

The image shows the AIG logo on a building facade. The logo consists of the letters 'AIG' in a bold, sans-serif font, enclosed within a rectangular border. The background is a blue-tinted photograph of a modern building entrance with glass doors and a revolving door. A person is visible in motion near the revolving door on the right side of the frame.

AIG



# Conference Call Presentation

Second Quarter 2018

AUGUST 3, 2018

# Cautionary Statement Regarding Forward Looking Information

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AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise. This document and the remarks made orally may also contain certain non-GAAP financial measures. The reconciliation of such measures to the most comparable GAAP measures in accordance with Regulation G is included in the Second Quarter 2018 Financial Supplement available in the Investor Information section of AIG’s corporate website, [www.aig.com](http://www.aig.com), as well as in the Appendix to this presentation.

Note: Amounts presented may not foot due to rounding.



# Second Quarter 2018 Key Themes

## Consolidated

### Progress towards delivering sustainable, profitable growth

- 2Q18 Adjusted After-Tax Income (AATI) of \$961M (\$1.05/share)
- Adjusted Book Value Per Share growth of 2.2% during 2Q18, to \$57.34
- Lower than expected returns on alternative investments and fair value option investments
- Pre-tax restructuring charge of \$200M related to efficiency initiatives expected to generate ~\$450M of annual run-rate expense savings

## General Insurance

### Continued progress on strategic priorities; results reflect lower than expected CATs, continued stable reserves and elevated severe losses

- Lower than expected catastrophe losses of \$150M
- Validus adds attractive and diversified franchises, which are expected to be accretive to General Insurance in 3Q18
- Net premiums written grew 2.2% YoY in constant dollars
- Elevated severe losses of \$293 million added 4.5 points to AYCR, as adjusted; Reinsurance cover expected to limit 2H'18 losses

## Life and Retirement

### Solid Adjusted Pre-Tax Income (APTI) reflects growth in fee income

- Adjusted ROE of 15.0%; APTI impacted by net positive actuarial adjustments
- Higher Assets Under Administration and Management (AUA/M) in Individual Retirement, Group Retirement and Institutional Markets
- YoY growth in premiums and deposits for all businesses
- Total Individual Retirement net flows improved, excluding Retail Mutual Funds

## Capital & Liquidity

### Continued balance sheet strength and prudent capital management

- Maintained strong capital ratios and AIG Parent liquidity
- AIG Parent liquidity of \$9.3B at quarter end; Completed Validus acquisition on July 18, 2018 for approximately \$5.5B in cash
- Repurchased shares and warrants totaling \$350 million during 2Q18; Additional \$150M of share and warrant repurchases through August 2, 2018
- Announced the sale of 19.9% of DSA Re on August 1, 2018

# Consolidated Operating Financial Highlights

(\$ in millions, except per share amounts)	2Q17	2Q18
<b>Adjusted Pre-tax Income (Loss):</b>		
<b>General Insurance</b>		
North America	\$721	\$407
International	325	161
<b>Total General Insurance</b>	<b>1,046</b>	<b>568</b>
<b>Life and Retirement</b>		
Individual Retirement	558	462
Group Retirement	266	250
Life Insurance	106	175
Institutional Markets	63	75
<b>Total Life and Retirement</b>	<b>993</b>	<b>962</b>
Other Operations <sup>1</sup>	(337)	(386)
<b>Total Core</b>	<b>1,702</b>	<b>1,144</b>
Legacy Portfolio	431	134
<b>Total adjusted pre-tax income</b>	<b>\$2,133</b>	<b>\$1,278</b>
<b>Adjusted after-tax income</b>	<b>\$1,449</b>	<b>\$961</b>
<b>Adjusted after-tax income per diluted share</b>	<b>\$1.53</b>	<b>\$1.05</b>
<b>Net income attributable to AIG</b>	<b>\$1,130</b>	<b>\$937</b>
<b>Adjusted Return On Equity:</b>		
Consolidated	10.5%	7.6%
Core	10.5%	8.2%
General Insurance	9.9%	5.6%
Life and Retirement	12.7%	15.0%
Legacy Portfolio	9.9%	4.6%
<b>Book Value Per Common Share (BVPS):</b>	<b>Dec. 31, 2017</b>	<b>June 30, 2018</b>
BVPS	\$72.49	\$68.65
BVPS, excluding AOCI	\$66.41	\$68.40
Adjusted BVPS <sup>2</sup>	\$54.74	\$57.34



1) Includes consolidation, eliminations and other adjustments.  
2) Book value per common share, ex. AOCI and DTA.

# 2Q18 Noteworthy Items

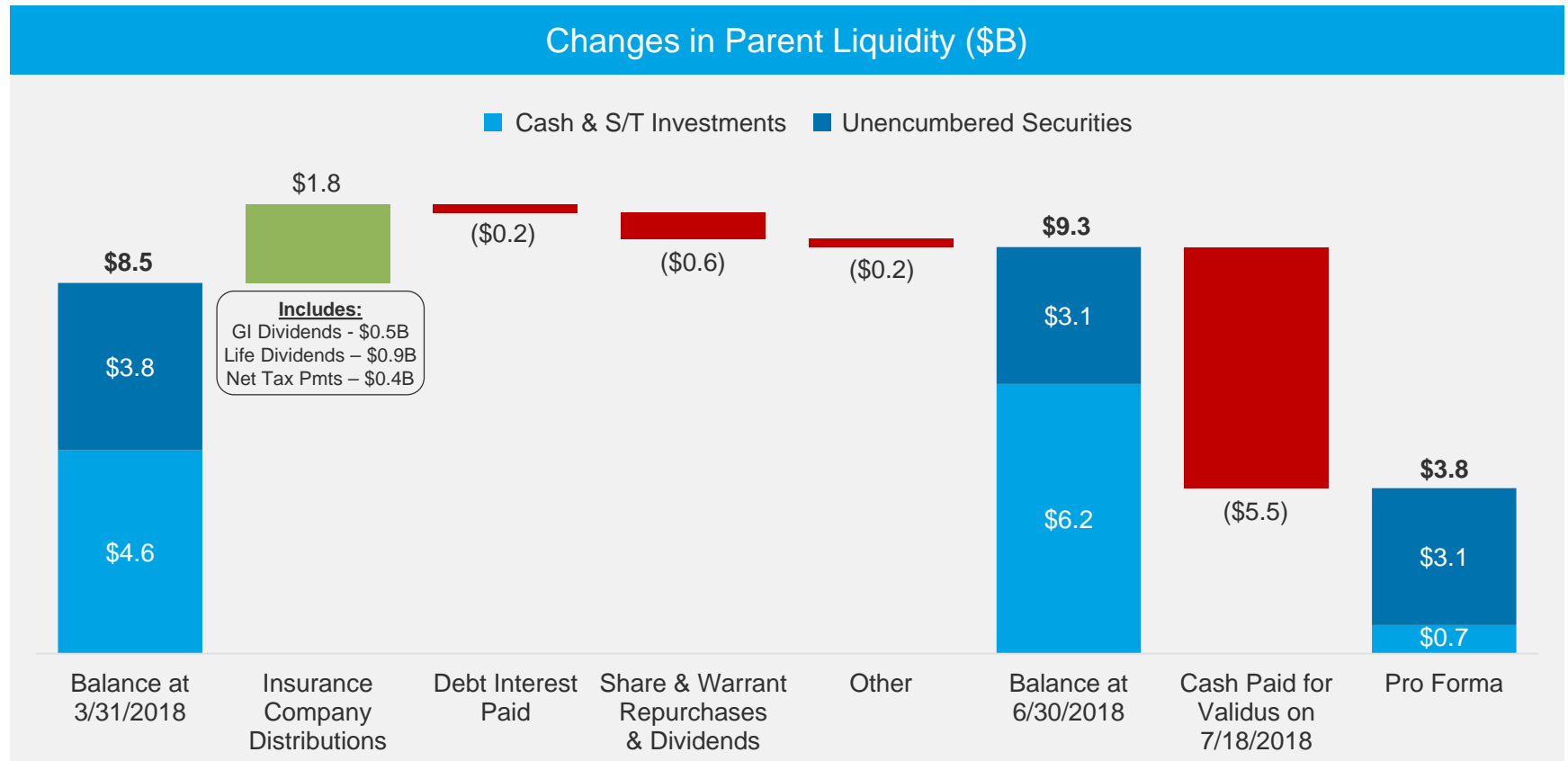
(\$ in millions)	2Q18 – Income / (Loss)	
	Pre-tax	After-tax
<b>Recurring items:</b>		
Catastrophe losses, net of reinsurance	(\$150)	(\$119)
Favorable prior year loss reserve development, net of reinsurance	63	50
Severe losses, net of reinsurance <sup>1</sup>	(293)	(231)
<b>Investment Performance:</b>		
Lower than expected alternative investment returns <sup>2</sup>	(48)	(38)
Lower than expected fair value changes on fixed maturity securities accounted under fair value option (including legacy DIB/GCM) <sup>2</sup>	(64)	(51)
Fair value option gains on equity securities	3	2
<b>Other 2Q18 Items:</b>		
General Insurance adjustment to net premiums earned	115	91
Life and Retirement net actuarial adjustments	51	40



1) Represents a 4.5 point impact to the General Insurance accident year loss ratio, as adjusted, in 2Q18. Severe losses have averaged ~2.0 pts annually for General Insurance historically.

