

Securities Lending Agreement with Federal Reserve Bank of NY
October 8, 2008

- The Federal Reserve Bank of NY has agreed to provide liquidity to AIG's securities lending program by borrowing investment grade fixed income securities from AIG's domestic life insurance companies, on commercial terms and conditions, in exchange for cash. In this arrangement, the Fed acts in its traditional capacity as lender of last resort.
- The total amount the NY Fed is authorized to borrow is \$37.8 billion. AIG's securities lending obligations totaled \$37.2 billion as of October 6. The lending agreements were executed yesterday.
- This arrangement is an effective method to provide liquidity to the Securities Lending program while providing enhanced credit protection to the NY Fed by giving them possession of third party investment grade securities.
- The arrangement allows additional time for AIG to work towards its current strategy to wind down its securities lending program.
- This arrangement is separate and distinct from the \$85 billion credit facility, which is a loan from the Fed. This new arrangement contemplates the Fed stepping in as a counterparty in a traditional commercial financing transaction, on commercial terms and conditions which reflects the Fed's status as lender of last resort.
- AIG, the Fed and State insurance regulators are working cooperatively to support the interests of the company and its policyholders. This is one example of this cooperative effort.