



## **American International Group, Inc.**

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### **Financial Supplement**

### **Second Quarter 2006**

This report should be read in conjunction with AIG's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed with the Securities and Exchange Commission.

# American International Group, Inc.

## Financial Supplement

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American International Group, Inc.

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**American International Group, Inc.**  
**Consolidated Statement of Income**  
(in millions, except per share data)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Revenues:</b>								
Premiums and other considerations	\$ 18,303	\$ 17,536	4.4 %	\$ 18,242	0.3 %	\$ 36,545	\$ 35,216	3.8 %
Net investment income	5,912	5,227	13.1	5,827	1.5	11,739	10,559	11.2
Realized capital gains (losses) (1)	(214)	(125)	NM	169	NM	(45)	12	NM
Other revenues (1)	<u>2,742</u>	<u>5,265</u>	(47.9)	<u>3,021</u>	(9.2)	<u>5,763</u>	<u>9,318</u>	(38.2)
Total revenues (1)	<u>26,743</u>	<u>27,903</u>	(4.2)	<u>27,259</u>	(1.9)	<u>54,002</u>	<u>55,105</u>	(2.0)
<b>Benefits and expenses:</b>								
Incurred policy losses and benefits	13,988	14,283	(2.1)	15,000	(6.7)	28,988	29,156	(0.6)
Insurance acquisition and other operating expenses	<u>7,514</u>	<u>6,919</u>	8.6	<u>7,466</u>	0.6	<u>14,980</u>	<u>13,599</u>	10.2
Total benefits and expenses	<u>21,502</u>	<u>21,202</u>	1.4	<u>22,466</u>	(4.3)	<u>43,968</u>	<u>42,755</u>	2.8
<b>Income before income taxes, minority interest and cumulative effect of an accounting change</b>	<u>5,241</u>	<u>6,701</u>	(21.8)	<u>4,793</u>	9.3	<u>10,034</u>	<u>12,350</u>	(18.8)
Income taxes	<u>1,688</u>	<u>2,083</u>	NM	<u>1,435</u>	NM	<u>3,123</u>	<u>3,789</u>	NM
<b>Income before minority interest and cumulative effect of an accounting change</b>	3,553	4,618	(23.1)	3,358	5.8	6,911	8,561	(19.3)
Minority interest	<u>(363)</u>	<u>(129)</u>	NM	<u>(197)</u>	NM	<u>(560)</u>	<u>(273)</u>	NM
<b>Income before cumulative effect of an accounting change</b>	3,190	4,489	(28.9)	3,161	0.9	6,351	8,288	(23.4)
Cumulative effect of an accounting change, net of tax (2)	<u>-</u>	<u>-</u>	NM	<u>34</u>	NM	<u>34</u>	<u>-</u>	NM
<b>Net income</b>	<u>3,190</u>	<u>4,489</u>	(28.9)	<u>3,195</u>	(0.2)	<u>6,385</u>	<u>8,288</u>	(23.0)
<b>Earnings per common share:</b>								
Basic								
Income before cumulative effect of an accounting change	1.23	1.73	(28.9)	1.21	1.7	2.44	3.19	(23.5)
Cumulative effect of an accounting change, net of tax (2)	-	-	NM	0.01	NM	0.01	-	NM
Net income	1.23	1.73	(28.9)	1.22	0.8	2.45	3.19	(23.2)
Diluted								
Income before cumulative effect of an accounting change	1.21	1.71	(29.2)	1.21	0.0	2.42	3.16	(23.4)
Cumulative effect of an accounting change, net of tax (2)	-	-	NM	0.01	NM	0.01	-	NM
Net income	1.21	1.71	(29.2)	1.22	(0.8)	2.43	3.16	(23.1)
<b>Dividends declared per common share</b>	\$ 0.165	\$ 0.125	32.0 %	\$ 0.150	10.0 %	\$ 0.315	\$ 0.300	5.0 %
<b>Average outstanding shares:</b>								
Basic	2,606	2,596		2,605		2,606	2,596	
Diluted	2,625	2,623		2,624		2,624	2,623	

Note: (1) Includes the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 "Accounting for Derivative Instruments and Hedging Activities", including the related foreign exchange gains and losses. For the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively; **realized capital gains (losses)** includes a gain of \$184 million, a loss of \$335 million, a gain of \$299 million, a gain of \$483 million and a loss of \$112 million, respectively; **other revenues** includes a loss of \$1.268 billion, a gain of \$1.964 billion, a loss of \$511 million, a loss of \$1.779 billion and a gain of \$2.672 billion, respectively; and **total revenues** includes a loss of \$1.084 billion, a gain of \$1.629 billion, a loss of \$212 million, a loss of \$1.296 billion and a gain of \$2.560 billion, respectively.

(2) Represents the cumulative effect of an accounting change, net of tax, related to FAS 123R "Share-Based Payment".

**American International Group, Inc.**  
**Consolidated Statement of Segment Operations**

(in millions, except per share data)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, Sequential 2006	% Chg	June 30, 2006	June 30, 2005	% Chg
<b>General insurance</b>								
Net premiums written	\$ 11,634	\$ 10,644	9.3 %	\$ 11,255	3.4 %	\$ 22,889	\$ 21,434	6.8 %
Net premiums earned	10,678	10,232	4.4	10,470	2.0	21,148	20,372	3.8
Losses and loss expenses incurred	6,764	7,116	(4.9)	6,977	(3.1)	13,741	14,395	(4.5)
Underwriting expenses	2,540	2,404	5.7	2,348	8.2	4,888	4,702	4.0
Underwriting profit (1)	1,374	712	93.0	1,145	20.0	2,519	1,275	97.6
Net investment income	1,614	1,060	52.3	1,118	44.4	2,732	2,075	31.7
Income before realized capital gains (losses)	2,988	1,772	68.6	2,263	32.0	5,251	3,350	56.7
Realized capital gains (losses) (2)	(125)	113	NM	68	NM	(57)	177	NM
Operating income	2,863	1,885	51.9	2,331	22.8	5,194	3,527	47.3
<b>Life insurance &amp; retirement services</b>								
GAAP premiums	7,625	7,304	4.4	7,772	(1.9)	15,397	14,844	3.7
Deposits and other considerations not included in revenues under GAAP	9,548	9,827	(2.8)	9,009	6.0	18,557	20,721	(10.4)
Premiums, deposits and other considerations	17,173	17,131	0.2	16,781	2.3	33,954	35,565	(4.5)
Net investment income	4,298	4,167	3.1	4,709	(8.7)	9,007	8,484	6.2
Pricing net investment gains (3)	88	100	(12.0)	124	(29.0)	212	181	17.1
Income before realized capital gains (losses)	2,608	2,378	9.7	2,521	3.5	5,129	4,722	8.6
Realized capital gains (losses) (2) (3)	(306)	(54)	NM	34	NM	(272)	(217)	NM
Operating income	2,302	2,324	(0.9)	2,555	(9.9)	4,857	4,505	7.8
<b>Financial services</b>								
Operating income excluding FAS 133	615	582	5.7	519	18.5	1,134	1,144	(0.9)
FAS 133 (2)	(1,163)	1,632	NM	(678)	NM	(1,841)	2,115	NM
Operating income (loss)	(548)	2,214	NM	(159)	NM	(707)	3,259	NM
<b>Asset management</b>								
Operating income excluding FIN46(R), EITF 04-5 and FAS 133	541	440	23.0	365	48.2	906	893	1.5
FIN46(R)	183	37	NM	27	NM	210	112	NM
EITF 04-5	87	-	NM	69	NM	156	-	NM
FAS 133 (2)	-	47	NM	-	NM	-	109	NM
Operating income	811	524	54.8	461	75.9	1,272	1,114	14.2
Other income (deductions) - net (4)	(316)	38	NM	(338)	NM	(654)	74	NM
Other realized capital gains (losses) (2) (5)	129	(284)	NM	(57)	NM	72	(129)	NM
<b>Income before income taxes, minority interest and cumulative effect of an accounting change</b>	<u>5,241</u>	<u>6,701</u>	(21.8)	<u>4,793</u>	9.3	<u>10,034</u>	<u>12,350</u>	(18.8)
Income taxes	1,688	2,083	NM	1,435	NM	3,123	3,789	NM
<b>Income before minority interest and cumulative effect of an accounting change</b>	3,553	4,618	(23.1)	3,358	5.8	6,911	8,561	(19.3)
Minority interest, after tax:								
Income before realized capital gains (losses)	(360)	(127)	NM	(181)	NM	(541)	(265)	NM
Realized capital gains (losses)	(3)	(2)	NM	(16)	NM	(19)	(8)	NM
<b>Income before cumulative effect of an accounting change</b>	3,190	4,489	(28.9)	3,161	0.9	6,351	8,288	(23.4)
Cumulative effect of an accounting change, net of tax (6)	-	-	NM	34	NM	34	-	NM
<b>Net income</b>	<u>3,190</u>	<u>4,489</u>	(28.9)	<u>3,195</u>	(0.2)	<u>6,385</u>	<u>8,288</u>	(23.0)
Realized capital gains (losses), net of tax (7)	(144)	(56)	NM	118	NM	(26)	5	NM
FAS 133 gains (losses), excluding realized capital gains (losses), net of tax	(824)	1,266	NM	(333)	NM	(1,157)	1,777	NM
Cumulative effect of an accounting change, net of tax (6)	-	-	NM	34	NM	34	-	NM
<b>Adjusted net income (8)</b>	<u>4,158</u>	<u>3,279</u>	26.8	<u>3,376</u>	23.2	<u>7,534</u>	<u>6,506</u>	15.8
Effect of an out of period adjustment, net of tax (9)	374	-	-	-	-	374	-	-
<b>Per share - diluted:</b>								
Net income	1.21	1.71	(29.2)	1.22	(0.8)	2.43	3.16	(23.1)
Adjusted net income (8)	1.58	1.25	26.4 %	1.29	22.5 %	2.87	2.48	15.7 %
Effect of an out of period adjustment, net of tax (9)	\$ 0.14	\$ -	-	\$ -	-	\$ 0.14	\$ -	-
<b>Average outstanding shares - diluted</b>	2,625	2,623	-	2,624	-	2,624	2,623	-
<b>Effective tax rate:</b>								
Net income	32.2%	31.1%	-	29.9%	-	31.1%	30.7%	-
Adjusted net income (8)	33.7%	30.2%	-	30.7%	-	32.4%	29.6%	-
<b>Return on equity (10)</b>	14.6%	21.6%	-	14.6%	-	14.6%	19.9%	-

(See Accompanying Notes on Page 3)

**American International Group, Inc.**  
**Consolidated Statement of Segment Operations**  
**Notes**

- (1) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.
- (2) Includes the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 "Accounting for Derivative Instruments and Hedging Activities", including the related foreign exchange gains and losses.
- (3) For purposes of this presentation, pricing net investment gains are segregated as a component of total realized gains (losses). They represent certain amounts of realized capital gains where gains are an inherent element in pricing certain life products in some foreign countries.
- (4) Includes a loss of \$105 million and gains of \$268 million and \$167 million for the three months ended June 30, 2006, June 30, 2005 and March 31, 2006, respectively; and gains of \$62 million and \$508 million for the six months ended June 30, 2006 and 2005, respectively, attributable to the elimination of revenues reported in the Financial Services segment from intercompany hedging activities.
- (5) Includes a gain of \$105 million and losses of \$268 million and \$167 million for the three months ended June 30, 2006, June 30, 2005 and March 31, 2006, respectively; and losses of \$62 million and \$508 million for the six months ended June 30, 2006 and 2005, respectively, attributable to the elimination of realized capital gains (losses) reported in General Insurance, Life Insurance & Retirement Services and Other category from intercompany hedging activities.
- (6) Represents the cumulative effect of an accounting change, net of tax, related to FAS 123R "Share-Based Payment".
- (7) Includes a gain of \$120 million, a loss of \$218 million and a gain of \$194 million, net of tax for the three months ended June 30, 2006, June 30, 2005 and March 31, 2006, respectively; a gain of \$314 million and a loss of \$73 million, net of tax for the six months ended June 30, 2006 and 2005, respectively, attributable to FAS 133.
- (8) Adjusted net income excludes realized capital gains (losses) which includes pricing net investment gains, cumulative effect of an accounting change and FAS 133 "Accounting for Derivative Instruments and Hedging Activities", net of tax.
- (9) During the second quarter of 2006, AIG recorded an out of period adjustment related to the accounting for certain interests in unit investment trusts in accordance with FIN46(R) and APB 18. For the three months and six months ended June 30, 2006 the effect was an increase of \$374 million in net income and adjusted net income, respectively.
- (10) Return on equity is annualized net income, expressed as a percentage of average shareholders' equity. This computation does not exclude the effect of FAS 133.

## American International Group, Inc. Summary of FAS 133 Effect (1)

(in millions)

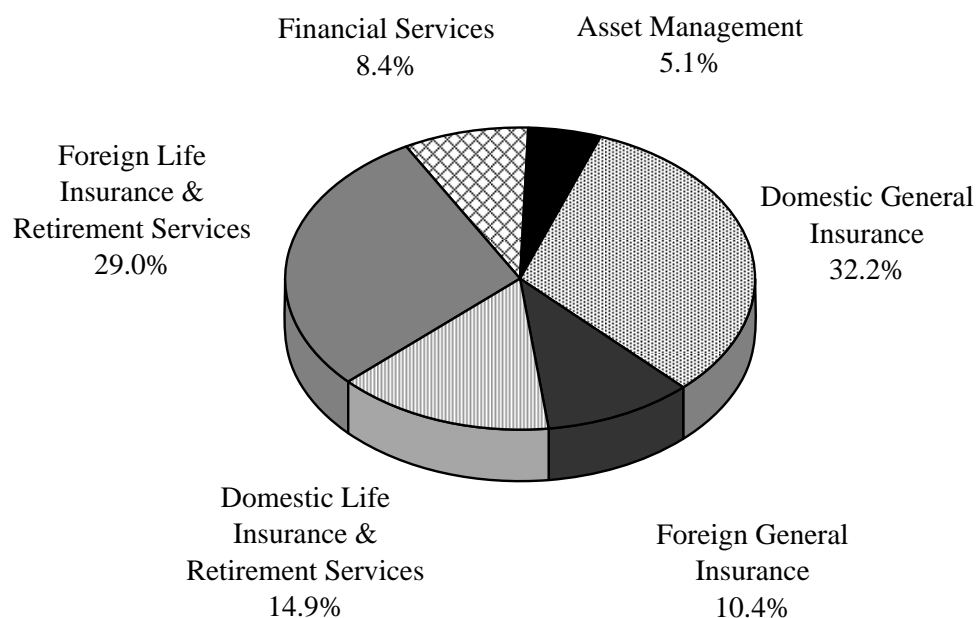
	Three Months Ended			Six Months Ended	
	June 30, 2006	June 30, 2005	March 31, 2006	June 30, 2006	June 30, 2005
<b>FAS 133 effect on operating income before realized capital gains (losses):</b>					
Financial Services (2)	\$ (1,163)	\$ 1,632	\$ (678)	\$ (1,841)	\$ 2,115
Asset Management (2)	-	47	-	-	109
Other (3)	<u>(105)</u>	<u>268</u>	<u>167</u>	<u>62</u>	<u>508</u>
Total pretax effect	<u>\$ (1,268)</u>	<u>\$ 1,947</u>	<u>\$ (511)</u>	<u>\$ (1,779)</u>	<u>\$ 2,732</u>
Total after tax effect	<u>\$ (824)</u>	<u>\$ 1,266</u>	<u>\$ (333)</u>	<u>\$ (1,157)</u>	<u>\$ 1,777</u>
<b>FAS 133 effect on realized capital gains (losses):</b>					
General Insurance	\$ (11)	\$ (16)	\$ (13)	\$ (24)	\$ (8)
Life Insurance and Retirement Services	73	(38)	352	425	(7)
Other (2) (4)	<u>122</u>	<u>(281)</u>	<u>(40)</u>	<u>82</u>	<u>(97)</u>
Total pretax effect	<u>\$ 184</u>	<u>\$ (335)</u>	<u>\$ 299</u>	<u>\$ 483</u>	<u>\$ (112)</u>
Total after tax effect	<u>\$ 120</u>	<u>\$ (218)</u>	<u>\$ 194</u>	<u>\$ 314</u>	<u>\$ (73)</u>
<b>FAS 133 effect on total income:</b>					
Total pretax effect	<u>\$ (1,084)</u>	<u>\$ 1,612</u>	<u>\$ (212)</u>	<u>\$ (1,296)</u>	<u>\$ 2,620</u>
Total after tax effect	<u>\$ (704)</u>	<u>\$ 1,048</u>	<u>\$ (139)</u>	<u>\$ (843)</u>	<u>\$ 1,704</u>

- Note:** (1) This schedule summarizes the effect of derivative gains and losses on operating income that are effective economic hedges of assets and liabilities and do not qualify for hedge accounting treatment under FAS 133. Since hedge accounting is not applied, an offsetting gain or loss on the hedged exposure is not recognized in operating income. The mismatch in the earnings recognition on the derivatives and the hedged exposures has resulted in increased volatility in the operating results that does not reflect properly the effectiveness of these hedging activities.
- (2) During 2006, all gains and losses on derivatives in Financial Services (excluding Capital Markets) and Asset Management were reported as part of realized capital gains (losses) in the Other category. During 2005, certain of these balances were reported in operating income before realized capital gains (losses) in Financial Services and Asset Management. In all periods, the total derivatives gains and losses were excluded in the determination of adjusted net income.
- (3) Represents the elimination of revenues reported in the Financial Services segment from intercompany hedging activities.
- (4) Includes a gain of \$105 million and losses of \$268 million and \$167 million for the three months ended June 30, 2006, June 30, 2005 and March 31, 2006, respectively; and losses of \$62 million and \$508 million for the six months ended June 30, 2006 and 2005, respectively, attributable to the elimination of realized capital gains (losses) reported in General Insurance, Life Insurance & Retirement Services and Other category from intercompany hedging activities.

