



## **Validus Holdings, Ltd.**

**Investor Financial Supplement - First Quarter 2012**

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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 and 2010 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.
- 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.
- 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 comprehensive income as 'net income attributable to noncontrolling interest'. On December 23, 2011 AlphaCat Re 2011 completed 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.
- During the first quarter of 2012, 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 include the AlphaCat group of companies as a separate operating segment. "AlphaCat segment" was included as an additional segment and includes the company's investment in AlphaCat Re 2011. Prior period comparatives have been restated to reflect the change in segmentation.
- 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.

**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 32.
- 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 32.



**Validus Holdings, Ltd.**

**Consolidated Financial Highlights**

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

		Three Months Ended				Year Ended		
		March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011	
<b>Highlights</b>	Net income (loss) available (attributable) to Validus	\$ 124,234	\$ 27,324	\$ 56,485	\$ 109,884	\$ (172,364)	\$ 21,329	\$ 402,564
	Net operating income (loss) available (attributable) to Validus (a)	92,865	23,394	112,602	81,797	(165,448)	52,345	322,763
	Gross premiums written	837,289	278,279	391,129	605,387	849,896	2,124,691	1,990,566
	Net premiums earned	451,199	488,346	458,624	425,640	429,533	1,802,143	1,761,123
	Total assets	8,121,869	7,618,471	8,000,740	8,259,788	7,825,690	7,618,471	7,060,878
	Total shareholders' equity available to Validus	3,539,511	3,448,425	3,443,869	3,408,317	3,315,321	3,448,425	3,504,831
<b>Per share data</b>	<u>Earnings per basic share (b)</u>							
	Net income (loss) available (attributable) to Validus	\$ 1.23	\$ 0.26	\$ 0.55	\$ 1.10	\$ (1.78)	\$ 0.14	\$ 3.41
	Net operating income (loss) available (attributable) to Validus	0.92	0.22	1.12	0.81	(1.71)	0.45	2.72
	<u>Earnings per diluted share (b)</u>							
	Net income (loss) available (attributable) to Validus	\$ 1.18	\$ 0.25	\$ 0.54	\$ 1.05	\$ (1.78)	\$ 0.14	\$ 3.34
	Net operating income (loss) available (attributable) to Validus	0.88	0.21	1.09	0.78	(1.71)	0.44	2.68
	<u>Book value per share</u>							
	Reported	\$ 35.63	\$ 34.67	\$ 34.77	\$ 34.51	\$ 33.73	\$ 34.67	\$ 35.76
	With investments at amortized cost	35.04	34.37	34.48	33.87	33.27	34.37	35.26
	<u>Diluted book value per share (b)</u>							
	Reported	\$ 33.25	\$ 32.28	\$ 32.23	\$ 31.91	\$ 31.32	\$ 32.28	\$ 32.98
	With investments at amortized cost	32.72	32.02	31.97	31.35	30.92	32.02	32.54
<u>Diluted book value per common share plus accumulated dividends</u>	\$ 36.98	\$ 35.76	\$ 35.46	\$ 34.89	\$ 34.05	\$ 35.76	\$ 35.46	
<b>Financial ratios</b>	Losses and loss expense ratio	51.4%	68.6%	49.3%	48.7%	110.9%	69.1%	56.1%
	Policy acquisition costs ratio	17.3%	16.6%	16.9%	18.4%	18.0%	17.4%	16.6%
	General and administration expenses ratio	15.9%	12.2%	9.4%	16.1%	14.1%	12.9%	13.5%
	Expense ratio	33.2%	28.8%	26.3%	34.5%	32.1%	30.3%	30.1%
	Combined ratio	84.6%	97.4%	75.6%	83.2%	143.0%	99.4%	86.2%
	Annualized return on average equity (c)	14.2%	3.2%	6.6%	13.1%	(20.2)%	0.6%	10.8%
	Annualized net operating return on average equity (d)	10.6%	2.7%	13.1%	9.7%	(19.4)%	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 32.

(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 32.



**Validus Holdings, Ltd.**

**Summary Consolidated Balance Sheets**

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

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
<b>Assets</b>						
Fixed maturities, at fair value	\$ 5,015,210	\$ 4,894,145	\$ 4,777,686	\$ 4,603,534	\$ 4,589,849	\$ 4,823,867
Short-term investments, at fair value	304,149	280,191	547,452	725,258	565,620	273,514
Other investments, at fair value	16,803	16,787	15,905	18,746	19,772	21,478
Cash and cash equivalents	917,396	832,844	855,982	815,921	717,444	620,740
Total investments and cash	6,253,558	6,023,967	6,197,025	6,163,459	5,892,685	5,739,599
Investment in non-consolidated affiliate	56,398	53,031	-	-	-	-
Premiums receivable	894,698	646,354	808,472	1,046,775	916,012	568,761
Deferred acquisition costs	170,722	121,505	154,694	176,724	174,361	123,897
Prepaid reinsurance premiums	125,407	91,381	141,631	177,729	115,522	71,417
Securities lending collateral	419	7,736	24,250	21,409	33,143	22,328
Loss reserves recoverable	351,292	372,485	386,200	439,805	453,701	283,134
Paid losses recoverable	47,657	90,495	80,917	30,854	26,483	27,996
Income taxes recoverable	967	-	3,057	3,503	876	1,142
Intangible assets	113,691	114,731	115,773	116,813	117,853	118,893
Goodwill	20,393	20,393	20,393	20,393	20,393	20,393
Accrued investment income	24,387	25,906	27,062	21,320	33,282	33,726
Other assets	62,280	50,487	41,266	41,004	41,379	49,592
<b>Total assets</b>	<b>\$ 8,121,869</b>	<b>\$ 7,618,471</b>	<b>\$ 8,000,740</b>	<b>\$ 8,259,788</b>	<b>\$ 7,825,690</b>	<b>\$ 7,060,878</b>
<b>Liabilities</b>						
Reserve for losses and loss expenses	\$ 2,649,610	\$ 2,631,143	\$ 2,565,912	\$ 2,620,360	\$ 2,534,415	\$ 2,035,973
Unearned premiums	1,085,446	772,382	1,058,593	1,192,772	1,083,164	728,516
Reinsurance balances payable	152,724	119,899	103,997	181,013	157,645	63,667
Securities lending payable	1,108	8,462	25,000	22,133	33,878	23,093
Deferred income taxes	17,556	16,720	24,195	22,122	22,705	24,908
Net payable for investments purchased	63,427	1,256	12,549	49,479	59,671	43,896
Accounts payable and accrued expenses	75,678	83,402	83,647	91,969	82,190	99,320
Senior notes payable	247,009	246,982	246,955	246,928	246,901	246,874
Debentures payable	289,800	289,800	289,800	289,800	289,800	289,800
<b>Total liabilities</b>	<b>4,582,358</b>	<b>4,170,046</b>	<b>4,410,648</b>	<b>4,716,576</b>	<b>4,510,369</b>	<b>3,556,047</b>
<b>Shareholders' equity</b>						
Common shares	\$ 23,580	\$ 23,538	\$ 23,463	\$ 23,414	\$ 23,331	\$ 23,247
Treasury shares	(6,196)	(6,131)	(6,131)	(6,131)	(6,131)	(6,096)
Additional paid-in-capital	1,886,776	1,893,890	1,886,897	1,880,748	1,870,104	1,860,960
Accumulated other comprehensive (loss)	(5,208)	(6,601)	(4,932)	(4,519)	(4,498)	(5,455)
Retained earnings	1,640,559	1,543,729	1,544,572	1,514,805	1,432,515	1,632,175
<b>Total shareholders' equity available to Validus</b>	<b>3,539,511</b>	<b>3,448,425</b>	<b>3,443,869</b>	<b>3,408,317</b>	<b>3,315,321</b>	<b>3,504,831</b>
Noncontrolling interest	-	-	146,223	134,895	-	-
<b>Total shareholders' equity</b>	<b>3,539,511</b>	<b>3,448,425</b>	<b>3,590,092</b>	<b>3,543,212</b>	<b>3,315,321</b>	<b>3,504,831</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,121,869</b>	<b>\$ 7,618,471</b>	<b>\$ 8,000,740</b>	<b>\$ 8,259,788</b>	<b>\$ 7,825,690</b>	<b>\$ 7,060,878</b>
Book value per common share	\$ 35.63	\$ 34.67	\$ 34.77	\$ 34.51	\$ 33.73	\$ 35.76
Diluted book value per common share	\$ 33.25	\$ 32.28	\$ 32.23	\$ 31.91	\$ 31.32	\$ 32.98
Diluted book value per common share plus accumulated dividends	\$ 36.98	\$ 35.76	\$ 35.46	\$ 34.89	\$ 34.05	\$ 35.46



**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 March 31, 2012				At December 31, 2011			
	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share
<b><u>Book value per common share, reported</u></b>								
<b>Book value per common share</b>								
Total shareholders' equity	\$ 3,539,511	99,340,458		\$ 35.63	\$ 3,448,425	99,471,080		\$ 34.67
<b>Diluted book value per common share</b>								
Total shareholders' equity	\$ 3,539,511	99,340,458			\$ 3,448,425	99,471,080		
Assumed exercise of outstanding warrants (b)	121,445	6,916,677	\$ 17.56		121,445	6,916,677	\$ 17.56	
Assumed exercise of outstanding stock options (b)	45,353	2,255,863	\$ 20.10		45,530	2,263,012	\$ 20.12	
Unvested restricted shares	-	2,959,670			-	3,340,729		
Diluted book value per common share	\$ 3,706,309	111,472,668		\$ 33.25	\$ 3,615,400	111,991,498		\$ 32.28
<b><u>Book value per common share, adjusted (c)</u></b>								
<b>Book value per common share</b>								
Total shareholders' equity	\$ 3,539,511				\$ 3,448,425			
Accumulated other comprehensive loss	5,208				6,601			
Unrealized (gains) on investments	(64,193)				(36,117)			
Total shareholders' equity, adjusted	\$ 3,480,526	99,340,458		\$ 35.04	\$ 3,418,909	99,471,080		\$ 34.37
<b>Diluted book value per common share</b>								
Total shareholders' equity, adjusted	\$ 3,480,526	99,340,458			\$ 3,418,909	99,471,080		
Assumed exercise of outstanding warrants (b)	121,445	6,916,677	\$ 17.56		121,445	6,916,677	\$ 17.56	
Assumed exercise of outstanding stock options (b)	45,353	2,255,863	\$ 20.10		45,530	2,263,012	\$ 20.12	
Unvested restricted shares	-	2,959,670			-	3,340,729		
Diluted book value per common share	\$ 3,647,324	111,472,668		\$ 32.72	\$ 3,585,884	111,991,498		\$ 32.02

