



Validus Holdings, Ltd.

Investor Financial Supplement – Third Quarter 2013

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**Validus Holdings, Ltd.
Explanatory Notes****Basis of Presentation**

- All financial information contained herein is unaudited, however, certain information relating to the years ended December 31, 2012 and 2011 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. Certain amounts in prior periods have been reclassified to conform to current period presentation. These reclassifications include internal re-categorization between classes of business and treaty types.
- During the first quarter of 2012, to better align the Company's operating and reporting structure with its current strategy, there was a change in segment structures. This change was to include the AlphaCat group of companies as a separate operating segment. The "AlphaCat segment" was included as an additional segment and includes the company's investment in AlphaCat Re 2011 Ltd. ("AlphaCat Re 2011"), AlphaCat Re 2012, Ltd. ("AlphaCat Re 2012"), AlphaCat 2013, Ltd. ("AlphaCat 2013"), PaCRE, Ltd. ("PaCRE") and AlphaCat ILS funds. Prior period comparatives have been restated to reflect the change in segmentation.
- On May 25, 2011, the Company joined with other investors in capitalizing 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 Reinsurance, Ltd. ("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 nine months ended September 30, 2013, a partial return of investment was made to the investors of AlphaCat Re 2011, including Validus Re.
- On April 4, 2012, the Company joined with other investors in capitalizing PaCRE, a new Class 4 Bermuda reinsurer formed for the purpose of writing high excess property catastrophe reinsurance. On May 1, 2013, PaCRE received additional capital contributions from Validus Re and a third party investor. As Validus Re holds a majority of PaCRE's outstanding voting rights, the financial statements of PaCRE are included in the consolidated financial statements of the Company. The portion of PaCRE's earnings attributable to third party investors are recorded in the consolidated statements of comprehensive income as 'net income attributable to noncontrolling interest'.
- On June 1, 2012, the Company joined with other investors in capitalizing AlphaCat Re 2012 a new special purpose reinsurer formed for the purposes of writing collateralized reinsurance with a particular focus on windstorm risks in Florida domiciled insurance companies. Validus Re has an equity interest and voting rights in AlphaCat Re 2012 which is below 50%, therefore the investment in AlphaCat Re 2012 is included as an equity method investment in the consolidated financial statements of the Company. During the nine months ended September 30, 2013, a partial return of investment was made to the investors of AlphaCat Re 2012, including Validus Re.
- On November 30, 2012, the Company acquired all of the outstanding shares of Flagstone Reinsurance Holdings, S.A. ("Flagstone"), strengthening the Company's leading property catastrophe reinsurance and short-tail specialty insurance platform. For segmental reporting purposes, the results of Flagstone's operations since the acquisition date have been included within the Validus Re segment in the consolidated financial statements.
- On December 17, 2012, the Company joined with other investors in capitalizing AlphaCat 2013, a special purpose vehicle formed to invest in collateralized property catastrophe reinsurance and retrocession on a worldwide basis. Validus Re has an equity interest and voting rights in AlphaCat 2013 which is below 50%, therefore the investment in AlphaCat 2013 is included as an equity method investment in the consolidated financial statements of the Company.
- On December 27, 2012, the Company received third party subscriptions for three AlphaCat Insurance Linked Securities ("ILS") funds. The AlphaCat ILS funds invest in instruments with returns linked to property catastrophe reinsurance, retrocession and ILS contracts. On January 1, 2013, a partial return of investment was made to Validus Re from one of the ILS funds. During the three and nine months ended September 30, 2013, the Company received additional third party subscriptions in two of the ILS funds. Two of the funds are variable interest entities and are consolidated by the Company as Validus Re is deemed to be the primary beneficiary. The third fund is also a variable interest entity, however, it is not consolidated by the Company as Validus Re is not deemed to be the primary beneficiary.
- On April 25, 2013, the Company acquired Longhorn Re, Ltd. ("Longhorn Re"), a single contract crop reinsurer.

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 33.
- 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.
- Managed gross premiums written represents gross premiums written by the Company and its operating affiliates. Managed gross premiums written differs from total gross premiums written, which the Company believes is the most directly comparable GAAP measure, due to the inclusion of premiums written on behalf of the Company's operating affiliates, AlphaCat Re 2011, Ltd., and AlphaCat Re 2012, Ltd., which are accounted for under the equity method of accounting. A reconciliation of managed gross premiums written to gross premiums written is included on page 19.
- 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.
- 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 33.

Validus Holdings, Ltd.
Consolidated Financial Highlights

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

	Three Months Ended				Nine Months Ended			
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	September 30, 2013	September 30, 2012	
Highlights								
Net income (loss) available (attributable) to Validus	\$ 183,369	\$ 30,722	\$ 223,243	\$ (90,716)	\$ 207,298	\$ 437,334	\$ 499,154	
Net operating income (loss) available (attributable) to Validus (a)	155,237	111,448	215,618	(100,796)	170,552	482,303	434,628	
Gross premiums written	356,760	702,313	1,104,760	311,847	390,215	2,163,833	1,854,593	
Net premiums earned	531,288	547,458	531,061	499,286	475,104	1,609,807	1,373,930	
Total assets	10,317,368	10,588,379	10,564,400	10,020,264	8,463,820	10,317,368	8,463,820	
Total shareholders' equity available to Validus	3,784,162	3,617,856	3,903,890	4,020,827	3,633,853	3,784,162	3,633,853	
Per share data								
<u>Earnings per basic share (b)</u>								
Net income (loss) available (attributable) to Validus	\$ 1.82	\$ 0.28	\$ 1.94	\$ (0.94)	\$ 2.20	\$ 4.06	\$ 5.09	
Net operating income (loss) available (attributable) to Validus	1.54	1.06	1.87	(1.05)	1.81	4.49	4.43	
<u>Earnings per diluted share (b)</u>								
Net income (loss) available (attributable) to Validus	\$ 1.77	\$ 0.28	\$ 1.90	\$ (0.94)	\$ 2.11	\$ 3.99	\$ 4.88	
Net operating income (loss) available (attributable) to Validus	1.50	1.03	1.83	(1.05)	1.74	4.41	4.25	
<u>Book value per share</u>								
Reported	\$ 37.88	\$ 36.27	\$ 36.73	\$ 37.26	\$ 38.87	\$ 37.88	\$ 38.87	
With investments at amortized cost	37.70	36.46	36.27	36.57	37.74	37.70	37.74	
<u>Diluted book value per share (b)</u>								
Reported	\$ 35.67	\$ 34.19	\$ 34.79	\$ 35.22	\$ 36.27	\$ 35.67	\$ 36.27	
With investments at amortized cost	35.51	34.35	34.37	34.59	35.27	35.51	35.27	
<u>Diluted book value per common share plus accumulated dividends</u>	\$ 43.05	\$ 41.27	\$ 41.57	\$ 39.70	\$ 40.50	\$ 43.05	\$ 40.50	
Financial								
Losses and loss expense ratio	33.5%	48.4%	27.3%	91.8 %	32.7%	36.5%	39.4%	
Policy acquisition costs ratio	17.9%	15.9%	17.6%	16.4 %	20.8%	17.2%	18.4%	
General and administration expenses ratio	<u>17.2%</u>	<u>14.2%</u>	<u>15.6%</u>	<u>14.5 %</u>	<u>16.4%</u>	<u>15.6%</u>	<u>15.9%</u>	
Expense ratio	<u>35.1%</u>	<u>30.1%</u>	<u>33.2%</u>	<u>30.9 %</u>	<u>37.2%</u>	<u>32.8%</u>	<u>34.3%</u>	
Combined ratio	<u>68.6%</u>	<u>78.5%</u>	<u>60.5%</u>	<u>122.7 %</u>	<u>69.9%</u>	<u>69.3%</u>	<u>73.7%</u>	
Annualized return on average equity (c)	19.8%	3.3%	22.5%	(9.5)%	23.3%	15.2%	18.9%	
Annualized net operating return on average equity (d)	16.8%	11.9%	21.8%	(10.5)%	19.2%	16.8%	16.4%	

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S. \$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S. \$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above, but excluding income (loss) available (attributable) to noncontrolling interest. Refer to the Non-GAAP Financial Measure Reconciliation on page 33.

(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 33.



Validus Holdings, Ltd.

Summary Consolidated Balance Sheets

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

	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Assets								
Fixed maturities, at fair value	\$ 5,438,265	\$ 5,318,993	\$ 5,676,552	\$ 5,085,334	\$ 4,887,622	\$ 4,772,899	5,015,210	4,894,145
Short-term investments, at fair value	761,642	609,778	367,619	1,114,250	275,324	310,703	304,149	280,191
Other investments, at fair value	559,472	514,385	532,786	564,448	525,441	463,018	16,803	16,787
Cash and cash equivalents	1,254,618	1,317,061	1,369,224	1,219,379	1,005,829	903,310	917,396	832,844
Total investments and cash	8,013,997	7,760,217	7,946,181	7,983,411	6,694,216	6,449,930	6,253,558	6,023,967
Investments in affiliates	111,814	110,472	128,448	172,329	99,312	92,807	56,398	53,031
Premiums receivable	1,050,073	1,374,486	1,195,430	802,159	781,991	977,431	894,698	646,354
Deferred acquisition costs	166,539	206,623	219,504	146,588	155,456	176,172	170,722	121,505
Prepaid reinsurance premiums	169,062	224,886	200,577	99,593	144,788	176,387	125,407	91,381
Securities lending collateral	1,021	1,900	1,914	225	10,383	3,456	419	7,736
Loss reserves recoverable	421,518	418,693	429,252	439,967	317,252	371,484	351,292	372,485
Paid losses recoverable	30,074	22,356	15,831	46,435	36,209	32,395	47,657	90,495
Income taxes recoverable	4,127	1,725	2,203	—	5,019	2,651	967	—
Intangible assets	107,449	108,489	109,529	110,569	111,611	112,651	113,691	114,731
Goodwill	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393
Accrued investment income	17,821	19,334	19,708	21,321	19,945	21,399	24,387	25,906
Other assets	203,480	318,805	275,430	177,274	67,245	62,412	62,280	50,487
Total assets	\$ 10,317,368	\$ 10,588,379	\$ 10,564,400	\$ 10,020,264	\$ 8,463,820	\$ 8,499,568	\$ 8,121,869	\$ 7,618,471
Liabilities								
Reserve for losses and loss expenses	\$ 3,223,735	\$ 3,283,450	\$ 3,357,691	\$ 3,517,573	\$ 2,562,604	\$ 2,591,299	\$ 2,649,610	\$ 2,631,143
Unearned premiums	1,169,830	1,439,597	1,381,829	894,362	1,034,605	1,196,836	1,085,446	772,382
Reinsurance balances payable	159,590	344,418	187,048	138,550	87,955	185,456	152,724	119,899
Securities lending payable	1,487	2,366	2,380	691	10,849	4,145	1,108	8,462
Deferred income taxes	22,993	22,600	21,800	20,259	22,848	19,197	17,556	16,720
Net payable for investments purchased	33,066	29,031	33,101	38,346	26,629	6,451	63,427	1,256
Accounts payable and accrued expenses	139,098	131,903	111,323	167,577	86,128	76,774	75,678	83,402
Variable funding notes	437,970	431,093	290,588	—	—	—	—	—
Senior notes payable	247,171	247,144	247,117	247,090	247,063	247,036	247,009	246,982
Debentures payable	541,127	540,476	540,212	540,709	289,800	289,800	289,800	289,800
Total liabilities	5,976,067	6,472,078	6,173,089	5,565,157	4,368,481	4,616,994	4,582,358	4,170,046
Shareholders' equity								
Common shares	\$ 27,018	\$ 26,989	\$ 26,769	\$ 26,722	\$ 23,911	\$ 23,691	23,580	23,538
Treasury shares	(9,535)	(9,535)	(8,169)	(7,836)	(7,549)	(7,343)	(6,196)	(6,131)
Additional paid-in-capital	1,824,342	1,813,461	2,096,512	2,160,478	1,657,767	1,684,781	1,886,776	1,893,890
Accumulated other comprehensive (loss)	(3,872)	(8,262)	(12,738)	(2,953)	(4,565)	(5,965)	(5,208)	(6,601)
Retained earnings	1,946,209	1,795,203	1,801,516	1,844,416	1,964,289	1,782,670	1,640,559	1,543,729
Total shareholders' equity available to Validus	3,784,162	3,617,856	3,903,890	4,020,827	3,633,853	3,477,834	3,539,511	3,448,425
Noncontrolling interest	557,139	498,445	487,421	434,280	461,486	404,740	—	—
Total shareholders' equity	4,341,301	4,116,301	4,391,311	4,455,107	4,095,339	3,882,574	3,539,511	3,448,425
Total liabilities and shareholders' equity	\$ 10,317,368	\$ 10,588,379	\$ 10,564,400	\$ 10,020,264	\$ 8,463,820	\$ 8,499,568	\$ 8,121,869	\$ 7,618,471
Book value per common share	\$ 37.88	\$ 36.27	\$ 36.73	\$ 37.26	\$ 38.87	\$ 37.23	\$ 35.63	\$ 34.67
Diluted book value per common share	\$ 35.67	\$ 34.19	\$ 34.79	\$ 35.22	\$ 36.27	\$ 34.43	\$ 33.25	\$ 32.28
Diluted book value per common share plus accumulated dividends	\$ 43.05	\$ 41.27	\$ 41.57	\$ 39.70	\$ 40.50	\$ 38.41	\$ 36.98	\$ 35.76

Validus Holdings, Ltd.

