

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-8787



American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2592361
(I.R.S. Employer
Identification No.)

1271 Avenue of the Americas, New York, New York

(Address of principal executive offices)

10020
(Zip Code)

Registrant's telephone number, including area code: (212) 770-7000

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, Par Value \$2.50 Per Share	AIG	New York Stock Exchange
5.75% Series A-2 Junior Subordinated Debentures	AIG 67BP	New York Stock Exchange
4.875% Series A-3 Junior Subordinated Debentures	AIG 67EU	New York Stock Exchange
Stock Purchase Rights		New York Stock Exchange
Depository Shares Each Representing a 1/1,000th Interest in a Share of Series A		
5.85% Non-Cumulative Perpetual Preferred Stock	AIG PRA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 2, 2021, there were 855,202,437 shares outstanding of the registrant's common stock.

AMERICAN INTERNATIONAL GROUP, INC.
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED
 JUNE 30, 2021
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Part I – Financial Information

Item 1. | Financial Statements

American International Group, Inc. Condensed Consolidated Balance Sheets *(unaudited)*

<i>(in millions, except for share data)</i>	June 30, 2021	December 31, 2020
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value, net of allowance for credit losses of \$97 in 2021 and \$186 in 2020 (amortized cost: 2021 - \$251,620; 2020 - \$244,337)*	\$ 273,070	\$ 271,496
Other bond securities, at fair value (See Note 5)*	4,866	5,291
Equity securities, at fair value (See Note 5)*	1,079	1,056
Mortgage and other loans receivable, net of allowance for credit losses of \$701 in 2021 and \$814 in 2020*	45,216	45,562
Other invested assets (portion measured at fair value: 2021 - \$9,580; 2020 - \$8,422)*	20,139	19,060
Short-term investments, including restricted cash of \$59 in 2021 and \$180 in 2020 (portion measured at fair value: 2021 - \$5,523; 2020 - \$5,968)*	15,169	18,203
Total investments	359,539	360,668
Cash*	2,760	2,827
Accrued investment income*	2,288	2,271
Premiums and other receivables, net of allowance for credit losses and disputes of \$198 in 2021 and \$205 in 2020	14,303	11,333
Reinsurance assets - Fortitude Re, net of allowance for credit losses and disputes of \$0 in 2021 and \$0 in 2020	34,092	34,578
Reinsurance assets - other, net of allowance for credit losses and disputes of \$325 in 2021 and \$326 in 2020	41,344	38,963
Deferred income taxes	12,628	12,624
Deferred policy acquisition costs	10,723	9,805
Other assets, net of allowance for credit losses of \$49 in 2021 and \$49 in 2020, including restricted cash of \$242 in 2021 and \$223 in 2020 (portion measured at fair value: 2021 - \$1,145; 2020 - \$887)*	13,267	13,122
Separate account assets, at fair value	107,306	100,290
Total assets	\$ 598,250	\$ 586,481
Liabilities:		
Liability for unpaid losses and loss adjustment expenses, including allowance for credit losses of \$14 in 2021 and \$14 in 2020	\$ 78,981	\$ 77,720
Unearned premiums	21,487	18,660
Future policy benefits for life and accident and health insurance contracts	51,771	51,097
Policyholder contract deposits (portion measured at fair value: 2021 - \$9,020; 2020 - \$9,798)	161,112	160,251
Other policyholder funds	3,516	3,548
Fortitude Re funds withheld payable (portion measured at fair value: 2021 - \$5,317; 2020 - \$6,042)	41,403	43,060
Other liabilities (portion measured at fair value: 2021 - \$741; 2020 - \$570)*	30,039	27,122
Long-term debt (portion measured at fair value: 2021 - \$1,974; 2020 - \$2,097)	26,161	28,103
Debt of consolidated investment entities*	9,566	9,431
Separate account liabilities	107,306	100,290
Total liabilities	531,342	519,282
Contingencies, commitments and guarantees (See Note 11)		
AIG shareholders' equity:		
Series A non-cumulative preferred stock and additional paid in capital, \$5.00 par value; 100,000,000 shares authorized; shares issued: 2021 - 20,000 and 2020 - 20,000; liquidation preference \$500	485	485
Common stock, \$2.50 par value; 5,000,000,000 shares authorized; shares issued: 2021 - 1,906,671,492 and 2020 - 1,906,671,492	4,766	4,766
Treasury stock, at cost; 2021 - 1,051,743,562 shares; 2020 - 1,045,113,443 shares of common stock	(49,634)	(49,322)
Additional paid-in capital	81,322	81,418
Retained earnings	18,935	15,504
Accumulated other comprehensive income	10,209	13,511
Total AIG shareholders' equity	66,083	66,362
Non-redeemable noncontrolling interests	825	837
Total equity	66,908	67,199
Total liabilities and equity	\$ 598,250	\$ 586,481

* See Note 8 for details of balances associated with variable interest entities.

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.

Condensed Consolidated Statements of Income (Loss) *(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(dollars in millions, except per common share data)</i>				
Revenues:				
Premiums	\$ 7,914	\$ 7,407	\$ 14,421	\$ 14,850
Policy fees	771	749	1,555	1,504
Net investment income:				
Net investment income - excluding Fortitude Re funds withheld assets	3,168	3,250	6,339	5,758
Net investment income - Fortitude Re funds withheld assets	507	116	993	116
Total net investment income	3,675	3,366	7,332	5,874
Net realized gains (losses):				
Net realized gains (losses) - excluding Fortitude Re funds withheld assets and embedded derivative	(43)	(1,591)	652	1,928
Net realized gains (losses) on Fortitude Re funds withheld assets	173	96	346	96
Net realized gains (losses) on Fortitude Re funds withheld embedded derivative	(2,056)	(837)	326	(837)
Total net realized gains (losses)	(1,926)	(2,332)	1,324	1,187
Other income	247	206	503	424
Total revenues	10,681	9,396	25,135	23,839
Benefits, losses and expenses:				
Policyholder benefits and losses incurred	6,084	6,521	11,223	12,846
Interest credited to policyholder account balances	872	918	1,740	1,875
Amortization of deferred policy acquisition costs	915	754	2,219	2,616
General operating and other expenses	2,218	2,087	4,306	4,240
Interest expense	338	365	680	720
(Gain) loss on extinguishment of debt	106	-	98	17
Net (gain) loss on sale or disposal of divested businesses	1	8,412	(6)	8,628
Total benefits, losses and expenses	10,534	19,057	20,260	30,942
Income (loss) from continuing operations before income tax expense (benefit)	147	(9,661)	4,875	(7,103)
Income tax expense (benefit)	(3)	(1,896)	795	(992)
Income (loss) from continuing operations	150	(7,765)	4,080	(6,111)
Loss from discontinued operations, net of income taxes	-	(1)	-	(1)
Net income (loss)	150	(7,766)	4,080	(6,112)
Less:				
Net income from continuing operations attributable to noncontrolling interests	51	162	105	67
Net income (loss) attributable to AIG	99	(7,928)	3,975	(6,179)
Less: Dividends on preferred stock	8	8	15	15
Net income (loss) attributable to AIG common shareholders	\$ 91	\$ (7,936)	\$ 3,960	\$ (6,194)
Income (loss) per common share attributable to AIG common shareholders:				
Basic:				
Income (loss) from continuing operations	\$ 0.11	\$ (9.15)	\$ 4.58	\$ (7.11)
Income (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ -
Net income (loss) attributable to AIG common shareholders	\$ 0.11	\$ (9.15)	\$ 4.58	\$ (7.11)
Diluted:				
Income (loss) from continuing operations	\$ 0.11	\$ (9.15)	\$ 4.53	\$ (7.11)
Income (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ -
Net income (loss) attributable to AIG common shareholders	\$ 0.11	\$ (9.15)	\$ 4.53	\$ (7.11)
Weighted average shares outstanding:				
Basic	862,930,931	866,968,305	865,508,343	870,590,968
Diluted	872,877,303	866,968,305	874,566,280	870,590,968

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss) *(unaudited)*

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 150	\$ (7,766)	\$ 4,080	\$ (6,112)
Other comprehensive income (loss), net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity securities on which allowance for credit losses was taken	4	126	37	(233)
Change in unrealized appreciation (depreciation) of all other investments	3,710	10,082	(3,489)	4,540
Change in foreign currency translation adjustments	14	(61)	139	(146)
Change in retirement plan liabilities adjustment	14	9	11	2
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	(2)	(1)	1
Other comprehensive income (loss)	3,742	10,154	(3,303)	4,164
Comprehensive income (loss)	3,892	2,388	777	(1,948)
Comprehensive income attributable to noncontrolling interests	50	153	104	44
Comprehensive income (loss) attributable to AIG	\$ 3,842	\$ 2,235	\$ 673	\$ (1,992)

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

Condensed Consolidated Statements of Equity *(unaudited)*

<i>(in millions)</i>	Preferred Stock and Additional Paid-in Capital	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total AIG Share- holders' Equity	Non- redeemable Non- controlling Interests	Total Equity
Three Months Ended June 30, 2021									
Balance, beginning of period	\$ 485	\$ 4,766	\$ (49,412)	\$ 81,253	\$ 19,121	\$ 6,466	\$ 62,679	\$ 881	\$ 63,560
Common stock issued under stock plans	-	-	7	(5)	-	-	2	-	2
Purchase of common stock	-	-	(230)	-	-	-	(230)	-	(230)
Net income attributable to AIG or noncontrolling interests	-	-	-	-	99	-	99	51	150
Dividends on preferred stock	-	-	-	-	(8)	-	(8)	-	(8)
Dividends on common stock	-	-	-	-	(274)	-	(274)	-	(274)
Other comprehensive income (loss)	-	-	-	-	-	3,743	3,743	(1)	3,742
Net decrease due to divestitures and acquisitions	-	-	-	-	-	-	-	(17)	(17)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	2	2
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(91)	(91)
Other	-	-	1	74	(3)	-	72	-	72
Balance, end of period	\$ 485	\$ 4,766	\$ (49,634)	\$ 81,322	\$ 18,935	\$ 10,209	\$ 66,083	\$ 825	\$ 66,908
Six Months Ended June 30, 2021									
Balance, beginning of year	\$ 485	\$ 4,766	\$ (49,322)	\$ 81,418	\$ 15,504	\$ 13,511	\$ 66,362	\$ 837	\$ 67,199
Common stock issued under stock plans	-	-	178	(260)	-	-	(82)	-	(82)
Purchase of common stock	-	-	(592)	-	-	-	(592)	-	(592)
Net income attributable to AIG or noncontrolling interests	-	-	-	-	3,975	-	3,975	105	4,080
Dividends on preferred stock	-	-	-	-	(15)	-	(15)	-	(15)
Dividends on common stock	-	-	-	-	(550)	-	(550)	-	(550)
Other comprehensive loss	-	-	-	-	-	(3,302)	(3,302)	(1)	(3,303)
Net increase due to divestitures and acquisitions	-	-	-	-	-	-	-	58	58
Contributions from noncontrolling interests	-	-	-	-	-	-	-	7	7
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(181)	(181)
Other	-	-	102	164	21	-	287	-	287
Balance, end of period	\$ 485	\$ 4,766	\$ (49,634)	\$ 81,322	\$ 18,935	\$ 10,209	\$ 66,083	\$ 825	\$ 66,908

American International Group, Inc.

Condensed Consolidated Statements of Equity *(unaudited)(continued)*

<i>(in millions)</i>	Preferred Stock and Additional Paid-in Capital	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total AIG Share- holders' Equity	Non- redeemable Non- controlling Interests	Total Equity
Three Months Ended June 30, 2020									
Balance, beginning of period	\$ 485	\$ 4,766	\$ (49,334)	\$ 81,188	\$ 24,062	\$ (994)	\$ 60,173	\$ 1,670	\$ 61,843
Common stock issued under stock plans	-	-	7	(9)	-	-	(2)	-	(2)
Purchase of common stock	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	-	(7,928)	-	(7,928)	162	(7,766)
Dividends on preferred stock	-	-	-	-	(8)	-	(8)	-	(8)
Dividends on common stock	-	-	-	-	(275)	-	(275)	-	(275)
Other comprehensive income (loss)	-	-	-	-	-	10,163	10,163	(9)	10,154
Net decrease due to divestitures and acquisitions	-	-	-	-	-	-	-	(1,219)	(1,219)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	3	3
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(20)	(20)
Other	-	-	-	115	(4)	-	111	(3)	108
Balance, end of period	\$ 485	\$ 4,766	\$ (49,327)	\$ 81,294	\$ 15,847	\$ 9,169	\$ 62,234	\$ 584	\$ 62,818
Six Months Ended June 30, 2020									
Balance, beginning of year	\$ 485	\$ 4,766	\$ (48,987)	\$ 81,345	\$ 23,084	\$ 4,982	\$ 65,675	\$ 1,752	\$ 67,427
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	(487)	-	(487)	-	(487)
Common stock issued under stock plans	-	-	167	(264)	-	-	(97)	-	(97)
Purchase of common stock	-	-	(500)	-	-	-	(500)	-	(500)
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	-	(6,179)	-	(6,179)	67	(6,112)
Dividends on preferred stock	-	-	-	-	(15)	-	(15)	-	(15)
Dividends on common stock	-	-	-	-	(551)	-	(551)	-	(551)
Other comprehensive income (loss)	-	-	-	-	-	4,187	4,187	(23)	4,164
Net decrease due to divestitures and acquisitions	-	-	-	-	-	-	-	(1,171)	(1,171)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	4	4
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(42)	(42)
Other	-	-	(7)	213	(5)	-	201	(3)	198
Balance, end of period	\$ 485	\$ 4,766	\$ (49,327)	\$ 81,294	\$ 15,847	\$ 9,169	\$ 62,234	\$ 584	\$ 62,818

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.

Condensed Consolidated Statements of Cash Flows *(unaudited)*

<i>(in millions)</i>	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 4,080	\$ (6,112)
Loss from discontinued operations	-	1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net gains on sales of securities available for sale and other assets	(579)	(418)
Net (gains) losses on sale or disposal of divested businesses	(6)	8,628
Losses on extinguishment of debt	98	17
Unrealized gains in earnings - net	(1,267)	(1,704)
Equity in loss from equity method investments, net of dividends or distributions	31	232
Depreciation and other amortization	2,370	2,560
Impairments of assets	25	66
Changes in operating assets and liabilities:		
Insurance reserves	4,889	2,033
Premiums and other receivables and payables - net	(1,381)	1,778
Reinsurance assets and funds held under reinsurance contracts	(1,928)	(2,295)
Capitalization of deferred policy acquisition costs	(2,688)	(2,224)
Current and deferred income taxes - net	199	(1,732)
Other, net	(1,033)	(1,069)
Total adjustments	(1,270)	5,872
Net cash provided by (used in) operating activities	2,810	(239)
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale securities	12,559	13,858
Other securities	465	2,037
Other invested assets	1,807	2,134
Divested businesses, net	-	2,119
Maturities of fixed maturity securities available for sale	17,749	12,761
Principal payments received on and sales of mortgage and other loans receivable	4,115	2,359
Purchases of:		
Available for sale securities	(34,667)	(29,804)
Other securities	(95)	(519)
Other invested assets	(1,558)	(1,385)
Mortgage and other loans receivable	(3,719)	(2,653)
Net change in short-term investments	3,065	(7,857)
Other, net	(1,366)	4,047
Net cash used in investing activities	(1,645)	(2,903)
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	13,172	9,912
Policyholder contract withdrawals	(11,214)	(8,505)
Issuance of long-term debt	54	4,139
Issuance of debt of consolidated investment entities	2,542	1,370
Repayments of long-term debt	(1,839)	(513)
Repayments of debt of consolidated investment entities	(2,560)	(1,364)
Purchase of common stock	(592)	(500)
Dividends paid on preferred stock	(15)	(15)
Dividends paid on common stock	(550)	(551)
Other, net	(298)	(269)
Net cash provided by (used in) financing activities	(1,300)	3,704
Effect of exchange rate changes on cash and restricted cash	(34)	3
Net increase (decrease) in cash and restricted cash	(169)	565
Cash and restricted cash at beginning of year	3,230	3,287
Cash and restricted cash at end of period	\$ 3,061	\$ 3,852

American International Group, Inc.

Condensed Consolidated Statements of Cash Flows *(unaudited)(continued)*

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

<i>(in millions)</i>	Six Months Ended June 30,	
	2021	2020
Cash	\$ 2,760	\$ 3,408
Restricted cash included in Short-term investments*	59	197
Restricted cash included in Other assets*	242	247
Total cash and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	\$ 3,061	\$ 3,852
Cash paid during the period for:		
Interest	\$ 592	\$ 581
Taxes	\$ 596	\$ 741
Non-cash investing activities:		
Fixed maturity securities available for sale received in connection with pension risk transfer transactions	\$ 477	\$ 1,008
Fixed maturity securities received in connection with reinsurance transactions	\$ 161	\$ 325
Fixed maturity securities transferred in connection with reinsurance transactions	\$ (695)	\$ -
Non-cash financing activities:		
Interest credited to policyholder contract deposits included in financing activities	\$ 1,783	\$ 1,916
Fee income debited to policyholder contract deposits included in financing activities	\$ (847)	\$ (853)

* Includes funds held for tax sharing payments to AIG Parent, security deposits, and replacement reserve deposits related to our affordable housing investments.

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Basis of Presentation

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in approximately 80 countries and jurisdictions. AIG companies serve commercial and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value \$2.50 per share (AIG Common Stock), is listed on the New York Stock Exchange (NYSE: AIG). Unless the context indicates otherwise, the terms “AIG,” “we,” “us” or “our” mean American International Group, Inc. and its consolidated subsidiaries, and the term “AIG Parent” means American International Group, Inc. and not any of its consolidated subsidiaries.

These unaudited Condensed Consolidated Financial Statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Annual Report). The condensed consolidated financial information as of December 31, 2020 included herein has been derived from the audited Consolidated Financial Statements in the 2020 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on the basis of a fiscal year ending November 30. The effect on our consolidated financial condition and results of operations of all material events occurring at these subsidiaries through the date of each of the periods presented in these Condensed Consolidated Financial Statements has been considered for adjustment and/or disclosure. In the opinion of management, these Condensed Consolidated Financial Statements contain normal recurring adjustments, including eliminations of material intercompany accounts and transactions, necessary for a fair statement of the results presented herein. Operating results for the six months ended June 30, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, especially when considering the risks and uncertainties associated with COVID-19 and the impact it may have on our business, results of operations and financial condition.

We evaluated the need to recognize or disclose events that occurred subsequent to June 30, 2021 and prior to the issuance of these Condensed Consolidated Financial Statements.

SALES/DISPOSALS OF BUSINESSES

Separation of Life and Retirement Business and Strategic Partnership with the Blackstone Group

On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG. On July 14, 2021, AIG and The Blackstone Group Inc. (Blackstone) announced that they have reached a definitive agreement for Blackstone to acquire a 9.9 percent equity stake in SAFG Retirement Services, Inc. (SAFG), which is the holding company for AIG’s Life and Retirement business, for \$2.2 billion in an all cash transaction, subject to adjustment if the final pro forma adjusted book value is greater or lesser than the target pro forma adjusted book value. The transaction contemplates that most of AIG’s investment operations would be transferred to SAFG or its subsidiaries as part of the separation. As part of this agreement, AIG also agreed to enter into a long-term strategic asset management relationship with Blackstone to manage an initial \$50 billion of Life and Retirement’s existing investment portfolio upon closing of the equity investment, with that amount increasing by increments of \$8.5 billion per year for the next five years beginning in the third or fourth quarter of 2022, for an aggregate of \$92.5 billion. Following the closing of the transaction, Blackstone will be entitled to designate one member of the board of directors of the Life and Retirement holding company, which will consist of 11 directors. Pursuant to the definitive agreement, Blackstone will be required to hold its ownership interest in SAFG following the completion of the separation of the Life and Retirement business, subject to exceptions permitting Blackstone to sell 25%, 67% and 75% of its shares after the first, second and third anniversaries, respectively, of the initial public offering of SAFG (the IPO), with the transfer restrictions terminating in full on the fifth anniversary of the IPO. In the event that the IPO of SAFG is not completed prior to the second anniversary of the closing of the transaction, Blackstone will have the right to require AIG to undertake the IPO, and in the event that the IPO has not been completed prior to the third anniversary of the closing, Blackstone will have the right to exchange all or a portion of its ownership interest in SAFG for shares of AIG’s common stock on the terms set forth in the definitive agreement. These transactions are subject to customary closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act), and are expected to close in the third quarter of 2021. While we currently believe the IPO is the next step in the separation of the Life and Retirement business from AIG, no assurance can be given regarding the form that future separation transactions may take or the specific terms or timing thereof, or that a separation will in fact occur. Any separation transaction will be subject to the satisfaction of various conditions and approvals,

including approval by the AIG Board of Directors, receipt of insurance and other required regulatory approvals, and satisfaction of any applicable requirements of the Securities and Exchange Commission (SEC).

On July 14, 2021, AIG and Blackstone Real Estate Income Trust (BREIT), a long-term, perpetual capital vehicle affiliated with Blackstone, announced that they have reached a definitive agreement for BREIT to acquire AIG's interests in a U.S. affordable housing portfolio for approximately \$5.1 billion, subject to certain adjustments, in an all cash transaction. This transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2021.

Sale of Certain AIG Life and Retirement Retail Mutual Funds Business

On February 8, 2021, AIG announced the execution of a definitive agreement with Touchstone Investments (Touchstone), an indirect wholly-owned subsidiary of Western & Southern Financial Group, to sell certain assets of AIG Life and Retirement's Retail Mutual Funds business. As of June 30, 2021, AIG Life and Retirement's Retail Mutual Funds business managed \$7.1 billion in assets across eighteen funds. The transaction closed on July 16, 2021 at which time we received initial proceeds, and twelve retail mutual funds managed by SunAmerica Asset Management, LLC (SAAMCo), a member of AIG Life and Retirement, with \$6.8 billion in assets, were reorganized into Touchstone funds. Additional proceeds may be earned over a three-year period based on asset levels in certain reorganized funds. Six retail mutual funds managed by SAAMCo and not included in the transaction were liquidated. AIG Life and Retirement will retain its fund management platform and capabilities dedicated to its variable insurance products.

For further discussion on the sale of certain AIG Life and Retirement Retail Mutual Funds business see Note 16 to the Condensed Consolidated Financial Statements.

Fortitude Holdings

On June 2, 2020, we completed the sale of a majority of the interests in Fortitude Group Holdings, LLC (Fortitude Holdings) to Carlyle FRL, L.P. (Carlyle FRL), an investment fund advised by an affiliate of The Carlyle Group Inc. (Carlyle), and T&D United Capital Co., Ltd. (T&D), a subsidiary of T&D Holdings, Inc., under the terms of a membership interest purchase agreement entered into on November 25, 2019 by and among AIG, Fortitude Holdings, Carlyle FRL, Carlyle, T&D and T&D Holdings, Inc. (the Majority Interest Fortitude Sale). AIG established Fortitude Reinsurance Company Ltd. (Fortitude Re), a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG's Run-Off operations. As of June 30, 2021, approximately \$30.1 billion of reserves from AIG's Life and Retirement Run-Off Lines and approximately \$4.0 billion of reserves from AIG's General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's Run-Off operations. As these reinsurance transactions are structured as modified coinsurance and loss portfolio transfers with funds withheld, following the closing of the Majority Interest Fortitude Sale, AIG continues to reflect the invested assets, which consist mostly of available for sale securities, supporting Fortitude Re's obligations, in AIG's financial statements.

AIG sold a 19.9 percent ownership interest in Fortitude Holdings to TC Group Cayman Investments Holdings, L.P. (TCG), an affiliate of Carlyle, in November 2018 (the 2018 Fortitude Sale). As a result of completion of the Majority Interest Fortitude Sale, Carlyle FRL purchased from AIG a 51.6 percent ownership interest in Fortitude Holdings and T&D purchased from AIG a 25 percent ownership interest in Fortitude Holdings; AIG retained a 3.5 percent ownership interest in Fortitude Holdings and one seat on its Board of Managers. The \$2.2 billion of proceeds received by AIG at closing included (i) the \$1.8 billion under the Majority Interest Fortitude Sale, subject to a post-closing purchase price adjustment pursuant to which AIG would pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur through December 31, 2023, up to a maximum payment of \$500 million; and (ii) a \$383 million purchase price adjustment from Carlyle FRL and T&D, corresponding to their respective portions of a proposed \$500 million non-pro rata distribution from Fortitude Holdings that was not received by AIG prior to the closing. Effective in the second quarter of 2021, AIG, Fortitude Holdings, Carlyle FRL, T&D and Carlyle amended the purchase agreement to finalize the post-closing purchase price adjustment for adverse reserve development. As a result of this amendment, during the three months ended June 30, 2021, AIG recorded a \$21 million benefit through Policyholder benefits and losses incurred and eliminated further net exposure to adverse development on the reserves ceded to Fortitude Re.

AIG recorded a total after-tax reduction to total AIG shareholders' equity of \$4.3 billion related to the sale of the majority interest in and deconsolidation of Fortitude Holdings in the second quarter of 2020. The impact to equity was primarily due to a \$6.7 billion after-tax loss partially offset by a \$2.4 billion increase in accumulated other comprehensive income (AOCI) due to the release of shadow adjustments primarily related to future policy benefits. The \$6.7 billion after-tax loss was comprised of (i) a \$2.7 billion loss related to the write-off of prepaid insurance assets and deferred policy acquisition costs (DAC) upon deconsolidation of Fortitude Holdings and (ii) \$4.0 billion related to the loss on the sale primarily as a result of increases in Fortitude Holdings' equity principally related to mark to market movements from the December 31, 2018 date as of which Fortitude Holdings' equity was calculated for purposes of the purchase price determination, through the June 2, 2020 closing date.

In connection with the Majority Interest Fortitude Sale, AIG, Fortitude Holdings, and TCG agreed that, effective as of the closing, (i) AIG's investment commitment targets under the 2018 Fortitude Sale (whereby AIG had agreed to invest certain amounts into various Carlyle strategies and to make certain minimum investment management fee payments by November 2021) were assumed by Fortitude Holdings and AIG was released therefrom, (ii) the purchase price adjustment that AIG had agreed to provide TCG in the 2018 Fortitude Sale (whereby AIG had agreed to reimburse TCG for adverse development in property casualty related reserves, based on an agreed methodology, that may occur through December 31, 2023, up to the value of TCG's investment in Fortitude Holdings) has been terminated, and (iii) TCG remains obligated to pay AIG \$115 million of deferred consideration upon settlement of the post-closing purchase price adjustment referred to above. This latter amount is composed of \$95 million of deferred consideration contemplated as part of the 2018 Fortitude Sale, together with \$19.9 million in respect of TCG's 19.9 percent share of the unpaid portion of the \$500 million non-pro rata dividend to be paid to AIG under the 2018 Fortitude Sale (TCG paid \$79.6 million to AIG on May 26, 2020). In addition, the 2018 capital maintenance agreement between AIG and Fortitude Re and the letters of credit issued in support of Fortitude Re and subject to reimbursement by AIG in the event of a drawdown were terminated as of the closing of the Majority Interest Fortitude Sale. Upon closing of the Majority Interest Fortitude Sale, AIG entered into a transition services agreement with Fortitude Holdings for the provision of transition services for a period after closing, and letter of credit agreements with certain financial institutions, which issued letters of credit in support of certain General Insurance subsidiaries that have reinsurance agreements in place with Fortitude Re in the amount of \$600 million. These letters of credit are subject to reimbursement by AIG in the event of a drawdown by these insurance subsidiaries.

