



**Validus Holdings, Ltd.**

**Investor Financial Supplement - First Quarter 2009**

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## Validus Holdings, Ltd. Explanatory Notes

### Basis of Presentation

- All financial information contained herein is unaudited, however, certain information contained herein relating to the years ended December 31, 2008 and 2007 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 the inclusion of share based compensation expense in general and administrative expenses and the corresponding expense ratios, and the combination of fees relating to our credit facility (previously included in general and administrative expenses) with interest expense to comprise finance fees.
- A reverse stock split of the outstanding shares of Validus Holdings, Ltd., was approved by a vote of the shareholders, effective immediately following resolution at the Company's Annual General Meeting on March 1, 2007, whereby each 1.75 outstanding shares was consolidated into 1 share, and the par value of the Company's shares was increased to \$0.175 per share. This share consolidation has been reflected retroactively in this financial supplement.
- On July 30, 2007, Validus completed its initial public offering. The net proceeds to the Company from this Offering were approximately \$319,935, after deducting the underwriters' discount and fees and expenses of the offering.
- The Company entered into an advisory agreement on December 7, 2005 with Aquiline Capital Partners LLC for the provision of advisory and consulting services in relation to the affairs of the Company. Under the terms of this agreement, the Company paid an annual advisory fee of \$1,000 payable in advance for a period of five years from the date of initial funding until the termination date. As outlined in the agreement, the Advisory Agreement was terminated with the initial public offering and the Company paid in full to Aquiline the remaining unpaid advisory fees of \$3,000 at that time.
- "NA" = Not applicable "NM" = Not meaningful
- On July 2, 2007, Validus announced it completed its acquisition of Talbot Holdings Ltd. ("Talbot"). Operating results of Talbot have been included in the consolidated financial statements from the acquisition date of July 2, 2007. The Validus data for the first six months of 2007 refer only to the company prior to its acquisition of Talbot.

### Financial Measures

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

- In the basic earnings per share calculation, dividends and distributions declared on warrants are deducted from net income. In calculating diluted earnings per share, we consider the application of the treasury stock method and the two-class method and which ever is more dilutive is included into the calculation of diluted earnings per share.
- Net operating income is calculated based on net income (loss) excluding net realized gains (losses), net unrealized gains (losses) on investments, gains (losses) arising from translation of non-U.S.\$ denominated balances and non-recurring items. Net operating income is the most directly comparable GAAP measure as it focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. A reconciliation of underwriting income to net income, the most comparable U.S. GAAP financial measure is presented in the "Consolidated Statement of Operations" contained herein.
- Underwriting income (loss) 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 (loss) 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" contained herein.
- Annualized effective investment yield is calculated by dividing the investment income generated from invested assets and other investments by the average balance of the assets managed by our portfolio managers and our other investments.
- 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 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.

## Validus Holdings, Ltd.

### Consolidated Financial Highlights

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

|                  |   | At or for the<br>Three Months Ended |                      |                       |                  | At or for the<br>Year Ended |                      |                          |
|------------------|---|-------------------------------------|----------------------|-----------------------|------------------|-----------------------------|----------------------|--------------------------|
|                  |   | March 31,<br>2009                   | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 | March 31,<br>2008           | December 31,<br>2008 | December 31,<br>2007 (e) |
| Highlights       | Net income (loss)   | \$ 94,907                           | \$ 37,015            | \$ (126,300)          | \$ 75,921        | \$ 66,475                   | \$ 53,111            | \$ 402,996               |
|                  | Net operating income (loss) (a)   | 100,375                             | 50,911               | (53,051)              | 111,665          | 65,529                      | 175,054              | 388,221                  |
|                  | Gross premiums written  | 609,892                             | 191,736              | 269,236               | 379,919          | 521,594                     | 1,362,484            | 988,637                  |
|                  | Net premiums earned   | 318,759                             | 316,031              | 339,326               | 309,298          | 291,864                     | 1,256,518            | 858,079                  |
|                  | Total assets  | 4,762,798                           | 4,322,480            | 4,509,596             | 4,569,742        | 4,535,638                   | 4,322,480            | 4,144,224                |
|                  | Total shareholders' equity  | 2,022,986                           | 1,938,734            | 1,916,611             | 2,056,781        | 1,990,658                   | 1,938,734            | 1,934,800                |
| Per share data   | <u>Earnings per basic share (b)</u>                                       |                                     |                      |                       |                  |                             |                      |                          |
|                  | Net income (loss)   | \$ 1.23                             | \$ 0.47              | \$ (1.71)             | \$ 1.00          | \$ 0.87                     | \$ 0.62              | \$ 6.19                  |
|                  | Net operating income (loss)   | 1.30                                | 0.65                 | (0.73)                | 1.48             | 0.86                        | 2.25                 | 5.97                     |
|                  | <u>Earnings per diluted share (b)</u>                                     |                                     |                      |                       |                  |                             |                      |                          |
|                  | Net income (loss)   | \$ 1.20                             | \$ 0.47              | \$ (1.71)             | \$ 0.98          | \$ 0.85                     | \$ 0.61              | \$ 5.95                  |
|                  | Net operating income (loss)   | 1.27                                | 0.65                 | (0.73)                | 1.45             | 0.84                        | 2.22                 | 5.73                     |
|                  | <u>Book value per share</u>   |                                     |                      |                       |                  |                             |                      |                          |
|                  | Reported  | \$ 26.68                            | \$ 25.64             | \$ 25.60              | \$ 27.70         | \$ 26.82                    | \$ 25.64             | \$ 26.08                 |
|                  | With investments at amortized cost  | 27.70                               | 27.08                | 26.39                 | 28.31            | 26.84                       | 27.08                | 25.97                    |
|                  | <u>Diluted book value per share (b)</u>                                   |                                     |                      |                       |                  |                             |                      |                          |
|                  | Reported  | \$ 24.65                            | \$ 23.78             | \$ 23.58              | \$ 25.12         | \$ 24.43                    | \$ 23.78             | \$ 24.00                 |
|                  | With investments at amortized cost  | 25.51                               | 24.99                | 24.24                 | 25.62            | 24.45                       | 24.99                | 23.91                    |
|                  | <u>Diluted book value per common share plus<br/>accumulated dividends</u> | \$ 25.65                            | \$ 24.58             | \$ 24.18              | \$ 25.52         | \$ 24.63                    | \$ 24.58             | \$ 24.00                 |
| Financial ratios | Losses and loss expenses ratio  | 41.4%                               | 60.6%                | 93.9%                 | 39.5%            | 48.0%                       | 61.5%                | 33.1%                    |
|                  | Policy acquisition costs ratio  | 19.3%                               | 19.4%                | 17.8%                 | 18.2%            | 19.4%                       | 18.7%                | 15.6%                    |
|                  | General and administrative expenses ratio                                 | <u>14.3%</u>                        | <u>9.5%</u>          | <u>10.6%</u>          | <u>13.3%</u>     | <u>15.0%</u>                | <u>12.0%</u>         | <u>13.3%</u>             |
|                  | Expense ratio   | <u>33.6%</u>                        | <u>28.9%</u>         | <u>28.4%</u>          | <u>31.6%</u>     | <u>34.4%</u>                | <u>30.7%</u>         | <u>28.9%</u>             |
|                  | Combined ratio  | <u>75.0%</u>                        | <u>89.5%</u>         | <u>122.3%</u>         | <u>71.0%</u>     | <u>82.4%</u>                | <u>92.2%</u>         | <u>62.0%</u>             |
|                  | Annualized return on average equity (c)                                   | <u>19.2%</u>                        | <u>7.7%</u>          | <u>-25.4%</u>         | <u>15.0%</u>     | <u>13.5%</u>                | <u>2.7%</u>          | <u>26.9%</u>             |
|                  | Annualized operating return on average equity (d)                         | <u>20.3%</u>                        | <u>10.6%</u>         | <u>-10.7%</u>         | <u>22.1%</u>     | <u>13.4%</u>                | <u>8.9%</u>          | <u>25.9%</u>             |
|                  |   |                                     |                      |                       |                  |                             |                      |                          |
|                  |   |                                     |                      |                       |                  |                             |                      |                          |
|                  |   |                                     |                      |                       |                  |                             |                      |                          |

#### Notes:

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

(e) Operating results of Talbot have been included from July 2, 2007, the date of acquisition.

## Validus Holdings, Ltd.

### Summary Consolidated Balance Sheets

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

|   | March 31,<br>2009   | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008    | March 31,<br>2008   | December 31,<br>2007 |
|---|---------------------|----------------------|-----------------------|---------------------|---------------------|----------------------|
| <b>Assets</b>   |                     |                      |                       |                     |                     |                      |
| Fixed maturities, at fair value                                       | \$ 2,644,496        | \$ 2,454,501         | \$ 2,595,476          | \$ 2,601,315        | \$ 2,759,884        | \$ 2,411,398         |
| Short-term investments, at fair value                                 | 282,363             | 377,036              | 325,273               | 141,638             | 133,711             | 250,623              |
| Cash and cash equivalents   | 535,798             | 449,848              | 335,367               | 487,260             | 347,347             | 444,698              |
| Total investments and cash  | 3,462,657           | 3,281,385            | 3,256,116             | 3,230,213           | 3,240,942           | 3,106,719            |
| Premiums receivable   | 600,943             | 408,259              | 529,039               | 609,757             | 572,175             | 401,241              |
| Deferred acquisition costs  | 143,510             | 108,156              | 129,946               | 146,216             | 135,789             | 105,562              |
| Prepaid reinsurance premiums  | 59,510              | 22,459               | 49,824                | 45,717              | 71,855              | 22,817               |
| Securities lending collateral   | 99,727              | 98,954               | 158,411               | 199,075             | 191,256             | 164,324              |
| Loss reserves recoverable   | 204,197             | 208,796              | 173,463               | 132,880             | 118,575             | 134,404              |
| Paid losses recoverable   | 4,438               | 1,388                | 3,516                 | 2,683               | 7,008               | 7,810                |
| Net receivable for investments sold                                   | -                   | 490                  | 11,820                | -                   | -                   | -                    |
| Income taxes recoverable  | 1,244               | 1,365                | 2,331                 | 3,258               | -                   | 3,325                |
| Intangible assets   | 126,177             | 127,217              | 128,258               | 129,298             | 130,339             | 131,379              |
| Goodwill  | 20,393              | 20,393               | 20,393                | 20,393              | 20,393              | 20,393               |
| Accrued investment income   | 20,511              | 20,433               | 15,596                | 16,177              | 22,187              | 19,960               |
| Other assets  | 19,491              | 23,185               | 30,883                | 34,075              | 25,119              | 26,290               |
| <b>Total assets</b>   | <b>\$ 4,762,798</b> | <b>\$ 4,322,480</b>  | <b>\$ 4,509,596</b>   | <b>\$ 4,569,742</b> | <b>\$ 4,535,638</b> | <b>\$ 4,144,224</b>  |
| <b>Liabilities</b>  |                     |                      |                       |                     |                     |                      |
| Reserve for losses and loss expenses                                  | \$ 1,318,732        | \$ 1,305,303         | \$ 1,272,844          | \$ 1,029,739        | \$ 977,236          | \$ 926,117           |
| Unearned premiums   | 795,233             | 539,450              | 693,304               | 793,356             | 750,257             | 557,344              |
| Reinsurance balances payable  | 66,180              | 33,042               | 53,253                | 66,386              | 88,356              | 36,848               |
| Securities lending payable  | 105,369             | 105,688              | 161,727               | 199,968             | 192,468             | 164,324              |
| Income taxes payable  | -                   | -                    | -                     | -                   | 1,531               | -                    |
| Deferred income taxes   | 20,914              | 21,779               | 21,117                | 20,173              | 13,421              | 16,663               |
| Net payable for investments purchased                                 | 57,434              | -                    | -                     | 9,105               | 52,307              | 31,426               |
| Accounts payable and accrued expenses                                 | 71,650              | 74,184               | 86,440                | 89,934              | 119,404             | 126,702              |
| Debentures payable  | 304,300             | 304,300              | 304,300               | 304,300             | 350,000             | 350,000              |
| <b>Total liabilities</b>  | <b>2,739,812</b>    | <b>2,383,746</b>     | <b>2,592,985</b>      | <b>2,512,961</b>    | <b>2,544,980</b>    | <b>2,209,424</b>     |
| <b>Shareholders' equity</b>   |                     |                      |                       |                     |                     |                      |
| Common shares   | \$ 13,271           | \$ 13,235            | \$ 13,104             | \$ 12,993           | \$ 12,990           | \$ 12,985            |
| Additional paid-in capital  | 1,419,602           | 1,412,635            | 1,403,904             | 1,398,913           | 1,391,303           | 1,384,604            |
| Accumulated other comprehensive (loss) income                         | (8,054)             | (7,858)              | (1,528)               | 28                  | 18                  | (49)                 |
| Retained earnings   | 598,167             | 520,722              | 501,131               | 644,847             | 586,347             | 537,260              |
| <b>Total shareholders' equity</b>                                     | <b>2,022,986</b>    | <b>1,938,734</b>     | <b>1,916,611</b>      | <b>2,056,781</b>    | <b>1,990,658</b>    | <b>1,934,800</b>     |
| <b>Total liabilities and shareholders' equity</b>                     | <b>\$ 4,762,798</b> | <b>\$ 4,322,480</b>  | <b>\$ 4,509,596</b>   | <b>\$ 4,569,742</b> | <b>\$ 4,535,638</b> | <b>\$ 4,144,224</b>  |
| <b>Book value per common share</b>                                    | <b>\$ 26.68</b>     | <b>\$ 25.64</b>      | <b>\$ 25.60</b>       | <b>\$ 27.70</b>     | <b>\$ 26.82</b>     | <b>\$ 26.08</b>      |
| <b>Diluted book value per common share</b>                            | <b>\$ 24.65</b>     | <b>\$ 23.78</b>      | <b>\$ 23.58</b>       | <b>\$ 25.12</b>     | <b>\$ 24.43</b>     | <b>\$ 24.00</b>      |
| <b>Diluted book value per common share plus accumulated dividends</b> | <b>\$ 25.65</b>     | <b>\$ 24.58</b>      | <b>\$ 24.18</b>       | <b>\$ 25.52</b>     | <b>\$ 24.63</b>     | <b>\$ 24.00</b>      |

