

Validus Holdings, Ltd.

INVESTOR PRESENTATION – SECOND QUARTER 2015



Cautionary Note Regarding Forward-looking Statements

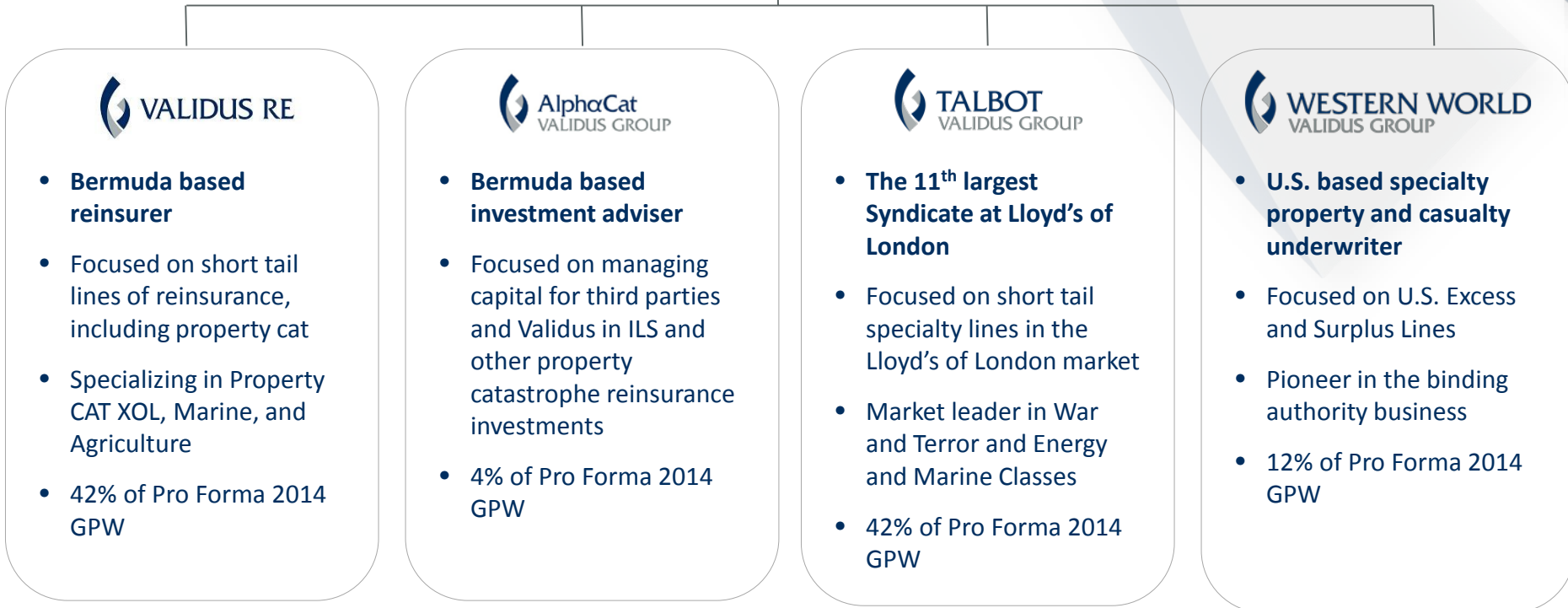
This presentation may include forward-looking statements, both with respect to us and our industry, that reflect our current views with respect to future events and financial performance. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “anticipate,” “will,” “may” and similar statements of a future or forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. We believe that these factors include, but are not limited to, the following: 1) unpredictability and severity of catastrophic events; 2) rating agency actions; 3) adequacy of Validus Holdings, Ltd.’s (“Validus” or the “Company”) risk management and loss limitation methods; 4) cyclicity of demand and pricing in the insurance and reinsurance markets; 5) statutory or regulatory developments including tax policy, reinsurance and other regulatory matters; 6) Validus’ ability to implement its business strategy during “soft” as well as “hard” markets; 7) adequacy of Validus’ loss reserves; 8) continued availability of capital and financing; 9) retention of key personnel; 10) competition; 11) potential loss of business from one or more major insurance or reinsurance brokers; 12) Validus’ ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to develop accurate actuarial data to support the business and regulatory and reporting requirements; 13) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 14) the integration of businesses Validus may acquire or new business ventures Validus may start; 15) the effect on Validus’ investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; 16) acts of terrorism or outbreak of war; and 17) availability of reinsurance and retrocessional coverage, as well as management’s response to any of the aforementioned factors.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the Risk Factors included in our most recent reports on Form 10-K and Form 10-Q and other documents on file with the Securities and Exchange Commission. Any forward-looking statements made in this presentation are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Validus – Key Accomplishments

- Since commencing operations in late 2005, Validus has developed a global re/insurance platform consisting of Bermuda reinsurance, Lloyd's of London, third party reinsurance asset management and U.S. specialty insurance
- Business plan since formation has been to focus on short-tail lines with strategic diversification into select longer-tail classes
- Maintained a focus on underwriting profits in conjunction with a strong balance sheet
- Profitable in every year of operation, 2006 through 2014
- Delivered outstanding financial results since 2007 IPO as measured by growth in diluted book value per diluted share plus accumulated dividends
- Active capital management, returning \$3.40 billion to investors through repurchases and dividends from Validus' 2007 IPO through July 27, 2015

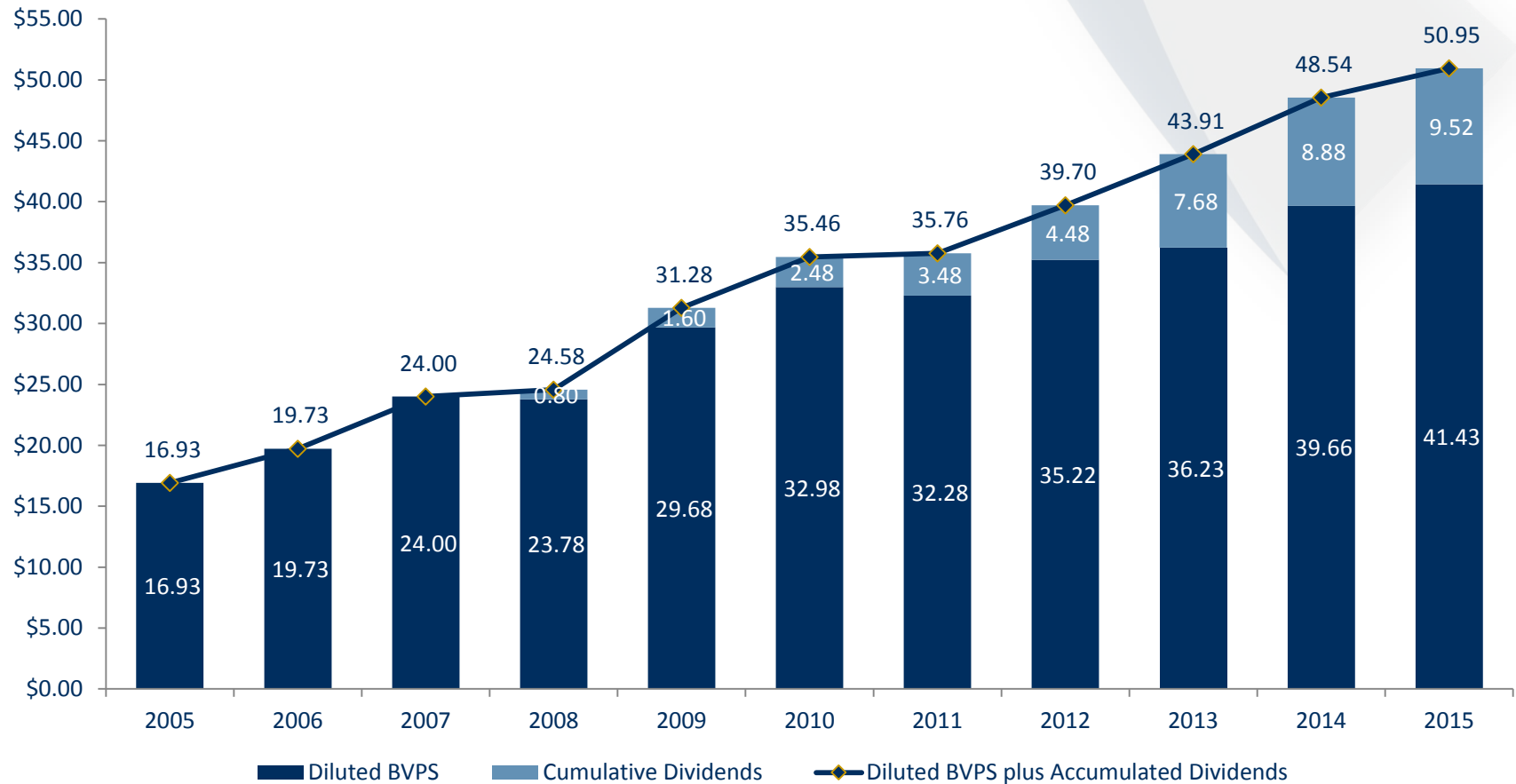
Validus – Four Diversified Yet Complementary Businesses



