Jacqueline Lovisa/NY/FRS
09/16/2008 03:10 PM

To Brian Peters/NY/FRS@FRS, Sarah Dahlgren/NY/FRS@FRS, Meg McConnell/NY/FRS@FRS
cc Steven J Manzari/NY/FRS@FRS, Catherine Voigts/NY/FRS@FRS, Kevin.Clarke@ny.frb.org, Paul.Whynott@ny.frb.org
bcc
Subject AIG Update - Important

Note that AIG has notified JPMC and Citi that they have rescinded their draw requests due to not being able to meet covenants; have also heard from DB Team that it was a minimum net worth covenant.

****
****

Citi

Just got a call from Citi that AIG rescinded their draw requests on the various syndicated loans (for not being able to meet covenants),

---
Antonio Alvarez
Credit Risk Coordinator - Wholesale
Citigroup Continuous Monitoring Team
Federal Reserve Bank of New York
Citigroup On-site: (212) 527-1255;
FRBNY Voicemail: (212) 720-5069
Blackberry: (718) 612-3095
—

JPMC

---- Forwarded by Jacqueline Lovisa/NY/FRS on 09/16/2008 03:00 PM ----

Edgar Moreano/NY/FRS
09/16/2008 03:01 PM

To Antonio Alvarez/NY/FRS@FRS, Louis Braunstein/NY/FRS@FRS, John Ruocco/NY/FRS@FRS, Jacqueline Lovisa/NY/FRS@FRS, Dianne Dobbeck/NY/FRS@FRS, Richard Cahill/NY/FRS@FRS, Steven J Manzari/NY/FRS@FRS
cc James DeFalco/NY/FRS@FRS, Erin Upton/NY/FRS@FRS, Gregory Gaare/NY/FRS@FRS, Christopher Hunter/NY/FRS@FRS, Jennifer Tranter/NY/FRS@FRS, Antonino Piscitello/NY/FRS@FRS, Jeffrey Levine/NY/FRS@FRS, Laura Braverman/NY/FRS@FRS, Theonilla Lee-Chan/NY/FRS@FRS, Benjamin Eddy/NY/FRS@FRS, Barbara Yelcich/NY/FRS@FRS
Subject JPMC: AIG UpdateLink

JPMC credit exec also just informed of AIG rescinding the request from the HoldCo facility.

See attached for overview of credit exposure to AIG as of today. JPMC has cancelled trading lines and limits (see page 2) and prime brokerage arrangements have been terminated. in addition, AIG's maturing CP payments require prefunding.

Edgar Moreano
Federal Reserve Bank of New York
(212) 789-4359

AIG exposure report 9-16-08 .ppt

SEPTEMBER 16, 2008

AIG

CREDIT EXPOSURE TO AIG

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Agenda

	Page
AIG highest risk exposures	2
AIG exposure overview	3
AIG non-insurance exposure overview	4
AIG non-insurance company exposure detail	5
AIG insurance and ILFC	6
AIG facilities overview	7
AIG counterparty information	8
AIG CP rollover schedule	10
AIG prime brokerage relationships	11
Summary of action steps taken	12
AIG working group list	13

Highest risk exposures

	Exposure
AIG, Inc.	■ Aggregate **$180mm** commitment to 364-day and 5-year R/Cs ■ Cancelled trading lines
AIG Financial Products	■ DRE of $402 mm ■ All obligations guaranteed by AIG Inc. ■ AIG FP owes JPM $298 million, which includes MTM (adjusted upwards for an estimate from Credit Hybrids of incremental spread widening not yet reflected in reported MTM) of $231 million and return of collateral of $67 million upon a default. ■ Cancelled trading limits
American General Finance	■ Aggregate **$287.5mm** commitment to 364-day and 5-year R/Cs ■ Cancelled trading limits
AIG Intl. Inc.	■ DRE of $52 million ■ Current MTM position: JPM owes AIG Intl Inc. $196 million. We have posted collateral of $112 million. ■ Cancelled trading limits

AIG exposure overview as of 9/12/08 (consolidated)

($ in millions)

Market indicators - *As of 9/15/08*

	Current	High	Low
Stock price	$4.76	$70.13	$4.76
5-year CDS Spread	1,908bps	1,908bps	25bps

AIG current ratings

	Moody's	S&P	Fitch	JPM internal rating
Rating	A2	A-	A	3+
Outlook	Watch Neg.	Watch Neg.	Watch Neg.	

