EGI Financial Holdings Inc.

EGI Financial Book Value Per Share Increases by 9%, Announces Share Buyback Target

TORONTO, February 25, 2013 - EGI Financial Holdings Inc. ("EGI" or "the Company") (TSX: EFH), which operates in the property and casualty insurance industry in Canada, the United States and Europe, today reported net income of $4.5 million, or $0.38 per diluted share, for the three months ended December 31, 2012. This compares to $3.3 million, or $0.29 per diluted share, up 31% from the same period in 2011.

For the full year 2012, EGI's net income increased by 158% to $19.4 million, or $1.68 per diluted share, from $7.5 million, or $0.64 per diluted share, for the full year 2011.

EGI also announced today that it intends to apply to the Toronto Stock Exchange (TSX) for renewal of its normal course issuer bid on April 3, 2013. EGI believes that the proposed purchases are in the best interests of EGI and are a desirable use of corporate funds. All common shares purchased by EGI pursuant to the bid will be cancelled. Subject to TSX approval, the Company will target repurchases of up to $7.5 million of shares (approximately 720,000 shares or 6% of outstanding shares at current prices) over the ensuing 12 months. Further details of the repurchase program will be announced closer to the date of TSX approval.

Fourth Quarter 2012 Highlights

- An 81% increase in net operating income to $4.4 million, or $0.37 per diluted share
- An overall combined operating ratio of 96%, compared to 97% in Q4 2011
- A combined ratio of 75% in EGI's core non-standard auto business, compared to 99% in Q4 2011
- An 18% increase in direct written premiums over the same period in 2011 to $52 million
- Strong investment income of $4.8 million compared to $5.2 million in the fourth quarter of 2011

Full Year 2012 Highlights

- An increase in book value per share of 9% to $13.98
- Personal Lines underwriting income of $11.9 million, a 69% increase over 2011
- $28 million of premiums written in the newly formed International division

"We are extremely pleased with EGI's finish to the year," stated Steve Dobronyi, Chief Executive Officer of EGI. "In Personal Lines, these are our best underwriting results in over 5 years. The division has now recorded 9 consecutive quarters of underwriting profitability."

"The full year results are also strong. Book value per share, which we consider to be our primary measure of shareholder value, increased by 9%," continued Mr. Dobronyi. "Direct written premiums increased by 26%, primarily due to the top-line growth of the International division."

"We are comfortable with the state of our business and are confident of its future outlook," concluded Mr. Dobronyi. "In 2013, we look forward to building on these results, maintaining the profitability of our core business, bringing our start-up operations to profitability, managing the run-off of discontinued lines, strengthening our infrastructure and building deeper expertise."

Financial Summary

$000s (except per share amounts)	3 months ended Dec. 31, 2012	3 months ended Dec. 31, 2011	% Change	12 months ended Dec. 31, 2012	12 months ended Dec. 31, 2011	% Change
Direct written premiums	52,326	44,324	18.1%	220,149	174,892	25.9%
Net earned premiums	46,713	42,375	10.2%	178,575	165,447	7.9%
Underwriting income (loss)	1,833	1,450	26.4%	(3,271)	588	(656.3)%
Investment income	4,792	5,245	(8.6)%	34,044	13,867	145.5%
Net income	4,513	3,254	38.6%	19,366	7,520	157.5%
Net operating income(1)	4,402	2,436	80.7%	7,725	8,585	(10.0)%
Net income per diluted share	$0.38	$0.29	31.0%	$1.68	$0.64	162.5%
Net operating income per diluted share(2)	$0.37	$0.20	85.0%	$0.72	$0.73	(1.4)%
Book value per share	$13.98	$12.85	8.8%	$13.98	$12.85	8.8%

(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, 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 $4.4 million was recorded in the quarter, compared to $2.4 million in the fourth quarter of 2011. Net operating income per share was $0.37, an increase of 85% from the same period in 2011.

Underwriting income came in at $1.8 million versus $1.5 million for the same period in 2011, a 26% increase, mainly due to a significant improvement in the performance of Personal Lines.

Direct written premiums increased by 18%, attributable primarily to a $9.3 million contribution from the International division, as well as $0.9 million from Niche Products. Growth of Niche Products was boosted by the acquisition of CUISA MGA. Written premium growth was partially offset by a $3.1 million decrease in Personal Lines. Written premiums increased faster than earned premiums, up 10%, as the International division is still in the start-up phase and written premiums will be earned in the future.

Investment income was a strong $4.8 million, compared to $5.2 million in Q4 of 2011, reflecting slightly lower realized gains and dividends. The fair value of EGI's investment portfolio, including finance receivables, was $439 million, up 9% from the beginning of the year.

Operating expenses increased by 30% to $8.5 million due to start-up expenses in the International division in 2012, unusual one-time charges of $1.1 million, as well as increased amortization expense on IT related investments to improve operations and service.

On a consolidated basis, a net favourable development of prior year claims of $2.4 million was recorded in the fourth quarter of 2012 compared to favourable development of $1.9 million in the same period in 2011.

Overall net income was $4.5 million, a 39% increase compared to the same period last year, primarily due to a significant increase in underwriting income and a lower effective tax rate.

