



News Release

TORONTO, CANADA, July 20, 2006

NORTHBRIDGE FINANCIAL COMMENTS ON PRELIMINARY SECOND QUARTER FINANCIAL RESULTS

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

Northbridge Financial Corporation (TSX:NB) today commented on anticipated financial results for the second quarter and six months ended June 30, 2006 pending completion of its quarterly closing process. Although Northbridge generally does not disclose financial information prior to an earnings release, preliminary unaudited financial results for the second quarter of 2006 indicate significant additional losses in its Commonwealth Insurance Company subsidiary ("Commonwealth") related to 2005 hurricanes, as well as sizeable realized gains on portfolio investments in each of the Northbridge companies. The following is a summary overview of the impact of those developments. Northbridge will provide additional detail when its full interim period results are announced on July 27, 2006.

Underwriting Results

Following receipt of new information and further investigation regarding new and existing claims in its Marine Energy unit, Commonwealth has increased its claims provisions related to 2005 hurricanes Katrina, Rita and Wilma ("KRW") by \$73.7 million in the second quarter, bringing its total estimated year-to-date net incurred loss for KRW from all business lines to \$95.7 million. As a result, Commonwealth is expected to report underwriting losses of approximately \$63 million and \$65 million for the second quarter and first six months of 2006 respectively, compared to underwriting profit of \$4.7 million and \$4.5 million for the corresponding periods in 2005. Commonwealth's combined ratio¹ is expected to be approximately 297% for the second quarter and approximately 190% for the first six months of 2006, compared to 88.3% and 93.8%, respectively for the corresponding periods in 2005.

Northbridge's other insurance subsidiaries, Lombard Canada Ltd., Markel Insurance Company of Canada and Federated Insurance Company of Canada, are each expected to record strong underwriting results with combined ratios below 90% for the first half of 2006. On a consolidated basis, Northbridge's combined ratio is expected to be in the range of 113% to 115% for the second quarter of 2006 and 102% to 103% for the first six months of 2006, compared to 88.3% and 89.8% respectively for the corresponding periods in 2005.

A major part of the additional loss development was a result of hurricanes Katrina and Rita having exhausted reinsurance coverage for those events under certain 2005 treaties covering Commonwealth's Marine Energy business. Although the company's KRW losses may ultimately differ from current estimates, actions have been taken to reduce exposure to losses from future hurricanes. Earlier this year, Commonwealth ceased writing Gulf of Mexico Marine wind coverage, as mentioned in Northbridge's first quarter shareholders' report, and made substantial changes to its reinsurance program, including the purchase of additional catastrophe protection for 2006 events covered by Marine Energy policies written in 2005 and 2006. Commonwealth is now exiting the majority of its U.S./International Marine Energy and Non-Marine Energy businesses. As a result of these changes, Northbridge estimates that its net incurred KRW-related losses would be significantly less if those storms were to recur in 2006 in the same manner as in 2005.

¹The combined ratio is the sum of two components: the loss ratio, which represents claims and loss adjustment expenses ("LAE") 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.

Investments and Overall Performance

Net realized gains on sales of portfolio investments during the second quarter are expected to be approximately \$74 million and are expected to result in total investment income (comprised of interest and dividends, net of investment expenses, plus net realized gains on the sale of portfolio investments) of approximately \$99 million, compared to total investment income of \$63.8 million and net realized gains of \$40.2 million for the year ago quarter. Total investment income in the first half of 2006 is expected to be approximately \$168 million, including approximately \$118 million in net realized gains, compared to total investment income of \$120.9 million and net realized gains of \$80.1 million for the first six months of 2005. Northbridge estimates that the pre-tax unrealized gain on its investment portfolio was approximately \$46 million at the end of the second quarter, compared to \$207.8 million at December 31, 2005.

Overall, Northbridge expects net earnings to be in the range of \$34 million to \$38 million for the second quarter of 2006 and in the range of \$96 million to \$100 million for the first six months of 2006, compared to \$68.4 million and \$125.2 million respectively for the corresponding periods in 2005. Fully diluted earnings per share is expected to be in the range of \$0.67 to \$0.74 for the second quarter of 2006 and in the range of \$1.88 to \$1.96 for the first six months of 2006, compared to \$1.35 and \$2.46 respectively for the corresponding periods in 2005.

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): 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.

General Information

As previously announced, Northbridge will hold a conference call and webcast to discuss its second quarter results at 9:30 am EDT on Friday, July 28, 2006. 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 and a copy of the full second quarter release 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 for more information.

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