Validus Research – Provides Analytical Support Across All Platforms

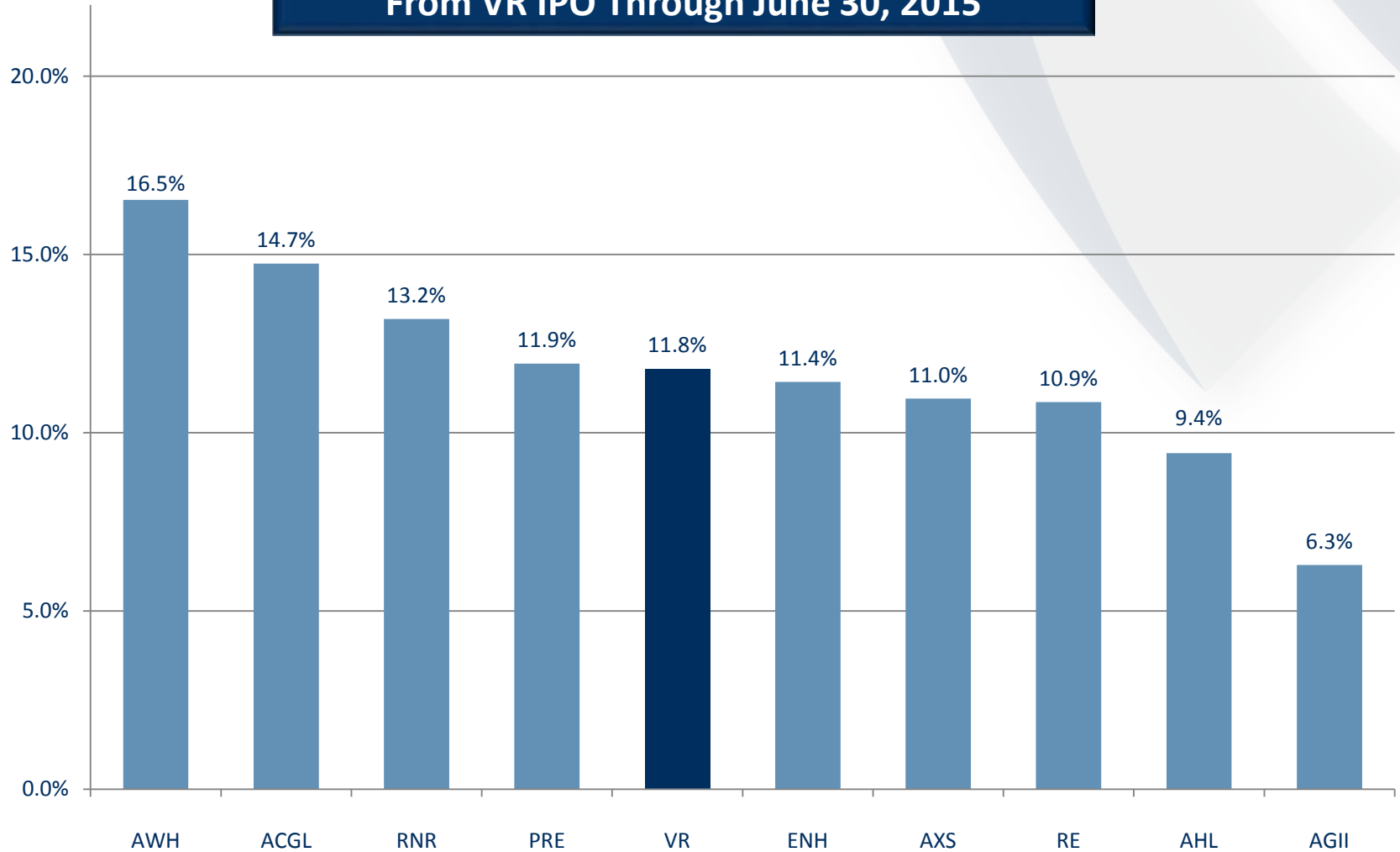
Growth in Book Value Per Diluted Share Plus Accumulated Dividends

12.3% Compound Annual Growth in Diluted BVPS Plus Accumulated Dividends from Company Formation Through June 30, 2015



Compound Growth in Book Value per Diluted Share Versus Peers

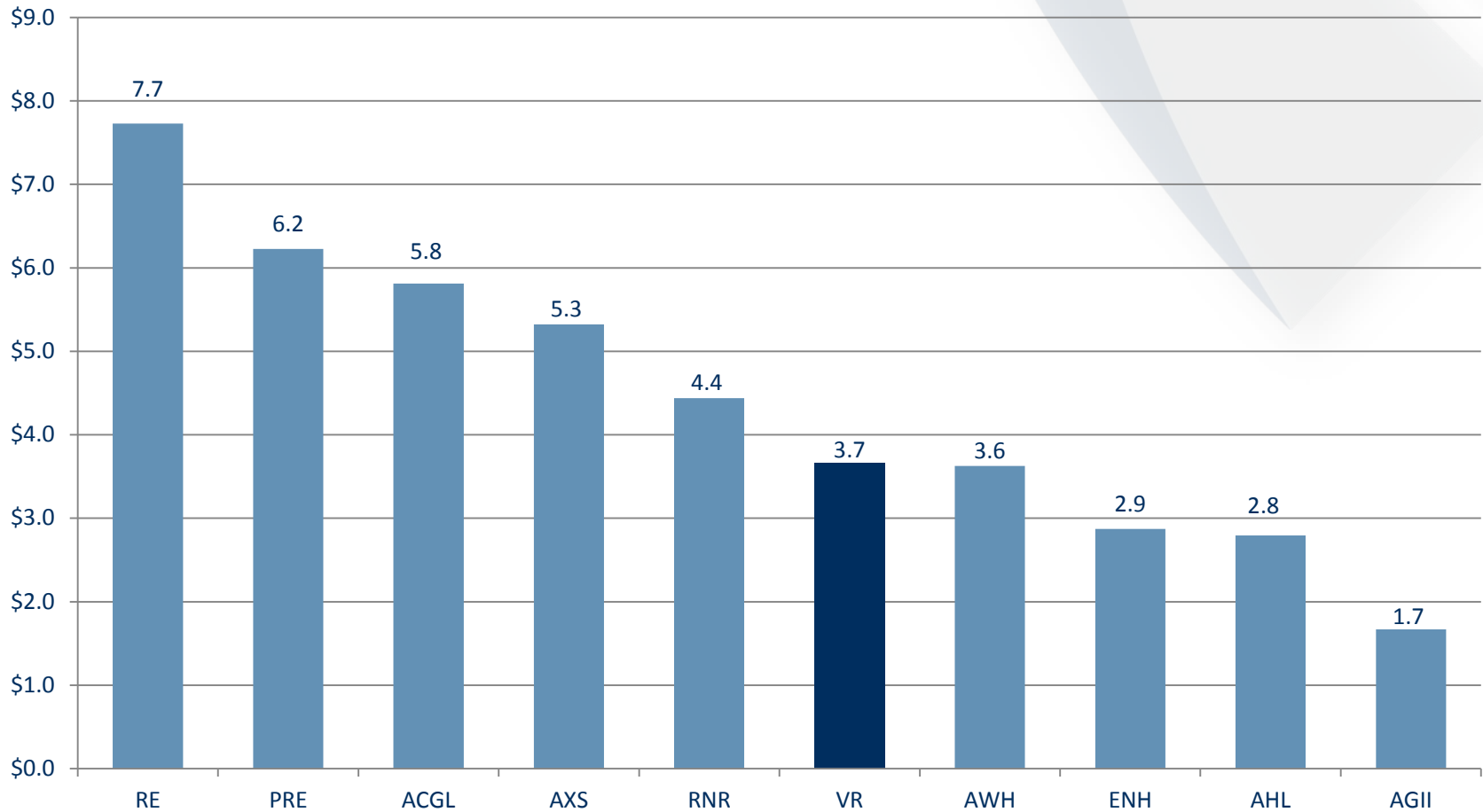
From VR IPO Through June 30, 2015



1) Source: SNL Financial.
2) VR starting point is Pro Forma diluted BVPS at September 30, 2007 of \$20.89 as disclosed in the VR IPO Prospectus.
3) Book value per diluted share calculation includes impact of quarterly and special dividends.

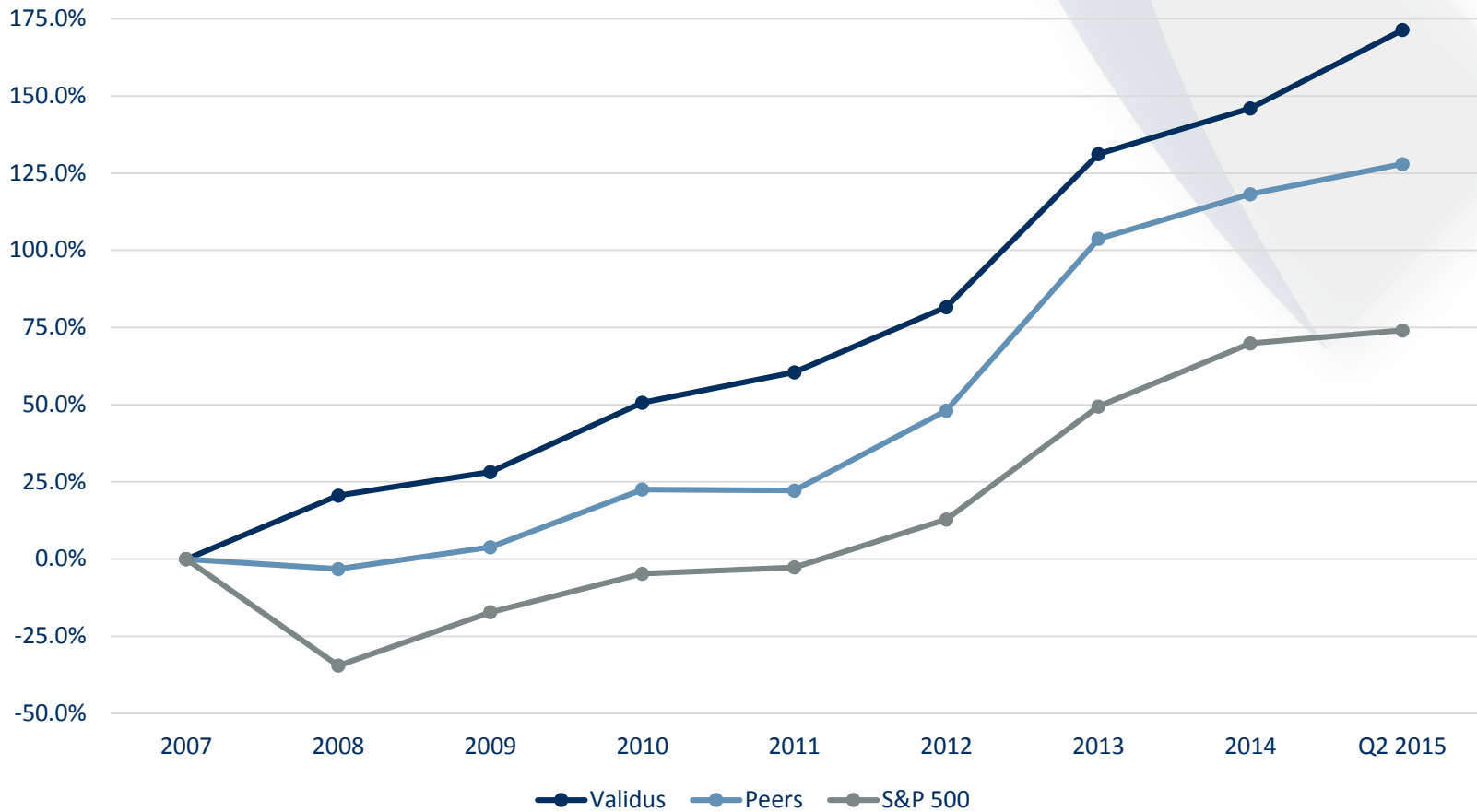
Validus Common Shareholders' Equity vs. Selected Peers

