



## *News Release*

**TORONTO, CANADA, July 27, 2006**

### **SECOND QUARTER FINANCIAL RESULTS AND DIVIDEND DECLARATION**

*(Note: All dollar amounts in this news release are expressed in Canadian dollars)*

Northbridge Financial Corporation (TSX:NB) today announced net earnings of \$37.3 million (\$0.73 per share) for the second quarter of 2006, which compares to net earnings of \$68.4 million (\$1.35 per share) for the second quarter of 2005. Contributing to this year-over-year decline was an underwriting loss of \$38.3 million for the second quarter of 2006, which represents a decrease of \$73.0 million from an underwriting profit of \$34.7 million for the second quarter of 2005, and results in a combined ratio<sup>1</sup> of 113.4% for the second quarter of 2006 compared to 88.3% for the same period one year earlier. This change in underwriting profit is largely due to unfavourable results at its Commonwealth Insurance Company ("Commonwealth") subsidiary. Following receipt of new information and further investigation regarding new and existing claims in its Marine Energy unit, Commonwealth increased its claims provisions related to 2005 hurricanes Katrina, Rita and Wilma by \$73.7 million in the second quarter. Northbridge's other insurance subsidiaries, Lombard Canada Ltd., Markel Insurance Company of Canada and Federated Insurance Company of Canada, recorded combined ratios of 91.6%, 88.0% and 86.0%, respectively, for the second quarter of 2006. Total investment income was \$99.4 million for the second quarter of 2006 compared to \$63.8 million for the second quarter of 2005, and included net realized gains on sales of portfolio investments of \$73.5 million compared to \$40.2 million for the second quarter of 2005.

Net earnings for the first six months of 2006 were \$99.0 million (\$1.95 per share), which compares to net earnings of \$125.2 million (\$2.46 per share) for the first six months of 2005. Underwriting loss for the first six months was \$12.0 million, which compares to an underwriting profit of \$59.3 million for the same period in 2005, and resulted in a combined ratio of 102.1% for the first six months of 2006 compared to 89.8% for the same period in 2005. Total investment income was \$167.6 million for first six months of 2006 compared to \$120.9 million for the first six months of 2005, and included net realized gains on sales of portfolio investments of \$117.5 million compared to \$80.1 million for the first six months of 2005.

Northbridge also announced that its Board of Directors has declared a dividend of \$0.165 per share on its outstanding common shares, payable on September 29, 2006 to shareholders of record on August 31, 2006.

The following table presents a summary of financial results for the second quarter and six months ended June 30:

For the Periods Ended June 30 (in \$ millions except per share amounts and percentages)	Second Quarter		Six Months	
	2006	2005	2006	2005
Total revenue <sup>2</sup>	<b>385.2</b>	360.9	<b>744.3</b>	707.3
Underwriting profit (loss)	<b>(38.3)</b>	34.7	<b>(12.0)</b>	59.3
Combined ratio <sup>1</sup>	<b>113.4%</b>	88.3%	<b>102.1%</b>	89.8%
Net earnings	<b>37.3</b>	68.4	<b>99.0</b>	125.2
Net earnings per share	<b>\$0.73</b>	\$1.35	<b>\$1.95</b>	\$2.46
Net earnings per diluted share	<b>\$0.73</b>	\$1.34	<b>\$1.94</b>	\$2.46

<sup>1</sup>The combined ratio is the sum of two components: the loss ratio, which represents claims and loss adjustment expenses incurred, net of reinsurance, expressed as a percentage of net premiums earned, and the expense ratio, which represents expenses including commissions, premium taxes and all general and administrative expenses incurred in operating the business during a period, expressed as a percentage of net premiums earned during that period. A combined ratio below 100% indicates profitable underwriting, while a combined ratio over 100% indicates unprofitable underwriting. The combined ratio does not include consideration of investment income. The underwriting ratios (the loss and expense ratios and the combined ratio) are all non-GAAP measures and do not have standard meanings prescribed by GAAP. They may not be comparable to similar measures used by other companies.

<sup>2</sup>Total revenue consists of net premiums earned, interest and dividend income, net realized gains on the sale of investments and, in the six months ended June 30, 2005, a net pre-tax gain on the sale of our Federated Life subsidiary.

As previously announced, Northbridge will hold a conference call and webcast at 9:30 am (Toronto time) on Friday, July 28, 2006 to discuss its second quarter results, available on the Company's website at [www.norfin.com](http://www.norfin.com) under "Financial Information". The call, consisting of a presentation by management followed by a question period, will be broadcast live on the internet through the Company's website or may be accessed by telephone at (416) 695-5261 or (877) 888-4210. Presentation materials will be posted on the Company's website under "Financial Information" prior to the call. A replay will be available following the call on the same website or via telephone at (416) 695-5275 or (888) 509-0082 (passcode 627694) until midnight on Friday, August 11, 2006.

Northbridge is the leading commercial property and casualty insurance group in Canada, providing property and casualty insurance products through its subsidiaries primarily in the Canadian market as well as in selected U.S. and international markets. Northbridge common shares are listed and traded under the symbol NB on the Toronto Stock Exchange. Visit Northbridge's website at [www.norfin.com](http://www.norfin.com) for more information.

This release includes product names, trade names, trademarks, service marks and registered trademarks and service marks of Northbridge, Lombard, Commonwealth, Markel, Federated and other companies, each of which is the property of its respective owner.

### Forward-Looking Information

Statements in this release about future plans, intentions, results, levels of activity, performance, goals, achievements or other future events constitute forward-looking statements. In some cases forward-looking statements may be identified by the use of words such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts" or "potential" or the negative or other variations of these words, or other comparable words or phrases. Although Northbridge believes that the expectations reflected in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements or other future events. Readers should not place undue reliance on forward-looking statements as they involve known and unknown risks, uncertainties and other factors about Northbridge, the business environment in which it operates, the economy and the insurance industry generally

that may cause actual results or events to differ materially from those expressed, implied or anticipated in such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the following factors which are more fully described in Northbridge's Annual Information Form and other filings with Canadian securities regulators (accessible on SEDAR – System for Electronic Document Analysis and Retrieval – at [www.sedar.com](http://www.sedar.com)): the adequacy of claims reserves; unpredictable catastrophic events; ability to alleviate risk through reinsurance coverage; credit risks associated with reinsurers and certain insureds; ability to achieve investment returns; the cyclical nature of the property and casualty insurance industry; subsidiaries' ability to maintain their financial strength ratings; competitive market environment; changes in the business, economic and political environment; changes in government regulation; periodic negative publicity regarding the insurance industry; litigation and regulatory actions; reliance on independent brokers and third parties to sell certain products; reliance on information technology and telecommunications systems; dependence on operating management; dependence on the financial performance of subsidiaries; uncertainties associated with critical accounting estimates; and foreign currency fluctuations. Northbridge is under no obligation and has no intention to update or alter any of its forward-looking statements as a result of new information, future events or otherwise, except as required by law.

In addition, the preparation of Northbridge's financial statements in accordance with Canadian generally accepted accounting principles requires it to make estimates and assumptions about future events which affect certain amounts reported in the financial statements and amounts derived therefrom, including amounts presented in this release. Those critical accounting estimates and assumptions principally relate to the establishment of provisions for claims and expenses, other than temporary impairments of investments, amounts receivable and recoverable from reinsurers and income taxes. As more information becomes known, these estimates and assumptions could change and impact future results. For a more complete discussion of critical accounting estimates, please see pages 51 to 54 of Northbridge's 2005 Annual Report.

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