## Validus Holdings, Ltd.

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

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

|  | At March 31, 2009   |                   |                       |                            | At December 31, 2008 |                   |                       |                            |
|--|---------------------|-------------------|-----------------------|----------------------------|----------------------|-------------------|-----------------------|----------------------------|
|  | Equity<br>Amount    | Shares            | Exercise<br>Price (a) | Book<br>Value per<br>Share | Equity<br>Amount     | Shares            | Exercise<br>Price (a) | Book<br>Value per<br>Share |
| <i><u>Book Value per Common Share, Reported</u></i>      |                     |                   |                       |                            |                      |                   |                       |                            |
| <i>Book Value per Common Share</i>                       |                     |                   |                       |                            |                      |                   |                       |                            |
| Total shareholders' equity                               | \$ 2,022,986        | 75,828,922        |                       | <u>26.68</u>               | \$ 1,938,734         | 75,624,697        |                       | <u>25.64</u>               |
| <i>Diluted Book Value per Common Share</i>               |                     |                   |                       |                            |                      |                   |                       |                            |
| Total shareholders' equity                               | \$ 2,022,986        | 75,828,922        | -                     |                            | \$ 1,938,734         | 75,624,697        | -                     |                            |
| Assumed exercise of outstanding warrants (b)             | 152,316             | 8,680,149         | \$ 17.55              |                            | 152,316              | 8,680,149         | \$ 17.55              |                            |
| Assumed exercise of outstanding stock options (b)        | 50,969              | 2,795,868         | \$ 18.23              |                            | 51,043               | 2,799,938         | \$ 18.23              |                            |
| Unvested restricted shares                               | -                   | <u>3,012,854</u>  | -                     |                            | -                    | <u>2,986,619</u>  | -                     |                            |
| Diluted book value per common share                      | <u>\$ 2,226,271</u> | <u>90,317,793</u> |                       | <u>24.65</u>               | <u>\$ 2,142,093</u>  | <u>90,091,403</u> |                       | <u>23.78</u>               |
| <i><u>Book Value per Common Share - Adjusted (c)</u></i> |                     |                   |                       |                            |                      |                   |                       |                            |
| <i>Book Value per Common Share</i>                       |                     |                   |                       |                            |                      |                   |                       |                            |
| Total shareholders' equity                               | \$ 2,022,986        |                   |                       |                            | \$ 1,938,734         |                   |                       |                            |
| Accumulated other comprehensive loss                     | 8,054               |                   |                       |                            | 7,858                |                   |                       |                            |
| Unrealized loss on investments                           | <u>69,662</u>       |                   |                       |                            | <u>101,018</u>       |                   |                       |                            |
| Total shareholders' equity, as adjusted                  | <u>\$ 2,100,702</u> | 75,828,922        |                       | <u>\$ 27.70</u>            | <u>\$ 2,047,610</u>  | 75,624,697        |                       | <u>\$ 27.08</u>            |
| <i>Diluted Book Value per Common Share</i>               |                     |                   |                       |                            |                      |                   |                       |                            |
| Total shareholders' equity, as adjusted                  | \$ 2,100,702        | 75,828,922        | -                     |                            | \$ 2,047,610         | 75,624,697        | -                     |                            |
| Assumed exercise of outstanding warrants (b)             | 152,316             | 8,680,149         | \$ 17.55              |                            | 152,316              | 8,680,149         | \$ 17.55              |                            |
| Assumed exercise of outstanding stock options (b)        | 50,969              | 2,795,868         | \$ 18.23              |                            | 51,043               | 2,799,938         | \$ 18.23              |                            |
| Unvested restricted shares                               | -                   | <u>3,012,854</u>  | -                     |                            | -                    | <u>2,986,619</u>  | -                     |                            |
| Diluted book value per common share, as adjusted         | <u>\$ 2,303,987</u> | <u>90,317,793</u> |                       | <u>\$ 25.51</u>            | <u>\$ 2,250,969</u>  | <u>90,091,403</u> |                       | <u>\$ 24.99</u>            |

#### Notes:

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

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

(c) Adjusted book value excludes unrealized gains (losses) on investments and Accumulated Other Comprehensive Income.

## Validus Holdings, Ltd.

### Consolidated Statements of Cash Flows

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

|   | Three Months Ended |                   |                   |                   | Year Ended        |                   |                   |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | March 31,          | December 31,      | September 30,     | June 30,          | March 31,         | December 31,      | December 31,      |
|   | 2009               | 2008              | 2008              | 2008              | 2008              | 2008              | 2007              |
| <b>Cash flows provided by (used in) operating activities</b>                            |                    |                   |                   |                   |                   |                   |                   |
| Net income (loss) for the period  | \$ 94,907          | \$ 37,015         | \$ (126,300)      | \$ 75,921         | \$ 66,475         | \$ 53,111         | \$ 402,996        |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: |                    |                   |                   |                   |                   |                   |                   |
| Share compensation expense  | 7,354              | 7,279             | 6,012             | 7,271             | 6,535             | 27,097            | 16,189            |
| Realized gain on repurchase of debentures   | -                  | -                 | -                 | (8,752)           | -                 | (8,752)           | -                 |
| Net realized losses (gains) on sales of investments                                     | 23,421             | (6,757)           | 13,667            | 2,425             | (7,744)           | 1,591             | (1,608)           |
| Net unrealized (gains) losses on investments  | (22,153)           | 7,099             | 14,649            | 42,982            | 14,977            | 79,707            | (12,364)          |
| Fair value of warrants expensed   | -                  | -                 | -                 | -                 | -                 | -                 | 2,893             |
| Amortization of intangible assets   | 1,040              | 1,041             | 1,040             | 1,041             | 1,040             | 4,162             | 2,081             |
| Foreign exchange losses (gains) on cash and cash equivalents included in net income     | 559                | 20,706            | 26,022            | (553)             | (5,701)           | 40,474            | (5,975)           |
| Amortization of premium (discount) on fixed maturities                                  | 1,702              | 1,484             | 473               | 1,527             | 226               | 3,710             | (10,739)          |
| Change in:  |                    |                   |                   |                   |                   |                   |                   |
| Premiums receivable   | (193,076)          | 110,989           | 73,609            | (37,568)          | (170,863)         | (23,833)          | (7,035)           |
| Deferred acquisition costs  | (35,344)           | 23,845            | 14,080            | (10,397)          | (30,318)          | (2,790)           | (10,900)          |
| Prepaid reinsurance premiums  | (37,160)           | 26,987            | (5,282)           | 26,125            | (48,992)          | (1,162)           | 36,690            |
| Loss reserves recoverable   | 4,413              | (41,540)          | (42,625)          | (14,302)          | 15,782            | (82,685)          | 32,519            |
| Paid losses recoverable   | (3,051)            | 2,002             | (843)             | 4,311             | 811               | 6,281             | 16,820            |
| Income taxes recoverable  | (653)              | (591)             | 1,954             | (4,219)           | 4,701             | 1,845             | 2,438             |
| Accrued investment income   | (86)               | 3,993             | 54                | (2,294)           | (2,226)           | (473)             | (5,812)           |
| Other assets  | 3,083              | 9,047             | 4,561             | (785)             | 85                | 12,908            | 3,955             |
| Reserve for losses and loss expenses  | 15,064             | 74,187            | 265,678           | 52,349            | 51,935            | 444,149           | 94,313            |
| Unearned premiums   | 255,782            | (164,493)         | (88,732)          | 42,972            | 193,221           | (17,032)          | 23,657            |
| Reinsurance balances payable  | 33,260             | (19,180)          | (11,722)          | (21,946)          | 51,447            | (1,401)           | (37,665)          |
| Deferred income taxes   | 93                 | 5,838             | 2,594             | 6,731             | (3,242)           | 11,921            | (1,027)           |
| Accounts payable and accrued expenses   | (1,288)            | (10,345)          | 1,081             | (46,005)          | (7,009)           | (62,845)          | 21,952            |
| <b>Net cash provided by operating activities</b>  | <b>147,867</b>     | <b>88,606</b>     | <b>149,970</b>    | <b>116,834</b>    | <b>131,140</b>    | <b>485,983</b>    | <b>563,378</b>    |
| <b>Cash flows provided by (used in) investing activities</b>                            |                    |                   |                   |                   |                   |                   |                   |
| Proceeds on sales of investments  | 873,352            | 495,108           | 661,356           | 536,082           | 573,454           | 2,266,000         | 1,414,524         |
| Proceeds on maturities of investments   | 222,402            | 535,672           | 163,316           | 34,247            | 66,540            | 799,775           | -                 |
| Purchases of fixed maturities   | (1,232,740)        | (929,812)         | (894,184)         | (487,833)         | (973,142)         | (3,284,971)       | (2,545,787)       |
| Sales (purchases) of short-term investments, net  | 94,644             | (34,960)          | (183,870)         | (7,577)           | 117,157           | (109,250)         | 441,548           |
| Decrease (increase) in securities lending payable                                       | 319                | 56,039            | 38,241            | (7,500)           | (28,144)          | 58,636            | (151,998)         |
| Purchase of subsidiary, net of cash acquired  | -                  | -                 | -                 | -                 | -                 | -                 | (18,809)          |
| <b>Net cash (used in) provided by investing activities</b>                              | <b>(42,023)</b>    | <b>122,047</b>    | <b>(215,141)</b>  | <b>67,419</b>     | <b>(244,135)</b>  | <b>(269,810)</b>  | <b>(860,522)</b>  |
| <b>Cash flows provided by (used in) financing activities</b>                            |                    |                   |                   |                   |                   |                   |                   |
| Net proceeds on issuance of debentures payable  | -                  | -                 | -                 | (36,948)          | -                 | (36,948)          | 198,000           |
| Issue of common shares, net of expenses   | (351)              | 1,582             | (909)             | 342               | 169               | 1,184             | 320,248           |
| Dividends paid  | (17,462)           | (17,364)          | (16,928)          | (16,821)          | (17,388)          | (67,934)          | -                 |
| (Increase) decrease in securities lending collateral                                    | (319)              | (56,039)          | (38,241)          | 7,500             | 28,144            | (58,636)          | 151,998           |
| <b>Net cash (used in) provided by financing activities</b>                              | <b>(18,132)</b>    | <b>(71,821)</b>   | <b>(56,078)</b>   | <b>(45,927)</b>   | <b>10,925</b>     | <b>(162,334)</b>  | <b>670,246</b>    |
| Effect of foreign currency rate changes on cash and cash equivalents                    | (1,762)            | (24,351)          | (30,644)          | 1,587             | 4,719             | (48,689)          | 7,953             |
| Net increase (decrease) in cash   | 85,950             | 114,481           | (151,893)         | 139,913           | (97,351)          | 5,150             | 381,055           |
| <b>Cash and cash equivalents - Beginning of period</b>                                  | <b>449,848</b>     | <b>335,367</b>    | <b>487,260</b>    | <b>347,347</b>    | <b>444,698</b>    | <b>444,698</b>    | <b>63,643</b>     |
| <b>Cash and cash equivalents - End of period</b>  | <b>\$ 535,798</b>  | <b>\$ 449,848</b> | <b>\$ 335,367</b> | <b>\$ 487,260</b> | <b>\$ 347,347</b> | <b>\$ 449,848</b> | <b>\$ 444,698</b> |
| <b>Taxes paid (recovered) during the period</b>   | <b>\$ 299</b>      | <b>\$ (43)</b>    | <b>\$ (2,877)</b> | <b>\$ 524</b>     | <b>\$ (114)</b>   | <b>\$ (2,510)</b> | <b>\$ 57</b>      |
| <b>Interest paid during the period</b>  | <b>\$ 6,672</b>    | <b>\$ 6,672</b>   | <b>\$ 6,177</b>   | <b>\$ 6,984</b>   | <b>\$ 7,641</b>   | <b>\$ 27,474</b>  | <b>\$ 22,577</b>  |
| <b>Losses paid during the period</b>  | <b>\$ 111,871</b>  | <b>\$ 154,921</b> | <b>\$ 95,197</b>  | <b>\$ 84,044</b>  | <b>\$ 72,308</b>  | <b>\$ 406,469</b> | <b>\$ 156,872</b> |

