

EGI Financial Reports first quarter results

TORONTO, May 8, 2014 - 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 \$5.4 million on continuing operations, or \$0.44 per diluted share, for the three months ended March 31, 2014.

All operating results below refer to continuing operations.

First Quarter 2014 Highlights

- Net operating income of \$0.30 per share compared to \$nil in the first quarter of 2013
- An underwriting income of \$0.5 million for the quarter, compared to a loss of \$3.5 million in the prior period
- A combined operating ratio of 99% compared to 108% in the first quarter of 2013
- A 50% increase in direct written premiums over the same period in 2013 to \$80 million, driven by the increase in premiums in the International division
- Total pre-tax return on invested assets of \$9.3 million in the quarter compared to \$6.7 million in the first quarter of 2013
- An increase in book value per share of 2.4% in the quarter to \$14.92 per share. Excluding the investment in EGI’s European subsidiary that increased its ownership from 51% to 71%, book value per share increased by \$0.61 or 4.2% in the quarter.

“We are very pleased with our strong start to the year,” stated Steve Dobronyi, Chief Executive Officer of EGI. “We continue to demonstrate consistent profitability in our core Personal Lines business, which has now recorded an underwriting profit in 13 of the past 14 quarters. All Personal Lines products and geographies contributed to the underwriting profit.”

“Ontario auto insurance remains an unpredictable environment,” Mr. Dobronyi expanded. “We consistently outperform the industry average and consistently make an underwriting profit in Ontario auto, but it is not meeting its profitability target. We are fully supportive of the government’s initiative to reduce premiums but we cannot have a sustainable and functional auto insurance industry without a commensurate reduction in claims costs.”

“Outside of Canada, the International division continues to perform admirably, generating high growth and underwriting profits ahead of schedule,” continued Mr. Dobronyi. “International is building a consistent track record, having now reported an underwriting profit in 3 of the past 4 quarters.”

“Looking ahead, we’re optimistic for our prospects in 2014 and the future of our Company,” concluded Mr. Dobronyi. “Our primary focus is to generate growth and underwriting profits in our core auto insurance business in Canada. We’re confident that the acquisition of the Insurance Company of Prince Edward Island and the profitable growth of our International business will accent this further.”

Dividend

The Board of Directors declared a quarterly dividend of 10 cents per outstanding common share. The dividend is payable on July 2, 2014, to shareholders of record on June 9, 2014.

Financial Summary

\$000s (except per share amounts)	3 months ended March 31, 2014	3 months ended March 31, 2013	% Change
Direct written premiums	79,768	53,240	50
Net earned premiums	62,098	44,566	39
Underwriting income (loss)	532	(3,515)	115
Investment income	6,134	5,088	21
Net income	5,395	30	17,883
Net operating income (loss) ⁽¹⁾	3,678	(8)	46,075
Net income per diluted share	\$0.44	\$0.01	4,300
Net operating income per diluted share ⁽²⁾	\$0.30	\$0.00	N/A
Book value per share	\$14.92	\$14.09	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.

First Quarter Review

Net operating income of \$3.7 million or \$0.30 per share was recorded in the quarter, compared to \$nil in the first quarter of 2013. The increase was due to an increase in underwriting income to \$0.5 million compared to an underwriting loss of \$3.5 million for the same period in 2013.

Personal Lines generated an underwriting income of \$2.9 million. Ontario Auto had an improved underwriting income of \$1.2 million, despite the severe winter driving conditions experienced in Ontario in the quarter. Quebec, Maritimes and Motorcycle all also made strong contributions to the results with an underwriting income of \$1.7 million.

Specialty Programs recorded a \$1.6 million underwriting loss. This was primarily due to poor performance in commercial property, liability and host liquor liability program lines. EGI continues to actively manage these lines of business and review its exposure to unprofitable programs. In the first quarter, three more programs were cancelled with total annual premiums of approximately \$10 million. EGI has now reduced the number of programs it writes to 38 from a peak of 136. At the same time, EGI's premium volumes have remained relatively flat. Going forward, EGI will continue to reduce its exposure to the soft market conditions of commercial property and focus attention on its profitable warranty and true specialty risk programs.

