



Kingsway Financial Services Inc.

Investor Meeting Presentation | November 29 and 30, 2011

Forward Looking Statements

This presentation contains forward-looking statements related to our future growth, trends in our operating companies' businesses and industries and our financial and operational results and performance that are based on managements' current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see Kingsway's securities filings, including its 2010 Annual Management's Discussion and Analysis, under the heading Risk Factors. The securities filings can be accessed on the Canadian Securities Administrators' website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission's website at www.sec.gov or through the Company's website at www.kingsway-financial.com. Kingsway Financial Services Inc. does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

What is Kingsway ?

Ticker: **KFS / KFS.TO**

Exchange: NYSE / TSX

Price (as of 11/22/11):

\$0.70 NYSE

Shares Out: 52.3 mm

Market Cap: \$37 mm

- Kingsway Financial Services Inc. (KFS) is a holding company that either owns or controls stakes in several insurance industry assets
- KFS's strategy is to manage its existing portfolio and actively pursue new opportunities in order to return value to shareholders

Note: Throughout this presentation, all \$ are in USD.



Company Timeline

1989

KFS founded as a specialty provider of personal and commercial insurance in the US & Canada.

2007

Underwriting results begin to show operational challenges

Present

KFS now functions as a merchant bank with focus on value creation

1990-2006

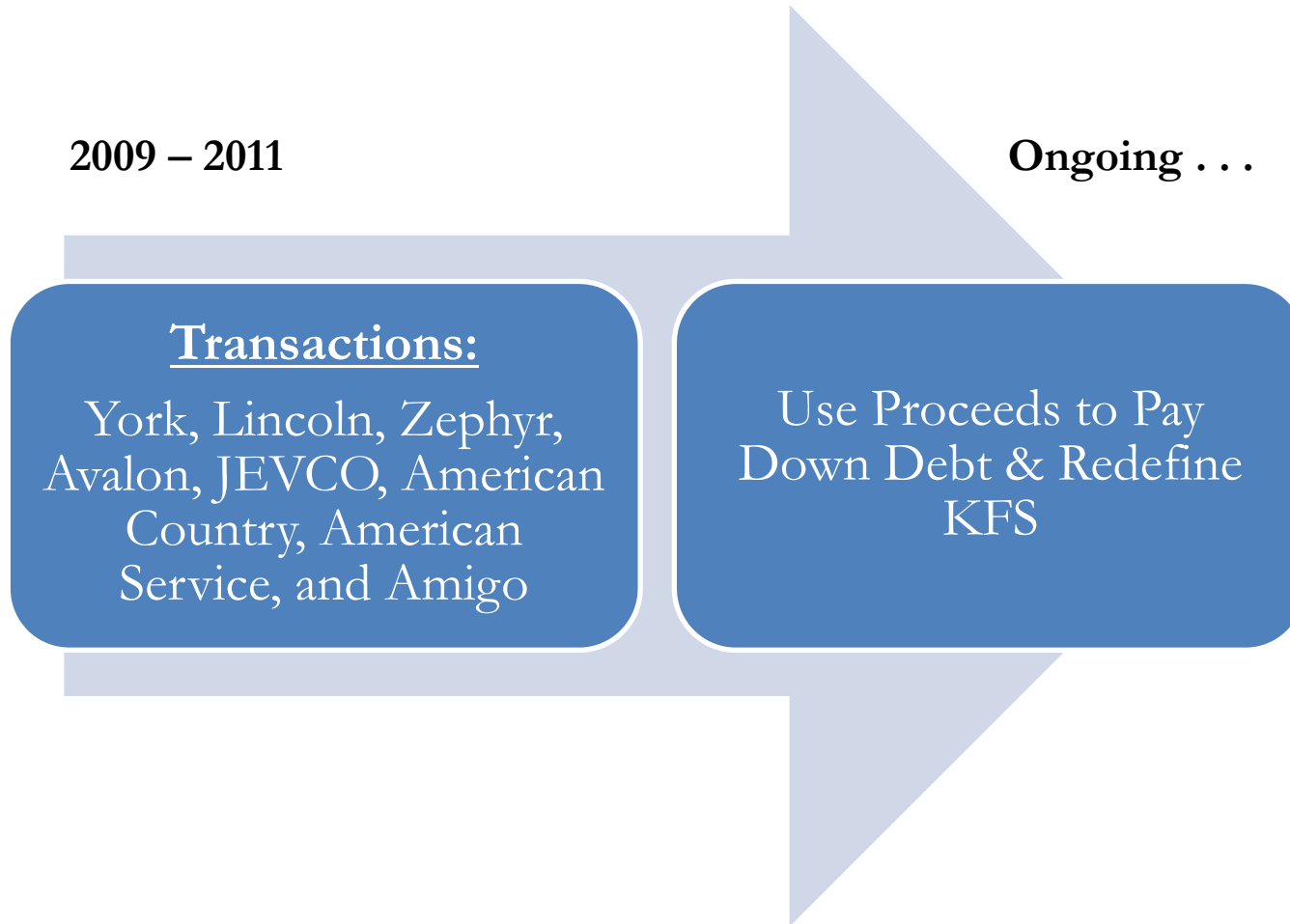
Acquisitions add several companies under the KFS umbrella

