Residential Mortgage Presentation

(Financial Figures are as of June 30, 2007)

August 9, 2007

(Revised as to slide 29)

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The consumer finance industry uses the Fair Isaac & Co. credit score, known as a FICO score, as a standard indicator of a borrower's credit quality.

While the current concern in the mortgage market is sub-prime lending, there is no standard definition of sub-prime. The banking regulators have provided some guidance and view sub-prime borrowers as those who may have a number of credit characteristics, including previous records of delinquency, bankruptcy or foreclosure; a low credit score; and/or a high debt to income ratio.

The rating agencies and market participants, such as lenders, mortgage insurers, dealers and investors, also have different definitions of sub-prime. For this presentation, AIG has segmented the consumer finance portfolios of American General Finance and United Guaranty into three categories: Prime, as FICO greater than or equal to 660; Non-Prime, as FICO between 659 and 620; and Sub-Prime as FICO less than 620.

For the investment portfolios of AIG insurance companies and AIG Financial Products, the presentation will use the securitization market's sub-prime convention of under 660, representing an average FICO score of the underlying mortgage collateral.

AIG and the US Residential Mortgage Market

- AIG is active in various segments of the residential mortgage market
- Certain segments of the market have experienced credit deterioration which is affecting current results in AIG's mortgage guaranty insurance business
- AIG does not need to liquidate any investment securities in a chaotic market due to its strong liquidity and cash flow, and superior financial position
- AIG is very comfortable with the size and quality of its investment portfolios and its operations
- AIG has the financial wherewithal and expertise to take advantage of opportunities as they arise

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The Residential Mortgage Market

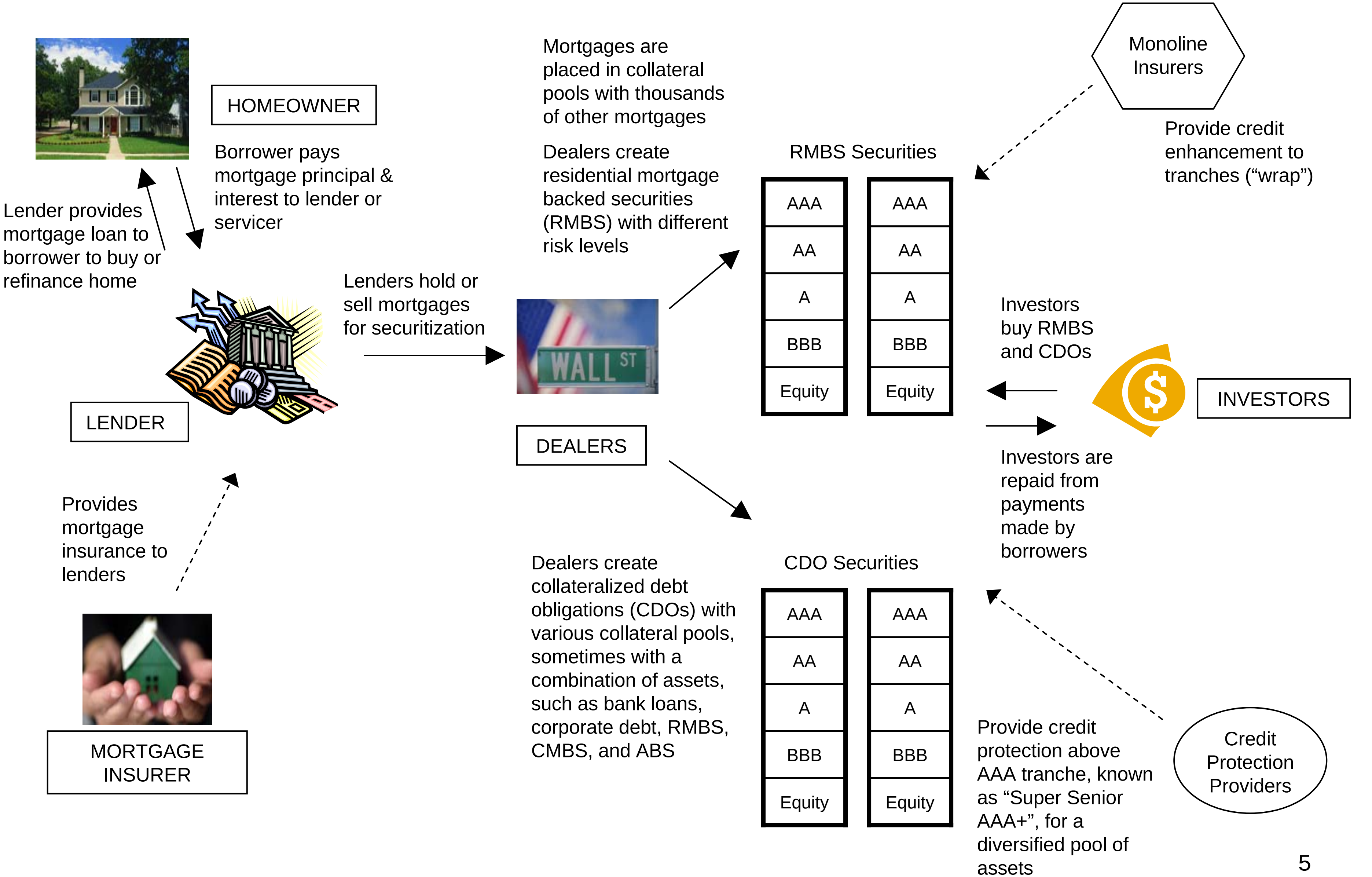
Originates Mortgages: **American General Finance** extends first- and second-lien mortgages to borrowers

Provides Mortgage Insurance: **United Guaranty** provides mortgage guaranty insurance for first- and second-lien mortgages that protect lenders against credit losses

Invests in Mortgage Backed Securities (MBS) & Collateralized Debt Obligations (CDOs): **AIG** insurance companies and **AIG Financial Products** invest in Residential Mortgage-Backed Securities (RMBS), in which the underlying collateral are pools of mortgages that are repaid from mortgage payments, and CDOs and Asset-Backed Securities (ABS). CDOs are similar in structure to RMBS, but the collateral can be composed of bank loans, corporate debt, and asset-backed securities (such as RMBS)

Provides Credit Default Protection: **AIG Financial Products** provides credit protection through credit default swaps on the "Super Senior (AAA+)" tranche of CDOs

How does the Residential Mortgage Market function?



What is AIG's role in the Residential Mortgage Market?

