



**Office Of Thrift Supervision
Department of the Treasury**

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**AIG Financial Products, Inc. – Significant Products and Activities
REPORT OF EXAMINATION**

**American International Group, Inc. (AIG)
New York, NY 10270**

Docket Number: H2984

Type of Examination: Holding Company – Limited

Examination Start Date: March 6, 2006

Examiner-in-Charge: James T. Christner

Scope and Summary of Review

AIG's capital markets businesses are conducted through AIG Financial Products, Inc. and its subsidiaries (AIGFP), which enter into a broad range of financial derivatives transactions and invest in a wide range of debt and equity securities. The limited examination focused on gaining a more thorough understanding of the more significant types of transactions and securities entered into by AIGFP. The primary objectives were information discovery, clarification, and categorization in preparation for more in-depth assessment/reviews of overall risks, risk management processes, internal controls, accounting and future examinations. In addition, the review included a follow-up of matters disclosed in the May 25, 2005 examination (the 2005 examination).

The limited examination allowed us to improve our top-level understanding of AIGFP's business model and gained a more thorough understanding of how AIGFP categorizes and manages its financial transactions and activities. We made no final assessments of AIGFP's activities or operations as a result of this review, nor did we make any conclusions regarding the adequacy of corrective measures that have been implemented in response to recommendations contained in the 2005 examination.

Preliminary Examination Request and Response

In preparation for the limited examination, we made the following information request (summarized):

- Listings of AIGFP's largest and most significant investment, derivative and funding product categories in order of business volume, notional amount, market value, and/or incremental impact on earnings. We asked AIGFP to identify the product type/category, the aggregate notional amount of that product type/category, the aggregate market value of that product type/category, the aggregate book value of that market type/category, and the aggregate incremental impact on earnings (2005 actual earnings or 2006 projected earnings) of the product type/category.
- Copies of significant accounting, credit, market, legal and other pertinent review documents prepared by AIGFP management and staff describing or addressing the largest product type/category characteristics, risks, and/or exposures. Please provide only product type or portfolio review/descriptive documents rather than reviews of specific transactions, unless no such product type/category or portfolio review documents exist. If no such product type/category or portfolio review documents exist, please provide all pertinent AIGFP prepared review documents for one representative transaction that illustrates/summarizes the information being requested. Also, if review documents are updated periodically (e.g. annual review of portfolio), please provide only the most recent review document.
- A copy of the most recent updated AIGFP accounting, credit, market, and operations policies and procedures manuals if those manuals have been updated since being provided to OTS as part of the 2005 examination.

Prior to the commencement of the limited examination, on December 9, 2005, we received a memorandum memorializing the various regular reports and data provided by AIGFP to AIG. A copy of this memorandum was retained in the work papers supporting this examination, and another copy was retained supporting OTS' review of AIGFP's responses to the 2005 examination recommendations. Upon commencement of the limited examination, we also received hard and electronic copies of the following documents:

