Letter from the President and CEO

PETER D. HANCOCK
President and Chief Executive Officer

Dear Fellow Shareholders,

It has been an incredible privilege working alongside so many talented and dedicated AIG colleagues on your behalf over the past seven years, and I am deeply honored to have been entrusted with the role of CEO.

When my predecessor, Bob Benmosche, recruited me to AIG in early 2010, the company was still reeling from the financial crisis. Strategic priorities were centered on three areas: (i) de-risking AIG's balance sheet, including unwinding nearly one trillion dollars of complex derivatives; (ii) retaining customers and talent to preserve our franchises; and (iii) paying back the U.S. government and returning quickly to market ownership. Few expected AIG to survive, let alone deliver nearly a $23 billion profit to America.

Four years after repaying the government, AIG has completed another significant step in the transformation on which Bob and I embarked. Over the course of 2016, our team has taken decisive actions to address the issues of the past and place the company on sounder financial footing for the future. As a result, I am confident that AIG is better positioned today than at any time in the past quarter-century to deliver sustainable earnings growth, with dramatically lower reserve risk.

A Year of Execution

We are at or ahead of plan on a number of our two-year financial targets set in the January 2016 Strategic Update. We expect to meet our $25 billion capital return target, subject to regulatory and rating agency considerations, and future profitability improvements, having returned over $13 billion in capital last year. The company continues to maintain strong capital and liquidity ratios to meet the expectations of key stakeholders, including clients and rating agencies. For the full year 2016, general operating and other expenses (GOE), operating basis, decreased by almost 10% year-over-year, on a constant-dollar basis, or $1 billion in total, exceeding our 2016 target by roughly $400 million and putting us on track to exceed our two-year reduction target of $1.4 billion.

Our Consumer business, led by Kevin Hogan, performed very well, and I am particularly proud of the tremendous turnaround in Personal Insurance, where strategic portfolio actions and cost reductions led to a $600 million improvement in pre-tax operating income (PTOI), and Normalized return on attributed equity (ROE) increasing from (-3%) in 2015 to over 10% in 2016.

Within Commercial Insurance, led by Rob Schimek, the changes in business mix and other initiatives that were implemented to improve underwriting performance are beginning to take hold, as demonstrated by a 4 percentage-point improvement in the accident year loss ratio (AYLR), as adjusted in 2016, after adjusting 2015 for prior year development (PYD), a significant achievement given the scale of our business. Through the end of 2017, Commercial AYLR, as adjusted, and Core Normalized ROE are expected to improve by 9 percentage points and 350 basis points, respectively, as compared to 6 percentage points and 300 basis points when we established the Strategic Plan.

Supporting our objective to transform AIG into a leaner, more profitable and focused insurer, we made significant progress in sculpting our portfolio around those assets, geographies, businesses, product lines, risks, customers and distribution channels that offer the greatest potential to earn sustainable economic profits. We executed against this strategy with speed, but with care to ensure that any actions taken were consistent with our vision of becoming our clients' most valued insurer.

In 2016 alone, AIG completed or announced over 10 transactions, which in aggregate will generate approximately $10 billion of liquidity, most of which was received in 2016. These included the divestitures of United Guaranty, Fuji Life, Ascot, a number of country subsidiary operations and other assets, and several life reinsurance transactions. Since I joined AIG seven years ago, the disposal of complex assets and liabilities totaled 48 transactions and $91 billion in value.

Dramatically Improving Our Reserve Risk Profile

The steps we took this past year were radical.

Ten years of sizable reserve additions largely related to older accident years culminated in the disappointing fourth quarter reserve charge. Following an in-depth review of our Commercial business's reserve position that took place throughout 2016, we felt it prudent to make adjustments recognizing unexpected developments in prior accident years in our U.S. Casualty book, as well as to shift a majority of the further reserve risk to those lines away from AIG's balance sheet. Having spent considerable time analyzing what happened, we concluded that we had historically been slow to recognize the depth of issues within our U.S. Casualty business. Over the past several years these ranged from the macro issues of investment returns depressed by persistently low interest rates; the use of a hurdle rate for new business, which was in hindsight below investor expectations; and more micro issues like the slow exit of troubled lines such as pollution-legal-liability and buffer-trucking.

