



AMERICAN OVERSEAS GROUP LIMITED

THREE MONTH REPORT

MARCH 31, 2012

American Overseas Group Limited

**Unaudited Consolidated Financial Statements
For the Three Month Period Ended
March 31, 2012**

American Overseas Group Limited
Consolidated Balance Sheets
(Unaudited)

	March 31, 2012	December 31 2011
ASSETS		
Investments: Fixed-maturity securities held as available for sale, at fair value (amortized cost of \$212,549,957 and \$246,914,146)	\$ 224,890,760	\$ 259,809,019
Short term investments, at fair value	19,995,770	14,999,875
Cash and cash equivalents	8,794,135	13,253,185
Restricted cash	83,419,935	49,428,723
Accrued investment income	1,543,018	1,593,075
Reinsurance balances receivable, net	13,102,512	13,505,088
Recoverables on paid losses	6,578,390	6,157,961
Deferred policy acquisition costs	40,831,589	41,889,959
Deferred expenses	411,537	433,310
Other assets	562,488	153,197
Total assets	\$ 400,130,134	\$ 401,223,392
LIABILITIES AND EQUITY		
Liabilities:		
Losses and loss expense reserve	\$ 80,618,784	\$ 80,997,653
Unearned premiums	107,988,554	110,187,189
Accounts payable and accrued liabilities	1,313,553	1,121,133
Derivative liabilities	54,590,656	48,303,395
Redeemable Series A preference shares	59,700,000	59,700,000
Total liabilities	304,211,547	300,309,370
Shareholders' equity:		
Common shares	2,643,559	2,643,116
Additional paid-in capital	231,489,043	231,467,675
Accumulated other comprehensive income	12,340,803	12,894,873
Retained deficit	(157,565,673)	(153,102,497)
Total shareholders' equity	88,907,732	93,903,167
Noncontrolling interest – Class B preference shares of subsidiary	7,010,855	7,010,855
Total equity	95,918,587	100,914,022
Total liabilities and equity	\$ 400,130,134	\$ 401,223,392

See Accompanying Notes to Consolidated Financial Statements.

American Overseas Group Limited
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Revenues:		
Net premiums earned	\$ 3,026,054	\$ 4,412,582
Change in fair value of credit derivatives:		
Realized gains and other settlements	573,795	1,454,607
Unrealized gains (losses)	(6,333,981)	1,006,286
Net change in fair value of credit derivatives	(5,760,186)	2,460,893
Net investment income	2,078,164	2,397,883
Net realized gains on sale of investments	—	685,442
Total other-than-temporary impairment losses	—	—
Portion of impairment losses recognized in other comprehensive income	—	—
Net other-than-temporary impairment losses recognized in earnings	—	—
Foreign currency gains	189,190	311,675
Total revenues	(466,778)	10,268,475
Expenses:		
Loss and loss adjustment expenses	738,953	443,796
Acquisition expenses	1,498,024	1,900,163
Operating expenses	1,759,421	1,899,432
Total expenses	3,996,398	4,243,391
Net (loss) income available to common shareholders	\$ (4,463,176)	\$ 6,025,084
Net (loss) income per common share:		
Basic	\$ (1.69)	\$ 2.28
Diluted	\$ (1.69)	\$ 2.28
Weighted-average number of common shares outstanding*:		
Basic	2,643,243	2,639,717
Diluted	2,644,132	2,648,004

* Shares outstanding and net income per share as of March 31, 2012, reflect the effects of a 1 for 10 reverse stock split on November 8, 2011. For comparative purposes, the outstanding shares along with the net income per common share for the period ending March 31, 2011, have been adjusted to reflect the change in capital structure as if the reverse stock split had occurred in that period.

American Overseas Group Limited
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net (loss) income available to common shareholders	\$ (4,463,176)	\$ 6,025,084
Other comprehensive loss		
Change in unrealized fair value of investments	(554,070)	(605,303)
Less: Reclassification adjustment for net realized gains included in net income	—	(685,442)
Less: Net other-than-temporary impairment losses recognized in earnings	—	—
Portion of impairment losses recognized in other comprehensive income	—	—
Other comprehensive loss	(554,070)	(1,290,745)
Comprehensive (loss) income available to common shareholders	\$ (5,017,246)	\$ 4,734,339

See Accompanying Notes to Consolidated Financial Statements.