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

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

	At September 30, 2013				At December 31, 2012				
	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share	Equity Amount	Shares	Exercise Price (a)	Book Value Per Share	
<u>Book value per common share, reported</u>									
Book value per common share									
Total shareholders' equity available to Validus	\$ 3,784,162	99,897,996		\$ 37.88	\$ 4,020,827	107,921,259		\$ 37.26	
Diluted book value per common share									
Total shareholders' equity available to Validus	\$ 3,784,162	99,897,996			\$ 4,020,827	107,921,259			
Assumed exercise of outstanding warrants (b)	98,513	5,296,056	\$ 18.60		118,015	6,410,472	\$ 18.41		
Assumed exercise of outstanding stock options (b)	31,193	1,646,607	\$ 18.94		37,745	1,823,947	\$ 20.69		
Unvested restricted shares	—	2,877,259			—	2,443,631			
Diluted book value per common share	\$ 3,913,868	109,717,918		\$ 35.67	\$ 4,176,587	118,599,309		\$ 35.22	
Diluted book value per common share plus accumulated dividends				\$ 43.05					\$ 39.70
<u>Book value per common share, adjusted (c)</u>									
Book value per common share									
Total shareholders' equity available to Validus	\$ 3,784,162				\$ 4,020,827				
Accumulated other comprehensive loss	3,872				2,953				
Unrealized (gains) on investments	(22,047)				(76,784)				
Total shareholders' equity, adjusted	\$ 3,765,987	99,897,996		\$ 37.70	\$ 3,946,996	107,921,259		\$ 36.57	
Diluted book value per common share									
Total shareholders' equity available to Validus, adjusted	\$ 3,765,987	99,897,996			\$ 3,946,996	107,921,259			
Assumed exercise of outstanding warrants (b)	98,513	5,296,056	\$ 18.60		118,015	6,410,472	\$ 18.41		
Assumed exercise of outstanding stock options (b)	31,193	1,646,607	\$ 18.94		37,745	1,823,947	\$ 20.69		
Unvested restricted shares	—	2,877,259			—	2,443,631			
Diluted book value per common share	\$ 3,895,693	109,717,918		\$ 35.51	\$ 4,102,756	118,599,309		\$ 34.59	

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				Nine Months Ended		
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	September 30, 2012	
Cash flows provided by (used in) operating activities							
Net income (loss)	229,063	(30,254)	220,694	(117,922)	264,044	419,503	510,540
Adjustments to reconcile net income to cash provided by (used in) operating activities:							
Share compensation expenses	10,527	6,638	2,318	7,126	7,345	19,483	19,583
Amortization of discount on senior notes	27	27	27	27	27	81	81
(Income) loss from investment affiliate	(1,044)	(1,753)	(1,477)	406	160	(4,274)	558
Bargain purchase gain	—	—	—	(49,702)	—	—	—
Net realized losses (gains) on investments	6,320	(3,409)	(1,721)	4,516	(9,063)	1,190	(22,749)
Net unrealized (gains) losses on investments	(69,967)	141,348	7,237	35,857	(86,345)	78,618	(53,442)
Amortization of intangible assets	1,040	1,040	1,040	7,039	1,040	3,120	3,120
(Income) loss from operating affiliates	(1,463)	(3,793)	(3,523)	614	(6,235)	(8,779)	(13,194)
Foreign exchange (gains) losses included in net income	(25,941)	11,962	18,906	941	(11,220)	4,927	(17,064)
Amortization of premium on fixed maturities	4,707	5,104	5,059	5,075	6,961	14,870	19,214
Change in:							
Premiums receivable	331,953	(157,954)	(400,153)	152,152	197,922	(226,154)	(132,292)
Deferred acquisition costs	40,084	12,881	(72,916)	32,076	20,716	(19,951)	(33,951)
Prepaid reinsurance premiums	55,824	(24,309)	(100,984)	56,523	31,599	(69,469)	(53,407)
Loss reserves recoverable	411	13,553	6,447	(16,866)	56,099	20,411	57,574
Paid losses recoverable	(7,622)	(6,598)	30,438	(311)	(3,590)	16,218	54,559
Income taxes recoverable	(2,247)	1,280	(2,132)	5,563	(2,321)	(3,099)	(5,041)
Accrued investment income	1,563	371	1,532	1,389	1,481	3,466	6,015
Other assets	(33,223)	13,989	8,020	6,432	(4,273)	(11,214)	(16,050)
Reserve for losses and loss expenses	(77,138)	(77,902)	(138,633)	197,856	(37,756)	(293,673)	(80,954)
Unearned premiums	(269,767)	57,768	487,467	(279,371)	(162,231)	275,468	262,223
Reinsurance balances payable	(187,540)	135,606	51,300	21,122	(98,641)	(634)	(33,487)
Deferred income taxes	484	831	1,250	(5,201)	3,676	2,565	6,241
Accounts payable and accrued expenses	5,734	16,596	(59,513)	14,199	8,466	(37,183)	4,948
Net cash provided by operating activities	11,785	113,022	60,683	79,540	177,861	185,490	483,025
Cash flows provided by (used in) investing activities							
Proceeds on sales of investments	911,795	1,275,776	1,410,509	865,298	699,148	3,598,080	2,528,442
Proceeds on maturities of investments	89,219	191,019	125,841	162,584	90,450	406,079	385,642
Purchases of fixed maturities	(1,095,682)	(1,178,191)	(2,140,447)	(894,432)	(856,954)	(4,414,320)	(2,832,179)
(Purchases) sales of short-term investments, net	(151,637)	(244,327)	744,518	69,831	36,752	348,554	5,123
Sales (purchases) of other investments	1,881	(54,795)	31,121	19,322	1,454	(21,793)	(499,178)
Decrease (increase) in securities lending collateral	879	14	(1,689)	10,158	(6,704)	(796)	(2,387)
Redemption from (purchase of) investment in operating affiliates	7,350	29,085	50,222	(65,000)	—	86,657	(26,500)
Purchase of investment in investment affiliate	(6,185)	(5,563)	(1,341)	(9,037)	(430)	(13,089)	(3,798)
Purchase of subsidiary, net of cash acquired	—	—	—	17,196	—	—	—
Net cash (used in) provided by investing activities	(242,380)	13,018	218,734	175,920	(36,284)	(10,628)	(444,835)
Cash flows provided by (used in) financing activities							
Net proceeds on issuance of variable funding notes	156,262	86,400	175,637	—	—	418,299	—
Issuance (Redemption) of common shares, net	383	(3,342)	3,121	91	4,078	162	2,924
Purchases of common shares under share repurchase program	—	(287,493)	(69,691)	(287)	(38,423)	(357,184)	(259,675)
Dividends paid	(31,662)	(35,307)	(262,232)	(28,646)	(25,131)	(329,201)	(81,391)
(Decrease) increase in securities lending payable	(879)	(14)	1,689	(10,158)	6,704	796	2,387
Third party investment in noncontrolling interest	13,000	72,000	55,690	—	—	140,690	450,100
Net cash provided by (used in) financing activities	137,104	(167,756)	(95,786)	(39,000)	(52,772)	(126,438)	114,345
Effect of foreign currency rate changes on cash and cash equivalents	31,048	(10,447)	(33,786)	(2,910)	13,714	(13,185)	20,450
Net (decrease) increase in cash	(62,443)	(52,163)	149,845	213,550	102,519	35,239	172,985
Cash and cash equivalents - beginning of period	1,317,061	1,369,224	1,219,379	1,005,829	903,310	1,219,379	832,844
Cash and cash equivalents - end of period	\$ 1,254,618	\$ 1,317,061	\$ 1,369,224	\$ 1,219,379	\$ 1,005,829	\$ 1,254,618	\$ 1,005,829
Taxes paid (recovered) during the period	\$ 1,764	\$ (2,019)	\$ 693	\$ 192	\$ (124)	\$ 438	\$ 3,640
Interest paid during the period	\$ 19,157	\$ 7,136	\$ 17,819	\$ 6,127	\$ 17,005	\$ 44,112	\$ 37,122
Losses paid during the period	\$ 274,868	\$ 312,212	\$ 260,112	\$ 266,640	\$ 144,628	\$ 847,192	\$ 569,380



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				Nine Months Ended		
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	September 30, 2012	
Revenues							
Gross premiums written	\$ 356,760	\$ 702,313	\$ 1,104,760	\$ 311,847	\$ 390,215	\$ 2,163,833	\$ 1,854,593
Reinsurance premiums ceded	(39,415)	(121,396)	(187,216)	(35,659)	(45,743)	(348,027)	(271,847)
Net premiums written	317,345	580,917	917,544	276,188	344,472	1,815,806	1,582,746
Change in unearned premiums	213,943	(33,459)	(386,483)	223,098	130,632	(205,999)	(208,816)
Net premiums earned	531,288	547,458	531,061	499,286	475,104	1,609,807	1,373,930
Gain on bargain purchase, net of expenses (a)	—	—	—	21,485	(3,784)	—	(3,784)
Net investment income	20,009	26,210	25,649	28,802	25,489	71,868	79,134
Net realized (losses) gains on investments	(6,320)	3,409	1,721	(4,516)	9,063	(1,190)	22,749
Net unrealized gains (losses) on investments	69,967	(141,348)	(7,237)	(35,857)	86,345	(78,618)	53,442
Income (loss) from investment affiliate	1,044	1,753	1,477	(406)	(160)	4,274	(558)
Other (loss) income	(2,806)	4,418	2,685	187	7,324	4,297	22,209
Foreign exchange gains (losses)	6,036	(8,223)	6,922	1,181	1,103	4,735	3,617
Total revenues	619,218	433,677	562,278	510,162	600,484	1,615,173	1,550,739
Expenses							
Losses and loss expenses	177,965	265,044	144,771	458,310	155,455	587,780	541,136
Policy acquisition costs	94,900	87,152	93,611	81,814	98,623	275,663	252,884
General and administrative expenses	81,089	70,967	80,279	65,095	70,547	232,335	198,557
Share compensation expenses	10,527	6,638	2,318	7,126	7,345	19,483	19,583
Finance expenses	27,132	37,830	24,446	14,510	9,362	89,408	39,347
Total expenses	391,613	467,631	345,425	626,855	341,332	1,204,669	1,051,507
Income (loss) before taxes and income (loss) from operating affiliates	227,605	(33,954)	216,853	(116,693)	259,152	410,504	499,232
Tax (expense) benefit	(5)	(93)	318	(615)	(1,343)	220	(1,886)
Income (loss) from operating affiliates	1,463	3,793	3,523	(614)	6,235	8,779	13,194
Net income (loss)	229,063	(30,254)	220,694	(117,922)	264,044	419,503	510,540
Net (income) loss attributable to noncontrolling interest	(45,694)	60,976	2,549	27,206	(56,746)	17,831	(11,386)
Net income (loss) available (attributable) to Validus	\$ 183,369	\$ 30,722	\$ 223,243	\$ (90,716)	\$ 207,298	\$ 437,334	\$ 499,154
Other Comprehensive income (loss)							
Foreign currency translation adjustments	4,390	186	(9,785)	1,612	1,400	(5,209)	2,036
Other Comprehensive income (loss)	\$ 4,390	\$ 186	\$ (9,785)	\$ 1,612	\$ 1,400	\$ (5,209)	\$ 2,036
Comprehensive income (loss) available (attributable) to Validus	\$ 187,759	\$ 30,908	\$ 213,458	\$ (89,104)	\$ 208,698	\$ 432,125	\$ 501,190
Earnings per share							
Weighted average number of common shares and common share equivalents outstanding							
Basic	99,834,563	103,133,188	107,386,438	97,688,338	93,368,775	103,451,396	97,016,034
Diluted	103,613,766	104,734,643	110,052,999	97,688,338	98,236,490	105,264,913	102,333,515
Basic earnings (loss) per share available (attributable) to common shareholders	\$ 1.82	\$ 0.28	\$ 1.94	\$ (0.94)	\$ 2.20	\$ 4.06	\$ 5.09
Diluted earnings (loss) per share available (attributable) to common shareholders	\$ 1.77	\$ 0.28	\$ 1.90	\$ (0.94)	\$ 2.11	\$ 3.99	\$ 4.88
Cash dividends declared per share	\$ 0.30	\$ 0.30	\$ 2.30	\$ 0.25	\$ 0.25	\$ 2.90	\$ 0.75

Notes:

(a) The gain on bargain purchase, net of expenses, arises from the acquisition of Flagstone Reinsurance Holdings S.A. on November 30, 2012 and is net of transaction related expenses.

Validus Holdings, Ltd.
Consolidated Statements of Operations - Underwriting Income Format

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

	Three Months Ended				Nine Months Ended		
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	September 30, 2012	
Underwriting income							
Gross premiums written	\$ 356,760	\$ 702,313	\$ 1,104,760	\$ 311,847	\$ 390,215	\$ 2,163,833	\$ 1,854,593
Reinsurance premiums ceded	(39,415)	(121,396)	(187,216)	(35,659)	(45,743)	(348,027)	(271,847)
Net premiums written	317,345	580,917	917,544	276,188	344,472	1,815,806	1,582,746
Change in unearned premiums	213,943	(33,459)	(386,483)	223,098	130,632	(205,999)	(208,816)
Net premiums earned	531,288	547,458	531,061	499,286	475,104	1,609,807	1,373,930
Underwriting deductions							
Losses and loss expenses	177,965	265,044	144,771	458,310	155,455	587,780	541,136
Policy acquisition costs	94,900	87,152	93,611	81,814	98,623	275,663	252,884
General and administrative expenses	81,089	70,967	80,279	65,095	70,547	232,335	198,557
Share compensation expenses	10,527	6,638	2,318	7,126	7,345	19,483	19,583
Total underwriting deductions	364,481	429,801	320,979	612,345	331,970	1,115,261	1,012,160
Underwriting income (loss)	\$ 166,807	\$ 117,657	\$ 210,082	\$ (113,059)	\$ 143,134	\$ 494,546	\$ 361,770
Net investment income	20,009	26,210	25,649	28,802	25,489	71,868	79,134
Other (loss) income	(2,806)	4,418	2,685	187	7,324	4,297	22,209
Finance expenses	(27,132)	(37,830)	(24,446)	(14,510)	(9,362)	(89,408)	(39,347)
Operating income (loss) before taxes and income (loss) from operating affiliates	156,878	110,455	213,970	(98,580)	166,585	481,303	423,766
Tax (expense) benefit	(5)	(93)	318	(615)	(1,343)	220	(1,886)
Income (loss) from operating affiliates	1,463	3,793	3,523	(614)	6,235	8,779	13,194
Net operating income (loss) (a)	\$ 158,336	\$ 114,155	\$ 217,811	\$ (99,809)	\$ 171,477	\$ 490,302	\$ 435,074
Gain on bargain purchase, net of expenses (b)	—	—	—	21,485	(3,784)	—	(3,784)
Net realized (losses) gains on investments	(6,320)	3,409	1,721	(4,516)	9,063	(1,190)	22,749
Net unrealized gains (losses) on investments	69,967	(141,348)	(7,237)	(35,857)	86,345	(78,618)	53,442
Income (loss) from investment affiliate	1,044	1,753	1,477	(406)	(160)	4,274	(558)
Foreign exchange gains (losses)	6,036	(8,223)	6,922	1,181	1,103	4,735	3,617
Net income (loss)	\$ 229,063	\$ (30,254)	\$ 220,694	\$ (117,922)	\$ 264,044	\$ 419,503	\$ 510,540
Net (income) loss attributable to noncontrolling interest	(45,694)	60,976	2,549	27,206	(56,746)	17,831	(11,386)
Net income (loss) available (attributable) to Validus	\$ 183,369	\$ 30,722	\$ 223,243	\$ (90,716)	\$ 207,298	\$ 437,334	\$ 499,154
Selected ratios:							
Net premiums written / Gross premiums written	89.0%	82.7%	83.1%	88.6%	88.3%	83.9%	85.3%
Losses and loss expenses	33.5%	48.4%	27.3%	91.8%	32.7%	36.5%	39.4%
Policy acquisition costs	17.9%	15.9%	17.6%	16.4%	20.8%	17.2%	18.4%
General and administrative expenses (c)	<u>17.2%</u>	<u>14.2%</u>	<u>15.6%</u>	<u>14.5%</u>	<u>16.4%</u>	<u>15.6%</u>	<u>15.9%</u>
Expense ratio	<u>35.1%</u>	<u>30.1%</u>	<u>33.2%</u>	<u>30.9%</u>	<u>37.2%</u>	<u>32.8%</u>	<u>34.3%</u>
Combined ratio	68.6%	78.5%	60.5%	122.7%	69.9%	69.3%	73.7%

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 33.

