



Restructuring Update

May 7, 2009



Key Actions Announced on March 2nd

Action	Benefit	Description
<ul style="list-style-type: none">Improve terms of existing U.S. Treasury preferred investment	<ul style="list-style-type: none">Improves capital treatment and position of unsecured creditors	<ul style="list-style-type: none">US Treasury to exchange Series D preferred stock, which had cumulative dividend feature, for new Series E preferred stock with non-cumulative dividend feature and replacement capital covenant.
<ul style="list-style-type: none">New stand-by equity capital facility	<ul style="list-style-type: none">Enhances liquidity and capitalization	<ul style="list-style-type: none">U.S. Department of the Treasury to provide AIG with a new 5-year equity facility which will allow AIG to raise up to approximately \$30 billion of capital through issuance of Series F non-cumulative preferred stock to the U.S. Treasury.
<ul style="list-style-type: none">Repayment of the FRBNY credit facility	<ul style="list-style-type: none">Bolsters capitalReduces parent company leverage	<ul style="list-style-type: none">Contribute ALICO and AIA into SPVs in exchange for preferred and common interests, with the FRBNY to receive preferred interests of up to \$26 billion in an equivalent amount of repayment of the FRBNY credit facility.Transfer to FRBNY securitization notes of up to \$8.5 billion representing embedded value of certain of AIG's U.S. life insurance businesses in repayment of an equivalent amount of the FRBNY credit facility.
<ul style="list-style-type: none">Reduce cost of FRBNY credit facility	<ul style="list-style-type: none">Lowers cost of capital	<ul style="list-style-type: none">Remove LIBOR borrowing rate floor from FRBNY credit facility.
<ul style="list-style-type: none">Maintain availability of FRBNY credit facility	<ul style="list-style-type: none">Enhances liquidity and capitalization	<ul style="list-style-type: none">Following repayment with the AIA and ALICO preferred interests and the proceeds from the securitization notes, total commitment under FRBNY credit facility will be no less than \$25 billion.
<ul style="list-style-type: none">Formation of AIU Holdings	<ul style="list-style-type: none">Protects franchiseImproves financial flexibility	<ul style="list-style-type: none">Create AIU Holdings, Inc., which will include AIG's Commercial Insurance Group, Foreign General unit, and other property and casualty operations.Prepare for the potential sale of a minority stake in the business, which may ultimately include a public offering of shares.
<ul style="list-style-type: none">Combination of Domestic Life Insurance and Retirement Services	<ul style="list-style-type: none">Protects franchisesEnhances market competitiveness	<ul style="list-style-type: none">Combined companies would operate from a position of significant strength and business diversification.

Progress Report

Announced on April 17, 2009 - Series D was exchanged for Series E.

Description and Terms of New Series E Preferred

- Non-cumulative quarterly cash dividends.
 - Payable, if and when declared by AIG’s Board of Directors, at a rate of 10% of the liquidation preference.
 - Right to elect greater of 2 directors / 20% of AIG’s Board of Directors upon non-payment of dividends for four dividend periods including for this purpose the period during which the Series D preferred stock was outstanding.
- Replacement Capital Covenant/Intention:
 - Covenant not to repay or redeem (except with proceeds from sale of equity replacement capital securities) commencing on third anniversary of issuance.
- Optional redemption of Series E
 - AIG may only redeem the Series E if the AIG Credit Facility Trust, a trust established for the sole benefit of the U.S. Treasury, beneficially owns less than 30% of the aggregate voting power of AIG's voting securities and no holder of the Series E controls AIG.

Announced on April 17, 2009 - AIG issued to the U.S. Department of the Treasury 300,000 shares of Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock and a warrant to purchase up to 3,000 shares of AIG common stock.

