



**Results of Operations for the Year Ended December 31, 2017** - American Overseas Group Limited Announces Net Loss Of \$10.6 Million and Operating Loss of \$20.8 Million For The Year Ended December 31, 2017.

HAMILTON, Bermuda, June 22, 2018 (BUSINESS WIRE) -- American Overseas Group Limited (BSX: AOREF.BH) (Pink Sheets: AOREF.PK) ("AOG" or the "Company") today reported consolidated net loss available to common shareholders of \$10.6 million, or \$233.62 per diluted share, for the year ended December 31, 2017. This compares to consolidated net loss available to common shareholders of \$7.5 million, or \$169.14 per diluted share, for the year ended December 31, 2016.

The results for 2017 were impacted by unrealized gains in credit derivatives of \$8.1 million, and include fair value adjustments of \$1.0 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, 2017 was \$1,308.58, a decline from the book value per share of \$1,530.98 at December 31, 2016.

For the year ended December 31, 2017, the Company had an operating loss of \$20.8 million, or \$456.94 per diluted share, compared to an operating loss of \$14.6 million, or \$328.90 per diluted share for the year ended December 31, 2016. Operating income for the property and casualty segment in 2017 was \$1.1 million, compared to the \$3.0 million operating income in 2016 for this segment. The financial guaranty segment had operating losses of \$24.1 million in 2017, 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 \$422.0 million for 2017 compared to \$426.3 million for 2016. Fees earned by the Company's management companies were \$13.4 million for 2017 compared to \$14.2 million for 2016 before intercompany consolidation eliminations with their regulated affiliates. Net earned property and casualty premiums were \$3.5 million for 2017 and compares to \$3.6 million for 2016. There was an overall decrease for the property and casualty segment, from operating income of \$3.0 million in 2016 to operating income of \$1.1 million in 2017, driven primarily by underwriting results.

The legacy financial guaranty portfolio of American Overseas Reinsurance Company Limited, excluding the Company's exposure to Puerto Rico credits, continues to run-off satisfactorily. The financial guaranty segment operating loss increased from an operating loss of \$16.2 million in 2016 to an operating loss of \$24.1 million in 2017, primarily due to loss reserve increases related to its Puerto Rico credits. Insured par outstanding (net of escrowed transactions) declined to \$2.1 billion at December 31, 2017 from \$3.0 billion at December 31, 2016, a 30% 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](http://www.aoreltd.com)

**American Overseas Group Limited**  
**Consolidated Balance Sheets**  
**(unaudited)**  
**As at December 31, 2017 and December 31, 2016**  
**(dollars in thousands)**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b><u>Assets</u></b>		
Investments:		
Fixed-maturity securities held as available for sale, at fair value	\$ 81,028	\$ 80,525
Equity investments held as available for sale, at fair value	6,437	6,653
Cash and cash equivalents	40,173	71,131
Restricted cash	66,535	48,306
Accrued investment income	256	219
Premiums receivable	81,264	69,419
Reinsurance balances receivable, net	340,700	310,351
Salvage and subrogation recoverable	1,708	1,896
Deferred policy acquisition costs	101	158
Intangible assets	4,800	4,800
Goodwill	33,050	33,050
Other assets	1,899	1,300
<b>Total Assets</b>	<b><u>\$ 657,951</u></b>	<b><u>\$ 627,808</u></b>
 <b><u>Liabilities and Equity</u></b>		
<b>Liabilities:</b>		
Loss and loss expense reserve	\$ 304,773	\$ 276,688
Unearned premiums	105,690	101,198
Ceded premium payable	95,195	77,178
Payable to general agents	1,479	1,334
Funds withheld	44,985	43,334
Accounts payable and accrued liabilities	3,057	4,175
Redeemable preference shares: (\$0.10 par value and \$1,000 redemption value; authorized shares - 75,000; issued and outstanding shares - 58,600 and 58,600 at December 31, 2017 and December 31, 2016, respectively)	10,312	9,920
Derivative liabilities	342	8,358
Notes payable	16,521	19,526
Non-owned interest in VIE	300	300
Interest payable	451	516
Fair value adjustment	15,199	17,044
Deferred tax liability	31	45
<b>Total Liabilities</b>	<b><u>598,335</u></b>	<b><u>559,615</u></b>
 <b>Shareholders' Equity:</b>		
Common shares	4,556	4,454
Additional paid-in capital	188,331	187,281
Accumulated other comprehensive income	1,190	301
Retained deficit	(140,514)	(129,897)
<b>Total Shareholders' Equity</b>	<b><u>53,563</u></b>	<b><u>62,140</u></b>
Non-controlling interest of preferred shares of subsidiaries	6,053	6,053
<b>Total Equity</b>	<b><u>59,616</u></b>	<b><u>68,193</u></b>
 <b>Total Liabilities and Equity</b>	 <b><u>\$ 657,951</u></b>	 <b><u>\$ 627,808</u></b>

