306	\$ 1,221	\$ -	\$ 3,519
2005	-	181	-	-	2,970	17,467	20,618
2006	-	-	-	-	-	317	317
2007	-	-	-	2,361	-	5,077	7,438
2010	-	3,012	-	-	-	-	3,012
Total Non-Agency RMBS	-	4,185	-	3,667	4,191	22,861	34,904
Commercial Mortgage-Backed Securities							
Vintage year							
2004 and prior	-	3,568	-	-	-	-	3,568
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	305	-	-	-	-	305
2008	-	-	-	-	-	-	-
2011	-	7,804	-	-	-	-	7,804
Total Commercial Mortgage-Backed Securities	-	11,677	-	-	-	-	11,677
Total Non-agency RMBS and Commercial MBS	-	15,862	-	3,667	4,191	22,861	46,581
Asset-Backed Securities							
Sub-Prime	-	-	-	902	132	-	1,034
Credit Cards	-	77,103	12,380	-	-	-	89,483
Autos	-	153,529	-	-	-	-	153,529
Student Loan	-	86,529	-	-	-	-	86,529
Equipment Loan	-	2,821	-	-	-	-	2,821
Stranded Cost & UK ABS	-	1,084	-	-	-	-	1,084
Total Asset-Backed Securities	-	321,066	12,380	902	132	-	334,480

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)

Capitalization	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Borrowings drawn under credit facility	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Notes (a)	246,955	246,928	246,901	246,874	246,847
Junior Subordinated Deferrable Debentures (JSDs) (b)	<u>289,800</u>	<u>289,800</u>	<u>289,800</u>	<u>289,800</u>	<u>289,800</u>
Total debt	<u>536,755</u>	<u>536,728</u>	<u>536,701</u>	<u>536,674</u>	<u>536,647</u>
Ordinary shares, capital and surplus available to Validus	3,448,801	3,412,836	3,319,819	3,510,286	3,766,230
Accumulated other comprehensive (loss)	(4,932)	(4,519)	(4,498)	(5,455)	(4,945)
Noncontrolling interest	<u>146,223</u>	<u>134,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total shareholders' equity	<u>3,590,092</u>	<u>3,543,212</u>	<u>3,315,321</u>	<u>3,504,831</u>	<u>3,761,285</u>
Total capitalization (c)	<u>\$ 4,126,847</u>	<u>\$ 4,079,940</u>	<u>\$ 3,852,022</u>	<u>\$ 4,041,505</u>	<u>\$ 4,297,932</u>
Debt to total capitalization	<u>13.0%</u>	<u>13.2%</u>	<u>13.9%</u>	<u>13.3%</u>	<u>12.5%</u>
Debt (excluding JSDs) to total capitalization	<u>6.0%</u>	<u>6.1%</u>	<u>6.4%</u>	<u>6.1%</u>	<u>5.7%</u>

Notes:

(a) On January 21, 2010, the Company offered and sold \$250.0 million of Senior Notes due 2040 (the "2010 Senior Notes") in a registered public offering. The 2010 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 2010 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 2010 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) \$150.0 million of Junior Subordinated Deferrable Debentures (the "2006 Junior Subordinated Deferrable 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 through June 15, 2011 and thereafter at a floating rate of three-month LIBOR plus 355 basis points, reset quarterly. \$200.0 million of Junior Subordinated Deferrable Debentures ("2007 Junior Subordinated Deferrable 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 through June 15, 2012, and thereafter at a floating rate of three-month LIBOR plus 295 basis points, reset quarterly. During 2008 and 2009, the Company repurchased \$60.2 million principal amount of its 2007 Junior Subordinated Deferrable Debentures due 2037 from an unaffiliated financial institution.

