

Intact Financial Corporation to Acquire AXA Canada for \$CDN 2.6 Billion

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- Two of Canada's leading property and casualty insurance companies combine forces to create a world-class Canadian-based organization
- Acquisition expected to generate an internal rate of return of 20% and provide annual accretion to operating earnings per share of 15% in the mid-term
- Financing secured through a subscription receipt offering and a committed acquisition financing facility
- Intact Financial to maintain a strong financial position

Intact Financial Corporation (TSX : IFC) announced today that it has signed a definitive agreement with Paris-based AXA Group for the acquisition of its affiliate AXA Canada, the 6th largest home, auto and business insurance company in the country, for \$2.6 billion in cash. A further performance based contingent consideration of up to \$100 million may also be payable if certain profitability metrics are met within a period of five years. The transaction is expected to close later this year upon the receipt of all required regulatory approvals.

As a result of the transaction, IFC will expand its position in Canada by increasing its direct premiums written by \$2.0 billion to more than \$6.5 billion.

According to Charles Brindamour, President and Chief Executive Officer of Intact Financial, the acquisition of AXA Canada will enhance and accelerate our efforts towards building a world-class Canadian-based property and casualty insurer with the ability to succeed in an increasingly competitive environment.

"Over the years, AXA Canada and its management team have built a quality organization with a history of excellent performance. By combining the resources of these two highly regarded insurance franchises, the acquisition creates new opportunities for IFC as it will strengthen our offerings, notably in business insurance, improve our capabilities to support insurance brokers, reinforce our competencies in risk selection, expand our distribution platform and deepen the quality of our management team."

According to Jean-Francois Blais, President and CEO of AXA Canada, "the transaction represents an excellent opportunity for our organization to join a Canadian leader with a history of outstanding performance and values that are similar to those that guide us."

Financially compelling transaction

The transaction is expected to generate an internal rate of return (IRR) of 20% and provide annual operating earnings per share accretion of 15% in the mid-term. Annual synergies amounting to a minimum of \$100 million after-tax are expected from a combination of systems-related cost savings, external loss adjustment expense reductions, and operational and claims efficiencies. Furthermore, Intact Financial is expected to increase its profitability outperformance versus the industry and to benefit from greater earnings stability resulting from a wider diversification of its activities across the country and business lines.

CIBC World Markets Inc. is acting as sole financial advisor to IFC.

Committed Financing

IFC intends to finance the acquisition of AXA Canada and related transaction expenses using \$500 million of its own excess capital, issuing \$800 million of equity, net of commissions, through a bought deal subscription receipt offering and by accessing committed senior in unsecured credit facilities fully underwritten by CIBC of \$1.3 billion that are expected to be partly replaced by the issuance of medium term notes and preferred shares. The combined entity will generate significant cash flows and it is expected that IFC's debt to total capital ratio will be at its optimal level of 20% within 24 months from the closing of the acquisition. IFC will maintain a strong capital position with an MCT of over 200%.

Subscription Receipt Offering

Intact Financial has entered into an agreement with a group of underwriters, co-led by CIBC World Markets Inc. and TD Securities Inc. for an issue of 17.5 million subscription receipts at a price of \$47.80 per subscription receipt for gross proceeds of \$836.5 million pursuant to a bought deal public offering in Canada where each subscription receipt will entitle the holder to receive one common share of IFC upon closing of the acquisition. IFC has also granted the underwriters the option to purchase an additional 2,625,000 subscription receipts exercisable at the offering price for a period of 30 days after the closing for additional gross proceeds of up to \$125.5 million. This offering is expected to close on June 9, 2011.

Conference Call

Intact Financial Corp. (TSX:IFC) will host a conference call today at 4:15 p.m. ET. The conference call will be available by dialling 647-427-7450 or 1-888-231-8191 (toll free in North America). Please call 10 minutes before the start of the call. To listen to the call via live audio webcast, visit our website at www.intactfc.com.