Key credit statistics - *As of 6/30/08 ($ in billion's)*

	2Q 2008
LTM Revenues	$82.2
LTM Net Income	($15.4)
Equity	$78.1
Adjusted Debt/Cap	24.3%
Market Cap (9/15/08)	$12.8

Relationship overview

- On 5/21/08, the Company raised $20.0bn in capital through the sale of $7.5bn of common stock, $5.9bn in mandatory converts and $6.9bn of hybrid fixed maturity securities
- AIG is one of FIG's largest revenue generators. Total revenue and SVA for the overall relationship for LTM June 2008 was $155.9mm and $59.4mm respectively

Consolidated AIG exposure report

	Approved amount	Outstanding exposure	Net threshold exposure
Committed			
Loans [1]	$77	$77	$77
Unsecured	803	0	803
Uncommitted			
SBLC	12	12	12
Counterparty trading			
Derivatives	814	558	558
	343	1	2
	78	2	0
Other counterparty	421	3	2
Unused guidance	228	0	49
Unlinked overdrafts	0	0	0
Third-party undertakings	401	401	137
Subtotal	$2,756	$1,051	$1,637
Total CDS position			($461)
Total primary exposure	$2,756	$1,051	$1,176

Derivatives/FX	$6,015
Sec financing/ Sec trading	339
Intraday/funds trans./ACH	1,121
Unallocated guidance	247
Total operating exposure	$7,722

[1] JPM commitment to a leveraged lease for AIG Matched Funding Corp. (guaranteed by AIG Inc.)

AIG non-insurance - as of 9/12/08

($ in millions)

Non-insurance subsidiaries

	Approved amount	Outstanding exposure	Net threshold exposure
Committed			
Loans [1]	$77	$77	$77
Unsecured	288	0	288
Uncommitted			
SBLC	0	0	0
Counterparty trading			
Derivatives	593	499	499
Other counterparty	181	2	0
Unused guidance	0	0	0
Unlinked overdrafts	0	0	0
Third-party undertakings	0	0	0
Subtotal	$1,139	$577	$864
Total CDS position			$0
Total primary exposure	$1,139	$577	$864
Derivatives/FX	$5,777		
Sec financing/ Sec trading	146		
Intraday/funds trans./ACH	132		
Unallocated guidance	0		
Total operating exposure	$6,055		

[1] JPM commitment to a leveraged lease for AIG Matched Funding Corp. (guaranteed by AIG Inc.)

AIG non-insurance includes Banque AIG, AIG Financial Products, AIG International, AIG CDS, and American General Finance.

Exposure highlights

- As of 9/12/08, JPM has $864mm in Net Primary Exposure to the AIG non-insurance subsidiaries primarily consisting of $365mm in committed facilities, leveraged lease facilities and derivative limits.
- Operating exposure to AIG's non-insurance subsidiaries stood at approximately $6bn comprised primarily of derivative settlement limits, operating limits and securities financing lines.

Unsecured committed exposure details

- Commitments to American General Finance Corp. ($87.5mm share of a $2.125bn BofA/JPM led 5-year R/C, matures in July 2010; and $200mm share of a $2.45bn Citi/JPM led 364-day R/C, matures in July 2009). The new 364-day R/C benefits from a Support Agreement with AIG whereby: a) AIG will cause AGF to maintain minimum tangible net worth of $2.2Bn, b) AIG will cause AGF to maintain leverage (adjusted debt to tangible net worth) of less than or equal to 8.0x.

