



American Overseas Reinsurance Limited
Operating Supplement ⁽¹⁾
December 31, 2018

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⁽¹⁾ Information included in this report is unaudited

American Overseas Reinsurance Company Limited

Outstanding Portfolio Profile by Bond Type

Net Par Outstanding*

(dollars in millions)

| | <u>Outstanding as of December 31, 2018</u> | | <u>Outstanding as of December 31, 2017</u> | |
|---|--|---------------|--|---------------|
| | <u>Net Amount</u> | <u>%</u> | <u>Net Amount</u> | <u>%</u> |
| US Public Finance | | | | |
| General Obligation and Lease | \$ 449 | 30.4% | \$ 696 | 30.0% |
| Tax backed | 149 | 10.1% | 165 | 7.1% |
| Transportation | 67 | 4.5% | 140 | 6.0% |
| Healthcare | 137 | 9.3% | 178 | 7.7% |
| Utility | 133 | 9.0% | 180 | 7.8% |
| Investor Owned Utilities | 0 | 0.0% | 0 | 0.0% |
| Higher Education | 7 | 0.5% | 16 | 0.7% |
| Housing | 7 | 0.5% | 13 | 0.5% |
| Other | 25 | 1.7% | 26 | 1.1% |
| Escrowed Transaction ¹ | 16 | 1.1% | 188 | 8.1% |
| Total US Public Finance | \$ 989 | 67.1% | \$ 1,601 | 69.0% |
| US Structured Finance | | | | |
| Commercial ABS | \$ | 0.0% | \$ 5 | 0.2% |
| Home Equity | 0 | 0.0% | 17 | 0.7% |
| Autos | 0 | 0.0% | 0 | 0.0% |
| Mortgage Backed Securities | 6 | 0.4% | 33 | 1.4% |
| Banks and Other Corporate | 0 | 0.0% | 0 | 0.0% |
| Other Consumer ABS | 0 | 0.0% | 0 | 0.0% |
| Total US Structured Finance | \$ 6 | 0.4% | \$ 55 | 2.4% |
| International | | | | |
| Asset Backed | | | | |
| Commercial ABS | \$ | 0.0% | \$ | 0.0% |
| Autos | 0 | 0.0% | 0 | 0.0% |
| Mortgage Backed Securities | 5 | 0.4% | 7 | 0.3% |
| Other Consumer ABS | 0 | 0.0% | 0 | 0.0% |
| Tax-Backed | 0 | 0.0% | 0 | 0.0% |
| Housing | 0 | 0.0% | 0 | 0.0% |
| Public Finance | 208 | 14.1% | 306 | 13.2% |
| Investor Owned Utilities and Other | 266 | 18.0% | 351 | 15.1% |
| Total International | \$ 479 | 32.5% | \$ 664 | 28.6% |
| Total | \$ 1,474 | 100.0% | \$ 2,320 | 100.0% |

¹ Escrowed transactions are defeased bond issuances where our financial guaranty policy is not legally extinguished although cash and securities in an amount sufficient to pay remaining obligations under such bonds have been deposited in an escrow account for the benefit of bondholders. Although we believe we have little to no remaining credit risk on these transactions, they remain outstanding for reporting under Generally Accepted Accounting Principles.

* All numbers in the tables above are unaudited.

American Overseas Reinsurance Company Limited
Outstanding Portfolio Profile by Geographic Distribution
Net Par Outstanding
(dollars in millions)

