

U.S. DEPARTMENT OF THE TREASURY

Treasury Notes

AIG WRAP-UP: Treasury Sells Final Shares of AIG Common Stock, Positive Return on Overall \$182 Billion AIG Commitment Is Now \$22.7 Billion

By: Matt Anderson 12/12/2012



Yesterday, Treasury announced the [sale](#) of its final shares of AIG common stock. Including the proceeds from this latest offering, the overall positive return on the Federal Reserve and Treasury's combined \$182 billion commitment to stabilize AIG during the financial crisis is now \$22.7 billion.

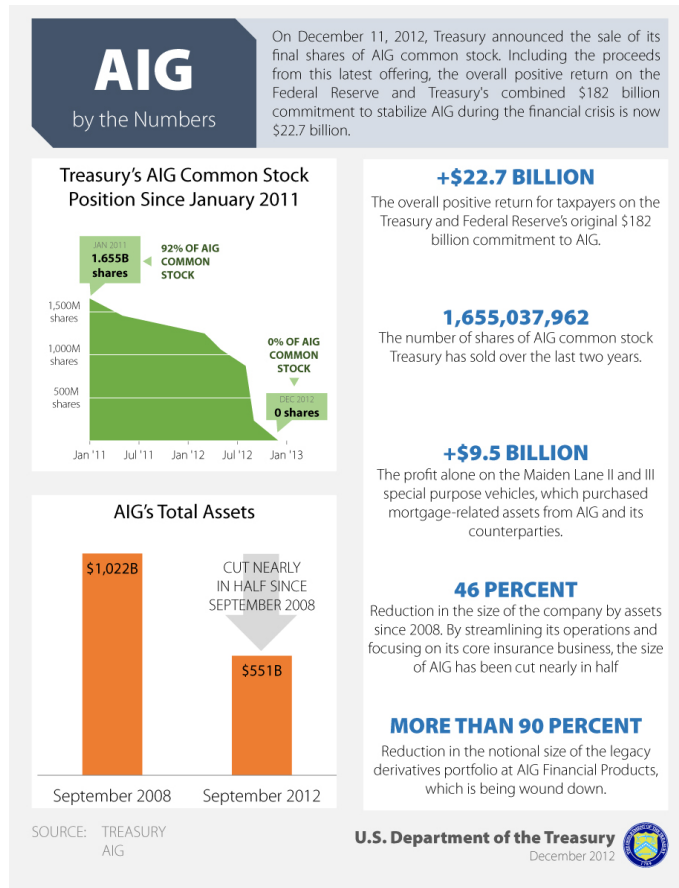


Also yesterday, Assistant Secretary for Financial Stability Tim Massad [appeared](#) on Bloomberg TV to discuss Treasury's efforts to wind down its AIG investment and the importance of moving forward on Wall Street Reform:

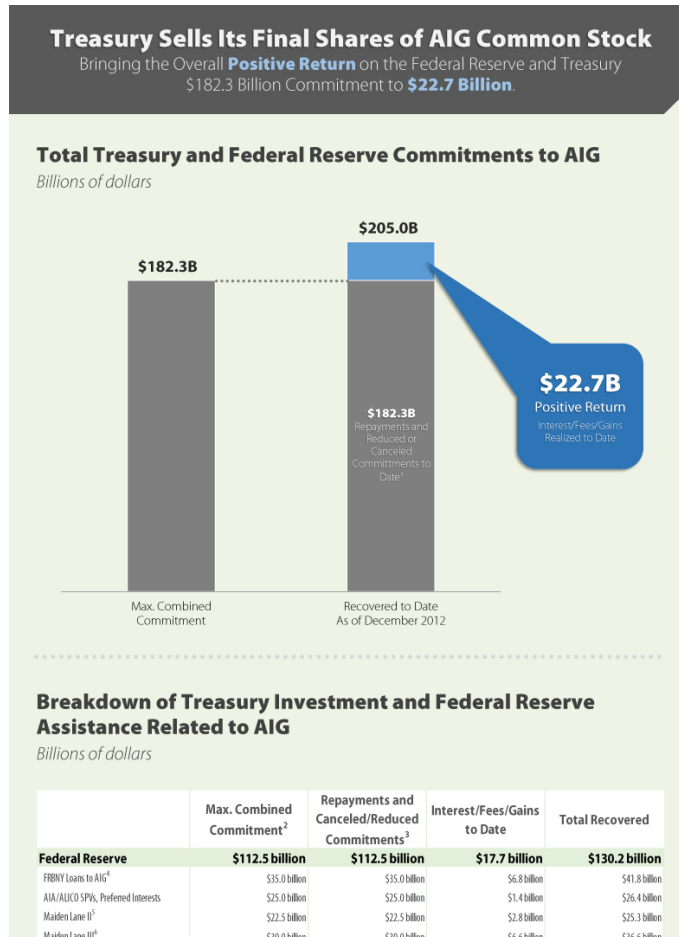
Assistant Secretary Massad: “The way to look at this is the following – it’s great we were able to realize a profit . . . It was a \$182 billion commitment. So it’s great that we’ve been able to recover that. But more importantly . . . we’ve learned a lot of lessons. We learned we can never let a company threaten to take down our financial system like this one did. And that’s why things like regulatory reform are so important and those are really the lessons we should be focusing on today.”