American Overseas Group Limited
Consolidated Statements of Equity and Retained Deficit
(Unaudited)

	Share capital	Noncontrolling interest in subsidiary	Additional paid-in capital	Accumulated other comprehensive income	Retained deficit	Total
Balance, December 31, 2011	\$ 2,643,116	\$ 7,010,855	\$ 231,467,675	\$ 12,894,873	\$ (153,102,497)	\$ 100,914,022
Share issuance	443	—	(443)	—	—	—
Share based compensation	—	—	21,811	—	—	21,811
Net loss	—	—	—	—	(4,463,176)	(4,463,176)
Net change in unrealized gains and losses on available-for-sale securities	—	—	—	(554,070)	—	(554,070)
Balance, March 31, 2012	\$ 2,643,559	\$ 7,010,855	\$ 231,489,043	\$ 12,340,803	\$ (157,565,673)	\$ 95,918,587

See Accompanying Notes to Consolidated Financial Statements.

American Overseas Group Limited
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net (loss) income for the period	\$ (4,463,176)	\$ 6,025,084
Adjustments to reconcile net income to net cash used in operating activities:		
Net realized gains on sale of investments	—	(685,442)
Foreign currency gains on revaluation	(189,191)	(306,324)
Net unrealized (gains) losses on credit derivatives	6,333,981	(1,006,286)
Depreciation and amortization	106,888	28,550
Amortization of bond premium and discount	128,121	111,795
Share based compensation	21,811	43,280
Changes in assets and liabilities:		
Accrued investment income	50,056	58,052
Reinsurance balances receivable, net	591,767	1,407,662
Recoverables on paid losses	(420,429)	(1,698,419)
Deferred policy acquisition costs	1,058,370	1,804,548
Other assets	(476,911)	(591,441)
Losses and loss adjustment expenses	(378,869)	(264,016)
Unearned premiums	(2,198,634)	(4,335,262)
Derivative liability	(46,720)	(78,503)
Accounts payable, accrued liabilities and interest payable	192,420	75,528
Net cash provided by operating activities	309,484	588,806
Cash flows from investing activities:		
Purchases of investments	—	(18,638,535)
Proceeds from sales of investments	—	31,323,500
Proceeds on maturities of investments	34,235,318	5,818,978
Net purchases of short term investments	(4,995,143)	
Net change in restricted cash	(33,991,212)	6,591,397
Purchases of fixed assets	(17,497)	—
Net cash (used in) provided by investing activities	(4,768,534)	25,095,340
Net increase (decrease) in cash and cash equivalents	(4,459,050)	25,684,146
Cash and cash equivalents – Beginning of year	13,253,185	5,718,195
Cash and cash equivalents – End of period	\$ 8,794,135	\$ 31,402,341

See Accompanying Notes to Consolidated Financial Statements.

American Overseas Group Limited
Explanatory notes

The interim unaudited consolidated financial statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America (“US GAAP”). These statements should be read in conjunction with the audited consolidated financial statements and notes for the period ended December 31, 2011 for American Overseas Group Limited which are posted on the Company’s website and can be found at www.aoreltd.com under “investor information.”

Subsequent events

On June 11, 2012, Financial Guaranty Insurance Company (“FGIC”), one of the Company’s ceding companies, announced that Benjamin M. Lawsky, Superintendent of the New York State Department of Financial Services, filed a verified petition with the Supreme Court of the State of New York (the “Court”) for an order of rehabilitation (i) appointing the Superintendent as Rehabilitator of FGIC; (ii) directing the Rehabilitator to take possession of the property and assets of FGIC and to conduct its business; and (iii) directing the Rehabilitator to take steps toward removing the causes and conditions which have made the rehabilitation proceeding necessary. FGIC has consented to the commencement of the rehabilitation proceeding. On June 11, 2012, the Court signed the Order to Show Cause. On June 28, 2012, a hearing was held and the Rehabilitation Order was signed. The Superintendent, in his capacity as Rehabilitator, intends to file a plan of rehabilitation that will provide fair and equitable treatment of FGIC’s policyholders and other creditors.