| | REVIEW DOCUMENT | FREQUENCY OF REVIEW | PROVIDED AS OF DATE: |
|----|--|----------------------------|--|
| 1 | Daily Credit Monitoring Report | Daily | February 21, 2006 |
| 2 | Second Loss Portfolio Credit Derivative Trans. Review | Quarterly | December 30, 2005 |
| 3 | AIG Credit Risk Committee (CRC) Approvals | Other | February, 2006 |
| 4 | AIG-FP Transaction Review Committee - Meeting Agenda & Minutes | Weekly/Bi-Weekly | February 7, 2006 |
| 5 | Profit and Loss Statement | Daily | February 17, 2006 |
| 6 | Management Financial Review Package | Monthly | January 31, 2006 |
| 7 | AIG Comptrollers Report | Quarterly | December 31, 2005 |
| 8 | PricewaterhouseCoopers (PWC) Significant Transaction Review & Deal Detail | Quarterly | December 31, 2005 |
| 9 | Daily Risk Spreadsheet & accompanying email (for risks tracked in AIG-FP systems) | Daily | February 22, 2006 |
| 10 | VaR (Value at Risk) Summary - Daily email | Daily | February 22, 2006 |
| 11 | Market Risk Summary - (for risks tracked in the former Trading Group systems) | Weekly/Bi-Weekly | February 22, 2006 |
| 12 | AIG-FP Global Call Presentations | Bi-Weekly | February 28, 2006 |
| 13 | Review of Litigation and Material Legal Matters | Monthly | February 28, 2006 |
| 14 | Compliance Reports provided to AIG for AIGFS, AIGCC, Banque AIG & AIG-FP Capital Management Ltd. | Monthly & Quarterly | Quarter Reports as of December 31, 2005, Monthly reports as of February 28, 2006 |
| 15 | AIG-FP Board Meeting November 2005 Information (most recent board package) & Minutes | Quarterly | November 2005 |
| 16 | Legal Contingencies Assessment Report | Quarterly | December 31, 2005 |
| 17 | Transaction Summary Memoranda | Other | Most recent memos dated 9/13/2005 |
| 18 | Business Development Meeting minutes | Bi-Weekly | February 27, 2006 |
| 19 | AIG-FP Trader's Call Presentations | Bi-Weekly | February 14, 2006 |
| 20 | Benefit Response Options (BROS) - Quarterly Meeting Notes & Presentation | Quarterly | February 15, 2006 |
| 21 | PVA Variance Daily | Daily | March 2, 2006 |
| 22 | AIG-FP Group Companies Quarterly Update | Quarterly | December 31, 2005 |
| 23 | AIG-FP Group Companies Financial Review Meeting | Quarterly | September 30, 2005 |
| 24 | ALCO Reports | Quarterly | March 1, 2006 |
| 25 | Section 29 Tax Credit Phase-Out Report | Quarterly | March 3, 2006 |
| 26 | 26 Quarterly Liquidity Analysis | Quarterly | September 30, 2005 |
| 27 | List of Group Information Reports Available on Intranet | n/a | n/a |
| 28 | SMOG Meeting Package | Quarterly | September 30, 2005 |

| | POLICY/PROCEDURES | TYPE: | PROVIDED AS OF DATE: |
|----|--|---------------------|---|
| | Changed Since the 2005 Examination | | |
| 1 | Credit Department Policy and Procedures | Policy & Procedures | New draft awaiting AIG's comments |
| 2 | AIG-FP TRC Policies & Procedures Memorandum dated October 18, 2005 Credit Department Policy and Procedures | Policy & Procedures | 10/18/2005 |
| 3 | Banque AIG TRC Policies & Procedures Memorandum dated October 26, 2005 | Policy & Procedures | 10/26/2005 |
| 4 | Procedures for Hedging Intercompany Trades with AIG, Inc. and its subsidiaries | Procedures | 06/27/2005 |
| 5 | Software Policy Memo | Policy | 10/03/2005 |
| 6 | AIG-FP Network Security Policy | Policy | 10/03/2005 |
| 7 | Swapswire Procedures | Procedures | 01/2006 |
| 8 | DJAIGCI Information Policy & Procedures | Policy & Procedures | 01/2006 |
| 9 | Banque AIG Policies Covering Transactions at Non-Market Prices Credit Department Policy and Procedures | Policy & Procedures | 10/2005 |
| 10 | Credit Derivatives Procedures Manual and Annexes A-C | Procedures | 02/2006 |
| 11 | AIG-FP Operations Procedures | Procedures | 01/2006 |
| 12 | Market Risk Management – Task Schedule | Procedures | 01/2006 |
| 13 | AIG-FP Accounting Manual (including Month End Package Preparation Procedures) | Policy & Procedures | 8/2005 (with minor updates since then) |
| 14 | Banque AIG Operating Procedures | Policy & Procedures | 14-Nov-05 |
| 15 | Accounting and Control Procedures for Compliance with EITF 02-3 | Procedures | 23-Dec-05 |
| 16 | FAS 133 Procedures and Booking Guidelines | Procedures | 23-Dec-05 |
| | Unchanged Since the 2005 Examination | | |
| 17 | Banque AIG Accounting Manual (including Month End Package Preparation Procedures) | Policy & Procedures | no change since last provided in 8/05 |
| 18 | Banque AIG Credit Policies Manual | Policy | no change since last provided in 8/05 |
| 19 | Banque AIG Internal Control Procedures | Procedures | no change since last provided in 4/1/2005 |
| 20 | Banque AIG Tokyo Branch – Customer Asset Control Procedures | Procedures | no change since last provided in 2004 |
| 21 | Banque AIG Tokyo Branch – Risk Management Rules | Policy | no change since last provided in 2004 |
| 22 | Banque AIG Tokyo Branch – Segregation Rules | Policy | no change since last provided in 2004 |
| 23 | Banque AIG Tokyo Branch – Solicitation Policy | Policy | no change since last provided in 2004 |
| 24 | Banque AIG Tokyo Branch – Repo Control Procedure | Procedures | no change since last provided in 2004 |

In addition, we met and conversed via telephone and e-mail on a number of occasions with Mark Belfan, AIGFP's Acting CFO, other members of AIGFP's management, and staff to discuss and clarify our information requests, AIGFP's responses to the requests and follow-up questions.