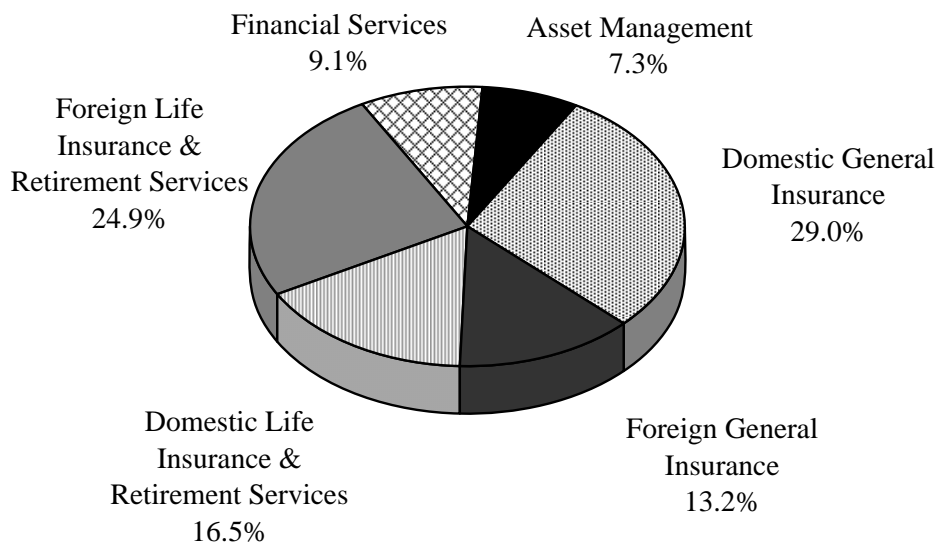
# American International Group, Inc.

Six Months Ended June 30, 2006

## Revenues



## Income Before Income Taxes, Minority Interest and Cumulative Effect of an Accounting Change



Note: Realized capital gains (losses), other income (deductions), FIN46(R), EITF 04-5 and FAS 133 are excluded. Pricing net investment gains are included in Foreign Life Insurance & Retirement Services.

# American International Group, Inc.

## Consolidated Balance Sheet

(in millions)

	June 30, 2006	December 31, 2005
<b>Assets:</b>		
<b>Investments and financial services assets:</b>		
Fixed maturities	\$ 390,180	\$ 385,680
Equity securities	27,133	23,588
Mortgage loans on real estate, policy, collateral and guaranteed loans - net of allowance	27,604	24,909
Financial services assets:		
Flight equipment primarily under operating leases, net of accumulated depreciation	39,307	36,245
Securities available for sale, at market value	38,678	37,511
Trading securities, at market value	5,165	6,499
Spot commodities	797	92
Unrealized gain on swaps, options and forward transactions	18,901	18,695
Trading assets	1,345	1,204
Securities purchased under agreements to resell, at contract value	14,085	14,547
Finance receivables, net of allowance	27,515	27,995
Securities lending collateral, at market (which approximates cost)	68,732	59,471
Other invested assets	29,410	27,267
Short-term investments, at cost (which approximates market value)	21,186	15,342
<b>Total investments and financial services assets</b>	710,038	679,045
Cash	2,140	1,897
Investment income due and accrued	5,732	5,727
Premiums and insurance balances receivable, net of allowance	18,236	15,333
Reinsurance assets, net of allowance	24,271	24,978
Deferred policy acquisition costs	38,301	33,248
Investments in partially owned companies	1,375	1,158
Real estate and other fixed assets, net of accumulated depreciation	8,415	7,446
Separate and variable accounts	67,596	63,797
Goodwill	8,425	8,093
Other assets	16,141	12,329
<b>Total assets</b>	\$ 900,670	\$ 853,051
<b>Liabilities:</b>		
Reserve for losses and loss expenses	\$ 78,966	\$ 77,169
Unearned premiums	26,113	24,243
Future policy benefits for life and accident and health insurance contracts	117,645	108,807
Policyholders' contract deposits	233,865	227,027
Other policyholders' funds	11,157	10,870
Commissions, expenses and taxes payable	5,060	4,769
Insurance balances payable	4,362	3,564
Funds held by companies under reinsurance treaties	3,221	4,174
Income taxes payable	5,101	6,288
Financial services liabilities:		
Borrowings under obligations of guaranteed investment agreements	21,571	20,811
Securities sold under agreements to repurchase, at contract value	7,803	11,047
Trading liabilities	2,273	2,546
Hybrid financial instrument liabilities, at fair value	6,652	-
Securities and spot commodities sold but not yet purchased, at market value	5,727	5,975
Unrealized loss on swaps, options and forward transactions	11,956	12,740
Trust deposits and deposits due to banks and other depositors	4,542	4,877
Commercial paper	9,833	6,514
Notes, bonds, loans and mortgages payable	70,561	71,313
Commercial paper	3,230	2,694
Notes, bonds, loans and mortgages payable	12,851	7,126
Liabilities connected to trust preferred stock	1,399	1,391
Separate and variable accounts	67,596	63,797
Securities lending payable	69,754	60,409
Minority interest	6,038	5,124
Other liabilities (includes hybrid financial instruments)	25,492	23,273
<b>Total liabilities</b>	812,768	766,548
<b>Preferred shareholders' equity in subsidiary companies</b>	193	186
<b>Shareholders' equity:</b>		
Common stock	6,878	6,878
Additional paid-in capital	2,533	2,339
Unrealized appreciation of investments, net of taxes	2,858	8,348
Cash flow hedging activities, net of taxes	(20)	(25)
Foreign currency translation adjustments, net of taxes	(521)	(1,242)
Foreign currency translation adjustments hedging, net of taxes	1	1
Retirement plan liabilities adjustment, net of taxes	(117)	(115)
Retained earnings	78,192	72,330
Treasury stock, at cost	(2,095)	(2,197)
<b>Total shareholders' equity</b>	87,709	86,317
<b>Total liabilities, preferred shareholders' equity in subsidiary companies and shareholders' equity</b>	\$ 900,670	\$ 853,051

## American International Group, Inc. Book Value per Share

	<u>Book Value Per Share (1)</u>	<u>Book Value excluding URA Per Share (2)</u>	<u>Shareholders' Equity (1) (in millions)</u>	<u>Shareholders' Equity excluding URA (2) (in millions)</u>
December 31, 2000	\$ 17.25	\$ 17.28	\$ 45,239	\$ 45,320
December 31, 2001	19.07	18.27	49,881	47,790
December 31, 2002	22.34	19.99	58,303	52,154
March 31, 2003	23.56	20.61	61,462	53,750
June 30, 2003	25.98	21.44	67,774	55,933
September 30, 2003	25.54	22.17	66,612	57,807
December 31, 2003	26.54	23.06	69,230	60,159
March 31, 2004	28.73	24.05	74,921	62,739
June 30, 2004	27.08	25.07	70,544	65,304
September 30, 2004	29.34	26.01	76,427	67,747
December 31, 2004	30.69	26.71	79,673	69,347
March 31, 2005	31.45	27.96	81,608	72,561
June 30, 2005	34.15	29.48	88,613	76,509
September 30, 2005	34.03	29.95	88,333	77,729
December 31, 2005	33.24	30.03	86,317	77,969
March 31, 2006	34.03	31.39	88,390	81,541
June 30, 2006	\$ 33.76 (3)	\$ 32.66	\$ 87,709	\$ 84,851

Note: (1) Book values and shareholders' equity prior to December 31, 2005 have been restated.

(2) Unrealized appreciation (depreciation) of investments (URA), net of taxes.

(3) Total shareholders' equity  
Total common shares issued - treasury shares  
\$87,708,530,549

2,751,327,476 - 153,134,393 = \$33.76

**American International Group, Inc.**  
**General Insurance Operating Statistics**

(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
Gross premiums written	\$ 14,450	\$ 13,374	8.0 %	\$ 14,592	(1.0) %	\$ 29,042	\$ 27,699	4.8 %
Ceded premiums written	2,816	2,730	3.2	3,337	(15.6)	6,153	6,265	(1.8)
Net premiums written (1)	11,634	10,644	9.3	11,255	3.4	22,889	21,434	6.8
Net premiums earned (1)	10,678	10,232	4.4	10,470	2.0	21,148	20,372	3.8
Paid losses	5,812	5,537	5.0	5,678	2.4	11,490	10,764	6.7
Change in net loss reserves	1,322	1,230	7.5	1,416	(6.6)	2,738	3,310	(17.3)
Less foreign exchange effect	370	(349)	NM	117	NM	487	(321)	NM
Losses and loss expenses incurred (1)	6,764	7,116	(4.9)	6,977	(3.1)	13,741	14,395	(4.5)
Statutory underwriting expenses	2,691	2,376	13.3	2,536	6.1	5,227	4,721	10.7
Statutory underwriting profit (1)	1,223	740	65.3	957	27.8	2,180	1,256	73.6
Change in deferred acquisition costs	151	(28)	NM	188	(19.7)	339	19	NM
Underwriting profit (1) (2)	1,374	712	93.0	1,145	20.0	2,519	1,275	97.6
Net investment income (3)								
Interest and dividends	1,014	810	25.2	962	5.4	1,976	1,594	24.0
Partnership income	194	267	(27.3)	193	0.5	387	515	(24.9)
Other investment income (4) (5)	574	128	NM	94	NM	668	201	232.3
Investment expense	(168)	(145)	NM	(131)	NM	(299)	(235)	NM
Total	1,614	1,060	52.3	1,118	44.4	2,732	2,075	31.7
<b>Operating income before realized capital gains (losses) (1) (3) (5)</b>	<b>2,988</b>	<b>1,772</b>	<b>68.6</b>	<b>2,263</b>	<b>32.0</b>	<b>5,251</b>	<b>3,350</b>	<b>56.7</b>
Realized capital gains (losses) (3)	(125)	113	NM	68	NM	(57)	177	NM
<b>Operating income (1) (3) (5)</b>	<b>\$ 2,863</b>	<b>\$ 1,885</b>	<b>51.9 %</b>	<b>\$ 2,331</b>	<b>22.8</b>	<b>\$ 5,194</b>	<b>\$ 3,527</b>	<b>47.3</b>
<b>Net loss and loss expense reserve</b>				<b>\$ 58,892</b>	<b>2.2 %</b>	<b>\$ 60,214</b>	<b>\$ 50,564</b>	<b>19.1 %</b>
<b>Underwriting ratios:</b>								
Loss ratio (1)	63.34	69.55		66.64		64.98	70.66	
Expense ratio	23.13	22.33		22.53		22.84	22.03	
Combined ratio	86.47	91.88		89.17		87.82	92.69	
<b>Foreign exchange impact on worldwide growth:</b>								
<b>Net premiums written</b>								
Growth in original currency	9.7 %					7.9 %		
Foreign exchange impact	(0.4)					(1.1)		
Growth as reported in U.S. \$	9.3 %					6.8 %		

- Note: (1) Includes \$(51) million, \$27 million, \$99 million, \$48 million and \$198 million (reduction in) additional losses incurred and net reinstatement premiums related primarily to prior year catastrophes in the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively, resulting in (decreases) increases of (0.49) points, 0.26 points, 0.93 points, 0.22 points and 0.96 points, respectively, in the loss ratio. The \$48 million of losses and net reinstatement premiums incurred in the six months ended June 30, 2006 includes approximately \$23 million attributable to 2005 hurricanes and approximately \$23 million attributable to 2004 hurricanes. The \$198 million of losses and net reinstatement premiums incurred in the six months ended June 30, 2005 is primarily attributable to 2004 hurricanes as well as \$41 million from a January 2005 European storm.
- (2) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.
- (3) Total may not equal the sum of the individual group totals due to consolidating eliminations.
- (4) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.
- (5) Includes the effect of an out of period adjustment related to the accounting for certain interests in unit investment trusts. For the three months and six months ended June 30, 2006 the effect was an increase of \$432 million.

**American International Group, Inc.**  
**General Insurance**  
**Reconciliation of Net Loss Reserves**  
(in millions)

	Three Months Ended			Six Months Ended	
	June 30, 2006	June 30, 2005	March 31, 2006	June 30, 2006	June 30, 2005
Net reserve for losses and loss expenses					
at beginning of period	\$ 58,892	\$ 49,334	\$ 57,476	\$ 57,476	\$ 47,254
Foreign exchange effect	370	(349)	117	487	(321)
Losses and loss expenses incurred:					
Current year	6,911	7,032	6,841	13,752	14,071
Prior years:					
Other than the accretion of loss reserve discount,					
Transatlantic general insurance operations and					
prior year catastrophe development	(215)	(48)	(98)	(313)	(78)
Transatlantic general insurance operations including					
prior year catastrophe development *	30	35	35	65	90
(Favorable) adverse development attributable to					
(decreased) increased costs related to catastrophes	(63)	-	98	35	118
Accretion of loss reserve discount	101	97	101	202	194
Total prior years	(147)	84	136	(11)	324
Total losses and loss expenses incurred	6,764	7,116	6,977	13,741	14,395
Losses and loss expenses paid	5,812	5,537	5,678	11,490	10,764
Net reserve for losses and loss expenses					
at end of period	\$ <u>60,214</u>	\$ <u>50,564</u>	\$ <u>58,892</u>	\$ <u>60,214</u>	\$ <u>50,564</u>

\* Includes \$10 million of prior year adverse catastrophe development in both the three months and six months ended June 30, 2006.

