



Results of Operations for the Six Months Ended June 30, 2017 - American Overseas Group Limited Announces Net Loss Of \$8.2 Million and Operating Loss of \$13.4 Million For The Six Months Ended June 30, 2017.

HAMILTON, Bermuda, September 25, 2017 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AOREF.BH) (Pink Sheets: AOREF.PK) (“AOG” or the “Company”) today reported consolidated net loss available to common shareholders of \$8.2 million, or \$182.08 per diluted share, for the six months ended June 30, 2017. This compares to consolidated net loss available to common shareholders of \$12.1 million, or \$273.96 per diluted share, for the six months ended June 30, 2016.

The results for the six months ended June 30, 2017 were largely the result of losses from the Company’s reinsurance of Puerto Rico-related credits in its financial guaranty segment. Book value per share at June 30, 2017 was \$1,355.07, a decline from the book value per share of \$1,530.98 at December 31, 2016.

For the six months ended June 30, 2017, the Company had an operating loss of \$13.4 million, or \$297.14 per diluted share, compared to an operating loss of \$5.5 million, or \$124.84 per diluted share for the six months ended June 30, 2016. Operating income for the property and casualty segment in 2017 was \$4.3 million, compared to the \$5.7 million operating income in 2016 for this segment. The financial guaranty segment had operating losses of \$14.9 million for the first six months of 2017, largely driven by losses from the Company’s reinsurance of Puerto Rico-related credits. This compares to financial guaranty operating losses of \$6.5 million in the first six months of 2016. Interest expense on debt of \$1.2 million was \$0.6 million lower for the first six months of 2017 as compared to the first six months of 2016, due to debt reduction.

Net earned property and casualty premiums were \$1.8 million for the first six months of 2017, which is comparable to \$1.9 million for the same period in 2016. Loss and loss adjustment expenses were \$2.5 million for the first six months of 2017, which was \$0.9 million higher than the same period in 2016. This was caused by higher loss costs and includes both prior year development and current year losses. This contributed to the overall decline for the property and casualty segment, from operating income of \$5.7 million in 2016 to operating income of \$4.3 million in 2017.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited continues to run-off satisfactorily, notwithstanding loss reserve increases mainly due to the Company’s continued exposure to Puerto Rico credits. The financial guaranty operating loss of \$14.9 million in 2017 compares to an operating loss of \$6.5 million in 2016.

Operating expenses of \$6.9 million were \$1.3 million lower in the first six months of 2017 as compared to the first six months of 2016. This is mainly reflective of the cost saving initiatives implemented by the Company in 2016 and 2017.

As part of its ongoing capital management efforts, the Company will continue to redirect excess capital within the group to debt reduction unless other compelling opportunities present themselves.

Forward-Looking Statements

This release contains statements that may be considered "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, the Company's expectations respecting the volatility of its insured portfolio, losses, loss reserves and loss development, the adequacy and availability of its liquidity and capital resources, its current run off strategy, its strategy for writing other reinsurance businesses and its expense reduction measures. These statements are based on current expectations and the current views of the economic and operating environment and are not guarantees of future performance. A number of risks and uncertainties, including economic competitive conditions, could cause actual results to differ materially from those projected in forward-looking statements. The Company's actual results could differ materially from those expressed or implied in the forward-looking statements. Among the factors that could cause actual results to differ materially are: (i) the Company's reviewing the results of our entire portfolio of policies. Management considers credit derivative policies as a normal extension of AORE's financial guaranty business and reinsurance in substance.

Explanation of Non-GAAP Financial Measures

The Company believes that the following non-GAAP financial measure included in this press release serve to supplement GAAP information and is meaningful to investors.

Operating income (loss): The Company believes operating income (loss) is a useful measure because it measures income from operations, unaffected by non-operating items such as realized investment gains or losses. Operating income (loss) is typically used by research analysts and rating agencies in their analysis of the Company.

Information About the Company

American Overseas Group Limited is an insurance holding company incorporated in Bermuda and a tax resident of the United Kingdom. Its operating subsidiaries provide specialty property/casualty insurance, reinsurance and insurance management services. More information can be found at www.aoreltd.com

American Overseas Group Limited
Consolidated Balance Sheets
(unaudited)
As at June 30, 2017 and December 31, 2016
(dollars in thousands)

	June 30, 2017	December 31, 2016
<u>Assets</u>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 105,609	\$ 80,525
Equity investments held as available for sale, at fair value	7,236	6,653
Cash and cash equivalents	19,962	71,131
Restricted cash	68,898	48,306
Accrued investment income	272	219
Premiums receivable	80,071	69,419
Reinsurance balances receivable, net	311,162	310,351
Salvage and subrogation recoverable	1,833	1,896
Deferred policy acquisition costs	232	158
Intangible assets	4,800	4,800
Goodwill	33,050	33,050
Other assets	2,074	1,300
Total Assets	\$ 635,199	\$ 627,808
 <u>Liabilities and Equity</u>		
Liabilities:		
Loss and loss expense reserve	\$ 277,708	\$ 276,688
Unearned premiums	107,367	101,198
Ceded premium payable	88,923	77,178
Payable to general agents	1,508	1,334
Funds withheld	45,205	43,334
Accounts payable and accrued liabilities	2,767	4,175
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 58,600 and 58,600 at June 30, 2017 and December 31, 2016, respectively)	10,093	9,920
Derivative liabilities	5,523	8,358
Notes payable	17,526	19,526
Non-owned interest in VIE	300	300
Interest payable	473	516
Fair value adjustment	16,121	17,044
Deferred tax liability	48	45
Total Liabilities	573,562	559,615
 Shareholders' Equity:		
Common shares	4,549	4,454
Additional paid-in capital	188,046	187,281
Accumulated other comprehensive income	1,101	301
Retained deficit	(138,112)	(129,897)
Total Shareholders' Equity	55,584	62,140
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
Total Equity	61,637	68,193
 Total Liabilities and Equity	 \$ 635,199	 \$ 627,808