Significant Investment, Derivative and Funding Product Categories

AIGFP engages as principal in standard and customized financial transactions, including derivatives and structured transactions, involving commodities, credit, currencies, energy, equities and rates. AIGFP also raises funds through municipal reinvestment contracts and the issuance of securities offerings, and invests the proceeds in a diversified portfolio of high-grade securities and other financial instruments and transactions.

AIGFP manages risk on a portfolio basis, not based on the legal form of transactions or the accounting classifications thereof. Therefore, except for the production of audited financial statements and the maintenance of general ledger accounts supporting the audited financial statements, AIGFP does not typically compile information in terms of balance sheet (assets, liabilities) and off balance sheet groups (i.e. swaps, options, futures and other derivatives) of transactions, products, and activities describing the most significant sources of risk and revenue. Instead, AIGFP identifies, measures, controls, and reports risk based on five distinct risk categories: Commodity, Credit, Currency, Equity and Interest Rate. Each and every transaction entered into by AIGFP may exhibit one or more of these types of risk. The individual risk components from all transactions are combined by category, and the aggregate of all risks for a given category is managed centrally. A trader is assigned to each category of risk.

AIGFP reports its revenue based on these risk categories (referred to as revenue segments for purposes of presenting revenue distribution), along with two additional revenue segments called “TDG Accruals” and “Other.” However, the risks in the “TDG Accruals” and “Other” revenue segments is reported in the applicable risk categories. AIGFP reports revenue from “TDG Accruals” separately because it considers that revenue to be significant and unique. The “Other” revenue category is intended to include revenue from non-recurring, non-revenue generating activities and events. Typically it is nominal and ancillary to the company’s primary scope of activities. The Risk and Revenue distribution reports are discussed in more detail later in this report.

TDG accrual income represents income primarily from structured asset and liability preferred stock transactions (i.e. “asset and liability prefs”, or “tax deals”) originated and managed by AIGFP’s Transaction Development Group (TDG). Income from energy transactions is also included in TDG accruals. As noted above, except for TDG accruals, information is not typically compiled in terms of balance sheet and off balance sheet product names. Frequently, however, product group names will be used to describe certain activities or transactions for marketing purposes and/or discussions among management and staff. In addition, as discussed below, AIGFP performs a number of tasks targeted to assessing and controlling specific market, credit, liquidity, accounting, tax, operational, legal, regulatory, and reputation risks that are unique to some of these product groups.

These “product” group names include asset and liability prefs, total return swaps, Gap trades, fund of hedge funds, CPPI trades, DART trades, BROS, volumetric production payment transactions, Flex Guaranteed Investment Contracts (GICs), No FLEX GICs, Reserve GICs, Power Reverse Duals

(PRDs), Dow Jones AIG Commodity Index (DJAIGCI) trades, and synfuel transactions. Brief descriptions of these terms was retained in the work-papers supporting this limited examination.

Presently the above “product” names are not clearly mapped to risk categories, revenue segments, general ledger accounts, and audited financial statements. Therefore, it is not intuitively clear that the aggregated risks unique to the above “product” groups are fully accounted for in the existing risk management framework, including risk management reports to AIG/AIGFP management and the AIGFP board. AIGFP management believes it does not need a high level of transparency in information reporting because AIGFP is a small organization operated by technically sophisticated and highly experienced individuals with significant tenure. AIGFP management stresses that President Joe Cassano is personally involved, reviews, or as least is made aware of all material transactions, risks, trends, etc. Furthermore, a large amount of detailed information regarding AIGFP’s business is provided to and reviewed by AIG management on an ongoing basis.