2008

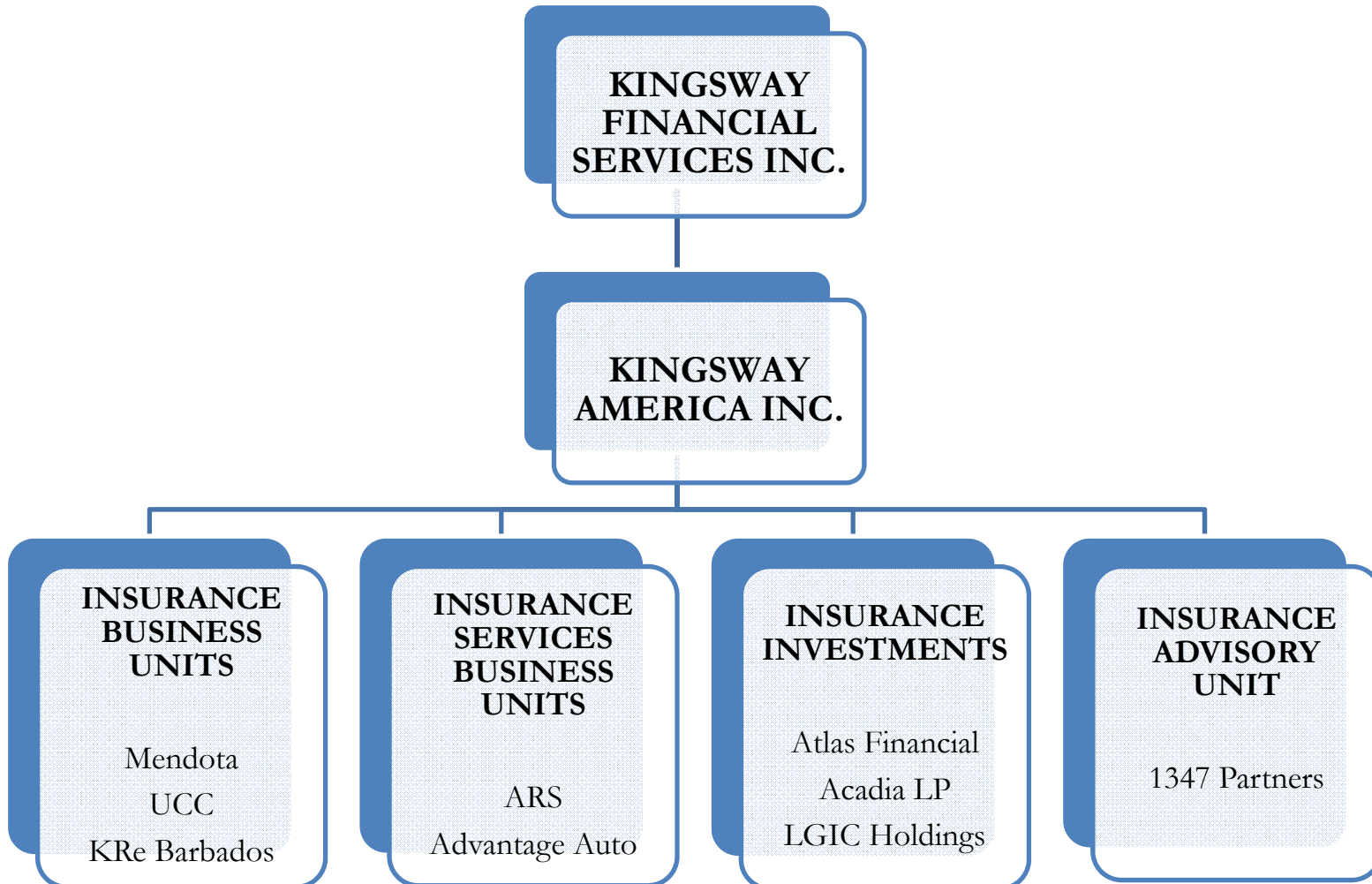
Stilwell Group files first 13-D on KFS; management and board replaced and multi-year plan to shed assets and streamline operations begins



