



Results of Operations for the Year Ended December 31, 2015 - American Overseas Group Limited Announces Net Income Of \$16.2 Million and Operating Loss of \$14.7 Million For The Year Ended December 31, 2015.

HAMILTON, Bermuda, June 24, 2016 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AOREF.BH) (Pink Sheets: AOREF.PK) (“AOG” or the “Company”) today reported consolidated net income available to common shareholders of \$16.2 million, or \$370.36 per diluted share, for the year ended December 31, 2015. This compares to consolidated net income available to common shareholders of \$38.4 million, or \$1,797.58 per diluted share, for the year ended December 31, 2014.¹

The results for 2015 were impacted by unrealized gains in credit derivatives of \$30.1 million, and include fair value adjustments of \$5.5 million related to the business combination accounting from the combination of Orpheus Group Ltd. and AOG in 2013, when the entities came under common voting control. Book value per share at December 31, 2015 was \$1,650.27, an improvement from the book value per share of \$1,327.28 at December 31, 2014.

For the year ended December 31, 2015, the Company had an operating loss of \$14.7 million, or \$334.86 per diluted share, compared to an operating loss of \$3.2 million, or \$150.13 per diluted share for the year ended December 31, 2014. Operating income for the property and casualty segment in 2015 was \$4.9 million, compared to the \$2.3 million operating loss in 2014 for this segment. The financial guaranty segment had operating losses of \$16.1 million in 2015, largely driven by losses from the Company’s reinsurance of Puerto Rico-related credits.

Gross property and casualty premiums written, which are the primary driver of the Company’s fee income, were \$385.0 million for 2015 compared to \$418.3 million for 2014. Fees earned by the Company’s management companies were \$13.4 million for 2015 compared to \$13.6 million for 2014 before intercompany consolidation eliminations with their regulated affiliates. EBITDA margins earned on these fees were 44% for 2015 and 34% for 2014. Net earned property and casualty premiums were \$6.4 million for 2015 compared to \$36.5 million for 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. This contributed to the overall improvement for the property and casualty segment, from an operating loss of \$2.3 million in 2014 to operating income of \$4.9 million in 2015.

¹ The diluted weighted average shares outstanding at December 31, 2015 were 43,761, as compared to 21,375 at December 31, 2014. On October 28, 2014, the Company acquired Orpheus Group Ltd., formerly the principal shareholder of the Company, for a combination of common stock and senior notes. The issuance of common shares to Orpheus Group Ltd. shareholders increased the Company’s shares outstanding.

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. The financial guaranty operating loss of \$16.1 million in 2015 compares to an operating loss of \$1.5 million in 2014. Insured par outstanding (net of escrowed transactions) declined to \$4.7 billion at December 31, 2015 from \$6.2 billion at December 31, 2014, a 24% decline.

As part of its ongoing capital management efforts, the Company will continue to redirect excess capital within the group to debt reduction unless other compelling 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 actual 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 measure included in this press release serve to supplement GAAP information and is 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, 2015 and 2014
(dollars in thousands)

	December 31, 2015	December 31, 2014
Assets		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 103,802	\$ 123,527
Equity investments held as available for sale, at fair value	6,856	32,212
Cash and cash equivalents	31,131	35,497
Restricted cash	51,403	46,968
Accrued investment income	203	320
Premiums receivable	61,877	57,194
Reinsurance balances receivable, net	277,439	282,980
Salvage and subrogation recoverable	1,214	2,662
Deferred policy acquisition costs	193	452
Intangible assets	4,800	7,038
Goodwill	33,050	33,050
Assets held in segregated accounts		537
Other assets	2,030	1,063
Total Assets	\$ 573,998	\$ 623,500
 Liabilities and Equity		
Liabilities:		
Loss and loss expense reserve	\$ 249,204	\$ 265,439
Unearned premiums	93,472	95,277
Ceded premium payable	64,380	56,135
Payable to general agents	1,194	355
Funds withheld	3,926	2,568
Accounts payable and accrued liabilities	2,316	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 December 31, 2015 and 2014)	9,787	9,446
Derivative liabilities	16,779	46,696
Notes payable	40,000	60,890
Non-owned interest in VIE	300	300
Interest payable	1,023	1,188
Fair value adjustment	19,355	22,104
Deferred tax liability	38	31
Total Liabilities	501,774	565,115
 Shareholders' Equity:		
Common shares	4,377	4,399
Additional paid-in capital	186,399	185,638
Accumulated other comprehensive (loss) income	(2,214)	893
Retained deficit	(122,390)	(138,598)
Total Shareholders' Equity	66,171	52,332
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
Total Equity	72,224	58,385
 Total Liabilities and Equity	\$ 573,998	\$ 623,500

See Notes to 2015 Consolidated Financial Statements available on American Overseas Group Ltd. Website at www.aoreltd.com.