**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		
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011	December 31, 2010
<b>Cash flows provided by (used in) operating activities</b>							
Net income (loss)	\$ 124,234	\$ 35,007	\$ 70,001	\$ 110,478	\$ (172,364)	\$ 43,122	\$ 402,564
Adjustments to reconcile net income to cash provided by (used in) operating activities:							
Share compensation expenses	5,438	7,237	7,382	7,628	12,049	34,296	28,911
Amortization of discount on senior notes	27	27	27	27	27	108	81
Net realized (gains) on investments	(7,532)	(5,355)	(5,246)	(11,552)	(6,379)	(28,532)	(32,498)
Net unrealized (gains) losses on investments	(20,671)	(2,159)	27,848	(18,526)	12,828	19,991	(45,952)
Amortization of intangible assets	1,040	1,042	1,040	1,040	1,040	4,162	4,162
Equity earnings in investment in non-consolidated affiliate	(3,367)	-	-	-	-	-	-
Foreign exchange (gains) losses included in net income	(13,070)	57	22,331	(8,035)	(4,694)	9,659	(1,451)
Amortization of premium on fixed maturities	7,517	7,680	7,223	7,705	8,542	31,150	32,175
Change in:							
Premiums receivable	(246,039)	162,300	235,185	(130,094)	(345,025)	(77,634)	(19,011)
Deferred acquisition costs	(49,217)	33,189	22,030	(2,363)	(50,464)	2,392	(11,568)
Prepaid reinsurance premiums	(34,026)	50,250	36,098	(62,207)	(44,105)	(19,964)	1,747
Loss reserves recoverable	22,916	13,816	51,954	13,834	(168,836)	(89,232)	(102,268)
Paid losses recoverable	42,903	(9,713)	(50,028)	(4,371)	1,546	(62,566)	(13,244)
Income taxes recoverable	(1,004)	3,380	236	(2,706)	306	1,216	994
Accrued investment income	1,565	1,130	(5,786)	11,962	444	7,750	4,351
Other assets	(10,880)	(8,314)	(1,611)	3,942	5,409	(574)	(13,198)
Reserve for losses and loss expenses	8,702	65,400	(44,907)	86,476	489,356	596,325	419,350
Unearned premiums	313,064	(286,211)	(134,179)	109,608	354,648	43,866	4,412
Reinsurance balances payable	31,701	15,835	(75,874)	23,425	92,655	56,041	(659)
Deferred income taxes	1,029	(7,628)	2,093	1,280	(3,891)	(8,146)	277
Accounts payable and accrued expenses	(9,425)	(1,733)	(5,528)	3,506	(14,535)	(18,290)	(29,174)
<b>Net cash provided by operating activities</b>	<b>164,905</b>	<b>75,237</b>	<b>160,289</b>	<b>141,057</b>	<b>168,557</b>	<b>545,140</b>	<b>630,001</b>
<b>Cash flows provided by (used in) investing activities</b>							
Proceeds on sales of investments	939,646	634,033	769,658	1,073,598	1,581,206	4,058,495	5,349,053
Proceeds on maturities of investments	108,360	86,412	71,539	86,426	108,629	353,006	349,851
Purchases of fixed maturities	(1,080,442)	(853,526)	(1,083,563)	(1,164,283)	(1,449,698)	(4,551,070)	(5,612,979)
(Purchases) sales of short-term investments, net	(23,943)	58,884	177,767	(159,575)	(292,131)	(215,055)	208,278
(Purchases) sales of other investments	(947)	(397)	555	3,809	-	3,967	17,210
Decrease (increase) in securities lending collateral	7,354	16,538	(2,867)	11,745	(10,785)	14,631	67,013
Proceeds on sale of AlphaCat Re 2011	-	11,000	-	-	-	11,000	-
Cash (redeemed) in deconsolidation of AlphaCat Re 2011	-	(67,808)	-	-	-	(67,808)	-
<b>Net cash (used in) provided by investing activities</b>	<b>(49,972)</b>	<b>(114,864)</b>	<b>(66,911)</b>	<b>(148,280)</b>	<b>(62,779)</b>	<b>(392,834)</b>	<b>378,426</b>
<b>Cash flows provided by (used in) financing activities</b>							
Net proceeds on issuance of senior notes	-	-	-	-	-	-	246,793
(Redemption) issuance of common shares, net	(1,267)	(169)	(1,184)	3,099	3,139	4,885	7,966
Purchases of common shares under share repurchase program	(11,308)	-	-	-	(5,995)	(5,995)	(856,926)
Dividends paid	(26,997)	(26,583)	(27,108)	(26,804)	(27,196)	(107,691)	(105,662)
(Decrease) increase in securities lending payable	(7,354)	(16,538)	2,867	(11,745)	10,785	(14,631)	(67,013)
Third party investment in noncontrolling interest	-	60,000	(2,188)	134,301	-	192,113	-
<b>Net cash (used in) provided by financing activities</b>	<b>(46,926)</b>	<b>16,710</b>	<b>(27,613)</b>	<b>98,851</b>	<b>(19,267)</b>	<b>68,681</b>	<b>(774,842)</b>
Effect of foreign currency rate changes on cash and cash equivalents	16,545	(221)	(25,704)	6,849	10,193	(8,883)	(430)
Net increase (decrease) in cash	84,552	(23,138)	40,061	98,477	96,704	212,104	233,155
<b>Cash and cash equivalents - beginning of period</b>	<b>832,844</b>	<b>\$ 855,982</b>	<b>\$ 815,921</b>	<b>\$ 717,444</b>	<b>\$ 620,740</b>	<b>\$ 620,740</b>	<b>\$ 387,585</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 917,396</b>	<b>\$ 832,844</b>	<b>\$ 855,982</b>	<b>\$ 815,921</b>	<b>\$ 717,444</b>	<b>\$ 832,844</b>	<b>\$ 620,740</b>
<b>Taxes paid (recovered) during the period</b>	<b>\$ 3,194</b>	<b>\$ (956)</b>	<b>\$ (303)</b>	<b>\$ (3,399)</b>	<b>\$ 26</b>	<b>\$ (4,632)</b>	<b>\$ 2,379</b>
<b>Interest paid during the period</b>	<b>\$ 15,611</b>	<b>\$ 4,441</b>	<b>\$ 15,513</b>	<b>\$ 6,365</b>	<b>\$ 17,458</b>	<b>\$ 43,777</b>	<b>\$ 36,552</b>
<b>Losses paid during the period</b>	<b>\$ 204,223</b>	<b>\$ 258,467</b>	<b>\$ 200,256</b>	<b>\$ 121,046</b>	<b>\$ 163,257</b>	<b>\$ 743,026</b>	<b>\$ 673,422</b>



**Validus Holdings, Ltd.**

**Consolidated Statements of Comprehensive Income (Loss)**

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

	Three Months Ended				Year Ended		
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011	December 31, 2010
<b>Revenues</b>							
Gross premiums written	\$ 837,289	\$ 278,279	\$ 391,129	\$ 605,387	\$ 849,896	\$ 2,124,691	\$ 1,990,566
Reinsurance premiums ceded	(107,052)	(16,489)	(30,586)	(132,346)	(109,820)	(289,241)	(229,482)
Net premiums written	730,237	261,790	360,543	473,041	740,076	1,835,450	1,761,084
Change in unearned premiums	(279,038)	226,556	98,081	(47,401)	(310,543)	(33,307)	39
Net premiums earned	451,199	488,346	458,624	425,640	429,533	1,802,143	1,761,123
Net investment income	27,760	28,080	27,747	26,494	29,975	112,296	134,103
Net realized gains on investments	7,532	5,355	5,246	11,552	6,379	28,532	32,498
Net unrealized gains (losses) on investments	20,671	2,159	(27,848)	18,526	(12,828)	(19,991)	45,952
Other income	8,891	3,517	-	595	1,606	5,718	5,219
Foreign exchange gains (losses)	3,166	266	(19,932)	(1,991)	(467)	(22,124)	1,351
<b>Total revenues</b>	<b>519,219</b>	<b>527,723</b>	<b>443,837</b>	<b>480,816</b>	<b>454,198</b>	<b>1,906,574</b>	<b>1,980,246</b>
<b>Expenses</b>							
Losses and loss expenses	231,989	334,829	226,067	207,307	476,198	1,244,401	987,586
Policy acquisition costs	78,132	81,253	77,405	78,230	77,296	314,184	292,899
General and administrative expenses	66,375	52,253	35,926	60,841	48,477	197,497	209,290
Share compensation expenses	5,438	7,237	7,382	7,628	12,049	34,296	28,911
Finance expenses	16,279	13,520	10,935	16,361	14,001	54,817	55,870
Transaction expenses (a)	-	3,850	13,583	-	-	17,433	-
<b>Total expenses</b>	<b>398,213</b>	<b>492,942</b>	<b>371,298</b>	<b>370,367</b>	<b>628,021</b>	<b>1,862,628</b>	<b>1,574,556</b>
<b>Net income (loss) before taxes</b>	<b>121,006</b>	<b>34,781</b>	<b>72,539</b>	<b>110,449</b>	<b>(173,823)</b>	<b>43,946</b>	<b>405,690</b>
Tax (expense) benefit	(139)	226	(2,538)	29	1,459	(824)	(3,126)
Equity earnings in non-consolidated affiliate	3,367	-	-	-	-	-	-
<b>Net income (loss)</b>	<b>124,234</b>	<b>35,007</b>	<b>70,001</b>	<b>110,478</b>	<b>(172,364)</b>	<b>43,122</b>	<b>402,564</b>
Net income attributable to noncontrolling interest	-	(7,683)	(13,516)	(594)	-	(21,793)	-
<b>Net income (loss) available (attributable) to Validus</b>	<b>\$ 124,234</b>	<b>\$ 27,324</b>	<b>\$ 56,485</b>	<b>\$ 109,884</b>	<b>\$ (172,364)</b>	<b>\$ 21,329</b>	<b>\$ 402,564</b>
<b>Other comprehensive income (loss)</b>							
Foreign currency translation adjustments	1,393	(1,669)	(413)	(21)	957	(1,146)	(604)
<b>Other comprehensive income (loss)</b>	<b>1,393</b>	<b>(1,669)</b>	<b>(413)</b>	<b>(21)</b>	<b>957</b>	<b>(1,146)</b>	<b>(604)</b>
<b>Comprehensive income (loss) available (attributable) to Validus</b>	<b>\$ 125,627</b>	<b>\$ 25,655</b>	<b>\$ 56,072</b>	<b>\$ 109,863</b>	<b>\$ (171,407)</b>	<b>\$ 20,183</b>	<b>\$ 401,960</b>
<b>Earnings per share</b>							
Weighted average number of common shares and common share equivalents outstanding							
Basic	99,425,140	99,137,696	98,961,795	98,385,924	97,944,340	98,607,439	116,018,364
Diluted	105,096,090	101,324,291	100,823,335	104,562,450	97,944,340	100,928,284	120,630,945
<b>Basic earnings (loss) per share available (attributable) to common shareholders</b>	<b>\$ 1.23</b>	<b>\$ 0.26</b>	<b>\$ 0.55</b>	<b>\$ 1.10</b>	<b>\$ (1.78)</b>	<b>\$ 0.14</b>	<b>\$ 3.41</b>
<b>Diluted earnings (loss) per share available (attributable) to common shareholders</b>	<b>\$ 1.18</b>	<b>\$ 0.25</b>	<b>\$ 0.54</b>	<b>\$ 1.05</b>	<b>\$ (1.78)</b>	<b>\$ 0.14</b>	<b>\$ 3.34</b>
<b>Cash dividends declared per share</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 0.25</b>	<b>\$ 1.00</b>	<b>\$ 0.88</b>