Following closing, in the second quarter of 2020, AIG contributed \$700 million of the proceeds of the Majority Interest Fortitude Sale to certain of its General Insurance subsidiaries and \$135 million of the proceeds of the Majority Interest Fortitude Sale to certain of its Life and Retirement subsidiaries.

For further discussion on the sale of Fortitude Holdings see Note 7 to the Condensed Consolidated Financial Statements.

Blackboard

At the end of March 2020, Blackboard U.S. Holdings, Inc. (Blackboard), AIG's technology-driven subsidiary, was placed into run-off. As a result of this decision, during the three months ended March 31, 2020, AIG recognized a pre-tax loss of \$210 million, primarily consisting of asset impairment charges.

USE OF ESTIMATES

The preparation of financial statements in accordance with U.S. GAAP requires the application of accounting policies that often involve a significant degree of judgment. Accounting policies that we believe are most dependent on the application of estimates and assumptions are considered our critical accounting estimates and are related to the determination of:

- liability for unpaid losses and loss adjustment expenses (loss reserves);
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- valuation of embedded derivatives for fixed index annuity and life products;
- estimated gross profits to value deferred policy acquisition costs for investment-oriented products, for example universal life, variable and fixed annuities, and fixed indexed annuities;
- reinsurance assets, including the allowance for credit losses;
- goodwill impairment;
- allowances for credit losses primarily on loans and available for sale fixed maturity securities;
- liability for legal contingencies;
- fair value measurements of certain financial assets and liabilities; and
- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition, results of operations and cash flows could be materially affected.

REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS

During the fourth quarter of 2020, we identified certain cash flows that had been incorrectly classified in our Consolidated Statements of Cash Flows. Specifically, misclassifications were identified related to policyholder contract deposits that impacted several line items within the previously issued Consolidated Statements of Cash Flows. While these items affect the cash flows from operating and financing activities, they had no impact on the net increase (decrease) in cash and restricted cash for the previously reported periods.

We assessed the materiality of the misclassification on prior period financial statements in accordance with SEC Staff Accounting Bulletin Number 99, Materiality, as codified in ASC 250-10, Accounting Changes and Error Corrections. We have determined that these misclassifications were not material to the financial statements of any prior annual or interim period. Accordingly, the six-month period ended June 30, 2020 has been corrected in the comparative Condensed Consolidated Statements of Cash Flows. Additionally, impacted prior interim periods will be revised within the Quarterly Reports on Form 10-Q to be filed for the period ending September 30, 2021.

For the six months ended June 30, 2020, the unrealized (gains) losses in earnings – net and Insurance reserves line items in the Condensed Consolidated Statements of Cash Flows were adjusted by \$(1,740) million and \$176 million, respectively. The total net cash provided by (used in) operating activities was adjusted by \$(1,564) million. Additionally, the Policyholder contract deposits and Policyholder contract withdrawals line items in the Condensed Consolidated Statements of Cash Flows were adjusted by \$1,502 million and \$62 million, respectively. The total net cash provided by financing activities was adjusted by \$1,564 million.

DEBT CASH TENDER OFFERS

In the second quarter of 2021, we repurchased, through cash tender offers, and canceled approximately \$254 million aggregate principal amount of certain notes and debentures issued or guaranteed by AIG for an aggregate purchase price of approximately \$359 million and wrote off \$4 million of unamortized debt issuance costs, resulting in a total loss on extinguishment of debt of approximately \$109 million.

2. Summary of Significant Accounting Policies

ACCOUNTING STANDARDS ADOPTED DURING 2021

Income Tax

On December 18, 2019, the FASB issued an accounting standard that simplifies the accounting for income taxes by eliminating certain exceptions to the incremental approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The amendments also simplified other areas including the accounting for franchise taxes and enacted tax laws or rates and clarified the accounting for transactions that result in the step-up in the tax basis of goodwill. We adopted the standard on its effective date of January 1, 2021. The impact of adoption was not material to our consolidated financial condition, results of operations and cash flows.

Clarification of Accounting for Certain Equity Method Investments

On January 16, 2020, the FASB issued an accounting standard to clarify how a previously issued standard regarding a company's ability to measure the fair value of certain equity securities without a readily determinable fair value should interact with equity method investments standards. The previously issued standard provides that such equity securities could be measured at cost, minus impairment, if any, unless an observable transaction for an identical or similar security occurs (measurement alternative). The new standard clarifies that a company should consider observable transactions that require the company to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with the equity method immediately before applying or upon discontinuing the equity method.

The standard further clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option.

We adopted the standard prospectively on its effective date of January 1, 2021. The adoption of the standard did not have a material impact on our consolidated financial condition, results of operations or cash flows.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

- Requires the review and if necessary update of future policy benefit assumptions at least annually for traditional and limited pay long duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement.
- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income.
- Simplifies the amortization of DAC to a constant level basis over the expected term of the related contracts with adjustments for unexpected terminations, but no longer requires an impairment test.
- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income.
- Increased disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

In November 2020, the FASB issued ASU 2020-11, which deferred the effective date of the standard for all entities. Our implementation efforts are underway for the standard's revised effective date of January 1, 2023; we continue to evaluate the method of adoption and impact of the standard on our reported consolidated financial condition, results of operations, cash flows and required disclosures. The adoption of this standard is expected to have a significant impact on our consolidated financial condition, results of operations, cash flows and required disclosures, as well as systems, processes and controls.

Reference Rate Reform

On March 12, 2020, the FASB issued an accounting standard that provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The standard allows us to account for certain contract modifications that result from the discontinuation of the London Inter-Bank Offered Rate (LIBOR) or another reference rate as a continuation of the existing contract without additional analysis.

Where permitted by the guidance, we would account for the modification due to the discontinuation of LIBOR or another reference rate as a continuation of the existing contract. As part of our implementation efforts, we will continue to assess our operational readiness and current and alternative reference rates' merits, limitations, risks and suitability for our investment and insurance processes.

This standard may be elected and applied prospectively over time from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. The adoption of the standard is not expected to have a material impact on our reported consolidated financial condition, results of operations, cash flows and required disclosures.

3. Segment Information

We report our results of operations consistent with the manner in which our chief operating decision makers review the business to assess performance and allocate resources, as follows:

GENERAL INSURANCE

General Insurance business is presented as two operating segments:

- **North America** – consists of insurance businesses in the United States, Canada and Bermuda, and our global reinsurance business, AIG Re. This also includes the results of Western World Insurance Group, Inc. and Glatfelter Insurance Group.
- **International** – consists of regional insurance businesses in Japan, the United Kingdom, Europe, Middle East and Africa (EMEA region), Asia Pacific, Latin America and Caribbean, and China. International also includes the results of Talbot Holdings, Ltd. as well as AIG's Global Specialty business.

North America and International operating segments consist of the following products:

- Commercial Lines – consists of Liability, Financial Lines, Property and Global Specialty.
- Personal Insurance – consists of Personal Lines and Accident & Health.

LIFE AND RETIREMENT

Life and Retirement business is presented as four operating segments:

- **Individual Retirement** – consists of fixed annuities, fixed index annuities, variable annuities and retail mutual funds.
- **Group Retirement** – consists of group mutual funds, group annuities, individual annuity and investment products, financial planning and advisory services, and plan administrative and compliance services.
- **Life Insurance** – primary products in the U.S. include term life and universal life insurance. International operations include distribution of life and health products in the UK and Ireland.
- **Institutional Markets** – consists of stable value wrap products, structured settlement and pension risk transfer annuities, corporate- and bank-owned life insurance, high net worth products and guaranteed investment contracts (GICs).

For further discussion on the Life and Retirement business, see Note 1 to the Condensed Consolidated Financial Statements.

OTHER OPERATIONS

Other Operations primarily consists of income from assets held by AIG Parent and other corporate subsidiaries, deferred tax assets related to tax attributes, corporate expenses and intercompany eliminations, our institutional asset management business and results of our consolidated investment entities, General Insurance portfolios in run-off as well as the historical results of our legacy insurance lines ceded to Fortitude Re.

We evaluate segment performance based on adjusted revenues and adjusted pre-tax income (loss). Adjusted revenues and adjusted pre-tax income (loss) are derived by excluding certain items from total revenues and net income (loss) attributable to AIG, respectively. 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. Legal entities are attributed to each segment based upon the predominance of activity in that legal entity. *For the items excluded from adjusted revenues and adjusted pre-tax income (loss) see the table below.*

The following table presents AIG's continuing operations by operating segment:

Three Months Ended June 30,	2021		2020	
	Adjusted Revenues	Adjusted Pre-tax Income (Loss)	Adjusted Revenues	Adjusted Pre-tax Income (Loss)
<i>(in millions)</i>				
General Insurance				
North America	\$ 2,685	\$ 169 (a)	\$ 2,474	\$ (439) (a)
International	3,530	294 (a)	3,263	96 (a)
Net investment income	731	731	518	518
Total General Insurance	6,946	1,194	6,255	175
Life and Retirement				
Individual Retirement	1,519	617	1,331	549
Group Retirement	820	347	712	214
Life Insurance	1,295	20	1,219	2
Institutional Markets	1,412	140	1,399	130
Total Life and Retirement	5,046	1,124	4,661	895
Other Operations				
Other Operations before consolidation and eliminations	259	(516)	607	(332)
AIG consolidation and eliminations	(125)	(94)	35	53
Total Other Operations	134	(610)	642	(279)
Total	12,126	1,708	11,558	791
Reconciling items to pre-tax income (loss):				
Changes in fair value of securities used to hedge guaranteed living benefits	14	13	14	16
Changes in benefit reserves and DAC, VOBA and SIA related to net realized gains (losses)	-	120	-	255
Changes in the fair value of equity securities	(13)	(13)	56	56
Other income (expense) - net	(2)	-	14	-
Loss on extinguishment of debt	-	(106)	-	-
Net investment income on Fortitude Re funds withheld assets	507	507	116	116
Net realized gains on Fortitude Re funds withheld assets	173	173	96	96
Net realized losses on Fortitude Re funds withheld embedded derivative	(2,056)	(2,056)	(837)	(837)
Net realized losses ^(b)	(68)	(59)	(1,621)	(1,607)
Loss from divested businesses	-	(1)	-	(8,412)
Non-operating litigation reserves and settlements	-	-	-	-
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	-	65	-	33
Net loss reserve discount charge	-	(22)	-	(16)
Integration and transaction costs associated with acquiring or divesting businesses	-	(35)	-	(4)
Restructuring and other costs	-	(126)	-	(134)
Non-recurring costs related to regulatory or accounting changes	-	(21)	-	(14)
Revenues and pre-tax income (loss)	\$ 10,681	\$ 147	\$ 9,396	\$ (9,661)

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Six Months Ended June 30,	2021		2020	
	Adjusted Revenues	Adjusted Pre-tax Income (Loss)	Adjusted Revenues	Adjusted Pre-tax Income (Loss)
<i>(in millions)</i>				
General Insurance				
North America	\$ 5,073	\$ (33) ^(a)	\$ 5,205	\$ (542) ^(a)
International	7,008	569 ^(a)	6,611	112 ^(a)
Net investment income	1,503	1,503	1,106	1,106
Total General Insurance	13,584	2,039	12,922	676
Life and Retirement				
Individual Retirement	2,996	1,149	2,699	854
Group Retirement	1,626	654	1,406	357
Life Insurance	2,628	(20)	2,419	80
Institutional Markets	1,776	282	2,423	205
Total Life and Retirement	9,026	2,065	8,947	1,496
Other Operations				
Other Operations before consolidation and eliminations	583	(870)	922	(1,167)
AIG consolidation and eliminations	(305)	(270)	(106)	(34)
Total Other Operations	278	(1,140)	816	(1,201)
Total	22,888	2,964	22,685	971
Reconciling items to pre-tax income (loss):				
Changes in fair value of securities used to hedge guaranteed living benefits	32	35	28	9
Changes in benefit reserves and DAC, VOBA and SIA related to net realized gains (losses)	-	(83)	-	(283)
Changes in the fair value of equity securities	9	9	(135)	(135)
Other income (expense) - net	(8)	-	24	-
Loss on extinguishment of debt	-	(98)	-	(17)
Net investment income on Fortitude Re funds withheld assets	993	993	116	116
Net realized gains on Fortitude Re funds withheld assets	346	346	96	96
Net realized gains (losses) on Fortitude Re funds withheld embedded derivative	326	326	(837)	(837)
Net realized gains ^(b)	549	568	1,856	1,887
Income (loss) from divested businesses	-	6	-	(8,628)
Non-operating litigation reserves and settlements	-	-	6	6
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	-	84	-	41
Net loss reserve discount benefit (charge)	-	10	-	(72)
Integration and transaction costs associated with acquiring or divesting businesses	-	(44)	-	(6)
Restructuring and other costs	-	(200)	-	(224)
Non-recurring costs related to regulatory or accounting changes	-	(41)	-	(27)
Revenues and pre-tax income (loss)	\$ 25,135	\$ 4,875	\$ 23,839	\$ (7,103)

(a) General Insurance North America's and General Insurance International's Adjusted pre-tax income does not include Net investment income as the investment portfolio results are managed at the General Insurance level. Net investment income is shown separately as a component of General Insurance's total Adjusted pre-tax income results.

(b) Includes all net realized 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 and net realized gains and losses on Fortitude Re funds withheld assets held by AIG in support of Fortitude Re's reinsurance obligations to AIG (Fortitude Re funds withheld assets).

4. Fair Value Measurements

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

Assets and liabilities recorded at fair value in the Condensed Consolidated Balance Sheets are measured and classified in accordance with a fair value hierarchy consisting of three “levels” based on the observability of valuation inputs:

- **Level 1:** Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used:

June 30, 2021 (in millions)	Level 1	Level 2	Level 3	Counterparty Netting ^(a)	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ -	\$ 4,501	\$ -	\$ -	\$ -	\$ 4,501
Obligations of states, municipalities and political subdivisions	-	13,240	1,939	-	-	15,179
Non-U.S. governments	55	15,956	10	-	-	16,021
Corporate debt	-	172,780	2,773	-	-	175,553
RMBS	-	17,499	11,085	-	-	28,584
CMBS	-	14,382	1,082	-	-	15,464
CDO/ABS	-	8,450	9,318	-	-	17,768
Total bonds available for sale	55	246,808	26,207	-	-	273,070
Other bond securities:						
U.S. government and government sponsored entities	-	1,778	-	-	-	1,778
Non-U.S. governments	-	-	-	-	-	-
Corporate debt	-	12	-	-	-	12
RMBS	-	221	113	-	-	334
CMBS	-	254	46	-	-	300
CDO/ABS	-	163	2,279	-	-	2,442
Total other bond securities	-	2,428	2,438	-	-	4,866
Equity securities	1,029	46	4	-	-	1,079
Other invested assets^(b)	-	103	2,099	-	-	2,202
Derivative assets^(c):						
Interest rate contracts	-	3,677	1	-	-	3,678
Foreign exchange contracts	-	1,156	1	-	-	1,157
Equity contracts	7	356	368	-	-	731
Commodity contracts	-	6	-	-	-	6
Credit contracts	-	-	1	-	-	1
Other contracts	-	-	13	-	-	13
Counterparty netting and cash collateral	-	-	-	(2,833)	(1,721)	(4,554)
Total derivative assets	7	5,195	384	(2,833)	(1,721)	1,032
Short-term investments	2,839	2,684	-	-	-	5,523
Other assets	-	-	113	-	-	113
Separate account assets	103,402	3,904	-	-	-	107,306
Total	\$ 107,332	\$ 261,168	\$ 31,245	\$ (2,833)	\$ (1,721)	\$ 395,191
Liabilities:						
Policyholder contract deposits	\$ -	\$ -	\$ 9,020	\$ -	\$ -	\$ 9,020
Derivative liabilities^(c):						
Interest rate contracts	2	3,878	-	-	-	3,880
Foreign exchange contracts	-	747	-	-	-	747
Equity contracts	4	57	11	-	-	72
Credit contracts	-	19	44	-	-	63
Other contracts	-	-	3	-	-	3
Counterparty netting and cash collateral	-	-	-	(2,833)	(1,201)	(4,034)
Total derivative liabilities	6	4,701	58	(2,833)	(1,201)	731
Fortitude Re funds withheld payable	-	-	5,317	-	-	5,317
Other liabilities	-	10	-	-	-	10
Long-term debt	-	1,974	-	-	-	1,974
Total	\$ 6	\$ 6,685	\$ 14,395	\$ (2,833)	\$ (1,201)	\$ 17,052

ITEM 1 | Notes to Condensed Consolidated Financial Statements (unaudited) | 4. Fair Value Measurements

December 31, 2020 (in millions)	Level 1	Level 2	Level 3	Counterparty Netting ^(a)	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 73	\$ 4,053	\$ -	\$ -	\$ -	\$ 4,126
Obligations of states, municipalities and political subdivisions	-	14,019	2,105	-	-	16,124
Non-U.S. governments	28	15,312	5	-	-	15,345
Corporate debt	-	166,949	2,349	-	-	169,298
RMBS	-	19,771	11,694	-	-	31,465
CMBS	-	15,211	922	-	-	16,133
CDO/ABS	-	9,191	9,814	-	-	19,005
Total bonds available for sale	101	244,506	26,889	-	-	271,496
Other bond securities:						
U.S. government and government sponsored entities	-	1,845	-	-	-	1,845
Non-U.S. governments	-	-	-	-	-	-
Corporate debt	-	12	-	-	-	12
RMBS	-	290	139	-	-	429
CMBS	-	273	47	-	-	320
CDO/ABS	-	173	2,512	-	-	2,685
Total other bond securities	-	2,593	2,698	-	-	5,291
Equity securities	929	76	51	-	-	1,056
Other invested assets^(b)	-	102	1,827	-	-	1,929
Derivative assets^(c):						
Interest rate contracts	-	4,637	-	-	-	4,637
Foreign exchange contracts	-	1,020	2	-	-	1,022
Equity contracts	9	923	198	-	-	1,130
Credit contracts	-	-	2	-	-	2
Other contracts	-	-	14	-	-	14
Counterparty netting and cash collateral	-	-	-	(3,812)	(2,219)	(6,031)
Total derivative assets	9	6,580	216	(3,812)	(2,219)	774
Short-term investments	2,379	3,589	-	-	-	5,968
Other assets	-	-	113	-	-	113
Separate account assets	96,560	3,730	-	-	-	100,290
Total	\$ 99,978	\$ 261,176	\$ 31,794	\$ (3,812)	\$ (2,219)	\$ 386,917
Liabilities:						
Policyholder contract deposits	\$ -	\$ -	\$ 9,798	\$ -	\$ -	\$ 9,798
Derivative liabilities^(c):						
Interest rate contracts	1	4,435	-	-	-	4,436
Foreign exchange contracts	-	1,090	-	-	-	1,090
Equity contracts	14	162	47	-	-	223
Credit contracts	-	23	44	-	-	67
Other contracts	-	-	6	-	-	6
Counterparty netting and cash collateral	-	-	-	(3,812)	(1,441)	(5,253)
Total derivative liabilities	15	5,710	97	(3,812)	(1,441)	569
Fortitude Re funds withheld payable	-	-	6,042	-	-	6,042
Other liabilities	-	1	-	-	-	1
Long-term debt	-	2,097	-	-	-	2,097
Total	\$ 15	\$ 7,808	\$ 15,937	\$ (3,812)	\$ (1,441)	\$ 18,507

(a) Represents netting of derivative exposures covered by qualifying master netting agreements.

(b) Excludes investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), which totaled \$7.4 billion and \$6.5 billion as of June 30, 2021 and December 31, 2020, respectively.

(c) Presented as part of Other assets and Other liabilities on the Condensed Consolidated Balance Sheets.

CHANGES IN LEVEL 3 RECURRING FAIR VALUE MEASUREMENTS

The following tables present changes during the three- and six-month periods ended June 30, 2021 and 2020 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets at June 30, 2021 and 2020:

<i>(in millions)</i>	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Changes in Unrealized Gains (Losses) Included in Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Three Months Ended June 30, 2021										
Assets:										
Bonds available for sale:										
Obligations of states, municipalities and political subdivisions	\$ 1,896	\$ 5	\$ 128	\$ (65)	\$ -	\$ (25)	\$ -	\$ 1,939	\$ -	\$ 244
Non-U.S. governments	6	-	(1)	1	4	-	-	10	-	-
Corporate debt	2,570	14	17	31	208	(67)	-	2,773	-	50
RMBS	11,464	150	(39)	(460)	-	(30)	-	11,085	-	957
CMBS	1,104	7	23	85	-	(137)	-	1,082	-	18
CDO/ABS	9,602	(1)	44	(374)	384	(337)	-	9,318	-	403
Total bonds available for sale	26,642	175	172	(782)	596	(596)	-	26,207	-	1,672
Other bond securities:										
RMBS	126	1	-	(14)	-	-	-	113	12	-
CMBS	46	-	-	-	-	-	-	46	6	-
CDO/ABS	2,346	45	-	(112)	-	-	-	2,279	253	-
Total other bond securities	2,518	46	-	(126)	-	-	-	2,438	271	-
Equity securities	128	-	(3)	(112)	1	(10)	-	4	-	-
Other invested assets	1,897	114	(1)	89	-	-	-	2,099	122	-
Other assets	113	-	-	-	-	-	-	113	-	-
Total	\$ 31,298	\$ 335	\$ 168	\$ (931)	\$ 597	\$ (606)	\$ -	\$ 30,861	\$ 393	\$ 1,672
Liabilities:										
Policyholder contract deposits	\$ 7,617	\$ 1,363	\$ -	\$ 40	\$ -	\$ -	\$ -	\$ 9,020	\$ (1,018)	\$ -
Derivative liabilities, net:										
Interest rate contracts	-	(2)	-	1	-	-	-	(1)	1	-
Foreign exchange contracts	-	-	-	(1)	-	-	-	(1)	(1)	-
Equity contracts	(222)	(71)	-	(69)	-	5	-	(357)	85	-
Credit contracts	44	2	-	(3)	-	-	-	43	(1)	-
Other contracts	(9)	(16)	-	15	-	-	-	(10)	17	-
Total derivative liabilities, net^(a)	(187)	(87)	-	(57)	-	5	-	(326)	101	-
Fortitude Re funds withheld payable	3,487	2,056	-	(226)	-	-	-	5,317	(1,452)	-
Total	\$ 10,917	\$ 3,332	\$ -	\$ (243)	\$ -	\$ 5	\$ -	\$ 14,011	\$ (2,369)	\$ -

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		Net Realized		Purchases,					Changes in Unrealized Gains (Losses) Included in Other	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
	Fair Value Beginning of Period	Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Divested Businesses	Fair Value End of Period			
<i>(in millions)</i>											
Six Months Ended June 30, 2021											
Assets:											
Bonds available for sale:											
Obligations of states, municipalities and political subdivisions	\$ 2,105	\$ 8	\$ (31)	\$ (118)	\$ -	\$ (25)	\$ -	\$ 1,939	\$ -	\$ -	\$ 234
Non-U.S. governments	5	-	(1)	1	5	-	-	10	-	-	-
Corporate debt	2,349	13	7	208	395	(199)	-	2,773	-	-	(109)
RMBS	11,694	317	25	(891)	-	(60)	-	11,085	-	-	943
CMBS	922	16	(33)	258	56	(137)	-	1,082	-	-	(38)
CDO/ABS	9,814	15	30	(538)	838	(841)	-	9,318	-	-	467
Total bonds available for sale	26,889	369	(3)	(1,080)	1,294	(1,262)	-	26,207	-	-	1,497
Other bond securities:											
RMBS	139	4	-	(30)	-	-	-	113	(86)	-	-
CMBS	47	(1)	-	(6)	6	-	-	46	4	-	-
CDO/ABS	2,512	34	-	(267)	-	-	-	2,279	255	-	-
Total other bond securities	2,698	37	-	(303)	6	-	-	2,438	173	-	-
Equity securities	51	11	-	(123)	76	(11)	-	4	3	-	-
Other invested assets	1,827	256	(7)	23	-	-	-	2,099	245	-	-
Other assets	113	-	-	-	-	-	-	113	-	-	-
Total	\$ 31,578	\$ 673	\$ (10)	\$ (1,483)	\$ 1,376	\$ (1,273)	\$ -	\$ 30,861	\$ 421	\$ -	\$ 1,497
Liabilities:											
Policyholder contract deposits	\$ 9,798	\$ (897)	\$ -	\$ 119	\$ -	\$ -	\$ -	\$ 9,020	\$ 1,553	\$ -	\$ -
Derivative liabilities, net:											
Interest rate contracts	-	(2)	-	1	-	-	-	(1)	2	-	-
Foreign exchange contracts	(2)	1	-	-	-	-	-	(1)	(1)	-	-
Equity contracts	(151)	(97)	-	(154)	-	45	-	(357)	13	-	-
Credit contracts	42	7	-	(6)	-	-	-	43	(1)	-	-
Other contracts	(8)	(33)	-	31	-	-	-	(10)	33	-	-
Total derivative liabilities, net^(a)	(119)	(124)	-	(128)	-	45	-	(326)	46	-	-
Fortitude Re funds withheld payable	6,042	(326)	-	(399)	-	-	-	5,317	1,503	-	-
Total	\$ 15,721	\$ (1,347)	\$ -	\$ (408)	\$ -	\$ 45	\$ -	\$ 14,011	\$ 3,102	\$ -	\$ -

ITEM 1 | Notes to Condensed Consolidated Financial Statements (unaudited) | 4. Fair Value Measurements

	Net Realized		and		Purchases,		Sales, Issuances and Settlements, Net		Gross Transfers In	Gross Transfers Out	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period	
	Fair Value Beginning of Period	Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)									Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
<i>(in millions)</i>														
Three Months Ended June 30, 2020														
Assets:														
Bonds available for sale:														
Obligations of states, municipalities and political subdivisions	\$ 2,102	\$ -	\$ 254	\$ 20	\$ -	\$ (97)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,279	\$ -	\$ 244
Non-U.S. governments	6	-	-	5	-	(6)	-	-	-	-	-	5	-	-
Corporate debt	1,215	(1)	72	113	519	(18)	-	-	-	-	-	1,900	-	50
RMBS	11,687	208	947	(171)	7	-	-	-	-	-	-	12,678	-	957
CMBS	1,146	4	15	(16)	-	-	-	-	-	-	-	1,149	-	18
CDO/ABS	8,768	3	432	108	334	(184)	-	-	-	-	-	9,461	-	403
Total bonds available for sale	24,924	214	1,720	59	860	(305)	-	-	-	-	-	27,472	-	1,672
Other bond securities:														
RMBS	149	14	-	5	-	-	-	-	-	-	-	168	13	-
CMBS	42	6	-	(1)	-	-	-	-	-	-	-	47	6	-
CDO/ABS	2,378	274	-	(121)	-	-	-	-	-	-	-	2,531	253	-
Total other bond securities	2,569	294	-	(117)	-	-	-	-	-	-	-	2,746	272	-
Equity securities	19	-	-	-	25	(1)	-	-	-	-	-	43	-	-
Other invested assets	1,467	(59)	-	78	-	-	-	-	-	-	-	1,486	-	-
Other assets	91	-	-	54	-	-	-	-	-	-	(34)	111	-	-
Total	\$ 29,070	\$ 449	\$ 1,720	\$ 74	\$ 885	\$ (306)	\$ (34)	\$ -	\$ -	\$ -	\$ -	\$ 31,858	\$ 272	\$ 1,672
Liabilities:														
Policyholder contract deposits	\$ 8,153	\$ 1,060	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,233	\$ (825)	\$ -
Derivative liabilities, net:														
Interest rate contracts	-	(1)	-	1	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts	3	1	-	(5)	-	-	-	-	-	-	-	(1)	-	-
Equity contracts	(143)	36	-	54	-	-	-	-	-	-	-	(53)	(15)	-
Credit contracts	(76)	64	-	57	-	-	-	-	-	-	-	45	9	-
Other contracts	(2)	(17)	-	16	-	-	-	-	-	-	-	(3)	17	-
Total derivative liabilities, net^(a)	(218)	83	-	123	-	-	-	-	-	-	-	(12)	11	-
Fortitude Re funds withheld payable	-	837	-	-	-	-	-	-	-	-	3,673	4,510	663	-
Total	\$ 7,935	\$ 1,980	\$ -	\$ 143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,673	\$ 13,731	\$ (151)	\$ -

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(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Divested Businesses	Fair Value End of Period	Changes in	
									Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Six Months Ended June 30, 2020										
Assets:										
Bonds available for sale:										
Obligations of states, municipalities and political subdivisions	\$ 2,121	\$ 5	\$ 199	\$ 157	\$ 27	\$(230)	\$ -	\$ 2,279	\$ -	\$ 193
Non-U.S. governments	-	-	-	5	6	(6)	-	5	-	-
Corporate debt	1,663	(68)	(9)	120	622	(428)	-	1,900	-	21
RMBS	13,408	340	(676)	(394)	26	(26)	-	12,678	-	(548)
CMBS	1,053	11	34	28	23	-	-	1,149	-	39
CDO/ABS	7,686	20	(125)	155	1,937	(212)	-	9,461	-	(134)
Total bonds available for sale	25,931	308	(577)	71	2,641	(902)	-	27,472	-	(429)
Other bond securities:										
RMBS	143	-	-	25	-	-	-	168	(1)	-
CMBS	50	(1)	-	(2)	-	-	-	47	(2)	-
CDO/ABS	3,545	101	-	(1,115)	-	-	-	2,531	(9)	-
Total other bond securities	3,738	100	-	(1,092)	-	-	-	2,746	(12)	-
Equity securities	8	(1)	1	10	26	(1)	-	43	-	-
Other invested assets	1,192	(63)	-	207	150	-	-	1,486	(48)	-
Other assets	89	-	-	59	-	-	(37)	111	-	-
Total	\$ 30,958	\$ 344	\$ (576)	\$ (745)	\$ 2,817	\$ (903)	\$ (37)	\$ 31,858	\$ (60)	\$ (429)

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Divested Businesses	Fair Value End of Period	Changes in	
									Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Liabilities:										
Policyholder contract deposits	\$ 6,910	\$ 2,231	\$ -	\$ 92	\$ -	\$ -	\$ -	\$ 9,233	\$(1,709)	\$ -
Derivative liabilities, net:										
Interest rate contracts	-	(1)	-	1	-	-	-	-	1	-
Foreign exchange contracts	(6)	4	-	1	-	-	-	(1)	1	-
Equity contracts	(151)	10	-	88	-	-	-	(53)	(64)	-
Credit contracts	62	(60)	-	43	-	-	-	45	6	-
Other contracts	(7)	(27)	-	31	-	-	-	(3)	27	-
Total derivative liabilities, net^(a)	(102)	(74)	-	164	-	-	-	(12)	(29)	-
Fortitude Re funds withheld payable	-	837	-	-	-	-	3,673	4,510	663	-
Total	\$ 6,808	\$ 2,994	\$ -	\$ 256	\$ -	\$ -	\$ 3,673	\$ 13,731	\$(1,075)	\$ -

(a) Total Level 3 derivative exposures have been netted in these tables for presentation purposes only.