AIG non-insurance company exposure detail

AIG Financial Products

- All obligations guaranteed by AIG Inc.
- DRE of $402 mm
- Revised MTM plus return of collateral due to JPM from AIG FP is **$298 mm** (see page 9 for details)

American General Finance

- Commitments to American General Finance Corp. ($87.5mm share of a $2.125bn BofA/JPM led 5-year R/C, matures in July 2010; and $200mm share of a $2.45bn Citi/JPM led 364-day R/C, matures in July 2009). The new 364-day R/C benefits from a Support Agreement with AIG whereby: a) AIG will cause AGF to maintain minimum tangible net worth of $2.2Bn, b) AIG will cause AGF to maintain leverage (adjusted debt to tangible net worth) of less than or equal to 8.0x.

AIG Intl. Inc.

- DRE of $52 million
- Current MTM position: JPM owes AIG Intl Inc. $196 million. We have posted collateral of $112 million.

AIG Matched Funding Corp.

- JPMorgan has a $77 million commitment to a leveraged lease transaction for AIG Matched Funding Corp.

AIG insurance and ILFC - as of 9/12/08

($ in millions)

Insurance subsidiaries

	Approved amount	Outstanding exposure	Net threshold exposure
Committed			
Loans	$0	$0	$0
Unsecured	515	0	515
Uncommitted			
SBLC	12	12	12
Counterparty trading			
Derivatives	222	59	59
Other counterparty	240	1	1
Unused guidance	227	0	49
Unlinked overdrafts	0	0	0
Third-party undertakings	401	401	136
Subtotal	$1,617	$473	$773
Total CDS position			($461)
Total primary exposure	$1,617	$473	$312

Derivatives/FX	$238
Sec financing/ Sec trading	193
Intraday/funds trans./ACH	989
Unallocated guidance	247
Total operating exposure	$1,667

AIG insurance includes AIG Parent Holding Company (AIG Inc.) and operating insurance subsidiaries.

Exposure highlights

- As of 9/12/08, JPM has $312mm in Net Primary Exposure to the AIG insurance subsidiaries consisting of $180mm in committed facilities to AIG Inc, $336mm in committed facilities to ILFC, an SBLC, derivative limits and TPU.
- CDS hedges in place stood at $461mm, including $411mm relating to AIG, Inc. and $50mm relating to ILFC.
- Operating exposure to AIG's insurance subsidiaries stood at approximately $1.7bn comprised primarily of derivative settlement limits, operating limits, and securities financing lines.

Unsecured committed exposure details

- AIG Inc.
  - $125.5mm commitment to a 364-day, $2.125bn unsecured R/C co-led by JPM/Citi (unused, matures in July 2009).
  - $54.25mm commitment to a 5-Year $1.625bn unsecured R/C co-led by JPM/BofA (unused, matures in July 2011).
  - Financial covenant is a minimum net worth level of $50bn (vs. $78bn at 6/30/08).
- $335.5mm commitments to International Lease Finance Corp ("ILFC") ($112.5mm share of a $2.0bn Citi led 5-year R/C, matures in Oct. 2010; $113.0mm share of a $2.5bn Citi led 5-year R/C, matures in Oct. 2011; and $110.0mm share of a $2.0bn Citi led 5-year R/C, matures in Oct. 2009).

AIG family facilities overview

Facilities overview

	American International Group	American General Finance Corp	International Lease Finance Corp
Bookrunner(s)	JPMorgan / Citi	Citi / JPMorgan and BofA/JPMorgan	Citi
Maturity Date(s)	July 10, 2009 / July 13, 2011	July 10, 2009 / July 14, 2010	October 15, 2009 / October 14, 2010 / October 13, 2011
Corporate Ratings	Aa3 / AA- Sr. Unsec. P-1 / A-1+ CP	A1 / A+ Sr. Unsec. P-1 / A-1 CP	A1 / AA- Sr. Unsec. P-1 / A-1+ CP
Total Amount (MM)	$3,800.0	$4,575.0	$6,500.0
Purpose	General Corporate / CP Backup	General Corporate / CP Backup	General Corporate / CP Backup
Facility Description (MM)	$2,125.0 RC, 364 day + 1 yr T/O $1,675.0 RC, 5 yrs	$2,450.0 RC, 364 day + 1 yr T/O $2,125.0 RC, 5 yrs	$2,000.0 RC, 5 yrs $2,000.0 RC, 5 yrs $2,500.0 RC, 5 yrs
Undrawn (bps)	5.0 / 6.0	8.0 / 8.0	10.0
First Drawn (bps)	Issuer CDS / 15.0	Issuer CDS / 25.0	25.0
Fully Drawn (bps)	Issuer CDS / 20.0	Issuer CDS/ 35.0	30.0
Term-out Premium (bps)	25.0 / NA	35.0 / NA	NA
Utilization Fee	N/A / 5.0 bps if usage > 50%, Levels I-II N/A / 10.0 bps if usage > 50%, Levels III-V	N/A / 10.0 bps if usage > 50%, All Levels	5.0 bps if usage > 33.3%, Levels I-V 10.0 bps if usage > 33.3%, Level VI
Pricing Grid (bps)	RC (364-day) / (5yr)	RC(364-day) / RC(5yr)	RC(5yr) - *applies to all*