(b) The gain on bargain purchase, net of expenses, arises from the acquisition of Flagstone Reinsurance Holdings S.A. on November 30, 2012 and is net of transaction related expenses.

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

Validus Holdings, Ltd.
Computation of Earnings per Share

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

	Three Months Ended (a)						Nine Months Ended (a)					
	September 30, 2013			September 30, 2012			September 30, 2013			September 30, 2012		
	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income	Net Operating Income	Net Income	Comprehensive Income
Basic earnings per share (b)												
Income	\$ 158,336	\$ 229,063	\$ 233,453	\$ 171,477	\$ 264,044	\$ 265,444	\$ 490,302	\$ 419,503	\$ 414,294	\$ 435,074	\$ 510,540	\$ 512,576
(Income) loss attributable to noncontrolling interest	(3,099)	(45,694)	(45,694)	(925)	(56,746)	(56,746)	(7,999)	17,831	17,831	(446)	(11,386)	(11,386)
Income available to Validus	\$ 155,237	\$ 183,369	\$ 187,759	\$ 170,552	\$ 207,298	\$ 208,698	\$ 482,303	\$ 437,334	\$ 432,125	\$ 434,628	\$ 499,154	\$ 501,190
less: Dividends and distributions declared on outstanding warrants	(1,552)	(1,552)	(1,552)	(1,663)	(1,663)	(1,663)	(17,662)	(17,662)	(17,662)	(5,121)	(5,121)	(5,121)
Income available to common shareholders	\$ 153,685	\$ 181,817	\$ 186,207	\$ 168,889	\$ 205,635	\$ 207,035	\$ 464,641	\$ 419,672	\$ 414,463	\$ 429,507	\$ 494,033	\$ 496,069
Weighted average number of common shares outstanding	99,834,563	99,834,563	99,834,563	93,368,775	93,368,775	93,368,775	103,451,396	103,451,396	103,451,396	97,016,034	97,016,034	97,016,034
Basic income per share available to common shareholders	\$ 1.54	\$ 1.82	\$ 1.87	\$ 1.81	\$ 2.20	\$ 2.22	\$ 4.49	\$ 4.06	\$ 4.01	\$ 4.43	\$ 5.09	\$ 5.11
Diluted earnings per share (b)												
Income	\$ 158,336	\$ 229,063	\$ 233,453	\$ 171,477	\$ 264,044	\$ 265,444	\$ 490,302	\$ 419,503	\$ 414,294	\$ 435,074	\$ 510,540	\$ 512,576
(Income) loss attributable to noncontrolling interest	(3,099)	(45,694)	(45,694)	(925)	(56,746)	(56,746)	(7,999)	17,831	17,831	(446)	(11,386)	(11,386)
Income available to Validus	\$ 155,237	\$ 183,369	\$ 187,759	\$ 170,552	\$ 207,298	\$ 208,698	\$ 482,303	\$ 437,334	\$ 432,125	\$ 434,628	\$ 499,154	\$ 501,190
less: Dividends and distributions declared on outstanding warrants	—	—	—	—	—	—	(17,662)	(17,662)	(17,662)	—	—	—
Income available to common shareholders	\$ 155,237	\$ 183,369	\$ 187,759	\$ 170,552	\$ 207,298	\$ 208,698	\$ 464,641	\$ 419,672	\$ 414,463	\$ 434,628	\$ 499,154	\$ 501,190
Weighted average number of common shares outstanding	99,834,563	99,834,563	99,834,563	93,368,775	93,368,775	93,368,775	103,451,396	103,451,396	103,451,396	97,016,034	97,016,034	97,016,034
Share equivalents:												
Warrants	2,606,669	2,606,669	2,606,669	3,248,788	3,248,788	3,248,788	—	—	—	3,116,298	3,116,298	3,116,298
Stock options	782,158	782,158	782,158	716,693	716,693	716,693	1,090,298	1,090,298	1,090,298	777,245	777,245	777,245
Unvested restricted shares	390,376	390,376	390,376	902,234	902,234	902,234	723,219	723,219	723,219	1,423,938	1,423,938	1,423,938
Weighted average number of diluted common shares outstanding	103,613,766	103,613,766	103,613,766	98,236,490	98,236,490	98,236,490	105,264,913	105,264,913	105,264,913	102,333,515	102,333,515	102,333,515
Diluted earnings per share available to common shareholders	\$ 1.50	\$ 1.77	\$ 1.81	\$ 1.74	\$ 2.11	\$ 2.12	\$ 4.41	\$ 3.99	\$ 3.94	\$ 4.25	\$ 4.88	\$ 4.90

Notes:

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

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

Validus Holdings, Ltd.

Computation of Weighted Average Dilutive Shares Outstanding

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

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Average fair value per share	\$ 35.35	\$ 33.16	\$ 36.04	\$ 31.99
Basic weighted average common shares outstanding	99,834,563	93,368,775	103,451,396	97,016,034
Add: weighted average dilutive warrants outstanding	5,296,056	6,652,550	—	6,828,635
Weighted average exercise price per share	\$ 18.60	\$ 17.56	\$ 18.53	\$ 17.56
Less: warrants bought back via treasury method	(2,689,387)	(3,403,762)	—	(3,712,337)
Add: weighted average dilutive options outstanding	1,646,607	1,823,947	1,710,647	2,057,241
Weighted average exercise price per share	\$ 18.94	\$ 20.69	\$ 18.93	\$ 20.36
Proceeds from unrecognized option expenses	\$ —	\$ —	\$ —	\$ 70
Less: options bought back via treasury method	(864,449)	(1,107,254)	(620,349)	(1,279,996)
Add: weighted average unvested restricted shares	2,877,259	2,468,053	2,598,811	2,923,817
Proceeds from unrecognized restricted share expenses	\$ 87,911	\$ 51,923	\$ 67,596	\$ 47,981
Less: restricted shares bought back via treasury method	(2,486,883)	(1,565,819)	(1,875,592)	(1,499,879)
Weighted average dilutive shares outstanding	103,613,766	98,236,490	105,264,913	102,333,515

Validus Holdings, Ltd.
Consolidated Segment Income Statement - Three months ended

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

	Three Months Ended September 30, 2013					Three Months Ended September 30, 2012				
	Validus Re Segment	AlphaCat Segment	Talbot Segment	Corporate & Eliminations	Total	Validus Re Segment	AlphaCat Segment	Talbot Segment	Corporate & Eliminations	Total
Underwriting income										
Gross premiums written	\$ 130,925	\$ 3,481	\$ 246,468	\$ (24,114)	\$ 356,760	\$ 145,010	\$ 2,934	\$ 260,755	\$ (18,484)	\$ 390,215
Reinsurance premiums ceded	(13,006)	(525)	(49,998)	24,114	(39,415)	(10,426)	—	(53,801)	18,484	(45,743)
Net premiums written	117,919	2,956	196,470	—	317,345	134,584	2,934	206,954	—	344,472
Change in unearned premiums	157,873	34,210	21,860	—	213,943	107,728	2,591	20,313	—	130,632
Net premiums earned	275,792	37,166	218,330	—	531,288	242,312	5,525	227,267	—	475,104
Underwriting deductions										
Losses and loss expenses	62,250	15,615	100,100	—	177,965	66,890	—	88,565	—	155,455
Policy acquisition costs	47,662	3,787	44,899	(1,448)	94,900	37,785	547	61,640	(1,349)	98,623
General and administrative expenses	19,785	5,728	37,402	18,174	81,089	16,938	2,087	36,605	14,917	70,547
Share compensation expenses	2,479	152	2,992	4,904	10,527	2,076	84	2,200	2,985	7,345
Total underwriting deductions	132,176	25,282	185,393	21,630	364,481	123,689	2,718	189,010	16,553	331,970
Underwriting income (loss)	\$ 143,616	\$ 11,884	\$ 32,937	\$ (21,630)	\$ 166,807	\$ 118,623	\$ 2,807	\$ 38,257	\$ (16,553)	\$ 143,134
Net investment income	15,628	967	4,395	(981)	20,009	19,644	1,193	5,260	(608)	25,489
Other (loss) income	(1,892)	3,791	73	(4,778)	(2,806)	1,543	7,674	680	(2,573)	7,324
Finance expenses	(3,640)	(11,895)	(107)	(11,490)	(27,132)	(789)	(56)	(73)	(8,444)	(9,362)
Operating income (loss) before taxes and income from operating affiliates	153,712	4,747	37,298	(38,879)	156,878	139,021	11,618	44,124	(28,178)	166,585
Tax benefit (expense)	143	—	(513)	365	(5)	(2)	—	(11)	(1,330)	(1,343)
Income from operating affiliates	—	1,463	—	—	1,463	—	6,235	—	—	6,235
Net operating income (loss) (a)	\$ 153,855	\$ 6,210	\$ 36,785	\$ (38,514)	\$ 158,336	\$ 139,019	\$ 17,853	\$ 44,113	\$ (29,508)	\$ 171,477
Transaction expenses (b)	—	—	—	—	—	—	—	—	(3,784)	(3,784)
Net realized (losses) gains on investments	(10,137)	4,084	(267)	—	(6,320)	6,643	300	2,120	—	9,063
Net unrealized gains on investments	23,144	44,145	2,678	—	69,967	19,232	62,432	4,681	—	86,345
Income (loss) from investment affiliate	1,044	—	—	—	1,044	(160)	—	—	—	(160)
Foreign exchange gains (losses)	2,168	388	4,238	(758)	6,036	8	30	1,146	(81)	1,103
Net income (loss)	\$ 170,074	\$ 54,827	\$ 43,434	\$ (39,272)	\$ 229,063	\$ 164,742	\$ 80,615	\$ 52,060	\$ (33,373)	\$ 264,044
Net (income) attributable to noncontrolling interest	—	(45,694)	—	—	(45,694)	—	(56,746)	—	—	(56,746)
Net income (loss) available (attributable) to Validus	\$ 170,074	\$ 9,133	\$ 43,434	\$ (39,272)	\$ 183,369	\$ 164,742	\$ 23,869	\$ 52,060	\$ (33,373)	\$ 207,298
Selected ratios:										
Net premiums written / Gross premiums written	90.1%	84.9%	79.7%		89.0%	92.8%	100.0%	79.4%		88.3%
Losses and loss expenses	22.6%	42.0%	45.8%		33.5%	27.6%	0.0%	39.0%		32.7%
Policy acquisition costs	17.3%	10.2%	20.6%		17.9%	15.6%	9.9%	27.1%		20.8%
General and administrative expenses (c)	8.1%	15.8%	18.5%		17.2%	7.8%	39.3%	17.1%		16.4%
Expense ratio	25.4%	26.0%	39.1%		35.1%	23.4%	49.2%	44.2%		37.2%
Combined ratio	48.0%	68.0%	84.9%		68.6%	51.0%	49.2%	83.2%		69.9%

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 33.

(b) The transaction expenses relate to costs incurred in connection with the proposed acquisition of Flagstone Reinsurance Holdings, S.A. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.

(c) The general and administrative expenses 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 September 30, 2013				Three Months Ended September 30, 2012			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Underwriting income								
Gross premiums written	\$ 96,481	\$ 21,851	\$ 12,593	\$ 130,925	\$ 105,990	\$ 25,523	\$ 13,497	\$ 145,010
Reinsurance premiums ceded	(2,337)	(10,666)	(3)	(13,006)	(6,245)	(4,175)	(6)	(10,426)
Net premiums written	94,144	11,185	12,590	117,919	99,745	21,348	13,491	134,584
Change in unearned premiums	65,310	35,297	57,266	157,873	57,773	39,519	10,436	107,728
Net premiums earned	159,454	46,482	69,856	275,792	157,518	60,867	23,927	242,312
Underwriting deductions								
Losses and loss expenses	1,131	12,477	48,642	62,250	3,061	32,870	30,959	66,890
Policy acquisition costs	28,173	9,241	10,248	47,662	23,116	10,513	4,156	37,785
Total underwriting deductions before G&A	29,304	21,718	58,890	109,912	26,177	43,383	35,115	104,675
Underwriting income (loss) before G&A	\$ 130,150	\$ 24,764	\$ 10,966	\$ 165,880	\$ 131,341	\$ 17,484	\$ (11,188)	\$ 137,637
General and administrative expenses				19,785				16,938
Share compensation expenses				2,479				2,076
Total underwriting deductions				132,176				123,689
Underwriting income				\$ 143,616				\$ 118,623
Net investment income				15,628				19,644
Other (loss) income				(1,892)				1,543
Finance expenses				(3,640)				(789)
Operating income before taxes				153,712				139,021
Tax benefit (expense)				143				(2)
Net operating income (b)				\$ 153,855				\$ 139,019
Net realized (losses) gains on investments				(10,137)				6,643
Net unrealized gains on investments				23,144				19,232
Income (loss) from investment affiliate				1,044				(160)
Foreign exchange gains (losses)				2,168				8
Net income				\$ 170,074				\$ 164,742
Selected ratios:								
Net premiums written / Gross premiums written	97.6%	51.2%	100.0%	90.1%	94.1%	83.6%	100.0%	92.8%
Losses and loss expenses	0.7%	26.8%	69.6%	22.6%	1.9%	54.0%	129.4%	27.6%
Policy acquisition costs	17.7%	19.9%	14.7%	17.3%	14.7%	17.3%	17.4%	15.6%
General and administrative expenses (c)				<u>8.1%</u>				<u>7.8%</u>
Expense ratio				<u>25.4%</u>				<u>23.4%</u>
Combined ratio				<u>48.0%</u>				<u>51.0%</u>

Notes:

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

(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.

