



American Overseas Group Limited Issues Supplement Information and Updated Earnings Release Regarding Net Income and Operating Loss for the Year Ended December 31, 2014.

HAMILTON, Bermuda, July 3, 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 \$7.6 billion at December 31, 2013, a 18.4% 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.

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 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 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. 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 December 31, 2014 and 2013
(dollars in thousands)

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Assets</u>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value (Amortized cost: \$122,812 and \$172,903)	\$ 123,527	\$ 171,842
Equity investments, at fair value (Cost: \$31,943 and \$21,334)	32,212	24,339
Cash and cash equivalents	35,497	36,347
Restricted cash	46,968	43,688
Unsettled trades	-	9,068
Accrued investment income	320	785
Premiums receivable	57,194	72,581
Reinsurance balances receivable, net	282,980	330,122
Salvage and subrogation	2,662	6,684
Deferred policy acquisition costs	452	941
Intangible assets	7,038	9,745
Goodwill	33,050	33,050
Assets held in segregated accounts	537	2,364
Other assets	1,063	1,055
Total Assets	\$ 623,500	\$ 742,611
 <u>Liabilities and Equity</u>		
Liabilities:		
Loss and loss expense reserve	\$ 265,439	\$ 323,604
Unearned premiums	95,277	108,948
Ceded premium payable	56,135	77,751
Payable to general agents	355	401
Funds withheld	2,568	3,816
Accounts payable and accrued liabilities	4,149	3,386
Liabilities related to segregated accounts	537	2,364
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 59,700 at December 31, 2014 and 2013)	9,446	9,429
Derivative liabilities	46,696	64,973
Notes payable	60,890	47,750
Non-owned interest in VIE	300	300
Interest payable	1,188	318
Dividend payable	-	75
Fair Value Adjustment	22,104	26,640
Deferred tax liability	31	24
Total Liabilities	565,115	669,779
 Shareholders' Equity:		
Common shares	4,399	1,533
Additional paid-in capital	185,638	233,211
Accumulated other comprehensive income	893	6,056
Retained deficit	(138,598)	(177,021)
Total Shareholders' Equity	52,332	63,779
Non-controlling interest of preferred shares of subsidiaries	6,053	9,053
Total Equity	58,385	72,832
 Total Liabilities and Equity	 \$ 623,500	 \$ 742,611

See Notes to 2014 Consolidated Financial Statements available on American Overseas Groups Ltd. Website at www.aoreltd.com

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)
For years ended December 31, 2014 and 2013
(dollars in thousands, except share and per share amounts)

	Year ended December 31,	
	2014	2013
Revenues		
Net premiums earned	\$ 36,298	\$ 35,839
Fee income	12,818	6,263
Change in fair value of credit derivatives		
Realized gains and other settlements	587	1,755
Unrealized gains	18,173	162
Net change in fair value of credit derivatives	18,760	1,917
Net investment income	4,363	5,000
Net realized gains on investments	4,844	2,337
Fair value adjustment	4,519	1,652
Other income	-	99
Total revenues	81,602	53,107
Expenses		
Losses and loss adjustment expenses	12,685	31,235
Acquisition expenses	6,932	9,281
Operating expenses	16,337	10,008
Amortization of intangible assets	2,707	2,290
Other expense	500	-
Interest expense	2,535	640
Total expenses	41,696	53,453
Net income (loss) available to common shareholders	\$ 39,906	\$ (346)
Income tax expense	(7)	(4)
Net income (loss) before dividends	39,899	(350)
Dividends on preference shares	(1,476)	-
Net income (loss) available to common shareholders	\$ 38,423	\$ (350)
Net income (loss) per common share:		
Basic	\$ 1,813.44	\$ (16.61)
Diluted	1,797.58	(16.39)
Weighted-average number of common shares outstanding:		
Basic	21,188	21,056
Diluted	21,375	21,345

* Shares outstanding and net income per share as of December 31, 2014, reflect the effects of a 1 for 100 reverse stock split on October 14, 2014. For comparative purposes, the outstanding shares along with the net income per common share for the year ending December 31, 2013, have been adjusted to reflect the change in capital structure as if the reverse stock split had occurred in that period.

See Notes to 2014 Consolidated Financial Statements available on American Overseas Groups Ltd. Website at 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