**Description and
Terms of New Series
F Preferred**

- Up to \$29.835 billion in equity capital commitment facility available for a term of five years.
- Commitment decreased by the aggregate amount of financial assistance that the U.S. Treasury provides to AIG, unless otherwise specified by the U.S. Treasury.
- Dividends on Series F are payable on a non-cumulative basis, at a rate of 10% of the liquidation preference.
- Right to elect greater of 2 directors / 20% of AIG's Board of Directors upon payment of dividends for four dividend periods.
- Liquidation preference is initially \$0 per share, and will increase pro rata by the amount of any funds drawn down on the commitment.
- AIG may only redeem the Series F if the AIG Credit Facility Trust beneficially owns less than 30% of the aggregate voting power of AIG's voting securities and no holder of the Series F controls AIG.
- Other terms substantially the same as to the new Series E, except not subject to Replacement Capital Covenant/Intention.

AIG FRBNY Credit Facility

Reduce cost of FRBNY credit facility

- Amended Credit Agreement, effective April 17, 2009, to remove the minimum 3.5 percent LIBOR borrowing rate floor on the FRBNY credit facility.

Maintain availability of FRBNY credit facility

- After repayment of the FRBNY credit facility by up to \$26 billion through the AIA and ALICO preferred interests issued to FRBNY and by up to \$8.5 billion in proceeds from the issuance of securitization notes to FRBNY, the commitment under the FRBNY credit facility will be no less than \$25 billion.

Description

- AIG will contribute the equity of each of ALICO and AIA to separate SPVs in exchange for preferred and common interests in the SPVs.
- The FRBNY will then receive a preferred equity interest in each SPV in exchange for a concurrent reduction in the outstanding balance under the FRBNY credit facility.
- AIG will retain the common interests in the SPVs, will continue to control day-to-day management of the operating companies, and intends to consolidate these entities for accounting purposes.

Benefit

- Improves AIG capital structure by reducing balance under FRBNY credit facility, thereby reducing AIG's financial leverage.
- Advances restructuring plan despite challenging market conditions.
- Facilitates alternative monetization paths, such as potential IPOs for AIA and ALICO.
- Facilitates separation of certain strong businesses from AIG to unlock value and preserve each franchise.

Announced on April 21, 2009 - AIG intends to contribute the equity of AIU Holdings, Inc. to an SPV in exchange for preferred and common interests.

Description

- AIU Holdings is the holding company for AIG's Commercial Insurance, Foreign General Insurance, and Private Client Group units.
- AIG also announced its intention to purchase from AIU Holdings its equity interests in ILFC, United Guaranty and Transatlantic Holdings.

Benefit

- Improves the quality of capital and liquidity of Commercial Insurance by transferring affiliated investments to AIG.
- Positions AIU Holdings as an independent global property & casualty company.
- Positions AIU Holdings for the potential sale of a minority stake in the business, which ultimately may include a public offering of shares, depending on market conditions.

Description

- Certain of AIG's U.S. life insurance businesses will create SPVs that will issue embedded value securitization notes to the FRBNY. Proceeds from these notes will be used to repay a portion of the outstanding balance under the FRBNY credit facility.
- These notes are to be repaid by net cash flows from the designated blocks of existing life insurance policies issued by these companies.

Benefit

- Improves AIG capital structure by reducing balance under FRBNY credit facility, thereby reducing AIG's financial leverage.
- Provides the FRBNY with securities that could eventually be sold into the public market.
- Facilitates the divestiture of the U.S. life insurance businesses by reducing the net price a purchaser would have to pay for the business.
- Expected to improve the total proceeds to AIG from divestiture (note proceeds plus net sale price of insurance operations).



Combination of Domestic Life Insurance & Retirement Services Operations

Description

- AIG is considering combining its domestic life and retirement businesses to enhance market competitiveness.

Benefit

- The combined companies would be able to operate from a position of significant strength and business diversification.
- Provides new identity in the marketplace.