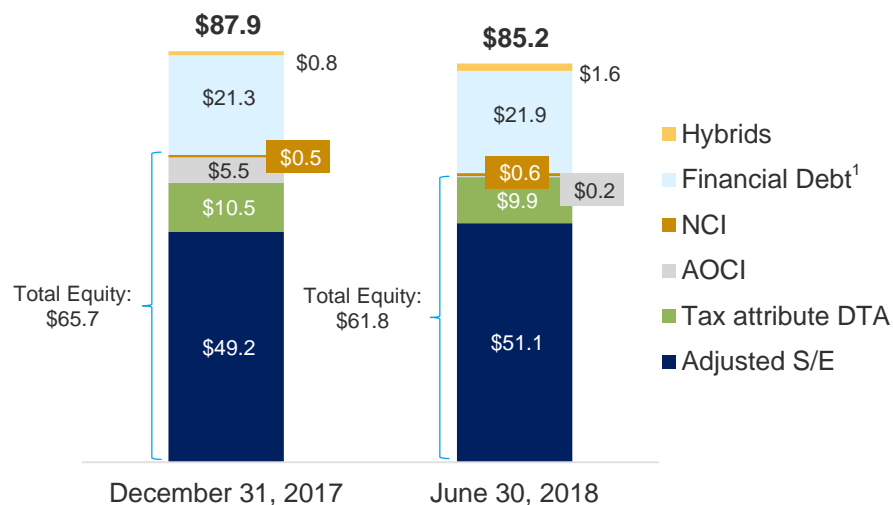
2) The expected rate of return is 8% for alternative investments and 6% for fair value option fixed maturity securities for all periods presented.

# Parent Liquidity



# Strong Capital Position

## Capital Structure (\$B)



## Capital Return (\$M)

	1H'18	2Q18
Share & warrant repurchases*	\$650	\$350
Dividends declared	575	286
<b>Total</b>	<b>\$1,225</b>	<b>\$636</b>

\* Additional \$150M of share and warrant repurchases through August 2, 2018.

## Risk Based Capital Ratios<sup>2</sup>

Year-end	Life and Retirement Companies	General Insurance Companies
2016	509% (CAL)	411% (ACL)
2017	480% (CAL)	409% (ACL)

## Ratios:

	Dec 31, 2017	June 30, 2018
Hybrids / Total capital	1.0%	1.8%
Financial debt / Total capital	24.3%	25.7%
Total Hybrids & Financial debt / Total capital	25.3%	27.5%

## Credit Ratings<sup>3</sup>

	S&P	Moody's	Fitch	A.M. Best
<b>AIG – Senior Debt</b>	BBB+	Baa1	BBB+	NR
<b>General Insurance – FSR</b>	A+	A2	A	A
<b>Life and Retirement – FSR</b>	A+	A2	A+	A

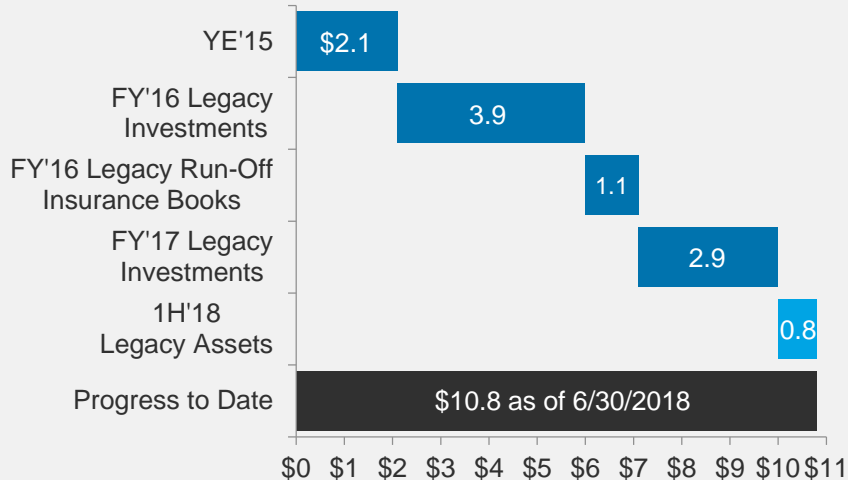
1) Includes AIG notes, bonds, loans and mortgages payable, and AIG Life Holdings, Inc. (AIGLH) notes and bonds payable, and junior subordinated debt.

2) The inclusion of RBC measures is intended solely for the information of investors and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities. ACL is defined as Authorized Control Level and CAL is defined as Company Action Level. RBC ratio for Domestic Life and Retirement companies excludes holding company, AGC Life Insurance Company.

3) As of the date of this presentation, Moody's and A.M. Best have Stable outlooks; S&P and Fitch have Negative outlooks. For General Insurance companies FSR and Life and Retirement companies FSR, ratings only reflect those of the core insurance companies.

# Legacy

## Legacy Monetization – Progress to date (\$B)

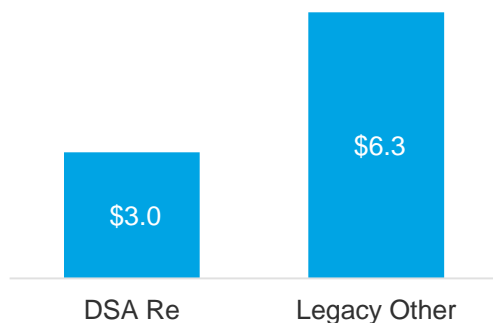


### Key Takeaways

- We have monetized \$10.8 billion of Legacy assets since 4Q15.
- DSA Re is a stand-alone run-off composite reinsurer with \$42 billion of assets and \$39 billion of insurance liabilities at June 30, 2018.
- On August 1, 2018, we announced the sale of 19.9% of DSA Re, which positions DSA Re as a platform that can be scaled over time to provide solutions for P&C and Life insurance liabilities globally.
- The affiliated reinsurance transactions executed with DSA Re in 1Q18 resulted in prepaid insurance assets on the ceding subsidiaries' balance sheets totaling approximately \$3.0B (after-tax), which have largely been eliminated in our consolidated financials. In the event of a sale of a controlling interest in DSA Re, the Legacy segment may recognize a loss for the portion of the unamortized balance of these assets that is not recoverable, if any, at the time of the sale, which would not impact statutory capital. This loss would be incremental to any gain or loss recognized on the sale. We anticipate that a potential deconsolidation will free up additional excess capital for capital management purposes.

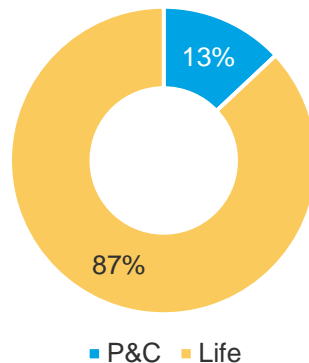
### Adjusted Attributed Equity (\$B)

As of June 30, 2018 = \$9.3B



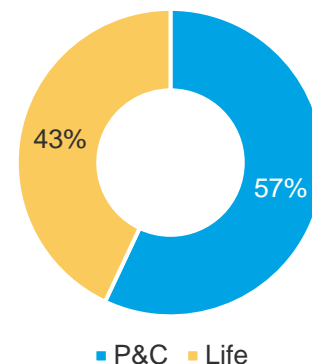
### DSA Re Reserves (\$B)

As of June 30, 2018 = \$35.9B



### Other Legacy Reserves (\$B)

As of June 30, 2018 = \$7.5B







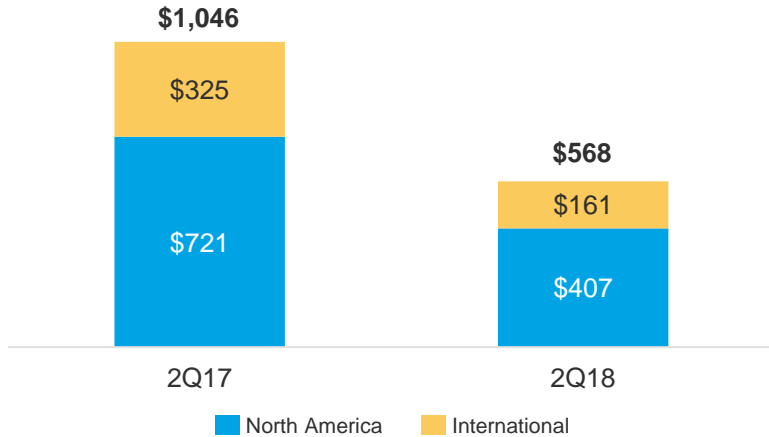
# General Insurance

**Peter Zaffino**

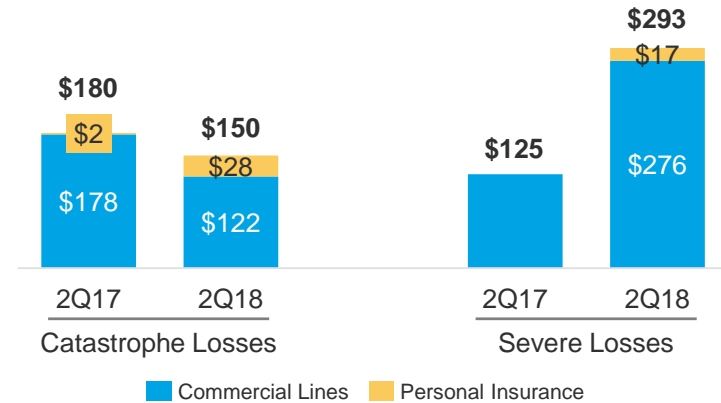
*Chief Executive Officer of General Insurance*

