


**Kingsway Financial Services Inc.**
**CONSOLIDATED STATEMENT OF INCOME**
**For the periods ended December 31, 1996 and 1995**

(\$ in Thousands, except for per share amounts)	Quarter ended December 31: >						Year ended December 31:		
	1996		1996		1995		1996		1995
	Actual	Forecast	Actual	Forecast	Actual	Actual	Forecast	Actual	
		(Unaudited)							
Gross premiums written	\$37,776	\$23,675	\$19,308			\$140,610	\$93,400	\$60,049	
Net premiums written	\$34,009	\$19,968	\$16,363			\$134,121	\$78,750	\$50,440	
Net earned premiums	\$33,642	\$14,408	\$12,757			\$107,679	\$66,964	\$46,063	
Investment income	4,538	1,428	956			9,181	4,543	3,615	
Premium finance income	621	606	274			1,868	1,990	1,298	
	38,801	16,442	13,987			118,728	73,497	50,976	
Claims incurred	23,769	9,623	8,013			69,889	44,123	30,638	
Commissions & premium taxes	7,461	2,524	2,182			21,523	11,546	7,882	
General expenses	3,178	1,623	1,955			11,560	6,986	5,983	
	34,408	13,770	12,150			102,972	62,655	44,503	
Income before income taxes	4,393	2,672	1,837			15,756	10,842	6,473	
Income taxes	500	1,099	626			4,594	4,451	2,706	
Net income	\$3,893	\$1,573	\$1,211			\$11,162	\$6,391	\$3,767	
Earnings per share:									
	basic:	\$0.32	\$0.16	\$0.18		\$1.04	\$0.66	\$0.61	
	fully -diluted:	\$0.31	\$0.16	\$0.18		\$0.99	\$0.65	\$0.61	
Claims ratio	70.7%	66.8%	62.8%			64.9%	65.9%	66.5%	
Expense ratio	31.6%	28.8%	32.4%			30.7%	27.7%	30.1%	
Combined ratio	102.3%	95.6%	95.2%			95.6%	93.6%	96.6%	
Underwriting profit (loss)	(\$766)	\$638	\$607			\$4,707	\$4,309	\$1,560	
Return on Equity	19.6%	14.9%	21.9%			21.2%	16.1%	19.8%	
Forecast amounts are from the Company's IPO Prospectus dated December 1995.									
Per share amounts are after giving effect to the 2 for 1 subdivision of shares in October 1996.									
KINGSWAY FINANCIAL SERVICES INC.									
CONSOLIDATED BALANCE SHEET									
As at December 31, 1996 and 1995									
(\$ in Thousands)									
ASSETS									
	Cash & Investments					\$157,827		\$61,870	
	Financed premiums receivable					30,182		12,914	
	Deferred policy acquisition costs					13,060		5,210	

	Amounts due from reinsurers							27,637	6,967
	Accounts receivable							12,580	5,587
	Capital assets							5,622	2,173
	Other							1,880	880
								\$248,788	\$95,601
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
<b>LIABILITIES</b>									
	Unpaid claims							\$90,656	\$29,486
	Unearned premiums							64,064	27,463
	Accounts payable & accrued liabilities							4,096	1,350
	Other							2,783	625
								161,599	58,924
<b>SHAREHOLDERS' EQUITY</b>									
	Share capital							59,037	21,889
	Share warrant							2,202	-
	Retained earnings							25,950	14,788
								87,189	36,677
								\$248,788	\$95,601
<b>KINGSWAY FINANCIAL SERVICES INC.</b>									
<b>CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION</b>									
For the years ended December 31, 1996 and 1995									
(\$ in Thousands)									
								1996	1995
<b>Operating activities:</b>									
	Net income							\$11,162	\$3,767
	Items not involving cash:								
		Amortization						465	244
		Deferred income taxes						(1,049)	(328)
		Net realized gain on sale of investments						(2,778)	(255)
		Amortization of bond premiums & discounts						(1,029)	(2,190)
								6,771	1,238
<b>Net change in non-cash balances:</b>									
								37,766	9,751
								44,537	10,989
<b>Financing activities</b>									
	Issuance of share capital, net							37,148	16,253
	Share warrant							2,202	-
	Bank demand loan							(1,480)	-
	Note payable to Intercargo							-	(2,500)
								37,870	13,753
<b>Investing activities:</b>									

	Purchase of investments							(241,406)	(144,061)
	Proceeds from sales of investments							169,675	117,924
	Purchase of subsidiary							(4,343)	-
	Additions to capital assets							(3,531)	(809)
								(79,605)	(26,946)
	Increase (decrease) in cash during period							2,802	(2,204)
	Cash, beginning of period							1,363	3,567
	Cash, end of period							\$4,165	\$1,363

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By Dan Browne