Redefining the Business



What is Kingsway Today ?



Insurance Business Unit: Mendota

| Size | Geography | Target |
|---|---|---|
| <ul style="list-style-type: none">• \$70-75mm Non Standard Auto Premium | <ul style="list-style-type: none">• FL, CA, TX, CO, NV (largest states by volume) | <ul style="list-style-type: none">• 20% Pre-Tax Return on Statutory Surplus |

- New leadership is committed to write only profitable premium



Insurance Business Unit: UCC

- Managing orderly runoff of several commercial programs and non-standard auto books
- Actively writing only non-standard auto in IL
- Also writing some non-standard auto in CA, AZ only to comply with mandatory renewal requirements



Insurance Business Unit: KRe Barbados

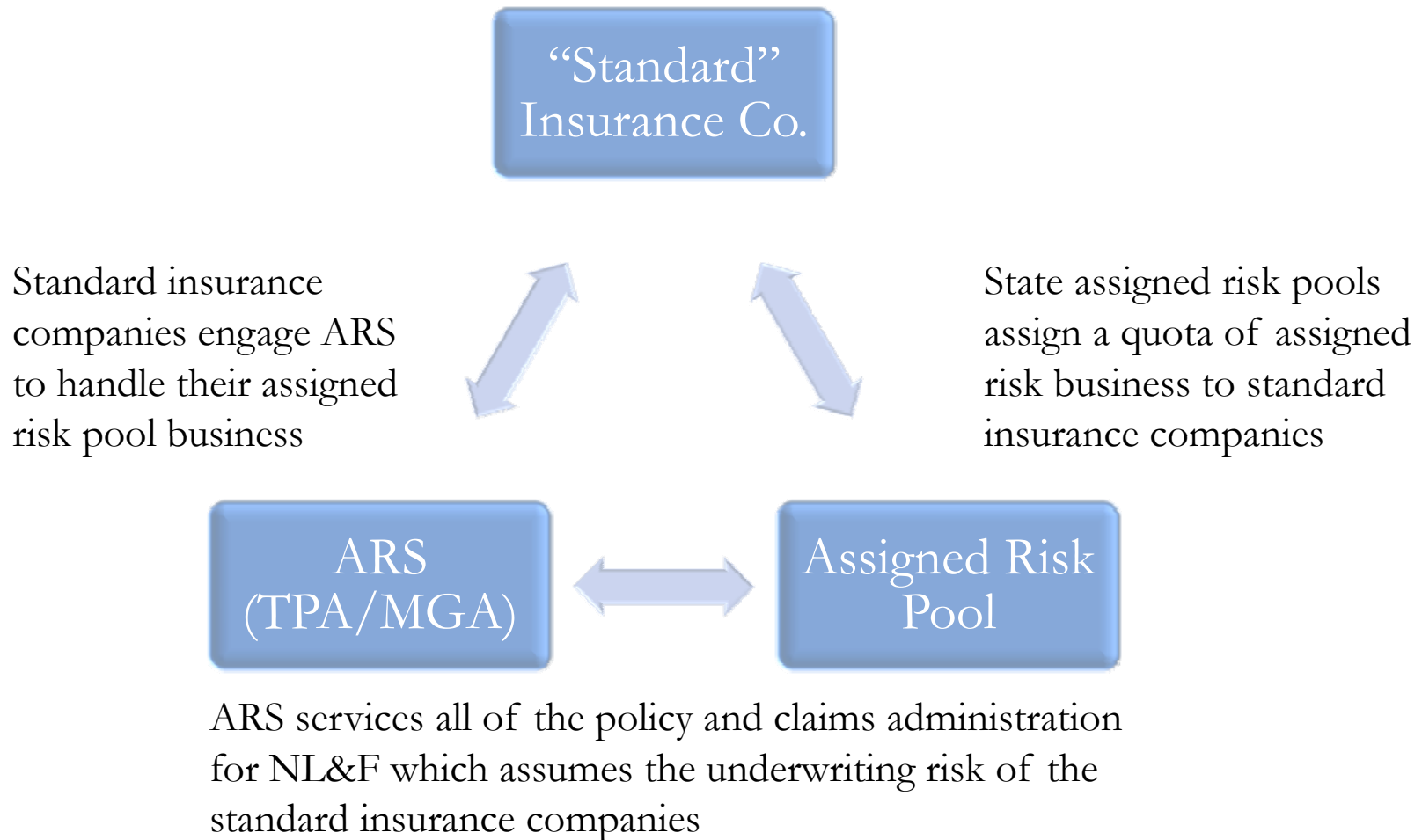
- Existing Barbados company with operating history
- No premium currently running through KRe
- Could be utilized for reinsurance transactions

Insurance Services Business Unit: ARS

- Manages approximately \$80 million of commercial and personal assigned risk business through its significant market share of the assigned risk and take-out market
- Partners with Berkshire Hathaway subsidiary National Liability & Fire Insurance Company (NL&F)
- Pre-tax earnings could increase if assigned risk pools expand or ARS leverages its distribution to pursue new opportunities



Insurance Services Business Unit: ARS



Insurance Services Business Unit: Advantage Auto

| Size | Geography | Target |
|---|---|--|
| <ul style="list-style-type: none">• \$20-25mm Non Standard Auto Premium | <ul style="list-style-type: none">• Metro-Chicago Market (IL, IN) | <ul style="list-style-type: none">• 20% EBITDA |

- Managing general underwriter
- Currently organized to begin writing on Mendakota paper



Insurance Investments: Atlas & Acadia

Atlas

- Atlas is the combination of former KFS units American Country and American Service Insurance
- Atlas going public transaction was completed in 2010 and KFS received consideration of \$57mm broken out as follows:
 - Cash: \$7.9mm
 - Preferred shares: \$18.0mm
 - Common Shares: \$31.1mm
- Atlas is publicly traded in Canada under the symbol “AFH”
- Atlas book value per Atlas common share is \$2.21 per share as of June 30, 2011

