U.S. DEPARTMENT OF THE TREASURY

Treasury Notes

INFOGRAPHIC: Overall $182 Billion Committed to Stabilize AIG During the Financial Crisis is Now Fully Recovered

By: Timothy G. Massad 9/11/2012

Note: This blog and infographic have been updated to reflect Treasury's announcement today that it expects to receive an additional $2.7 billion from its underwritten public offering of American International Group, Inc. (AIG) common stock, increasing Treasury's expected proceeds from the public offering to approximately $20.7 billion.

During the financial crisis, the Treasury Department and the Federal Reserve committed a combined total of $182 billion to stabilize AIG. That assistance was a critical part of a broad-based effort to break the back of an historic financial panic and prevent a second Great Depression.

Treasury's offering this week of $20.7 billion in AIG common stock is an important milestone. That is because not only was the objective of stopping a financial panic accomplished, but the expected proceeds of this offering will mean that the overall $182 billion commitment made to stabilize AIG is fully recovered.

That is a credit not only to the overall strategy and the work of many people across both Democratic and Republican administrations and at the Federal Reserve, but also to the efforts of AIG under its new leadership to restructure the company and pay back the taxpayer.

In fact, with this sale, Treasury and the Federal Reserve have already realized a combined $15.1 billion positive return. And the sale of Treasury's remaining 234.2 million common stock shares will provide an additional return for taxpayers.

Both Treasury and the Federal Reserve provide separate accountings of their individual AIG-related commitments. But many people are interested in seeing a broader picture of the current status of that assistance. As such, we compiled the following overview of the combined Federal Reserve assistance and Treasury investments.

Indeed, when conducting a January 2010 review of the special purpose vehicle established by the Federal Reserve to purchase mortgage-related assets from AIG's counterparties ("Maiden Lane III"), the Special Inspector General for TARP (SIGTARP) wrote that "any assessment of the costs of these decisions to the Government and the taxpayer necessarily must . . . take into account both the funds that [the Federal Reserve Bank of New York] previously loaned to AIG and the subsequent TARP investments.[1]

We still have more work ahead to wind down Treasury's remaining AIG common stock holdings and recover additional taxpayer dollars. And the total amount of proceeds that we realize from those future sales will depend upon market conditions. But it's certainly welcome news today that the overall $182 commitment to stabilize AIG during the financial crisis has been fully recovered.

Of course, committing $182 billion to stabilize AIG was something that the government should never have had to do. As Secretary Geithner stated in January 2010:

> Many Americans look at what happened with AIG, and the rest of the financial rescue, and simply ask: Why was it necessary? Why was it fair for the government to take taxpayer money and put it into an institution that had mismanaged itself to the edge of collapse? The answer is that it was not fair, and it was not something our government should ever have to do. But those Americans, those families and business owners who played by the rules and played no role in giving rise to this recession, should understand that if the government had failed to act, that failure would have unleashed substantially greater damage upon them.
>
> In confronting this crisis, we learned from the past. Now we must learn from more recent failures, especially those that required AIG's rescue. If we had stronger supervision and regulation in place, the government could have acted sooner to avert the crisis. If we had better crisis management tools in place, the government would have had better options. If we could have done it any differently, we would have done it differently. Instead, we had no other choice. That is the basic lesson of this great recession.

That's why, as Secretary Geithner noted yesterday: "To stabilize and then restructure the company with a very substantial positive gain for the American taxpayer is a significant accomplishment, but we need to continue the critical task of implementing Wall Street reform so that the American economy is never put in this position again."

