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AIG RESPONDS TO WALL STREET JOURNAL STORY

NEW YORK, December 10, 2008 – American International Group, Inc. (AIG) has issued the following statement regarding an article that appeared today in *The Wall Street Journal*:

"A story in today's *Wall Street Journal* incorrectly reports that AIG has a previously undisclosed obligation to counterparties of about \$10 billion. The *Journal's* story relates to AIG Financial Products' multi-sector credit default swap portfolio. Included within that \$71.6 billion portfolio (notional amount as of September 30) is approximately \$9.8 billion of swaps that were sold as credit protection on "synthetic" securities. The swaps on these synthetic securities are also referred to as "cash settlement" or "Pay As You Go" (PAUG) swaps because they are settled in cash as and when losses are taken.

The majority of the multi-sector CDS swaps were written as "physical settlement" swaps, where AIG is required to physically buy the underlying collateralized debt obligation (CDO) bond in the event of a CDO credit event.

The \$9.8 billion notional amount does not represent a loss to AIG or a debt it owes to counterparties. It represents the notional value of the maximum potential cash settlement portion of the multi-sector portfolio. Cash settlement swaps have lower liquidity risk because they are PAUG. A credit event on a physical settlement swap requires AIG to buy the total underlying CDO tranche in an amount equal to AIG's full notional exposure whereas a PAUG contract only obliges AIG to pay losses on that tranche as and when they occur therefore reducing the cash impact.

AIG is addressing its exposure to its entire multi-sector CDS portfolio through its existing credit agreement with the Federal Reserve Bank of New York. As previously announced, AIG and the Federal Reserve have funded the Maiden Lane III facility, which has negotiated agreements to settle \$53.5 billion of AIG's \$71.6 billion CDS portfolio.

The notional amount attributable to the cash settlement portion of the AIG Financial Products multi-sector credit default swap portfolio has been consistently included in the total AIG Financial Products multi-sector credit default swap exposure in AIG's SEC filings and is explained on page 117 of AIG's Quarterly Report on Form 10-Q for the period ending September 30, 2008."

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American International Group, Inc. (AIG), a world leader in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in Ireland and Tokyo.

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