



**American International Group, Inc.**  
**Second Quarter 2008 Results**  
**Conference Call Presentation**

**August 7, 2008**

# Cautionary Statement Regarding Projections and Other Information About Future Events

It should be noted that the remarks made on the conference call may contain projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. It is possible that AIG's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG's actual results to differ, possibly materially, from those in the specific projections and statements are discussed in Item 1A. Risk Factors of AIG's Annual Report on Form 10-K for the year ended December 31, 2007, and in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of AIG's Quarterly Report on Form 10-Q for the period ended June 30, 2008. AIG is not under any obligation (and expressly disclaims any such obligations) to update or alter its projections and other statements whether as a result of new information, future events or otherwise.

Remarks made on the conference call may also contain certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Second Quarter 2008 Financial Supplement available in the Investor Information section of AIG's corporate website, [www.aigcorporate.com](http://www.aigcorporate.com), or herein.



# Second Quarter Key Messages

1. Credit & Housing Continue to Dominate Reported Results
  - 2Q results showed some moderation
  - Comparisons with 2007 remain difficult
2. Total Capital is Higher than at 3/31/08
3. Franchise Continues to Show Resilience
  - Life Premiums / PDOC – 2Q good sales
  - General Insurance facing declining rates in certain classes and geographies
  - Underlying business results are mixed
4. Key Priorities
  - Protect capital and reduce risk
  - Expense reductions
  - Complete business review



# Capital & Financial Strength

## Total capital increased from March 31, 2008

(\$ billions)	<u>12/31/2007</u>	<u>3/31/2008</u>	<u>6/30/2008</u>
Shareholders' Equity	\$95.8	\$79.7	\$78.1
Hybrid - debt securities	\$5.8	\$5.9	\$12.9
Hybrid - mandatorily convertible units	-	-	\$5.9
<b>Total Equity and Hybrid Capital</b>	<b>\$101.6</b>	<b>\$85.6</b>	<b>\$96.8</b>
Financial Debt	\$16.5	\$17.1	\$15.4
<b>Total Capital</b>	<b>\$118.1</b>	<b>\$102.7</b>	<b>\$112.2</b>

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Ratios	<u>12/31/2007</u>	<u>3/31/2008</u>	<u>6/30/2008</u>
Financial Debt/Total Capital	13.9%	16.6%	13.7%
Hybrid Securities/Total Capital	4.9%	5.7%	16.7%
Shareholders' Equity/Total Capital	81.2%	77.7%	69.6%



# Financial Highlights

**AIG's second quarter results were overwhelmingly affected by disruption from the credit and housing markets**

(\$ millions)	<u>2Q07</u>	<u>2Q08</u>
Net income (loss)	\$4,277	(\$5,357)
Total net realized capital (losses)	(17)	(4,019)
FAS 133 (losses)	<u>(332)</u>	<u>(17)</u>
Adjusted net income (loss)	\$4,626	(\$1,321)
After-tax effect of AIG FP unrealized market valuation loss	0	(3,617)
After-tax effect of credit valuation adjustment	0	(337)
Adjusted net income excluding AIG FP unrealized market valuation losses and credit valuation adjustment	\$4,626	\$2,633
Net income (loss) per diluted share	\$1.64	(\$2.06)
Adjusted net income (loss) per diluted share	\$1.77	(\$0.51)
Adjusted net income per diluted share excluding AIG FP unrealized market valuation losses and credit valuation adjustment	\$1.77	\$1.01



# Underlying Themes for the Quarter

## Partnership Income / NII

- Partnership / mutual fund income volatile
- Building liquidity
- Record partnership income earned in '06 and '07
- \$1.1 billion negative swing in partnership and mutual fund income from 2Q07
- Cash position of Gen and Life increased, negatively affecting yield

## Mortgage Guaranty

- Continued difficult U.S. housing market
- Increased domestic persistency drove 6% increase in NPW
- Operating losses expected to continue into 2009
- Domestic first- and second-lien losses incurred increased 264% and 107%, respectively, over 2Q07
- Cure rates declining

## American General Finance

- Reduced finance receivables and significantly increased loan loss provisions
- Loan loss provisions up 180%
- Net receivables up 6% over 2Q07 due to Equity One purchase
- Delinquencies increased 138 bps to 3.56% but currently within target band