**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		
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011	December 31, 2010
<b>Underwriting income</b>							
Gross premiums written	\$ 837,289	\$ 278,279	\$ 391,129	\$ 605,387	\$ 849,896	\$ 2,124,691	\$ 1,990,566
Reinsurance premiums ceded	(107,052)	(16,489)	(30,586)	(132,346)	(109,820)	(289,241)	(229,482)
Net premiums written	730,237	261,790	360,543	473,041	740,076	1,835,450	1,761,084
Change in unearned premiums	(279,038)	226,556	98,081	(47,401)	(310,543)	(33,307)	39
<b>Net premiums earned</b>	<b>451,199</b>	<b>488,346</b>	<b>458,624</b>	<b>425,640</b>	<b>429,533</b>	<b>1,802,143</b>	<b>1,761,123</b>
<b>Underwriting deductions</b>							
Losses and loss expenses	231,989	334,829	226,067	207,307	476,198	1,244,401	987,586
Policy acquisition costs	78,132	81,253	77,405	78,230	77,296	314,184	292,899
General and administrative expenses	66,375	52,253	35,926	60,841	48,477	197,497	209,290
Share compensation expenses	5,438	7,237	7,382	7,628	12,049	34,296	28,911
<b>Total underwriting deductions</b>	<b>381,934</b>	<b>475,572</b>	<b>346,780</b>	<b>354,006</b>	<b>614,020</b>	<b>1,790,378</b>	<b>1,518,686</b>
<b>Underwriting income (loss)</b>	<b>\$ 69,265</b>	<b>\$ 12,774</b>	<b>\$ 111,844</b>	<b>\$ 71,634</b>	<b>\$ (184,487)</b>	<b>\$ 11,765</b>	<b>\$ 242,437</b>
Net investment income	27,760	28,080	27,747	26,494	29,975	112,296	134,103
Other income	8,891	3,517	-	595	1,606	5,718	5,219
Finance expenses	(16,279)	(13,520)	(10,935)	(16,361)	(14,001)	(54,817)	(55,870)
<b>Operating income (loss) before taxes</b>	<b>89,637</b>	<b>30,851</b>	<b>128,656</b>	<b>82,362</b>	<b>(166,907)</b>	<b>74,962</b>	<b>325,889</b>
Tax (expense) benefit	(139)	226	(2,538)	29	1,459	(824)	(3,126)
Equity earnings in non-consolidated affiliate	3,367	-	-	-	-	-	-
<b>Net operating income (loss) (a)</b>	<b>\$ 92,865</b>	<b>\$ 31,077</b>	<b>\$ 126,118</b>	<b>\$ 82,391</b>	<b>\$ (165,448)</b>	<b>\$ 74,138</b>	<b>\$ 322,763</b>
Net realized gains on investments	7,532	5,355	5,246	11,552	6,379	28,532	32,498
Net unrealized gains (losses) on investments	20,671	2,159	(27,848)	18,526	(12,828)	(19,991)	45,952
Foreign exchange gains (losses)	3,166	266	(19,932)	(1,991)	(467)	(22,124)	1,351
Transaction expenses (c)	-	(3,850)	(13,583)	-	-	(17,433)	-
<b>Net income (loss)</b>	<b>\$ 124,234</b>	<b>\$ 35,007</b>	<b>\$ 70,001</b>	<b>\$ 110,478</b>	<b>\$ (172,364)</b>	<b>\$ 43,122</b>	<b>\$ 402,564</b>
Net income attributable to noncontrolling interest	-	(7,683)	(13,516)	(594)	-	(21,793)	-
<b>Net income (loss) available to Validus</b>	<b>\$ 124,234</b>	<b>\$ 27,324</b>	<b>\$ 56,485</b>	<b>\$ 109,884</b>	<b>\$ (172,364)</b>	<b>\$ 21,329</b>	<b>\$ 402,564</b>
<b>Selected ratios:</b>							
Net premiums written / Gross premiums written	87.2%	94.1%	92.2%	78.1%	87.1%	86.4%	88.5%
Losses and loss expenses	51.4%	68.6%	49.3%	48.7%	110.9%	69.1%	56.1%
Policy acquisition costs	17.3%	16.6%	16.9%	18.4%	18.0%	17.4%	16.6%
General and administrative expenses (b)	15.9%	12.2%	9.4%	16.1%	14.1%	12.9%	13.5%
Expense ratio	33.2%	28.8%	26.3%	34.5%	32.1%	30.3%	30.1%
Combined ratio	84.6%	97.4%	75.6%	83.2%	143.0%	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 32.

(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) (c)					
	March 31, 2012			March 31, 2011		
	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income
<b>Basic earnings per share (b)</b>						
Income (loss)	\$ 92,865	\$ 124,234	\$ 125,627	\$ (165,448)	\$ (172,364)	\$ (171,407)
less: Dividends and distributions declared on outstanding warrants	<u>(1,729)</u>	<u>(1,729)</u>	<u>(1,729)</u>	<u>(1,984)</u>	<u>(1,984)</u>	<u>(1,984)</u>
Income (loss) available to common shareholders	<u>\$ 91,136</u>	<u>\$ 122,505</u>	<u>\$ 123,898</u>	<u>\$ (167,432)</u>	<u>\$ (174,348)</u>	<u>\$ (173,391)</u>
Weighted average number of common shares outstanding	99,425,140	99,425,140	99,425,140	97,944,340	97,944,340	97,944,340
<b>Basic income per share available to common shareholders</b>	<u><u>\$ 0.92</u></u>	<u><u>\$ 1.23</u></u>	<u><u>\$ 1.25</u></u>	<u><u>\$ (1.71)</u></u>	<u><u>\$ (1.78)</u></u>	<u><u>\$ (1.77)</u></u>
<b>Diluted earnings per share (b)</b>						
Income (loss)	\$ 92,865	\$ 124,234	\$ 125,627	\$ (165,448)	\$ (172,364)	\$ (171,407)
less: Dividends and distributions declared on outstanding warrants	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,984)</u>	<u>(1,984)</u>	<u>(1,984)</u>
Income (loss) available to common shareholders	<u>\$ 92,865</u>	<u>\$ 124,234</u>	<u>\$ 125,627</u>	<u>\$ (167,432)</u>	<u>\$ (174,348)</u>	<u>\$ (173,391)</u>
Weighted average number of common shares outstanding	99,425,140	99,425,140	99,425,140	97,944,340	97,944,340	97,944,340
Share equivalents:						
Warrants	3,022,971	3,022,971	3,022,971	-	-	-
Stock options	813,863	813,863	813,863	-	-	-
Unvested restricted shares	<u>1,834,116</u>	<u>1,834,116</u>	<u>1,834,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of diluted common shares outstanding	<u>105,096,090</u>	<u>105,096,090</u>	<u>105,096,090</u>	<u>97,944,340</u>	<u>97,944,340</u>	<u>97,944,340</u>
<b>Diluted earnings per share available to common shareholders</b>	<u><u>\$ 0.88</u></u>	<u><u>\$ 1.18</u></u>	<u><u>\$ 1.20</u></u>	<u><u>\$ (1.71)</u></u>	<u><u>\$ (1.78)</u></u>	<u><u>\$ (1.77)</u></u>

**Notes:**

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

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

(c) Due to the net loss incurred in the three months ended March 31, 2011, share equivalents were not included in the computation of diluted earnings per share, because of their anti-dilutive effect.



**Validus Holdings, Ltd.**

**Computation of Weighted Average Dilutive Shares Outstanding**

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

	<b>Three Months Ended (a)</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Average fair value per share	\$ 31.19	\$ 30.76
Basic weighted average common shares outstanding	99,425,140	97,944,340
Add: weighted average unvested restricted shares	2,959,670	-
Proceeds from unrecognized restricted share expenses	\$ 35,106	\$ -
Less: restricted shares bought back via treasury method	(1,125,554)	-
Add: weighted average dilutive warrants outstanding	6,916,677	-
Weighted average exercise price per share	\$ 17.56	\$ -
Less: warrants bought back via treasury method	(3,893,706)	-
Add: weighted average dilutive options outstanding	2,255,863	-
Weighted average exercise price per share	\$ 20.10	\$ -
Proceeds from unrecognized option expenses	\$ 74	\$ -
Less: options bought back via treasury method	(1,442,000)	-
<b>Weighted average dilutive shares outstanding</b>	<b>105,096,090</b>	<b>97,944,340</b>

(a) Due to the net loss incurred in the three months ended March 31, 2011, share equivalents were not included in the computation of diluted earnings per share, because of their anti-dilutive effect.



Validus Holdings, Ltd.

