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

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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  
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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.
On December 11, 2012, 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.

The overall positive return for taxpayers on the Treasury and Federal Reserve’s original $182 billion commitment to AIG.

1,655,037,962

The number of shares of AIG common stock Treasury has sold over the last two years.

+$9.5 BILLION

The profit alone on the Maiden Lane I and II special purpose vehicles, which purchased mortgage-related assets from AIG and its counterparties.

46 PERCENT

Reduction in the size of the company by assets since 2008. By streamlining its operations and focusing on its core insurance business, the size of AIG has been cut nearly in half.

MORE THAN 90 PERCENT

Reduction in the notional size of the legacy derivatives portfolio at AIG Financial Products, which is being wound down.

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.
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Timeline of Treasury Investment and Federal Reserve Assistance Related to AIG

Outstanding commitments, billions of dollars

- $200 billion
- $182.3 billion
- $50 billion
- $10 billion
- $5 billion
- $1 billion
- $500 million
- $100 million
- $50 million
- $10 million
- $5 million
- $1 million
- $500,000
- $100,000
- $50,000
- $10,000
- $5,000
- $1,000
- $500
- $100
- $50
- $10
- $5
- $1

Dec. 2012: Treasury sells final shares of $182.3 billion common stock, $22.7B positive return

1. Sept. 16, 2008: Fed establishes $85B credit facility for AIG.
4. Mar. 2, 2009: Treasury commits additional $30B to AIG through TARP. Fed restructures its commitment, including a $75B 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 AIAI).
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/AIGC preferred interests are transferred to Treasury; and (3) Treasury receives $75B 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 AIGC sales.
8. Mar. 2012: AIG prices sale of additional AIA shares for $58 and also completes repayment of Treasury preferred interests. Treasury sells 207M shares ($6.68B) of AIG common stock, reducing its remaining common stock stake to 70% from 77%.
9. May 2012: Treasury sells 199M shares ($5.75B) of AIG common stock, reducing its remaining common stock stake to 61% from 70%.
10. Aug. 2012: Treasury sells 187M shares ($5.75B) of AIG common stock, reducing its remaining common stock stake to 53% from 61%.
11. Aug. 2012: Sale of final remaining securities held in Maiden Lane III portfolio for the Fed is $6.0B.
12. Aug. 2012: Treasury agrees to sell 637M shares ($20.7B) of AIG common stock. This reduces its remaining stake to 16% from 53%.
13. Sep. 2012: Treasury agrees to sell all of its remaining 234M shares ($7.6B) of AIG common stock.

https://www.treasury.gov/connect/blog/Pages/AIG-wrapup.aspx
Matt Anderson is a Spokesperson at the U.S. Department of the Treasury.

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