**American International Group, Inc.**  
**Domestic Brokerage Group Insurance Operating Statistics**

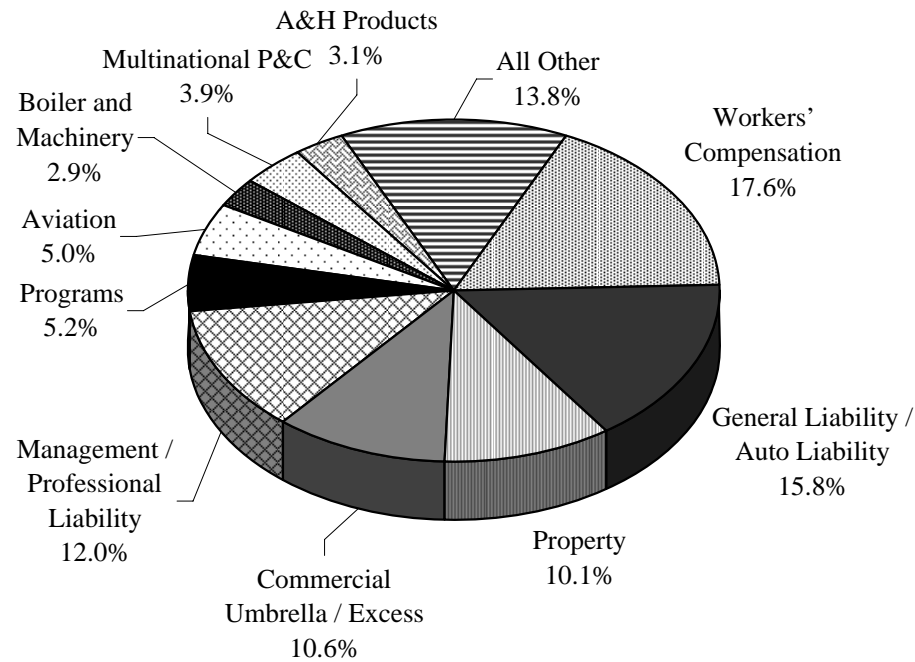
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
Net premiums written	\$ 6,480	\$ 5,846	10.8 %	\$ 5,900	9.8 %	\$ 12,380	\$ 11,566	7.0 %
Net premiums earned	5,836	5,587	4.5	5,763	1.3	11,599	11,160	3.9
Losses and loss expenses incurred (1)	3,980	4,338	(8.3)	4,150	(4.1)	8,130	8,800	(7.6)
Statutory underwriting expenses	1,160	1,059	9.5	1,086	6.8	2,246	2,114	6.2
Statutory underwriting profit (1)	696	190	266.3	527	32.1	1,223	246	NM
Change in deferred acquisition costs	69	(39)	NM	38	81.6	107	(98)	NM
Underwriting profit (1) (2)	765	151	NM	565	35.4	1,330	148	NM
Net investment income								
Interest and dividends	632	481	31.4	595	6.2	1,227	952	28.9
Partnership income	167	93	79.6	182	(8.2)	349	294	18.7
Other investment income (3) (4)	150	120	25.0	72	108.3	222	174	27.6
Investment expense	(136)	(139)	NM	(104)	NM	(240)	(206)	NM
Total	813	555	46.5	745	9.1	1,558	1,214	28.3
<b>Operating income before realized capital gains (losses) (1) (4)</b>	<b>1,578</b>	<b>706</b>	<b>123.5</b>	<b>1,310</b>	<b>20.5</b>	<b>2,888</b>	<b>1,362</b>	<b>112.0</b>
Realized capital gains (losses)	(44)	99	NM	47	NM	3	156	(98.1)
<b>Operating income (1) (4)</b>	<b>\$ 1,534</b>	<b>\$ 805</b>	<b>90.6 %</b>	<b>\$ 1,357</b>	<b>13.0 %</b>	<b>\$ 2,891</b>	<b>\$ 1,518</b>	<b>90.4 %</b>
<b>Underwriting ratios:</b>								
Loss ratio (1)	68.17	77.62		72.04		70.09	78.85	
Expense ratio	17.90	18.13		18.40		18.14	18.28	
Combined ratio	86.07	95.75		90.44		88.23	97.13	

- Note: (1) Includes \$(53) million, \$2 million, \$28 million, \$(25) million and \$118 million (reduction in) additional losses incurred related to the 2005 and 2004 catastrophes in the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively.
- (2) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.
- (3) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.
- (4) Includes the effect of an out of period adjustment related to the accounting for certain interests in unit investment trusts. For the three months and six months ended June 30, 2006 the effect was an increase of \$20 million.

**American International Group, Inc.**  
**Domestic Brokerage Group Insurance**  
**Six Months Ended June 30, 2006**

**Gross Premiums Written by Line of Business**



**Gross Premiums Written**  
**\$15.9 billion**

**American International Group, Inc.**  
**Personal Lines Insurance Operating Statistics**

(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
Net premiums written	\$ 1,180	\$ 1,173	0.6 %	\$ 1,198	(1.5) %	\$ 2,378	\$ 2,359	0.8 %
Net premiums earned	1,167	1,157	0.9	1,159	0.7	2,326	2,277	2.2
Losses and loss expenses incurred (1)	828	843	(1.8)	838	(1.2)	1,666	1,662	0.2
Statutory underwriting expenses	286	270	5.9	281	1.8	567	530	7.0
Statutory underwriting profit (1)	53	44	20.5	40	32.5	93	85	9.4
Change in deferred acquisition costs	9	6	50.0	5	80.0	14	23	(39.1)
Underwriting profit (1) (2)	62	50	24.0	45	37.8	107	108	(0.9)
Net investment income								
Interest and dividends	57	55	3.6	58	(1.7)	115	108	6.5
Partnership income	1	-	NM	-	NM	1	-	NM
Other investment income (3)	1	-	NM	-	NM	1	1	0.0
Investment expense	(4)	(1)	NM	(1)	NM	(5)	(3)	NM
Total	55	54	1.9	57	(3.5)	112	106	5.7
<b>Operating income before realized capital gains (losses) (1)</b>	117	104	12.5	102	14.7	219	214	2.3
Realized capital gains (losses)	1	(2)	NM	(1)	NM	-	(3)	NM
<b>Operating income (1)</b>	<u>\$ 118</u>	<u>\$ 102</u>	15.7 %	<u>\$ 101</u>	16.8 %	<u>\$ 219</u>	<u>\$ 211</u>	3.8 %
<b>Underwriting ratios:</b>								
Loss ratio (1)	70.99	72.93		72.25		71.62	73.01	
Expense ratio	24.24	22.99		23.48		23.86	22.48	
Combined ratio	95.23	95.92		95.73		95.48	95.49	

- Note: (1) Includes \$(2) million, \$(4) million and \$(6) million reduction in losses incurred related to the 2005 catastrophes in the three months ended June 30, 2006 and March 31, 2006 and the six months ended June 30, 2006, respectively.  
(2) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.  
(3) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.

**American International Group, Inc.**  
**Mortgage Guaranty (UGC) Insurance Operating Statistics**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
Net premiums written	\$ 193	\$ 145	33.1 %	\$ 197	(2.0) %	\$ 390	\$ 310	25.8 %
Net premiums earned	179	143	25.2	166	7.8	345	283	21.9
Losses and loss expenses incurred	59	25	136.0	51	15.7	110	60	83.3
Statutory underwriting expenses	47	35	34.3	45	4.4	92	71	29.6
Statutory underwriting profit	73	83	(12.0)	70	4.3	143	152	(5.9)
Change in deferred acquisition costs	1	(4)	NM	7	(85.7)	8	2	300.0
Underwriting profit (1)	74	79	(6.3)	77	(3.9)	151	154	(1.9)
Net investment income								
Interest and dividends	37	31	19.4	32	15.6	69	59	16.9
Partnership income	-	-	NM	-	NM	-	-	NM
Other investment income (2)	-	1	NM	-	NM	-	1	NM
Investment expense	(1)	(1)	NM	-	NM	(1)	(1)	NM
Total	36	31	16.1	32	12.5	68	59	15.3
<b>Operating income before realized capital gains (losses)</b>	110	110	0.0	109	0.9	219	213	2.8
Realized capital gains (losses)	(3)	(1)	NM	-	NM	(3)	-	NM
<b>Operating income</b>	<u>\$ 107</u>	<u>\$ 109</u>	(1.8) %	<u>\$ 109</u>	(1.8) %	<u>\$ 216</u>	<u>\$ 213</u>	1.4 %
<b>Underwriting ratios:</b>								
Loss ratio	33.13	17.38		30.40		31.81	21.18	
Expense ratio	24.71	24.54		22.69		23.69	23.03	
Combined ratio	57.84	41.92		53.09		55.50	44.21	

Note: (1) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.  
(2) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.

**American International Group, Inc.**  
**Transatlantic Holdings, Inc. Insurance Operating Statistics**

(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
Net premiums written	\$ 914	\$ 884	3.4 %	\$ 914	0.0 %	\$ 1,828	\$ 1,769	3.3 %
Net premiums earned	909	862	5.5	908	0.1	1,817	1,750	3.8
Losses and loss expenses incurred (1)	619	611	1.3	633	(2.2)	1,252	1,257	(0.4)
Statutory underwriting expenses	257	239	7.5	245	4.9	502	461	8.9
Statutory underwriting profit (1)	33	12	175.0	30	10.0	63	32	96.9
Change in deferred acquisition costs	4	1	300.0	3	33.3	7	1	NM
Underwriting profit (1) (2)	37	13	184.6	33	12.1	70	33	112.1
Net investment income								
Interest and dividends	97	79	22.8	93	4.3	190	157	21.0
Partnership income	5	-	NM	6	(16.7)	11	5	120.0
Other investment income (3)	9	7	28.6	6	50.0	15	12	25.0
Investment expense	(3)	(2)	NM	(3)	NM	(6)	(5)	NM
Total	108	84	28.6	102	5.9	210	169	24.3
<b>Operating income before realized capital gains (losses) (1)</b>	145	97	49.5	135	7.4	280	202	38.6
Realized capital gains (losses)	(2)	2	NM	6	NM	4	11	(63.6)
<b>Operating income (1)</b>	<u>\$ 143</u>	<u>\$ 99</u>	44.4 %	<u>\$ 141</u>	1.4 %	<u>\$ 284</u>	<u>\$ 213</u>	33.3 %
<b>Underwriting ratios:</b>								
Loss ratio (1)	68.06	70.99		69.73		68.89	71.87	
Expense ratio	28.13	27.03		26.83		27.48	26.06	
Combined ratio	96.19	98.02		96.56		96.37	97.93	

Note: (1) Includes \$10 million, \$25 million, \$10 million and \$50 million of additional losses incurred related to the 2005 and 2004 catastrophes and a January 2005 European storm, in the three months ended June 30, 2006 and 2005 and the six months ended June 30, 2006 and 2005, respectively.

(2) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.

(3) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.

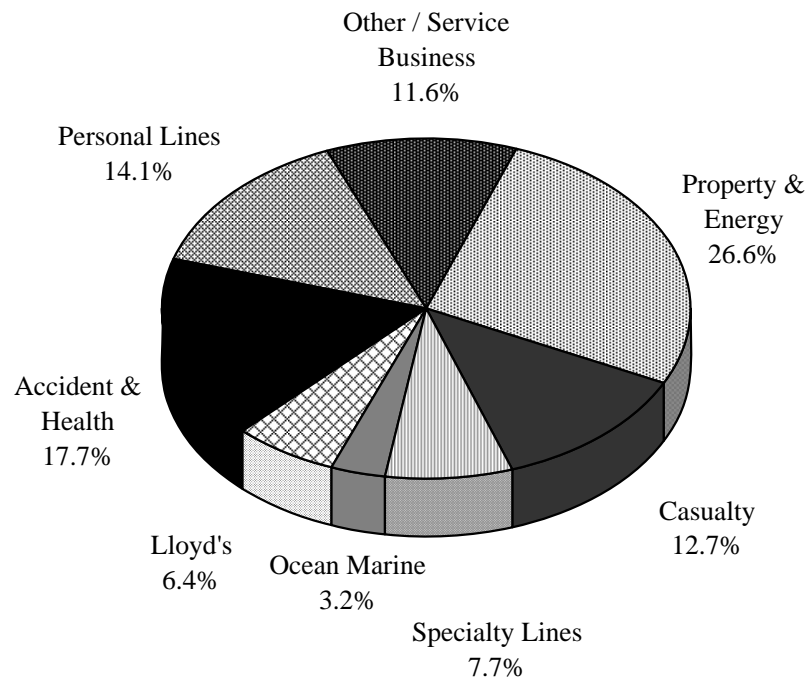
**American International Group, Inc.**  
**Foreign General Insurance Operating Statistics**  
(dollars in millions)

	Three Months Ended					Six Months Ended			
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg	
Net premiums written	\$ 2,867	\$ 2,596	10.4 %	\$ 3,046	(5.9) %	\$ 5,913	\$ 5,430	8.9 %	
Net premiums earned (1)	2,587	2,483	4.2	2,474	4.6	5,061	4,902	3.2	
Losses and loss expenses incurred (2)	1,278	1,299	(1.6)	1,305	(2.1)	2,583	2,616	(1.3)	
Statutory underwriting expenses (3) (4)	941	773	21.7	879	7.1	1,820	1,545	17.8	
Statutory underwriting profit (1) (2) (3) (4)	368	411	(10.5)	290	26.9	658	741	(11.2)	
Change in deferred acquisition costs	68	8	NM	135	(49.6)	203	91	123.1	
Underwriting profit (1) (2) (3) (4) (5)	436	419	4.1	425	2.6	861	832	3.5	
Net investment income									
Interest and dividends	191	164	16.5	184	3.8	375	318	17.9	
Partnership income	21	174	(87.9)	5	320.0	26	216	(88.0)	
Other investment income (6) (7)	414	1	NM	16	NM	430	13	NM	
Investment expense	(24)	(2)	NM	(23)	NM	(47)	(20)	NM	
Total	602	337	78.6	182	230.8	784	527	48.8	
<b>Operating income before realized capital gains (losses) (2) (4) (7)</b>	<b>1,038</b>	<b>756</b>	<b>37.3</b>	<b>607</b>	<b>71.0</b>	<b>1,645</b>	<b>1,359</b>	<b>21.0</b>	
Realized capital gains (losses)	(77)	15	NM	14	NM	(63)	8	NM	
<b>Operating income (2) (4) (7)</b>	<b>\$ 961</b>	<b>\$ 771</b>	<b>24.6 %</b>	<b>\$ 621</b>	<b>54.8 %</b>	<b>\$ 1,582</b>	<b>\$ 1,367</b>	<b>15.7 %</b>	
<b>Underwriting ratios:</b>									
Loss ratio (1) (2)	49.43	52.31		52.74		51.04	53.35		
Expense ratio (3) (4) (8)	32.82	29.75		28.85		30.77	28.44		
Combined ratio	82.25	82.06		81.59		81.81	81.79		
<b>Foreign exchange impact on Foreign General growth:</b>									
<b>Net premiums written</b>									
Growth in original currency	12.4 %					12.8 %			
Foreign exchange impact	(2.0)					(3.9)			
Growth as reported in U.S. \$	10.4 %					8.9 %			