# General Insurance

## Adjusted Pre-Tax Income (\$M)

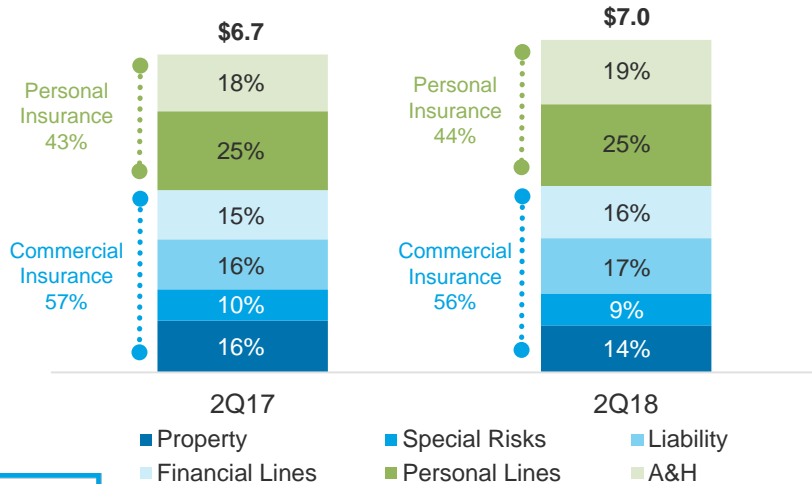


## Catastrophe & Severe Losses (\$M)

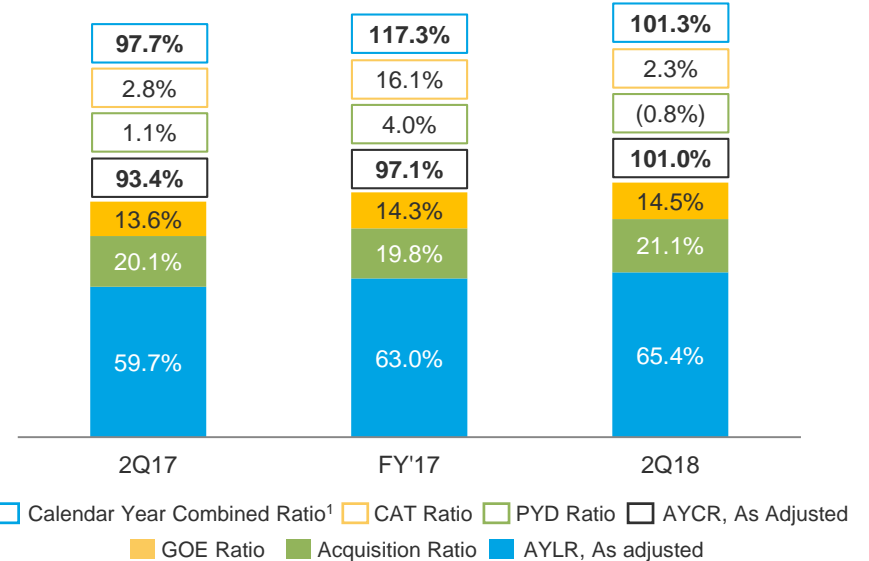


## Net Premiums Written (\$B)

**NPW grew 2.2% YoY in constant dollars**



## Combined Ratios<sup>1</sup>



1) Calendar year combined ratio includes an adjustment to net premiums earned in 2Q18 and an adjustment for ceded premiums under reinsurance contract in 2Q17.

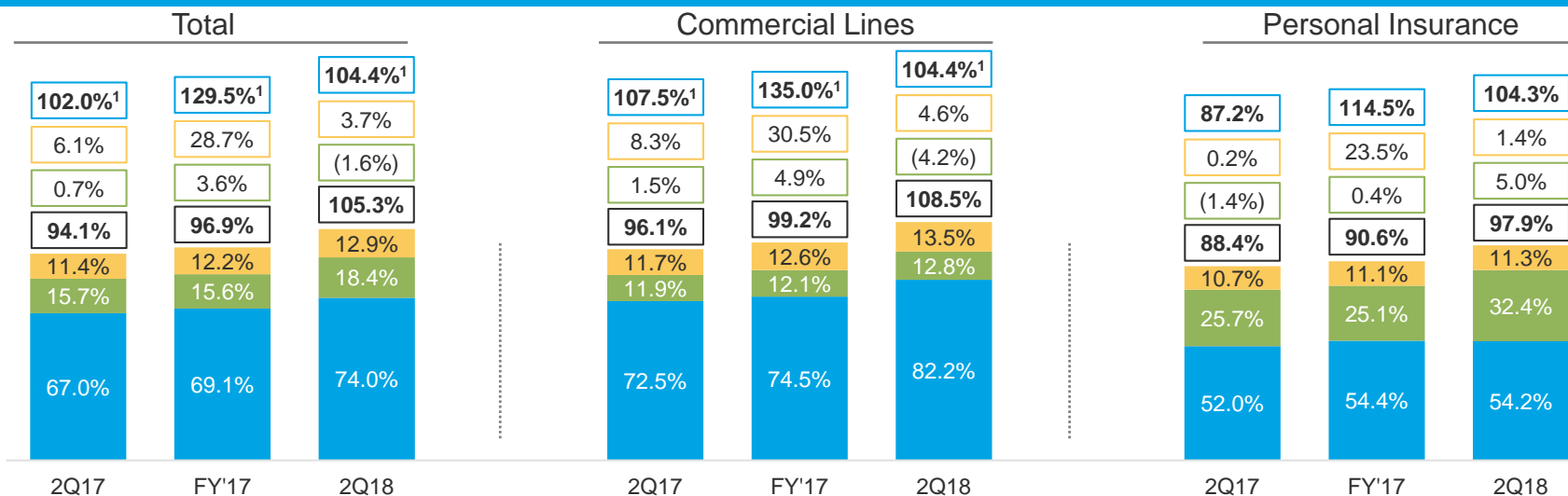
# General Insurance – North America

(\$ in millions)	2Q17	2Q18
<b>Net premiums written</b>	<b>\$3,125</b>	<b>\$3,236</b>
Commercial Lines	2,312	2,321
Personal Insurance	813	915
<b>Net premiums earned<sup>1</sup></b>	<b>\$2,892</b>	<b>\$2,892</b>
Commercial Lines <sup>1</sup>	2,105	2,069
Personal Insurance	787	823
<b>Underwriting loss</b>	<b>(\$58)</b>	<b>(\$127)</b>
Commercial Lines	(159)	(91)
Personal Insurance	101	(36)
<b>Net investment income</b>	<b>\$779</b>	<b>\$534</b>
<b>Adjusted pre-tax income</b>	<b>\$721</b>	<b>\$407</b>

## Key Takeaways:

- Net premiums written increased by 4%, largely driven by lower ceded premiums and growth in Travel business.
- Increase in AYLR, as adjusted, reflects higher severe losses and the impact of changes in our reinsurance program.
- Higher acquisition ratio primarily reflects changes in business mix towards lower loss ratio and higher commission business.
- Higher GOE ratio primarily driven by strategic program initiatives.
- Decline in net investment income reflects lower returns on alternative investments and fair value option securities.
- Net favorable PYD of \$54M driven by ADC deferred gain amortization.

## Combined Ratios



■ Calendar Year Combined Ratio 
 ■ CAT Ratio 
 ■ PYD Ratio 
  AYCR, As adjusted 
 ■ GOE Ratio 
 ■ Acquisition Ratio 
 ■ AYLR, As adjusted



<sup>1</sup> Includes an adjustment to net premiums earned in 2Q18 and an adjustment for ceded premiums under reinsurance contract in 2Q17.

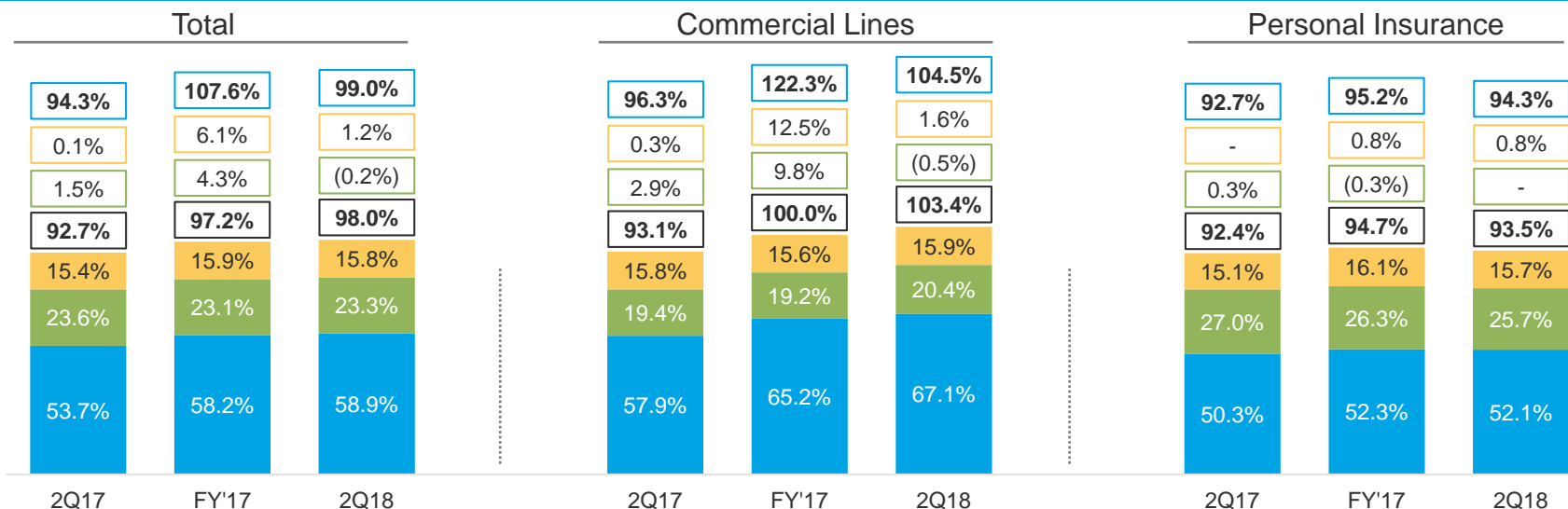
# General Insurance – International

(\$ in millions)	2Q17	2Q18
<b>Net premiums written</b>	<b>\$3,547</b>	<b>\$3,741</b>
Commercial Lines	1,514	1,590
Personal Insurance	2,033	2,151
<b>Net premiums earned</b>	<b>\$3,632</b>	<b>\$3,678</b>
Commercial Lines	1,631	1,668
Personal Insurance	2,001	2,010
<b>Underwriting income</b>	<b>\$207</b>	<b>\$38</b>
Commercial Lines	61	(76)
Personal Insurance	146	114
<b>Net investment income</b>	<b>\$118</b>	<b>\$123</b>
<b>Adjusted pre-tax income</b>	<b>\$325</b>	<b>\$161</b>

## Key Takeaways:

- NPW increased slightly YoY, excluding FX, primarily due to growth in Accident & Health in Asia Pacific and Financial Lines business in Europe, partially offset by the impact of divested businesses.
- Increase in AYLR, as adjusted, driven primarily by higher severe losses and attritional losses in Commercial Lines.

## Combined Ratios



■ Calendar Year Combined Ratio 
 ■ CAT Ratio 
 ■ PYD Ratio 
 ■ AYCR, As adjusted 
 ■ GOE Ratio 
 ■ Acquisition Ratio 
 ■ AYLR, As adjusted



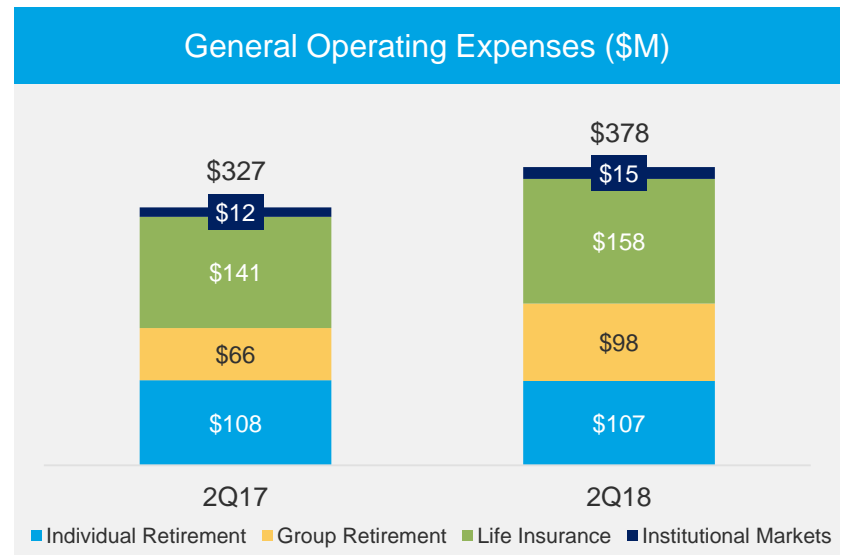
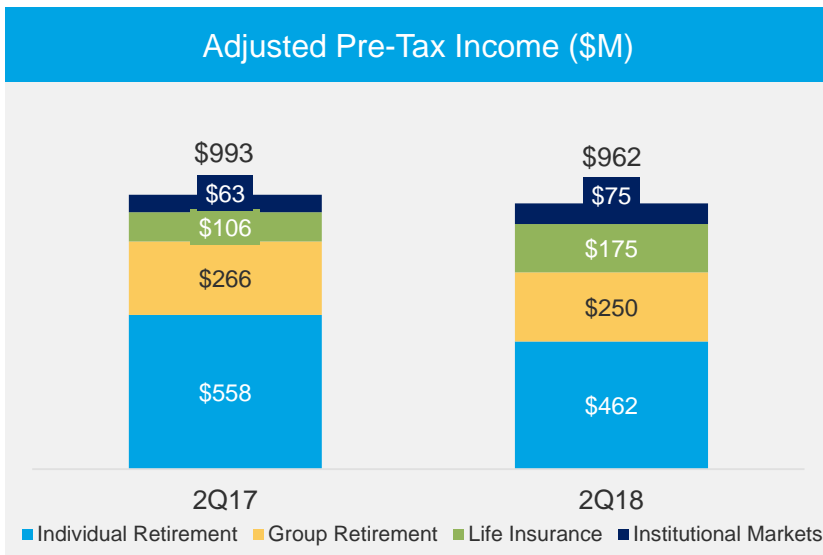
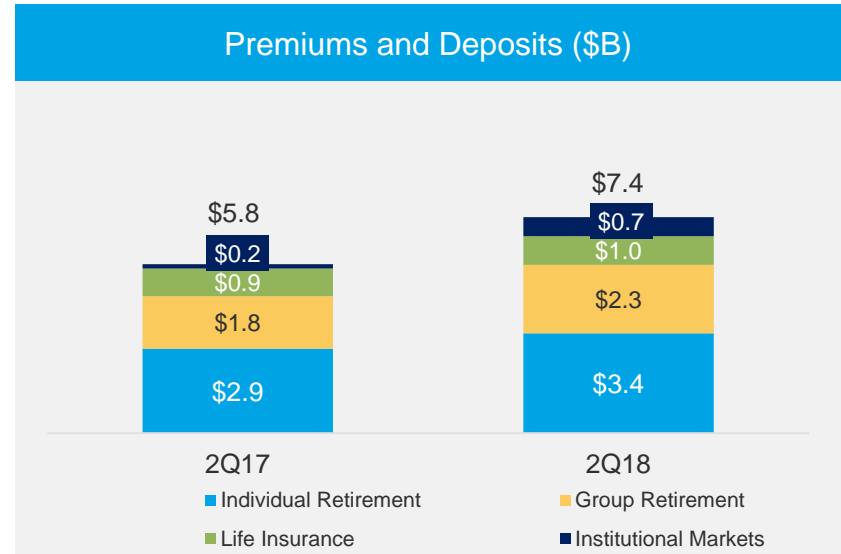
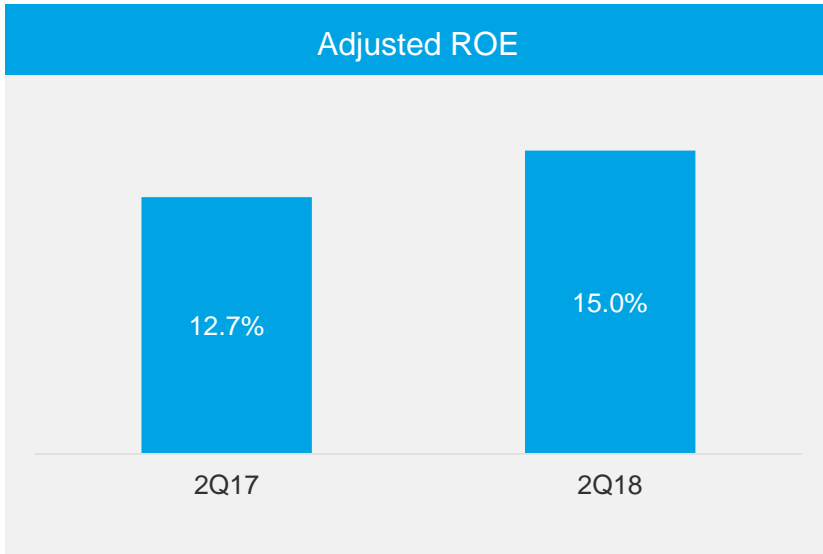


