

Confidential

AIG

March 2008

LEHMAN BROTHERS

Transaction Overview

Transaction Assumptions

- ◆ 20% stake in LEH
- ◆ 138M LEH common shares issued
- ◆ \$50 per share
- ◆ ~\$7B equity issuance
- ◆ AIG finances purchase: 50% equity - 50% debt
- ◆ 15% return on new LEH equity (equal to market view for 2009)
- ◆ AIG board representation proportional to ownership

Impact on AIG

Accretion / Dilution % to AIG in 2009				
Price per Share	Pre-tax Revenue Synergies			
	\$0M	\$100M	\$200M	\$300M
\$40	2.1%	2.2%	2.3%	2.4%
\$45	1.9%	1.9%	2.0%	2.1%
\$50	1.6%	1.6%	1.7%	1.8%
\$55	1.3%	1.4%	1.4%	1.5%
\$60	1.0%	1.1%	1.1%	1.2%

Impact on LEH

Accretion / Dilution % to LEH in 2009				
Price per Share	Pre-tax Revenue Synergies			
	\$0M	\$100M	\$200M	\$300M
\$40	(2.6%)	(1.3%)	(0.1%)	1.2%
\$45	(0.4%)	0.8%	2.0%	3.3%
\$50	1.7%	2.9%	4.2%	5.4%
\$55	3.8%	5.1%	6.3%	7.6%
\$60	6.0%	7.2%	8.4%	9.7%

Pros and Cons

Pros

- ◆ Linkage to strong, stable partner with large capital base

- ◆ Equity infusion increases size of LEH capital base
 - Increases ability to absorb potential losses
 - Provides significant growth equity

- ◆ Synergy potential through access to AIG global platform

- ◆ Ability to leverage LEH management across broader platform

Cons

- ◆ \$50 purchase price represents just 25% premium to book value

- ◆ Difficult to rapidly deploy \$7B in new equity (\$105B net assets) at 15% ROE

- ◆ Reduces strategic flexibility to partner with other institutions

- ◆ Potential for negative market perception – assumption of capital need to fill hole

Company Overview

Snapshot

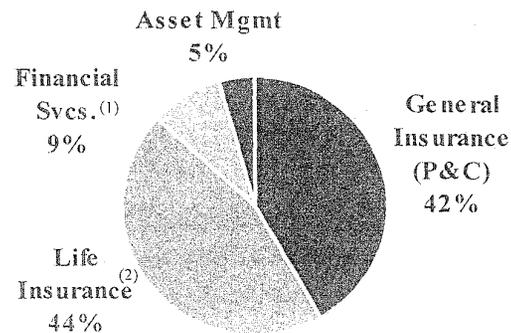
Market Cap (3/18/08):	\$110B
'08 P/E Multiple:	9.7 x
'09 P/E Multiple:	6.4 x
Price / Tangible Book:	1.3 x
Equity:	\$96B
Tang. Equity:	\$86B
Assets:	\$1,061B
Headquarters:	New York, NY
Chmn & CEO (Age):	Martin Sullivan (53)
Employees:	116,000
S&P / Moodys Rating:	AA / Aa2

Financial Summary

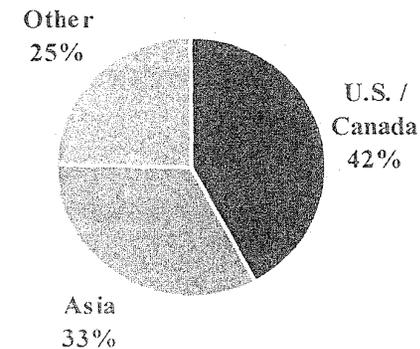
(\$B)	2005A	2006A	2007A
Premiums	\$70.2	\$74.2	\$79.3
Net Investment Income	22.2	26.1	28.6
Other	16.5	13.1	17.2
MTM Adjust./Realized Losses	-	-	(15.1)
Total Revenues	\$108.9	\$113.4	\$110.1
Incurred policy losses	\$63.6	\$60.3	\$66.1
Operating Expenses	30.1	31.4	35.0
Total Expenses	\$93.7	\$91.7	\$101.1
Pretax Income	\$15.2	\$21.7	\$8.9
<i>pre-tax margin</i>	<i>14%</i>	<i>19%</i>	<i>8%</i>
Net Income to Common	\$10.5	\$14.0	\$6.2

\$3.6B realized losses plus \$11.5B MTM on CDS portfolio

Revenue by Division ⁽¹⁾



Revenue by Region



Financial Institutions with Market Value >\$50B

* Potential Candidates

North America			
Company (Country)	Market	Price to:	
	Value(\$B)	FY1 EPS	Book
Berkshire Hathaway (US)	\$198	21.3x	1.7x
Bank of America (US)	160	9.5	1.1
* AIG (US)	101	8.3	1.1
Wells Fargo (US)	95	11.6	2.0
Royal Bank of Canada (Can)	57	10.2	2.5
U.S. Bancorp (US)	56	12.6	2.8
Manulife (Can)	52	11.3	2.2
Toronto-Dominion (Can)	51	10.6	2.1
Wachovia (US)	50	8.2	0.7

Europe			
Company (Country)	Market	Price to:	
	Value(\$B)	FY1 EPS	Book
HSBC (UK)	\$177	10.8x	1.4x
Banco Santander (Spain)	110	7.6	1.3
Unicredito Italiano (Italy)	89	7.0	1.1
Intesa Sanpaolo (Italy)	80	10.0	1.7
BNP Paribas (France)	77	6.5	0.9
BBVA (Spain)	76	7.4	1.8
Allianz (Germany)	75	5.9	1.0
ING Groep (Nether.)	72	6.0	1.2
AXA (France)	63	6.8	1.0
* Royal Bank of Scotland (UK)	61	4.6	0.6
Assicurazioni Generali (Italy)	60	12.6	3.1
Societe Generale (France)	58	7.1	1.2
Barclays (UK)	52	5.6	1.1

Asia			
Company (Country)	Market	Price to:	
	Value(\$B)	FY1 EPS	Book
ICBC (China)	\$197	22.2x	4.0x
CCBC (China)	145	15.2	3.1
Bank of China (China)	127	24.1	3.4
China Life (China)	99	27.1	6.8
Mitsubishi UFJ (Japan)	88	13.4	1.0
Ping An (China)	72	19.4	3.6
* Sumitomo Mitsui (Japan)	51	8.5	1.9

Source: FactSet. Market data as of March 18, 2008.

Note: Excludes Investment/Universal Banks (Citigroup, Credit Suisse, Goldman Sachs, JPMorgan and UBS).

Appendices

Sensitivity Analysis – 50/50

Assumes financed with 50% debt, 50% equity

Impact on AIG

Accretion / Dilution % to AIG in 2009				
Price per Share	ROE - New Capital			
	5%	10%	15%	20%
\$40	1.6%	1.9%	2.2%	2.5%
\$45	1.2%	1.6%	1.9%	2.3%
\$50	0.9%	1.3%	1.6%	2.0%
\$55	0.5%	0.9%	1.4%	1.8%

Accretion / Dilution % to AIG in 2009				
Pre-tax Rev. Synergies	ROE - New Capital			
	5%	10%	15%	20%
\$0M	0.8%	1.2%	1.6%	2.0%
\$100M	0.9%	1.3%	1.6%	2.0%
\$200M	0.9%	1.3%	1.7%	2.1%
\$300M	1.0%	1.4%	1.8%	2.2%

Impact on LEH

Accretion / Dilution % to LEH in 2009				
Price per Share	ROE - New Capital			
	5%	10%	15%	20%
\$40	(12.7%)	(7.0%)	(1.3%)	4.4%
\$45	(12.0%)	(5.6%)	0.8%	7.2%
\$50	(11.3%)	(4.2%)	2.9%	10.1%
\$55	(10.6%)	(2.7%)	5.1%	12.9%

Accretion / Dilution % to LEH in 2009				
Pre-tax Rev. Synergies	ROE - New Capital			
	5%	10%	15%	20%
\$0M	(12.5%)	(5.4%)	1.7%	8.8%
\$100M	(11.3%)	(4.2%)	2.9%	10.1%
\$200M	(10.0%)	(2.9%)	4.2%	11.3%
\$300M	(8.8%)	(1.7%)	5.4%	12.5%

Sensitivity Analysis – 80/20

Assumes financed with 20% debt, 80% equity

Impact on AIG

Accretion / Dilution % to AIG in 2009				
Price per Share	ROE - New Capital			
	5%	10%	15%	20%
\$40	0.6%	0.9%	1.2%	1.5%
\$45	0.1%	0.4%	0.8%	1.1%
\$50	(0.4%)	(0.0%)	0.4%	0.8%
\$55	(0.9%)	(0.4%)	(0.0%)	0.4%