Assistant Secretary Massad noted that AIG is a “dramatically different company” today compared to four years ago. Since the financial crisis, AIG has undertaken a significant restructuring effort, which put it in a stronger position to repay taxpayers. The size of the company has been cut nearly in half as AIG sold non-core assets and focused on its core insurance operations. AIG’s Financial Products unit (AIGFP) is continuing to be wound down and has cut its legacy derivatives exposure by more than 90 percent to date.

And over the last 19 months, Treasury has conducted six public offerings of AIG common stock, selling a total of 1,655,037,962 shares (originally 92 percent of AIG’s outstanding common stock) at an average price of \$31.18. Treasury’s \$20.7 billion AIG common stock offering in September 2012 alone represented the largest single U.S. common stock offering in history.



The infographic below provides an overview of the effort to restructure AIG and recover the \$182 billion Treasury and Federal Reserve commitment – with a profit for taxpayers.



Treasury	\$69.8 billion	\$69.8 billion	\$5.0 billion	\$74.8 billion
Preferred Stock	\$22.3 billion	\$22.3 billion	\$0.9 billion	\$23.2 billion
Common Stock ⁷	\$47.5 billion ⁸	\$47.5 billion	\$4.1 billion	\$51.6 billion
Total	\$182.3 billion	\$182.3 billion	\$22.7 billion	\$205.0 billion

Timeline of Treasury Investment and Federal Reserve Assistance Related to AIG

Outstanding commitment⁹, billions of dollars



1 Sep. 16, 2008
Fed establishes \$85B credit facility for AIG.

2 Oct. 8, 2008
Fed commits additional \$37.8B to AIG in the form of a Securities Borrowing Facility.

3 Nov. 10, 2008
Treasury makes \$40B TARP investment in AIG to reduce Fed credit facility. Fed authorizes loans to Maiden Lane II and III to purchase mortgage-related assets from AIG and its counterparties.

4 Mar. 2, 2009
Treasury commits additional \$30B to AIG through TARP. Fed restructures its commitment, including a \$25B reduction in its credit facility in exchange for preferred interests in special purpose vehicles holding two of AIG's largest foreign life insurance subsidiaries (AIA and ALICO).

5 Oct. 2010
AIG prices sale of shares in its subsidiary AIA for \$20.5B in an initial public offering.

6 Nov. 2010
MetLife completes acquisition of AIG subsidiary ALICO for \$16.2B.

7 Jan. 14, 2011
Fed, Treasury, AIG, and Credit Facility Trust close recapitalization: (1) Fed loans to AIG are paid off while Fed loans to Maiden Lane II and III remain; (2) Fed's remaining AIA/ALICO preferred interests are transferred to Treasury; and (3) Treasury receives 1.655B common shares (92%) of AIG stock. Previously committed but unspent TARP funds are used to complete the transaction, as well as proceeds from AIA and ALICO sales.

8 Feb. 2011
AIG completes the sale of subsidiary Star/Edison to Prudential Financial, Inc. for \$4.8B.

9 May 2011
Treasury sells 200M shares (\$5.8B) of AIG common stock, reducing its remaining common stock stake to 77% from 92%. Also, \$2B of undrawn TARP commitment is canceled.

10 Aug. 2011
AIG closes the sale of subsidiary Nan Shan for \$2.2B.

11 Feb. 28, 2012
Sale of final remaining securities held in Maiden Lane II, other than certain zero-factor securities that were subsequently sold. Total gain from the Maiden Lane II portfolio for the Fed is \$2.8B.

12 Mar. 2012
AIG prices sale of additional AIA shares for \$6B, and also completes repayment of Treasury preferred interests. Treasury sells 207M shares (\$6.0B) of AIG common stock, reducing its remaining common stock stake to 70% from 77%.