Consolidated Segment Income Statement - Three months ended

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

	Three Months Ended March 31, 2012							Three Months Ended March 31, 2011						
	Validus Re Segment	AlphaCat Segment	Legal Entity Adjustments	Validus Re Consolidated	Talbot Segment	Corporate & Eliminations	Total	Validus Re Segment	AlphaCat Segment	Legal Entity Adjustments	Validus Re Consolidated	Talbot Segment	Corporate & Eliminations	Total
<b>Underwriting income</b>														
Gross premiums written	\$ 566,866	\$ 3,518	\$ -	\$ 570,384	\$ 293,253	\$ (26,348)	\$ 837,289	\$ 604,088	\$ 7,150	\$ -	\$ 611,238	\$ 263,057	\$ (24,399)	\$ 849,896
Reinsurance premiums ceded	(30,001)	-	-	(30,001)	(103,399)	26,348	(107,052)	(46,805)	-	-	(46,805)	(87,414)	24,399	(109,820)
Net premiums written	536,865	3,518	-	540,383	189,854	-	730,237	557,283	7,150	-	564,433	175,643	-	740,076
Change in unearned premiums	(283,856)	(855)	-	(284,711)	5,673	-	(279,038)	(308,340)	(3,784)	-	(312,124)	1,581	-	(310,543)
<b>Net premiums earned</b>	<b>253,009</b>	<b>2,663</b>	<b>-</b>	<b>255,672</b>	<b>195,527</b>	<b>-</b>	<b>451,199</b>	<b>248,943</b>	<b>3,366</b>	<b>-</b>	<b>252,309</b>	<b>177,224</b>	<b>-</b>	<b>429,533</b>
<b>Underwriting deductions</b>														
Losses and loss expenses	124,206	-	-	124,206	107,783	-	231,989	310,544	-	-	310,544	165,654	-	476,198
Policy acquisition costs	38,790	256	-	39,046	38,738	348	78,132	39,750	316	-	40,066	37,216	14	77,296
General and administrative expenses	17,252	1,032	449	18,733	33,348	14,294	66,375	10,657	894	1,347	12,898	28,722	6,857	48,477
Share compensation expenses	1,872	52	152	2,076	1,348	2,014	5,438	3,105	27	328	3,460	2,719	5,870	12,049
<b>Total underwriting deductions</b>	<b>182,120</b>	<b>1,340</b>	<b>601</b>	<b>184,061</b>	<b>181,217</b>	<b>16,656</b>	<b>381,934</b>	<b>364,056</b>	<b>1,237</b>	<b>1,675</b>	<b>366,968</b>	<b>234,311</b>	<b>12,741</b>	<b>614,020</b>
<b>Underwriting income (loss)</b>	<b>\$ 70,889</b>	<b>\$ 1,323</b>	<b>\$ (601)</b>	<b>\$ 71,611</b>	<b>\$ 14,310</b>	<b>\$ (16,656)</b>	<b>\$ 69,265</b>	<b>\$ (115,113)</b>	<b>\$ 2,129</b>	<b>\$ (1,675)</b>	<b>\$ (114,659)</b>	<b>\$ (57,087)</b>	<b>\$ (12,741)</b>	<b>\$ (184,487)</b>
Net investment income	23,577	659	-	24,236	5,790	(2,266)	27,760	24,432	1,219	-	25,651	6,590	(2,266)	29,975
Other income	2,219	7,974	890	11,083	1,026	(3,218)	8,891	1,418	641	230	2,289	3,017	(3,700)	1,606
Finance expenses	(3,694)	(2)	-	(3,696)	(31)	(12,552)	(16,279)	(1,713)	-	-	(1,713)	(63)	(12,225)	(14,001)
<b>Operating income (loss) before taxes</b>	<b>92,991</b>	<b>9,954</b>	<b>289</b>	<b>103,234</b>	<b>21,095</b>	<b>(34,692)</b>	<b>89,637</b>	<b>(90,976)</b>	<b>3,989</b>	<b>(1,445)</b>	<b>(88,432)</b>	<b>(47,543)</b>	<b>(30,932)</b>	<b>(166,907)</b>
Tax (expense) benefit	(7)	-	-	(7)	(132)	-	(139)	(2)	-	-	(2)	1,793	(332)	1,459
Equity earnings in non-consolidated affiliate	-	3,367	-	3,367	-	-	3,367	-	-	-	-	-	-	-
<b>Net operating income (loss) (a)</b>	<b>\$ 92,984</b>	<b>\$ 13,321</b>	<b>\$ 289</b>	<b>\$ 106,594</b>	<b>\$ 20,963</b>	<b>\$ (34,692)</b>	<b>\$ 92,865</b>	<b>\$ (90,978)</b>	<b>\$ 3,989</b>	<b>\$ (1,445)</b>	<b>\$ (88,434)</b>	<b>\$ (45,750)</b>	<b>\$ (31,264)</b>	<b>\$ (165,448)</b>
Net realized gains on investments	6,242	-	-	6,242	1,290	-	7,532	3,901	18	-	3,919	2,460	-	6,379
Net unrealized gains (losses) on investments	19,865	(597)	-	19,268	1,403	-	20,671	(7,676)	(839)	-	(8,515)	(4,313)	-	(12,828)
Foreign exchange (losses) gains	(262)	(9)	-	(271)	3,623	(186)	3,166	(4,270)	(90)	-	(4,360)	3,901	(8)	(467)
<b>Net income (loss)</b>	<b>\$ 118,829</b>	<b>\$ 12,715</b>	<b>\$ 289</b>	<b>\$ 131,833</b>	<b>\$ 27,279</b>	<b>\$ (34,878)</b>	<b>\$ 124,234</b>	<b>\$ (99,023)</b>	<b>\$ 3,078</b>	<b>\$ (1,445)</b>	<b>\$ (97,390)</b>	<b>\$ (43,702)</b>	<b>\$ (31,272)</b>	<b>\$ (172,364)</b>
<b>Selected ratios:</b>														
Net premiums written / Gross premiums written	94.7%	100.0%			64.7%		87.2%	92.3%	100.0%			66.8%		87.1%
Losses and loss expenses	49.1%	0.0%			55.1%		51.4%	124.7%	0.0%			93.5%		110.9%
Policy acquisition costs	15.3%	9.6%			19.8%		17.3%	16.0%	9.4%			21.0%		18.0%
General and administrative expenses (b)	7.6%	40.7%			17.7%		15.9%	5.5%	27.4%			17.7%		14.1%
Expense ratio	22.9%	50.3%			37.5%		33.2%	21.5%	36.8%			38.7%		32.1%
Combined ratio	72.0%	50.3%			92.6%		84.6%	146.2%	36.8%			132.2%		143.0%

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 32.

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



Validus Holdings, Ltd.

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

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

	Three Months Ended March 31, 2012				Three Months Ended March 31, 2011			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 318,485	\$ 198,427	\$ 49,954	\$ 566,866	\$ 358,118	\$ 185,033	\$ 60,937	\$ 604,088
Reinsurance premiums ceded	(29,344)	(125)	(532)	(30,001)	(46,680)	376	(501)	(46,805)
Net premiums written	289,141	198,302	49,422	536,865	311,438	185,409	60,436	557,283
Change in unearned premiums	(129,093)	(126,425)	(28,338)	(283,856)	(138,034)	(131,551)	(38,755)	(308,340)
<b>Net premiums earned</b>	<b>160,048</b>	<b>71,877</b>	<b>21,084</b>	<b>253,009</b>	<b>173,404</b>	<b>53,858</b>	<b>21,681</b>	<b>248,943</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	31,797	85,877	6,532	124,206	220,106	84,660	5,778	310,544
Policy acquisition costs	23,914	11,521	3,355	38,790	25,559	10,510	3,681	39,750
<b>Total underwriting deductions before G&amp;A</b>	<b>55,711</b>	<b>97,398</b>	<b>9,887</b>	<b>162,996</b>	<b>245,665</b>	<b>95,170</b>	<b>9,459</b>	<b>350,294</b>
<b>Underwriting income (loss) before G&amp;A</b>	<b>\$ 104,337</b>	<b>\$ (25,521)</b>	<b>\$ 11,197</b>	<b>\$ 90,013</b>	<b>\$ (72,261)</b>	<b>\$ (41,312)</b>	<b>\$ 12,222</b>	<b>\$ (101,351)</b>
General and administrative expenses				17,252				10,657
Share compensation expenses				1,872				3,105
<b>Total underwriting deductions</b>				<b>182,120</b>				<b>364,056</b>
<b>Underwriting income (loss)</b>				<b>\$ 70,889</b>				<b>\$ (115,113)</b>
Net investment income				23,577				24,432
Other income				2,219				1,418
Finance expenses				(3,694)				(1,713)
<b>Operating income (loss) before taxes</b>				<b>92,991</b>				<b>(90,976)</b>
Tax (expense)				(7)				(2)
<b>Net operating income (loss) (b)</b>				<b>\$ 92,984</b>				<b>\$ (90,978)</b>
Net realized gains on investments				6,242				3,901
Net unrealized gains (losses) on investments				19,865				(7,676)
Foreign exchange (losses)				(262)				(4,270)
<b>Net income (loss)</b>				<b>\$ 118,829</b>				<b>\$ (99,023)</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	90.8%	99.9%	98.9%	94.7%	87.0%	100.2%	99.2%	92.3%
Losses and loss expenses	19.9%	119.5%	31.0%	49.1%	126.9%	157.2%	26.7%	124.7%
Policy acquisition costs	14.9%	16.0%	15.9%	15.3%	14.7%	19.5%	17.0%	16.0%
General and administrative expenses (c)				7.6%				5.5%
Expense ratio				22.9%				21.5%
Combined ratio				72.0%				146.2%

Notes:

(a) Specialty class includes Aerospace & Aviation, Agriculture, Financial, Life and A&H, Nuclear, Terrorism, Workers' Compensation, Crisis Management, Contingency 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 March 31, 2012				Three Months Ended March 31, 2011			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 81,534	\$ 109,998	\$ 101,721	\$ 293,253	\$ 70,729	\$ 104,935	\$ 87,393	\$ 263,057
Reinsurance premiums ceded	(49,417)	(22,174)	(31,808)	(103,399)	(38,362)	(18,162)	(30,890)	(87,414)
Net premiums written	32,117	87,824	69,913	189,854	32,367	86,773	56,503	175,643
Change in unearned premiums	12,505	(13,960)	7,128	5,673	6,576	(22,334)	17,339	1,581
<b>Net premiums earned</b>	<u>44,622</u>	<u>73,864</u>	<u>77,041</u>	<u>195,527</u>	<u>38,943</u>	<u>64,439</u>	<u>73,842</u>	<u>177,224</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	25,271	43,765	38,747	107,783	73,188	50,745	41,721	165,654
Policy acquisition costs	3,372	18,285	17,081	38,738	3,366	16,593	17,257	37,216
<b>Total underwriting deductions before G&amp;A</b>	<u>28,643</u>	<u>62,050</u>	<u>55,828</u>	<u>146,521</u>	<u>76,554</u>	<u>67,338</u>	<u>58,978</u>	<u>202,870</u>
<b>Underwriting income (loss) before G&amp;A</b>	<b>\$ 15,979</b>	<b>\$ 11,814</b>	<b>\$ 21,213</b>	<b>\$ 49,006</b>	<b>\$ (37,611)</b>	<b>\$ (2,899)</b>	<b>\$ 14,864</b>	<b>\$ (25,646)</b>
General and administrative expenses				33,348				28,722
Share compensation expenses				1,348				2,719
<b>Total underwriting deductions</b>				<u>181,217</u>				<u>234,311</u>
<b>Underwriting income (loss)</b>				<b>\$ 14,310</b>				<b>\$ (57,087)</b>
Net investment income				5,790				6,590
Other income				1,026				3,017
Finance expenses				(31)				(63)
<b>Operating income (loss) before taxes</b>				21,095				(47,543)
Tax (expense) benefit				(132)				1,793
<b>Net operating income (loss) (c)</b>				<b>\$ 20,963</b>				<b>\$ (45,750)</b>
Net realized gains on investments				1,290				2,460
Net unrealized gains (losses) on investments				1,403				(4,313)
Foreign exchange gains				3,623				3,901
<b>Net income (loss)</b>				<b>\$ 27,279</b>				<b>\$ (43,702)</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	39.4%	79.8%	68.7%	64.7%	45.8%	82.7%	64.7%	66.8%
Losses and loss expenses	56.6%	59.3%	50.3%	55.1%	187.9%	78.7%	56.5%	93.5%
Policy acquisition costs	7.6%	24.8%	22.2%	19.8%	8.6%	25.7%	23.4%	21.0%
General and administrative expenses (d)				17.7%				17.7%
Expense ratio				37.5%				38.7%
Combined ratio				92.6%				132.2%

**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 Class of Business Policy Type Detail - Gross Premiums Written and Managed Premiums**  
(Expressed in thousands of U.S. Dollars, except share and per share information)