HOMEOWNER

Borrower pays mortgage principal & interest to lender or servicer

Lender provides mortgage loan to borrower to buy or refinance home

LENDER

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American General Finance

Lenders hold or sell mortgages for securitization

DEALERS

Mortgages are placed in collateral pools with thousands of other mortgages

Dealers create residential mortgage backed securities (RMBS) with different risk levels

RMBS Securities

AAA	AAA
AA	AA
A	A
BBB	BBB
Equity	Equity

Monoline Insurers

Provide credit enhancement to tranches ("wrap")

Investors buy RMBS and CDOs

INVESTORS

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AIG insurance cos.
AIG Financial Products

Investors are repaid from payments made by borrowers

Provides mortgage insurance to lenders

MORTGAGE INSURER

AIG United Guaranty provides mortgage insurance to many lenders

Dealers create collateralized debt obligations (CDOs) with various collateral pools, sometimes with a combination of assets, such as bank loans, corporate debt, RMBS, CMBS, and ABS

CDO Securities

AAA	AAA
AA	AA
A	A
BBB	BBB
Equity	Equity

Provides credit protection above AAA tranche, known as "Super Senior AAA+", for a diversified pool of assets

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AIG Financial Products

Credit Protection Providers

American General Finance

American General Finance (AGF)

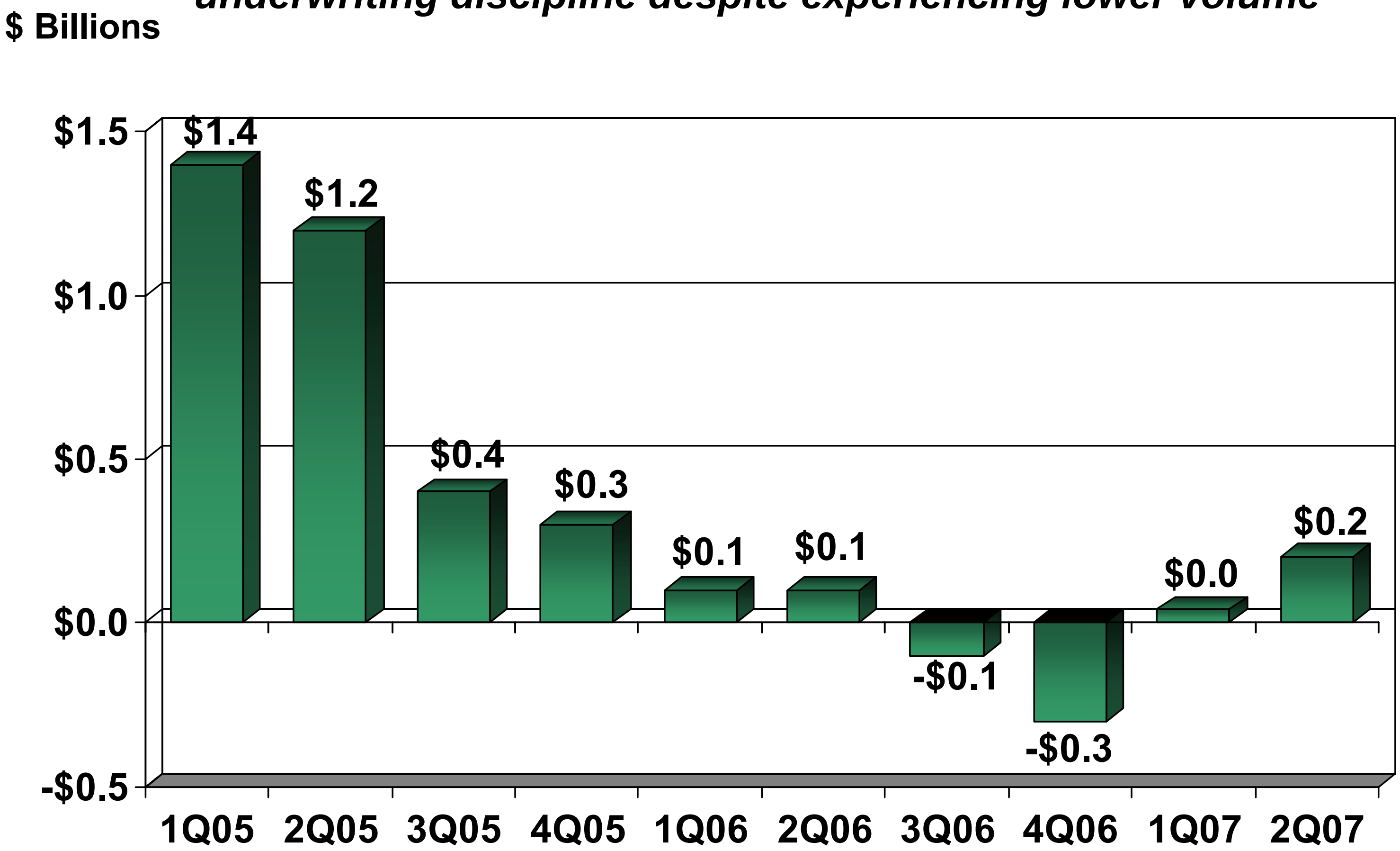
Overview of AGF Mortgage Business

- AGF provides loans to borrowers through a network of over 1,500 branches in the U.S. that has been servicing such customers for more than 50 years
- AGF also originates and acquires loans through its centralized real estate operations
  - Higher credit quality borrowers than through branches
- Disciplined underwriting and real estate loan growth over the past few years has been focused on:
  - Higher quality loans
  - First-lien positions and fixed interest rates
  - No negative amortization payment options
- Track more than 350 markets and adjust underwriting standards
- All purchased loans are re-underwritten to AGF's standards by AGF personnel
- AGF's mortgage banking operation also originates and sells whole loans to third party investors on a servicing-release basis, and does not retain a residual interest