13 May 2012
Treasury sells 189M shares (\$5.75B) of AIG common stock, reducing its remaining common stock stake to 61% from 70%.

14 Aug. 2012
Treasury sells 189M shares (\$5.75B) of AIG common stock, reducing its remaining common stock stake to 53% from 61%.

15 Aug. 2012
Sale of final remaining securities held in Maiden Lane III. Total gain from the Maiden Lane III portfolio for the Fed is \$6.6B.

16 Sep. 2012
Treasury agrees to sell 637M shares (\$20.7B) of AIG common stock. This reduces its remaining stake to 16% from 53%.

17 Dec. 2012
Treasury agrees to sell all of its remaining 234M shares (\$7.6B) of AIG common stock.

Dec. 2012
Treasury sells final shares of AIG common stock, \$22.7B positive return

Notes

Numbers may not sum due to rounding. Gives effect to offering commenced December 10.

- (1) Primary sources of repayments include sales (and sales of shares) of AIG's foreign life insurance subsidiaries (AIA, ALICO, Nan Shan, Star/Edison), the cash flows from and sale of mortgage-related assets formerly held by AIG and its counterparties (Maiden Lane II and III), and Treasury common stock sales. Figure also includes canceled/reduced commitments.
- (2) The maximum combined commitments from Treasury and the Federal Reserve were \$182 billion. These commitments were never fully drawn at any point in time, and the form of the commitments changed at various points in time in connection with restructurings of the commitments. (See timeline below for further details.) To avoid double counting, this chart presents the maximum amounts of the commitments as of immediately prior to the January 2011 recapitalization, with an adjustment for the common stock received by Treasury in the recapitalization in exchange for preferred stock.
- (3) In addition to repayments, this column includes canceled or reduced commitments, including the difference between the amount the Board of Governors authorized the FRBNY to lend to Maiden Lane II and Maiden Lane III and the amount ultimately lent to those vehicles; the cancellation of remaining undrawn Federal Reserve credit facility in the January 2011 recapitalization and the cancellation of Treasury's Series G preferred stock commitment in May 2011.
- (4) The FRBNY's original \$85 billion credit facility commitment was reduced to \$60 billion in November 2008 in connection with the \$40 billion TARP investment in AIG. The credit facility commitment was further reduced to \$35 billion in December 2009 in connection with AIG's transfer of the AIA Aurora LLC and ALICO Holdings LLC preferred interests to the New York Fed. Prior to the restructurings, however, the maximum amount loaned under the facility was \$72 billion. Interest fees and gains also include \$0.08 billion from Securities Borrowing Facility created in October 2008 and repaid in full in December 2008.
- (5) The maximum combined commitment figure refers to the amount the Federal Reserve Board of Governors authorized the Federal Reserve Bank of New York to lend to Maiden Lane II LLC. Ultimately, the maximum amount the Federal Reserve lent was \$19.5 billion.
- (6) The maximum combined commitment figure refers to the amount the Federal Reserve Board of Governors authorized the Federal Reserve Bank of New York to lend to Maiden Lane III LLC. Ultimately, the maximum amount the Federal Reserve lent was \$24.3 billion.
- (7) The FRBNY established its AIG credit facility in September 2008 before TARP was passed – and, in partial consideration, AIG agreed to issue an equity interest in the company to a separate trust, managed by independent trustees, for the benefit of the U.S. Treasury. Then, in November 2008, Treasury purchased preferred stock in AIG with TARP funds – the proceeds from which were used to refinance a portion of the FRBNY credit facility and strengthen AIG's capital structure. Additionally, the TARP preferred stock Treasury purchased in November 2008 was subsequently converted to common stock as part of a broader recapitalization plan that was completed in January 2011 among Treasury, the Federal Reserve, the independent trustees for the AIG trust, and AIG.
- (8) Treasury's AIG common stock holdings include shares acquired in exchange for preferred stock purchased with TARP funds (TARP shares) and shares received from the AIG trust (non-TARP shares). Overall, including both TARP (1.092 billion shares) and non-TARP shares (563 million shares), Treasury's AIG common stock holdings originally totaled approximately 1.655 billion shares with a cash cost-basis of \$47.5 billion. This cash cost basis reflects the cash cost of the TARP preferred shares converted to common stock (\$47.5 billion), as well as the fact the U.S. Treasury's cost basis in non-TARP shares is deemed to be zero.
- (9) Repayments occurred over the life of the commitment. However, the reduced commitment is not reflected until the January 2011 recapitalization transaction.

SOURCE: U.S. TREASURY
FEDERAL RESERVE
AIG

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Posted in: Financial Stability