



AMERICAN OVERSEAS GROUP LIMITED

SIX MONTH REPORT

JUNE 30, 2020

(UNAUDITED)

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Assets		
Fixed-maturity securities held as available for sale, at fair value	\$ 63,989,157	\$ 129,747,902
Equity investments available for sale, at fair value	4,320,478	1,180,849
Cash and cash equivalents	22,497,108	22,601,650
Restricted cash	666,103	10,557,497
Accrued investment income	329,399	675,050
Premiums receivable	79,031,685	81,000,015
Deferred reinsurace premiums	107,834,041	125,727,914
Reinsurance balances receivable, net	199,801,860	210,404,968
Salvage and subrogation recoverable	-	385,442
Deferred policy acquisition costs	3,675,528	515,075
Intangible assets	4,800,000	4,800,000
Goodwill	33,050,000	33,050,000
Other assets	4,690,475	3,184,255
Total assets	<u>\$ 524,685,834</u>	<u>\$ 623,830,617</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Losses and loss expense reserve	\$ 194,855,391	\$ 263,685,760
Deferred commission income	2,578,609	-
Unearned premiums	111,754,690	128,792,721
Ceded premium payable	80,116,255	89,078,595
Payable to general agents	3,582,065	3,086,509
Funds withheld	54,223,245	52,794,397
Accounts payable and accrued liabilities	5,660,788	5,070,612
Redeemable Series A preference shares	2,615,525	7,291,881
Derivative liabilities	-	10,181
Fair value adjustment	-	2,901,044
Notes payable	16,520,907	16,520,907
Non-owned interest in VIE	300,000	300,000
Interest payable	450,770	450,770
Deferred tax liability	538,726	322,119
Total liabilities	<u>473,196,971</u>	<u>570,305,496</u>
Shareholders' equity:		
Common shares	4,637,900	4,617,900
Additional paid-in capital	189,053,899	189,002,460
Accumulated other comprehensive income	1,497,787	1,323,333
Retained deficit	(149,754,099)	(147,471,948)
Total shareholders' equity	<u>45,435,487</u>	<u>47,471,745</u>
Non-controlling interest in preferred shares in subsidiaries	6,053,376	6,053,376
Total equity	<u>51,488,863</u>	<u>53,525,121</u>
Total liabilities and equity	<u>\$ 524,685,834</u>	<u>\$ 623,830,617</u>

See Accompanying Notes to the Consolidated Financial Statements.

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended	
	June 30,	
	2020	2019
Net premiums earned	\$ 4,437,789	\$(10,381,959)
Fee income	5,250,671	6,051,790
Net investment income	591,692	1,335,509
Net realized gains	1,500,490	87,392
Fair value adjustment	2,077,400	11,916,665
Net change in fair value of credit derivatives	2,487	261,273
Other income	-	30,968
Total revenues	13,860,529	9,301,638
Net losses and loss adjustment expenses	5,811,260	5,957,240
Acquisition costs	2,238,812	(443,599)
General and administrative expenses	6,690,305	6,676,449
Interest expense	901,540	901,540
Other expense	284,157	-
Total expenses	15,926,074	13,091,630
Loss before income tax expense and non-controlling interest	(2,065,545)	(3,789,992)
Income tax expense	(216,606)	(2,100)
Net loss before non-controlling interest	(2,282,151)	(3,792,092)
Dividends on Class B preference shares of subsidiary	-	-
Net loss attributable to common shareholders	\$ (2,282,151)	\$ (3,792,092)
Net loss per common share:		
Basic	\$ (49.30)	\$ (82.18)
Diluted	\$ (48.97)	\$ (82.18)
Weighted-average number of common shares outstanding:		
Basic	46,295	46,142
Diluted	46,605	46,142

See Accompanying Notes to the Consolidated Financial Statements.