American International Group — Pricing Grid (bps)

Ratings	Undrawn	First Drawn
≥Aa2 or AA	4.0 / 5.0	Issuer CDS / 15.0
≥Aa3 or AA-	5.0 / 6.0	Issuer CDS / 20.0
≥A1 or A+	8.0 / 7.0	Issuer CDS/ 25.0
≥A2 or A	9.0 / 8.0	Issuer CDS/ 35.0
≥A3 or A-	10.0 / 9.0	Issuer CDS/ 40.0
≤Baa1/BBB+	15.0 / 9.0	Issuer CDS / 40.0

American General Finance Corp — Pricing Grid (bps)

Ratings	Undrawn	First Drawn
≥Aa2 or AA	6.0 / 7.0	Issuer CDS / 20.0
≥A1 or A+	8.0 / 8.0	Issuer CDS / 25.0
≥A2 or A	10.0 / 9.0	Issuer CDS / 35.0
≥A3 or A-	12.5 / 10.0	Issuer CDS / 50.0
≤Baa1 or BBB+	15.0 / 15.0	Issuer CDS / 75.0
≤Baa2 or BBB	17.5 / 15.0	Issuer CDS / 75.0

International Lease Finance Corp — Pricing Grid (bps)

Ratings	Undrawn	First Drawn
≥Aa2 or AA	9.0	15.0
≥Aa3 or AA-	10.0	25.0
≥A1 or A+	11.0	35.0
≥A2 or A	12.5	45.0
≥A3 or A-	15.0	60.0
<A3 and A-	20.0	75.0

	American International Group	American General Finance Corp	International Lease Finance Corp
Fees to Market	364-day: 2.0 5-year: None	364-day: 2.0 5-year: 5.0 bps to all tiers	Up to 10.0 bps / None / None

CREDIT EXPOSURE TO AIG

J.P.Morgan

AIG counterparty information

SS Structured counterparty ($ in millions)

Counterparty	Facility Grade/ S&P/Moodys	Tranche Notional	DRE on SS Trades	DRE Limit	Total Portfolio DRE[1]	Total Portfolio Net MTM	CSA/Threshold[2]
AIG Financial Products	3+/AA-/Aa3	$12,689	$83	$500	$394	$298[3]	Y

[1]Also includes DRE on traditional derivative transactions

[2]The threshold amount of $50mm is in accordance with AIG's current ratings (AA-/Aa3); if ratings fall to A+/A1, threshold amount becomes $25mm

[3] $231 million of MTM (adjusted upwards for estimated incremental spread widening not yet reflected in reported MTM) plus $67 million return of collateral

North America Insurance portfolio (NA) and Global portfolio ($ in millions)