Net realized and unrealized gains and losses included in income related to Level 3 assets and liabilities shown above are reported in the Condensed Consolidated Statements of Income (Loss) as follows:

<i>(in millions)</i>	Net Investment Income	Net Realized Gains (Losses)	Other Income	Total
Three Months Ended June 30, 2021				
Assets:				
Bonds available for sale	\$ 163	\$ 12	\$ -	\$ 175
Other bond securities	47	(1)	-	46
Equity securities	-	-	-	-
Other invested assets	99	15	-	114
Six Months Ended June 30, 2021				
Assets:				
Bonds available for sale	\$ 348	\$ 21	\$ -	\$ 369
Other bond securities	16	21	-	37
Equity securities	11	-	-	11
Other invested assets	241	15	-	256
Three Months Ended June 30, 2020				
Assets:				
Bonds available for sale	\$ 182	\$ 32	\$ -	\$ 214
Other bond securities	294	-	-	294
Equity securities	-	-	-	-
Other invested assets	(59)	-	-	(59)
Six Months Ended June 30, 2020				
Assets:				
Bonds available for sale	\$ 380	\$ (72)	\$ -	\$ 308
Other bond securities	(168)	268	-	100
Equity securities	-	(1)	-	(1)
Other invested assets	(63)	-	-	(63)
Three Months Ended June 30, 2021				
Liabilities:				
Policyholder contract deposits*	\$ -	\$ 1,363	\$ -	\$ 1,363
Derivative liabilities, net	-	(72)	(15)	(87)
Fortitude Re funds withheld payable	-	2,056	-	2,056
Six Months Ended June 30, 2021				
Liabilities:				
Policyholder contract deposits*	\$ -	\$ (897)	\$ -	\$ (897)
Derivative liabilities, net	-	(95)	(29)	(124)
Fortitude Re funds withheld payable	-	(326)	-	(326)
Three Months Ended June 30, 2020				
Liabilities:				
Policyholder contract deposits*	\$ -	\$ 1,060	\$ -	\$ 1,060
Derivative liabilities, net	-	97	(14)	83
Fortitude Re funds withheld payable	-	837	-	837
Six Months Ended June 30, 2020				
Liabilities:				
Policyholder contract deposits*	\$ -	\$ 2,231	\$ -	\$ 2,231
Derivative liabilities, net	-	(46)	(28)	(74)
Fortitude Re funds withheld payable	-	837	-	837

* Primarily embedded derivatives.

The following table presents the gross components of purchases, sales, issuances and settlements, net, shown above, for the three- and six-month periods ended June 30, 2021 and 2020 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

<i>(in millions)</i>	Purchases	Sales	Issuances and Settlements ^(a)	Purchases, Sales, Issuances and Settlements, Net ^(a)
Three Months Ended June 30, 2021				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 3	\$ (23)	\$ (45)	\$ (65)
Non-U.S. governments	1	-	-	1
Corporate debt	212	(32)	(149)	31
RMBS	318	(115)	(663)	(460)
CMBS	97	-	(12)	85
CDO/ABS	780	119	(1,273)	(374)
Total bonds available for sale	1,411	(51)	(2,142)	(782)
Other bond securities:				
RMBS	1	(9)	(6)	(14)
CMBS	-	-	-	-
CDO/ABS	-	-	(112)	(112)
Total other bond securities	1	(9)	(118)	(126)
Equity securities	-	(3)	(109)	(112)
Other invested assets	194	-	(105)	89
Other assets	-	-	-	-
Total assets	\$ 1,606	\$ (63)	\$ (2,474)	\$ (931)
Liabilities:				
Policyholder contract deposits	\$ -	\$ 202	\$ (162)	\$ 40
Derivative liabilities, net	(71)	1	13	(57)
Fortitude Re funds withheld payable	-	-	(226)	(226)
Total liabilities	\$ (71)	\$ 203	\$ (375)	\$ (243)
Three Months Ended June 30, 2020				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 22	\$ -	\$ (2)	\$ 20
Non-U.S. governments	5	-	-	5
Corporate debt	121	-	(8)	113
RMBS	365	-	(536)	(171)
CMBS	1	(5)	(12)	(16)
CDO/ABS	256	(3)	(145)	108
Total bonds available for sale	770	(8)	(703)	59
Other bond securities:				
RMBS	12	-	(7)	5
CMBS	-	-	(1)	(1)
CDO/ABS	-	-	(121)	(121)
Total other bond securities	12	-	(129)	(117)
Equity securities	-	-	-	-
Other invested assets	78	-	-	78
Other assets	55	-	(1)	54
Total assets	\$ 915	\$ (8)	\$ (833)	\$ 74
Liabilities:				
Policyholder contract deposits	\$ -	\$ 122	\$ (102)	\$ 20
Derivative liabilities, net	(9)	-	132	123
Fortitude Re funds withheld payable	-	-	-	-
Total liabilities	\$ (9)	\$ 122	\$ 30	\$ 143

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<i>(in millions)</i>	Purchases	Sales	Issuances and Settlements ^(a)	Purchases, Sales, Issuances and Settlements, Net ^(a)
Six Months Ended June 30, 2021				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 11	\$ (43)	\$ (86)	\$ (118)
Non-U.S. governments	1	-	-	1
Corporate debt	953	(33)	(712)	208
RMBS	482	(115)	(1,258)	(891)
CMBS	290	-	(32)	258
CDO/ABS	1,156	70	(1,764)	(538)
Total bonds available for sale	2,893	(121)	(3,852)	(1,080)
Other bond securities:				
RMBS	1	(9)	(22)	(30)
CMBS	-	(6)	-	(6)
CDO/ABS	-	(39)	(228)	(267)
Total other bond securities	1	(54)	(250)	(303)
Equity securities	-	(3)	(120)	(123)
Other invested assets	392	-	(369)	23
Other assets	-	-	-	-
Total assets	\$ 3,286	\$ (178)	\$ (4,591)	\$ (1,483)
Liabilities:				
Policyholder contract deposits	\$ -	\$ 393	\$ (274)	\$ 119
Derivative liabilities, net	(123)	2	(7)	(128)
Fortitude Re funds withheld payable	-	-	(399)	(399)
Total liabilities	\$ (123)	\$ 395	\$ (680)	\$ (408)
Six Months Ended June 30, 2020				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 167	\$ (2)	\$ (8)	\$ 157
Non-U.S. governments	5	-	-	5
Corporate debt	233	(5)	(108)	120
RMBS	701	-	(1,095)	(394)
CMBS	54	(7)	(19)	28
CDO/ABS	481	(25)	(301)	155
Total bonds available for sale	1,641	(39)	(1,531)	71
Other bond securities:				
RMBS	37	-	(12)	25
CMBS	-	-	(2)	(2)
CDO/ABS	35	(579)	(571)	(1,115)
Total other bond securities	72	(579)	(585)	(1,092)
Equity securities	10	-	-	10
Other invested assets	252	-	(45)	207
Other assets	55	-	4	59
Total assets	\$ 2,030	\$ (618)	\$ (2,157)	\$ (745)
Liabilities:				
Policyholder contract deposits	\$ -	\$ 344	\$ (252)	\$ 92
Derivative liabilities, net	(24)	8	180	164
Fortitude Re funds withheld payable	-	-	-	-
Total liabilities	\$ (24)	\$ 352	\$ (72)	\$ 256

(a) There were no issuances during the three- and six-month periods ended June 30, 2021 and 2020.

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at June 30, 2021 and 2020 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes \$9 million and \$28 million of net gains (losses) related to assets and liabilities transferred into Level 3 during the three- and six-month periods ended June 30, 2021, respectively, and includes \$1 million and \$(4) million of net gains (losses) related to assets and liabilities transferred out of Level 3 during the three- and six-month periods ended June 30, 2021, respectively.

The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes \$28 million and \$(128) million of net gains (losses) related to assets and liabilities transferred into Level 3 during the three- and six-month periods ended June 30, 2020, respectively, and includes \$24 million and \$(31) million of net gains (losses) related to assets and liabilities transferred out of Level 3 during the three- and six-month periods ended June 30, 2020, respectively.

Transfers of Level 3 Assets

During the three- and six-month periods ended June 30, 2021 and 2020, transfers into Level 3 assets primarily included certain investments in private placement corporate debt, RMBS, CMBS and CDO/ABS. Transfers of private placement corporate debt and certain ABS into Level 3 assets were primarily the result of limited market pricing information that required us to determine fair value for these securities based on inputs that are adjusted to better reflect our own assumptions regarding the characteristics of a specific security or associated market liquidity. The transfers of investments in RMBS, CMBS and CDO and certain ABS into Level 3 assets were due to diminished market transparency and liquidity for individual security types.

During the three- and six-month periods ended June 30, 2021 and 2020, transfers out of Level 3 assets primarily included private placement and other corporate debt, CMBS, RMBS, CDO/ABS and certain investments in municipal securities. Transfers of corporate debt, RMBS, CMBS, CDO/ABS and certain investments in municipal securities out of Level 3 assets were based on consideration of market liquidity as well as related transparency of pricing and associated observable inputs for these investments. Transfers of certain investments in private placement corporate debt and certain ABS out of Level 3 assets were primarily the result of using observable pricing information that reflects the fair value of those securities without the need for adjustment based on our own assumptions regarding the characteristics of a specific security or the current liquidity in the market.

Transfers of Level 3 Liabilities

There were no significant transfers of derivative or other liabilities into or out of Level 3 for the three- and six-month periods ended June 30, 2021 and 2020.

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments, and includes only those instruments for which information about the inputs is reasonably available to us, such as data from independent third-party valuation service providers. Because input information from third-parties with respect to certain Level 3 instruments (primarily CDO/ABS) may not be reasonably available to us, balances shown below may not equal total amounts reported for such Level 3 assets and liabilities:

<i>(in millions)</i>	Fair Value at June 30, 2021	Valuation Technique	Unobservable Input ^(b)	Range (Weighted Average) ^(c)
Assets:				
Obligations of states, municipalities and political subdivisions	\$ 1,588	Discounted cash flow	Yield	2.89% - 3.39% (3.14%)
Corporate debt	1,939	Discounted cash flow	Yield	1.85% - 17.19% (7.64%)
RMBS ^(a)	10,393	Discounted cash flow	Constant prepayment rate	4.75% - 17.06% (10.90%)
			Loss severity	29.46% - 74.55% (52.00%)
			Constant default rate	1.42% - 6.22% (3.82%)
			Yield	1.57% - 4.10% (2.83%)
CDO/ABS ^(a)	8,011	Discounted cash flow	Yield	1.51% - 4.53% (3.02%)
CMBS	579	Discounted cash flow	Yield	0.90% - 5.42% (3.16%)
Liabilities^(d):				
Embedded derivatives within Policyholder contract deposits:				
Variable annuity guaranteed minimum withdrawal benefits (GMWB)	2,484	Discounted cash flow	Equity volatility	6.55% - 51.55%
			Base lapse rate	0.16% - 12.60%
			Dynamic lapse multiplier	50.00% - 143.00%
			Mortality multiplier ^(e)	38.00% - 147.00%
			Utilization	90.00% - 100.00%
			Equity / interest rate correlation	20.00% - 40.00%
			NPA ^(f)	0.07% - 1.38%
Index annuities including certain GMWB	5,788	Discounted cash flow	Lapse rate	0.38% - 50.00%
			Mortality multiplier ^(e)	24.00% - 180.00%
			Utilization ^(g)	80.00% - 100.00%
			Option budget	0.00% - 4.00%
			NPA ^(f)	0.07% - 1.38%
Indexed life	701	Discounted cash flow	Base lapse rate	0.00% - 37.97%
			Mortality rate	0.00% - 100.00%
			NPA ^(f)	0.07% - 1.38%

ITEM 1 | Notes to Condensed Consolidated Financial Statements (unaudited) | 4. Fair Value Measurements

(in millions)	Fair Value at December 31, 2020	Valuation Technique	Unobservable Input ^(b)	Range (Weighted Average) ^(c)
Assets:				
Obligations of states, municipalities and political subdivisions	\$ 1,670	Discounted cash flow	Yield	2.82% - 3.39% (3.11%)
Corporate debt	1,591	Discounted cash flow	Yield	2.13% - 7.82% (4.97%)
RMBS ^(a)	11,297	Discounted cash flow	Constant prepayment rate Loss severity Constant default rate Yield	3.90% - 11.99% (7.94%) 30.08% - 78.49% (54.29%) 1.45% - 6.19% (3.82%) 1.69% - 4.25% (2.97%)
CDO/ABS ^(a)	8,324	Discounted cash flow	Yield	1.93% - 4.85% (3.39%)
CMBS	541	Discounted cash flow	Yield	0.92% - 5.89% (3.40%)
Liabilities^(d):				
Embedded derivatives within Policyholder contract deposits:				
GMWB	3,572	Discounted cash flow	Equity volatility Base lapse rate Dynamic lapse multiplier Mortality multiplier ^(e) Utilization Equity / interest rate correlation NPA ^(f)	6.45% - 50.85% 0.16% - 12.60% 50.00% - 143.00% 38.00% - 147.00% 90.00% - 100.00% 20.00% - 40.00% 0.06% - 1.48%
Index annuities including certain GMWB	5,538	Discounted cash flow	Lapse rate Mortality multiplier ^(e) Utilization ^(g) Option budget NPA ^(f)	0.38% - 50.00% 24.00% - 180.00% 80.00% - 100.00% 0.00% - 4.00% 0.06% - 1.48%
Indexed life	649	Discounted cash flow	Base lapse rate Mortality rate NPA ^(f)	0.00% - 37.97% 0.00% - 100.00% 0.06% - 1.48%

(a) Information received from third-party valuation service providers. The ranges of the unobservable inputs for constant prepayment rate, loss severity and constant default rate relate to each of the individual underlying mortgage loans that comprise the entire portfolio of securities in the RMBS and CDO securitization vehicles and not necessarily to the securitization vehicle bonds (tranches) purchased by us. The ranges of these inputs do not directly correlate to changes in the fair values of the tranches purchased by us, because there are other factors relevant to the fair values of specific tranches owned by us including, but not limited to, purchase price, position in the waterfall, senior versus subordinated position and attachment points.

(b) Represents discount rates, estimates and assumptions that we believe would be used by market participants when valuing these assets and liabilities.

(c) The weighted averaging for fixed maturity securities is based on the estimated fair value of the securities. Because the valuation methodology for embedded derivatives within Policyholder contract deposits uses a range of inputs that vary at the contract level over the cash flow projection period, management believes that presenting a range, rather than weighted average, is a more meaningful representation of the unobservable inputs used in the valuation.

(d) The Fortitude Re funds withheld payable has been excluded from the above table. As discussed in Note 7, the Fortitude Re funds withheld payable is created through modified coinsurance (modco) and funds withheld reinsurance arrangements where the investments supporting the reinsurance agreements are withheld by, and continue to reside on AIG's balance sheet. This embedded derivative is valued as a total return swap with reference to the fair value of the invested assets held by AIG. Accordingly, the unobservable inputs utilized in the valuation of the embedded derivative are a component of the invested assets supporting the reinsurance agreements that are held on AIG's balance sheet.

(e) Mortality inputs are shown as multipliers of the 2012 Individual Annuity Mortality Basic table.

(f) The non-performance risk adjustment (NPA) applied as a spread over risk-free curve for discounting.

(g) The partial withdrawal utilization unobservable input range shown applies only to policies with guaranteed minimum withdrawal benefit riders that are accounted for as an embedded derivative. The total embedded derivative liability at June 30, 2021 and December 31, 2020 was approximately \$860 million and \$726 million, respectively. The remaining guaranteed minimum riders on the index annuities are valued under the accounting guidance for certain nontraditional long-duration contracts.

The ranges of reported inputs for Obligations of states, municipalities and political subdivisions, Corporate debt, RMBS, CDO/ABS, and CMBS valued using a discounted cash flow technique consist of one standard deviation in either direction from the value-weighted average. The preceding table does not give effect to our risk management practices that might offset risks inherent in these Level 3 assets and liabilities.

Interrelationships between Unobservable Inputs

We consider unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following paragraphs provide a general description of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

Fixed Maturity Securities

The significant unobservable input used in the fair value measurement of fixed maturity securities is yield. The yield is affected by the market movements in credit spreads and U.S. Treasury yields. The yield may be affected by other factors including constant prepayment rates, loss severity, and constant default rates. In general, increases in the yield would decrease the fair value of investments, and conversely, decreases in the yield would increase the fair value of investments.

Embedded derivatives within Policyholder contract deposits

Embedded derivatives reported within Policyholder contract deposits include interest crediting rates based on market indices within index annuities, indexed life, and GICs as well as GMWB within variable annuity and certain index annuity products. For any given contract, assumptions for unobservable inputs vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. The following unobservable inputs are used for valuing embedded derivatives measured at fair value:

- Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. Increases in assumed volatility will generally increase the fair value of both the projected cash flows from rider fees as well as the projected cash flows related to benefit payments. Therefore, the net change in the fair value of the liability may be either a decrease or an increase, depending on the relative changes in projected rider fees and projected benefit payments.
- Equity / interest rate correlation estimates the relationship between changes in equity returns and interest rates in the economic scenario generator used to value our GMWB embedded derivatives. In general, a higher positive correlation assumes that equity markets and interest rates move in a more correlated fashion, which generally increases the fair value of the liability.
- Base lapse rate assumptions are determined by company experience and are adjusted at the contract level using a dynamic lapse function, which reduces the base lapse rate when the contract is in-the-money (when the contract holder's guaranteed value, as estimated by the company, is worth more than their underlying account value). Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. Increases in assumed lapse rates will generally decrease the fair value of the liability, as fewer policyholders would persist to collect guaranteed withdrawal amounts.
- Mortality rate assumptions, which vary by age and gender, are based on company experience and include a mortality improvement assumption. Increases in assumed mortality rates will decrease the fair value of the liability, while lower mortality rate assumptions will generally increase the fair value of the liability, because guaranteed payments will be made for a longer period of time.
- Utilization assumptions estimate the timing when policyholders with a GMWB will elect to utilize their benefit and begin taking withdrawals. The assumptions may vary by the type of guarantee, tax-qualified status, the contract's withdrawal history and the age of the policyholder. Utilization assumptions are based on company experience, which includes partial withdrawal behavior. Increases in assumed utilization rates will generally increase the fair value of the liability.
- Option budget estimates the expected long-term cost of options used to hedge exposures associated with equity price changes. The level of option budgets determines future costs of the options, which impacts the growth in account value and the valuation of embedded derivatives.

Embedded derivatives within reinsurance contracts

The fair value of embedded derivatives associated with funds withheld reinsurance contracts is determined based upon a total return swap technique with reference to the fair value of the investments held by AIG related to AIG's funds withheld payable. The fair value of the underlying assets is generally based on market observable inputs using industry standard valuation techniques. The valuation also requires certain significant inputs, which are generally not observable and accordingly, the valuation is considered Level 3 in the fair value hierarchy.

INVESTMENTS IN CERTAIN ENTITIES CARRIED AT FAIR VALUE USING NET ASSET VALUE PER SHARE

The following table includes information related to our investments in certain other invested assets, including private equity funds, hedge funds and other alternative investments that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring basis, we use the net asset value per share to measure fair value.

(in millions)	Investment Category Includes	June 30, 2021		December 31, 2020	
		Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments
Investment Category					
Private equity funds:					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	\$ 2,217	\$ 1,796	\$ 1,752	\$ 1,960
Real assets	Investments in real estate properties, agricultural and infrastructure assets, including power plants and other energy producing assets	946	542	908	445
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an eventual realization event, such as an initial public offering or sale of the company	235	214	167	171
Growth equity	Funds that make investments in established companies for the purpose of growing their businesses	844	140	703	55
Mezzanine	Funds that make investments in the junior debt and equity securities of leveraged companies	460	421	400	155
Other	Includes distressed funds that invest in securities of companies that are in default or under bankruptcy protection, as well as funds that have multi-strategy, and other strategies	878	476	683	365
Total private equity funds		5,580	3,589	4,613	3,151
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	436	-	411	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	344	-	361	-
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	673	-	807	-
Other	Includes investments held in funds that are less liquid, as well as other strategies which allow for broader allocation between public and private investments	345	-	301	1
Total hedge funds		1,798	-	1,880	1
Total		\$ 7,378	\$ 3,589	\$ 6,493	\$ 3,152

Private equity fund investments included above are not redeemable, because distributions from the funds will be received when underlying investments of the funds are liquidated. Private equity funds are generally expected to have 10-year lives at their inception, but these lives may be extended at the fund manager's discretion, typically in one or two-year increments.

The hedge fund investments included above, which are carried at fair value, are generally redeemable subject to the redemption notices period. The majority of our hedge fund investments are redeemable monthly or quarterly.

FAIR VALUE OPTION

The following table presents the gains or losses recorded related to the eligible instruments for which we elected the fair value option:

<i>(in millions)</i>	Gain (Loss) Three Months Ended		Gain (Loss) Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Assets:				
Bond and equity securities	\$ 96	\$ 374	\$ (3)	\$ 314
Alternative investments ^(a)	428	(26)	845	(165)
Liabilities:				
Long-term debt ^(b)	(38)	(18)	33	(221)
Total gain (loss)	\$ 486	\$ 330	\$ 875	\$ (72)

(a) Includes certain hedge funds, private equity funds and other investment partnerships.

(b) Includes guaranteed investment agreements (GIAs), notes, bonds and mortgages payable.

We calculate the effect of these credit spread changes using discounted cash flow techniques that incorporate current market interest rates, our observable credit spreads on these liabilities and other factors that mitigate the risk of nonperformance such as cash collateral posted.

The following table presents the difference between fair value and the aggregate contractual principal amount of long-term debt for which the fair value option was elected:

<i>(in millions)</i>	June 30, 2021			December 31, 2020		
	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Liabilities:						
Long-term debt [*]	\$ 1,974	\$ 1,401	\$ 573	\$ 2,097	\$ 1,479	\$ 618

* Includes GIAs, notes, bonds, loans and mortgages payable.

