



**American Overseas Group Limited Announces Net Income Of \$38.4 Million and Operating Loss of \$3.2 Million for the Year Ended December 31, 2014.**

HAMILTON, Bermuda, June 30, 2015 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AOREF.BH) (Pink Sheets: AOREF.PK) ("AOG" or the "Company") today reported consolidated net income of \$38.4 million, or \$1,797.58 per diluted share, for the year ended December 31, 2014. This compares to a consolidated net loss of \$0.3 million, or \$16.39 per diluted share, for the year ended December 31, 2013. The 2013 financial statements of AOG have been restated to reflect the fact that AOG and Orpheus Group Ltd. came under common voting control on June 26, 2013, and to include the results of Orpheus Group Ltd. from that date. The results for 2014 were impacted by fair value adjustments of \$22.8 million and unrealized gains in credit derivatives of \$18.2 million. Book value per share at December 31, 2014 was \$1,327.28.

For the year ended December 31, 2014, the Company had an operating loss of \$3.2 million, or \$150.13 per diluted share, compared to operating income of \$3.1 million, or \$147.52 per diluted share for the year ended December 31, 2013 as restated.

Gross property and casualty premiums written, which are the primary driver of the Company's fee income, were \$418.3 million for 2014 compared to \$224.9 million for 2013. Fees earned by the Company's management companies were \$13.6 million for 2014 compared to \$7.0 million for 2013 before intercompany consolidation eliminations with their regulated affiliates. EBITDA margins earned on these fees were 34% for 2014 and 2013. Net earned property and casualty premiums were \$36.5 million for 2014 compared to \$35.1 million for 2013. The drop in net premiums earned is the direct result of the termination of a large assumed reinsurance treaty in May of 2014 in accordance with the Company's decision to deemphasize the retention of underwriting risk.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited continues to run-off satisfactorily. Insured par outstanding (net of escrowed transactions) declined to \$6.2 billion at December 31, 2014 from \$8.3 billion at December 31, 2013, a 19.3% decline.

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

## **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

OPERATING INCOME BY SEGMENT

(dollars in thousands)	December 31, 2014			
	Property/ Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	\$ 36,466	\$ (168)	\$ -	\$ 36,298
Net change in fair value of credit derivatives	-	18,760	-	18,760
Losses and loss adjustment expenses	(35,897)	23,211	-	(12,686)
Acquisition expenses	(7,107)	175	-	(6,932)
Underwriting gain (loss)	(6,538)	41,978	-	35,440
Fee income	12,818	-	-	12,818
Net investment income	-	-	4,363	4,363
Net realized gains on sales of investments	-	-	4,844	4,844
Fair value adjustment	-	-	4,520	4,520
Operating expenses	(8,614)	(7,019)	(704)	(16,337)
Interest expense	-	-	(2,535)	(2,535)
Amortization expense	(2,707)	-	-	(2,707)
Other expense	-	-	(500)	(500)
Income tax	(7)	-	-	(7)
Net income (loss) before noncontrolling interest	\$ (5,048)	\$ 34,959	\$ 9,988	\$ 39,899
Net income (loss) before noncontrolling interest	\$ (5,048)	\$ 34,959	\$ 9,988	\$ 39,899
Less after tax adjustments:				
Net realized gains on sales of investments	-	-	(4,844)	(4,844)
Net change in fair value of credit derivatives	-	(18,173)	-	(18,173)
Fair value adjustments	-	(18,278)	(4,520)	(22,798)
Amortization of intangibles	2,707	-	-	2,707
Operating income (loss)	\$ (2,341)	\$ (1,492)	\$ 624	\$ (3,209)

(dollars in thousands)	As Adjusted December 31, 2013			
	Property/ Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	\$ 35,128	\$ 711	\$ -	\$ 35,839
Net change in fair value of credit derivatives	-	1,917	-	1,917
Losses and loss adjustment expenses	(33,794)	2,559	-	(31,235)
Acquisition expenses	(8,512)	(769)	-	(9,281)
Underwriting gain (loss)	(7,178)	4,418	-	(2,760)
Fee income	6,264	-	-	6,264
Net investment income	-	-	5,000	5,000
Net realized gains on sales of investments	-	-	2,337	2,337
Fair value adjustment	-	-	1,652	1,652
Operating expenses	(4,411)	(5,458)	(139)	(10,008)
Interest expense	-	-	(640)	(640)
Amortization expense	(2,290)	-	-	(2,290)
Other expense	-	-	99	99
Income tax	(4)	-	-	(4)
Net income (loss) before non controlling interest	\$ (7,619)	\$ (1,040)	\$ 8,309	\$ (350)
Net income (loss) before non controlling interest	\$ (7,619)	\$ (1,040)	\$ 8,309	\$ (350)
Less after tax adjustments:				
Net realized gains on sales of investments	-	-	(2,337)	(2,337)
Net change in fair value of credit derivatives	-	(162)	-	(162)
Fair value adjustments	-	5,360	(1,652)	3,708
Amortization of intangibles	2,290	-	-	2,290
Operating income (loss)	\$ (5,329)	\$ 4,158	\$ 4,320	\$ 3,149