American General Finance

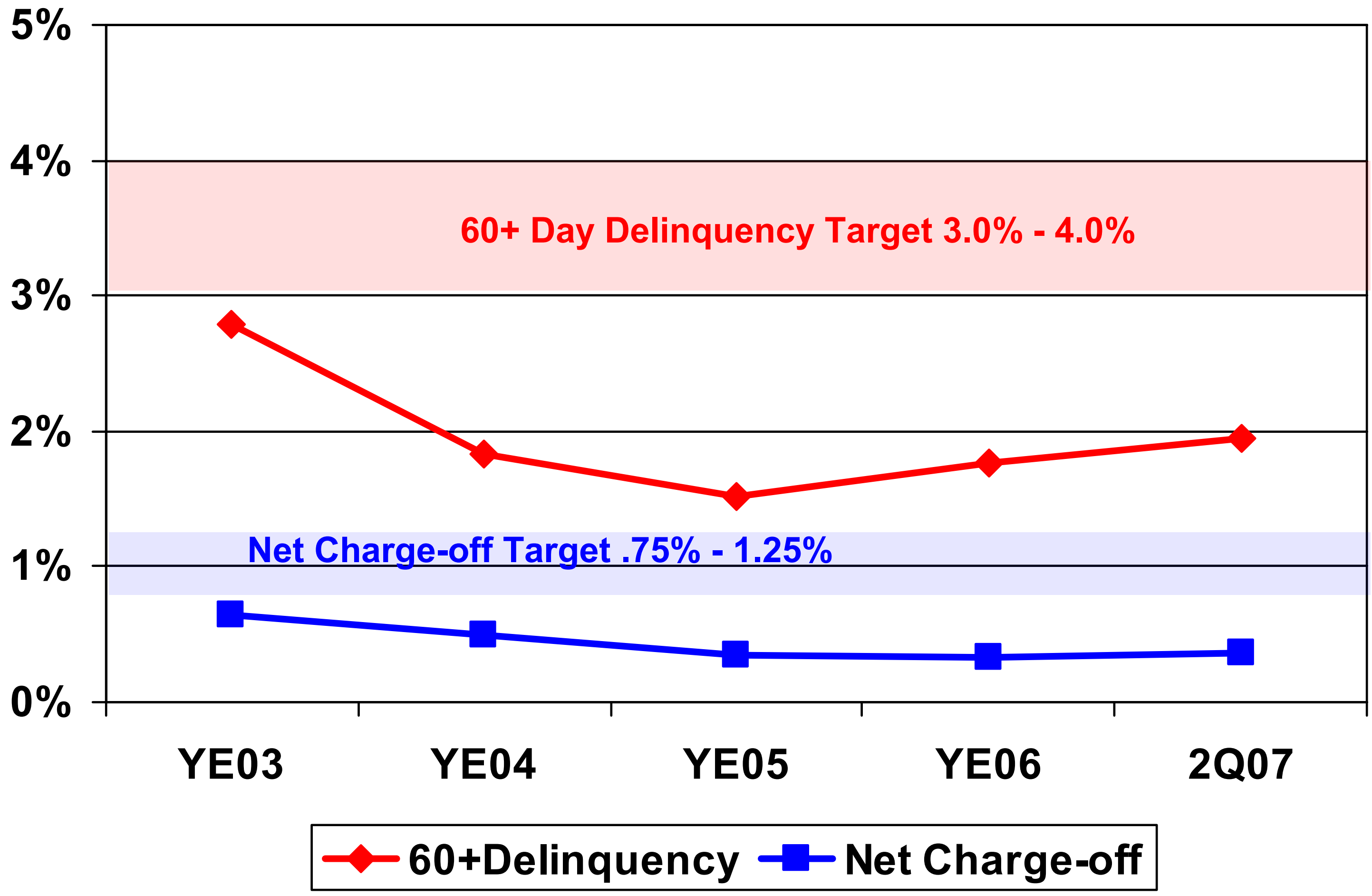
Net Real Estate Loan Growth

As the real estate market softened, AGF maintained its underwriting discipline despite experiencing lower volume



American General Finance
Real Estate Credit Quality

AGF's portfolio has performed better than target



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American General Finance @ 6/30/07

Real Estate Portfolio	Total Portfolio	FICO (≥ 660)	FICO (620-659)	FICO (< 620)
Outstandings	**$19.2 Billion**	**$9.7 Billion**	**$3.2 Billion**	**$6.0 Billion**
Loan To Value (LTV)	81%	84%	80%	75%
60+ Day Delinquency	1.95%	0.81%	2.13%	3.68%
2007 Vintage	**$2.0 Billion**	**$598.9 Million**	**$403.1 Million**	**$1.0 Billion**
LTV	77%	84%	78%	73%
60+ Day Delinquency	0.11%	0.00%	0.03%	0.21%
2006 Vintage	**$3.8 Billion**	**$1.3 Billion**	**$722.7 Million**	**$1.8 Billion**
LTV	79%	86%	80%	75%
60+ Day Delinquency	1.57%	0.70%	1.22%	2.33%
2005 Vintage	**$5.2 Billion**	**$3.1 Billion**	**$940.8 Million**	**$1.2 Billion**
LTV	82%	85%	82%	76%
60+ Day Delinquency	2.07%	0.95%	2.67%	4.31%
2004 Vintage	**$4.9 Billion**	**$3.7 Billion**	**$618.2 Million**	**$577.6 Million**
LTV	81%	83%	80%	74%
60+ Day Delinquency	1.55%	0.76%	2.67%	5.42%
LTV Greater than 95.5%	**$3.6 Billion**	**$3.0 Billion**	**$373.8 Million**	**$174.2 Million**
LTV	99%	99%	99%	98%
60+ Day Delinquency	1.53%	1.15%	2.83%	5.29%
Low Documentation	**$500.8 Million**	**$287.4 Million**	**$142.7 Million**	**$70.7 Million**
LTV	76%	78%	75%	69%
60+ Day Delinquency	2.30%	2.07%	1.88%	4.04%
Interest-Only	**$1.7 Billion**	**$1.4 Billion**	**$279.4 Million**	**$20.0 Million**
LTV	89%	90%	88%	78%
60+ Day Delinquency	1.70%	1.30%	2.95%	11.49%

This table is for informational purposes only. AGF's loan underwriting process does not use FICO scores as a primary determinant for credit decisions. AGF uses proprietary risk scoring models in making credit decisions. Delinquency figures are shown as a percentage of outstanding loan balances, consistent with mortgage lending practice.

American General Finance

Risk Mitigating Practices - Real Estate Portfolio

- 97.4% of mortgages are underwritten with full income verification
- 85.4% are fixed-rate mortgages
- Adjustable rate mortgages (ARMs): borrowers are qualified on fully-indexed and fully-amortizing basis at origination
- About 11% of the total mortgage portfolio resets by the end of 2008
- No delegation of underwriting to unrelated parties
- No Option ARMs
- Substantially all loans are:
  - First mortgages (91%)
  - Owner occupied borrowers (94.5%)
- Geographically diverse portfolio