Operating Results

Underwriting Income (Loss)(1) $000s	**3 months ended Dec. 31, 2012**	**3 months ended Dec. 31, 2011**	**12 months ended Dec. 31, 2012**	**12 months ended Dec. 31, 2011**
Personal Lines	4,827	3,260	11,898	7,046
Niche Products	(606)	162	(6,050)	(1,244)
U.S.	(925)	(1,272)	(4,553)	(3,299)
International	(1,226)	(422)	(3,136)	(422)

Key Operating Ratios	**3 months ended Dec. 31, 2012**	**3 months ended Dec. 31, 2011**	**12 months ended Dec. 31, 2012**	**12 months ended Dec. 31, 2011**
Loss ratio(2)	55.8%	59.2%	63.4%	63.7%
Expense ratio	40.3%	37.4%	38.5%	35.9%
Combined ratio	96.1%	96.6%	101.9%	99.6%

Loss Ratio(2)	**3-months ended Dec. 31, 2012**	**3-months ended Dec 31, 2011**	**12-months ended Dec 31, 2012**	**12-months ended Dec 31, 2011**
Personal Lines	49.8%	59.3%	58.1%	65.1%
Niche Products	51.5%	52.2%	66.5%	56.6%
U.S.	91.1%	117.8%	101.5%	90.3%
International	78.3%	n/a	71.9%	n/a

(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

The performance of the Company's Personal Lines business improved significantly in the fourth quarter of 2012, recording underwriting income of $4.8 million, a $1.5 million increase over the same period last year. The growth was attributable mainly to the improved performance of non-standard auto, which saw its combined ratio improve significantly from 98.7% in Q4 2011 to 74.9% in the fourth quarter of 2012. The improvement was due to solid loss ratios in Ontario, Quebec and Atlantic regions, partially offset by an increase in motorcycle reserves.

New insurance regulations that were introduced in Ontario in September 2010 seem to be having a positive impact on the development of claims. Management remains cautiously optimistic on the favourable impact of the Ontario reforms to date, although several uncertainties remain – i) a potentially offsetting impact in bodily injury claims as personal injury lawyers seek new avenues for awards; ii) a clear definition of claims that are deemed to be “catastrophic”; iii) the combining or “stacking” of physical and psychological impairments in assessing whole person impairment; iv) the potential implementation of the recommendations of the Ontario Anti-Fraud Task Force; and v) a continued backlog of mediated claims at the Ontario regulator. These issues are expected to have the greatest impact in the Greater Toronto Area, which is a territory where EGI is not a significant writer.

Quebec continues to be a consistently strong contributor to Personal Lines underwriting profits. Specialty Auto and Nova Scotia also remain profitable.

Niche Products recorded an underwriting loss of $0.6 million compared to an underwriting income of $0.2 million in the fourth quarter of 2011. The decrease was due to $0.2 million in one-time charges to the expense ratio, related to severance and other expenses, as well as $0.6 million related to the runoff effect of cancelled programs. EGI’s goal for Niche Products is to focus on larger, profitable programs and build deeper expertise in fewer product categories. The number of active programs in Niche Products has decreased to 72 from a peak of 125 in 2009. At the same time, net written premiums have increased to $9.3 million in the fourth quarter of 2012 from $8.8 million in the same period in 2011.

Additional information on the Company’s cancelled programs in Niche Products is available on the Presentations tab of EGI’s website.

U.S. operations recorded improving underwriting performance, though still posting an underwriting loss of $0.9 million due to a lack of scale and poor claims experience in Texas. EGI exited the Texas market in 2012 but will continue to have earned premiums throughout 2013.

The International division recorded an underwriting loss of $1.2 million as a result of start-up costs, the seasonality of motorcycle business, the write-off of certain new business expenses and a lack of material earned premium. Net earned premiums were $4.0 million on $9.3 million of gross written premiums. To date, the International division remains on track with its business plan on the key measures of premiums, expenses and claims.

Twelve-Month Review

In 2012, the Company achieved considerable growth in its gross written premiums, which are up 25.9% over the prior year. The International division as well as the recently acquired CUISA MGA were the main drivers of the increase.

For the twelve months ended December 31, 2012, the Company recorded net operating income of $7.7 million, a 10% drop compared to 2011, due a negative runoff impact from cancelled Niche Products programs, as well as start-up expenses incurred in the International and U.S. divisions.

Net income for the year saw a very significant 158% increase, attributable mainly to investment income of $34.0 million, of which $20.8 million was generated in the third quarter through realized gains from investments in relation to the Company's policy to align maturities of investments with liabilities, as well as make the portfolio more capital efficient.

Capital Management

As at December 31, 2012, Echelon General's Minimum Capital Test (MCT) ratio was 241%, which significantly exceeds the supervisory regulatory capital level of 150% required by the Office of the Superintendent of Financial Institutions (OSFI).

In addition to excess capital at Echelon General, the Company has approximately $25 million of excess capital invested in liquid assets in the holding company and in our Barbados reinsurance company, CIM Re.

The Company intends to apply to the TSX for renewal of its normal course issuer bid. Subject to TSX approval, the Company's total target repurchases will be up to $7.5 million of shares over the ensuing 12 months – up to $2.5 million of shares through regular repurchases on a standing order and up to an additional $5 million on blocks of shares on an opportunistic basis.

For the twelve months ended December 31, 2012, total shareholders' equity increased by $10.6 million to $165.4 million from December 31, 2011, due mostly to net income of $19.4 million, partially offset by a comprehensive loss of $7.7 million. Share repurchases were $1.4 million for the twelve months ended December 31, 2012.

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.

About EGI

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

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 2013 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 Tuesday, February 26, 2013, at 11:00 a.m. (ET). The call-in numbers for participants are 647-427-7450 or toll free 888-231-8191, Conference ID 91758928. 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/1101609/1200345.

A replay of the call will be available until March 5, 2013. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 91758928.

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