

EGI Financial Reports fourth quarter and year end results

TORONTO, February 17, 2015 - EGI Financial Holdings Inc. (“EGI” or “the Company”) (TSX: EFH), which operates in the property and casualty insurance industry in Canada and Europe, today reported net income of \$8.4 million, or \$0.75 per diluted share, for the three months ended December 31, 2014.

Fourth Quarter 2014 Highlights

- Net operating income of \$0.75 per share compared to \$0.08 per share in the fourth quarter of 2013
- Underwriting income of \$7.6 million for the quarter compared to an underwriting loss of \$4.3 in the same period in 2013
- A combined operating ratio of 90% compared to 107% in the fourth quarter of 2013
- A 6% increase in direct written premiums to \$78.8 million over the same period in 2013, primarily driven by the increase in premiums from the acquisition of ICPEI
- Total pre-tax return on invested assets of \$6.8 million in the quarter compared to \$8.3 million in the fourth quarter of 2013
- An increase in book value per share of 4.1% in the quarter to \$15.82 per share

“We are delighted with the performance of our company in the fourth quarter and our strong finish to 2014,” stated Steve Dobronyi, Chief Executive Officer of EGI. “We are excited to be reporting record quarterly underwriting profits and record quarterly operating earnings.”

“Equally notable is the consistency of underwriting results that has emerged across all lines of business,” continued Mr. Dobronyi. “For the second quarter in a row, all segments were profitable. Personal Lines has now generated an underwriting profit in 16 of the past 17 quarters, including 7 in a row. Specialty Programs has reported an underwriting profit in 3 consecutive quarters. And International has generated underwriting profits in 5 of the past 7 quarters, including 2 in a row.”

“EGI, as a company, is now stronger than ever,” concluded Mr. Dobronyi. “We have a solid balance sheet and a clear and focused strategy. We maintain confidence in the profitability of our business, as we continue our steady progress toward our goal of a 12% post-tax return on shareholder equity.”

“We are looking forward to building on this momentum in 2015. We will continue to direct our efforts at growing our core auto business in Canada and generating consistent underwriting profitability in the International division. Our goal is to grow organically and to accelerate our strategies through targeted acquisitions in Canada. At the same time, we will continue to invest heavily in our business, infrastructure, systems and people.”

Dividend

The Board of Directors declared a quarterly dividend of 11 cents per outstanding common share. The dividend is payable on April 1, 2015, to shareholders of record on March 10, 2015.

Financial Summary

\$000s (except per share amounts)	3 months ended Dec. 31, 2014	3 months ended Dec. 31, 2013	% Change	12 months ended Dec. 31, 2014	12 months ended Dec. 31, 2013	% Change
Direct written premiums	78,832	74,300	6%	364,904	268,367	36%
Net earned premiums	77,491	59,738	30%	278,034	205,464	35%
Underwriting income (loss)	7,584	(4,309)	276%	4,927	(2,587)	290%
Investment income	6,358	4,791	33%	24,333	17,712	37%
Net income	8,403	1,158	626%	18,732	12,367	51%
Net operating income ⁽¹⁾	8,472	937	804%	16,890	10,575	60%
Net income per diluted share	\$0.68	\$0.16	325%	\$1.56	\$1.11	41%
Net operating income per diluted share ⁽²⁾	\$0.75	\$0.08	838%	\$1.40	\$0.96	46%
Book value per share	\$15.82	\$14.57	8.6%	\$15.82	\$14.57	8.6%

(1) *Net operating income is defined as net income plus or minus after-tax impact of change in discount rate on unpaid claims, realized losses or gains on sale of investments, discontinued operations, unrealized fair value changes on Fair Value Through Profit or Loss (FVTPL) investments and one time non-recurring charges.*

(2) *Net operating income is adjusted to that attributable to shareholders for per share calculation.*

Fourth Quarter Review

Net operating income of \$8.5 million or \$0.75 per share was recorded in the quarter, compared to \$0.9 million or \$0.08 per share in the fourth quarter of 2013. The increase was primarily due to an underwriting income of \$7.6 million compared to an underwriting loss of \$4.3 million for the same period in 2013.

Personal Lines generated an underwriting profit of \$4.8 million. Non-standard auto, motorcycles and recreational vehicles all performed strongly in the quarter, as a result of favourable weather and driving conditions.

Specialty Programs recorded a \$1.7 million underwriting profit due to improved current accident year results and favourable prior year reserve development. Management actions in 2013 and early 2014 to reduce exposure to volatile programs appear to have been effective. The impact of previously cancelled programs was minimal and we continue to close outstanding claims on these programs.

The Insurance Company of Prince Edward Island (“ICPEI”) generated an underwriting profit of \$1.0 million in the fourth quarter due to strong performance in Nova Scotia and P.E.I. auto.

The International division produced an underwriting profit of \$1.3 million for the quarter. UK auto programs performance improved in the quarter, while warranty and other special programs in Scandinavia and Continental Europe continued to perform strongly.

Direct written premiums increased by 6%, attributable primarily to \$6.6 million of premium for the newly acquired ICPEI entity.

Investment income improved to \$6.4 million compared to \$4.8 million in the fourth quarter of 2013. The total pre-tax return on invested assets was \$6.8 million in the quarter compared to \$8.3 million in the fourth quarter of 2013. The fair value of EGI's investment portfolio, including finance receivables, was \$539 million, up 12% from the beginning of the year.

