RESULTS OF OPERATIONS THROUGH JUNE 30, 2014 - American Overseas Group Limited Announces Net Loss of $1.1 Million and Operating Income of $1.6 Million through June 30, 2014.

HAMILTON, Bermuda, September 29, 2014 (BUSINESS WIRE) -- American Overseas Group Limited (BSX:AORE.BH) (Pink Sheets: AORE.PK) ("AOG" or the "Company") today reported net loss of $1.1 million, or $0.38 per diluted share, for the six months ended June 30, 2014. This compares to a net loss of $2.1 million, or $0.77 per diluted share, for the first six months of 2013. Property/casualty premiums earned for the six months ended June 30, 2014 were $8.6 million compared to $7.7 million for the first six months of 2013. The results for the first six months of 2014 were impacted by net unrealized losses on credit derivatives of $2.4 million. Book value per share at June 30, 2014 was $27.92, an increase of 1% from year-end 2013 when book value per share was $27.54.

During the first six months of 2014, operating income was $1.6 million, or $0.58 per diluted share, compared to operating income of $6.2 million, or $2.28 per diluted share, during the first six months of 2013. Operating book value per share was $50.66 at June 30, 2014, an increase of 3% from year-end 2013 when operating book value per share was $49.38. Operating income and operating book value per share are non-GAAP financial measures. Please refer to "Explanation of Non-GAAP Financial Measures" below for a description of operating income and for a reconciliation of operating income to net income and operating book value per share to book value per share.

As previously announced, as a cost saving measure, the Company began publicly reporting financial results and publishing financial statements semi-annually rather than quarterly, effective for periods beginning January 1, 2014.

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 ability to execute its business strategy, including with respect to new reinsurance businesses; (ii) changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors; (iii) the loss of significant customers with which AORE has a concentration of its reinsurance in force; (iv) legislative and regulatory developments; (v) changes in regulations or tax laws applicable to the Company or AORE or its customers; (vi) more severe or more frequent losses associated with AORE's reinsured portfolio; (vii) losses on credit derivatives; (viii) changes in the Company's accounting policies and procedures that impact the Company's reported financial results; (ix) the effects of ongoing and future litigation and (x) other risks and uncertainties that have not been identified at this time. The Company undertakes no obligation to revise or update any forward-looking statement to reflect changes in conditions, events, or expectations, except as required by law.

Explanation of Non-GAAP Financial Measures

The Company believes that the following non-GAAP financial measures included in this press release serve to supplement GAAP information and are 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, unrealized gains or losses on credit derivatives and foreign currency gains or losses. Operating income (loss) is typically used by research analysts and rating agencies in their analysis of the Company.

Operating book value per share and adjusted operating book value per share: The Company believes the presentation of operating book value per share and adjusted operating book value per share to be useful because they give a measure of the value of the Company, excluding non-operating items such as unrealized gains and losses on credit derivatives. The Company derives operating book value by beginning with GAAP book value and adding back the unrealized gain or loss portion of its derivative liability, excluding the impact of credit impairments. Adjusted operating book value per share begins with operating book value as calculated above and then adding or subtracting the value of:

a. GAAP unearned premium reserves (on policies classified as financial guarantee);

b. Deferred acquisition costs;

c. Unearned premiums reserves and the present value of estimated future installment premiums net of ceding commissions on credit derivative policies (discounted at 1.62% at June 30, 2014, and 1.75% at December 31, 2013);

d. Unrealized appreciation or depreciation of investments; and

e. Noncontrolling interest in subsidiary – Class B preference shares.

Credit impairments on insured credit default swap ("CDS") contracts: Management measures and monitors credit impairments on AORE's credit derivatives, which are expected to be paid out over the term of the CDS contracts. The credit impairments are a non-GAAP financial measure which management believes to be useful to analysts and investors in reviewing the results of our entire portfolio of policies. Management considers credit derivative policies as a normal extension of AORE's financial guarantee business and reinsurance in substance.

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 subsidiary, American Overseas Reinsurance Company Ltd., is a property/casualty reinsurance company that currently writes short tail non-catastrophe property/casualty reinsurance and historically wrote financial guaranty reinsurance for U.S. and international public finance and structured finance transactions. The Company's financial guaranty reinsurance business is in run-off. More information can be found at www.aoreltd.com.

American Overseas Group Limited

Consolidated Balance Sheets

(unaudited)

As at June 30, 2014 and December 31, 2013

(dollars in thousands)