United Guaranty

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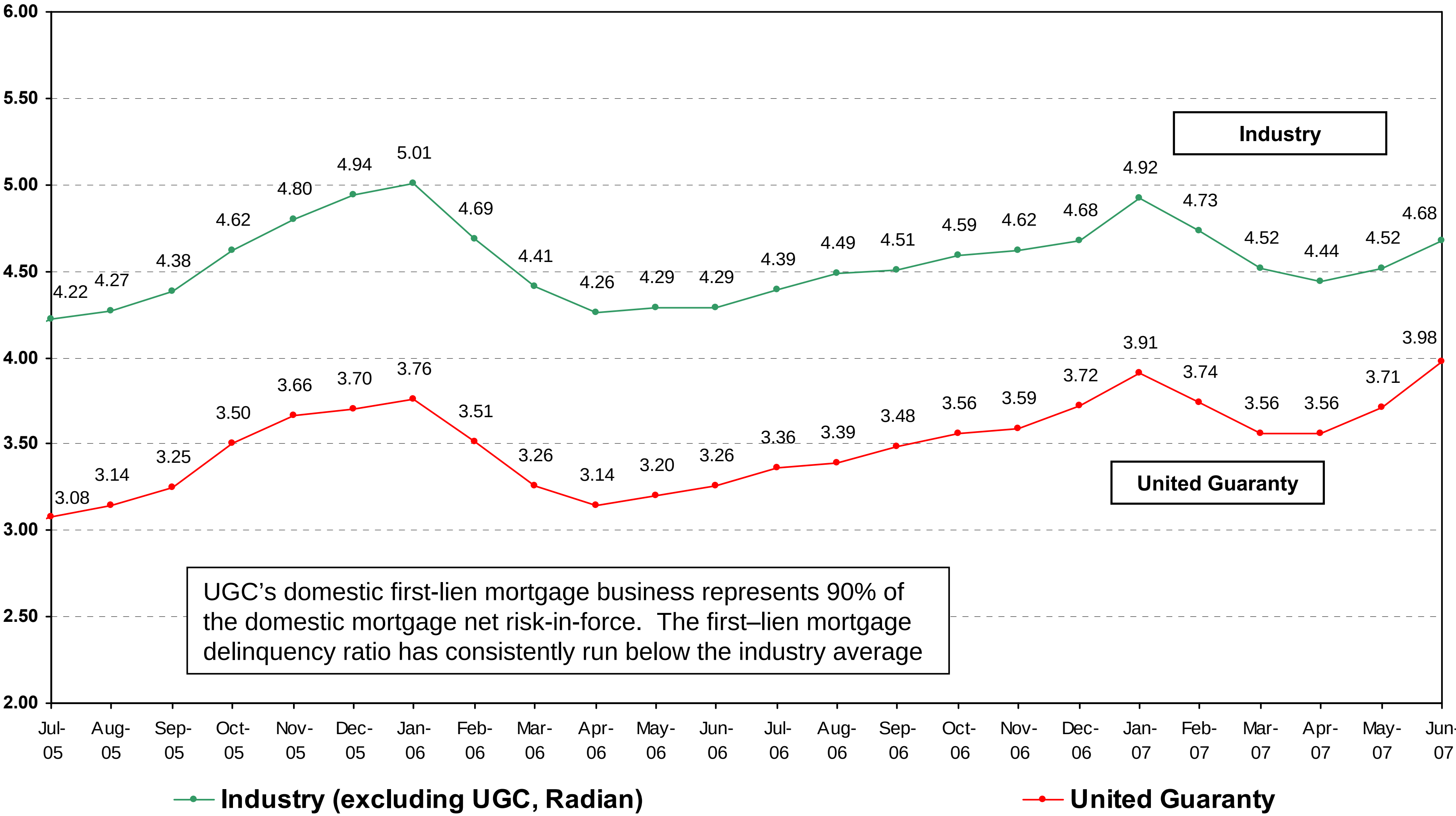
United Guaranty (UGC)

Overview of UGC Mortgage Insurance Business

- Established in 1963, UGC insures primarily high credit quality, high LTV (loan-to-value) mortgage loans
- UGC offers risk-transfer products, which include mortgage guaranty insurance for first- and second-lien mortgages to protect lenders against credit losses
- Majority of the portfolio is conforming Fannie Mae and Freddie Mac products
- UGC sources its business from major U.S. and international mortgage lenders. To maintain these relationships, UGC is expected to insure a wide variety of mortgage products and borrowers. This may negatively affect short-term profitability
- UGC's sophisticated default and pricing models and predictive real estate scoring systems enable UGC to manage its risk and product mix over the long term cycles of the mortgage business
- As a broad market participant in a cyclical business, UGC has experienced an average domestic mortgage loss ratio of 27% over the last 10 years

United Guaranty

Delinquency Rates – UGC vs. Industry (First-Lien)



Figures (for UGC and industry) are based on primary insurance and does not include pool insurance.

