

AMERICAN INTERNATIONAL GROUP, INC.

Slots of Fun

Arthur Munoz

Kelli Gohmert

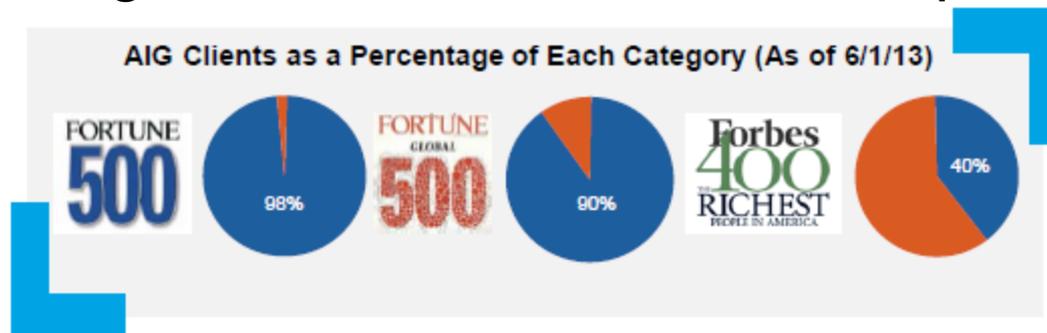
Emilie Crow

Leon Wagner

Steph Thompson

Background Information

- American International Group-”Bring on Tomorrow”
- NYSE: AIG
- Business: Full Line Insurance Company
- Segments: AIG Property Casualty, AIG Life & Retirement, Other Operations
- Headquarters: New York, New York
- Founded: 1919 by Cornelius Vander Starr, Shanghai China
- International: Serve individuals & businesses worldwide
- Customer Loyalty & Strength: Insurance lines win multiple industry awards

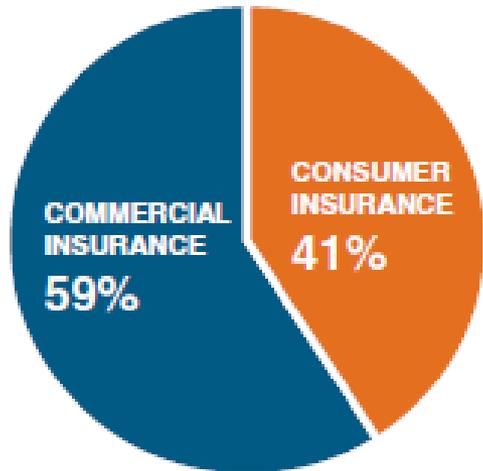


AIG Property Casualty

- Formerly Chartis
- Commercial: Casualty, Property, Specialty, Financial
- Customer: Accident & Health, Personal
- Business associates: National Union Fire Insurance Company of Pittsburgh, Pa.; New Hampshire Insurance Company; American Home Assurance Company; Lexington Insurance Company; AIU Insurance Company; Chartis Overseas Limited; Fuji; Chartis Singapore Insurance, Pte, Ltd. and AIG Europe Limited.
- Over 70million clients worldwide

Demographic

- Individuals
 - Insurance
 - Investing
 - Banking
 - Life and Retirement
 - Claims
- Businesses
 - Insurance
 - Financial Services
 - Life and Retirement
 - Aircraft Leasing
 - Claims



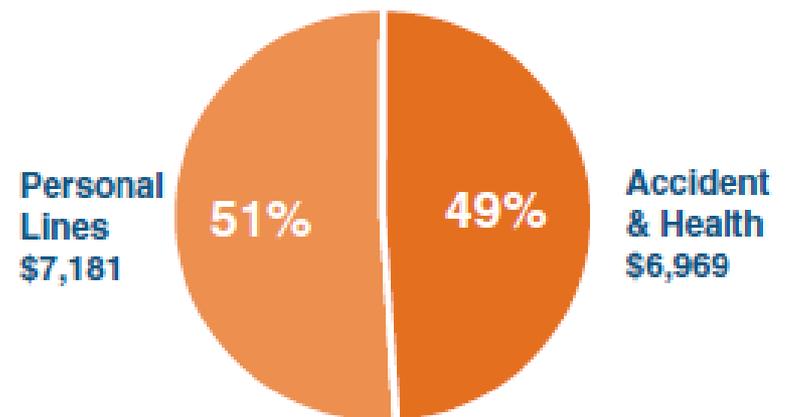
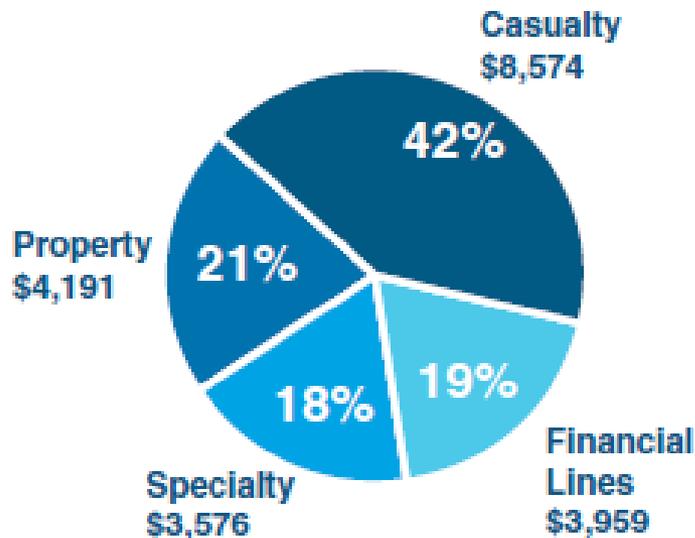
* The operations reported as part of Other do not have meaningful levels of Net premiums written.

Commercial Insurance

Percent of 2012 Net premiums written by product line (dollars in millions)