FAIR VALUE MEASUREMENTS ON A NON-RECURRING BASIS

The following table presents assets measured at fair value on a non-recurring basis at the time of impairment and the related impairment charges recorded during the periods presented:

<i>(in millions)</i>	Assets at Fair Value				Impairment Charges			
	Non-Recurring Basis				Three Months Ended June 30,		Six Months Ended June 30,	
	Level 1	Level 2	Level 3	Total	2021	2020	2021	2020
June 30, 2021								
Other investments	\$ -	\$ -	\$ 89	\$ 89	\$ -	\$ 37	\$ 6	\$ 48
Other assets	-	-	-	-	-	-	-	12
Total	\$ -	\$ -	\$ 89	\$ 89	\$ -	\$ 37	\$ 6	\$ 60
December 31, 2020								
Other investments	\$ -	\$ -	\$ 376	\$ 376				
Other assets	-	-	28	28				
Total	\$ -	\$ -	\$ 404	\$ 404				

FAIR VALUE INFORMATION ABOUT FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following table presents the carrying amounts and estimated fair values of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

(in millions)	Estimated Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
June 30, 2021					
Assets:					
Mortgage and other loans receivable	\$ -	\$ 89	\$ 47,619	\$ 47,708	\$ 45,216
Other invested assets	-	844	6	850	850
Short-term investments	-	9,646	-	9,646	9,646
Cash	2,760	-	-	2,760	2,760
Other assets	229	13	-	242	242
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	189	143,620	143,809	132,367
Fortitude Re funds withheld payable	-	-	36,086	36,086	36,086
Other liabilities	-	3,692	-	3,692	3,692
Long-term debt	-	27,506	346	27,852	24,187
Debt of consolidated investment entities	-	2,359	7,251	9,610	9,566
Separate account liabilities - investment contracts	-	102,392	-	102,392	102,392
December 31, 2020					
Assets:					
Mortgage and other loans receivable	\$ -	\$ 95	\$ 48,541	\$ 48,636	\$ 45,562
Other invested assets	-	837	6	843	843
Short-term investments	-	12,235	-	12,235	12,235
Cash	2,827	-	-	2,827	2,827
Other assets	209	14	-	223	223
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	214	144,357	144,571	130,435
Fortitude Re funds withheld payable	-	-	37,018	37,018	37,018
Other liabilities	-	3,695	-	3,695	3,695
Long-term debt	-	30,310	365	30,675	26,006
Debt of consolidated investment entities	-	1,746	7,965	9,711	9,431
Separate account liabilities - investment contracts	-	95,610	-	95,610	95,610

5. Investments

SECURITIES AVAILABLE FOR SALE

The following table presents the amortized cost and fair value of our available for sale securities:

<i>(in millions)</i>	Amortized Cost	Allowance for Credit Losses ^(a)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2021					
Bonds available for sale:					
U.S. government and government sponsored entities	\$ 4,205	\$ -	\$ 317	\$ (21)	\$ 4,501
Obligations of states, municipalities and political subdivisions	13,261	-	1,931	(13)	15,179
Non-U.S. governments	15,356	(2)	836	(169)	16,021
Corporate debt	160,673	(84)	15,965	(1,001)	175,553
Mortgage-backed, asset-backed and collateralized:					
RMBS	25,995	(11)	2,713	(113)	28,584
CMBS	14,710	-	797	(43)	15,464
CDO/ABS	17,420	-	403	(55)	17,768
Total mortgage-backed, asset-backed and collateralized	58,125	(11)	3,913	(211)	61,816
Total bonds available for sale^(b)	\$ 251,620	\$ (97)	\$ 22,962	\$ (1,415)	\$ 273,070
December 31, 2020					
Bonds available for sale:					
U.S. government and government sponsored entities	\$ 3,640	\$ -	\$ 503	\$ (17)	\$ 4,126
Obligations of states, municipalities and political subdivisions	13,915	-	2,216	(7)	16,124
Non-U.S. governments	14,231	(4)	1,181	(63)	15,345
Corporate debt	150,111	(164)	19,905	(554)	169,298
Mortgage-backed, asset-backed and collateralized:					
RMBS	28,551	(16)	3,000	(70)	31,465
CMBS	15,182	(1)	1,023	(71)	16,133
CDO/ABS	18,707	(1)	425	(126)	19,005
Total mortgage-backed, asset-backed and collateralized	62,440	(18)	4,448	(267)	66,603
Total bonds available for sale^(b)	\$ 244,337	\$ (186)	\$ 28,253	\$ (908)	\$ 271,496

(a) Represents the allowance for credit losses that has been recognized. Changes in the allowance for credit losses are recorded through Net realized gains and losses and are not recognized in other comprehensive income.

(b) At June 30, 2021 and December 31, 2020, bonds available for sale held by us that were below investment grade or not rated totaled \$27.9 billion and \$28.2 billion, respectively.

Securities Available for Sale in a Loss Position for Which No Allowance for Credit Loss Has Been Recorded

The following table summarizes the fair value and gross unrealized losses on our available for sale securities, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position for which no allowance for credit loss has been recorded:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions)</i>						
June 30, 2021						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 1,610	\$ 21	\$ 1	\$ -	\$ 1,611	\$ 21
Obligations of states, municipalities and political subdivisions	464	10	87	3	551	13
Non-U.S. governments	3,528	80	460	84	3,988	164
Corporate debt	22,682	715	4,413	211	27,095	926
RMBS	3,594	71	869	37	4,463	108
CMBS	1,474	27	304	16	1,778	43
CDO/ABS	3,541	36	937	19	4,478	55
Total bonds available for sale	\$ 36,893	\$ 960	\$ 7,071	\$ 370	\$ 43,964	\$ 1,330
December 31, 2020						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 649	\$ 17	\$ -	\$ -	\$ 649	\$ 17
Obligations of states, municipalities and political subdivisions	267	4	78	3	345	7
Non-U.S. governments	1,287	28	262	33	1,549	61
Corporate debt	11,715	348	1,283	81	12,998	429
RMBS	3,486	40	282	18	3,768	58
CMBS	1,644	58	346	12	1,990	70
CDO/ABS	5,456	81	3,063	45	8,519	126
Total bonds available for sale	\$ 24,504	\$ 576	\$ 5,314	\$ 192	\$ 29,818	\$ 768

At June 30, 2021, we held 9,292 individual fixed maturity securities that were in an unrealized loss position and for which no allowance for credit losses has been recorded (including 1,408 individual fixed maturity securities that were in a continuous unrealized loss position for 12 months or more). At December 31, 2020, we held 5,105 individual fixed maturity securities that were in an unrealized loss position and for which no allowance for credit losses has been recorded (including 949 individual fixed maturity securities that were in a continuous unrealized loss position for 12 months or more). We did not recognize the unrealized losses in earnings on these fixed maturity securities at June 30, 2021 because it was determined that such losses were due to non-credit factors. Additionally, we neither intend to sell the securities nor do we believe that it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. For fixed maturity securities with significant declines, we performed fundamental credit analyses on a security-by-security basis, which included consideration of credit enhancements, liquidity position, expected defaults, industry and sector analysis, forecasts and available market data.

Contractual Maturities of Fixed Maturity Securities Available for Sale

The following table presents the amortized cost and fair value of fixed maturity securities available for sale by contractual maturity:

	Total Fixed Maturity Securities Available for Sale	
	Amortized Cost, Net of Allowance	Fair Value
<i>(in millions)</i>		
June 30, 2021		
Due in one year or less	\$ 8,599	\$ 8,659
Due after one year through five years	44,357	46,029
Due after five years through ten years	45,309	48,668
Due after ten years	95,144	107,898
Mortgage-backed, asset-backed and collateralized	58,114	61,816
Total	\$ 251,523	\$ 273,070

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The following table presents the gross realized gains and gross realized losses from sales or maturities of our available for sale securities:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
<i>(in millions)</i>								
Fixed maturity securities	\$ 290	\$ 155	\$ 541	\$ 392	\$ 750	\$ 226	\$ 921	\$ 558

For the three- and six-month periods ended June 30, 2021, the aggregate fair value of available for sale securities sold was \$6.0 billion and \$12.4 billion, respectively, which resulted in net realized gains of \$135 million and \$524 million, respectively. Included within the net realized gains are \$95 million and \$390 million of net realized gains for the three- and six-month periods ended June 30, 2021, respectively, which relate to Fortitude Re funds withheld assets. These net realized gains are included in Net realized gains (losses) on Fortitude Re funds withheld assets.

For the three- and six-month periods ended June 30, 2020, the aggregate fair value of available for sale securities sold was \$6.7 billion and \$13.9 billion, respectively, which resulted in net realized gains of \$149 million and \$363 million, respectively. Included within the net realized gains (losses) are \$122 million of net realized gains for the three- and six-month periods ended June 30, 2020, which relate to the Fortitude Re funds withheld assets for the period after deconsolidation of Fortitude Re. These net realized gains are included in Net realized gains (losses) on Fortitude Re funds withheld assets.

OTHER SECURITIES MEASURED AT FAIR VALUE

The following table presents the fair value of fixed maturity securities measured at fair value based on our election of the fair value option, which are reported in the other bond securities caption in the financial statements, and equity securities measured at fair value:

(in millions)	June 30, 2021		December 31, 2020	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	\$ 1,778	30 %	\$ 1,845	29 %
Corporate debt	12	-	12	-
Mortgage-backed, asset-backed and collateralized:				
RMBS	334	6	429	7
CMBS	300	5	320	5
CDO/ABS and other collateralized	2,442	41	2,685	42
Total mortgage-backed, asset-backed and collateralized	3,076	52	3,434	54
Total fixed maturity securities	4,866	82	5,291	83
Equity securities	1,079	18	1,056	17
Total	\$ 5,945	100 %	\$ 6,347	100 %

OTHER INVESTED ASSETS

The following table summarizes the carrying amounts of other invested assets:

(in millions)	June 30, 2021	December 31, 2020
Alternative investments ^{(a) (b)}	\$ 10,453	\$ 9,572
Investment real estate ^(c)	7,921	7,930
All other investments ^(d)	1,765	1,558
Total	\$ 20,139	\$ 19,060

(a) At June 30, 2021, included hedge funds of \$2.0 billion, private equity funds of \$8.2 billion and affordable housing partnerships of \$196 million. At December 31, 2020, included hedge funds of \$2.3 billion, private equity funds of \$7.0 billion and affordable housing partnerships of \$257 million.

(b) At June 30, 2021, approximately 59 percent of our hedge fund portfolio is available for redemption in 2021. The remaining 41 percent will be available for redemption between 2022 and 2027.

(c) Net of accumulated depreciation of \$797 million and \$756 million at June 30, 2021 and December 31, 2020, respectively.

(d) Includes AIG's 3.5 percent ownership interest in Fortitude Holdings which is recorded using the measurement alternative for equity securities and is carried at cost, which was \$100 million as of June 30, 2021 and December 31, 2020.

NET INVESTMENT INCOME

The following table presents the components of Net investment income:

(in millions)	2021			2020		
	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total
Available for sale fixed maturity securities, including short-term investments	\$ 2,130	\$ 361	\$ 2,491	\$ 2,502	\$ 86	\$ 2,588
Other fixed maturity securities ^(a)	93	6	99	371	3	374
Equity securities	(13)	-	(13)	56	-	56
Interest on mortgage and other loans	446	57	503	485	13	498
Alternative investments ^(b)	579	92	671	(87)	14	(73)
Real estate	57	-	57	61	-	61
Other investments ^(c)	(19)	1	(18)	1	-	1
Total investment income	3,273	517	3,790	3,389	116	3,505
Investment expenses	105	10	115	139	-	139
Net investment income	\$ 3,168	\$ 507	\$ 3,675	\$ 3,250	\$ 116	\$ 3,366

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Six Months Ended June 30,	2021			2020		
	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total
<i>(in millions)</i>						
Available for sale fixed maturity securities, including short-term investments	\$ 4,308	\$ 738	\$ 5,046	\$ 5,111	\$ 86	\$ 5,197
Other fixed maturity securities ^(a)	(9)	6	(3)	311	3	314
Equity securities	9	-	9	(135)	-	(135)
Interest on mortgage and other loans	860	104	964	998	13	1,011
Alternative investments ^(b)	1,151	161	1,312	(146)	14	(132)
Real estate	116	-	116	120	-	120
Other investments ^(c)	121	2	123	(214)	-	(214)
Total investment income	6,556	1,011	7,567	6,045	116	6,161
Investment expenses	217	18	235	287	-	287
Net investment income	\$ 6,339	\$ 993	\$ 7,332	\$ 5,758	\$ 116	\$ 5,874

- (a) Included in the three- and six-month periods ended June 30, 2021 were income of \$35 million and losses of \$46 million, respectively, related to fixed maturity securities measured at fair value that economically hedge liabilities described in (c) below. Included in the three- and six-month periods ended June 30, 2020 were income of \$29 million and \$198 million, respectively, related to fixed maturity securities measured at fair value that economically hedge liabilities described in (c) below.
- (b) Included income from hedge funds, private equity funds and affordable housing partnerships. Hedge funds are recorded as of the balance sheet date. Private equity funds are generally reported on a one-quarter lag.
- (c) Included in the three- and six-month periods ended June 30, 2021 were losses of \$40 million and income of \$43 million, respectively, related to liabilities measured at fair value that are economically hedged with fixed maturity securities as described in (a) above. Included in the three- and six-month periods ended June 30, 2020 were losses of \$13 million and \$215 million, respectively, related to liabilities measured at fair value that are economically hedged with fixed maturity securities as described in (a) above.

NET REALIZED GAINS AND LOSSES

The following table presents the components of Net realized gains (losses):

Three Months Ended June 30,	2021			2020		
	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total
<i>(in millions)</i>						
Sales of fixed maturity securities	\$ 40	\$ 95	\$ 135	\$ 27	\$ 122	\$ 149
Intent to sell	-	-	-	(3)	-	(3)
Change in allowance for credit losses on fixed maturity securities	10	4	14	(24)	(7)	(31)
Change in allowance for credit losses on loans	67	8	75	(22)	4	(18)
Foreign exchange transactions	139	9	148	44	3	47
Variable annuity embedded derivatives, net of related hedges	(53)	-	(53)	(1,010)	-	(1,010)
All other derivatives and hedge accounting	(336)	60	(276)	(568)	(26)	(594)
Other	90	(3)	87	(35)	-	(35)
Net realized gains (losses) – excluding Fortitude Re funds withheld embedded derivative	(43)	173	130	(1,591)	96	(1,495)
Net realized losses on Fortitude Re funds withheld embedded derivative	-	(2,056)	(2,056)	-	(837)	(837)
Net realized losses	\$ (43)	\$ (1,883)	\$ (1,926)	\$ (1,591)	\$ (741)	\$(2,332)

Six Months Ended June 30,	2021			2020		
	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total
<i>(in millions)</i>						
Sales of fixed maturity securities	\$ 134	\$ 390	\$ 524	\$ 241	\$ 122	\$ 363
Intent to sell	-	-	-	(3)	-	(3)
Change in allowance for credit losses on fixed maturity securities	61	6	67	(222)	(7)	(229)
Change in allowance for credit losses on loans	108	3	111	(60)	4	(56)
Foreign exchange transactions	90	3	93	(210)	3	(207)
Variable annuity embedded derivatives, net of related hedges	36	-	36	1,182	-	1,182
All other derivatives and hedge accounting	15	(57)	(42)	991	(26)	965
Other	208	1	209	9	-	9
Net realized gains – excluding Fortitude Re funds withheld embedded derivative	652	346	998	1,928	96	2,024
Net realized gains (losses) on Fortitude Re funds withheld embedded derivative	-	326	326	-	(837)	(837)
Net realized gains (losses)	\$ 652	\$ 672	\$ 1,324	\$ 1,928	\$ (741)	\$ 1,187

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS

The following table presents the increase (decrease) in unrealized appreciation (depreciation) of our available for sale securities and other investments:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	\$ 5,851	\$ 13,957	\$ (5,798)	\$ 3,502
Other investments	(5)	-	(5)	-
Total increase (decrease) in unrealized appreciation (depreciation) of investments	\$ 5,846	\$ 13,957	\$ (5,803)	\$ 3,502

The following table summarizes the unrealized gains and losses recognized in Net investment income during the reporting period on equity securities and other investments still held at the reporting date:

Three Months Ended June 30,	2021			2020		
	Equities	Other Invested Assets	Total	Equities	Other Invested Assets	Total
<i>(in millions)</i>						
Net gains (losses) recognized during the period on equity securities and other investments	\$ (13)	\$ 543	\$ 530	\$ 56	\$ (71)	\$ (15)
Less: Net gains (losses) recognized during the period on equity securities and other investment sold during the period	(179)	(9)	(188)	5	13	18
Unrealized gains (losses) recognized during the reporting period on equity securities and other investments still held at the reporting date	\$ 166	\$ 552	\$ 718	\$ 51	\$ (84)	\$ (33)
Six Months Ended June 30,	2021			2020		
<i>(in millions)</i>						
Net gains (losses) recognized during the period on equity securities and other investments	\$ 9	\$ 1,013	\$ 1,022	\$ (135)	\$ (200)	\$ (335)
Less: Net gains (losses) recognized during the period on equity securities and other investment sold during the period	(200)	15	(185)	17	15	32
Unrealized gains (losses) recognized during the reporting period on equity securities and other investments still held at the reporting date	\$ 209	\$ 998	\$ 1,207	\$ (152)	\$ (215)	\$ (367)

EVALUATING INVESTMENTS FOR AN ALLOWANCE FOR CREDIT LOSSES

Fixed Maturity Securities

If we intend to sell a fixed maturity security or it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis and if the fair value of the security is below amortized cost, an impairment has occurred and the amortized cost is written down to current fair value, with a corresponding charge to Net realized gains (losses). No allowance is established in these situations and any previously recorded allowance is reversed. The new cost basis is not adjusted for subsequent increases in estimated fair value. When assessing our intent to sell a fixed maturity security, or whether it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis, management evaluates relevant facts and circumstances including, but not limited to, decisions to reposition our investment portfolio, sales of securities to meet cash flow needs and sales of securities to take advantage of favorable pricing.

For fixed maturity securities for which a decline in the fair value below the amortized cost is due to credit related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to Net realized gains (losses). The allowance for credit losses is limited to the difference between amortized cost and fair value. The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit related factors is presented in unrealized appreciation (depreciation) of fixed maturity securities on which an allowance for credit losses was previously recognized (a separate component of AOCI). Accrued interest is excluded from the measurement of the allowance for credit losses.

When estimating future cash flows for structured fixed maturity securities (e.g., RMBS, CMBS, CDO, ABS) management considers the historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and the priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs, which vary by asset class:

- Current delinquency rates;
- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Expected prepayment speeds.

When estimating future cash flows for corporate, municipal and sovereign fixed maturity securities determined to be credit impaired, management considers:

- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Scenarios specific to the issuer and the security, which may also include estimates of outcomes of corporate restructurings, political and macroeconomic factors, stability and financial strength of the issuer, the value of any secondary sources of repayment and the disposition of assets.

We consider severe price declines in our assessment of potential credit impairments. We may also modify our model inputs when we determine that price movements in certain sectors are indicative of factors not captured by the cash flow models.

Under the current expected credit loss (CECL) model, credit losses are reassessed each period. The allowance for credit losses and the corresponding charge to Net realized gains (losses) can be reversed if conditions change, however, the allowance for credit losses will never be reduced below zero. When we determine that all or a portion of a fixed maturity security is uncollectable, the uncollectable amortized cost amount is written off with a corresponding reduction to the allowance for credit losses. If we collect cash flows that were previously written off, the recovery is recognized by recording a gain in Net realized gains (losses).

Credit Impairments

The following table presents a rollforward of the changes in allowance for credit losses on available for sale fixed maturity securities by major investment category:

(in millions)	Three Months Ended June 30, 2021			Six Months Ended June 30, 2021		
	Structured	Non- Structured	Total	Structured	Non- Structured	Total
Balance, beginning of period	\$ 14	\$ 108	\$ 122	\$ 17	\$ 169	\$ 186
Additions:						
Securities for which allowance for credit losses were not previously recorded	6	15	21	8	28	36
Purchases of available for sale debt securities accounted for as purchased credit deteriorated assets	-	-	-	-	-	-
Accretion of available for sale debt securities accounted for as purchased credit deteriorated assets	-	-	-	-	-	-
Reductions:						
Securities sold during the period	(2)	(3)	(5)	(3)	(7)	(10)
Addition to (release of) the allowance for credit losses on securities that had an allowance recorded in a previous period, for which there was no intent to sell before recovery of amortized cost basis	(8)	(27)	(35)	(12)	(91)	(103)
Write-offs charged against the allowance	-	(6)	(6)	-	(12)	(12)
Balance, end of period	\$ 10	\$ 87	\$ 97	\$ 10	\$ 87	\$ 97
(in millions)	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	Structured	Non- Structured	Total	Structured	Non- Structured	Total
Balance, beginning of period*	\$ 37	\$ 174	\$ 211	\$ 7	\$ -	\$ 7
Additions:						
Securities for which allowance for credit losses were not previously recorded	11	90	101	35	264	299
Purchases of available for sale debt securities accounted for as purchased credit deteriorated assets	20	-	20	26	-	26
Accretion of available for sale debt securities accounted for as purchased credit deteriorated assets	1	-	1	1	-	1
Reductions:						
Securities sold during the period	(1)	(5)	(6)	(1)	(5)	(6)
Addition to (release of) the allowance for credit losses on securities that had an allowance recorded in a previous period, for which there was no intent to sell before recovery of amortized cost basis	(31)	(33)	(64)	(31)	(33)	(64)
Write-offs charged against the allowance	-	(65)	(65)	-	(65)	(65)
Balance, end of period	\$ 37	\$ 161	\$ 198	\$ 37	\$ 161	\$ 198

* The beginning balance incorporates the Day 1 gross up on purchased credit deteriorated (PCD) assets held as of January 1, 2020.

Purchased Credit Deteriorated Securities

We purchase certain RMBS securities that have experienced more-than-insignificant deterioration in credit quality since origination. These are referred to as PCD assets. At the time of purchase an allowance is recognized for these PCD assets by adding it to the purchase price to arrive at the initial amortized cost. There is no credit loss expense recognized upon acquisition of a PCD asset. When determining the initial allowance for credit losses, management considers the historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and the priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs:

- Current delinquency rates;
- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Expected prepayment speeds.

Subsequent to the acquisition date, the PCD assets follow the same accounting as other structured securities that are not high credit quality.

We did not purchase securities with more than insignificant credit deterioration since their origination during the six-month period ended June 30, 2021.

PLEGGED INVESTMENTS

Secured Financing and Similar Arrangements

We enter into secured financing transactions whereby certain securities are sold under agreements to repurchase (repurchase agreements), in which we transfer securities in exchange for cash, with an agreement by us to repurchase the same or substantially similar securities. Our secured financing transactions also include those that involve the transfer of securities to financial institutions in exchange for cash (securities lending agreements). In all of these secured financing transactions, the securities transferred by us (pledged collateral) may be sold or repledged by the counterparties. These agreements are recorded at their contracted amounts plus accrued interest, other than those that are accounted for at fair value.

Pledged collateral levels are monitored daily and are generally maintained at an agreed-upon percentage of the fair value of the amounts borrowed during the life of the transactions. In the event of a decline in the fair value of the pledged collateral under these secured financing transactions, we may be required to transfer cash or additional securities as pledged collateral under these agreements. At the termination of the transactions, we and our counterparties are obligated to return the amounts borrowed and the securities transferred, respectively.

The following table presents the fair value of securities pledged to counterparties under secured financing transactions, including repurchase and securities lending agreements:

<i>(in millions)</i>		June 30, 2021	December 31, 2020
Fixed maturity securities available for sale	\$	3,700	\$ 3,636

At both June 30, 2021 and December 31, 2020, amounts borrowed under repurchase and securities lending agreements totaled \$3.7 billion.

The following table presents the fair value of securities pledged under our repurchase agreements by collateral type and by remaining contractual maturity:

<i>(in millions)</i>	Remaining Contractual Maturity of the Agreements					Total
	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	
June 30, 2021						
Bonds available for sale:						
Non-U.S. governments	\$ 49	\$ 10	\$ -	\$ -	\$ -	\$ 59
Corporate debt	150	89	-	-	-	239
Total	\$ 199	\$ 99	\$ -	\$ -	\$ -	\$ 298

December 31, 2020

Bonds available for sale:

Non-U.S. governments	\$	63	\$	-	\$	-	\$	-	\$	63
Corporate debt		96		97		-		-		193
Total	\$	159	\$	97	\$	-	\$	-	\$	256

The following table presents the fair value of securities pledged under our securities lending agreements by collateral type and by remaining contractual maturity:

(in millions)	Remaining Contractual Maturity of the Agreements					Total				
	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater					
June 30, 2021										
Bonds available for sale:										
Obligations of states, municipalities and political subdivisions	\$	-	\$	69	\$	-	\$	69		
Non-U.S. governments		-		5		24		29		
Corporate debt		-	566	1,382	1,356	-		3,304		
Total	\$	-	\$	566	\$	1,456	\$	1,380	\$	3,402

December 31, 2020

Bonds available for sale:

Obligations of states, municipalities and political subdivisions	\$	-	\$	-	\$	103	\$	-	\$	-	\$	103
Non-U.S. governments		-		-		-		-		-		-
Corporate debt		-	982	2,295	-	-		-		-		3,277
Total	\$	-	\$	982	\$	2,398	\$	-	\$	-	\$	3,380

We also enter into agreements in which securities are purchased by us under agreements to resell (reverse repurchase agreements), which are accounted for as secured financing transactions and reported as short-term investments or other assets, depending on their terms. These agreements are recorded at their contracted resale amounts plus accrued interest, other than those that are accounted for at fair value. In all reverse repurchase transactions, we take possession of or obtain a security interest in the related securities, and we have the right to sell or repledge this collateral received.

The following table presents information on the fair value of securities pledged to us under reverse repurchase agreements:

(in millions)	June 30, 2021	December 31, 2020
Securities collateral pledged to us	\$ 2,018	\$ 5,359

At June 30, 2021 and December 31, 2020, the carrying value of reverse repurchase agreements totaled \$2.0 billion and \$5.4 billion, respectively.

We do not currently offset any secured financing transactions. All such transactions are collateralized and margined on a daily basis consistent with market standards and subject to enforceable master netting arrangements with rights of set off.

Insurance – Statutory and Other Deposits

The total carrying value of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance contracts, was \$11.4 billion and \$11.2 billion at June 30, 2021 and December 31, 2020, respectively.

Other Pledges and Restrictions

Certain of our subsidiaries are members of Federal Home Loan Banks (FHLBs) and such membership requires the members to own stock in these FHLBs. We owned an aggregate of \$210 million and \$191 million of stock in FHLBs at June 30, 2021 and December 31, 2020, respectively. In addition, our subsidiaries have pledged securities available for sale and residential loans associated with borrowings and funding agreements from FHLBs, with a fair value of \$5.6 billion and \$891 million, respectively, at June 30, 2021 and \$5.7 billion and \$1.2 billion, respectively, at December 31, 2020.

Certain GIAs have provisions that require collateral to be posted or payments to be made by us upon a downgrade of our long-term debt ratings. The actual amount of collateral required to be posted to the counterparties in the event of such downgrades, and the aggregate amount of payments that we could be required to make, depend on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade. The fair value of securities pledged as collateral with respect to these obligations was approximately \$1.5 billion at both June 30, 2021 and December 31, 2020. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

Investments held in escrow accounts or otherwise subject to restriction as to their use were \$533 million and \$494 million, comprised of bonds available for sale and short-term investments at June 30, 2021 and December 31, 2020, respectively.

Reinsurance transactions between AIG and Fortitude Re were structured as modco and loss portfolio transfer arrangements with funds withheld. Following closing of the Majority Interest Fortitude Sale, a portion of the proceeds were contributed to AIG subsidiaries.

For further discussion on the sale of Fortitude Holdings see Note 1 and Note 7 to the Condensed Consolidated Financial Statements.

6. Lending Activities

The following table presents the composition of Mortgage and other loans receivable, net:

<i>(in millions)</i>	June 30, 2021	December 31, 2020
Commercial mortgages ^(a)	\$ 36,415	\$ 36,424
Residential mortgages	3,993	4,645
Life insurance policy loans	1,907	1,986
Commercial loans, other loans and notes receivable	3,602	3,321
Total mortgage and other loans receivable	45,917	46,376
Allowance for credit losses ^(b)	(701)	(814)
Mortgage and other loans receivable, net	\$ 45,216	\$ 45,562

(a) Commercial mortgages primarily represent loans for apartments, offices and retail properties, with exposures in New York and California representing the largest geographic concentrations (aggregating approximately 23 percent and 10 percent, respectively, at June 30, 2021 and 24 percent and 10 percent, respectively, at December 31, 2020).

(b) Does not include allowance for credit losses of \$81 million and \$79 million, respectively, at June 30, 2021 and December 31, 2020, in relation to off-balance-sheet commitments to fund commercial mortgage loans, which is recorded in Other liabilities.