| | Outstanding as of December 31, 2018 | | Outstanding as of December 31, 2017 | |
|--------------------------------|-------------------------------------|---------------|-------------------------------------|---------------|
| | Net Amount | % | Net Amount | % |
| Geographic Distribution | | | | |
| United States | | | | |
| MASSACHUSETTS | \$ 197 | 13.3% | \$ 222 | 9.6% |
| PUERTO RICO | 132 | 8.9% | 139 | 6.0% |
| CALIFORNIA | 117 | 8.0% | 274 | 11.8% |
| NEW JERSEY | 86 | 5.8% | 94 | 4.1% |
| PENNSYLVANIA | 57 | 3.9% | 88 | 3.8% |
| ILLINOIS | 57 | 3.9% | 126 | 5.5% |
| MICHIGAN | 46 | 3.1% | 72 | 3.1% |
| NEW YORK | 41 | 2.8% | 84 | 3.6% |
| NORTH CAROLINA | 33 | 2.2% | 50 | 2.1% |
| TEXAS | 29 | 2.0% | 47 | 2.0% |
| OTHER STATES | \$ 200 | 13.6% | \$ 411 | 17.7% |
| MULTI-STATE | \$ 1 | 0.0% | \$ 48 | 2.1% |
| US Sub-total | \$ 995 | 67.5% | \$ 1,656 | 71.4% |
| International | | | | |
| United Kingdom | \$ 256 | 17.4% | \$ 400 | 17.3% |
| France | 65 | 4.4% | 68 | 2.9% |
| Austria | 46 | 3.2% | 46 | 2.0% |
| Italy | 46 | 3.1% | 61 | 2.6% |
| Australia | 40 | 2.7% | 44 | 1.9% |
| Spain | 18 | 1.2% | 19 | 0.8% |
| Mexico | 3 | 0.2% | 3 | 0.1% |
| POLAND | 2 | 0.1% | 2 | 0.1% |
| Canada | 2 | 0.1% | 2 | 0.1% |
| Cayman Islands | 0 | 0.0% | 0 | 0.0% |
| Other Countries | \$ | 0.0% | \$ 19 | 0.8% |
| Multinational | \$ | 0.0% | \$ | 0.0% |
| Int. Sub-total | \$ 479 | 32.5% | \$ 664 | 28.6% |
| Total Par | \$ 1,474 | 100.0% | \$ 2,320 | 100.0% |

* All numbers in the tables above are unaudited. The table above includes escrowed transactions. (See Bond Type table, footnote 1).

American Overseas Reinsurance Company Limited

Largest Exposures by Sector (1 of 4)

Net Par Outstanding

as of December 31, 2018

(dollars in millions)

| 50 Largest U.S. Public Finance Exposures: | NPO | AORe Rating¹ |
|--|---------------|--------------------------------|
| 1 Puerto Rico Highway & Transportation Authority | \$ 91 | BIG |
| 2 Massachusetts Water Resources Authority, MA | 75 | AA |
| 3 Massachusetts (State of) - GO Appropriation | 67 | AA- |
| 4 New Jersey (State of) GO / Appropriation | 51 | BBB |
| 5 Partners Healthcare System, Inc. Capital Asset | 33 | AA |
| 6 Puerto Rico MFA, PR - State Moral Obligation | 31 | BIG |
| 7 Catholic Healthcare West | 28 | A- |
| 8 Detroit Public Schools, MI - GO | 28 | AA- |
| 9 Carolinas Hlt Sys Charl-Meckl | 26 | AA- |
| 10 Green Stadco-New York Jets Stadium | 25 | BBB |
| 11 Wisconsin (State of) - GO | 24 | A+ |
| 12 Pennsylvania (State of) - GO / Appropriation | 19 | A- |
| 13 Metropolitan Transit Authority, NY | 17 | A |
| 14 Chicago, IL | 16 | BBB |
| 15 San Diego Unified SD, CA - GO | 14 | AA |
| 16 Christus Health, TX | 12 | A- |
| 17 Denver International Airport, CO | 12 | A+ |
| 18 Riverside City, CA Electric | 11 | AA- |
| 19 Atlanta, GA Water & Sewer | 11 | A- |
| 20 Pennsylvania Turnpike Comm | 11 | BBB |
| 21 Palomar Pomerado Hospital, CA | 11 | BBB- |
| 22 Oregon Sch Dt LT Pension Pool | 11 | A+ |
| 23 Illinois Regional Transportation Auth, IL - Sales Tax Statewide | 10 | AA |
| 24 Philadelphia, PA - GO | 10 | BBB+ |
| 25 Worcester (City), MA - GO | 10 | A+ |
| 26 Hospital Authority Of Gwinnett County, Georgia | 9 | A |
| 27 New York (State of), GO / Appropriation | 9 | AA- |
| 28 New York State Power Authority | 8 | AA |
| 29 Scottsdale Memorial Sys AZ | 7 | A |
| 30 Contra Costa County, CA - GO/Appropriation | 7 | AA- |
| 31 San Antonio Airport, TX | 7 | A |
| 32 Detroit, MI Sewer | 7 | A- |
| 33 Massachusetts Special Oblig., MA - Gas Tax Statewide (Local) | 7 | AA+ |
| 34 Houston Airport, TX | 7 | A |
| 35 Harrisburg, PA - GO | 6 | BIG |
| 36 New Hanover Regional Medical Center, NC | 6 | A+ |
| 37 Asante Health System, OR | 6 | A+ |
| 38 CareAlliance Health Services, SC | 6 | BBB+ |
| 39 Carilion Health System, VA Hospital Revenue Bonds | 6 | A |
| 40 Elgin SD U46, IL - GO | 6 | A |
| 41 Wayne County, MI - GO | 6 | BBB- |
| 42 Washington Metropolitan Airports Authority, WA | 6 | A+ |
| 43 Medlantic/Helix Parent, MD | 6 | A- |
| 44 Minneapolis MN And Housing And Redevelopment | 5 | A+ |
| 45 Central Oregon Community College Dist, OR - GO | 5 | A+ |
| 46 Hawaii Community Dev. Corp | 5 | A+ |
| 47 Colombia (District of), Water & Sewer | 5 | AA |
| 48 Murrieta Valley Unified SD, CA - GO | 5 | A+ |
| 49 Alabama Pub Sch & Coll Auth, AL - Sales Tax Statewide | 5 | AA |
| 50 Kentucky (State of) - GO/Appropriation | 5 | A |
| Total Top 50 U.S. Public Finance Exposures: | \$ 807 | |