Peer Comparison – Q2 2015 Common Shareholders' Equity in \$US Billions



Validus Stock Total Return Versus Peers and S&P 500

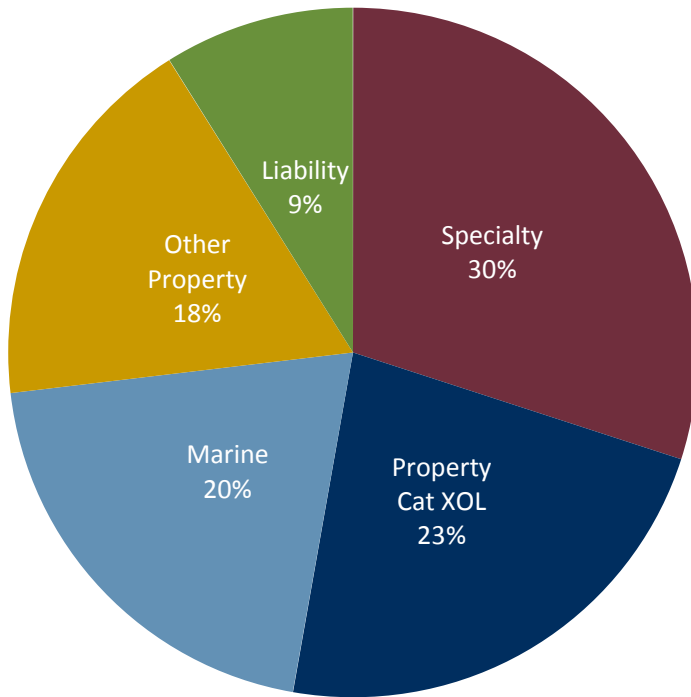
From VR IPO Through June 30, 2015



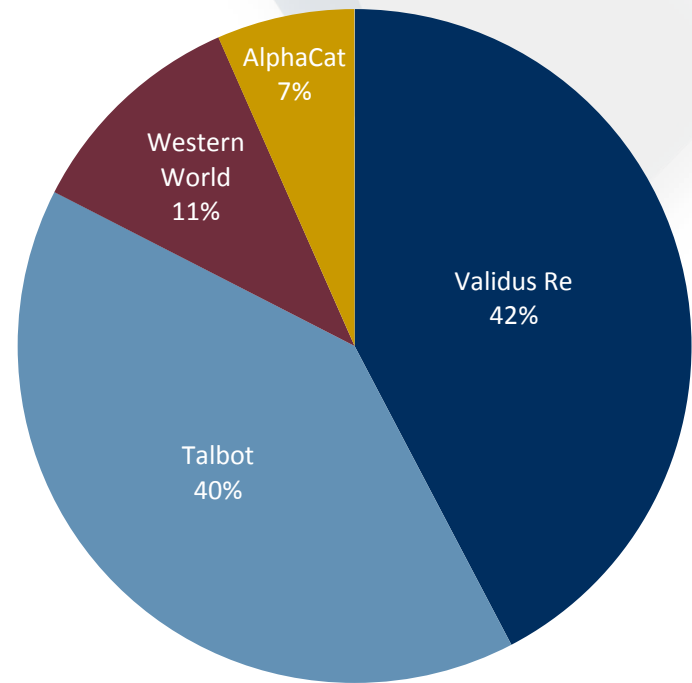
1) Source: SNL Financial.
2) Peer group includes; AWH, ACGL, AGII, AHL, AXS, ENH, PRE, RE and RNR.
3) Starting point of chart is January 1, 2007.

Validus Mix of Business

Last 12 Months Gross Premium Written - \$2.6 Billion, Pro Forma for Western World



By Class of Business



By Operating Segment

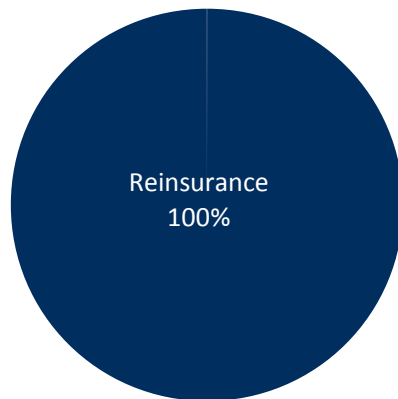


- 1) \$2.6 billion consolidated gross premiums written is calculated using three quarters of reported Western World gross premium written and Q3 2014 pro forma Western World gross premium written and is net of \$44.9 million of intersegment eliminations.
- 2) On October 2, 2014, the Company acquired all of the outstanding capital stock of Western World Insurance Group, Inc. ("Western World"), a specialty lines insurance company. Western World results have been included in the Company's consolidated results from October 2, 2014.

Validus - Adapting to Market Demand

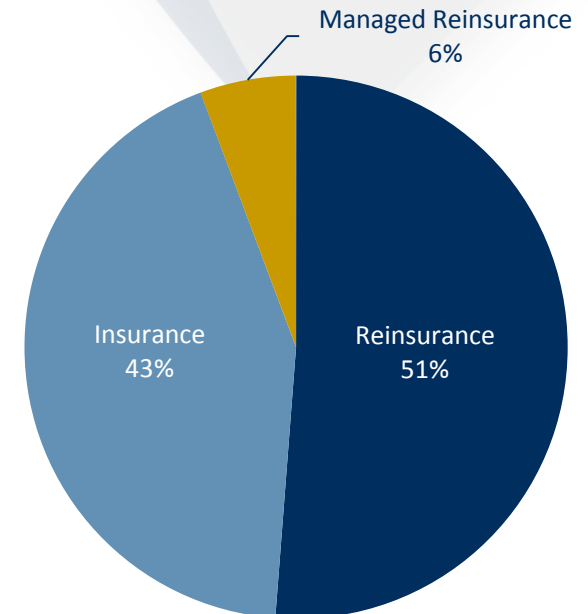
Growth and Diversification in VR's Business Since Inception

Validus 2006
GPW \$540.8 million



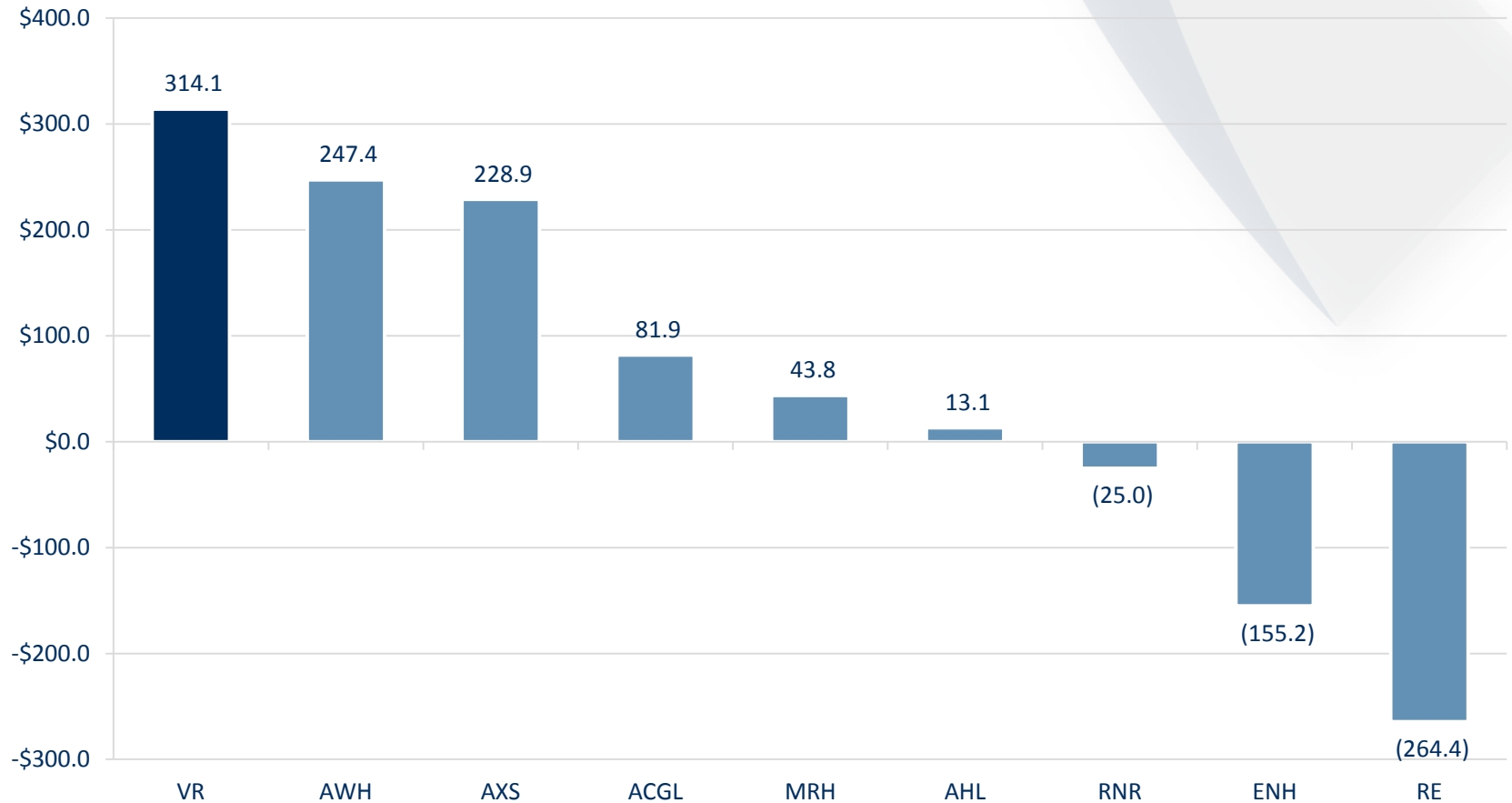
- Significant growth in GPW through acquisitions of:
 - 2007 – Talbot
 - 2009 – 2012: IPCRe, Flagstone, Longhorn Re
 - 2014 – Western World
- Improved portfolio balance in insurance through Talbot and Western World acquisitions
- AlphaCat established in 2008 to capitalize on the insurance linked securities market
- Access to multiple sources of capital to respond to business opportunities as presented

