



# AMERICAN OVERSEAS GROUP LIMITED

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SIX MONTH REPORT

JUNE 30, 2015

(UNAUDITED)

**AMERICAN OVERSEAS GROUP LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>Assets</b>		
Fixed-maturity securities held as available for sale, at fair value	\$ 105,558,469	\$ 123,526,758
Equity investments available for sale, at fair value	34,625,461	32,212,066
Cash and cash equivalents	46,557,143	35,497,038
Restricted Cash	39,696,364	46,967,926
Accrued investment income	282,054	320,185
Premiums receivable	60,588,995	57,193,847
Reinsurance balances receivable, net	292,352,045	282,979,695
Salvage and subrogation recoverable	1,066,913	2,661,560
Deferred policy acquisition costs	201,207	451,650
Intangible assets	5,919,083	7,038,166
Goodwill	33,050,000	33,050,000
Assets held in segregated accounts	-	537,310
Other Assets	1,338,489	1,064,222
<b>Total assets</b>	<b>\$ 621,236,223</b>	<b>\$ 623,500,423</b>
 <b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Losses and loss expense reserve	\$ 264,346,818	\$ 265,438,578
Unearned premiums	95,475,548	95,276,840
Ceded premium payable	64,229,020	56,134,928
Payable to general agents	569,187	355,433
Funds withheld	5,131,264	2,567,631
Accounts payable and accrued liabilities	1,692,064	4,148,676
Liabilities related to segregated accounts	-	537,310
Redeemable Series A preference shares	9,616,120	9,445,656
Derivative liabilities	31,547,912	46,696,287
Notes payable	59,251,771	60,890,360
Non-owned interest in VIE	300,000	300,000
Interest payable	1,470,877	1,187,773
Fair Value Adjustment	20,729,772	22,104,393
Deferred tax liability	34,125	30,625
<b>Total liabilities</b>	<b>554,394,478</b>	<b>565,114,490</b>
 <b>Shareholders' equity:</b>		
Common shares	4,361,300	4,398,897
Additional paid-in capital	186,094,880	185,638,345
Accumulated other comprehensive income	1,887,945	893,142
Retained deficit	(131,555,756)	(138,597,827)
<b>Total shareholders' equity</b>	<b>60,788,369</b>	<b>52,332,557</b>
Non-controlling interest of preferred shares in subsidiaries	6,053,376	6,053,376
<b>Total equity</b>	<b>66,841,745</b>	<b>58,385,933</b>
<b>Total liabilities and equity</b>	<b>\$ 621,236,223</b>	<b>\$ 623,500,423</b>

**AMERICAN OVERSEAS GROUP LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>As Adjusted 2014</b>
Net premiums earned	\$ 4,174,763	\$ 27,882,606
Fee income	6,538,062	6,821,435
Net investment income	1,485,161	2,283,904
Net realized gains	49,135	24,904
Fair value adjustment	1,204,159	2,259,666
Net change in fair value of credit derivatives	15,538,588	(1,841,888)
Other income	28,790	124,211
<b>Total revenues</b>	<b>29,018,658</b>	<b>37,554,838</b>
Net losses and loss adjustment expenses	7,886,939	15,980,279
Acquisition costs	850,352	5,694,641
General and administrative expenses	7,638,465	6,658,631
Amortization of intangible assets	1,119,084	1,353,334
Interest expense	3,135,629	619,448
Other expense	172,113	-
<b>Total Expenses</b>	<b>20,802,582</b>	<b>30,306,333</b>
<b>Income before income tax expense and noncontrolling interest</b>	<b>8,216,076</b>	<b>7,248,505</b>
Income tax expense	(3,500)	-
Net income before noncontrolling interest	8,212,576	7,248,505
Dividends on preference shares	(1,170,505)	(238,699)
Net income attributable to common shareholders	<b>\$ 7,042,071</b>	<b>\$ 7,009,806</b>
Net income per common share:		
Basic	\$ 166.65	\$ 257.27
Diluted	\$ 165.63	\$ 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**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>As Adjusted 2014</b>
<b>Net income before non controlling interest</b>	\$ 8,212,576	\$ 7,248,505
<b>Other comprehensive income</b>		
Change in unrealized fair value of investments	952,588	2,202,724
Less: reclassification adjustment for net realized investment gains included in income	<u>(49,135)</u>	<u>(24,904)</u>
Other comprehensive income	<u>903,453</u>	<u>2,177,820</u>
<b>Comprehensive income</b>	<u><u>\$ 9,116,029</u></u>	<u><u>\$ 9,426,325</u></u>

**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 (loss)</u>	<u>Retained deficit</u>	<u>Total shareholders' equity</u>
Balance, December 31, 2014	\$ 4,398,897	\$6,053,376	\$185,638,345	\$ 893,142	\$ (138,597,827)	\$ 58,385,933
Net income					8,212,576	8,212,576
Share issuance	48,600		(48,600)			-
Share based compensation - AOG	20,800		489,488			510,288
Impact of amalgamation with OGL	(106,997)		15,647	91,350		-
Net change in unrealized gains and losses on investments				903,453		903,453
Dividends on preference shares			-		(1,170,505)	(1,170,505)
Balance, June 30, 2015	<u>\$ 4,361,300</u>	<u>\$6,053,376</u>	<u>\$186,094,880</u>	<u>\$ 1,887,945</u>	<u>\$ (131,555,756)</u>	<u>\$ 66,841,745</u>

