

RESULTS OF OPERATIONS THROUGH JUNE 30, 2015 - American Overseas Group Limited Announces Net Income Of \$7.0 Million and Operating Loss of \$9.4 Million through June 30, 2015.

HAMILTON, Bermuda, September 28, 2015 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AOREF.BH) (Pink Sheets: AOREF.PK) ("AOG" or the "Company") today reported consolidated net income of \$7.0 million, or \$165.63 per diluted share, for the six months ended June 30, 2015. This compares to consolidated net income of \$7.0 million, or \$254.83 per diluted share, for the six months ended June 30, 2014. On October 28, 2014, the Company acquired Orpheus Group Ltd. ("OGL") for a combination of common stock and senior notes. As a result, the previously reported 2014 consolidated balance sheet, consolidated statement of operations, consolidated statement of comprehensive income, and the consolidated statement of cash flows of the Company have been adjusted to consolidate the operations of the Company with OGL. The results for the first six months of 2015 were impacted by fair value adjustments of \$3.4 million and unrealized gains in credit derivatives of \$15.3 million. The results for the first six months of 2014 were impacted by fair value adjustments of \$11.4 million and unrealized losses in credit derivatives of \$2.4 million. Book value per share at June 30, 2015 was \$1,532.61.

For the six months ended June 30, 2015, the Company had an operating loss of \$9.4 million, or \$220.97 per diluted share, compared to an operating loss of \$0.4 million, or \$15.09 per diluted share for the six months ended June 30, 2014 as restated.

Gross property and casualty premiums written, which are the primary driver of the Company's fee income, were \$195.3 million for the first six months of 2015 compared to \$227.7 million for the first six months of 2014. Fees earned by the Company's management companies were \$6.8 million for the first six months of 2015 compared to \$7.2 million for the first six months of 2014 before intercompany consolidation eliminations with their regulated affiliates. EBITDA margins earned on these fees were 35.8% and 41.4% for the first six months of 2015 and 2014, respectively. Net earned property and casualty premiums were \$4.1 million for the first six months of 2015 compared to \$27.5 million for the first six months of 2014. 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, notwithstanding loss reserve increases mainly due to the Company's continued exposure to Puerto Rico credits. Insured par outstanding (net of escrowed transactions) declined to \$5.3 billion at June 30, 2015 from \$6.2 billion at December 31, 2014, a 14.5% 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.

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 June 30, 2015 and December 31, 2014
(dollars in thousands)

	June 30, 2015	December 31, 2014
<u>Assets</u>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 105,558	\$ 123,527
Equity investments, at fair value	34,625	32,212
Cash and cash equivalents	46,557	35,497
Restricted cash	39,696	46,968
Accrued investment income	283	320
Premiums receivable	60,589	57,194
Reinsurance balances receivable, net	292,352	282,980
Salvage and subrogation	1,067	2,662
Deferred policy acquisition costs	201	452
Intangible assets	5,919	7,038
Goodwill	33,050	33,050
Assets held in segregated accounts	-	537
Other assets	1,339	1,063
Total Assets	\$ 621,236	\$ 623,500
 <u>Liabilities and Equity</u>		
Liabilities:		
Loss and loss expense reserve	\$ 264,347	\$ 265,439
Unearned premiums	95,476	95,277
Ceded premium payable	64,229	56,135
Payable to general agents	569	355
Funds withheld	5,131	2,568
Accounts payable and accrued liabilities	1,692	4,149
Liabilities related to segregated accounts	-	537
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 59,700 at June 30, 2015 and December 31, 2014)	9,616	9,446
Derivative liabilities	31,548	46,696
Notes payable	59,252	60,890
Non-owned interest in VIE	300	300
Interest payable	1,471	1,188
Fair Value Adjustment	20,730	22,104
Deferred tax liability	34	31
Total Liabilities	554,395	565,115
 Shareholders' Equity:		
Common shares	4,361	4,399
Additional paid-in capital	186,095	185,638
Accumulated other comprehensive income	1,888	893
Retained deficit	(131,556)	(138,598)
Total Shareholders' Equity	60,788	52,332
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
Total Equity	66,841	58,385
 Total Liabilities and Equity	 \$ 621,236	 \$ 623,500

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)

For six months ended June 30, 2015 and 2014
(dollars in thousands, except share and per share amounts)

