



American International Group, Inc.

Financial Supplement (as Revised)

2005 - 2006

This report should be read in conjunction with AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and AIG Annual Reports on Forms 10K and 10-K/A for the years ended December 31, 2006 and 2005, respectively, filed with the Securities and Exchange Commission

American International Group, Inc.
Revised Financial Supplement

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American International Group, Inc. Segment Reporting Reclassifications

In order to better align financial reporting with the manner in which AIG's chief operating decision makers have managed their businesses, for the three months ended March 31, 2007, AIG realigned certain products among reportable segments and major internal reporting units. AIG also began reporting realized capital gains and losses for the Financial Services and Asset Management segments in the results of these segments. Historically, realized capital gains and losses were included in the Other category. There has been no change in AIG's management structure or its reportable segments. All prior period amounts presented have been reclassified to conform to the current year's presentation of these items.

General Insurance

The Foreign Aviation business was transferred from the Domestic Brokerage Group to Foreign General. The Oil Rig and Marine businesses were transferred from Foreign General to the Domestic Brokerage Group. These transfers had no effect on total General Insurance operations.

Life Insurance & Retirement Services / Asset Management

Certain U.K. annuity products that had been historically reflected in the Asset Management segment as part of Guaranteed Investment Contracts are now being reflected as part of the Life Insurance & Retirement Services segment.

Financial Services / Asset Management

Historically certain realized capital gains and losses related to Financial Services and Asset Management segments had been reported as part of the Other category and not part of the Financial Services and Asset Management segments. These realized capital gains and losses are now part of the Financial Services and Asset Management segments.

Asset Management

Historically the elimination of the intercompany asset management fees charged by the Asset Management segment to other AIG subsidiaries had been eliminated within the Asset Management segment's results. This elimination is now being reflected in the Consolidation and Eliminations adjustment column, which is part of the Other category.

The revised segment pages follow.

American International Group, Inc.

Consolidated Statement of Income

(in millions, except per share data)

	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
Revenues:					
Premiums and other considerations	\$ 17,705	\$ 17,561	\$ 17,275	\$ 17,769	\$ 70,310
Net investment income	5,539	5,383	5,588	6,074	22,584
Realized capital gains (losses) (1)	137	(125)	77	252	341
Other income (1)	3,881	5,120	3,263	3,282	15,546
Total revenues (1)	<u>27,262</u>	<u>27,939</u>	<u>26,203</u>	<u>27,377</u>	<u>108,781</u>
Benefits and expenses:					
Incurred policy losses and benefits	15,021	14,402	16,630	18,047	64,100
Insurance acquisition and other operating expenses	6,592	6,836	7,026	9,014	29,468
Total benefits and expenses	<u>21,613</u>	<u>21,238</u>	<u>23,656</u>	<u>27,061</u>	<u>93,568</u>
Income before income taxes and minority interest (2)	<u>5,649</u>	<u>6,701</u>	<u>2,547</u>	<u>316</u>	<u>15,213</u>
Income taxes	1,706	2,083	748	(279)	4,258
Income before minority interest	3,943	4,618	1,799	595	10,955
Minority interest	(144)	(129)	(54)	(151)	(478)
Net income	<u>3,799</u>	<u>4,489</u>	<u>1,745</u>	<u>444</u>	<u>10,477</u>
Earnings per common share:					
Basic	1.46	1.73	0.67	0.17	4.03
Diluted	\$ 1.45	\$ 1.71	\$ 0.66	\$ 0.17	\$ 3.99
Average shares outstanding:					
Basic	2,597	2,596	2,597	2,597	2,597
Diluted	2,624	2,623	2,624	2,626	2,627

Note: (1) Includes the effect of hedging activities that did not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses.

For the first, second, third and fourth quarters and twelve months 2005, respectively, the effect was as follows: **realized capital gains (losses)** - \$223 million, \$(335) million, \$(141) million, \$(77) million and \$(330) million, respectively, **other income** - \$708 million, \$1,964 million, \$(212) million, \$(106) million and \$2,354 million, respectively, and **total revenues** - \$931 million, \$1,629 million, \$(353) million, \$(183) million and \$2,024 million, respectively.

(2) Includes catastrophe losses of \$2,439 million, \$841 million and \$3,280 million for the third and fourth quarters and the twelve months 2005, respectively.

American International Group, Inc.

Consolidated Statement of Segment Operations

(in millions, except per share data)