Validus 2014
GPW \$2,363.3 million



Insurance Underwriting Income – Validus vs. Bermuda Peers

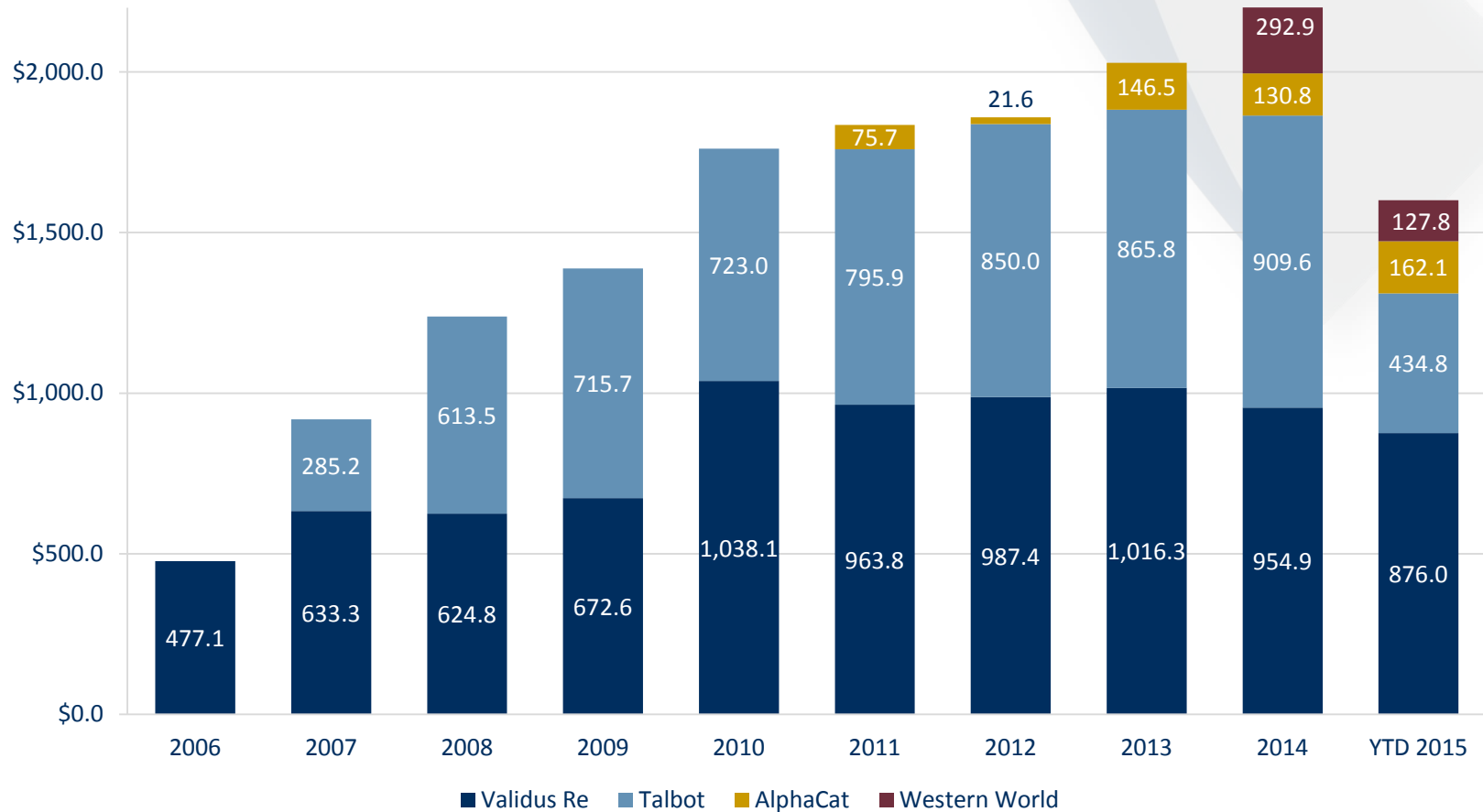
Insurance Underwriting Income in \$US Millions: 2012 - 2014



1) Source: SEC filings and other public disclosures.
 2) Underwriting income above assumes that all Lloyd's underwriting income is insurance.
 3) AGII and PRE are excluded as they do not disclose underwriting income as insurance / reinsurance.

Validus – Growth and Diversification

Net Premiums Written in \$US Millions – 2006 to Q2 2015



Q2 2015 Financial Results

10.9% year over year increase in gross premiums written
(Increase of 46.4% at AlphaCat and a decrease of 1.5% at Validus Re and 7.8% at Talbot)

Net operating income available to Validus of **\$98.3 million** and diluted operating EPS of **\$1.13**

7.0% ROAE and **10.7%** net operating ROAE

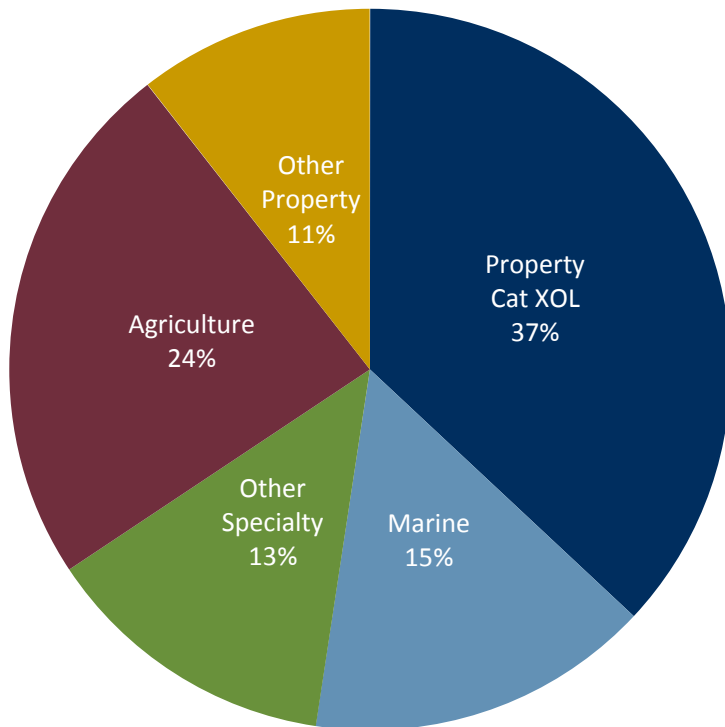
80.7% combined ratio
(71.2% at Validus Re, 19.5% at AlphaCat, 88.7% at Talbot and 101.1% as Western World)

Net income available to Validus of **\$64.0 million** and diluted EPS of **\$0.73**

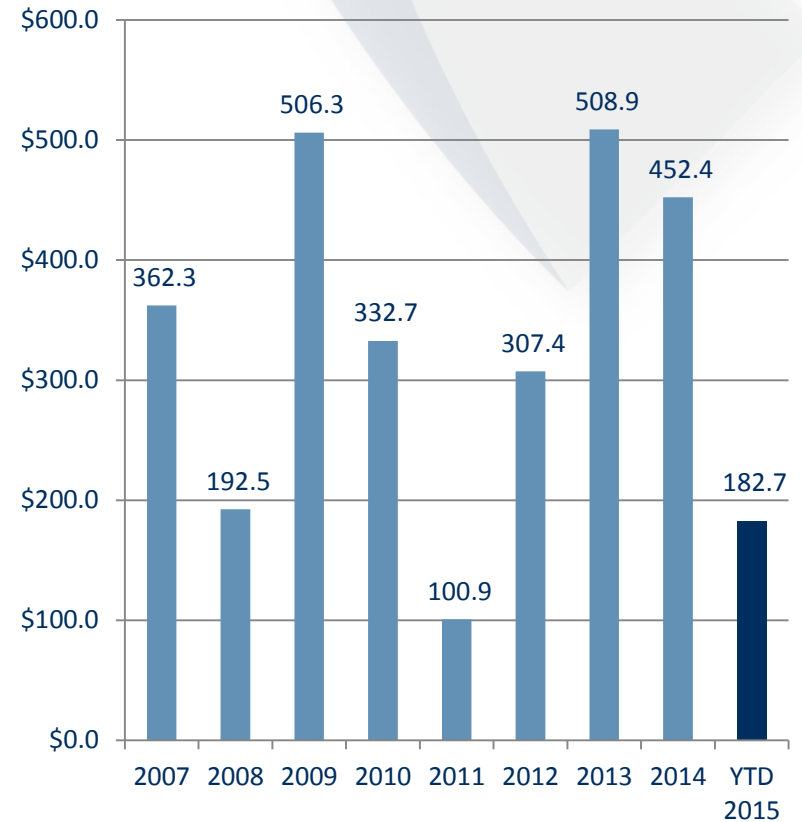
Book value per diluted share of **\$41.43**
1.2% growth (including dividends) in Q2 2015

Validus Reinsurance Highlights

Gross Premium Written - \$1.2 Billion last 12 months to June 30, 2015



Net Operating Income in \$US Millions



AlphaCat Highlights

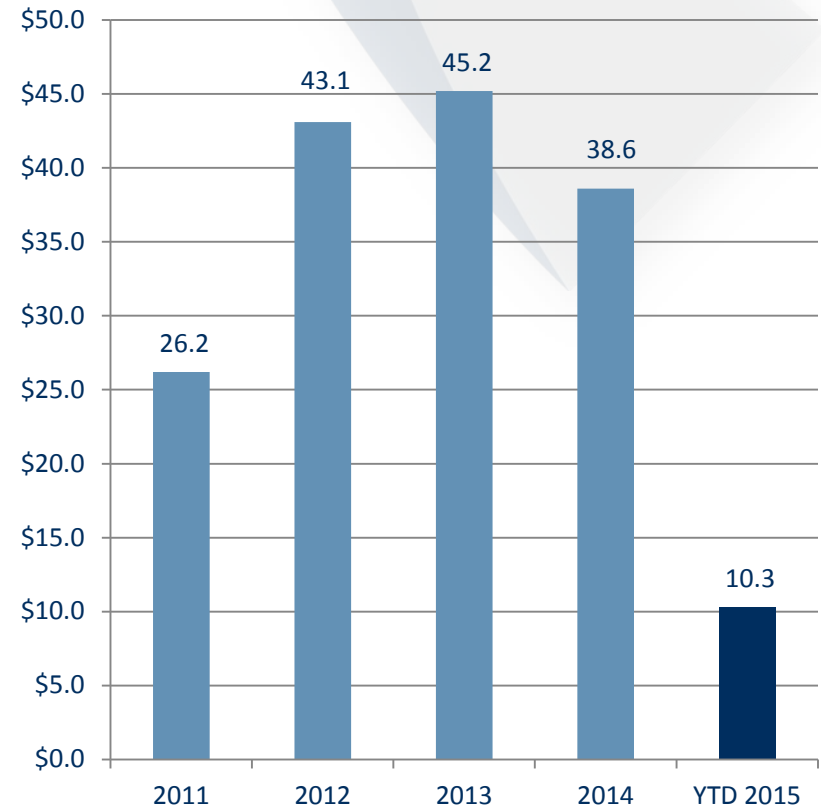
\$2.1 Billion in Assets Under Management as at July 1, 2015

- Secured \$224 million of newly raised capital for deployment during Q2 2015:
 - \$206 million for AlphaCat ILS Funds

Year to date 2015 Performance

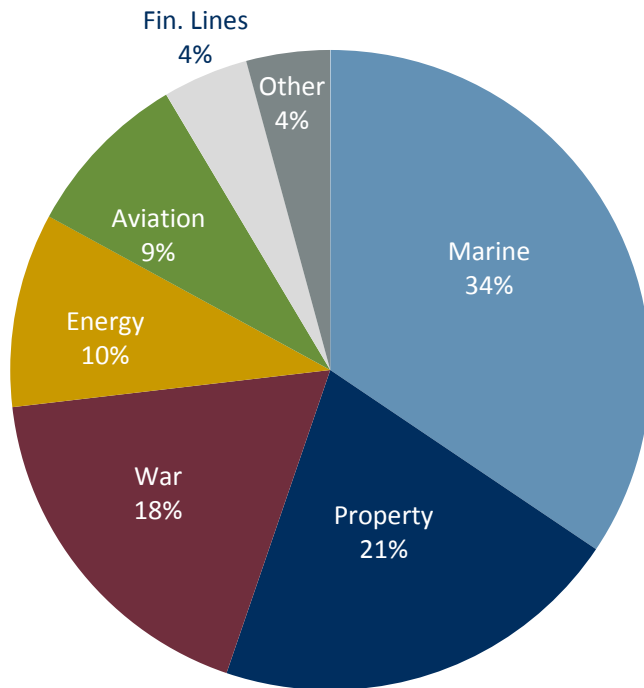
- Reported an accident year combined ratio of 19.9%
- Generated third party management fee revenue of \$8.9 million