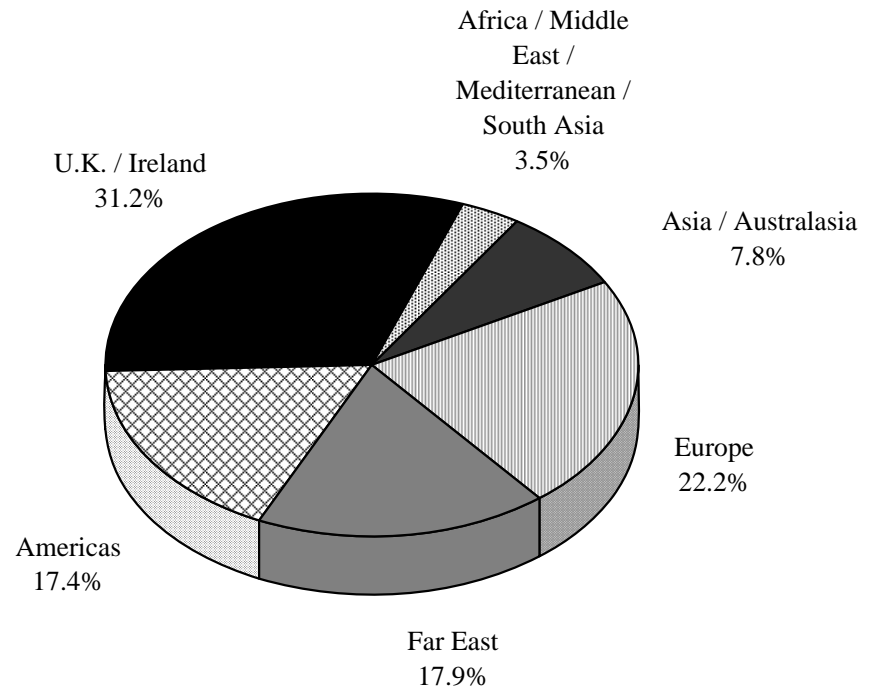
- Note: (1) Income statement accounts expressed in non-functional currencies are translated into U.S. dollars using average exchange rates.  
(2) Includes \$(6) million, \$75 million and \$69 million (reduction in) additional losses incurred and net reinstatement premiums related to the 2005 catastrophes in the three months ended June 30, 2006 and March 31, 2006 and the six months ended June 30, 2006, respectively, and \$26 million of additional losses incurred and net reinstatement premiums related to a January 2005 European storm in both the three months ended March 31, 2005 and the six months ended June 30, 2005.  
(3) Includes the results of wholly owned AIU agencies.  
(4) Includes amortization of advertising costs.  
(5) Underwriting profit is statutory underwriting profit (loss) adjusted for changes in the deferral of policy acquisition costs that are necessary to present the financial statements in accordance with GAAP.  
(6) Other investment income is comprised principally of real estate income, changes in market value associated with trading portfolios and income from securities lending.  
(7) Includes the effect of an out of period adjustment related to the accounting for certain interests in unit investment trusts. For the three months and six months ended June 30, 2006 the effect was an increase of \$412 million.  
(8) The expense ratio increased in the three months and six months ended June 30, 2006 from the same periods of 2005 due to adjustments of \$72 million and \$124 million, respectively related to accelerated amortization of advertising costs, higher than expected profit commission payments related to prior accident years, employee compensation costs and reconciliation remediation activities.

**American International Group, Inc.**  
**Foreign General Insurance**  
**Six Months Ended June 30, 2006**

**Gross Premiums Written by Division**



**Gross Premiums Written by Region**



**Gross Premiums Written**  
**\$9.6 billion**

**American International Group, Inc.**  
**Life Insurance & Retirement Services Operating Statistics**

(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30,	June 30,	% Chg	March 31,	Sequential	June 30,	June 30,	% Chg
	2006	2005				2006	2005	
<b>Premiums, deposits and other considerations (1)</b>	\$ <u>17,173</u>	\$ <u>17,131</u>	0.2 %	\$ <u>16,781</u>	2.3 %	\$ <u>33,954</u>	\$ <u>35,565</u>	(4.5) %
<b>Revenues:</b>								
GAAP premiums	\$ 7,625	\$ 7,304	4.4 %	\$ 7,772	(1.9) %	\$ 15,397	\$ 14,844	3.7 %
Net investment income								
Interest and dividends	4,339	4,203	3.2	4,212	3.0	8,551	8,130	5.2
Partnership income excluding synfuels	95	33	187.9	158	(39.9)	253	199	27.1
Partnership income - synfuels (2)	(22)	(43)	NM	(37)	NM	(59)	(79)	NM
Other (3) (4)	306	112	NM	70	337.1	376	168	NM
Investment expense	(96)	(84)	NM	(79)	NM	(175)	(158)	NM
Net investment income before policyholder trading gains (losses) (5)	4,622	4,221	9.5	4,324	6.9	8,946	8,260	8.3
Policyholder trading gains (losses) (6)	(324)	(54)	NM	385	NM	61	224	(72.8)
Total net investment income (5)	4,298	4,167	3.1	4,709	(8.7)	9,007	8,484	6.2
Pricing net investment gains (7)	88	100	(12.0)	124	(29.0)	212	181	17.1
<b>Total revenues including pricing net investment gains and excluding realized capital gains (losses)</b>	<b>12,011</b>	<b>11,571</b>	<b>3.8</b>	<b>12,605</b>	<b>(4.7)</b>	<b>24,616</b>	<b>23,509</b>	<b>4.7</b>
<b>Benefits and expenses:</b>								
Death and other benefits	3,745	3,485	7.5	3,613	3.7	7,358	6,880	6.9
Increase in future policy benefits	3,479	3,682	(5.5)	4,410	(21.1)	7,889	7,881	0.1
Acquisition and insurance expenses	2,179	2,026	7.6	2,061	5.7	4,240	4,026	5.3
<b>Total benefits and expenses</b>	<b>9,403</b>	<b>9,193</b>	<b>2.3</b>	<b>10,084</b>	<b>(6.8)</b>	<b>19,487</b>	<b>18,787</b>	<b>3.7</b>
<b>Operating income including pricing net investment gains and excluding realized capital gains (losses) (3) (4)</b>	<b>2,608</b>	<b>2,378</b>	<b>9.7</b>	<b>2,521</b>	<b>3.5</b>	<b>5,129</b>	<b>4,722</b>	<b>8.6</b>
Realized capital gains (losses) (7) (8)	(306)	(54)	NM	34	NM	(272)	(217)	NM
<b>Operating income (3) (4)</b>	<b>\$ <u>2,302</u></b>	<b>\$ <u>2,324</u></b>	<b>(0.9) %</b>	<b>\$ <u>2,555</u></b>	<b>(9.9) %</b>	<b>\$ <u>4,857</u></b>	<b>\$ <u>4,505</u></b>	<b>7.8 %</b>
<b>Foreign exchange impact on worldwide growth:</b>								
<b>GAAP premiums</b>								
Growth in original currency	6.8 %					7.0 %		
Foreign exchange impact	(2.4)					(3.3)		
Growth as reported in U.S. \$	4.4					3.7		
<b>Premiums, deposits and other considerations (1)</b>								
Growth in original currency	1.9					(2.4)		
Foreign exchange impact	(1.7)					(2.1)		
Growth as reported in U.S. \$	0.2 %					(4.5) %		
<b>Life insurance in-force</b>				\$ 1,904,680	3.8 %	\$ 1,976,543	\$ 1,847,011	7.0 %

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Domestic Life Insurance & Retirement Services Operating Statistics**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Premiums, deposits and other considerations (1)</b>	\$ <u>5,818</u>	\$ <u>5,916</u>	(1.7) %	\$ <u>6,090</u>	(4.5) %	\$ <u>11,908</u>	\$ <u>12,634</u>	(5.7) %
<b>Revenues:</b>								
GAAP premiums	\$ 1,667	\$ 1,561	6.8 %	\$ 1,683	(1.0) %	\$ 3,350	\$ 3,165	5.8 %
Net investment income:								
Interest and dividends	2,416	2,500	(3.4)	2,502	(3.4)	4,918	4,899	0.4
Partnership income excluding synfuels	72	25	188.0	141	(48.9)	213	179	19.0
Partnership income - synfuels (2)	(22)	(43)	NM	(37)	NM	(59)	(79)	NM
Other	13	(8)	NM	(3)	NM	10	(35)	NM
Investment expense	(29)	(34)	NM	(24)	NM	(53)	(61)	NM
Total net investment income (5)	2,450	2,440	0.4	2,579	(5.0)	5,029	4,903	2.6
<b>Total revenues excluding realized capital gains (losses)</b>	<b>4,117</b>	<b>4,001</b>	<b>2.9</b>	<b>4,262</b>	<b>(3.4)</b>	<b>8,379</b>	<b>8,068</b>	<b>3.9</b>
<b>Benefits and expenses:</b>								
Death and other benefits	1,043	963	8.3	1,002	4.1	2,045	1,888	8.3
Increase in future policy benefits	1,412	1,352	4.4	1,475	(4.3)	2,887	2,780	3.8
Acquisition and insurance expenses	699	748	(6.6)	705	(0.9)	1,404	1,474	(4.7)
<b>Total benefits and expenses</b>	<b>3,154</b>	<b>3,063</b>	<b>3.0</b>	<b>3,182</b>	<b>(0.9)</b>	<b>6,336</b>	<b>6,142</b>	<b>3.2</b>
<b>Operating income before realized capital gains (losses)</b>	<b>963</b>	<b>938</b>	<b>2.7</b>	<b>1,080</b>	<b>(10.8)</b>	<b>2,043</b>	<b>1,926</b>	<b>6.1</b>
Realized capital gains (losses) (8)	(382)	(78)	NM	(194)	NM	(576)	(85)	NM
<b>Operating income</b>	<b>\$ <u>581</u></b>	<b>\$ <u>860</u></b>	<b>(32.4) %</b>	<b>\$ <u>886</u></b>	<b>(34.4) %</b>	<b>\$ <u>1,467</u></b>	<b>\$ <u>1,841</u></b>	<b>(20.3) %</b>
<b>Life insurance in-force</b>				\$ 847,211	3.8 %	\$ 879,181	\$ 778,634	12.9 %

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Domestic Life Insurance & Retirement Services Product Statistics**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>GAAP premiums:</b>								
Life insurance (9) (10)	\$ 557	\$ 503	10.7 %	\$ 516	7.9 %	\$ 1,073	\$ 1,000	7.3 %
Home service	197	202	(2.5)	200	(1.5)	397	405	(2.0)
Group life/health (9)	241	265	(9.1)	246	(2.0)	487	533	(8.6)
Payout annuities (11)	397	346	14.7	450	(11.8)	847	743	14.0
Subtotal life insurance	<u>1,392</u>	<u>1,316</u>	5.8	<u>1,412</u>	(1.4)	<u>2,804</u>	<u>2,681</u>	4.6
Group retirement products	96	86	11.6	94	2.1	190	170	11.8
Individual fixed annuities	35	27	29.6	29	20.7	64	47	36.2
Individual variable annuities	130	114	14.0	128	1.6	258	226	14.2
Individual annuities - runoff (12)	14	18	(22.2)	20	(30.0)	34	41	(17.1)
Subtotal retirement services	<u>275</u>	<u>245</u>	12.2	<u>271</u>	1.5	<u>546</u>	<u>484</u>	12.8
<b>Total GAAP premiums</b>	<b><u>1,667</u></b>	<b><u>1,561</u></b>	<b>6.8</b>	<b><u>1,683</u></b>	<b>(1.0)</b>	<b><u>3,350</u></b>	<b><u>3,165</u></b>	<b>5.8</b>
<b>Premiums, deposits and other considerations (1):</b>								
Life insurance (9)	816	738	10.6	783	4.2	1,599	1,567	2.0
Home service	243	247	(1.6)	236	3.0	479	484	(1.0)
Group life/health (9)	240	265	(9.4)	248	(3.2)	488	534	(8.6)
Payout annuities	646	503	28.4	670	(3.6)	1,316	1,075	22.4
Subtotal life insurance	<u>1,945</u>	<u>1,753</u>	11.0	<u>1,937</u>	0.4	<u>3,882</u>	<u>3,660</u>	6.1
Group retirement products	1,352	1,369	(1.2)	1,396	(3.2)	2,748	2,777	(1.0)
Individual fixed annuities	1,331	1,951	(31.8)	1,687	(21.1)	3,018	4,414	(31.6)
Individual variable annuities	1,148	785	46.2	1,027	11.8	2,175	1,676	29.8
Individual annuities - runoff (12)	42	58	(27.6)	43	(2.3)	85	107	(20.6)
Subtotal retirement services	<u>3,873</u>	<u>4,163</u>	(7.0)	<u>4,153</u>	(6.7)	<u>8,026</u>	<u>8,974</u>	(10.6)
<b>Total premiums, deposits and other considerations</b>	<b><u>5,818</u></b>	<b><u>5,916</u></b>	<b>(1.7)</b>	<b><u>6,090</u></b>	<b>(4.5)</b>	<b><u>11,908</u></b>	<b><u>12,634</u></b>	<b>(5.7)</b>
<b>Net investment income:</b>								
Life insurance (9)	313	324	(3.4)	338	(7.4)	651	696	(6.5)
Home service	145	157	(7.6)	158	(8.2)	303	304	(0.3)
Group life/health (9)	52	51	2.0	54	(3.7)	106	97	9.3
Payout annuities	244	239	2.1	237	3.0	481	449	7.1
Subtotal life insurance	<u>754</u>	<u>771</u>	(2.2)	<u>787</u>	(4.2)	<u>1,541</u>	<u>1,546</u>	(0.3)
Group retirement products	539	547	(1.5)	572	(5.8)	1,111	1,096	1.4
Individual fixed annuities	880	819	7.4	932	(5.6)	1,812	1,646	10.1
Individual variable annuities	50	53	(5.7)	52	(3.8)	102	111	(8.1)
Individual annuities - runoff (12)	227	250	(9.2)	236	(3.8)	463	504	(8.1)
Subtotal retirement services	<u>1,696</u>	<u>1,669</u>	1.6	<u>1,792</u>	(5.4)	<u>3,488</u>	<u>3,357</u>	3.9
<b>Total net investment income</b>	<b><u>2,450</u></b>	<b><u>2,440</u></b>	<b>0.4</b>	<b><u>2,579</u></b>	<b>(5.0)</b>	<b><u>5,029</u></b>	<b><u>4,903</u></b>	<b>2.6</b>
<b>Operating income before realized capital gains (losses):</b>								
Life insurance (9)	177	181	(2.2)	178	(0.6)	355	403	(11.9)
Home service	76	80	(5.0)	82	(7.3)	158	153	3.3
Group life/health (9)	(5)	19	NM	20	NM	15	46	(67.4)
Payout annuities	30	60	(50.0)	40	(25.0)	70	98	(28.6)
Subtotal life insurance	<u>278</u>	<u>340</u>	(18.2)	<u>320</u>	(13.1)	<u>598</u>	<u>700</u>	(14.6)
Group retirement products	268	269	(0.4)	302	(11.3)	570	550	3.6
Individual fixed annuities	321	233	37.8	359	(10.6)	680	493	37.9
Individual variable annuities	48	45	6.7	44	9.1	92	87	5.7
Individual annuities - runoff (12)	48	51	(5.9)	55	(12.7)	103	96	7.3
Subtotal retirement services	<u>685</u>	<u>598</u>	14.5	<u>760</u>	(9.9)	<u>1,445</u>	<u>1,226</u>	17.9
<b>Total operating income before realized capital gains (losses)</b>	<b><u>963</u></b>	<b><u>938</u></b>	<b>2.7</b>	<b><u>1,080</u></b>	<b>(10.8)</b>	<b><u>2,043</u></b>	<b><u>1,926</u></b>	<b>6.1</b>
Realized capital gains (losses)	(382)	(78)	NM	(194)	NM	(576)	(85)	NM
<b>Domestic operating income</b>	<b><u>\$ 581</u></b>	<b><u>\$ 860</u></b>	<b>(32.4) %</b>	<b><u>\$ 886</u></b>	<b>(34.4) %</b>	<b><u>\$ 1,467</u></b>	<b><u>\$ 1,841</u></b>	<b>(20.3) %</b>