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006	Twelve Months 2006
General insurance					
Net premiums written	\$ 11,255	\$ 11,634	\$ 11,224	\$ 10,753	\$ 44,866
Net premiums earned	10,470	10,678	11,217	11,086	43,451
Losses and loss expenses incurred	6,977	6,764	7,017	7,294	28,052
Underwriting expenses	2,348	2,540	2,973	2,881	10,742
Underwriting profit (1)	1,145	1,374	1,227	911	4,657
Net investment income	1,118	1,614	1,370	1,594	5,696
Income before realized capital gains	2,263	2,988	2,597	2,505	10,353
Realized capital gains (losses) (2)	68	(125)	28	88	59
Operating income	<u>2,331</u>	<u>2,863</u>	<u>2,625</u>	<u>2,593</u>	<u>10,412</u>
Life insurance & retirement services					
Premiums and other considerations	7,800	7,648	7,673	7,645	30,766
Deposits and other considerations not included in revenues under GAAP	11,825	11,915	12,166	12,974	48,880
Premiums, deposits and other considerations	19,625	19,563	19,839	20,619	79,646
Net investment income	4,834	4,420	5,045	5,725	20,024
Income before realized capital gains (losses)	2,414	2,538	2,648	2,433	10,033
Realized capital gains (losses) (2)	216	(157)	(176)	205	88
Operating income	<u>2,630</u>	<u>2,381</u>	<u>2,472</u>	<u>2,638</u>	<u>10,121</u>
Financial services					
Operating income excluding FAS 133 and realized capital gains (losses)	518	613	572	635	2,338
FAS 133 (2)	(678)	(1,163)	783	(764)	(1,822)
Realized capital gains (losses) (2)	52	20	(176)	(29)	(133)
Operating income (loss)	<u>(108)</u>	<u>(530)</u>	<u>1,179</u>	<u>(158)</u>	<u>383</u>
Asset management					
Operating income excluding consolidated investments and realized capital gains (losses)	348	523	273	515	1,659
Consolidated investments (3)	96	270	44	188	598
Realized capital gains (losses) (2)	5	(8)	(106)	(16)	(125)
Operating income	<u>449</u>	<u>785</u>	<u>211</u>	<u>687</u>	<u>2,132</u>
Other income (deductions) - net (4)	(337)	(314)	(529)	(398)	(1,578)
Other realized capital gains (losses) (2) (5)	(172)	56	343	(10)	217
Income before income taxes and minority interest	<u>4,793</u>	<u>5,241</u>	<u>6,301</u>	<u>5,352</u>	<u>21,687</u>
Income taxes	1,435	1,688	1,943	1,471	6,537
Income before minority interest	<u>3,358</u>	<u>3,553</u>	<u>4,358</u>	<u>3,881</u>	<u>15,150</u>
Minority interest, after tax:					
Income before realized capital gains (losses)	(181)	(360)	(137)	(439)	(1,117)
Realized capital gains (losses)	(16)	(3)	3	(3)	(19)
Income before cumulative effect of an accounting change	<u>3,161</u>	<u>3,190</u>	<u>4,224</u>	<u>3,439</u>	<u>14,014</u>
Cumulative effect of an accounting change, net of tax (6)	34	-	-	-	34
Net income	<u>3,195</u>	<u>3,190</u>	<u>4,224</u>	<u>3,439</u>	<u>14,048</u>
Realized capital gains (losses), net of tax (7)	118	(144)	(62)	121	33
FAS 133 gains (losses), excluding realized capital gains (losses), net of tax	(333)	(824)	267	(534)	(1,424)
Cumulative effect of an accounting change, net of tax (6)	34	-	-	-	34
Adjusted net income (8)	<u>3,376</u>	<u>4,158</u>	<u>4,019</u>	<u>3,852</u>	<u>15,405</u>
Earnings per share - diluted:					
Net income	1.22	1.21	1.61	1.31	5.36
Adjusted net income (8)	\$ 1.29	\$ 1.58	\$ 1.53	\$ 1.47	\$ 5.88
Average shares outstanding - diluted	2,624	2,625	2,626	2,622	2,623
Effective tax rate:					
Income before income taxes, minority interest and cumulative effect of an accounting change	29.9%	32.2%	30.8%	27.5%	30.1%
Net income	29.9%	33.3%	31.0%	29.2%	31.1%
Adjusted net income (8)	30.7%	33.7%	29.2%	29.3%	31.1%
Return on equity (9)	14.6%	14.6%	18.8%	14.9%	15.3%

(See Accompanying Notes on Page 6)

American International Group, Inc.

Consolidated Statement of Segment Operations

(in millions, except per share data)

	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
General insurance					
Net premiums written (10)	\$ 10,790	\$ 10,644	\$ 10,312	\$ 10,126	\$ 41,872
Net premiums earned (10)	10,140	10,232	10,134	10,303	40,809
Losses and loss expenses incurred (10) (11)	7,279	7,116	8,967	9,729	33,091
Underwriting expenses (10)	2,298	2,404	2,362	2,704	9,768
Underwriting profit (loss) (1)	563	712	(1,195)	(2,130)	(2,050)
Net investment income	1,015	1,060	987	969	4,031
Income (loss) before realized capital gains (losses)	1,578	1,772	(208)	(1,161)	1,981
Realized capital gains (losses) (2)	64	113	71	86	334
Operating income (loss)	<u>1,642</u>	<u>1,885</u>	<u>(137)</u>	<u>(1,075)</u>	<u>2,315</u>
Life insurance & retirement services					
Premiums and other considerations	7,565	7,329	7,141	7,466	29,501
Deposits and other considerations not included in revenues under GAAP	13,179	11,267	10,104	10,766	45,316
Premiums, deposits and other considerations	20,744	18,596	17,245	18,232	74,817
Net investment income	4,464	4,287	4,806	5,120	18,677
Income before realized capital gains (losses)	2,278	2,293	2,282	2,270	9,123
Realized capital gains (losses) (2)	(92)	90	(16)	(140)	(158)
Operating income (10)	<u>2,186</u>	<u>2,383</u>	<u>2,266</u>	<u>2,130</u>	<u>8,965</u>
Financial services					
Operating income excluding FAS 133 and realized capital gains (losses)	561	580	597	518	2,256
FAS 133 (2)	483	1,632	(375)	274	2,014
Realized capital gains (losses)	143	40	74	(103)	154
Operating income (10)	<u>1,187</u>	<u>2,252</u>	<u>296</u>	<u>689</u>	<u>4,424</u>
Asset management					
Operating income excluding consolidated investments, FAS 133 and realized capital gains (losses)	438	425	455	613	1,931
Consolidated investments (3)	75	37	77	72	261
FAS 133 (2)	62	47	18	(127)	-
Realized capital gains (losses)	201	(168)	52	(3)	82
Operating income (10)	<u>776</u>	<u>341</u>	<u>602</u>	<u>555</u>	<u>2,274</u>
Other income (deductions) - net (4) (10)	37	40	(376)	(2,395)	(2,694)
Other realized capital gains (losses) (2) (5)	(179)	(200)	(104)	412	(71)
Income before income taxes and minority interest	<u>5,649</u>	<u>6,701</u>	<u>2,547</u>	<u>316</u>	<u>15,213</u>
Income taxes (benefits)	1,706	2,083	748	(279)	4,258
Income before minority interest	3,943	4,618	1,799	595	10,955
Minority interest, after tax:					
Income before realized capital gains (losses)	(138)	(127)	(48)	(152)	(465)
Realized capital gains (losses)	(6)	(2)	(6)	1	(13)
Net income	<u>3,799</u>	<u>4,489</u>	<u>1,745</u>	<u>444</u>	<u>10,477</u>
Realized capital gains (losses), net of tax (7)	61	(56)	14	182	201
FAS 133 gains (losses), excluding realized capital gains (losses), net of tax	511	1,266	(133)	(114)	1,530
Adjusted net income (8)	<u>3,227</u>	<u>3,279</u>	<u>1,864</u>	<u>376</u>	<u>8,746</u>
Effect of settlement charge, net of tax (12)	-	-	-	1,147	1,147
Effect of general insurance reserve charge, net of tax (11)	-	-	-	1,186	1,186
Effect of current period catastrophe-related losses, net of tax	-	-	1,569	540	2,109
Earnings per share - diluted:					
Net income	1.45	1.71	0.66	0.17	3.99
Adjusted net income (8)	1.23	1.25	0.71	0.14	3.33
Effect of settlement charge, net of tax (12)	-	-	-	0.44	0.44
Effect of general insurance reserve charge, net of tax (11)	-	-	-	0.45	0.45
Effect of current period catastrophe-related losses, net of tax	\$ -	\$ -	\$ 0.60	\$ 0.20	\$ 0.80
Average shares outstanding - diluted	2,624	2,623	2,624	2,626	2,627
Effective tax rate:					
Income before income taxes and minority interest	30.2%	31.1%	29.4%	-	28.0%
Net income	30.4%	31.2%	30.7%	-	28.3%
Adjusted net income (8)	29.0%	30.2%	29.5%	-	26.8%
Return on equity (9)	18.8%	21.6%	8.3%	1.7%	12.3%

