



Validus Holdings, Ltd.

Investor Financial Supplement - Fourth 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, 2011, 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. The financial statements of AlphaCat Re 2011 were included in the consolidated financial statements of the Company during 2011 as Validus Re held a majority of AlphaCat Re 2011's outstanding voting rights. The portion of AlphaCat Re 2011's earnings attributable to third party investors for the year ended December 31, 2011 is recorded in the consolidated statement of operations and comprehensive income as 'net income attributable to noncontrolling interest'. On December 23, 2011 AlphaCat Re 2011 made a secondary share offering and subsequently Validus Re sold 86,113 shares in AlphaCat Re 2011 and no longer held a majority of the outstanding voting rights and therefore had an equity method investment in AlphaCat Re 2011 as at December 31, 2011.
- 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 41.
- 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 41.



Validus Holdings, Ltd.

Consolidated Financial Highlights

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

	Three Months Ended					Year Ended	
	December 31,	September 30,	June 30,	March 31,	December 31,	December 31,	December 31,
	2011	2011	2011	2011	2010	2011	2010
Highlights							
Net income (loss) available (attributable) to Validus	\$ 27,324	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 102,687	\$ 21,329	\$ 402,564
Net operating income (loss) available (attributable) to Validus (a)	23,394	112,602	81,797	(165,448)	156,351	52,345	322,763
Gross premiums written	278,279	391,129	605,387	849,896	258,731	2,124,691	1,990,566
Net premiums earned	488,346	458,624	425,640	429,533	432,811	1,802,143	1,761,123
Total assets	7,618,471	8,000,740	8,259,788	7,825,690	7,060,878	7,618,471	7,060,878
Total shareholders' equity available to Validus	3,448,425	3,443,869	3,408,317	3,315,321	3,504,831	3,448,425	3,504,831
Per share data							
<u>Earnings per basic share (b)</u>							
Net income (loss) available (attributable) to Validus	\$ 0.26	\$ 0.55	\$ 1.10	\$ (1.78)	\$ 0.95	\$ 0.14	\$ 3.41
Net operating income (loss) available (attributable) to Validus	0.22	1.12	0.81	(1.71)	1.46	0.45	2.72
<u>Earnings per diluted share (b)</u>							
Net income (loss) available (attributable) to Validus	\$ 0.25	\$ 0.54	\$ 1.05	\$ (1.78)	\$ 0.92	\$ 0.14	\$ 3.34
Net operating income (loss) available (attributable) to Validus	0.21	1.09	0.78	(1.71)	1.40	0.44	2.68
<u>Book value per share</u>							
Reported	\$ 34.67	\$ 34.77	\$ 34.51	\$ 33.73	\$ 35.76	\$ 34.67	\$ 35.76
With investments at amortized cost	34.37	34.48	33.87	33.27	35.26	34.37	35.26
<u>Diluted book value per share (b)</u>							
Reported	\$ 32.28	\$ 32.23	\$ 31.91	\$ 31.32	\$ 32.98	\$ 32.28	\$ 32.98
With investments at amortized cost	32.02	31.97	31.35	30.92	32.54	32.02	32.54
<u>Diluted book value per common share plus accumulated dividend:</u>	\$ 35.76	\$ 35.46	\$ 34.89	\$ 34.05	\$ 35.46	\$ 35.76	\$ 35.46
Financial ratios							
Losses and loss expense ratio	68.6%	49.3%	48.7%	110.9%	35.9%	69.1%	56.1%
Policy acquisition costs ratio	16.6%	16.9%	18.4%	18.0%	17.4%	17.4%	16.6%
General and administration expenses ratio	12.2%	9.4%	16.1%	14.1%	14.4%	12.9%	13.5%
Expense ratio	28.8%	26.3%	34.5%	32.1%	31.8%	30.3%	30.1%
Combined ratio	97.4%	75.6%	83.2%	143.0%	67.7%	99.4%	86.2%
Annualized return on average equity (c)	3.2%	6.6%	13.1%	(20.2)%	11.3%	0.6%	10.8%
Annualized net operating return on average equity (d)	2.7%	13.1%	9.7%	(19.4)%	17.2%	1.5%	8.6%

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 41.

(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 41.



Validus Holdings, Ltd.

Summary Consolidated Balance Sheets

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

	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Assets								
Fixed maturities, at fair value	\$ 4,894,145	\$ 4,777,686	\$ 4,603,534	\$ 4,589,849	\$ 4,823,867	\$ 5,200,285	\$ 4,975,019	\$ 5,181,042
Short-term investments, at fair value	280,191	547,452	725,258	565,620	273,514	228,356	269,782	308,502
Other investments, at fair value	16,787	15,905	18,746	19,772	21,478	19,888	26,068	34,398
Cash and cash equivalents	832,844	855,982	815,921	717,444	620,740	518,770	492,489	478,476
Total investments and cash	6,023,967	6,197,025	6,163,459	5,892,685	5,739,599	5,967,299	5,763,358	6,002,418
Investment in non-consolidated affiliate	53,031	-	-	-	-	-	-	-
Premiums receivable	646,354	808,472	1,046,775	916,012	568,761	745,968	931,670	803,921
Deferred acquisition costs	121,505	154,694	176,724	174,361	123,897	151,701	165,957	165,158
Prepaid reinsurance premiums	91,381	141,631	177,729	115,522	71,417	88,651	185,771	103,950
Securities lending collateral	7,736	24,250	21,409	33,143	22,328	33,135	99,224	99,230
Loss reserves recoverable	372,485	386,200	439,805	453,701	283,134	268,821	193,604	198,956
Paid losses recoverable	90,495	80,917	30,854	26,483	27,996	19,560	24,133	18,261
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
Intangible assets	114,731	115,773	116,813	117,853	118,893	119,935	120,975	122,015
Goodwill	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393
Accrued investment income	25,906	27,062	21,320	33,282	33,726	41,464	38,643	42,867
Other assets	50,487	41,266	41,004	41,379	49,592	45,288	44,182	39,267
Total assets	\$ 7,618,471	\$ 8,000,740	\$ 8,259,788	\$ 7,825,690	\$ 7,060,878	\$ 7,503,242	\$ 7,614,623	\$ 7,632,576
Liabilities								
Reserve for losses and loss expenses	\$ 2,631,143	\$ 2,565,912	\$ 2,620,360	\$ 2,534,415	\$ 2,035,973	\$ 2,020,845	\$ 1,978,130	\$ 1,976,889
Unearned premiums	772,382	1,058,593	1,192,772	1,083,164	728,516	955,236	1,176,603	1,083,591
Reinsurance balances payable	119,899	103,997	181,013	157,645	63,667	60,561	98,740	44,715
Securities lending payable	8,462	25,000	22,133	33,878	23,093	33,905	100,000	100,000
Deferred income taxes	16,720	24,195	22,122	22,705	24,908	23,827	26,200	24,104
Net payable for investments purchased	1,256	12,549	49,479	59,671	43,896	14,415	-	-
Accounts payable and accrued expenses	83,402	83,647	91,969	82,190	99,320	96,521	95,404	107,119
Senior notes payable	246,982	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	4,170,046	4,410,648	4,716,576	4,510,369	3,556,047	3,741,957	4,011,697	3,873,011
Shareholders' equity								
Common shares	\$ 23,538	\$ 23,463	\$ 23,414	\$ 23,331	\$ 23,247	\$ 23,154	\$ 23,101	\$ 23,081
Treasury shares	(6,131)	(6,131)	(6,131)	(6,131)	(6,096)	(4,037)	(3,605)	(1,397)
Additional paid-in-capital	1,893,890	1,886,897	1,880,748	1,870,104	1,860,960	2,193,140	2,247,995	2,555,243
Accumulated other comprehensive (loss)	(6,601)	(4,932)	(4,519)	(4,498)	(5,455)	(4,945)	(6,726)	(6,658)
Retained earnings	1,543,729	1,544,572	1,514,805	1,432,515	1,632,175	1,553,973	1,342,161	1,189,296
Total shareholders' equity available to Validus	3,448,425	3,443,869	3,408,317	3,315,321	3,504,831	3,761,285	3,602,926	3,759,565
Noncontrolling interest	-	146,223	134,895	-	-	-	-	-
Total shareholders' equity	3,448,425	3,590,092	3,543,212	3,315,321	3,504,831	3,761,285	3,602,926	3,759,565
Total liabilities and shareholders' equity	\$ 7,618,471	\$ 8,000,740	\$ 8,259,788	\$ 7,825,690	\$ 7,060,878	\$ 7,503,242	\$ 7,614,623	\$ 7,632,576
Book value per common share	\$ 34.67	\$ 34.77	\$ 34.51	\$ 33.73	\$ 35.76	\$ 34.43	\$ 32.34	\$ 30.34
Diluted book value per common share	\$ 32.28	\$ 32.23	\$ 31.91	\$ 31.32	\$ 32.98	\$ 32.02	\$ 30.30	\$ 28.66
Diluted book value per common share plus accumulated dividends	\$ 35.76	\$ 35.46	\$ 34.89	\$ 34.05	\$ 35.46	\$ 34.28	\$ 32.34	\$ 30.48



Validus Holdings, Ltd.

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

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

	At December 31, 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	\$ 3,448,425	99,471,080		\$ <u>34.67</u>	\$ 3,504,831	98,001,226		\$ <u>35.76</u>
Diluted book value per common share								
Total shareholders' equity available to Validus	\$ 3,448,425	99,471,080			\$ 3,504,831	98,001,226		
Assumed exercise of outstanding warrants (b)	121,445	6,916,678	\$ 17.56		139,272	7,934,860	\$ 17.55	
Assumed exercise of outstanding stock options (b)	45,530	2,263,012	\$ 20.12		54,997	2,723,684	\$ 20.19	
Unvested restricted shares	-	3,340,728			-	3,496,096		
Diluted book value per common share	\$ <u>3,615,400</u>	<u>111,991,498</u>		\$ <u>32.28</u>	\$ <u>3,699,100</u>	<u>112,155,866</u>		\$ <u>32.98</u>
<u>Book value per common share, adjusted (c)</u>								
Book value per common share								
Total shareholders' equity available to Validus	\$ 3,448,425				\$ 3,504,831			
Accumulated other comprehensive loss	6,601				5,455			
Unrealized (gains) on investments	(36,117)				(54,986)			
Total shareholders' equity, adjusted	\$ <u>3,418,909</u>	99,471,080		\$ <u>34.37</u>	\$ <u>3,455,300</u>	98,001,226		\$ <u>35.26</u>
Diluted book value per common share								
Total shareholders' equity available to Validus, adjusted	\$ 3,418,909	99,471,080			\$ 3,455,300	98,001,226		
Assumed exercise of outstanding warrants (b)	121,445	6,916,678	\$ 17.56		139,272	7,934,860	\$ 17.55	
Assumed exercise of outstanding stock options (b)	45,530	2,263,012	\$ 20.12		54,997	2,723,684	\$ 20.19	
Unvested restricted shares	-	3,340,728			-	3,496,096		
Diluted book value per common share	\$ <u>3,585,884</u>	<u>111,991,498</u>		\$ <u>32.02</u>	\$ <u>3,649,569</u>	<u>112,155,866</u>		\$ <u>32.54</u>

Notes:

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

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

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



Validus Holdings, Ltd.