Accretion / Dilution % to AIG in 2009				
Pre-tax Rev. Synergies	ROE - New Capital			
	5%	10%	15%	20%
\$0M	(0.4%)	(0.1%)	0.3%	0.7%
\$100M	(0.4%)	(0.0%)	0.4%	0.8%
\$200M	(0.3%)	0.1%	0.4%	0.8%
\$300M	(0.2%)	0.1%	0.5%	0.9%

Impact on LEH

Accretion / Dilution % to LEH in 2009				
Price per Share	ROE - New Capital			
	5%	10%	15%	20%
\$40	(12.7%)	(7.0%)	(1.3%)	4.4%
\$45	(12.0%)	(5.6%)	0.8%	7.2%
\$50	(11.3%)	(4.2%)	2.9%	10.1%
\$55	(10.6%)	(2.7%)	5.1%	12.9%

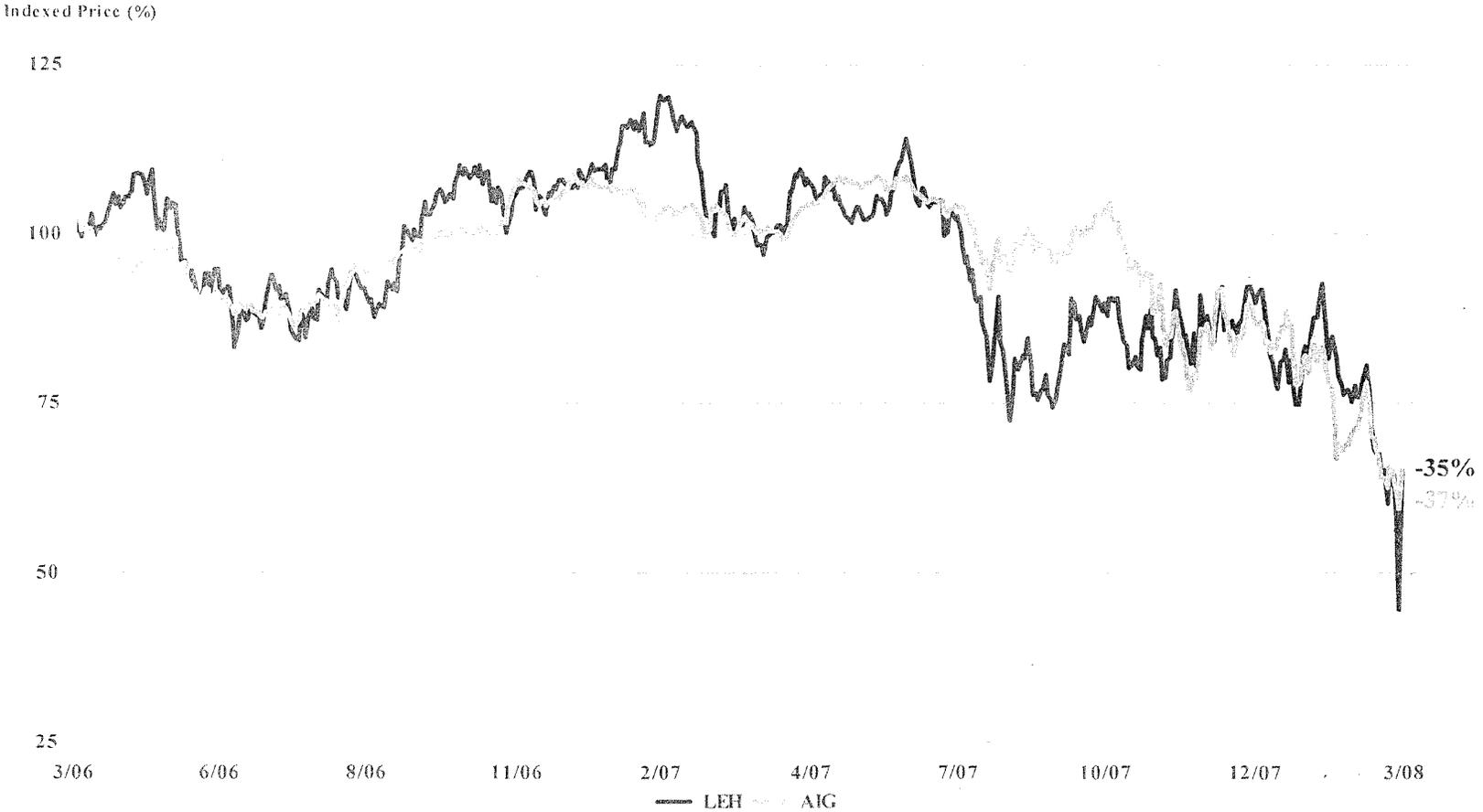
Accretion / Dilution % to LEH in 2009				
Pre-tax Rev. Synergies	ROE - New Capital			
	5%	10%	15%	20%
\$0M	(12.5%)	(5.4%)	1.7%	8.8%
\$100M	(11.3%)	(4.2%)	2.9%	10.1%
\$200M	(10.0%)	(2.9%)	4.2%	11.3%
\$300M	(8.8%)	(1.7%)	5.4%	12.5%