(See Accompanying Notes on Page 6)

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

- (1) Underwriting profit (loss) 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 did not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses.
- (3) Includes the income from certain AIG managed partnerships, private equity and real estate funds that are consolidated. Such income is offset in minority interest expense which is not a component of operating income, on the consolidated statement of income.
- (4) Includes a gain of \$167 million and losses of \$105 million, \$258 million, \$58 million and \$254 million, in the first, second, third and fourth quarters and the twelve months 2006, respectively; gains of \$240 million, \$268 million, and \$153 million, a loss of \$321 million and a gain of \$340 million in the first, second, third and fourth quarters and the twelve months 2005, respectively; attributable to the elimination of revenues reported in the Financial Services segment from intercompany hedging activities.
- (5) Includes a loss of \$167 million and gains of \$105 million, \$258 million, \$58 million and \$254 million, in the first, second, third and fourth quarters and the twelve months 2006, respectively; losses of \$240 million, \$268 million and \$153 million, a gain of \$321 million and a loss of \$340 million in the first, second, third and fourth quarters and the twelve months 2005, respectively; attributable to the elimination of realized capital gains (losses) reported in the General Insurance, Life Insurance & Retirement Services, Financial Services and Asset Management segments and the 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 gains of \$194 million and \$120 million, a loss of \$234 million and gains of \$57 million and \$137 million, net of tax, in the first, second, third and fourth quarters and the twelve months 2006; a gain of \$145 million and losses of \$218 million, \$92 million, \$50 million and \$215 million, net of tax, in the first, second, third and fourth quarters and the twelve months 2005, attributable to FAS 133.
- (8) Adjusted net income excludes realized capital gains (losses), cumulative effect of an accounting change and FAS 133, net of tax.
- (9) Return on equity is annualized net income, expressed as a percentage of average shareholders' equity.
- (10) Includes current period catastrophe-related losses in 2005 as follows:

(in millions)	Three Months Ended September 30, 2005			Three Months Ended December 31, 2005			Twelve Months Ended December 31, 2005		
	Insurance Related Losses	Net Reinstatement Premiums	Catastrophe Related Losses	Insurance Related Losses	Net Reinstatement Premiums	Insurance Related Losses	Net Reinstatement Premiums	Catastrophe Related Losses	
General Insurance:									
Domestic Brokerage	\$1,250	\$122	\$ -	\$497	\$ -	\$1,747	\$122	\$ -	
Personal Lines	67	2	-	45	-	112	2	-	
Mortgage Guaranty	10	-	-	-	-	10	-	-	
Transatlantic	355	40	-	108	5	463	45	-	
Foreign General	173	94	-	120	-	293	94	-	
Total General Insurance	1,855	258	-	770	5	2,625	263	-	
Life Insurance & Retirement Services	12	-	-	-	-	12	-	-	
Financial Services	-	-	62	-	-	-	-	62	
Asset Management	-	-	6	-	-	-	-	6	
Other income (deductions) - net	246	-	-	66	-	312	-	-	
Consolidated	\$2,113	\$258	\$68	\$836	\$5	\$2,949	\$263	\$68	

- (11) Includes an after tax charge of \$1,186 million related to an increase of \$1,824 million to net reserve for losses and loss expenses for both fourth quarter and the twelve months 2005.
- (12) Reflects an after tax charge related to a settlement with the Securities and Exchange Commission, the United States Department of Justice, the Office of the New York Attorney General and the New York State Department of Insurance in both the fourth quarter and the twelve months 2005.

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

(dollars in millions)

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006	Twelve Months 2006
Net premiums written	\$ 5,860	\$ 6,476	\$ 6,071	\$ 5,905	\$ 24,312
Net premiums earned (1)	5,769	5,818	6,276	6,047	23,910
Losses and loss expenses incurred (1) (2) (3)	4,202	4,031	4,216	4,330	16,779
Statutory underwriting expenses (1)	1,083	1,146	1,394	1,186	4,809
Statutory underwriting profit	484	641	666	531	2,322
Change in deferred acquisition costs	29	64	(29)	(50)	14
Underwriting profit	513	705	637	481	2,336
Net investment income (4)					
Interest and dividends	595	631	605	706	2,537
Partnership income	182	167	208	325	882
Other investment income (5)	72	151	232	72	527
Investment expense	(104)	(136)	(165)	(130)	(535)
Total	745	813	880	973	3,411
Operating income before realized capital gains (losses)	1,258	1,518	1,517	1,454	5,747
Realized capital gains (losses)	47	(44)	26	69	98
Operating income	\$ 1,305	\$ 1,474	\$ 1,543	\$ 1,523	\$ 5,845
Underwriting ratios:					
Loss ratio	72.87	69.25	67.18	71.59	70.17
Expense ratio	18.49	17.68	22.97	20.12	19.79
Combined ratio	91.36	86.93	90.15	91.71	89.96

- (1) Net premiums earned and statutory underwriting expenses include increases from out of period adjustments of \$155 million and \$225 million, respectively, \$89 million and \$167 million, respectively, and \$244 million and \$356 million, respectively, in the third and fourth quarters and the twelve months 2006, related to reconciliation remediation activities.
- (2) Includes additional losses incurred related to significant prior year catastrophes of \$71 million, \$(55) million, \$23 million, \$65 million and \$104 million, in the first, second, third and fourth quarters and the twelve months 2006, respectively.
- (3) Losses and loss expenses incurred include an increase from out of period adjustments of \$103 million in both the fourth quarter and twelve months 2006, related to reconciliation remediation activities.
- (4) Includes the effect of out of period adjustments related to the accounting for certain interest in unit investment trusts and partnerships. For the second and third quarters and the twelve months 2006, the effect was increases of \$20 million, \$191 million and \$109 million, respectively..
- (5) 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.
Domestic Brokerage Group Insurance Operating Statistics

(dollars in millions)

