



AMERICAN OVERSEAS GROUP LIMITED

SIX MONTH REPORT

JUNE 30, 2017

(UNAUDITED)

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
Assets		
Fixed-maturity securities held as available for sale, at fair value	\$ 105,609,126	\$ 80,525,286
Equity investments available for sale, at fair value	7,235,545	6,652,662
Cash and cash equivalents	19,961,697	71,130,790
Restricted cash	68,897,870	48,306,033
Accrued investment income	272,319	219,113
Premiums receivable	80,070,757	69,418,710
Reinsurance balances receivable, net	311,162,074	310,350,944
Salvage and subrogation recoverable	1,833,271	1,896,077
Deferred policy acquisition costs	231,863	157,575
Intangible assets	4,800,000	4,800,000
Goodwill	33,050,000	33,050,000
Other assets	2,074,142	1,300,784
Total assets	\$ 635,198,664	\$ 627,807,974
 Liabilities and Shareholders' Equity		
Liabilities:		
Losses and loss expense reserve	\$ 277,707,744	\$ 276,687,908
Unearned premiums	107,366,954	101,198,347
Ceded premium payable	88,922,931	77,178,341
Payable to general agents	1,507,992	1,334,422
Funds withheld	45,204,704	43,333,864
Accounts payable and accrued liabilities	2,766,871	4,174,205
Redeemable Series A preference shares	10,092,803	9,919,812
Derivative liabilities	5,523,078	8,357,625
Notes payable	17,526,293	19,526,293
Non-owned interest in VIE	300,000	300,000
Interest payable	473,391	515,873
Fair value adjustment	16,121,219	17,043,678
Deferred tax liability	48,125	44,625
Total liabilities	573,562,105	559,614,993
 Shareholders' equity:		
Common shares	4,548,600	4,454,200
Additional paid-in capital	188,045,953	187,281,343
Accumulated other comprehensive income	1,101,122	300,986
Retained deficit	(138,112,492)	(129,896,924)
Total shareholders' equity	55,583,183	62,139,605
Non-controlling interest of preferred shares in subsidiaries	6,053,376	6,053,376
Total equity	61,636,559	68,192,981
Total liabilities and equity	\$ 635,198,664	\$ 627,807,974

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended	
	June 30,	
	<u>2017</u>	<u>2016</u>
Net premiums earned	\$ 1,887,646	\$ 2,466,151
Fee income	5,919,440	6,359,907
Net investment income	886,441	1,045,732
Net realized losses	(221,231)	(1,898,856)
Fair value adjustment	739,469	979,121
Net change in fair value of credit derivatives	3,036,783	(4,726,673)
Other income	347,742	-
Total revenues	<u>12,596,290</u>	<u>4,225,382</u>
Net losses and loss adjustment expenses	12,448,410	6,392,849
Acquisition costs	259,166	(194,625)
General and administrative expenses	6,912,606	8,183,104
Interest expense	1,188,175	1,766,657
Other expense	-	191,962
Total expenses	<u>20,808,357</u>	<u>16,339,947</u>
Loss before income tax expense and non-controlling interest	(8,212,067)	(12,114,565)
Income tax expense	(3,500)	(3,500)
Net loss before non-controlling interest	(8,215,567)	(12,118,065)
Dividends on preference shares	-	-
Net loss attributable to common shareholders	<u>\$ (8,215,567)</u>	<u>\$ (12,118,065)</u>
Net loss per common share:		
Basic	\$ (182.08)	\$ (273.96)
Diluted	\$ (182.08)	\$ (273.96)
Weighted-average number of common shares outstanding:		
Basic	45,120	44,233
Diluted	45,120	44,233

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

	Six Months Ended	
	June 30,	
	2017	2016
Net loss before non-controlling interest	\$ (8,215,567)	\$ (12,118,065)
Other comprehensive income		
Change in unrealized fair value of investments	578,905	729,180
Less: reclassification adjustment for net realized investment (losses) gains included in income	221,231	1,898,856
Other comprehensive income	800,136	2,628,036
Comprehensive loss	\$ (7,415,431)	\$ (9,490,029)

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, 2016	\$ 4,454,200	\$ 6,053,376	\$ 187,281,343	\$ 300,986	\$ (129,896,924)	\$ 68,192,981
Net loss	-	-	-	-	(8,215,568)	(8,215,568)
Share based compensation	94,400	-	764,610	-	-	859,010
Net change in unrealized gains and losses on investments	-	-	-	800,136	-	800,136
Balance, June 30, 2017	<u>\$ 4,548,600</u>	<u>\$ 6,053,376</u>	<u>\$ 188,045,953</u>	<u>\$ 1,101,122</u>	<u>\$ (138,112,492)</u>	<u>\$ 61,636,559</u>