Net Operating Income in \$US Millions

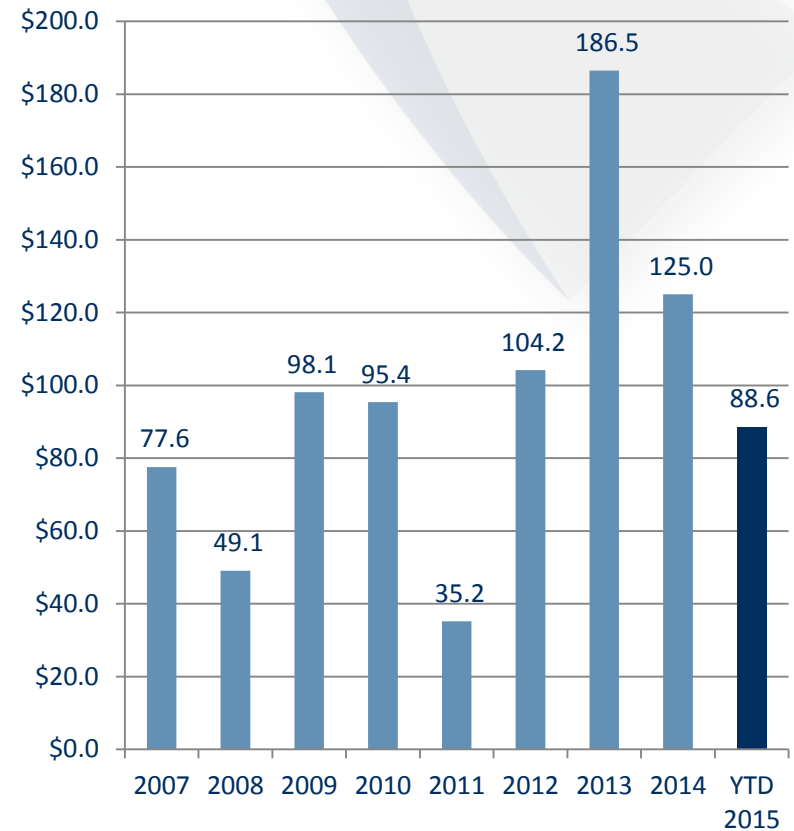


Talbot Highlights

Gross Premium Written - \$1.1 Billion last 12 months ended June 30, 2015



Net Operating Income in \$US Millions

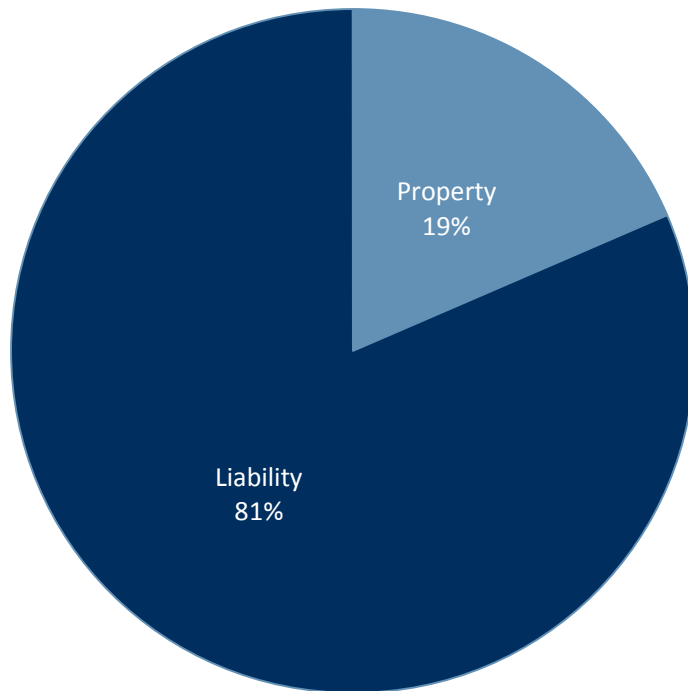


What Western World Brings to Validus

- **Excellent Track Record and Market Reputation in the Specialty U.S. Insurance Market**
 - 50 consecutive years of increased shareholders' equity
 - Pioneer and leader in the small and medium enterprise ("SME") excess and surplus ("E&S") lines specialty U.S. insurance market
- **Platform and Distribution**
 - Established position in multiple distribution channels
 - Superior technology capabilities ("Western World Integrated Platform" or "WWIP")
 - Admitted and non-admitted licenses
- **Experienced Management Team with Complementary Competencies**
 - Deep understanding of target markets and proven ability to navigate market cycles
 - Established and proven underwriting and claims functions
- **Business Compatibility and Meaningful Opportunity to Expand the Current Platform**
 - Clean balance sheet with full operational capabilities in the U.S. insurance market
 - Excellent positioning to introduce Validus Re/Talbot short tail products – speed to market

Western World Highlights – Year to date 2015

Gross Premium Written - \$136.5 Million
Six months ended June 30, 2015



Western World Highlights
Six months ended June 30, 2015

- Gross premiums written – \$136.5 million
- Net premiums earned - \$133.0 million
- Net operating income - \$12.9 million
- Loss ratio – 73.1%
- Combined ratio – 99.0%

Transparent Risk Disclosure – July 1, 2015 Portfolio

Estimated Exposures to Peak Zone Property Catastrophe Losses

(Expressed in thousands of U.S. Dollars)

Probable Maximum Losses by Zone and Peril

Peak Zone PML

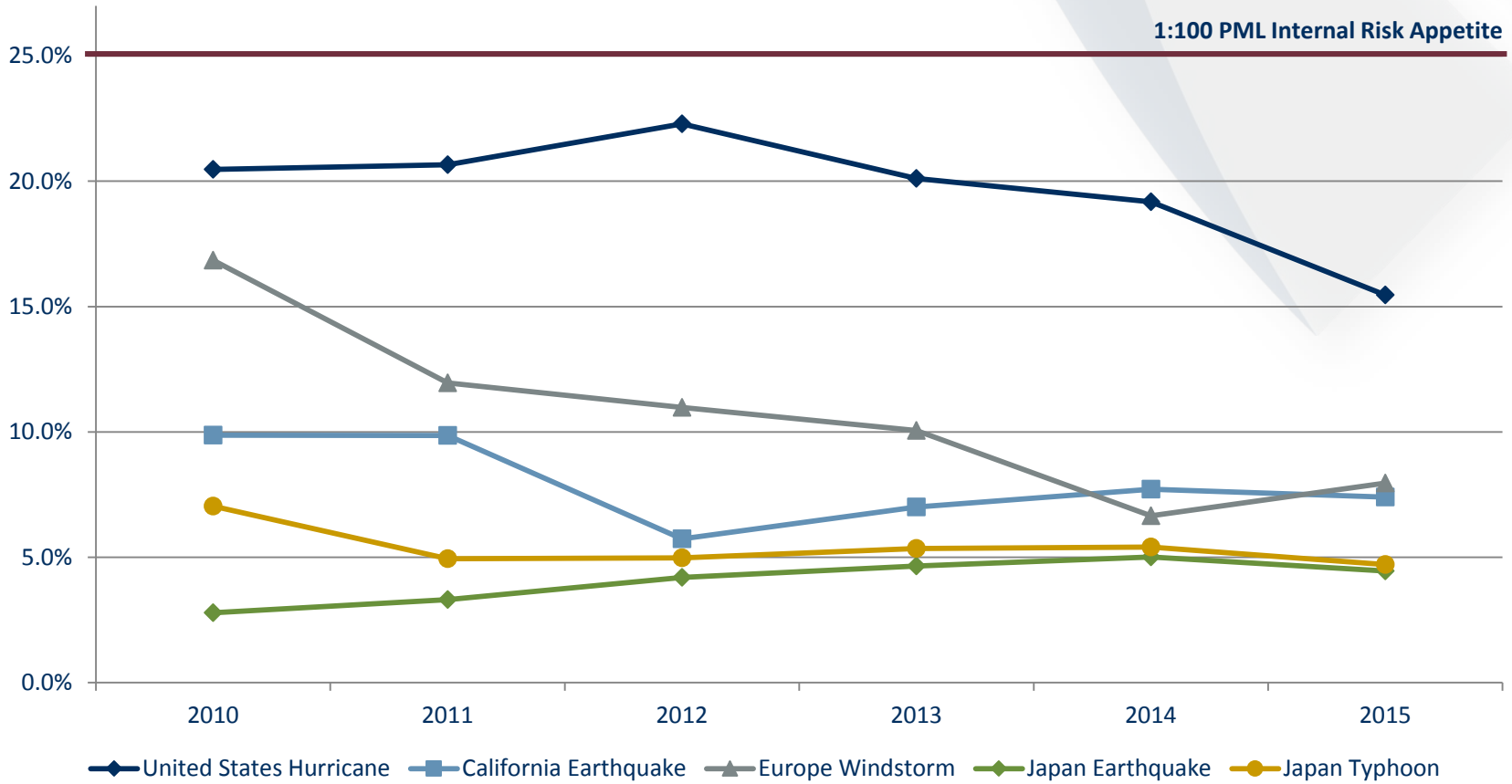
Consolidated (Validus Re and Talbot) Estimated Net Loss

| <u>Zones</u> | <u>Perils</u> | <u>20 year return period</u> | <u>50 year return period</u> | <u>100 year return period</u> | <u>250 year return period</u> | <u>Validus Re Net Maximum Zonal Aggregate</u> |
|---------------|---------------|------------------------------|------------------------------|-------------------------------|-------------------------------|---|
| United States | Hurricane | 291,285 | 450,388 | 686,877 | 989,433 | 2,004,012 |
| California | Earthquake | 73,961 | 215,113 | 328,566 | 421,186 | 1,576,690 |
| Europe | Windstorm | 112,074 | 255,178 | 353,488 | 467,561 | 1,479,348 |
| Japan | Earthquake | 112,629 | 165,746 | 198,017 | 271,008 | 732,953 |
| Japan | Typhoon | 45,250 | 125,896 | 209,186 | 286,052 | 686,556 |

1:100 year PML equal to 15.5% of quarter end capital, 18.8% of shareholders' equity

Substantial Capital Margin Above Risk Appetites

Net Probable Maximum Loss (1:100) by Zone and Peril Compared to Total Capitalization



1) A full explanation and disclaimer is contained in the notes on non-GAAP and other financial and exposure measures found in the Appendix hereto. 20
 2) Total capitalization equals total shareholder's equity less noncontrolling interest plus Senior Notes and Junior Subordinated Deferrable Debentures.
 3) Consolidated (Validus Re and Talbot) estimated net loss 1:100 year PML as a % of capital as and shareholder's equity.
 4) All data points are as at January 1, except 2015 which is as at July 1.