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Domestic Life Insurance & Retirement Services Other Data**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Life insurance</b>								
Periodic premium sales (13):								
Individual/retail (9)	\$ 183	\$ 127	44.1 %	\$ 207	(11.6) %	\$ 390	\$ 253	54.2 %
Institutional markets	8	-	NM	1	NM	9	2	NM
<b>Total periodic sales</b>	<u>191</u>	<u>127</u>	50.4	<u>208</u>	(8.2)	<u>399</u>	<u>255</u>	56.5
Unscheduled and single deposits	83	132	(37.1)	76	9.2	159	354	(55.1)
Life insurance reserves				21,650	1.8	22,035	20,210	9.0
<b>Home service</b>								
Life/Accident & Health sales (13)	29	30	(3.3)	25	16.0	54	55	(1.8)
Fixed annuity sales	30	35	(14.3)	22	36.4	52	57	(8.8)
Total insurance reserves				7,301	0.4	7,328	7,209	1.7
<b>Group life/health</b>								
Annualized earned premium (9)				1,174	(2.0)	1,151	1,182	(2.6)
<b>Payout annuities</b>								
Insurance reserves				13,230	3.0	13,629	11,895	14.6
<b>Group retirement products</b>								
Deposits (14)	1,608	1,608	0.0	1,941	(17.2)	3,549	3,239	9.6
<b>Net flows (15)</b>								
Group retirement products (14)	194	299	(35.1)	441	(56.0)	635	578	9.9
Individual fixed annuities	(736)	448	NM	(1)	NM	(737)	1,833	NM
Individual variable annuities	88	(126)	NM	(133)	NM	(45)	(54)	NM
Subtotal	<u>(454)</u>	<u>621</u>	NM	<u>307</u>	NM	<u>(147)</u>	<u>2,357</u>	NM
Individual annuities - runoff	<u>(1,253)</u>	<u>(684)</u>	NM	<u>(826)</u>	NM	<u>(2,079)</u>	<u>(1,250)</u>	NM
<b>Total</b>	<u>\$ (1,707)</u>	<u>\$ (63)</u>	NM %	<u>\$ (519)</u>	NM %	<u>\$ (2,226)</u>	<u>\$ 1,107</u>	NM %
<b>Surrender rates (16)</b>								
Group retirement products (14)	8.8%	8.9%		9.5%		9.2%	9.1%	
Individual fixed annuities	12.4%	8.3%		9.3%		10.8%	7.2%	
Individual variable annuities	13.1%	12.1%		14.3%		13.7%	11.5%	

(See Accompanying Notes on Page 27)

**American International Group, Inc**  
**Domestic Life Insurance & Retirement Services Other Data**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, Sequential 2006	% Chg	June 30, 2006	June 30, 2005	% Chg
<b>Spread information</b>								
<b>Group Retirement Products</b>								
Base investment income	\$ 503	\$ 512	(1.8) %	\$ 507	(0.8) %	\$ 1,010	\$ 1,017	(0.7) %
Partnerships	35	-	NM	42	(16.7)	77	25	208.0
Other enhancements	1	35	(97.1)	23	(95.7)	24	54	(55.6)
<b>Total net investment income</b>	<u>\$ 539</u>	<u>\$ 547</u>	(1.5) %	<u>\$ 572</u>	(5.8) %	<u>\$ 1,111</u>	<u>\$ 1,096</u>	1.4 %
Base Yield	6.20%	6.29%		6.24%		6.22%	6.27%	
Partnerships (17)	0.13%	-0.20%		0.24%		0.19%	-0.02%	
Other enhancements (18)	0.01%	0.43%		0.28%		0.14%	0.33%	
<b>Total</b>	<u>6.34%</u>	<u>6.52%</u>		<u>6.76%</u>		<u>6.55%</u>	<u>6.58%</u>	
Cost of funds	3.76%	3.73%		3.70%		3.73%	3.71%	
Net spread rate, as reported	2.59%	2.80%		3.06%		2.83%	2.87%	
Net spread rate excluding partnerships and other enhancements	2.44%	2.57%		2.54%		2.49%	2.56%	
<b>Individual Fixed Annuities</b>								
Base investment income	\$ 820	\$ 789	3.9 %	\$ 812	1.0 %	\$ 1,632	\$ 1,555	5.0 %
Partnerships	35	(1)	NM	89	(60.7)	124	48	158.3
Other enhancements	25	31	(19.4)	31	(19.4)	56	43	30.2
<b>Total net investment income</b>	<u>\$ 880</u>	<u>\$ 819</u>	7.4 %	<u>\$ 932</u>	(5.6) %	<u>\$ 1,812</u>	<u>\$ 1,646</u>	10.1 %
Base Yield	5.87%	5.89%		5.84%		5.85%	5.89%	
Partnerships (17)	0.05%	-0.14%		0.45%		0.25%	0.04%	
Other enhancements (18)	0.18%	0.23%		0.23%		0.21%	0.16%	
<b>Total</b>	<u>6.10%</u>	<u>5.98%</u>		<u>6.52%</u>		<u>6.31%</u>	<u>6.09%</u>	
Cost of funds	3.51%	3.56%		3.46%		3.48%	3.56%	
Net spread rate, as reported	2.59%	2.41%		3.06%		2.83%	2.54%	
Net spread rate excluding partnerships and other enhancements	2.36%	2.33%		2.38%		2.37%	2.33%	
<b>Individual Variable Annuities</b>								
Base investment income	\$ 48	\$ 52	(7.7) %	\$ 50	(4.0) %	\$ 98	\$ 104	(5.8) %
Other enhancements	2	1	100.0	2	0.0	4	7	(42.9)
<b>Total net investment income</b>	<u>\$ 50</u>	<u>\$ 53</u>	(5.7) %	<u>\$ 52</u>	(3.8) %	<u>\$ 102</u>	<u>\$ 111</u>	(8.1) %
Base Yield	5.60%	5.48%		5.58%		5.59%	5.42%	
Other enhancements (18)	0.26%	0.09%		0.26%		0.26%	0.34%	
<b>Total</b>	<u>5.86%</u>	<u>5.57%</u>		<u>5.84%</u>		<u>5.85%</u>	<u>5.76%</u>	
Cost of funds	3.06%	3.09%		3.03%		3.04%	3.08%	
Net spread rate, as reported	2.80%	2.48%		2.81%		2.81%	2.67%	
Net spread rate excluding other enhancements	2.55%	2.39%		2.54%		2.55%	2.33%	
<b>General and separate account reserves</b>								
Group retirement products (14)				\$ 61,498	(0.6) %	\$ 61,150	\$ 57,144	7.0 %
Individual fixed annuities				54,991	(0.4)	54,760	53,455	2.4
Individual variable annuities				29,104	(1.3)	28,726	26,843	7.0
Individual annuities - runoff				<u>18,527</u>	(5.9)	<u>17,438</u>	<u>19,822</u>	(12.0)
<b>Total</b>				<u>\$ 164,120</u>	(1.2) %	<u>\$ 162,074</u>	<u>\$ 157,264</u>	3.1 %

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Foreign Life Insurance & Retirement Services Operating Statistics**

(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Premiums, deposits and other considerations (1)</b>	\$ <u>11,355</u>	\$ <u>11,215</u>	1.2 %	\$ <u>10,691</u>	6.2 %	\$ <u>22,046</u>	\$ <u>22,931</u>	(3.9) %
<b>Revenues:</b>								
GAAP premiums	\$ 5,958	\$ 5,743	3.7 %	\$ 6,089	(2.2) %	\$ 12,047	\$ 11,679	3.2 %
Net investment income:								
Interest and dividends	1,923	1,703	12.9	1,710	12.5	3,633	3,231	12.4
Partnership income	23	8	187.5	17	35.3	40	20	100.0
Other (3) (4)	293	120	NM	73	NM	366	203	80.3
Investment expense	(67)	(50)	NM	(55)	NM	(122)	(97)	NM
Net investment income before policyholder trading gains (losses)	2,172	1,781	22.0	1,745	24.5	3,917	3,357	16.7
Policyholder trading gains (losses) (6)	(324)	(54)	NM	385	NM	61	224	(72.8)
Total net investment income	1,848	1,727	7.0	2,130	(13.2)	3,978	3,581	11.1
Pricing net investment gains (7)	88	100	(12.0)	124	(29.0)	212	181	17.1
<b>Total revenues including pricing net investment gains and excluding realized capital gains (losses)</b>	<b>7,894</b>	<b>7,570</b>	<b>4.3</b>	<b>8,343</b>	<b>(5.4)</b>	<b>16,237</b>	<b>15,441</b>	<b>5.2</b>
<b>Benefits and expenses:</b>								
Death and other benefits	2,702	2,522	7.1	2,611	3.5	5,313	4,992	6.4
Increase in future policy benefits	2,067	2,330	(11.3)	2,935	(29.6)	5,002	5,101	(1.9)
Acquisition and insurance expenses	1,480	1,278	15.8	1,356	9.1	2,836	2,552	11.1
<b>Total benefits and expenses</b>	<b>6,249</b>	<b>6,130</b>	<b>1.9</b>	<b>6,902</b>	<b>(9.5)</b>	<b>13,151</b>	<b>12,645</b>	<b>4.0</b>
<b>Operating income including pricing net investment gains and excluding realized capital gains (losses) (3) (4)</b>	<b>1,645</b>	<b>1,440</b>	<b>14.2</b>	<b>1,441</b>	<b>14.2</b>	<b>3,086</b>	<b>2,796</b>	<b>10.4</b>
Realized capital gains (losses) (7) (8)	76	24	216.7	228	(66.7)	304	(132)	NM
<b>Operating income (3) (4)</b>	<b>\$ <u>1,721</u></b>	<b>\$ <u>1,464</u></b>	<b>17.6 %</b>	<b>\$ <u>1,669</u></b>	<b>3.1 %</b>	<b>\$ <u>3,390</u></b>	<b>\$ <u>2,664</u></b>	<b>27.3 %</b>
<b>Foreign exchange impact on foreign growth:</b>								
<b>GAAP premiums</b>								
Growth in original currency	6.8 %					7.3 %		
Foreign exchange impact	(3.1)					(4.1)		
Growth as reported in U.S. \$	3.7					3.2		
<b>Premiums, deposits and other considerations (1)</b>								
Growth in original currency	3.6					(0.5)		
Foreign exchange impact	(2.4)					(3.4)		
Growth as reported in U.S. \$	1.2 %					(3.9) %		
<b>Life insurance in-force</b>				\$ 1,057,469	3.8 %	\$ 1,097,362	\$ 1,068,377	2.7 %

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Foreign Life Insurance & Retirement Services Product Statistics**

(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>GAAP premiums:</b>								
Life insurance	\$ 3,936	\$ 3,904	0.8 %	\$ 4,081	(3.6) %	\$ 8,017	\$ 7,993	0.3 %
Personal accident & health	1,380	1,267	8.9	1,306	5.7	2,686	2,488	8.0
Group products	507	461	10.0	573	(11.5)	1,080	978	10.4
Subtotal life insurance	<u>5,823</u>	<u>5,632</u>	3.4	<u>5,960</u>	(2.3)	<u>11,783</u>	<u>11,459</u>	2.8
Individual fixed annuities	94	92	2.2	95	(1.1)	189	176	7.4
Individual variable annuities	41	19	115.8	34	20.6	75	44	70.5
Subtotal retirement services	<u>135</u>	<u>111</u>	21.6	<u>129</u>	4.7	<u>264</u>	<u>220</u>	20.0
<b>Total GAAP premiums</b>	<b><u>5,958</u></b>	<b><u>5,743</u></b>	<b>3.7</b>	<b><u>6,089</u></b>	<b>(2.2)</b>	<b><u>12,047</u></b>	<b><u>11,679</u></b>	<b>3.2</b>
<b>Premiums, deposits and other considerations (1):</b>								
Life insurance	6,334	5,417	16.9	6,199	2.2	12,533	11,115	12.8
Personal accident & health	1,406	1,282	9.7	1,318	6.7	2,724	2,506	8.7
Group products	822	714	15.1	933	(11.9)	1,755	1,637	7.2
Subtotal life insurance	<u>8,562</u>	<u>7,413</u>	15.5	<u>8,450</u>	1.3	<u>17,012</u>	<u>15,258</u>	11.5
Individual fixed annuities	1,881	3,259	(42.3)	1,292	45.6	3,173	6,681	(52.5)
Individual variable annuities	912	543	68.0	949	(3.9)	1,861	992	87.6
Subtotal retirement services	<u>2,793</u>	<u>3,802</u>	(26.5)	<u>2,241</u>	24.6	<u>5,034</u>	<u>7,673</u>	(34.4)
<b>Total premiums, deposits and other considerations</b>	<b><u>11,355</u></b>	<b><u>11,215</u></b>	<b>1.2</b>	<b><u>10,691</u></b>	<b>6.2</b>	<b><u>22,046</u></b>	<b><u>22,931</u></b>	<b>(3.9)</b>
<b>Net investment income:</b>								
Life insurance (3) (4)	1,380	1,149	20.1	1,210	14.0	2,590	2,313	12.0
Personal accident & health	71	56	26.8	64	10.9	135	110	22.7
Group products	115	136	(15.4)	177	(35.0)	292	267	9.4
Subtotal life insurance	<u>1,566</u>	<u>1,341</u>	16.8	<u>1,451</u>	7.9	<u>3,017</u>	<u>2,690</u>	12.2
Individual fixed annuities	458	377	21.5	496	(7.7)	954	754	26.5
Individual variable annuities	(166)	17	NM	193	NM	27	153	(82.4)
Subtotal retirement services	<u>292</u>	<u>394</u>	(25.9)	<u>689</u>	(57.6)	<u>981</u>	<u>907</u>	8.2
Intercompany adjustments	<u>(10)</u>	<u>(8)</u>	NM	<u>(10)</u>	NM	<u>(20)</u>	<u>(16)</u>	NM
<b>Total net investment income</b>	<b><u>1,848</u></b>	<b><u>1,727</u></b>	<b>7.0</b>	<b><u>2,130</u></b>	<b>(13.2)</b>	<b><u>3,978</u></b>	<b><u>3,581</u></b>	<b>11.1</b>
Pricing net investment gains (7)	88	100	(12.0)	124	(29.0)	212	181	17.1
<b>Operating income excluding pricing net investment gains and realized capital gains (losses):</b>								
Life insurance (3) (4)	1,011	841	20.2	738	37.0	1,749	1,640	6.6
Personal accident & health	330	329	0.3	336	(1.8)	666	663	0.5
Group products	84	89	(5.6)	101	(16.8)	185	155	19.4
Subtotal life insurance	<u>1,425</u>	<u>1,259</u>	13.2	<u>1,175</u>	21.3	<u>2,600</u>	<u>2,458</u>	5.8
Individual fixed annuities	126	81	55.6	139	(9.4)	265	158	67.7
Individual variable annuities	16	8	100.0	13	23.1	29	15	93.3
Subtotal retirement services	<u>142</u>	<u>89</u>	59.6	<u>152</u>	(6.6)	<u>294</u>	<u>173</u>	69.9
Intercompany adjustments	<u>(10)</u>	<u>(8)</u>	NM	<u>(10)</u>	NM	<u>(20)</u>	<u>(16)</u>	NM
<b>Total operating income including pricing net investment gains and excluding realized capital gains (losses) (4)</b>	<b><u>1,645</u></b>	<b><u>1,440</u></b>	<b>14.2</b>	<b><u>1,441</u></b>	<b>14.2</b>	<b><u>3,086</u></b>	<b><u>2,796</u></b>	<b>10.4</b>
Realized capital gains (losses) (7)	<u>76</u>	<u>24</u>	216.7	<u>228</u>	(66.7)	<u>304</u>	<u>(132)</u>	NM
<b>Foreign operating income (4)</b>	<b>\$ <u>1,721</u></b>	<b>\$ <u>1,464</u></b>	<b>17.6 %</b>	<b>\$ <u>1,669</u></b>	<b>3.1 %</b>	<b>\$ <u>3,390</u></b>	<b>\$ <u>2,664</u></b>	<b>27.3 %</b>