Line of business	Treaty type	Three Months Ended				Year Ended			
		March 31, 2012		March 31, 2011		December 31, 2011		December 31, 2010	
		Gross premiums written	%	Gross premiums written	%	Gross premiums written	%	Gross premiums written (a)	%
<b>Property</b>	Treaty Reinsurance	\$ 337,110	40.3%	\$ 376,687	44.3%	\$ 891,173	41.9%	\$ 810,748	40.7%
	Facultative Reinsurance	26,849	3.1%	31,927	3.8%	123,660	5.8%	139,294	7.0%
	Direct Insurance	17,422	2.1%	10,509	1.2%	84,470	4.0%	87,019	4.4%
		<u>381,381</u>	<u>45.5%</u>	<u>419,123</u>	<u>49.3%</u>	<u>1,099,303</u>	<u>51.7%</u>	<u>1,037,061</u>	<u>52.1%</u>
<b>Marine</b>	Treaty Reinsurance	221,170	26.4%	209,998	24.7%	277,980	13.1%	261,367	13.1%
	Facultative Reinsurance	33,957	4.1%	14,666	1.8%	73,855	3.5%	85,560	4.3%
	Direct Insurance	51,108	6.1%	63,084	7.4%	218,146	10.3%	178,380	9.0%
		<u>306,235</u>	<u>36.6%</u>	<u>287,748</u>	<u>33.9%</u>	<u>569,981</u>	<u>26.9%</u>	<u>525,307</u>	<u>26.4%</u>
<b>Specialty (a)</b>	Treaty Reinsurance	65,449	7.8%	78,125	9.2%	142,127	6.7%	120,319	6.0%
	Facultative Reinsurance	38,962	4.7%	25,097	2.9%	105,696	4.9%	112,941	5.7%
	Direct Insurance	45,262	5.4%	39,803	4.7%	207,584	9.8%	194,938	9.8%
		<u>149,673</u>	<u>17.9%</u>	<u>143,025</u>	<u>16.8%</u>	<u>455,407</u>	<u>21.4%</u>	<u>428,198</u>	<u>21.5%</u>
<b>Total</b>	Treaty Reinsurance	623,729	74.5%	664,810	78.2%	1,311,280	61.7%	1,192,434	59.8%
	Facultative Reinsurance	99,768	11.9%	71,690	8.5%	303,211	14.2%	337,795	17.0%
	Direct Insurance	113,792	13.6%	113,396	13.3%	510,200	24.1%	460,337	23.2%
		<u>\$ 837,289</u>	<u>100.0%</u>	<u>\$ 849,896</u>	<u>100.0%</u>	<u>\$ 2,124,691</u>	<u>100.0%</u>	<u>\$ 1,990,566</u>	<u>100.0%</u>
<b>Managed Premiums</b>									
Total Gross Premiums Written		837,289	91.9%	849,896	100.0%	2,124,691	100.0%	1,990,566	100.0%
Gross Premiums Written on behalf of AlphaCat Re 2011, Ltd.		73,875	8.1%	-	0.0%	-	0.0%	-	0.0%
<b>Total Managed Gross Premiums Written</b>		<u>\$ 911,164</u>	<u>100.0%</u>	<u>\$ 849,896</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 and Managed Premiums**

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

	Three Months Ended				Year Ended		
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011	December 31, 2010
<b>Validus Re</b>							
Property - Cat XOL (a)	\$ 252,955	\$ 10,431	\$ 62,839	\$ 221,496	\$ 296,363	\$ 591,129	\$ 560,078
Property - Per Risk XOL	14,107	10,778	24,475	20,765	14,000	70,017	67,809
Property - Proportional (b)	51,423	12,844	35,304	29,887	47,755	125,791	150,907
Marine	198,427	9,742	32,780	4,846	185,033	232,401	227,135
Aerospace & Aviation (c)	4,196	740	4,247	4,839	5,590	15,416	19,110
Agriculture	4,240	957	888	398	2,927	5,170	2,912
Financial	945	491	265	160	6,636	7,552	3,377
Life and A&H	2,589	14	180	251	3,385	3,830	3,809
Nuclear	796	615	156	2,032	3	2,806	3,531
Terrorism	20,736	7,398	295	4,402	28,074	40,169	37,481
Workers' Compensation	2,133	480	2,027	58	5,209	7,774	7,330
Crisis Management	5,249	1,361	407	1,557	7,523	10,848	5,964
Contingency	5,250	-	-	-	-	-	-
Motor	3,820	-	-	-	1,590	1,590	-
<b>Total Validus Re Segment</b>	<b>566,866</b>	<b>55,851</b>	<b>163,863</b>	<b>290,691</b>	<b>604,088</b>	<b>1,114,493</b>	<b>1,089,443</b>
<b>AlphaCat</b>							
Property - Cat XOL (a)	3,518	62	97	8,405	7,150	15,714	11,796
Property - Alpha Cat Re 2011	-	(1,385)	18,843	42,555	-	60,013	-
<b>Total AlphaCat Segment</b>	<b>3,518</b>	<b>(1,323)</b>	<b>18,940</b>	<b>50,960</b>	<b>7,150</b>	<b>75,727</b>	<b>11,796</b>
<b>Talbot</b>							
Property	62,822	30,650	60,312	57,267	49,559	197,788	191,740
Onshore Energy	18,712	21,143	25,751	40,465	21,170	108,529	123,029
Marine	109,998	74,235	69,159	93,492	104,935	341,821	315,102
Accident & Health	7,327	5,183	6,692	4,711	5,349	21,935	19,715
Aviation, Direct	6,202	32,430	16,782	9,121	7,870	66,203	69,741
Aviation Treaty	19,199	11,012	2,979	12,345	18,237	44,573	44,087
Bloodstock	442	(34)	(34)	817	361	1,110	13,491
Contingency	5,918	4,963	3,556	5,980	5,273	19,772	18,363
Financial Institutions	9,405	11,794	9,438	8,632	7,667	37,531	39,646
War	53,228	43,866	44,302	44,056	42,636	174,860	146,159
<b>Total Talbot Segment</b>	<b>293,253</b>	<b>235,242</b>	<b>238,937</b>	<b>276,886</b>	<b>263,057</b>	<b>1,014,122</b>	<b>981,073</b>
<b>Intersegment Revenue</b>							
Property	(22,156)	(11,323)	(29,426)	(12,055)	(16,874)	(69,678)	(68,298)
Marine	(2,190)	270	(1,196)	(1,095)	(2,220)	(4,241)	(16,930)
Specialty	(2,002)	(438)	11	-	(5,305)	(5,732)	(6,518)
<b>Total Intersegment Revenue Eliminated</b>	<b>(26,348)</b>	<b>(11,491)</b>	<b>(30,611)</b>	<b>(13,150)</b>	<b>(24,399)</b>	<b>(79,651)</b>	<b>(91,746)</b>
<b>Total Gross Premiums Written</b>	<b>\$ 837,289</b>	<b>\$ 278,279</b>	<b>\$ 391,129</b>	<b>\$ 605,387</b>	<b>\$ 849,896</b>	<b>\$ 2,124,691</b>	<b>\$ 1,990,566</b>
<b>Managed Premiums</b>							
Total Gross Premiums Written	837,289	278,279	391,129	605,387	849,896	2,124,691	1,990,566
Gross Premiums Written on behalf of AlphaCat Re 2011, Ltd.	73,875	-	-	-	-	-	-
<b>Total Managed Gross Premiums Written</b>	<b>\$ 911,164</b>	<b>\$ 278,279</b>	<b>\$ 391,129</b>	<b>\$ 605,387</b>	<b>\$ 849,896</b>	<b>\$ 2,124,691</b>	<b>\$ 1,990,566</b>

**Notes:**

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





**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 March 31, 2012			At December 31, 2011		
	Reserve for losses and loss expenses	Loss reserves recoverable	Net	Reserve for losses and loss expenses	Loss reserves recoverable	Net
Property (a)	\$ 1,218,260	\$ 160,919	\$ 1,057,341	\$ 1,312,004	\$ 187,889	\$ 1,124,115
Marine	886,486	90,180	796,306	788,200	86,618	701,582
Specialty (b)	544,864	100,193	444,671	530,939	97,978	432,961
<b>Total</b>	<b>\$ 2,649,610</b>	<b>\$ 351,292</b>	<b>\$ 2,298,318</b>	<b>\$ 2,631,143</b>	<b>\$ 372,485</b>	<b>\$ 2,258,658</b>

	At March 31, 2012			At December 31, 2011		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
Property (a)	\$ 759,382	\$ 458,878	\$ 1,218,260	\$ 736,448	\$ 575,556	\$ 1,312,004
Marine	474,654	411,832	886,486	437,367	350,833	788,200
Specialty (b)	238,160	306,704	544,864	240,627	290,312	530,939
<b>Total</b>	<b>\$ 1,472,196</b>	<b>\$ 1,177,414</b>	<b>\$ 2,649,610</b>	<b>\$ 1,414,442</b>	<b>\$ 1,216,701</b>	<b>\$ 2,631,143</b>
<b>% of Total</b>	<b>55.6%</b>	<b>44.4%</b>	<b>100.0%</b>	<b>53.8%</b>	<b>46.2%</b>	<b>100.0%</b>

**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, Contingency 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									
	March 31, 2012					March 31, 2011				
	Validus Re Segment	AlphaCat Segment	Talbot Segment	Eliminations	Total	Validus Re Segment	AlphaCat Segment	Talbot Segment	Eliminations	Total
Gross reserves at period beginning	\$ 1,350,849	\$ 10,000	\$ 1,377,561	\$ (107,267)	\$ 2,631,143	\$ 998,165	\$ -	\$ 1,191,548	\$ (153,740)	\$ 2,035,973
Losses recoverable	(95,509)	-	(384,243)	107,267	(372,485)	(80,219)	-	(356,655)	153,740	(283,134)
Net reserves at period beginning	1,255,340	10,000	993,318	-	2,258,658	917,946	-	834,893	-	1,752,839
Incurred losses- current year	142,544	-	119,869	-	262,413	321,822	-	180,892	-	502,714
Change in prior accident years	(18,338)	-	(12,086)	-	(30,424)	(11,278)	-	(15,238)	-	(26,516)
Incurred losses	124,206	-	107,783	-	231,989	310,544	-	165,654	-	476,198
Foreign exchange	4,998	-	6,896	-	11,894	7,574	-	7,360	-	14,934
Paid losses	(124,672)	-	(79,551)	-	(204,223)	(111,946)	-	(51,311)	-	(163,257)
Net reserves at period end	1,259,872	10,000	1,028,446	-	2,298,318	1,124,118	-	956,596	-	2,080,714
Losses recoverable	68,069	-	387,293	(104,070)	351,292	216,300	-	368,371	(130,970)	453,701
<b>Gross reserves at period end</b>	<b>\$ 1,327,941</b>	<b>\$ 10,000</b>	<b>\$ 1,415,739</b>	<b>\$ (104,070)</b>	<b>\$ 2,649,610</b>	<b>\$ 1,340,418</b>	<b>\$ -</b>	<b>\$ 1,324,967</b>	<b>\$ (130,970)</b>	<b>\$ 2,534,415</b>
Net premiums earned	\$ 253,009	\$ 2,663	\$ 195,527		\$ 451,199	\$ 248,943	\$ 3,366	\$ 177,224		\$ 429,533
Current year loss ratio	56.3%	0.0%	61.3%		58.1%	129.3%	0.0%	102.1%		117.1%
Prior accident year adjustments	-7.2%	0.0%	-6.2%		-6.7%	-4.5%	0.0%	-8.6%		-6.2%
Net loss ratio	49.1%	0.0%	55.1%		51.4%	124.8%	0.0%	93.5%		110.9%
Paid to incurred	100.4%	0.0%	73.8%		88.0%	36.0%	0.0%	31.0%		34.3%



