



AMERICAN OVERSEAS GROUP LIMITED

SIX MONTH REPORT

JUNE 30, 2019

(UNAUDITED)

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets		
Fixed-maturity securities held as available for sale, at fair value	\$ 129,810,590	\$ 135,895,981
Equity investments available for sale, at fair value	6,420,839	5,730,403
Cash and cash equivalents	30,436,145	34,707,538
Restricted cash	1,604,978	6,554,204
Accrued investment income	731,835	661,884
Premiums receivable	77,979,427	78,609,917
Reinsurance balances receivable, net	224,019,223	322,337,804
Deferred reinsurance premiums	128,991,320	-
Salvage and subrogation recoverable	24,680	332,711
Deferred policy acquisition costs	225,074	161,390
Intangible assets	4,800,000	4,800,000
Goodwill	33,050,000	33,050,000
Other assets	4,097,172	1,711,680
Total assets	\$ 642,191,283	\$ 624,553,512
Liabilities and Shareholders' Equity		
Liabilities:		
Losses and loss expense reserve	\$ 276,303,258	\$ 266,727,620
Unearned premiums	130,448,826	110,811,939
Ceded premium payable	92,342,869	94,329,970
Payable to general agents	2,247,089	1,427,572
Funds withheld	53,767,858	54,439,838
Accounts payable and accrued liabilities	6,117,885	2,524,363
Redeemable Series A preference shares	7,164,871	7,037,861
Derivative liabilities	11,802	266,066
Notes payable	16,520,907	16,520,907
Non-owned interest in VIE	300,000	300,000
Interest payable	450,770	450,770
Fair value adjustment	1,697,022	13,740,697
Deferred tax liability	37,275	35,175
Total liabilities	587,410,432	568,612,778
Shareholders' equity:		
Common shares	4,617,900	4,612,400
Additional paid-in capital	188,850,934	188,728,707
Accumulated other comprehensive income	2,736,472	236,858
Retained deficit	(147,477,831)	(143,690,607)
Total shareholders' equity	48,727,475	49,887,358
Non-controlling interest of preferred shares in subsidiaries	6,053,376	6,053,376
Total equity	54,780,851	55,940,734
Total liabilities and equity	\$ 642,191,283	\$ 624,553,512

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended	
	June 30,	
	<u>2019</u>	<u>2018</u>
Net premiums earned	\$ (10,381,959)	\$ 999,214
Fee income	6,051,790	5,969,480
Net investment income	1,335,509	1,122,709
Net realized gains	87,392	1,176
Fair value adjustment	11,916,665	(274,024)
Net change in fair value of credit derivatives	261,273	58,602
Other income	30,968	41,086
Total revenues	<u>9,301,638</u>	<u>7,918,243</u>
Net losses and loss adjustment expenses	5,957,240	1,363,032
Acquisition costs	(443,599)	173,685
General and administrative expenses	6,676,449	6,974,510
Interest expense	901,540	1,095,415
Other expense	-	74,275
Total expenses	<u>13,091,630</u>	<u>9,680,917</u>
Loss before income tax expense and non-controlling interest	(3,789,992)	(1,762,674)
Income tax expense	(2,100)	(2,100)
Net loss before non-controlling interest	(3,792,092)	(1,764,774)
Dividends on Class B preference shares of subsidiary	-	(585,253)
Net loss attributable to common shareholders	<u>\$ (3,792,092)</u>	<u>\$ (2,350,027)</u>
Net loss per common share:		
Basic	\$ (82.18)	\$ (51.30)
Diluted	\$ (82.18)	\$ (51.30)
Weighted-average number of common shares outstanding:		
Basic	46,142	45,808
Diluted	46,142	45,808

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Six Months Ended	
	June 30,	
	2019	2018
Net loss before non-controlling interest	\$ (3,792,092)	\$ (1,764,774)
Other comprehensive income		
Change in unrealized fair value of investments	2,587,006	(686,195)
Less: reclassification adjustment for net realized investment (gains) included in income	(87,392)	(1,176)
Other comprehensive income/(loss)	2,499,614	(687,371)
Comprehensive loss	\$ (1,292,478)	\$ (2,452,145)

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF EQUITY AND RETAINED DEFICIT
(Unaudited)

	<u>Share capital</u>	<u>Noncontrolling Interest</u>	<u>Additional paid-in-capital</u>	<u>Accumulated other comprehensive income</u>	<u>Retained deficit</u>	<u>Total shareholders' equity</u>
Balance, December 31, 2018	\$ 4,612,400	\$ 6,053,376	\$ 188,728,707	\$ 236,858	\$ (143,690,607)	\$ 55,940,734
Net loss	-	-	-	-	(3,792,092)	(3,792,092)
Share based compensation	5,500	-	122,227	-	-	127,727
Commulative equity adjustment for implementation of new lease standard	-	-	-	-	4,868	4,868
Net change in unrealized gains and losses on investments	-	-	-	2,499,614	-	2,499,614
Balance, June 30, 2019	<u>\$ 4,617,900</u>	<u>\$ 6,053,376</u>	<u>\$ 188,850,934</u>	<u>\$ 2,736,472</u>	<u>\$ (147,477,831)</u>	<u>\$ 54,780,851</u>