See Notes to 2016 Consolidated Financial Statements available on American Overseas Group Ltd. Website at www.aoreltd.com

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)
For six months ended June 30, 2017 and 2016
(dollars in thousands, except share and per share amounts)

	<u>Six months ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Net premiums earned	\$ 1,888	\$ 2,466
Fee income	5,919	6,360
Change in fair value of credit derivatives		
Realized gains (losses) and other settlements	91	(103)
Unrealized gains (losses)	<u>2,946</u>	<u>(4,624)</u>
Net change in fair value of credit derivatives	<u>3,037</u>	<u>(4,727)</u>
Net investment income	886	1,046
Net realized (losses) on investments	(221)	(1,899)
Fair value adjustment	739	979
Other income	<u>348</u>	<u>-</u>
Total revenues	12,596	4,225
Expenses		
Losses and loss adjustment expenses	12,448	6,393
Acquisition expenses	259	(195)
Operating expenses	6,912	8,183
Other expense	-	1,767
Interest expense	<u>1,188</u>	<u>191</u>
Total expenses	20,807	16,339
Net (loss) available to common shareholders	\$ (8,211)	\$ (12,114)
Income tax expense	(4)	(4)
Net (loss) before dividends	(8,215)	(12,118)
Dividends on preference shares of subsidiary	-	-
Net (loss) available to common shareholders	<u>\$ (8,215)</u>	<u>\$ (12,118)</u>
Net (loss) per common share:		
Basic	\$ (182.08)	\$ (273.96)
Diluted	(182.08)	(273.96)
Weighted-average number of common shares outstanding:		
Basic	45,120	44,233
Diluted	45,120	44,233

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AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

June 30, 2017

	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustments	Amortization of intangibles	Operating income
Property and casualty:						
Net premiums earned	\$ 1,753					\$ 1,753
Losses and loss adjustment expenses	(2,493)					(2,493)
Acquisition expenses	(199)					(199)
Fee income	5,919					5,919
Operating expenses	(634)					(634)
Amortization expense	-					-
Income tax	(4)					(4)
Property and casualty	4,342	-	-	-	-	4,342
Financial guaranty:						
Net premiums earned	134			2,985		3,119
Net change in fair value of credit derivativ	3,037		(2,946)			91
Losses and loss adjustment expenses	(9,955)			(2,039)		(11,994)
Acquisition expenses	(61)			(2,675)		(2,736)
Operating expenses	(3,361)					(3,361)
Financial guaranty	(10,206)	-	(2,946)	(1,729)	-	(14,881)
Corporate and Investing						
Net investment income	886					886
Net realized loss on sales of investments	(221)	221				-
Fair value adjustment	739			(739)		-
Operating expenses	(2,915)					(2,915)
Interest expense	(1,188)					(1,188)
Other expense, net of other income	348					348
Corporate and investing	(2,351)	221	-	(739)	-	(2,869)
Group total	\$ (8,215)	\$ 221	\$ (2,946)	\$ (2,468)	\$ -	\$ (13,407)

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

June 30, 2016

	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustment s	Amortization of intangibles	Operating income
Property and casualty:						
Net premiums earned	\$ 1,948					\$ 1,948
Losses and loss adjustment expenses	(1,596)					(1,596)
Acquisition expenses	(515)					(515)
Fee income	6,360					6,360
Operating expenses	(492)					(492)
Amortization expense	-					-
Income tax	(4)					(4)
Property and casualty	5,701	-	-	-	-	5,701
						-
Financial guaranty:						
Net premiums earned	518			5,235		5,753
Net change in fair value of credit derivatives	(4,727)		4,624			(103)
Losses and loss adjustment expenses	(4,797)			(2,143)		(6,940)
Acquisition expenses	709			(2,040)		(1,331)
Operating expenses	(3,859)					(3,859)
Financial guaranty	(12,156)	-	4,624	1,052	-	(6,480)
Corporate and Investing						
Net investment income	1,046					1,046
Net realized loss on sales of investments	(1,899)	1,899				-
Fair value adjustment	979			(979)		-
Operating expenses	(3,830)					(3,830)
Interest expense	(1,767)					(1,767)
Other expense, net of other income	(192)					(192)
Corporate and investing	(5,663)	1,899	-	(979)	-	(4,743)
Group total	\$ (12,118)	\$ 1,899	\$ 4,624	\$ 73	\$ -	\$ (5,522)