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Foreign Life Insurance & Retirement Services Other Data**  
(dollars in millions)

	First Year Premiums (19)					Single Premiums				
	Three Months Ended					Three Months Ended				
	June 30, 2006	June 30, 2005 (9)	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005 (9)	% Chg	March 31, 2006	Sequential % Chg
<b>Life insurance</b>										
Japan	\$ 231	\$ 281	(17.8) %	\$ 202	14.4 %	\$ 197	\$ 86	129.1 %	\$ 150	31.3 %
China	25	30	(16.7)	23	8.7	49	32	53.1	61	(19.7)
Taiwan	152	314	(51.6)	218	(30.3)	229	90	154.4	204	12.3
Other Asia	295	259	13.9	240	22.9	527	248	112.5	309	70.6
All other regions	58	51	13.7	49	18.4	43	35	22.9	44	(2.3)
<b>Total</b>	<u>761</u>	<u>935</u>	(18.6)	<u>732</u>	4.0	<u>1,045</u>	<u>491</u>	112.8	<u>768</u>	36.1
<b>Personal accident &amp; health</b>										
Japan	189	186	1.6	185	2.2	2	2	0.0	1	100.0
China	9	9	0.0	8	12.5	2	1	100.0	1	100.0
Taiwan	23	20	15.0	24	(4.2)	-	-	NM	-	NM
Other Asia	89	53	67.9	74	20.3	-	1	NM	-	NM
All other regions	29	28	3.6	27	7.4	5	1	NM	4	25.0
<b>Total</b>	<u>339</u>	<u>296</u>	14.5	<u>318</u>	6.6	<u>9</u>	<u>5</u>	80.0	<u>6</u>	50.0
<b>Group products</b>										
Japan	6	4	50.0	5	20.0	-	-	NM	-	NM
Taiwan	5	6	(16.7)	5	0.0	3	2	50.0	4	(25.0)
Other Asia	20	29	(31.0)	19	5.3	15	15	0.0	14	7.1
All other regions	189	108	75.0	240	(21.3)	82	76	7.9	66	24.2
<b>Total</b>	<u>220</u>	<u>147</u>	49.7	<u>269</u>	(18.2)	<u>100</u>	<u>93</u>	7.5	<u>84</u>	19.0
<b>Total premiums</b>										
Japan	426	471	(9.6)	392	8.7	199	88	126.1	151	31.8
China	34	39	(12.8)	31	9.7	51	33	54.5	62	(17.7)
Taiwan	180	340	(47.1)	247	(27.1)	232	92	152.2	208	11.5
Other Asia	404	341	18.5	333	21.3	542	264	105.3	323	67.8
All other regions	276	187	47.6	316	(12.7)	130	112	16.1	114	14.0
<b>Total</b>	<u>1,320</u>	<u>1,378</u>	(4.2)	<u>1,319</u>	0.1	<u>\$ 1,154</u>	<u>\$ 589</u>	95.9 %	<u>\$ 858</u>	34.5 %
<b>Annuity Production:</b>										
<b>Individual fixed annuity</b>										
Japan	1,649	3,090	(46.6)	1,022	61.4					
China	1	24	(95.8)	-	NM					
Taiwan	1	2	(50.0)	3	(66.7)					
Other Asia	179	81	121.0	220	(18.6)					
All other regions	50	62	(19.4)	48	4.2					
<b>Total</b>	<u>1,880</u>	<u>3,259</u>	(42.3)	<u>1,293</u>	45.4					
<b>Individual variable annuity</b>										
Japan	444	296	50.0	583	(23.8)					
China	-	-	NM	-	NM					
Other Asia	(1)	4	NM	1	NM					
All other regions	469	243	93.0	365	28.5					
<b>Total</b>	<u>912</u>	<u>543</u>	68.0	<u>949</u>	(3.9)					
<b>Total Annuity Production</b>	<u>\$ 2,792</u>	<u>\$ 3,802</u>	(26.6) %	<u>\$ 2,242</u>	24.5 %					

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Foreign Life Insurance & Retirement Services Other Data**  
(dollars in millions)

	First Year Premiums (19)			Single Premiums		
	Six Months Ended			Six Months Ended		
	June 30, 2006	June 30, 2005 (9)	% Chg	June 30, 2006	June 30, 2005 (9)	% Chg
<b>Life insurance</b>						
Japan	\$ 433	\$ 506	(14.4) %	\$ 347	\$ 142	144.4 %
China	48	52	(7.7)	110	47	134.0
Taiwan	370	1,075	(65.6)	433	157	175.8
Other Asia	535	499	7.2	836	445	87.9
All other regions	107	97	10.3	87	83	4.8
<b>Total</b>	<u>1,493</u>	<u>2,229</u>	(33.0)	<u>1,813</u>	<u>874</u>	107.4
<b>Personal accident &amp; health</b>						
Japan	374	368	1.6	3	4	(25.0)
China	17	15	13.3	3	2	50.0
Taiwan	47	39	20.5	-	-	NM
Other Asia	163	100	63.0	-	1	NM
All other regions	56	55	1.8	9	3	200.0
<b>Total</b>	<u>657</u>	<u>577</u>	13.9	<u>15</u>	<u>10</u>	50.0
<b>Group products</b>						
Japan	11	7	57.1	-	-	NM
Taiwan	10	12	(16.7)	7	3	133.3
Other Asia	39	59	(33.9)	29	28	3.6
All other regions	429	336	27.7	148	161	(8.1)
<b>Total</b>	<u>489</u>	<u>414</u>	18.1	<u>184</u>	<u>192</u>	(4.2)
<b>Total premiums</b>						
Japan	818	881	(7.2)	350	146	139.7
China	65	67	(3.0)	113	49	130.6
Taiwan	427	1,126	(62.1)	440	160	175.0
Other Asia	737	658	12.0	865	474	82.5
All other regions	592	488	21.3	244	247	(1.2)
<b>Total</b>	<u>2,639</u>	<u>3,220</u>	(18.0)	<u>\$ 2,012</u>	<u>\$ 1,076</u>	87.0 %
<b>Annuity Production:</b>						
<b>Individual fixed annuity</b>						
Japan	2,671	6,389	(58.2)			
China	1	56	(98.2)			
Taiwan	4	5	(20.0)			
Other Asia	399	104	283.7			
All other regions	98	127	(22.8)			
<b>Total</b>	<u>3,173</u>	<u>6,681</u>	(52.5)			
<b>Individual variable annuity</b>						
Japan	1,027	520	97.5			
China	-	2	(100.0)			
Other Asia	-	9	(100.0)			
All other regions	834	461	80.9			
<b>Total</b>	<u>1,861</u>	<u>992</u>	87.6			
<b>Total Annuity Production</b>	<u>\$ 5,034</u>	<u>\$ 7,673</u>	(34.4) %			

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Foreign Life Insurance & Retirement Services Other Data**

(dollars in millions)

	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg
<b>Life Insurance Reserves</b>					
<b>Life insurance</b>					
Japan	\$ 30,076	\$ 29,232	2.9 %	\$ 28,707	4.8 %
China	2,182	1,557	40.1	2,027	7.6
Taiwan	30,828	26,909	14.6	29,359	5.0
Other Asia	34,733	27,702	25.4	33,508	3.7
All other regions	6,615	5,852	13.0	6,292	5.1
<b>Total</b>	<b>104,434</b>	<b>91,252</b>	<b>14.4</b>	<b>99,893</b>	<b>4.5</b>
<b>Personal accident &amp; health</b>					
Japan	4,297	3,654	17.6	3,962	8.5
China	55	42	31.0	50	10.0
Taiwan	1,512	1,292	17.0	1,438	5.1
Other Asia	631	382	65.2	553	14.1
All other regions	362	209	73.2	346	4.6
<b>Total</b>	<b>6,857</b>	<b>5,579</b>	<b>22.9</b>	<b>6,349</b>	<b>8.0</b>
<b>Group products</b>					
Japan	3,138	3,388	(7.4)	3,117	0.7
Taiwan	43	37	16.2	41	4.9
Other Asia	1,094	1,006	8.7	1,061	3.1
All other regions	4,119	3,355	22.8	4,227	(2.6)
<b>Total</b>	<b>8,394</b>	<b>7,786</b>	<b>7.8</b>	<b>8,446</b>	<b>(0.6)</b>
<b>Total life insurance reserves</b>					
Japan	37,511	36,274	3.4	35,786	4.8
China	2,237	1,599	39.9	2,077	7.7
Taiwan	32,383	28,238	14.7	30,838	5.0
Other Asia	36,458	29,090	25.3	35,122	3.8
All other regions	11,096	9,416	17.8	10,865	2.1
<b>Total</b>	<b>119,685</b>	<b>104,617</b>	<b>14.4</b>	<b>114,688</b>	<b>4.4</b>
<b>Retirement Services Reserves</b>					
<b>Individual fixed annuities</b>					
Japan	38,903	34,092	14.1	37,242	4.5
China	90	75	20.0	85	5.9
Taiwan	66	67	(1.5)	66	0.0
Other Asia	1,722	992	73.6	1,600	7.6
All other regions	1,785	2,239	(20.3)	2,690	(33.6)
<b>Total</b>	<b>42,566</b>	<b>37,465</b>	<b>13.6</b>	<b>41,683</b>	<b>2.1</b>
<b>Individual variable annuities</b>					
Japan	4,728	3,015	56.8	4,379	8.0
China	1	2	(50.0)	1	0.0
Other Asia	62	59	5.1	62	0.0
All other regions	3,185	1,686	88.9	2,642	20.6
<b>Total</b>	<b>7,976</b>	<b>4,762</b>	<b>67.5</b>	<b>7,084</b>	<b>12.6</b>
<b>Policy and Contract Claims Reserves</b>					
<b>Personal accident &amp; health</b>					
Japan	231	225	2.7	219	5.5
China	12	8	50.0	12	0.0
Taiwan	52	46	13.0	49	6.1
Other Asia	78	48	62.5	64	21.9
All other regions	103	87	18.4	97	6.2
<b>Total</b>	<b>476</b>	<b>414</b>	<b>15.0</b>	<b>441</b>	<b>7.9</b>
<b>Group accident &amp; health</b>					
Taiwan	5	5	0.0	4	25.0
Other Asia	24	11	118.2	23	4.3
All other regions	76	73	4.1	79	(3.8)
<b>Total</b>	<b>\$ 105</b>	<b>\$ 89</b>	<b>18.0 %</b>	<b>\$ 106</b>	<b>(0.9) %</b>

(See Accompanying Notes on Page 27)

**American International Group, Inc.**  
**Life Insurance & Retirement Services**  
**Notes**

- (1) Premiums, deposits and other considerations represent aggregate business activity during the respective periods presented on a non-GAAP basis.
- (2) Investment in certain limited liability companies that invest in synthetic fuel production facilities as a means of generating income tax credits.
- (3) Includes a gain of \$4 million, a gain of \$10 million, a loss of \$41 million, a loss of \$37 million and a gain of \$20 million for the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively, for Foreign Life's share of the results of AIG's consumer finance operations in Taiwan.
- (4) Includes the effect of an out of period adjustment related to the accounting for certain interests in unit investment trusts. For the three months and six months ended June 30, 2006 the effect was an increase of \$221 million in net investment income and an increase of \$144 million in operating income.
- (5) **Life Insurance & Retirement Services:** Includes enhancements of \$55 million, \$167 million, \$95 million, \$150 million and \$219 million for the three months ended June 30, 2006 and 2005 and March 31, 2006, and the six months ended June 30, 2006 and 2005, respectively. Enhancements include gains on calls, dollar roll income, prepayment fees and trading gains (losses) not associated with SOP 03-1.  
**Domestic Life Insurance & Retirement Services:** Includes enhancements of \$55 million, \$167 million, \$95 million, \$150 million and \$219 million for the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively. Enhancements include gains on calls, dollar roll income, prepayment fees and trading gains (losses) not associated with SOP 03-1.
- (6) Relates principally to assets held in various trading securities accounts that do not qualify for separate account treatment under SOP 03-1. These amounts are offset by an equal change included in incurred policy losses and benefits.
- (7) For purposes of this presentation, pricing net investment gains are segregated as a component of total realized capital gains (losses). They represent certain amounts of realized capital gains where gains are an inherent element in pricing certain life products in some foreign countries.
- (8) **Life Insurance & Retirement Services:** Includes a loss of \$21 million, a loss of \$103 million, a gain of \$356 million, a gain of \$335 million and a loss of \$183 million for the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively, relating to the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 and the application of FAS 52.  
**Domestic Life Insurance & Retirement Services:** Includes a loss of \$13 million, a loss of \$76 million, a gain of \$92 million, a gain of \$79 million and a gain of \$19 million for the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively, relating to the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 and the application of FAS 52.  
**Foreign Life Insurance & Retirement Services:** Includes a loss of \$8 million, a loss of \$27 million, a gain of \$264 million, a gain of \$256 million and a loss of \$202 million for the three months ended June 30, 2006 and 2005 and March 31, 2006 and the six months ended June 30, 2006 and 2005, respectively, relating to the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133 and the application of FAS 52.
- (9) Certain accounts have been reclassified in 2005 to conform to the 2006 presentation.
- (10) Effective January 1, 2006, the Broker/Dealer operations of the Domestic Life Insurance companies are being reported and managed within the Asset Management segment. Included in GAAP premiums were revenues of \$40 million and \$64 million for the three months and the six months ended June 30, 2005, respectively.
- (11) Includes structured settlements, single premium immediate annuities and terminal funding annuities.
- (12) Primarily represents runoff annuity business sold through discontinued distribution relationships.
- (13) Life insurance sales represent premiums from new sales that are expected to be collected over a one year period.
- (14) Includes group retirement annuities and group mutual funds.
- (15) Net flows are defined as deposits received less benefits, surrenders, withdrawals and death benefits.
- (16) Surrender rates are based upon all benefits, surrenders and withdrawals except for death benefits.
- (17) Includes incremental effect to base yield of investments in hedge funds and private equity funds.
- (18) Includes incremental effect to base yield of gains on calls, dollar roll income, prepayment fees and trading gains (losses).
- (19) Represents premium recorded within the first policy year from new sales other than single premiums.

**American International Group, Inc.**  
**Financial Services Operating Statistics**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Revenues:</b>								
Aircraft Finance	\$ 1,042	\$ 891	16.9 %	\$ 965	8.0 %	\$ 2,007	\$ 1,718	16.8 %
Capital Markets (1)	375	279	34.4	378	(0.8)	753	567	32.8
Consumer Finance	939	891	5.4	924	1.6	1,863	1,724	8.1
Other	33	21	57.1	26	26.9	59	41	43.9
Total revenues excluding FAS 133	2,389	2,082	14.7	2,293	4.2	4,682	4,050	15.6
FAS 133:								
AIGFP (2)	(1,163)	1,696	NM	(678)	NM	(1,841)	2,164	NM
<b>Total revenues</b>	<b>\$ 1,226</b>	<b>\$ 3,778</b>	<b>(67.5) %</b>	<b>\$ 1,615</b>	<b>(24.1) %</b>	<b>\$ 2,841</b>	<b>\$ 6,214</b>	<b>(54.3) %</b>
<b>Operating income:</b>								
Aircraft Finance (3)	\$ 189	\$ 188	0.5 %	\$ 129	46.5 %	\$ 318	\$ 360	(11.7) %
Capital Markets (1)	211	140	50.7	208	1.4	419	292	43.5
Consumer Finance (4)	199	238	(16.4)	175	13.7	374	459	(18.5)
Other	16	16	0.0	7	128.6	23	33	(30.3)
Total operating income excluding FAS 133	615	582	5.7	519	18.5	1,134	1,144	(0.9)
FAS 133:								
ILFC (5)	-	(64)	NM	-	NM	-	(49)	NM
AIGFP (2)	(1,163)	1,696	NM	(678)	NM	(1,841)	2,164	NM
Total FAS 133	(1,163)	1,632	NM	(678)	NM	(1,841)	2,115	NM
<b>Total operating income (loss)</b>	<b>\$ (548)</b>	<b>\$ 2,214</b>	<b>NM %</b>	<b>\$ (159)</b>	<b>NM %</b>	<b>\$ (707)</b>	<b>\$ 3,259</b>	<b>NM %</b>

- Note: (1) Certain transactions entered into by AIGFP generate tax credits and benefits which are included in income taxes on the consolidated statement of income. The amount of tax credits and benefits for the three months ended June 30, 2006 and 2005 and March 31, 2006, and for the six months ended June 30, 2006 and 2005 are \$8 million, \$21 million, \$18 million, \$26 million and \$40 million, respectively.
- (2) Includes the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses. These amounts result primarily from interest rate and foreign currency derivatives which are hedging available for sale securities and borrowings.
- (3) Includes adjustments relating to a tax settlement in Australia, increased credit reserves and lease accruals totaling \$37 million for both the three months ended March 31, 2006 and the six months ended June 30, 2006.
- (4) Includes \$44 million in additional allowance for losses in AIG Credit Card Company (Taiwan) for both the three months ended March 31, 2006 and the six months ended June 30, 2006.
- (5) During 2006, all gains and losses on derivatives relating to ILFC were reported as part of realized capital gains (losses) in the Other category. During 2005, ILFC's derivatives gains and losses were reported in operating income before realized capital gains (losses) in Financial Services. In all periods, the total derivatives gains and losses were excluded in the determination of adjusted net income.