Interest income is not accrued when payment of contractual principal and interest is not expected. Any cash received on impaired loans is generally recorded as a reduction of the current carrying amount of the loan. Accrual of interest income is generally resumed when delinquent contractual principal and interest is repaid or when a portion of the delinquent contractual payments are made and the ongoing required contractual payments have been made for an appropriate period. As of June 30, 2021, \$19 million and \$241 million of residential mortgage loans and commercial mortgage loans, respectively, were placed on nonaccrual status. As of December 31, 2020, \$14 million and \$238 million of residential mortgage loans and commercial mortgage loans, respectively, were placed on nonaccrual status.

Accrued interest is presented separately and is included in Other assets on the Condensed Consolidated Balance Sheets. As of June 30, 2021, accrued interest receivable was \$10 million and \$129 million associated with residential mortgage loans and commercial mortgage loans, respectively. As of December 31, 2020, accrued interest receivable was \$14 million and \$129 million associated with residential mortgage loans and commercial mortgage loans, respectively.

A significant majority of commercial mortgages in the portfolio are non-recourse loans and, accordingly, the only guarantees are for specific items that are exceptions to the non-recourse provisions. It is therefore extremely rare for us to have cause to enforce the provisions of a guarantee on a commercial real estate or mortgage loan.

Nonperforming loans are generally those loans where payment of contractual principal or interest is more than 90 days past due. Nonperforming loans were not significant for any of the periods presented.

CREDIT QUALITY OF COMMERCIAL MORTGAGES

The following table presents debt service coverage ratios^(a) for commercial mortgages by year of vintage:

June 30, 2021										
<i>(in millions)</i>										
	2021	2020	2019	2018	2017	Prior	Total			
>1.2X	\$ 1,220	\$ 1,815	\$ 5,404	\$ 4,742	\$ 3,794	\$ 13,429	\$ 30,404			
1.00 - 1.20X	37	958	779	664	181	1,229	3,848			
<1.00X	-	28	-	976	88	1,071	2,163			
Total commercial mortgages	\$ 1,257	\$ 2,801	\$ 6,183	\$ 6,382	\$ 4,063	\$ 15,729	\$ 36,415			
December 31, 2020										
<i>(in millions)</i>										
	2020	2019	2018	2017	2016	Prior	Total			
>1.2X	\$ 1,914	\$ 5,596	\$ 5,649	\$ 3,941	\$ 4,592	\$ 10,730	\$ 32,422			
1.00 - 1.20X	770	467	456	144	161	1,106	3,104			
<1.00X	4	86	343	87	96	282	898			
Total commercial mortgages	\$ 2,688	\$ 6,149	\$ 6,448	\$ 4,172	\$ 4,849	\$ 12,118	\$ 36,424			

The following table presents loan-to-value ratios^(b) for commercial mortgages by year of vintage:

June 30, 2021										
<i>(in millions)</i>										
	2021	2020	2019	2018	2017	Prior	Total			
Less than 65%	\$ 585	\$ 2,443	\$ 3,820	\$ 4,390	\$ 2,638	\$ 10,453	\$ 24,329			
65% to 75%	333	358	2,344	1,992	1,096	4,114	10,237			
76% to 80%	-	-	19	-	65	428	512			
Greater than 80%	339	-	-	-	264	734	1,337			
Total commercial mortgages	\$ 1,257	\$ 2,801	\$ 6,183	\$ 6,382	\$ 4,063	\$ 15,729	\$ 36,415			
December 31, 2020										
<i>(in millions)</i>										
	2020	2019	2018	2017	2016	Prior	Total			
Less than 65%	\$ 2,382	\$ 3,755	\$ 3,855	\$ 2,565	\$ 2,852	\$ 8,145	\$ 23,554			
65% to 75%	274	2,330	2,363	1,306	1,200	2,551	10,024			
76% to 80%	28	45	30	-	70	515	688			
Greater than 80%	4	19	200	301	727	907	2,158			
Total commercial mortgages	\$ 2,688	\$ 6,149	\$ 6,448	\$ 4,172	\$ 4,849	\$ 12,118	\$ 36,424			

(a) The debt service coverage ratio compares a property's net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio was 2.0X at June 30, 2021 and 2.2X at December 31, 2020. The debt service coverage ratios have been updated within the last three months.

(b) The loan-to-value ratio compares the current unpaid principal balance of the loan to the estimated fair value of the underlying property collateralizing the loan. Our weighted average loan-to-value ratio was 58 percent at June 30, 2021 and was 60 percent at December 31, 2020. The loan-to-value ratios have been updated within the last three to nine months.

The following table presents the credit quality performance indicators for commercial mortgages:

<i>(dollars in millions)</i>	Number of Loans	Class						Total	Percent of Total
		Apartments	Offices	Retail	Industrial	Hotel	Others		
June 30, 2021									
Credit Quality Performance Indicator:									
In good standing	662	\$ 14,304	\$ 10,426	\$ 5,018	\$ 3,747	\$ 2,006	\$ 461	\$ 35,962	99 %
Restructured ^(a)	9	-	141	49	-	137	-	327	1
90 days or less delinquent	-	-	-	-	-	-	-	-	-
>90 days delinquent or in process of foreclosure	3	-	69	57	-	-	-	126	-
Total^(b)	674	\$ 14,304	\$ 10,636	\$ 5,124	\$ 3,747	\$ 2,143	\$ 461	\$ 36,415	100 %
Allowance for credit losses		\$ 116	\$ 256	\$ 129	\$ 46	\$ 33	\$ 7	\$ 587	2 %

December 31, 2020

Credit Quality Performance

Indicator:																
In good standing	688	\$	13,969	\$	10,506	\$	5,144	\$	3,766	\$	2,064	\$	460	\$	35,909	99 %
Restructured ^(a)	5		-		52		50		-		4		-		106	-
90 days or less delinquent	3		-		87		-		-		114		-		201	-
>90 days delinquent or in process of foreclosure	4		-		67		55		-		86		-		208	1
Total^(b)	700	\$	13,969	\$	10,712	\$	5,249	\$	3,766	\$	2,268	\$	460	\$	36,424	100 %
Allowance for credit losses		\$	145	\$	267	\$	145	\$	53	\$	65	\$	10	\$	685	2 %

(a) Loans that have been modified in troubled debt restructurings and are performing according to their restructured terms. For additional discussion of troubled debt restructurings see Note 7 to the Consolidated Financial Statements in the 2020 Annual Report.

(b) Does not reflect allowance for credit losses.

The following table presents credit quality performance indicators for residential mortgages by year of vintage:

June 30, 2021 (in millions)	2021	2020	2019	2018	2017	Prior	Total
FICO*:							
780 and greater	\$ 391	\$ 800	\$ 431	\$ 162	\$ 269	668	\$ 2,721
720 - 779	318	269	120	54	87	204	1,052
660 - 719	8	46	30	14	24	62	184
600 - 659	-	1	2	3	2	15	23
Less than 600	-	-	1	1	2	9	13
Total residential mortgages	\$ 717	\$ 1,116	\$ 584	\$ 234	\$ 384	958	\$ 3,993

December 31, 2020 (in millions)	2020	2019	2018	2017	2016	Prior	Total
FICO*:							
780 and greater	\$ 522	\$ 619	\$ 283	\$ 469	\$ 539	484	\$ 2,916
720 - 779	478	349	103	155	180	156	1,421
660 - 719	19	61	28	42	51	58	259
600 - 659	1	5	6	7	4	12	35
Less than 600	-	-	1	2	2	9	14
Total residential mortgages	\$ 1,020	\$ 1,034	\$ 421	\$ 675	\$ 776	719	\$ 4,645

* Fair Isaac Corporation (FICO) is the credit quality indicator used to evaluate consumer credit risk for residential mortgage loan borrowers and have been updated within the last twelve months.

METHODOLOGY USED TO ESTIMATE THE ALLOWANCE FOR CREDIT LOSSES

At the time of origination or purchase, an allowance for credit losses is established for mortgage and other loan receivables and is updated each reporting period. Changes in the allowance for credit losses are recorded in realized losses. This allowance reflects the risk of loss, even when that risk is remote, and reflects losses expected over the remaining contractual life of the loan. The allowance for credit losses considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions. We revert to historical information when we determine that we can no longer reliably forecast future economic assumptions.

The allowances for the commercial mortgage loans and residential mortgage loans are estimated utilizing a probability of default and loss given default model. Loss rate factors are determined based on historical data and adjusted for current and forecasted information. The loss rates are applied based on individual loan attributes and considering such data points as loan-to-value ratios, FICO scores, and debt service coverage.

The estimate of credit losses also reflects management's assumptions on certain macroeconomic factors that include, but are not limited to, gross domestic product growth, employment, inflation, housing price index, interest rates and credit spreads.

Accrued interest is excluded from the measurement of the allowance for credit losses and accrued interest is reversed through interest income once a loan is placed on nonaccrual.

When all or a portion of a loan is deemed uncollectible, the uncollectible portion of the carrying amount of the loan is charged off against the allowance.

We also have off-balance sheet commitments related to our commercial mortgage loans. The liability for expected credit losses related to these commercial mortgage loan commitments is reported in Other liabilities in the Condensed Consolidated Balance Sheets. When a commitment is funded, we record a loan receivable and reclassify the liability for expected credit losses related to the commitment into loan allowance for expected credit losses. Other changes in the liability for expected credit losses on loan commitments are recorded in Net realized gains (losses) in the Condensed Consolidated Statements of Income (Loss).

The following table presents a rollforward of the changes in the allowance for credit losses on Mortgage and other loans receivable^(a):

Three Months Ended June 30,	2021			2020		
	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
<i>(in millions)</i>						
Allowance, beginning of period	\$ 662	\$ 125	\$ 787	\$ 689	\$ 98	\$ 787
Loans charged off	-	-	-	(12)	-	(12)
Recoveries of loans previously charged off	-	-	-	-	-	-
Net charge-offs	-	-	-	(12)	-	(12)
Addition to (release of) provision for loan losses	(75)	(11)	(86)	(10)	29	19
Allowance, end of period	\$ 587	\$ 114	\$ 701	\$ 667	\$ 127	\$ 794
Six Months Ended June 30,	2021			2020		
<i>(in millions)</i>						
Allowance, beginning of year	\$ 685	\$ 129	\$ 814	\$ 336	\$ 102	\$ 438
Initial allowance upon CECL adoption	-	-	-	311	7	318
Loans charged off	-	-	-	(12)	-	(12)
Recoveries of loans previously charged off	-	-	-	-	-	-
Net charge-offs	-	-	-	(12)	-	(12)
Addition to (release of) provision for loan losses	(98)	(15)	(113)	32	18	50
Allowance, end of period	\$ 587	\$ 114	\$ 701	\$ 667	\$ 127	\$ 794

(a) Does not include allowance for credit losses of \$81 million and \$58 million, respectively, at June 30, 2021 and 2020 in relation to off-balance-sheet commitments to fund commercial mortgage loans, which is recorded in Other liabilities.

As a result of the COVID-19 crisis, including the significant global economic slowdown, our expectations and models used to estimate the allowance for losses on commercial and residential mortgage loans have been updated to reflect the current economic environment. The full impact of COVID-19 on real estate valuations remains uncertain and we will continue to review our valuations as further information becomes available.

TROUBLED DEBT RESTRUCTURINGS

We modify loans to optimize their returns and improve their collectability, among other things. When we undertake such a modification with a borrower that is experiencing financial difficulty and the modification involves us granting a concession to the troubled debtor, the modification is a troubled debt restructuring (TDR). We assess whether a borrower is experiencing financial difficulty based on a variety of factors, including the borrower's current default on any of its outstanding debt, the probability of a default on any of its debt in the foreseeable future without the modification, the insufficiency of the borrower's forecasted cash flows to service any of its outstanding debt (including both principal and interest), and the borrower's inability to access alternative third-party financing at an interest rate that would be reflective of current market conditions for a non-troubled debtor. Concessions granted may include extended maturity dates, interest rate changes, principal or interest forgiveness, payment deferrals and easing of loan covenants.

In response to the COVID-19 pandemic, there was an increase in the volume of loan modifications in our commercial mortgage, residential mortgage and leveraged loan portfolios in 2020. The COVID-19 related modifications were primarily in the form of short term payment deferrals (one to six months). Short-term payment deferrals are not considered a concession and therefore these modifications are not considered a TDR. As of June 30, 2021, the number of loans in deferral or in the process of being modified have returned to pre-COVID-19 levels.

During the six-month periods ended June 30, 2021 and 2020, loans with a carrying value of \$46 million and \$50 million, respectively, were modified in TDRs.

7. Reinsurance

SALE OF FORTITUDE HOLDINGS

On June 2, 2020, we completed the Majority Interest Fortitude Sale. AIG established Fortitude Re, a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG's Run-Off operations. As of June 30, 2021, approximately \$30.1 billion of reserves from AIG's Life and Retirement Run-Off Lines and approximately \$4.0 billion of reserves from AIG's General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's Run-Off operations. Additionally, the Majority Interest Fortitude Sale was subject to a post-closing purchase price adjustment pursuant to which AIG would pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur through December 31, 2023, up to a maximum payment of \$500 million. Effective in the second quarter of 2021, AIG, Fortitude Holdings, Carlyle FRL, T&D and Carlyle amended the purchase agreement to finalize the post-closing purchase price adjustment for adverse reserve development. As a result of this amendment, during the three months ended June 30, 2021, AIG recorded a \$21 million benefit through Policyholder benefits and losses incurred and eliminated further net exposure to adverse development on the reserves ceded to Fortitude Re.

These reinsurance transactions between AIG and Fortitude Re were structured as modco and loss portfolio transfer arrangements with funds withheld (funds withheld). In modco and funds withheld arrangements, the investments supporting the reinsurance agreements, and which reflect the majority of the consideration that would be paid to the reinsurer for entering into the transaction, are withheld by, and therefore continue to reside on the balance sheet of, the ceding company (i.e., AIG) thereby creating an obligation for the ceding company to pay the reinsurer (i.e., Fortitude Re) at a later date. Additionally, as AIG maintains ownership of these investments, AIG will maintain its existing accounting for these assets (e.g., the changes in fair value of available for sale securities will be recognized within other comprehensive income). As a result of the deconsolidation resulting from the Majority Interest Fortitude Sale, AIG has established a funds withheld payable to Fortitude Re while simultaneously establishing a reinsurance asset representing reserves for the insurance coverage that Fortitude Re has assumed. The funds withheld payable contains an embedded derivative and changes in fair value of the embedded derivative related to the funds withheld payable are recognized in earnings through Net realized gains (losses). This embedded derivative is considered a total return swap with contractual returns that are attributable to various assets and liabilities associated with these reinsurance agreements.

There is a diverse pool of assets supporting the funds withheld arrangements with Fortitude Re. The following summarizes the composition of the pool of assets:

(in millions)	June 30, 2021		December 31, 2020		Corresponding Accounting Policy
	Carrying Value	Fair Value	Carrying Value	Fair Value	
Fixed maturity securities - available for sale ^(a)	\$ 34,165	\$ 34,165	\$ 36,047	\$ 36,047	Fair value through other comprehensive income
Fixed maturity securities - fair value option	179	179	200	200	Fair value through net investment income
Commercial mortgage loans	3,706	3,978	3,679	4,010	Amortized cost
Real estate investments	304	553	358	585	Amortized cost
Private equity funds / hedge funds	1,356	1,356	1,168	1,168	Fair value through net investment income
Policy loans	395	395	413	413	Amortized cost
Short-term Investments	94	94	34	34	Fair value through net investment income
Funds withheld investment assets	40,199	40,720	41,899	42,457	
Derivative assets, net ^(b)	51	51	(1)	(1)	Fair value through net realized gains (losses)
Other ^(c)	632	632	604	604	Amortized cost
Total	\$ 40,882	\$ 41,403	\$ 42,502	\$ 43,060	

(a) The change in the net unrealized gains (losses) on available for sale securities related to the Fortitude Re funds withheld assets was \$(1.6) billion (\$1.3 billion after-tax) for the six months ended June 30, 2021 and \$1.0 billion (\$812 million after-tax) during the post deconsolidation period (June 2, 2020 - December 31, 2020).

(b) The derivative assets and liabilities have been presented net of cash collateral. The derivative assets and liabilities supporting the Fortitude Re funds withheld arrangements had a fair market value of \$308 million and \$10 million, respectively, as of June 30, 2021. The derivative assets supporting the Fortitude Re funds withheld arrangements had a fair market value of \$357 million as of December 31, 2020. These derivative assets and liabilities are fully collateralized either by cash or securities.

(c) Primarily comprised of Cash and Accrued investment income.

The impact of the funds withheld arrangements with Fortitude Re was as follows:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net underwriting income ^(a)	\$ -	\$ -	\$ -	\$ -
Net investment income - Fortitude Re funds withheld assets	507	116	993	116
Net realized gains (losses) on Fortitude Re funds withheld assets:				
Net realized gains - Fortitude Re funds withheld assets	173	96	346	96
Net realized gains (losses) - Fortitude Re embedded derivatives	(2,056)	(837)	326	(837)
Net realized gains (losses) on Fortitude Re funds withheld assets	(1,883)	(741)	672	(741)
Income (loss) from continuing operations before income tax expense (benefit)	(1,376)	(625)	1,665	(625)
Income tax expense (benefit) ^(b)	(289)	(131)	350	(131)
Net income (loss)	(1,087)	(494)	1,315	(494)
Change in unrealized appreciation (depreciation) of all other investments ^(b)	1,055	438	(1,285)	438
Comprehensive income (loss)	\$ (32)	\$ (56)	\$ 30	\$ (56)

(a) Effective in the second quarter of 2021, an amendment was made to the purchase agreement to finalize the post-closing purchase price adjustment for adverse reserve development and as a result, during the three months ended June 30, 2021, AIG recognized a \$21 million benefit through Policyholder benefits and losses incurred.

(b) The income tax expense (benefit) and the tax impact in AOCI was computed using AIG's U.S. statutory tax rate of 21 percent.

Various assets supporting the Fortitude Re funds withheld arrangements are reported at amortized cost, and as such, changes in the fair value of these assets are not reflected in the financial statements. However, changes in the fair value of these assets are included in the embedded derivative in the Fortitude Re funds withheld arrangements and the appreciation of these assets is the primary driver of the comprehensive income reflected above.

REINSURANCE – CREDIT LOSSES

The estimation of reinsurance recoverables involves a significant amount of judgment, particularly for latent exposures, such as asbestos, due to their long-tail nature. Reinsurance assets include reinsurance recoverables on unpaid losses and loss adjustment expenses that are estimated as part of our loss reserving process and, consequently, are subject to similar judgments and uncertainties as the estimation of gross loss reserves. Similarly, Other assets include reinsurance recoverables for contracts which are accounted for as deposits.

We assess the collectability of reinsurance recoverable balances in each reporting period, through either historical trends of disputes and credit events or financial analysis of the credit quality of the reinsurer. We record adjustments to reflect the results of these assessments through an allowance for credit losses and disputes on uncollectable reinsurance that reduces the carrying amount of reinsurance and other assets on the consolidated balance sheets (collectively, the reinsurance recoverable balances). This estimate requires significant judgment for which key considerations include:

- paid and unpaid amounts recoverable;
- whether the balance is in dispute or subject to legal collection;
- the relative financial health of the reinsurer as determined by the Obligor Risk Ratings (ORRs) we assign to each reinsurer based upon our financial reviews; insurers that are financially troubled (i.e., in run-off, have voluntarily or involuntarily been placed in receivership, are insolvent, are in the process of liquidation or otherwise subject to formal or informal regulatory restriction) are assigned ORRs that will generate a significant allowance; and
- whether collateral and collateral arrangements exist.

An estimate of the reinsurance recoverable's lifetime expected credit losses is established utilizing a probability of default and loss given default method, which reflects the reinsurer's ORR rating. The allowance for credit losses excludes disputed amounts. An allowance for disputes is established for a reinsurance recoverable using the losses incurred model for contingencies.

The total reinsurance recoverables as of June 30, 2021 were \$77.4 billion. As of that date, utilizing AIG's ORRs, (i) approximately 92 percent of the reinsurance recoverables were investment grade, of which 52 percent related to General Insurance and 40 percent related to Life and Retirement; (ii) approximately 6 percent of the reinsurance recoverables were non-investment grade, the majority of which related to General Insurance; (iii) less than one percent of the non-investment grade reinsurance recoverables related to Life and Retirement and (iv) approximately one percent of the reinsurance recoverables related to entities that were not rated by AIG.

As of June 30, 2021, approximately 70 percent of our non-investment grade reinsurance exposure related to captive insurers. These arrangements are typically collateralized by letters of credit, funds withheld or trust agreements.

Reinsurance Recoverable Allowance

The following table presents a rollforward of the reinsurance recoverable allowance:

Three Months Ended June 30,	2021			2020		
	General Insurance	Life and Retirement	Total	General Insurance	Life and Retirement	Total
<i>(in millions)</i>						
Balance, beginning of period	\$ 291	\$ 87	\$ 378	\$ 302	\$ 60	\$ 362
Addition to (release of) provision for expected credit losses and disputes, net	(1)	-	(1)	6	1	7
Write-offs charged against the allowance for credit losses and disputes	(3)	-	(3)	(2)	(1)	(3)
Other changes	-	-	-	(1)	(1)	(2)
Balance, end of period	\$ 287	\$ 87	\$ 374	\$ 305	\$ 59	\$ 364
Six Months Ended June 30,	2021			2020		
	General Insurance	Life and Retirement	Total	General Insurance	Life and Retirement	Total
<i>(in millions)</i>						
Balance, beginning of year	\$ 292	\$ 83	\$ 375	\$ 111	\$ 40	\$ 151
Initial allowance upon CECL adoption	-	-	-	202	22	224
Addition to (release of) provision for expected credit losses and disputes, net	-	4	4	2	3	5
Write-offs charged against the allowance for credit losses and disputes	(7)	-	(7)	(5)	(5)	(10)
Other changes	2	-	2	(5)	(1)	(6)
Balance, end of period	\$ 287	\$ 87	\$ 374	\$ 305	\$ 59	\$ 364

There were no material recoveries of credit losses previously written off for either of the three- or six-month periods ended June 30, 2021. There were no recoveries of credit losses previously written off for either of the three- or six-month periods ended June 30, 2020.

Past-Due Status

We consider a reinsurance asset to be past due when it is 90 days past due. The allowance for credit losses is estimated excluding disputed amounts. An allowance for disputes is established using the losses incurred method for contingencies. Past due balances on claims that are not in dispute were not material for any of the periods presented.

8. Variable Interest Entities

We enter into various arrangements with variable interest entities (VIEs) in the normal course of business and consolidate the VIEs when we determine we are the primary beneficiary. This analysis includes a review of the VIE's capital structure, related contractual relationships and terms, nature of the VIE's operations and purpose, nature of the VIE's interests issued and our involvement with the entity. When assessing the need to consolidate a VIE, we evaluate the design of the VIE as well as the related risks to which the entity was designed to expose the variable interest holders.

The primary beneficiary is the entity that has both (i) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (ii) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. While also considering these factors, the consolidation conclusion depends on the breadth of our decision-making ability and our ability to influence activities that significantly affect the economic performance of the VIE.

BALANCE SHEET CLASSIFICATION AND EXPOSURE TO LOSS

Creditors or beneficial interest holders of VIEs for which AIG is the primary beneficiary generally have recourse only to the assets and cash flows of the VIEs and do not have recourse to AIG, except in limited circumstances when AIG has provided a guarantee to the VIE's interest holders. The following table presents the total assets and total liabilities associated with our variable interests in consolidated VIEs, as classified in the Condensed Consolidated Balance Sheets:

<i>(in millions)</i>	Real Estate and Investment Entities ^(d)	Securitization Vehicles	Affordable Housing Partnerships	Other	Total
June 30, 2021					
Assets:					
Bonds available for sale	\$ -	\$ 4,863	\$ -	\$ -	\$ 4,863
Other bond securities	-	2,081	-	-	2,081
Equity securities	498	-	-	-	498
Mortgage and other loans receivable	-	2,662	-	-	2,662
Other invested assets					
Alternative investments ^(a)	3,243	-	-	-	3,243
Investment real estate	3,173	-	3,774	-	6,947
Short-term investments	89	139	-	20	248
Cash	122	-	261	-	383
Accrued investment income	-	20	-	-	20
Other assets	130	53	257	-	440
Other	25	-	-	2	27
Total assets^(b)	\$ 7,280	\$ 9,818	\$ 4,292	\$ 22	\$ 21,412
Liabilities:					
Debt of consolidated investment entities	\$ 2,374	\$ 4,054	\$ 2,514	\$ -	\$ 8,942
Other ^(c)	168	241	187	9	605
Total liabilities	\$ 2,542	\$ 4,295	\$ 2,701	\$ 9	\$ 9,547
December 31, 2020					
Assets:					
Bonds available for sale	\$ -	\$ 6,089	\$ -	\$ -	\$ 6,089
Other bond securities	-	2,367	-	-	2,367
Equity securities	507	-	-	-	507
Mortgage and other loans receivable	-	3,135	-	-	3,135
Other invested assets					
Alternative investments ^(a)	2,689	-	-	-	2,689
Investment real estate	3,378	-	3,558	-	6,936
Short-term investments	365	1,534	-	27	1,926
Cash	129	-	203	-	332
Accrued investment income	-	38	-	-	38
Other assets	166	120	243	-	529
Other	3	-	-	2	5
Total assets^(b)	\$ 7,237	\$ 13,283	\$ 4,004	\$ 29	\$ 24,553
Liabilities:					
Debt of consolidated investment entities	\$ 2,559	\$ 3,961	\$ 2,287	\$ 2	\$ 8,809
Other ^(c)	180	187	187	10	564
Total liabilities	\$ 2,739	\$ 4,148	\$ 2,474	\$ 12	\$ 9,373

(a) Comprised primarily of investments in real estate joint ventures at June 30, 2021 and December 31, 2020.

(b) The assets of each VIE can be used only to settle specific obligations of that VIE.

(c) Comprised primarily of Other liabilities at June 30, 2021 and December 31, 2020.

(d) At June 30, 2021 and December 31, 2020, off-balance sheet exposure primarily consisting of our insurance companies' commitments to real estate and investment entities were \$2.1 billion and \$2.4 billion, respectively, of which commitments to external parties were \$0.7 billion and \$0.7 billion, respectively.

We calculate our maximum exposure to loss to be (i) the amount invested in the debt or equity of the VIE, (ii) the notional amount of VIE assets or liabilities where we have also provided credit protection to the VIE with the VIE as the referenced obligation, and (iii) other commitments and guarantees to the VIE.

Under the terms of six transactions entered into between 2012 and 2014, securitized portfolios of certain debt securities previously owned by AIG and its affiliates, an indirectly wholly-owned subsidiary of AIG was obligated to make certain capital contributions to such a securitization VIE in the event that the VIE was unable to redeem any rated notes it had in issue on the relevant redemption date. AIG had provided a guarantee to the six securitization VIEs of the obligations of its indirectly wholly-owned subsidiary to make such capital contributions when due. At June 30, 2021, all six transactions had been terminated. In aggregate, the termination of these six transactions resulted in a reduction of debt of consolidated investment entities of \$175 million. There were no amounts paid related to the guarantees provided.

