



## *News Release*

**TORONTO, CANADA, July 31, 2008**

### **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 a net loss of \$82.4 million (\$1.67 per share) for the second quarter of 2008, which compares to net earnings of \$116.7 million (\$2.29 per share) for the second quarter of 2007. Underwriting profit was \$1.2 million for the second quarter of 2008, compared to \$35.5 million for the second quarter of 2007, producing a combined ratio of 99.6% compared to 86.7% for the same period one year earlier. Total net investment loss was \$123.1 million for the second quarter of 2008 compared to total net investment income of \$101.0 million for the second quarter of 2007. Investment results for the second quarter of 2008 included a net loss on portfolio investments of \$153.5 million compared to net gains of \$69.8 million for the second quarter of 2007. Net losses on portfolio investments for the second quarter of 2008 were impacted by \$113.1 million of impairment writedowns in our common stock portfolio.

Net earnings for the first six months of 2008 were \$23.1 million (\$0.47 per share), which compares to net earnings of \$161.7 million (\$3.18 per share) for the first six months of 2007. Underwriting profit for the first six months of 2008 was \$4.4 million, which compares to \$53.7 million for the same period in 2007, producing a combined ratio of 99.2% for the first six months of 2008 compared to 90.2% for the same period in 2007. Total net investment income was \$36.6 million for first six months of 2008 compared to \$152.0 million for the first six months of 2007, and included a net loss on portfolio investments of \$23.7 million compared to net gains of \$88.3 million for the first six months of 2007.

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 30, 2008 to shareholders of record on August 29, 2008.

The following table presents a summary of the second quarter financial results:

For the Periods Ended June 30 (in \$ millions except per share amounts and percentages)	Second Quarter		Six Months	
	2008	2007	2008	2007
Total revenue <sup>1</sup>	<b>157.5</b>	368.3	<b>597.7</b>	697.6
Underwriting profit	<b>1.2</b>	35.5	<b>4.4</b>	53.7
Combined ratio <sup>2</sup>	<b>99.6%</b>	86.7%	<b>99.2%</b>	90.2%
Net earnings (loss)	<b>(82.4)</b>	116.7	<b>23.1</b>	161.7
Net earnings (loss) per share	<b>(\$1.67)</b>	\$2.29	<b>\$0.47</b>	\$3.18
Net earnings (loss) per diluted share	<b>(\$1.67)</b>	\$2.29	<b>\$0.47</b>	\$3.17

<sup>1</sup>Total revenue consists of net premiums earned, interest and dividend income and net gains (losses) on investments.

<sup>2</sup>The loss, expense and combined ratios 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. 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.

As previously announced, Northbridge will hold a conference call and webcast at 9:30 am (Toronto time) on Friday, August 1, 2008 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) 641-2140 or (800) 952-4972. 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) 695-5800 or (800) 408-3053 (passcode 3266484) until Friday, August 15, 2008.

Northbridge is the leading commercial property and casualty insurance group in Canada, providing property, automobile, general liability and a wide range of other commercial insurance products to businesses primarily in Canada. 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 registered and unregistered product names, trade names, trademarks and service marks of Northbridge, Lombard, Markel, Commonwealth, Federated and other companies, each of which is the property of its respective owner.

As used in this release, references to "Northbridge", "we", "us", and "our" refer to Northbridge Financial Corporation, references to "Lombard" refer to Lombard Canada Ltd., references to "Markel" refer to Markel Insurance Company of Canada, references to "Commonwealth" refer to Commonwealth Insurance Company and references to "Federated" refer to Federated Insurance Company of Canada and, in each case, unless the context otherwise requires or as otherwise expressly stated, their respective subsidiaries.

## **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”, “would”, “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; the cyclical nature of the property and casualty insurance industry; competitive market environment; ability to alleviate risk through reinsurance coverage; credit risks associated with reinsurers and certain insureds; ability to achieve investment returns; subsidiaries’ ability to maintain their financial strength ratings; changes in the business, economic and political environment; changes in government regulation; 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; adequacy and effectiveness of risk management framework; dependence on operating management and key personnel; 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 and assumptions, please refer to the Company’s filings with Canadian securities regulators (accessible on SEDAR at [www.sedar.com](http://www.sedar.com)).

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