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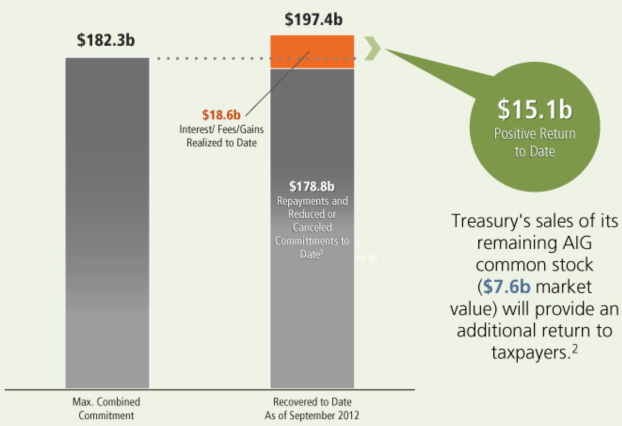
[1]The Federal Reserve Bank of New York established its AIG credit facility in September 2008 before TARP was passed – and, in partial consideration, AIG agreed to issue an equity interest in the company to a separate trust, managed by independent trustees, for the benefit of the U.S. Treasury. Then, 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. See the timeline below for further details.

The Overall $182b Committed to Stabilize AIG During the Financial Crisis is Now Fully Recovered

Total Treasury and Federal Reserve Commitments to AIG

Billions of Dollars



Breakdown of Treasury Investment and Federal Reserve Assistance Related to AIG

Billions of dollars

	Max. Combined Commitment[3]	Repayments and Canceled/Reduced Commitments[4]	Interest/Fees/Gains to Date	Total Recovered
Federal Reserve	**$112.5 billion**	**$112.5 billion**	**$17.7 billion**	**$130.2 billion**
FRBNY Loans to AIG[5]	$35.0 billion	$35.0 billion	$6.8 billion	$41.8 billion
AIA/ALICO SPVs, Preferred Interests	$25.0 billion	$25.0 billion	$1.4 billion	$26.4 billion
Maiden Lane II[6]	$22.5 billion	$22.5 billion	$2.8 billion	$25.3 billion
Maiden Lane III[7]	$30.0 billion	$30.0 billion	$6.6 billion	$36.6 billion
Treasury	**$69.8 billion**	**$66.3 billion**	**$0.9 billion**	**$67.2 billion**
Preferred Stock	$22.3 billion	$22.3 billion	$0.9 billion	$23.2 billion
Common Stock[8]	$47.5 billion[9]	$44.0 billion	-	$44.0 billion
Total	**$182.3 billion**	**$178.8 billion**	**$18.6 billion**	**$197.4 billion**

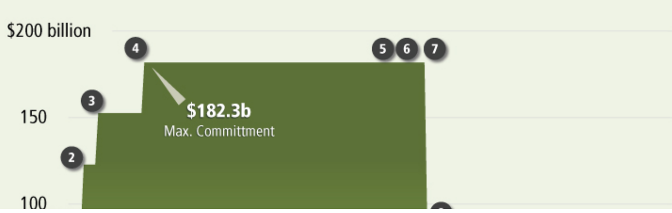
Current Status

The **Federal Reserve Bank of New York's** loans to AIG have been fully repaid and all of the mortgage-related assets acquired in connection with its assistance to AIG have been liquidated or sold.

Treasury will hold approx. 234m shares of AIG common stock after the closing of its most recent common stock offering. These shares represent the entirety of Treasury's remaining AIG holdings.

Timeline of Treasury Investment and Federal Reserve Assistance Related to AIG

Outstanding commitment[10], 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 $16.2 billion.

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 common stock stake to 16% from 53%.

Notes

Numbers may not sum due to rounding.

(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. See timeline for further details.

(2) Market value reflects September 10 sale price of $32.50. After the Treasury's most recent common stock offering, Treasury will hold 234m shares of AIG common stock.

(3) 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.

(4) 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 cancelation of Treasury's Series G preferred stock commitment in May 2011.

(5) 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. See timeline for further details.

(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 II LLC. Ultimately, the maximum amount the Federal Reserve lent was $19.5 billion.

(7) 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.

(8) 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. See timeline for further details.

(9) 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. Giving effect to the offering that priced September 10, the Treasury has received a total of $44.0 billion in proceeds from five offerings of AIG common stock -- leaving a remaining outstanding cash cost basis of $3.5 billion. The market value of the remaining AIG common stock held by Treasury (approximately 234 million shares) is $7.6 billion as of the September 10 sale price ($32.50).

(10) 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

U.S. Department of the Treasury
September 2012

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