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							
	March 31, 2012				March 31, 2011			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 909,960	\$ 342,077	\$ 98,812	\$ 1,350,849	\$ 658,652	\$ 244,377	\$ 95,136	\$ 998,165
Losses recoverable	(78,803)	(16,145)	(561)	(95,509)	(24,117)	(55,565)	(537)	(80,219)
Net reserves at period beginning	831,157	325,932	98,251	1,255,340	634,535	188,812	94,599	917,946
Incurred losses- current year	43,256	91,320	7,968	142,544	226,068	84,545	11,209	321,822
Change in prior accident years	(11,459)	(5,443)	(1,436)	(18,338)	(5,962)	115	(5,431)	(11,278)
Incurred losses	31,797	85,877	6,532	124,206	220,106	84,660	5,778	310,544
Foreign exchange	5,311	(338)	25	4,998	7,432	106	36	7,574
Paid losses	(98,792)	(14,823)	(11,057)	(124,672)	(88,983)	(15,819)	(7,144)	(111,946)
Net reserves at period end	769,473	396,648	93,751	1,259,872	773,090	257,759	93,269	1,124,118
Losses recoverable	62,202	5,326	541	68,069	166,634	49,131	535	216,300
<b>Gross reserves at period end</b>	<b>\$ 831,675</b>	<b>\$ 401,974</b>	<b>\$ 94,292</b>	<b>\$ 1,327,941</b>	<b>\$ 939,724</b>	<b>\$ 306,890</b>	<b>\$ 93,804</b>	<b>\$ 1,340,418</b>
Net premiums earned	\$ 160,048	\$ 71,877	\$ 21,084	\$ 253,009	\$ 173,404	\$ 53,858	\$ 21,681	\$ 248,943
Current year loss ratio	27.1%	127.1%	37.8%	56.3%	130.4%	157.0%	51.7%	129.3%
Prior accident year adjustments	-7.2%	-7.6%	-6.8%	-7.2%	-3.4%	0.2%	-25.0%	-4.5%
Net loss ratio	19.9%	119.5%	31.0%	49.1%	127.0%	157.2%	26.7%	124.8%
Paid to incurred	310.7%	17.3%	169.3%	100.4%	40.4%	18.7%	123.6%	36.0%

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, Contingency and Motor.



**Validus Holdings, Ltd.**

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

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

	At or for the Three Months Ended							
	March 31, 2012				March 31, 2011			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Gross reserves at period beginning	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Losses recoverable	-	-	-	-	-	-	-	-
Net reserves at period beginning	10,000	-	-	10,000	-	-	-	-
Incurred losses- current year	-	-	-	-	-	-	-	-
Change in prior accident years	-	-	-	-	-	-	-	-
Incurred losses	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Paid losses	-	-	-	-	-	-	-	-
Net reserves at period end	10,000	-	-	10,000	-	-	-	-
Losses recoverable	-	-	-	-	-	-	-	-
<b>Gross reserves at period end</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Net premiums earned	\$ 2,663	\$ -	\$ -	\$ 2,663	\$ 3,366	\$ -	\$ -	\$ 3,366
Current year loss ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prior accident year adjustments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net loss ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Paid to incurred	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



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							
	March 31, 2012				March 31, 2011			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	\$ 471,867	\$ 469,059	\$ 436,635	\$ 1,377,561	\$ 368,717	\$ 421,578	\$ 401,253	\$ 1,191,548
Losses recoverable	(188,911)	(93,409)	(101,923)	(384,243)	(186,270)	(73,123)	(97,262)	(356,655)
Net reserves at period beginning	282,956	375,650	334,712	993,318	182,447	348,455	303,991	834,893
Incurred losses- current year	24,079	49,182	46,608	119,869	78,773	55,850	46,269	180,892
Change in prior accident years	1,192	(5,417)	(7,861)	(12,086)	(5,585)	(5,105)	(4,548)	(15,238)
Incurred losses	25,271	43,765	38,747	107,783	73,188	50,745	41,721	165,654
Foreign exchange	1,550	2,417	2,929	6,896	1,156	3,163	3,041	7,360
Paid losses	(31,909)	(22,174)	(25,468)	(79,551)	(3,195)	(32,600)	(15,516)	(51,311)
Net reserves at period end	277,868	399,658	350,920	1,028,446	253,596	369,763	333,237	956,596
Losses recoverable	176,824	105,502	104,967	387,293	162,755	103,492	102,124	368,371
<b>Gross reserves at period end</b>	<b>\$ 454,692</b>	<b>\$ 505,160</b>	<b>\$ 455,887</b>	<b>\$ 1,415,739</b>	<b>\$ 416,351</b>	<b>\$ 473,255</b>	<b>\$ 435,361</b>	<b>\$ 1,324,967</b>
Net premiums earned	\$ 44,622	\$ 73,864	\$ 77,041	\$ 195,527	\$ 38,943	\$ 64,439	\$ 73,842	\$ 177,224
Current year loss ratio	53.9%	66.6%	60.5%	61.3%	202.2%	86.6%	62.7%	102.1%
Prior accident year adjustments	2.7%	-7.3%	-10.2%	-6.2%	-14.3%	-7.9%	-6.2%	-8.6%
Net loss ratio	56.6%	59.3%	50.3%	55.1%	187.9%	78.7%	56.5%	93.5%
Paid to incurred	126.3%	50.7%	65.7%	73.8%	4.4%	64.2%	37.2%	31.0%

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 March 31, 2012**

Categories	Reinsurance		Top 10 Reinsurers	Rating (b)	Reinsurance	
	Recoverable (a)	%			Recoverable (a)	%
Top 10 reinsurers	\$ 313,589	78.6%	Lloyd's Syndicates	A+	\$ 82,289	26.4%
Other reinsurers' balances > \$1 million	78,870	19.8%	Allianz	AA-	45,000	14.3%
Other reinsurers' balances < \$1 million	6,490	1.6%	Everest Re	A+	44,304	14.1%
<b>Total</b>	<b>\$ 398,949</b>	<b>100.0%</b>	Hannover Re	AA-	40,219	12.8%
			Transatlantic Re	A+	21,297	6.8%
			Amlin AG	A	18,307	5.8%
			Odyssey Reinsurance Company	A-	16,269	5.2%
			Swiss Re	AA-	15,809	5.0%
			Hiscox Insurance Company (Bermuda) Ltd	A	15,801	5.0%
			Fully Collateralized	NR	14,294	4.6%
			<b>Total</b>		<b>\$ 313,589</b>	<b>100.0%</b>

**Consolidated Reinsurance Recoverable at December 31, 2011**

Categories	Reinsurance		Top 10 Reinsurers	Rating	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%
<b>Total</b>	<b>\$ 462,980</b>	<b>100.0%</b>	Everest Re	A+	38,618	11.9%
			Transatlantic Re	A+	21,344	6.6%
			Tokio Millenium 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%
			<b>Total</b>		<b>\$ 323,315</b>	<b>100.0%</b>

**Notes:**

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

(b) 99.7% of Reinsurance Recoverable at March 31, 2012 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	March 31, 2012		December 31, 2011	
	Fair Value	%	Fair Value	%
U.S. Government and Government Agency	\$ 1,216,891	19.4%	\$ 1,182,393	19.6%
Non-U.S. Government and Government Agency	406,754	6.5%	449,358	7.5%
States, municipalities, political subdivision	25,784	0.4%	26,291	0.4%
Agency residential mortgage-backed securities	470,868	7.5%	468,054	7.8%
Non-Agency residential mortgage-backed securities	33,449	0.5%	32,706	0.5%
U.S. corporate	1,354,566	21.7%	1,329,758	22.1%
Non-U.S. corporate	631,522	10.1%	579,675	9.6%
Bank loans	490,147	7.8%	467,256	7.8%
Catastrophe bonds	29,355	0.5%	29,952	0.5%
Asset-backed securities	355,874	5.7%	328,299	5.4%
Commercial mortgage-backed securities	-	0.0%	403	0.0%
Total fixed maturities	5,015,210	80.1%	4,894,145	81.2%
Total short-term investments	304,149	4.9%	280,191	4.7%
Total other investments	16,803	0.3%	16,787	0.3%
Total investments	5,336,162	85.3%	5,191,123	86.2%
Cash and cash equivalents	917,396	14.7%	832,844	13.8%
<b>Total cash and cash equivalents, and investments</b>	<b>\$ 6,253,558</b>	<b>100.0%</b>	<b>\$ 6,023,967</b>	<b>100.0%</b>

Net investment income	Three Months Ended		Year Ended	
	March 31, 2012	March 31, 2011	December 31, 2011	December 31, 2010
Fixed maturities and short-term investments	\$ 27,276	\$ 28,935	\$ 111,983	\$ 132,669
Cash and cash equivalents	2,317	2,581	7,285	8,180
Securities lending income	5	16	58	200
Total gross investment income	29,598	31,532	119,326	141,049
Investment expenses	(1,838)	(1,557)	(7,030)	(6,946)
Net investment income	\$ 27,760	\$ 29,975	\$ 112,296	\$ 134,103
Annualized effective investment yield (a)	1.81%	2.06%	1.87%	2.29%

**Notes:**

(a) Annualized investment yield is calculated by dividing net investment income by the average balance of the assets managed by our portfolio managers (excluding 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	March 31, 2012 (a)		December 31, 2011 (a)	
	Fair Value	%	Fair Value	%
AAA	\$ 852,954	17.0%	\$ 882,912	18.0%
AA	2,114,001	42.2%	2,077,981	42.5%
A	1,192,091	23.8%	1,078,793	22.0%
BBB	323,226	6.4%	345,091	7.1%
Investment grade	4,482,272	89.4%	4,384,777	89.6%
BB	285,476	5.7%	254,409	5.2%
B	223,175	4.4%	231,420	4.7%
CCC	12,760	0.3%	12,578	0.3%
CC	4,944	0.1%	4,605	0.1%
C	-	0.0%	-	0.0%
D/NR	6,583	0.1%	6,356	0.1%
Non-Investment grade	532,938	10.6%	509,368	10.4%
<b>Total fixed maturities</b>	<b>\$ 5,015,210</b>	<b>100.0%</b>	<b>\$ 4,894,145</b>	<b>100.0%</b>

Fixed maturities - Maturity Profile	March 31, 2012		December 31, 2011	
	Fair Value	%	Fair Value	%
Due in one year or less	\$ 503,282	10.0%	\$ 523,107	10.7%
Due after one year through five years	3,251,358	64.8%	3,186,711	65.1%
Due after five years through ten years	386,216	7.7%	346,654	7.1%
Due after ten years	14,163	0.3%	8,211	0.2%
	4,155,019	82.8%	4,064,683	83.1%
Asset-backed and mortgage backed securities	860,191	17.2%	829,462	16.9%
<b>Total fixed maturities</b>	<b>\$ 5,015,210</b>	<b>100.0%</b>	<b>\$ 4,894,145</b>	<b>100.0%</b>

**Notes:**

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





**Validus Holdings, Ltd.**

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

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

Issuer (a)	As at March 31, 2012		
	Fair Value (b)	S&P Rating (c)	% of Total Cash and Investments
JP Morgan Chase & Co	\$ 66,613	A	1.1%
Verizon Communications Inc	58,542	A-	0.9%
Morgan Stanley	46,719	A-	0.7%
AT&T Inc	46,338	A-	0.7%
BP PLC	43,419	A	0.7%
Pepsico Inc	42,774	A-	0.7%
Hewlett-Packard Company	39,725	BBB+	0.6%
International Business Machines Corp	36,737	A+	0.6%
HSBC Holdings PLC	35,861	A+	0.6%
Southern Company	31,535	A	0.5%
<b>Total</b>	<u>\$ 448,263</u>		<u>7.1%</u>