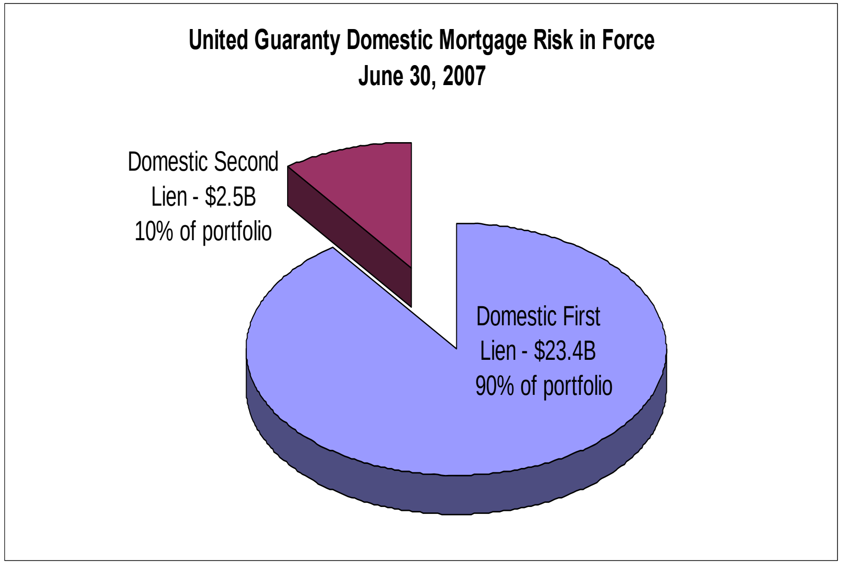
United Guaranty @ 6/30/07

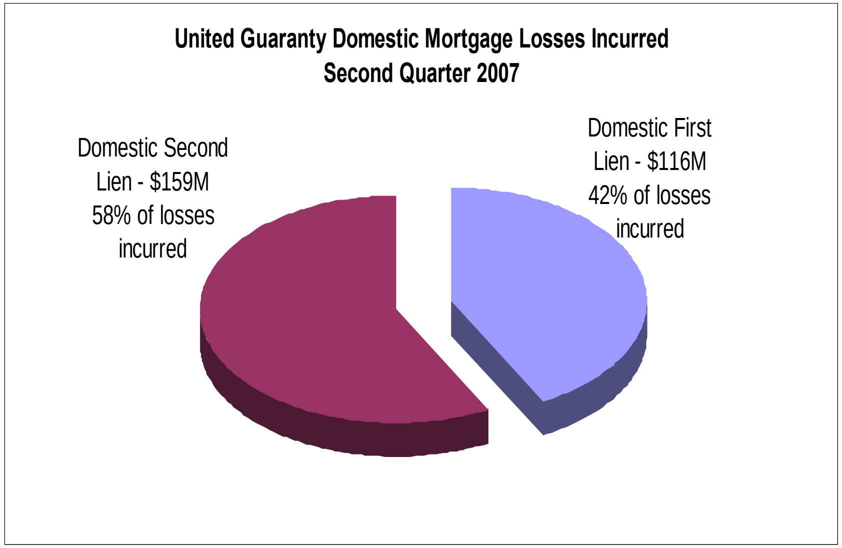
Real Estate Portfolio	Total Portfolio	FICO (≥ 660)	FICO (620- 659)	FICO (<620)
Domestic Mortgage Net Risk-in-Force	**$25.9 Billion**	**$18.0 Billion**	**$5.7 Billion**	**$2.2 Billion**
60+ Day Delinquency	2.5%	1.3%	4.6%	10.8%
2007 Vintage	**$3.7 Billion**	**$2.5 Billion**	**$845 Million**	**$439 Million**
60+ Day Delinquency	0.7%	0.2%	0.9%	4.3%
2006 Vintage	**$6.8 Billion**	**$4.6 Billion**	**$1.4 Billion**	**$702 Million**
60+ Day Delinquency	2.3%	1.1%	4.1%	10.9%
2005 Vintage	**$5.4 Billion**	**$3.9 Billion**	**$1.1 Billion**	**$331 Million**
60+ Day Delinquency	2.2%	1.3%	4.5%	11.3%
2004 Vintage	**$3.5 Billion**	**$2.5 Billion**	**$786 Million**	**$246 Million**
60+ Day Delinquency	2.6%	1.3%	5.0%	14.2%
LTV > 95%	**$8.4 Billion**	**$5.3 Billion**	**$2.2 Billion**	**$978 Million**
60+ Day Delinquency	2.8%	1.3%	4.9%	10.5%
Low Documentation	**$4.2 Billion**	**$3.7 Billion**	**$454 Million**	**$100 Million**
60+ Day Delinquency	2.2%	1.8%	4.7%	10.4%
Interest Only & Option ARMs	**$2.3 Billion**	**$1.9 Billion**	**$357 Million**	**$61 Million**
60+ Day Delinquency	4.1%	3.4%	6.9%	8.0%

This table is for informational purposes only.
Net Risk in Force (RIF) = Insurance risk on mortgages net of risk sharing and reinsurance
Loans with unknown FICO scores are included in the FICO (620-659) based on similar performance characteristics.
Delinquency figures are based on number of policies (not dollar amounts), consistent with mortgage insurance industry practice.

United Guaranty

- Although second-lien mortgages constitute only 10% of UGC's domestic mortgage insurance risk, they account for a disproportionate share of the 2007 losses incurred
- The softening of the U.S. housing market has affected all segments of the mortgage business, but the high LTV second-lien product is particularly sensitive to declining home values
- Second-lien mortgages experience default earlier due to the lack of a foreclosure requirement for claims to be paid
- As a result of the accelerated claim cycle, losses are expected to work through the portfolio much faster
- Significant tightening of product and program eligibility in 2006 for second-lien business is resulting in improved credit quality of new business production





United Guaranty

Risk Mitigating Factors

- UGC uses several mitigants to minimize the losses transferred from lenders, which is reflected in the net risk-in-force figures:
  - Risk sharing: funded arrangements through captive reinsurance with most major lenders, in which the lenders share in losses above a determined attachment point
  - Reinsurance: quota share reinsurance on a portion of UGC's sub-prime first-lien product and segments of its second-lien product
  - Stop loss: second-mortgage business has an aggregate stop loss provision limiting losses to a percentage (generally 10%) of the gross risk
  - Fraud: UGC maintains a fraud exclusion on both its first-lien (1st party) and its second-lien mortgage businesses (1st and 3rd party)
- 77% of first lien mortgages are fixed rate, which have much lower delinquency (about one-third less) than ARMs
- 87% single family residences and 91% owner occupied
- Tighter underwriting standards by lenders, as well as elimination of certain risk factors by UGC, will improve credit quality of new business production. Moreover, current market conditions have reinforced the benefit of mortgage insurance, resulting in higher volume and improved pricing for UGC

AIG Insurance Investment Portfolios

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AIG Insurance Investment Portfolios

Residential Mortgage Holdings Overview

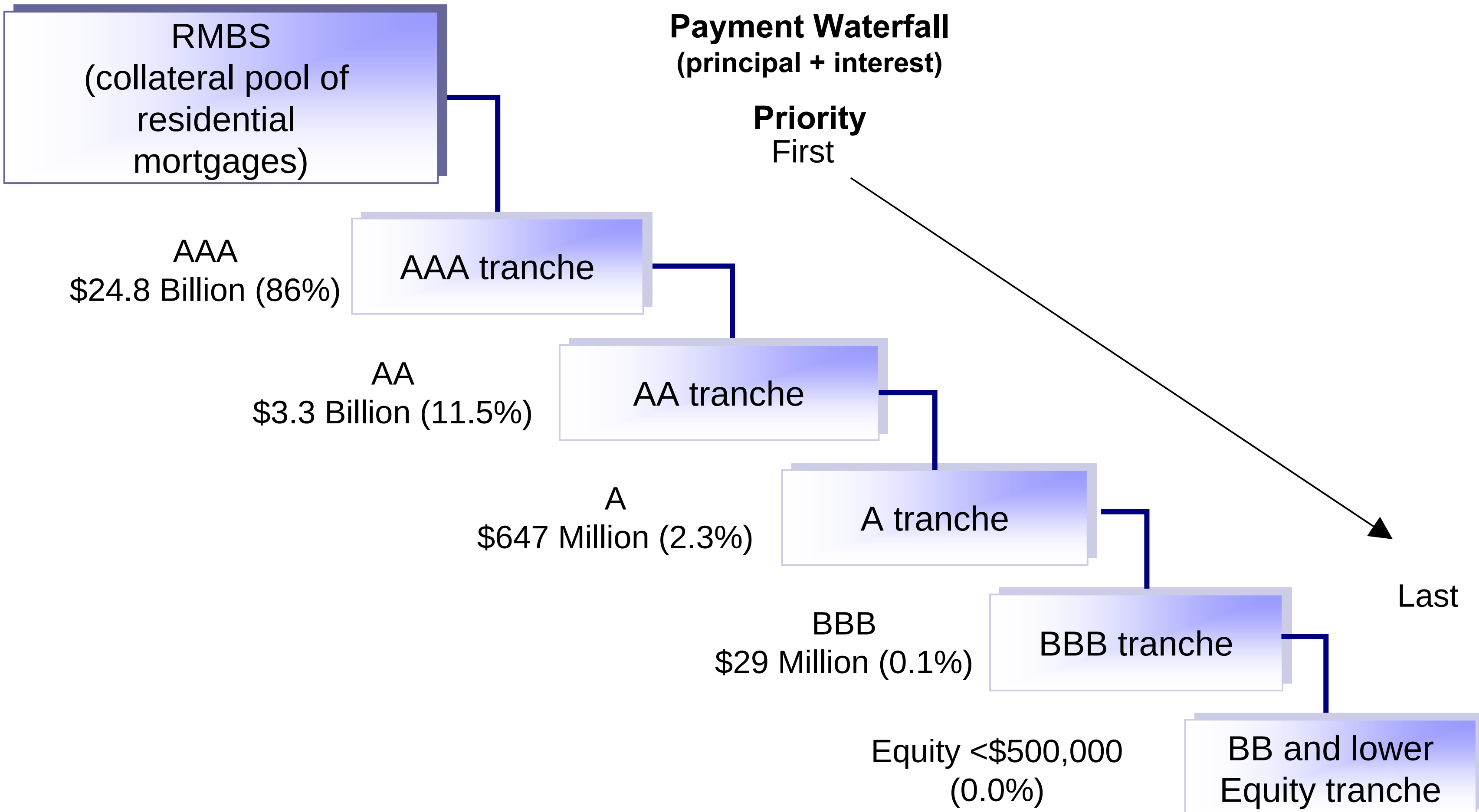
- Holdings in the residential mortgage market total approximately $94.6 Billion at June 30, 2007, or about 11.4% of AIG's total invested assets
- Within AIG's $78.5 Billion non-agency portfolio, about 89% are AAA-rated and 8% are AA-rated
  - Holdings rated BBB or below total approximately $400 Million, well under 1% of the portfolio and less than 1/10 of 1% of total invested assets
  - About $7.7 Billion (10%) of the $78.5 Billion is "wrapped" by monoline insurance