A replay of the call will be available at 7:30 p.m. ET tonight through 11:59 p.m. ET on June 7, 2011. To listen to the replay, please call 1-800-642-1687 (toll-free in North America). The pass code is 72170161.

A transcript of the call and a link to the audio webcast will also be made available on Intact Financial's website at www.intactfc.com under 'Investor Relations'.

Intact Financial is currently in a period of distribution under applicable Canadian securities laws and, accordingly, may be limited in terms of what it can say during the call and how it may respond to questions. We know that you will understand if we indicate during the call that we cannot respond to a particular question or provide further information or comment.

About AXA Group and AXA Canada

Paris-based AXA Group (www.axa.com) is a worldwide leader in insurance and asset management, with 214,000 employees serving 95 million clients around the world. In 2010, its revenues amounted to Euro 91 billion and underlying earnings to Euro 3.9 billion.

AXA Canada (www.axa.ca) and its 2,300 employees offer home, auto and business insurance as well as life insurance products through a network of 1,300 brokerages and 2,700 independent insurance advisors. In 2010, AXA Canada direct premiums written amounted to \$2.0 billion making the company the 6th largest P&C insurer in the country. Over the last five years, the company has grown annually by more than 7% and has outperformed the industry with an average combined ratio of 92.2%.

About Intact Financial Corporation

Intact Financial Corporation (www.intactfc.com) is the largest provider of property and casualty insurance in Canada with \$4.5 billion in premiums. Its 7,500 employees and network of more than 1,800 insurance brokerages offer home, auto and business insurance under the Intact Insurance, Novex Group Insurance, belairdirect and GP Car and Home brands.

The securities to be offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act. This press release shall not constitute an offer to sell or the solicitation of an offer to buy such securities in the United States or in any other jurisdiction where such offer is unlawful.

Cautionary note about forward-looking statements

Certain of the statements included in this press release about IFC's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely", "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause IFC's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: IFC's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that IFC insurance subsidiaries write; unfavourable capital market developments or other factors which may affect IFC's investments and funding obligations under its pension plans; the cyclical nature of the property and casualty insurance industry; management's ability to accurately predict future claims frequency; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; IFC's reliance on brokers and third parties to sell its products to clients; IFC's ability to successfully pursue its acquisition strategy; IFC's ability to execute its business strategy; the terms and conditions of, and regulatory approvals relating to, the acquisition of AXA Canada ("Acquisition"); timing for completion of the Acquisition; synergies arising from, and IFC's integration plans relating to the Acquisition; IFC's financing plans for the Acquisition; management's estimates and expectations in relation to resulting accretion, internal rate of return and debt to capital position at closing of the Acquisition and thereafter, as applicable; various other actions to be taken or requirements to be met in connection with the Acquisition and integrating IFC and AXA Canada after completion of the Acquisition; IFC's participation in the Facility Association (a mandatory pooling arrangement among all industry participants) and similar mandated risk-sharing pools; terrorist attacks and ensuing events; the occurrence of catastrophic events; IFC's ability to maintain its financial strength ratings; IFC's ability to alleviate risk through reinsurance; IFC's

ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); IFC's reliance on information technology and telecommunications systems; IFC's dependence on key employees; general economic, financial and political conditions; IFC's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting IFC's share price; and future sales of a substantial number of its common shares.

These factors are not intended to represent a complete list of the factors that could affect us. These factors should, however, be considered carefully. All of the forward-looking statements included in this press release are qualified by these cautionary statements. Although the forward-looking statements are based upon what management believes to be reasonable assumptions, IFC cannot assure investors that actual results will be consistent with these forward-looking statements. When relying on forward-looking statements to make decisions, investors should ensure the preceding information is carefully considered. Such forward-looking statements are made as of May 31, 2011. Undue reliance should not be placed on forward-looking statements made herein. IFC and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

<https://newsroom.intactfc.com/2011-05-31-Intact-Financial-Corporation-to-Acquire-AXA-Canada-for-CDN-2-6-Billion>