Realistic Disaster Scenarios

Estimated Exposures to Specified Loss Scenarios - As of January 1, 2015

(Expressed in millions of U.S. Dollars)

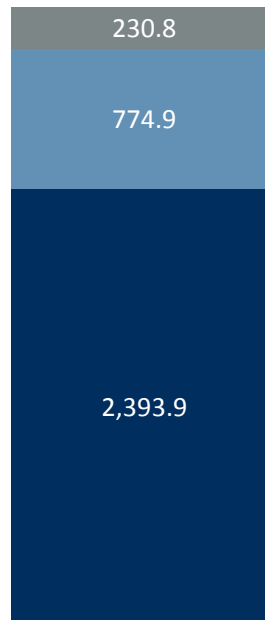
Consolidated (Validus Re and Talbot)

| Type | Catastrophe Scenarios | Description | Estimated Consolidated (Validus Re and Talbot) Net Loss | % of latest 12 Months Consolidated Net Premiums Earned |
|-----------------|--|--|---|--|
| Terrorism | Rockefeller Center | Midtown Manhattan suffers a 2-tonne conventional bomb blast | \$ 138.2 | 6.3% |
| Terrorism | Exchange Place | Lower Manhattan suffers a 2-tonne conventional bomb blast | 49.9 | 2.3% |
| Marine | Marine collision in Prince William Sound | Fully laden tanker collides with a cruise vessel in Prince William Sound | 83.4 | 3.8% |
| Marine | Major cruise vessel incident | US-owned cruise vessel sunk or severely damaged | 85.8 | 3.9% |
| Marine | Loss of major complex | Total loss to all platforms and bridge links of a major oil complex | 175.1 | 7.9% |
| Aviation | Aviation collision | Collision of two aircraft over a major city | 118.5 | 5.4% |
| Satellite | Solar flare | Large single or sequence of proton flares results in loss to all satellites in synchronous orbit | 22.7 | 1.0% |
| Satellite | Generic defect | Undetected defect in a number of operational satellites causing major loss | 17.3 | 0.8% |
| Liability | Professional lines | Failure or collapse of a major corporation | 22.9 | 1.0% |
| Liability | Professional lines | UK pensions mis-selling | 16.6 | 0.8% |
| Political Risks | South East Asia | Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion | 117.3 | 5.3% |
| Political Risks | Middle East | US and Iran escalate into military confrontation; regional contagion | 23.5 | 1.1% |
| Political Risks | Russia | The Russian corporate sector struggles to deal with the effects of crashing commodity and stock prices | 55.6 | 2.5% |
| Political Risks | Turkey | Severe economic crisis in Turkey due to political upheaval | 44.4 | 2.0% |
| Political Risks | Nigeria | Severe economic, political and social crisis in Nigeria leads to widespread civil unrest | 36.4 | 1.7% |

Validus – Active Capital Management

Capital Management Inception to Date of \$3.40 Billion

- Share Repurchase
- Common Share Dividends
- Special Dividend



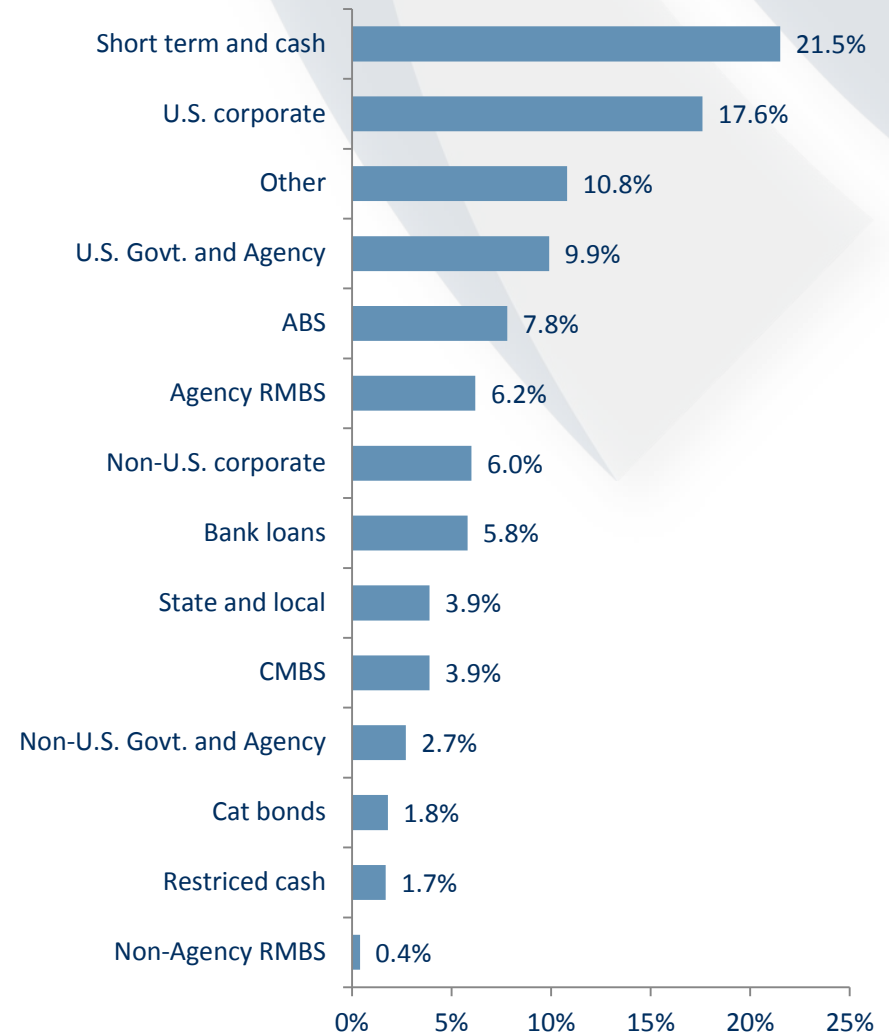
Expressed in millions of U.S. Dollars

2015 Capital Management Actions

- On Feb 3, 2015 Validus reset the common share repurchase authorization to \$750.0 million
- Increased quarterly dividend to \$0.32 per share
- Common share repurchases of \$162.6 million through July 27, 2015
- Remaining authorization of \$630.5 million

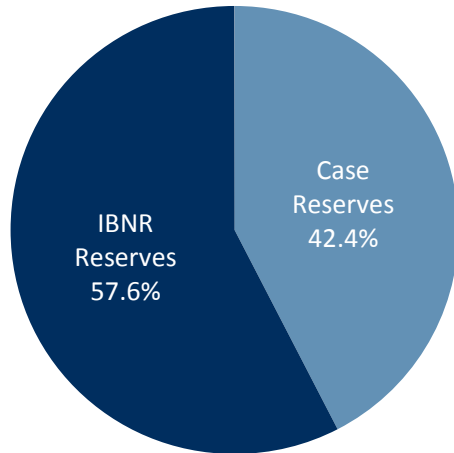
Investment Portfolio at June 30, 2015

- Total cash, restricted cash and invested assets of \$8.26 billion
 - \$6.97 billion excluding assets managed on behalf of our operating affiliates and cat bonds
 - Emphasis on the preservation of invested assets
 - Provision of sufficient liquidity for prompt payment of claims
 - Comprehensive portfolio disclosure
- Average portfolio rating of AA-
- Duration of 2.48 years
- Q2 annualized investment yield: 2.03% (Q2 2014: 1.29%)



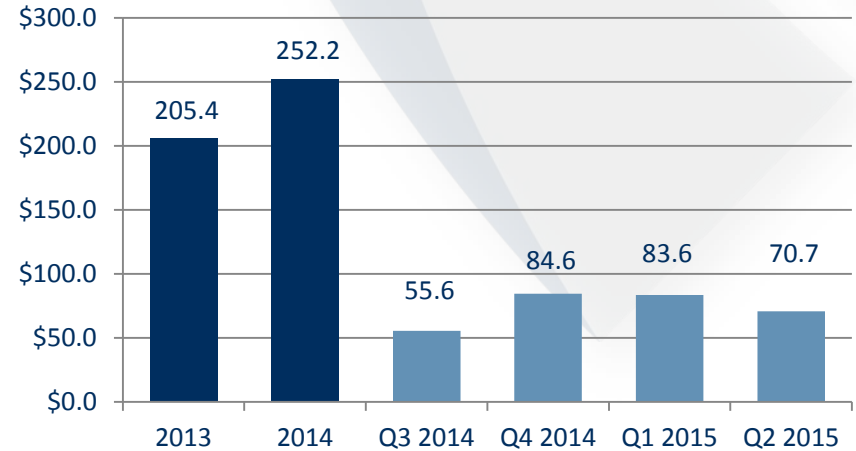
Gross Loss Reserves at June 30, 2015

Validus Gross Reserve Mix



- Gross reserves for losses and loss expenses of \$3.19 billion
- \$2.81 billion net of reinsurance
- Q2 notable loss, Pemex, of \$48.1 million
 - Validus Re: \$35.2 million
 - Talbot: \$12.9 million

Favorable Reserve Development in \$US Millions



- Favorable reserve development during Q2 2015:
 - Validus Re of \$30.9 million
 - Talbot of \$35.6 million
 - Western World of \$4.2 million

Conclusion – Continue to be Well Positioned for 2015 and Beyond

- International reinsurance and insurance business
- Size and scale to compete effectively in targeted markets
- Four distinct yet complementary operating segments
- Focused on short-tail classes of reinsurance and insurance
- Profitable in every year since inception
- Short duration, highly liquid, conservative balance sheet
- Transparent risk disclosure



Investor Presentation

APPENDIX

Full Year 2014 Financial Results

1.6% year over year decrease
in gross premiums written

(Decrease of 8.5% at Validus Re
and 8.0% at AlphaCat and an
increase of 0.9% at Talbot)

Net operating income
available to Validus of
\$486.5 million and
diluted operating EPS
of **\$5.14**

13.1% ROAE and
13.2% net operating ROAE

73.7% combined ratio

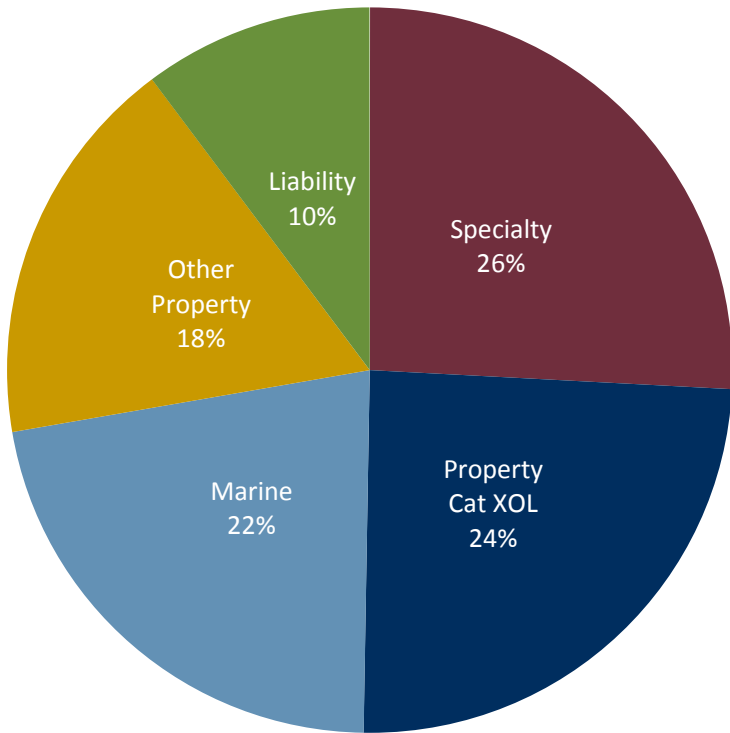
(58.2% at Validus Re, 17.5% at
AlphaCat, 87.8% at Talbot and
89.7% as Western World)