1 Ratings are assigned by AORE, which takes into consideration ratings assigned by the primary insurers and the rating agencies. Ratings are assigned as of March 8, 2019. Escrowed transactions are included in the table above and are assigned a rating of the higher of "AA" or the current AORE rating. (See Bond Type table, footnote 1)

* All numbers in the table above are unaudited.

American Overseas Reinsurance Company Limited

Largest Exposures by Sector (2 of 4)

Net Par Outstanding

as of December 31, 2018

(dollars in millions)

| 10 Largest U.S. Structured Finance Exposures: | Amount | AORE Rating ¹ |
|--|-------------|--------------------------|
| 1 Doral 2006-1 - Deutsche Mortg Sec 2006-PR1 | \$ 5.623 | BIG |
| 2 Consec Finance Mfg'd Housing | 0.205 | BBB- |
| 3 Credit Protection Trust 270 | 0.179 | BBB |
| 4 GreenPoint Mfg'd Hsg 2000-6 | 0.081 | A |
| 5 GreenPoint Mfg'd Hsg 2000-4 | 0.081 | BIG |
| 6 CIT (Lehman ABS Manufactured Housing) | 0.011 | AA |
| 7 Ameriquest 2003-5 Tagss | 0.000 | A |
| 8 Nimco CBO I | 0.000 | BIG |
| 9 CPS Auto Rec Trust 2006-A | 0.000 | AAA |
| 10 CPT 167 - FCO1 Revolving Notes - DB (Undrawn Amt) | 0.000 | AA |
| Total Top 10 Largest U.S. Structured Finance Exposures: | \$ 6 | |

1 Ratings are assigned by AORE, which takes into consideration ratings assigned by the primary insurers and the rating agencies. Ratings are assigned as of March 8, 2019. Escrowed transactions are included in the table above and are assigned a rating of the higher of "AA" or the current AORE rating. (See Bond Type table, footnote 1)

* All numbers in the table above are unaudited.

American Overseas Reinsurance Company Limited

Largest Exposures by Sector (3 of 4)

Net Par Outstanding

as of December 31, 2018

(dollars in millions)

| 25 Largest Non U.S. Exposures: | Amount | AORE Rating ¹ |
|--|---------------|--------------------------|
| 1 Societe Des Autoroutes Du Nord Et De L'est De | \$ 52 | BBB+ |
| 2 Thames Water Utilities Finance PLC | 51 | A- |
| 3 Verbund - Wachovia Wrap Of Securities Lease And | 45 | AAA |
| 4 Southern Water Services | 43 | A- |
| 5 Campania Region - Healthcare Receivable | 38 | BBB- |
| 6 Southern Gas | 35 | BBB |
| 7 Envestra Limited | 32 | A- |
| 8 Yorkshire Water Services Finance PLC | 24 | A- |
| 9 Valencia Fair | 18 | BIG |
| 10 Western Power Distribution (South West) PLC | 17 | BBB+ |
| 11 Capital Hospitals (Barts) | 17 | BBB- |
| 12 National Grid Gas | 15 | BBB+ |
| 13 Scotland Gas | 12 | BBB |
| 14 Wessex Water Services Finance PLC | 12 | BBB+ |
| 15 Severn Trent Water Utilities Finance PLC | 11 | BBB+ |
| 16 Millau Viaduct | 11 | BBB- |
| 17 MPC Funding Limited | 6 | BBB+ |
| 18 Lunar Funding I Ltd. (Series No. 4) North'n | 6 | BBB+ |
| 19 United Utilities Water Plc | 5 | BBB+ |
| 20 Sestante Finance S.R.L. | 5 | BBB |
| 21 Catalyst Capital (Oil Continget Capital Facility) | 5 | BBB |
| 22 Ottam Mexican Capital Trust Limited | 3 | BBB |
| 23 Adriatica Finance (Abruzzo) - Italy | 3 | BBB- |
| 24 Hit Finance B.V. | 2 | BBB- |
| 25 A130 (CountyRoute) | 2 | BIG |
| Total Top 25 Non U.S. Exposures: | \$ 469 | |