Divestiture Progress Update

Progress to Date: Through April 30, 2009, AIG had sold, or entered into contracts to sell, the following operations:

Completed Sales:

- On November 26, 2008, AIG closed the sale of its 50 percent stake in the Brazilian joint venture Unibanco AIG Seguros S.A. to AIG's JV partner Unibanco-União de Bancos Brasileiros S.A.
- On December 18, 2008, AIG closed the sale of the assets of its Taiwan Finance business to Taiwan Acceptance Corporation.
- On March 12, 2009, AIG closed the sale of AIG PhilAm Savings Bank, PhilAm Auto Financing and Leasing, and PFL Holdings to EastWest Banking Corporation.
- On March 31, 2009, AIG closed the sale of HSB Group, Inc., the parent company of HSB, to Munich Re Group.
- On April 1, 2009, AIG closed the sale of AIG Life Insurance Company of Canada to BMO Financial Group.
- On April 8, 2009, AIG closed the sale of AIG Retail Bank Public Company Limited and AIG Card (Thailand) to Bank of Ayudhya.
- On April 16, 2009, AIG closed the sale of AIG Private Bank Ltd. to Aabar Investments PJSC.
- On April 24, 2009, AIG closed the sale of Darag, an AIG affiliate of WüBa in Germany, to Augur.

Announced Sales:

- On April 16, 2009, AIG entered into a contract to sell 21st Century Insurance Group to Farmers Group, Inc.
 - Farmers Group will pay AIG \$1.9 billion, consisting of \$1.5 billion in cash and \$400 million in face amount of subordinated, euro-denominated capital notes backed by Zurich Insurance Company, Zurich's principal operating unit.
 - Farmers Group will also assume 21st Century's outstanding debt of \$100 million.
 - Expected to close in third quarter 2009.

Additional Sales: AIG's Divestiture Team continues to be fully engaged in pursuing the divestiture of numerous other assets and businesses.

Dec. 31, 2008

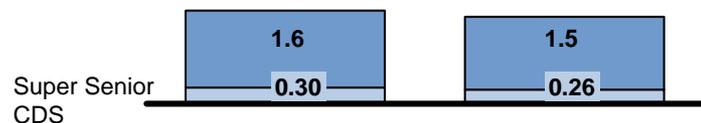
March 31, 2009

Approximate number of outstanding trade positions



- Reduced position count by 21% in Q1 2009
- Number of long-dated trades (>50 years) reduced from 67 to 11 in Q1 2009
- Additional 12% naturally maturing in Q2, Q3 and Q4 2009

Notional amount of derivatives outstanding (\$ Trillion)



- Since Dec. 31, 2007, the notional amount on AIGFP's derivative portfolio has been reduced by more than 40% from approximately \$2.7 trillion.
- Bulk of remaining derivatives portfolio are interest rate products (\$1.1 trillion as of Mar. 31)
- Multi-sector CDO Notional amount reduced by ~85% via Maiden Lane III in Q4 2008

Number of risk books



- 5 books almost completely wound down, including Commodities Index, Infrastructure Investments, exotic Foreign Exchange / Interest Rates