Consolidated Statements of Cash Flows

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

	Three Months Ended				Year Ended	
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2010
Cash flows provided by (used in) operating activities						
Net income (loss)	\$ 35,007	\$ 70,001	\$ 110,478	\$ (172,364)	\$ 102,687	\$ 402,564
Adjustments to reconcile net income to cash provided by (used in) operating activities:						
Share compensation expenses	7,237	7,382	7,628	12,049	7,871	34,296
Amortization of discount on senior notes	27	27	27	27	27	108
Net realized (gains) losses on investments	(5,355)	(5,246)	(11,552)	(6,379)	14,399	(28,532)
Net unrealized (gains) losses on investments	(2,159)	27,848	(18,526)	12,828	42,689	19,991
Amortization of intangible assets	1,042	1,040	1,040	1,040	1,042	4,162
Foreign exchange losses (gains) on cash and cash equivalents included in net income	57	22,331	(8,035)	(4,694)	1,981	9,659
Amortization of premium on fixed maturities	7,680	7,223	7,705	8,542	9,239	31,150
Change in:						
Premiums receivable	162,300	235,185	(130,094)	(345,025)	175,928	(77,634)
Deferred acquisition costs	33,189	22,030	(2,363)	(50,464)	27,804	2,392
Prepaid reinsurance premiums	50,250	36,098	(62,207)	(44,105)	17,234	(19,964)
Loss reserves recoverable	13,816	51,954	13,834	(168,836)	(15,069)	(89,232)
Paid losses recoverable	(9,713)	(50,028)	(4,371)	1,546	(8,465)	(62,566)
Income taxes recoverable	3,380	236	(2,706)	306	(25)	1,216
Accrued investment income	1,130	(5,786)	11,962	444	7,747	7,750
Other assets	(8,314)	(1,611)	3,942	5,409	(3,911)	(574)
Reserve for losses and loss expenses	65,400	(44,907)	86,476	489,356	18,945	596,325
Unearned premiums	(286,211)	(134,179)	109,608	354,648	(226,720)	43,866
Reinsurance balances payable	15,835	(75,874)	23,425	92,655	3,867	56,041
Deferred income taxes	(7,628)	2,093	1,280	(3,891)	885	(8,146)
Accounts payable and accrued expenses	(1,733)	(5,528)	3,506	(14,535)	3,182	(18,290)
Net cash provided by operating activities	75,237	160,289	141,057	168,557	181,337	545,140
Cash flows provided by (used in) investing activities						
Proceeds on sales of investments	634,033	769,658	1,073,598	1,581,206	1,376,828	4,058,495
Proceeds on maturities of investments	86,412	71,539	86,426	108,629	77,682	353,006
Purchases of fixed maturities	(853,526)	(1,083,563)	(1,164,283)	(1,449,698)	(1,117,848)	(4,551,070)
Sales (purchases) of short-term investments, net	58,884	177,767	(159,575)	(292,131)	(45,062)	(215,055)
(Purchases) sales of other investments	(397)	555	3,809	-	(860)	3,967
Decrease (increase) in securities lending collateral	16,538	(2,867)	11,745	(10,785)	10,812	14,631
Proceeds on sale of AlphaCat Re 2011	11,000	-	-	-	-	11,000
Cash (redeemed) in deconsolidation of AlphaCat Re 2011	(67,808)	-	-	-	-	(67,808)
Net cash (used in) provided by investing activities	(114,864)	(66,911)	(148,280)	(62,779)	301,552	(392,834)
Cash flows provided by (used in) financing activities						
Net proceeds on issuance of senior notes	-	-	-	-	-	246,793
(Redemption) issuance of common shares, net	(169)	(1,184)	3,099	3,139	8,450	4,885
Purchases of common shares under share repurchase program	-	-	-	(5,995)	(350,467)	(5,995)
Dividends paid	(26,583)	(27,108)	(26,804)	(27,196)	(23,803)	(107,691)
(Decrease) increase in securities lending payable	(16,538)	2,867	(11,745)	10,785	(10,812)	(14,631)
Third party investment in noncontrolling interest	60,000	(2,188)	134,301	-	-	192,113
Net cash provided by (used in) financing activities	16,710	(27,613)	98,851	(19,267)	(376,632)	68,681
Effect of foreign currency rate changes on cash and cash equivalents	(221)	(25,704)	6,849	10,193	(4,287)	(8,883)
Net (decrease) increase in cash	(23,138)	40,061	98,477	96,704	101,970	233,155
Cash and cash equivalents - beginning of period	855,982	\$ 815,921	\$ 717,444	\$ 620,740	\$ 518,770	\$ 620,740
Cash and cash equivalents - end of period	\$ 832,844	\$ 855,982	\$ 815,921	\$ 717,444	\$ 620,740	\$ 832,844
Taxes (recovered) paid during the period	\$ (956)	\$ (303)	\$ (3,399)	\$ 26	\$ 21	\$ (4,632)
Interest paid during the period	\$ 4,441	\$ 15,513	\$ 6,365	\$ 17,458	\$ 6,364	\$ 43,777
Losses paid during the period	\$ 258,467	\$ 200,256	\$ 121,046	\$ 163,257	\$ 153,492	\$ 743,026



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				Year Ended		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2010	
Revenues							
Gross premiums written	\$ 278,279	\$ 391,129	\$ 605,387	\$ 849,896	\$ 258,731	\$ 2,124,691	\$ 1,990,566
Reinsurance premiums ceded	(16,489)	(30,586)	(132,346)	(109,820)	(35,376)	(289,241)	(229,482)
Net premiums written	261,790	360,543	473,041	740,076	223,355	1,835,450	1,761,084
Change in unearned premiums	226,556	98,081	(47,401)	(310,543)	209,456	(33,307)	39
Net premiums earned	488,346	458,624	425,640	429,533	432,811	1,802,143	1,761,123
Net investment income	28,080	27,747	26,494	29,975	30,962	112,296	134,103
Net realized gains (losses) on investments	5,355	5,246	11,552	6,379	(14,399)	28,532	32,498
Net unrealized gains (losses) on investments	2,159	(27,848)	18,526	(12,828)	(42,689)	(19,991)	45,952
Other income	3,517	-	595	1,606	552	5,718	5,219
Foreign exchange gains (losses)	266	(19,932)	(1,991)	(467)	3,424	(22,124)	1,351
Total revenues	527,723	443,837	480,816	454,198	410,661	1,906,574	1,980,246
Expenses							
Losses and loss expenses	334,829	226,067	207,307	476,198	155,225	1,244,401	987,586
Policy acquisition costs	81,253	77,405	78,230	77,296	75,523	314,184	292,899
General and administrative expenses	52,253	35,926	60,841	48,477	54,511	197,497	209,290
Share compensation expenses	7,237	7,382	7,628	12,049	7,871	34,296	28,911
Finance expenses	13,520	10,935	16,361	14,001	13,786	54,817	55,870
Transaction expenses (a)	3,850	13,583	-	-	-	17,433	-
Total expenses	492,942	371,298	370,367	628,021	306,916	1,862,628	1,574,556
Net income (loss) before taxes	34,781	72,539	110,449	(173,823)	103,745	43,946	405,690
Tax benefit (expense)	226	(2,538)	29	1,459	(1,058)	(824)	(3,126)
Net income (loss)	35,007	70,001	110,478	(172,364)	102,687	43,122	402,564
Net income attributable to noncontrolling interest	(7,683)	(13,516)	(594)	-	-	(21,793)	-
Net income (loss) available (attributable) to Validus	\$ 27,324	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 102,687	\$ 21,329	\$ 402,564
Comprehensive income							
Foreign currency translation adjustments	(1,669)	(413)	(21)	957	(510)	(1,146)	(604)
Comprehensive income (loss) available (attributable) to Validus	\$ 25,655	\$ 56,072	\$ 109,863	\$ (171,407)	\$ 102,177	\$ 20,183	\$ 401,960
Earnings per share							
Weighted average number of common shares and common share equivalents outstanding							
Basic	99,137,696	98,961,795	98,385,924	97,944,340	105,828,739	98,607,439	116,018,364
Diluted	101,324,291	100,823,335	104,562,450	97,944,340	111,316,736	100,928,284	120,630,945
Basic earnings (loss) per share available (attributable) to common shareholders	\$ 0.26	\$ 0.55	\$ 1.10	\$ (1.78)	\$ 0.95	\$ 0.14	\$ 3.41
Diluted earnings (loss) per share available (attributable) to common shareholders	\$ 0.25	\$ 0.54	\$ 1.05	\$ (1.78)	\$ 0.92	\$ 0.14	\$ 3.34
Cash dividends declared per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.22	\$ 1.00	\$ 0.88

Notes:

(a) The transaction expenses relate to costs incurred in connection with the Company's 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				Year Ended		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Underwriting income							
Gross premiums written	\$ 278,279	\$ 391,129	\$ 605,387	\$ 849,896	\$ 258,731	\$ 2,124,691	\$ 1,990,566
Reinsurance premiums ceded	(16,489)	(30,586)	(132,346)	(109,820)	(35,376)	(289,241)	(229,482)
Net premiums written	261,790	360,543	473,041	740,076	223,355	1,835,450	1,761,084
Change in unearned premiums	226,556	98,081	(47,401)	(310,543)	209,456	(33,307)	39
Net premiums earned	488,346	458,624	425,640	429,533	432,811	1,802,143	1,761,123
Underwriting deductions							
Losses and loss expenses	334,829	226,067	207,307	476,198	155,225	1,244,401	987,586
Policy acquisition costs	81,253	77,405	78,230	77,296	75,523	314,184	292,899
General and administrative expenses	52,253	35,926	60,841	48,477	54,511	197,497	209,290
Share compensation expenses	7,237	7,382	7,628	12,049	7,871	34,296	28,911
Total underwriting deductions	475,572	346,780	354,006	614,020	293,130	1,790,378	1,518,686
Underwriting income (loss)	\$ 12,774	\$ 111,844	\$ 71,634	\$ (184,487)	\$ 139,681	\$ 11,765	\$ 242,437
Net investment income	28,080	27,747	26,494	29,975	30,962	112,296	134,103
Other income	3,517	-	595	1,606	552	5,718	5,219
Finance expenses	(13,520)	(10,935)	(16,361)	(14,001)	(13,786)	(54,817)	(55,870)
Operating income (loss) before taxes	30,851	128,656	82,362	(166,907)	157,409	74,962	325,889
Tax benefit (expense)	226	(2,538)	29	1,459	(1,058)	(824)	(3,126)
Net operating income (loss) (a)	\$ 31,077	\$ 126,118	\$ 82,391	\$ (165,448)	\$ 156,351	\$ 74,138	\$ 322,763
Net realized gains (losses) on investments	5,355	5,246	11,552	6,379	(14,399)	28,532	32,498
Net unrealized gains (losses) on investments	2,159	(27,848)	18,526	(12,828)	(42,689)	(19,991)	45,952
Foreign exchange gains (losses)	266	(19,932)	(1,991)	(467)	3,424	(22,124)	1,351
Transaction expenses (c)	(3,850)	(13,583)	-	-	-	(17,433)	-
Net income (loss)	\$ 35,007	\$ 70,001	\$ 110,478	\$ (172,364)	\$ 102,687	\$ 43,122	\$ 402,564
Net income attributable to noncontrolling interest	(7,683)	(13,516)	(594)	-	-	(21,793)	-
Net income available to Validus	\$ 27,324	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 102,687	\$ 21,329	\$ 402,564
Selected ratios:							
Net premiums written / Gross premiums written	94.1%	92.2%	78.1%	87.1%	86.3%	86.4%	88.5%
Losses and loss expenses	68.6%	49.3%	48.7%	110.9%	35.9%	69.1%	56.1%
Policy acquisition costs	16.6%	16.9%	18.4%	18.0%	17.4%	17.4%	16.6%
General and administrative expenses (b)	12.2%	9.4%	16.1%	14.1%	14.4%	12.9%	13.5%
Expense ratio	28.8%	26.3%	34.5%	32.1%	31.8%	30.3%	30.1%
Combined ratio	97.4%	75.6%	83.2%	143.0%	67.7%	99.4%	86.2%

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 41.