1 Ratings are assigned by AORE, which takes into consideration ratings assigned by the primary insurers and the rating agencies. Ratings are assigned as of March 8, 2019. Escrowed transactions are included in the table above and are assigned a rating of the higher of "AA" or the current AORE rating. (See Bond Type table, footnote 1)

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American Overseas Reinsurance Company Limited

Largest Exposures by Sector (4 of 4)

Net Par Outstanding

as of December 31, 2018

(dollars in millions)

10 Largest U.S. Healthcare Exposures:

| | NPO | AORE Rating | State |
|--|---------------|--------------------|--------------|
| 1 Partners Healthcare System, Inc. Capital Asset | \$ 33 | AA | MA |
| 2 Catholic Healthcare West | 28 | A- | CA |
| 3 Carolinas Hlt Sys Charl-Meckl | 26 | AA- | NC |
| 4 Christus Health, TX | 12 | A- | TX |
| 5 Palomar Pomerado Hospital, CA | 11 | BBB- | CA |
| 6 Hospital Authority Of Gwinnett County, Georgia | 9 | A | GA |
| 7 Scottsdale Memorial Sys AZ | 7 | A | AZ |
| 8 New Hanover Regional Medical Center, NC | 6 | A+ | NC |
| 9 Asante Health System, OR | 6 | A+ | OR |
| 10 CareAlliance Health Services, SC | 6 | BBB+ | SC |
| Total Top 10 U.S. Healthcare Exposures: | \$ 144 | | |

1 Ratings are assigned by AORE, which takes into consideration ratings assigned by the primary insurers and the rating agencies. Ratings are assigned as of March 8, 2019. Escrowed transactions are included in the table above and are assigned a rating of the higher of "AA" or the current AORE rating. (See Bond Type table, footnote 1)

* All numbers in the tables above are unaudited.

American Overseas Reinsurance Company Limited
Outstanding Portfolio Profile by Credit Quality Distribution
 Par Outstanding
 as of December 31, 2018
 (dollars in millions)

| | Outstanding as of December 31, 2018 ¹ | | Outstanding as of December 31, 2017 ¹ | |
|------------------------|--|--------------|--|--------------|
| | Amount | % | Amount | % |
| Public Finance | | | | |
| AAA | \$ 46 | 3.1% | \$ 44 | 1.9% |
| AA | 372 | 25.3% | 688 | 29.6% |
| A | 477 | 32.3% | 694 | 29.9% |
| BBB | 415 | 28.2% | 662 | 28.5% |
| Below Investment Grade | 152 | 10.3% | 169 | 7.3% |
| Total | \$ 1,462 | 99.2% | \$ 2,258 | 97.3% |

| | Outstanding as of December 31, 2018 ¹ | | Outstanding as of December 31, 2017 ¹ | |
|---------------------------|--|-------------|--|-----------|
| | Amount | % | Amount | % |
| Structured Finance | | | | |
| AAA | \$ 0 | 0.0% | \$ 9 | 0.4% |
| AA | 1 | 0.0% | 2 | 0.1% |
| A | 0 | 0.0% | 6 | 0.3% |
| BBB | 5 | 0.3% | 6 | 0.3% |
| Below Investment Grade | 6 | 0.4% | 39 | 1.7% |
| Total | \$ 12 | 0.8% | \$ 62 | 3% |

| | Outstanding as of December 31, 2018 ¹ | | Outstanding as of December 31, 2017 ¹ | |
|------------------------|--|---------------|--|-------------|
| | Amount | % | Amount | % |
| Total Finance | | | | |
| AAA | \$ 46 | 3.1% | \$ 53 | 2.3% |
| AA | 373 | 25.3% | 690 | 29.7% |
| A | 477 | 32.4% | 700 | 30.2% |
| BBB | 420 | 28.5% | 668 | 28.8% |
| Below Investment Grade | 158 | 10.7% | 209 | 9.0% |
| Total | \$ 1,474 | 100.0% | \$ 2,320 | 100% |