Operating expenses, excluding restructuring charges incurred in the fourth quarter in 2014, increased by 20% over the year, far lower than the 30% increase in net earned premiums. As a result, EGI's general expense ratio decreased by 0.8% compared to the fourth quarter of 2013.

On a consolidated basis, a net favourable development of prior year claims of \$0.9 million was recorded in the fourth quarter of 2014 compared to unfavourable development of \$0.7 million in the same period in 2013.

Overall net income was \$8.4 million, a 264% increase compared to the same quarter last year, primarily due to an increase in underwriting income.

Operating Results

Underwriting Income (Loss)⁽¹⁾ \$000s	3 months ended Dec. 31, 2014	3 months ended Dec. 31, 2013	12 months ended Dec. 31, 2014	12 months ended Dec. 31, 2013
Personal Lines	4,789	1,767	11,014	8,181
Specialty Programs	1,704	(4,732)	770	(7,614)
ICPEI	1,016	—	1,307	—
International	1,293	(338)	(3,179)	393
Key Operating Ratios				
Loss ratio ⁽²⁾	51.0%	69.5%	58.3%	64.3%
Expense ratio	39.2%	37.7%	39.9%	36.9%
Combined ratio	90.2%	107.2%	98.2%	101.2%
Loss Ratio⁽²⁾				
Personal Lines	53.9%	61.8%	58.9%	62.7%
Specialty Programs	17.1%	106.6%	40.4%	79.1%
ICPEI	50.8%	—	57.0%	—
International	54.9%	66.4%	62.5%	60.0%

(1) Excluding head office overhead costs and impact of change in discount rate on unpaid claims

(2) Loss ratio excludes impact of change in discount rate on unpaid claims

Twelve-Month Review

Net operating income of \$16.9 million was recorded for the year ended December 31 2014, compared to net operating income of \$10.6 million in the same period of 2013.

An underwriting profit of \$4.9 million was reported versus an underwriting loss of \$2.6 million for the same period in 2013. This was primarily due to improved underwriting income in Specialty Programs and underwriting income in ICPEI, partially offset by a loss in the International division that was mainly due to weather-related claims experienced in UK auto in the second quarter of 2014.

Direct written premiums increased overall by 36%, attributable primarily to an increase in written premium from the International division and the inclusion of six months of written premium from ICPEI in 2014.

Investment income was \$24.3 million compared to \$17.7 million in 2013, primarily due to higher dividends and interest income and improved mark-to-market performance of preferred shares in 2014. Including unrealized gains, the total pre-tax return on invested assets was \$26.8 million compared to \$14.3 million in 2013.

An increase in operating expenses of 31% was in line with the 36% growth in direct written premiums.

On a consolidated basis, net favourable development of prior year claims of \$11.3 million was recorded in 2014 compared to net favourable development of \$4.8 million in 2013. This can be attributed to stronger favourable development in Specialty Programs and Personal Lines

Net income for the year was \$18.7 million a 51% increase from the prior year. The increase in net income was primarily due to higher underwriting income in Specialty Programs and higher investment income.

Capital Management

The Minimum Capital Test (MCT) ratio of EGI's Canadian subsidiary, Echelon General Insurance Company (Echelon), as at December 31, 2014, was 211%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI).

In addition to excess capital at Echelon, the Company has approximately \$18 million of excess deployable capital invested in liquid assets in the holding company. All regulated entities remain well-capitalized.

For the twelve months ended December 31, 2014, total equity attributable to shareholders increased by \$11.2 million to \$183.6 million from December 31, 2013, primarily due to net income of \$18.7 million less shareholder dividends of \$4.7 million. 254,800 shares were repurchased in the fourth quarter. For the twelve months ended December 31, 2014 share repurchases were \$3.5 million.

All full year 2013 operating results refer to continuing operations.

Full Financial Statements and Management's Discussion and Analysis (MD&A) are available on SEDAR and on the Company's web site at www.egi.ca.

Non-IFRS Financial Measures

EGI uses International Financial Reporting Standards (IFRS) and certain non-IFRS measures to assess performance. Readers are cautioned that non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies. EGI analyzes performance based on operating income and underwriting ratios such as combined, expense and loss ratios.

Forward-looking Information

This news release contains forward-looking information based on current expectations. This information includes, but is not limited to, statements about the operations, business, financial condition, priorities, targets, ongoing objectives, strategies and outlook of EGI for 2015 and subsequent periods.

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a projection as reflected in the forward-looking information. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond EGI's control, affect the operations, performance and results of and its business and could cause actual results to differ materially from the expectations expressed in any of this forward-looking information.

EGI does not undertake to update any forward-looking information. Additional information about the risks and uncertainties about EGI's business is provided in its disclosure materials, including its Annual Information Form and Management Discussion & Analysis, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Conference Call

A conference call for analysts and interested listeners will be held on Wednesday, February 18, 2015, at 11:00 a.m. (ET). The call-in numbers for participants are 647-427-7450 or toll free 1-888-231-8191, Conference ID 65823873. A live audio feed of the call will be available online through the Company's website at www.egi.ca, or directly at <http://www.newswire.ca/en/webcast/detail/1471065/1637523>

A replay of the call will be available until February 25, 2015. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, password 65823873.

About EGI

Founded in 1997, EGI operates in the property and casualty insurance industry in Canada and Europe, primarily focusing on non-standard automobile insurance and other specialty P&C insurance products. EGI's common shares are traded on the Toronto Stock Exchange under the symbol EFH.

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