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

(c) The transaction expenses relate to costs incurred in connection with the Company's 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)						Year Ended (a)					
	December 31, 2011			December 31, 2010			December 31, 2011			December 31, 2010		
	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income	Net operating income	Net Income	Comprehensive income	Net operating income	Net Income	Comprehensive income
Basic earnings per share (b)												
Income	\$ 31,077	\$ 35,007	\$ 33,338	\$ 156,351	\$ 102,687	\$ 102,177	\$ 74,138	\$ 43,122	\$ 41,976	\$ 322,763	\$ 402,564	\$ 401,960
Income attributable to noncontrolling interest	(7,683)	(7,683)	(7,683)	-	-	-	(21,793)	(21,793)	(21,793)	-	-	-
Income available to Validus	\$ 23,394	\$ 27,324	\$ 25,655	\$ 156,351	\$ 102,687	\$ 102,177	\$ 52,345	\$ 21,329	\$ 20,183	\$ 322,763	\$ 402,564	\$ 401,960
less: Dividends and distributions declared on outstanding warrants	(1,728)	(1,728)	(1,728)	(1,746)	(1,746)	(1,746)	(7,644)	(7,644)	(7,644)	(6,991)	(6,991)	(6,991)
Income available to common shareholders	\$ 21,666	\$ 25,596	\$ 23,927	\$ 154,605	\$ 100,941	\$ 100,431	\$ 44,701	\$ 13,685	\$ 12,539	\$ 315,772	\$ 395,573	\$ 394,969
Weighted average number of common shares outstanding	99,137,696	99,137,696	99,137,696	105,828,739	105,828,739	105,828,739	98,607,439	98,607,439	98,607,439	116,018,364	116,018,364	116,018,364
Basic income per share available to common shareholders	\$ 0.22	\$ 0.26	\$ 0.24	\$ 1.46	\$ 0.95	\$ 0.95	\$ 0.45	\$ 0.14	\$ 0.13	\$ 2.72	\$ 3.41	\$ 3.40
Diluted earnings per share (b)												
Income	\$ 31,077	\$ 35,007	\$ 33,338	\$ 156,351	\$ 102,687	\$ 102,177	\$ 74,138	\$ 43,122	\$ 41,976	\$ 322,763	\$ 402,564	\$ 401,960
Income attributable to noncontrolling interest	(7,683)	(7,683)	(7,683)	-	-	-	(21,793)	(21,793)	(21,793)	-	-	-
Income available to Validus	\$ 23,394	\$ 27,324	\$ 25,655	\$ 156,351	\$ 102,687	\$ 102,177	\$ 52,345	\$ 21,329	\$ 20,183	\$ 322,763	\$ 402,564	\$ 401,960
less: Dividends and distributions declared on outstanding warrants	(1,728)	(1,728)	(1,728)	-	-	-	(7,644)	(7,644)	(7,644)	-	-	-
Income available to common shareholders	\$ 21,666	\$ 25,596	\$ 23,927	\$ 156,351	\$ 102,687	\$ 102,177	\$ 44,701	\$ 13,685	\$ 12,539	\$ 322,763	\$ 402,564	\$ 401,960
Weighted average number of common shares outstanding	99,137,696	99,137,696	99,137,696	105,828,739	105,828,739	105,828,739	98,607,439	98,607,439	98,607,439	116,018,364	116,018,364	116,018,364
Share equivalents:												
Warrants	-	-	-	3,146,067	3,146,067	3,146,067	-	-	-	2,657,258	2,657,258	2,657,258
Stock options	692,173	692,173	692,173	1,005,564	1,005,564	1,005,564	776,204	776,204	776,204	888,281	888,281	888,281
Unvested restricted shares	1,494,422	1,494,422	1,494,422	1,336,366	1,336,366	1,336,366	1,544,641	1,544,641	1,544,641	1,067,042	1,067,042	1,067,042
Weighted average number of diluted common shares outstanding	101,324,291	101,324,291	101,324,291	111,316,736	111,316,736	111,316,736	100,928,284	100,928,284	100,928,284	120,630,945	120,630,945	120,630,945
Diluted earnings per share available to common shareholders	\$ 0.21	\$ 0.25	\$ 0.24	\$ 1.40	\$ 0.92	\$ 0.92	\$ 0.44	\$ 0.14	\$ 0.12	\$ 2.68	\$ 3.34	\$ 3.33

Notes:
(a) ASC 718 requires that any unrecognized stock based compensation expense that will be recorded in future periods be included as proceeds for purposes of treasury stock repurchases, which is applied against the unvested restricted shares balance.
(b) In the basic earnings per share calculation, dividends and distributions declared on warrants outstanding are deducted from net income. In calculating diluted earnings per share, we also consider the impact of increasing the number of dilutive shares by a portion of the warrants outstanding, calculated using the treasury stock method. Whichever adjustment is more dilutive is incorporated in the calculation of diluted earnings per share.



Validus Holdings, Ltd.

Computation of Weighted Average Dilutive Shares Outstanding

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

	Three Months Ended		Year Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Average fair value per share	\$ 28.33	\$ 29.07	\$ 29.40	\$ 26.47
Basic weighted average common shares outstanding	99,137,696	105,828,739	98,607,439	116,018,364
Add: weighted average unvested restricted shares	3,340,728	3,496,096	3,391,658	3,285,393
Proceeds from unrecognized restricted share expenses	\$ 52,306	\$ 62,783	\$ 54,302	\$ 58,720
Less: restricted shares bought back via treasury method	(1,846,306)	(2,159,730)	(1,847,017)	(2,218,351)
Add: weighted average dilutive warrants outstanding	6,916,678	7,934,860	7,644,016	7,945,314
Weighted average exercise price per share	\$ 17.56	\$ 17.55	\$ 17.55	\$ 17.55
Less: warrants bought back via treasury method	(6,916,678)	(4,788,793)	(7,644,016)	(5,288,056)
Add: weighted average dilutive options outstanding	2,263,012	2,723,684	2,329,409	3,096,080
Weighted average exercise price per share	\$ 20.12	\$ 20.19	\$ 20.10	\$ 19.93
Proceeds from unrecognized option expenses	\$ 221	\$ 1,240	\$ 496	\$ 2,897
Less: options bought back via treasury method	(1,570,839)	(1,718,120)	(1,553,205)	(2,207,799)
Weighted average dilutive shares outstanding	101,324,291	111,316,736	100,928,284	120,630,945



Validus Holdings, Ltd.

Consolidated Segment Income Statement - Three months ended

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

	Three Months Ended December 31, 2011				Three Months Ended December 31, 2010			
	Validus Re	Talbot	Corporate &		Validus Re	Talbot	Corporate &	
			Eliminations	Total			Eliminations	Total
Underwriting income								
Gross premiums written	\$ 54,528	\$ 235,242	\$ (11,491)	\$ 278,279	\$ 33,986	\$ 238,100	\$ (13,355)	\$ 258,731
Reinsurance premiums ceded	(49)	(27,931)	11,491	(16,489)	(399)	(48,332)	13,355	(35,376)
Net premiums written	54,479	207,311	-	261,790	33,587	189,768	-	223,355
Change in unearned premiums	224,513	2,043	-	226,556	212,737	(3,281)	-	209,456
Net premiums earned	278,992	209,354	-	488,346	246,324	186,487	-	432,811
Underwriting deductions								
Losses and loss expenses	225,903	108,926	-	334,829	49,799	105,426	-	155,225
Policy acquisition costs	41,465	41,160	(1,372)	81,253	39,299	37,726	(1,502)	75,523
General and administrative expenses	12,109	30,878	9,266	52,253	12,659	30,334	11,518	54,511
Share compensation expenses	2,191	1,934	3,112	7,237	1,934	2,142	3,795	7,871
Total underwriting deductions	281,668	182,898	11,006	475,572	103,691	175,628	13,811	293,130
Underwriting (loss) income	\$ (2,676)	\$ 26,456	\$ (11,006)	\$ 12,774	\$ 142,633	\$ 10,859	\$ (13,811)	\$ 139,681
Net investment income	24,895	5,967	(2,782)	28,080	26,126	7,102	(2,266)	30,962
Other income	3,414	2,493	(2,390)	3,517	765	4,452	(4,665)	552
Finance expenses	(3,377)	(13)	(10,130)	(13,520)	(1,566)	-	(12,220)	(13,786)
Operating income (loss) before taxes	22,256	34,903	(26,308)	30,851	167,958	22,413	(32,962)	157,409
Tax (expense) benefit	(5)	109	122	226	10	(975)	(93)	(1,058)
Net operating income (loss) (a)	\$ 22,251	\$ 35,012	\$ (26,186)	\$ 31,077	\$ 167,968	\$ 21,438	\$ (33,055)	\$ 156,351
Net realized gains (losses) on investments	3,685	1,670	-	5,355	(16,802)	2,403	-	(14,399)
Net unrealized gains (losses) on investments	3,892	(1,733)	-	2,159	(28,121)	(14,568)	-	(42,689)
Foreign exchange (losses) gains	(348)	444	170	266	1,902	1,338	184	3,424
Transaction expenses (c)	-	-	(3,850)	(3,850)	-	-	-	-
Net income (loss)	\$ 29,480	\$ 35,393	\$ (29,866)	\$ 35,007	\$ 124,947	\$ 10,611	\$ (32,871)	\$ 102,687
Net income attributable to noncontrolling interest	(7,683)	-	-	(7,683)	-	-	-	-
Net income (loss) available to Validus	\$ 21,797	\$ 35,393	\$ (29,866)	\$ 27,324	\$ 124,947	\$ 10,611	\$ (32,871)	\$ 102,687
Selected ratios:								
Net premiums written / Gross premiums written	99.9%	88.1%		94.1%	98.8%	79.7%		86.3%
Losses and loss expenses	81.0%	52.0%		68.6%	20.2%	56.5%		35.9%
Policy acquisition costs	14.9%	19.7%		16.6%	16.0%	20.2%		17.4%
General and administrative expenses (b)	5.1%	15.7%		12.2%	5.9%	17.4%		14.4%
Expense ratio	20.0%	35.4%		28.8%	21.9%	37.6%		31.8%
Combined ratio	101.0%	87.4%		97.4%	42.1%	94.1%		67.7%

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 41.