Net income available to
Validus of
\$481.3 million and
diluted EPS of **\$5.08**

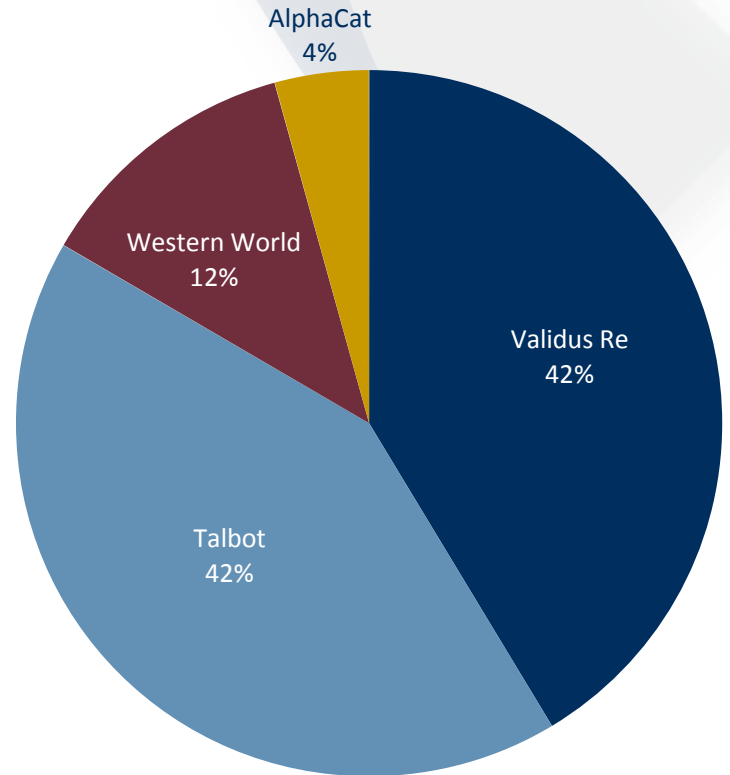
Book value
per diluted share of **\$39.66**
12.8% growth (including
dividends) in 2014

Validus – 2014 Mix of Business

2014 Gross Premium Written - \$2.6 Billion, Pro Forma for Western World



By Class of Business



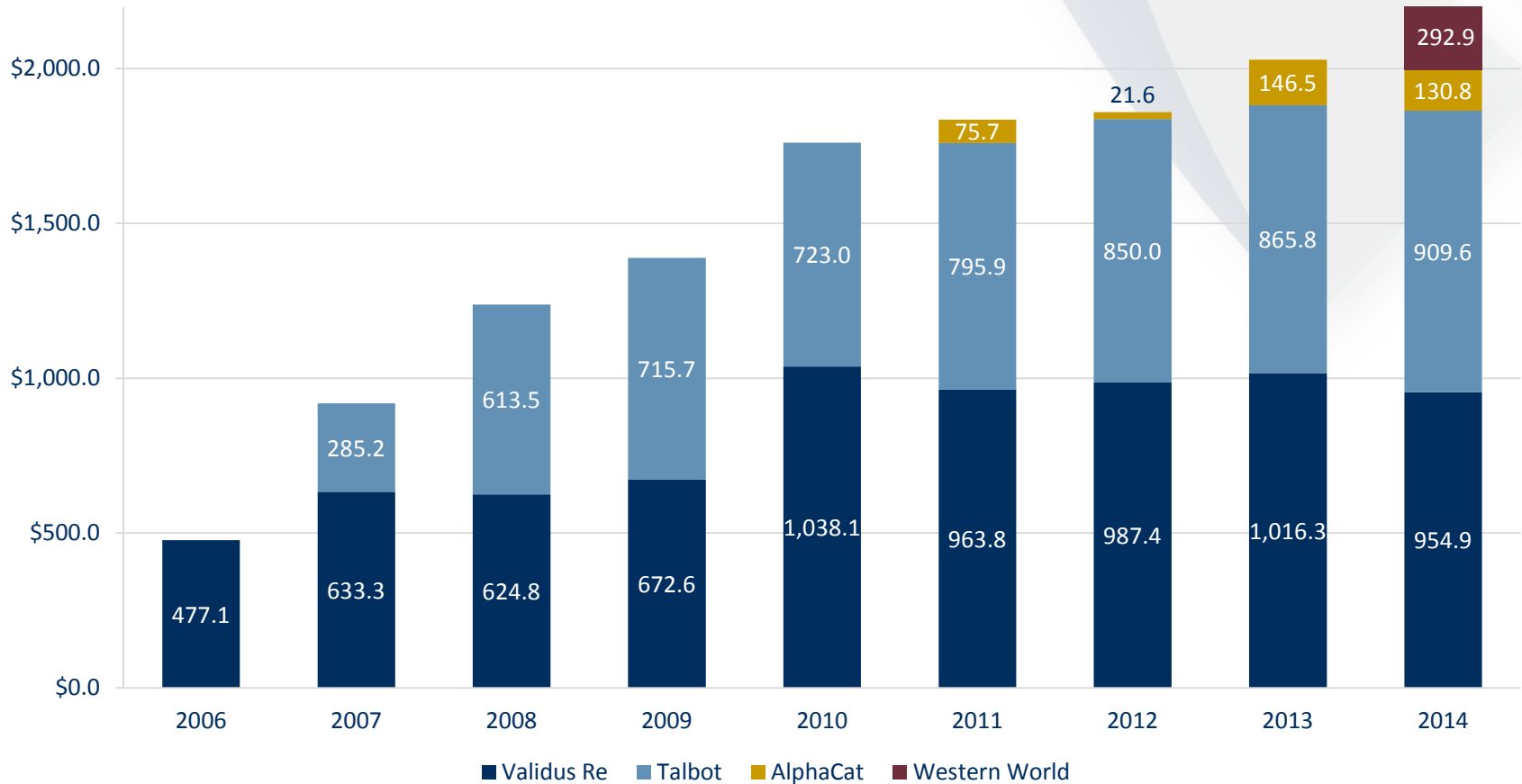
By Operating Segment



- 1) \$2.6 billion consolidated gross premiums written is calculated using full year pro forma Western World gross premium written and is net of \$75.8 million of intersegment eliminations.
- 2) On October 2, 2014, the Company acquired all of the outstanding capital stock of Western World Insurance Group, Inc. ("Western World"), a specialty lines insurance company. Western World results have been included in the Company's consolidated results from October 2, 2014.

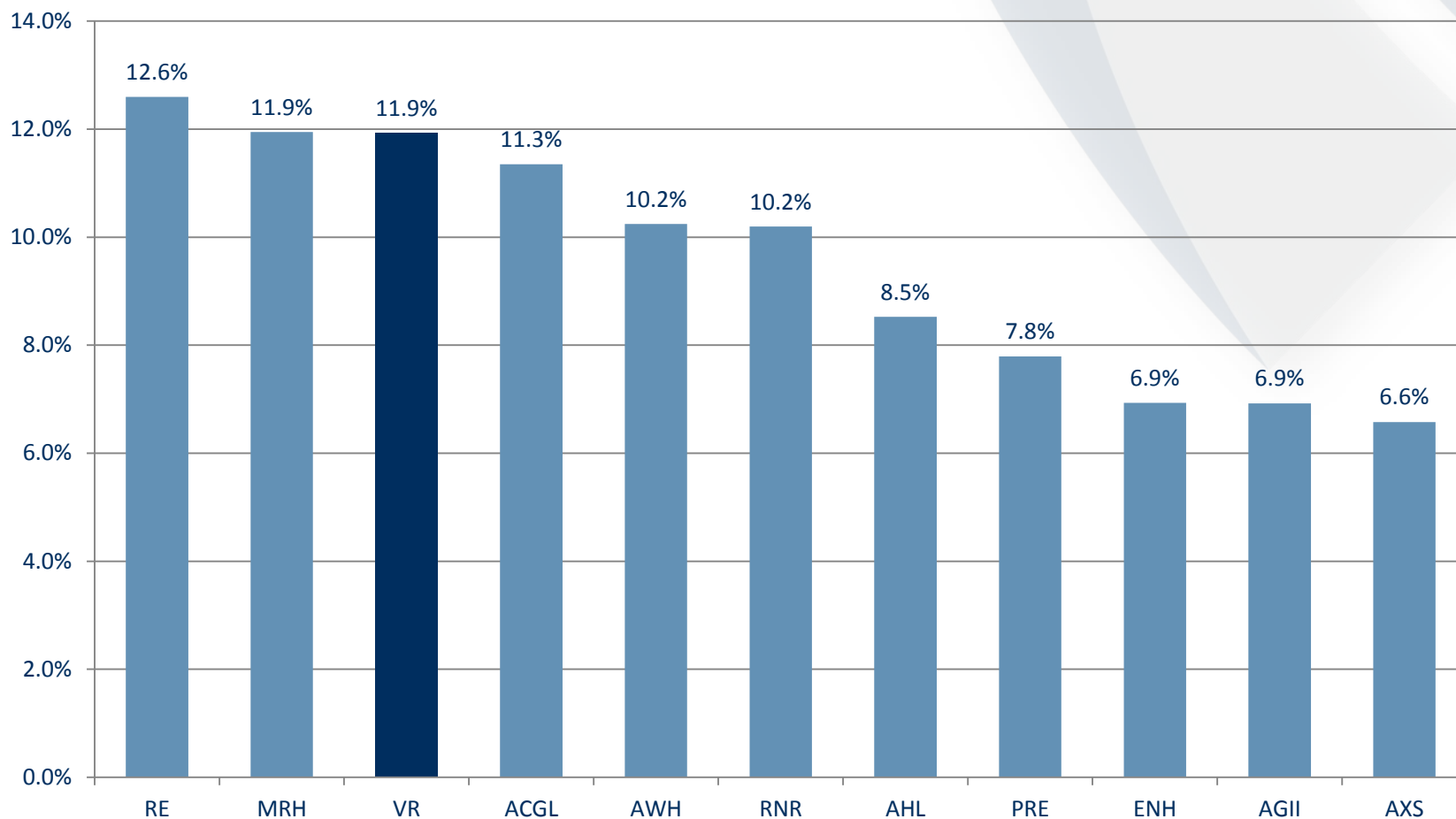
Validus – Growth and Diversification

Net Premiums Written in \$US Millions – 2006 to 2014



Compound Growth in BVPS Versus Peers Excluding 2006 and Prior PPD

From VR IPO Through December 31, 2014



Selected Market Information at August 5, 2015

| | |
|--------------------------------|--------------------------|
| Exchange / Ticker: | NYSE / “VR” |
| Share Price: | \$47.20 |
| Primary Shares Outstanding: | 82,755,657 |
| Primary Market Capitalization: | \$3.91 billion |
| Annual Dividend/Yield: | \$1.28 per share (2.71%) |