	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
Net premiums written (1) (2) (3)	\$ 5,681	\$ 5,866	\$ 5,496	\$ 6,061	\$ 23,104
Net premiums earned (1)	5,576	5,574	5,591	5,826	22,567
Losses and loss expenses incurred (1) (4) (5)	4,480	4,351	5,641	6,994	21,466
Statutory underwriting expenses (6)	1,050	1,062	1,036	1,356	4,504
Statutory underwriting profit (loss)	46	161	(1,086)	(2,524)	(3,403)
Change in deferred acquisition costs	(64)	(34)	52	25	(21)
Underwriting profit (loss)	(18)	127	(1,034)	(2,499)	(3,424)
Net investment income					
Interest and dividends	471	481	523	580	2,055
Partnership income	201	93	131	75	500
Other investment income (7)	54	120	13	89	276
Investment expense	(67)	(139)	(78)	(144)	(428)
Total	659	555	589	600	2,403
Operating income (loss) before realized capital gains (losses)	641	682	(445)	(1,899)	(1,021)
Realized capital gains (losses)	57	99	80	(35)	201
Operating income (loss)	\$ 698	\$ 781	\$ (365)	\$ (1,934)	\$ (820)
Underwriting ratios:					
Loss ratio	80.36	78.03	100.92	120.06	95.13
Expense ratio	18.46	18.13	18.86	22.35	19.49
Combined ratio	98.82	96.16	119.78	142.41	114.62
Combined ratio excluding current period catastrophe-related losses	98.82	96.16	95.34	133.88	106.31
Combined ratio excluding current period catastrophe-related losses and reserve charge	98.82	96.16	95.34	97.15	96.88

- (1) Net premiums written and net premiums earned include significant current period catastrophe-related losses of \$122 million, respectively, in both the third quarter and the twelve months 2005. Losses and loss expenses incurred includes significant current period catastrophe-related losses of \$1,250 million, \$497 million and \$1,747 million, respectively, in the third and fourth quarters and the twelve months 2005, respectively.
- (2) Net premiums written includes an increase of \$147 million in both the fourth quarter and the twelve months 2005, related to an accrual for workers compensation premiums for payroll not yet reported by insured employers.
- (3) Net premiums written includes an increase of approximately \$300 million and Foreign General net premiums written includes a decrease of approximately \$300 million, resulting from the Richmond commutation, in both the fourth quarter and twelve months 2005.
- (4) Includes additional losses incurred related to significant prior year catastrophes of \$120 million, \$2 million, \$39 million, \$40 million and \$201 million, respectively, in the first, second third and fourth quarters and the twelve months 2005, respectively.
- (5) Losses and loss expenses incurred includes a net reserve charge increase of \$2,140 million in both the fourth quarter and the twelve months 2005 .
- (6) Statutory underwriting expenses include \$291 million related to changes in estimate for uncollectible reinsurance and other premium balances in both the fourth quarter and twelve months 2005, and \$100 million of accrued expenses in connection with certain workers compensation insurance policies written between 1985 and 1986 in both the second quarter and twelve months 2005.
- (7) 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)

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006	Twelve Months 2006
Net premiums written (1) (2)	\$ 3,086	\$ 2,871	\$ 2,864	\$ 2,580	\$ 11,401
Net premiums earned (1) (2)	2,468	2,605	2,697	2,782	10,552
Losses and loss expenses incurred (2) (3)	1,253	1,227	1,305	1,370	5,155
Statutory underwriting expenses (4)	882	955	1,001	994	3,832
Statutory underwriting profit	333	423	391	418	1,565
Change in deferred acquisition costs	144	73	38	(39)	216
Underwriting profit	477	496	429	379	1,781
Net investment income (5)					
Interest and dividends	184	191	204	233	812
Partnership income	5	21	39	124	189
Other investment income (6)	16	414	70	90	590
Investment expense	(23)	(24)	(22)	(38)	(107)
Total	182	602	291	409	1,484
Operating income before realized capital gains (losses)	659	1,098	720	788	3,265
Realized capital gains (losses)	14	(77)	1	25	(37)
Operating income (7)	\$ 673	\$ 1,021	\$ 721	\$ 813	\$ 3,228
Underwriting ratios:					
Loss ratio	50.75	47.14	48.38	49.26	48.86
Expense ratio	28.55	33.28	34.98	38.48	33.60
Combined ratio	79.30	80.42	83.36	87.74	82.46

- (1) Net premiums written and net premiums earned include out of period adjustments of \$(41) million and \$(56) million, respectively, \$(20) million and \$20 million, respectively, and \$(61) million and \$(35) million, respectively, in the third and fourth quarters and the twelve months 2006, respectively, related to reconciliation remediation activities.
- (2) Includes additional losses incurred and net reinstatement premiums related to significant prior year catastrophes of \$32 million, \$(6) million, \$23 million, \$17 million and \$66 million, in the first, second, third and fourth quarters and the twelve months 2006, respectively.
- (3) Losses and loss expenses incurred includes an increase of \$22 million related to a typhoon in Japan in both the third quarter and the twelve months 2006.
- (4) Includes the results of wholly owned Foreign General agencies.
- (5) Includes the effect of out of period adjustments related to the accounting for certain interest in unit investment trusts and partnerships. For the second, third and fourth quarters and the twelve months 2006, the effect was increases of \$412 million, \$22 million, \$25 million and \$424 million, respectively.
- (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) Income statement accounts expressed in non-functional currencies are translated into U.S. dollars using average exchange rates.

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

	<u>First Quarter 2005</u>	<u>Second Quarter 2005</u>	<u>Third Quarter 2005</u>	<u>Fourth Quarter 2005</u>	<u>Twelve Months 2005</u>
Net premiums written (1) (2) (3)	\$ 2,873	\$ 2,576	\$ 2,618	\$ 1,954	\$ 10,021
Net premiums earned (1) (2)	2,416	2,496	2,403	2,375	9,690
Losses and loss expenses incurred (1) (2) (4)	1,299	1,286	1,375	1,083	5,043
Statutory underwriting expenses (5)	777	770	830	809	3,186
Statutory underwriting profit	340	440	198	483	1,461
Change in deferred acquisition costs	88	3	11	9	111
Underwriting profit	428	443	209	492	1,572
Net investment income					
Interest and dividends	154	164	179	171	668
Partnership income	42	174	45	11	272
Other investment income (6)	12	1	17	20	50
Investment expense	<u>(18)</u>	<u>(2)</u>	<u>(17)</u>	<u>(9)</u>	<u>(46)</u>
Total	190	337	224	193	944
Operating income before realized capital gains (losses)	618	780	433	685	2,516
Realized capital gains (losses)	<u>(7)</u>	<u>15</u>	<u>(25)</u>	<u>102</u>	<u>85</u>
Operating income (7)	<u>\$ 611</u>	<u>\$ 795</u>	<u>\$ 408</u>	<u>\$ 787</u>	<u>\$ 2,601</u>
Underwriting ratios:					
Loss ratio	53.78	51.51	57.21	45.60	52.04
Expense ratio	27.06	29.83	31.71	41.48	31.80
Combined ratio	80.84	81.34	88.92	87.08	83.84
Combined ratio excluding current period catastrophe-related losses	80.84	81.34	78.74	82.02	80.05
Combined ratio excluding current period catastrophe-related losses and reserve charge	80.84	81.34	78.74	94.11	82.98