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

Validus Holdings, Ltd.
Underwriting Results by Class of Business - Three months ended - Talbot

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

	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
Underwriting income								
Gross premiums written	\$ 82,806	\$ 75,837	\$ 87,825	\$ 246,468	\$ 84,321	\$ 100,847	\$ 75,587	\$ 260,755
Reinsurance premiums ceded	(34,964)	(1,635)	(13,399)	(49,998)	(34,864)	(4,774)	(14,163)	(53,801)
Net premiums written	47,842	74,202	74,426	196,470	49,457	96,073	61,424	206,954
Change in unearned premiums	2,093	18,312	1,455	21,860	(6,640)	12,905	14,048	20,313
Net premiums earned	49,935	92,514	75,881	218,330	42,817	108,978	75,472	227,267
Underwriting deductions								
Losses and loss expenses	28,184	47,659	24,257	100,100	23,355	46,709	18,501	88,565
Policy acquisition costs	6,373	21,279	17,247	44,899	4,376	40,382	16,882	61,640
Total underwriting deductions before G&A	34,557	68,938	41,504	144,999	27,731	87,091	35,383	150,205
Underwriting income before G&A	\$ 15,378	\$ 23,576	\$ 34,377	\$ 73,331	\$ 15,086	\$ 21,887	\$ 40,089	\$ 77,062
General and administrative expenses				37,402				36,605
Share compensation expenses				2,992				2,200
Total underwriting deductions				185,393				189,010
Underwriting income				\$ 32,937				\$ 38,257
Net investment income				4,395				5,260
Other income				73				680
Finance expenses				(107)				(73)
Operating income before taxes				37,298				44,124
Tax (expense)				(513)				(11)
Net operating income (c)				\$ 36,785				\$ 44,113
Net realized (losses) gains on investments				(267)				2,120
Net unrealized gains on investments				2,678				4,681
Foreign exchange gains				4,238				1,146
Net income				\$ 43,434				\$ 52,060
Selected ratios:								
Net premiums written / Gross premiums written	57.8%	97.8%	84.7%	79.7%	58.7%	95.3%	81.3%	79.4%
Losses and loss expenses	56.4%	51.5%	32.0%	45.8%	54.5%	42.9%	24.5%	39.0%
Policy acquisition costs	12.8%	23.0%	22.7%	20.6%	10.2%	37.1%	22.4%	27.1%
General and administrative expenses (d)				<u>18.5%</u>				<u>17.1%</u>
Expense ratio				<u>39.1%</u>				<u>44.2%</u>
Combined ratio				<u>84.9%</u>				<u>83.2%</u>

Notes:

(a) Property includes Onshore Energy.

(b) Specialty includes Accident & Health, Aviation (Direct & Treaty), Bloodstock, Contingency, Financial Institutions and War. War includes Political Risk and Political Violence.

(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 expenses ratio includes share compensation expenses.

Validus Holdings, Ltd.
Consolidated Segment Income Statement - Nine months ended

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

	Nine Months Ended September 30, 2013					Nine Months Ended September 30, 2012				
	Validus Re Segment	AlphaCat Segment	Talbot Segment	Corporate & Eliminations	Total	Validus Re Segment	AlphaCat Segment	Talbot Segment	Corporate & Eliminations	Total
Underwriting income										
Gross premiums written	\$ 1,232,272	\$ 146,757	\$ 855,516	\$ (70,712)	\$ 2,163,833	\$ 1,052,726	\$ 21,607	\$ 837,536	\$ (57,276)	\$ 1,854,593
Reinsurance premiums ceded	(226,292)	(525)	(191,922)	70,712	(348,027)	(137,504)	—	(191,619)	57,276	(271,847)
Net premiums written	1,005,980	146,232	663,594	—	1,815,806	915,222	21,607	645,917	—	1,582,746
Change in unearned premiums	(122,303)	(46,459)	(37,237)	—	(205,999)	(177,215)	(9,832)	(21,769)	—	(208,816)
Net premiums earned	883,677	99,773	626,357	—	1,609,807	738,007	11,775	624,148	—	1,373,930
Underwriting deductions										
Losses and loss expenses	319,298	16,928	251,554	—	587,780	244,286	—	296,850	—	541,136
Policy acquisition costs	142,195	10,011	127,092	(3,635)	275,663	113,659	1,185	142,181	(4,141)	252,884
General and administrative expenses	69,649	13,757	100,506	48,423	232,335	48,332	5,521	100,910	43,794	198,557
Share compensation expenses	5,421	314	6,754	6,994	19,483	5,914	195	5,347	8,127	19,583
Total underwriting deductions	536,563	41,010	485,906	51,782	1,115,261	412,191	6,901	545,288	47,780	1,012,160
Underwriting income (loss)	\$ 347,114	\$ 58,763	\$ 140,451	\$ (51,782)	\$ 494,546	\$ 325,816	\$ 4,874	\$ 78,860	\$ (47,780)	\$ 361,770
Net investment income	61,770	2,821	13,496	(6,219)	71,868	64,915	2,672	16,475	(4,928)	79,134
Other income (loss)	11,237	17,439	564	(24,943)	4,297	4,229	22,237	2,033	(6,290)	22,209
Finance expenses	(12,133)	(46,429)	(256)	(30,590)	(89,408)	(6,628)	(495)	(224)	(32,000)	(39,347)
Operating income (loss) before taxes and income from operating affiliates	407,988	32,594	154,255	(113,534)	481,303	388,332	29,288	97,144	(90,998)	423,766
Tax benefit (expense)	1,755	—	(1,184)	(351)	220	(11)	—	(562)	(1,313)	(1,886)
Income from operating affiliates	—	8,779	—	—	8,779	—	13,194	—	—	13,194
Net operating income (loss) (a)	\$ 409,743	\$ 41,373	\$ 153,071	\$ (113,885)	\$ 490,302	\$ 388,321	\$ 42,482	\$ 96,582	\$ (92,311)	\$ 435,074
Transaction expenses (b)	—	—	—	—	—	—	—	—	(3,784)	(3,784)
Net realized (losses) gains on investments	(5,790)	4,084	516	—	(1,190)	17,708	216	4,825	—	22,749
Net unrealized (losses) gains on investments	(36,883)	(31,029)	(10,706)	—	(78,618)	35,400	12,316	5,726	—	53,442
Income (loss) from investment affiliate	4,274	—	—	—	4,274	(558)	—	—	—	(558)
Foreign exchange gains (losses)	7,448	(663)	(1,877)	(173)	4,735	2,461	47	1,334	(225)	3,617
Net income (loss)	\$ 378,792	\$ 13,765	\$ 141,004	\$ (114,058)	\$ 419,503	\$ 443,332	\$ 55,061	\$ 108,467	\$ (96,320)	\$ 510,540
Net loss (income) attributable to noncontrolling interest	—	17,831	—	—	17,831	—	(11,386)	—	—	(11,386)
Net income (loss) available (attributable) to Validus	\$ 378,792	\$ 31,596	\$ 141,004	\$ (114,058)	\$ 437,334	\$ 443,332	\$ 43,675	\$ 108,467	\$ (96,320)	\$ 499,154
Selected ratios:										
Net premiums written / Gross premiums written	81.6%	99.6%	77.6%		83.9%	86.9%	100.0%	77.1%		85.3%
Losses and loss expenses	36.1%	17.0%	40.2%		36.5%	33.1%	0.0%	47.6%		39.4%
Policy acquisition costs	16.1%	10.0%	20.3%		17.2%	15.4%	10.1%	22.8%		18.4%
General and administrative expenses (c)	8.5%	14.1%	17.1%		15.6%	7.4%	48.5%	17.0%		15.9%
Expense ratio	24.6%	24.1%	37.4%		32.8%	22.8%	58.6%	39.8%		34.3%
Combined ratio	60.7%	41.1%	77.6%		69.3%	55.9%	58.6%	87.4%		73.7%

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Net operating income (loss) available (attributable) to Validus is defined as above and includes income (loss) from noncontrolling interests. Refer to the Non-GAAP Financial Measure Reconciliation on page 33.

(b) The transaction expenses relate to costs incurred in connection with the proposed acquisition of Flagstone Reinsurance Holdings, S.A. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.

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

Validus Holdings, Ltd.
Underwriting Results by Class of Business - Nine months ended - Validus Re

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

	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Underwriting income								
Gross premiums written	\$ 727,404	\$ 194,047	\$ 310,821	\$ 1,232,272	\$ 716,739	\$ 248,848	\$ 87,139	\$ 1,052,726
Reinsurance premiums ceded	(171,382)	(15,831)	(39,079)	(226,292)	(119,335)	(17,594)	(575)	(137,504)
Net premiums written	556,022	178,216	271,742	1,005,980	597,404	231,254	86,564	915,222
Change in unearned premiums	(35,446)	(22,755)	(64,102)	(122,303)	(121,478)	(37,325)	(18,412)	(177,215)
Net premiums earned	520,576	155,461	207,640	883,677	475,926	193,929	68,152	738,007
Underwriting deductions								
Losses and loss expenses	73,212	100,279	145,807	319,298	87,147	120,591	36,548	244,286
Policy acquisition costs	82,580	29,995	29,620	142,195	68,419	33,817	11,423	113,659
Total underwriting deductions before G&A	155,792	130,274	175,427	461,493	155,566	154,408	47,971	357,945
Underwriting income before G&A	\$ 364,784	\$ 25,187	\$ 32,213	\$ 422,184	\$ 320,360	\$ 39,521	\$ 20,181	\$ 380,062
General and administrative expenses				69,649				48,332
Share compensation expenses				5,421				5,914
Total underwriting deductions				536,563				412,191
Underwriting income				\$ 347,114				\$ 325,816
Net investment income				61,770				64,915
Other income				11,237				4,229
Finance expenses				(12,133)				(6,628)
Operating income before taxes				407,988				388,332
Tax benefit (expense)				1,755				(11)
Net operating income (b)				\$ 409,743				\$ 388,321
Net realized (losses) gains on investments				(5,790)				17,708
Net unrealized (losses) gains on investments				(36,883)				35,400
Income (loss) from investment affiliate				4,274				(558)
Foreign exchange gains				7,448				2,461
Net income				\$ 378,792				\$ 443,332
Selected ratios:								
Net premiums written / Gross premiums written	76.4%	91.8%	87.4%	81.6%	83.4%	92.9%	99.3%	86.9%
Losses and loss expenses	14.1%	64.5%	70.2%	36.1%	18.3%	62.2%	53.6%	33.1%
Policy acquisition costs	15.9%	19.3%	14.3%	16.1%	14.4%	17.4%	16.8%	15.4%
General and administrative expenses (c)				8.5%				7.4%
Expense ratio				24.6%				22.8%
Combined ratio				60.7%				55.9%

Notes:

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

(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.

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

Validus Holdings, Ltd.
Underwriting Results by Class of Business - Nine months ended - Talbot

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

	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	Property (a)	Marine	Specialty (b)	Total	Property (a)	Marine	Specialty (b)	Total
Underwriting income								
Gross premiums written	284,980	306,093	264,443	855,516	262,652	314,667	260,217	837,536
Reinsurance premiums ceded	(122,002)	(23,137)	(46,783)	(191,922)	(118,283)	(27,857)	(45,479)	(191,619)
Net premiums written	162,978	282,956	217,660	663,594	144,369	286,810	214,738	645,917
Change in unearned premiums	(20,038)	(18,501)	1,302	(37,237)	(16,185)	(18,471)	12,887	(21,769)
Net premiums earned	142,940	264,455	218,962	626,357	128,184	268,339	227,625	624,148
Underwriting deductions								
Losses and loss expenses	53,776	107,710	90,068	251,554	71,494	133,484	91,872	296,850
Policy acquisition costs	16,300	59,182	51,610	127,092	11,466	78,313	52,402	142,181
Total underwriting deductions before G&A	70,076	166,892	141,678	378,646	82,960	211,797	144,274	439,031
Underwriting income before G&A	72,864	97,563	77,284	247,711	45,224	56,542	83,351	185,117
General and administrative expenses				100,506				100,910
Share compensation expenses				6,754				5,347
Total underwriting deductions				485,906				545,288
Underwriting income				140,451				78,860
Net investment income				13,496				16,475
Other income				564				2,033
Finance expenses				(256)				(224)
Operating income before taxes				154,255				97,144
Tax (expense)				(1,184)				(562)
Net operating income (c)				153,071				96,582
Net realized gains on investments				516				4,825
Net unrealized (losses) gains on investments				(10,706)				5,726
Foreign exchange (losses) gains				(1,877)				1,334
Net income				141,004				108,467
Selected ratios:								
Net premiums written / Gross premiums written	57.2%	92.4%	82.3%	77.6%	55.0%	91.1%	82.5%	77.1%
Losses and loss expenses	37.6%	40.7%	41.1%	40.2%	55.8%	49.7%	40.4%	47.6%
Policy acquisition costs	11.4%	22.4%	23.6%	20.3%	8.9%	29.2%	23.0%	22.8%
General and administrative expenses (d)				<u>17.1%</u>				<u>17.0%</u>
Expense ratio				<u>37.4%</u>				<u>39.8%</u>
Combined ratio				<u>77.6%</u>				<u>87.4%</u>

Notes:

(a) Property includes Onshore Energy.

(b) Specialty includes Accident & Health, Aviation (Direct & Treaty), Bloodstock, Contingency, Financial Institutions and War. War includes Political Risk and Political Violence.

(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 expenses ratio includes share compensation expenses.

Validus Holdings, Ltd.

Consolidated Class of Business Policy Type Detail - Gross Premiums Written

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

Line of business	Treaty type	Three Months Ended				Nine Months Ended			
		September 30, 2013		September 30, 2012		September 30, 2013		September 30, 2012	
		Gross premiums written	%	Gross premiums written	%	Gross premiums written	%	Gross premiums written	%
Property	Treaty Reinsurance	\$ 99,471	27.9%	\$ 109,556	28.1%	\$ 891,441	41.2 %	\$ 767,615	41.4%
	Facultative Reinsurance	31,003	8.7%	46,090	11.7%	106,776	4.9 %	107,865	5.8%
	Direct Insurance	27,832	7.8%	20,491	5.3%	94,488	4.4 %	74,256	4.0%
		<u>158,306</u>	<u>44.4%</u>	<u>176,137</u>	<u>45.1%</u>	<u>1,092,705</u>	<u>50.5 %</u>	<u>949,736</u>	<u>51.2%</u>
Marine	Treaty Reinsurance	30,464	8.5%	29,501	7.6%	238,915	11.0 %	285,702	15.4%
	Facultative Reinsurance	12,365	3.5%	29,043	7.4%	83,776	3.9 %	85,977	4.6%
	Direct Insurance	55,267	15.5%	66,979	17.2%	175,162	8.1 %	188,348	10.2%
		<u>98,096</u>	<u>27.5%</u>	<u>125,523</u>	<u>32.2%</u>	<u>497,853</u>	<u>23.0 %</u>	<u>560,027</u>	<u>30.2%</u>
Specialty (a)	Treaty Reinsurance	21,719	6.1%	18,057	4.6%	349,945	16.2 %	119,857	6.5%
	Facultative Reinsurance	24,138	6.7%	18,352	4.7%	74,856	3.5 %	77,996	4.2%
	Direct Insurance	54,501	15.3%	52,146	13.4%	148,474	6.8 %	146,977	7.9%
		<u>100,358</u>	<u>28.1%</u>	<u>88,555</u>	<u>22.7%</u>	<u>573,275</u>	<u>26.5 %</u>	<u>344,830</u>	<u>18.6%</u>
Total	Treaty Reinsurance	151,654	42.5%	157,114	40.3%	1,480,301	68.4 %	1,173,174	63.3%
	Facultative Reinsurance	67,506	18.9%	93,485	23.8%	265,408	12.3 %	271,838	14.6%
	Direct Insurance	137,600	38.6%	139,616	35.9%	418,124	19.3 %	409,581	22.1%
		<u>\$ 356,760</u>	<u>100.0%</u>	<u>\$ 390,215</u>	<u>100.0%</u>	<u>\$ 2,163,833</u>	<u>100.0 %</u>	<u>\$ 1,854,593</u>	<u>100.0%</u>
Total	Reinsurance	151,654	42.5 %	157,114	40.3%	1,480,301	68.4 %	1,173,174	63.3%
	Insurance (b)	205,106	57.5 %	233,101	59.7%	683,532	31.6 %	681,419	36.7%
		<u>\$ 356,760</u>	<u>100.0%</u>	<u>\$ 390,215</u>	<u>100.0%</u>	<u>\$ 2,163,833</u>	<u>100.0 %</u>	<u>\$ 1,854,593</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, Contingency, Motor, Technical Lines, and Composite. For the Talbot segment, Specialty includes Accident & Health, Aviation (Direct & Treaty), Bloodstock, Contingency, Financial Institutions and War. War includes Political Risk and Political Violence.