SunAmerica Affordable Housing Partners, Inc. (SAAHP) provides a Base Internal Rate of Return (Base IRR) guarantee to its third party investors, so that on a specified date if the investor has not received distributions of cash and allocations of certain tax benefits required to achieve their Base IRR as provided for in the partnership agreement, SAAHP shall distribute cash to effectively generate the Base IRR to the investor. In addition, SAAHP has from time to time guaranteed certain debt issued by third parties related to its business activities. As of June 30, 2021, the off-balance sheet amount of that guarantee was approximately \$3 million.

The following table presents total assets of unconsolidated VIEs in which we hold a variable interest, as well as our maximum exposure to loss associated with these VIEs:

(in millions)	Total VIE Assets	Maximum Exposure to Loss			Total
		On-Balance Sheet ^(b)	Off-Balance Sheet		
June 30, 2021					
Real estate and investment entities ^(a)	\$ 355,969	\$ 6,920	\$ 3,629 ^(d)		\$ 10,549
Affordable housing partnerships	2,445	295 ^(c)	3		298
Other	1,710	209	480 ^(e)		689
Total	\$ 360,124	\$ 7,424	\$ 4,112		\$ 11,536
December 31, 2020					
Real estate and investment entities ^(a)	\$ 321,716	\$ 6,420	\$ 3,273 ^(d)		\$ 9,693
Affordable housing partnerships	2,801	368 ^(c)	4		372
Other	1,733	195	546 ^(e)		741
Total	\$ 326,250	\$ 6,983	\$ 3,823		\$ 10,806

(a) Comprised primarily of hedge funds and private equity funds.

(b) At June 30, 2021 and December 31, 2020, \$7.2 billion and \$6.8 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

(c) At June 30, 2021, primarily included alternative equity investments of \$196 million and other loans receivables of \$83 million. At December 31, 2020, primarily included alternative equity investments of \$257 million and other loans receivables of \$97 million.

(d) These amounts represent our unfunded commitments to invest in private equity funds and hedge funds.

(e) These amounts represent our estimate of the maximum exposure to loss under certain insurance policies issued to VIEs if a hypothetical loss occurred to the extent of the full amount of the insured value. Our insurance policies cover defined risks and our estimate of liability is included in our insurance reserves on the balance sheet.

For additional information on VIEs see Note 10 to the Consolidated Financial Statements in the 2020 Annual Report.

9. Derivatives and Hedge Accounting

We use derivatives and other financial instruments as part of our financial risk management programs and as part of our investment operations.

Interest rate derivatives (such as interest rate swaps) are used to manage interest rate risk associated with embedded derivatives contained in insurance contract liabilities, fixed maturity securities, outstanding medium- and long-term notes as well as other interest rate sensitive assets and liabilities. Foreign exchange derivatives (principally foreign exchange forwards and swaps) are used to economically mitigate risk associated with non-U.S. dollar denominated debt, net capital exposures, foreign currency transactions, and foreign denominated investments. Equity derivatives are used to mitigate financial risk embedded in certain insurance liabilities and economically hedge certain investments. We use credit derivatives to manage our credit exposures.

Commodity derivatives are used to hedge exposures within reinsurance contracts. The derivatives are effective economic hedges of the exposures that they are meant to offset.

In addition to hedging activities, we also enter into derivative contracts with respect to investment operations, which may include, among other things, credit default swaps (CDSs), total return swaps and purchases of investments with embedded derivatives, such as equity-linked notes and convertible bonds.

The following table presents the notional amounts of our derivatives and the fair value of derivative assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)	June 30, 2021				December 31, 2020				
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivative Liabilities		
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	
Derivatives designated as hedging instruments:^(a)									
Interest rate contracts	\$ 877	\$ 12	\$ 445	\$ 5	\$ 815	\$ 16	\$ 356	\$ 11	
Foreign exchange contracts	7,557	430	3,613	239	3,468	256	7,424	379	
Derivatives not designated as hedging instruments:^(a)									
Interest rate contracts	48,284	3,666	42,669	3,875	62,259	4,621	48,732	4,425	
Foreign exchange contracts	12,423	727	6,125	508	9,518	766	12,860	711	
Equity contracts	24,456	731	6,736	72	22,924	1,130	7,076	223	
Commodity contracts	193	6	583	-	-	-	-	-	
Credit contracts ^(b)	4,742	1	955	63	5,797	2	969	67	
Other contracts ^(c)	42,502	13	54	3	43,441	14	54	6	
Total derivatives, gross	\$ 141,034	\$ 5,586	\$ 61,180	\$ 4,765	\$ 148,222	\$ 6,805	\$ 77,471	\$ 5,822	
Counterparty netting^(d)		(2,833)		(2,833)		(3,812)		(3,812)	
Cash collateral^(e)		(1,721)		(1,201)		(2,219)		(1,441)	
Total derivatives on Condensed Consolidated Balance Sheets^(f)		\$ 1,032		\$ 731		\$ 774		\$ 569	

(a) Fair value amounts are shown before the effects of counterparty netting adjustments and offsetting cash collateral.

(b) As of June 30, 2021 and December 31, 2020, included CDSs on super senior multi-sector CDOs with a net notional amount of \$117 million and \$137 million (fair value liability of \$43 million and \$44 million), respectively. The net notional amount represents the maximum exposure to loss on the portfolio.

(c) Consists primarily of stable value wraps and contracts with multiple underlying exposures.

(d) Represents netting of derivative exposures covered by a qualifying master netting agreement.

(e) Represents cash collateral posted and received that is eligible for netting.

(f) Freestanding derivatives only, excludes embedded derivatives. Derivative instrument assets and liabilities are recorded in Other assets and Other liabilities, respectively. Fair value of assets related to bifurcated embedded derivatives was zero at both June 30, 2021 and December 31, 2020. Fair value of liabilities related to bifurcated embedded derivatives was \$14.3 billion and \$15.8 billion, respectively, at June 30, 2021 and December 31, 2020. A bifurcated embedded derivative is generally presented with the host contract in the Condensed Consolidated Balance Sheets. Embedded derivatives are primarily related to guarantee features in variable annuity products, which include equity and interest rate components, and the funds withheld arrangement with Fortitude Re. For additional information see Note 7 to the Condensed Consolidated Financial Statements.

COLLATERAL

We engage in derivative transactions that are not subject to a clearing requirement directly with unaffiliated third parties, in most cases, under International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements. Many of the ISDA Master Agreements also include Credit Support Annex provisions, which provide for collateral postings that may vary at various ratings and threshold levels. We attempt to reduce our risk with certain counterparties by entering into agreements that enable collateral to be obtained from a counterparty on an upfront or contingent basis. We minimize the risk that counterparties might be unable to fulfill their contractual obligations by monitoring counterparty credit exposure and collateral value and generally requiring additional collateral to be posted upon the occurrence of certain events or circumstances. In addition, certain derivative transactions have provisions that require collateral to be posted by us upon a downgrade of our long-term debt ratings or give the counterparty the right to terminate the transaction. In the case of some of the derivative transactions, upon a downgrade of our long-term debt ratings, as an alternative to posting collateral and subject to certain conditions, we may assign the transaction to an obligor with higher debt ratings or arrange for a substitute guarantee of our obligations by an obligor with higher debt ratings or take other similar action. The actual amount of collateral required to be posted to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade.

Collateral posted by us to third parties for derivative transactions was \$2.9 billion at June 30, 2021 and \$3.0 billion at December 31, 2020. In the case of collateral posted under derivative transactions that are not subject to clearing, this collateral can generally be repledged or resold by the counterparties. Collateral provided to us from third parties for derivative transactions was \$2.0 billion and \$2.3 billion at June 30, 2021 and December 31, 2020, respectively. In the case of collateral provided to us under derivative transactions that are not subject to clearing, we generally can repledge or resell collateral.

OFFSETTING

We have elected to present all derivative receivables and derivative payables, and the related cash collateral received and paid, on a net basis on our Condensed Consolidated Balance Sheets when a legally enforceable ISDA Master Agreement exists between us and our derivative counterparty. An ISDA Master Agreement is an agreement governing multiple derivative transactions between two counterparties. The ISDA Master Agreement generally provides for the net settlement of all, or a specified group, of these derivative transactions, as well as transferred collateral, through a single payment, and in a single currency, as applicable. The net settlement provisions apply in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions governed by the ISDA Master Agreement.

HEDGE ACCOUNTING

We designated certain derivatives entered into with third parties as fair value hedges of available for sale investment securities held by our insurance subsidiaries. The fair value hedges include foreign currency forwards and cross currency swaps designated as hedges of the change in fair value of foreign currency denominated available for sale securities attributable to changes in foreign exchange rates. We also designated certain interest rate swaps entered into with third parties as fair value hedges of fixed rate GICs attributable to changes in benchmark interest rates.

We use foreign currency denominated debt and cross-currency swaps as hedging instruments in net investment hedge relationships to mitigate the foreign exchange risk associated with our non-U.S. dollar functional currency foreign subsidiaries. For net investment hedge relationships where issued debt is used as a hedging instrument, we assess the hedge effectiveness and measure the amount of ineffectiveness based on changes in spot rates. For net investment hedge relationships that use derivatives as hedging instruments, we assess hedge effectiveness and measure hedge ineffectiveness using changes in forward rates. For the three- and six-month periods ended June 30, 2021, we recognized gains of \$5 million and \$106 million, respectively, and for the three- and six-month periods ended June 30, 2020, we recognized gains of \$3 million and \$102 million, respectively, included in Change in foreign currency translation adjustments in Other comprehensive income related to the net investment hedge relationships.

A qualitative methodology is utilized to assess hedge effectiveness for net investment hedges, while regression analysis is employed for all other hedges.

The following table presents the gain (loss) recognized in income on our derivative instruments in fair value hedging relationships in the Condensed Consolidated Statements of Income (Loss):

(in millions)	Gains/(Losses) Recognized in Income for:			Net Impact
	Hedging Derivatives ^(a)	Excluded Components ^(b)	Hedged Items	
Three Months Ended June 30, 2021				
Interest rate contracts:				
Interest credited to policyholder account balances	\$ (3)	\$ -	\$ 1	(2)
Net investment income	(1)	-	-	(1)
Foreign exchange contracts:				
Net realized gains/(losses)	(36)	107	36	107
Three Months Ended June 30, 2020				
Interest rate contracts:				
Interest credited to policyholder account balances	\$ 1	\$ -	\$ (3)	(2)
Net investment income	(4)	-	3	(1)
Foreign exchange contracts:				
Net realized gains/(losses)	(132)	(76)	132	(76)
Six Months Ended June 30, 2021				
Interest rate contracts:				
Interest credited to policyholder account balances	\$ (7)	\$ -	\$ 7	-
Net investment income	7	-	(7)	-
Foreign exchange contracts:				
Net realized gains/(losses)	(4)	78	4	78
Six Months Ended June 30, 2020				
Interest rate contracts:				
Interest credited to policyholder account balances	\$ 18	\$ -	\$ (20)	(2)
Net investment income	(7)	-	6	(1)
Foreign exchange contracts:				
Net realized gains/(losses)	173	205	(173)	205

(a) Gains and losses on derivative instruments designated and qualifying in fair value hedges that are included in the assessment of hedge effectiveness.

(b) Gains and losses on derivative instruments designated and qualifying in fair value hedges that are excluded from the assessment of hedge effectiveness and recognized in earnings on a mark-to-market basis.

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The following table presents the effect of derivative instruments not designated as hedging instruments in the Condensed Consolidated Statements of Income (Loss):

(in millions)	Gains (Losses) Recognized in Income			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
By Derivative Type:				
Interest rate contracts	\$ 856	\$ (7)	\$ (689)	\$ 2,566
Foreign exchange contracts	48	(124)	(39)	901
Equity contracts	(32)	(471)	(551)	632
Commodity contracts	1	-	1	-
Credit contracts	(4)	(66)	(9)	56
Other contracts	17	16	32	26
Embedded derivatives	(3,242)	(1,774)	1,597	(2,826)
Total	\$ (2,356)	\$ (2,426)	\$ 342	\$ 1,355
By Classification:				
Policy fees	\$ 15	\$ 15	\$ 30	\$ 30
Net investment income	7	(1)	(5)	(3)
Net realized gains (losses) - excluding Fortitude Re funds withheld assets	(388)	(1,579)	52	2,173
Net realized gains (losses) on Fortitude Re funds withheld assets ^(a)	(1,996)	(863)	269	(863)
Policyholder benefits and claims incurred	6	2	(4)	18
Total	\$ (2,356)	\$ (2,426)	\$ 342	\$ 1,355

(a) Includes over-the-counter derivatives supporting the funds withheld arrangements with Fortitude Re and the embedded derivative contained within the funds withheld payable with Fortitude Re.

CREDIT RISK-RELATED CONTINGENT FEATURES

We estimate that at June 30, 2021, based on our outstanding financial derivative transactions, a downgrade of our long-term senior debt ratings to BBB or BBB- by Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc., and/or a downgrade to Baa2 or Baa3 by Moody's Investors' Service, Inc. would permit counterparties to make additional collateral calls and permit certain counterparties to elect early termination of contracts, resulting in corresponding collateral postings and termination payments in the total amount of up to approximately \$41 million. The aggregate fair value of our derivatives that were in a net liability position and that contain such credit risk-related contingencies which can be triggered below our long-term senior debt ratings of BBB+ or Baa1 was approximately \$223 million and \$257 million at June 30, 2021 and December 31, 2020, respectively. The aggregate fair value of assets posted as collateral under these contracts at June 30, 2021 and December 31, 2020, was approximately \$244 million and \$306 million, respectively.

HYBRID SECURITIES WITH EMBEDDED CREDIT DERIVATIVES

We invest in hybrid securities (such as credit-linked notes) with the intent of generating income and not specifically to acquire exposure to embedded derivative risk. As is the case with our other investments in RMBS, CMBS, CDOs and ABS, our investments in these hybrid securities are exposed to losses only up to the amount of our initial investment in the hybrid security. Other than our initial investment in the hybrid securities, we have no further obligation to make payments on the embedded credit derivatives in the related hybrid securities.

We elect to account for our investments in these hybrid securities with embedded written credit derivatives at fair value, with changes in fair value recognized in Net investment income and Other income. Our investments in these hybrid securities are reported as Other bond securities in the Condensed Consolidated Balance Sheets. The fair values of these hybrid securities were \$2.2 billion and \$2.4 billion at June 30, 2021 and December 31, 2020, respectively. These securities have par amounts of \$4.8 billion and \$5.0 billion at June 30, 2021 and December 31, 2020, respectively, and have remaining stated maturity dates that extend to 2052.

10. Insurance Liabilities

LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LOSS RESERVES)

Loss reserves represent the accumulation of estimates of unpaid claims, including estimates for claims incurred but not reported and loss adjustment expenses, less applicable discount. We regularly review and update the methods used to determine loss reserve estimates. Any adjustments resulting from this review are reflected currently in pre-tax income, except to the extent such adjustment impacts a deferred gain under a retroactive reinsurance agreement, in which case the ceded portion would be amortized into pre-tax income in subsequent periods. Because these estimates are subject to the outcome of future events, changes in estimates are common given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Given the uncertainties around the impact from the COVID-19 crisis, including the significant global economic slowdown, the full impact of COVID-19 and how it may ultimately impact the results of our insurance operations remains uncertain. In addition, in response to the crisis, new governmental, legislative and regulatory initiatives have been put in place and continue to be developed that could result in additional restrictions and requirements relating to our policies that may have a negative impact on our business operations. We have recorded our estimate of the ultimate liability for losses that have occurred as of the balance sheet date associated with COVID-19 which reflects our expectations given the current facts and circumstances. We will continue to monitor and review the impact. Reserve changes that increase previous estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease previous estimates of ultimate cost are referred to as favorable development.

Our gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately \$12.5 billion and \$12.6 billion at June 30, 2021 and December 31, 2020, respectively. These recoverable amounts are related to certain policies with high deductibles (in excess of high dollar amounts retained by the insured through self-insured retentions, deductibles, retrospective programs, or captive arrangements, each referred to generically as “deductibles”), primarily for U.S. Commercial casualty business. With respect to the deductible portion of the claim, we manage and pay the entire claim on behalf of the insured and are reimbursed by the insured for the deductible portion of the claim. Thus, these recoverable amounts represent a credit exposure to us. At both June 30, 2021 and December 31, 2020, we held collateral of approximately \$9.3 billion and \$9.2 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and funded trust agreements. Allowance for credit losses for the unsecured portion of these recoverable amounts was \$14 million at both June 30, 2021 and December 31, 2020.

The following table presents the rollforward of activity in Loss Reserves:

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2021	2020	June 30, 2021	2020
Liability for unpaid loss and loss adjustment expenses, beginning of period	\$ 78,832	\$ 77,747	\$ 77,720	\$ 78,328
Reinsurance recoverable	(35,271)	(31,114)	(34,431)	(31,069)
Initial allowance upon CECL adoption	-	-	-	164
Net Liability for unpaid loss and loss adjustment expenses, beginning of period	43,561	46,633	43,289	47,423
Losses and loss adjustment expenses incurred:				
Current year	3,870	4,248	7,795	8,359
Prior years, excluding discount and amortization of deferred gain	(29)	(25)	(13)	(26)
Prior years, discount charge (benefit)	34	34	16	110
Prior years, amortization of deferred gain on retroactive reinsurance ^(a)	(22)	(76)	(94)	(151)
Total losses and loss adjustment expenses incurred	3,853	4,181	7,704	8,292
Losses and loss adjustment expenses paid:				
Current year	(895)	(910)	(1,223)	(1,252)
Prior years	(2,620)	(3,790)	(6,204)	(8,141)
Total losses and loss adjustment expenses paid	(3,515)	(4,700)	(7,427)	(9,393)
Other changes:				
Foreign exchange effect	113	(39)	357	(269)
Allowance for credit losses	-	-	-	-
Retroactive reinsurance adjustment (net of discount) ^(b)	103	138	192	160
Fortitude sale ^(c)	-	(3,818)	-	(3,818)
Total other changes	216	(3,719)	549	(3,927)
Liability for unpaid loss and loss adjustment expenses, end of period:				
Net liability for unpaid losses and loss adjustment expenses	44,115	42,395	44,115	42,395
Reinsurance recoverable	34,866	35,458	34,866	35,458
Total	\$ 78,981	\$ 77,853	\$ 78,981	\$ 77,853

(a) Includes \$1 million and \$11 million for the retroactive reinsurance agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc. (Berkshire), covering U.S. asbestos exposures for the three-month periods ended June 30, 2021 and 2020, respectively, and \$18 million and \$19 million for the six-month periods ended June 30, 2021 and 2020, respectively.

(b) Includes benefit (charge) from change in discount on retroactive reinsurance in the amount of \$17 million and \$(14) million for the three-month periods ended June 30, 2021 and 2020, respectively, and \$56 million and \$58 million for the six-month periods ended June 30, 2021 and 2020, respectively.

(c) On June 2, 2020, AIG completed the Majority Interest Fortitude Sale. Concurrent with the Majority Interest Fortitude Sale, AIG established a reinsurance recoverable. Refer to Note 1 for additional information.

On January 20, 2017, we entered into an adverse development reinsurance agreement with NICO, under which we transferred to NICO 80 percent of the reserve risk on substantially all of our U.S. commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of the paid losses on subject business paid on or after January 1, 2016 in excess of \$25 billion of net paid losses, up to an aggregate limit of \$25 billion. At NICO's 80 percent share, NICO's limit of liability under the contract is \$20 billion. We account for this transaction as retroactive reinsurance. We paid total consideration, including interest, of \$10.2 billion. The consideration was placed into a collateral trust account as security for NICO's claim payment obligations, and Berkshire has provided a parental guarantee to secure the obligations of NICO under the agreement.

Prior Year Development

During the three-month period ended June 30, 2021, we recognized favorable prior year loss reserve development of \$29 million excluding discount and amortization of deferred gain. During the six-month period ended June 30, 2021, we recognized favorable prior year loss reserve development of \$13 million excluding discount and amortization of deferred gain. The development in these periods was primarily driven by favorable development on U.S. Workers Compensation high deductible business, partially offset by adverse development on runoff companies, especially Blackboard and U.S. Financial Lines. U.S. Workers Compensation favorable development was driven by better than expected loss emergence for many older accident years over the last twelve months and an updated reserve analysis that reduced the ultimate loss estimates for many accident years. Blackboard adverse emergence was driven by significant increases in case incurred claim severity, principally in accident years 2018 to 2020.

During the three-month period ended June 30, 2020, we recognized favorable prior year loss reserve development of \$25 million excluding discount and amortization of deferred gain. The development was primarily driven by favorable development on International Property and Special Risks and U.S. Workers Compensation partially offset by adverse development on U.S. Property and discontinued program business.

During the six-month period ended June 30, 2020, we recognized favorable prior year loss reserve development of \$26 million excluding discount and amortization of deferred gain. The development was primarily driven by favorable development on International Property and Special Risks and U.S. Workers Compensation partially offset by adverse development on U.S. Property, discontinued program business and U.S. Personal Lines.

Discounting of Loss Reserves

At June 30, 2021 and December 31, 2020, the loss reserves reflect a net loss reserve discount of \$791 million and \$725 million, respectively, including tabular and non-tabular calculations based upon the following assumptions:

- The non-tabular workers' compensation discount is calculated separately for companies domiciled in New York, Pennsylvania and Delaware, and follows the statutory regulations (prescribed or permitted) for each state.
 - For New York companies, the discount is based on a 5 percent interest rate and the companies' own payout patterns.
 - The Pennsylvania and Delaware regulators approved use of a consistent discount rate (U.S. Treasury rate plus a liquidity premium) to all of our workers' compensation reserves in our Pennsylvania domiciled and Delaware domiciled companies, as well as our use of updated payout patterns specific to our primary and excess workers compensation portfolios. In 2020, the regulators also approved that the discount rate will be updated on an annual basis.
- The tabular workers' compensation discount is calculated based on the mortality rate used in the 2007 U.S. Life table and interest rates prescribed or permitted by each state (i.e. New York is based on 5 percent interest rate and Pennsylvania and Delaware are based on U.S. Treasury plus liquidity rate).

The discount for asbestos reserves has been fully accreted.

At June 30, 2021 and December 31, 2020, the discount consists of \$303 million and \$285 million of tabular discount, respectively, and \$488 million and \$440 million of non-tabular discount for workers' compensation, respectively. During the six-month periods ended June 30, 2021 and 2020, the benefit / (charge) from changes in discount of \$10 million and \$(72) million, respectively, were recorded as part of the policyholder benefits and losses incurred in the Condensed Consolidated Statements of Income (Loss).

The following table presents the components of the loss reserve discount discussed above:

	June 30, 2021			December 31, 2020		
	North America Commercial Insurance	Other Operations Run-Off ^(b)	Total	North America Commercial Insurance	Other Operations Run-Off ^(b)	Total
<i>(in millions)</i>						
U.S. workers' compensation	\$ 1,646	\$ -	\$ 1,646	\$ 1,636	\$ -	\$ 1,636
Retroactive reinsurance	(855)	-	(855)	(911)	-	(911)
Total reserve discount^(a)	\$ 791	\$ -	\$ 791	\$ 725	\$ -	\$ 725

(a) Excludes \$159 million and \$151 million of discount related to certain long tail liabilities in the UK at June 30, 2021 and December 31, 2020, respectively.

(b) Excludes \$508 million and \$493 million, respectively, of discount which was 100 percent ceded to Fortitude Re at June 30, 2021 and December 31, 2020. On June 2, 2020, we completed the Majority Interest Fortitude Sale. For additional information see Note 1 to the Condensed Consolidated Financial Statements.

The following table presents the net loss reserve discount benefit (charge):

Three Months Ended June 30,	2021			2020		
	North America Commercial Insurance	Other Operations Run-Off	Total	North America Commercial Insurance	Other Operations Run-Off ^(d)	Total
<i>(in millions)</i>						
Current accident year	\$ 12	\$ -	\$ 12	\$ 18	\$ -	\$ 18
Accretion and other adjustments to prior year discount	(34)	-	(34)	(25)	(9)	(34)
Effect of interest rate changes	-	-	-	-	-	-
Net reserve discount benefit (charge)^(a)	(22)	-	(22)	(7)	(9)	(16)
Change in discount on loss reserves ceded under retroactive reinsurance	17	-	17	(14)	-	(14)
Net change in total reserve discount^(b)	\$ (5)	\$ -	\$ (5)	\$ (21)	\$ (9)	\$ (30)
Six Months Ended June 30,	2021			2020		
	North America Commercial Insurance	Other Operations Run-Off	Total	North America Commercial Insurance	Other Operations Run-Off ^(d)	Total
<i>(in millions)</i>						
Current accident year	\$ 26	\$ -	\$ 26	\$ 38	\$ -	\$ 38
Accretion and other adjustments to prior year discount	(16)	-	(16)	(92)	(18)	(110)
Effect of interest rate changes	-	-	-	-	-	-
Net reserve discount benefit (charge)^(a)	10	-	10	(54)	(18)	(72)
Change in discount on loss reserves ceded under retroactive reinsurance	56	-	56	58	-	58
Net change in total reserve discount^(c)	\$ 66	\$ -	\$ 66	\$ 4	\$ (18)	\$ (14)

(a) For the three- and six-month periods ended June 30, 2021 and June 30, 2020, the changes in net reserve discount benefit (charge) were primarily driven by accretion and changes to nominal reserves.

(b) Excludes \$2 million and \$(6) million discount related to certain long tail liabilities in the UK for the three-month periods ended June 30, 2021 and 2020, respectively.

(c) Excludes \$9 million and \$(8) million discount related to certain long tail liabilities in the UK for the six-month periods ended June 30, 2021 and 2020, respectively.

(d) On June 2, 2020, we completed the Majority Interest Fortitude Sale. Refer to Note 1 for additional information. Change in discount prior to the sale is included in the above for the three- and six-month periods ended June 30, 2020. Following the sale, 100 percent of the discount is ceded to Fortitude Re.

Amortization of Deferred Gain on Retroactive Reinsurance

Amortization of deferred gain on retroactive reinsurance includes \$21 million and \$65 million related to the adverse development reinsurance cover with NICO for the three-month periods ended June 30, 2021 and 2020, respectively, and \$76 million and \$132 million for the six-month periods ended June 30, 2021 and 2020, respectively.

Amounts recognized reflect the amortization of deferred gain at inception, as amended for subsequent changes in the deferred gain due to changes in subject reserves.

11. Contingencies, Commitments and Guarantees

In the normal course of business, various contingent liabilities and commitments are entered into by AIG and our subsidiaries. In addition, AIG Parent guarantees various obligations of certain subsidiaries.

Although AIG cannot currently quantify its ultimate liability for unresolved litigation and investigation matters, including those referred to below, it is possible that such liability could have a material adverse effect on AIG's consolidated financial condition or its consolidated results of operations or consolidated cash flows for an individual reporting period.

