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Treasury Update on AIG Investment Valuation

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Treasury Update on AIG Investment Valuation

11/1/2010

WASHINGTON – Following the completion of an initial public offering for AIA Group Limited (AIA) and the sale of American Life Insurance Company to MetLife, Inc., the U.S. Department of the Treasury is today providing an update on the previously announced restructuring of the United States (USG) loans to and investments in American International Group, Inc. (AIG).

The AIA IPO raised \$20.5 billion of cash proceeds. The ALICO sale raised approximately \$16.2 billion of total proceeds, approximately \$7.2 billion of cash. This approximately \$36.7 billion in aggregate proceeds will be used to fully repay the loan extended to AIG by the Federal Reserve Bank (FRBNY) and a substantial amount of the FRBNY's preferred interests in certain AIG subsidiaries.

As part of the restructuring, AIG will draw up to \$22 billion in remaining Troubled Asset Relief Program (TARP) funds from Treasury to purchase preferred interests in the special purpose vehicles holding AIA and ALICO, and Treasury will receive those interests. The assets held by these vehicles, which include, among others, AIG's remaining shares in AIA and the non-cash proceeds received from MetLife for ALICO, significantly exceed the amount of the preferred interests and, as such, no losses are expected on those preferred interests.

After the restructuring, Treasury will own 92.1 percent of AIG, which equates to approximately 1.66 billion shares of common stock in the company. At the current market closing price of AIG on October 29, 2010, these shares are worth approximately \$69.5 billion. This amount significantly exceeds Treasury's \$20 billion cash investment in AIG. (This is in addition to the Treasury investment in the preferred interests described above.) AIG has announced it will complete the restructuring by the end of the first quarter of 2011.

Based on current market prices and the value of the assets supporting the FRBNY's loans to and preferred interests in AIG and Maiden Lane I, Treasury expects to earn a profit on its loans to and investments in AIG assuming the restructuring announced on September 30 is completed. Please see the press release for further details.

The completion of the restructuring is subject to a number of conditions. Nevertheless, the AIA IPO and sale of ALICO reflect the substantial progress the USG has made to date in restructuring the company.

Investment	Current Outstanding Investment (\$B)	Repayment/Comments
FRBNY Credit Facility	19.2	Will be retired from cash proceeds of AIA IPO and ALICO sale. Note: \$19.2 billion includes all accrued interest and fees payable to FRBNY (which, when combined with the remaining \$19.2 billion Credit Facility, totals approximately \$20 billion). The remaining \$19.2 billion and fees will also be repaid with the cash proceeds of the AIA IPO and ALICO sale.
FRBNY Special Purpose Vehicles (AIA Aurora LLC and ALICO Holdings LLC)	26.1	As part of the restructuring, AIG will draw up to \$22 billion in remaining TARP funds from Treasury to purchase preferred interests in the special purpose vehicles holding AIA and ALICO, and Treasury will receive those interests. Including the designations of the special purpose vehicles.

		in the Agreement in Principle announced by AIG on September 30, the the assets supporting the preferred interests in the special purpose vehicle exceeds the amount of the preferred interests. These assets include the of AIA, MetLife equity securities received as part of the ALICO sale, equity of Shan, Star Life Insurance, Edison Life Insurance, and ILFC, and the Company's interests in the Maiden Lane II and Maiden Lane III. It is expected that monetization of these assets will be used to repay the SPV preferred interests.
FRBNY Maiden Lane II LLC (Outstanding Principal on FRBNY Loan)	13.5	The fair value of the assets supporting Maiden Lane II is \$16.5 billion. the FRBNY loan to this vehicle will be repaid in full.
FRBNY Maiden Lane III LLC (Outstanding Principal on FRBNY Loan)	14.3	The fair value of the assets supporting Maiden Lane III is \$23.5 billion. the FRBNY loan to this vehicle will be repaid in full.
Treasury Investment to Date	47.5	After the completion of the restructuring of AIG, Treasury will hold 1.65% of AIG common stock. Based on the market closing price of AIG on October 28, 2010, common stock has a value of \$69.5 billion, which exceeds Treasury's cumulative investment of \$47.5 billion.
Total Remaining Investment in AIG (FRBNY and Treasury)	120.6	

Note: All FRBNY AIG investment figures cited are from the most recent (October 28, 2010) Federal Reserve H.4.1 statistical release: "Factors and Balances of Depository Institutions and Condition Statement of Federal Reserve Banks"

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