## Validus Holdings, Ltd.

### Consolidated Statements of Operations and Comprehensive Income (Loss)

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

|  | Three Months Ended             |                      |                       |                  |                   | Year Ended           |                      |
|--|--------------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|----------------------|
|  | December 31,<br>March 31, 2009 | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 | March 31,<br>2008 | December 31,<br>2008 | December 31,<br>2007 |
| <b>Revenues</b>  |                                |                      |                       |                  |                   |                      |                      |
| Gross premiums written   | \$ 609,892                     | \$ 191,736           | \$ 269,236            | \$ 379,919       | \$ 521,594        | \$ 1,362,484         | \$ 988,637           |
| Reinsurance premiums ceded   | (72,512)                       | (2,722)              | (35,139)              | (1,399)          | (84,900)          | (124,160)            | (70,210)             |
| Net premiums written   | 537,380                        | 189,014              | 234,097               | 378,520          | 436,694           | 1,238,324            | 918,427              |
| Change in unearned premiums  | (218,621)                      | 127,017              | 105,229               | (69,222)         | (144,830)         | 18,194               | (60,348)             |
| Net premiums earned  | 318,759                        | 316,031              | 339,326               | 309,298          | 291,864           | 1,256,518            | 858,079              |
| Net investment income  | 26,772                         | 30,671               | 36,379                | 36,435           | 36,043            | 139,528              | 112,324              |
| Realized gain on repurchase of debentures  | -                              | -                    | -                     | 8,752            | -                 | 8,752                | -                    |
| Net realized (losses) gains on investments   | (23,421)                       | 6,757                | (13,667)              | (2,425)          | 7,744             | (1,591)              | 1,608                |
| Net unrealized gains (losses) on investments                                       | 22,153                         | (7,099)              | (14,649)              | (42,982)         | (14,977)          | (79,707)             | 12,364               |
| Other income   | 757                            | 1,598                | 1,269                 | 1,462            | 935               | 5,264                | 3,301                |
| Foreign exchange (losses) gains  | (4,200)                        | (13,554)             | (44,933)              | 911              | 8,179             | (49,397)             | 6,696                |
| <b>Total revenues</b>  | <b>340,820</b>                 | <b>334,404</b>       | <b>303,725</b>        | <b>311,451</b>   | <b>329,788</b>    | <b>1,279,367</b>     | <b>994,372</b>       |
| <b>Expenses</b>  |                                |                      |                       |                  |                   |                      |                      |
| Losses and loss expenses   | 131,834                        | 191,576              | 318,464               | 122,089          | 140,024           | 772,154              | 283,993              |
| Policy acquisition costs   | 61,449                         | 61,407               | 60,425                | 56,419           | 56,701            | 234,951              | 134,277              |
| General and administrative expenses  | 38,079                         | 22,809               | 30,120                | 33,912           | 37,107            | 123,948              | 100,765              |
| Share compensation expense   | 7,354                          | 7,279                | 6,012                 | 7,271            | 6,535             | 27,097               | 16,189               |
| Finance expenses   | 7,723                          | 8,522                | 14,517                | 12,762           | 21,517            | 57,318               | 51,754               |
| Fair value of warrants issued  | -                              | -                    | -                     | -                | -                 | -                    | 2,893                |
| <b>Total expenses</b>  | <b>246,439</b>                 | <b>291,593</b>       | <b>429,538</b>        | <b>232,453</b>   | <b>261,884</b>    | <b>1,215,468</b>     | <b>589,871</b>       |
| <b>Net income (loss) before taxes</b>  | <b>94,381</b>                  | <b>42,811</b>        | <b>(125,813)</b>      | <b>78,998</b>    | <b>67,904</b>     | <b>63,899</b>        | <b>404,501</b>       |
| Income tax benefit (expense)   | 526                            | (5,796)              | (487)                 | (3,077)          | (1,429)           | (10,788)             | (1,505)              |
| <b>Net income (loss)</b>   | <b>\$ 94,907</b>               | <b>\$ 37,015</b>     | <b>\$ (126,300)</b>   | <b>\$ 75,921</b> | <b>\$ 66,475</b>  | <b>\$ 53,111</b>     | <b>\$ 402,996</b>    |
| <b>Comprehensive income</b>  |                                |                      |                       |                  |                   |                      |                      |
| Foreign currency translation adjustments   | (196)                          | (6,330)              | (1,556)               | 10               | 67                | (7,809)              | (49)                 |
| <b>Comprehensive income (loss)</b>   | <b>\$ 94,711</b>               | <b>\$ 30,685</b>     | <b>\$ (127,856)</b>   | <b>\$ 75,931</b> | <b>\$ 66,542</b>  | <b>\$ 45,302</b>     | <b>\$ 402,947</b>    |
| <b>Earnings per share</b>  |                                |                      |                       |                  |                   |                      |                      |
| Weighted average number of common shares and common share equivalents outstanding: |                                |                      |                       |                  |                   |                      |                      |
| Basic  | 75,744,577                     | 75,404,091           | 74,864,724            | 74,233,425       | 74,209,371        | 74,677,903           | 65,068,093           |
| Diluted  | 79,102,643                     | 75,740,546           | 74,864,724            | 77,257,545       | 78,329,727        | 75,819,413           | 67,786,673           |
| <b>Basic earnings (loss) per share</b>   | <b>\$ 1.23</b>                 | <b>\$ 0.47</b>       | <b>\$ (1.71)</b>      | <b>\$ 1.00</b>   | <b>\$ 0.87</b>    | <b>\$ 0.62</b>       | <b>\$ 6.19</b>       |
| <b>Diluted earnings (loss) per share</b>   | <b>\$ 1.20</b>                 | <b>\$ 0.47</b>       | <b>\$ (1.71)</b>      | <b>\$ 0.98</b>   | <b>\$ 0.85</b>    | <b>\$ 0.61</b>       | <b>\$ 5.95</b>       |
| <b>Cash dividends declared per share</b>   | <b>\$ 0.20</b>                 | <b>\$ 0.20</b>       | <b>\$ 0.20</b>        | <b>\$ 0.20</b>   | <b>\$ 0.20</b>    | <b>\$ 0.80</b>       | <b>\$ -</b>          |



## Validus Holdings, Ltd.

### Consolidated Statements of Operations - Underwriting Income Format

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

|  | Three Months Ended             |                  |                       |                   |                   | Year Ended           |                          |
|--|--------------------------------|------------------|-----------------------|-------------------|-------------------|----------------------|--------------------------|
|  | December 31,<br>March 31, 2009 | 2008             | September 30,<br>2008 | June 30,<br>2008  | March 31,<br>2008 | December 31,<br>2008 | December 31,<br>2007 (b) |
| Gross premiums written                       | \$ 609,892                     | \$ 191,736       | \$ 269,236            | \$ 379,919        | \$ 521,594        | \$ 1,362,484         | \$ 988,637               |
| Reinsurance premiums ceded                   | (72,512)                       | (2,722)          | (35,139)              | (1,399)           | (84,900)          | (124,160)            | (70,210)                 |
| Net premiums written                         | 537,380                        | 189,014          | 234,097               | 378,520           | 436,694           | 1,238,324            | 918,427                  |
| Change in unearned premiums                  | (218,621)                      | 127,017          | 105,229               | (69,222)          | (144,830)         | 18,194               | (60,348)                 |
| Net premiums earned                          | 318,759                        | 316,031          | 339,326               | 309,298           | 291,864           | 1,256,518            | 858,079                  |
| Losses and loss expenses                     | 131,834                        | 191,576          | 318,464               | 122,089           | 140,024           | 772,154              | 283,993                  |
| Policy acquisition costs                     | 61,449                         | 61,407           | 60,425                | 56,419            | 56,701            | 234,951              | 134,277                  |
| General and administrative expenses          | 38,079                         | 22,809           | 30,120                | 33,912            | 37,107            | 123,948              | 97,765                   |
| Share compensation expense                   | 7,354                          | 7,279            | 6,012                 | 7,271             | 6,535             | 27,097               | 16,189                   |
| Total underwriting deductions                | 238,716                        | 283,071          | 415,021               | 219,691           | 240,367           | 1,158,150            | 532,224                  |
| Underwriting income                          | 80,043                         | 32,960           | (75,695)              | 89,607            | 51,497            | 98,368               | 325,855                  |
| Net investment income                        | 26,772                         | 30,671           | 36,379                | 36,435            | 36,043            | 139,528              | 112,324                  |
| Other income                                 | 757                            | 1,598            | 1,269                 | 1,462             | 935               | 5,264                | 3,301                    |
| Finance expenses                             | (7,723)                        | (8,522)          | (14,517)              | (12,762)          | (21,517)          | (57,318)             | (51,754)                 |
| <b>Operating income (loss) before tax</b>    | 99,849                         | 56,707           | (52,564)              | 114,742           | 66,958            | 185,842              | 389,726                  |
| Income tax benefit (expense)                 | 526                            | (5,796)          | (487)                 | (3,077)           | (1,429)           | (10,788)             | (1,505)                  |
| <b>Net operating income (loss) (a)</b>       | <b>\$ 100,375</b>              | <b>\$ 50,911</b> | <b>\$ (53,051)</b>    | <b>\$ 111,665</b> | <b>\$ 65,529</b>  | <b>\$ 175,054</b>    | <b>\$ 388,221</b>        |
| Net realized (losses) gains on investments   | (23,421)                       | 6,757            | (13,667)              | (2,425)           | 7,744             | (1,591)              | 1,608                    |
| Net unrealized gains (losses) on investments | 22,153                         | (7,099)          | (14,649)              | (42,982)          | (14,977)          | (79,707)             | 12,364                   |
| Realized gain on repurchase of debentures    | -                              | -                | -                     | 8,752             | -                 | 8,752                | -                        |
| Foreign exchange (losses) gains              | (4,200)                        | (13,554)         | (44,933)              | 911               | 8,179             | (49,397)             | 6,696                    |
| Fair value of warrants issued                | -                              | -                | -                     | -                 | -                 | -                    | (2,893)                  |
| Aquiline termination fee                     | -                              | -                | -                     | -                 | -                 | -                    | (3,000)                  |
| <b>Net income (loss)</b>                     | <b>\$ 94,907</b>               | <b>\$ 37,015</b> | <b>\$ (126,300)</b>   | <b>\$ 75,921</b>  | <b>\$ 66,475</b>  | <b>\$ 53,111</b>     | <b>\$ 402,996</b>        |
| <b>Selected Ratios</b>                       |                                |                  |                       |                   |                   |                      |                          |
| Net premiums written/Gross premiums written  | 88.1%                          | 98.6%            | 86.9%                 | 99.6%             | 83.7%             | 90.9%                | 92.9%                    |
| Losses and loss expenses                     | 41.4%                          | 60.6%            | 93.9%                 | 39.5%             | 48.0%             | 61.5%                | 33.1%                    |
| Policy acquisition costs                     | 19.3%                          | 19.4%            | 17.8%                 | 18.2%             | 19.4%             | 18.7%                | 15.6%                    |
| General and administrative expenses          | 14.3%                          | 9.5%             | 10.6%                 | 13.3%             | 15.0%             | 12.0%                | 13.3%                    |
| Expense ratio                                | <u>33.6%</u>                   | <u>28.9%</u>     | <u>28.4%</u>          | <u>31.5%</u>      | <u>34.4%</u>      | <u>30.7%</u>         | <u>28.9%</u>             |
| Combined ratio                               | <u>75.0%</u>                   | <u>89.5%</u>     | <u>122.3%</u>         | <u>71.0%</u>      | <u>82.4%</u>      | <u>92.2%</u>         | <u>62.0%</u>             |

#### Notes:

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

(b) Operating results of Talbot have been included from July 2, 2007, the date of acquisition.

## Validus Holdings, Ltd.

### Computation of Earnings Per Share Data

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

|  | Three Months Ended   |                |                      |                      |                |                      |
|--|----------------------|----------------|----------------------|----------------------|----------------|----------------------|
|  | March 31, 2009       |                |                      | March 31, 2008       |                |                      |
|  | Net operating income | Net income     | Comprehensive income | Net operating income | Net income     | Comprehensive income |
| <i>Basic EPS calculation:</i>                                      |                      |                |                      |                      |                |                      |
| Income   | \$ 100,375           | \$ 94,907      | \$ 94,711            | \$ 65,529            | \$ 66,475      | \$ 66,542            |
| Less: Dividends and distributions declared on outstanding warrants | (1,736)              | (1,736)        | (1,736)              | (1,739)              | (1,739)        | (1,739)              |
| Net income available to common shareholders                        | \$ 98,639            | \$ 93,171      | \$ 92,975            | \$ 63,790            | \$ 64,736      | \$ 64,803            |
| Weighted average number of common shares outstanding               | 75,744,577           | 75,744,577     | 75,744,577           | 74,209,371           | 74,209,371     | 74,209,371           |
| <b>Basic earnings per share</b>                                    | <b>\$ 1.30</b>       | <b>\$ 1.23</b> | <b>\$ 1.23</b>       | <b>\$ 0.86</b>       | <b>\$ 0.87</b> | <b>\$ 0.87</b>       |
| <i>Diluted EPS calculation:</i>                                    |                      |                |                      |                      |                |                      |
| Income   | \$ 100,375           | \$ 94,907      | \$ 94,711            | \$ 65,529            | \$ 66,475      | \$ 66,542            |
| Less: Dividends and distributions declared on outstanding warrants | -                    | -              | -                    | -                    | -              | -                    |
| Net income available to common shareholders                        | \$ 100,375           | \$ 94,907      | \$ 94,711            | \$ 65,529            | \$ 66,475      | \$ 66,542            |
| Weighted average number of common shares outstanding:              | 75,744,577           | 75,744,577     | 75,744,577           | 74,209,371           | 74,209,371     | 74,209,371           |
| <i>Share equivalents:</i>  |                      |                |                      |                      |                |                      |
| Warrants   | 2,307,094            | 2,307,094      | 2,307,094            | 2,517,851            | 2,517,851      | 2,517,851            |
| Stock options  | 367,504              | 367,504        | 367,504              | 309,839              | 309,839        | 309,839              |
| Unvested restricted shares   | 683,468              | 683,468        | 683,468              | 1,292,666            | 1,292,666      | 1,292,666            |
| Weighted average number of diluted common shares outstanding       | 79,102,643           | 79,102,643     | 79,102,643           | 78,329,727           | 78,329,727     | 78,329,727           |
| <b>Diluted earnings per share</b>                                  | <b>\$ 1.27</b>       | <b>\$ 1.20</b> | <b>\$ 1.20</b>       | <b>\$ 0.84</b>       | <b>\$ 0.85</b> | <b>\$ 0.85</b>       |

#### Notes:

(a) SFAS No. 123(R) 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 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.



## Validus Holdings, Ltd.

### Dilutive Shares for Earnings Per Share Calculation

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

|   | Three Months Ended       |                          |
|---|--------------------------|--------------------------|
|   | March 31, 2009           | March 31, 2008           |
| Average fair value per share                            | \$ 23.90                 | \$ 24.70                 |
| Basic weighted average common shares outstanding        | 75,744,577               | 74,209,371               |
| Add: weighted average unvested restricted shares        | 3,012,854                | 3,723,502                |
| Proceeds from unrecognized restricted share expense     | \$ 55,672                | \$ 60,042                |
| Less: restricted shares bought back via treasury method | (2,329,386)              | (2,430,836)              |
| Add: weighted average dilutive warrants outstanding     | 8,680,149                | 8,698,111                |
| Weighted average exercise price per share               | \$ 17.55                 | \$ 17.55                 |
| Less: warrants bought back via treasury method          | (6,373,055)              | (6,180,260)              |
| Add: weighted average dilutive options outstanding      | 2,795,868                | 2,804,944                |
| Weighted average exercise price per share               | \$ 18.23                 | \$ 18.20                 |
| Proceeds from unrecognized option expense               | \$ 9,063                 | \$ 12,992                |
| Less: options bought back via treasury method           | (2,428,364)              | (2,495,105)              |
| <b>Weighted average dilutive shares outstanding</b>     | <b><u>79,102,643</u></b> | <b><u>78,329,727</u></b> |