NA Insurance Counterparties	Facility grade	S&P/Moody's	CSA?	DRE limit	DRE O/S	Legal MTM
AIG Financial Products	3+	AA-/Aa3	Y	$0.0	$393.8	$298.0
Sunamerica Life Insurance Co	2+	*AA+/Aa2*	*Y*	*0.0*	*18.9*	*9.7*
AIG Intl Inc	3+	NR/NR	Y	0.0	93.2	1.9
Banque AIG	3+	AA-/Aa3	Y	0.0	0.3	0.0
American Life Insurance Co.	2+	*AA+/Aa2*	*N*	*0.0*	*13.3*	*4.7*
American Intl Group Inc	3+	AA-/Aa3	N	0.0	0.0	0.0
Lexington Insurance Co	2	*AA+/NR*	*N*	*0.0*	*9.8*	*0.8*
AIG CDS	3+	NR/NR	N	0.0	27.5	16.9
National Union Fire Insurance Co of Pittsburgh	2+	*AA+/Aa3*	*N*	*0.0*	*0.0*	*0.0*
AIG Sunamerica Life Assurance (Anchor)	3-	*AA+/Aa2*	*N*	*0.0*	*2.7*	*0.0*
American Intl Underwriters Overseas	2	*NR/NR*	*N*	*0.0*	*0.0*	*0.0*
Variable Annuity Life Insurance	2	*AA+/Aa2*	*N*	*0.0*	*0.0*	*0.0*
AIG Europe UK Ltd	5-	*AA+/NR*	*N*	*0.0*	*0.0*	*0.0*
AIG Global Investment Trust Services	6+	*NR/NR*	*N*	*0.0*	*0.0*	*0.0*
NAD Subtotal				**$0.0**	**$559.5**	**$332.0**

Non-NA Insurance Scope Counterparties	Facility grade	S&P/Moody's	CSA?	Proposed DRE limit	DRE O/S	Legal MTM
AIA Co (Bermuda) Ltd	4+	*AA+/NR*	*N*	*$0.0*	*$0.0*	*$0.0*
AIG Private Bank Ltd	4	*NR/NR*	*N*	*0.0*	*3.9*	*2.3*
American General Finance Corp.	4-	*A+/A1*	*N*	*0.0*	*3.2*	*3.3*
American International Assurance Co Ltd	4+	*AA+/Aa3*	*N*	*0.0*	*12.1*	*6.8*
Nan Shan Life Insurance Co Limited	4+	*NR/NR*	*N*	*0.0*	*0.0*	*0.0*
Out of Scope Subtotal				**$0.0**	**$19.2**	**$12.4**
Global Total				**$0.0**	**$578.7**	**$344.4**

Note: Italicized line items are not AIG (parent company) or AIG guaranteed obligations

Positive amounts indicate AIG owes JPMorgan

AIG FP MTM and collateral schedule - as of 9/16/08

As reported by Credit MO (9/16/08)		
JPM owes AIG FP	($2)	
Collateral posted by JPM	67	
Due to JPM	$65	(a)
SS Trade adjustments		
MTM methodology (per agreement between Credit Hybrids and AIG FP) adjustment to reflect default of AIG FP and inclusion of full MTM in reported exposure	83	(b)
MTM plus return of collateral due to JPM (a) + (b) = (c)	$148	(c)
Estimated increase in MTM due to increase in spreads (not yet reported)	$150	(d)
Revised MTM plus return of collateral due to JPM from AIG FP (c + d = e)	**$298**	**(e)**
Credit Hybrid CVA against SS positions	$28	
Credit Hybrids hedges against SS position	$128	
Net loss after application of CVA plus hedges	**$142**	

CREDIT EXPOSURE TO AIG

J.P.Morgan

FRBNYAIG00450

AIG Commercial Paper Outstandings & Maturities - week of Sept 15 (in $mm's)

500545 - AMER GEN FINANCE INC - 3(a)(3)

Date	Total Outstandings	Mat Par Amt	Closing Bal Amount
9/15/2008	318.6	10.3	308.3
9/16/2008	308.3	7.1	301.2
9/17/2008	301.2	26.4	274.8
9/18/2008	274.8	3.1	271.7
9/19/2008	271.7	1.7	270.0

509379 - COMMOLOCO, INC - 3A3

Date	Total Outstandings	Mat Par Amt	Closing Bal Amount
9/15/2008	101.9	2.1	99.8
9/16/2008	99.8	1.0	98.8
9/17/2008	98.8	0.0	98.8
9/18/2008	98.8	2.9	95.9
9/19/2008	95.9	21.4	74.5

