AIG ANNOUNCES PURCHASE OF ADDITIONAL MULTI-SECTOR COLLATERALIZED DEBT OBLIGATIONS BY MAIDEN LANE III AND TERMINATION OF CREDIT DEFAULT SWAPS

NEW YORK, Dec. 24, 2008--American International Group, Inc. (AIG) today announced that Maiden Lane III LLC (ML III), a financing entity recently created by the Federal Reserve Bank of New York (FRBNY) and AIG, has purchased an additional $16 billion in par amount of multi-sector collateralized debt obligations (Multi-Sector CDOs). As a result, the associated credit default swap contracts and similar instruments (CDS) written by AIG Financial Products Corp. (AIGFP) have been terminated.

ML III’s purchases of CDOs, in conjunction with the termination of related CDS, have mitigated AIG’s liquidity issues in connection with its CDS and similar exposures on Multi-Sector CDOs. To date, ML III has purchased approximately $62.1 billion in par amount of CDOs. The associated notional amounts of AIGFP CDS transactions have been terminated in connection with all of these purchases.

The purchase of the additional $16 billion of multi-sector CDOs was funded by a net payment to counterparties of approximately $6.7 billion and the surrender by AIGFP of approximately $9.2 billion in collateral previously posted by AIGFP to CDS counterparties in respect of the terminated CDS. In accordance with an agreement with ML III, AIGFP received payments aggregating approximately $2.5 billion from ML III in connection with the November and December purchases of Multi-Sector CDOs.

As previously announced, AIG provided $5 billion in equity funding, and the FRBNY has agreed to provide up to approximately $30 billion in senior funding, to ML III. Of this amount, approximately $24.3 billion has been funded to effect purchases of CDOs. ML III will collect cash flows from the assets it owns and pay a distribution to AIG for its equity interest once principal and interest owing to the FRBNY on the senior loan have been paid down in full. Upon payment in full of the FRBNY’s senior loan and AIG’s equity interest, all remaining amounts received by ML III will be paid 67 percent to the FRBNY and 33 percent to AIG.

AIGFP continues to analyze possible means of eliminating its exposures to the approximately $2.6 billion of remaining physically-settled CDS and approximately $9.7 billion of “cash-settled” or “pay-as-you-go” CDS in respect of protected baskets of reference credits (which may also include single name CDS in addition to securities and loans).

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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