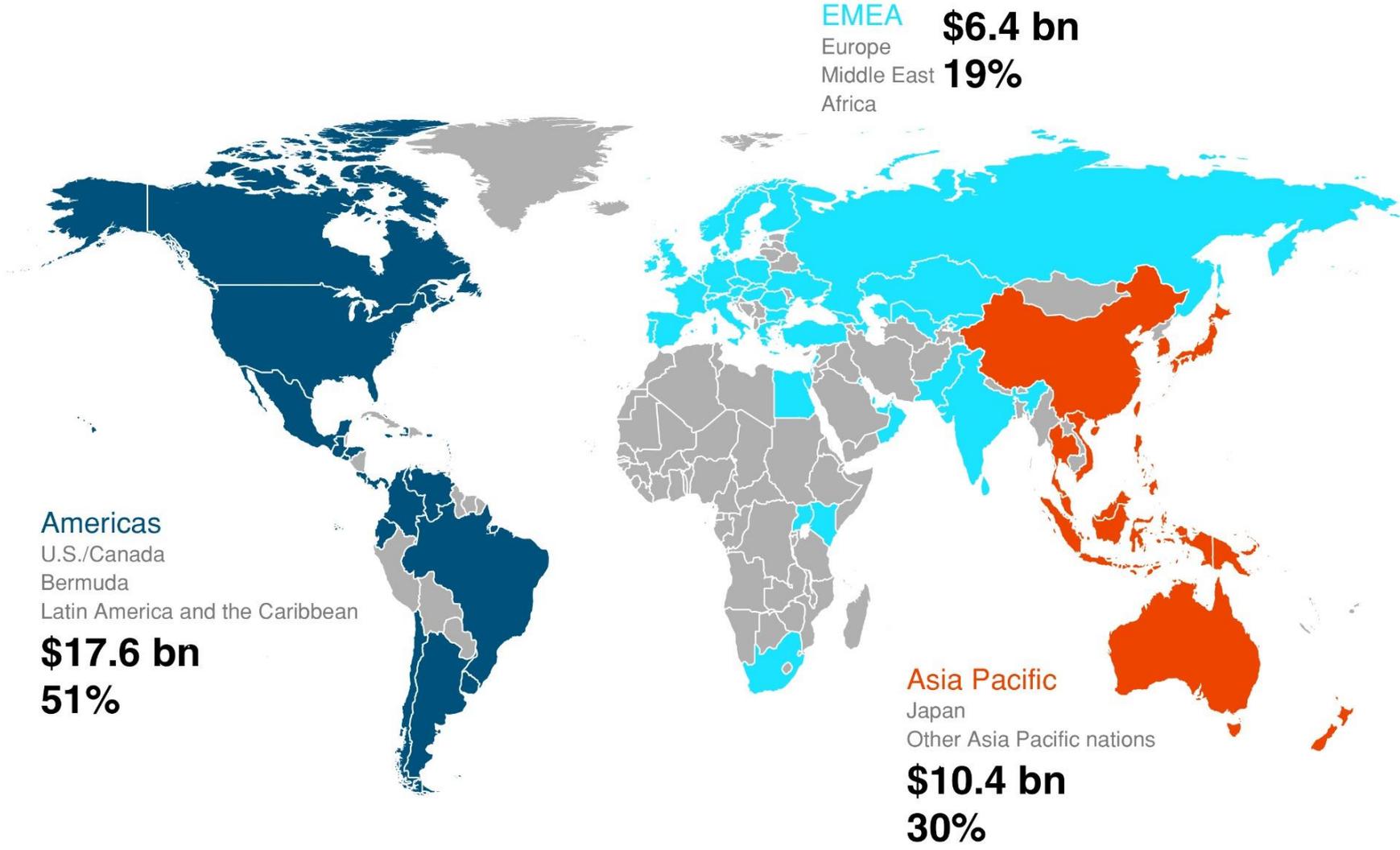
Consumer Insurance

Percent of 2012 Net premiums written by product line (dollars in millions)



The Global Marketplace

- Has a significant international presence in three major geographic regions:
 - Americas
 - Asia Pacific
 - EMEA (Europe, Middle East, and Africa)
- Total Net Premiums Written \$34.4 billion



Americas

- U.S./Canada
- Bermuda
- Latin America and the Caribbean

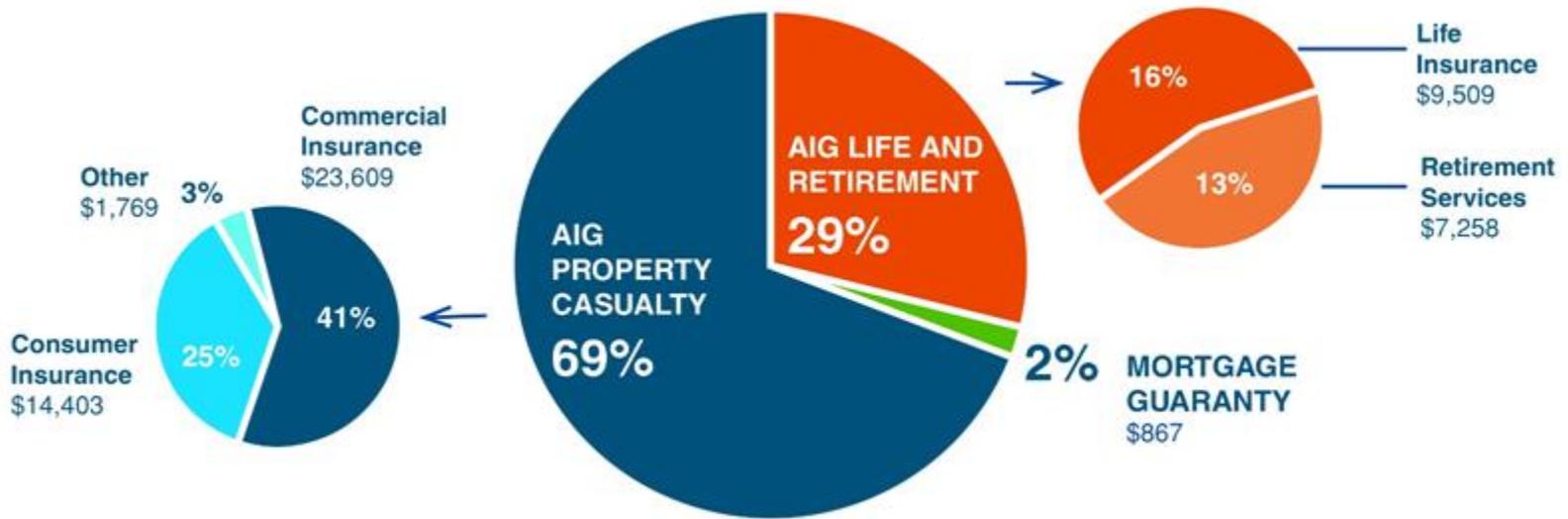
\$17.6 bn
51%

EMEA **\$6.4 bn**
Europe
Middle East **19%**
Africa

Asia Pacific
Japan
Other Asia Pacific nations
\$10.4 bn
30%

Business Strategy

- Business Mix Shift
- Underwriting Excellence
- Claims Best Practices
- Operating Expense Discipline
- Capital Management