**AMERICAN OVERSEAS GROUP LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

June 30, 2015 and 2014

	<b>2015</b>	<b>As Adjusted 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income for the year	8,212,576	7,248,505
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Net realized loss (gains) on sale of investments	(49,135)	(24,904)
Net unrealized (gains) loss on credit derivatives	(15,538,588)	1,841,888
Deferred tax expense	3,500	-
Amortization of intangible assets	1,119,084	1,353,334
Interest expense	3,135,629	619,448
Share based compensation	510,288	163,984
Amortization of fair value adjustment	(1,204,157)	(2,259,665)
Amortization of bond discount	72,779	70,304
<b>Changes in operating assets and liabilities:</b>		
Accrued investment income	38,131	49,240
Premiums receivable	(3,395,148)	3,348,427
Reinsurance balance receivable, net	(9,372,350)	6,633,694
Salvage and subrogation	1,594,647	2,395,017
Deferred acquisition costs, net	250,443	573,611
Other assets	(274,267)	(311,684)
Unpaid losses and loss adjustment expenses	(1,091,760)	(7,874,485)
Unearned premiums	198,708	(4,649,616)
Payable to general agents	213,754	182,387
Funds withheld	2,563,633	(834,287)
Ceded premium payable	8,094,092	(6,465,131)
Accounts payable and accrued liabilities	(2,456,613)	(740,025)
Changes in derivative liability	390,213	513,010
<b>Net cash (used in) provided by operating activities</b>	<b>(6,984,541)</b>	<b>1,833,052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of available for sale securities	(36,773,991)	(84,997,768)
Proceeds from sales of investments	37,530,858	46,989,559
Proceeds from maturities of investments	15,677,836	30,344,372
Proceeds from sales of equities	-	103,488
Change in restricted cash	7,271,562	5,388,668
Net cash received as a result of change in basis of presentation	-	91,350
<b>Net cash provided by (used in) investing activities</b>	<b>23,706,265</b>	<b>(2,080,331)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of long-term note payable	(1,638,589)	(3,311,799)
Interest paid	(2,852,525)	(629,922)
Redemption of preferred shares	-	800,000
Dividends paid on preferred shares	(1,170,505)	(218,699)
<b>Net cash (used in) financing activities</b>	<b>(5,661,619)</b>	<b>(3,360,420)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	11,060,105	(3,607,699)
Cash and cash equivalents - Beginning of year	35,497,038	36,346,809
<b>Cash and cash equivalents - End of year</b>	<b>\$ 46,557,143</b>	<b>\$ 32,739,110</b>

**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, 2014 for American Overseas Group Limited which are posted on the Company’s website and can be found at [www.aoreltd.com](http://www.aoreltd.com) under “Financial Information.”

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.

**Subsequent events**

**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, 2015, was 7,485 shares or approximately 17% of the common shares outstanding.

**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, 2015 (other than for Ms. Roberts and Ms. Fyfe, whose equity awards are set forth in “Equity Compensation of Executive Officers” below).

<b>Name</b>	<b>Shares Underlying</b>		<b>RSUs That Have Not Vested</b>
	<b>Shares Underlying Options at June 30, 2015 (Outstanding)</b>	<b>Options at June 30, 2015 (Vested and Exercisable)</b>	
<b>James Zech</b>	29.53	22.15	38.78
<b>Clement S. Dwyer</b>	7.36	-	36.98
<b>Steven J. Tynan</b>	16.36	8.18	36.98

Share options granted to the directors under our 2001 Stock Option Plan prior to 2006 vested quarterly over a three year period. Share Options granted to directors beginning in 2006 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, 2015:

Name	Option Awards				RSU Awards	
	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 <sup>(1)</sup>
Debra J. Roberts	9.31	3.11	\$ 1,090.00	9/29/2018	-	-
	19.00	7.15	\$ 915.00	4/26/2019	-	-
Rochelle P. Fyfe	-	-	-	-	226.56	\$ 328,512
David Alexander	-	-	-	-	103.35	\$ 149,858
Patricia A. Ryan	-	-	-	-	75.00	\$ 108,750

(1) Based on the closing price of \$ 1,450.00 per share on June 30, 2015, the last business day of the six months ending June 30, 2015.

Options granted prior to May 2006 were awarded under our 2001 Stock Option Plan and vest in 8.33% increments at the end of each quarter, beginning with the quarter in which the grant occurred. Our 2001 Stock Option Plan was terminated in May 2006, except as to awards that were already outstanding at that date. No further awards will be granted under our 2001 Stock Option Plan.

Options granted beginning in May 2006 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.

The following table shows options exercised and RSUs vested during 2015:

Name	Option Awards		RSU Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Debra J. Roberts	—	—	6.00	\$9,000.00 <sup>(2)</sup>
	—	—	5.00	\$7,500.00 <sup>(2)</sup>
	—	—	6.00	\$8,910.00 <sup>(3)</sup>
Rochelle P. Fyfe	—	—	31.00	\$46,035.00 <sup>(3)</sup>
Patricia A. Ryan	—	—	25.00	\$37,125.00 <sup>(3)</sup>

(2) Based on the closing price of \$ 1,500.00 per share on April 28, 2015, the day of vesting.

(3) Based on the closing price of \$ 1,485.00 per share on May 15, 2015, the day of vesting.



## **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](http://www.aoreltd.com).

Requests for copies of the American Overseas Group Limited 2015 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](mailto: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

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### **Independent Registered Auditors**

Deloitte Ltd.