## Validus Holdings, Ltd.

### Consolidated Segment Income Data for Quarter

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

|  | Three Months Ended March 31, 2009 |                  |                          |                   | Three Months Ended March 31, 2008 |                  |                          |                  |
|--|-----------------------------------|------------------|--------------------------|-------------------|-----------------------------------|------------------|--------------------------|------------------|
|  | Validus Re                        | Talbot           | Corporate & Eliminations | Total             | Validus Re                        | Talbot           | Corporate & Eliminations | Total            |
| Gross premiums written                       | \$ 410,126                        | \$ 227,920       | \$ (28,154)              | \$ 609,892        | \$ 331,048                        | \$ 201,794       | \$ (11,248)              | \$ 521,594       |
| Reinsurance premiums ceded                   | (13,289)                          | (87,377)         | 28,154                   | (72,512)          | (23,743)                          | (72,405)         | 11,248                   | (84,900)         |
| Net premiums written                         | 396,837                           | 140,543          | -                        | 537,380           | 307,305                           | 129,389          | -                        | 436,694          |
| Change in unearned premiums                  | (222,390)                         | 3,769            | -                        | (218,621)         | (163,651)                         | 18,821           | -                        | (144,830)        |
| <b>Net premiums earned</b>                   | <b>174,447</b>                    | <b>144,312</b>   | <b>-</b>                 | <b>318,759</b>    | <b>143,654</b>                    | <b>148,210</b>   | <b>-</b>                 | <b>291,864</b>   |
| Losses and loss expenses                     | 55,462                            | 76,372           | -                        | 131,834           | 58,915                            | 81,109           | -                        | 140,024          |
| Policy acquisition costs                     | 28,577                            | 33,157           | (285)                    | 61,449            | 20,403                            | 36,298           | -                        | 56,701           |
| General and administrative expenses          | 13,792                            | 20,214           | 4,073                    | 38,079            | 9,379                             | 20,923           | 6,805                    | 37,107           |
| Share compensation expense                   | 1,672                             | 2,335            | 3,347                    | 7,354             | 1,226                             | 976              | 4,333                    | 6,535            |
| <b>Total underwriting deductions</b>         | <b>99,503</b>                     | <b>132,078</b>   | <b>7,135</b>             | <b>238,716</b>    | <b>89,923</b>                     | <b>139,306</b>   | <b>11,138</b>            | <b>240,367</b>   |
| <b>Underwriting income</b>                   | <b>\$ 74,944</b>                  | <b>\$ 12,234</b> | <b>\$ (7,135)</b>        | <b>\$ 80,043</b>  | <b>\$ 53,731</b>                  | <b>\$ 8,904</b>  | <b>\$ (11,138)</b>       | <b>\$ 51,497</b> |
| Net investment income                        | 20,786                            | 7,494            | (1,508)                  | 26,772            | 25,027                            | 10,982           | 34                       | 36,043           |
| Other income                                 | 285                               | 757              | (285)                    | 757               | -                                 | 935              | -                        | 935              |
| Finance expenses                             | (363)                             | (423)            | (6,937)                  | (7,723)           | (354)                             | (13,220)         | (7,943)                  | (21,517)         |
| <b>Operating income before tax</b>           | <b>95,652</b>                     | <b>20,062</b>    | <b>(15,865)</b>          | <b>99,849</b>     | <b>78,404</b>                     | <b>7,601</b>     | <b>(19,047)</b>          | <b>66,958</b>    |
| Income tax (expense) benefit                 | (38)                              | 564              | -                        | 526               | (28)                              | (1,401)          | -                        | (1,429)          |
| <b>Net operating income (a)</b>              | <b>\$ 95,614</b>                  | <b>\$ 20,626</b> | <b>\$ (15,865)</b>       | <b>\$ 100,375</b> | <b>\$ 78,376</b>                  | <b>\$ 6,200</b>  | <b>\$ (19,047)</b>       | <b>\$ 65,529</b> |
| Realized gain on repurchase of debentures    | -                                 | -                | -                        | -                 | -                                 | -                | -                        | -                |
| Net realized (losses) gains on investments   | (17,539)                          | (5,882)          | -                        | (23,421)          | 2,077                             | 5,667            | -                        | 7,744            |
| Net unrealized gains (losses) on investments | 19,007                            | 3,146            | -                        | 22,153            | (18,612)                          | 3,635            | -                        | (14,977)         |
| Foreign exchange (losses) gains              | (3,207)                           | (993)            | -                        | (4,200)           | 7,675                             | 504              | -                        | 8,179            |
| Fair value of warrants issued                | -                                 | -                | -                        | -                 | -                                 | -                | -                        | -                |
| Aquiline termination fee                     | -                                 | -                | -                        | -                 | -                                 | -                | -                        | -                |
| <b>Net income</b>                            | <b>\$ 93,875</b>                  | <b>\$ 16,897</b> | <b>\$ (15,865)</b>       | <b>\$ 94,907</b>  | <b>\$ 69,516</b>                  | <b>\$ 16,006</b> | <b>\$ (19,047)</b>       | <b>\$ 66,475</b> |
| <b>Selected Ratios</b>                       |                                   |                  |                          |                   |                                   |                  |                          |                  |
| Net premiums written/Gross premiums written  | 96.8%                             | 61.7%            |                          | 88.1%             | 92.8%                             | 64.1%            |                          | 83.7%            |
| Losses and loss expenses                     | 31.8%                             | 52.9%            |                          | 41.4%             | 41.0%                             | 54.7%            |                          | 48.0%            |
| Policy acquisition costs                     | 16.4%                             | 23.0%            |                          | 19.3%             | 14.2%                             | 24.5%            |                          | 19.4%            |
| General and administrative expenses          | 8.9%                              | 15.6%            |                          | 14.3%             | 7.4%                              | 14.8%            |                          | 15.0%            |
| Expense ratio                                | 25.3%                             | 38.6%            |                          | 33.6%             | 21.6%                             | 39.3%            |                          | 34.4%            |
| Combined ratio                               | 57.1%                             | 91.5%            |                          | 75.0%             | 62.6%                             | 94.0%            |                          | 82.4%            |

#### Notes:

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

## Validus Holdings, Ltd.

### Underwriting Results by Class of Business - Quarter - Validus Re

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

|  | Three Months Ended March 31, 2009 |                |               |                  | Three Months Ended March 31, 2008 |               |               |                  |
|--|-----------------------------------|----------------|---------------|------------------|-----------------------------------|---------------|---------------|------------------|
|  | Property                          | Marine         | Specialty (b) | Total            | Property                          | Marine        | Specialty (b) | Total            |
| <b>Validus Re Segment</b>                    |                                   |                |               |                  |                                   |               |               |                  |
| Gross premiums written                       | \$ 245,371                        | \$ 121,548     | \$ 43,207     | \$ 410,126       | \$ 203,110                        | \$ 84,040     | \$ 43,898     | \$ 331,048       |
| Reinsurance premiums ceded (c)               | (3,319)                           | (8,558)        | (1,412)       | (13,289)         | (6,363)                           | (16,977)      | (403)         | (23,743)         |
| <b>Net premiums written</b>                  | <u>242,052</u>                    | <u>112,990</u> | <u>41,795</u> | <u>396,837</u>   | <u>196,747</u>                    | <u>67,063</u> | <u>43,495</u> | <u>307,305</u>   |
| Change in unearned premiums                  | (112,090)                         | (87,587)       | (22,713)      | (222,390)        | (88,943)                          | (48,338)      | (26,370)      | (163,651)        |
| Net premiums earned                          | 129,962                           | 25,403         | 19,082        | 174,447          | 107,804                           | 18,725        | 17,125        | 143,654          |
| Losses and loss expenses                     | 26,640                            | 25,170         | 3,652         | 55,462           | 42,760                            | 8,370         | 7,785         | 58,915           |
| Policy acquisition costs                     | 20,979                            | 5,372          | 2,226         | 28,577           | 15,980                            | 2,150         | 2,273         | 20,403           |
| Total underwriting deductions before G&A     | <u>47,619</u>                     | <u>30,542</u>  | <u>5,878</u>  | <u>84,039</u>    | <u>58,740</u>                     | <u>10,520</u> | <u>10,058</u> | <u>79,318</u>    |
| <b>Underwriting income before G&amp;A</b>    | 82,343                            | (5,139)        | 13,204        | 90,408           | 49,064                            | 8,205         | 7,067         | 64,336           |
| General and administrative expenses          |                                   |                |               | 13,792           |                                   |               |               | 9,379            |
| Share compensation expense                   |                                   |                |               | <u>1,672</u>     |                                   |               |               | <u>1,226</u>     |
| Total underwriting deductions                |                                   |                |               | <u>99,503</u>    |                                   |               |               | <u>89,923</u>    |
| <b>Underwriting income</b>                   |                                   |                |               | 74,944           |                                   |               |               | 53,731           |
| Net investment income                        |                                   |                |               | 20,786           |                                   |               |               | 25,027           |
| Other income                                 |                                   |                |               | 285              |                                   |               |               | -                |
| Finance expenses                             |                                   |                |               | <u>(363)</u>     |                                   |               |               | <u>(354)</u>     |
| Operating income before tax                  |                                   |                |               | 95,652           |                                   |               |               | 78,404           |
| Income tax (expense)                         |                                   |                |               | <u>(38)</u>      |                                   |               |               | <u>(28)</u>      |
| <b>Net operating income (a)</b>              |                                   |                |               | <u>\$ 95,614</u> |                                   |               |               | <u>\$ 78,376</u> |
| Net realized (losses) gains on investments   |                                   |                |               | (17,539)         |                                   |               |               | 2,077            |
| Net unrealized gains (losses) on investments |                                   |                |               | 19,007           |                                   |               |               | (18,612)         |
| Foreign exchange (losses) gains              |                                   |                |               | <u>(3,207)</u>   |                                   |               |               | <u>7,675</u>     |
| <b>Net income</b>                            |                                   |                |               | <u>\$ 93,875</u> |                                   |               |               | <u>\$ 69,516</u> |
| <b>Selected Ratios</b>                       |                                   |                |               |                  |                                   |               |               |                  |
| Net premiums written/Gross premiums written  | 98.6%                             | 93.0%          | 96.7%         | 96.8%            | 96.9%                             | 79.8%         | 99.1%         | 92.8%            |
| Losses and loss expenses                     | 20.5%                             | 99.1%          | 19.1%         | 31.8%            | 39.7%                             | 44.7%         | 45.5%         | 41.0%            |
| Policy acquisition costs                     | 16.1%                             | 21.1%          | 11.7%         | 16.4%            | 14.8%                             | 11.5%         | 13.3%         | 14.2%            |
| General and administrative expenses          |                                   |                |               | 8.9%             |                                   |               |               | 7.4%             |
| Expense ratio                                |                                   |                |               | <u>25.3%</u>     |                                   |               |               | <u>21.6%</u>     |
| Combined ratio                               |                                   |                |               | <u>57.1%</u>     |                                   |               |               | <u>62.6%</u>     |

#### Notes:

(a) Net operating income (loss) is calculated based on net income (loss) excluding net realized gains (losses), net unrealized gains (losses), gains (losses) arising from translation of non-U.S.\$ denominated balances, the fair value of warrants issued and excluding the Aquiline termination fee. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 33.

(b) Specialty includes Aviation, Workers' compensation, Terrorism, Life and A&H, and Financial lines of business.

## Validus Holdings, Ltd.

### Underwriting Results by Class of Business - Quarter - Talbot

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

|   | Three Months Ended March 31, 2009 |               |               |                  | Three Months Ended March 31, 2008 |               |               |                  |
|---|-----------------------------------|---------------|---------------|------------------|-----------------------------------|---------------|---------------|------------------|
|   | Property                          | Marine        | Specialty (b) | Total            | Property                          | Marine        | Specialty (b) | Total            |
| <b>Talbot Segment</b>                       |                                   |               |               |                  |                                   |               |               |                  |
| Gross premiums written                      | \$ 60,726                         | \$ 92,410     | \$ 74,784     | \$ 227,920       | \$ 40,367                         | \$ 86,243     | \$ 75,184     | \$ 201,794       |
| Reinsurance premiums ceded                  | (33,205)                          | (18,260)      | (35,912)      | (87,377)         | (17,589)                          | (11,916)      | (42,900)      | (72,405)         |
| <b>Net premiums written</b>                 | <u>27,521</u>                     | <u>74,150</u> | <u>38,872</u> | <u>140,543</u>   | <u>22,778</u>                     | <u>74,327</u> | <u>32,284</u> | <u>129,389</u>   |
| Change in unearned premiums                 | 131                               | (11,253)      | 14,891        | 3,769            | 7,613                             | (8,042)       | 19,250        | 18,821           |
| Net premiums earned                         | <u>27,652</u>                     | <u>62,897</u> | <u>53,763</u> | <u>144,312</u>   | <u>30,391</u>                     | <u>66,285</u> | <u>51,534</u> | <u>148,210</u>   |
| Losses and loss expenses                    | 8,059                             | 39,359        | 28,954        | 76,372           | 15,506                            | 48,328        | 17,275        | 81,109           |
| Policy acquisition costs                    | 5,598                             | 13,967        | 13,592        | 33,157           | 6,355                             | 16,531        | 13,412        | 36,298           |
| Total underwriting deductions before G&A    | <u>13,657</u>                     | <u>53,326</u> | <u>42,546</u> | <u>109,529</u>   | <u>21,861</u>                     | <u>64,859</u> | <u>30,687</u> | <u>117,407</u>   |
| <b>Underwriting income before G&amp;A</b>   | 13,995                            | 9,571         | 11,217        | 34,783           | 8,530                             | 1,426         | 20,847        | 30,803           |
| General and administrative expenses         |                                   |               |               | 20,214           |                                   |               |               | 20,923           |
| Share compensation expense                  |                                   |               |               | <u>2,335</u>     |                                   |               |               | <u>976</u>       |
| Total underwriting deductions               |                                   |               |               | <u>132,078</u>   |                                   |               |               | <u>139,306</u>   |
| <b>Underwriting income</b>                  |                                   |               |               | 12,234           |                                   |               |               | 8,904            |
| Net investment income                       |                                   |               |               | 7,494            |                                   |               |               | 10,982           |
| Other income                                |                                   |               |               | 757              |                                   |               |               | 935              |
| Finance expenses                            |                                   |               |               | <u>(423)</u>     |                                   |               |               | <u>(13,220)</u>  |
| Operating income before tax                 |                                   |               |               | 20,062           |                                   |               |               | 7,601            |
| Income tax benefit (expense)                |                                   |               |               | <u>564</u>       |                                   |               |               | <u>(1,401)</u>   |
| <b>Net operating income (a)</b>             |                                   |               |               | <u>\$ 20,626</u> |                                   |               |               | <u>\$ 6,200</u>  |
| Net realized (losses) gains on investments  |                                   |               |               | (5,882)          |                                   |               |               | 5,667            |
| Net unrealized gains on investments         |                                   |               |               | 3,146            |                                   |               |               | 3,635            |
| Foreign exchange (losses) gains             |                                   |               |               | <u>(993)</u>     |                                   |               |               | <u>504</u>       |
| <b>Net income</b>                           |                                   |               |               | <u>\$ 16,897</u> |                                   |               |               | <u>\$ 16,006</u> |
| <b>Selected Ratios</b>                      |                                   |               |               |                  |                                   |               |               |                  |
| Net premiums written/Gross premiums written | 45.3%                             | 80.2%         | 52.0%         | 61.7%            | 56.4%                             | 86.2%         | 42.9%         | 64.1%            |
| Losses and loss expenses                    | 29.1%                             | 62.6%         | 53.9%         | 52.9%            | 51.0%                             | 72.9%         | 33.5%         | 54.7%            |
| Policy acquisition costs                    | 20.2%                             | 22.2%         | 25.3%         | 23.0%            | 20.9%                             | 24.9%         | 26.0%         | 24.5%            |
| General and administrative expenses         |                                   |               |               | 15.6%            |                                   |               |               | 14.8%            |
| Expense ratio                               |                                   |               |               | <u>38.6%</u>     |                                   |               |               | <u>39.3%</u>     |
| Combined ratio                              |                                   |               |               | <u>91.5%</u>     |                                   |               |               | <u>94.0%</u>     |

#### Notes:

(a) Net operating income (loss) is calculated based on net income (loss) excluding net realized gains (losses), net unrealized gains (losses), gains (losses) arising from translation of non-U.S.\$ denominated balances, the fair value of warrants issued and excluding the Aquiline termination fee. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 33.

