Press Release

November 10, 2008

Federal Reserve Board and Treasury Department announce restructuring of financial support to AIG

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The Federal Reserve Board and the U.S. Treasury on Monday announced the restructuring of the government's financial support to the American International Group (AIG) in order to keep the company strong and facilitate its ability to complete its restructuring process successfully. These new measures establish a more durable capital structure, resolve liquidity issues, facilitate AIG's execution of its plan to sell certain of its businesses in an orderly manner, promote market stability, and protect the interests of the U.S. government and taxpayers.

Equity Purchase
The U.S. Treasury on Monday announced that it will purchase $40 billion of newly issued AIG preferred shares under the Troubled Asset Relief Program. This purchase will allow the Federal Reserve to reduce from $85 billion to $60 billion the total amount available under the credit facility established by the Federal Reserve Bank of New York (New York Fed) on September 16, 2008.

Credit Facility
Certain other terms of the existing New York Fed credit facility, established on September 16, will be modified to help achieve the objectives described above. In particular, the interest rate on the facility will be reduced to three-month Libor plus 300 basis points from the current rate of three-month Libor plus 850 basis points, and the fee on undrawn funds will be reduced to 75 basis points from the current rate of 850 basis points. The length of the facility will be extended from two years to five years. The other material terms of the facility remain unchanged. The facility will continue to be secured by a lien on many of the assets of AIG and of its subsidiaries.

Additional Lending Facilities
The Federal Reserve Board has authorized the New York Fed to establish two new lending facilities relating to AIG under section 13(3) of the Federal Reserve Act. These facilities are designed to alleviate capital and liquidity pressures on AIG associated with two distinct portfolios of mortgage-related securities.

Residential Mortgage-Backed Securities Facility
In one new facility, the New York Fed will lend up to $22.5 billion to a newly formed limited liability company (LLC) to fund the LLC’s purchase of residential mortgage-backed securities from AIG's U.S. securities lending collateral portfolio. AIG will make a $1 billion subordinated loan to the LLC and bear the risk for the first $1 billion of any losses on the portfolio. The loans will be secured by all of the assets of the LLC and will be repaid from the cash flows produced by these assets as well as proceeds from any sales of these assets. The New York Fed and AIG will share any residual cash flows after the loans are repaid.

Proceeds from this facility, together with other AIG internal resources, will be used to return all cash collateral posted for securities loans outstanding under AIG's U.S. securities lending program. As a result, the $37.8 billion securities lending facility established by the New York Fed on October 8, 2008, will be repaid and terminated.

Collateralized Debt Obligations Facility

In the second new facility, the New York Fed will lend up to $30 billion to a newly formed LLC to fund the LLC's purchase of multi-sector collateralized debt obligations (CDOs) on which AIG Financial Products has written credit default swap (CDS) contracts. AIG will make a $5 billion subordinated loan to the LLC and bear the risk for the first $5 billion of any losses on the portfolio. In connection with the purchase of the CDOs, the CDS counterparties will concurrently unwind the related CDS transactions. The loans will be secured by all of the LLC's assets and will be repaid from cash flows produced by these assets as well as the proceeds from any sales of these assets. The New York Fed and AIG will share any residual cash flows after the loans are repaid.

The U.S. government intends to exit its support of AIG over time in a disciplined manner consistent with maximizing the value of its investments and promoting financial stability.

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U.S. Department of the Treasury

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