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

(c) The transaction expenses relate to costs incurred in connection with the Company's 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 December 31, 2011				Three Months Ended December 31, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Underwriting income								
Gross premiums written	\$ 32,730	\$ 9,742	\$ 12,056	\$ 54,528	\$ 17,301	\$ 4,244	\$ 12,441	\$ 33,986
Reinsurance premiums ceded	(980)	931	-	(49)	(2,084)	1,685	-	(399)
Net premiums written	31,750	10,673	12,056	54,479	15,217	5,929	12,441	33,587
Change in unearned premiums	163,813	46,851	13,849	224,513	161,533	39,595	11,609	212,737
Net premiums earned	<u>195,563</u>	<u>57,524</u>	<u>25,905</u>	<u>278,992</u>	<u>176,750</u>	<u>45,524</u>	<u>24,050</u>	<u>246,324</u>
Underwriting deductions								
Losses and loss expenses	164,531	43,876	17,496	225,903	18,105	9,821	21,873	49,799
Policy acquisition costs	26,972	11,165	3,328	41,465	25,775	10,062	3,462	39,299
Total underwriting deductions before G&A	<u>191,503</u>	<u>55,041</u>	<u>20,824</u>	<u>267,368</u>	<u>43,880</u>	<u>19,883</u>	<u>25,335</u>	<u>89,098</u>
Underwriting income (loss) before G&A	\$ 4,060	\$ 2,483	\$ 5,081	\$ 11,624	\$ 132,870	\$ 25,641	\$ (1,285)	\$ 157,226
General and administrative expenses				12,109				12,659
Share compensation expenses				2,191				1,934
Total underwriting deductions				<u>281,668</u>				<u>103,691</u>
Underwriting (loss) income				\$ (2,676)				\$ 142,633
Net investment income				24,895				26,126
Other income				3,414				765
Finance expenses				(3,377)				(1,566)
Operating income before taxes				<u>22,256</u>				<u>167,958</u>
Tax (expense) benefit				(5)				10
Net operating income (b)				\$ 22,251				\$ 167,968
Net realized gains (losses) on investments				3,685				(16,802)
Net unrealized gains (losses) on investments				3,892				(28,121)
Foreign exchange (losses) gains				(348)				1,902
Net income				\$ 29,480				\$ 124,947
Net income attributable to noncontrolling interest				(7,683)				-
Net income available to Validus				\$ 21,797				\$ 124,947
Selected ratios:								
Net premiums written / Gross premiums written	97.0%	109.6%	100.0%	99.9%	88.0%	139.7%	100.0%	98.8%
Losses and loss expenses	84.1%	76.3%	67.5%	81.0%	10.2%	21.6%	90.9%	20.2%
Policy acquisition costs	13.8%	19.4%	12.8%	14.9%	14.6%	22.1%	14.4%	16.0%
General and administrative expenses (c)				5.1%				5.9%
Expense ratio				20.0%				21.9%
Combined ratio				101.0%				42.1%

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 December 31, 2011				Three Months Ended December 31, 2010			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
Underwriting income								
Gross premiums written	\$ 51,793	\$ 74,235	\$ 109,214	\$ 235,242	\$ 58,165	\$ 68,452	\$ 111,483	\$ 238,100
Reinsurance premiums ceded	(22,322)	702	(6,311)	(27,931)	(24,350)	(4,600)	(19,382)	(48,332)
Net premiums written	29,471	74,937	102,903	207,311	33,815	63,852	92,101	189,768
Change in unearned premiums	11,637	14,492	(24,086)	2,043	7,606	10,328	(21,215)	(3,281)
Net premiums earned	41,108	89,429	78,817	209,354	41,421	74,180	70,886	186,487
Underwriting deductions								
Losses and loss expenses	48,463	33,959	26,504	108,926	36,840	23,593	44,993	105,426
Policy acquisition costs	1,053	20,523	19,584	41,160	5,315	16,603	15,808	37,726
Total underwriting deductions before G&A	49,516	54,482	46,088	150,086	42,155	40,196	60,801	143,152
Underwriting (loss) income before G&A	\$ (8,408)	\$ 34,947	\$ 32,729	\$ 59,268	\$ (734)	\$ 33,984	\$ 10,085	\$ 43,335
General and administrative expenses				30,878				30,334
Share compensation expenses				1,934				2,142
Total underwriting deductions				182,898				175,628
Underwriting income				\$ 26,456				\$ 10,859
Net investment income				5,967				7,102
Other income				2,493				4,452
Finance expenses				(13)				-
Operating income before taxes				34,903				22,413
Tax benefit (expense)				109				(975)
Net operating income (c)				\$ 35,012				\$ 21,438
Net realized gains on investments				1,670				2,403
Net unrealized (losses) on investments				(1,733)				(14,568)
Foreign exchange gains				444				1,338
Net income				\$ 35,393				\$ 10,611
Selected ratios:								
Net premiums written / Gross premiums written	56.9%	100.9%	94.2%	88.1%	58.1%	93.3%	82.6%	79.7%
Losses and loss expenses	117.9%	38.0%	33.6%	52.0%	88.9%	31.8%	63.5%	56.5%
Policy acquisition costs	2.6%	22.9%	24.8%	19.7%	12.8%	22.4%	22.3%	20.2%
General and administrative expenses (d)				15.7%				17.4%
Expense ratio				35.4%				37.6%
Combined ratio				87.4%				94.1%

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 - Year ended

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

	Year Ended December 31, 2011				Year Ended December 31, 2010			
	Validus Re	Talbot	Corporate &		Validus Re	Talbot	Corporate &	
			Eliminations	Total			Eliminations	Total
Underwriting income								
Gross premiums written	\$ 1,190,220	\$ 1,014,122	\$ (79,651)	\$ 2,124,691	\$ 1,101,239	\$ 981,073	\$ (91,746)	\$ 1,990,566
Reinsurance premiums ceded	(150,718)	(218,174)	79,651	(289,241)	(63,147)	(258,081)	91,746	(229,482)
Net premiums written	1,039,502	795,948	-	1,835,450	1,038,092	722,992	-	1,761,084
Change in unearned premiums	(7,611)	(25,696)	-	(33,307)	13,108	(13,069)	-	39
Net premiums earned	1,031,891	770,252	-	1,802,143	1,051,200	709,923	-	1,761,123
Underwriting deductions								
Losses and loss expenses	759,305	485,096	-	1,244,401	601,610	385,976	-	987,586
Policy acquisition costs	160,134	157,334	(3,284)	314,184	160,599	143,769	(11,469)	292,899
General and administrative expenses	46,353	117,482	33,662	197,497	45,617	114,043	49,630	209,290
Share compensation expenses	9,309	8,582	16,405	34,296	7,181	6,923	14,807	28,911
Total underwriting deductions	975,101	768,494	46,783	1,790,378	815,007	650,711	52,968	1,518,686
Underwriting income (loss)	\$ 56,790	\$ 1,758	\$ (46,783)	\$ 11,765	\$ 236,193	\$ 59,212	\$ (52,968)	\$ 242,437
Net investment income	96,492	25,380	(9,576)	112,296	113,968	29,287	(9,152)	134,103
Other income	7,998	8,895	(11,175)	5,718	4,211	12,802	(11,794)	5,219
Finance expenses	(10,289)	(227)	(44,301)	(54,817)	(5,471)	(3,140)	(47,259)	(55,870)
Operating income (loss) before taxes	150,991	35,806	(111,835)	74,962	348,901	98,161	(121,173)	325,889
Tax (expense)	(18)	(651)	(155)	(824)	(175)	(2,730)	(221)	(3,126)
Net operating income (loss) (a)	\$ 150,973	\$ 35,155	\$ (111,990)	\$ 74,138	\$ 348,726	\$ 95,431	\$ (121,394)	\$ 322,763
Net realized gains on investments	21,669	6,863	-	28,532	23,637	8,861	-	32,498
Net unrealized (losses) gains on investments	(16,039)	(3,952)	-	(19,991)	45,276	676	-	45,952
Foreign exchange (losses) gains	(19,987)	(2,188)	51	(22,124)	(1,185)	2,091	445	1,351
Transaction expenses (c)	-	-	(17,433)	(17,433)	-	-	-	-
Net income (loss)	\$ 136,616	\$ 35,878	\$ (129,372)	\$ 43,122	\$ 416,454	\$ 107,059	\$ (120,949)	\$ 402,564
Net income attributable to noncontrolling interest	(21,793)	-	-	(21,793)	-	-	-	-
Net income (loss) available to Validus	\$ 114,823	\$ 35,878	\$ (129,372)	\$ 21,329	\$ 416,454	\$ 107,059	\$ (120,949)	\$ 402,564
Selected ratios:								
Net premiums written / Gross premiums written	87.3%	78.5%		86.4%	94.3%	73.7%		88.5%
Losses and loss expenses	73.6%	63.0%		69.1%	57.2%	54.4%		56.1%
Policy acquisition costs	15.5%	20.4%		17.4%	15.3%	20.3%		16.6%
General and administrative expenses (b)	5.4%	16.4%		12.9%	5.0%	17.0%		13.5%
Expense ratio	20.9%	36.8%		30.3%	20.3%	37.3%		30.1%
Combined ratio	94.5%	99.8%		99.4%	77.5%	91.7%		86.2%

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 41.

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

(c) The transaction expenses relate to costs incurred in connection with the Company's 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 - Year ended - Validus Re

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

	Year Ended December 31, 2011				Year Ended December 31, 2010			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Underwriting income								
Gross premiums written	\$ 862,664	\$ 232,401	\$ 95,155	\$ 1,190,220	\$ 790,590	\$ 227,135	\$ 83,514	\$ 1,101,239
Reinsurance premiums ceded	(136,369)	(13,848)	(501)	(150,718)	(45,536)	(17,643)	32	(63,147)
Net premiums written	726,295	218,553	94,654	1,039,502	745,054	209,492	83,546	1,038,092
Change in unearned premiums	3,915	(7,209)	(4,317)	(7,611)	20,611	(32,891)	25,388	13,108
Net premiums earned	<u>730,210</u>	<u>211,344</u>	<u>90,337</u>	<u>1,031,891</u>	<u>765,665</u>	<u>176,601</u>	<u>108,934</u>	<u>1,051,200</u>
Underwriting deductions								
Losses and loss expenses	578,945	157,007	23,353	759,305	434,811	123,233	43,566	601,610
Policy acquisition costs	101,445	44,431	14,258	160,134	112,550	33,691	14,358	160,599
Total underwriting deductions before G&A	<u>680,390</u>	<u>201,438</u>	<u>37,611</u>	<u>919,439</u>	<u>547,361</u>	<u>156,924</u>	<u>57,924</u>	<u>762,209</u>
Underwriting income before G&A	\$ 49,820	\$ 9,906	\$ 52,726	\$ 112,452	\$ 218,304	\$ 19,677	\$ 51,010	\$ 288,991
General and administrative expenses				46,353				45,617
Share compensation expenses				9,309				7,181
Total underwriting deductions				<u>975,101</u>				<u>815,007</u>
Underwriting income				\$ 56,790				\$ 236,193
Net investment income				96,492				113,968
Other income				7,998				4,211
Finance expenses				(10,289)				(5,471)
Operating income before taxes				<u>150,991</u>				<u>348,901</u>
Tax (expense)				(18)				(175)
Net operating income (a)				\$ 150,973				\$ 348,726
Net realized gains on investments				21,669				23,637
Net unrealized (losses) gains on investments				(16,039)				45,276
Foreign exchange (losses)				(19,987)				(1,185)
Net income				\$ 136,616				\$ 416,454
Net income attributable to noncontrolling interest				(21,793)				-
Net income available to Validus				\$ 114,823				\$ 416,454
Selected ratios:								
Net premiums written / Gross premiums written	84.2%	94.0%	99.5%	87.3%	94.2%	92.2%	100.0%	94.3%
Losses and loss expenses	79.3%	74.3%	25.9%	73.6%	56.8%	69.8%	40.0%	57.2%
Policy acquisition costs	13.9%	21.0%	15.8%	15.5%	14.7%	19.1%	13.2%	15.3%
General and administrative expenses (b)				5.4%				5.0%
Expense ratio				<u>20.9%</u>				<u>20.3%</u>
Combined ratio				<u>94.5%</u>				<u>77.5%</u>