¹ Ratings are assigned by AORE, which takes into consideration ratings assigned by the primary insurers and the rating agencies. Ratings are assigned as of March 8, 2019. Escrowed transactions are included in the table above and are assigned a rating of the higher of "AA" or the current AORE rating. (See Bond Type table, footnote 1)

* All numbers in the tables above are unaudited.

American Overseas Reinsurance Company Limited

Non-Investment Grade Exposures

Net Par Outstanding

as of December 31, 2018

(dollars in millions)

| | NPO | AORE Rating |
|--|---------------|--------------------|
| Public Finance BIG Exposures Greater Than \$5 Million | | |
| Name or description | | |
| U.S. Public Finance | | |
| Puerto Rico Highway & Transportation Authority | \$ 61 | CC |
| Puerto Rico MFA, PR - State Moral Obligation | \$ 31 | CCC- |
| Puerto Rico Highway & Transportation Authority | \$ 31 | CC- |
| Harrisburg Parking System, PA | \$ 5 | BB |
| Total | \$ 128 | |
| Non-U.S. Public Finance | | |
| Valencia Fair | \$ 18 | BB- |
| Total | \$ 18 | |
| Total | \$ 145 | |
| Structured Finance BIG Exposures Greater than \$5 Million | | |
| | NPO | AORE Rating |
| Name or description | | |
| U.S. Structured Finance | | |
| U.S. RMBS: | | |
| Doral 2006-1 - Deutsche Mortg Sec 2006-PR1 | \$ 6 | CCC |
| Total U.S. RMBS | \$ 6 | |
| Grand Total | \$ 151 | |

¹ Ratings are assigned by AORE, which takes into consideration ratings assigned by the primary insurers and the rating agencies. Ratings are assigned as of March 8, 2019. Escrowed transactions are included in the table above and are assigned a rating of the higher of "AA" or the current AORE rating. (See Bond Type table, footnote 1)

* All numbers in the tables above are unaudited.

American Overseas Reinsurance Company Ltd.

Changes in Credit Derivative Liabilities

(dollars in thousands)

The following table presents changes in the net credit derivative liabilities balance for which fair value was measured using significant unobservable inputs for the period ended December 31, 2018 and year ended December 31, 2017.

| | Period ended December 31, 2018 | Year ended December 31, 2017 |
|---|-----------------------------------|---------------------------------|
| Balance, beginning of period | \$ (342) | \$ (8,358) |
| Total unrealized gains included in earnings | 61 | 8,125 |
| Total realized gains included in earnings | 14 | 113 |
| Net cash payments/(receipts) ⁽¹⁾ | 1 | (222) |
| Balance, end of period | <u>\$ (266)</u> | <u>\$ (342)</u> |

⁽¹⁾ Net cash payments/receipts includes all ongoing contractual cash payments inclusive of payments to commute credit derivatives.

* All numbers in the tables above are unaudited.

American Overseas Reinsurance Limited Operating Supplement

Introductory Notes

This operating supplement presents information on the financial guaranty business of American Overseas Reinsurance Company Limited, (the "Company") on a U.S. GAAP basis unless otherwise.

This Supplement should be read in conjunction with the financial statements of American Overseas Group Limited and financial information posted on our website at www.aoreltd.com.

This Supplement should also be read in conjunction with various footnotes and explanatory notes contained herein. Certain measures reported in this Supplement are not in conformity with U.S. GAAP and should not be considered as a substitute for GAAP measures. They are provided with the intent of enhancing information available to analysts and investors.

Safe Harbor Statement

Any forward-looking statements made in this supplement reflect the Company's current views and assumptions with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. For example, the Company's forward-looking statements regarding future installment premiums and present value of future installment premiums could be affected by early termination of policies, general economic conditions, losses in excess of amounts anticipated in the Company's loss reserving, changes in accounting policies or practices, developments in the financial guaranty industry, as well as management's responses to these factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made or on which estimates were prepared. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise.