Q2 2015 American International Group Cautionary Language and Remarks of Peter Hancock, President & CEO, AIG

Liz Werner – AIG Investor Relations

Before we get started this morning, I'd like to remind you that today's presentation may contain certain forward-looking statements, which are based on management's current expectations, and are subject to uncertainty and changes in circumstances. Any forward-looking statements are not guarantees of future performance or events. Actual performance and events may differ, possibly materially, from such forward-looking statements. Factors that could cause this include the factors described in our First and Second Quarter 2015 Form 10-Q and our 2014 Form 10-K under Management's Discussion and Analysis of Financial Condition and Results of Operations and under Risk Factors.

AIG is not under any obligation and expressly disclaims any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Today's presentation may contain non-GAAP financial measures. The reconciliation of such measures to the most comparable GAAP figures is included in our financial supplement which is available on our website www.aig.com

Peter Hancock, President & CEO, AIG

Thanks Liz, and thank you all for joining us this morning. I'd like to discuss key highlights from the second quarter, the progress we're making towards our financial targets, the quality and strength of our balance sheet, and provide an update on capital management. I'm pleased with our overall momentum and believe our scale and focus on being our clients' most valued insurer will lead to continued success across our businesses.

Turning to page 3, our key operating metrics trends include improved combined ratios for Property Casualty and Mortgage Insurance. Strong alternative investment returns contributed to investment income despite pressure on Life and Retirement base yields. John and Kevin will provide additional comments on the performance of their respective businesses and how they are being positioned for sustained profitability.

Our second quarter results demonstrated our commitment to balancing growth, profitability and risk. We are on track to reach our targeted 10% growth in book value, excluding AOCI and DTA for the year. We are making progress on our 3%-5% expense reduction target, but have more work to do.

Book value per share excluding AOCI and DTA was over $62, up 3% for the quarter and 10% from a year ago. We expect continued growth in book value per share as our businesses deliver on improving profitability and we deploy excess capital. Following the update to our capital plan, we announced an additional $5.0 billion share repurchase authorization and a 124% increase in our quarterly dividend to 28 cents this quarter, which highlights our growing confidence in sustainable earnings. Given the substantial increase to our dividend, we will include dividend growth in the 10% or more book value growth target.

On the expense front, we continue to simplify our businesses and processes, while continuing to invest in technology and infrastructure, which is driving our 3%-5% in net expense reduction and allows us to focus on providing the greatest value to our customers. David will provide additional details on general operating expenses in his remarks.

The shifting profitability dynamics of commercial insurance markets impacted our second quarter ROE, but does not diminish our outlook. We expect to reach our 50 basis point target for the year, adjusting for the lost AerCap earnings and the timing of capital deployment associated with the AerCap sale proceeds. Continued underwriting improvements and expense reductions are the essential keys to reaching this target. We also believe that the current normalized ROE under GAAP does not fully reflect actions taken in recent years to build intrinsic value and further enhance balance sheet quality. As one example, our investment gains taking program has put pressure on investment income, but allowed for DTA utilization that freed up capital for share repurchase. While this was the right economic decision, the negative near term ROE impact is about 70 basis points.

In the quarter and through July, we actively repurchased shares below our estimate of intrinsic value. Since our fourth-quarter earnings call through the end of July, we have repurchased approximately 80 million shares for $4.7 billion, leaving $1.3 billion remaining under our previous authorization. I would note that for a portion of the quarter, we were in blackout due to the AerCap sale. In July, we also extended our debt maturities, further enhancing balance sheet quality. Our current debt to total capital ratio is approximately 16% and shareholders' equity excluding AOCI and DTA is over $80 billion, which we believe positions AIG for sustained profitable growth.

In our annual shareholders' letter, we referred to floating or selling businesses that lack synergy with our core operations. While we believe that our core insurance businesses largely meet our customers' needs and our economic return objectives, we are actively considering divestitures to sculpt the company into a more coherent organization. We also consider acquisitions as a potential strategy to build capabilities that meet our customers' needs, enhance our infrastructure, contribute to growth, and that are not overly capital intensive. Our mission is to empower our clients and to be their most valued insurer through our risk and claims expertise, as well as our financial strengths. Now I would like to turn it over to David.