# Underlying Themes for the Quarter

## Commercial Insurance

- Not chasing market: rates and terms and conditions still much better than depths of the last soft market
- Combined Ratio 93.7%
- Continued adverse development in '03 and prior accident years substantially offset by positive development in '04 and later accident years
- Continued pressure on top-line growth
- Shift to more profitable lines to offset weakness in pricing
- Pricing adequate in most lines: Workers' Comp and aviation are notable exceptions
- \$74 million of significant CAT losses in 2Q08 vs. zero in 2Q07

## Foreign General

- Good growth in a competitive market highlights strength of global franchise
- Combined Ratio 88.3%
- Original currency NPW up 5% driven by commercial lines and A&H
- NPW up 15% (including FX benefit)
- Strong growth in Continental Europe and the Middle East
- High retention levels in major accounts

## Personal Lines

- Private Client Group: strong growth and increasing traction for the AIG PCG brand
- PCG NPW up 43%
- PCG: strong policy retention ratio of 96%
- In process of re-underwriting Agency auto book



# Underlying Themes for the Quarter

## Domestic Life & Retirement Services

- Strong sales and positive net flows
- Lower NII
- VUL sales up 25%
- Pay-out annuities PDOC up 25%
- Fixed annuity (FA) deposits increased \$450 million or 27%
- FA surrender rates improved 3%
- Overall RS positive net flows of \$573 million in the quarter
- Lower partnership income
- Lower interest income because of buildup in liquidity

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## Foreign Life

- Strong sales and deposits in 2Q
- Annuity deposits up 45%
- Life insurance in-force up 20%
- Life reserves up 23%
- Retirement reserves up 15%
- FX effect positive 7% on PDOC
- Improving economics despite fall in bond values due to interest rate increases

# Underlying Themes for the Quarter

## ILFC

- Record results
- Pre-tax operating income up 85% to \$352 million
- Realizing higher lease rates
- New aircraft 100% leased for 2008 and 2009
- Asia / Europe better able to absorb fuel price increases
- 16 of 16 reclaimed aircraft already re-leased

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## Asset Management

- Core 3<sup>rd</sup> party business continues to grow but affected by market conditions, low carried interest and capital gains, and warehousing costs
- External AUM, including mutual funds and institutional accounts down 2% sequentially primarily due to market price declines
- New external business in 2Q08 of \$2 billion
- Institutional AM income declines driven by lower carried interest and timing of real estate related gains
- GIC business in runoff

# Capital & Financial Strength

## Shareholders' Equity

<b>March 31, 2008 (\$ millions)</b>	<b>\$79,703</b>	
+ Adj. Net Income excl. AIG FP unrealized market valuation losses and credit valuation adjustment	\$2,633	} I/S Δ (\$5,357)
- AIG FP unrealized market valuation losses and credit valuation adjustment	(\$3,954)	
- FAS 133	(\$17)	
- RCL's	(\$4,019)	} B/S Δ +\$3,742
- URL	(\$2,617) *	
- FX Translation Adj	(\$111)	
- Dividends	(\$632)	
- Equity Units Purchase Contract Adj.	(\$431)	
+ Net Share Issuance	\$7,343	
+ Other	\$190	
Period Change	<u>(\$1,615)</u>	
<b>June 30, 2008</b>	<b><u>\$78,088</u></b>	

\* Driven primarily by declines in market prices in foreign investments as a result of rising interest rates in several countries



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# AIG FP “Super Senior” CDS Portfolio

## Accounting Valuation — Mark-to-Market (\$ billions)

Type	AIG FP Notional Exposure June 30, 2008	Fair Value June 30, 2008	MTM - 3 Months Ended June 30, 2008	MTM – 6 Months Ended June 30, 2008
Corporate Arbitrage <sup>1</sup>	\$53.8	\$1.0	(\$0.1)	\$0.8
Regulatory Capital <sup>2</sup>	\$306.9	\$0.1	\$0.1	\$0.1
<b>Multi-Sector CDOs, of which:</b>	\$80.3	\$24.8 <sup>3</sup>	\$5.6	\$13.6
<i>Transactions w/ Subprime:</i>				
<i>High Grade</i>	\$42.0	\$14.1	\$3.0	\$7.8
<i>Mezzanine</i>	\$15.8	\$6.9	\$1.3	\$2.9
<i>Transactions w/ No Subprime:</i>				
<i>High Grade</i>	\$21.7	\$3.5	\$1.3	\$2.7
<i>Mezzanine</i>	\$0.8	\$0.3	\$0.0	\$0.2
<b>Total:</b>	<b>\$441.0<sup>4</sup></b>	<b>\$25.9<sup>5</sup></b>	<b>\$5.6<sup>5</sup></b>	<b>\$14.5<sup>5</sup></b>