- (1) Net premiums written and net premiums earned include significant current period catastrophe-related losses of \$94 million, in both the third quarter and the twelve months 2005. Losses and loss expenses incurred includes significant current period catastrophe-related losses of \$173 million, \$120 million and \$293 million, respectively, in the third and fourth quarters and the twelve months 2005, respectively.
- (2) Includes \$26 million of additional losses incurred and net reinstatement premiums related to a January 2005 European storm in both the first quarter and the twelve months 2005.
- (3) Net premiums written includes a decrease of approximately \$300 million and Domestic Brokerage Group net premiums written includes an increase of approximately \$300 million, resulting from the Richmond commutation, in both the fourth quarter and twelve months 2005.
- (4) Losses and loss expenses incurred includes a net reserve charge decrease of \$287 million in both the fourth quarter and the twelve months 2005.
- (5) Includes the results of wholly owned Foreign General agencies.
- (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) Income statement accounts expressed in non-functional currencies are translated into U.S. dollars using average exchange rates.

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

(dollars in millions)

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006	Twelve Months 2006
Premiums, deposits and other considerations (1)	\$ 19,625	\$ 19,563	\$ 19,839	\$ 20,619	\$ 79,646
Revenues:					
Premiums and other considerations	7,800	7,648	7,673	7,645	\$ 30,766
Net investment income:					
Interest and dividends	4,336	4,454	4,591	4,744	18,125
Partnership income excluding synfuels	158	95	139	207	599
Partnership income - synfuels (2)	(37)	(22)	(20)	(28)	(107)
Other (3) (4)	66	310	190	110	676
Investment expense	(79)	(96)	(81)	(84)	(340)
Net investment income before policyholder trading gains (losses) (5)	4,444	4,741	4,819	4,949	18,953
Policyholder trading gains (losses) (6)	390	(321)	226	776	1,071
Total net investment income (5)	4,834	4,420	5,045	5,725	20,024
Total revenues excluding realized capital gains (losses)	12,634	12,068	12,718	13,370	50,790
Benefits and expenses:					
Incurred policy losses and benefits	8,112	7,302	7,946	8,726	32,086
Insurance acquisition and other operating expenses	2,108	2,228	2,124	2,211	8,671
Total benefits and expenses	10,220	9,530	10,070	10,937	40,757
Operating income excluding realized capital gains (losses) (3) (4) (7) (8)	2,414	2,538	2,648	2,433	10,033
Realized capital gains (losses) (9)	216	(157)	(176)	205	88
Operating income (3) (4) (7) (8)	\$ 2,630	\$ 2,381	\$ 2,472	\$ 2,638	\$ 10,121

(See Accompanying Notes on Page 15)

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

(dollars in millions)

	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
Premiums, deposits and other considerations (1)	\$ <u>20,744</u>	\$ <u>18,596</u>	\$ <u>17,245</u>	\$ <u>18,232</u>	\$ <u>74,817</u>
Revenues:					
Premiums and other considerations	7,565	7,329	7,141	7,466	\$ 29,501
Net investment income:					
Interest and dividends	4,057	4,318	4,251	4,396	17,022
Partnership income excluding synfuels	166	33	160	57	416
Partnership income - synfuels (2)	(36)	(43)	(36)	(28)	(143)
Other (3)	73	110	150	188	521
Investment expense	(74)	(84)	(87)	(91)	(336)
Net investment income before policyholder trading gains (losses) (5)	4,186	4,334	4,438	4,522	17,480
Policyholder trading gains (losses) (6)	278	(47)	368	598	1,197
Total net investment income (5)	4,464	4,287	4,806	5,120	18,677
Total revenues excluding realized capital gains (losses)	12,029	11,616	11,947	12,586	48,178
Benefits and expenses:					
Incurred policy losses and benefits	7,742	7,286	7,663	8,318	31,009
Insurance acquisition and other operating expenses	2,009	2,037	2,002	1,998	8,046
Total benefits and expenses (10)	9,751	9,323	9,665	10,316	39,055
Operating income excluding realized capital gains (losses) (3) (10)	2,278	2,293	2,282	2,270	9,123
Realized capital gains (losses) (9)	(92)	90	(16)	(140)	(158)
Operating income (3) (10)	\$ 2,186	\$ 2,383	\$ 2,266	\$ 2,130	\$ 8,965

(See Accompanying Notes on Page 15)

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

(dollars in millions)

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006	Twelve Months 2006
Premiums, deposits and other considerations (1)	\$ <u>13,535</u>	\$ <u>13,745</u>	\$ <u>14,376</u>	\$ <u>14,777</u>	\$ <u>56,433</u>
Revenues:					
Premiums and other considerations	6,117	5,981	5,987	6,081	24,166
Net investment income:					
Interest and dividends	1,834	2,038	2,116	2,218	8,206
Partnership income	17	23	36	18	94
Other (3) (4)	69	297	165	91	622
Investment expense	<u>(55)</u>	<u>(67)</u>	<u>(53)</u>	<u>(60)</u>	<u>(235)</u>
Net investment income before policyholder trading gains (losses)	1,865	2,291	2,264	2,267	8,687
Policyholder trading gains (losses) (6)	<u>390</u>	<u>(321)</u>	<u>226</u>	<u>776</u>	<u>1,071</u>
Total net investment income	2,255	1,970	2,490	3,043	9,758
Total revenues excluding realized capital gains (losses)	8,372	7,951	8,477	9,124	33,924
Benefits and expenses:					
Incurred policy losses and benefits	5,672	4,883	5,503	6,136	22,194
Insurance acquisition and other operating expenses	<u>1,366</u>	<u>1,493</u>	<u>1,337</u>	<u>1,360</u>	<u>5,556</u>
Total benefits and expenses	7,038	6,376	6,840	7,496	27,750
Operating income excluding realized capital gains (losses) (3) (4) (7) (8)	1,334	1,575	1,637	1,628	6,174
Realized capital gains (losses) (9)	<u>352</u>	<u>164</u>	<u>(29)</u>	<u>220</u>	<u>707</u>
Operating income (3) (4) (7) (8)	\$ <u>1,686</u>	\$ <u>1,739</u>	\$ <u>1,608</u>	\$ <u>1,848</u>	\$ <u>6,881</u>