Risk Reports

Market risk reports identify market risk in terms of US Dollar Value at Risk for the company as a whole; P&L at risk for interest rate, exchange rate, and equity price stress scenarios; and various 1st order (delta), 2nd order (gamma), and other (vega) risk metrics typically based on standard one basis point movements in the underliers (e.g. interest rates, exchange rates, equity prices, commodity prices, and energy prices) by region (e.g. Asia, Europe, North America, etc.). In addition, AIGFP’s market risk and operations groups perform a number of additional tasks designed to assess and control specific, incremental risks embedded in certain structured transactions (e.g. balance guaranteed swaps, fund of hedge fund CPPI transactions); and test the reliability of system generated risk measures.

Credit risk reports identify credit risk in terms of US Dollar exposure, net of collateral, distributable by counterparty, credit rating, maturity, and two instrument type categories named derivative and investment portfolios. Derivative portfolio exposures are presented at replacement value (i.e. market value) and include all financial instruments covered by an International Swaps and Derivatives Association, Inc. (ISDA) contract, including over the counter derivatives. Investment portfolio exposures are presented at original cost adjusted for any principal amortization and include both high grade bonds and structured assets. In addition, AIGFP’s credit risk group performs additional tasks designed to assess specific, incremental risks embedded in synthetic credit exposures (e.g. super senior credit derivative portfolios).

The list of AIGFP’s more significant market and credit risk monitoring reports is presented in the table below, along with the frequency and level of review. These reports were reviewed in more depth during the 2005 examination and are addressed in that report of examination. More detailed descriptions of these reports were retained in the work-papers supporting that examination.

| | REVIEW DOCUMENT | FREQUENCY OF REVIEW | STAFF, MANAGEMENT OR BOARD REPORT |
|----|--|----------------------------|--|
| 1 | Value at Risk Comparisons – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 2 | One Year Historical VaR – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 3 | AIGFP Exposures to Counterparties and Securities that are Rated Below “A-/A3” – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 4 | AIGFP Exposures Greater than \$150 Million– part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 5 | Derivatives Counterparties Grouped by Replacement Value and Credit Rating – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 6 | Synthetic Credit Exposures – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 7 | Portfolio Summary – Assets Grouped by Rating and by Time to Maturity – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 8 | Derivative Product Maturity Profile by Remaining Maturity and Credit Rating (Notional) – part of Management Financial Review Package | Monthly | AIGFP Board/ AIG Management |
| 9 | Equity, FX, and Interest Rate Stress Tests. | Weekly/Quarterly | AIGFP Staff |
| 10 | Daily Risk Spreadsheet & accompanying email (for risks tracked in AIG-FP systems) | Daily | AIGFP Management/ AIG Management |
| 11 | VaR (Value at Risk) Summary – Daily email | Daily | AIGFP Management |
| 12 | Market Risk Summary - (for risks tracked in the former Trading Group systems) | Weekly/Bi-Weekly | AIGFP Management |
| 13 | Daily Credit Monitoring Report | Daily | AIGFP Management/ AIG Management |
| 14 | 2 nd Loss Portfolio Monitoring Meeting Status Reports | Quarterly | AIGFP Management |
| 15 | Asset Preferred Compliance Table – part of SMOG Meeting Package | Quarterly | AIGFP Management |

Liquidity, accounting, tax, operational, legal, regulatory, and reputation risks are addressed primarily through AIGFP’s transaction review committee (accounting, tax, operational, legal, regulatory, and reputation risks), trade review committee (operational), ALCO (liquidity risk), SMOG (tax, legal, regulatory, and reputation risks), quarterly meetings with PWC (accounting risk), monthly reviews of litigation and material legal matters (legal risk), monthly compliance reports (regulatory), quarterly legal contingencies assessment reports (legal risk), Section 29 Tax credit phase out reports (tax risk), bi-weekly business development meetings (liquidity, tax, legal, and regulatory risks), and the very recently established accounting review committee (accounting). AIGFP’s management and staff also routinely perform numerous additional tasks designed to address risk (e.g. operational risk - valuation and hedging processing error resolution by the market risk management group).