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(3,792,092)	(1,764,774)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net realized (gain) on sale of investments	(87,392)	(1,176)
Net unrealized (gains) on credit derivatives	(261,273)	(58,602)
Deferred tax expense	2,100	2,100
Interest expense	901,540	1,095,415
Share based compensation	127,727	164,739
Amortization of fair value adjustment	(11,916,665)	274,025
Amortization of bond discount	136,998	88,508
Changes in operating assets and liabilities:		
Accrued investment income	(69,951)	(313,784)
Premiums receivable	630,490	1,024,128
Reinsurance balance receivable, net	98,318,581	(5,731,969)
Deferred reinsure premiums	(128,991,320)	-
Salvage and subrogation	308,031	1,371,430
Deferred acquisition costs, net	(63,684)	(14,360)
Other assets	(2,385,492)	(163,151)
Unpaid losses and loss adjustment expenses	9,575,638	(8,832,599)
Unearned premiums	19,636,887	4,843,081
Payable to general agents	819,517	(502,158)
Funds withheld	(671,980)	5,735,989
Ceded premium payable	(1,987,101)	(734,775)
Accounts payable and accrued liabilities	3,598,390	(692,927)
Changes in derivative liability	7,009	(3,753)
Net cash used in operating activities	<u>(16,164,042)</u>	<u>(4,214,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available for sale securities	(65,328,152)	(91,445,545)
Proceeds from sales of investments	46,284,260	40,031,161
Proceeds from maturities of investments	26,888,855	-
Net cash provided by (used in) investing activities	<u>7,844,963</u>	<u>(51,414,384)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(901,540)	(1,095,415)
Payment on preferred shares	-	(4,400,000)
Dividends paid on preferred shares	-	(585,253)
Net cash used in financing activities	<u>(901,540)</u>	<u>(6,080,668)</u>
Net decrease in cash, cash equivalents and restricted cash	(9,220,619)	(61,709,665)
Cash, cash equivalents and restricted cash - Beginning of year	41,261,742	106,707,761
Cash, cash equivalents and restricted cash - End of year	<u>\$ 32,041,123</u>	<u>\$ 44,998,096</u>

American Overseas Group Limited
Explanatory notes

The interim unaudited consolidated financial statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America (“US GAAP”). These statements should be read in conjunction with the audited consolidated financial statements and notes as of and for the period ended December 31, 2018 for American Overseas Group Limited which are posted on the Company’s website and can be found at www.aoreltd.com under “Financial Information.”

Security Ownership of Executive Officers and Directors

Pursuant to Regulation 6.9(2)(x)(a) and (b) of Section IIA of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and executive officers of the Company in the common shares of the Company as at June 30, 2019, was 2,911 shares or approximately 6.30% of the common shares outstanding, net of treasury shares.

Equity Compensation of Directors

The table below sets forth the aggregate number of shares underlying option awards and restricted stock unit (“RSU”) awards outstanding for each director as of June 30, 2019 (other than for Ms. Roberts whose equity awards are set forth in “Equity Compensation of Executive Officers” below).

Name	Shares Underlying		
	Shares Underlying Options at June 30, 2019 (Outstanding)	Options at June 30, 2019 (Vested and Exercisable)	RSUs That Have Not Vested
James Zech	29.53	29.53	-
Clement S. Dwyer	7.15	7.15	-
Jose O. Montemayor	-	-	-

Share Options granted to directors under the 2006 Equity Plan vest in four equal annual installments on the first four anniversaries of the date of grant. RSUs vest annually in equal installments over a four-year period.

Equity Compensation of Executive Officers

The following table shows equity awards granted to officers of the Company outstanding at June 30, 2019:

Name	Option Awards				RSU Awards		Restricted Stock Awards Subject to Forfeiture	
	Number of Common Shares Underlying Unexercised Options Exercisable	Number of Common Shares Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares that Have Not Vested	Market Value of Shares That have Not Vested ⁽¹⁾	Number of Shares that Have Not Vested	Market Value of Shares That have Not Vested ⁽¹⁾
Debra J. Roberts	26.15	-	\$ 915.00	4/26/2019	-	-	-	-
	375.00	125.00	\$ 850.00	12/15/2025	-	-	-	-
	87.50	87.50	\$ 700.00	3/21/2027	-	-	-	-
	-	-	-	-	-	-	50.00	\$ 15,000

(1) Based on the closing price of \$300.00 per share on June 30, 2019.

Options were awarded under our 2006 Equity Plan, and vest in four equal installments on the first four anniversaries of the date of grant. RSUs vest annually in equal installments over a four-year period.

American Overseas Group Limited Corporate Information

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Investor Information

Information about American Overseas Group Limited, can be accessed via our website at www.aoreltd.com.

Requests for copies of the American Overseas Group Limited 2019 semi-annual reports may be made by contacting the Secretary of American Overseas Group Limited at the Corporate Headquarters address above or info@aoreltd.com.

Exchange Listing

American Overseas Group Limited's common shares are listed on the Bermuda Stock Exchange (BSX) located at:

30 Victoria Street
Hamilton, Bermuda
441-292-7212 or -7213
www.bsx.com

Transfer Agent

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Independent Registered Auditors

Deloitte Ltd.