(b) Insurance includes facultative reinsurance and direct insurance.



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					Nine Months Ended	
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	September 30, 2013	September 30, 2012
Validus Re							
Property - Cat XOL (a)	\$ 51,580	\$ 285,483	\$ 272,911	\$ 38,304	\$ 60,433	\$ 609,974	\$ 559,742
Property - Per Risk XOL	13,814	8,322	5,252	3,677	22,771	27,388	55,653
Property - Proportional (b)	31,087	11,094	47,861	12,897	22,786	90,042	101,344
Marine	21,851	10,764	161,432	8,621	25,523	194,047	248,848
Aerospace & Aviation	7,242	9,249	11,409	1,838	5,419	27,900	22,486
Agriculture	(145)	2,339	187,784	35	109	189,978	4,205
Financial	186	189	2,123	2,689	(816)	2,498	1
Life and A&H	208	(50)	2,415	84	167	2,573	2,998
Nuclear	284	1,242	633	292	2,659	2,159	4,854
Terrorism	237	2,039	19,878	6,430	179	22,154	24,351
Workers' Compensation	3,134	166	2,715	345	2,802	6,015	4,908
Crisis Management	242	1,767	4,753	2,861	1,009	6,762	12,763
Contingency	—	25	5,327	—	—	5,352	5,250
Motor	6	(557)	2,357	(110)	1,032	1,806	4,386
Technical Lines	1,199	16,363	13,454	1,270	937	31,016	937
Composite	—	4,949	7,659	—	—	12,608	—
Total Validus Re Segment	130,925	353,384	747,963	79,233	145,010	1,232,272	1,052,726
AlphaCat							
Property - Cat XOL (a)	1,080	40,767	93,222	(6)	874	135,069	13,598
Property - PacRe, Ltd.	2,401	5,993	3,294	2	2,060	11,688	8,009
Total AlphaCat Segment	3,481	46,760	96,516	(4)	2,934	146,757	21,607
Talbot							
Property	57,889	78,655	62,257	40,288	56,673	198,801	174,365
Onshore Energy	24,917	45,544	15,718	21,970	27,648	86,179	88,287
Marine	75,837	105,530	124,726	81,540	100,847	306,093	314,667
Accident & Health	5,928	5,098	7,210	4,790	5,158	18,236	14,625
Aviation, Direct	13,995	8,985	5,039	30,819	13,413	28,019	30,014
Aviation Treaty	9,815	8,568	14,273	397	4,240	32,656	34,470
Bloodstock	81	6	64	206	(5)	151	1,005
Contingency	6,113	6,249	4,519	3,893	3,895	16,881	16,812
Financial Institutions	11,058	8,322	9,643	12,622	6,575	29,023	23,184
War (c)	40,835	48,561	50,081	44,575	42,311	139,477	140,107
Total Talbot Segment	246,468	315,518	293,530	241,100	260,755	855,516	837,536
Intersegment Revenue							
Property	(24,462)	(12,985)	(28,989)	(6,571)	(17,108)	(66,436)	(51,262)
Marine	408	(359)	(2,336)	(767)	(847)	(2,287)	(3,488)
Specialty	(60)	(5)	(1,924)	(1,144)	(529)	(1,989)	(2,526)
Total Intersegment Revenue Eliminated	(24,114)	(13,349)	(33,249)	(8,482)	(18,484)	(70,712)	(57,276)
Total Gross Premiums Written	\$ 356,760	\$ 702,313	\$ 1,104,760	\$ 311,847	\$ 390,215	\$ 2,163,833	\$ 1,854,593
Managed Premiums (d)							
Total Gross Premiums Written	356,760	702,313	1,104,760	311,847	390,215	2,163,833	1,854,593
Gross Premiums Written on behalf of AlphaCat Re 2011, Ltd.	(1,664)	(403)	(110)	8	7,604	(2,177)	94,309
Gross Premiums Written on behalf of AlphaCat Re 2012, Ltd.	70	(67)	(398)	(45)	1,658	(395)	32,216
Total Managed Gross Premiums Written	\$ 355,166	\$ 701,843	\$ 1,104,252	\$ 311,810	\$ 399,477	\$ 2,161,261	\$ 1,981,118

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 cover.

(c) War includes political risk and political violence.

(d) Non-GAAP measure reconciliation between managed gross premiums written and gross premiums written.

Validus Holdings, Ltd.

Consolidated Analysis of Reserves for Losses and Loss Expenses

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

	At September 30, 2013			At December 31, 2012		
	Reserve for losses and loss expenses	Loss reserves recoverable	Net	Reserve for losses and loss expenses	Loss reserves recoverable	Net
Property (a)	\$ 1,497,885	\$ 216,132	\$ 1,281,753	\$ 1,828,475	\$ 250,876	\$ 1,577,599
Marine	974,311	94,814	879,497	1,039,304	102,766	936,538
Specialty (b)	751,539	110,572	640,967	649,794	86,325	563,469
Total	\$ 3,223,735	\$ 421,518	\$ 2,802,217	\$ 3,517,573	\$ 439,967	\$ 3,077,606

	At September 30, 2013			At December 31, 2012		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
Property (a)	\$ 810,911	\$ 686,974	\$ 1,497,885	\$ 930,553	\$ 897,922	\$ 1,828,475
Marine	512,407	461,904	974,311	522,907	516,397	1,039,304
Specialty (b)	270,885	480,654	751,539	265,638	384,156	649,794
Total	\$ 1,594,203	\$ 1,629,532	\$ 3,223,735	\$ 1,719,098	\$ 1,798,475	\$ 3,517,573
% of Total	49.5%	50.5%	100.0%	48.9%	51.1%	100.0%

Notes:

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

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

Validus Holdings, Ltd.
Consolidated Losses and Loss Ratios by Segment

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

	At or for the Three Months Ended									
	September 30, 2013					September 30, 2012				
	Validus Re Segment	AlphaCat Segment	Talbot Segment	Eliminations	Total	Validus Re Segment	AlphaCat Segment	Talbot Segment	Eliminations	Total
Gross reserves at period beginning	\$ 1,979,882	\$ 6,313	\$ 1,367,613	\$ (70,358)	\$ 3,283,450	\$ 1,247,472	\$ 10,000	\$ 1,434,790	\$ (100,963)	\$ 2,591,299
Losses recoverable	(138,976)	—	(350,075)	70,358	(418,693)	(79,964)	—	(392,483)	100,963	(371,484)
Net reserves at period beginning	1,840,906	6,313	1,017,538	—	2,864,757	1,167,508	10,000	1,042,307	—	2,219,815
Incurred losses- current year	93,143	15,615	134,257	—	243,015	90,648	—	114,571	—	205,219
Change in prior accident years	(30,893)	—	(34,157)	—	(65,050)	(23,758)	—	(26,006)	—	(49,764)
Incurred losses	62,250	15,615	100,100	—	177,965	66,890	—	88,565	—	155,455
Foreign exchange	20,074	55	14,234	—	34,363	7,515	—	7,195	—	14,710
Paid losses	(146,756)	—	(128,112)	—	(274,868)	(63,724)	—	(80,904)	—	(144,628)
Net reserves at period end	1,776,474	21,983	1,003,760	—	2,802,217	1,178,189	10,000	1,057,163	—	2,245,352
Losses recoverable	126,714	—	364,576	(69,772)	421,518	38,371	—	365,405	(86,524)	317,252
Gross reserves at period end	\$ 1,903,188	\$ 21,983	\$ 1,368,336	\$ (69,772)	\$ 3,223,735	\$ 1,216,560	\$ 10,000	\$ 1,422,568	\$ (86,524)	\$ 2,562,604
Net premiums earned	\$ 275,792	\$ 37,166	\$ 218,330		\$ 531,288	\$ 242,312	\$ 5,525	\$ 227,267		\$ 475,104
Current year loss ratio	33.8%	42.0%	61.5%		45.7%	37.4%	0.0%	50.4%		43.2%
Prior accident year adjustments	-11.2%	0.0%	-15.7%		-12.2%	-9.8%	0.0%	-11.4%		-10.5%
Net loss ratio	22.6%	42.0%	45.8%		33.5%	27.6%	0.0%	39.0%		32.7%
Paid to incurred	235.8%	0.0%	128.0%		154.5%	95.3%	0.0%	91.3%		93.0%

	At or for the Nine Months Ended									
	September 30, 2013					September 30, 2012				
	Validus Re Segment	AlphaCat Segment	Talbot Segment	Eliminations	Total	Validus Re Segment	AlphaCat Segment	Talbot Segment	Eliminations	Total
Gross reserves at period beginning	\$ 2,122,895	\$ 5,000	\$ 1,480,307	\$ (90,629)	\$ 3,517,573	\$ 1,350,849	\$ 10,000	\$ 1,377,561	\$ (107,267)	\$ 2,631,143
Losses recoverable	(148,646)	—	(381,950)	90,629	(439,967)	(95,509)	—	(384,243)	107,267	(372,485)
Net reserves at period beginning	1,974,249	5,000	1,098,357	—	3,077,606	1,255,340	10,000	993,318	—	2,258,658
Net reserves acquired	948	—	—	—	948	—	—	—	—	—
Incurred losses- current year	381,988	16,928	360,701	—	759,617	297,051	—	361,833	—	658,884
Change in prior accident years	(62,690)	—	(109,147)	—	(171,837)	(52,765)	—	(64,983)	—	(117,748)
Incurred losses	319,298	16,928	251,554	—	587,780	244,286	—	296,850	—	541,136
Foreign exchange	(13,995)	55	(2,985)	—	(16,925)	6,007	—	8,931	—	14,938
Paid losses	(504,026)	—	(343,166)	—	(847,192)	(327,444)	—	(241,936)	—	(569,380)
Net reserves at period end	1,776,474	21,983	1,003,760	—	2,802,217	1,178,189	10,000	1,057,163	—	2,245,352
Losses recoverable	126,714	—	364,576	(69,772)	421,518	38,371	—	365,405	(86,524)	317,252
Gross reserves at period end	\$ 1,903,188	\$ 21,983	\$ 1,368,336	\$ (69,772)	\$ 3,223,735	\$ 1,216,560	\$ 10,000	\$ 1,422,568	\$ (86,524)	\$ 2,562,604
Net premiums earned	\$ 883,677	\$ 99,773	\$ 626,357		\$ 1,609,807	\$ 738,007	\$ 11,775	\$ 624,148		\$ 1,373,930
Current year loss ratio	43.2%	17.0%	57.6%		47.2%	40.3%	0.0%	58.0%		48.0%
Prior accident year adjustments	-7.1%	0.0%	-17.4%		-10.7%	-7.2%	0.0%	-10.4%		-8.6%
Net loss ratio	36.1%	17.0%	40.2%		36.5%	33.1%	0.0%	47.6%		39.4%
Paid to incurred	157.9%	0.0%	136.4%		144.1%	134.0%	0.0%	81.5%		105.2%

Validus Holdings, Ltd.
Losses and Loss Ratios by Class of Business - Validus Re

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

	At or for the Three Months Ended							
	September 30, 2013				September 30, 2012			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	1,196,096	523,917	259,869	1,979,882	778,595	378,263	90,614	1,247,472
Losses recoverable	(107,002)	(13,438)	(18,536)	(138,976)	(43,667)	(35,770)	(527)	(79,964)
Net reserves at period beginning	1,089,094	510,479	241,333	1,840,906	734,928	342,493	90,087	1,167,508
Incurred losses- current year	18,726	23,472	50,945	93,143	40,783	18,889	30,976	90,648
Change in prior accident years	(17,595)	(10,995)	(2,303)	(30,893)	(37,722)	13,981	(17)	(23,758)
Incurred losses	1,131	12,477	48,642	62,250	3,061	32,870	30,959	66,890
Foreign exchange	18,256	1,164	654	20,074	7,050	427	38	7,515
Paid losses	(91,863)	(40,315)	(14,578)	(146,756)	(67,615)	10,533	(6,642)	(63,724)
Net reserves at period end	1,016,618	483,805	276,051	1,776,474	677,424	386,323	114,442	1,178,189
Losses recoverable	91,977	12,087	22,650	126,714	35,366	2,478	527	38,371
Gross reserves at period end	1,108,595	495,892	298,701	1,903,188	712,790	388,801	114,969	1,216,560
Net premiums earned	\$ 159,454	\$ 46,482	\$ 69,856	\$ 275,792	157,518	60,867	23,927	242,312
Current year loss ratio	11.7%	50.5%	72.9%	33.8%	25.9%	31.0%	129.5%	37.4%
Prior accident year adjustments	<u>-11.0%</u>	<u>-23.7%</u>	<u>-3.3%</u>	<u>-11.2%</u>	<u>-24.0%</u>	<u>23.0%</u>	<u>-0.1%</u>	<u>-9.8%</u>
Net loss ratio	<u>0.7%</u>	<u>26.8%</u>	<u>69.6%</u>	<u>22.6%</u>	<u>1.9%</u>	<u>54.0%</u>	<u>129.4%</u>	<u>27.6%</u>
Paid to incurred	NM	323.1%	30.0%	235.8%	NM	-32.0%	21.5%	95.3%

	At or for the Nine Months Ended							
	September 30, 2013				September 30, 2012			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	1,395,731	528,562	198,602	2,122,895	909,959	342,077	98,813	1,350,849
Losses recoverable	(129,244)	(18,105)	(1,297)	(148,646)	(78,803)	(16,145)	(561)	(95,509)
Net reserves at period beginning	1,266,487	510,457	197,305	1,974,249	831,156	325,932	98,252	1,255,340
Net reserves acquired	—	—	948	948	—	—	—	—
Incurred losses- current year	172,398	63,518	146,072	381,988	126,612	127,682	42,757	297,051
Change in prior accident years	(99,186)	36,761	(265)	(62,690)	(39,465)	(7,091)	(6,209)	(52,765)
Incurred losses	73,212	100,279	145,807	319,298	87,147	120,591	36,548	244,286
Foreign exchange	(13,628)	1,031	(1,398)	(13,995)	6,050	(55)	12	6,007
Paid losses	(309,453)	(127,962)	(66,611)	(504,026)	(246,929)	(60,145)	(20,370)	(327,444)
Net reserves at period end	1,016,618	483,805	276,051	1,776,474	677,424	386,323	114,442	1,178,189
Losses recoverable	91,977	12,087	22,650	126,714	35,366	2,478	527	38,371
Gross reserves at period end	1,108,595	495,892	298,701	1,903,188	712,790	388,801	114,969	1,216,560
Net premiums earned	520,576	155,461	207,640	883,677	475,926	193,929	68,152	738,007
Current year loss ratio	33.1%	40.9%	70.3%	43.2%	26.6%	65.9%	62.7%	40.3%
Prior accident year adjustments	<u>-19.0%</u>	<u>23.6%</u>	<u>-0.1%</u>	<u>-7.1%</u>	<u>-8.3%</u>	<u>-3.7%</u>	<u>-9.1%</u>	<u>-7.2%</u>
Net loss ratio	<u>14.1%</u>	<u>64.5%</u>	<u>70.2%</u>	<u>36.1%</u>	<u>18.3%</u>	<u>62.2%</u>	<u>53.6%</u>	<u>33.1%</u>
Paid to incurred	422.7%	127.6%	45.7%	157.9%	283.3%	49.9%	55.7%	134.0%

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, Motor, Technical Lines, and Composite.

