

Chairman's Message

Harvey Golub

Non-Executive
Chairman of the Board



On behalf of AIG's Board of Directors, I am pleased to be able to report to you that the company and the Board have made substantial progress over the past year in addressing and resolving a number of the critical issues facing the company. In addition to the positive developments concerning AIG that Bob Benmosche discusses in his letter, including reorganizing and restructuring across the company, the Board has undertaken a number of measures to improve governance and oversight of the company, and put in place new initiatives designed to increase the possibility of creating value for the shareholders after paying back the Federal Reserve Bank of New York (FRBNY) and the U.S. Department of the Treasury.

AIG today has a Board with new, very experienced people. It represents a wealth of talent available to help AIG move forward. These new additions include Laurette Koellner, retired President of Boeing International; Christopher Lynch,

former KPMG National Partner in Charge—Financial Services; Arthur Martinez, former Chairman of the Board, President,

and Chief Executive Officer of Sears, Roebuck and Co.; Steve Miller, former Chairman and CEO of Delphi Corporation; and Doug Steenland, former President and Chief Executive Officer of Northwest Airlines Corporation; as well as Bob Benmosche and me. Their willingness to serve on AIG's Board, along with Dennis Dammerman, Suzanne Nora

Our goal is to fully repay the U.S. government for its financial assistance, and move forward to help ensure our remaining businesses are thriving and profitable as soon as is practicable.

Johnson, George Miles, and Morris Offit, represents a collective vote of confidence in the company, its many talented people, and its strategy going forward, and a personal willingness to deal with one of the most complicated restructurings in business history. They have been working extraordinarily hard and will continue to do so under very challenging conditions. I thank them all for their support.

During the year, Stephen Bollenbach, Martin Feldstein, James Orr, Virginia Rometty, Michael Sutton, Edmund Tse, and Ed Liddy retired after a period of time spent dealing with the liquidity crisis and the initial work on the government bailout. We thank them for their service. Most notably, in 2008, Ed Liddy joined the company as Chairman and Chief Executive Officer as a public service and did so at the behest of the U.S. Department of the Treasury. He worked tirelessly to put together a strategic plan, large elements of which are in place today and represent a solid foundation on which we are building. Ed deserves our thanks for a job well done under extreme public pressure and difficult circumstances.

The workload required of the Board is as high as I've ever seen in any company and is likely to continue for some time. Accordingly, we plan to add several new directors to help. Sadly, I must also note the retirement of Dennis Dammerman for personal health reasons. Dennis has been an extraordinary director, and his wisdom and knowledge have been invaluable to his fellow directors. He has been a marvelous colleague, and we will all miss him.

The company has also strengthened its senior management team, which now consists of both longtime, experienced AIG insiders as well as seasoned newcomers who recognize the promise of our institution. This team is focused on building successful businesses for AIG, creating value through the sale of some businesses and strengthening the company's capital structure.

Among the new leaders of our company is Peter Hancock, Executive Vice President, Finance, Risk, and Investments. Peter

spent 20 years at J.P. Morgan, and is known for his expertise in finance and mortgage instruments. He now oversees Finance, Risk, Audit, Investments, Strategic Planning, and AIG Financial Products Corp. Thomas Russo has joined us as Executive Vice President, Legal, Compliance, Regulatory Affairs and Government Affairs, and General Counsel. Tom, the former Chief Legal Officer of Lehman Brothers Holdings, is one of the most respected legal minds and counselors in financial services.

Sandra Kapell, Vice President and Global Head of Talent Strategy and Performance Systems, came from MetLife, where she implemented powerful performance management systems. Michael Cowan, Senior Vice President and Chief Administrative Officer, brings extensive administrative experience from Merrill Lynch and now has oversight responsibilities for AIG's operations and systems, corporate administration, and the separation office. Together with the many talented people who stayed through the crisis, these individuals bring additional experience and insight that will greatly benefit AIG.

The Board has been intently focused on working with the FRBNY and the U.S. Department of the Treasury, as well as dealing with the pay guidelines and restrictions imposed by the Special Master, who has ultimate authority over a number of major compensation decisions. While we can pay the vast majority of people competitively, on occasion, these restrictions and his decisions have yielded outcomes that make little business sense. For example, in some cases, we are prevented from providing market competitive compensation to retain some of our own most experienced and best executives. This hurts the business and makes it harder to repay the taxpayers.

All of our actions, as well as those of management, are aimed at restoring AIG as a strong company with an effective governance system, solid businesses, and a risk profile and capital structure in which our customers, regulators, employees, shareholders, and other stakeholders can have confidence. Our goal is to fully

repay the U.S. government for its financial assistance, and move forward to help ensure our remaining businesses are thriving and profitable as soon as is practicable. Achieving these objectives will not be simple or easy. First, we will need the continued backing of the government for some time, and reasonable financial market conditions within which we can dispose of certain assets and recapitalize others. Most important, we must retain our talented employees and the huge amount of intellectual capital they have created over decades. To do that, we will need to have a compensation system that pays for performance, to be sure, but pays competitively in amount and composition.

The Board recognizes the extraordinary commitment and effort AIG people have made during this most difficult period. Like millions of others, many of our employees lost a substantial portion of their life's savings through no fault of their own and have suffered the pain of watching a company in which they had great pride teeter on the edge of collapse. While we can't lose sight of the lessons of the recent past, our focus as a Board is to deal with the hand we have been dealt, repay the government, and build a new AIG. To the extent we succeed, we will rebuild a company we can all be proud of, one once again composed of industry-leading businesses that provide valuable products and services to our customers, secure jobs for our employees, and an attractive return to our shareholders. This is the task we face, and with the strong leadership of Bob and his management team, as well as the efforts of our entire employee group, I have great confidence that we will succeed.



Harvey Golub

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