1. Represents Corporate Debt and CLOs

2. Represents Corporate, Residential Mortgages and Other Regulatory Capital transactions

3. Excludes approximately \$67 million of the cumulative unrealized market value loss that was recognized as a result of the purchase of \$682 million in the second quarter of other super senior CDO securities in connection with 2a-7 Puts

4. Excludes \$5.8 billion on mezzanine tranches representing credit derivatives written by AIG FP on tranches below super senior on certain regulatory capital relief trades

5. Excludes \$0.2 billion on mezzanine tranches representing credit derivatives written by AIG FP on tranches below super senior on certain regulatory capital relief trades



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# Stress Testing – Roll Rate

## Illustration of Potential Realized Credit Losses on AIG FP’s “Super Senior” Multi-Sector CDO Credit Derivative Portfolio

AIG continues to expect potential future realized credit losses to be significantly lower than the fair value losses recorded under GAAP as of June 30, 2008. However, there can be no assurance that the ultimate realized credit losses will not exceed the potential realized credit losses illustrated

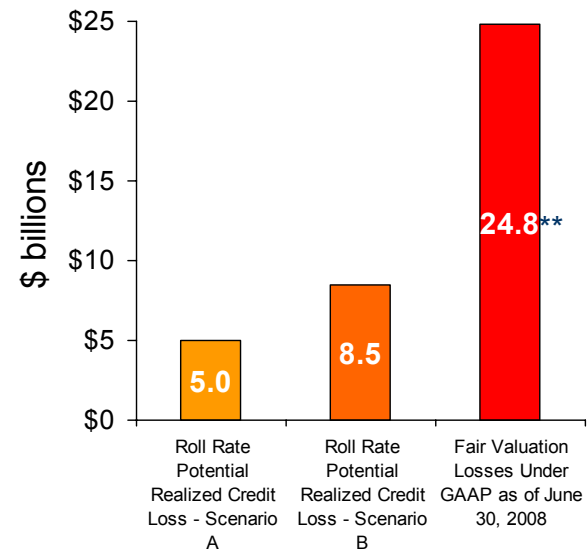
### Description of Potential Realized Credit Loss Scenario Analysis

- *Collateral Pools Included:* All U.S. RMBS (i.e., subprime, Alt-A and prime)
- *Delinquent Mortgages:* Modeled using data as of May 31, 2008, assuming certain percentages of such loans roll into default & foreclosure and assuming loss severities. Assumptions differentiated by delinquency status and vintage
- *Non-Delinquent Mortgages:* Defaults estimated by using loss timing curves (differentiated by weighted average loan age) and applying loss severities
- *Inner CDOs\*:* Modeled using ratings-based stresses differentiated by vintage
- *Cash Flow Waterfall:* Modeled to capture the potential effects, both positive and negative, of cash flow diversion within each CDO

\* Including other ABS, such as CMBS, credit card and auto loan ABS

\*\* Excludes approximately \$67 million of the cumulative unrealized market value loss that was recognized as a result of the purchase during the second quarter of \$682 million of other super senior CDO securities in connection with 2a-7 Puts

### Pre-Tax Loss Estimates



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# Capital & Financial Strength

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– AIG FP unrealized market valuation losses and credit valuation adjustment	(\$3,954)	
– FAS 133	(\$17)	
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– URL	(\$2,617) *	} B/S Δ +\$3,742
– FX Translation Adj	(\$111)	
– Dividends	(\$632)	
– Equity Units Purchase Contract Adj.	(\$431)	
+ Net Share Issuance	\$7,343	
+ Other	\$190	
Period Change	<u>(\$1,615)</u>	
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# AIG Insurance Investments Portfolio

## RMBS Overview

- Holdings of global residential mortgage market products total approximately \$77.5 billion at June 30, 2008, or about 9.2% of AIG's total invested assets
  - Approximately 87% of the portfolio is composed of agency and AAA rated
  - Close to 95% of the portfolio consists of AA, AAA and agency securities
- Within AIG's \$60.9 billion non-agency portfolio, about 83% is AAA-rated and 11% is AA-rated
  - Holdings rated BBB or below total approximately \$2.7 billion (less than 5% of the portfolio and about 0.3% of total invested assets)
  - About \$5.7 billion (9.4%) of the \$60.9 billion is "wrapped" by monoline insurance