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

	Six Months Ended	
	June 30,	
	2020	2019
Net loss before non-controlling interest	\$ (2,282,151)	\$ (3,792,092)
Other comprehensive income		
Change in unrealized fair value of investments	1,674,944	2,587,006
Less: reclassification adjustment for net realized investment (gains) included in income	(1,500,490)	(87,392)
Other comprehensive income	174,454	2,499,614
Comprehensive loss	\$ (2,107,697)	\$ (1,292,478)

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, 2019	<u>\$ 4,617,900</u>	<u>\$6,053,376</u>	<u>\$ 189,002,460</u>	<u>\$ 1,323,333</u>	<u>\$ (147,471,948)</u>	<u>\$ 53,525,121</u>
Net loss	-	-	-	-	(2,282,151)	(2,282,151)
Share based compensation	20,000	-	51,439	-	-	71,439
Net change in unrealized gains and losses on investments	-	-	-	174,454	-	174,454
Balance, June 30, 2020	<u>\$ 4,637,900</u>	<u>\$6,053,376</u>	<u>\$ 189,053,899</u>	<u>\$ 1,497,787</u>	<u>\$ (149,754,099)</u>	<u>\$ 51,488,863</u>

AMERICAN OVERSEAS GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(2,282,151)	(3,792,092)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net realized (gain) on sale of investments	(1,500,490)	(87,392)
Net unrealized loss on equity investment	280,230	-
Net unrealized (gains) on credit derivatives	(2,487)	(261,273)
Deferred tax expense	216,606	2,100
Interest expense	901,540	901,540
Share based compensation	71,439	127,727
Amortization of fair value adjustment	(2,077,400)	(11,916,665)
Amortization of bond discount	119,059	136,998
Changes in operating assets and liabilities:		
Accrued investment income	345,651	(69,951)
Premiums receivable	1,968,330	630,490
Reinsurance balance receivable, net	17,893,873	98,318,581
Deferred reinsurance premiums	10,603,108	(128,991,320)
Salvage and subrogation	385,442	308,031
Deferred acquisition costs, net	(581,843)	(63,684)
Other assets	(1,506,220)	(2,385,492)
Unpaid losses and loss adjustment expenses	(68,830,368)	9,575,638
Unearned premiums	(17,038,031)	19,636,887
Payable to general agents	495,556	819,517
Funds withheld	1,428,848	(671,980)
Ceded premium payable	(8,962,340)	(1,987,101)
Accounts payable and accrued liabilities	590,177	3,598,390
Changes in derivative liability	(7,694)	7,009
Net cash used in operating activities	<u>(67,489,165)</u>	<u>(16,164,042)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available for sale securities	(27,190,163)	(65,328,152)
Proceeds from sales of investments	85,410,200	46,284,260
Proceeds from maturities of investments	5,674,732	26,888,855
Net cash provided by investing activities	<u>63,894,769</u>	<u>7,844,963</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(901,540)	(901,540)
Payment on preferred shares	(5,500,000)	-
Net cash used in financing activities	<u>(6,401,540)</u>	<u>(901,540)</u>
Net decrease in cash, cash equivalents and restricted cash	(9,995,936)	(9,220,619)
Cash, cash equivalents and restricted cash - beginning of year	33,159,147	41,261,742
Cash, cash equivalents and restricted cash - end of period	<u>\$ 23,163,211</u>	<u>\$ 32,041,123</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, 2019 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, 2020, was 1,776 shares or approximately 3.83% 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, 2020 (other than for Ms. Roberts whose equity awards are set forth in “Equity Compensation of Executive Officers” below).

Name	Shares Underlying Options at June 30, 2020		RSUs That Have Not Vested
	Shares Underlying Options at June 30, 2020 (Outstanding)	Options at June 30, 2020 (Vested and Exercisable)	
James Zech	29.53	29.53	-
Clement S. Dwyer	7.15	7.15	-
Andrew J. Kirkpatrick	300.00	262.50	225.00

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, 2020:

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	12.42	-	\$ 1,090.00	4/26/2021	-	-	-	-
	26.15	-	\$ 915.00	4/26/2022	-	-	-	-
	500.00	-	\$ 850.00	12/15/2025	-	-	-	-
	131.25	43.75	\$ 700.00	3/21/2027	-	-	-	-
Ronald J. Ballard	-	-	-	-	225.00	\$ 78,750	25.00	\$ 8,750

(1) Based on the closing price of \$350.00 per share on June 30, 2020.

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 2020 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.