(See Accompanying Notes on Page 15)

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

(dollars in millions)

	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
Premiums, deposits and other considerations (1)	\$ <u>14,026</u>	\$ <u>12,680</u>	\$ <u>11,698</u>	\$ <u>12,677</u>	\$ <u>51,081</u>
Revenues:					
Premiums and other considerations	5,961	5,768	5,535	5,853	23,117
Net investment income:					
Interest and dividends	1,658	1,818	1,887	1,861	7,224
Partnership income	12	8	28	9	57
Other (3) (4)	100	118	115	132	465
Investment expense	<u>(47)</u>	<u>(50)</u>	<u>(60)</u>	<u>(68)</u>	<u>(225)</u>
Net investment income before policyholder trading gains (losses)	1,723	1,894	1,970	1,934	7,521
Policyholder trading gains (losses) (6)	<u>278</u>	<u>(47)</u>	<u>368</u>	<u>598</u>	<u>1,197</u>
Total net investment income	2,001	1,847	2,338	2,532	8,718
Total revenues excluding realized capital gains (losses)	7,962	7,615	7,873	8,385	31,835
Benefits and expenses:					
Incurred policy losses and benefits	5,389	4,971	5,249	6,075	21,684
Insurance acquisition and other operating expenses	<u>1,283</u>	<u>1,289</u>	<u>1,262</u>	<u>1,095</u>	<u>4,929</u>
Total benefits and expenses	6,672	6,260	6,511	7,170	26,613
Operating income excluding realized capital gains (losses) (3) (8)	1,290	1,355	1,362	1,215	5,222
Realized capital gains (losses) (9)	<u>(75)</u>	<u>124</u>	<u>26</u>	<u>9</u>	<u>84</u>
Operating income (3) (8)	\$ <u>1,215</u>	\$ <u>1,479</u>	\$ <u>1,388</u>	\$ <u>1,224</u>	\$ <u>5,306</u>

(See Accompanying Notes on Page 15)

American International Group, Inc.

Life Insurance & Retirement Services

Notes

- (1) Premiums, deposits and other considerations represent aggregate business activity 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 loss of \$40 million, a gain of \$3 million, losses \$1 million, \$8 million and \$46 million for the first, second, third and fourth quarters and the twelve months 2006, respectively; gains of \$11 million, \$10 millions, \$8 million and a loss of \$3 million and a gain of \$26 million for the first, second, third and fourth quarters and the twelve months 2005, respectively, for Foreign Life's share of the results of AIG's consumer finance operations in Taiwan.
- (4) Includes the effect of out of period adjustment related to the accounting for certain interests in unit investment trusts. For the second and third quarters and the twelve months 2006, respectively, the effect was an increase of \$221 million, \$24 million and \$240 million, respectively, in net investment income, and \$144 million, \$24 million and \$169 million, respectively, in operating income.
- (5) Include enhancements of \$95 million, \$55 million, \$93 million, \$149 million and \$392 million for the first, second, third and fourth quarters and the twelve months 2006, respectively; \$52 million, 167 million, \$30 million, \$209 million and \$458 million for the first, second, third and fourth quarters and the twelve months 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 did 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) Includes certain adjustments related to the loss of the Superior National arbitration, exiting the financial institutions credit life business, actuarial systems migration and other litigation. The effect of these adjustments is shown by product in the following table:

(in millions) increase (decrease)	Fourth Quarter 2006	Twelve Months 2006
Life Insurance		
Actuarial systems migration:		
Premiums and other considerations	\$(52)	\$(52)
Total benefits and expense	(25)	(25)
Other litigation:		
Total benefits and expenses	30	30
Operating income before realized capital gains	(57)	(57)
Group Life / Health		
Superior National:		
Total benefits and expenses	125	125
Exiting financial institutions credit life business:		
Total benefits and expenses	66	66
Actuarial systems migration:		
Total benefits and expenses	(11)	(11)
Other litigations:		
Total benefits and expenses	-	25
Operating income before realized capital gains	(180)	(205)
Payout Annuities		
Actuarial systems migration:		
Total benefits and expenses	24	24
Operating income before realized capital gains	\$(24)	\$(24)

- (8) Include the effect of out of period adjustments related to tax remediation in Singapore, and expense allocation between par and non-par funds in Malaysia. For the fourth quarter and the twelve months 2006, the effect was losses of \$129 million and \$163 million, respectively, in operating income.
- (9) **Life Insurance & Retirement Services:** Includes a gain of \$356 million, losses of \$21 million and \$190 million and gains of \$210 million and \$355 million for the first, second, third and fourth quarters and the twelve months 2006, respectively; losses of \$80 million, \$103 million, \$264 million, \$48 million and \$495 million for the first, second, third and fourth quarters and the twelve months 2005, respectively, relating to the effect of hedging activities that did not qualify for hedge accounting treatment under FAS 133 and the application of FAS 52.
Foreign Life Insurance & Retirement Services: Includes a gain of \$264 million, losses of \$8 million, \$86 million, gains of \$212 million and \$382 million for the first, second, third and fourth quarters and the twelve months 2006, respectively; losses of \$175 million, \$27 million, \$276 million, \$81 million and \$559 million for the first, second, third and fourth quarters and the twelve months 2005, respectively, relating to the effect of hedging activities that did not qualify for hedge accounting treatment under FAS 133 and the application of FAS 52.
- (10) Include \$12 million of current period catastrophe-related losses in both the third quarter and the twelve months 2005.

