

Intact Financial Corporation Completes \$300 million Medium Term Note Offering and \$250 million Preferred Share Offering

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TORONTO, Aug. 18, 2011 /CNW/ - Intact Financial Corporation (TSX:IFC) announced today that it has closed its \$300 million offering of medium term notes (the "Notes") and its \$250 million offering of Non-cumulative Rate Reset Class A Shares Series 3 (the "Series 3 Preferred Shares").

The Notes were offered on a best efforts basis through a syndicate led by CIBC World Markets Inc., RBC Dominion Securities Inc. and TD Securities Inc. and including Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc. and Casgrain & Company Limited. The Notes will be direct unsecured obligations of IFC and will rank equally with all other unsecured and unsubordinated indebtedness of IFC. The Notes will bear interest at a fixed annual rate of 4.70% until maturity on August 18, 2021.

The Series 3 Preferred Share offering was underwritten on a bought deal basis by a syndicate of underwriters led by CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. and including National Bank Financial Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., GMP Securities L.P., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Macquarie Capital Markets Canada Ltd. and Raymond James Ltd. (the "Underwriters"). IFC entered into an underwriting agreement dated August 11, 2011 with the Underwriters under which the Underwriters agreed to purchase from IFC and sell to the public 9,000,000 Series 3 Preferred Shares at a price of \$25.00 per Series 3 Preferred Share for gross proceeds to IFC of \$225,000,000. The Underwriters have exercised their over-allotment option and purchased an additional 1,000,000 Series 3 Preferred Shares at a price of \$25.00 per Series 3 Share for gross proceeds to IFC of \$25,000,000.

The holders of Series 3 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors of IFC, on a quarterly basis (with the first quarterly dividend to be paid on September 30, 2011), for the initial fixed rate period ending on September 30, 2016, based on an annual rate of 4.20%. The dividend rate will be reset on September 30, 2016 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 2.66%. The Board of Directors has approved and declared the initial dividend of \$0.12370 per Series 3 Preferred Share which is payable on September 30, 2011 to holders of record on September 15, 2011.

Holders of the Series 3 Preferred Shares will have the right, at their option, to convert their Series 3 Preferred Shares into Non-cumulative Floating Rate Class A Shares Series 4 (the "Series 4 Preferred Shares"), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. The holders of Series 4 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors of IFC, at a rate equal to the 90-day Canadian Treasury Bill rate plus 2.66%.

IFC intends to use the net proceeds of the Series 3 Preferred Share offering and the Note offering, together with borrowings under acquisition credit facilities previously arranged by IFC, the proceeds of a previously announced subscription receipt offering, the net proceeds from a previously announced private placement of medium term notes, the net proceeds of a previously announced preferred share offering and a portion of IFC's existing cash resources, to fund the purchase price for its previously announced acquisition of all of the issued and outstanding shares of AXA Canada (the "Acquisition"). The closing of the Acquisition is expected to occur in the fall of 2011 subject to receipt of required competition and insurance regulatory approvals and the satisfaction of certain closing conditions. The Series 3 Preferred Share offering and the Note offering are not conditional upon closing of the Acquisition; if the Acquisition is not completed, the net proceeds from these offerings will be used for general corporate purposes.

The Notes have been given a rating of A(low) with a Stable trend by DBRS Limited and a rating of A3, under review for possible downgrade by Moody's Investors Service, Inc. DBRS Limited has assigned a rating of Pfd-2(low) with a Stable trend for the Series 3 Preferred Shares.

The Series 3 Preferred Shares will commence trading on the Toronto Stock Exchange on August 18, 2011 under the symbol IFC.PR.C.

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.

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.

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; 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. 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.

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