**American International Group, Inc.**  
**International Lease Finance Corporation (ILFC)**  
**Aircraft Leases, Orders and Options**  
**June 30, 2006**

<u>Aircraft Type:</u>	<u>Number of Aircraft</u>		
	<u>In Fleet</u>	<u>Orders</u>	<u>Options</u>
<b><u>Airbus:</u></b>			
A300-600R	6	0	0
A310-300	7	0	0
A319	103	44	0
A320-200	126	57	0
A321-100	12	0	0
A321-200	49	24	0
A330-200	49	21	0
A330-300	22	3	0
A340-300	15	0	0
A340-600	12	1	0
A350-800	0	16	0
A380	0	5	0
A380F	0	5	0
<b><u>Boeing:</u></b>			
737-300/400/500	58	0	0
737-600/700/800	160	53	6
747-300	2	0	0
747-400	13	0	0
747-400ERF	4	0	0
757-200	64	0	0
767-200	4	0	0
767-300	53	0	0
777-200B	36	4	0
777-300	19	13	3
787-800	0	20	4
<b><u>McDonnell Douglas:</u></b>			
MD-11	8	0	0
MD-82/MD-83	1	0	0
<b>Total</b>	<b><u>823</u></b>	<b><u>266</u></b>	<b><u>13</u></b>

In fleet includes 10 finance leases.

**American International Group, Inc.**  
**Asset Management Operating Statistics (1)**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Revenues:</b>								
Guaranteed investment contracts								
Domestic (2)	\$ 695	\$ 758	(8.3) %	\$ 669	3.9 %	\$ 1,364	\$ 1,482	(8.0) %
Foreign	145	145	0.0	153	(5.2)	298	317	(6.0)
Matched investment program	10	-	NM	-	NM	10	-	NM
Institutional asset management (3)	619	178	247.8	279	121.9	898	497	80.7
Brokerage service and mutual funds	73	62	17.7	73	0.0	146	125	16.8
Other	79	76	3.9	65	21.5	144	175	(17.7)
<b>Total</b>	<u>\$ 1,621</u>	<u>\$ 1,219</u>	33.0 %	<u>\$ 1,239</u>	30.8 %	<u>\$ 2,860</u>	<u>\$ 2,596</u>	10.2 %
<b>Operating income:</b>								
Guaranteed investment contracts								
Domestic (2)	\$ 220	\$ 264	(16.7) %	\$ 201	9.5 %	\$ 421	\$ 506	(16.8) %
Foreign	18	15	20.0	17	5.9	35	30	16.7
Matched investment program	4	-	NM	-	NM	4	-	NM
Institutional asset management (3)	203	71	185.9	63	222.2	266	157	69.4
Brokerage service and mutual funds	21	17	23.5	23	(8.7)	44	30	46.7
Other	75	73	2.7	61	23.0	136	170	(20.0)
<b>Total excluding FIN46(R), EITF 04-5 and FAS 133</b>	541	440	23.0	365	48.2	906	893	1.5
FIN46(R) (4):								
Institutional asset management	183	37	NM	27	NM	210	112	NM
EITF 04-5 (5):								
Institutional asset management	87	-	NM	69	NM	156	-	NM
FAS 133 (6) (7):								
Guaranteed investment contracts	-	47	NM	-	NM	-	109	NM
<b>Total including FIN46(R), EITF 04-5 and FAS 133</b>	<u>\$ 811</u>	<u>\$ 524</u>	54.8 %	<u>\$ 461</u>	75.9 %	<u>\$ 1,272</u>	<u>\$ 1,114</u>	14.2 %

- Note: (1) AIG's third party assets under management, including mutual funds and institutional accounts, totaled over \$66 billion, over \$61 billion and over \$65 billion at June 30, 2006 and 2005, and March 31, 2006, respectively.
- (2) The Matched investment program has replaced AIG's principal spread-based investment activity, the GIC program, which continues in run off.
- (3) Includes AIG Global Investment Group and certain smaller asset management operations.
- (4) Includes the full results of certain AIG managed private equity and real estate funds that are consolidated pursuant to FIN46(R), "Consolidation of Variable Interest Entities".
- (5) Includes the full results of certain AIG managed partnerships that are consolidated effective January 1, 2006 pursuant to EITF 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights".
- (6) Includes the effect of hedging activities that do not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses.
- (7) During 2006, all gains and losses on derivatives relating to GICs were reported as part of realized capital gains (losses) in the Other category. During 2005, derivatives gains and losses were reported in operating income before realized capital gains (losses) in Asset Management. In all periods, the total derivatives gains and losses were excluded in the determination of adjusted net income.

**American International Group, Inc.**  
**Asset Management Other Data**  
(dollars in millions)

	Three Months Ended					Six Months Ended		
	June 30, 2006	June 30, 2005	% Chg	March 31, 2006	Sequential % Chg	June 30, 2006	June 30, 2005	% Chg
<b>Guaranteed Investment Contracts:</b>								
<b>Deposits</b>								
Domestic	\$ 17	\$ 1	NM %	\$ -	NM %	\$ 17	\$ 2,251	(99.2) %
Foreign	2,389	1,465	63.1	2,844	(16.0)	5,233	3,775	38.6
<b>Total</b>	<u>2,406</u>	<u>1,466</u>	64.1	<u>2,844</u>	(15.4)	<u>5,250</u>	<u>6,026</u>	(12.9)
<b>Reserves</b>								
Domestic				36,487	(3.3)	35,278	42,427	(16.9)
Foreign				11,660	13.8	13,270	9,144	45.1
<b>Total</b>				<u>48,147</u>	0.8	<u>48,548</u>	<u>51,571</u>	(5.9)
<b>Domestic Spread Information</b>								
Base investment income	491	568	(13.6)	508	(3.3)	999	1,132	(11.7)
Partnerships	169	159	6.3	150	12.7	319	296	7.8
Other enhancements	35	31	12.9	11	NM	46	54	(14.8)
<b>Total net investment income</b>	<u>\$ 695</u>	<u>\$ 758</u>	(8.3) %	<u>\$ 669</u>	3.9 %	<u>\$ 1,364</u>	<u>\$ 1,482</u>	(8.0) %
Base yield	5.65%	5.27%		5.55%		5.60%	5.25%	
Partnerships (1)	1.11%	0.94%		0.95%		1.03%	0.86%	
Other enhancements (2)	0.41%	0.28%		0.12%		0.26%	0.25%	
<b>Total</b>	7.17%	6.49%		6.62%		6.89%	6.36%	
<b>Spread Data Without Hedge Accounting (3)</b>								
Cost of funds (3)	5.20%	4.07%		4.90%		5.05%	3.94%	
Net spread rate, as reported (3)	1.96%	2.42%		1.71%		1.83%	2.42%	
Net spread rate excluding partnerships and other enhancements (3)	0.45%	1.19%		0.64%		0.55%	1.30%	
<b>Spread Data Assuming Hedge Accounting (4)</b>								
Cost of funds with effect of economic hedges (4)	4.89%	4.41%		4.69%		4.79%	4.37%	
Net spread rate with effect of economic hedges (4)	2.28%	2.08%		1.92%		2.10%	1.99%	
Net economic spread rate excluding partnerships and other enhancements (4)	0.76%	0.85%		0.87%		0.81%	0.88%	
<b>Matched Investment Program</b>								
Securities issuance	\$ 1,697	\$ -	NM %	\$ -		\$ 1,697	\$ -	NM %
Notes and bonds payable				\$ -		\$ 1,716	\$ -	NM %

- Note: (1) Includes incremental effect to base yield of investments in hedge funds, private equity funds and affordable multi-housing partnerships.  
(2) Includes incremental effect to base yields of gains on calls, dollar roll income, prepayment fees and trading gains (losses).  
(3) Represents cost of funds without FAS 133 accounting for economic hedges where the effects of derivative transactions are recorded in realized capital gains (losses).  
(4) Represents cost of funds on an economic basis including the effects of derivative transactions assuming hedge accounting treatment under FAS 133 is applied.

## American International Group, Inc.

### Other

(in millions)

	Three Months Ended			Six Months Ended	
	June 30, 2006	June 30, 2005	March 31, 2006	June 30, 2006	June 30, 2005
<b>Other income (deductions) - net:</b>					
Equity earnings in unconsolidated subsidiaries	\$ 111	\$ 36	\$ 19	\$ 130	\$ 96
Compensation expense with respect to the SICO Plans (1)	(14)	(60)	(76)	(90)	(67)
Compensation expense with respect to the C.V. Starr tender offer (2)	-	-	(54)	(54)	-
Interest expense, including distributions on the liabilities connected to trust preferred stock	(223)	(127) (3)	(183) (3)	(406)	(251) (3)
Unallocated corporate expenses and related	(71)	(108) (3)	(190) (3)	(261)	(195) (3)
Other miscellaneous, net	(14)	29 (3)	(21) (3)	(35)	(17) (3)
Sub-total other income (deductions) - net excluding FAS 133	(211)	(230)	(505)	(716)	(434)
FAS 133 (4)	(105)	268	167	62	508
<b>Total other income (deductions) - net</b>	<u>(316)</u>	<u>38</u>	<u>(338)</u>	<u>(654)</u>	<u>74</u>
<b>Other realized capital gains (losses):</b>					
Other realized capital gains (losses)	24	(16)	110	134	379
FAS 133 (5)	105	(268)	(167)	(62)	(508)
<b>Total other realized capital gains (losses)</b>	<u>129</u>	<u>(284)</u>	<u>(57)</u>	<u>72</u>	<u>(129)</u>
<b>Total Other</b>	<u>\$ (187)</u>	<u>\$ (246)</u>	<u>\$ (395)</u>	<u>\$ (582)</u>	<u>\$ (55)</u>

Note: (1) Includes various adjustments totaling \$61 million primarily relating to stock splits and other miscellaneous items in both the three months ended March 31, 2006 and the six months ended June 30, 2006.

(2) In January 2006, C.V. Starr & Co., Inc. (Starr) completed its tender offer to purchase Starr interest from AIG employees.

(3) Certain amounts have been reclassified to conform to the current period presentation.

(4) Represents the elimination of revenues reported in the Financial Services segment from intercompany hedging activities.

(5) Represents the elimination of realized capital gains (losses) reported in General Insurance, Life Insurance & Retirement Services and Other category from intercompany hedging activities.

## American International Group, Inc.

### Cash and Invested Assets

June 30, 2006

(dollars in millions)

	General Insurance	Life Insurance & Retirement Services	Financial Services	Asset Management	Other	Total Company	Percent of Total
Bonds available for sale, at market value	\$ 58,449	\$ 271,261	\$ 1,298	\$ 31,175	\$ 0	\$ 362,183	50.0 %
Bonds held to maturity, at amortized cost	21,510	0	0	0	0	21,510	3.0
Bond trading securities, at market value	0	1,312	0	5,175	0	6,487	0.9
Common stocks available for sale, at market value	4,522	9,019	0	227	61	13,829	1.9
Common and preferred stocks trading, at market value	344	10,140	0	373	0	10,857	1.5
Preferred stocks available for sale, at market value	1,797	644	6	0	0	2,447	0.3
Policy loans	2	7,314	2	48	0	7,366	1.0
Collateral and guaranteed loans - net	3	1,204	2,002	751	98	4,058	0.6
Mortgage loans on real estate - net	13	11,882	70	4,215	0	16,180	2.3
Investment income due and accrued	1,160	4,182	19	366	5	5,732	0.8
Real estate, net of accumulated depreciation	634	2,762	24	2,470	36	5,926	0.8
Flight equipment primarily under operating leases, net of accumulated depreciation	0	0	39,307	0	0	39,307	5.5
Finance receivables, net of allowance	0	0	27,515	0	0	27,515	3.8
Securities purchased under agreements to resell, at contract value	0	0	14,085	0	0	14,085	1.9
Unrealized gain on swaps	0	0	18,901	0	0	18,901	2.6
Spot commodities	0	0	797	0	0	797	0.1
Trading assets	0	0	1,345	0	0	1,345	0.2
Trading securities, at market value	0	0	5,165	0	0	5,165	0.7
Securities available for sale, at market value	0	0	38,678	0	0	38,678	5.3
Securities lending collateral, at market value	5,700	49,357	64	13,611	0	68,732	9.5
Other invested assets	7,330	8,644	1,869	11,566	1	29,410	4.1
Short-term investments, at cost	1,888	2,788	556	7,784	3	13,019	1.8
Time deposits	733	1,374	140	132	1	2,380	0.3
Cash-interest bearing	1,329	3,888	359	209	2	5,787	0.8
Operating cash	635	350	284	863	8	2,140	0.3
<b>Total cash and invested assets</b>	<b>\$ 106,049</b>	<b>\$ 386,121</b>	<b>\$ 152,486</b>	<b>\$ 78,965</b>	<b>\$ 215</b>	<b>\$ 723,836</b>	<b>100.0 %</b>
<b>Percent of total company</b>	<b>14.7%</b>	<b>53.3%</b>	<b>21.1%</b>	<b>10.9%</b>	<b>0.0%</b>	<b>100.0%</b>	
<b>Rate of return on invested assets (1)</b>	<b>5.4%</b>	<b>4.7%</b>					

Note: (1) Annualized net investment income divided by the average sum of cash and invested assets at the beginning and end of the period.

