



Seize the Future

March 6, 2009

Dear Colleagues:

Earlier this week, we held a Town Hall to discuss AIG's year-end financial results and new arrangement with the U.S. government. Over 62,000 of you listened to or watched this event, and there were hundreds of questions – some of which remain difficult to answer. Since then, AIG has received an enormous amount of critical attention in the media, and you have all certainly been asked about our situation. So let's try to put things into perspective:

What Happened?

AIG reported a massive loss for the quarter of approximately \$62 billion. It's important to note that the losses were almost entirely non-cash. Three factors drove our losses: asset write-downs due to deteriorating market conditions; accounting adjustments related to our restructuring; and the loss of certain tax credits. All of this resulted largely in a hit to our equity, and the same market conditions hurting us are also affecting other companies – limiting their ability to buy our prized assets for their fair value.

At the center of this financial hurricane, AIG's business units maintained their stability and generated solid revenues – demonstrating the continued dedication of our many colleagues around the world and the confidence of our millions of customers. Also of great importance, our liquidity position remains stable and has been for some time.

Actions We Have Taken

In partnership with the U.S. government, we quickly took steps to protect AIG's businesses from the impact of our losses and continued market volatility. With the actions announced on Monday, we will pay down our government loan, boost our equity, and gain the time we need to divest assets under better market conditions. This week, the rating agencies reaffirmed our credit ratings. This means that our customers can have continued confidence in our ability to support their interests and taxpayers can be assured that they will receive a return for their continued assistance.

We also are positioning some of our key businesses to become more independently run and transparent companies – most notably, AIU Holdings Inc., and our foreign life companies AIA and ALICO. Paula Reynolds is leading an effort to develop a roadmap for this critical undertaking. This process will take some time, and we will keep you informed as we move forward.

What's Next?

A company that took 90 years to build can't be successfully restructured overnight. Everyone wants to resolve our problems quickly, but we are not yet out of this storm. We must all continue to work together in our business roles to resolve our current challenges.

As I mentioned at our Town Hall, our mission remains the same – we want to protect the interests of our customers, retain the vitality of our businesses and pay back our debts to the U.S. taxpayers. It is important that we all stay focused on the overall purpose of this plan and keep the faith that there are better days to come.

Sincerely,

To send a comment or question to Ed Liddy, send an email to CEOinbox@aig.com. You can access an archive of letters from Ed Liddy and news and announcements related to AIG's restructuring and divestiture efforts by visiting [the Seize the Future section of AIG Today](#).

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