LEGAL CONTINGENCIES

Overview

In the normal course of business, AIG and our subsidiaries are subject to regulatory and government investigations and actions, and litigation and other forms of dispute resolution in a large number of proceedings pending in various domestic and foreign jurisdictions. Certain of these matters involve potentially significant risk of loss due to potential for significant jury awards and settlements, punitive damages or other penalties. Many of these matters are also highly complex and may seek recovery on behalf of a class or similarly large number of plaintiffs. It is therefore inherently difficult to predict the size or scope of potential future losses arising from these matters. In our insurance and reinsurance operations, litigation and arbitration concerning the scope of coverage under insurance and reinsurance contracts, and litigation and arbitration in which our subsidiaries defend or indemnify their insureds under insurance contracts, are generally considered in the establishment of our loss reserves. Separate and apart from the foregoing matters involving insurance and reinsurance coverage, AIG, our subsidiaries and their respective officers and directors are subject to a variety of additional types of legal proceedings brought by holders of AIG securities, customers, employees and others, alleging, among other things, breach of contractual or fiduciary duties, bad faith, indemnification and violations of federal and state statutes and regulations. With respect to these other categories of matters not arising out of claims for insurance or reinsurance coverage, we establish reserves for loss contingencies when it is probable that a loss will be incurred and the amount of the loss can be reasonably estimated. In many instances, we are unable to determine whether a loss is probable or to reasonably estimate the amount of such a loss and, therefore, the potential future losses arising from legal proceedings may exceed the amount of liabilities that we have recorded in our financial statements covering these matters. While such potential future charges could be material, based on information currently known to management, management does not believe, other than as may be discussed below, that any such charges are likely to have a material adverse effect on our financial position or results of operation.

Additionally, from time to time, various regulatory and governmental agencies review the transactions and practices of AIG and our subsidiaries in connection with industry-wide and other inquiries or examinations into, among other matters, the business practices of current and former operating insurance subsidiaries. Such investigations, inquiries or examinations could develop into administrative, civil or criminal proceedings or enforcement actions, in which remedies could include fines, penalties, restitution or alterations in our business practices, and could result in additional expenses, limitations on certain business activities and reputational damage.

Tax Litigation

We were party to tax litigation before the Southern District of New York (Southern District), which was dismissed by the Southern District in October 2020 based upon the settlement reached between AIG and the government. *For additional information see Note 15 to the Condensed Consolidated Financial Statements.*

OTHER COMMITMENTS

In the normal course of business, we enter into commitments to invest in limited partnerships, private equity funds and hedge funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled \$6.7 billion at June 30, 2021.

GUARANTEES

Subsidiaries

We have issued unconditional guarantees with respect to the prompt payment, when due, of all present and future payment obligations and liabilities of AIG Financial Products Corp. and related subsidiaries (collectively AIGFP) and of AIG Markets, Inc. arising from transactions entered into by AIG Markets, Inc.

In connection with AIGFP's business activities, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors of structured leasing transactions in an amount equal to the termination value owing to the equity investor by the lessee in the event of a lessee default (the equity termination value). The total amount outstanding at June 30, 2021 was \$75 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

AIG Parent files a consolidated federal income tax return with certain subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service (IRS). AIG Parent and its subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Under an Amended and Restated Tax Payment Allocation Agreement dated June 6, 2011 between AIG Parent and one of its Bermuda-domiciled insurance subsidiaries, AIG Life of Bermuda, Ltd. (AIGB), AIG Parent has agreed to indemnify AIGB for any tax liability (including interest and penalties) resulting from adjustments made by the IRS or other appropriate authorities to taxable income, special deductions or credits in connection with investments made by AIGB in certain affiliated entities.

Asset Dispositions

We are subject to financial guarantees and indemnity arrangements in connection with the completed sales of businesses. The various arrangements may be triggered by, among other things, declines in asset values, the occurrence of specified business contingencies, the realization of contingent liabilities, developments in litigation or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential obligation is subject to contractual limitations, while in other cases such limitations are not specified or are not applicable. The Majority Interest Fortitude Sale was subject to a post-closing purchase price adjustment pursuant to which AIG would pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur through December 31, 2023, up to a maximum of \$500 million. Effective in the second quarter of 2021, AIG, Fortitude Holdings, Carlyle FRL, T&D and Carlyle amended the purchase agreement to finalize the post-closing purchase price adjustment for adverse reserve development. As a result of this amendment, during the three months ended June 30, 2021, AIG recorded a \$21 million benefit through Policyholder benefits and losses incurred and eliminated further net exposure to adverse development on the reserves ceded to Fortitude Re.

We are unable to develop a reasonable estimate of the maximum potential payout under certain of these arrangements. Overall, we believe the likelihood that we will have to make any material payments related to completed sales under these arrangements is remote, and no material liabilities related to these arrangements have been recorded in the Condensed Consolidated Balance Sheets.

For additional discussion on the Fortitude Re transaction, see Note 1 to the Condensed Consolidated Financial Statements.

Other

- *For additional discussion on commitments and guarantees associated with VIEs, see Note 8 to the Condensed Consolidated Financial Statements.*
- *For additional disclosures about derivatives, see Note 9 to the Condensed Consolidated Financial Statements.*

12. Equity

SHARES OUTSTANDING

Preferred Stock

On March 14, 2019, we issued 20,000 shares of Series A 5.85% Non-Cumulative Perpetual Preferred Stock (Series A Preferred Stock) (equivalent to 20,000,000 Depositary Shares, each representing a 1/1,000th interest in a share of Series A Preferred Stock), \$5.00 par value and \$25,000 liquidation preference per share (equivalent to \$25 per Depositary Share). After underwriting discounts and expenses, we received net proceeds of approximately \$485 million.

The following table presents declaration date, record date, payment date and dividends paid per preferred share and per depositary share on the Series A Preferred Stock in the six months ended June 30, 2021 and 2020:

Declaration Date	Record Date	Payment Date	Dividends Paid	
			Per Preferred Share	Per Depositary Share
May 6, 2021	May 31, 2021	June 15, 2021	\$ 365.625	\$ 0.365625
February 16, 2021	February 26, 2021	March 15, 2021	365.625	0.365625
May 4, 2020	May 29, 2020	June 15, 2020	\$ 365.625	0.365625
February 12, 2020	February 28, 2020	March 16, 2020	365.625	0.365625

Common Stock

The following table presents a rollforward of outstanding shares:

Six Months Ended June 30, 2021	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Shares, beginning of year	1,906,671,492	(1,045,113,443)	861,558,049
Shares issued	-	6,015,808	6,015,808
Shares repurchased	-	(12,645,927)	(12,645,927)
Shares, end of period	1,906,671,492	(1,051,743,562)	854,927,930

Dividends

Dividends are payable on AIG Common Stock only when, as and if declared by our Board of Directors in its discretion, from funds legally available for this purpose. In considering whether to pay a dividend on or purchase shares of AIG Common Stock, our Board of Directors considers a number of factors, including, but not limited to: the capital resources available to support our insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant. The payment of dividends is also subject to the terms of AIG's outstanding Series A Preferred Stock, pursuant to which no dividends may be declared or paid on any AIG Common Stock unless the full dividends for the latest completed dividend period on all outstanding shares of Series A Preferred Stock have been declared and paid or provided for.

The following table presents declaration date, record date, payment date and dividends paid per common share on AIG Common Stock in the six months ended June 30, 2021 and 2020:

Declaration Date	Record Date	Payment Date	Dividends Paid	
			Per Common Share	Per Common Share
May 6, 2021	June 15, 2021	June 29, 2021	\$	0.32
February 16, 2021	March 16, 2021	March 30, 2021		0.32
May 4, 2020	June 15, 2020	June 29, 2020	\$	0.32
February 12, 2020	March 16, 2020	March 30, 2020		0.32

For a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries see Note 19 to the Consolidated Financial Statements in the 2020 Annual Report.

Repurchase of AIG Common Stock

The following table presents repurchases of AIG Common Stock:

Six Months Ended June 30, <i>(in millions)</i>	2021		2020	
Aggregate repurchases of common stock	\$	592	\$	500
Total number of common shares repurchased		13		12
Aggregate repurchases of warrants	\$	-	\$	-
Total number of warrants repurchased		-		-

Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Securities Exchange Act of 1934 (Exchange Act) Rule 10b5-1 repurchase plans.

Our warrants to purchase shares of AIG Common Stock expired on January 19, 2021. In February 2020, we executed an accelerated stock repurchase (ASR) agreement with a third-party financial institution. The total number of shares of AIG Common Stock repurchased in the six months ended June 30, 2020, and the aggregate purchase price of those shares, reflect our payment of \$500 million in the aggregate under the ASR agreement and the receipt of approximately 12 million shares of AIG Common Stock in the aggregate. In the six months ended June 30, 2021, we repurchased approximately 13 million shares of AIG Common Stock for an aggregate purchase price of approximately \$592 million pursuant to Exchange Act Rule 10b5-1 repurchase plans. Approximately \$92 million of these share repurchases were funded with proceeds received from warrant exercises that occurred prior to the expiration of warrants to purchase shares of AIG Common Stock on January 19, 2021.

The timing of any future repurchases will depend on market conditions, our business and strategic plans, financial condition, results of operations, liquidity and other factors. The repurchase of AIG Common Stock is also subject to the terms of AIG's outstanding Series A Preferred Stock, pursuant to which AIG may not (other than in limited circumstances) purchase, redeem or otherwise acquire AIG Common Stock unless the full dividends for the latest completed dividend period on all outstanding shares of Series A Preferred Stock have been declared and paid or provided for.

For further discussion on the repurchases of AIG Common Stock see Note 16 to the Condensed Consolidated Financial Statement.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents a rollforward of Accumulated other comprehensive income (loss):

<i>(in millions)</i>		Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Allowance for Credit Losses Was Taken		Unrealized Appreciation (Depreciation) of All Other Investments		Foreign Currency Translation Adjustments		Retirement Plan Liabilities Adjustment		Fair Value of Liabilities Under Fair Value Option Attributable to Changes in Own Credit Risk		Total
Balance, March 31, 2021, net of tax	\$	(62)	\$	9,894	\$	(2,142)	\$	(1,231)	\$	7	\$	6,466
Change in unrealized appreciation of investments		10		5,836		-		-		-		5,846
Change in deferred policy acquisition costs adjustment and other		(2)		(691)		-		-		-		(693)
Change in future policy benefits		-		(378)		-		-		-		(378)
Change in foreign currency translation adjustments		-		-		25		-		-		25
Change in net actuarial loss		-		-		-		12		-		12
Change in prior service cost		-		-		-		2		-		2
Change in deferred tax liability		(4)		(1,057)		(11)		-		-		(1,072)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk		-		-		-		-		-		-
Total other comprehensive income		4		3,710		14		14		-		3,742
Noncontrolling interests		-		(1)		-		-		-		(1)
Balance, June 30, 2021, net of tax	\$	(58)	\$	13,605	\$	(2,128)	\$	(1,217)	\$	7	\$	10,209
Balance, December 31, 2020, net of tax	\$	(95)	\$	17,093	\$	(2,267)	\$	(1,228)	\$	8	\$	13,511
Change in unrealized appreciation (depreciation) of investments		51		(5,854)		-		-		-		(5,803)
Change in deferred policy acquisition costs adjustment and other		(4)		702		-		-		-		698
Change in future policy benefits		-		767		-		-		-		767
Change in foreign currency translation adjustments		-		-		195		-		-		195
Change in net actuarial loss		-		-		-		11		-		11
Change in prior service cost		-		-		-		4		-		4
Change in deferred tax asset (liability)		(10)		896		(56)		(4)		-		826
Change in fair value of liabilities under fair value option attributable to changes in own credit risk		-		-		-		-		(1)		(1)
Total other comprehensive income (loss)		37		(3,489)		139		11		(1)		(3,303)
Noncontrolling interests		-		(1)		-		-		-		(1)
Balance, June 30, 2021, net of tax	\$	(58)	\$	13,605	\$	(2,128)	\$	(1,217)	\$	7	\$	10,209

<i>(in millions)</i>	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Allowance for Credit Losses Was Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Fair Value of Liabilities Under Fair Value Option Attributable to Changes in Own Credit Risk	Total
Balance, March 31, 2020, net of tax	\$ (359)	\$ 3,190	\$ (2,706)	\$ (1,129)	\$ 10	\$ (994)
Change in unrealized appreciation of investments	171	13,786	-	-	-	13,957
Change in deferred policy acquisition costs adjustment and other	(11)	(1,736)	-	-	-	(1,747)
Change in future policy benefits	-	662	-	-	-	662
Change in foreign currency translation adjustments	-	-	(59)	-	-	(59)
Change in net actuarial loss	-	-	-	12	-	12
Change in prior service cost	-	-	-	-	-	-
Change in deferred tax liability	(34)	(2,630)	(2)	(3)	-	(2,669)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	(2)	(2)
Total other comprehensive income (loss)	126	10,082	(61)	9	(2)	10,154
Noncontrolling interests	-	(9)	-	-	-	(9)
Balance, June 30, 2020, net of tax	\$ (233)	\$ 13,281	\$ (2,767)	\$ (1,120)	\$ 8	\$ 9,169
Balance, December 31, 2019, net of tax	\$ -	\$ 8,722	\$ (2,625)	\$ (1,122)	\$ 7	\$ 4,982
Change in unrealized appreciation (depreciation) of investments	(313)	3,815	-	-	-	3,502
Change in deferred policy acquisition costs adjustment and other	19	(359)	-	-	-	(340)
Change in future policy benefits	-	2,334	-	-	-	2,334
Change in foreign currency translation adjustments	-	-	(128)	-	-	(128)
Change in net actuarial loss	-	-	-	16	-	16
Change in prior service credit	-	-	-	(1)	-	(1)
Change in deferred tax asset (liability)	61	(1,250)	(18)	(13)	-	(1,220)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	1	1
Total other comprehensive income (loss)	(233)	4,540	(146)	2	1	4,164
Noncontrolling interests	-	(19)	(4)	-	-	(23)
Balance, June 30, 2020, net of tax	\$ (233)	\$ 13,281	\$ (2,767)	\$ (1,120)	\$ 8	\$ 9,169

The following table presents the other comprehensive income (loss) reclassification adjustments for the three- and six-month periods ended June 30, 2021 and 2020, respectively:

<i>(in millions)</i>	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Allowance for Credit Losses Was Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Fair Value of Liabilities Under Fair Value Option Attributable to Changes in Own Credit Risk	Total
Three Months Ended June 30, 2021						
Unrealized change arising during period	\$ 4	\$ 4,906	\$ 25	\$ 3	\$ -	\$ 4,938
Less: Reclassification adjustments included in net income	(4)	139	-	(11)	-	124
Total other comprehensive income, before income tax expense	8	4,767	25	14	-	4,814
Less: Income tax expense	4	1,057	11	-	-	1,072
Total other comprehensive income, net of income tax expense	\$ 4	\$ 3,710	\$ 14	\$ 14	\$ -	\$ 3,742
Six Months Ended June 30, 2021						
Unrealized change arising during period	\$ 41	\$ (3,855)	\$ 195	\$ (8)	\$ (1)	\$ (3,628)
Less: Reclassification adjustments included in net income	(6)	530	-	(23)	-	501
Total other comprehensive income (loss), before income tax expense (benefit)	47	(4,385)	195	15	(1)	(4,129)
Less: Income tax expense (benefit)	10	(896)	56	4	-	(826)
Total other comprehensive income (loss), net of income tax expense (benefit)	\$ 37	\$ (3,489)	\$ 139	\$ 11	\$ (1)	\$ (3,303)
Three Months Ended June 30, 2020						
Unrealized change arising during period	\$ 157	\$ 12,864	\$ (59)	\$ 1	\$ (2)	\$ 12,961
Less: Reclassification adjustments included in net income	(3)	152	-	(11)	-	138
Total other comprehensive income (loss), before income tax expense	160	12,712	(59)	12	(2)	12,823
Less: Income tax expense	34	2,630	2	3	-	2,669
Total other comprehensive income (loss), net of income tax expense	\$ 126	\$ 10,082	\$ (61)	\$ 9	\$ (2)	\$ 10,154
Six Months Ended June 30, 2020						
Unrealized change arising during period	\$ (297)	\$ 6,156	\$ (128)	\$ (6)	\$ 1	\$ 5,726
Less: Reclassification adjustments included in net income	(3)	366	-	(21)	-	342
Total other comprehensive income (loss), before income tax expense (benefit)	(294)	5,790	(128)	15	1	5,384
Less: Income tax expense (benefit)	(61)	1,250	18	13	-	1,220
Total other comprehensive income (loss), net of income tax expense (benefit)	\$ (233)	\$ 4,540	\$ (146)	\$ 2	\$ 1	\$ 4,164

The following table presents the effect of the reclassification of significant items out of AOCI on the respective line items in the Condensed Consolidated Statements of Income (Loss):

<i>(in millions)</i>	Amount Reclassified from AOCI		Affected Line Item in the Condensed Consolidated Statements of Income (Loss)
	Three Months Ended June 30,		
	2021	2020	
Unrealized appreciation (depreciation) of fixed maturity securities on which allowance for credit losses was taken			
Investments	\$ (4)	\$ (3)	Net realized gains
Total	(4)	(3)	
Unrealized appreciation (depreciation) of all other investments			
Investments	139	152	Net realized gains
Total	139	152	
Change in retirement plan liabilities adjustment			
Prior-service credit	(1)	(1)	*
Actuarial losses	(10)	(10)	*
Total	(11)	(11)	
Total reclassifications for the period	\$ 124	\$ 138	

<i>(in millions)</i>	Amount Reclassified from AOCI		Affected Line Item in the Condensed Consolidated Statements of Income (Loss)
	Six Months Ended June 30,		
	2021	2020	
Unrealized appreciation (depreciation) of fixed maturity securities on which allowance for credit losses was taken			
Investments	\$ (6)	\$ (3)	Net realized gains
Total	(6)	(3)	
Unrealized appreciation (depreciation) of all other investments			
Investments	530	366	Net realized gains
Total	530	366	
Change in retirement plan liabilities adjustment			
Prior-service credit	(2)	(1)	*
Actuarial losses	(21)	(20)	*
Total	(23)	(21)	
Total reclassifications for the period	\$ 501	\$ 342	

* These AOCI components are included in the computation of net periodic pension cost. For additional information see Note 14 to the Condensed Consolidated Financial Statements.

13. Earnings Per Common Share (EPS)

The basic EPS computation is based on the weighted average number of common shares outstanding, adjusted to reflect all stock dividends and stock splits. The diluted EPS computation is based on those shares used in the basic EPS computation plus common shares that would have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding and adjusted to reflect all stock dividends and stock splits.

The following table presents the computation of basic and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(dollars in millions, except per common share data)</i>				
Numerator for EPS:				
Income (loss) from continuing operations	\$ 150	\$ (7,765)	\$ 4,080	\$ (6,111)
Less: Net income from continuing operations attributable to noncontrolling interests	51	162	105	67
Less: Preferred stock dividends	8	8	15	15
Income (loss) attributable to AIG common shareholders from continuing operations	91	(7,935)	3,960	(6,193)
Loss from discontinued operations, net of income tax expense	-	(1)	-	(1)
Net income (loss) attributable to AIG common shareholders	\$ 91	\$ (7,936)	\$ 3,960	\$ (6,194)
Denominator for EPS:				
Weighted average common shares outstanding — basic	862,930,931	866,968,305	865,508,343	870,590,968
Dilutive common shares	9,946,372	-	9,057,937	-
Weighted average common shares outstanding — diluted ^{(a)(b)}	872,877,303	866,968,305	874,566,280	870,590,968
Income (loss) per common share attributable to AIG common shareholders:				
Basic:				
Income (loss) from continuing operations	\$ 0.11	\$ (9.15)	\$ 4.58	\$ (7.11)
Income (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ -
Income (loss) attributable to AIG common shareholders	\$ 0.11	\$ (9.15)	\$ 4.58	\$ (7.11)
Diluted:				
Income (loss) from continuing operations	\$ 0.11	\$ (9.15)	\$ 4.53	\$ (7.11)
Income (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ -
Income (loss) attributable to AIG common shareholders	\$ 0.11	\$ (9.15)	\$ 4.53	\$ (7.11)

(a) For the three- and six-month periods ended June 30, 2020, because we reported net losses attributable to AIG common shareholders, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. The number of common shares excluded from the calculation was 3,226,882 shares and 3,939,732 shares, respectively, for the three- and six-month periods ended June 30, 2020.

(b) Dilutive common shares include our share-based employee compensation plans and a weighted average portion of the 10-year warrants issued to AIG shareholders as part of AIG's recapitalization in January 2011, which expired in January 2021. The number of common shares excluded from diluted shares outstanding was 5.5 million and 7.4 million for the three- and six-month periods ended June 30, 2021, respectively, and 68.6 million and 67.9 million for the three- and six-month periods ended June 30, 2020, respectively, because the effect of including those common shares in the calculation would have been anti-dilutive.

For information about our repurchases of AIG Common Stock see Note 12 to the Condensed Consolidated Financial Statements.

14. Employee Benefits

We sponsor various defined benefit plans for eligible employees and retirees in the U.S. and certain non-U.S. countries.

The following table presents the components of net periodic benefit cost (credit) with respect to pension benefits:

<i>(in millions)</i>	Pension		Total
	U.S. Plans	Non-U.S. Plans	
Three Months Ended June 30, 2021			
Components of net periodic benefit cost:			
Service cost	\$ 1	\$ 6	\$ 7
Interest cost	23	2	25
Expected return on assets	(61)	(5)	(66)
Amortization of prior service cost	-	1	1
Amortization of net loss	8	1	9
Net periodic benefit cost (credit)	\$ (29)	\$ 5	\$ (24)
Three Months Ended June 30, 2020			
Components of net periodic benefit cost:			
Service cost	\$ 2	\$ 5	\$ 7
Interest cost	33	2	35
Expected return on assets	(59)	(5)	(64)
Amortization of prior service cost	-	1	1
Amortization of net loss	8	2	10
Net periodic benefit cost (credit)	\$ (16)	\$ 5	\$ (11)
Six Months Ended June 30, 2021			
Components of net periodic benefit cost:			
Service cost	\$ 2	\$ 11	\$ 13
Interest cost	45	5	50
Expected return on assets	(122)	(11)	(133)
Amortization of prior service cost	-	2	2
Amortization of net loss	17	3	20
Net periodic benefit cost (credit)	\$ (58)	\$ 10	\$ (48)
Six Months Ended June 30, 2020			
Components of net periodic benefit cost:			
Service cost	\$ 3	\$ 10	\$ 13
Interest cost	67	5	72
Expected return on assets	(119)	(10)	(129)
Amortization of prior service cost	-	1	1
Amortization of net loss	16	4	20
Net periodic benefit cost (credit)	\$ (33)	\$ 10	\$ (23)

The service cost for our U.S. defined benefit plans only reflects administrative fees as the plans are frozen and no longer accrue benefits. We recognized net expense of \$2 million and \$4 million for our U.S. and non-U.S. postretirement benefit plans for the three- and six-month periods ended June 30, 2021, respectively. We recognized net expense of \$2 million and \$4 million for our U.S. and non-U.S. postretirement benefit plans for the three- and six-month periods ended June 30, 2020, respectively.

15. Income Taxes

U.S. TAX LAW CHANGES

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the Tax Act). The Tax Act includes provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes are imposed on the excess of a deemed return on tangible assets of certain foreign subsidiaries and for Base Erosion and Anti-Abuse Tax (BEAT) under which taxes are imposed on certain base eroding payments to affiliated foreign companies. While the U.S. tax authorities issued formal guidance, including recently issued regulations for BEAT and other provisions of the Tax Act, there are still certain aspects of the Tax Act that remain unclear and subject to substantial uncertainties. Additional guidance is expected in future periods. Such guidance may result in changes to the interpretations and assumptions we made and actions we may take, which may impact amounts recorded with respect to international provisions of the Tax Act, possibly materially. Consistent with accounting guidance, we treat BEAT as a period tax charge in the period the tax is incurred and have made an accounting policy election to treat GILTI taxes in a similar manner.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to mitigate the economic impacts of the COVID-19 crisis. The tax provisions of the CARES Act have not had and are currently not expected to have a material impact on AIG's U.S. federal tax liabilities.

RECLASSIFICATION OF CERTAIN TAX EFFECTS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME

We use an item-by-item approach to release the stranded or disproportionate income tax effects in AOCI related to our available-for-sale securities. Under this approach, a portion of the disproportionate tax effects is assigned to each individual security lot at the date the amount becomes lodged. When the individual securities are sold, mature, or are otherwise impaired on an other-than-temporary basis, the assigned portion of the disproportionate tax effect is reclassified from AOCI to income from continuing operations.

INTERIM TAX CALCULATION METHOD

We use the estimated annual effective tax rate method in computing our interim tax provision. Certain items, including those deemed to be unusual, infrequent or that cannot be reliably estimated, are excluded from the estimated annual effective tax rate. In these cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in uncertain tax positions and realizability of deferred tax assets, and are recorded in the period in which the change occurs. While certain impacts of the Tax Act are included in our annual effective tax rate, we continue to refine our calculations as additional information becomes available, which may result in changes to the estimated annual effective tax rate. As of June 30, 2021, the annual effective tax rate includes the tax effects of actual and projected COVID-19 related losses and market developments.

INTERIM TAX EXPENSE (BENEFIT)

For the three-month period ended June 30, 2021, the effective tax rate on income from continuing operations was (2.0) percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax benefits associated with the release of reserves for uncertain tax positions and interest related to a New York State tax settlement based on the completion of recent audit activity, tax exempt income, remeasurement of deferred taxes as a result of the increase in the UK corporate statutory income tax rate, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. These tax benefits were partially offset by tax charges associated with the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges. We also recognized a tax charge associated with reduction of net operating loss deferred tax assets in certain foreign jurisdictions, with a corresponding decrease in the related deferred tax asset valuation allowance. The effect of foreign operations is primarily related to income of our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the six-month period ended June 30, 2021, the effective tax rate on income from continuing operations was 16.3 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax benefits associated with the release of reserves for uncertain tax positions, penalties and interest related to the recent completion of audit activity by the IRS, release of reserves for uncertain tax positions and interest related to a New York State tax settlement based on the completion of recent audit activity, tax exempt income, remeasurement of deferred taxes as a result of an increase in the UK corporate income tax rate enacted during the second quarter, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. These tax benefits were partially offset by tax charges associated with the

establishment of U.S. federal valuation allowance related to certain tax attribute carryforwards, the effect of foreign operations, excess tax charges related to share based compensation payments recorded through the income statement, state and local income taxes, and non-deductible transfer pricing charges. We also recognized a tax charge associated with reduction of net operating loss deferred tax assets in certain foreign jurisdictions, with a corresponding decrease in the related deferred tax asset valuation allowance. The effect of foreign operations is primarily related to income of our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the three-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 19.6 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the increase of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. The effect of foreign operations is primarily related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the six-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 14.0 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the establishment of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, excess tax charges related to share based compensation payments recorded through the income statement, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. The effect of foreign operations is primarily related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the six-month period ended June 30, 2021, we consider our foreign earnings with respect to certain operations in Canada, South Africa, the Far East, Latin America, Bermuda as well as the European, Asia Pacific and Middle East regions to be indefinitely reinvested. These earnings relate to ongoing operations and have been reinvested in active business operations. Deferred taxes, if necessary, have been provided on earnings of non-U.S. affiliates whose earnings are not indefinitely reinvested. Given the uncertainties around the impact from the COVID-19 crisis, including the significant global economic slowdown, we continue to monitor and review its impact on our reinvestment considerations, including regulatory oversight in the relevant jurisdictions.