**Notes:**

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

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

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



**Validus Holdings, Ltd.**

**Consolidated Agency Residential Mortgage-Backed Portfolio**

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

Agency Residential Mortgage-Backed Securities	As at March 31, 2012				
	Government Rated				
Vintage Year	GNMA	FNMA	FHLMC	FDIC	Total
2004 and prior	\$ 53,411	\$ 16,694	\$ 10,056	\$ -	\$ 80,161
2005	7,285	28,866	6,244	-	42,395
2006	4,515	8,805	8,133	-	21,453
2007	437	37,093	37,826	-	75,356
2008	11,162	29,019	3,244	-	43,425
2009	61,518	33,184	12,860	-	107,562
2010	32,280	16,073	5,739	-	54,092
2011	13,231	4,838	22,718	1,063	41,850
2012	-	3,179	1,395	-	4,574
<b>Total Agency RMBS</b>	<b>\$ 183,839</b>	<b>\$ 177,751</b>	<b>\$ 108,215</b>	<b>\$ 1,063</b>	<b>\$ 470,868</b>



**Validus Holdings, Ltd.**

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

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

		As at March 31, 2012						
		S&P Rating (a)						
		Gov't	AAA	AA	A	BBB	BB and below	Total
<b>Non-Agency Residential Mortgage-Backed Securities</b>								
<b>Vintage year</b>								
2004 and prior	\$	-	\$ 788	\$ -	\$ 1,346	\$ 884	\$ 275	\$ 3,293
2005		-	164	-	-	-	19,267	19,431
2006		-	-	-	-	-	234	234
2007		-	-	-	2,415	-	4,933	7,348
2010		-	3,143	-	-	-	-	3,143
<b>Total Non-Agency RMBS</b>		-	<b>4,095</b>	-	<b>3,761</b>	<b>884</b>	<b>24,709</b>	<b>33,449</b>
<b>Commercial Mortgage-Backed Securities</b>								
<b>Vintage year</b>								
2004 and prior		-	-	-	-	-	-	-
2005		-	-	-	-	-	-	-
2006		-	-	-	-	-	-	-
2007		-	-	-	-	-	-	-
2008		-	-	-	-	-	-	-
2011		-	-	-	-	-	-	-
<b>Total Commercial MBS</b>		-	-	-	-	-	-	-
<b>Total Non-agency RMBS and Commercial MBS</b>		-	<b>4,095</b>	-	<b>3,761</b>	<b>884</b>	<b>24,709</b>	<b>33,449</b>
<b>Asset-Backed Securities</b>								
Sub-Prime		-	-	-	-	-	897	897
Credit Cards		-	79,226	12,451	-	-	-	91,677
Autos		-	170,703	-	-	-	-	170,703
Student Loan		-	40,541	44,482	-	-	-	85,023
Equipment Loan		-	6,650	-	-	-	-	6,650
Stranded Cost & UK ABS		-	924	-	-	-	-	924
<b>Total Asset-Backed Securities</b>		-	<b>298,044</b>	<b>56,933</b>	-	-	<b>897</b>	<b>355,874</b>

**Notes:**

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

**Validus Holdings, Ltd.**
**Consolidated Non-U.S. Fixed Income Portfolio**

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

As at March 31, 2012						
Non-U.S. Government Securities	S&P Rating (a)					
	AAA	AA	A	BBB	BB and below	Total
United Kingdom	119,639	-	-	-	-	119,639
Supranational	62,179	-	-	-	-	62,179
Germany	57,780	-	-	-	-	57,780
Netherlands	41,590	-	-	-	-	41,590
Denmark	29,824	-	-	-	-	29,824
Commonwealth of Australia	28,340	-	-	-	-	28,340
Province of Ontario	-	19,006	-	-	-	19,006
Province of British Columbia	17,974	-	-	-	-	17,974
Norway	-	11,412	-	-	3,668	15,080
Canada	6,698	-	-	-	-	6,698
New Zealand	-	3,277	-	-	-	3,277
Brazil	-	-	-	2,686	-	2,686
Other Non-U.S. Government	-	1,678	-	-	-	1,678
France	1,003	-	-	-	-	1,003
<b>Total Non-U.S. Government Securities</b>	<b>365,027</b>	<b>35,373</b>	<b>-</b>	<b>2,686</b>	<b>3,668</b>	<b>406,754</b>
<b>European Non-U.S. Corporate Securities (b)</b>	<b>99,721</b>	<b>91,763</b>	<b>67,312</b>	<b>8,162</b>	<b>-</b>	<b>266,958</b>
<b>United Kingdom Non-U.S. Corporate Securities</b>	<b>1,202</b>	<b>7,382</b>	<b>75,981</b>	<b>26,996</b>	<b>-</b>	<b>111,561</b>
<b>Other Non-U.S. Corporate Securities</b>	<b>57,194</b>	<b>87,884</b>	<b>98,528</b>	<b>9,397</b>	<b>-</b>	<b>253,003</b>
<b>Total Non-U.S. Fixed Income Portfolio</b>	<b>523,144</b>	<b>222,402</b>	<b>241,821</b>	<b>47,241</b>	<b>3,668</b>	<b>1,038,276</b>

**Notes:**

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

(b) Excludes United Kingdom

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

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

As at March 31, 2012							
European Country	Industry						
	Bank	Energy	Industrial	Pharmaceutical	Consumer	Utility	Total
Netherlands	28,342	26,193	8,055	-	2,980	3,945	69,515
Norway	67,823	1,639	-	-	-	-	69,462
Sweden	55,516	-	-	-	-	-	55,516
France	5,948	5,238	-	18,244	-	16,515	45,945
Switzerland	22,000	-	-	-	-	-	22,000
Germany	1,973	-	-	-	-	-	1,973
Luxembourg	-	1,311	-	-	-	-	1,311
Italy	-	-	-	-	-	1,236	1,236
<b>Total European Non-U.S. Corporate Securities</b>	<b>181,602</b>	<b>34,381</b>	<b>8,055</b>	<b>18,244</b>	<b>2,980</b>	<b>21,696</b>	<b>266,958</b>

**Validus Holdings, Ltd.**
**Top Ten Exposures to European Banks (Excluding United Kingdom)**

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

As at March 31, 2012		
Issuer	Fair Value	S&P Rating
Sparebank 1 Boligkreditt	\$ 30,222	AAA
Rabobank Nederland	\$ 23,713	AA
Nordea Eiendoms kreditt AS	\$ 19,762	AAA
Nordea Bank AB	\$ 18,591	AA-
DNB Boligkreditt AS	\$ 17,838	AAA
Stadshypotek AB	\$ 16,662	AAA
Credit Suisse	\$ 14,031	A+
Svenska Handelsbanken AB	\$ 12,080	AA-
Swedbank Hypotek AB	\$ 8,182	AAA
UBS AG	\$ 7,969	AAA
<b>Total</b>	<b>169,050</b>	

**Validus Holdings, Ltd.**
**Top Ten Exposures to European Corporate (Excluding United Kingdom)**

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

As at March 31, 2012		
Issuer	Fair Value	S&P Rating
Royal Dutch Shell PLC	\$ 26,193	AA
Sanofi-Aventis	\$ 18,244	A
Electricite de France	\$ 9,225	A+
Volkswagen International Finance NV	\$ 8,055	A-
France Telecom SA	\$ 7,290	A-
Total Capital SA	\$ 5,238	AA-
Deutsche Telekom AG	\$ 3,945	BBB+
Heineken NV	\$ 2,980	BBB+
Schlumberger Norge SA	\$ 1,639	A+
Schlumberger Investment SA	\$ 1,311	A+
<b>Total</b>	<b>84,120</b>	



**Validus Holdings, Ltd.**

**Capitalization**

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

Capitalization	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Borrowings drawn under credit facility	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Notes (a)	247,009	246,982	246,955	246,928	246,901
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>536,809</u>	<u>536,782</u>	<u>536,755</u>	<u>536,728</u>	<u>536,701</u>
Ordinary shares, capital and surplus available to Validus	3,544,719	3,455,026	3,448,801	3,412,836	3,319,819
Accumulated other comprehensive (loss)	(5,208)	(6,601)	(4,932)	(4,519)	(4,498)
Noncontrolling interest	<u>-</u>	<u>-</u>	<u>146,223</u>	<u>134,895</u>	<u>-</u>
Total shareholders' equity	<u>3,539,511</u>	<u>3,448,425</u>	<u>3,590,092</u>	<u>3,543,212</u>	<u>3,315,321</u>
<b>Total capitalization (c)</b>	<b><u>\$ 4,076,320</u></b>	<b><u>\$ 3,985,207</u></b>	<b><u>\$ 4,126,847</u></b>	<b><u>\$ 4,079,940</u></b>	<b><u>\$ 3,852,022</u></b>
Debt to total capitalization	<u>13.2%</u>	<u>13.5%</u>	<u>13.0%</u>	<u>13.2%</u>	<u>13.9%</u>
Debt (excluding JSDs) to total capitalization	<u>6.1%</u>	<u>6.2%</u>	<u>6.0%</u>	<u>6.1%</u>	<u>6.4%</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, were 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 April 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	\$ 422,466	\$ 678,779	\$ 862,517	\$ 1,080,720	\$ 1,680,272
California	Earthquake	38,896	118,484	200,867	325,282	1,453,526
Europe	Windstorm	141,846	290,323	423,787	619,156	1,486,670
Japan	Earthquake	49,731	90,902	124,959	198,509	699,087
Japan	Typhoon	42,843	106,654	168,475	236,939	694,227

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 you 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 April 1, 2012 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 January 1, 2012**

(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	\$ 154.1	8.4%
Terrorism	Exchange Place	Lower Manhattan suffers a 2-tonne conventional bomb blast	127.5	7.0%
Marine	Marine collision in Prince William Sound	Fully laden tanker collides with a cruise vessel in Prince William Sound	192.1	10.5%
Marine	Major cruise vessel incident	US-owned cruise vessel sunk or severely damaged	124.9	6.8%
Marine	Loss of major complex	Total loss to all platforms and bridge links of a major oil complex	169.6	9.3%
Aviation	Aviation collision	Collision of two aircraft over a major city	57.0	3.1%
Satellite	Proton flare	Large single or sequence of proton flares results in loss to all satellites in synchronous orbit	24.1	1.3%
Satellite	Generic defect	Undetected defect in a number of operational satellites causing major loss	31.4	1.7%
Liability	Professional lines	Failure or collapse of a major corporation	27.4	1.5%
Liability	Professional lines	UK pensions mis-selling	16.7	0.9%
Political Risks	South East Asia	Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion	329.6	18.1%
Political Risks	South America	Severe economic crisis in Brazil due to political upheaval; regional contagion	176.6	9.7%
Political Risks	Middle East	US and Iran escalate into military confrontation; regional contagion	117.7	6.5%
Political Risks	Russia	The Russian corporate sector struggles to deal with the effects of crashing commodity and stock prices	109.9	6.0%
Political Risks	Turkey	Severe economic crisis in Turkey due to political upheaval	137.6	7.5%
Political Risks	Nigeria	Severe economic, political and social crisis in Nigeria leads to widespread civil unrest	45.9	2.5%

The Company has presented the Company Realistic Disaster Scenarios for non-natural catastrophe events. Twice yearly, Lloyds' syndicates, including the Company's Talbot Syndicate 1183, are required to provide details of their potential exposures to specific disaster scenarios. Lloyds' makes its updated Realistic Disaster Scenarios (RDS) guidance available to the market annually. The RDS scenario specification document for 2011 can be accessed at the RDS part of the Lloyd's public website:

<http://www.lloyds.com/The-Market/Tools-and-Resources/Research/Exposure-Management/Realistic-Disaster-Scenarios>

The Consolidated Pro Forma Net Premiums Earned used in the calculation represent the latest 12 months of net premiums earned from April 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.