Acadia

- Acadia Acquisition Partners, L.P. bought former KFS sub Hamilton Risk Management including Kingsway Amigo Insurance Company in March of 2011
- KFS acts as the general partner to Acadia and holds a limited partnership investment
- KFS receives a management fee of \$300-\$400k per year
- KFS holds a \$10mm senior Hamilton note and a \$5mm junior note
- Acadia represents potential future liquidity



Insurance Investment: LGIC Holdings

- KFS owns a 49% minority investment in a holding company which acquired Walshire Assurance Company and its wholly owned subsidiary Lincoln General
- Tawa plc owns a 51% majority investment and has significant operational involvement
- KFS received a release and settlement related to its past ownership



Insurance Advisory Unit: 1347 Partners

1347 Partners is the trade name KFS uses for its merchant banking activities to pursue opportunistic insurance industry-related transactions as an advisor, an investor and a financier of capital

Advisor

Example:

Recent agreement with United Insurance Holdings Corp. announced in August 2011

Investor

Example:

Partnership with a real estate asset management venture

Financier

Example:

Will seek to become the GP of opportunistic insurance industry-related transactions

Managerial Balance Sheet

Managerial Assets

| | |
|------------------------|----------------|
| Investment in Acadia | 11,705 |
| Investment in UCC | 9,821 |
| Investment in Mendota | 33,366 |
| Investment in ARS | 26,783 |
| Investment in Barbados | 4,196 |
| Atlas Common Stock | 30,554 |
| Atlas Preferred Stock | 18,000 |
| Other Assets, net | 45,763 |
| Total Assets | 180,188 |

Debt Liabilities & Shareholders' Equity

| | |
|--|----------------|
| FMV 2012 Senior Notes, due 7/11/2012 | 1,608 |
| FMV 2014 Senior Notes, due 2/1/2014 | 26,022 |
| FMV 2015 KLROCs, due 6/30/2015 | 8,829 |
| FMV Trust Preferreds, due 2032-2034 | 17,218 |
| Total Debt Liabilities | 53,677 |
| Shareholders' Equity | 126,511 |
| Total Debt Liabilities & Shareholders' Equity | 180,188 |

Source: Internal non-audited managerial company balance sheet as of 9/30/2011



Cash Uses

| As of September 30, 2011 | Maturity | Principal (mm) |
|--|-----------|------------------|
| Operations (not including interest expense) | Annually | \$6 (Estimated) |
| 6.0% Senior Unsecured | 2012 | \$1.6 |
| 7.5% Senior Notes | 2014 | \$27.0 |
| LROC Preferred Units | 2015 | \$18.8 |
| Subordinated Trust Preferred Interest ⁽¹⁾ | 2016 | \$24 (Estimated) |
| Subordinated Trust Preferred | 2032-2034 | \$90.5 |

(1) Pursuant to the contractual terms of its outstanding Trust Preferred indentures, which permit interest deferral, the Company gave notice on February 28, 2011 to its Trust Preferred trustees of its intention to exercise its voluntary right to defer interest payments for up to 20 quarters



Cash Sources

Potential Sources of Cash from Operations

Holding Company Cash

Acadia Investment

Atlas Investment

ARS Earnings

1347 Partners – New Ventures



Shareholder List

| Holder | Percentage (%) |
|---|----------------|
| The Stilwell Group ⁽¹⁾ | 16.8 |
| Bruce Mitchell | 10.7 |
| Oakmont Capital ⁽²⁾ | 6.7 |
| American Physicians | 2.8 |
| Dimensional Fund | 2.3 |
| KBW Inc | 1.6 |
| Larry Swets, Jr. ⁽³⁾ | 1.4 |
| <i>Directors & Management as a Group</i> | ~25.00 |

(1) Board Member Joseph Stilwell is affiliated with The Stilwell Group

(2) Board Members Terry Kavanagh and Greg Hannon are affiliated with Oakmont Capital