Total Residential Mortgage Market Holdings	**$94.6 Billion** Of which:
Agency Pass-Through and CMO Issuances	$16.1 (17.0%)
Prime (Jumbo) Non Agency CMOs	$26.1 (27.6%)
Alt-A RMBS	$21.0 (22.2%)
Sub-prime RMBS	$28.7 (30.3%)
Other Housing-Related Paper	$2.7 (2.9%)

- Non-agency RMBS are issued in tranche structures, such that the lower tranches absorb any losses on the underlying collateral in the pool in order to insulate the higher rated tranches from loss
  - The structure and size of each tranche depend on the nature of the collateral and rating agency analysis and models of default scenarios
  - As a general rule, AAA and AA securities can withstand default losses within the collateral that are multiples of historical norms without any loss of principal or interest

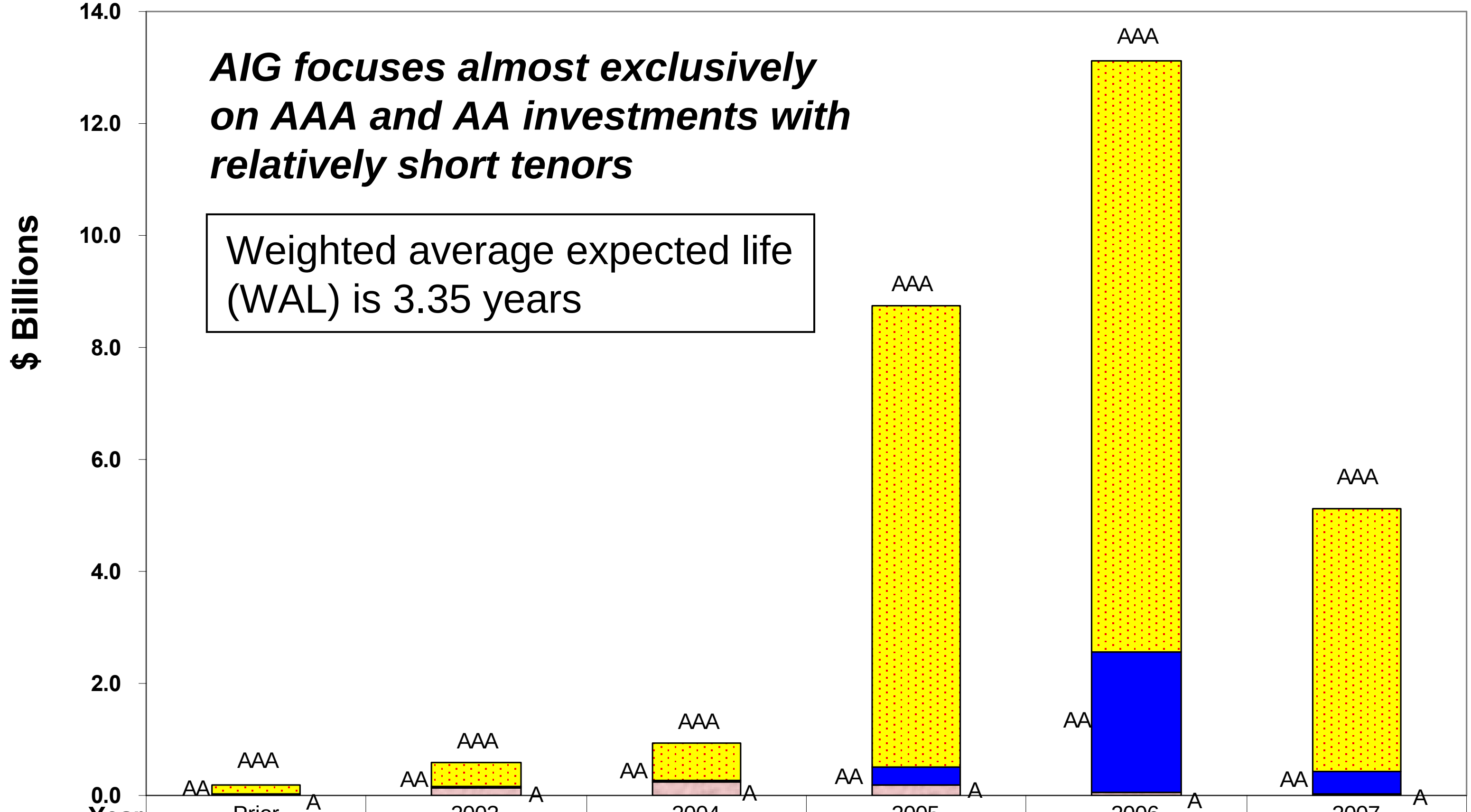
AIG Insurance Investment Portfolios

Sub-Prime Residential Mortgage Backed Securities (RMBS) - $28.7 Billion



AIG Insurance Investment Portfolios

Sub-Prime Exposure by Vintage - $28.7 Billion



Year	Prior	2003	2004	2005	2006	2007
AAA	0.17	0.42	0.68	8.24	10.54	4.70
AA	0.00	0.04	0.03	0.30	2.51	0.39
A	0.02	0.13	0.24	0.18	0.06	0.03
BBB	0.01	0.00	0.00	0.01	0.00	0.00
Below BBB	0.00	0.00	0.00	0.00	0.00	0.00

$ Billions

AIG Insurance Investment Portfolios

Sub-Prime RMBS Risk Mitigating Factors

- AAA and AA sub-prime securities have several structural protections:
  - LTV of underlying mortgages averages about 80%
  - Subordination cushions generally increase over time as the AAA and AA tranches amortize
    - Below AAA, cushion is generally 20-25% at inception, more than 3x the worst cumulative losses of about 6.5% (2000 vintage)*
    - AA securities on average can sustain cumulative losses of roughly 18%. For example, the average subordination level of AIG's 2005 vintage sub-prime non-AAA holdings is approximately 20%
  - The majority of AIG's AA holdings are structured to pay down early, regardless of whether performance triggers are tripped
  - Excess interest is also used to absorb losses
  - 6.8% of AIG's AAA sub-prime holdings are "wrapped" by major monoline insurers
  - Third-party mortgage insurance provides additional recovery support in some cases

Example of a Sub-prime Capital Structure at Inception

Rating	Subordination
AAA	22.00%
AA	13.10%
A	7.65%
BBB	4.10%
XS Interest	2.0% p.a.

