

**KINGSWAY FINANCIAL SERVICES INC.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the periods ended December 31, 1997 and 1996**  
**(\$ in Thousands, except for per share amounts)**

	<u>Quarter to December 31:</u>		<u>Year ended December 31:</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	(Unaudited)	(Unaudited)		
Gross premiums written	<u>\$47,997</u>	<u>\$37,776</u>	<u>\$210,795</u>	<u>\$140,610</u>
Net premiums written	<u>\$43,283</u>	<u>\$34,009</u>	<u>\$186,813</u>	<u>\$134,121</u>
Net earned premiums	\$42,610	\$33,642	\$174,462	\$107,679
Investment income	6,628	4,538	18,768	9,181
Premium finance income	830	621	3,068	1,868
	<u>50,068</u>	<u>38,801</u>	<u>196,298</u>	<u>118,728</u>
Claims incurred	28,582	23,769	113,909	69,889
Commissions & premium taxes	8,684	7,461	34,801	21,523
General expenses	5,141	3,178	19,248	11,560
	<u>42,407</u>	<u>34,408</u>	<u>167,958</u>	<u>102,972</u>
Income before income taxes	7,661	4,393	28,340	15,756
Income taxes	2,613	500	6,189	4,594
Net income	<u>\$5,048</u>	<u>\$3,893</u>	<u>\$22,151</u>	<u>\$11,162</u>
Earnings per share:				
basic:	\$0.28	\$0.32	\$1.48	\$1.04
fully -diluted:	\$0.28	\$0.31	\$1.46	\$1.00
Claims ratio	67.1%	70.7%	65.3%	64.9%
Expense ratio	30.8%	31.6%	31.0%	30.7%
Combined ratio	99.5%	102.3%	96.3%	95.6%
Underwriting profit	\$203	(\$766)	\$6,504	\$4,707
Return on Equity	9.6%	19.6%	16.5%	21.6%

**KINGSWAY FINANCIAL SERVICES INC.**  
**CONSOLIDATED BALANCE SHEET**  
**As at December 31, 1997 and 1996**  
**(\$ in Thousands)**

	<u>1997</u>	<u>1996</u>
<b>ASSETS</b>		
Cash & Investments	\$320,869	\$157,827
Financed premiums receivable	32,598	30,182
Deferred policy acquisition costs	18,543	13,060
Amounts due from reinsurers and other insurers	81,425	27,154
Accounts receivable	28,024	12,580
Capital assets	6,373	5,622
Deferred income taxes	17,258	1,668
Goodwill and other assets	6,139	140
	<u>\$511,229</u>	<u>\$248,233</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Unpaid claims	\$198,186	\$90,656
Unearned premiums	89,885	64,064
Accounts payable & accrued liabilities	8,611	4,096
Other	1,299	2,783
	<u>297,981</u>	<u>161,599</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	165,147	59,037
Share warrant	-	1,647
Retained earnings	48,101	25,950
	<u>213,248</u>	<u>86,634</u>
	<u>\$511,229</u>	<u>\$248,233</u>

**KINGSWAY FINANCIAL SERVICES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**For the years ended December 31, 1997 and 1996**  
**(\$ in Thousands)**

	<u>1997</u>	<u>1996</u>
<b>Operating activities:</b>		
Net income	\$22,151	\$11,162
Items not involving cash:		
Amortization	1,530	465
Deferred income taxes	-15,552	-977
Net realized gain on sale of investments	-6,176	-2,778
Amortization of bond premiums & discounts	-1,881	-1,029
	<u>72</u>	<u>6,843</u>
Net change in non-cash balances:	<u>47,756</u>	<u>38,249</u>
	47,828	45,092
<b>Financing activities</b>		
Issuance of share capital, net	126,476	37,148
Share warrant	-1,647	1,647
Bank indebtedness	-	-1,480
	<u>124,829</u>	<u>37,315</u>
<b>Investing activities:</b>		
Purchase of investments	-903,843	-241,406
Proceeds from sales of investments	759,039	169,675
Purchase of subsidiary	-25,019	-4,343
Additions to capital assets	-1,219	-3,531
	<u>-171,042</u>	<u>-79,605</u>
Increase (decrease) in cash during period	1,615	2,802
Cash, beginning of period	4,165	1,363
Cash, end of period	<u><u>\$5,780</u></u>	<u><u>\$4,165</u></u>