Security Ownership of Executive Officers and Directors

Pursuant to Regulation 6.9(2)(x)(a) and (b) of Section IIA of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and executive officers of the Company in the common shares of the Company as at March 31, 2012, was 100,809 shares or 4% of the common shares outstanding.

As of March 31, 2012, two indirect shareholders in, including one director of, an affiliated Company which owns approximately 42.8% of the outstanding common shares of AOG, also serve as directors of AOG and AORE.

Equity Compensation of Directors

The table below sets forth the aggregate number of shares underlying option awards and restricted stock unit (“RSU”) awards outstanding for each director as of March 31, 2012 (other than Mr. Steel, whose equity awards are set forth in “Equity Compensation of Executive Officers” below). All information in the equity compensation tables below includes the effects of the 1 for 10 reverse stock split which was effected on November 8, 2011.

Name	Shares Underlying Options at March 31, 2012 (Outstanding)	Shares Underlying Options at March 31, 2012 (Vested and Exercisable)	RSUs: That Have Not Vested
Edward F. Bader.....	6,601	2,830	3,471
Debra J. Roberts.....	1,242	-	1,058
Clement S. Dwyer, Jr.....	4,521	750	3,471
Steven J. Tynan	4,521	750	3,471

Share options granted to the directors under our 2001 Stock Option Plan prior to 2006 vested quarterly over a three year period. Share Options granted to directors beginning in 2006 under the 2006 Equity Plan vest in four equal annual installments on the first four anniversaries of the date of grant. RSUs vest annually in equal installments over a four-year period.

Equity Compensation of Executive Officers

The following table shows equity awards granted to officers of the Company outstanding at March 31, 2012. All information in the equity compensation tables below includes the effects of the 1 for 10 reverse stock split which was effected on November 8, 2011:

Name	Option Awards				RSU Awards	
	Number of Common Shares Underlying Unexercised Options Exercisable	Number of Common Shares Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares that Have Not Vested	Market Value of Shares That Have Not Vested ⁽¹⁾
David K. Steel	14,950	—	\$120.30	6/30/2015	—	—
	3,793	—	\$134.50	5/2/2013	—	—
	4,999	—	\$162.00	2/20/2014	—	—
	—	—	—	—	1,320	\$12,540
	19,850	—	\$14.50	3/5/2015	—	—
	1,521	—	\$15.20	5/1/2016	—	—

(1) Based on the closing price of \$9.50 per share on March 30, 2012, the last business day of March 2012.

Options granted prior to May 2006 were awarded under our 2001 Stock Option Plan and vest in 5% increments at the end of each quarter, beginning with the quarter in which the grant occurred. Our 2001 Stock Option Plan was terminated in May 2006, except as to awards that were already outstanding at that date. No further awards will be granted under our 2001 Stock Option Plan.

Options granted beginning in May 2006 were awarded under our 2006 Equity Plan, and vest in four equal installments on the first four anniversaries of the date of grant. RSUs vest annually in equal installments over a four-year period.

The following table shows options exercised and RSUs vested during 2012:

Name	Option Awards		RSU Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
David K. Steel	—	—	—	—

American Overseas Group Limited Corporate Information

Schroders House, 1st Floor
131 Front Street
Hamilton HM 12 Bermuda
441-296-6501
www.aoreltd.com

Investor Information

Information about American Overseas Group Limited, including all quarterly earnings releases and reports, can be accessed via our website at www.aoreltd.com under Investor Information.

Requests for copies of the American Overseas Group Limited 2012 quarterly reports may be made by contacting the Secretary of American Overseas Group Limited at the Corporate Headquarters address above or info@aoreltd.com.

Exchange Listing

American Overseas Group Limited's common shares are listed on the Bermuda Stock Exchange (BSX) located at:

30 Victoria Street
Hamilton, Bermuda
441-292-7212 or -7213
www.bsx.com

Transfer Agent

Computershare

Telephone Number:
1-877-296-3711
1-610-382-7833 (Outside the U.S.)
1-888-269-5221 (Hearing Impaired - TDD Phone)

Mailing Address:
Computershare
480 Washington Boulevard
Jersey City, New Jersey 07310-1900
USA

Web Address: <http://www.bnymellon.com/shareowner/equityaccess>

Independent Registered Auditors

Deloitte & Touche Ltd.