RMBS Type	Par Value		Amortized Cost		Fair Value	
	(\$ Billions)	%	(\$ Billions)	%	(\$ Billions)	%
Agency Pass-Through and CMO Issuances	\$17.0	19.4%	\$16.6	21.4%	\$ 16.7	24.6%
Prime Non-Agency (incl. Foreign and Jumbo RMBS related securities)	18.3	20.8%	17.6	22.7%	16.0	23.6%
Alt-A RMBS	24.6	28.0%	20.2	26.1%	16.4	24.1%
Subprime RMBS	23.6	26.9%	20.0	25.8%	16.3	24.0%
Other Housing-Related Paper	4.3	4.9%	3.1	4.0%	2.5	3.7%
<b>Total RMBS</b>	<b>\$87.8</b>	<b>100.0%</b>	<b>\$77.5</b>	<b>100.0%</b>	<b>\$67.9</b>	<b>100.0%</b>

## Changes in RMBS Portfolio - Amortized Cost

(\$ billions)	Amortized Cost March 31, 2008	Paydowns	OTTI 2 <sup>nd</sup> Quarter	Other*	Amortized Cost June 30, 2008
<b>Total RMBS, of which:</b>	<b>\$82.3</b>	<b>(\$2.4)</b>	<b>(\$5.0)</b>	<b>\$2.6</b>	<b>\$77.5</b>
<b>Alt-A</b>	<b>\$23.7</b>	<b>(\$0.6)</b>	<b>(\$3.1)</b>	<b>\$0.2</b>	<b>\$20.2</b>
<b>Subprime</b>	<b>\$21.6</b>	<b>(\$0.7)</b>	<b>(\$0.9)</b>	<b>-</b>	<b>\$20.0</b>

\* Other is comprised of sales, purchases, amortizations, accruals, etc.



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# AIG Insurance Investments Portfolio

## RMBS Portfolio at June 30, 2008 (\$ millions)

Amortized Cost HOLDINGS	RATING						TOTAL
	AGENCY	AAA	AA	A	BBB	BB & below	
AGENCY	\$16,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$16,642
PRIME JUMBO	-	11,642	1,689	331	141	27	13,830
ALT-A	-	18,811	1,084	216	66	58	20,235
SUBPRIME	-	16,867	1,689	437	328	667	19,988
SECOND-LIEN	-	284	968	97	161	82	1,592
HELOC	-	240	815	47	200	123	1,425
FOREIGN MBS	-	2,712	150	10	63	809	3,744
OTHER	-	34	12	16	12	1	75
<b>TOTAL</b>	<b>\$16,642</b>	<b>\$50,590</b>	<b>\$6,407</b>	<b>\$1,154</b>	<b>\$971</b>	<b>\$1,767</b>	<b>\$77,531</b>



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# Q&A

**American International Group, Inc.**  
**Reconciliations in Accordance with Regulation G**  
**(dollars in millions)**

	Three Months Ended 6/30/2007	Three Months Ended 6/30/2008
<b><u>Adjusted Net Income Excluding AIG FP Market Valuation Losses and Credit Valuation Adjustment</u></b>		
Adjusted net income excluding AIG FP unrealized market valuation losses and credit valuation adjustment	\$4,626	\$2,633
Credit valuation adjustment, net of tax	-	(337)
AIG FP unrealized market valuation losses on super senior credit default swaps, net of tax	-	(3,617)
Adjusted net income (loss)	<u>\$4,626</u>	<u>(\$1,321)</u>
FAS 133 losses, excluding net realized capital gains, net of tax	(332)	(17)
Realized capital losses	<u>(17)</u>	<u>(4,019)</u>
Net income (loss)	<u><u>\$4,277</u></u>	<u><u>(\$5,357)</u></u>
Average basic shares outstanding	2,602	2,605
<b><u>Per Share</u></b>		
Adjusted net income excluding AIG FP unrealized market valuation losses and credit valuation adjustment	\$1.77	\$1.01
Credit valuation adjustment, net of tax	0.00	(0.13)
AIG FP unrealized market valuation losses on super senior credit default swaps, net of tax	0.00	(1.39)
Adjusted net income (loss)	<u>\$1.77</u>	<u>(\$0.51)</u>
FAS 133 losses, excluding net realized capital gains, net of tax	(0.12)	(0.01)
Realized capital losses	<u>(0.01)</u>	<u>(1.54)</u>
Net income (loss)	<u><u>\$1.64</u></u>	<u><u>(\$2.06)</u></u>





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