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(8,215,567)	(12,118,065)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net realized loss on sale of investments	221,231	1,898,856
Net unrealized (gains) loss on credit derivatives	(3,036,783)	4,726,673
Deferred tax expense	3,500	3,500
Interest expense	1,188,175	1,766,657
Share based compensation	859,010	756,681
Amortization of fair value adjustment	(739,468)	(979,121)
Amortization of bond discount	29,488	44,988
Changes in operating assets and liabilities:		
Accrued investment income	(53,206)	8,784
Premiums receivable	(10,652,047)	(9,280,463)
Reinsurance balance receivable, net	(811,130)	(28,612,475)
Salvage and subrogation	62,806	(994,594)
Deferred acquisition costs, net	(74,288)	1,617
Other assets	(773,358)	44,160
Unpaid losses and loss adjustment expenses	1,019,836	9,931,792
Unearned premiums	6,168,607	17,137,635
Payable to general agents	173,570	312,235
Funds withheld	1,870,840	597,417
Ceded premium payable	11,744,590	11,287,042
Accounts payable and accrued liabilities	(1,407,335)	1,220,931
Changes in derivative liability	202,236	(444,052)
Net cash used in operating activities	<u>(2,219,293)</u>	<u>(2,689,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available for sale securities	(55,080,811)	(46,945,361)
Proceeds from sales of investments	29,963,505	45,127,299
Proceeds from maturities of investments	-	15,540,457
Change in restricted cash	(20,591,837)	(898,205)
Net cash (used in) provided by investing activities	<u>(45,709,143)</u>	<u>12,824,190</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term note payable	(2,000,000)	(10,000,000)
Interest paid	(1,230,657)	(2,006,183)
Payment on preferred shares	(10,000)	-
Net cash used in financing activities	<u>(3,240,657)</u>	<u>(12,006,183)</u>
Net decrease in cash and cash equivalents	(51,169,093)	(1,871,795)
Cash and cash equivalents - Beginning of year	71,130,790	31,130,939
Cash and cash equivalents - End of year	<u>\$ 19,961,697</u>	<u>\$ 29,259,144</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, 2016 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, 2017, was 2,241 shares or approximately 4.93% 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, 2017 (other than for Ms. Roberts and Ms. Fyfe, whose equity awards are set forth in “Equity Compensation of Executive Officers” below).

Name	Shares Underlying	Shares Underlying	RSUs: That Have Not Vested
	Options at Jun 30, 2017 (Outstanding)	Options at Jun 30, 2017 (Vested and Exercisable)	
James Zech	29.53	29.53	6.70
Clement S. Dwyer	7.15	7.15	6.70
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, 2017:

<u>Name</u>	<u>Option Awards</u>				<u>RSU Awards</u>	
	<u>Number of Common Shares Underlying Unexercised Options</u>	<u>Number of Common Shares Underlying Unexercised Options</u>	<u>Option Exercise Price</u>	<u>Option Expiration Date</u>	<u>Number of Shares that Have Not Vested</u>	<u>Market Value of Shares That Have Not Vested ⁽¹⁾</u>
Debra J. Roberts	26.15	—	\$915.00	4/26/2019	—	—
	125.00	375.00	\$850.00	12/15/2025	—	—
	—	175.00	\$700.00	3/21/2027	—	—
	—	—	—	—	169.70	\$53,286
Rochelle P. Fyfe	37.50	112.50	\$850.00	12/15/2025	—	—
	—	200.00	\$700.00	3/21/2027	—	—
	—	—	—	—	135.35	\$42,500

(1) Based on the closing price of \$314.00 per share on June 30, 2017.

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. Debra J. Roberts and Rochelle P. Fyfe were each granted 100 shares in March 2017 under the 2006 Equity Plan. These shares are earned pro rata over a four year period, and are forfeitable under certain circumstances until earned. These shares were valued at \$70,200, based on the closing price of \$702.00 per share on March 21, 2017.

The following table shows options exercised and RSUs vested during 2017:

<u>Name</u>	<u>Option Awards</u>		<u>RSU Awards</u>	
	<u>Number of Shares Acquired on Exercise</u>	<u>Value Realized on Exercise</u>	<u>Number of Shares Acquired on Vesting</u>	<u>Value Realized on Vesting</u>
Debra J. Roberts	—	—	6.00	\$3,594.00 ⁽²⁾
	—	—	6.00	\$3,594.00 ⁽³⁾
Rochelle P. Fyfe	—	—	6.00	\$3,594.00 ⁽³⁾
	—	—	25.00	\$14,975.00 ⁽³⁾

(2) Based on the closing price of \$599.00 per share on April 25, 2017, the day of vesting.

(3) Based on the closing price of \$599.00 per share on May 15, 2017, the day of vesting.

American Overseas Group Limited Corporate Information

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda
www.aoreltd.com

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 2016 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

Computershare

Telephone Number:
Toll free
1-800 522 6645
Toll
1 (201) 680 6578

Mailing Address:
Computershare, Inc.
P.O. BOX 30170
College Station, TX 77842
USA

Web Address: <https://www-us.computershare.com/Investor/Contact/Index>

Independent Registered Auditors

Deloitte Ltd.