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 - Year ended - Talbot

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

	Year Ended December 31, 2011				Year Ended December 31, 2010			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
Underwriting income								
Gross premiums written	\$ 306,317	\$ 341,821	\$ 365,984	\$ 1,014,122	\$ 314,769	\$ 315,102	\$ 351,202	\$ 981,073
Reinsurance premiums ceded	(142,277)	(23,240)	(52,657)	(218,174)	(146,145)	(37,988)	(73,948)	(258,081)
Net premiums written	164,040	318,581	313,327	795,948	168,624	277,114	277,254	722,992
Change in unearned premiums	(2,802)	(12,549)	(10,345)	(25,696)	(10,919)	(8,289)	6,139	(13,069)
Net premiums earned	<u>161,238</u>	<u>306,032</u>	<u>302,982</u>	<u>770,252</u>	<u>157,705</u>	<u>268,825</u>	<u>283,393</u>	<u>709,923</u>
Underwriting deductions								
Losses and loss expenses	197,828	162,084	125,184	485,096	123,895	100,988	161,093	385,976
Policy acquisition costs	13,814	69,624	73,896	157,334	18,628	58,614	66,527	143,769
Total underwriting deductions before G&A	<u>211,642</u>	<u>231,708</u>	<u>199,080</u>	<u>642,430</u>	<u>142,523</u>	<u>159,602</u>	<u>227,620</u>	<u>529,745</u>
Underwriting (loss) income before G&A	\$ (50,404)	\$ 74,324	\$ 103,902	\$ 127,822	\$ 15,182	\$ 109,223	\$ 55,773	\$ 180,178
General and administrative expenses				117,482				114,043
Share compensation expenses				8,582				6,923
Total underwriting deductions				<u>768,494</u>				<u>650,711</u>
Underwriting income				\$ 1,758				\$ 59,212
Net investment income				25,380				29,287
Other income				8,895				12,802
Finance expenses				(227)				(3,140)
Operating income before taxes				<u>35,806</u>				<u>98,161</u>
Tax (expense)				(651)				(2,730)
Net operating income (c)				\$ 35,155				\$ 95,431
Net realized gains on investments				6,863				8,861
Net unrealized (losses) gains on investments				(3,952)				676
Foreign exchange (losses) gains				(2,188)				2,091
Net income				\$ 35,878				\$ 107,059
Selected ratios:								
Net premiums written / Gross premiums written	53.6%	93.2%	85.6%	78.5%	53.6%	87.9%	78.9%	73.7%
Losses and loss expenses	122.7%	53.0%	41.3%	63.0%	78.6%	37.6%	56.8%	54.4%
Policy acquisition costs	8.6%	22.8%	24.4%	20.4%	11.8%	21.8%	23.5%	20.3%
General and administrative expenses (d)				16.4%				17.0%
Expense ratio				36.8%				37.3%
Combined ratio				99.8%				91.7%

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.

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

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

Validus Re Segment		Three Months Ended				Year Ended			
		December 31, 2011		December 31, 2010		December 31, 2011		December 31, 2010	
Class of business	Treaty type	Gross premiums written		Gross premiums written		Gross premiums written		Gross premiums written	
		%	%	%	%	%	%	%	%
Property	Cat XOL (a)	\$ 9,108	16.6%	\$ 9,270	27.3%	\$ 666,856	56.0%	\$ 571,874	51.9%
	Per Risk XOL	10,778	19.8%	4,767	14.0%	70,017	5.9%	67,809	6.2%
	Proportional (b)	12,844	23.6%	3,264	9.6%	125,791	10.6%	150,907	13.7%
		<u>32,730</u>	<u>60.0%</u>	<u>17,301</u>	<u>50.9%</u>	<u>862,664</u>	<u>72.5%</u>	<u>790,590</u>	<u>71.8%</u>
Marine	Cat XOL (c)	(6,884)	(12.6)%	(603)	-1.7%	6,724	0.6%	13,418	1.2%
	Per Risk XOL	15,596	28.6%	6,838	20.1%	99,034	8.3%	87,512	7.9%
	Proportional (b)	1,030	1.9%	(1,991)	-5.9%	126,643	10.6%	126,205	11.5%
		<u>9,742</u>	<u>17.9%</u>	<u>4,244</u>	<u>12.5%</u>	<u>232,401</u>	<u>19.5%</u>	<u>227,135</u>	<u>20.6%</u>
Specialty (d)	Cat XOL (a)	9,957	18.2%	11,079	32.6%	56,148	4.7%	51,864	4.8%
	Per Risk XOL	651	1.2%	(958)	-2.8%	8,132	0.7%	10,440	0.9%
	Proportional (b)	1,448	2.7%	2,320	6.8%	30,875	2.6%	21,210	1.9%
		<u>12,056</u>	<u>22.1%</u>	<u>12,441</u>	<u>36.6%</u>	<u>95,155</u>	<u>8.0%</u>	<u>83,514</u>	<u>7.6%</u>
Total	Cat XOL (a) (c)	12,181	22.2%	19,746	58.2%	729,728	61.3%	637,156	57.9%
	Per Risk XOL	27,025	49.6%	10,647	31.3%	177,183	14.9%	165,761	15.0%
	Proportional (b)	15,322	28.2%	3,593	10.5%	283,309	23.8%	298,322	27.1%
		<u>\$ 54,528</u>	<u>100.0%</u>	<u>\$ 33,986</u>	<u>100.0%</u>	<u>\$ 1,190,220</u>	<u>100.0%</u>	<u>\$ 1,101,239</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				Year Ended			
		December 31, 2011		December 31, 2010		December 31, 2011		December 31, 2010	
		Gross premiums written	%	Gross premiums written	%	Gross premiums written	%	Gross premiums written (a)	%
Property	Treaty Reinsurance	\$ 32,232	11.6%	\$ 19,698	7.6%	\$ 891,173	41.9%	\$ 810,748	40.7%
	Facultative Reinsurance	19,326	6.9%	25,710	9.9%	123,660	5.8%	139,294	7.0%
	Direct Insurance	21,642	7.8%	17,845	6.9%	84,470	4.0%	87,019	4.4%
		<u>73,200</u>	<u>26.3%</u>	<u>63,253</u>	<u>24.4%</u>	<u>1,099,303</u>	<u>51.7%</u>	<u>1,037,061</u>	<u>52.1%</u>
Marine	Treaty Reinsurance	17,350	6.3%	11,571	4.5%	277,980	13.1%	261,367	13.1%
	Facultative Reinsurance	16,684	6.0%	16,650	6.5%	73,855	3.5%	85,560	4.3%
	Direct Insurance	50,213	18.0%	43,335	16.7%	218,146	10.3%	178,380	9.0%
		<u>84,247</u>	<u>30.3%</u>	<u>71,556</u>	<u>27.7%</u>	<u>569,981</u>	<u>26.9%</u>	<u>525,307</u>	<u>26.4%</u>
Specialty (a)	Treaty Reinsurance	23,498	8.4%	23,857	9.2%	142,127	6.7%	120,319	6.0%
	Facultative Reinsurance	30,242	10.9%	39,280	15.2%	105,696	4.9%	112,941	5.7%
	Direct Insurance	67,092	24.1%	60,785	23.5%	207,584	9.8%	194,938	9.8%
		<u>120,832</u>	<u>43.4%</u>	<u>123,922</u>	<u>47.9%</u>	<u>455,407</u>	<u>21.4%</u>	<u>428,198</u>	<u>21.5%</u>
Total	Treaty Reinsurance	73,080	26.3%	55,126	21.3%	1,311,280	61.7%	1,192,434	59.8%
	Facultative Reinsurance	66,252	23.8%	81,640	31.6%	303,211	14.2%	337,795	17.0%
	Direct Insurance	138,947	49.9%	121,965	47.1%	510,200	24.1%	460,337	23.2%
		<u>\$ 278,279</u>	<u>100.0%</u>	<u>\$ 258,731</u>	<u>100.0%</u>	<u>\$ 2,124,691</u>	<u>100.0%</u>	<u>\$ 1,990,566</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					Year Ended	
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Validus Re							
Property - Validus Re	\$ 34,053	\$ 122,618	\$ 272,148	\$ 358,118	\$ 17,197	\$ 786,937	\$ 778,794
Property - Alpha Cat	62	97	8,405	7,150	104	15,714	11,796
Property - Alpha Cat Re 2011	(1,385)	18,843	42,555	-	-	60,013	-
Marine	9,742	32,780	4,846	185,033	4,244	232,401	227,135
Aerospace & Aviation (a)	740	4,247	4,839	5,590	169	15,416	19,110
Agriculture	957	888	398	2,927	(186)	5,170	2,912
Financial	491	265	160	6,636	1,036	7,552	3,377
Life and A&H	14	180	251	3,385	420	3,830	3,809
Nuclear	615	156	2,032	3	(959)	2,806	3,531
Terrorism	7,398	295	4,402	28,074	10,121	40,169	37,481
Workers' Compensation	480	2,027	58	5,209	-	7,774	7,330
Crisis Management	1,361	407	1,557	7,523	1,840	10,848	5,964
Motor	-	-	-	1,590	-	1,590	-
Total Validus Re Segment	54,528	182,803	341,651	611,238	33,986	1,190,220	1,101,239
Talbot							
Property	30,650	60,312	57,267	49,559	35,171	197,788	191,740
Onshore Energy	21,143	25,751	40,465	21,170	22,994	108,529	123,029
Marine	74,235	69,159	93,492	104,935	68,452	341,821	315,102
Accident & Health	5,183	6,692	4,711	5,349	4,456	21,935	19,715
Aviation, Direct	32,430	16,782	9,121	7,870	33,580	66,203	69,741
Aviation Treaty	11,012	2,979	12,345	18,237	11,273	44,573	44,087
Bloodstock	(34)	(34)	817	361	3,955	1,110	13,491
Contingency	4,963	3,556	5,980	5,273	2,797	19,772	18,363
Financial Institutions	11,794	9,438	8,632	7,667	12,747	37,531	39,646
War	43,866	44,302	44,056	42,636	42,675	174,860	146,159
Total Talbot Segment	235,242	238,937	276,886	263,057	238,100	1,014,122	981,073
Intersegment Revenue							
Property	(11,323)	(29,426)	(12,055)	(16,874)	(12,213)	(69,678)	(68,298)
Marine	270	(1,196)	(1,095)	(2,220)	(1,140)	(4,241)	(16,930)
Specialty	(438)	11	-	(5,305)	(2)	(5,732)	(6,518)
Total Intersegment Revenue Eliminated	(11,491)	(30,611)	(13,150)	(24,399)	(13,355)	(79,651)	(91,746)
Total Gross Premiums Written	\$ 278,279	\$ 391,129	\$ 605,387	\$ 849,896	\$ 258,731	\$ 2,124,691	\$ 1,990,566

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				Year Ended		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Underwriting income							
Gross premiums written	\$ 54,528	\$ 182,803	\$ 341,651	\$ 611,238	\$ 33,986	\$ 1,190,220	\$ 1,101,239
Reinsurance premiums ceded	(49)	(5,646)	(98,218)	(46,805)	(399)	(150,718)	(63,147)
Net premiums written	54,479	177,157	243,433	564,433	33,587	1,039,502	1,038,092
Change in unearned premiums	224,513	90,755	(10,755)	(312,124)	212,737	(7,611)	13,108
Net premiums earned	278,992	267,912	232,678	252,309	246,324	1,031,891	1,051,200
Underwriting deductions							
Losses and loss expenses	225,903	128,823	94,035	310,544	49,799	759,305	601,610
Policy acquisition costs	41,465	42,834	35,769	40,066	39,299	160,134	160,599
General and administrative expenses	12,109	8,129	15,458	10,657	12,659	46,353	45,617
Share compensation expenses	2,191	2,190	1,823	3,105	1,934	9,309	7,181
Total underwriting deductions	281,668	181,976	147,085	364,372	103,691	975,101	815,007
Underwriting income (loss)	\$ (2,676)	\$ 85,936	\$ 85,593	\$ (112,063)	\$ 142,633	\$ 56,790	\$ 236,193
Selected ratios:							
Losses and loss expenses	81.0%	48.1%	40.4%	123.1%	20.2%	73.6%	57.2%
Policy acquisition costs	14.9%	16.0%	15.4%	15.9%	16.0%	15.5%	15.3%
General and administrative expenses (a)	5.1%	3.9%	7.4%	5.5%	5.9%	5.4%	5.0%
Expense ratio	20.0%	19.9%	22.8%	21.4%	21.9%	20.9%	20.3%
Combined ratio	101.0%	68.0%	63.2%	144.5%	42.1%	94.5%	77.5%