NM: Not meaningful.

Validus Holdings, Ltd.
Losses and Loss Ratios by Class of Business - Talbot

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

	At or for the Three Months Ended							
	September 30, 2013				September 30, 2012			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	417,016	502,348	448,249	1,367,613	456,858	504,486	473,446	1,434,790
Losses recoverable	(167,588)	(107,495)	(74,992)	(350,075)	(181,085)	(106,835)	(104,563)	(392,483)
Net reserves at period beginning	249,428	394,853	373,257	1,017,538	275,773	397,651	368,883	1,042,307
Incurred losses- current year	30,137	59,875	44,245	134,257	30,105	51,305	33,161	114,571
Change in prior accident years	(1,953)	(12,216)	(19,988)	(34,157)	(6,750)	(4,596)	(14,660)	(26,006)
Incurred losses	28,184	47,659	24,257	100,100	23,355	46,709	18,501	88,565
Foreign exchange	3,389	4,293	6,552	14,234	1,871	2,429	2,895	7,195
Paid losses	(37,849)	(51,113)	(39,150)	(128,112)	(22,166)	(38,756)	(19,982)	(80,904)
Net reserves at period end	243,152	395,692	364,916	1,003,760	278,833	408,033	370,297	1,057,163
Losses recoverable	174,910	99,603	90,063	364,576	170,996	100,532	93,877	365,405
Gross reserves at period end	418,062	495,295	454,979	1,368,336	449,829	508,565	464,174	1,422,568
Net premiums earned	49,935	92,514	75,881	218,330	42,817	108,978	75,472	227,267
Current year loss ratio	60.3%	64.7%	58.3%	61.5%	70.3%	47.1%	43.9%	50.4%
Prior accident year adjustments	-3.9%	-13.2%	-26.3%	-15.7%	-15.8%	-4.2%	-19.4%	-11.4%
Net loss ratio	56.4%	51.5%	32.0%	45.8%	54.5%	42.9%	24.5%	39.0%
Paid to incurred	134.3%	107.2%	161.4%	128.0%	94.9%	83.0%	108.0%	91.3%

	At or for the Nine Months Ended							
	September 30, 2013				September 30, 2012			
	Property	Marine	Specialty (a)	Total	Property	Marine	Specialty (a)	Total
Gross reserves at period beginning	499,103	527,412	453,792	1,480,307	471,867	469,059	436,635	1,377,561
Losses recoverable	(192,991)	(101,331)	(87,628)	(381,950)	(188,911)	(93,409)	(101,923)	(384,243)
Net reserves at period beginning	306,112	426,081	366,164	1,098,357	282,956	375,650	334,712	993,318
Incurred losses- current year	88,832	141,741	130,128	360,701	83,532	157,035	121,266	361,833
Change in prior accident years	(35,056)	(34,031)	(40,060)	(109,147)	(12,038)	(23,551)	(29,394)	(64,983)
Incurred losses	53,776	107,710	90,068	251,554	71,494	133,484	91,872	296,850
Foreign exchange	(1,242)	(1,491)	(252)	(2,985)	2,331	2,909	3,691	8,931
Paid losses	(115,494)	(136,608)	(91,064)	(343,166)	(77,948)	(104,010)	(59,978)	(241,936)
Net reserves at period end	243,152	395,692	364,916	1,003,760	278,833	408,033	370,297	1,057,163
Losses recoverable	174,910	99,603	90,063	364,576	170,996	100,532	93,877	365,405
Gross reserves at period end	418,062	495,295	454,979	1,368,336	449,829	508,565	464,174	1,422,568
Net premiums earned	142,940	264,455	218,962	626,357	128,184	268,339	227,625	624,148
Current year loss ratio	62.1%	53.6%	59.4%	57.6%	65.2%	58.5%	53.3%	58.0%
Prior accident year adjustments	-24.5%	-12.9%	-18.3%	-17.4%	-9.4%	-8.8%	-12.9%	-10.4%
Net loss ratio	37.6%	40.7%	41.1%	40.2%	55.8%	49.7%	40.4%	47.6%
Paid to incurred	214.8%	126.8%	101.1%	136.4%	109.0%	77.9%	65.3%	81.5%

Notes:

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

Validus Holdings, Ltd.
Analysis of Loss Ratios by Segment

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

	Three Months Ended					Nine Months Ended	
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	September 30, 2013	September 30, 2012
<u>Validus Re Segment</u>							
Current period - excluding items below	33.8 %	38.4 %	33.7 %	23.9 %	22.7 %	36.9 %	24.0 %
Current period - notable losses	0.0 %	22.9 %	0.0 %	99.1 %	14.7 %	6.3 %	16.3 %
Change in prior accident years	(11.2)%	(1.0)%	(9.5)%	(6.9)%	(9.8)%	(7.1)%	(7.2)%
Net loss ratio	22.6 %	60.3 %	24.2 %	116.1 %	27.6 %	36.1 %	33.1 %
<u>AlphaCat Segment</u>							
Current period - excluding items below	42.0 %	1.0 %	0.0 %	0.0 %	0.0 %	16.0 %	0.0 %
Current period - notable losses	0.0 %	2.8 %	0.0 %	0.0 %	0.0 %	1.0 %	0.0 %
Change in prior accident years	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net loss ratio	42.0 %	3.8 %	0.0 %	0.0 %	0.0 %	17.0 %	0.0 %
<u>Talbot Segment</u>							
Current period - excluding items below	61.5 %	53.7 %	54.1 %	41.4 %	49.6 %	56.6 %	55.2 %
Current period - notable losses	0.0 %	3.2 %	0.0 %	37.7 %	0.8 %	1.0 %	2.8 %
Change in prior accident years	(15.7)%	(18.3)%	(18.5)%	(18.0)%	(11.4)%	(17.4)%	(10.4)%
Net loss ratio	45.8 %	38.6 %	35.6 %	61.1 %	39.0 %	40.2 %	47.6 %
<u>Consolidated</u>							
Current period - excluding items below	45.7 %	41.7 %	39.7 %	31.0 %	35.4 %	43.3 %	38.0 %
Current period - notable losses	0.0 %	14.2 %	0.0 %	72.3 %	7.8 %	3.9 %	10.0 %
Change in prior accident years	(12.2)%	(7.5)%	(12.4)%	(11.5)%	(10.5)%	(10.7)%	(8.6)%
Net loss ratio	33.5 %	48.4 %	27.3 %	91.8 %	32.7 %	36.5 %	39.4 %

Validus Holdings, Ltd.

Consolidated Reinsurance Recoverable Analysis

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

Consolidated Reinsurance Recoverable at September 30, 2013

Categories	Reinsurance Recoverable (a)	%	Top 10 Reinsurers	Rating (b)	Reinsurance Recoverable (a)	%
Top 10 reinsurers	\$ 340,988	75.5%	Lloyd's Syndicates	A+	\$ 74,586	21.9%
Other reinsurers' balances > \$1 million	102,714	22.7%	Everest Re	A+	52,372	15.3%
Other reinsurers' balances < \$1 million	7,890	<u>1.8%</u>	National Indemnity	AA+	50,984	14.9%
Total	\$ 451,592	<u>100.0%</u>	Hannover Re	AA-	45,975	13.5%
			Fully Collateralized	NR	34,293	10.1%
			Swiss Re	AA-	20,728	6.1%
			Third Point Reinsurance Ltd	A-	20,049	5.9%
			Transatlantic Re	A+	15,887	4.7%
			XL Re	A	14,062	4.1%
			Munich Re	AA-	12,052	<u>3.5%</u>
			Total		<u>340,988</u>	<u>100.0%</u>

Consolidated Reinsurance Recoverable at December 31, 2012

Categories	Reinsurance Recoverable (a)	%	Top 10 Reinsurers	Rating	Reinsurance Recoverable (a)	%
Top 10 reinsurers	\$ 360,234	74.1%	Lloyd's Syndicates	A+	\$ 71,469	19.9%
Other reinsurers' balances > \$1 million	115,262	23.7%	National Indemnity	AA+	59,941	16.6%
Other reinsurers' balances < \$1 million	10,906	<u>2.2%</u>	Everest Re	A+	51,340	14.3%
Total	\$ 486,402	<u>100.0%</u>	Fully Collateralized	NR	47,445	13.2%
			Hannover Re	AA-	40,552	11.3%
			Munich Re	AA-	20,954	5.8%
			Transatlantic Re	A+	20,320	5.6%
			Swiss Re	AA-	16,992	4.7%
			Allianz	AA-	16,367	4.5%
			XL Re	A	14,854	<u>4.1%</u>
			Total		<u>360,234</u>	<u>100.0%</u>

Notes:

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

(b) 97.7% of Reinsurance Recoverable at September 30, 2013 were from reinsurers rated A- or better by internationally recognized rating agencies or were fully collateralized.

Validus Holdings, Ltd.
Consolidated Investment Portfolio Composition and Net Investment Income

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

Investment portfolio	September 30, 2013		December 31, 2012	
	Fair Value	%	Fair Value	%
U.S. Government and Government Agency	\$ 1,320,483	16.5%	\$ 1,099,230	13.8%
Non-U.S. Government and Government Agency	403,997	5.0%	302,279	3.8%
States, municipalities, political subdivision	43,929	0.5%	42,063	0.5%
Agency residential mortgage-backed securities	320,201	4.0%	388,874	4.9%
Non-Agency residential mortgage-backed securities	23,131	0.3%	106,456	1.3%
U.S. corporate	1,367,145	17.1%	1,210,173	15.2%
Non-U.S. corporate	689,050	8.6%	593,265	7.4%
Bank loans	736,458	9.2%	673,383	8.4%
Catastrophe bonds	58,862	0.7%	56,947	0.7%
Asset-backed securities	475,009	5.9%	612,664	7.7%
Total fixed maturities	5,438,265	67.8%	5,085,334	63.7%
Total short-term investments	761,642	9.5%	1,114,250	14.0%
Total other investments	559,472	7.0%	564,448	7.0%
Total investments	6,759,379	84.3%	6,764,032	84.7%
Cash and cash equivalents	1,254,618	15.7%	1,219,379	15.3%
Total cash and cash equivalents, and investments	\$ 8,013,997	100.0%	\$ 7,983,411	100.0%

Net investment income	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Fixed maturities and short-term investments	\$ 20,936	25,703	\$ 74,618	\$ 79,450
Cash and cash equivalents	1,079	1,770	3,241	5,536
Securities lending income	3	3	3	9
Total gross investment income	22,018	27,476	77,862	84,995
Investment expenses	(2,009)	(1,987)	(5,994)	(5,861)
Net investment income	\$ 20,009	\$ 25,489	\$ 71,868	\$ 79,134
Annualized effective investment yield (a)	<u>1.09%</u>	<u>1.68%</u>	<u>1.30%</u>	<u>1.73%</u>

Notes:

(a) Annualized investment yield is calculated by dividing net investment income (excluding other investments) 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	September 30, 2013 (a)		December 31, 2012 (a)	
	Fair Value	%	Fair Value	%
AAA	\$ 776,896	14.3%	\$ 1,062,794	20.9%
AA	2,256,592	41.5%	1,862,322	36.6%
A	1,196,037	22.0%	1,049,969	20.6%
BBB	423,228	7.8%	374,447	7.4%
Investment grade	4,652,753	85.6%	4,349,532	85.5%
BB	356,205	6.5%	373,907	7.4%
B	397,888	7.3%	330,416	6.5%
CCC	4,754	0.1%	4,483	0.1%
CC	2,821	0.1%	3,259	0.1%
D/NR	23,844	0.4%	23,737	0.4%
Non-Investment grade	785,512	14.4%	735,802	14.5%
Total fixed maturities	\$ 5,438,265	100.0%	\$ 5,085,334	100.0%

Fixed maturities - Maturity Profile	September 30, 2013		December 31, 2012	
	Fair Value	%	Fair Value	%
Due in one year or less	\$ 750,992	13.8%	\$ 530,499	10.4%
Due after one year through five years	3,504,812	64.5%	3,018,544	59.4%
Due after five years through ten years	361,011	6.6%	424,304	8.3%
Due after ten years	3,109	0.1%	3,993	0.1%
	4,619,924	85.0%	3,977,340	78.2%
Asset-backed and mortgage backed securities	818,341	15.0%	1,107,994	21.8%
Total fixed maturities	\$ 5,438,265	100.0%	\$ 5,085,334	100.0%

Notes:

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

Validus Holdings, Ltd.

Top Ten Exposures to Fixed Income Corporate Issuers

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

Issuer (a)	As at September 30, 2013		
	Fair Value (b)	S&P Rating (c)	% of Total Cash and Investments
JPMorgan Chase & Co	\$ 83,097	A	1.0%
Verizon Communications Inc	63,574	BBB+	0.8%
Bank of New York Mellon Corp	48,126	A+	0.6%
Wells Fargo & Company	45,435	A	0.6%
AT&T Inc	45,084	A-	0.6%
BP Plc	43,167	A	0.5%
General Electric Co	41,384	A+	0.5%
Goldman Sachs Group Inc	37,178	A-	0.5%
Daimler Ag	36,195	A-	0.5%
HSBC Holdings Plc	35,069	A+	0.4%
Total	<u>\$ 478,309</u>		<u>6.0%</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 & Poor's (S&P) and Moody's. When Moody's ratings are used, they are presented in S&P's equivalent rating.

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

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

Non-U.S Government Securities	As at September 30, 2013					
	S&P Rating (a)					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	—	102,315	—	—	—	102,315
Germany	66,751	—	—	—	—	66,751
Supranational	59,896	—	—	—	—	59,896
Netherlands	29,409	—	—	—	—	29,409
Province of Ontario	—	24,114	—	—	—	24,114
Province of British Columbia	22,545	—	—	—	—	22,545
Norway	1,083	18,149	—	—	—	19,232
France	—	5,021	8,726	—	—	13,747
Sweden	12,568	—	—	—	—	12,568
Province of Manitoba	—	10,063	—	—	—	10,063
Denmark	9,981	—	—	—	—	9,981
Canada	7,711	—	—	—	—	7,711
Brazil	—	—	—	7,080	—	7,080
China	—	5,983	—	—	—	5,983
Province of Quebec	—	—	5,012	—	—	5,012
Commonwealth of Australia	4,408	—	—	—	—	4,408
New Zealand	—	3,182	—	—	—	3,182
Total Non-U.S. Government Securities	214,352	168,827	13,738	7,080	—	403,997
European Non-U.S. Corporate Securities (b)	46,897	74,912	73,747	15,723	—	211,279
United Kingdom Non-U.S. Corporate Securities	4,673	21,527	115,174	21,490	—	162,864
Other Non-U.S. Corporate Securities	50,590	123,388	117,582	23,347	—	314,907
Total Non-U.S. Fixed Income Portfolio	316,512	388,654	320,241	67,640	—	1,093,047

Notes:

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

(b) Excludes United Kingdom.

Validus Holdings, Ltd.
Consolidated European Non-US Corporate Securities (Excluding United Kingdom)

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

European Country	As at September 30, 2013							
	Industry							
	Bank	Energy	Industrial	Pharmaceutical	Consumer	Financial Services	Utility	Total
Netherlands	34,613	10,578	12,747	—	5,430	4,811	—	68,179
Norway	41,577	3,008	—	—	—	—	—	44,585
France	—	17,498	—	13,928	3,037	—	4,226	38,689
Sweden	37,553	—	—	—	—	—	—	37,553
Switzerland	7,895	—	—	—	—	—	—	7,895
Luxembourg	—	7,432	—	—	—	—	—	7,432
Germany	2,056	—	3,634	—	—	—	—	5,690
Italy	—	—	—	—	—	—	1,256	1,256
Total European Non-U.S. Corporate Securities	123,694	38,516	16,381	13,928	8,467	4,811	5,482	211,279

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 September 30, 2013		
Issuer	Fair Value	S&P Rating
Sparebank 1 Boligkreditt	\$ 23,117	AAA
Rabobank Nederland	\$ 19,510	AA-
DNB Boligkreditt AS	\$ 18,460	AAA
Nordea Bank AB	\$ 17,291	AA-
ING Bank NV	\$ 15,103	A
Svenska Handelsbanken AB	\$ 10,035	AA-
Credit Suisse	\$ 7,895	A
Skandinaviska Enskilda Banken AB	\$ 4,907	A+
Swedbank Hypotek AB	\$ 3,704	AAA
Deutsche Bank AG	\$ 2,056	A
Total	\$ 122,078	

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 September 30, 2013		
Issuer	Fair Value	S&P Rating
Total Capital SA	\$ 17,498	AA-
Sanofi-Aventis	\$ 13,928	A+
Volkswagen International Finance NV	\$ 12,747	A-
Royal Dutch Shell PLC	\$ 10,578	AA
Schlumberger Investment SA	\$ 10,440	A+
Heineken NV	\$ 5,430	BBB+
Leasplan Corporation NV	\$ 4,811	BBB
France Telecom SA	\$ 4,226	BBB+
LVMH Moet Hennessy Louis Vuitton SA	\$ 3,037	A
Linde AG	\$ 2,985	A-
Total	\$ 85,680	

Validus Holdings, Ltd.
Capitalization

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

Capitalization	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Borrowings drawn under credit facility	\$ —	\$ —	\$ —	\$ —	\$ —
Senior Notes (a)	247,171	247,144	247,117	247,090	247,063
Junior Subordinated Deferrable Debentures (JSDs) (b)	289,800	289,800	289,800	289,800	289,800
Flagstone Junior Subordinated Deferrable Debentures (JSDs) (c)	251,327	250,676	250,412	250,909	—
Total debt	788,298	787,620	787,329	787,799	536,863
Ordinary shares, capital and surplus available to Validus	3,788,034	3,626,118	3,916,628	4,023,780	3,638,418
Accumulated other comprehensive (loss)	(3,872)	(8,262)	(12,738)	(2,953)	(4,565)
Noncontrolling interest	557,139	498,445	487,421	434,280	461,486
Total shareholders' equity (d)	4,341,301	4,116,301	4,391,311	4,455,107	4,095,339
Total capitalization (d)	\$ 5,129,599	\$ 4,903,921	\$ 5,178,640	\$ 5,242,906	\$ 4,632,202
Total capitalization available to Validus (e)	\$ 4,572,460	\$ 4,405,476	\$ 4,691,219	\$ 4,808,626	\$ 4,170,716
Debt to total capitalization	<u>15.4%</u>	<u>16.1%</u>	<u>15.2%</u>	<u>15.0%</u>	<u>11.6%</u>
Debt (excluding JSDs) to total capitalization	<u>4.8%</u>	<u>5.0%</u>	<u>4.8%</u>	<u>4.7%</u>	<u>5.3%</u>

Notes:

(a) On January 21, 2010, the Company offered and sold \$250,000 of Senior Notes due 2040 (the "2010 Senior Notes") in a registered public offering. The 2010 Senior Notes mature on January 26, 2040, and are redeemable at the Company's option in whole any time or in part from time to time at a make-whole redemption price. Interest on the 2010 Senior Notes is payable at 8.875% per annum through January 26, 2040. Interest on the Notes is payable semi-annually in arrears on January 26 and July 26 of each year, commencing on July 26, 2010. The net proceeds of \$244.0 million from the sale of the 2010 Senior Notes, after the deduction of commissions paid to the underwriters in the transaction and other expenses, was used by the Company for general corporate purposes, which included the repurchase of our outstanding capital stock and dividends to our shareholders.

(b) \$150.0 million of Junior Subordinated Deferrable Debentures (the "2006 Junior Subordinated Deferrable Debentures") were issued on June 15, 2006, mature on June 15, 2036, are redeemable at the Company's option at par beginning June 15, 2011, and require quarterly interest payments at a rate of 9.069% per annum through June 15, 2011 and thereafter at a floating rate of three-month LIBOR plus 355 basis points, reset quarterly. \$200.0 million of Junior Subordinated Deferrable Debentures ("2007 Junior Subordinated Deferrable Debentures") were issued on June 21, 2007, mature on June 15, 2037, are redeemable at the Company's option at par beginning June 15, 2012, and require quarterly interest payments at a rate of 8.480% per annum through June 15, 2012, and thereafter at a floating rate of three-month LIBOR plus 295 basis points, reset quarterly. During 2008 and 2009, the Company repurchased \$60.2 million principal amount of its 2007 Junior Subordinated Deferrable Debentures due 2037 from an unaffiliated financial institution.

(c) As part of the acquisition of Flagstone Reinsurance Holdings, S.A., the Company assumed \$137.2 million of junior subordinated deferrable interest debentures due 2036 (the "Flagstone 2006 Junior Subordinated Deferrable Debentures"). The Flagstone 2006 Junior Subordinated Deferrable Debentures mature on September 15, 2036, are redeemable at the Company's option at par beginning September 15, 2011, and require quarterly interest payments by the Company to the holders of the Flagstone 2006 Junior Subordinated Deferrable Debentures. Interest is payable at a floating rate of three-month LIBOR plus 354 basis points, reset quarterly.

In addition, the Company assumed \$113.7 million of junior subordinated deferrable interest debentures due 2037 (the "Flagstone 2007 Junior Subordinated Deferrable Debentures"). \$88.8 million of the Flagstone 2007 Junior Subordinated Deferrable Debentures mature on July 30, 2037, are redeemable at the Company's option at par beginning July 30, 2012, and require quarterly interest payments by the Company to the holders of the Flagstone 2007 Junior Subordinated Deferrable Debentures. Interest is payable at a floating rate of three-month LIBOR plus 300 basis points, reset quarterly. \$25.0 million of the Flagstone 2007 Junior Subordinated Deferrable Debentures mature on September 15, 2037, are redeemable at the Company's option at par beginning September 15, 2012, and require quarterly interest payments by the Company to the holders of the Flagstone 2007 Junior Subordinated Deferrable Debentures. Interest is payable at a floating rate of three-month LIBOR plus 310 basis points, reset quarterly.

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

(e) Total capitalization available to Validus equals total shareholder's equity less noncontrolling interest plus borrowings drawn under credit facility, Senior Notes and Junior Subordinated Deferrable Debentures.

Validus Holdings, Ltd.

Estimated Exposures to Peak Zone Property Catastrophe Losses - As of October 1, 2013

(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	\$ 412,361	\$ 644,546	\$ 842,576	\$ 1,089,500	\$ 1,672,290
California	Earthquake	80,032	220,637	334,004	470,666	1,481,001
Europe	Windstorm	111,374	237,383	377,554	624,940	1,493,871
Japan	Earthquake	82,613	143,468	185,186	279,904	759,816
Japan	Typhoon	52,222	113,264	214,227	325,189	834,480

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

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

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

Validus Holdings, Ltd.

Estimated Exposures to Specified Loss Scenarios - As of July 1, 2013

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

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

Type	Catastrophe Scenarios		Estimated Consolidated (Validus Re and Talbot) Net Loss	% of latest 12 Months Consolidated Net Premiums Earned
Terrorism	Rockefeller Center	Midtown Manhattan suffers a 2-tonne conventional bomb blast	\$ 144.1	6.8%
Terrorism	Exchange Place	Lower Manhattan suffers a 2-tonne conventional bomb blast	100.0	4.7%
Marine	Marine collision in Prince William Sound	Fully laden tanker collides with a cruise vessel in Prince William Sound	124.1	5.9%
Marine	Major cruise vessel incident	US-owned cruise vessel sunk or severely damaged	107.5	5.1%
Marine	Loss of major complex	Total loss to all platforms and bridge links of a major oil complex	182.1	8.6%
Aviation	Aviation collision	Collision of two aircraft over a major city	70.7	3.4%
Satellite	Proton flare	Large single or sequence of proton flares results in loss to all satellites in synchronous orbit	25.3	1.2%
Satellite	Generic defect	Undetected defect in a number of operational satellites causing major loss	37.5	1.8%
Liability	Professional lines	Failure or collapse of a major corporation	24.0	1.1%
Liability	Professional lines	UK pensions mis-selling	16.0	0.8%
Political Risks	South East Asia	Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion	40.5	1.9%
Political Risks	Middle East	US and Iran escalate into military confrontation; regional contagion	9.5	0.5%
Political Risks	Russia	The Russian corporate sector struggles to deal with the effects of crashing commodity and stock prices	33.9	1.6%
Political Risks	Turkey	Severe economic crisis in Turkey due to political upheaval	28.9	1.4%
Political Risks	Nigeria	Severe economic, political and social crisis in Nigeria leads to widespread civil unrest	30.8	1.5%

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 2012 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 Net Premiums Earned used in the calculation represent the latest 12 months of net premiums earned up to September 30, 2013.

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 prescribed calculations and do not necessarily reflect all events that may impact the Company.

Validus Holdings, Ltd.

Non-GAAP Financial Measure Reconciliation

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net income available to Validus	\$ 183,369	\$ 207,298	\$ 437,334	\$ 499,154
Adjustments for:				
Transaction expenses (a)	—	3,784	—	3,784
Net realized losses (gains) on investments	6,320	(9,063)	1,190	(22,749)
Net unrealized (gains) losses on investments	(69,967)	(86,345)	78,618	(53,442)
(Income) loss from investment affiliate	(1,044)	160	(4,274)	558
Foreign exchange (gains)	(6,036)	(1,103)	(4,735)	(3,617)
Net income (loss) attributable to noncontrolling interest	42,595	55,821	(25,830)	10,940
Net operating income available to Validus	\$ 155,237	\$ 170,552	\$ 482,303	\$ 434,628
Less: Dividends and distributions declared on outstanding warrants	(1,552)	(1,663)	(17,662)	(5,121)
Net operating income available to Validus, adjusted	\$ 153,685	\$ 168,889	\$ 464,641	\$ 429,507
Net income per share available to Validus - diluted	\$ 1.77	\$ 2.11	\$ 3.99	\$ 4.88
Adjustments for:				
Transaction expenses (a)	—	0.04	—	0.04
Net realized losses (gains) on investments	0.06	(0.09)	0.01	(0.22)
Net unrealized (gains) losses on investments	(0.67)	(0.88)	0.75	(0.52)
(Income) from investment affiliate	(0.01)	—	(0.04)	—
Foreign exchange (gains)	(0.06)	(0.01)	(0.04)	(0.04)
Net income (loss) attributable to noncontrolling interest	0.41	0.57	(0.26)	0.11
Net operating income per share available to Validus - diluted	\$ 1.50	\$ 1.74	\$ 4.41	\$ 4.25
Weighted average number of common shares and common share equivalents	103,613,766	98,236,490	105,264,913	102,333,515
Average shareholders' equity available to Validus	\$ 3,701,009	\$ 3,555,844	\$ 3,831,684	\$ 3,524,906
Annualized net operating return on average equity	<u>16.8%</u>	<u>19.2%</u>	<u>16.8%</u>	<u>16.4%</u>

Notes:

(a) The transaction expenses relate to costs incurred in connection with the proposed acquisition of Flagstone Reinsurance Holdings, S.A. 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.
AlphaCat Balance Sheets

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

At September 30, 2013

	Validus Holdings, Ltd. excl AlphaCat Segment	AlphaCat Managers	AlphaCat Re & Master Fund	AlphaCat Re 2011 & 2012	AlphaCat ILS Funds & AlphaCat 2013	PaCRE, Ltd.	AlphaCat Eliminations	Validus Holdings, Ltd. Consolidated
Assets								
Fixed maturities, at fair value	\$ 5,398,769	\$ —	\$ 39,496	\$ —	\$ 704,171	\$ —	\$ (704,171)	\$ 5,438,265
Short-term investments, at fair value	122,350	5,834	581,920	75,037	79,457	—	(102,956)	761,642
Other investments, at fair value	42,282	—	—	—	—	517,190	—	559,472
Cash and cash equivalents	1,111,715	2,403	131,894	2,266	1,827	8,429	(3,916)	1,254,618
Total investments and cash	6,675,116	8,237	753,310	77,303	785,455	525,619	(811,043)	8,013,997
Investments in affiliates	32,581	—	—	—	—	—	79,233	111,814
Premiums receivable	1,025,105	—	35,155	63	—	6,242	(16,492)	1,050,073
Deferred acquisition costs	161,001	—	4,881	—	—	684	(27)	166,539
Prepaid reinsurance premiums	176,287	—	312	—	—	—	(7,537)	169,062
Securities lending collateral	1,021	—	—	—	—	—	—	1,021
Loss reserves recoverable	423,593	—	—	—	—	—	(2,075)	421,518
Paid losses recoverable	30,074	—	—	—	—	—	—	30,074
Income taxes recoverable	4,127	—	—	—	—	—	—	4,127
Intangible assets	107,449	—	—	—	—	—	—	107,449
Goodwill	20,393	—	—	—	—	—	—	20,393
Accrued investment income	17,492	—	329	—	—	—	—	17,821
Other assets	174,311	21,600	7,157	50	23,769	149	(23,556)	203,480
Intercompany investment	251,720	300	—	—	—	—	(252,020)	—
Intercompany receivable (payable)	47,946	3,047	798	—	(3,878)	(1,681)	(46,232)	—
Total assets	\$ 9,148,216	\$ 33,184	\$ 801,942	\$ 77,416	\$ 805,346	\$ 531,013	\$ (1,079,749)	\$ 10,317,368
Liabilities								
Reserve for losses and loss expenses	\$ 3,203,827	\$ —	\$ 21,983	\$ 31,954	\$ —	\$ —	\$ (34,029)	\$ 3,223,735
Unearned premiums	1,123,881	—	47,646	—	—	6,117	(7,814)	1,169,830
Reinsurance balances payable	175,055	—	525	325	—	—	(16,315)	159,590
Securities lending payable	1,487	—	—	—	—	—	—	1,487
Deferred income taxes	22,993	—	—	—	—	—	—	22,993
Net payable for investments purchased	33,066	—	—	—	—	—	—	33,066
Accounts payable and accrued expenses	113,530	1,170	22,567	16,147	12,278	537	(27,131)	139,098
Variable funding notes	—	—	704,171	—	—	—	(266,201)	437,970
Senior notes payable	247,171	—	—	—	—	—	—	247,171
Debentures payable	541,127	—	—	—	—	—	—	541,127
Total liabilities	5,462,137	1,170	796,892	48,426	12,278	6,654	(351,490)	5,976,067
Shareholders' equity								
Common shares	\$ 27,018	\$ —	\$ 120	\$ 2,560	\$ 1,931	\$ 22,600	\$ (27,211)	\$ 27,018
Preferred shares	—	—	—	—	37	—	(37)	—
Treasury shares	(9,535)	—	—	—	—	—	—	(9,535)
Additional paid-in-capital	1,824,342	1,414	—	26,430	722,353	542,400	(1,292,597)	1,824,342
Accumulated other comprehensive (loss)	(3,872)	—	—	—	—	—	—	(3,872)
Retained earnings	1,848,126	30,600	4,930	—	68,747	(40,741)	34,547	1,946,209
Total shareholders' equity available to Validus	3,686,079	32,014	5,050	28,990	793,068	524,259	(1,285,298)	3,784,162
Noncontrolling interest	—	—	—	—	—	100	557,039	557,139
Total shareholders' equity	3,686,079	32,014	5,050	28,990	793,068	524,359	(728,259)	4,341,301
Total liabilities and shareholders' equity	\$ 9,148,216	\$ 33,184	\$ 801,942	\$ 77,416	\$ 805,346	\$ 531,013	\$ (1,079,749)	\$ 10,317,368

Validus Holdings, Ltd.
Income Statements including AlphaCat at 100% - Three months ended
 (Expressed in thousands of U.S. Dollars, except share and per share information)

Three Months Ended September 30, 2013

	AlphaCat Managers (a)	AlphaCat Re & Master Fund (a)	AlphaCat Re 2011 & 2012 (b)	AlphaCat ILS Funds & AlphaCat 2013 (c) (b)	PaCre, Ltd. (d)	AlphaCat on Fully Consolidated Basis	AlphaCat Eliminations / Reclassifications	Validus Share of AlphaCat Segment	AlphaCat Segment Eliminations / Reclassifications	AlphaCat Segment
Underwriting income										
Investment income from cat bonds (e)	\$ —	\$ 1,801	\$ —	\$ —	\$ —	\$ 1,801	\$ —	\$ 1,801	\$ (1,801)	\$ —
Gross premiums written	—	1,081	(1,594)	—	2,400	1,887	1,594	3,481	—	3,481
Reinsurance premiums ceded	—	(525)	—	—	—	(525)	—	(525)	—	(525)
Net premiums written	—	2,357	(1,594)	—	2,400	3,163	1,594	4,757	(1,801)	2,956
Change in unearned premiums	—	33,645	—	—	565	34,210	—	34,210	—	34,210
Net premiums earned	—	36,002	(1,594)	—	2,965	37,373	1,594	38,967	(1,801)	37,166
Underwriting deductions										
Losses and loss expenses	—	15,615	—	—	—	15,615	—	15,615	—	15,615
Policy acquisition costs	23	3,450	(219)	—	315	3,569	218	3,787	—	3,787
General and administrative expenses	2,363	36	142	361	833	3,735	2	3,737	1,991	5,728
Management fees expense	—	—	(275)	4,360	—	4,085	(4,085)	—	—	—
Share compensation expenses	152	—	—	—	—	152	—	152	—	152
Total underwriting deductions	2,538	19,101	(352)	4,721	1,148	27,156	(3,865)	23,291	1,991	25,282
Underwriting (loss) income	\$ (2,538)	\$ 16,901	\$ (1,242)	\$ (4,721)	\$ 1,817	\$ 10,217	\$ 5,459	\$ 15,676	\$ (3,792)	\$ 11,884
Net investment income (excluding cat bonds)	—	23	1	2	—	26	(3)	23	944	967
Variable funding note interest	—	(20,888)	—	20,888	—	—	(11,814)	(11,814)	11,814	—
Fee income	3,754	37	—	—	—	3,791	(2,187)	1,604	2,187	3,791
Other income	—	—	—	—	—	—	—	—	—	—
Finance expenses	—	—	6	(946)	(73)	(1,013)	932	(81)	(11,814)	(11,895)
Operating income (loss) before taxes and income from operating affiliates	1,216	(3,927)	(1,235)	15,223	1,744	13,021	(7,613)	5,408	(661)	4,747
Income from operating affiliates (c)	—	—	—	—	—	—	1,463	1,463	—	1,463
Tax benefit (expense)	—	—	—	—	—	—	—	—	—	—
Net operating income (loss)	\$ 1,216	\$ (3,927)	\$ (1,235)	\$ 15,223	\$ 1,744	\$ 13,021	\$ (6,150)	\$ 6,871	\$ (661)	\$ 6,210
Net realized gains on investments	—	62	—	—	4,022	4,084	—	4,084	—	4,084
Net unrealized gains on investments (excluding cat bonds)	—	—	—	—	43,288	43,288	—	43,288	857	44,145
Income from investment affiliate	—	—	—	—	—	—	—	—	—	—
Foreign exchange (losses) gains	(3)	501	7	1,244	32	1,781	(1,393)	388	—	388
Net income (loss)	\$ 1,213	\$ (3,364)	\$ (1,228)	\$ 16,467	\$ 49,086	\$ 62,174	\$ (7,543)	\$ 54,631	\$ 196	\$ 54,827
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(45,694)	(45,694)	—	(45,694)
Net income (loss) available (attributable) to Validus	1,213	(3,364)	(1,228)	16,467	49,086	62,174	(53,237)	8,937	196	9,133
Selected ratios:										
Net premiums written / Gross premiums written plus investment income from cat bonds		81.8%	100.0%		100.0%			90.1%		84.9%
Losses and loss expenses		43.4%	0.0%		0.0%			40.1%		42.0%
Policy acquisition costs		9.6%	13.7%		10.6%			9.7%		10.2%
General and administrative expenses (e)		0.1%	8.4%		28.1%			10.0%		15.8%
Expense ratio		9.7%	22.1%		38.7%			19.7%		26.0%
Combined ratio		53.1%	22.1%		38.7%			59.8%		68.0%

Notes:
 (a) AlphaCat Managers, Ltd., AlphaCat Reinsurance, Ltd. and AlphaCat Master Fund, Ltd. are 100% wholly owned by the Company.
 (b) AlphaCat Re 2011, Ltd., AlphaCat Re 2012, Ltd. and AlphaCat 2013, Ltd. are included as equity method investments in the consolidated financial statements of the Company.
 (c) The AlphaCat ILS funds are variable interest entities. Two of the funds are consolidated by the Company as Validus Re is deemed to be the primary beneficiary. The portion of these Funds' earnings attributable to third party investors is recorded in the consolidated statements of comprehensive income as 'net income attributable to noncontrolling interest'. The third fund is not consolidated by the Company as Validus Re is not deemed to be the primary beneficiary.
 (d) The results of PaCre, Ltd. ("PaCre") are included in the consolidated financial statements of the Company. The portion of PaCre's earnings attributable to third party investors are recorded in the consolidated statements of comprehensive income as 'net income attributable to noncontrolling interest'.
 (e) Investment income from cat bonds is presented within other income as it represents part of the underwriting performance measurement.
 (f) The general and administrative expenses ratio includes share compensation expenses and management fees expense.



Validus Holdings, Ltd.

Income Statements including AlphaCat at 100% - Nine months ended

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

Nine Months Ended September 30, 2013

	AlphaCat Managers (a)	AlphaCat Re & Master Fund (a)	AlphaCat Re 2011 & 2012 (b)	AlphaCat ILS Funds & AlphaCat 2013 (c) (b)	PaCRE, Ltd. (d)	AlphaCat on Fully Consolidated Basis	AlphaCat Eliminations / Reclassifications	Validus Share of AlphaCat Segment	AlphaCat Segment Eliminations / Reclassifications	AlphaCat Segment
Underwriting income										
Investment income from cat bonds (e)	\$ —	\$ 4,390	\$ —	\$ —	\$ —	\$ 4,390	\$ —	\$ 4,390	\$ (4,390)	\$ —
Gross premiums written	—	135,069	(2,572)	—	11,688	144,185	2,572	146,757	—	146,757
Reinsurance premiums ceded	—	(525)	—	—	—	(525)	—	(525)	—	(525)
Net premiums written	—	138,934	(2,572)	—	11,688	148,050	2,572	150,622	(4,390)	146,232
Change in unearned premiums	—	(43,646)	12,676	—	(2,813)	(33,783)	(12,676)	(46,459)	—	(46,459)
Net premiums earned	—	95,288	10,104	—	8,875	114,267	(10,104)	104,163	(4,390)	99,773
Underwriting deductions										
Losses and loss expenses	—	16,928	(3,462)	—	—	13,466	3,462	16,928	—	16,928
Policy acquisition costs	23	9,061	1,565	—	928	11,577	(1,566)	10,011	—	10,011
General and administrative expenses	6,166	81	594	1,144	2,250	10,235	(643)	9,592	4,165	13,757
Management fees expense	—	—	2,400	12,292	—	14,692	(14,692)	—	—	—
Share compensation expenses	314	—	—	—	—	314	—	314	—	314
Total underwriting deductions	6,503	26,070	1,097	13,436	3,178	50,284	(13,439)	36,845	4,165	41,010
Underwriting (loss) income	\$ (6,503)	\$ 69,218	\$ 9,007	\$ (13,436)	\$ 5,697	\$ 63,983	\$ 3,335	\$ 67,318	\$ (8,555)	\$ 58,763
Net investment income (excluding cat bonds)	—	48	7	13	—	68	(15)	53	2,768	2,821
Variable funding note interest	—	(64,895)	—	63,033	—	(1,862)	(42,156)	(44,018)	44,018	—
Fee income	17,357	82	—	—	—	17,439	(6,809)	10,630	6,809	17,439
Other income	—	—	—	—	—	—	—	—	—	—
Finance expenses	(2,117)	—	(187)	(2,868)	(221)	(5,393)	2,982	(2,411)	(44,018)	(46,429)
Operating income (loss) before taxes and income from operating affiliates	8,737	4,453	8,827	46,742	5,476	74,235	(42,663)	31,572	1,022	32,594
Income from operating affiliates (c)	—	—	—	—	—	—	8,779	8,779	—	8,779
Tax benefit (expense)	—	—	—	—	—	—	—	—	—	—
Net operating income (loss)	\$ 8,737	\$ 4,453	\$ 8,827	\$ 46,742	\$ 5,476	\$ 74,235	\$ (33,884)	\$ 40,351	\$ 1,022	\$ 41,373
Net realized gains on investments	—	62	—	—	4,022	4,084	—	4,084	—	4,084
Net unrealized (losses) gains on investments (excluding cat bonds)	—	—	—	—	(32,651)	(32,651)	—	(32,651)	1,622	(31,029)
Income from investment affiliate	—	—	—	—	—	—	—	—	—	—
Foreign exchange (losses) gains	(1)	11	(235)	289	(12)	52	(715)	(663)	—	(663)
Net income (loss)	\$ 8,736	\$ 4,526	\$ 8,592	\$ 47,031	\$ (23,165)	\$ 45,720	\$ (34,599)	\$ 11,121	\$ 2,644	\$ 13,765
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	17,831	17,831	—	17,831
Net income (loss) available (attributable) to Validus	8,736	4,526	8,592	47,031	(23,165)	45,720	(16,768)	28,952	2,644	31,596
Selected ratios:										
Net premiums written / Gross premiums written plus investment income from cat bonds		99.6%	100.0%		100.0%			99.7%		99.6%
Losses and loss expenses		17.8%	(34.2%)		0.0%			16.3%		17.0%
Policy acquisition costs		9.5%	15.5%		10.5%			9.6%		10.0%
General and administrative expenses (f)		0.1%	29.6%		25.4%			9.5%		14.1%
Expense ratio		9.6%	45.1%		35.9%			19.1%		24.1%
Combined ratio		27.4%	10.9%		35.9%			35.4%		41.1%

Notes:
(a) AlphaCat Managers, Ltd., AlphaCat Reinsurance, Ltd. and AlphaCat Master Fund, Ltd. are 100% wholly owned by the Company.
(b) AlphaCat Re 2011, Ltd., AlphaCat Re 2012, Ltd. and AlphaCat 2013, Ltd. are included as equity method investments in the consolidated financial statements of the Company.
(c) The AlphaCat ILS funds are variable interest entities. Two of the funds are consolidated by the Company as Validus Re is deemed to be the primary beneficiary. The portion of these Funds' earnings attributable to third party investors is recorded in the consolidated statements of comprehensive income as 'net income attributable to noncontrolling interest'. The third fund is not consolidated by the Company as Validus Re is not deemed to be the primary beneficiary.
(d) The results of PaCRE, Ltd. ("PaCRE") are included in the consolidated financial statements of the Company. The portion of PaCRE's earnings attributable to third party investors are recorded in the consolidated statements of comprehensive income as 'net income attributable to noncontrolling interest'.
(e) Investment income from cat bonds is presented within other income as it represents part of the underwriting performance measurement.
(f) The general and administrative expenses ratio includes share compensation expenses and management fees expense.