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**AIG CLOSES TWO TRANSACTIONS THAT REDUCE DEBT AIG OWES
FEDERAL RESERVE BANK OF NEW YORK BY \$25 BILLION**

**AIG PLACES AMERICAN LIFE INSURANCE COMPANY (ALICO),
AMERICAN INTERNATIONAL ASSURANCE COMPANY, LTD. (AIA)
IN SPECIAL PURPOSE VEHICLES**

NEW YORK, December 1, 2009 – American International Group, Inc. (AIG) today announced that it has closed two previously announced transactions with the Federal Reserve Bank of New York (FRBNY) that have reduced the debt AIG owes the FRBNY by \$25 billion in exchange for the FRBNY’s acquisition of preferred equity interests in certain newly formed subsidiaries. As of today, including the \$25 billion debt reduction, AIG’s outstanding principal balance under the FRBNY credit facility is approximately \$17 billion, down from approximately \$42 billion, excluding interest and fees. As a result of these transactions, the total amount available under the facility has been reduced from \$60 billion to \$35 billion.

These transactions advance AIG’s goal of positioning two of the company’s leading international life insurance franchises, American International Assurance Company, Limited (AIA) and American Life Insurance Company (ALICO), for initial public offerings or third party sale, depending on market conditions and subject to customary regulatory approvals.

“Today’s announcement that we have reduced our debt to the Federal Reserve Bank of New York by \$25 billion sends a clear message to taxpayers: AIG continues to make good on its commitment to pay the American people back,” said Bob Benmosche, AIG chief executive officer. “Moreover, these transactions position AIA and ALICO, two terrific, unique international life insurance businesses, for the future.”

Mr. Benmosche noted that AIG would take an incremental charge related to its prepaid commitment asset in the fourth quarter in connection with the reduction in the total amount available under the FRBNY credit facility resulting from the closing of the AIA and ALICO transactions. The prepaid commitment asset was established at the inception of the FRBNY credit facility on September 16, 2008, in an amount of \$23 billion and represented the value to AIG of the initial \$85 billion of credit provided by the FRBNY. Since the inception of the FRBNY credit facility and through September 30, 2009, AIG has recognized a total of \$11.7 billion of amortization expense, and expects to recognize in the fourth quarter an additional amount of \$5.7 billion, including \$5.2 billion of accelerated amortization related to these transactions. These cumulative charges reflect the reduction of the facility from the initial amount of \$85 billion to \$35 billion as well as periodic amortization. Mr. Benmosche further noted that after the FRBNY facility is fully repaid, the AIG Credit Facility Trust will continue to hold a preferred voting interest in AIG, currently approximately 79.8 percent, through the ownership of the Series C Preferred Stock.

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American International Group, Inc.

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AIG Closes Two Transactions that Reduce Debt AIG Owes FRBNY by \$25 Billion

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“We continue to focus on stabilizing and strengthening our businesses, but expect continued volatility in reported results in the coming quarters, due in part to charges related to ongoing restructuring activities, such as the previously announced loss that we expect to recognize in the upcoming quarter related to our announced agreement to sell our Taiwan-based life insurer Nan Shan,” Mr. Benmosche said.

The AIA and ALICO transactions involve AIG contributing the equity of each of AIA and ALICO to separate special purpose vehicles (SPVs) in exchange for interests in the SPVs. Under the terms of the transactions, the FRBNY receives preferred interests with a liquidation preference in the AIA SPV of \$16 billion and with a liquidation preference in the ALICO SPV of \$9 billion.

The liquidation preference of the preferred interests represents a percentage of the estimated fair market value of AIA and ALICO. AIG holds all of the common interests in the AIA and ALICO SPVs and will benefit from the fair market value of AIA and ALICO in excess of the value of the preferred interests as the SPVs monetize their stakes in these companies in the future.

Until AIG divests a majority of its common interests in AIA and ALICO, AIA and ALICO will continue to be consolidated in AIG’s financial statements.

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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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