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				Year Ended		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Underwriting income							
Gross premiums written	\$ 235,242	\$ 238,937	\$ 276,886	\$ 263,057	\$ 238,100	\$ 1,014,122	\$ 981,073
Reinsurance premiums ceded	(27,931)	(55,551)	(47,278)	(87,414)	(48,332)	(218,174)	(258,081)
Net premiums written	207,311	183,386	229,608	175,643	189,768	795,948	722,992
Change in unearned premiums	2,043	7,326	(36,646)	1,581	(3,281)	(25,696)	(13,069)
Net premiums earned	<u>209,354</u>	<u>190,712</u>	<u>192,962</u>	<u>177,224</u>	<u>186,487</u>	<u>770,252</u>	<u>709,923</u>
Underwriting deductions							
Losses and loss expenses	108,926	97,244	113,272	165,654	105,426	485,096	385,976
Policy acquisition costs	41,160	36,651	42,307	37,216	37,726	157,334	143,769
General and administrative expenses	30,878	23,164	34,718	28,722	30,334	117,482	114,043
Share compensation expenses	1,934	1,903	2,026	2,719	2,142	8,582	6,923
Total underwriting deductions	<u>182,898</u>	<u>158,962</u>	<u>192,323</u>	<u>234,311</u>	<u>175,628</u>	<u>768,494</u>	<u>650,711</u>
Underwriting income (loss)	<u>\$ 26,456</u>	<u>\$ 31,750</u>	<u>\$ 639</u>	<u>\$ (57,087)</u>	<u>\$ 10,859</u>	<u>\$ 1,758</u>	<u>\$ 59,212</u>
Selected ratios:							
Losses and loss expenses	52.0%	51.0%	58.7%	93.5%	56.5%	63.0%	54.4%
Policy acquisition costs	19.7%	19.2%	21.9%	21.0%	20.2%	20.4%	20.3%
General and administrative expenses (a)	<u>15.7%</u>	<u>13.1%</u>	<u>19.0%</u>	<u>17.7%</u>	<u>17.4%</u>	<u>16.4%</u>	<u>17.0%</u>
Expense ratio	<u>35.4%</u>	<u>32.3%</u>	<u>40.9%</u>	<u>38.7%</u>	<u>37.6%</u>	<u>36.8%</u>	<u>37.3%</u>
Combined ratio	<u>87.4%</u>	<u>83.3%</u>	<u>99.6%</u>	<u>132.2%</u>	<u>94.1%</u>	<u>99.8%</u>	<u>91.7%</u>

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				Year Ended		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2010	
Underwriting income							
Net premiums written	\$ 61,221	\$ 181,673	\$ 296,486	\$ 350,955	\$ 49,032	\$ 890,335	\$ 913,678
Net premiums earned	236,671	234,440	204,624	215,713	218,171	891,448	923,370
Underwriting deductions							
Losses and loss expenses	212,994	162,525	107,960	293,294	54,945	776,773	558,706
Policy acquisition costs	28,025	28,230	29,763	29,241	31,090	115,259	131,178
Total underwriting deductions	241,019	190,755	137,723	322,535	86,035	892,032	689,884
Underwriting income (loss) before G&A	\$ (4,348)	\$ 43,685	\$ 66,901	\$ (106,822)	\$ 132,136	\$ (584)	\$ 233,486
Selected underwriting ratios (a):							
Losses and loss expenses	90.0%	69.3%	52.8%	136.0%	25.2%	87.1%	60.5%
Policy acquisition costs	11.8%	12.0%	14.5%	13.6%	14.3%	12.9%	14.2%
Combined ratio before G&A	101.8%	81.3%	67.3%	149.6%	39.5%	100.0%	74.7%

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				Year Month Ended		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2010	
Underwriting income							
Net premiums written	\$ 85,610	\$ 98,133	\$ 81,209	\$ 272,182	\$ 69,781	\$ 537,134	\$ 486,606
Net premiums earned	146,953	126,630	125,496	118,297	119,704	517,376	445,426
Underwriting deductions							
Losses and loss expenses	77,835	31,120	74,731	135,405	33,414	319,091	224,221
Policy acquisition costs	31,688	28,283	26,981	27,103	26,665	114,055	92,305
Total underwriting deductions	109,523	59,403	101,712	162,508	60,079	433,146	316,526
Underwriting income (loss) before G&A	\$ 37,430	\$ 67,227	\$ 23,784	\$ (44,211)	\$ 59,625	\$ 84,230	\$ 128,900
Selected underwriting ratios (a):							
Losses and loss expenses	53.0%	24.6%	59.5%	114.5%	27.9%	61.7%	50.3%
Policy acquisition costs	21.6%	22.3%	21.5%	22.9%	22.3%	22.0%	20.7%
Combined ratio before G&A	74.6%	46.9%	81.0%	137.4%	50.2%	83.7%	71.0%

Notes:

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



Validus Holdings, Ltd.

Underwriting Income - Class of Business - Specialty

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

	Three Months Ended (a)				Year Ended (a)		
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	December 31, 2010	
Underwriting income							
Net premiums written	\$ 114,959	\$ 80,737	\$ 95,346	\$ 116,939	\$ 104,542	\$ 407,981	\$ 360,800
Net premiums earned	104,722	97,554	95,520	95,523	94,936	393,319	392,327
Underwriting deductions							
Losses and loss expenses	44,000	32,422	24,616	47,499	66,866	148,537	204,659
Policy acquisition costs	22,912	22,972	21,332	20,938	19,270	88,154	80,885
Total underwriting deductions	66,912	55,394	45,948	68,437	86,136	236,691	285,544
Underwriting income before G&A	\$ 37,810	\$ 42,160	\$ 49,572	\$ 27,086	\$ 8,800	\$ 156,628	\$ 106,783
Selected underwriting ratios (b):							
Losses and loss expenses	42.0%	33.2%	25.8%	49.7%	70.4%	37.8%	52.2%
Policy acquisition costs	21.9%	23.5%	22.3%	21.9%	20.3%	22.4%	20.6%
Combined ratio before G&A	63.9%	56.7%	48.1%	71.6%	90.7%	60.2%	72.8%

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. 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 December 31, 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)	\$ 1,312,004	\$ 187,889	\$ 1,124,115	\$ 904,447	\$ 87,465	\$ 816,982
Marine	788,200	86,618	701,582	639,728	102,461	537,267
Specialty (b)	530,939	97,978	432,961	491,798	93,208	398,590
Total	\$ 2,631,143	\$ 372,485	\$ 2,258,658	\$ 2,035,973	\$ 283,134	\$ 1,752,839

	At December 31, 2011			At December 31, 2010		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
Property (a)	\$ 736,448	\$ 575,556	\$ 1,312,004	\$ 506,506	\$ 397,941	\$ 904,447
Marine	437,367	350,833	788,200	317,469	322,259	639,728
Specialty (b)	240,627	290,312	530,939	211,906	279,892	491,798
Total	\$ 1,414,442	\$ 1,216,701	\$ 2,631,143	\$ 1,035,881	\$ 1,000,092	\$ 2,035,973
% of Total	53.8%	46.2%	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							
	December 31, 2011				December 31, 2010			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Gross reserves at period beginning	\$ 1,321,568	\$ 1,357,235	\$ (112,891)	\$ 2,565,912	\$ 1,035,227	\$ 1,153,943	\$ (168,325)	\$ 2,020,845
Losses recoverable	(122,817)	(376,274)	112,891	(386,200)	(81,368)	(355,778)	168,325	(268,821)
Net reserves at period beginning	1,198,751	980,961	-	2,179,712	953,859	798,165	-	1,752,024
Incurred losses- current year	233,026	144,619	-	377,645	71,864	113,926	-	185,790
Change in prior accident years	(7,123)	(35,693)	-	(42,816)	(22,065)	(8,500)	-	(30,565)
Incurred losses	225,903	108,926	-	334,829	49,799	105,426	-	155,225
Foreign exchange	2,861	(277)	-	2,584	2,140	(3,058)	-	(918)
Paid losses	(162,175)	(96,292)	-	(258,467)	(87,852)	(65,640)	-	(153,492)
Net reserves at period end	1,265,340	993,318	-	2,258,658	917,946	834,893	-	1,752,839
Losses recoverable	95,509	384,243	(107,267)	372,485	80,219	356,655	(153,740)	283,134
Gross reserves at period end	\$ 1,360,849	\$ 1,377,561	\$ (107,267)	\$ 2,631,143	\$ 998,165	\$ 1,191,548	\$ (153,740)	\$ 2,035,973
Net premiums earned	\$ 278,992	\$ 209,354		\$ 488,346	\$ 246,324	\$ 186,487		\$ 432,811
Current year loss ratio	83.6%	69.0%		77.4%	29.2%	61.1%		43.0%
Prior accident year adjustments	-2.6%	-17.0%		-8.8%	-9.0%	-4.6%		-7.1%
Net loss ratio	81.0%	52.0%		68.6%	20.2%	56.5%		35.9%
Paid to incurred	71.8%	88.4%		77.2%	176.4%	62.3%		98.9%

	At or for the Year Ended							
	December 31, 2011				December 31, 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	827,915	572,605	-	1,400,520	672,227	471,969	-	1,144,196
Change in prior accident years	(68,610)	(87,509)	-	(156,119)	(70,617)	(85,993)	-	(156,610)
Incurred losses	759,305	485,096	-	1,244,401	601,610	385,976	-	987,586
Foreign exchange	5,723	(1,279)	-	4,444	2,908	(4,602)	-	(1,694)
Paid losses	(417,634)	(325,392)	-	(743,026)	(379,274)	(294,148)	-	(673,422)
Net reserves at period end	1,265,340	993,318	-	2,258,658	917,946	834,893	-	1,752,839
Losses recoverable	95,509	384,243	(107,267)	372,485	80,219	356,655	(153,740)	283,134
Gross reserves at period end	\$ 1,360,849	\$ 1,377,561	\$ (107,267)	\$ 2,631,143	\$ 998,165	\$ 1,191,548	\$ (153,740)	\$ 2,035,973
Net premiums earned	\$ 1,031,891	\$ 770,252		\$ 1,802,143	\$ 1,051,200	\$ 709,923		\$ 1,761,123
Current year loss ratio	80.2%	74.4%		77.8%	63.9%	66.5%		65.0%
Prior accident year adjustments	-6.6%	-11.4%		-8.7%	-6.7%	-12.1%		-8.9%
Net loss ratio	73.6%	63.0%		69.1%	57.2%	54.4%		56.1%
Paid to incurred	55.0%	67.1%		59.7%	63.0%	76.2%		68.2%



Validus Holdings, Ltd.