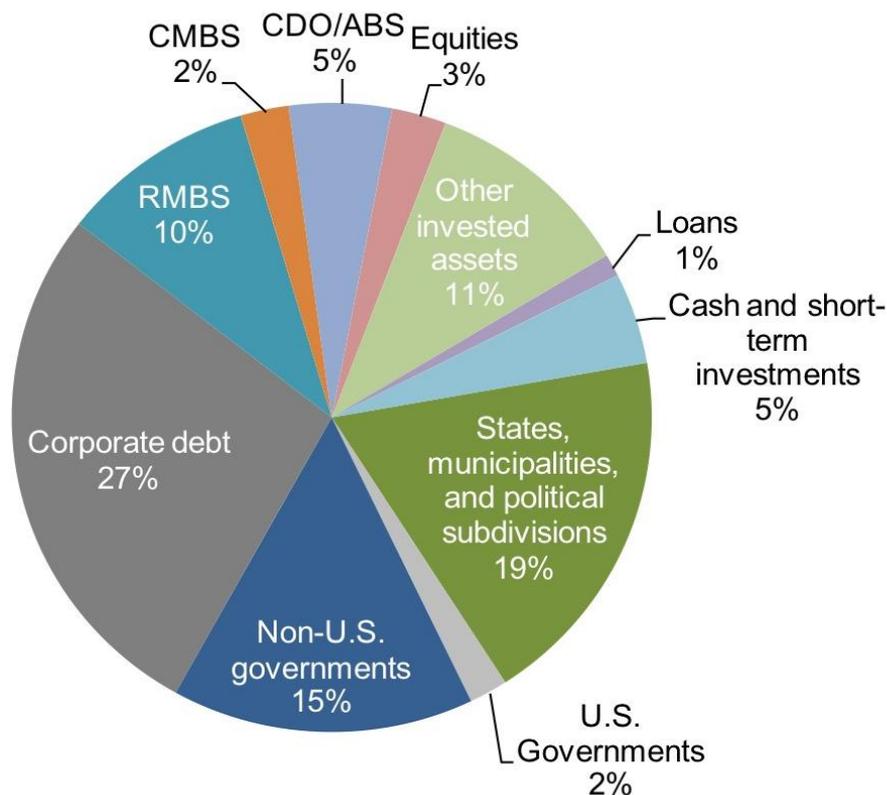


AIG 2012 Revenue Sources (\$ millions)

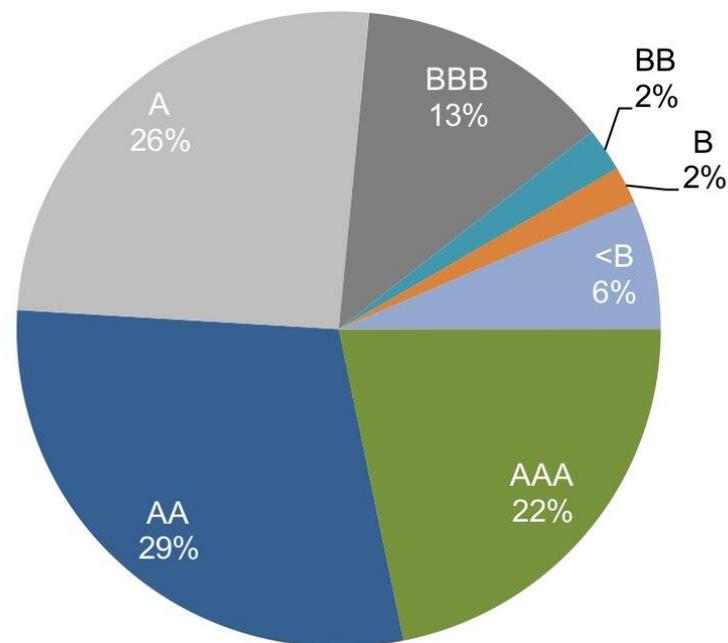
Investments

(As of September 30, 2013)

Total Cash & Invested Assets - \$124.9 billion⁽¹⁾

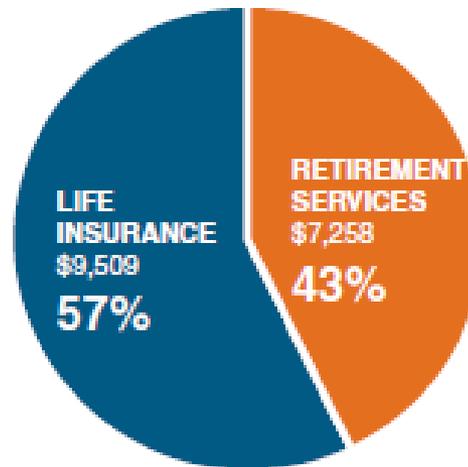


Bond Portfolio - \$101.0 billion⁽¹⁾ - by Agency Credit Rating



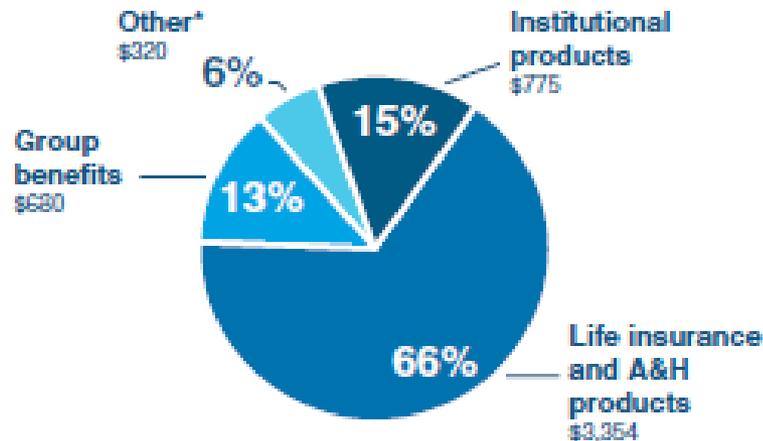
AIG Life & Retirement

- Formerly SunAmerica
- Life Insurance: Life Insurance and A&H, Group Benefits, Institutional
- Retirement Services: Group Retirement, Fixed Annuities, Variable Annuities, Brokerage Services, Retail Mutual Funds
- Business associates: American General Life Insurance Company, The Variable Annuity Life Insurance Company and The United States
- Life Insurance Company in the City of New York.
- Over 18million customers worldwide



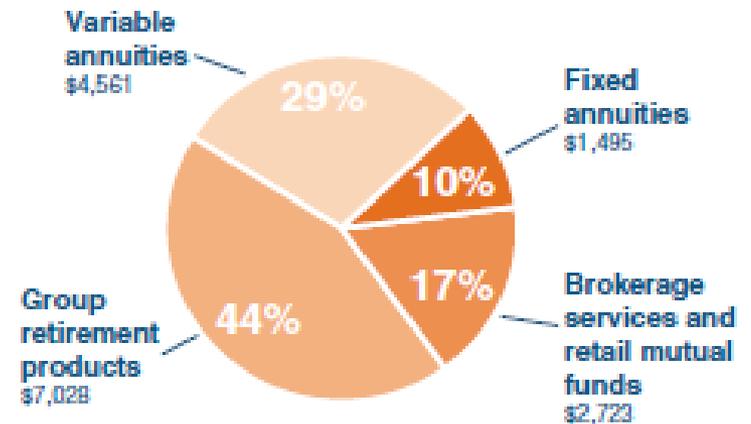
Life Insurance

Percent of 2012 Premiums, Deposits and other considerations by line of business (dollars in millions)



Retirement Services

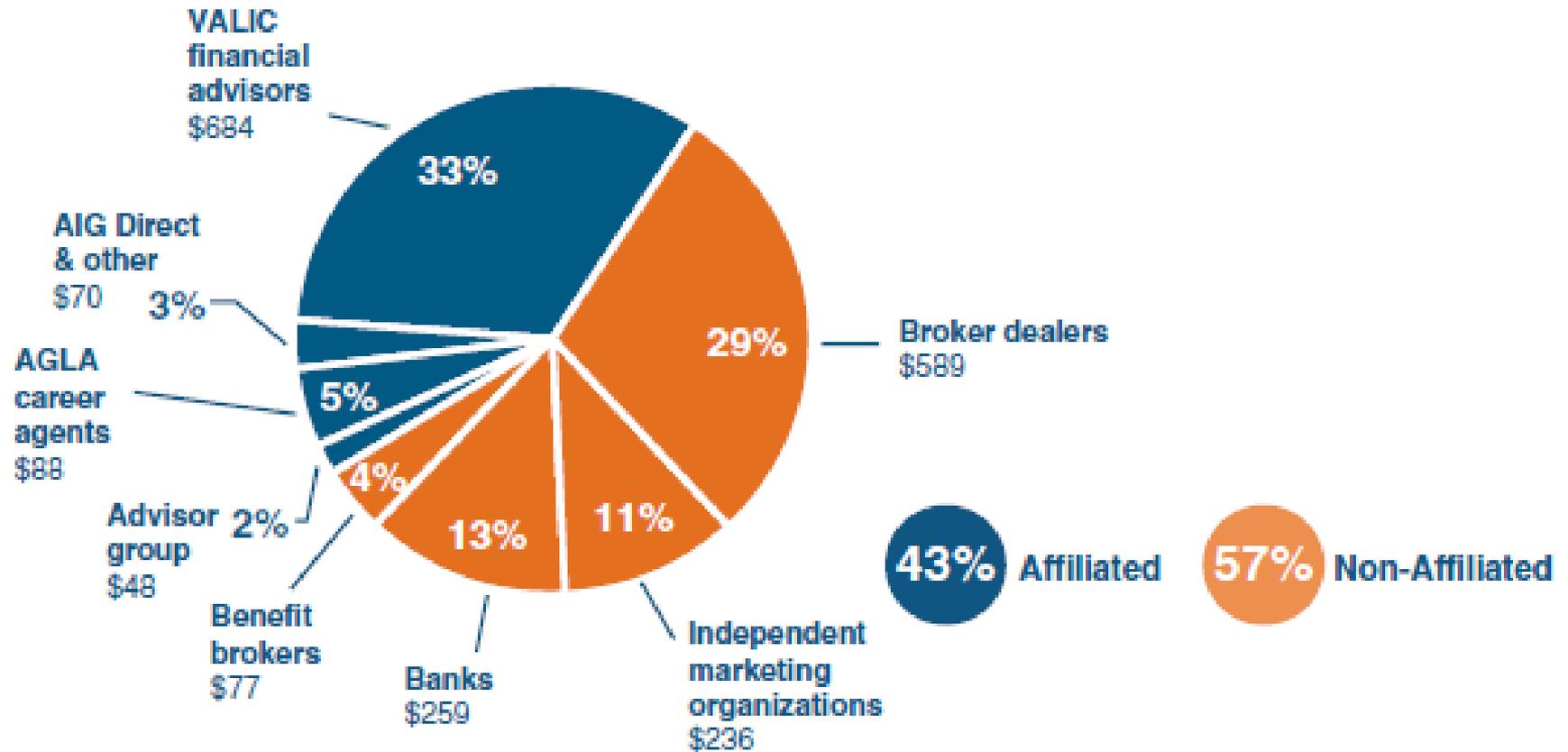
Percent of 2012 Premiums, Deposits and other considerations by line of business (dollars in millions)



* Other includes fixed, equity indexed and runoff annuities.

AIG Life and Retirement 2012 Sales by Distribution Channel

(dollars in millions)



Business Strategy

- Growth of Assets Under Management
- Increase Life Insurance in Force
- Enhance Return on Equity

Other Operations: Mortgage Guaranty

- United Guaranty
- Private Mortgage Insurance
- Homeowner Support

Other Operations

- Global Capital Markets: AIG Markets, Inc., derivatives portfolio of AIG Financial Products Corp., and AIG Trading Group Inc.
- Direct Investment Book
- Retained Interests
- Corporate & Other Operations
- Divested Businesses
- Discontinued Operations: business segments being sold off (includes ILFC)

Restructuring & Rebuilding

- Complete repayment for governmental support received in 2008
- building AIG's value by strengthening our international property and casualty and domestic life insurance and retirement businesses
- repaying support from the U.S. government, including through significant divestitures
- decreasing our operating costs
- reducing risk by winding down our exposure to certain financial products and derivatives trading activities.

Regulation

- Board of Governors of the Federal Reserve System (FRB)
- Financial Stability Oversight Council created by Dodd-Frank
- Risk-Based Capital Model Law requirements (NAIC)
- Financial Stability Board (FSB)
- International Association of Insurance Supervisors (IAIS)
- Insurance subsidiaries subject to regulation and supervision by the states and jurisdictions in which they do business
- Foreign insurance operations are individually subject to local solvency margin requirements

Liquidity & Capital

- Liquidity-ability to generate sufficient cash resources to meet our payment obligations
- Guidelines laid out by Enterprise Risk Management
- Capital-long-term financial resources available to support business operations, fund business growth, and cover financial and operational needs
- Primary source of capital is profitability of insurance subsidiaries

Priorities

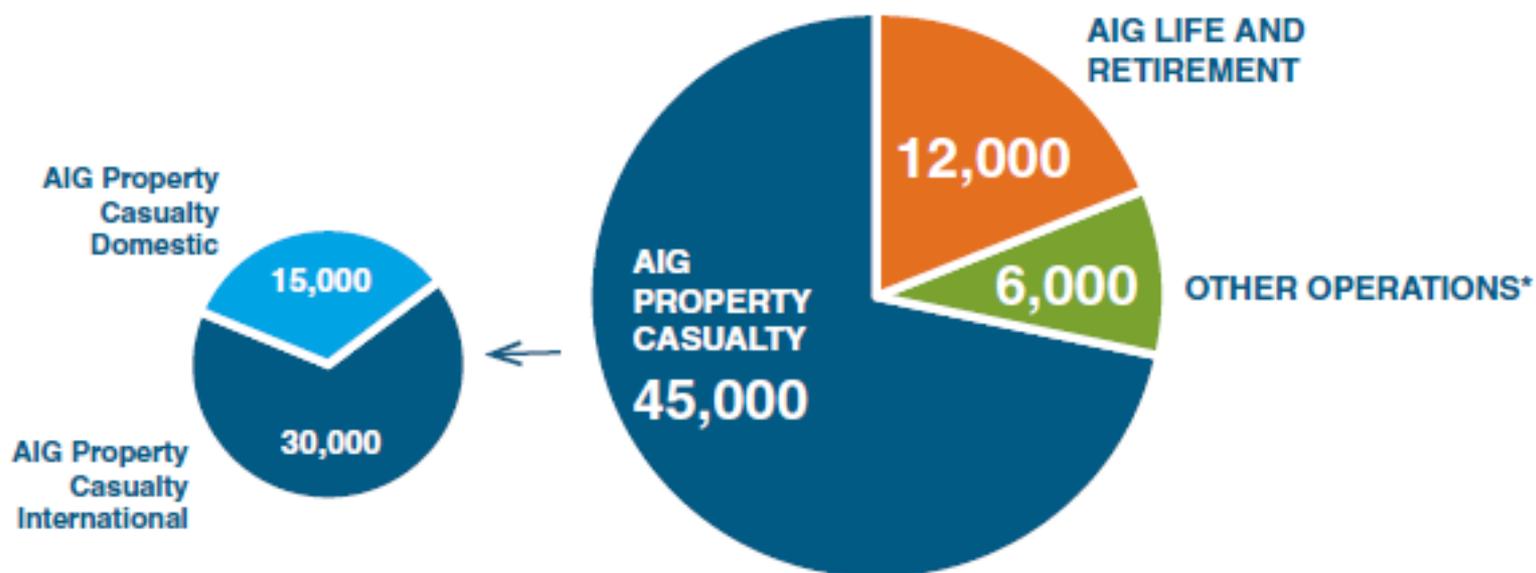
- Strengthen and improve the operating performance of our core businesses;
- Consummate the sale of up to 90 percent of our interest in ILFC;
- Enhance the yield on our investments while maintaining focus on credit quality;
- Manage AIG's capital and interest expense more efficiently by redeploying excess capital in areas that promote profitable growth;
- Work with the Board of Governors of the Federal Reserve System (the FRB) in its capacity as AIG's principal regulator; and
- Reduce recurring operating expenses by leveraging AIG's scale and driving increased standardization through investments in infrastructure.

How AIG Generates Revenues and Profitability

- Earn Revenues
- Operating Expenses
- Profitability

Employees

- Approximately 63,000 employees worldwide



* Includes approximately 500 employees of ILFC, which was held for sale at December 31, 2012.

The following table presents AIG Property Casualty accident year catastrophe losses, by major event and severe losses:

Years Ended December 31, <i>(in millions)</i>	2012				2011				2010			
	# of Events	Commercial Insurance	Consumer Insurance	Total	# of Events	Commercial Insurance	Consumer Insurance	Total	# of Events	Commercial Insurance	Consumer Insurance	Total
Event: ^(a)												
Storm Sandy ^(b)	1	\$ 1,691	\$ 322	\$ 2,013	—	\$ —	\$ —	\$ —	—	\$ —	\$ —	\$ —
U.S. Windstorms	8	326	13	339	4	383	14	397	8	291	51	342
U.S. Drought	1	108	—	108	—	—	—	—	—	—	—	—
Hurricane Isaac	1	56	22	78	—	—	—	—	—	—	—	—
Hurricane Irene	—	—	—	—	1	296	73	369	—	—	—	—
Thailand Flood	—	—	—	—	1	366	2	368	—	—	—	—
Tohoku Catastrophe ^(c)	—	—	—	—	1	667	524	1,191	—	—	—	—
New Zealand earthquakes	—	—	—	—	2	344	7	351	—	—	—	—
Chile earthquake	—	—	—	—	—	—	—	—	1	289	2	291
Southeast U.S. flood	—	—	—	—	—	—	—	—	1	171	4	175
All other events	3	62	25	87	13	525	95	620	9	249	9	258
Claims and claim expenses		2,243	382	2,625		2,581	715	3,296		1,000	66	1,066
Reinstatement premiums		27	—	27		11	—	11		10	—	10
Total catastrophe-related charges	14	\$ 2,270	\$ 382	\$ 2,652	22	\$ 2,592	\$ 715	\$ 3,307	19	\$ 1,010	\$ 66	\$ 1,076
Total severe losses and loss adjustment expense	23	\$ 293	\$ 33	\$ 326	21	\$ 296	\$ —	\$ 296	12	\$ 135	\$ 12	\$ 147

(a) Events shown in the above table are catastrophic insured events having a net impact in excess of \$10 million each. Severe losses are defined as non-catastrophe individual first party losses greater than \$10 million, net of related reinsurance.

(b) On October 29, 2012 Storm Sandy, one of the largest Atlantic hurricanes on record, came ashore in the U.S. When the storm made landfall, it was categorized as an extratropical cyclone, not a hurricane. Storm Sandy is expected to be the second-costliest Atlantic hurricane in history, only surpassed by Hurricane Katrina in 2005. Storm Sandy caused widespread flooding and wind damage across the mid-Atlantic states.

(c) On March 11, 2011, a major earthquake occurred near the northeast coast of Honshu, Japan, triggering a tsunami in the Pacific Ocean. This disaster is referred to as the Tohoku Catastrophe.

Key Strengths

- World Class Insurance Franchises
- A Diverse Mix of Businesses
- Effective Capital Management
- Execution of Strategic Objectives
- Improved Profitability

Risk Factors

- Depends on area of interest
- In general:
 - Barriers to entry are high
 - Regulatory changes in recent years created increasingly complex environment; affects industry growth and profitability

Guru Holdings

- Bruce Berkowitz



PHOTO: JOSE MANDOJANA

- Phil Bauch



International Lease Finance Corporation

- ILFC is an aircraft lessor headquartered in Los Angeles, California.
- ILFC leases Boeing and Airbus aircraft to major airlines worldwide, including: American Airlines, United Airlines, and Delta Airlines.

International Lease Finance Corporation

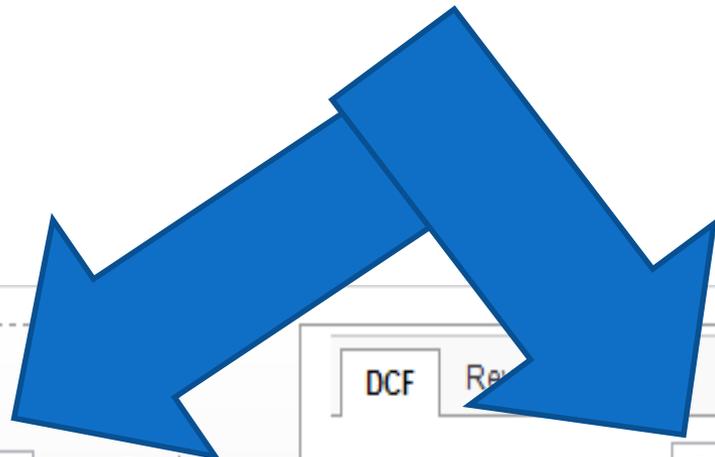
- On December 9, 2012, AIG agreed to sell 80.1% of ILFC for approximately \$4.2 billion with an option for the purchaser to buy an additional 9.9%.
- AIG expected this deal to have been completed in 2013 but it has not yet.

ILFC in Recent News

- P3 Investments is the consortium of investors that is trying to buy ILFC
- P3 has looked for outside help to attain the rest of the money (about \$2.1 billion) needed for the purchase, Richard Tsai and Xiao Jianhua are in talks to help fund this purchase

DISCOUNTED CASH FLOW MODEL

DCF



Earnings Per Share : \$

Growth Rate In the Next: Years : % [?](#)

Business Predictability ★☆☆☆☆ [?](#)

Terminal Growth Rate: % [?](#)

Years of Terminal Growth: [?](#)

Discount Rate: % [?](#)



DCF Results

Tangible Book Value: \$ Add to Fair Value [?](#)

Growth Value: \$ 11.53 [?](#)

Terminal Value: \$ 4.47 [?](#)

= Fair Value: \$ 83.1 [?](#)

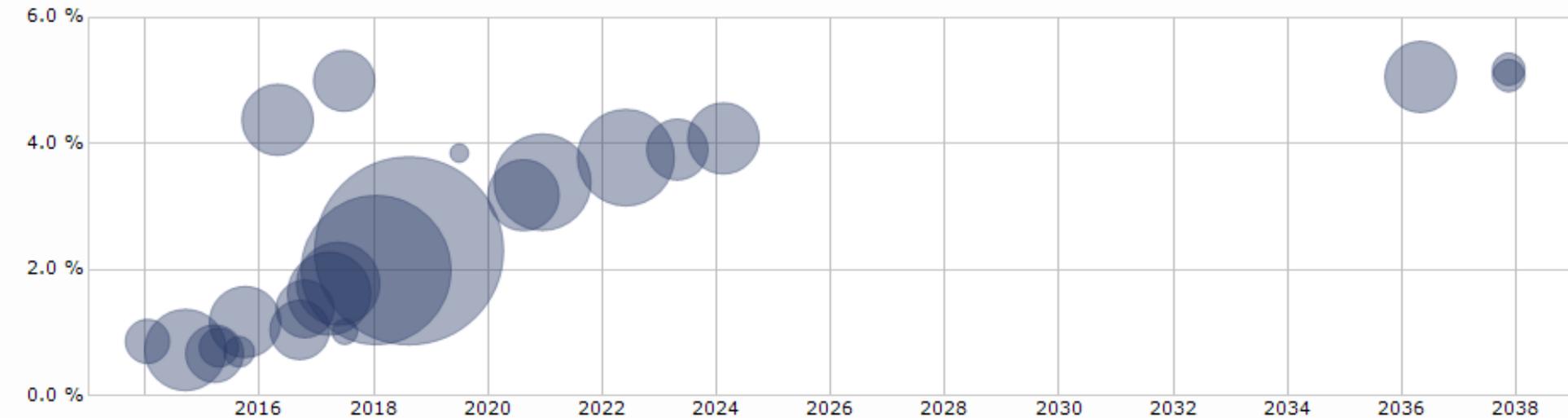
Result may not be accurate due to the low predictability of business

Margin Of Safety: 41%

Morning Star Long Term Debt

Yield to Maturity

● Debt ● Preferred ● Convertible ● Circle size determined by issue amount



Morning Star Long Term Debt

Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Amer Intl Grp 7.98%	06/15/2017	17,914.6	---	---	7.980	---	No	---	---
Aig-Fp Matched Fun 7%	05/15/2015	8,169.3	---	100.0	7.000	---	No	---	---
Aig-Fp Matched Fun	08/22/2022	8,000.0	---	---	0.000	FRN	No	---	---
Amer Intl Grp 8.59%	09/15/2016	5,041.0	---	---	8.590	---	No	---	---
Bqe Aig 3.25%	08/20/2032	4,884.5	---	---	3.250	FRN	No	---	---
Amer Intl Grp 144A	05/15/2068	3,633.6	Middle	---	8.175	FRN	No	Yes	---
Amer Intl Grp 8.175%	05/15/2068	3,633.6	---	---	8.175	FRN	Yes	No	---
Amer Intl Grp	05/15/2068	3,632.6	Middle	120.0	8.175	FRN	No	No	---
Amer Intl Grp 8.25%	08/15/2018	3,244.8	High	126.4	8.250	Fixed	No	No	2.30
Amer Intl Grp Inc Mtn Be 5.85%	01/16/2018	2,500.0	High	115.2	5.850	Fixed	No	No	1.99
Bqe Aig 5.1251%	02/10/2015	2,000.0	---	---	5.125	---	No	---	---
Amer Intl Grp 6.4%	12/15/2020	1,500.0	High	118.7	6.400	Fixed	No	No	3.38
Amer Intl Grp 4.875%	06/01/2022	1,500.0	---	108.0	4.875	Fixed	No	No	3.77
Amer Intl Grp Inc Mtn Be 5.45%	05/18/2017	1,250.0	High	112.3	5.450	Fixed	No	No	1.77
Amer Intl Grp 3.8%	03/22/2017	1,250.0	High	107.0	3.800	Fixed	No	No	1.62
Amer Intl Grp 4.25%	09/15/2014	1,200.0	High	102.7	4.250	Fixed	No	No	0.72
Amer Intl Grp 6.765%	11/15/2017	1,084.8	---	---	6.765	Fixed	No	---	---
Aig-Fp Matched Fun 5.12%	09/27/2032	1,074.6	---	---	5.120	FRN	No	---	---
Amer Intl Grp 4.375%	04/26/2016	1,021.2	High	100.0	4.375	Fixed	No	No	4.37
Aia-Fp Matched Fun 8%	09/02/2033	1,000.0	---	---	8.000	---	No	---	---