**American International Group, Inc.**  
**Cash and Invested Assets**  
**General Insurance**

(dollars in millions)

	June 30, 2006			Percent of Total	December 31, 2005			Percent of Total
	Domestic	Foreign	Total		Domestic	Foreign	Total	
Bonds available for sale, at market value	\$ 41,139	\$ 17,310	\$ 58,449	55.1 %	\$ 34,688	\$ 16,182	\$ 50,870	53.7 %
Bonds held to maturity, at amortized cost	21,510	0	21,510	20.3	21,528	0	21,528	22.7
Bond trading securities, at market value	0	0	0	0.0	0	0	0	0.0
Common stocks available for sale, at market value	3,108	1,414	4,522	4.2	3,137	1,368	4,505	4.8
Common and preferred stocks trading, at market value	344	0	344	0.3	425	0	425	0.4
Preferred stocks available for sale, at market value	1,797	0	1,797	1.7	1,631	1	1,632	1.7
Policy loans	0	2	2	0.0	0	2	2	0.0
Collateral and guaranteed loans - net	0	3	3	0.0	0	3	3	0.0
Mortgage loans on real estate - net	9	4	13	0.0	9	5	14	0.0
Investment income due and accrued	878	282	1,160	1.1	927	305	1,232	1.3
Real estate, net of accumulated depreciation	229	405	634	0.6	230	373	603	0.6
Flight equipment primarily under operating leases, net of accumulated depreciation	0	0	0	0.0	0	0	0	0.0
Finance receivables, net of allowance	0	0	0	0.0	0	0	0	0.0
Securities purchased under agreements to resell, at contract value	0	0	0	0.0	0	0	0	0.0
Unrealized gain on swaps	0	0	0	0.0	0	0	0	0.0
Spot commodities	0	0	0	0.0	0	0	0	0.0
Trading assets	0	0	0	0.0	0	0	0	0.0
Trading securities, at market value	0	0	0	0.0	0	0	0	0.0
Securities available for sale, at market value	0	0	0	0.0	0	0	0	0.0
Securities lending collateral, at market value	1,977	3,723	5,700	5.4	1,267	3,664	4,931	5.2
Other invested assets	6,431	899	7,330	6.9	5,402	870	6,272	6.6
Short-term investments, at cost	1,346	542	1,888	1.8	599	405	1,004	1.2
Time deposits	13	720	733	0.7	9	478	487	0.5
Cash-interest bearing	906	423	1,329	1.3	231	760	991	1.0
Operating cash	415	220	635	0.6	146	159	305	0.3
<b>Total cash and invested assets</b>	<b>\$ 80,102</b>	<b>\$ 25,947</b>	<b>\$ 106,049</b>	<b>100.0 %</b>	<b>\$ 70,229</b>	<b>\$ 24,575</b>	<b>\$ 94,804</b>	<b>100.0 %</b>
<b>Percent of total company</b>	<b>11.1%</b>	<b>3.6%</b>	<b>14.7%</b>		<b>10.1%</b>	<b>3.6%</b>	<b>13.7%</b>	

**American International Group, Inc.**  
**Cash and Invested Assets**  
**Life Insurance & Retirement Services**

(dollars in millions)

	June 30, 2006			Percent of Total	December 31, 2005			Percent of Total
	Domestic	Foreign	Total		Domestic	Foreign	Total	
Bonds available for sale, at market value	\$ 135,860	\$ 135,401	\$ 271,261	70.3 %	\$ 144,225	\$ 128,940	\$ 273,165	73.2 %
Bonds held to maturity, at amortized cost	0	0	0	0.0	0	0	0	0.0
Bond trading securities, at market value	196	1,116	1,312	0.3	154	919	1,073	0.3
Common stocks available for sale, at market value	254	8,765	9,019	2.3	132	7,304	7,436	2.0
Common and preferred stocks trading, at market value	1	10,139	10,140	2.6	1	8,121	8,122	2.2
Preferred stocks available for sale, at market value	230	414	644	0.2	494	266	760	0.2
Policy loans	2,962	4,352	7,314	1.9	2,963	4,024	6,987	1.9
Collateral and guaranteed loans - net	0	1,204	1,204	0.3	0	1,172	1,172	0.3
Mortgage loans on real estate - net	9,276	2,606	11,882	3.1	8,114	2,133	10,247	2.7
Investment income due and accrued	1,909	2,273	4,182	1.1	1,924	2,149	4,073	1.1
Real estate, net of accumulated depreciation	336	2,426	2,762	0.7	375	2,354	2,729	0.7
Flight equipment primarily under operating leases, net of accumulated depreciation	0	0	0	0.0	0	0	0	0.0
Finance receivables, net of allowance	0	0	0	0.0	0	0	0	0.0
Securities purchased under agreements to resell, at contract value	0	0	0	0.0	0	28	28	0.0
Unrealized gain on swaps	0	0	0	0.0	0	0	0	0.0
Spot commodities	0	0	0	0.0	0	0	0	0.0
Trading assets	0	0	0	0.0	0	0	0	0.0
Trading securities, at market value	0	0	0	0.0	0	0	0	0.0
Securities available for sale, at market value	0	0	0	0.0	0	0	0	0.0
Securities lending collateral, at market value	44,101	5,256	49,357	12.8	39,094	3,897	42,991	11.5
Other invested assets	6,154	2,490	8,644	2.2	5,421	2,356	7,777	2.1
Short-term investments, at cost	871	1,917	2,788	0.7	528	2,189	2,717	0.7
Time deposits	0	1,374	1,374	0.4	0	837	837	0.2
Cash-interest bearing	784	3,104	3,888	1.0	774	1,527	2,301	0.6
Operating cash	64	286	350	0.1	53	936	989	0.3
<b>Total cash and invested assets</b>	<b>\$ 202,998</b>	<b>\$ 183,123</b>	<b>\$ 386,121</b>	<b>100.0 %</b>	<b>\$ 204,252</b>	<b>\$ 169,152</b>	<b>\$ 373,404</b>	<b>100.0 %</b>
<b>Percent of total company</b>	<b>28.0%</b>	<b>25.3%</b>	<b>53.3%</b>		<b>29.5%</b>	<b>24.5%</b>	<b>54.0%</b>	

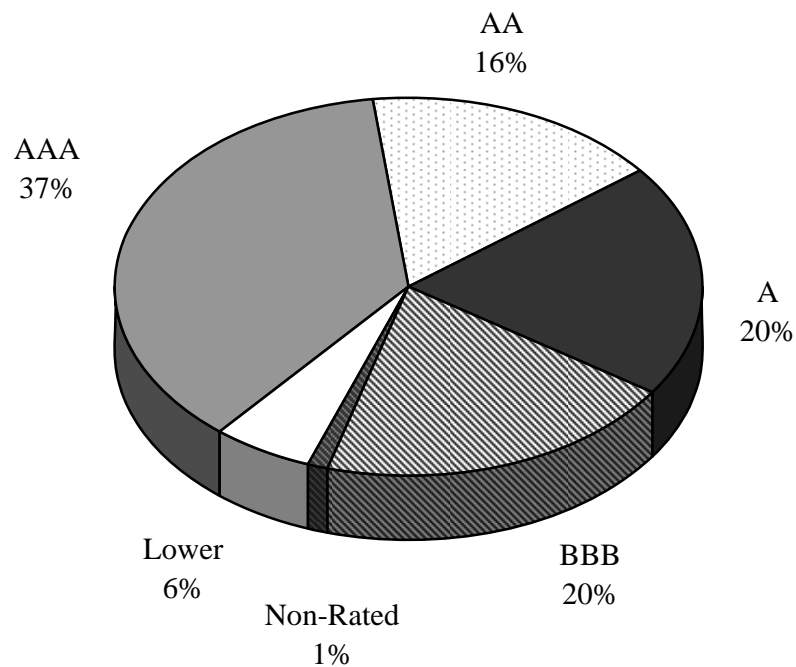
**American International Group, Inc.**  
**Cash and Invested Assets**  
**Financial Services**

(dollars in millions)

	June 30, 2006					Percent of Total
	Aircraft Finance	Capital Markets	Consumer Finance	Other Financial Services	Total	
Bonds available for sale, at market value	\$ 0	\$ 0	\$ 1,298	\$ 0	\$ 1,298	0.9 %
Bonds held to maturity, at amortized cost	0	0	0	0	0	0.0
Bond trading securities, at market value	0	0	0	0	0	0.0
Common stocks available for sale, at market value	0	0	0	0	0	0.0
Common and preferred stocks trading, at market value	0	0	0	0	0	0.0
Preferred stocks available for sale, at market value	0	0	6	0	6	0.0
Policy loans	0	0	2	0	2	0.0
Collateral and guaranteed loans - net	213	1,789	0	0	2,002	1.3
Mortgage loans on real estate - net	0	0	63	7	70	0.0
Investment income due and accrued	1	0	18	0	19	0.0
Real estate, net of accumulated depreciation	0	0	24	0	24	0.0
Flight equipment primarily under operating leases, net of accumulated depreciation	39,307	0	0	0	39,307	25.8
Finance receivables, net of allowance	0	0	26,995	520	27,515	18.1
Securities purchased under agreements to resell, at contract value	0	14,085	0	0	14,085	9.2
Unrealized gain on swaps	0	18,901	0	0	18,901	12.4
Spot commodities	0	797	0	0	797	0.5
Trading assets	0	1,345	0	0	1,345	0.9
Trading securities, at market value	0	5,165	0	0	5,165	3.4
Securities available for sale, at market value	0	38,678	0	0	38,678	25.4
Securities lending collateral, at market value	0	0	64	0	64	0.0
Other invested assets	304	864	574	127	1,869	1.2
Short-term investments, at cost	30	0	525	1	556	0.4
Time deposits	0	129	11	0	140	0.1
Cash-interest bearing	99	65	193	2	359	0.2
Operating cash	3	14	189	78	284	0.2
<b>Total cash and invested assets</b>	<b>\$ 39,957</b>	<b>\$ 81,832</b>	<b>\$ 29,962</b>	<b>\$ 735</b>	<b>\$ 152,486</b>	<b>100.0 %</b>
<b>Percent of total company</b>	<b>5.5%</b>	<b>11.3%</b>	<b>4.2%</b>	<b>0.1%</b>	<b>21.1%</b>	

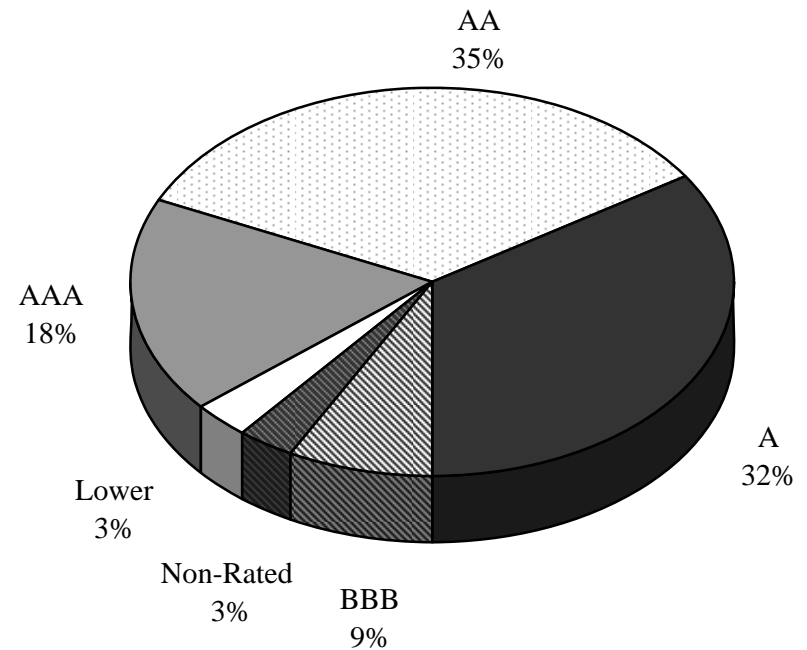
# American International Group, Inc. Worldwide Insurance and Asset Management Bond Portfolio June 30, 2006

**Total Domestic Bond Portfolio Ratings**



Domestic Bonds  
\$228.8 billion

**Total Foreign Bond Portfolio Ratings \***



Foreign Bonds  
\$160.1 billion

\* Ratings by nationally recognized rating agencies or similar foreign services. AIG reviews the credit quality of the foreign portfolio non-rated fixed income investments.

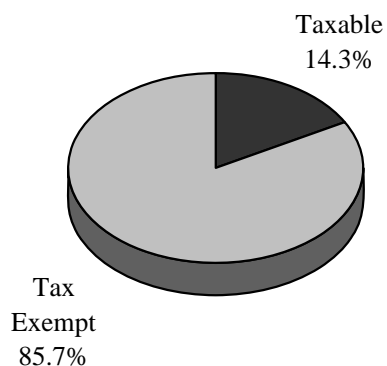
**American International Group, Inc.**  
**Domestic Insurance and Asset Management**  
**Bond Portfolio**

June 30, 2006

**Domestic General Insurance**

**Bond Ratings**

AAA.....	76.9%
AA.....	17.8%
A.....	4.1%
BBB.....	0.6%
Non-Rated.....	0.2%
Lower.....	0.4%



Domestic General Insurance Bonds  
\$62.6 billion

**Domestic Life Insurance &  
Retirement Services and Asset Management**

**Bond Ratings**

AAA.....	22.2%
AA.....	15.9%
A.....	25.7%
BBB.....	27.4%
Non-Rated.....	1.3%
Lower.....	7.5%

Domestic Life Insurance &  
Retirement Services and  
Asset Management Bonds  
\$166.2 billion

## Comment on Regulation G

This financial supplement includes certain non-GAAP financial measures. The reconciliations of such measures to the most comparable GAAP figures in accordance with Regulation G are included within the relevant tables.

Throughout this financial supplement, AIG presents its operations in the way it believes will be most meaningful and useful, as well as most transparent, to the investing public and others who use AIG's financial information in evaluating the performance of AIG. That presentation includes the use of certain non-GAAP measures. In addition to the GAAP presentations, in some cases revenues, net income, operating income and related rates of performance are shown exclusive of realized capital gains (losses), cumulative effect of an accounting change in 2006, the effect of FIN46(R), the effect of EITF 04-5, the effect of FAS 133 and the effect of catastrophe related losses.

AIG excludes the effects of FIN46(R), EITF 04-5 and FAS 133 because AIG believes that the GAAP presentation is not indicative of AIG's true economic position and is therefore less meaningful to the investor. For example, AIG's derivatives are economically effective hedges, even though they do not qualify for hedge accounting. Likewise, AIG believes that a presentation excluding entities consolidated pursuant to FIN46(R) is more meaningful than the GAAP presentation where AIG does not in fact have the economic interest that is presumed to be held.

Although the investment of premiums to generate investment income (or loss) and realized capital gains or losses is an integral part of both life and general insurance operations, the determination to realize capital gains or losses is independent of the insurance underwriting process. Moreover, under applicable GAAP accounting requirements, losses can be recorded as the result of other than temporary declines in value without actual realization. In sum, investment income and realized capital gains or losses for any particular period are not indicative of underlying business performance for such period.

AIG believes that underwriting profit (loss) provides investors with financial information that is not only meaningful but critically important to understanding the results of property and casualty insurance operations. Operating income of a property and casualty insurance company includes three components: underwriting profit (loss), net investment income and realized capital gains (losses). Without disclosure of underwriting profit (loss), it is impossible to determine how successful an insurance company is in its core business activity of assessing and underwriting risk. Including investment income and realized capital gains (losses) in operating income without disclosing underwriting profit (loss) can mask underwriting losses. The amount of net investment income may be driven by changes in interest rates and other factors that are totally unrelated to underwriting performance. Underwriting profit (loss) is an important measurement used by AIG senior management to judge the performance of its property and casualty insurance operations. AIG includes the measurement required in statutory financial statements filed with state insurance departments and adjusts for changes in deferred acquisition costs in order to make the measure more consistent with the information provided in AIG's consolidated financial statements. Further, the equity analysts who follow AIG exclude the realized capital transactions in their analyses for the same reason and consistently request that AIG provide the non-GAAP information.

Life and retirement services production (premiums, deposits and other considerations), gross premiums written, net premiums written and loss, expense and combined ratios are presented in accordance with accounting principles prescribed or permitted by insurance regulatory authorities because these are standard measures of performance used in the insurance industry and thus allow for more meaningful comparisons with AIG's insurance competitors. AIG also presents net investment income for the Life Insurance & Retirement Services segment before policyholder trading gains and operating income excluding pricing net investment gains. Policyholder trading gains have been excluded because they principally relate to assets held in trading securities accounts that are offset by an equal change in incurred policy losses and benefits. Pricing net investment gains have been excluded in certain presentations because they represent amounts of realized capital gains where the gains are an inherent element in pricing certain life products in some foreign countries.