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

	<u>First Quarter 2006</u>	<u>Second Quarter 2006</u>	<u>Third Quarter 2006</u>	<u>Fourth Quarter 2006</u>	<u>Twelve Months 2006</u>
Revenues:					
Aircraft Leasing	965	\$ 1,042	\$ 1,060	\$ 1,076	\$ 4,143
Capital Markets (1)	378	375	335	548	1,636
Consumer Finance	924	939	970	986	3,819
Other, including intercompany adjustments	<u>25</u>	<u>33</u>	<u>39</u>	<u>37</u>	<u>134</u>
Total revenues excluding FAS 133 and realized capital gains (losses)	2,292	2,389	2,404	2,647	9,732
FAS 133 (2):					
AIGFP	(678)	(1,163)	783	(764)	(1,822)
Realized capital gains (losses) (3)	<u>52</u>	<u>20</u>	<u>(176)</u>	<u>(29)</u>	<u>(133)</u>
Total revenues	<u>\$ 1,666</u>	<u>\$ 1,246</u>	<u>\$ 3,011</u>	<u>\$ 1,854</u>	<u>\$ 7,777</u>
Operating income (loss):					
Aircraft Leasing (4)	\$ 129	\$ 189	\$ 157	\$ 164	\$ 639
Capital Markets (1)	208	211	182	348	949
Consumer Finance (5) (6)	175	199	220	167	761
Other, including intercompany adjustments (7)	<u>6</u>	<u>14</u>	<u>13</u>	<u>(44)</u>	<u>(11)</u>
Total operating income excluding FAS 133 and realized capital gains (losses)	518	613	572	635	2,338
FAS 133 (2):					
AIGFP	(678)	(1,163)	783	(764)	(1,822)
Realized capital gains (losses) (3)	<u>52</u>	<u>20</u>	<u>(176)</u>	<u>(29)</u>	<u>(133)</u>
Total operating income (loss)	<u>\$ (108)</u>	<u>\$ (530)</u>	<u>\$ 1,179</u>	<u>\$ (158)</u>	<u>\$ 383</u>

- 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 amounts of tax credits and benefits for the first, second, third and fourth quarters and the twelve months 2006, respectively, were \$18 million, \$8 million, \$3 million, \$21 million and \$50 million, respectively.
- (2) Includes the effect of hedging activities that did 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 that are effective economic hedges of borrowings.
- (3) Includes \$47 million, \$9 million, \$(110) million, \$(7) million and \$(61) million, respectively, for Aircraft Leasing; \$1 million, \$3 million, \$(69) million, \$(28) million and \$(93) million, respectively, for Consumer Finance and \$4 million, \$8 million, \$3 million, \$6 million and \$21 million, respectively, for Other, in the first, second, third and fourth quarters and the twelve months 2006, respectively.
- (4) Includes adjustments relating to a tax settlement in Australia, increased credit reserves and lease accruals totaling \$37 million in the first quarter and the twelve months 2006.
- (5) Includes \$44 million, \$3 million and \$47 million, respectively, in additional allowance for losses in AIG Credit Card Company (Taiwan) in the first and fourth quarters and the twelve months 2006, respectively.
- (6) Includes a reduction in the finance receivables reserve of \$22 million, \$13 million and \$35 million, respectively, on prior year catastrophe-related losses in the third and fourth quarters and the twelve months 2006, respectively.
- (7) Includes specific reserves of \$42 million in the fourth quarter and the twelve months 2006 related to two commercial lending transactions.

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

	<u>First Quarter 2005</u>	<u>Second Quarter 2005</u>	<u>Third Quarter 2005</u>	<u>Fourth Quarter 2005</u>	<u>Twelve Months 2005</u>
Revenues:					
Aircraft Leasing	\$ 827	\$ 891	\$ 943	\$ 917	\$ 3,578
Capital Markets (1)	288	279	388	291	1,246
Consumer Finance	833	891	940	949	3,613
Other, including intercompany adjustments	<u>20</u>	<u>20</u>	<u>19</u>	<u>13</u>	<u>72</u>
Total revenues excluding FAS 133 and realized capital gains (losses)	1,968	2,081	2,290	2,170	8,509
FAS 133 (2):					
AIGFP	468	1,696	(365)	215	2,014
Realized capital gains (losses) (3)	<u>143</u>	<u>40</u>	<u>74</u>	<u>(103)</u>	<u>154</u>
Total revenues	<u>\$ 2,579</u>	<u>\$ 3,817</u>	<u>\$ 1,999</u>	<u>\$ 2,282</u>	<u>\$ 10,677</u>
Operating income:					
Aircraft Leasing	\$ 172	\$ 188	\$ 175	\$ 144	\$ 679
Capital Markets (1)	152	140	215	140	647
Consumer Finance (4)	221	238	190	227	876
Other, including intercompany adjustments	<u>16</u>	<u>14</u>	<u>17</u>	<u>7</u>	<u>54</u>
Total operating income excluding FAS 133 and realized capital gains (losses)	561	580	597	518	2,256
FAS 133 (2) (5):					
ILFC	15	(64)	(10)	59	-
AIGFP	<u>468</u>	<u>1,696</u>	<u>(365)</u>	<u>215</u>	<u>2,014</u>
Total FAS 133	<u>483</u>	<u>1,632</u>	<u>(375)</u>	<u>274</u>	<u>2,014</u>
Realized capital gains (losses) (3)	<u>143</u>	<u>40</u>	<u>74</u>	<u>(103)</u>	<u>154</u>
Total operating income	<u>\$ 1,187</u>	<u>\$ 2,252</u>	<u>\$ 296</u>	<u>\$ 689</u>	<u>\$ 4,424</u>

- 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 amounts of tax credits and benefits for the first, second, third and fourth quarters and the twelve months 2005, respectively, were \$19 million, \$21 million, \$23 million, \$4 million and \$67 million, respectively.
- (2) Includes the effect of hedging activities that did 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 that are effective economic hedges of borrowings.
- (3) Includes \$76 million, \$49 million, \$45 million, \$(80) million and \$90 million, respectively, for Aircraft Leasing; \$80 million, \$(30) million, \$40 million, \$(44) million and \$46 million, respectively, for Consumer Finance and \$(13) million, \$21 million, \$(11) million, \$21 million and \$18 million, respectively, for Other, in the first, second, third and fourth quarters and the twelve months 2005, respectively.
- (4) Includes \$62 million of catastrophe-related losses in both the third quarter and the twelve months 2005.
- (5) Beginning fourth quarter 2005, all gains and losses on derivatives relating to ILFC were reported as part of realized capital gains (losses).

