

ML III's purchases of CDOs, in conjunction with the termination of related CDS and similar instruments, has mitigated AIG's liquidity issues in connection with its CDS and similar exposures on Multi-Sector CDOs.

Maiden Lane III, LLC ("ML III"),

and AIG,

16

NEW YORK--Dec. #, 2008--American International Group, Inc. (AIG) today announced that a financing entity recently created by the Federal Reserve Bank of New York (FRBNY) has purchased an additional \$8.6 billion in par amount of multi-sector collateralized debt obligations (Multi-Sector CDOs), including \$[] billion of Multi-Sector CDOs previously held by AIGFP as a result of the exercise of 2a-7 Puts. As a result, the associated credit default swap contracts (CDS) written by AIG Financial Products Corp. (AIGFP) have been terminated.

and similar instruments

The financing entity, known as Maiden Lane III, is designed to mitigate AIG's liquidity issues in connection with its CDSs and similar derivative instruments written on multi-sector CDOs. To date, Maiden Lane III has purchased approximately \$62.1 billion in par amount of CDOs. The associated notional amount of AIGFP CDS transactions have been terminated in connection with all of these purchases.

The purchase of the additional \$8.6 billion of multi-sector CDOs was funded by approximately \$ [] billion of borrowings under Maiden Lane III's term loan facility with the FRBNY and the surrender by AIGFP of approximately \$ [] billion in collateral previously posted by AIGFP to CDS counterparties in respect of the terminated CDS.

with a net payment to counterparties of

AIG provided \$5 billion in equity funding, and the FRBNY will provide up to approximately \$30 billion in senior funding, to Maiden Lane III, of which approximately \$ [] billion has been funded to effect purchases of CDOs. Maiden Lane III will collect cash flows from the assets it owns and pay a distribution to AIG for its equity interest once principal and interest owing to the FRBNY on the senior loan have been paid down in full. Upon payment in full of the FRBNY's senior loan and AIG's equity interest, all remaining amounts received by the entity will be paid 67 percent to the FRBNY and 33 percent to AIG.

AIG and the NY Fed continue to work to structure the termination of approximately \$ [] in remaining physical settlement CDS and/or the purchase by Maiden Lane III of the related Multi-Sector CDOs. In addition, AIGFP [and FRBNY?] continue(s) to analyze possible means of eliminating AIGFP's exposure under approximately \$[9.8] billion of "cash-settled" or "pay-as-you-go" CDS in respect of protected baskets of reference credits, including single name CDS securities and loans.

Boilerplate

Note that there should be no discussion or suggestion that AIG and the NY Fed are working to structure anything else at this point.