	June 30, 2014	December 31, 2013
Assets		
Investments:		
Fixed-maturity securities held as available for sale, at fair value		
(Amortized cost: $144,712 and $137,930)	$ 148,783	$ 141,124
Fixed income security held to maturity, at amortized cost	4,700	4,700
Equity investments available for sale, at fair value (Cost: $31,000 and $21,000)	34,433	23,100
Cash and cash equivalents	12,584	12,775
Restricted cash	38,299	43,688
Unsettled trades	-	9,068
Accrued investment income	728	777
Reinsurance balances receivable, net	11,726	10,611
Funds w ithheld	13,570	12,351
Salvage and subrogation recoverable	4,289	6,684
Deferred policy acquisition costs	21,436	24,264
Deferred expenses	215	259
Other assets	598	800
Total Assets	$ 291,361	$ 290,201
Liabilities and Equity		
Liabilities:		
Loss and loss expense reserve	$ 24,911	$ 21,783
Unearned premiums	56,611	62,002
Accounts payable and accrued liabilities	494	745
Derivative liabilities	67,328	64,974
Redeemable Series A preference shares ($1,000 redemption value and $0.10 par value; authorized shares - 75,000; issued and outstanding shares - 59,700 at June 30, 2014 and December 31, 2013)	59,700	59,700
Total Liabilities	209,044	209,204
Shareholders' Equity:		
Common shares	2,731	2,721
Additional paid-in capital	232,732	232,578
Accumulated other comprehensive income	7,504	5,295
Retained deficit	(166,703)	(165,650)
Total Shareholders' Equity	76,264	74,944
Noncontrolling interest - Class B preference shares of subsidiary	6,053	6,053
Total Equity	82,317	80,997
Total Liabilities and Equity	$ 291,361	$ 290,201

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)
For the six months ended June 30, 2014 and 2013
(dollars in thousands except share and per share amounts)

	Six Months Ended June 30,	
	2014	**2013**
Revenues		
Net premiums earned	$ 12,388	$ 13,454
Change in fair value of credit derivatives		
Realized gains and other settlements	559	1,100
Unrealized losses	(2,401)	(7,642)
Net change in fair value of credit derivatives	(1,842)	(6,542)
Net investment income	2,536	2,585
Net realized (losses) gains on sale of investments	(57)	46
Total other-than-temporary impairment losses	-	-
Portion of impairment losses recognized in other comprehensive income (loss)	-	-
Net other-than-temporary impairment losses (recognized in earnings)	-	-
Foreign currency losses (gains)	78	(392)
Total revenues	**13,103**	**9,151**
Expenses		
Losses and loss adjustment expenses	6,844	4,635
Acquisition expenses	4,533	3,816
Operating expenses	2,778	2,815
Total expenses	**14,155**	**11,266**
Net loss	**$ (1,052)**	**$ (2,116)**
Net loss per common share:		
Basic	$ (0.39)	$ (0.78)
Diluted	(0.38)	(0.77)
Weighted average number of common shares outstanding:		
Basic	2,724,684	2,709,852
Diluted	2,750,825	2,738,181

	Six month period Ended June 30, 2014		
Segment information	**P&C**	**FG**	**Total**
Net earned premiums	$ 8,600	$ 3,787	$ 12,388
Incurred losses	6,539	305	6,844
Impairment on credit derivatives	-	(260)	(260)
Acquisition costs	1,882	2,652	4,533
Net underw riting gain	$ 180	$ 1,090	$ 1,270
Loss ratio	76.0%	1.2%	53.1%
Expense ratio	21.9%	70.0%	36.6%
Combined ratio	97.9%	71.2%	89.7%

Reconciliation of net income (loss) to operating income (loss):
(Dollars in thousands except share and per share amounts)

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
Operating income				
Net loss	$	(1,052)	$	(2,116)
Less: Realized (gains) losses on sale of investments and other-than-temporary impairment losses		57		(46)
Less: Unrealized losses on credit derivatives		2,401		7,642
Add back: credit impairment on derivatives		260		362
Less: Foreign currency (gains) losses		(78)		392
Operating income	$	1,588	$	6,235
Net loss per diluted share	$	(0.38)	$	(0.77)
Less: Realized losses (gains) on sale of investments and other-than-temporary impairment losses		0.02		(0.02)
Less: Unrealized losses on credit derivatives		0.87		2.79
Add back: credit impairment on derivatives		0.09		0.13
Less: Foreign currency (gains) losses		(0.03)		0.14
Operating income per diluted share	$	0.58	$	2.28

Reconciliation of book value per share to operating book value per share and adjusted operating book value per share:
(Dollars in thousands except per share amounts)

		As at Jun 30, 2014		As at Dec 31, 2013
Shares outstanding		2,731		2,721
Book Value Per Share	$	27.92	$	27.54
Shareholders' Equity (Book Value)		76,264		74,944
Derivative liability (1)		67,193		64,792
Credit impairments on derivatives		(5,103)		(5,363)
Operating book value per share		50.66		49.38
Noncontrolling interest in subsidiary - Class B preference shares		6,053		6,053
Unearned premiums (2)		57,014		62,445
Deferred acquisition costs		(21,436)		(24,264)
Present value of installment premiums (3)		6,033		6,471
Unrealized gains on investments		(7,504)		(5,295)
Adjusted operating book value per share	$	65.36	$	66.07

(1) Represents the unrealized gains (losses) portion of the derivative liability.

(2) Includes unearned premium balances on financial guaranty, property casualty and credit derivative policies. The unearned premiums on financial guaranty policies include the present value of future installment premiums, net of ceding commissions.

(3) Estimated present value of future installments, net of ceding commissions, on policies written in credit derivative form only. At June 30, 2014 and December 31, 2013, the discount rate was 1.62% and 1.75%, respectively.

The Company has posted its first six months of 2014 financial results to its website at www.aoreltd.com under "Investor Information".

SOURCE: American Overseas Group Limited