(b) Specialty class includes War, Political Violence and Political Risk Financial , Aviation Treaty and other classes.

## Validus Holdings, Ltd.

### Class of Business Treaty Type Detail (Gross Premium Written) - Validus Re

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

| Validus Re Segment |                  | Three Months Ended |               |                |               | Year Ended        |               |                   |               |
|--------------------|------------------|--------------------|---------------|----------------|---------------|-------------------|---------------|-------------------|---------------|
| Class of Business  | Treaty Type      | March 31, 2009     |               | March 31, 2008 |               | December 31, 2008 |               | December 31, 2007 |               |
|                    |                  | GPW                | %             | GPW            | %             | GPW               | %             | GPW               | %             |
| Property           | Cat XOL (b)      | \$ 185,922         | 45.3%         | \$ 132,022     | 39.8%         | \$ 328,216        | 47.6%         | \$ 351,968        | 50.1%         |
|                    | Per Risk XOL     | 15,698             | 3.8%          | 10,776         | 3.3%          | 54,056            | 7.9%          | 47,641            | 6.8%          |
|                    | Proportional (c) | 43,751             | 10.7%         | 60,312         | 18.2%         | 110,695           | 16.1%         | 98,766            | 14.1%         |
|                    |                  | <u>245,371</u>     | <u>59.8%</u>  | <u>203,110</u> | <u>61.3%</u>  | <u>492,967</u>    | <u>71.6%</u>  | <u>498,375</u>    | <u>71.0%</u>  |
| Marine             | Cat XOL (b)      | 6,173              | 1.5%          | 922            | 0.3%          | 37,128            | 5.4%          | 39,122            | 5.6%          |
|                    | Per Risk XOL     | 53,792             | 13.1%         | 60,345         | 18.2%         | 54,049            | 7.9%          | 54,156            | 7.7%          |
|                    | Proportional (c) | 61,583             | 15.0%         | 22,773         | 6.9%          | 26,567            | 3.9%          | 43,432            | 6.2%          |
|                    |                  | <u>121,548</u>     | <u>29.6%</u>  | <u>84,040</u>  | <u>25.4%</u>  | <u>117,744</u>    | <u>17.2%</u>  | <u>136,710</u>    | <u>19.5%</u>  |
| Specialty (a)      | Cat XOL (b)      | 22,854             | 5.6%          | 24,159         | 7.3%          | 30,022            | 4.4%          | 33,114            | 4.7%          |
|                    | Per Risk XOL     | 5,150              | 1.3%          | 259            | 0.1%          | 5,144             | 0.7%          | 1,295             | 0.2%          |
|                    | Proportional (c) | 15,203             | 3.7%          | 19,480         | 5.9%          | 41,894            | 6.1%          | 32,604            | 4.6%          |
|                    |                  | <u>43,207</u>      | <u>10.6%</u>  | <u>43,898</u>  | <u>13.3%</u>  | <u>77,060</u>     | <u>11.2%</u>  | <u>67,013</u>     | <u>9.5%</u>   |
| Total              | Cat XOL (b)      | 214,949            | 52.4%         | 157,103        | 47.4%         | 395,366           | 57.5%         | 424,204           | 60.4%         |
|                    | Per Risk XOL     | 74,640             | 18.2%         | 71,380         | 21.6%         | 113,249           | 16.5%         | 103,092           | 14.7%         |
|                    | Proportional (c) | 120,537            | 29.4%         | 102,565        | 31.0%         | 179,156           | 26.0%         | 174,802           | 24.9%         |
|                    | <b>Total</b>     | <u>410,126</u>     | <u>100.0%</u> | <u>331,048</u> | <u>100.0%</u> | <u>687,771</u>    | <u>100.0%</u> | <u>702,098</u>    | <u>100.0%</u> |

#### Notes:

(a) Specialty includes Aviation, Workers' compensation, Terrorism, Life and A&H, and Financial lines of business.

(b) Cat XOL is comprised of Catastrophe XOL, Aggregate XOL, RPP, Per Event XOL, Second Event and Third Event covers. During the quarter internal recategorization by type of contract occurred.

(c) Proportional is comprised of Quota Share and Surplus Share.

## Validus Holdings, Ltd.

### Consolidated Class of Business Policy Type Detail (Gross Premium Written)

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

| Class of business | Treaty Type             | Three Months Ended |               |                   |               | Year Ended          |               |                   |               |
|-------------------|-------------------------|--------------------|---------------|-------------------|---------------|---------------------|---------------|-------------------|---------------|
|                   |                         | March 31, 2009     |               | March 31, 2008    |               | December 31, 2008   |               | December 31, 2007 |               |
|                   |                         | GPW                | %             | GPW               | %             | GPW                 | %             | GPW (b)           | %             |
| Property          | Treaty Reinsurance      | \$ 256,484         | 42.0%         | \$ 220,564        | 42.3%         | \$ 521,946          | 38.3%         | \$ 504,098        | 51.0%         |
|                   | Facultative Reinsurance | 19,598             | 3.2%          | 10,685            | 2.1%          | 46,128              | 3.4%          | 17,524            | 1.8%          |
|                   | Direct Insurance        | 16,907             | <u>2.8%</u>   | 12,228            | <u>2.3%</u>   | 55,312              | <u>4.1%</u>   | 25,930            | <u>2.6%</u>   |
|                   |                         | 292,989            | 48.0%         | 243,477           | 46.7%         | 623,386             | 45.8%         | 547,552           | 55.4%         |
| Marine            | Treaty Reinsurance      | 134,746            | 22.1%         | 93,734            | 18.0%         | 141,038             | 10.4%         | 141,537           | 14.3%         |
|                   | Facultative Reinsurance | 30,402             | 5.0%          | 19,041            | 3.7%          | 79,573              | 5.8%          | 22,005            | 2.2%          |
|                   | Direct Insurance        | 40,952             | <u>6.7%</u>   | 46,260            | <u>8.9%</u>   | 176,286             | <u>12.9%</u>  | 87,190            | <u>8.8%</u>   |
|                   |                         | 206,100            | 33.8%         | 159,035           | 30.5%         | 396,897             | 29.1%         | 250,732           | 25.3%         |
| Specialty (a)     | Treaty Reinsurance      | 53,563             | 8.8%          | 61,006            | 11.7%         | 115,635             | 8.5%          | 79,492            | 8.0%          |
|                   | Facultative Reinsurance | 17,498             | 2.9%          | 19,935            | 3.8%          | 65,162              | 4.8%          | 31,795            | 3.2%          |
|                   | Direct Insurance        | 39,742             | <u>6.5%</u>   | 38,141            | <u>7.3%</u>   | 161,404             | <u>11.8%</u>  | 79,066            | <u>8.0%</u>   |
|                   |                         | 110,803            | 18.2%         | 119,082           | 22.8%         | 342,201             | 25.1%         | 190,353           | 19.3%         |
| <b>Total</b>      | Treaty Reinsurance      | 444,793            | 72.9%         | 375,304           | 72.0%         | 778,619             | 57.2%         | 725,127           | 73.4%         |
|                   | Facultative Reinsurance | 67,498             | 11.1%         | 49,661            | 9.5%          | 190,863             | 14.0%         | 71,324            | 7.2%          |
|                   | Direct Insurance        | 97,601             | <u>16.0%</u>  | 96,629            | <u>18.5%</u>  | 393,002             | <u>28.8%</u>  | 192,186           | <u>19.4%</u>  |
|                   | <b>Total</b>            | <b>\$ 609,892</b>  | <b>100.0%</b> | <b>\$ 521,594</b> | <b>100.0%</b> | <b>\$ 1,362,484</b> | <b>100.0%</b> | <b>\$ 988,637</b> | <b>100.0%</b> |

#### Notes:

(a) For Validus Re segment, Specialty class includes Aviation, Workers' compensation, Terrorism, Life and A&H, and Financial lines of business. For Talbot segment, Specialty class includes War, Political Violence and Political Risk, Financial, Aviation treaty and other classes.

(b) Gross Premium Written for Talbot has been included from July 2, 2007, the date of acquisition.



# VALIDUS RE

## Validus Holdings, Ltd.

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

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

|  | Three Months Ended |                      |                       |                   |                   | Year Ended           |                          |
|--|--------------------|----------------------|-----------------------|-------------------|-------------------|----------------------|--------------------------|
|  | March 31,<br>2009  | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008  | March 31,<br>2008 | December 31,<br>2008 | December 31,<br>2007 (a) |
| <b><u>Validus Re</u></b>                     |                    |                      |                       |                   |                   |                      |                          |
| Property                                     | \$ 245,371         | \$ 21,004            | \$ 97,545             | \$ 171,308        | \$ 203,110        | \$ 492,967           | \$ 498,375               |
| Marine                                       | 121,548            | 5,799                | 19,154                | 8,750             | 84,040            | 117,744              | 136,710                  |
| Aerospace                                    | 14,033             | 14,141               | 5,567                 | 686               | 18,929            | 39,323               | 36,359                   |
| Life and A&H                                 | 2,028              | -                    | -                     | 96                | 913               | 1,009                | 345                      |
| Financial                                    | 138                | -                    | -                     | 4,125             | -                 | 4,125                | 3,575                    |
| Terrorism                                    | 21,974             | 2,207                | 1,598                 | 2,056             | 19,641            | 25,502               | 21,631                   |
| Workers' Comp                                | 5,034              | 722                  | 1,165                 | 799               | 4,415             | 7,101                | 5,103                    |
| <b>Total Validus Re Segment</b>              | <b>410,126</b>     | <b>43,873</b>        | <b>125,029</b>        | <b>187,820</b>    | <b>331,048</b>    | <b>687,771</b>       | <b>702,098</b>           |
| <b><u>Talbot</u></b>                         |                    |                      |                       |                   |                   |                      |                          |
| Property                                     | 60,726             | 29,161               | 35,194                | 47,423            | 40,367            | 152,143              | 151,245                  |
| Marine                                       | 92,410             | 56,916               | 66,676                | 73,126            | 90,976            | 287,694              | 264,008                  |
| Aviation & Other                             | 12,933             | 7,485                | 6,248                 | 13,037            | 13,258            | 40,028               | 45,292                   |
| Accident & Heath                             | 4,974              | 3,002                | 6,425                 | 5,849             | 3,038             | 18,314               | 14,221                   |
| Financial                                    | 9,098              | 12,065               | 7,723                 | 10,561            | 11,914            | 42,263               | 43,803                   |
| War  | 38,778             | 35,309               | 24,364                | 36,034            | 32,986            | 128,693              | 128,881                  |
| Contingency                                  | 5,915              | 4,818                | 7,103                 | 7,097             | 3,906             | 22,924               | 24,679                   |
| Bloodstock                                   | 3,086              | 3,906                | 3,574                 | 4,108             | 5,349             | 16,937               | 15,596                   |
| <b>Total Talbot Segment</b>                  | <b>227,920</b>     | <b>152,662</b>       | <b>157,307</b>        | <b>197,235</b>    | <b>201,794</b>    | <b>708,996</b>       | <b>687,725</b>           |
| <b><u>Intersegment revenue</u></b>           |                    |                      |                       |                   |                   |                      |                          |
| Property                                     | (13,108)           | (4,753)              | (8,908)               | (1,967)           | (6,096)           | (21,724)             | -                        |
| Marine                                       | (7,858)            | (1,677)              | (2,557)               | (2,835)           | (1,474)           | (8,543)              | -                        |
| Specialty                                    | (7,188)            | 1,631                | (1,635)               | (334)             | (3,678)           | (4,016)              | -                        |
| <b>Total Intersegment Revenue Eliminated</b> | <b>(28,154)</b>    | <b>(4,799)</b>       | <b>(13,100)</b>       | <b>(5,136)</b>    | <b>(11,248)</b>   | <b>(34,283)</b>      | <b>-</b>                 |
| <b>Total</b>                                 | <b>\$ 609,892</b>  | <b>\$ 191,736</b>    | <b>\$ 269,236</b>     | <b>\$ 379,919</b> | <b>\$ 521,594</b> | <b>\$ 1,362,484</b>  | <b>\$ 1,389,823</b>      |

(a) Talbot was acquired on July 2, 2007. Data before that period has been presented above for informational purposes only.

## Validus Holdings, Ltd.

### Validus Re Segment - Underwriting Income

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

|                                     | Three Months Ended |                      |                       |                  |                   | Year ended           |                          |
|-------------------------------------|--------------------|----------------------|-----------------------|------------------|-------------------|----------------------|--------------------------|
|                                     | March 31,<br>2009  | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 | March 31,<br>2008 | December 31,<br>2008 | December 31,<br>2007 (a) |
| <b>Underwriting revenues</b>        |                    |                      |                       |                  |                   |                      |                          |
| Gross premiums written              | \$ 410,126         | \$ 43,873            | \$ 125,029            | \$ 187,820       | \$ 331,048        | \$ 687,771           | \$ 702,098               |
| Reinsurance premiums ceded          | (13,289)           | (1,696)              | (36,286)              | (1,208)          | (23,743)          | (62,933)             | (68,842)                 |
| Net premiums written                | 396,837            | 42,177               | 88,743                | 186,612          | 307,305           | 624,838              | 633,256                  |
| Change in unearned premiums         | (222,390)          | 122,191              | 92,653                | (22,500)         | (163,651)         | 28,693               | (74,227)                 |
| Net premiums earned                 | 174,447            | 164,368              | 181,396               | 164,112          | 143,654           | 653,531              | 559,029                  |
| <b>Underwriting deductions</b>      |                    |                      |                       |                  |                   |                      |                          |
| Losses and loss expenses            | 55,462             | 95,972               | 217,081               | 48,677           | 58,915            | 420,645              | 175,538                  |
| Policy acquisition costs            | 28,577             | 28,011               | 26,520                | 25,309           | 20,403            | 100,243              | 70,323                   |
| General and administrative expenses | 13,792             | 7,301                | 7,972                 | 9,955            | 9,379             | 34,607               | 31,412                   |
| Share compensation expense          | 1,672              | 2,197                | 1,809                 | 1,597            | 1,226             | 6,829                | 4,013                    |
| Total underwriting deductions       | 99,503             | 133,481              | 253,382               | 85,538           | 89,923            | 562,324              | 281,286                  |
| <b>Underwriting income (loss)</b>   | <b>\$ 74,944</b>   | <b>\$ 30,887</b>     | <b>\$ (71,986)</b>    | <b>\$ 78,574</b> | <b>\$ 53,731</b>  | <b>\$ 91,207</b>     | <b>\$ 277,743</b>        |
| <b>Selected Ratios</b>              |                    |                      |                       |                  |                   |                      |                          |
| Losses and loss expenses            | 31.8%              | 58.4%                | 119.7%                | 29.7%            | 41.0%             | 64.4%                | 31.4%                    |
| Policy acquisition costs            | 16.4%              | 17.0%                | 14.6%                 | 15.4%            | 14.2%             | 15.3%                | 12.6%                    |
| General and administrative expenses | 8.9%               | 5.8%                 | 5.4%                  | 7.0%             | 7.4%              | 6.3%                 | 6.3%                     |
| Expense ratio                       | 25.3%              | 22.8%                | 20.0%                 | 22.4%            | 21.6%             | 21.6%                | 18.9%                    |
| Combined ratio                      | 57.1%              | 81.2%                | 139.7%                | 52.1%            | 62.6%             | 86.0%                | 50.3%                    |

## Validus Holdings, Ltd.

### Talbot Segment - Underwriting Income

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

|                                     | Three Months Ended      |                        |                        |                         | Year ended             |                         |                         |
|-------------------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|-------------------------|-------------------------|
|                                     | March 31,<br>2009       | December 31,<br>2008   | September 30,<br>2008  | June 30,<br>2008        | March 31,<br>2008      | December 31,<br>2008    | December 31,<br>2007    |
| <b>Underwriting revenues</b>        |                         |                        |                        |                         |                        |                         |                         |
| Gross premiums written              | \$ 227,920              | \$ 152,662             | \$ 157,307             | \$ 197,235              | \$ 201,794             | \$ 708,996              | \$ 286,539              |
| Reinsurance premiums ceded          | (87,377)                | (5,825)                | (11,953)               | (5,327)                 | (72,405)               | (95,510)                | (1,368)                 |
| Net premiums written                | 140,543                 | 146,837                | 145,354                | 191,908                 | 129,389                | 613,486                 | 285,171                 |
| Change in unearned premiums         | 3,769                   | 4,826                  | 12,576                 | (46,722)                | 18,821                 | (10,499)                | 13,879                  |
| Net premiums earned                 | <u>144,312</u>          | <u>151,663</u>         | <u>157,930</u>         | <u>145,186</u>          | <u>148,210</u>         | <u>602,987</u>          | <u>299,050</u>          |
| <b>Underwriting deductions</b>      |                         |                        |                        |                         |                        |                         |                         |
| Losses and loss expenses            | 76,372                  | 95,604                 | 101,383                | 73,412                  | 81,109                 | 351,509                 | 108,455                 |
| Policy acquisition costs            | 33,157                  | 33,560                 | 34,026                 | 31,134                  | 36,298                 | 135,017                 | 63,954                  |
| General and administrative expenses | 20,214                  | 12,882                 | 17,851                 | 19,787                  | 20,923                 | 71,443                  | 48,886                  |
| Share compensation expense          | 2,335                   | 1,436                  | 1,164                  | 1,126                   | 976                    | 4,702                   | 1,709                   |
| Total underwriting deductions       | <u>132,078</u>          | <u>143,482</u>         | <u>154,424</u>         | <u>125,459</u>          | <u>139,306</u>         | <u>562,671</u>          | <u>223,004</u>          |
| <b>Underwriting income</b>          | <b><u>\$ 12,234</u></b> | <b><u>\$ 8,181</u></b> | <b><u>\$ 3,506</u></b> | <b><u>\$ 19,727</u></b> | <b><u>\$ 8,904</u></b> | <b><u>\$ 40,316</u></b> | <b><u>\$ 76,046</u></b> |
| <b>Selected Ratios</b>              |                         |                        |                        |                         |                        |                         |                         |
| Losses and loss expenses            | 52.9%                   | 63.0%                  | 64.2%                  | 50.6%                   | 54.7%                  | 58.3%                   | 36.3%                   |
| Policy acquisition costs            | 23.0%                   | 22.1%                  | 21.5%                  | 21.4%                   | 24.5%                  | 22.4%                   | 21.4%                   |
| General and administrative expenses | 15.6%                   | 9.4%                   | 12.0%                  | 14.4%                   | 14.8%                  | 12.6%                   | 16.9%                   |
| Expense ratio                       | <u>38.6%</u>            | <u>31.5%</u>           | <u>33.5%</u>           | <u>35.8%</u>            | <u>39.3%</u>           | <u>35.0%</u>            | <u>38.3%</u>            |
| Combined ratio                      | <u>91.5%</u>            | <u>94.5%</u>           | <u>97.7%</u>           | <u>86.4%</u>            | <u>94.0%</u>           | <u>93.3%</u>            | <u>74.6%</u>            |

(a) Excludes Talbot prior to acquisition on July 2, 2007.

## Validus Holdings, Ltd.

### Class of Business - Property - Underwriting Income

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

|  | Three Months Ended      |                         |                           |                         |                         | Year ended              |                          |
|--|-------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
|  | March 31,<br>2009       | December 31,<br>2008    | September 30,<br>2008     | June 30,<br>2008        | March 31,<br>2008       | December 31,<br>2008    | December 31,<br>2007 (b) |
| <b>Underwriting revenues</b>                     |                         |                         |                           |                         |                         |                         |                          |
| Net premiums written                             | \$ 269,573              | \$ 46,769               | \$ 96,008                 | \$ 214,724              | \$ 219,525              | \$ 577,026              | \$ 512,304               |
| Net premiums earned                              | <u>157,614</u>          | <u>145,752</u>          | <u>165,028</u>            | <u>149,431</u>          | <u>138,195</u>          | <u>598,406</u>          | <u>489,032</u>           |
| <b>Underwriting deductions</b>                   |                         |                         |                           |                         |                         |                         |                          |
| Losses and loss expenses                         | 34,699                  | 107,380                 | 202,066                   | 49,350                  | 58,266                  | 417,062                 | 153,323                  |
| Policy acquisition costs                         | <u>26,577</u>           | <u>26,361</u>           | <u>24,310</u>             | <u>24,647</u>           | <u>22,335</u>           | <u>97,653</u>           | <u>68,644</u>            |
| Total underwriting deductions                    | <u>61,276</u>           | <u>133,741</u>          | <u>226,376</u>            | <u>73,997</u>           | <u>80,601</u>           | <u>514,715</u>          | <u>221,967</u>           |
| <b>Underwriting income (loss) before G&amp;A</b> | <b><u>\$ 96,338</u></b> | <b><u>\$ 12,011</u></b> | <b><u>\$ (61,348)</u></b> | <b><u>\$ 75,434</u></b> | <b><u>\$ 57,594</u></b> | <b><u>\$ 83,691</u></b> | <b><u>\$ 267,065</u></b> |
| <b>Selected underwriting ratios (a)</b>          |                         |                         |                           |                         |                         |                         |                          |
| Losses and loss expenses                         | 22.0%                   | 73.7%                   | 122.4%                    | 33.0%                   | 42.2%                   | 69.7%                   | 31.4%                    |
| Policy acquisition costs                         | <u>16.9%</u>            | <u>18.1%</u>            | <u>14.7%</u>              | <u>16.5%</u>            | <u>16.2%</u>            | <u>16.3%</u>            | <u>14.0%</u>             |
| Combined ratio before G&A                        | <u>38.9%</u>            | <u>91.8%</u>            | <u>137.1%</u>             | <u>49.5%</u>            | <u>58.4%</u>            | <u>86.0%</u>            | <u>45.4%</u>             |

#### Notes:

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

(b) Excludes Talbot prior to acquisition on July 2, 2007.

## Validus Holdings, Ltd.

### Class of Business - Marine - Underwriting Income

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

|  | Three Months Ended     |                         |                           |                         | Year ended             |                         |                          |
|--|------------------------|-------------------------|---------------------------|-------------------------|------------------------|-------------------------|--------------------------|
|  | March 31,<br>2009      | December 31,<br>2008    | September 30,<br>2008     | June 30,<br>2008        | March 31,<br>2008      | December 31,<br>2008    | December 31,<br>2007 (b) |
| <b>Underwriting revenues</b>                     |                        |                         |                           |                         |                        |                         |                          |
| Net premiums written                             | \$ 187,140             | \$ 58,252               | \$ 78,296                 | \$ 78,248               | \$ 130,142             | \$ 344,938              | \$ 217,482               |
| Net premiums earned                              | <u>88,300</u>          | <u>93,340</u>           | <u>101,110</u>            | <u>86,794</u>           | <u>85,010</u>          | <u>366,254</u>          | <u>199,128</u>           |
| <b>Underwriting deductions</b>                   |                        |                         |                           |                         |                        |                         |                          |
| Losses and loss expenses                         | 64,529                 | 47,031                  | 100,733                   | 46,944                  | 56,698                 | 251,406                 | 90,787                   |
| Policy acquisition costs                         | <u>19,339</u>          | <u>18,432</u>           | <u>20,796</u>             | <u>16,464</u>           | <u>18,681</u>          | <u>74,373</u>           | <u>33,391</u>            |
| Total underwriting deductions                    | <u>83,868</u>          | <u>65,463</u>           | <u>121,529</u>            | <u>63,408</u>           | <u>75,379</u>          | <u>325,779</u>          | <u>124,178</u>           |
| <b>Underwriting income (loss) before G&amp;A</b> | <b><u>\$ 4,432</u></b> | <b><u>\$ 27,877</u></b> | <b><u>\$ (20,419)</u></b> | <b><u>\$ 23,386</u></b> | <b><u>\$ 9,631</u></b> | <b><u>\$ 40,475</u></b> | <b><u>\$ 74,950</u></b>  |
| <b>Selected underwriting ratios (a)</b>          |                        |                         |                           |                         |                        |                         |                          |
| Losses and loss expenses                         | 73.1%                  | 50.4%                   | 99.6%                     | 54.1%                   | 66.7%                  | 68.6%                   | 45.6%                    |
| Policy acquisition costs                         | <u>21.9%</u>           | <u>19.7%</u>            | <u>20.6%</u>              | <u>19.0%</u>            | <u>22.0%</u>           | <u>20.3%</u>            | <u>16.8%</u>             |
| Combined ratio before G&A                        | <u>95.0%</u>           | <u>70.1%</u>            | <u>120.2%</u>             | <u>73.1%</u>            | <u>88.7%</u>           | <u>88.9%</u>            | <u>62.4%</u>             |

#### Notes:

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

(b) Excludes Talbot prior to acquisition on July 2, 2007.

## Validus Holdings, Ltd.

### Class of Business - Specialty - Underwriting Income

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

|   | Three Months Ended      |                         |                         |                         |                         | Year ended               |                          |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|
|   | March 31,<br>2009       | December 31,<br>2008    | September 30,<br>2008   | June 30,<br>2008        | March 31,<br>2008       | December 31,<br>2008     | December 31,<br>2007 (b) |
| <b>Underwriting revenues</b>              |                         |                         |                         |                         |                         |                          |                          |
| Net premiums written                      | \$ 80,667               | \$ 83,993               | \$ 59,793               | \$ 85,548               | \$ 75,779               | \$ 305,113               | \$ 188,642               |
| Net premiums earned                       | <u>72,845</u>           | <u>76,939</u>           | <u>73,188</u>           | <u>73,073</u>           | <u>68,659</u>           | <u>291,859</u>           | <u>169,919</u>           |
| <b>Underwriting deductions</b>            |                         |                         |                         |                         |                         |                          |                          |
| Losses and loss expenses                  | 32,606                  | 37,165                  | 15,665                  | 25,795                  | 25,060                  | 103,685                  | 39,882                   |
| Policy acquisition costs                  | <u>15,818</u>           | <u>16,778</u>           | <u>15,440</u>           | <u>15,332</u>           | <u>15,685</u>           | <u>63,235</u>            | <u>32,242</u>            |
| Total underwriting deductions             | <u>48,424</u>           | <u>53,943</u>           | <u>31,105</u>           | <u>41,127</u>           | <u>40,745</u>           | <u>166,920</u>           | <u>72,124</u>            |
| <b>Underwriting income before G&amp;A</b> | <b><u>\$ 24,421</u></b> | <b><u>\$ 22,996</u></b> | <b><u>\$ 42,083</u></b> | <b><u>\$ 31,946</u></b> | <b><u>\$ 27,914</u></b> | <b><u>\$ 124,939</u></b> | <b><u>\$ 97,795</u></b>  |
| <b>Selected underwriting ratios (a)</b>   |                         |                         |                         |                         |                         |                          |                          |
| Losses and loss expenses                  | 44.8%                   | 48.3%                   | 21.4%                   | 35.3%                   | 36.5%                   | 35.5%                    | 23.5%                    |
| Policy acquisition costs                  | <u>21.7%</u>            | <u>21.8%</u>            | <u>21.1%</u>            | <u>21.0%</u>            | <u>22.8%</u>            | <u>21.7%</u>             | <u>19.0%</u>             |
| Combined ratio before G&A                 | <u>66.5%</u>            | <u>70.1%</u>            | <u>42.5%</u>            | <u>56.3%</u>            | <u>59.3%</u>            | <u>57.2%</u>             | <u>42.5%</u>             |

#### Notes:

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

(b) Excludes Talbot prior to acquisition on July 2, 2007.