BUFFETTOLOGY

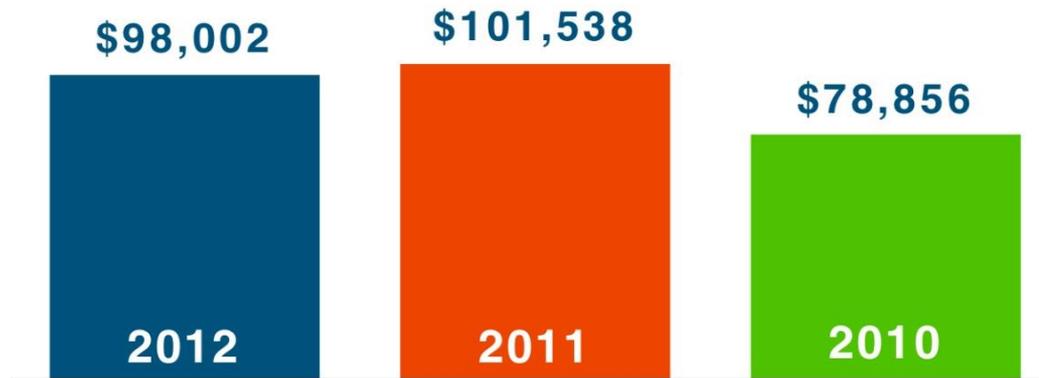
Analysis and More

Buffettology

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
Gross Profit:	\$13,908.00	\$14,950.00	\$15,213.00	\$21,687.00	\$8,943.00	-\$106,528.00	-\$14,307.00	\$17,936.00	\$116.00	\$9,322.00	\$7,787.00
Revenue:	\$81,303.00	\$97,987.00	\$108,905.00	\$113,387.00	\$110,064.00	\$6,896.00	\$75,352.00	\$77,526.00	\$59,812.00	\$65,656.00	\$63,245.00
Gross Profit Margin:	17.11%	15.26%	13.97%	19.13%	8.13%	-1544.78%	-18.99%	23.14%	0.19%	14.20%	12.31%
<i>% change</i>		-10.81%	-8.44%	36.92%	-57.52%	-19112.03%	-98.77%	-221.85%	-99.16%	7220.91%	-13.28%
Research & Development:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Profit:	\$13,908.00	\$14,950.00	\$15,213.00	\$21,687.00	\$8,943.00	(\$106,528.00)	(\$14,307.00)	\$17,936.00	\$116.00	\$9,322.00	\$7,787.00
R&D % of GP:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation, Depletion, Amortization:	\$1,926.00	\$2,349.00	\$2,492.00	\$2,374.00	\$3,913.00	\$15,445.00	\$12,074.00	\$11,320.00	\$5,424.00	\$5,307.00	\$4,798.00
Gross Profit:	\$13,908.00	\$14,950.00	\$15,213.00	\$21,687.00	\$8,943.00	-\$106,528.00	-\$14,307.00	\$17,936.00	\$116.00	\$9,322.00	\$7,787.00
DD&A % of GP:	13.85%	15.71%	16.38%	10.95%	43.75%	-14.50%	-84.39%	63.11%	4675.86%	56.93%	61.62%
<i>% change</i>		13.46%	4.25%	-33.17%	299.71%	-133.14%	482.07%	-174.79%	7308.68%	-98.78%	8.23%
Interest Expense (Income):	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Operating Profit:	\$13,908.00	\$14,950.00	\$15,213.00	\$21,687.00	\$8,943.00	-\$106,528.00	-\$14,307.00	\$17,936.00	\$116.00	\$9,322.00	\$7,787.00
Interest % of OP:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Profit:	9274	9731	10477	14048	6200	-99289	-10949	7786	20622	3438	3149
Revenue:	\$81,303.00	\$97,987.00	\$108,905.00	\$113,387.00	\$110,064.00	\$6,896.00	\$75,352.00	\$77,526.00	\$59,812.00	\$65,656.00	\$63,245.00
Net Profit Margin:	11.41%	9.93%	9.62%	12.39%	5.63%	-1439.81%	-14.53%	10.04%	34.48%	5.24%	4.98%
<i>% change</i>		-12.94%	-3.13%	28.78%	-54.53%	-25659.80%	-98.99%	-169.12%	243.30%	-84.81%	-4.91%

TOTAL SHAREHOLDERS' EQUITY

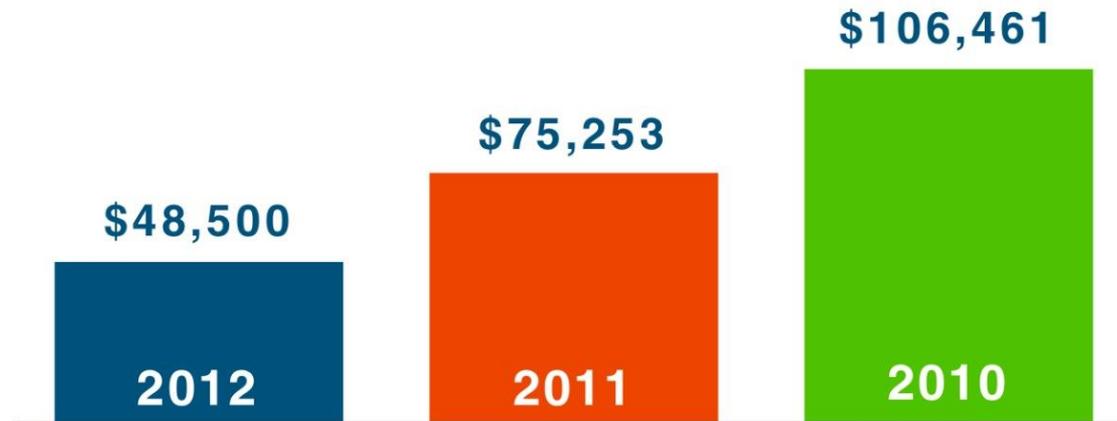
(\$ millions)



The decrease in 2012 from 2011 was primarily due to AIG Common Stock purchases in 2012, partially offset by an increase in unrealized appreciation of investments. The increase in 2011 from 2010 was due to the release of the deferred tax asset valuation allowance.

LONG-TERM DEBT

(\$ millions)



The decrease in 2012 from 2011 was primarily due to the held for sale treatment of ILFC. The decrease in 2011 from 2010 was primarily due to the repayment of government debt support in 2011.

Du Pont Analysis

Year	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
TTM	0.12	0.05	5.47	3.28%
2012	0.12	0.05	5.60	3.36%
2011	0.11	0.34	5.25	19.64%
2010	0.11	0.10	8.01	8.81%

CONSCIOUS INVESTOR

Intentionally omitted due to past growth rates being unrepresentative of current AIG

Ignores Tangible Book Valuable

Van Den Berg Metrics

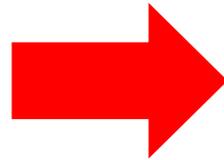
Fiscal Period	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	TTM
PE Ratio(ttm)	15.73	14.91	15.23	11.26	20.90	0.00	0.00	3.12	2.60	23.76	23.00
Price to Tangible Book	2.28	1.99	1.9	1.69	1.44	0.08	0.05	0.08	0.42	0.53	0.73
Price-to-Free-Cash-Flow ratio	4.94	4.9	8.86	193.21	4.29	0	0.19	0.39	1.34	15.83	14.9
PS Ratio	1.79	1.48	1.39	1.4	1.15	0.28	0.04	0.09	0.64	0.91	1.14
EV-to-Revenue	2.73	2.42	2.38	2.61	2.72	17.72	2.24	2.4	1.86	1.53	1.88
EV-to-EBITDA	14.03	16.5	11.88	10.08	10.53	6.98	6.37	9.32	8.19	8.02	8.02
EV-to-EBIT	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32	20.32
Shiller PE Ratio	22.29	19.48	18.15	16.49	12.99	3.16	2.73	5.04	2.67	0	0

Key Ratio

- Price to Tangible Book
 - Buying a Dollar for 73 Cents

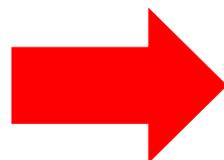
INTRA-PORTFOLIO VALUATIONS

Price to Earnings



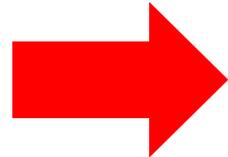
	Ticker	▲ Pri... Earnings
▷	BBY	-
▷	AIG-WT	-
▷	AIG	9.9
▷	WRLD	10.8
▷	BRK.B	14.0
▷	MSFT	14.2
▷	ORCL	15.2
▷	MDT	15.4
▷	WMT	15.6
▷	<i>CHRW ...</i>	15.9
▷	LO	15.9
▷	BBBY	16.1
▷	AAP	18.8
▷	NSRGY	19.3
▷	PEP	19.4
▷	KO	20.9
▷	WAG	22.1
▷	BDX	23.3

Price to Tangible Book



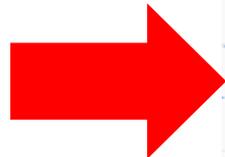
	Ticker	▲ Price / Tangible Book
▷	LO	-
▷	AIG-WT	-
▷	PEP	-
▷	AIG	0.7
▷	BRK.B	1.8
▷	WRLD	3.0
▷	WAG	3.4
▷	BBBY	4.7
▷	BBY	4.9
▷	MSFT	5.0
▷	WMT	5.0
▷	AAP	6.2
▷	BDX	7.7
▷	NSRGY	13.2
▷	ORCL	18.6
▷	KO	38.4
▷	MDT	69.6