Losses and Loss Ratios by Classes of Business - Validus Re

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

	At or for the Three Months Ended							
	December 31, 2011				December 31, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 924,273	\$ 309,829	\$ 87,466	\$ 1,321,568	\$ 711,282	\$ 239,641	\$ 84,304	\$ 1,035,227
Losses recoverable	(110,926)	(11,430)	(461)	(122,817)	(12,412)	(68,419)	(537)	(81,368)
Net reserves at period beginning	813,347	298,399	87,005	1,198,751	698,870	171,222	83,767	953,859
Incurred losses- current year	169,270	44,158	19,598	233,026	28,935	19,092	23,837	71,864
Change in prior accident years	(4,739)	(282)	(2,102)	(7,123)	(10,830)	(9,271)	(1,964)	(22,065)
Incurred losses	164,531	43,876	17,496	225,903	18,105	9,821	21,873	49,799
Foreign exchange	2,803	123	(65)	2,861	2,201	(70)	9	2,140
Paid losses	(139,525)	(16,466)	(6,184)	(162,175)	(84,641)	7,839	(11,050)	(87,852)
Net reserves at period end	841,156	325,932	98,252	1,265,340	634,535	188,812	94,599	917,946
Losses recoverable	78,803	16,145	561	95,509	24,117	55,565	537	80,219
Gross reserves at period end	\$ 919,959	\$ 342,077	\$ 98,813	\$ 1,360,849	\$ 658,652	\$ 244,377	\$ 95,136	\$ 998,165
Net premiums earned	\$ 195,563	\$ 57,524	\$ 25,905	\$ 278,992	\$ 176,750	\$ 45,524	\$ 24,050	\$ 246,324
Current year loss ratio	86.5%	76.8%	75.6%	83.6%	16.3%	42.0%	99.1%	29.2%
Prior accident year adjustments	-2.4%	-0.5%	-8.1%	-2.6%	-6.1%	-20.4%	-8.2%	-9.0%
Net loss ratio	<u>84.1%</u>	<u>76.3%</u>	<u>67.5%</u>	<u>81.0%</u>	<u>10.2%</u>	<u>21.6%</u>	<u>90.9%</u>	<u>20.2%</u>
Paid to incurred	84.8%	37.5%	35.3%	71.8%	467.5%	-79.8%	50.5%	176.4%

	At or for the Year Ended							
	December 31, 2011				December 31, 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	627,965	167,241	32,709	827,915	484,642	140,849	46,736	672,227
Change in prior accident years	(49,020)	(10,234)	(9,356)	(68,610)	(49,831)	(17,616)	(3,170)	(70,617)
Incurred losses	578,945	157,007	23,353	759,305	434,811	123,233	43,566	601,610
Foreign exchange	5,605	202	(84)	5,723	2,980	(141)	69	2,908
Paid losses	(377,929)	(20,089)	(19,616)	(417,634)	(282,722)	(73,188)	(23,364)	(379,274)
Net reserves at period end	841,156	325,932	98,252	1,265,340	634,535	188,812	94,599	917,946
Losses recoverable	78,803	16,145	561	95,509	24,117	55,565	537	80,219
Gross reserves at period end	\$ 919,959	\$ 342,077	\$ 98,813	\$ 1,360,849	\$ 658,652	\$ 244,377	\$ 95,136	\$ 998,165
Net premiums earned	\$ 730,210	\$ 211,344	\$ 90,337	\$ 1,031,891	\$ 765,665	\$ 176,601	\$ 108,934	\$ 1,051,200
Current year loss ratio	86.0%	79.1%	36.3%	80.2%	63.3%	79.8%	42.9%	63.9%
Prior accident year adjustments	-6.7%	-4.8%	-10.4%	-6.6%	-6.5%	-10.0%	-2.9%	-6.7%
Net loss ratio	<u>79.3%</u>	<u>74.3%</u>	<u>25.9%</u>	<u>73.6%</u>	<u>56.8%</u>	<u>69.8%</u>	<u>40.0%</u>	<u>57.2%</u>
Paid to incurred	65.3%	12.8%	84.0%	55.0%	65.0%	59.4%	53.6%	63.0%

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.



Validus Holdings, Ltd.

Losses and Loss Ratios by Classes of Business - Talbot

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

	At or for the Three Months Ended							
	December 31, 2011				December 31, 2010			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 434,240	\$ 480,710	\$ 442,285	\$ 1,357,235	\$ 362,548	\$ 419,832	\$ 371,563	\$ 1,153,943
Losses recoverable	(167,783)	(103,573)	(104,918)	(376,274)	(191,858)	(74,604)	(89,316)	(355,778)
Net reserves at period beginning	266,457	377,137	337,367	980,961	170,690	345,228	282,247	798,165
Incurred losses- current year	62,764	44,074	37,781	144,619	39,382	31,744	42,800	113,926
Change in prior accident years	(14,301)	(10,115)	(11,277)	(35,693)	(2,542)	(8,151)	2,193	(8,500)
Incurred losses	48,463	33,959	26,504	108,926	36,840	23,593	44,993	105,426
Foreign exchange	5	(120)	(162)	(277)	332	(2,145)	(1,245)	(3,058)
Paid losses	(31,969)	(35,326)	(28,997)	(96,292)	(25,415)	(18,221)	(22,004)	(65,640)
Net reserves at period end	282,956	375,650	334,712	993,318	182,447	348,455	303,991	834,893
Losses recoverable	188,911	93,409	101,923	384,243	186,270	73,123	97,262	356,655
Gross reserves at period end	\$ 471,867	\$ 469,059	\$ 436,635	\$ 1,377,561	\$ 368,717	\$ 421,578	\$ 401,253	\$ 1,191,548
Net premiums earned	\$ 41,108	\$ 89,429	\$ 78,817	\$ 209,354	\$ 41,421	\$ 74,180	\$ 70,886	\$ 186,487
Current year loss ratio	152.7%	49.3%	47.9%	69.0%	95.0%	42.8%	60.4%	61.1%
Prior accident year adjustments	-34.8%	-11.3%	-14.3%	-17.0%	-6.1%	-11.0%	3.1%	-4.6%
Net loss ratio	117.9%	38.0%	33.6%	52.0%	88.9%	31.8%	63.5%	56.5%
Paid to incurred	66.0%	104.0%	109.4%	88.4%	69.0%	77.2%	48.9%	62.3%

	At or for the Year Ended							
	December 31, 2011				December 31, 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	219,997	193,466	159,142	572,605	146,345	153,403	172,221	471,969
Change in prior accident years	(22,169)	(31,382)	(33,958)	(87,509)	(22,450)	(52,415)	(11,128)	(85,993)
Incurred losses	197,828	162,084	125,184	485,096	123,895	100,988	161,093	385,976
Foreign exchange	(998)	(43)	(238)	(1,279)	(815)	(1,610)	(2,177)	(4,602)
Paid losses	(96,321)	(134,846)	(94,225)	(325,392)	(92,000)	(108,500)	(93,648)	(294,148)
Net reserves at period end	282,956	375,650	334,712	993,318	182,447	348,455	303,991	834,893
Losses recoverable	188,911	93,409	101,923	384,243	186,270	73,123	97,262	356,655
Gross reserves at period end	\$ 471,867	\$ 469,059	\$ 436,635	\$ 1,377,561	\$ 368,717	\$ 421,578	\$ 401,253	\$ 1,191,548
Net premiums earned	\$ 161,238	\$ 306,032	\$ 302,982	\$ 770,252	\$ 157,705	\$ 268,825	\$ 283,393	\$ 709,923
Current year loss ratio	136.4%	63.2%	52.5%	74.4%	92.8%	57.1%	60.7%	66.5%
Prior accident year adjustments	-13.7%	-10.2%	-11.2%	-11.4%	-14.2%	-19.5%	-3.9%	-12.1%
Net loss ratio	122.7%	53.0%	41.3%	63.0%	78.6%	37.6%	56.8%	54.4%
Paid to incurred	48.7%	83.2%	75.3%	67.1%	74.3%	107.4%	58.1%	76.2%

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 December 31, 2011

Categories	Reinsurance		Top 10 Reinsurers	Rating (b)	Reinsurance	
	Recoverable (a)	%			Recoverable (a)	%
Top 10 reinsurers	\$ 323,315	69.8%	Lloyd's Syndicates	A+	\$ 77,419	24.0%
Other reinsurers' balances > \$1 million	132,417	28.6%	Allianz	AA-	59,764	18.5%
Other reinsurers' balances < \$1 million	7,248	1.6%	Hannover Re	AA-	39,762	12.3%
Total	\$ 462,980	100.0%	Everest Re	A+	38,618	11.9%
			Transatlantic Re	A+	21,344	6.6%
			Tokio Millennium Re Ltd	AA-	20,432	6.3%
			Fully Collateralized	NR	18,140	5.6%
			Odyssey Reinsurance Company	A-	16,737	5.2%
			Platinum Underwriters	A	15,833	4.9%
			Munich Re	AA-	15,266	4.7%
			Total		\$ 323,315	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) 99.4% of Reinsurance Recoverable at December 31, 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	December 31, 2011		December 31, 2010	
	Fair Value	%	Fair Value	%
U.S. Government and Government Agency	\$ 1,182,393	19.6%	\$ 1,677,166	29.1%
Non-U.S. Government and Government Agency	449,358	7.5%	554,199	9.7%
States, municipalities, political subdivision	26,291	0.4%	26,285	0.5%
Agency residential mortgage-backed securities	468,054	7.8%	445,859	7.8%
Non-Agency residential mortgage-backed securities	32,706	0.5%	56,470	1.0%
U.S. corporate	1,329,758	22.1%	1,308,406	22.8%
Non-U.S. corporate	579,675	9.6%	502,067	8.7%
Bank loans	467,256	7.8%	52,566	0.9%
Catastrophe bonds	29,952	0.5%	58,737	1.0%
Asset-backed securities	328,299	5.4%	123,569	2.2%
Commercial mortgage-backed securities	403	0.0%	18,543	0.3%
Total fixed maturities	4,894,145	81.2%	4,823,867	84.0%
Total short-term investments	280,191	4.7%	273,514	4.8%
Total other investments	16,787	0.3%	21,478	0.4%
Total investments	5,191,123	86.2%	5,118,859	89.2%
Cash and cash equivalents	832,844	13.8%	620,740	10.8%
Total cash and cash equivalents, and investments	\$ 6,023,967	100.0%	\$ 5,739,599	100.0%

Net investment income	Three Months Ended		Year Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Fixed maturities and short-term investments	\$ 27,740	\$ 30,033	\$ 111,983	\$ 132,669
Cash and cash equivalents	2,153	2,328	7,285	8,180
Securities lending income	27	32	58	200
Total gross investment income	29,920	32,393	119,326	141,049
Investment expenses	(1,840)	(1,431)	(7,030)	(6,946)
Net investment income	\$ 28,080	\$ 30,962	\$ 112,296	\$ 134,103

Annualized effective investment yield (a)	1.84%	2.12%	1.87%	2.29%
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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	December 31, 2011 (a)		December 31, 2010 (a)	
	Fair Value	%	Fair Value	%
AAA	\$ 882,912	18.0%	\$ 2,946,514	61.2%
AA	2,077,981	42.5%	428,972	8.9%
A	1,078,793	22.0%	1,077,389	22.3%
BBB	345,091	7.1%	219,523	4.6%
Investment grade	4,384,777	89.6%	4,672,398	97.0%
BB	254,409	5.2%	74,475	1.5%
B	231,420	4.7%	45,660	0.9%
CCC	12,578	0.3%	29,219	0.6%
CC	4,605	0.1%	-	0.0%
C	-	0.0%	-	0.0%
D/NR	6,356	0.1%	2,115	0.0%
Non-Investment grade	509,368	10.4%	151,469	3.0%
Total fixed maturities	\$ 4,894,145	100.0%	\$ 4,823,867	100.0%

Fixed maturities - Maturity Profile	December 31, 2011		December 31, 2010	
	Fair Value	%	Fair Value	%
Due in one year or less	\$ 523,107	10.7%	\$ 426,167	8.8%
Due after one year through five years	3,186,711	65.1%	3,540,408	73.4%
Due after five years through ten years	346,654	7.1%	206,317	4.3%
Due after ten years	8,211	0.2%	6,534	0.1%
	4,064,683	83.1%	4,179,426	86.6%
Asset-backed and mortgage backed securities	829,462	16.9%	644,441	13.4%
Total fixed maturities	\$ 4,894,145	100.0%	\$ 4,823,867	100.0%