	Six Months ended June 30,	
	2015	2014
Revenues		
Net premiums earned	\$ 4,174	\$ 27,883
Fee income	6,538	6,821
Change in fair value of credit derivatives		
Realized gains and other settlements	251	559
Unrealized gains (losses)	15,288	(2,401)
Net change in fair value of credit derivatives	15,539	(1,842)
Net investment income	1,485	2,284
Net realized gains on investments	49	25
Fair value adjustment	1,204	2,260
Other income	29	124
Total revenues	29,018	37,555
Expenses		
Losses and loss adjustment expenses	7,887	15,980
Acquisition expenses	850	5,695
Operating expenses	7,638	6,659
Amortization of intangible assets	1,119	1,353
Other expense	172	-
Interest expense	3,136	619
Total expenses	20,802	30,306
Net income available to common shareholders	\$ 8,216	\$ 7,249
Income tax expense	(4)	-
Net income before dividends	8,212	7,249
Dividends on preference shares	(1,170)	(239)
Net income available to common shareholders	\$ 7,042	\$ 7,010
Net income per common share:		
Basic	\$ 166.65	\$ 257.28
Diluted	165.62	254.83
Weighted-average number of common shares outstanding:		
Basic	42,256	27,247
Diluted	42,518	27,508

* Shares outstanding and net income per share as of June 30, 2015, 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 six months ending June 30, 2014, have been adjusted to reflect the change in capital structure as if the reverse stock split had occurred in that period.

AMERICAN OVERSEAS GROUP LIMITED

OPERATING INCOME BY SEGMENT

(dollars in thousands)	June 30, 2015			
	Property/ Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	\$ 4,111	\$ 63	\$ -	\$ 4,174
Net change in fair value of credit derivatives	-	15,539	-	15,539
Losses and loss adjustment expenses	(4,661)	(3,225)	-	(7,886)
Acquisition expenses	(859)	9	-	(850)
Underwriting gain (loss)	(1,409)	12,386	-	10,977
Fee income	6,538	-	-	6,538
Net investment income	-	-	1,485	1,485
Net realized gains on sales of investments	-	-	49	49
Fair value adjustment	-	-	1,204	1,204
Operating expenses	(4,081)	(2,950)	(608)	(7,639)
Interest expense	-	-	(3,136)	(3,136)
Amortization expense	(1,119)	-	-	(1,119)
Other expense, net of other income	-	-	(143)	(143)
Income tax	(4)	-	-	(4)
Net income (loss) before noncontrolling interest	\$ (75)	\$ 9,436	\$ (1,149)	\$ 8,212
Net income (loss) before noncontrolling interest	\$ (75)	\$ 9,436	\$ (1,149)	\$ 8,212
Less after tax adjustments:				
Net realized gains on sales of investments	-	-	(49)	(49)
Change in unrealized gain of credit derivatives	-	(15,288)	-	(15,288)
Fair value adjustments	-	(2,185)	(1,204)	(3,389)
Amortization of intangibles	1,119	-	-	1,119
Operating income (loss)	\$ 1,044	\$ (8,037)	\$ (2,402)	\$ (9,395)

(dollars in thousands)	As Adjusted June 30, 2014			
	Property/ Casualty	Financial Guaranty	Corporate	Total
Net premiums earned	\$ 27,494	\$ 388	\$ -	\$ 27,882
Net change in fair value of credit derivatives	-	(1,842)	-	(1,842)
Losses and loss adjustment expenses	(25,738)	9,758	-	(15,980)
Acquisition expenses	(5,513)	(182)	-	(5,695)
Underwriting gain (loss)	(3,757)	8,122	-	4,365
Fee income	6,821	-	-	6,821
Net investment income	-	-	2,284	2,284
Net realized gains on sales of investments	-	-	25	25
Fair value adjustment	-	-	2,260	2,260
Operating expenses	(4,223)	(2,679)	244	(6,658)
Interest expense	-	-	(619)	(619)
Amortization expense	(1,353)	-	-	(1,353)
Other income, net of other expense	-	-	124	124
Income tax	-	-	-	-
Net income (loss) before noncontrolling interest	\$ (2,512)	\$ 5,443	\$ 4,318	\$ 7,249
Net income (loss) before noncontrolling interest	\$ (2,512)	\$ 5,443	\$ 4,318	\$ 7,249
Less after tax adjustments:				
Net realized gains on sales of investments	-	-	(25)	(25)
Change in unrealized loss of credit derivatives	-	2,401	-	2,401
Fair value adjustments	-	(9,133)	(2,260)	(11,393)
Amortization of intangibles	1,353	-	-	1,353
Operating income (loss)	\$ (1,159)	\$ (1,289)	\$ 2,033	\$ (415)