Revenue Reports

Revenue summary reports currently furnished to AIGFP senior management and the AIGFP board identify gross revenues earned daily, monthly, quarter-to-date, year-to-date, and annually, as well as revenues distributed by transaction (daily only) and by five risk and two product segments: Commodities, Credit, Currencies, Equities and Rates, TDG Accruals, and Other. There is insufficient detail in these reports to permit those not involved in the day-to-day business of AIGFP to understand to what extent new transactions, accruals, and variations contribute to revenue trends and comparisons from period to period. There is also insufficient detail in the monthly, quarter-to-date, year-to-date, and annual revenue reports to understand to what extent AIGFP's performance relies upon the consummation of a few large transactions.

AIGFP's Year-to-Date March 31, 2006, and Full Year 2005 Revenue Distribution Reports are presented in the tables below, followed by a discussion of the revenue segments. More detailed descriptions of these reports are in the work-papers supporting this limited examination.

| REVENUE DISTRIBUTION BY PRODUCT SEGMENT (US\$ Millions) | | | | | |
|--|-------------------------------|-------------|-----------------------------|-------------------------------|-------------|
| | Year-to-Date March 31 2006 | | % Change from Prior Year | Year-to-Date March 31 2005 | |
| Commodities | 45 | 10% | 77% | 25 | 7% |
| Credit | 129 | 29% | 396% | 25 | 7% |
| Currencies | 30 | 7% | -9% | 33 | 8% |
| Equities | 45 | 10% | 53% | 30 | 8% |
| Rates | 53 | 12% | -41% | 90 | 24% |
| TDG Accruals | 159 | 35% | -8% | 173 | 46% |
| Other | -15 | -3% | 1400% | -1 | 0% |
| TOTAL | 448 | 100% | 19% | 377 | 100% |

| REVENUE DISTRIBUTION BY PRODUCT SEGMENT (US\$ Millions) | | | | | |
|--|----------------|-------------|-----------------------------|----------------|-------------|
| | Full Year 2005 | | % Change from Prior Year | Full Year 2004 | |
| Commodities | 129 | 8% | 40% | 92 | 5% |
| Credit | 450 | 29% | 10% | 408 | 24% |
| Currencies | 123 | 8% | 16% | 106 | 6% |
| Debt | 171 | 11% | -46% | 316 | 18% |
| Energy | 424 | 27% | 8% | 393 | 23% |
| Equity | 80 | 5% | -2% | 82 | 5% |
| Rates | 196 | 12% | -41% | 330 | 19% |
| TOTAL | 1,573 | 100% | -9% | 1,727 | 100% |

As can be surmised by comparing the two reports above, AIGFP re-categorized the revenue segments between 2005 and 2006. The re-categorization included the combining of the prior commodity and metal segments into Commodities; the renaming of the foreign exchange segment to Currencies; the renaming of the fixed income segment to Rates, and the pulling out/combining of income attributed to asset preferred transactions (formerly in fixed income), liability preferred transactions (formerly in debt), and energy segments into the new TDG Accruals segment. AIGFP re-categorized the revenue segments in order to better align the revenue distribution reports with its view of current activities.

AIGFP management does not provide AIG with written explanations for revenue trends and such explanations are not documented. The following explanations of revenue trends are based on discussions with CFO Mark Belfan:

The Commodities revenue segment, which primarily represents revenue on swap and structured note transactions related to commodity indices, enjoyed a significant percentage increase from 2004 to 2005 due to the appreciation in commodity indices year over year and an increase in new transactions. Typically, AIGFP enters into contracts to pay its clients a variable amount based on changes in the underlying commodity index and to receive variable payments from its clients based at LIBOR plus a spread levied against the fluctuating notional value of the commodity index. AIGFP also hedges the market risk related to both sides of the transaction. For example, it enters into commodities futures and option transactions to hedge the exposure to commodity prices. Commodities revenue is booked over time because clients have the ability to exit the trades, at any time, at market value. Therefore, the increase in revenue denoted the aggregate notional amount of outstanding transactions increased during the year.

The Credit revenue segment, which primarily represents revenue on credit derivative and asset transactions, showed a significant dollar increase due primarily to an increase in the aggregate notional amount of super senior credit derivative transactions. Revenue is generally booked on an accrual basis for this segment. Revenue on asset transactions represents revenues from high-grade bonds and structured investments stripped of revenues attributable to interest rate risk, foreign exchange risk, and other market risks.

The Currencies revenue segment, which represents revenue derived from spot and forward currency transactions and currency options (not including revenue on currency swaps, which is recognized under the Rates segment), increased minimally in dollars and on a percentage basis due to the restructuring of three large transactions in 2005 that resulted in revenues of about \$10 million for each transaction.