See Notes to 2017 Consolidated Financial Statements available on American Overseas Group Ltd. Website at [www.aoreltd.com](http://www.aoreltd.com)

**American Overseas Group Limited**  
**Consolidated Statements of Operations**  
**(unaudited)**  
**For years ended December 31, 2017 and 2016**  
**(dollars in thousands, except share and per share amounts)**

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Net premiums earned	\$ 1,947	\$ 3,094
Fee income	11,531	12,091
Change in fair value of credit derivatives		
Realized gains and other settlements	113	2,380
Unrealized gains	8,125	8,162
Net change in fair value of credit derivatives	8,238	10,542
Net investment income	1,762	1,763
Net realized gains (losses) on investments	154	(1,905)
Fair value adjustment	1,452	1,958
Other income	591	7
<b>Total revenues</b>	<b>25,675</b>	<b>27,550</b>
<b>Expenses</b>		
Losses and loss adjustment expenses	19,783	14,279
Acquisition expenses	447	652
Operating expenses	13,772	16,456
Other expense	-	398
Interest expense	2,304	3,265
<b>Total expenses</b>	<b>36,306</b>	<b>35,050</b>
<b>Net (loss) available to common shareholders</b>	<b>\$ (10,631)</b>	<b>\$ (7,500)</b>
Income tax benefit (expense)	14	(7)
<b>Net (loss) before dividends</b>	<b>(10,617)</b>	<b>(7,507)</b>
<b>Net (loss) available to common shareholders</b>	<b>\$ (10,617)</b>	<b>\$ (7,507)</b>
Net (loss) per common share:		
Basic	\$ (233.62)	\$ (169.18)
Diluted	(233.62)	(169.14)
Weighted-average number of common shares outstanding:		
Basic	45,444	44,371
Diluted	45,444	44,381

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AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

	December 31, 2017				
	Net income available to common shareholders	Net realized loss on sales of investments	Net change in fair value of credit derivatives	Fair value adjustment of intangibles	Operating income
<b>Property and casualty:</b>					
Net premiums earned	\$ 3,497			\$	3,497
Losses and loss adjustment expenses	(3,960)				(3,960)
Acquisition expenses	(430)				(430)
Fee income	11,531				11,531
Operating expenses	(9,593)				(9,593)
Amortization expense	-				-
Income tax	14				14
Property and casualty	1,059	-	-	-	1,059
<b>Financial guaranty:</b>					
Net premiums earned	(1,550)		7,242		5,692
Net change in fair value of credit derivatives	8,238	(8,125)			113
Losses and loss adjustment expenses	(15,823)		(4,078)		(19,901)
Acquisition expenses	(17)		(3,580)		(3,597)
Operating expenses	(6,415)				(6,415)
Financial guaranty	(15,567)	-	(8,125)	(416)	(24,108)
<b>Corporate and Investing</b>					
Net investment income	1,762				1,762
Net realized loss on sales of investments	154	(1,034)		880	-
Fair value adjustment	1,453			(1,453)	-
Operating expenses	2,235				2,235
Interest expense	(2,304)				(2,304)
Other expense, net of other income	591				591
Corporate and investing	3,891	(1,034)	-	(573)	2,284
<b>Group total</b>	<b>\$ (10,617)</b>	<b>\$ (1,034)</b>	<b>\$ (8,125)</b>	<b>\$ (989)</b>	<b>\$ (20,765)</b>

AMERICAN OVERSEAS GROUP LTD.

NET INCOME AND OPERATING INCOME BY SEGMENT

	December 31, 2016					
	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	\$ 3,600				\$	3,600
Losses and loss adjustment expenses	(2,037)					(2,037)
Acquisition expenses	(896)					(896)
Fee income	12,091					12,091
Operating expenses	(9,740)					(9,740)
Amortization expense	-					-
Income tax	(7)					(7)
Property and casualty	3,011	-	-	-	-	3,011
Financial guaranty:						
Net premiums earned	(506)			9,857		9,351
Net change in fair value of credit derivatives	10,542		(8,162)			2,380
Losses and loss adjustment expenses	(12,242)			(4,285)		(16,527)
Acquisition expenses	244			(4,447)		(4,203)
Operating expenses	(7,236)					(7,236)
Financial guaranty	(9,198)	-	(8,162)	1,125	-	(16,235)
Corporate and Investing						
Net investment income	1,763					1,763
Net realized loss on sales of investments	(1,905)	1,905				-
Fair value adjustment	1,958			(1,958)		-
Operating expenses	520					520
Interest expense	(3,265)					(3,265)
Other expense, net of other income	(391)					(391)
Corporate and investing	(1,320)	1,905	-	(1,958)	-	(1,373)
Group total	\$ (7,507)	\$ 1,905	\$ (8,162)	\$ (833)	\$ -	\$ (14,597)