AMERICAN OVERSEAS GROUP LIMITED

RESULT FOR P&C SEGMENT

	June 30, 2015				
	U.S.	Non-U.S.	Subtotal	Eliminations and adjustments	Total
Direct premiums written	\$ 195,284	\$ -	\$ 195,284	\$ -	\$ 195,284
Reinsurance assumed (ceded)	(192,269)	2,349	(189,920)	-	(189,920)
Net premiums written and assumed	<u>3,015</u>	<u>2,349</u>	<u>5,364</u>	<u>-</u>	<u>5,364</u>
Net premiums earned	673	3,438	4,111	-	4,111
Loss and loss adjustment expenses	794	3,867	4,661	-	4,661
Acquisition costs	103	756	859	-	859
	<u>897</u>	<u>4,623</u>	<u>5,520</u>	<u>-</u>	<u>5,520</u>
Underwriting gain (loss)	<u>\$ (224)</u>	<u>\$ (1,185)</u>	<u>\$ (1,409)</u>	<u>-</u>	<u>\$ (1,409)</u>
Loss and loss adjustment expense ratio	118.0%	112.5%	113.4%	-	113.4%
Expense ratio	<u>15.3%</u>	<u>22.0%</u>	<u>20.9%</u>	<u>-</u>	<u>20.9%</u>
Combined ratio	<u>133.3%</u>	<u>134.5%</u>	<u>134.3%</u>	<u>-</u>	<u>134.3%</u>
Fee income	\$ 6,141	\$ 708	\$ 6,849	(311)	\$ 6,538
Operating expenses	3,460	971	4,431	(350)	4,081
Less depreciation	(17)	(19)	(36)	-	(36)
	<u>3,443</u>	<u>952</u>	<u>4,395</u>	<u>(350)</u>	<u>4,045</u>
EBITDA	<u>\$ 2,698</u>	<u>\$ (244)</u>	<u>\$ 2,454</u>	<u>39</u>	<u>\$ 2,493</u>
EBITDA margin	<u>43.9%</u>	<u>-34.5%</u>	<u>35.8%</u>	<u>-</u>	<u>38.1%</u>
	As Adjusted June 30, 2014				
	U.S.	Non-U.S.	Subtotal	Eliminations and adjustments	Total
Direct premiums written	\$ 227,682	\$ -	\$ 227,682	\$ -	\$ 227,682
Reinsurance assumed (ceded)	(227,019)	23,382	(203,637)	-	(203,637)
Net premiums written and assumed	<u>663</u>	<u>23,382</u>	<u>24,045</u>	<u>-</u>	<u>24,045</u>
Net premiums earned	538	26,956	27,494	-	27,494
Loss and loss adjustment expenses	478	25,260	25,738	-	25,738
Acquisition costs	71	5,442	5,513	-	5,513
	<u>549</u>	<u>30,702</u>	<u>31,251</u>	<u>-</u>	<u>31,251</u>
Underwriting gain (loss)	<u>\$ (11)</u>	<u>\$ (3,746)</u>	<u>\$ (3,757)</u>	<u>\$ -</u>	<u>\$ (3,757)</u>
Loss and loss adjustment expense ratio	88.8%	93.7%	93.6%	-	93.6%
Expense ratio	<u>13.2%</u>	<u>20.2%</u>	<u>20.1%</u>	<u>-</u>	<u>20.1%</u>
Combined ratio	<u>102.0%</u>	<u>113.9%</u>	<u>113.7%</u>	<u>-</u>	<u>113.7%</u>
Fee income	\$ 6,350	\$ 885	\$ 7,235	(414)	\$ 6,821
Operating expenses	3,403	857	4,260	(37)	4,223
Less depreciation	(3)	(18)	(21)	-	(21)
	<u>3,400</u>	<u>839</u>	<u>4,239</u>	<u>(37)</u>	<u>4,202</u>
EBITDA	<u>\$ 2,950</u>	<u>\$ 46</u>	<u>\$ 2,996</u>	<u>\$ (377)</u>	<u>\$ 2,619</u>
EBITDA margin	<u>46.5%</u>	<u>5.2%</u>	<u>41.4%</u>	<u>-</u>	<u>38.4%</u>