(3) President & CEO



Board of Directors

| Board Member | Director Since | Shares Owned |
|---------------------------------|----------------|----------------------|
| Gregory Hannon ⁽¹⁾ | 2009 | 3.5mm ⁽¹⁾ |
| Terence Kavanagh ⁽¹⁾ | 2009 | 3.5mm ⁽¹⁾ |
| Spencer Schneider | 2009 | 26k |
| Joseph Stilwell | 2009 | 8.8mm |

- (1) Board Members Terry Kavanagh and Greg Hannon are affiliated with Oakmont Capital and have a combined ownership of 3.5 mm shares



Looking Forward

- De-emphasize capital-intensive insurance underwriting and emphasize fee-generating services
- Leverage existing core competencies and skill sets across the insurance industry
- Focus on 1347 Partners activities – the “merchant banking” approach



1347 Partners – the Merchant Banking Approach

- Allows KFS to leverage its existing skill set (and corresponding overhead) to projects outside of the existing balance sheet
 - Example: Acting as a General Partner in the acquisition of a company
 - Opportunity: Apply our “solution-focused” KFS experience to other troubled companies in exchange for a fee and profit participation
- Use of vehicles such as Special Purpose Acquisition Companies, Capital Pool Companies and other unconventional financing options as advisor, investor or financier of other insurance enterprises



Summary Points & Future Objectives

- KFS offers the opportunity to invest across a diverse pool of insurance assets and insurance-related businesses
- Insurance investments and existing liquidity provide ability to meet future obligations
- KFS will leverage its relationships and assets to opportunistically seek new sources of revenue and earnings in order to return value to shareholders



Management Bios

Larry G. Swets, Jr., CFA
President and CEO, Kingsway Financial Services Inc.

Mr. Swets is the President and CEO of Kingsway Financial Services Inc. Before joining Kingsway in January 2010, Larry founded Itasca Financial LLC, an advisory and investment firm specializing in the insurance industry. Prior to his work at Itasca Financial, Larry served as an insurance company executive and advisor, including the role of Director of Investments and Fixed Income Portfolio Manager for Kemper Insurance. At Kemper he also evaluated business units, executed corporate transactions and divestitures, and developed financial projections and analysis for the company during its runoff stage. He began his career in insurance as an intern in the Kemper Scholar program in 1994.

Larry graduated from Valparaiso University and earned a Masters degree in Finance from DePaul University; he also holds the Chartered Financial Analyst designation. He is also a member of Young Presidents' Organization (YPO).



Management Bios

William A. Hickey, Jr., CFA, CPA EVP, COO & CFO, Kingsway Financial Services Inc.

Mr. Hickey is the Executive Vice President, Chief Operating Officer, and Chief Financial Officer of Kingsway Financial Services Inc. Before joining Kingsway in August 2010, Bill was a Managing Director with Macquarie Capital. Previously, Bill was Managing Director, Chief Operating Officer and Chief Financial Officer for Fox-Pitt Kelton Cochran Caronia Waller at the time of its merger with Macquarie in November 2009. He also served in the same capacity for Cochran Caronia Waller at the time of its merger with Fox-Pitt Kelton in August 2007.

Prior to joining Cochran Caronia Waller, Bill was Executive Vice President and Chief Financial Officer of the Kemper Insurance Companies, formerly a leading property-casualty insurance provider. He joined the Kemper organization in 1989 as a Financial Analyst with Kemper Corporation, then the publicly-held, diversified insurance and financial services arm of the Kemper group of companies. In 1996, following Zurich Insurance Company's acquisition of Kemper Corporation, Bill moved to the Kemper Insurance Companies as Director of Corporate Development. Before joining Kemper, he worked for Deloitte Haskins & Sells and Stein Roe & Farnham.

Bill graduated with high honors from the University of Notre Dame and earned a Masters of Management degree in finance and management policy with distinction from the J.L. Kellogg Graduate School of Management at Northwestern University; he also holds the Chartered Financial Analyst and the Certified Public Accountant designations.



Contact Information

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