# Life and Retirement

**Kevin Hogan**

*Chief Executive Officer of Life and Retirement*

# Life and Retirement – Select Metrics



# Life and Retirement – Individual Retirement

(\$ in millions)	2Q17	2Q18
Premiums and deposits	\$2,892	\$3,422
Premiums	31	16
Policy fees	192	202
Net investment income	1,003	975
Advisory fee and other income	157	173
Total adjusted revenues	1,383	1,366
Benefits, losses and expenses	825	904
<b>Adjusted pre-tax income</b>	<b>\$558</b>	<b>\$462</b>

## Key Takeaways

- Higher AUA driven by equity market performance and positive Index Annuity net flows.
- Total net flows improved other than for Retail Mutual Funds; Retail Mutual Funds outflows increased.
- Adjusted pre-tax income reflected \$47 million of unfavorable actuarial adjustments and losses on fair value option assets, partially offset by higher fee income and advisory fee income driven by growth in AUA.
- Continued active spread management; Variable and Index Annuities benefited from higher accretion and other investment income.

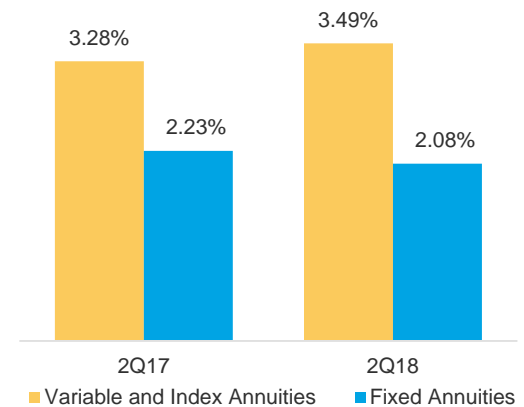
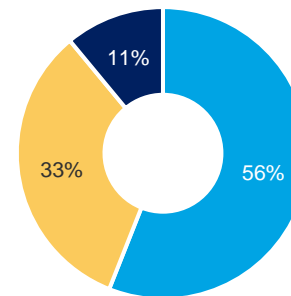
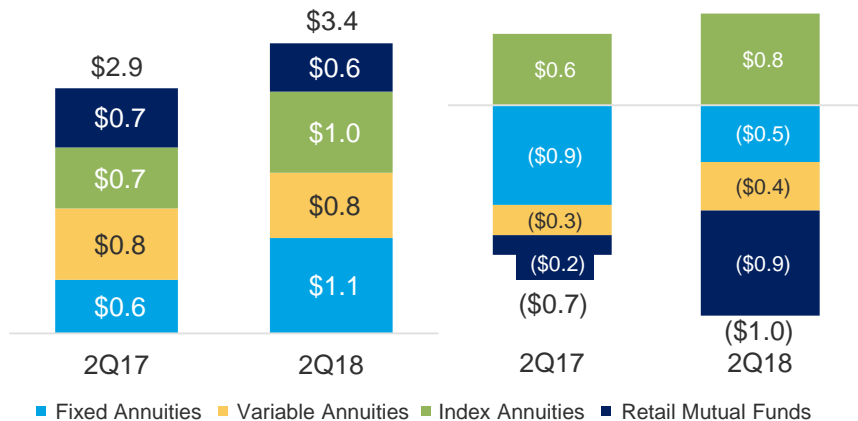
Premiums and Deposits (\$B)

Net Flows (\$B)

Assets Under Administration

Base Net Investment Spread

As of June 30, 2018 = \$145.7B



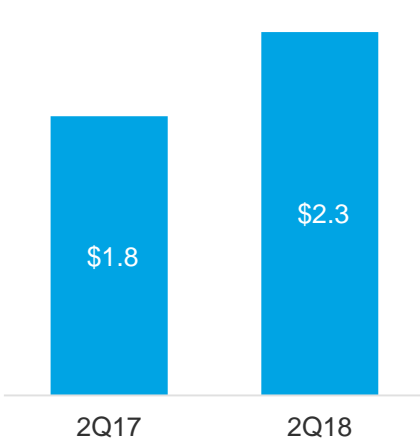
# Life and Retirement – Group Retirement

(\$ in millions)	2Q17	2Q18
Premiums and deposits	\$1,802	\$2,345
Premiums	4	15
Policy fees	101	112
Net investment income	535	542
Advisory fee and other income	56	61
Total adjusted revenues	696	730
Benefits, losses and expenses	430	480
<b>Adjusted pre-tax income</b>	<b>\$266</b>	<b>\$250</b>

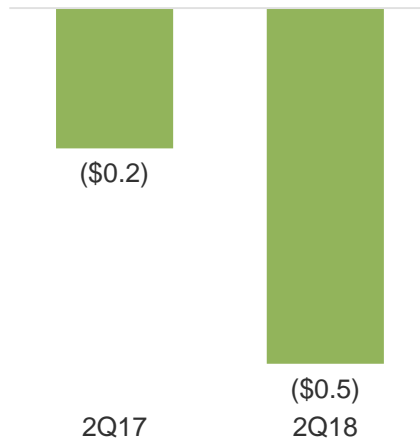
## Key Takeaways

- Higher premiums and deposits, with growth in periodic deposits and strong new group acquisitions.
- Net outflows continued due to increased surrenders. Assets under administration remain strong despite negative net flows.
- Continued active spread management; benefited from higher accretion and other investment income.

Premiums and Deposits (\$B)

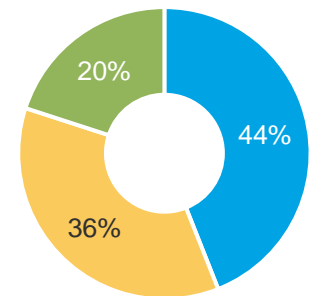


Net Flows (\$B)



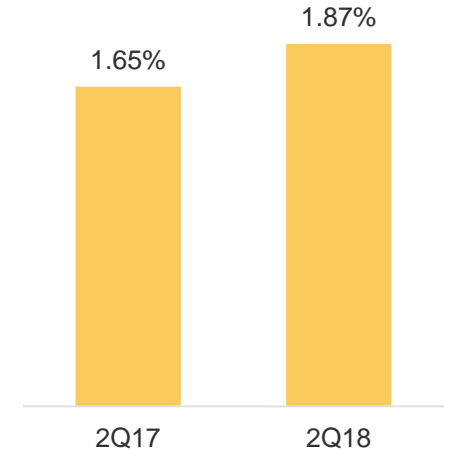
Assets Under Administration

As of June 30, 2018 = \$101.5B



- General accounts
- Separate accounts
- Group Retirement mutual funds

Base Net Investment Spread





# Life and Retirement – Life Insurance

(\$ in millions)	2Q17	2Q18
Premiums and deposits	\$947	\$980
Premiums	400	418
Policy fees	357	377
Net investment income	261	282
Advisory fee and other income <sup>1</sup>	12	15
Total adjusted revenues	1,030	1,092
Benefits, losses and expenses	924	917
<b>Adjusted pre-tax income</b>	<b>\$106</b>	<b>\$175</b>

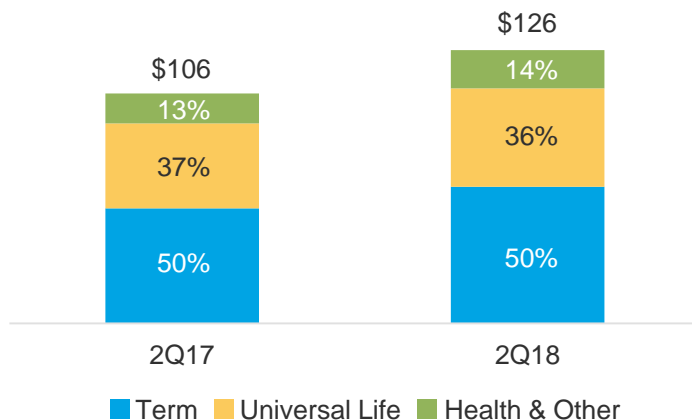
## Key Takeaways

- Premiums and deposits reflect growth across product offerings and geography, particularly in the U.K.
- Adjusted pre-tax income benefited from \$98 million of actuarial adjustments and higher net investment income driven by growth in invested assets.
- Mortality is within pricing assumptions for both periods.

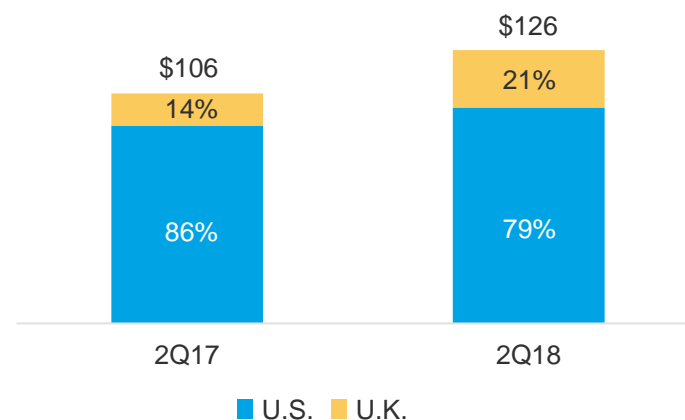
## New Business Sales

(\$ in millions)

### By Product



### By Geography



1) Other income primarily related to commission and profit sharing revenues received by Laya Healthcare from the distribution of insurance products.

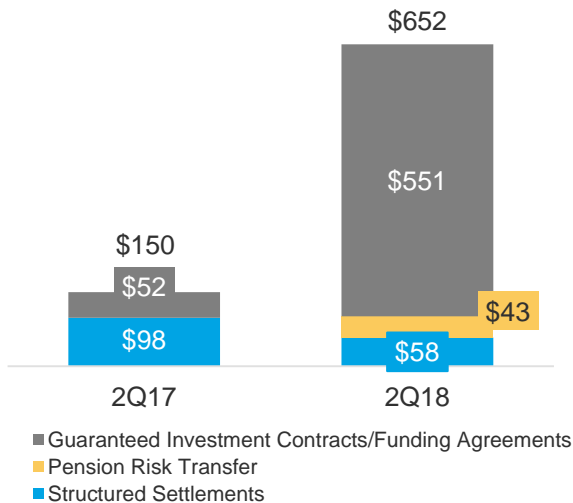
# Life and Retirement – Institutional Markets

(\$ in millions)	2Q17	2Q18
Premiums and deposits	\$150	\$652
Premiums	67	41
Policy fees	44	40
Net investment income	145	196
Total adjusted revenues	256	277
Benefits, losses and expenses	193	202
<b>Adjusted pre-tax income</b>	<b>\$63</b>	<b>\$75</b>

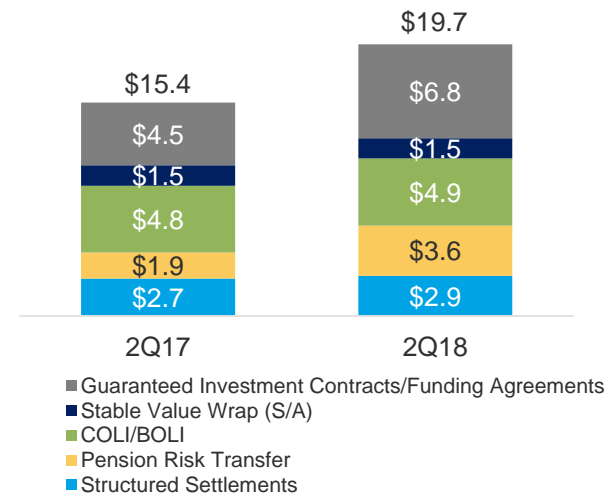
## Key Takeaways

- Increase in premiums and deposits driven by GICs.
- Growth of in force business reflects execution of opportunistic transactions over the last 12 months.
- Adjusted pre-tax income for 2Q18 benefited from investment income on additional allocated surplus.

Premiums and Deposits (\$M)



Reserves by Line of Business (\$B)





# Q&A and Closing Remarks





# Appendix





# **Glossary of Non-GAAP Financial Measures and Non-GAAP Reconciliations**

A photograph of a modern building facade with a large, three-dimensional "AIG" sign mounted on it. The sign is white and stands out against the dark, textured background of the building. The building has a curved architectural element and several circular recessed lights are visible on the lower part of the facade. The entire image is overlaid with a semi-transparent blue filter.

**AIG**

# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

Throughout this presentation, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are “Non-GAAP financial measures” under Securities and Exchange Commission rules and regulations. GAAP is the acronym for generally accepted accounting principles in the United States. The non-GAAP financial measures we present may not be comparable to similarly-named measures reported by other companies. The reconciliations of such measures to the most comparable GAAP measures in accordance with Regulation G are included within the relevant tables or in the Second Quarter 2018 Financial Supplement available in the Investor Information section of AIG’s website, [www.aig.com](http://www.aig.com).

**We may use certain non-GAAP operating performance measures as forward-looking financial targets or projections.** These financial targets or projections are provided based on management’s estimates. The most directly comparable GAAP financial targets or projections would be heavily dependent upon results that are beyond management’s control and the outcome of these items could be significantly different than management’s estimates. Therefore, we do not provide quantitative reconciliations for these financial targets or projections as we cannot predict with accuracy future actual events (e.g., catastrophe losses) and impacts from changes in macro-economic market conditions, including the interest rate environment (e.g. estimate for DIB & GCM returns, net reserve discount change and returns on alternative investments).

- **Book Value per Common Share, Excluding Accumulated Other Comprehensive Income (AOCI) and Book Value per Common Share, Excluding AOCI and Deferred Tax Assets (DTA) (Adjusted Book Value per Common Share)** are used to show the amount of our net worth on a per-share basis. We believe these measures are useful to investors because they eliminate items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. These measures also eliminate the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in these book value per common share metrics. Book value per common share, excluding AOCI, is derived by dividing Total AIG Shareholders’ equity, excluding AOCI, by total common shares outstanding. Adjusted Book Value per Common Share is derived by dividing Total AIG shareholders’ equity, excluding AOCI and DTA (**Adjusted Shareholders’ Equity**), by total common shares outstanding.
- **AIG Return on Equity – Adjusted After-tax Income Excluding AOCI and DTA (Adjusted Return on Equity)** is used to show the rate of return on shareholders’ equity. We believe this measure is useful to investors because it eliminates items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. This measure also eliminates the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in Adjusted Return on Equity. Adjusted Return on Equity is derived by dividing actual or annualized adjusted after-tax income attributable to AIG by average Adjusted Shareholders’ Equity.
- **Core, General Insurance, Life and Retirement and Legacy Adjusted Attributed Equity** is an attribution of total AIG Adjusted Shareholders’ Equity to these segments based on our internal capital model, which incorporates the segments’ respective risk profiles. Adjusted attributed equity represents our best estimates based on current facts and circumstances and will change over time.
- **Core, General Insurance, Life and Retirement and Legacy Return on Equity – Adjusted After-tax Income (Adjusted Return on Attributed Equity)** is used to show the rate of return on Adjusted Attributed Equity. Adjusted Return on Attributed Equity is derived by dividing actual or annualized Adjusted After-tax Income by Average Adjusted Attributed Equity.
- **Adjusted After-tax Income Attributable to Core, General Insurance, Life and Retirement and Legacy** is derived by subtracting attributed interest expense and income tax expense from APTI. Attributed debt and the related interest expense is calculated based on our internal capital model. Tax expense or benefit is calculated based on an internal attribution methodology that considers among other things the taxing jurisdiction in which the segments conduct business, as well as the deductibility of expenses in those jurisdictions.
- **Adjusted Revenues** exclude Net realized capital gains (losses), income from non-operating litigation settlements (included in Other income for GAAP purposes) and changes in fair value of securities used to hedge guaranteed living benefits (included in Net investment income for GAAP purposes). Adjusted revenues is a GAAP measure for our operating segments.

# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

We use the following operating performance measures because we believe they enhance the understanding of the underlying profitability of continuing operations and trends of our business segments. We believe they also allow for more meaningful comparisons with our insurance competitors. When we use these measures, reconciliations to the most comparable GAAP measure are provided on a consolidated basis.

- **Adjusted Pre-tax Income (APTI)** is derived by excluding the items set forth below from income from continuing operations before income tax. This definition is consistent across our segments. These items generally fall into one or more of the following broad categories: legacy matters having no relevance to our current businesses or operating performance; adjustments to enhance transparency to the underlying economics of transactions; and measures that we believe to be common to the industry. APTI is a GAAP measure for our segments. Excluded items include the following:
  - changes in fair value of securities used to hedge guaranteed living benefits;
  - changes in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital gains and losses;
  - loss (gain) on extinguishment of debt;
  - all net realized capital gains and losses except earned income (periodic settlements and changes in settlement accruals) on derivative instruments used for non-qualifying (economic) hedging or for asset replication. Earned income on such economic hedges is reclassified from net realized capital gains and losses to specific APTI line items based on the economic risk being hedged (e.g. net investment income and interest credited to policyholder account balances);
  - income or loss from discontinued operations;
  - pension expense related to a one-time lump sum payment to former employees;
  - income and loss from divested businesses;
  - non-operating litigation reserves and settlements;
  - restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization;
  - the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain; and
  - net loss reserve discount benefit (charge).
- **Adjusted After-tax Income attributable to AIG (AATI)** is derived by excluding the tax effected adjusted pre-tax income (APTI) adjustments described above and the following tax items from net income attributable to AIG:
  - deferred income tax valuation allowance releases and charges;
  - changes in uncertain tax positions and other tax items related to legacy matters having no relevance to our current businesses or operating performance; and
  - net tax charge related to the enactment of the Tax Cuts and Jobs Act (Tax Act).
- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every \$100 of net premiums earned, the amount of losses and loss adjustment expenses (which for General Insurance excludes net loss reserve discount), and the amount of other underwriting expenses that would be incurred. A combined ratio of less than 100 indicates underwriting income and a combined ratio of over 100 indicates an underwriting loss. Our ratios are calculated using the relevant segment information calculated under GAAP, and thus may not be comparable to similar ratios calculated for regulatory reporting purposes. The underwriting environment varies across countries and products, as does the degree of litigation activity, all of which affect such ratios. In addition, investment returns, local taxes, cost of capital, regulation, product type and competition can have an effect on pricing and consequently on profitability as reflected in underwriting income and associated ratios.

# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

- **Accident year loss and combined ratios, as adjusted:** both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Natural and man-made catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each and also include certain man-made events, such as terrorism and civil disorders that meet the \$10 million threshold. We believe the as adjusted ratios are meaningful measures of our underwriting results on an ongoing basis as they exclude catastrophes and the impact of reserve discounting which are outside of management's control. We also exclude prior year development to provide transparency related to current accident year results.

Underwriting ratios are computed as follows:

- a) Loss ratio = Loss and loss adjustment expenses incurred ÷ Net premiums earned (NPE)
  - b) Acquisition ratio = Total acquisition expenses ÷ NPE
  - c) General operating expense ratio = General operating expenses ÷ NPE
  - d) Expense ratio = Acquisition ratio + General operating expense ratio
  - e) Combined ratio = Loss ratio + Expense ratio
  - f) Accident year loss ratio, as adjusted (AYLR) = [Loss and loss adjustment expenses incurred – CATs – PYD] ÷ [NPE +/- Reinstatement premiums (RIPs) related to catastrophes +/- RIPs related to prior year catastrophes + (Additional) returned premium related to PYD on loss sensitive business + Adjustment for ceded premiums under reinsurance contracts related to prior accident years]
  - g) Accident year combined ratio, as adjusted = AYLR + Expense ratio
  - h) Catastrophe losses (CATs) and reinstatement premiums = [Loss and loss adjustment expenses incurred – (CATs)] ÷ [NPE +/- RIPs related to catastrophes] – Loss ratio
  - i) Prior year development net of (additional) return premium related to PYD on loss sensitive business = [Loss and loss adjustment expenses incurred – Prior year loss reserve development unfavorable (favorable) (PYD), net of reinsurance] ÷ [NPE +/- RIPs related to prior year catastrophes + (Additional) returned premium related to PYD on loss sensitive business] – Loss ratio
- **Premiums and deposits:** includes direct and assumed amounts received and earned on traditional life insurance policies, group benefit policies and life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts, Federal Home Loan Bank (FHLB) funding agreements and mutual funds.

Results from discontinued operations are excluded from all of these measures.



# Non-GAAP Reconciliations

## Adjusted Pre-tax and After-tax Income - Consolidated

(in millions)

	Quarterly	
	2Q17	2Q18
<b>Pre-tax income from continuing operations</b>		
<b>Adjustments to arrive at Adjusted pre-tax income</b>		
Changes in fair value of securities used to hedge guaranteed living benefits	(80)	36
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(58)	(1)
Loss (gain) on extinguishment of debt	(4)	5
Net realized capital (gains) losses (a)	69	(155)
(Income) loss from divested businesses	60	(25)
Non-operating litigation reserves and settlements	(80)	12
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	251	(32)
Net loss reserve discount (benefit) charge	260	(14)
Pension expense related to a one-time lump sum payment to former employees	1	-
Restructuring and other costs	47	200
<b>Adjusted pre-tax income</b>	<b>\$ 2,133</b>	<b>\$ 1,278</b>
<b>Net income attributable to AIG</b>	<b>\$ 1,130</b>	<b>\$ 937</b>
<b>Adjustments to arrive at Adjusted after-tax income (amounts net of tax, at U.S. statutory tax rate for each respective period, except where noted):</b>		
Changes in uncertain tax positions and other tax adjustments	66	3
Deferred income tax valuation allowance (releases) charges	(8)	7
Changes in fair value of securities used to hedge guaranteed living benefits	(52)	28
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(38)	(1)
Loss (gain) on extinguishment of debt	(2)	4
Net realized capital (gains) losses (a)(b)	31	(128)
(Income) loss from discontinued operations and divested businesses (b)	12	(20)
Non-operating litigation reserves and settlements	(52)	10
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	162	(25)
Net loss reserve discount (benefit) charge	170	(11)
Pension expense related to a one-time lump sum payment to former employees	-	-
Restructuring and other costs	30	157
<b>Adjusted after-tax income</b>	<b>\$ 1,449</b>	<b>\$ 961</b>
<b>Weighted average diluted shares outstanding</b>	948.2	916.6
<b>Income per common share attributable to AIG (diluted)</b>	\$ 1.19	\$ 1.02
Adjusted after-tax income per common share attributable to AIG (diluted)	1.53	1.05

(a) Includes all net realized capital gains and losses except earned income (periodic settlements and changes in settlement accruals) on derivative instruments used for non-qualifying (economic) hedging or for asset replication.

(b) Includes the impact of non-U.S. tax rates which differ from the applicable U.S. statutory tax rate and tax only adjustments.



# Non-GAAP Reconciliations

## Book Value Per Share and Return on Equity

(in millions, except per share data)

### Book Value Per Share

Total AIG shareholders' equity (a)  
 Less: Accumulated other comprehensive income (AOCI)  
 Total AIG shareholders' equity, excluding AOCI (b)  
 Less: Deferred tax assets (DTA)\*  
 Total adjusted shareholders' equity (c)  
 Total common shares outstanding (d)  
 Book value per common share (a÷d)  
 Book value per common share, excluding AOCI (b÷d)  
 Adjusted book value per common share (c÷d)

	4Q17	1Q18	2Q18
Total AIG shareholders' equity (a)	\$ 65,171	\$ 62,792	\$ 61,186
Less: Accumulated other comprehensive income (AOCI)	5,465	2,220	230
Total AIG shareholders' equity, excluding AOCI (b)	59,706	60,572	60,956
Less: Deferred tax assets (DTA)*	10,492	10,214	9,853
Total adjusted shareholders' equity (c)	<u>49,214</u>	<u>50,358</u>	<u>51,103</u>
Total common shares outstanding (d)	<u>899.0</u>	<u>897.7</u>	<u>891.2</u>
Book value per common share (a÷d)	\$ 72.49	\$ 69.95	\$ 68.65
Book value per common share, excluding AOCI (b÷d)	66.41	67.48	68.40
Adjusted book value per common share (c÷d)	54.74	56.10	57.34

(in millions)

### Return On Equity (ROE) Computations

Actual or Annualized net income (loss) attributable to AIG (a)  
 Actual or Annualized adjusted after-tax income (loss) attributable to AIG (b)  
 Average AIG Shareholders' equity (c)  
 Less: Average AOCI  
 Less: Average DTA  
 Average adjusted shareholders' equity (d)  
 ROE (a÷c)  
 Adjusted return on equity (b÷d)

	Quarterly	
	2Q17	2Q18
Actual or Annualized net income (loss) attributable to AIG (a)	\$ 4,520	\$ 3,748
Actual or Annualized adjusted after-tax income (loss) attributable to AIG (b)	\$ 5,796	\$ 3,844
Average AIG Shareholders' equity (c)	\$ 73,901	\$ 61,989
Less: Average AOCI	4,372	1,225
Less: Average DTA	14,436	10,034
Average adjusted shareholders' equity (d)	<u>\$ 55,093</u>	<u>\$ 50,730</u>
ROE (a÷c)	6.1%	6.0%
Adjusted return on equity (b÷d)	10.5%	7.6%

\* Represents deferred tax assets only related to U.S. net operating loss and foreign tax credit carryforwards on a U.S. GAAP basis and excludes other balance sheet deferred tax assets and liabilities.