Price to Sales



	Ticker	▲ P... Sales
▷	AIG-WT	-
▷	BBY	0.3
▷	WMT	0.6
▷	<i>CHRW ...</i>	0.7
▷	WAG	0.8
▷	AIG	1.1
▷	AAP	1.2
▷	BBBY	1.5
▷	BRK.B	1.5
▷	WRLD	1.9
▷	PEP	1.9
▷	NSRGY	2.3
▷	BDX	2.6
▷	LO	2.8
▷	MDT	3.5
▷	KO	3.9
▷	MSFT	4.0
▷	ORCL	4.5

52 Week Range



Ticker	52-wk Range
▷ <i>CHRW</i> <small>ⓧ</small>	\$53.74 — \$67.93
▷ WRLD	\$70.69 — \$107.98
▷ KO	\$35.58 — \$43.43
▷ AIG-WT	\$13.50 — \$21.78
▷ PEP	\$67.39 — \$87.06
▷ AIG	\$33.14 — \$53.33
▷ ORCL	\$29.86 — \$36.43
▷ WAG	\$35.58 — \$60.93
▷ LO	\$37.84 — \$53.27
▷ NSRGY	\$63.38 — \$74.35
▷ WMT	\$67.37 — \$81.37
▷ BRK.B	\$86.95 — \$119.30
▷ AAP	\$70.02 — \$107.72
▷ BBY	\$11.20 — \$44.66
▷ MSFT	\$26.28 — \$38.98
▷ BDX	\$76.32 — \$110.13
▷ BBBY	\$54.33 — \$78.94
▷ MDT	\$40.28 — \$58.85

Industry Comparison

Company	<u>American International Group Inc (AIG)</u>	<u>Berkshire Hathaway Inc (BRK.A)</u>	<u>Allianz SE (ALIZF)</u>	<u>AXA SA (AXAHY)</u>	<u>Zurich Insurance Group AG (ZFSVF)</u>	<u>Assurant Inc (AIZ)</u>
Market Value (\$mil)	70,952	283,039	77,284	60,199	40,566	4,706
Revenue (\$mil)	65,656	162,463	137,514	163,395	70,414	8,508
P/E(ttm)	22.90	14.20	9.70	10.50	9.80	12.60
P/S	1.13	1.60	0.60	0.40	0.57	0.60
P/B	0.72	1.30	1.10	0.80	1.18	1
Payout	0.02	0	0.25	0.33	0	0.18
ROA (%)	0.60	3.50	0.70	0.50	0.90	1.70
ROE (%)	3.50	7.90	9.20	7.40	10.50	9.30
Operating Margin (%)	14.20	13.70	8.50	4.90	7.80	8.90
Net Margin (%)	5.20	9.10	5.10	3.40	5.50	5.70

Even more Good Stuff

- Forward Tax Credits
- Government Regulations
- Possible Successful Lawsuits

Tax Credits

- U.S. federal net operating loss carryforward of approximately \$40.9 billion
- \$17.3 billion in capital loss carryforwards
- \$5.5 billion in foreign tax credits
- \$63.7 Billion Total

The Fed's Balance Sheet

Recent balance sheet trends

Choose one of the 5 charts.

Support for Specific Institutions

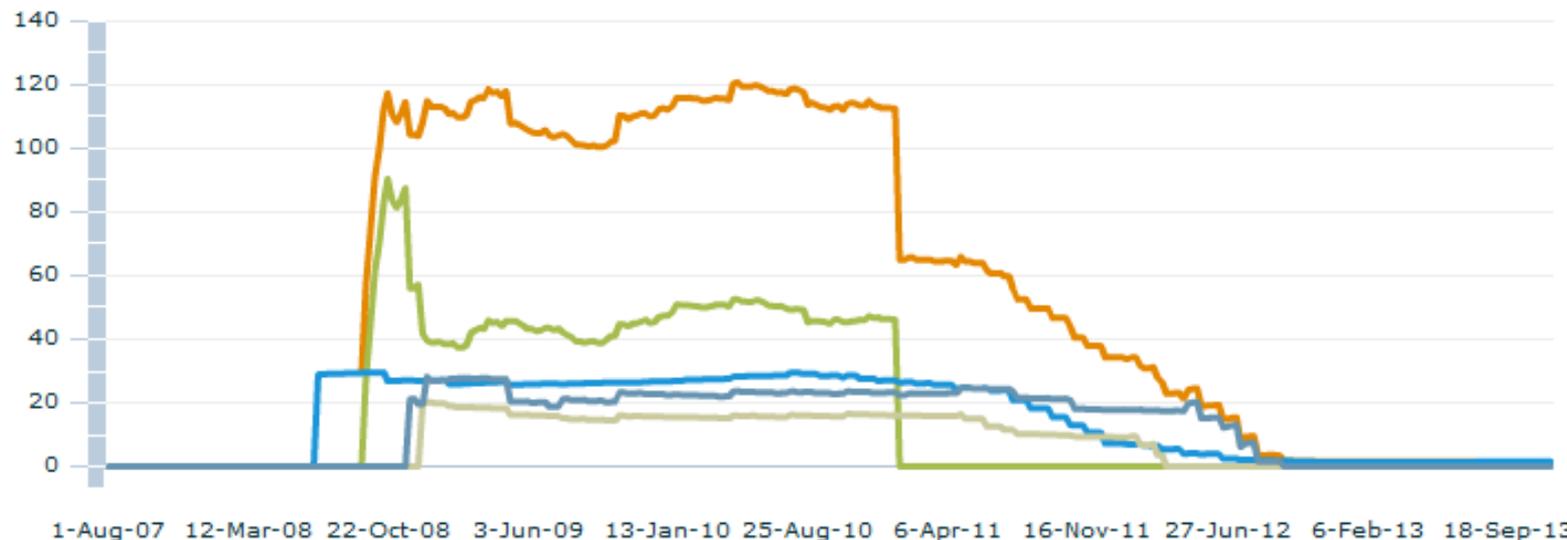
- Total
- Support to AIG***
- Maiden Lane
- Maiden Lane II LLC
- Maiden Lane III LLC

View as table

Fullscreen

The Federal Reserve provided support for certain specific institutions over the course of 2008. The amount of support outstanding has since declined considerably.

\$Billions



Government

- Recognizes AIG may be 'too big to fail'

JPM

- AIG has a potential claim for junk MBS sold to them under false risk sense

In Conclusion

- The market remains up historically
- Rule #1: Never lose money
- Show me anywhere else we see at least a 30% safe upside

Recommendation

- Limit Order of AIG Warrants at \$19.50
 - Allow holder to purchase a share of AIG at \$45.00
 - Expire Jan. 19, 2021

Shares vs. Warrants (a look at 2021)

Shares

- **AIG Stock = \$50.00**
 - 0% Return
- **AIG Stock = \$65.00**
 - 30% Return
- **AIG Stock = \$77.08**
 - 54% Return
- **AIG Stock = \$94.42**
 - 88.84% Return

Warrants

- **AIG Stock = \$50.00**
 - -74% Return
- **AIG Stock = \$65.00**
 - 0% Return
- **AIG Stock = \$77.08**
 - 64% Return
- **AIG Stock = \$94.42**
 - 153% Return