500546 - AM GEN FIN CORP - 4(2) ECN

Date	Total Outstandings	Mat Par Amt	Closing Bal Amount
9/15/2008	25.7	10.0	15.7
9/16/2008	15.7	1.0	14.7
9/17/2008	14.7	10.0	4.7
9/18/2008	4.7	0.0	4.7
9/19/2008	4.7	0.0	4.7

807934 - AMERICAN GENERAL FINANCE CORPORATION

Date	Total Outstandings	Mat Par Amt	Closing Bal Amount
9/15/2008	0.0	0.0	0.0
9/16/2008	0.0	0.0	0.0
9/17/2008	0.0	0.0	0.0
9/18/2008	0.0	0.0	0.0
9/19/2008	0.0	0.0	0.0

509008 - AMERICAN GEN FINANCE CORP 3A3

Date	Total Outstandings	Mat Par Amt	Closing Bal Amount
9/15/2008	3,326.9	668.6	2,658.3
9/16/2008	2,658.3	154.5	2,503.8
9/17/2008	2,503.8	167.0	2,336.9
9/18/2008	2,336.9	37.4	2,299.5
9/19/2008	2,299.5	103.2	2,196.3

504289 - AIG FUNDING INC - 3A3 B/E

Date	Total Outstandings	Mat Par Amt	Closing Bal Amount
9/15/2008	5,838.2	594.3	5,243.9
9/16/2008	5,243.9	185.8	5,058.1
9/17/2008	5,058.1	338.6	4,719.5
9/18/2008	4,719.5	491.1	4,228.4
9/19/2008	4,228.4	338.4	3,890.0

Total maturity amount of AIG's 6 CP programs:

9/15 - $1,285.0mm

9/16 - $349.4mm

9/17 - $542.0mm

9/18 - $534.5mm

9/19 - $464.7mm

Total amount of CP maturing for the week of 9/15: $3.2bn

All payments will require prefunding. If prefunding, or approval to pay without prefunding, has not occurred by 2:30pm, maturing CP will not be paid.

AIG Prime Brokerage relationships

JPMorgan Prime Broker -FX	Client
AIG Intl. Inc.	Caxton International Limited
	Sunrise Capital Partners LLC
	London Diversified Fund Limited
	Duquesne Capital Management LLC
	Brevan Howard Master Fund Limited
	FCStone, LLC
	Prologue Fund LP
	Marathon Master Fund
	Pharo Macro Fund Ltd.
	Pharo Master Fund Ltd.
	Aspect Capital Limited on behalf of Altma Fund

- Note: All prime brokerage arrangements are in the process of being cancelled

Action steps taken

- CP rollover schedule for the week of September 15th has been determined on a daily schedule. No payments of maturing CP will be paid without payment being prefunded. See page 9. Debbie Faust will coordinate situation and process.
- All AIG non insurance trading lines and operating exposures are being handled on a pre-approval/prefunded basis.
- Loan operations in Houston have been notified not to front or prefund on behalf of other participants their shares in AIG's RCs that JPM agents.
- MTM exposures for Super Senior transactions have been reviewed to report exposures that adjust for alternative valuation arrangements (see AIG FP description on page 9).
- Piers Murray has terminated all prime brokerage arrangements with AIG International.

AIG working group list

Donna Dellosso
212-270-5200
donna.dellosso@jpmorgan.com

Mark Malloy
212-270-1569
mark.malloy@jpmorgan.com

Mark Cisz
212-270-6055
mark_cisz@jpmorgan.com

Brij Grewal
212-270-5305
602-741-6319
brijendra.s.grewal@jpmorgan.com

Barbara Snyder
212-270-9839
917-701-4795
barbara.l.snyder@jpmorgan.com

Ann Kurinskas
212-622-4527
ann.kurinskas@jpmorgan.com

Debbie Faust
212-270-3655
debbie.faust@jpmorgan.com

Tim Boyle
212-270-4925
timothy.j.boyle@jpmorgan.com

Ken Nuttal
212-270-7849
kenneth.e.nuttall@jpmorgan.com