Once identified, we responded decisively through the reserve strengthening in the fourth quarter; the purchase of an adverse development reinsurance agreement (ADC); and increasing the levels at which we book loss picks for 2016 and 2017. The vast majority of the reserve strengthening is covered by the ADC, and roughly 93% of the adverse PYD was related to lines we are already remediating or improving under the transformation plan. While we continue to support valued clients by underwriting certain long-tail risks, we've also drastically reduced the net premiums written volume of U.S. Casualty, from approximately $15 billion in 2004 to just $3.5 billion in 2016. I am confident that we will continue to successfully transform the Commercial business under Rob's forward-thinking leadership, blending elements of traditional underwriting judgment with the use of advanced data and analytics where appropriate.

While ADCs are not new to the insurance industry, the agreement with Berkshire Hathaway is the largest and most comprehensive reinsurance transaction in history. The agreement radically reduces AIG's risk of significant future adverse development and covers our most unpredictable, long-tail U.S. Commercial exposures for accident years 2015 and prior, whereby Berkshire is responsible for 80% of future potential losses, up to a limit of $20 billion. This transaction generated a $2.6 billion pre-tax gain that will be recognized over time, beginning in the first quarter of 2017. Through the ADC, and consistent with our focus on Intrinsic Value, we lowered our near-term Core

$13B

CAPITAL RETURNED TO SHAREHOLDERS IN 2016

10+

COMPLETED OR ANNOUNCED TRANSACTIONS IN 2016

> "Our actions have been guided by an unrelenting focus on maximizing Intrinsic Value – our 'true north' – and associated decisions that carefully weigh the trade-offs among growth, profitability and risk."

Letter from the President and CEO

Continued

Normalized ROE target by 50 basis points, due to foregone investment income, in exchange for a significant reduction in uncertainty.

Another unique and critical feature of the agreement is that it allows AIG to retain control of claims management, preserving our client relationships, while also demonstrating the strength and quality of our claims expertise.

I believe the fourth quarter results represented a critical inflection point in our journey of value creation. In a highly cyclical industry with inherent volatility of GAAP results, it is important to distinguish between one-off adjustments to book value in contrast to improvements in earnings quality that can be sustained over the long term. From the perspective of quality of earnings, risk and cost of capital, I'm optimistic that AIG can emerge from this period of transformation with significantly greater stability, focus and potential to serve the needs of our many stakeholders.

A More Transparent Operating Structure

We also executed against our plan to reorganize the company into "modular," more self-contained business units to enhance customer-centricity, transparency, accountability, operating performance and strategic flexibility throughout the organization.

In the fourth quarter of 2016, we formalized the reporting of six modular units within our Commercial and Consumer Core Operating segments. Historical financials for each business unit were reported with the release of our 2016 annual results, and include internal capital allocation, operating profit, ROE and other relevant metrics.

In 2016, we also created a third segment – Legacy – to manage non-core assets and liabilities, and businesses in run-off, with the objective of balancing the benefits of return of capital or capital redeployment, with potential near-term reductions in book value.

Our new model facilitates decentralized decision making and drives greater accountability for performance improvement to business leaders down in the organization, while also fostering collaboration across the company. These leaders are responsible for providing end-to-end service to their customers, developing strategic growth plans, and contributing to AIG's overall financial targets.

In summary, in 2016, the leadership team executed diligently against the Strategic Plan.

The Year Ahead

As we look to the future, AIG is well positioned – now more than ever – to drive sustainable increases in operating profits and book value. Of course, further work is required to complete AIG's transformation.

While Commercial is poised to deliver a significant improvement in our AYLR, we must continue to invest in talent and technology to realize sustainable gains in underwriting performance. Within our Consumer segment, our retirement and life businesses are well positioned to respond to an uncertain regulatory environment, while in Japan consolidated operations of AIU Insurance Company and The Fuji Fire and Marine Insurance Company, Ltd. began under a pre-merger structure effective April 1, 2017 as the companies enter the final phase of preparation ahead of the launch of AIG General Insurance on January 1, 2018. And through our Legacy segment, we are continuing to reduce our exposure to non-core assets and liabilities, while carefully balancing the trade-off between associated improvements in ROE and potential impacts to book value.