The International division produced an underwriting profit of \$0.4 million for the quarter. The performance was due to strong performance in the warranty, personal auto and commercial auto. This was offset by a higher than expected commercial property loss ratio. We continue to be very encouraged by the performance of the International division. EGI's focus for the remainder of 2014 is on monitoring profitability and ensuring that it maintains sound risk management practices.

Direct written premiums increased by 50%, attributable primarily to a \$27.9 million or 188% growth in the International division.

Investment income was strong at \$6.1 million compared to \$5.1 million in the first quarter of 2013. The total pre-tax return on invested assets was \$9.3 million in the quarter compared to \$6.7 million in the first quarter of 2013. The fair value of EGI's investment portfolio, including finance receivables, was \$498 million, up 3.5% from the beginning of the year.

Operating expenses incurred in the first quarter in 2014 increased by 48% over the prior year, higher than the 39% increase in net earned premiums due to increased amortization on information technology related expenditures that will improve the analytical capabilities and customer service of the organization. As a result, EGI's operating expense ratio increased by 0.8%.

On a consolidated basis, a net favourable development of prior year claims of \$3.2 million was recorded in the first quarter of 2014 compared to favourable development of \$0.9 million in the same period in 2013.

Overall net income was \$5.4 million, as compared to \$nil the same quarter last year, due to an increase in underwriting and investment income.

Operating Results

Underwriting Income (Loss)⁽¹⁾ \$000s	3 months ended March 31, 2014	3 months ended March 31, 2013
Personal Lines	2,912	(1,332)
Specialty Programs	(1,629)	(1,119)
International	387	(333)
Key Operating Ratios	3 months ended March 31, 2014	3 months ended March 31, 2013
Loss ratio ⁽²⁾	57.5%	71.9%
Expense ratio	41.6%	36.0%
Combined ratio	99.1%	107.9%
Loss Ratios⁽²⁾	3 months ended March 31, 2014	3 months ended March 31, 2013
Personal Lines	58.1%	74.7%
Specialty Programs	62.8%	69.8%
International	54.9%	61.5%

(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

Capital Management

The Minimum Capital Test (MCT) ratio of EGI's Canadian subsidiary, Echelon General Insurance Company, as at March 31, 2014, was 228%, 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 \$25 million of excess deployable capital invested in liquid assets in the holding company. All regulated entities remain well-capitalized. In February 2014, EGI injected \$6 million of capital into its European subsidiary to support its strong premium growth and strengthen its regulatory capital ratios. As a result, EGI's ownership stake increased to 71% from 51% at the beginning of the year.

For the three months ended March 31, 2014, total shareholders' equity increased by \$5.0 million to \$175.5 million from December 31, 2013, primarily due to net income of \$5.4 million. No shares were repurchased in the first quarter.

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.

Insurance Company of Prince Edward Island

On March 28, 2014, EGI entered into a definitive agreement with SGI CANADA to acquire SGI CANADA's 75% share of the Insurance Company of Prince Edward Island. The Insurance Company of Prince Edward Island is the largest Maritimes-based property and casualty insurance company in Canada, operating through independent brokers in Prince Edward Island, New Brunswick and Nova Scotia.

The transaction is expected to close in early summer 2014, subject to satisfaction of customary closing conditions.

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 2014 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 Friday, May 9, 2014, 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 28483394. 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/1336777/1477635>.

A replay of the call will be available until May 16, 2014. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 28483394.

About EGI Financial Holdings Inc.

Founded in 1997, EGI Financial operates in the property and casualty insurance industry in Canada and Europe, primarily focusing on non-standard automobile insurance and other niche and specialty general insurance products.

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