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

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

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

Probable Maximum Losses by Zone and Peril

		Consolidated (Validus Re and Talbot) Estimated Net Loss				Validus Re Net
Zones	Perils	20 year return period	50 year return period	100 year return period	250 year return period	Maximum Zonal Aggregate
United States	Hurricane	\$ 303,413	\$ 531,827	\$ 736,252	\$ 965,486	\$ 1,953,119
California	Earthquake	42,751	143,708	259,872	444,788	1,760,990
Europe	Windstorm	150,393	334,732	505,071	683,856	1,419,029
Japan	Earthquake	80,768	152,332	179,914	254,444	697,140
Japan	Typhoon	56,988	135,530	203,185	266,056	657,830

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, 2011

(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		% of latest 12	
			Estimated Consolidated (Validus Re and Talbot) Net Loss	Months Consolidated Net Premiums Earned
Terrorism	Rockefeller Center	Midtown Manhattan suffers a 2-tonne conventional bomb blast	\$ 228.8	13.1%
Terrorism	Exchange Place	Lower Manhattan suffers a 2-tonne conventional bomb blast	155.9	8.9%
Marine	Marine collision in Prince William Sound	Fully laden tanker collides with a cruise vessel in Prince William Sound	174.0	10.0%
Marine	Major cruise vessel incident	US-owned cruise vessel sunk or severely damaged	139.4	8.0%
Marine	Loss of major complex	Total loss to all platforms and bridge links of a major oil complex	225.3	12.9%
Aviation	Aviation collision	Collision of two aircraft over a major city	67.1	3.8%
Satellite	Proton flare	Large single or sequence of proton flares results in loss to all satellites in synchronous orbit	25.1	1.4%
Satellite	Generic defect	Undetected defect in a number of operational satellites causing major loss	34.1	2.0%
Liability	Professional lines	Failure or collapse of a major corporation	30.7	1.8%
Liability	Professional lines	UK pensions mis-selling	17.2	1.0%
Political Risks	South East Asia	Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion	100.9	5.8%
Political Risks	South America	Severe economic crisis in Brazil due to political upheaval; regional contagion	130.6	7.5%
Political Risks	Middle East	US and Iran escalate into military confrontation; regional contagion	147.0	8.4%
Political Risks	Russia	The Russian corporate sector struggles to deal with the effects of crashing commodity and stock prices	45.1	2.6%
Political Risks	Turkey	Severe economic crisis in Turkey due to political upheaval	95.6	5.5%

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 2011 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 (Loss) available (attributable) to Validus, Net Operating Income (Loss) per share available (attributable) to Validus and Annualized Net Operating Return on Average Equity

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net income (loss) available (attributable) to Validus	\$ 56,485	\$ 238,473	\$ (5,995)	\$ 299,877
Adjustments for:				
Net realized (gains) on investments	(5,246)	(23,058)	(23,177)	(46,897)
Net unrealized losses (gains) on investments	27,848	(31,588)	22,150	(88,641)
Foreign exchange losses (gains)	19,932	(10,790)	22,390	2,073
Transaction expenses (a)	13,583	-	13,583	-
Net operating income available to Validus	\$ 112,602	\$ 173,037	\$ 28,951	\$ 166,412
less: Dividends and distributions declared on outstanding warrants	(1,966)	(1,747)	(5,916)	(5,245)
Net operating income available to Validus, adjusted	<u>\$ 110,636</u>	<u>\$ 171,290</u>	<u>\$ 23,035</u>	<u>\$ 161,167</u>
Net income (loss) per share available (attributable) to Validus - diluted	\$ 0.54	\$ 2.08	\$ (0.12)	\$ 2.42
Adjustments for:				
Net realized (gains) on investments	\$ (0.04)	(0.20)	(0.22)	(0.38)
Net unrealized losses (gains) on investments	\$ 0.27	(0.28)	0.22	(0.72)
Foreign exchange losses (gains)	\$ 0.19	(0.09)	0.22	0.02
Transaction expenses (a)	\$ 0.13	-	0.13	-
Net operating income per share available to Validus - diluted	<u>\$ 1.09</u>	<u>\$ 1.51</u>	<u>\$ 0.23</u>	<u>\$ 1.34</u>
Weighted average number of common shares and common share equivalents	<u>103,482,263</u>	<u>114,842,742</u>	<u>100,796,280</u>	<u>123,735,683</u>
Average shareholders' equity available to Validus	<u>\$ 3,426,093</u>	<u>\$ 3,682,106</u>	<u>\$ 3,418,085</u>	<u>\$ 3,788,724</u>
Annualized net operating return on average equity	<u>13.1%</u>	<u>18.8%</u>	<u>1.1%</u>	<u>5.9%</u>

(a) The transaction expenses relate to costs incurred in relation to the proposed acquisition of Transatlantic Holdings, Inc. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.