Abbreviated Balance Sheets

(Expressed in thousands of U.S. Dollars)

| | <u>December 31, 2013</u> | <u>December 31, 2014</u> | <u>June 30, 2015</u> |
|---|--------------------------|--------------------------|----------------------|
| Assets | | | |
| Fixed maturities | \$ 5,542,258 | \$ 5,532,731 | \$ 5,459,304 |
| Short-term investments | 787,714 | 1,051,074 | 1,338,051 |
| Other investments | 704,086 | 813,011 | 893,707 |
| Cash and cash equivalents | 734,148 | 577,240 | 433,710 |
| Restricted cash | 200,492 | 173,003 | 140,019 |
| Total investments and cash | 7,968,698 | 8,147,059 | 8,264,791 |
| Goodwill and Intangible assets | 126,800 | 322,821 | 320,850 |
| Other assets | 1,775,624 | 1,860,059 | 2,839,655 |
| Total assets | \$ 9,871,122 | \$ 10,329,939 | \$ 11,425,296 |
| Liabilities | | | |
| Reserve for losses and loss expenses | \$ 3,030,399 | \$ 3,234,394 | \$ 3,187,177 |
| Unearned premiums | 824,496 | 990,564 | 1,519,491 |
| Other liabilities | 500,078 | 520,424 | 384,902 |
| Notes payable to operating affiliates | 439,272 | 671,465 | 1,381,313 |
| Senior notes payable | 247,198 | 247,306 | 247,360 |
| Debentures payable | 541,416 | 539,277 | 538,032 |
| Total liabilities | \$ 5,582,859 | \$ 6,203,430 | \$ 7,258,275 |
| Redeemable noncontrolling interest | 86,512 | 79,956 | - |
| Shareholders' equity | | | |
| Capital | \$ 1,694,085 | \$ 1,213,614 | \$ 1,103,037 |
| Retained earnings | 2,010,009 | 2,374,344 | 2,553,894 |
| Total shareholders' equity available to Validus | 3,704,094 | 3,587,958 | 3,656,931 |
| Noncontrolling interest | 497,657 | 458,595 | 510,090 |
| Total shareholders' equity | 4,201,751 | 4,046,553 | 4,167,021 |
| Total liabilities, noncontrolling interests and shareholders' equity | \$ 9,871,122 | \$ 10,329,939 | \$ 11,425,296 |
| <i>Debt to capital ratio</i> | 4.9% | 5.0% | 5.0% |
| <i>Debt and hybrid to capital ratio</i> | 15.5% | 16.0% | 15.9% |
| <i>Investments and cash to equity</i> | 189.7% | 201.3% | 198.3% |

1) A full explanation and disclaimer is contained in the note on non-GAAP financial and other measures found in the Appendix hereto.

Net Operating Income Reconciliation

Validus Holdings, Ltd.

Non-GAAP Financial Measure Reconciliation

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

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

| | Three Months Ended | | Year Ended | |
|--|--------------------|------------------|------------------|------------------|
| | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Net income available to Validus | \$ 64,013 | \$ 153,367 | \$ 237,424 | \$ 315,755 |
| Adjustments for: | | | | |
| Net realized (gains) on investments | (2,244) | (7,858) | (6,413) | (11,598) |
| Change in net unrealized losses (gains) on investments | 17,530 | (45,427) | (54,674) | (101,120) |
| (Income) from investment affiliate | (284) | (779) | (3,060) | (6,127) |
| Foreign exchange losses (gains) | 3,236 | (3,158) | 6,787 | 3,320 |
| Other loss (income) | 608 | (424) | 608 | (6,217) |
| Transaction expenses (1) | - | 3,252 | - | - |
| Net income attributable to noncontrolling interest | 15,488 | 33,211 | 50,511 | 75,216 |
| Net operating income available to Validus | 98,347 | 132,184 | 231,183 | 272,481 |
| Less: Dividends and distributions declared on outstanding warrants | (1,081) | (1,552) | (2,486) | (3,104) |
| Net operating income available to Validus, adjusted | \$ 97,266 | \$ 130,632 | \$ 228,697 | \$ 269,377 |
| Net income per share available to Validus - diluted | \$ 0.73 | \$ 1.61 | \$ 2.72 | \$ 3.27 |
| Adjustments for: | | | | |
| Net realized (gains) on investments | (0.03) | (0.08) | (0.07) | (0.12) |
| Change in net unrealized losses (gains) on investments | 0.20 | (0.48) | (0.63) | (1.05) |
| (Income) from investment affiliate | - | (0.01) | (0.04) | (0.06) |
| Foreign exchange losses (gains) | 0.04 | (0.03) | 0.08 | 0.04 |
| Other loss (income) | 0.01 | - | - | (0.07) |
| Transaction expenses (1) | - | 0.03 | - | 0.03 |
| Net income attributable to noncontrolling interest | 0.18 | 0.35 | 0.58 | 0.78 |
| Net operating income per share available to Validus - diluted | \$ 1.13 | \$ 1.39 | \$ 2.64 | \$ 2.82 |
| Weighted average number of common shares and common share equivalents | 87,313,154 | 95,276,836 | 87,448,142 | 96,538,178 |
| Average shareholders' equity available to Validus | 3,670,020 | 3,713,085 | 3,642,666 | 3,710,088 |
| Annualized net operating return on average equity | 10.7% | 14.2% | 12.7% | 14.7% |

- 1) The transaction expenses relate to costs incurred in connection with the acquisition of Western World Insurance Group, Inc. ("Western World"), which was completed on October 2, 2014. Western World results have been included in the Company's consolidated results from October 2, 2014. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.

Diluted Book Value Per Share Reconciliation

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

| | <u>June 30, 2015</u> | | | |
|--|----------------------|-------------------|---------------------------|-----------------------------|
| | <u>Equity amount</u> | <u>Shares</u> | <u>Exercise Price (1)</u> | <u>Book value per share</u> |
| <u>Total shareholders' equity available to Validus</u> | | | | |
| Book value per common share | | | | |
| Total shareholders' equity available to Validus | \$ 3,656,931 | 83,295,795 | | <u>\$ 43.90</u> |
| Tangible book value per common share | | | | <u>\$ 40.05</u> |
| Book value per diluted common share | | | | |
| Total shareholders' equity available to Validus | \$ 3,656,931 | 83,295,795 | | |
| Assumed exercise of outstanding warrants | 59,506 | 3,377,320 | \$ 17.62 | |
| Assumed exercise of outstanding stock options | 3,040 | 119,377 | \$ 25.46 | |
| Unvested restricted shares | - | 2,980,925 | | |
| Book value per diluted common share | <u>\$ 3,719,477</u> | <u>89,773,417</u> | | <u>\$ 41.43</u> |
| Adjustment for accumulated dividends | | | | <u>9.52</u> |
| Diluted book value per common share plus accumulated dividends | | | | <u>\$ 50.95</u> |
| Tangible book value per diluted common share | | | | <u>\$ 37.86</u> |

Notes on Non-GAAP and Other Financial and Exposure Measures

In presenting the Company's results herein, management has included and discussed certain schedules containing underwriting income (loss), net operating income (loss) available (attributable) to Validus, annualized return on average equity and diluted book value per common share that are not calculated under standards or rules that comprise U.S. GAAP. Such measures are referred to as non-GAAP. Non-GAAP measures may be defined or calculated differently by other companies. We believe that these measures are important to investors and other interested parties. These measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP.

The underwriting results of an insurance or reinsurance company are often measured by reference to its underwriting income because underwriting income indicates the performance of the company's core underwriting function. Underwriting income is reconciled to net income by the addition or subtraction of net investment income, other insurance related income (loss), finance expenses, transaction expenses, net realized gains (losses) on investments, change in net unrealized gains (losses) on investments, income (loss) from investment affiliates, foreign exchange gains (losses) and other income (loss).

Net operating income (loss) available (attributable) to Validus is calculated based on net income (loss) available (attributable) to Validus excluding net realized gains (losses), change in net unrealized gains (losses) on investments, income (loss) from investment affiliates, gains (losses) arising from translation of non-US\$ denominated balances, other income (loss) and non-recurring items. Net income is the most directly comparable GAAP measure. Net operating income focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, net unrealized gains (losses) on investments, translation of non-US\$ 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-US\$ denominated balances are unrelated to our underlying business.

Diluted book value per share is calculated based on total shareholders' equity plus the assumed proceeds from the exercise of outstanding stock options and warrants, divided by the sum of unvested restricted shares, stock options, warrants and share equivalents outstanding (assuming their exercise).

Reconciliations to the most comparable GAAP measure for net operating income and diluted book value per share can be found on pages 33 and 34, respectively.

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

The Company has developed the estimates of losses expected from certain catastrophes for its portfolio of property, marine, workers' compensation, and personal accident contracts using commercially available catastrophe models such as RMS, AIR and EQECAT, which are applied and adjusted by the Company. These estimates include assumptions regarding the location, size and magnitude of an event, the frequency of events, the construction type and damageability of property in a zone, policy terms and conditions and the cost of rebuilding property in a zone, among other assumptions. These assumptions will evolve following any actual event. Accordingly, if the estimates and assumptions that are entered into the risk model are incorrect, or if the risk model proves to be an inaccurate forecasting tool, the losses the Company might incur from an actual catastrophe could be materially higher than its expectation of losses generated from modeled catastrophe scenarios. In addition, many risks such as second-event covers, aggregate excess of loss, or attritional loss components cannot be fully evaluated using the vendor models. Further, there can be no assurance that such third party models are free of defects in the modeling logic or in the software code. Commencing in January 2012, the Company incorporated RMS version 11 as part of its vendor models.

Notes on Non-GAAP and Other Financial and Exposure Measures – Continued

The Company has presented the Company Realistic Disaster Scenarios for non-natural catastrophe events. Twice yearly, Lloyds' syndicates, including the Company's Talbot Syndicate 1183, are required to provide details of their potential exposures to specific disaster scenarios. Lloyds' makes its updated Realistic Disaster Scenarios (RDS) guidance available to the market annually. The RDS scenario specification document for 2012 can be accessed at the RDS part of the Lloyd's public website:

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

The Consolidated Net Premiums Earned used in the calculation represent the latest 12 months of net premiums earned up to June 30, 2015.

The SNL Financial codes used on pages 6 and 7 are as follows: Common Equity – 3799, DBVPS – 134094, Dividends – 161.

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 an 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 herein speak only as of the date of this presentation and the Company undertakes no obligation to update or revise such information to reflect the occurrence of future events. The events presented reflect a specific set of prescribed calculations and do not necessarily reflect all events that may impact the Company.



**For more information on our company, products and management team please visit our website at:
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