Number of employees



- FP will close two locations, Tokyo and Hong Kong in Q3 2009

Appendix

AIG Sources of Funds

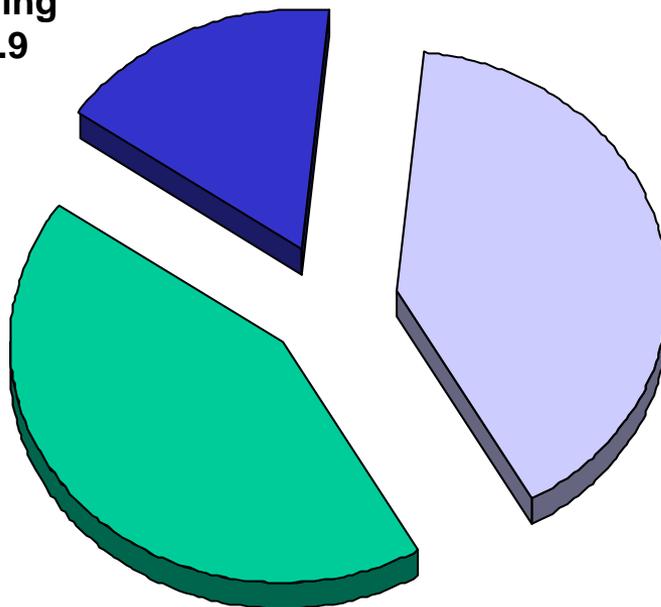
Inception through
March 31, 2009

Dollars in Billions

**FRBNY Facility – Remaining
Available Amount - \$16.9**

**FRBNY Facility –
Net Borrowings -
\$43.1**

**Issuance of Series D
Preferred Stock - \$40.0**

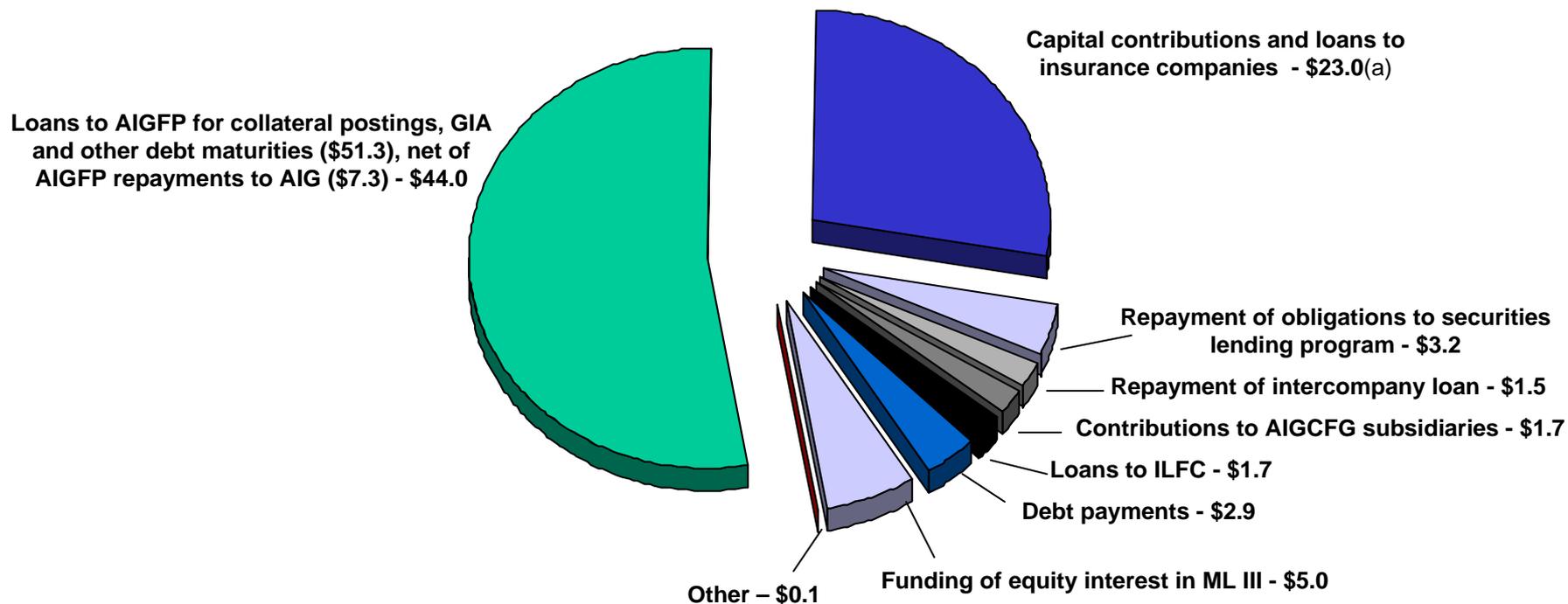


Net borrowings (\$43.1) equals Uses of Funds, less repayment from the proceeds of the issuance of Series D Preferred Stock and common stock warrant (\$40.0).

AIG Uses of Funds

Inception through
March 31, 2009

Dollars in Billions



(a) Includes securities lending activities.

This slide should be read in conjunction with the net borrowings outstanding and remaining available under the FRBNY facility located in the Capital Resources and Liquidity section of AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed with the Securities and Exchange Commission.