



**Results of Operations for the Six Months Ended June 30, 2018** - American Overseas Group Limited Announces Net Loss Of \$2.4 Million and Operating Loss of \$1.5 Million For The Six Months Ended June 30, 2018.

HAMILTON, Bermuda, September 24, 2018 (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 \$2.4 million, or \$51.30 per diluted share, for the six months ended June 30, 2018. This compares to 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.

Year over year improvement in results were driven by improved results associated with the Company's reinsurance of Puerto Rico-related credits in its financial guaranty segment. Book value per share at June 30, 2018 was \$1,230.37, a decline from the book value per share of \$1,308.58 at December 31, 2017.

For the six months ended June 30, 2018, the Company had an operating loss of \$1.5 million, or \$32.4 per diluted share, compared to an operating loss of \$13.4 million, or \$297.14 per diluted share for the six months ended June 30, 2017. Operating income for the property and casualty segment in 2018 was \$1.4 million, compared to the \$0.3 million operating income in 2017 for this segment. The financial guaranty segment had operating losses of \$3.9 million for the first six months of 2018, compared to financial guaranty operating losses of \$14.9 million in the first six months of 2017.

Net earned property and casualty premiums were \$1.4 million for the first six months of 2018, which is 22% lower compared to \$1.8 million for the same period in 2017. Loss and loss adjustment expenses were \$0.9 million for the first six months of 2018, which was \$1.5 million lower than the same period in 2017. Operating income in the property and casualty segment increased \$1.1 million primarily due to improved underwriting margin.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited ("AORE") 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 \$3.9 million in 2018 is significantly lower than the operating loss of \$14.9 million in 2017 primarily due to reduced unfavorable development on outstanding losses.

Operating expenses of \$7.0 million were comparable in the first six months of 2018 as compared to the first six months of 2017 of \$6.9 million.

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](http://www.aoreltd.com)

**American Overseas Group Limited**  
**Consolidated Balance Sheets**  
**(unaudited)**  
**As at June 30, 2018 and December 31, 2017**  
**(dollars in thousands)**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b><u>Assets</u></b>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 131,888	\$ 81,028
Equity investments held as available for sale, at fair value	6,216	6,437
Cash and cash equivalents	32,942	40,173
Restricted cash	12,056	66,535
Accrued investment income	570	256
Premiums receivable	80,240	81,264
Reinsurance balances receivable, net	346,432	340,700
Salvage and subrogation recoverable	337	1,708
Deferred policy acquisition costs	115	101
Intangible assets	4,800	4,800
Goodwill	33,050	33,050
Other assets	2,063	1,899
<b>Total Assets</b>	<b>\$ 650,709</b>	<b>\$ 657,951</b>
 <b><u>Liabilities and Equity</u></b>		
<b>Liabilities:</b>		
Loss and loss expense reserve	\$ 295,940	\$ 304,773
Unearned premiums	110,533	105,690
Ceded premium payable	94,461	95,195
Payable to general agents	977	1,479
Funds withheld	50,721	44,985
Accounts payable and accrued liabilities	2,364	3,057
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 38,600 and 58,600 at June 30, 2018 and December 31, 2017, respectively)	6,915	10,312
Derivative liabilities	279	342
Notes payable	16,521	16,521
Non-owned interest in VIE	300	300
Interest payable	451	451
Fair value adjustment	14,470	15,199
Deferred tax liability	33	31
<b>Total Liabilities</b>	<b>593,965</b>	<b>598,335</b>
 <b>Shareholders' Equity:</b>		
Common shares	4,612	4,556
Additional paid-in capital	188,440	188,331
Accumulated other comprehensive income	502	1,190
Retained deficit	(142,863)	(140,514)
<b>Total Shareholders' Equity</b>	<b>50,691</b>	<b>53,563</b>
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
<b>Total Equity</b>	<b>56,744</b>	<b>59,616</b>
 <b>Total Liabilities and Equity</b>	<b>\$ 650,709</b>	<b>\$ 657,951</b>