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)	As at December 31, 2011		
	Fair Value (b)	S&P Rating (c)	% of Total Cash and Investments
Verizon Communications Inc	\$ 58,665	A-	1.0%
Morgan Stanley	54,758	A-	0.9%
JP Morgan Chase & Co	54,024	A	0.9%
BP PLC	52,293	A	0.9%
Goldman Sachs Group	38,980	A-	0.6%
Southern Company	38,568	A	0.6%
Pepsico Inc	38,117	A-	0.6%
Anheuser-Busch Inbev NV	37,382	A-	0.6%
Hewlett-Packard Company	35,486	BBB+	0.6%
International Business Machines Corp	32,516	A+	0.5%
Total	<u>\$ 440,789</u>		<u>7.2%</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	As at December 31, 2011				
	Government Rated				
	GNMA	FNMA	FHLMC	FDIC	Total
Vintage Year					
2004 and prior	\$ 57,672	\$ 10,943	\$ 11,045	\$ -	\$ 79,660
2005	7,779	30,606	7,105	-	45,490
2006	4,664	9,690	7,061	-	21,415
2007	492	38,593	41,671	-	80,756
2008	13,000	32,063	3,700	-	48,763
2009	64,431	35,814	13,876	-	114,121
2010	23,429	17,519	6,053	1,164	48,165
2011	6,724	5,634	17,326	-	29,684
Total Agency RMBS	\$ 178,191	\$ 180,862	\$ 107,837	\$ 1,164	\$ 468,054



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	\$ -	\$ 947	\$ -	\$ 1,243	\$ 1,164	\$ -	\$ 3,354
2005	-	171	-	-	-	18,820	18,991
2006	-	-	-	-	-	238	238
2007	-	-	-	2,364	-	4,755	7,119
2010	-	3,004	-	-	-	-	3,004
Total Non-Agency RMBS	-	4,122	-	3,607	1,164	23,813	32,706
Commercial Mortgage-Backed Securities							
Vintage year							
2004 and prior	-	403	-	-	-	-	403
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
Total Commercial Mortgage-Backed Securities	-	403	-	-	-	-	403
Total Non-agency RMBS and Commercial MBS	-	4,525	-	3,607	1,164	23,813	33,109
Asset-Backed Securities							
Sub-Prime	-	-	-	28	-	922	950
Credit Cards	-	79,121	12,383	-	-	-	91,504
Autos	-	153,588	-	-	-	-	153,588
Student Loan	-	44,626	34,100	-	-	-	78,726
Equipment Loan	-	2,441	-	-	-	-	2,441
Stranded Cost & UK ABS	-	1,090	-	-	-	-	1,090
Total Asset-Backed Securities	-	280,866	46,483	28	-	922	328,299

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.
Consolidated Non-U.S. Fixed Income Portfolio

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

Non-U.S Government Securities	As at December 31, 2011					Total
	S&P Rating (a)					
	AAA	AA	A	BBB	BB and below	
United Kingdom	160,408	-	-	-	-	160,408
Germany	71,208	-	-	-	-	71,208
Supranational	69,576	-	-	-	-	69,576
Commonwealth of Australia	31,836	-	-	-	-	31,836
Denmark	30,538	-	-	-	-	30,538
Netherlands	27,801	-	-	-	-	27,801
Province of Ontario	-	22,519	-	-	-	22,519
Province of British Columbia	17,953	-	-	-	-	17,953
Norway	-	3,016	-	-	3,426	6,442
France	5,384	-	-	-	-	5,384
New Zealand	-	3,279	-	-	-	3,279
Other Non-U.S. Government	-	1,678	-	-	-	1,678
Canada	736	-	-	-	-	736
Total Non-U.S. Government Securities	415,440	30,492	-	-	3,426	449,358
Eurozone Non-U.S. Corporate Securities (b)	107,392	96,811	62,385	935	-	267,523
United Kingdom Non-U.S. Corporate Securities	-	10,473	81,169	21,445	-	113,087
Other Non-U.S. Corporate Securities	41,686	89,053	61,645	6,681	-	199,065
Total Non-U.S. Fixed Income Portfolio	564,518	226,829	205,199	29,061	3,426	1,029,033

Notes:

(a) 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.

(b) Excludes United Kingdom

Validus Holdings, Ltd.
Consolidated Eurozone Non-U.S. Fixed Income Portfolio (Excluding United Kingdom)

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

Eurozone Country	As at December 31, 2011					Total
	Industry					
	Bank	Energy	Industrial	Pharmaceutical	Utility	
Netherlands	50,048	24,164	7,918	-	-	82,130
Norway	65,274	10,358	-	-	-	75,632
France	7,589	-	2,049	21,137	16,367	47,142
Sweden	44,689	-	-	-	-	44,689
Switzerland	14,447	-	-	-	-	14,447
Luxembourg	-	1,306	-	-	1,183	2,489
Germany	994	-	-	-	-	994
Total Eurozone Non-U.S. Corporate Securities	183,041	35,828	9,967	21,137	17,550	267,523

Validus Holdings, Ltd.

Top Ten Exposures to Eurozone Banks (Excluding United Kingdom)

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

<u>December 31, 2011</u>		
<u>Issuer</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Sparebank 1 Boligkreditt	\$ 27,291	AAA
Rabobank Nederland	26,607	AA
Nordea Eiendoms kreditt AS	19,455	AAA
DNB Boligkreditt AS	18,528	AAA
Stadshypotek AB	16,430	AAA
Bank Nederlandse Gemeenten	15,946	AAA
Svenska Handelsbanken AB	11,995	AA-
Credit Suisse	11,611	A+
Nordea Bank AB	8,205	AA-
Swedbank Hypotek AB	8,060	AAA
Total	<u>164,128</u>	

Validus Holdings, Ltd.

Top Ten Exposures to Eurozone Corporate (Excluding United Kingdom)

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

<u>December 31, 2011</u>		
<u>Issuer</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Royal Dutch Shell PLC	\$ 24,164	AA
Sanofi-Aventis	21,137	A
Electricite de France	9,160	AA-
Statoil ASA	8,725	AA-
Volkswagen International Finance NV	7,918	A-
France Telecom SA	7,207	A-
Total Capital SA	2,049	AA-
Schlumberger Norge SA	1,633	A+
Schlumberger Investment SA	1,306	A+
Enel Finance International SA	1,183	A-
Total	<u>84,482</u>	



Validus Holdings, Ltd.

Capitalization

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

Capitalization	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Borrowings drawn under credit facility	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Notes (a)	246,982	246,955	246,928	246,901	246,874
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>536,782</u>	<u>536,755</u>	<u>536,728</u>	<u>536,701</u>	<u>536,674</u>
Ordinary shares, capital and surplus available to Validus	3,455,026	3,448,801	3,412,836	3,319,819	3,510,286
Accumulated other comprehensive (loss)	(6,601)	(4,932)	(4,519)	(4,498)	(5,455)
Noncontrolling interest	<u>-</u>	<u>146,223</u>	<u>134,895</u>	<u>-</u>	<u>-</u>
Total shareholders' equity	<u>3,448,425</u>	<u>3,590,092</u>	<u>3,543,212</u>	<u>3,315,321</u>	<u>3,504,831</u>
Total capitalization (c)	<u>\$ 3,985,207</u>	<u>\$ 4,126,847</u>	<u>\$ 4,079,940</u>	<u>\$ 3,852,022</u>	<u>\$ 4,041,505</u>
Debt to total capitalization	<u>13.5%</u>	<u>13.0%</u>	<u>13.2%</u>	<u>13.9%</u>	<u>13.3%</u>
Debt (excluding JSDs) to total capitalization	<u>6.2%</u>	<u>6.0%</u>	<u>6.1%</u>	<u>6.4%</u>	<u>6.1%</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.



Validus Holdings, Ltd.

Estimated Exposures to Peak Zone Property Catastrophe Losses - As of January 1, 2012

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

Probable Maximum Losses by Zone and Peril

Zones	Perils	Consolidated (Validus Re and Talbot) Estimated Net Loss				Validus Re Net Maximum Zonal Aggregate
		20 year return period	50 year return period	100 year return period	250 year return period	
United States	Hurricane	\$ 445,374	\$ 706,886	\$ 888,282	\$ 1,091,720	\$ 1,641,119
California	Earthquake	43,883	135,853	228,565	368,370	1,474,982
Europe	Windstorm	143,649	295,831	437,222	627,212	1,500,548
Japan	Earthquake	74,999	138,904	167,419	237,769	748,287
Japan	Typhoon	27,601	109,098	198,283	273,062	729,693

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. Commencing in January 2012, the Company incorporated RMS version 11 as part of the vendor models.

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		Estimated	% of latest 12
			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	12.7%
Terrorism	Exchange Place	Lower Manhattan suffers a 2-tonne conventional bomb blast	155.9	8.7%
Marine	Marine collision in Prince William Sound	Fully laden tanker collides with a cruise vessel in Prince William Sound	174.0	9.7%
Marine	Major cruise vessel incident	US-owned cruise vessel sunk or severely damaged	139.4	7.7%
Marine	Loss of major complex	Total loss to all platforms and bridge links of a major oil complex	225.3	12.5%
Aviation	Aviation collision	Collision of two aircraft over a major city	67.1	3.7%
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	1.9%
Liability	Professional lines	Failure or collapse of a major corporation	30.7	1.7%
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	5.6%
Political Risks	South America	Severe economic crisis in Brazil due to political upheaval; regional contagion	130.6	7.2%
Political Risks	Middle East	US and Iran escalate into military confrontation; regional contagion	147.0	8.2%
Political Risks	Russia	The Russian corporate sector struggles to deal with the effects of crashing commodity and stock prices	45.1	2.5%
Political Risks	Turkey	Severe economic crisis in Turkey due to political upheaval	95.6	5.3%

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>

The Consolidated Pro Forma Net Premiums Earned used in the calculation represent the latest 12 months of net premiums earned from January 1, 2011 and are on a pro forma basis, including IPC earned premiums.

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.

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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		Year Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net income available to Validus	\$ 27,324	\$ 102,687	\$ 21,329	\$ 402,564
Adjustments for:				
Net realized (gains) losses on investments	(5,355)	14,399	(28,532)	(32,498)
Net unrealized (gains) losses on investments	(2,159)	42,689	19,991	(45,952)
Foreign exchange (gains) losses	(266)	(3,424)	22,124	(1,351)
Transaction expenses (a)	3,850	-	17,433	-
Net operating income available to Validus	\$ 23,394	\$ 156,351	\$ 52,345	\$ 322,763
less: Dividends and distributions declared on outstanding warrants	(1,728)	(1,746)	(7,644)	(6,991)
Net operating income available to Validus, adjusted	<u>\$ 21,666</u>	<u>\$ 154,605</u>	<u>\$ 44,701</u>	<u>\$ 315,772</u>
Net income per share available to Validus - diluted	\$ 0.25	\$ 0.92	\$ 0.14	\$ 3.34
Adjustments for:				
Net realized (gains) losses on investments	\$ (0.06)	0.13	(0.28)	(0.27)
Net unrealized (gains) losses on investments	\$ (0.02)	0.38	0.19	(0.38)
Foreign exchange (gains) losses	\$ -	(0.03)	0.22	(0.01)
Transaction expenses (a)	\$ 0.04	-	0.17	-
Net operating income per share available to Validus - diluted	<u>\$ 0.21</u>	<u>\$ 1.40</u>	<u>\$ 0.44</u>	<u>\$ 2.68</u>
Weighted average number of common shares and common share equivalents	<u>101,324,291</u>	<u>111,316,736</u>	<u>100,928,284</u>	<u>120,630,945</u>
Average shareholders' equity available to Validus	<u>\$ 3,446,147</u>	<u>\$ 3,633,058</u>	<u>\$ 3,424,153</u>	<u>\$ 3,731,945</u>
Annualized net operating return on average equity	<u>2.7%</u>	<u>17.2%</u>	<u>1.5%</u>	<u>8.6%</u>

Notes:

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