American Overseas Group Limited
Consolidated Statements of Operations
(unaudited)
For years ended December 31, 2015 and 2014
(dollars in thousands, except share and per share amounts)

	Year ended December 31,	
	2015	2014
Revenues		
Net premiums earned	\$ 6,424	\$ 36,298
Fee income	12,517	12,818
Change in fair value of credit derivatives		
Realized gains and other settlements	459	587
Unrealized gains	30,070	18,173
Net change in fair value of credit derivatives	30,529	18,760
Net investment income	2,783	4,363
Net realized gains on investments	(88)	4,844
Fair value adjustment	2,408	4,519
Other income	253	-
Total revenues	54,826	81,602
Expenses		
Losses and loss adjustment expenses	11,584	12,685
Acquisition expenses	865	6,932
Operating expenses	15,927	16,337
Amortization of intangible assets	2,238	2,707
Other expense	280	500
Interest expense	5,376	2,535
Total expenses	36,270	41,696
Net income (loss) available to common shareholders	\$ 18,556	\$ 39,906
Income tax expense	(7)	(7)
Net income (loss) before dividends	18,549	39,899
Dividends on preference shares	(2,341)	(1,476)
Net income (loss) available to common shareholders	\$ 16,208	\$ 38,423
Net income (loss) per common share:		
Basic	\$ 371.96	\$ 1,813.44
Diluted	370.36	1,797.58
Weighted-average number of common shares outstanding:		
Basic	43,573	21,188
Diluted	43,761	21,375

* 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.

See Notes to 2015 Consolidated Financial Statements available on American Overseas Group Ltd. Website at www.aoreltd.com.

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

December 31, 2015

	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustments	Amortization of intangibles	Operating income
Property and casualty:						
Net premiums earned	\$ 6,399					\$ 6,399
Losses and loss adjustment expenses	(3,991)					(3,991)
Acquisition expenses	(901)					(901)
Fee income	12,517					12,517
Operating expenses	(9,075)					(9,075)
Amortization expense	(2,238)				2,238	-
Income tax	(7)					(7)
Property and casualty	2,704	-	-	-	2,238	4,942
Financial guaranty:						
Net premiums earned	25			7,060		7,085
Net change in fair value of credit derivatives	30,529		(30,070)			459
Losses and loss adjustment expenses	(7,593)			(5,630)		(13,223)
Acquisition expenses	36			(4,481)		(4,445)
Operating expenses	(5,983)					(5,983)
Financial guaranty	17,014	-	(30,070)	(3,051)	-	(16,107)
Corporate and Investing						
Net investment income	2,783					2,783
Net realized loss on sales of investments	(88)	88				-
Fair value adjustment	2,408			(2,408)		-
Operating expenses	(869)					(869)
Interest expense	(5,376)					(5,376)
Other expense, net of other income	(27)					(27)
Corporate and investing	(1,169)	88	-	(2,408)	-	(3,489)
Group total	\$ 18,549	\$ 88	\$ (30,070)	\$ (5,459)	\$ 2,238	\$ (14,654)

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

(dollars in thousands)

December 31, 2014

	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustments	Amortization of intangibles	Operating income
Property and casualty:						
Net premiums earned	\$ 36,466					\$ 36,466
Losses and loss adjustment expenses	(35,897)					(35,897)
Acquisition expenses	(7,107)					(7,107)
Fee income	12,818					12,818
Operating expenses	(8,614)					(8,614)
Amortization expense	(2,707)				2,707	-
Income tax	(7)					(7)
Property and casualty	(5,048)	-	-	-	2,707	(2,341)
Financial guaranty:						
Net premiums earned	(168)			7,604		7,436
Net change in fair value of credit derivatives	18,760		(18,173)			587
Losses and loss adjustment expenses	23,211			(20,125)		3,086
Acquisition expenses	175			(5,757)		(5,582)
Operating expenses	(7,019)					(7,019)
Financial guaranty	34,959	-	(18,173)	(18,278)	-	(1,492)
Corporate and investing:						
Net investment income	4,363					4,363
Net realized gain on sales of investments	4,844	(4,844)				-
Fair value adjustment	4,520			(4,520)		-
Operating expenses	(704)					(704)
Interest expense	(2,535)					(2,535)
Other income/(expense)	(500)					(500)
Corporate and investing	9,988	(4,844)	-	(4,520)	-	624
Group total	\$ 39,899	\$ (4,844)	\$ (18,173)	\$ (22,798)	\$ 2,707	\$ (3,209)