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



**Validus Holdings, Ltd.**

**Non-GAAP Financial Measure Reconciliation**

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

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

	Three Months Ended		Year Ended	
	March 31, 2012	March 31, 2011	December 31, 2011	December 31, 2010
Net income (loss) available to Validus	\$ 124,234	\$ (172,364)	\$ 21,329	\$ 402,564
Adjustments for:				
Net realized (gains) on investments	(7,532)	(6,379)	(28,532)	(32,498)
Net unrealized (gains) losses on investments	(20,671)	12,828	19,991	(45,952)
Foreign exchange (gains) losses	(3,166)	467	22,124	(1,351)
Transaction expenses (a)	-	-	17,433	-
Net operating income (loss) available to Validus	\$ 92,865	\$ (165,448)	\$ 52,345	\$ 322,763
less: Dividends and distributions declared on outstanding warrants	(1,729)	(1,984)	(7,644)	(6,991)
Net operating income (loss) available to Validus, adjusted	<u>\$ 91,136</u>	<u>\$ (167,432)</u>	<u>\$ 44,701</u>	<u>\$ 315,772</u>
<b>Net income (loss) per share available to Validus - diluted</b>	\$ 1.18	\$ (1.78)	\$ 0.14	\$ 3.34
Adjustments for:				
Net realized (gains) on investments	\$ (0.07)	(0.06)	(0.28)	(0.27)
Net unrealized (gains) losses on investments	\$ (0.20)	0.13	0.19	(0.38)
Foreign exchange (gains) losses	\$ (0.03)	-	0.22	(0.01)
Transaction expenses (a)	\$ -	-	0.17	-
Net operating income (loss) per share available to Validus - diluted	<u>\$ 0.88</u>	<u>\$ (1.71)</u>	<u>\$ 0.44</u>	<u>\$ 2.68</u>
<b>Weighted average number of common shares and common share equivalents</b>	<u>105,096,090</u>	<u>97,944,340</u>	<u>100,928,284</u>	<u>120,630,945</u>
<b>Average shareholders' equity available to Validus</b>	<u>\$ 3,493,968</u>	<u>\$ 3,410,076</u>	<u>\$ 3,424,153</u>	<u>\$ 3,731,945</u>
<b>Annualized net operating return on average equity</b>	<u>10.6%</u>	<u>-19.4%</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.



## **Validus Holdings, Ltd.**

### **Supplementary AlphaCat Information**



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**Validus Holdings, Ltd.**

**Balance Sheets including AlphaCat Re 2011, Ltd. at 100%**

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

	At March 31, 2012				
	Validus Holdings, Ltd. excl	AlphaCat Segment excl	AlphaCat	Validus Holdings, Ltd.	
	AlphaCat Segment	Re 2011, Ltd.	AlphaCat Re 2011, Ltd.	Eliminations	Consolidated
<b>Assets</b>					
Fixed maturities, at fair value	\$ 4,985,855	\$ 29,355	\$ -	\$ -	\$ 5,015,210
Short-term investments, at fair value	186,758	117,391	285,090	(285,090)	304,149
Other investments, at fair value	16,803	-	-	-	16,803
Cash and cash equivalents	900,399	16,997	52,179	(52,179)	917,396
Total investments and cash	6,089,815	163,743	337,269	(337,269)	6,253,558
Investment in non-consolidated affiliate	-	-	-	56,398	56,398
Premiums receivable	892,930	1,768	20,448	(20,448)	894,698
Deferred acquisition costs	170,364	358	7,276	(7,276)	170,722
Prepaid reinsurance premiums	125,407	-	-	-	125,407
Securities lending collateral	419	-	-	-	419
Loss reserves recoverable	351,292	-	-	-	351,292
Paid losses recoverable	47,657	-	-	-	47,657
Income taxes recoverable	967	-	-	-	967
Goodwill	113,691	-	-	-	113,691
Intangible assets	20,393	-	-	-	20,393
Accrued investment income	24,077	310	1	(1)	24,387
Other assets	48,426	13,854	45	(45)	62,280
Intercompany investment	122,872	-	-	(122,872)	-
Intercompany receivable (payable)	(1,517)	1,517	-	-	-
<b>Total assets</b>	<b>\$ 8,006,793</b>	<b>\$ 181,550</b>	<b>\$ 365,039</b>	<b>\$ (431,513)</b>	<b>\$ 8,121,869</b>
<b>Liabilities</b>					
Reserve for losses and loss expenses	\$ 2,639,610	10,000	-	-	\$ 2,649,610
Unearned premiums	1,081,536	3,910	59,283	(59,283)	1,085,446
Reinsurance balances payable	152,724	-	-	-	152,724
Securities lending payable	1,108	-	-	-	1,108
Deferred income taxes	17,556	-	-	-	17,556
Net payable for investments purchased	63,427	-	-	-	63,427
Accounts payable and accrued expenses	75,016	662	14,849	(14,849)	75,678
Senior notes payable	247,009	-	-	-	247,009
Debentures payable	289,800	-	-	-	289,800
<b>Total liabilities</b>	<b>4,567,786</b>	<b>14,572</b>	<b>74,132</b>	<b>(74,132)</b>	<b>4,582,358</b>
<b>Shareholders' equity</b>					
Common shares	\$ 23,580	\$ 27	\$ 1,860	\$ (1,887)	\$ 23,580
Preferred Shares	-	-	46	(46)	-
Treasury shares	(6,196)	-	-	-	(6,196)
Additional paid-in-capital	1,886,776	122,978	240,441	(363,419)	1,886,776
Accumulated other comprehensive (loss)	(5,208)	-	-	-	(5,208)
Retained earnings	1,540,055	43,973	48,560	7,971	1,640,559
<b>Total shareholders' equity</b>	<b>3,439,007</b>	<b>166,978</b>	<b>290,907</b>	<b>(357,381)</b>	<b>3,539,511</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,006,793</b>	<b>\$ 181,550</b>	<b>\$ 365,039</b>	<b>\$ (431,513)</b>	<b>\$ 8,121,869</b>



Validus Holdings, Ltd.

Segment and Legal Income Statements including AlphaCat Re 2011, Ltd. at 100%

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

Three Months Ended March 31, 2012								
Validus Re Segment	AlphaCat Segment excl AlphaCat Re 2011, Ltd.	AlphaCat Re 2011, Ltd.	Legal Entity Adjustments	Validus Re Consolidated	Talbot Segment	Corporate & Eliminations	Validus Re Consolidated	
<b>Underwriting income</b>								
Gross premiums written	\$ 566,866	\$ 3,518	\$ 73,875	(73,875)	\$ 570,384	\$ 293,253	\$ (26,348)	\$ 837,289
Reinsurance premiums ceded	(30,001)	-	-	-	(30,001)	(103,399)	26,348	(107,052)
Net premiums written	536,865	3,518	73,875	(73,875)	540,383	189,854	-	730,237
Change in unearned premiums	(283,856)	(855)	(49,878)	49,878	(284,711)	5,673	-	(279,038)
<b>Net premiums earned</b>	<b>253,009</b>	<b>2,663</b>	<b>23,997</b>	<b>(23,997)</b>	<b>255,672</b>	<b>195,527</b>	<b>-</b>	<b>451,199</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	124,206	-	-	-	124,206	107,783	-	231,989
Policy acquisition costs	38,790	256	3,018	(3,018)	39,046	38,738	348	78,132
General and administrative expenses	17,252	1,032	4,274	(3,825)	18,733	33,348	14,294	66,375
Share compensation expenses	1,872	52	-	152	2,076	1,348	2,014	5,438
<b>Total underwriting deductions</b>	<b>182,120</b>	<b>1,340</b>	<b>7,292</b>	<b>(6,691)</b>	<b>184,061</b>	<b>181,217</b>	<b>16,656</b>	<b>381,934</b>
<b>Underwriting income (loss)</b>	<b>\$ 70,889</b>	<b>\$ 1,323</b>	<b>\$ 16,705</b>	<b>\$ (17,306)</b>	<b>\$ 71,611</b>	<b>\$ 14,310</b>	<b>\$ (16,656)</b>	<b>\$ 69,265</b>
Net investment income	23,577	659	5	(5)	24,236	5,790	(2,266)	27,760
Other income	2,219	7,974	-	890	11,083	1,026	(3,218)	8,891
Finance expenses	(3,694)	(2)	(1,537)	1,537	(3,696)	(31)	(12,552)	(16,279)
<b>Operating income (loss) before taxes</b>	<b>92,991</b>	<b>9,954</b>	<b>15,173</b>	<b>(14,884)</b>	<b>103,234</b>	<b>21,095</b>	<b>(34,692)</b>	<b>89,637</b>
Tax (expense)	(7)	-	-	-	(7)	(132)	-	(139)
Equity earnings in non-consolidated affiliate	-	-	-	3,367	3,367	-	-	3,367
<b>Net operating income (loss) (a)</b>	<b>\$ 92,984</b>	<b>\$ 9,954</b>	<b>\$ 15,173</b>	<b>\$ (11,517)</b>	<b>\$ 106,594</b>	<b>\$ 20,963</b>	<b>\$ (34,692)</b>	<b>\$ 92,865</b>
Net realized gains on investments	6,242	-	-	-	6,242	1,290	-	7,532
Net unrealized (losses) gains on investments	19,865	(597)	-	-	19,268	1,403	-	20,671
Foreign exchange (losses) gains	(262)	(9)	(47)	47	(271)	3,623	(186)	3,166
<b>Net income (loss)</b>	<b>\$ 118,829</b>	<b>\$ 9,348</b>	<b>\$ 15,126</b>	<b>\$ (11,470)</b>	<b>\$ 131,833</b>	<b>\$ 27,279</b>	<b>\$ (34,878)</b>	<b>\$ 124,234</b>

**Selected ratios:**

Net premiums written / Gross premiums written	94.7%	100.0%	100.0%		64.7%		87.2%
Losses and loss expenses	49.1%	0.0%	0.0%		55.1%		51.4%
Policy acquisition costs	15.3%	9.6%	12.6%		19.8%		17.3%
General and administrative expenses (b)	7.6%	40.7%	17.8%		17.7%		15.9%
Expense ratio	22.9%	50.3%	30.4%		37.6%		33.2%
Combined ratio	72.0%	50.3%	30.4%		92.7%		84.6%

**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 and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 32.

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