## Validus Holdings, Ltd.

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

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

|               | At March 31, 2009                          |                              |                     | At December 31, 2008                       |                              |                     |
|---------------|--|------------------------------|---------------------|--|------------------------------|---------------------|
|               | Reserve for<br>losses and loss<br>expenses | Loss reserves<br>recoverable | Net                 | Reserve for<br>losses and loss<br>expenses | Loss reserves<br>recoverable | Net                 |
| Property      | \$ 452,940                                 | \$ 17,660                    | \$ 435,280          | \$ 471,194                                 | \$ 12,554                    | \$ 458,640          |
| Marine        | 611,023                                    | 154,371                      | 456,652             | 595,509                                    | 164,398                      | 431,111             |
| Specialty (a) | <u>254,769</u>                             | <u>32,166</u>                | <u>222,603</u>      | <u>238,600</u>                             | <u>31,844</u>                | <u>206,756</u>      |
| Total         | <u>\$ 1,318,732</u>                        | <u>\$ 204,197</u>            | <u>\$ 1,114,535</u> | <u>\$ 1,305,303</u>                        | <u>\$ 208,796</u>            | <u>\$ 1,096,507</u> |

  

|                     | At March 31, 2009 |                   |                     | At December 31, 2008 |                   |                     |
|---------------------|-------------------|-------------------|---------------------|----------------------|-------------------|---------------------|
|                     | Case Reserves     | IBNR              | Total Reserves      | Case Reserves        | IBNR              | Total Reserves      |
| Property            | \$ 279,096        | \$ 173,844        | \$ 452,940          | \$ 287,903           | \$ 183,291        | \$ 471,194          |
| Marine              | 381,052           | 229,971           | 611,023             | 344,998              | 250,511           | 595,509             |
| Specialty (a)       | <u>83,680</u>     | <u>171,089</u>    | <u>254,769</u>      | <u>74,816</u>        | <u>163,784</u>    | <u>238,600</u>      |
| Total               | <u>\$ 743,828</u> | <u>\$ 574,904</u> | <u>\$ 1,318,732</u> | <u>\$ 707,717</u>    | <u>\$ 597,586</u> | <u>\$ 1,305,303</u> |
| Percentage of total | <u>56.4%</u>      | <u>43.6%</u>      | <u>100.0%</u>       | <u>54.2%</u>         | <u>45.8%</u>      | <u>100.0%</u>       |

#### Notes:

(a) Specialty includes Aviation, Workers' compensation, Terrorism, Life and A&H, and Financial lines of business for the Validus Re segment, and War, Political Violence and Political Risk, Financial, Aviation Treaty and other classes for the Talbot segment.

## Validus Holdings, Ltd.

### Consolidated Losses and Loss Ratios by Segment

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

| Consolidated                     | At or for the Three Months Ended |            |              |              |                |            |              |            |
|----------------------------------|----------------------------------|------------|--------------|--------------|----------------|------------|--------------|------------|
|                                  | March 31, 2009                   |            |              |              | March 31, 2008 |            |              |            |
|                                  | Validus Re                       | Talbot     | Eliminations | Total        | Validus Re     | Talbot     | Eliminations | Total      |
| Net reserves at period beginning | \$ 451,365                       | \$ 645,142 | \$ -         | \$ 1,096,507 | \$ 196,814     | \$ 594,899 | \$ -         | \$ 791,713 |
| Incurred losses - current year   | 57,324                           | 82,589     | -            | 139,913      | 63,855         | 88,955     | -            | 152,810    |
| Change in prior accident years   | (1,862)                          | (6,217)    | -            | (8,079)      | (4,940)        | (7,846)    | -            | (12,786)   |
| Incurred losses                  | 55,462                           | 76,372     | -            | 131,834      | 58,915         | 81,109     | -            | 140,024    |
| Exchange rate effects            | (489)                            | (1,446)    | -            | (1,935)      | -              | (768)      | -            | (768)      |
| Paid losses                      | (57,550)                         | (54,321)   | -            | (111,871)    | (12,832)       | (59,476)   | -            | (72,308)   |
| Net reserves at period end       | 448,788                          | 665,747    | -            | 1,114,535    | 242,897        | 615,764    | -            | 858,661    |
| Losses recoverable               | 78,687                           | 144,396    | (18,886)     | 204,197      | -              | 123,075    | (4,500)      | 118,575    |
| Gross reserves at period end     | \$ 527,475                       | \$ 810,143 | \$ (18,886)  | \$ 1,318,732 | \$ 242,897     | \$ 738,839 | \$ (4,500)   | \$ 977,236 |
| Net premiums earned              | \$ 174,447                       | \$ 144,312 |              | \$ 318,759   | \$ 143,654     | \$ 148,210 |              | \$ 291,864 |
| Current year loss ratio          | 32.9%                            | 57.2%      |              | 43.9%        | 44.4%          | 60.0%      |              | 52.4%      |
| Prior accident year adjustments  | -1.1%                            | -4.3%      |              | -2.5%        | -3.4%          | -5.3%      |              | -4.4%      |
| Net loss ratio                   | 31.8%                            | 52.9%      |              | 41.4%        | 41.0%          | 54.7%      |              | 48.0%      |
| Paid to incurred                 | 103.8%                           | 71.1%      |              | 84.9%        | 21.8%          | 73.3%      |              | 51.6%      |



## Validus Holdings, Ltd.

### Losses and Loss Ratios by Class - Validus Re

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

| Validus Re Segment               | At or for the Three Months Ended |            |               |            |                |           |               |            |
|----------------------------------|----------------------------------|------------|---------------|------------|----------------|-----------|---------------|------------|
|                                  | March 31, 2009                   |            |               |            | March 31, 2008 |           |               |            |
|                                  | Property                         | Marine     | Specialty (a) | Total      | Property       | Marine    | Specialty (a) | Total      |
| Net reserves at period beginning | \$ 297,627                       | \$ 119,639 | \$ 34,099     | \$ 451,365 | \$ 140,966     | \$ 32,607 | \$ 23,241     | \$ 196,814 |
| Incurred losses - current year   | 31,629                           | 20,241     | 5,454         | 57,324     | 47,007         | 9,526     | 7,322         | 63,855     |
| Change in prior accident years   | (4,989)                          | 4,929      | (1,802)       | (1,862)    | (4,247)        | (1,156)   | 463           | (4,940)    |
| Incurred losses                  | 26,640                           | 25,170     | 3,652         | 55,462     | 42,760         | 8,370     | 7,785         | 58,915     |
| Exchange rate effects            | (341)                            | (141)      | (7)           | (489)      | -              | -         | -             | -          |
| Paid losses                      | (41,840)                         | (9,261)    | (6,449)       | (57,550)   | (10,504)       | (1,626)   | (702)         | (12,832)   |
| Net reserves at period end       | 282,086                          | 135,407    | 31,295        | 448,788    | 173,222        | 39,351    | 30,324        | 242,897    |
| Losses recoverable               | 12,843                           | 65,844     | -             | 78,687     | -              | -         | -             | -          |
| Gross reserves at period end     | \$ 294,929                       | \$ 201,251 | \$ 31,295     | \$ 527,475 | \$ 173,222     | \$ 39,351 | \$ 30,324     | \$ 242,897 |
| Net premiums earned              | \$ 129,962                       | \$ 25,403  | \$ 19,082     | \$ 174,447 | \$ 107,804     | \$ 18,725 | \$ 17,125     | \$ 143,654 |
| Current year loss ratio          | 24.3%                            | 79.7%      | 28.6%         | 32.9%      | 43.6%          | 50.9%     | 42.8%         | 44.4%      |
| Prior accident year adjustments  | -3.8%                            | 19.4%      | -9.5%         | -1.1%      | -3.9%          | -6.2%     | 2.7%          | -3.4%      |
| Net loss ratio                   | 20.5%                            | 99.1%      | 19.1%         | 31.8%      | 39.7%          | 44.7%     | 45.5%         | 41.0%      |
| Paid to incurred                 | 157.1%                           | 36.8%      | 176.6%        | 103.8%     | 24.6%          | 19.4%     | 9.0%          | 21.8%      |

Notes:

(a) Specialty includes Aviation, Workers' compensation, Terrorism, Life and A&H, and Financial lines of business.

## Validus Holdings, Ltd.

### Losses and Loss Ratios by Class - Talbot

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

| Talbot Segment                   | At or for the Three Months Ended |            |               |            |                |            |               |            |
|----------------------------------|----------------------------------|------------|---------------|------------|----------------|------------|---------------|------------|
|                                  | March 31, 2009                   |            |               |            | March 31, 2008 |            |               |            |
|                                  | Property                         | Marine     | Specialty (a) | Total      | Property       | Marine     | Specialty (a) | Total      |
| Net reserves at period beginning | \$ 161,014                       | \$ 311,471 | \$ 172,657    | \$ 645,142 | \$ 143,102     | \$ 272,734 | \$ 179,063    | \$ 594,899 |
| Incurred losses - current year   | 16,466                           | 38,624     | 27,499        | 82,589     | 22,343         | 38,548     | 28,064        | 88,955     |
| Change in prior accident years   | (8,407)                          | 735        | 1,455         | (6,217)    | (6,837)        | 9,780      | (10,789)      | (7,846)    |
| Incurred losses                  | 8,059                            | 39,359     | 28,954        | 76,372     | 15,506         | 48,328     | 17,275        | 81,109     |
| Exchange rate effects            | (376)                            | (574)      | (496)         | (1,446)    | (674)          | 74         | (168)         | (768)      |
| Paid losses                      | (15,502)                         | (29,011)   | (9,808)       | (54,321)   | (22,559)       | (24,947)   | (11,970)      | (59,476)   |
| Net reserves at period end       | 153,195                          | 321,245    | 191,307       | 665,747    | 135,375        | 296,189    | 184,200       | 615,764    |
| Losses recoverable               | 10,198                           | 101,932    | 32,266        | 144,396    | 8,123          | 90,486     | 24,466        | 123,075    |
| Gross reserves at period end     | \$ 163,393                       | \$ 423,177 | \$ 223,573    | \$ 810,143 | \$ 143,498     | \$ 386,675 | \$ 208,666    | \$ 738,839 |
| Net premiums earned              | \$ 27,652                        | \$ 62,897  | \$ 53,763     | \$ 144,312 | \$ 30,391      | \$ 66,285  | \$ 51,534     | \$ 148,210 |
| Current year loss ratio          | 59.5%                            | 61.4%      | 51.1%         | 57.2%      | 73.5%          | 58.1%      | 54.4%         | 60.0%      |
| Prior accident year adjustments  | -30.4%                           | 1.2%       | 2.8%          | -4.3%      | -22.5%         | 14.8%      | -20.9%        | -5.3%      |
| Net loss ratio                   | 29.1%                            | 62.6%      | 53.9%         | 52.9%      | 51.0%          | 72.9%      | 33.5%         | 54.7%      |
| Paid to incurred                 | 192.4%                           | 73.7%      | 33.9%         | 71.1%      | 145.5%         | 51.6%      | 69.3%         | 73.3%      |

#### Notes:

(a) Specialty includes War, Political Violence and Political Risk, Financial, Aviation Treaty and other classes.

## Validus Holdings, Ltd.

### Consolidated Reinsurance Recoverable Analysis

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

#### Consolidated Reinsurance Recoverable at March 31, 2009

| Categories                              | Reinsurance<br>recoverable (b) | % of<br>total | Top 10 Reinsurers               | Rating (a) | Reinsurance<br>recoverable | % of<br>total |
|---|--------------------------------|---------------|---------------------------------|------------|----------------------------|---------------|
| Top 10 reinsurers                       | \$ 194,753                     | 93.4%         | Fully collateralized reinsurers | NR         | \$ 77,937                  | 39.9%         |
| Other reinsurers balances > \$1 million | 9,627                          | 4.6%          | Hannover Re                     | AA-        | 34,078                     | 17.5%         |
| Other reinsurers balances < \$1 million | 4,255                          | 2.0%          | Lloyds Syndicates               | A+         | 27,561                     | 14.2%         |
| <b>Total</b>                            | <b>\$ 208,635</b>              | <b>100.0%</b> | Munich Re                       | AA-        | 13,680                     | 7.0%          |
|   |                                |               | Allianz                         | AA         | 13,100                     | 6.7%          |
|   |                                |               | Swiss Re                        | A+         | 12,023                     | 6.2%          |
|   |                                |               | Aspen                           | A          | 6,390                      | 3.3%          |
|   |                                |               | Transatlantic Re                | A+         | 3,460                      | 1.8%          |
|   |                                |               | Platinum Underwriters           | A          | 3,459                      | 1.8%          |
|   |                                |               | Axa                             | AA         | 3,065                      | 1.6%          |
|   |                                |               |                                 |            | <b>\$ 194,753</b>          | <b>100.0%</b> |

#### Consolidated Reinsurance Recoverable at December 31, 2008

| Categories                              | Reinsurance<br>recoverable (b) | % of<br>total | Top 10 Reinsurers               | Rating (a) | Reinsurance<br>recoverable | % of<br>total |
|---|--------------------------------|---------------|---------------------------------|------------|----------------------------|---------------|
| Top 10 reinsurers                       | \$ 198,403                     | 94.4%         | Fully collateralized reinsurers | NR         | \$ 83,511                  | 41.9%         |
| Other reinsurers balances > \$1 million | 8,987                          | 4.3%          | Hannover Re                     | AA-        | 32,855                     | 16.6%         |
| Other reinsurers balances < \$1 million | 2,794                          | 1.3%          | Lloyds Syndicates               | A+         | 25,533                     | 12.9%         |
| <b>Total</b>                            | <b>\$ 210,184</b>              | <b>100.0%</b> | Allianz                         | AA         | 14,988                     | 7.6%          |
|   |                                |               | Swiss Re                        | AA-        | 13,207                     | 6.7%          |
|   |                                |               | Munich Re                       | AA-        | 12,813                     | 6.5%          |
|   |                                |               | Aspen                           | A          | 6,040                      | 3.0%          |
|   |                                |               | Platinum Underwriters           | A          | 3,270                      | 1.6%          |
|   |                                |               | Transatlantic Re                | A+         | 3,096                      | 1.6%          |
|   |                                |               | Axa                             | AA         | 3,090                      | 1.6%          |
|   |                                |               |                                 |            | <b>\$ 198,403</b>          | <b>100.0%</b> |

#### Notes:

(a) 99.5% of reserves recoverable at December 31, 2008 were from reinsurers rated A- or better by internationally recognized rating agencies or were fully collateralized.

(b) Reinsurance recoverable includes Loss Reserves Recoverable and Paid Losses Recoverable.