**Source: Credit Suisse*

AIG Insurance Investment Portfolios

Sub-Prime RMBS Risk Mitigating Factors

- Diversity: collateral pools are comprised of thousands of mortgages and have various diversification features, including geography, tenor and size. Securities must be constructed with certain levels of diversity established by the rating agencies
- Monitoring: AIG, collateral managers and the rating agencies monitor the performance of the underlying collateral
- Tenor: AIG generally targets the shorter end of the sub-prime RMBS market with a weighted average expected life of 3.35 years
- Since the 2000 vintage, cumulative losses in sub-prime securities have ranged from 2% to 6.5%*. The rating agencies expect losses in the 2006 vintage to be in the 11 – 14% range, which would still be substantially below the attachment points for the AAA and AA tranches
- Originator selection: focus on pools originated and serviced by organizations with strong financial discipline
- Avoiding higher risk collateral, such as 80/20 (“piggy-back”) loans and option ARMs
- Structure: focus on early pre-pay portions of the sub-prime RMBS structure

**Source: Credit Suisse*

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AIG Insurance Investment Portfolios

Sub-Prime Collateralized Debt Obligations (CDO)

- The holdings of sub-prime related CDO paper in AIG insurance portfolios are modest ($253 Million), and consist primarily of investments in CDOs that are secured by AAA and AA underlying collateral. All transactions are currently performing in accordance with AIG's underwriting expectations, and AIG does not anticipate losses on its holdings
- Diversity: collateral pools are comprised of thousands of mortgages and have various diversification features, including geography, tenor and size. Securities must be constructed with certain levels of diversity established by the rating agencies
- Monitoring: AIG, collateral managers and the rating agencies monitor the performance of the underlying collateral
- Active collateral management: most CDOs are actively managed by their collateral managers, which may replace underperforming assets in the pool
- Extremely limited originator selection

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AIG Alternative Investments

- AIG has no direct private equity investments in portfolio companies exposed to or seeking to capitalize on the residential mortgage market
- AIG has no knowledge of indirect exposures through private equity fund investments
- AIG has no investments in hedge fund managers focused on residential mortgages

AIG Financial Products

AIG Financial Products

Credit Default Swaps

- AIGFP has been writing "Super Senior" ("AAA+") protection through credit default swaps ("CDS") since 1998, with a total net exposure of $465 Billion (net of subordination) at June 30, 2007
- Large notional amount but <u>extremely remote</u> risk. The "Super Senior" risk portion is the last tranche to suffer losses, which are allocated sequentially within the capital structure. The structure would have to take losses that erode all of the tranches below the "Super Senior" level, including a significant AAA buffer, before AIGFP would be at risk
- The book is divided into "Super Senior" exposures of:
  - Corporate Loans: $258 Billion
  - Non U.S. Residential Mortgages: $128 Billion
  - Multi-sector CDO's: $79 Billion
- AIGFP provides "Super Senior" protection to multi-sector CDOs, which consist of pools of reference securities whose underlying collateral pools are a mix of collateral, including sub-prime mortgages. Within any of these CDOs, there are about 175-200 different underlying obligors but not all of these obligations are exposed to sub-prime collateral. Typically, about 50% has such exposure and the rest is a mix of CMBS, auto loans, credit cards and other assets
- The $79 Billion CDO exposure consists of:
  - Deals with no exposure to sub-prime: $15 Billion
  - Deals with mixed collateral including sub-prime: $64 Billion
- All transactions have been structured and selected to afford the maximum protection to AIG's risk position

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AIG Financial Products - Credit Default Swaps

"Super Senior (AAA+)" Credit Default Swaps on Portfolios that Include a Portion of Sub-Prime Exposures

- All "Super Senior" transactions are underwritten to a zero loss standard. At inception, the attributes of the underlying collateral assets, which may include varying quality by external rating, are analyzed and modeled to determine appropriate risk attachment points so that all transactions have AAA tranches of protection below AIGFP's attachment point

- $64 Billion (103 deals) of "Super Senior" CDO exposure consists of sub-prime RMBS and other ABS collateral

  - $44.6 Billion (45 deals) "Super Senior" exposure relates to deals where the underlying collateral is predominantly AA and AAA
    - Collateral protection in every transaction is specifically modeled under continuous recessionary scenarios to determine minimum attachment points for the "Super Senior (AAA+)" threshold
    - Average attachment point is 16%; 44% of this subordination is AAA
    - AIG FP exposure to sub-prime collateral is $17.5 Billion
  - $19.4 Billion (58 deals) "Super Senior" exposure relates to deals where the underlying collateral is predominantly BBB
    - Collateral protection in every transaction is specifically modeled under continuous recessionary scenarios to determine minimum attachment points for the "Super Senior (AAA+)" threshold
    - Average attachment point is 36%, much higher than for AAA/AA deals; 37% of the subordination underneath our exposure is AAA
    - AIGFP exposure to sub-prime collateral is $8.8 Billion

- All of AIGFP's exposures continue to have AAA tranches below AIGFP's attachment point, and only 3 deals have had any junior tranches downgraded. These 3 deals make up less than 0.5% of AIGFP's total CDO exposure, totaling just $296 Million

- AIG does not expect to incur any losses from this exposure

AIG Financial Products

Credit Default Swaps - Risk Mitigating Factors

- AIGFP determines the “Super Senior” (AAA+) status of the credit default swap protection for each transaction through a careful credit analysis of each transaction’s structure, a review of each individual security within the transaction’s collateral pool and by use of a rigorous internal model that stresses the robustness of the transaction’s structure. This analytical effort includes assigning “haircuts” to all collateral security ratings and assuming a constant “worst case” recessionary environment. In addition, AIGFP requires that all “Super Senior” transactions have at least one AAA tranche subordinated to its “Super Senior” position

- AIGFP stopped committing to writing “Super Senior” protection that included sub-prime collateral in December 2005, so the total exposure across all deals to the vintages of 2006 and 2007 totals just $31 Million

- Over half of all of the deals have started to amortize, thereby reducing AIGFP’s exposure which is paid off first in the waterfall structure