The Debt revenue segment, which primarily represents net revenue on liability-preferred issuances, suffered a large dollar and percentage decrease due largely to the unwinding of many United Kingdom (UK) cross border transactions as a result of changes in the UK tax laws. Revenue is booked on an accrual basis for this segment. Much more revenue was lost as a result of transactions unwound at market than was made up by new transactions.

The Energy revenue segment changed minimally, showing a small dollar increase. This segment primarily represents revenue on synfuel transactions. The small increase was due to the receipt of restructuring fees associated with the 2005 restructuring of certain power plants (MassPower, Dartmouth) called QFs or qualifying facilities, for which AIGFP acted as the restructuring agent. The previous energy revenue segment no longer appears on revenue distribution reports. Effective as of January 2006, AIGFP reports energy revenue under the TDG accruals revenue segment.

The Equity revenue segment also did not change much and primarily consists of income on equity swaps and options.

The Rates revenue segment, which represents revenue on all interest rate derivatives and currency swaps, showed a large dollar and percentage decrease reflecting the significant decrease in the number and size of transactions in 2005 as compared with 2004, due in part to the highly publicized accounting and regulatory issues affecting AIG. These issues prompted the credit rating downgrade from AAA to AA as well as several blackout periods when AIGFP was not permitted to issue new debt due to the delayed in filing AIG's annual and quarterly reports.

In addition to the revenue distribution by revenue segment, AIGFP previously produced reports identifying the distribution of revenue between new transactions, variations, and accruals. However, beginning in 2006, AIGFP management discontinued the practice of presenting this information in monthly management reports because it considers the distinction between revenue for new transactions and revenue from accruals to be strictly accounting driven, not economically driven. Furthermore, AIGFP believed the previous revenue distinctions were confusing the recipients of those reports. Nevertheless, AIGFP management and staff continue to produce internal reports that identify the amount of revenue due to trading variations. These reports provide details of the variations by risk (interest rate, foreign exchange, equity, etc.), region (e.g. Asia, Europe, North America, etc.), currency (e.g. AUD, JPY, EUR, GBP, etc.), risk type (i.e. basis, swaps, options, inflation, forwards, index), and risk level (i.e. intraday, 1st order, 2nd order, remark). Definitions of each risk level follows:

- 1st order: revenue due to the impact of day-end-to-day-end changes in market levels/indices (interest rates, equities, commodities, foreign exchange rates) upon outright positions.
- 2nd order: revenue due to the impact of options (rebalancing in hedges needed due to the day's changes in market levels/indices).
- Intraday: any change in revenue due to the change in value of a new position put on during the day between the time the position is booked and the end of the day. This is for most activity in essence trading profitability (P&L). The Intraday revenue should be positive, as it should reflect the success of AIGFP's experienced traders in making money on taking risk. An illustration of how this occurs is as follows: say a stock is quoted at \$50 bid and \$51 ask -

the mid-market price or cost is generally quoted at \$50.5 with the trader given maneuverability one way or the other in their pricing - the average trader can purchase the position (meaning the cost of hedging the position) at \$50.5 even though a retail customer would have to pay \$51.0. AIGFP traders, if successful, may be able to hedge the position for \$50.25. If the trader charges the customer \$50.75, then AIGFP generates \$0.25 of new transaction P&L ($\$50.75 - \50.50) and \$0.25 of variation or trading P&L ($\$50.50 - \50.25).

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Remarks: revenue due to the impact of changes in volatilities, which is a market pricing input - remark is not daily, it is usually weekly and monthly depending on the market variable.

Summary Commentary on Sufficiency of Risk and Revenue Reports

AIGFP is managed by highly capable individuals, who review a great deal of information about the organization's risk and revenue. Further, AIG management receives summary information and raw data in varying degrees through the board of AIGFP, AIG's Financial Services Division, and AIG's Credit Risk, Market Risk, and Corporate Legal Compliance Groups. OTS has also observed a gradual improvement in information reporting over the past several years, particularly to the board of AIGFP. Notwithstanding, as evidenced by the absence of a clear mapping of "product" groups to risk and revenue reports and the absence of thorough presentations of risk/revenue trends, the issue of sufficient transparency remains a matter that will require continued consideration going forward and will be subject to review during the June 2006 examination.