## Validus Holdings, Ltd.

### Consolidated Investment Portfolio Composition and Net Investment Income

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

| Total cash and investments                        | March 31, 2009  |        | December 31, 2008 |        |
|---|-----------------|--------|-------------------|--------|
|   | Fair Value (\$) | (%)    | Fair Value (\$)   | (%)    |
| U.S. Government and Government Agency             | \$ 937,973      | 27.1%  | \$ 768,344        | 23.4%  |
| Non-U.S. Government and Government Agency         | 86,222          | 2.5%   | 96,073            | 2.9%   |
| States, municipalities, political subdivision     | 15,618          | 0.5%   | 15,516            | 0.5%   |
| Agency residential mortgage-backed securities     | 533,923         | 15.4%  | 433,736           | 13.2%  |
| Non-Agency residential mortgage-backed securities | 207,358         | 6.0%   | 231,131           | 7.0%   |
| U.S. corporate                                    | 541,819         | 15.6%  | 443,847           | 13.5%  |
| Non-U.S. corporate                                | 113,369         | 3.3%   | 125,700           | 3.8%   |
| Catastrophe bonds                                 | 24,636          | 0.7%   | 10,872            | 0.3%   |
| Asset-backed securities                           | 95,109          | 2.7%   | 137,023           | 4.2%   |
| Commercial mortgage-backed securities             | 88,469          | 2.6%   | 192,259           | 5.9%   |
| Total fixed maturities                            | 2,644,496       | 76.4%  | 2,454,501         | 74.8%  |
| Total short-term investments                      | 282,363         | 8.2%   | 377,036           | 11.5%  |
| Total investments                                 | 2,926,859       | 84.5%  | 2,831,537         | 86.3%  |
| Cash and cash equivalents                         | 535,798         | 15.5%  | 449,848           | 13.7%  |
| Total cash and investments                        | \$ 3,462,657    | 100.0% | \$ 3,281,385      | 100.0% |

  

| Net investment income                       | Three Months Ended |                | Year Ended        |                   |
|---|--------------------|----------------|-------------------|-------------------|
|   | March 31, 2009     | March 31, 2008 | December 31, 2008 | December 31, 2007 |
| Fixed maturities and short-term investments | \$ 26,517          | \$ 31,691      | \$ 127,689        | \$ 98,559         |
| Cash and cash equivalents                   | 761                | 4,838          | 13,416            | 16,111            |
| Securities lending income                   | 339                | 435            | 1,775             | 242               |
| Total gross investment income               | 27,617             | 36,964         | 142,880           | 114,912           |
| Investment expenses                         | (845)              | (921)          | (3,352)           | (2,588)           |
| Net investment income                       | \$ 26,772          | \$ 36,043      | \$ 139,528        | \$ 112,324        |

  

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Annualized effective investment yield (a) | 3.18% | 4.54% | 4.37% | 4.94% |
|---|-------|-------|-------|-------|

#### Notes:

(a) Annualized effective investment yield is calculated by dividing net investment income by the average balance of the assets managed by our portfolio managers and our other investments.

## Validus Holdings, Ltd.

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

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

| Total fixed maturities by ratings (a) | March 31, 2009      |               | December 31, 2008   |               |
|---------------------------------------|---------------------|---------------|---------------------|---------------|
|                                       | Fair Value (\$)     | (%)           | Fair Value (\$)     | (%)           |
| AAA                                   | \$ 1,909,626        | 72.2%         | \$ 1,941,349        | 79.1%         |
| AA                                    | 194,649             | 7.4%          | 146,923             | 6.0%          |
| A                                     | 422,700             | 16.0%         | 338,966             | 13.8%         |
| BBB                                   | 17,805              | 0.7%          | 12,427              | 0.5%          |
| Investment grade                      | 2,544,780           | 96.2%         | 2,439,665           | 99.4%         |
| BB                                    | 31,659              | 1.2%          | 7,416               | 0.3%          |
| B                                     | 44,280              | 1.7%          | 7,420               | 0.3%          |
| CCC                                   | 23,777              | 0.9%          | -                   | 0.0%          |
| Non-Investment grade                  | 99,716              | 3.8%          | 14,836              | 0.6%          |
|                                       | <u>\$ 2,644,496</u> | <u>100.0%</u> | <u>\$ 2,454,501</u> | <u>100.0%</u> |

| Total fixed maturities by maturity          | March 31, 2009      |               | December 31, 2008   |               |
|---|---------------------|---------------|---------------------|---------------|
|   | Fair Value (\$)     | (%)           | Fair Value (\$)     | (%)           |
| Due in one year or less                     | \$ 264,589          | 10.0%         | \$ 279,727          | 11.4%         |
| Due after one year through five years       | 1,432,819           | 54.2%         | 1,134,275           | 46.2%         |
| Due after five years through ten years      | 19,518              | 0.7%          | 17,493              | 0.7%          |
| Due after ten years                         | 2,711               | 0.1%          | 28,858              | 1.2%          |
|   | 1,719,637           | 65.0%         | 1,460,353           | 59.5%         |
| Asset-backed and mortgage-backed securities | 924,859             | 35.0%         | 994,148             | 40.5%         |
|   | <u>\$ 2,644,496</u> | <u>100.0%</u> | <u>\$ 2,454,501</u> | <u>100.0%</u> |

Notes:

(a) Ratings used are S&P. For investments where S&P ratings are not available, AM Best ratings are used and presented in S&P's equivalent rating.

## Validus Holdings, Ltd.

### Capitalization

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

| <u>Capitalization</u>                                      | <u>March 31, 2009</u> | <u>December 31, 2008</u> | <u>September 30, 2008</u> | <u>June 30, 2008</u> | <u>March 31, 2008</u> | <u>December 31, 2007</u> |
|--|-----------------------|--------------------------|---------------------------|----------------------|-----------------------|--------------------------|
| Borrowings drawn under credit facility                     | \$ -                  | \$ -                     | \$ -                      | \$ -                 | \$ -                  | \$ -                     |
| Junior Subordinated Deferrable Debentures (a)              | 304,300               | 304,300                  | 304,300                   | 304,300              | 350,000               | 350,000                  |
| Total debt   | 304,300               | 304,300                  | 304,300                   | 304,300              | 350,000               | 350,000                  |
| Ordinary shares - capital and surplus                      | 2,031,040             | 1,946,592                | 1,918,139                 | 2,056,753            | 1,990,640             | 1,934,849                |
| Accumulated other comprehensive income (loss)              | (8,054)               | (7,858)                  | (1,528)                   | 28                   | 18                    | (49)                     |
| Total shareholders' equity                                 | 2,022,986             | 1,938,734                | 1,916,611                 | 2,056,781            | 1,990,658             | 1,934,800                |
| Total capitalization (b)                                   | \$ 2,327,286          | \$ 2,243,034             | \$ 2,220,911              | \$ 2,361,081         | \$ 2,340,658          | \$ 2,284,800             |
| Debt to total capitalization                               | 13.1%                 | 13.6%                    | 13.7%                     | 12.9%                | 15.0%                 | 15.3%                    |
| Debt (excluding Junior Debentures) to total capitalization | 0.0%                  | 0.0%                     | 0.0%                      | 0.0%                 | 0.0%                  | 0.0%                     |

#### Notes:

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

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

## Validus Holdings, Ltd.

### Estimated Exposures to Peak Zone Property Catastrophe Losses - As of April 1, 2009

(U.S. Dollars in thousands, 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<br>Net Maximum<br>Zonal<br>Aggregate |
|---------------|------------|---|-----------------------------|------------------------------|------------------------------|---|
|               |            | 20 Year<br>Return<br>Period                             | 50 Year<br>Return<br>Period | 100 Year<br>Return<br>Period | 250 Year<br>Return<br>Period |   |
| United States | Hurricane  | \$ 207,534  | \$ 369,702                  | \$ 493,537                   | \$ 631,630                   | \$ 1,350,000                                    |
| California    | Earthquake | 73,680  | 170,136                     | 259,594                      | 388,227                      | 1,205,000                                       |
| Europe        | Windstorm  | 79,554  | 197,181                     | 286,669                      | 395,345                      | 903,000   |
| Japan         | Earthquake | 40,421  | 94,226                      | 120,126                      | 174,140                      | 552,000   |
| Japan         | Typhoon    | 26,618  | 73,339                      | 108,476                      | 142,860                      | 474,000   |

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

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

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

## Validus Holdings, Ltd.

### Estimated Exposures to Specified Loss Scenarios - As of January 1, 2009

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

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

| Type            | Catastrophe Scenarios                    | Description  | Estimated  |   |
|-----------------|--|--|--|---|
|                 |  |  | Consolidated<br>(Validus Re<br>and Talbot)<br>Net Loss | % of 2008<br>Consolidated<br>Net Premiums<br>Earned |
| Terrorism       | Rockefeller Center                       | Midtown Manhattan suffers a 2-ton conventional bomb blast  | \$ 118.1   | 9%  |
| Terrorism       | Exchange Place                           | Lower Manhattan suffers a 2-ton conventional bomb blast  | 112.9  | 9%  |
| Marine          | Marine collision in Prince William Sound | Fully laden tanker collides with a cruise vessel in Prince William Sound                         | 168.3  | 13%   |
| Marine          | Major cruise vessel incident             | U.S.-owned cruise vessel sunk or severely damaged  | 108.5  | 9%  |
| Marine          | Loss of major complex                    | Total loss to all platforms and bridge links of a major oil complex                              | 188.3  | 15%   |
| Aviation        | Aviation collision                       | Collision of two aircraft over a major city  | 122.1  | 10%   |
| Satellite       | Proton flare                             | Large single or sequence of proton flares results in loss to all satellites in synchronous orbit | 11.4   | 1%  |
| Satellite       | Generic defect                           | Undetected defect in a number of operational satellites causing major loss                       | 52.8   | 4%  |
| Liability       | Professional lines                       | Failure or collapse of a major corporation   | 23.8   | 2%  |
| Liability       | Professional lines                       | UK pensions mis-selling  | 12.5   | 1%  |
| Political Risks | South East Asia                          | Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion         | 61.8   | 5%  |
| Political Risks | South America                            | Severe economic crisis in Brazil due to political upheaval; regional contagion                   | 45.1   | 4%  |
| Political Risks | Middle East                              | U.S. and Iran escalate into military confrontation; regional contagion                           | 40.5   | 3%  |
| Political Risks | Turkey                                   | Severe economic crisis in Turkey due to political upheaval                                       | 43.3   | 3%  |

The Company has presented the Company Realistic Disaster Scenarios for non-natural catastrophe events. Twice yearly, Lloyd's syndicates' including the Company's Talbot Syndicate 1183 are required to provide details of their potential exposures to specific disaster scenarios and therefore the Estimated Exposures will be updated as of July 1, 2009 and included in the June 30, supplement. Lloyd's makes its updated Realistic Disaster Scenarios (RDS) guidance available to the market annually. The RDS scenario specification document for 2009 can be accessed at the RDS part of the Lloyd's public website ([http://www.lloyds.com/Lloyds\\_Market/Tools\\_and\\_reference/Exposure\\_Management/Realistic\\_Disaster\\_Scenarios/](http://www.lloyds.com/Lloyds_Market/Tools_and_reference/Exposure_Management/Realistic_Disaster_Scenarios/)).

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

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

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



## Validus Holdings, Ltd

### Non-GAAP Financial Measure Reconciliation

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

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

|   | Three Months Ended |                   | Year Ended        |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | March 31, 2009     | March 31, 2008    | December 31, 2008 | December 31, 2007 |
| <b>Net income</b>   | \$ 94,907          | \$ 66,475         | \$ 53,111         | \$ 402,996        |
| Adjustment for realized gain on repurchase of debentures                  | -                  | -                 | (8,752)           | -                 |
| Adjustment for Aquiline termination fee                                   | -                  | -                 | -                 | 3,000             |
| Adjustment for fair value of warrants issued                              | -                  | -                 | -                 | 2,893             |
| Adjustment for net realized losses (gains) on investments                 | 23,421             | (7,744)           | 1,591             | (1,608)           |
| Adjustment for net unrealized (gains) losses on investments               | (22,153)           | 14,977            | 79,707            | (12,364)          |
| Adjustment for foreign exchange losses (gains)                            | 4,200              | (8,179)           | 49,397            | (6,696)           |
| <b>Net operating income</b>   | <u>\$ 100,375</u>  | <u>\$ 65,529</u>  | <u>\$ 175,054</u> | <u>\$ 388,221</u> |
| <b>Net income</b>   | \$ 94,907          | \$ 66,475         | \$ 53,111         | \$ 402,996        |
| <b>Less: Dividends and distributions declared on outstanding warrants</b> | -                  | -                 | (6,947)           | -                 |
| <b>Net income available to common shareholders</b>                        | <u>\$ 94,907</u>   | <u>\$ 66,475</u>  | <u>\$ 46,164</u>  | <u>\$ 402,996</u> |
| <b>Net income per share - diluted</b>                                     | \$ 1.20            | \$ 0.85           | \$ 0.61           | \$ 5.95           |
| Adjustment for realized gain on repurchase of debentures                  | -                  | -                 | (0.12)            | -                 |
| Adjustment for Aquiline termination fee                                   | -                  | -                 | -                 | 0.04              |
| Adjustment for fair value of warrants issued                              | -                  | -                 | -                 | 0.04              |
| Adjustment for net realized losses (gains) on investments                 | 0.30               | (0.10)            | 0.02              | (0.02)            |
| Adjustment for net unrealized losses (gains) on investments               | (0.28)             | 0.19              | 1.06              | (0.18)            |
| Adjustment for foreign exchange losses (gains)                            | 0.05               | (0.10)            | 0.65              | (0.10)            |
| <b>Net operating income per share - diluted</b>                           | <u>\$ 1.27</u>     | <u>\$ 0.84</u>    | <u>\$ 2.22</u>    | <u>\$ 5.73</u>    |
| Weighted average number of common shares                                  | <u>79,102,643</u>  | <u>78,329,727</u> | <u>75,819,413</u> | <u>67,786,673</u> |
| Net Operating income  | \$ 100,375         | \$ 65,529         | \$ 175,054        | \$ 388,221        |
| Average shareholders' equity  | 1,980,860          | 1,962,729         | 1,967,517         | 1,498,369         |
| <b>Annualized operating return on average equity</b>                      | <u>20.3%</u>       | <u>13.4%</u>      | <u>8.9%</u>       | <u>25.9%</u>      |