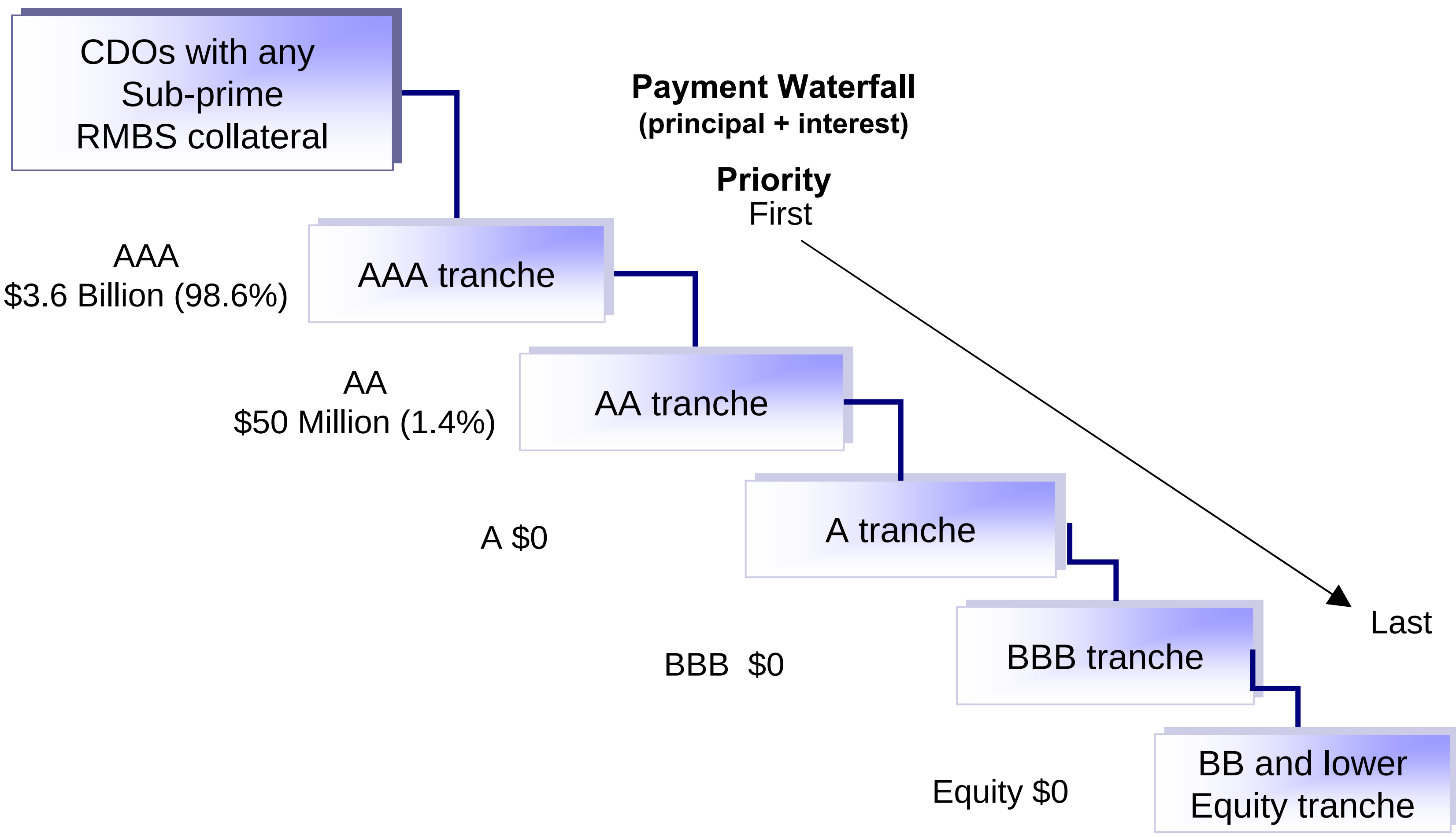
AIG Financial Products

Cash Multi-Sector CDO Exposure to Sub-Prime RMBS

- AIGFP invests in high grade securities rated almost exclusively AAA
- AIGFP has $3.6 Billion (70 deals) of cash multi-sector CDO securities where some portion of the collateral is sub-prime RMBS
    - 65 securities are AAA and 5 securities totaling only $50 Million are AA
    - No security owned has ever been downgraded or had any junior tranche downgraded
    - $1 Billion of AIGFP's multi-sector CDO securities are backed by high grade collateral
        - Within which AIGFP exposure to sub-prime is $359 Million
    - $2.6 Billion of AIGFP's multi-sector CDO securities are backed by mezzanine collateral
        - Within which AIGFP exposure to sub-prime is $1.6 Billion
    - AIGFP total exposure to all sub-prime collateral originated in 2006 and 2007 is only $10 Million
    - Over 40% of the deals have started to amortize thereby reducing AIG's exposure

AIG Financial Products

Cash Multi-Sector CDOs with any Sub-Prime RMBS Collateral - $3.6 Billion



Summary and Conclusions

Enterprise Risk Management

AIG has a strong enterprise risk management process where risks to the mortgage market are identified, assessed, analyzed, monitored and managed at all levels of the organization

- All business units involved in the mortgage markets have credit functions and underwriting practices which utilize their own analysis and conclusions prior to inception of risk exposures and on an ongoing basis
- The foundation of AIG's decision-making process is based on independent analysis. Business units determine risk appetite for underwriting, investing and maintaining exposures based upon ongoing analysis, modeling and monitoring. AIG does not rely on external ratings to drive decisions
- Decisions are made under credit authorities granted by AIG's corporate level Credit Risk Committee (CRC). The CRC also reviews and governs credit risk tolerances for the business units
- AIG's corporate Credit Risk Management Department and the CRC conduct ongoing reviews of the portfolios and provide independent assessments to senior management
- AIG establishes prudent credit reserves for all its exposures through a process that includes recommendations from the business units and approval by AIG actuaries, comptrollers and AIG's Chief Credit Officer

Summary Conclusions

- AGF's businesses are performing better than delinquency and net charge-off target ranges. Disciplined underwriting based upon over 50 years of experience in the sub-prime market is serving the company well
- As a broad player in a cyclical market, UGC has experienced a low domestic mortgage loss ratio over the past 10 years. UGC is currently experiencing a significant decline in operating income due primarily to unfavorable loss experience in the domestic second- and first-lien mortgage businesses as a result of the continued softening in the U.S. housing market. UGC is beginning to observe tighter underwriting standards on new business production within the mortgage market
- The exposures to the residential mortgage-backed securities market within AIG's portfolios are of high quality and enjoy substantial protection through collateral subordination
- AIG does not need to trade mortgage related securities and does not depend on them for its liquidity needs. Temporary market disruptions may have some non-economic effect on AIG through unrealized losses. However, the sound credit quality of the portfolios should result in collection of substantially all principal and interest under any reasonable scenario
- AIG Financial Products' portfolio of "Super Senior" credit default swaps is well structured, undergoes ongoing monitoring, modeling and analysis and enjoys significant protection from collateral subordination