We expect the completion of our Strategic Plan will generate a competitive Core Normalized ROE of 9.5% and grow Core adjusted book value per share. When combined with the greater transparency afforded by our new modular reporting structure and more stable book value owing to the ADC, we expect these financial results should enable us to meet most of our ambitious financial and operating goals set out in January 2016.

The critical ingredients for the successful completion of our plan are stability and focus, and I am extremely proud to have brought together our talented Executive Leadership Team. I have the utmost confidence that they will ensure a seamless transition for all of our critical stakeholders.

“We are also grateful for the dedication and hard work of our talented employees...”

And while we complete our transformation, we will continue to provide our clients and distribution partners our unwavering support through AIG’s risk expertise, financial strength and global reach. We are also grateful for the dedication and hard work of our talented employees, who remain focused on delivering our vision to be our clients’ most valued insurer.

Personal Reflections on my Seven Years at AIG

Writing this final letter to my fellow AIG shareholders has caused me to reflect on my own time at the company, including the challenges we have faced and the obstacles we have overcome, but also the dramatic progress we have made since 2010.

I cannot talk about my seven years at AIG without some mention of how the leadership approach of the company has evolved from its traditional roots of “command and control.” When Tom Russo, then General Counsel, and I joined Bob Benmosche shortly after he arrived at AIG, it was clear that we needed to model a collaborative and transparent approach to leadership. Over time, we embedded leadership practices and a culture that will guide decisions throughout this large and diverse company for years to come. Bob’s inclusion of Tom and me in strategic decision making throughout his tenure highlights this as a period of continuous transformation.

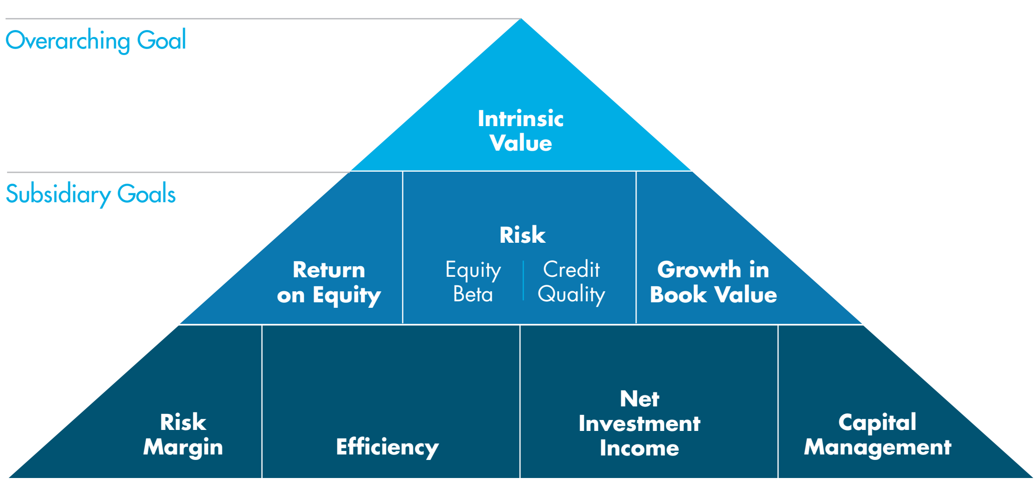
I will also leave behind a leadership team that I have included in strategic decisions, and who have developed the mutual trust and collaboration essential to effectively run what is still a large and complex organization.

Throughout my tenure with AIG, our actions have been guided by an unrelenting focus on maximizing Intrinsic Value – our “true north” – and associated decisions that carefully weigh the trade-offs among growth, profitability and risk.

We put this approach into action in a number of ways, beginning with allocating capital to our businesses; implementing a measure of economic profitability through the business cycle – risk-adjusted profit projected over a reasonable time; refocusing our life and retirement businesses on the value of new business versus the volume-based metric of premiums, deposits and other considerations; setting up a Legacy segment with inherently different value-based objectives than ongoing business franchises; and changing incentive compensation arrangements accordingly.

Since I joined the company in 2010, AIG ranks second among the 25 peers identified in our proxy statement with respect to total shareholder return (TSR). Through the end of 2016, AIG delivered a TSR of 265% versus 141% for an investment in an equal-weight portfolio of our peers and 142% for the S&P 500.