Major Business Lines

Company Overview ⁽¹⁾					
	General Insurance	Life Insurance & Retirement	Financial Services	Asset Management	Total
2007					
Revenues	\$51,708	\$55,968	\$10,161	\$5,625	\$123,462
Pre-Tax Income	\$10,526	\$10,584	\$1,955	\$1,164	\$24,229
PreTax Margin	20%	19%	19%	21%	20%
Employees	-	-	-	-	116,000
Rev Growth '06 - '07	5%	10%	31%	24%	10%
Business unit description	P&C insurance - business lines & personal	Life insurance & annuities	Aircraft leasing (ILFC; ~1,000 aircraft)	Institutional and retail	
	#1 U.S. commercial lines underwriter	Majority non-U.S. 80% of revenues 285,000 agents	Consumer finance (American General; 1,500+ branches)	\$94B AUM	
	~30% of revenue non-U.S.		Capital markets (AIG Fin Prods. Hedging for credit, rates, commodities and equities)	Retail distribution via AIG SunAmerica (9,000+ fin. planners) & 3 rd parties	
	Mortgage guaranty (2% of seg.; ~\$30B risk in force)				

Relative Stock Price Performance

Two-year Relative Stock Price Performance



Lehman EPS and Net Income Estimates

(Figures in millions, except per share data)

Date	Broker	Analyst	2008			2009		
			EPS	Net Income	Implied Shares	EPS	Net Income	Implied Shares
3/13/08	Argus Research	Ritter, D	\$5.50	-	-	\$7.00	-	-
3/12/08	Punk, Ziegel	Bove, R	3.75	-	-	4.73	-	-
3/11/08	JPMorgan	Worthington, K	4.84	\$2,941	607.6	6.87	\$4,147	603.6
3/11/08	Deutsche Bank	Mayo, M	4.10	-	-	6.45	-	-
3/11/08	Sandler O'Neill	Harte, J	4.62	2,606	564.1	7.17	4,040	563.5
3/10/08	Citigroup	Bhatia, P	5.85	-	-	7.25	-	-
3/10/08	Oppenheimer	Whitney, M	4.75	2,743	577.5	6.70	3,845	573.9
3/6/08	KBW	Smith, L	5.08	-	-	7.15	-	-
3/4/08	Wachovia	Sipkin, D	5.52	3,100	561.6	6.90	3,723	539.6
3/3/08	Bank of America	Hecht, M	5.24	2,921	557.4	6.72	3,708	551.8
3/3/08	Sanford C. Bernstein	Hintz, B	5.55	3,215	579.3	6.11	3,650	597.4
3/3/08	Merrill Lynch	Moszkowski, G	4.96	-	-	6.35	-	-
3/3/08	Fox-Pitt Kelton	Trone, D	6.33	3,555	561.6	8.91	4,915	551.6
2/29/08	Credit Suisse	Katzke, S	5.70	-	-	7.50	-	-
2/29/08	UBS	Schorr, G	5.65	2,884	510.4	6.70	3,479	519.3
2/27/08	Buckingham Research	Mitchell, J	6.00	3,369	561.5	7.75	4,326	558.2
2/25/08	Goldman	Tanona, W	4.85	2,736	564.2	7.00	3,945	563.6
Median			\$5.24	\$2,931	559.4	\$6.90	\$3,895	564.5

Source: Factset.