# Non-GAAP Reconciliations

## Return on Equity

### General Insurance

(in millions)

	Quarterly	
	2Q17	2Q18
<b>Adjusted pre-tax income</b>	\$ 1,046	\$ 568
Interest expense on attributed financial debt	132	137
<b>Adjusted pre-tax income including attributed interest expense</b>	914	431
Income tax expense	281	97
<b>Adjusted after-tax income (a)</b>	<b>\$ 633</b>	<b>\$ 334</b>
Ending adjusted attributed equity	25,867	24,146
Average adjusted attributed equity (b)	25,692	24,017
Adjusted return on attributed equity (a÷b)	<u>9.9 %</u>	<u>5.6 %</u>

### Core

(in millions)

	Quarterly	
	2Q17	2Q18
<b>Adjusted pre-tax income</b>	\$ 1,702	\$ 1,144
Interest expense (benefit) on attributed financial debt	(43)	-
<b>Adjusted pre-tax income including attributed interest expenses:</b>	1,745	1,144
Income tax expense	561	294
<b>Adjusted after-tax income (a)</b>	<b>\$ 1,184</b>	<b>\$ 850</b>
Ending adjusted attributed equity	44,571	41,836
Average adjusted attributed equity (b)	44,898	41,474
Adjusted return on attributed equity (a÷b)	<u>10.5 %</u>	<u>8.2 %</u>

### Life and Retirement

(in millions)

	Quarterly	
	2Q17	2Q18
<b>Adjusted pre-tax income</b>	\$ 993	\$ 962
Interest expense on attributed financial debt	6	30
<b>Adjusted pre-tax income including attributed interest expense</b>	987	932
Income tax expense	326	186
<b>Adjusted after-tax income (a)</b>	<b>\$ 661</b>	<b>\$ 746</b>
Ending adjusted attributed equity	\$ 20,884	\$ 19,972
Average adjusted attributed equity (b)	20,800	19,952
Adjusted return on attributed equity (a÷b)	<u>12.7 %</u>	<u>15.0 %</u>

### Legacy

(in millions)

	Quarterly	
	2Q17	2Q18
<b>Adjusted pre-tax income</b>	\$ 431	\$ 134
Interest expense on attributed financial debt	43	-
<b>Adjusted pre-tax income including attributed interest expense</b>	388	134
Income tax expense	135	27
<b>Adjusted after-tax income (a)</b>	<b>\$ 253</b>	<b>\$ 107</b>
Ending adjusted attributed equity	9,912	\$ 9,267
Average adjusted attributed equity (b)	10,195	9,257
Adjusted return on attributed equity (a÷b)	<u>9.9 %</u>	<u>4.6 %</u>

# Non-GAAP Reconciliations

## Accident Year Loss Ratio, as adjusted, and Accident Year Combined Ratio, as adjusted

### General Insurance

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	64.0	65.7	83.2
Catastrophe losses and reinstatement premiums	(2.8)	(2.3)	(16.1)
Prior year development	(1.1)	0.8	(4.0)
Adjustment for ceded premium under reinsurance contract and other	(0.4)	1.2	(0.1)
Accident year loss ratio, as adjusted	59.7	65.4	63.0
Acquisition ratio	20.1	21.1	19.8
General operating expense ratio	13.6	14.5	14.3
Expense ratio	33.7	35.6	34.1
Combined ratio	97.7	101.3	117.3
Accident year combined ratio, as adjusted	93.4	101.0	97.1

### General Insurance - North America

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	74.9	73.1	101.7
Catastrophe losses and reinstatement premiums	(6.1)	(3.7)	(28.7)
Prior year development	(0.7)	1.6	(3.6)
Adjustment for ceded premium under reinsurance contract and other	(1.1)	3.0	(0.3)
Accident year loss ratio, as adjusted	67.0	74.0	69.1
Acquisition ratio	15.7	18.4	15.6
General operating expense ratio	11.4	12.9	12.2
Expense ratio	27.1	31.3	27.8
Combined ratio	102.0	104.4	129.5
Accident year combined ratio, as adjusted	94.1	105.3	96.9

### General Insurance - North America - Commercial Lines

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	83.9	78.1	110.3
Catastrophe losses and reinstatement premiums	(8.3)	(4.6)	(30.5)
Prior year development	(1.5)	4.2	(4.9)
Adjustment for ceded premium under reinsurance contract and other	(1.6)	4.5	(0.4)
Accident year loss ratio, as adjusted	72.5	82.2	74.5
Acquisition ratio	11.9	12.8	12.1
General operating expense ratio	11.7	13.5	12.6
Expense ratio	23.6	26.3	24.7
Combined ratio	107.5	104.4	135.0
Accident year combined ratio, as adjusted	96.1	108.5	99.2

### General Insurance - North America - Personal Insurance

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	50.8	60.6	78.3
Catastrophe losses and reinstatement premiums	(0.2)	(1.4)	(23.5)
Prior year development	1.4	(5.0)	(0.4)
Accident year loss ratio, as adjusted	52.0	54.2	54.4
Acquisition ratio	25.7	32.4	25.1
General operating expense ratio	10.7	11.3	11.1
Expense ratio	36.4	43.7	36.2
Combined ratio	87.2	104.3	114.5
Accident year combined ratio, as adjusted	88.4	97.9	90.6

# Non-GAAP Reconciliations

## Accident Year Loss Ratio, as adjusted, and Accident Year Combined Ratio, as adjusted

### General Insurance - International

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	55.3	59.9	68.6
Catastrophe losses and reinstatement premiums	(0.1)	(1.2)	(6.1)
Prior year development	(1.5)	0.2	(4.3)
Accident year loss ratio, as adjusted	53.7	58.9	58.2
Acquisition ratio	23.6	23.3	23.1
General operating expense ratio	15.4	15.8	15.9
Expense ratio	39.0	39.1	39.0
Combined ratio	94.3	99.0	107.6
Accident year combined ratio, as adjusted	92.7	98.0	97.2

### General Insurance - International -

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	61.1	68.2	87.5
Catastrophe losses and reinstatement premiums	(0.3)	(1.6)	(12.5)
Prior year development	(2.9)	0.5	(9.8)
Accident year loss ratio, as adjusted	57.9	67.1	65.2
Acquisition ratio	19.4	20.4	19.2
General operating expense ratio	15.8	15.9	15.6
Expense ratio	35.2	36.3	34.8
Combined ratio	96.3	104.5	122.3
Accident year combined ratio, as adjusted	93.1	103.4	100.0

### General Insurance - International -

#### Personal Insurance

	Quarterly		FY'17
	2Q17	2Q18	
Loss ratio	50.6	52.9	52.8
Catastrophe losses and reinstatement premiums	-	(0.8)	(0.8)
Prior year development	(0.3)	-	0.3
Accident year loss ratio, as adjusted	50.3	52.1	52.3
Acquisition ratio	27.0	25.7	26.3
General operating expense ratio	15.1	15.7	16.1
Expense ratio	42.1	41.4	42.4
Combined ratio	92.7	94.3	95.2
Accident year combined ratio, as adjusted	92.4	93.5	94.7

## Net Premiums Written – Change in Constant Dollar

Foreign exchange effect on worldwide premiums:

#### Change in net premiums written

Increase (decrease) in original currency

Foreign exchange effect

Increase (decrease) as reported in U.S. dollars

#### General Insurance

2Q18
2.2 %
2.4
4.6 %

#### International

2Q18
0.4 %
5.1
5.5 %



# Non-GAAP Reconciliations

## Premiums

(in millions)

	Quarterly	
	2Q17	2Q18
<b>Individual Retirement:</b>		
Premiums	\$ 31	\$ 16
Deposits	2,862	3,408
Other	(1)	(2)
<b>Premiums and deposits</b>	<b>\$ 2,892</b>	<b>\$ 3,422</b>
<b>Individual Retirement (Fixed Annuities):</b>		
Premiums	\$ 33	\$ 17
Deposits	604	1,112
Other	(4)	(4)
<b>Premiums and deposits</b>	<b>\$ 633</b>	<b>\$ 1,125</b>
<b>Individual Retirement (Variable Annuities):</b>		
Premiums	\$ (2)	\$ (1)
Deposits	841	771
Other	2	1
<b>Premiums and deposits</b>	<b>\$ 841</b>	<b>\$ 771</b>
<b>Individual Retirement (Index Annuities):</b>		
Premiums	\$ -	\$ -
Deposits	720	957
Other	-	-
<b>Premiums and deposits</b>	<b>\$ 720</b>	<b>\$ 957</b>
<b>Individual Retirement (Retail Mutual Funds):</b>		
Premiums	\$ -	\$ -
Deposits	698	570
Other	-	-
<b>Premiums and deposits</b>	<b>\$ 698</b>	<b>\$ 570</b>
<b>Group Retirement:</b>		
Premiums	\$ 4	\$ 15
Deposits	1,798	2,330
Other	-	-
<b>Premiums and deposits</b>	<b>\$ 1,802</b>	<b>\$ 2,345</b>
<b>Life Insurance:</b>		
Premiums	\$ 400	\$ 418
Deposits	381	410
Other	166	152
<b>Premiums and deposits</b>	<b>\$ 947</b>	<b>\$ 980</b>
<b>Institutional Markets:</b>		
Premiums	\$ 67	\$ 41
Deposits	76	565
Other	7	46
<b>Premiums and deposits</b>	<b>\$ 150</b>	<b>\$ 652</b>
<b>Total Life and Retirement:</b>		
Premiums	\$ 502	\$ 490
Deposits	5,117	6,713
Other	172	196
<b>Premiums and deposits</b>	<b>\$ 5,791</b>	<b>\$ 7,399</b>