HIERARCHY OF GOALS



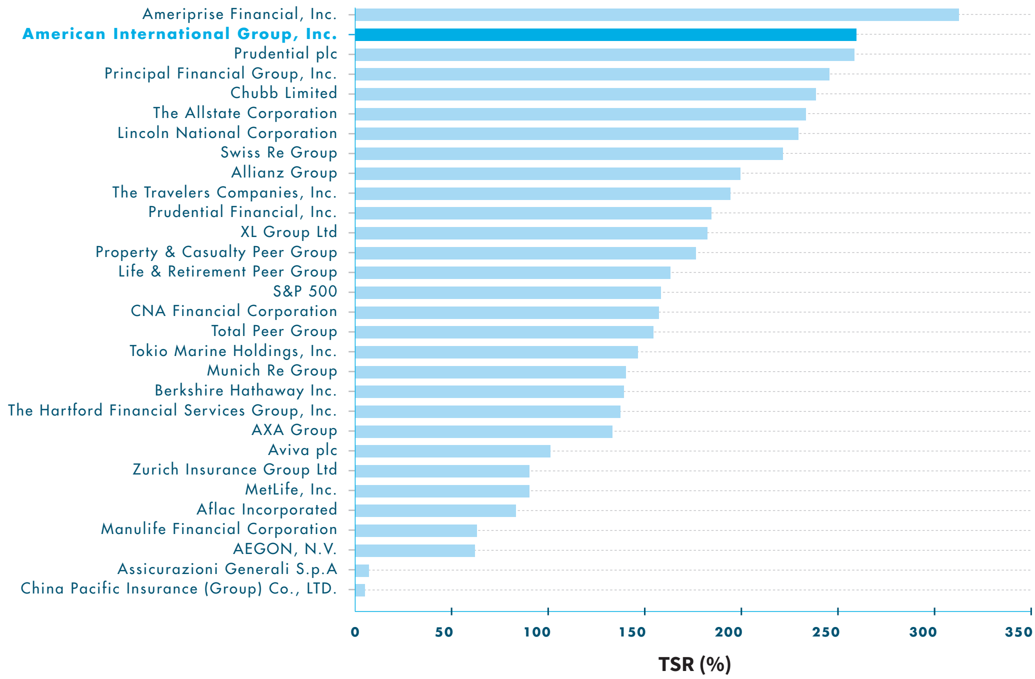
Letter from the President and CEO

Continued

AIG TOTAL SHAREHOLDER RETURN (TSR) AMONG IDENTIFIED PEERS

February 5, 2010 – March 3, 2017

Source: FactSet Research Systems, Inc.



265%

TSR DELIVERED THROUGH 2016

The path of this exceptional value creation has never been a straight line. And value creation has always been about navigating extraordinary challenges with a persistent focus on the long term.

If Intrinsic Value is our true north, then our vision to be our clients' most valued insurer is the compass that leads us there. As I stated in my letter to you last year, we can only realize value for shareholders if we generate real value for our clients. Our employees' specialized risk expertise and AIG's unique data assets are being combined to help clients not only transfer risk, but mitigate risk by preventing losses from occurring in the first place. We are also building more integrated customer experiences, where products and services are selectively bundled for targeted customer segments, enhancing the value and sustainability of our relationships.

We believe that the right combination of experienced, client-focused experts armed with strong analytical tools provides our clients with a highly differentiated experience, and gives us the ability to serve them in a way that cements our role as their most valued insurer.

The financial services industry, including insurance and retirement markets, is certain to undergo further dramatic change in the foreseeable future. Advancements in the collection and analysis of data, digital distribution of financial products, and continued migration from labor-intensive processes to technology-enabled automation will create opportunities for disruption throughout the value chain. I am highly confident that AIG's talented people, scale, relationships, unparalleled data assets, and investments in science and technology provide the company with an exceptional opportunity to lead this disruption. I look forward to working as hard as ever on your behalf to ensure a smooth transition in the coming months.

To my AIG colleagues, it has been an honor to lead such a talented team of people at all levels of the company. Your support, courage, warmth, determination, and teamwork have been a continued source of inspiration for me over the last seven years. Thank you.

Sincerely,

Peter D. Hancock
President and Chief Executive Officer