Exposures (\$B)

Estimated additional Q1 '08 write-downs: Merrill Lynch: \$15B; Citigroup: \$12B; Lehman: \$7.5B; Morgan Stanley: \$3B

Real Estate Securities Exposures

	<u>Carrying Value</u>
US Agencies	\$14.8
Prime Non-Agency	21.1
Alt-A	23.7
Other Housing-Related	3.9
Subprime	21.2
Total RMBS	\$84.8
CMBS	\$23.0
CDO/ABS	\$10.4
Subtotal	\$118.2
AIGFP (MBS & ABS)	\$16.3
Total	\$134.5

Direct Real Estate Exposures

	<u>Carrying Value</u>
Commercial RE Loans	\$17.1
Residential RE Loans ⁽¹⁾	29.8
Total	\$46.9

CDS Exposure

	<u>Notional Amount</u>	<u>Unrealized Loss</u>
Corporate Loans	230	-
Prime Residential Mortgages	149	-
Corporate Debt/CLOs	70	\$0.2
Multi-Sector CDO	78	11.2
Total	\$527	\$11.5

VIEs

	<u>Max. Exposure⁽²⁾</u>
Real Estate & Investment Funds	\$18.5
Tax Planning VIEs	6.3
CLOs/CDOs/CBOs	9.7
Affordable Housing Partnerships	0.9
Other	9.2
Total	\$44.6

Monoline Exposure

	<u>Carrying Value</u>
Municipals	\$31.9
RMBS/CMBS	6.8
ABS	2.0
Corporate	0.8
Invest. Agreements	0.4
Total	\$41.9

1. Includes \$8.5B of low documentation and interest-only & options ARM loans.
 2. Maximum loss is the notional amount of credit support, liquidity facilities, notional amounts of CDS and the amount invested in the VIEs.

Balance Sheet

(\$ in billions)

Assets		Liabilities & Shareholders' Equity	
	12/31/07		12/31/07
Fixed Maturities	\$428.9	Loss Reserve	\$85.5
Equity Securities	41.6	Unearned Premiums	28.0
Mortgage & Other	33.7	Future Policy Benefits	136.1
Aircraft Equipment	42.0	Policyholders' Contract Deposits	258.5
Finance receivables, net of allowance	31.2	Financial Services Liabilities (repos, etc.)	49.1
AFS Securities	40.3	Commercial Paper	13.1
Other Financial Services Assets	48.3	Long-term Borrowings	162.9
Total Financial Services Assets	\$161.8	Separate & Variable Accounts	78.7
Securities Lending Invested Collateral	75.7	Securities Lending Payables	82.0
Short-term Investments	51.4	Minority Interest	10.4
Other Invested Assets	58.8	Other Liabilities	60.3
Total Investments and Financial Services Assets	852.0	Total Liabilities	\$964.6
Cash	2.3	Preferred Shareholders' Equity in Subsidiaries	0.1
Premiums Receivables	18.4	Total Shareholders' Equity	95.8
Reinsurance Assets	23.1	Total Liabilities & Shareholders' Equity	\$1,060.5
Deferred Policy Acquisition Costs	43.2		
Separate & Variable Accounts	78.7		
Goodwill	9.4		
Other Assets	33.5		
Total Assets	\$1,060.5		

Board of Directors

Name	Age	Title
Robert B. Willumstad (Chairman)	62	Former President and Chief Operating Officer Citigroup
Stephen F. Bollenbach	65	Former Co-Chairman and Chief Executive Officer Hilton Hotels Corporation
Marshall A. Cohen	72	Counsel Cassels Brock & Blackwell
Martin S. Feldstein	68	Professor of Economics Harvard University
Ellen V. Futter	58	President American Museum of National History
Stephen L. Hammerman	69	Retired Vice Chairman Merrill Lynch & Co., Inc.
Richard Charles Holbrooke	66	Vice Chairman Perseus LLC
Fred H. Langhammer	64	Chairman, Global Affairs, Former Chief Executive Officer The Estée Lauder Companies
George L. Miles Jr.	66	President and Chief Executive Officer WQED Multimedia
Morris W. Offit	71	Chairman Offit Capital Advisors LLC
James F. Orr III	64	Chairman of the Board of Trustees The Rockefeller Foundation
Virginia M. Rometty	50	Senior Vice President, Global Business Services IBM Corporation
Martin John Sullivan	53	President and Chief Executive Officer American International Group
Michael H. Sutton	67	Former Chief Accountant United States SEC
Edmund Sze-Wing Tse	70	Senior Vice Chairman, Life Insurance American International Group
Frank G. Zarb	73	Former Chairman NASD & NASDAQ