See Notes to 2017 Consolidated Financial Statements available on American Overseas Group Ltd. Website at [www.aoreltd.com](http://www.aoreltd.com)

**American Overseas Group Limited**  
**Consolidated Statements of Operations**  
(unaudited)  
**For six months ended June 30, 2018 and 2017**  
(dollars in thousands, except share and per share amounts)

	<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Net premiums earned	\$ 999	\$ 1,888
Fee income	5,969	5,919
Change in fair value of credit derivatives		
Realized (losses) gains and other settlements	(0)	91
Unrealized gains	<u>59</u>	<u>2,946</u>
Net change in fair value of credit derivatives	<u>59</u>	<u>3,037</u>
Net investment income	1,123	886
Net realized gains (losses) on investments	1	(221)
Fair value adjustment	(274)	739
Other income	<u>41</u>	<u>348</u>
<b>Total revenues</b>	<b>7,918</b>	<b>12,596</b>
<b>Expenses</b>		
Losses and loss adjustment expenses	1,363	12,448
Acquisition expenses	174	259
Operating expenses	6,974	6,912
Other expense	74	-
Interest expense	<u>1,096</u>	<u>1,188</u>
<b>Total expenses</b>	<b>9,681</b>	<b>20,807</b>
<b>Net (loss) available to common shareholders</b>	<b>\$ (1,763)</b>	<b>\$ (8,211)</b>
Income tax expense	(2)	(4)
<b>Net (loss) before dividends</b>	(1,765)	(8,215)
Dividends on preference shares of subsidiary	(585)	-
<b>Net (loss) available to common shareholders</b>	<b><u>\$ (2,350)</u></b>	<b><u>\$ (8,215)</u></b>
Net (loss) per common share:		
Basic	\$ (51.30)	\$ (182.08)
Diluted	(51.30)	(182.08)
Weighted-average number of common shares outstanding:		
Basic	45,808	45,120
Diluted	45,808	45,120

See Notes to 2017 Consolidated Financial Statements available on American Overseas Group Ltd. Website at [www.aoreltd.com](http://www.aoreltd.com)

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

June 30, 2018

	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
<b>Property and casualty:</b>						
Net premiums earned	\$ 1,408					\$ 1,408
Losses and loss adjustment expenses	(946)					(946)
Acquisition expenses	(355)					(355)
Fee income	5,969					5,969
Operating expenses	(4,722)					(4,722)
Amortization expense	-					-
Income tax	(2)					(2)
Property and casualty	1,352	-	-	-	-	1,352
<b>Financial guaranty:</b>						
Net premiums earned	(409)			2,560		2,151
Net change in fair value of credit derivativ	59		(59)			0
Losses and loss adjustment expenses	(417)			(1,924)		(2,341)
Acquisition expenses	181			(569)		(388)
Operating expenses	(3,367)					(3,367)
Financial guaranty	(3,953)	-	(59)	67	-	(3,945)
<b>Corporate and Investing</b>						
Net investment income	1,123					1,123
Net realized loss on sales of investments	1	(15,601)		15,600		-
Fair value adjustment	(274)			274		-
Operating expenses	1,114					1,114
Interest expense	(1,095)					(1,095)
Other expense, net of other income	(33)					(33)
Corporate and investing	836	(15,601)	-	15,874	-	1,109
Group total	\$ (1,765)	\$ (15,601)	\$ (59)	\$ 15,941	\$ -	\$ (1,484)

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
<b>Property and casualty:</b>						
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	(4,713)					(4,713)
Amortization expense	-					-
Income tax	(4)					(4)
Property and casualty	263	-	-	-	-	263
<b>Financial guaranty:</b>						
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)
<b>Corporate and Investing</b>						
Net investment income	886					886
Net realized loss on sales of investments	(221)	221				-
Fair value adjustment	739			(739)		-
Operating expenses	1,164					1,164
Interest expense	(1,188)					(1,188)
Other expense, net of other income	348					348
Corporate and investing	1,728	221	-	(739)	-	1,210
Group total	\$ (8,215)	\$ 221	\$ (2,946)	\$ (2,468)	\$ -	\$ (13,408)