American International Group, Inc. Asset Management Operating Statistics (1)

(dollars in millions)

	First Quarter 2006	Second Quarter 2006	Third Quarter 2006	Fourth Quarter 2006	Twelve Months 2006
Revenues:					
Guaranteed investment contracts (2)	\$ 669	\$ 695	\$ 624	\$ 733	\$ 2,721
Matched investment program	-	10	35	73	118
Institutional asset management (3)	224	405	255	351	1,235
Brokerage service and mutual funds	73	73	71	76	293
Other (4)	<u>65</u>	<u>79</u>	<u>57</u>	<u>96</u>	<u>297</u>
Total excluding consolidated investments and realized capital gains (losses)	1,031	1,262	1,042	1,329	4,664
Consolidated investments (5):					
Institutional asset management	103	261	57	197	618
Realized capital gains (losses) (6)	<u>5</u>	<u>(8)</u>	<u>(106)</u>	<u>(16)</u>	<u>(125)</u>
Total revenues	<u>\$ 1,139</u>	<u>\$ 1,515</u>	<u>\$ 993</u>	<u>\$ 1,510</u>	<u>\$ 5,157</u>
Operating income:					
Guaranteed investment contracts (2)	\$ 201	\$ 220	\$ 140	\$ 263	\$ 824
Matched investment program	-	4	11	19	34
Institutional asset management (3)	63	203	45	122	433
Brokerage service and mutual funds	23	21	23	20	87
Other (4)	<u>61</u>	<u>75</u>	<u>54</u>	<u>91</u>	<u>281</u>
Total excluding consolidated investments and realized capital gains (losses)	348	523	273	515	1,659
Consolidated investments (5):					
Institutional asset management	96	270	44	188	598
Realized capital gains (losses) (6)	<u>5</u>	<u>(8)</u>	<u>(106)</u>	<u>(16)</u>	<u>(125)</u>
Total operating income	<u>\$ 449</u>	<u>\$ 785</u>	<u>\$ 211</u>	<u>\$ 687</u>	<u>\$ 2,132</u>

- Note: (1) AIG's non-affiliated client assets under management, including mutual funds and institutional accounts, approximated \$75.1 billion at December 31, 2006.
- (2) The Matched Investment Program has replaced the GIC program, which is in runoff, as AIG's principal institutional spread-based investment activity.
- (3) Includes AIG Global Investment Group and certain smaller asset management operations.
- (4) Consists primarily of SunAmerica Inc. partnerships.
- (5) Includes the income of certain AIG managed partnerships, private equity and real estate funds that are consolidated. Such income is offset in minority interest expense which is not a component of operating income, on the consolidated statement of income.
- (6) Includes \$6 million, \$(10) million, \$(75) million, \$(6) million and \$(85) million, respectively, for Guaranteed Investment Contracts; \$0, \$2 million, \$(32) million, \$(11) million and \$(41) million, respectively, for Matched Investment Program and \$(1) million, \$0, \$1 million, \$1 million and \$1 million, respectively, for Institutional Asset Management, in the first, second, third and fourth quarters and the twelve months 2006, respectively.

American International Group, Inc. Asset Management Operating Statistics (1)

(dollars in millions)

	First Quarter 2005	Second Quarter 2005	Third Quarter 2005	Fourth Quarter 2005	Twelve Months 2005
Revenues:					
Guaranteed investment contracts	\$ 724	\$ 758	\$ 737	\$ 684	\$ 2,903
Institutional asset management (2)	270	179	232	383	1,064
Brokerage service and mutual funds	63	62	67	65	257
Other (3)	<u>99</u>	<u>76</u>	<u>101</u>	<u>50</u>	<u>326</u>
Total excluding consolidated investments and realized capital gains (losses)	1,156	1,075	1,137	1,182	4,550
Consolidated investments (4):					
Institutional asset management	94	48	93	83	318
Realized capital gains (losses) (5)	<u>201</u>	<u>(168)</u>	<u>52</u>	<u>(3)</u>	<u>82</u>
Total revenues	<u>\$ 1,451</u>	<u>\$ 955</u>	<u>\$ 1,282</u>	<u>\$ 1,262</u>	<u>\$ 4,950</u>
Operating income (6):					
Guaranteed investment contracts	\$ 242	\$ 264	\$ 258	\$ 360	\$ 1,124
Institutional asset management (2)	86	71	78	190	425
Brokerage service and mutual funds	13	17	20	16	66
Other (3)	<u>97</u>	<u>73</u>	<u>99</u>	<u>47</u>	<u>316</u>
Total excluding consolidated investments, FAS 133 and realized capital gains (losses)	438	425	455	613	1,931
Consolidated investments (4):					
Institutional asset management	75	37	77	72	261
FAS 133 (7) (8):					
Guaranteed investment contracts	62	47	18	(127)	-
Realized capital gains (losses) (5)	<u>201</u>	<u>(168)</u>	<u>52</u>	<u>(3)</u>	<u>82</u>
Total operating income	<u>\$ 776</u>	<u>\$ 341</u>	<u>\$ 602</u>	<u>\$ 555</u>	<u>\$ 2,274</u>

Note: (1) AIG's non-affiliated client assets under management, including mutual funds and institutional accounts, approximated \$62.0 billion at December 31, 2005.

(2) Includes AIG Global Investment Group and certain smaller asset management operations.

(3) Consists primarily of SunAmerica Inc. partnerships.

(4) Includes the income of certain AIG managed partnerships, private equity and real estate funds that are consolidated. Such income is offset in minority interest expense which is not a component of operating income, on the consolidated statement of income.

(5) Includes \$193 million, \$(169) million, \$50 million, \$(4) million and \$70 million, respectively, for Guaranteed Investment Contracts and \$8 million, \$1 million, \$2 million, \$1 million and \$12 million, respectively, for Institutional Asset Management, in the first, second, third and fourth quarters and the twelve months 2005, respectively.

(6) Includes \$6 million of catastrophe-related losses in both the third quarter and the twelve months 2005.

(7) Includes the effect of hedging activities that did not qualify for hedge accounting treatment under FAS 133, including the related foreign exchange gains and losses.

(8) Beginning fourth quarter 2005, all gains and losses on derivatives relating to GICs were reported as part of realized capital gains (losses).

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 and out of period adjustments 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, settlement charges and the general insurance reserve charge.

AIG excludes the effects of the 2006 accounting change, FIN46(R) and EITF 04-5, and the effect of hedging activities that did not qualify for hedge accounting treatment under FAS 133, although they are economically effective hedges, because AIG believes that excluding these items permits investors to better assess the performance of the underlying businesses. AIG believes that providing information on a non-GAAP manner is more useful to investors and analysts. Likewise, AIG excludes certain entities consolidated pursuant to FIN46(R) or EITF 04-5, including certain AIG managed partnerships, private equity and real estate funds, where AIG does not in fact have the economic interest that is presumed to be held by consolidation because AIG believes this presentation more meaningful than the GAAP presentation.

AIG excludes catastrophe-related losses in order to permit investors to better assess the performance of the underlying underwriting business.

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. 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.