ASSESSMENT OF DEFERRED TAX ASSET VALUATION ALLOWANCE

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

Our framework for assessing the recoverability of the deferred tax asset requires us to consider all available evidence, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;
- the sustainability of recent operating profitability of our subsidiaries;
- the predictability of future operating profitability of the character necessary to realize the net deferred tax asset, including forecasts of future income for each of our businesses and actual and planned business and operational changes;
- the carryforward periods for the net operating loss, capital loss and foreign tax credit carryforwards, including the effect of reversing taxable temporary differences; and
- prudent and feasible actions and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing the utilization of the net operating loss, capital loss and foreign tax credit carryforwards in each applicable jurisdiction. Under U.S. tax law, a company generally must use its net operating loss carryforwards before it can use its foreign tax credit carryforwards, even though the carryforward period for the foreign tax credit is shorter than for the net operating loss. Our U.S. federal consolidated income tax group includes both life companies and non-life companies. While the U.S. taxable income of our non-life companies can be offset by our net operating loss carryforwards, only a portion (no more than 35 percent) of the U.S. taxable income of our life companies can be offset by those net operating loss carryforwards. The remaining tax liability of our life companies can be offset by the foreign tax credit carryforwards. Accordingly, we are able to utilize both the net operating loss and foreign tax credit carryforwards concurrently.

Recent events, including the impact of the recent completion of audit activity by the IRS, the COVID-19 crisis, changes in target interest rates by the Board of Governors of the Federal Reserve System, and significant market volatility, continue to impact actual and projected results of our business operations as well as our views on potential effectiveness of certain prudent and feasible tax planning strategies. In order to demonstrate the predictability and sufficiency of future taxable income necessary to support the realizability of the net operating losses and foreign tax credit carryforwards, we have considered forecasts of future income for each of our businesses, including assumptions about future macro-economic and AIG-specific conditions and events, and any impact these conditions and events may have on our prudent and feasible tax planning strategies. We also subjected the forecasts to a variety of stresses of key assumptions and evaluated the effect on tax attribute utilization.

The carryforward periods of our foreign tax credit carryforwards range from tax years 2021 through 2023. Carryforward periods for our net operating losses extend from 2028 forward. However, utilization of a portion of our net operating losses is limited under separate return limitation year rules. During the first quarter of 2021, the recent completion of audit activity by the IRS and subsequent release of certain reserves for uncertain tax positions resulted in an initial recognition of additional net operating loss and foreign tax credit carryforwards arising in prior years. Taking into account this initial recognition of additional carryforwards as well as other events and our analysis of their potential impact on utilization of our tax attributes, for the three months ended March 31, 2021, we recorded an increase of \$700 million in valuation allowance related to a portion of our net operating loss carryforwards that are no longer more-likely-than-not to be realized. No additional activity was recorded for the three-month period ended June 30, 2021. Accordingly, during the six months ended June 30, 2021, we have recorded a \$700 million valuation allowance through continuing operations.

To the extent that the valuation allowance is attributed to changes in forecast of current year taxable income, the impact is included in our estimated annualized effective tax rate. The valuation allowance related to changes in forecasts of income in future periods as well as other items not related to the current year was recorded discretely.

As of June 30, 2021, the balance sheet reflects a valuation allowance of \$850 million related to a portion of our foreign tax credit and net operating loss carryforwards that are no longer more-likely-than-not to be realized.

Estimates of future taxable income, including income generated from prudent and feasible actions and tax planning strategies, impact of settlements with taxing authorities, and any changes to interpretations and assumptions related to the impact of the Tax Act could change in the near term, perhaps materially, which may require us to consider any potential impact to our assessment of the recoverability of the deferred tax asset. Additionally, estimates of future taxable income, including prudent and feasible tax planning strategies, may be further impacted by market developments arising from the COVID-19 crisis and uncertainty regarding its outcome. Such potential impact could be material to our consolidated financial condition or results of operations for an individual reporting period.

For the six-month period ended June 30, 2021, recent changes in market conditions, including the COVID-19 crisis and interest rate fluctuations, impacted the unrealized tax gains and losses in the U.S. Life Insurance companies' available for sale securities portfolio, resulting in a deferred tax liability related to net unrealized tax capital gains. As of June 30, 2021, based on all available evidence, we concluded that no valuation allowance is necessary in the U.S. Life Insurance companies' available for sale securities portfolio.

For the six-month period ended June 30, 2021, recent changes in market conditions, including interest rate fluctuations, impacted the unrealized tax gains and losses in the U.S. non-life companies' available for sale securities portfolio, resulting in a deferred tax liability related to net unrealized tax capital gains. As of June 30, 2021, based on all available evidence, we concluded that no valuation allowance is necessary in the U.S. non-life companies' available for sale securities portfolio.

For the three- and six-month periods ended June 30, 2021, we recognized net increases (decreases) of \$(25) million and \$(39) million, respectively, in deferred tax asset valuation allowance associated with certain foreign and state jurisdictions, primarily attributable to current year activity. The decrease in valuation allowance includes a \$16 million decrease in deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to a corresponding reduction in foreign net operating loss deferred tax assets as a result of the expiration of a portion of net operating losses prior to utilization in Japan which was recorded during the three-month period ended June 30, 2021.

TAX EXAMINATIONS AND LITIGATION

We file a consolidated U.S. federal income tax return with our eligible U.S. subsidiaries. Income earned by subsidiaries operating outside the U.S. is taxed, and income tax expense is recorded, based on applicable U.S. and foreign laws.

We are currently under examination by the IRS for the tax years 2011 through 2013.

In September 2020, we received the IRS Revenue Agent Report containing agreed and disagreed issues for the audit of tax years 2007-2010. In October 2020, we filed a protest of the disagreed issues with the IRS Independent Office of Appeals (IRS Appeals). In March 2021, the IRS audit team issued their rebuttal to the protest of disagreed issues to IRS Appeals. We have also received notification that the disagreed issues were accepted for review by IRS Appeals.

In 2009, after paying amounts due on a statutory notice of deficiency related to the disallowance of foreign tax credits associated with cross border financing transactions, we filed a refund lawsuit in the Southern District of New York (Southern District) with respect to tax year 1997. In January 2018, the parties reached non-binding agreements in principle on issues presented in the dispute with respect to other relevant tax years. In 2019, we agreed with the IRS to execute an agreement for the tax years at issue in which AIG would waive restrictions on the assessment of additional tax related to the settlement of the underlying issues in those tax years. The litigation was stayed pending the outcome of the review process. During the fourth quarter of 2020, the parties concluded the review process and executed a binding settlement agreement with respect to the underlying issues. On October 22, 2020, the Southern District dismissed the case based upon the settlement reached between AIG and the government. The parties continue to review the related interest calculations based on the settlement agreement, which will become due upon the IRS' issuance of a Notice and Demand for Payment. During June 2021, AIG made an additional payment of \$354 million to the U.S. Treasury with respect to this matter. While we continue to finalize the interest calculations with the IRS, AIG expects to make the remaining payment as early as the third quarter of 2021.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

At June 30, 2021 and December 31, 2020, our unrecognized tax benefits, excluding interest and penalties, were \$1.1 billion and \$2.3 billion, respectively. At June 30, 2021 and December 31, 2020, our unrecognized tax benefits related to tax positions that, if recognized, would not affect the effective tax rate because they relate to such factors as the timing, rather than the permissibility, of the deduction were \$11 million and \$44 million, respectively. Accordingly, at June 30, 2021 and December 31, 2020, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were \$1.1 billion and \$2.3 billion, respectively. The decrease in the six-month period ended June 30, 2021 is primarily attributable to the recent completion of audit activity by the IRS and New York State.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At June 30, 2021 and December 31, 2020, we had accrued liabilities of \$73 million and \$286 million, respectively, for the payment of interest (net of the federal benefit) and penalties. For the six-month periods ended June 30, 2021 and 2020, we accrued expense (benefit) of \$(203) million and \$96 million, respectively, for the payment of interest and penalties. The activity in the six-month period ended June 30, 2021 is primarily related to the recent completion of audit activity by the IRS and New York State.

We believe it is reasonably possible that our unrecognized tax benefits could decrease within the next 12 months by as much as \$15 million, principally as a result of potential resolutions or settlements of prior years' tax items. The prior years' tax items include unrecognized tax benefits related to the deductibility of certain expenses.

16. Subsequent Events

DIVIDENDS DECLARED

On August 5, 2021, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.32 per share, payable on September 30, 2021 to shareholders of record on September 16, 2021. On August 5, 2021, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of \$365.625 per share, payable on September 15, 2021 to holders of record on August 31, 2021.

INCREASE IN SHARE REPURCHASE AUTHORIZATION

On August 3, 2021, our Board of Directors authorized a share repurchase authorization of AIG Common Stock of \$6.0 billion (inclusive of the approximately \$908 million remaining under the Board's prior share repurchase authorization).

SALE OF CERTAIN AIG LIFE AND RETIREMENT RETAIL MUTUAL FUNDS BUSINESS

On July 16, 2021, AIG completed its previously announced sale of certain AIG Life and Retirement retail mutual funds business to Touchstone at which time we received initial proceeds, and twelve retail mutual funds managed by SAAMCo, a member of AIG Life and Retirement, with \$6.8 billion in assets, were reorganized into Touchstone funds. Six retail mutual funds managed by SAAMCo and not included in the transaction were liquidated. AIG Life and Retirement will retain its fund management platform and capabilities dedicated to its variable insurance products.

STRATEGIC PARTNERSHIP WITH THE BLACKSTONE GROUP

On July 14, 2021, AIG and Blackstone announced that they have reached a definitive agreement for Blackstone to acquire a 9.9 percent equity stake in SAFG, which is the holding company for AIG's Life and Retirement business, for \$2.2 billion in an all cash transaction, subject to adjustment if the final pro forma adjusted book value is greater or lesser than the target pro forma adjusted book value. The transaction contemplates that most of AIG's investment operations would be transferred to SAFG or its subsidiaries as part of the separation. As part of this agreement, AIG also agreed to enter into a long-term strategic asset management relationship with Blackstone to manage an initial \$50 billion of Life and Retirement's existing investment portfolio upon closing of the equity investment, with that amount increasing by increments of \$8.5 billion per year for the next five years beginning in the third or fourth quarter of 2022, for an aggregate of \$92.5 billion. Following the closing of the transaction, Blackstone will be entitled to designate one member of the board of directors of the Life and Retirement holding company, which will consist of 11 directors. Pursuant to the definitive agreement, Blackstone will be required to hold its ownership interest in SAFG following the completion of the separation of the Life and Retirement business, subject to exceptions permitting Blackstone to sell 25%, 67% and 75% of its shares after the first, second and third anniversaries, respectively, of the initial public offering of SAFG (the IPO), with the transfer restrictions terminating in full on the fifth anniversary of the IPO. In the event that the IPO of SAFG is not completed prior to the second anniversary of the closing of the transaction, Blackstone will have the right to require AIG to undertake the IPO, and in the event that the IPO has not been completed prior to the third anniversary of the closing, Blackstone will have the right to exchange all or a portion of its ownership interest in SAFG for shares of AIG's common stock on the terms set forth in the definitive agreement. These transactions are subject to customary closing conditions, including the expiration or termination of the waiting period under the HSR Act, and are expected to close in the third quarter of 2021.

On July 14, 2021, AIG and BREIT, a long-term, perpetual capital vehicle affiliated with Blackstone, announced that they have reached a definitive agreement for BREIT to acquire AIG's interests in a U.S. affordable housing portfolio for approximately \$5.1 billion, subject to certain adjustments, in an all cash transaction. This transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2021.

ITEM 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations

Glossary and Acronyms of Selected Insurance Terms and References

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), we use certain terms and abbreviations, which are summarized in the Glossary and Acronyms.

American International Group, Inc. (AIG) has incorporated into this discussion a number of cross-references to additional information included throughout this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Annual Report) to assist readers seeking additional information related to a particular subject.

In this Quarterly Report on Form 10-Q, unless otherwise mentioned or unless the context indicates otherwise, we use the terms "AIG," "we," "us" and "our" to refer to American International Group, Inc., a Delaware corporation, and its consolidated subsidiaries. We use the term "AIG Parent" to refer solely to American International Group, Inc., and not to any of its consolidated subsidiaries.

Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q and other publicly available documents may include, and officers and representatives of AIG may from time to time make and discuss, projections, goals, assumptions and statements that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only a belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG's control. These projections, goals, assumptions and statements include statements preceded by, followed by or including words such as "will," "believe," "anticipate," "expect," "intend," "plan," "focused on achieving," "view," "target," "goal" or "estimate." These projections, goals, assumptions and statements may relate to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, anticipated organizational, business or regulatory changes, the effect of catastrophes, such as the COVID-19 crisis, and macroeconomic events, anticipated dispositions, monetization and/or acquisitions of businesses or assets, or successful integration of acquired businesses, management succession and retention plans, exposure to risk, trends in operations and financial results.

It is possible that AIG's actual results and financial condition will differ, possibly materially, from the results and financial condition indicated in these projections, goals, assumptions and statements. Factors that could cause AIG's actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

- AIG's ability to successfully separate the Life and Retirement business from AIG and the impact any separation may have on AIG, its businesses, employees, contracts and customers;
- AIG's ability to close the transactions announced as part of a strategic partnership with Blackstone;
- changes in market and industry conditions, including the significant global economic downturn, volatility in financial and capital markets, fluctuations in interest rates, prolonged economic recovery and disruptions to AIG's operations driven by COVID-19 and responses thereto, including new or changed governmental policy and regulatory actions;
- the occurrence of catastrophic events, both natural and man-made, including COVID-19, other pandemics, civil unrest and the effects of climate change;
- the adverse impact of COVID-19, including with respect to AIG's business, financial condition and results of operations;
- AIG's ability to effectively execute on AIG 200 transformational programs designed to achieve underwriting excellence, modernization of AIG's operating infrastructure, enhanced user and customer experiences and unification of AIG;
- the impact of potential information technology, cybersecurity or data security breaches, including as a result of cyber-attacks or security vulnerabilities, the likelihood of which may increase due to extended remote business operations as a result of COVID-19;
- disruptions in the availability of AIG's electronic data systems or those of third parties;
- actions by rating agencies with respect to our credit and financial strength ratings;
- AIG's ability to successfully dispose of, monetize and/or acquire businesses or assets or successfully integrate acquired businesses;
- changes to the valuation of AIG's investments;
- changes in judgments concerning the recognition of deferred tax assets and the impairment of goodwill;
- availability and affordability of reinsurance;
- the effectiveness of our risk management policies and procedures, including with respect to our business continuity and disaster recovery plans;
- nonperformance or defaults by counterparties, including Fortitude Reinsurance Company Ltd. (Fortitude Re);
- changes in judgments concerning potential cost-saving opportunities;
- concentrations in AIG's investment portfolios;
- changes to our sources of or access to liquidity;
- changes in judgments or assumptions concerning insurance underwriting and insurance liabilities;
- the effectiveness of strategies to recruit and retain key personnel and to implement effective succession plans;
- the requirements, which may change from time to time, of the global regulatory framework to which AIG is subject;
- significant legal, regulatory or governmental proceedings; and
- such other factors discussed in:
 - Part I, Item 2. MD&A of this Quarterly Report on Form 10-Q;
 - Part I, Item 2. MD&A of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021; and
 - Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of the 2020 Annual Report.

We are not under any obligation (and expressly disclaim 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.

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Use of Non-GAAP Measures

Throughout this MD&A, 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 (SEC) 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.

Book value per common share, excluding accumulated other comprehensive income (AOCI) adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets and deferred tax assets (DTA) (Adjusted book value per common share) is used to show the amount of our net worth on a per-common share basis after eliminating items that can fluctuate significantly from period to period including changes in fair value of AIG’s 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. In addition, we adjust for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets held by AIG in support of Fortitude Re’s reinsurance obligations to AIG post deconsolidation of Fortitude Re (Fortitude Re funds withheld assets) since these fair value movements are economically transferred to Fortitude Re. 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. Adjusted book value per common share is derived by dividing total AIG common shareholders’ equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets, and DTA (Adjusted Common Shareholders’ Equity), by total common shares outstanding. The reconciliation to book value per common share, the most comparable GAAP measure, is presented in the Executive Summary section of this MD&A.

Return on common equity – Adjusted after-tax income excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets and DTA (Adjusted return on common equity) is used to show the rate of return on common 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. In addition, we adjust for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets since these fair value movements are economically transferred to Fortitude Re. 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 common equity. Adjusted return on common equity is derived by dividing actual or annualized adjusted after-tax income attributable to AIG common shareholders by average Adjusted Common Shareholders’ Equity. The reconciliation to return on common equity, the most comparable GAAP measure, is presented in the Executive Summary section of this MD&A.

Adjusted after-tax income attributable to AIG common shareholders is derived by excluding the tax effected adjusted pre-tax income (APTI) adjustments described below, dividends on preferred stock, 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 (the Tax Act);

and by excluding the net realized gains (losses) and other charges from noncontrolling interests.

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 in the Consolidated Results of Operations section of this MD&A.

Adjusted revenues exclude Net realized 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 segments.

Adjusted pre-tax income 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 gains and losses;
- changes in the fair value of equity securities;
- net investment income on Fortitude Re funds withheld assets;
- following deconsolidation of Fortitude Re, net realized gains and losses on Fortitude Re funds withheld assets;
- loss (gain) on extinguishment of debt;
- all net realized 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 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;
- net loss reserve discount benefit (charge);
- 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;
- integration and transaction costs associated with acquiring or divesting businesses;
- losses from the impairment of goodwill; and
- non-recurring costs associated with the implementation of non-ordinary course legal or regulatory changes or changes to accounting principles.

□ **General Insurance**

- **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.
- **Accident year loss and accident year combined ratios, as adjusted:** both the accident year loss and accident year 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 catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each and man-made catastrophe losses, such as terrorism and civil disorders that exceed the \$10 million threshold. We believe that 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.

□ **Life and Retirement**

- **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.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires the application of accounting policies that often involve a significant degree of judgment.

The accounting policies that we believe are most dependent on the application of estimates and assumptions, which are critical accounting estimates, are related to the determination of:

- loss reserves;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- valuation of embedded derivatives for fixed index annuity and life products;
- estimated gross profits to value deferred acquisition costs for investment-oriented products, for example universal life, variable and fixed annuities, and fixed indexed annuities;
- reinsurance assets, including the allowance for credit losses;
- goodwill impairment;
- allowances for credit losses primarily on loans and available for sale fixed maturity securities;
- liability for legal contingencies;
- fair value measurements of certain financial assets and liabilities; and
- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition, results of operations and cash flows could be materially affected.

For a complete discussion of our critical accounting estimates, see Part II, Item 7. MD&A – Critical Accounting Estimates in the 2020 Annual Report.

Executive Summary

OVERVIEW

This overview of the MD&A highlights selected information and may not contain all of the information that is important to current or potential investors in our securities. You should read this Quarterly Report on Form 10-Q, together with the 2020 Annual Report, in their entirety for a more detailed description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

Separation of Life and Retirement Business and Strategic Partnership with the Blackstone Group

On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG. On July 14, 2021, AIG and The Blackstone Group Inc. (Blackstone) announced that they have reached a definitive agreement for Blackstone to acquire a 9.9 percent equity stake in SAFG Retirement Services, Inc. (SAFG), which is the holding company for AIG's Life and Retirement business, for \$2.2 billion in an all cash transaction, subject to adjustment if the final pro forma adjusted book value is greater or lesser than the target pro forma adjusted book value. The transaction contemplates that most of AIG's investment operations would be transferred to SAFG or its subsidiaries as part of the separation. As part of this agreement, AIG also agreed to enter into a long-term strategic asset management relationship with Blackstone to manage an initial \$50 billion of Life and Retirement's existing investment portfolio upon closing of the equity investment, with that amount increasing by increments of \$8.5 billion per year for the next five years beginning in the third or fourth quarter of 2022, for an aggregate of \$92.5 billion. Following the closing of the transaction, Blackstone will be entitled to designate one member of the board of directors of the Life and Retirement holding company, which will consist of 11 directors. Pursuant to the definitive agreement, Blackstone will be required to hold its ownership interest in SAFG following the completion of the separation of the Life and Retirement business, subject to exceptions permitting Blackstone to sell 25%, 67% and 75% of its shares after the first, second and third anniversaries, respectively, of the initial public offering of SAFG (the IPO), with the transfer restrictions terminating in full on the fifth anniversary of the IPO. In the event that the IPO of SAFG is not completed prior to the second anniversary of the closing of the transaction, Blackstone will have the right to require AIG to undertake the IPO, and in the event that the IPO has not been completed prior to the third anniversary of the closing, Blackstone will have the right to exchange all or a portion of its ownership interest in SAFG for shares of AIG's common stock on the terms set forth in the definitive agreement. These transactions are subject to customary closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act), and are expected to close in the third quarter of 2021. While we currently believe the IPO is the next step in the separation of the Life and Retirement business from AIG, no assurance can be given regarding the form that future separation transactions may take or the specific terms or timing thereof, or that a separation will in fact occur. Any separation transaction will be subject to the satisfaction of various conditions and approvals, including approval by the AIG Board of Directors, receipt of insurance and other required regulatory approvals, and satisfaction of any applicable requirements of the SEC.

On July 14, 2021, AIG and Blackstone Real Estate Income Trust (BREIT), a long-term, perpetual capital vehicle affiliated with Blackstone, announced that they have reached a definitive agreement for BREIT to acquire AIG's interests in a U.S. affordable housing portfolio for approximately \$5.1 billion, subject to certain adjustments, in an all cash transaction. This transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2021.

Debt Cash Tender Offers

In the second quarter of 2021, we repurchased, through cash tender offers, and canceled approximately \$254 million aggregate principal amount of certain notes and debentures issued or guaranteed by AIG for an aggregate purchase price of approximately \$359 million and wrote off \$4 million of unamortized debt issuance costs, resulting in a total loss on extinguishment of debt of approximately \$109 million.

Sale of Certain AIG Life and Retirement Retail Mutual Funds Business

On February 8, 2021, AIG announced the execution of a definitive agreement with Touchstone Investments (Touchstone), an indirect wholly-owned subsidiary of Western & Southern Financial Group, to sell certain assets of AIG Life and Retirement's Retail Mutual Funds business. As of June 30, 2021, AIG Life and Retirement's Retail Mutual Funds business managed \$7.1 billion in assets across eighteen funds. The transaction closed on July 16, 2021 at which time we received initial proceeds, and twelve retail mutual funds managed by SunAmerica Asset Management, LLC (SAAMCo), a member of AIG Life and Retirement, with \$6.8 billion in assets, were reorganized into Touchstone funds. Additional proceeds may be earned over a three-year period based on asset levels in certain reorganized funds. Six retail mutual funds managed by SAAMCo and not included in the transaction were liquidated. AIG Life and Retirement will retain its fund management platform and capabilities dedicated to its variable insurance products.

Sale of Fortitude Holdings

On June 2, 2020, we completed the sale of a majority of the interests in Fortitude Group Holdings, LLC (Fortitude Holdings) to Carlyle FRL, L.P. (Carlyle FRL), an investment fund advised by an affiliate of The Carlyle Group Inc. (Carlyle), and T&D United Capital Co., Ltd. (T&D), a subsidiary of T&D Holdings, Inc., under the terms of a membership interest purchase agreement entered into on November 25, 2019 by and among AIG, Fortitude Holdings, Carlyle FRL, Carlyle, T&D and T&D Holdings, Inc. (the Majority Interest Fortitude Sale). AIG established Fortitude Re, a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG's Run-Off portfolio. As of June 30, 2021, approximately \$30.1 billion of reserves from AIG's Life and Retirement Run-Off Lines and approximately \$4.0 billion of reserves from AIG's General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's Run-Off operations. As these reinsurance transactions are structured as modified coinsurance and loss portfolio transfers with funds withheld, following the closing of the Majority Interest Fortitude Sale, AIG continues to reflect the invested assets, which consist mostly of available for sale securities, supporting Fortitude Re's obligations, in AIG's financial statements.

AIG sold a 19.9 percent ownership interest in Fortitude Holdings to TC Group Cayman Investments Holdings, L.P., an affiliate of Carlyle, in November 2018. As a result of completion of the Majority Interest Fortitude Sale, Carlyle FRL purchased from AIG a 51.6 percent ownership interest in Fortitude Holdings and T&D purchased from AIG a 25 percent ownership interest in Fortitude Holdings; AIG retained a 3.5 percent ownership interest in Fortitude Holdings and one seat on its Board of Managers. The \$2.2 billion of proceeds received by AIG at closing included (i) the \$1.8 billion under the Majority Interest Fortitude Sale, subject to a post-closing purchase price adjustment pursuant to which AIG would pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur through December 31, 2023, up to a maximum payment of \$500 million; and (ii) a \$383 million purchase price adjustment from Carlyle FRL and T&D, corresponding to their respective portions of a proposed \$500 million non-pro rata distribution from Fortitude Holdings that was not received by AIG prior to the closing. Effective in the second quarter of 2021, AIG, Fortitude Holdings, Carlyle FRL, T&D and Carlyle amended the purchase agreement to finalize the post-closing purchase price adjustment for adverse reserve development. As a result of this amendment, during the three months ended June 30, 2021, AIG recorded a \$21 million benefit through Policyholder benefits and losses incurred and eliminated further net exposure to adverse development on the reserves ceded to Fortitude Re.

For further discussion on the sale of Fortitude Holdings see Note 7 to the Condensed Consolidated Financial Statements.

AIG'S OPERATING STRUCTURE

AIG reports the results of its businesses through three segments – General Insurance, Life and Retirement and Other Operations. General Insurance consists of two operating segments – North America and International. Life and Retirement consists of four operating segments – Individual Retirement, Group Retirement, Life Insurance and Institutional Markets. Other Operations is primarily comprised of corporate, our institutional asset management business and consolidation and eliminations. On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG.

Consistent with how we manage our business, our General Insurance North America operating segment primarily includes insurance businesses in the United States, Canada and Bermuda, and our global reinsurance business, AIG Re. Our General Insurance International operating segment includes regional insurance businesses in Japan, the United Kingdom, Europe, Middle East and Africa (EMEA region), Asia Pacific, Latin America and Caribbean, and China. International also includes the results of Talbot Holdings, Ltd. as well as AIG's global specialty business.

For further discussion on our business segments see Note 3 to the Condensed Consolidated Financial Statements, and for further discussion on the separation of Life and Retirement see Note 1 to the Condensed Consolidated Financial Statements.

Business Segments

General Insurance

General Insurance is a leading provider of insurance products and services for commercial and personal insurance customers. It includes one of the world's most far-reaching property casualty networks. General Insurance offers a broad range of products to customers through a diversified, multichannel distribution network. Customers value General Insurance's strong capital position, extensive risk management and claims experience and its ability to be a market leader in critical lines of the insurance business.



General Insurance includes the following major operating companies: National Union Fire Insurance Company of Pittsburgh, Pa. (National Union); American Home Assurance Company (American Home); Lexington Insurance Company (Lexington); AIG General Insurance Company, Ltd. (AIG Sonpo); AIG Asia Pacific Insurance, Pte, Ltd.; AIG Europe S.A.; American International Group UK Ltd.; Validus Reinsurance, Ltd. (Validus Re); Talbot Holdings Ltd. (Talbot); Western World Insurance Group, Inc. and Glatfelter Insurance Group (Glatfelter).

Life and Retirement

Life and Retirement is a unique franchise that brings together a broad portfolio of life insurance, retirement and institutional products offered through an extensive, multichannel distribution network. It holds long-standing, leading market positions in many of the markets it serves in the U.S. With its strong capital position, customer-focused service, breadth of product expertise and deep distribution relationships across multiple channels, Life and Retirement is well positioned to serve growing market needs.



Life and Retirement includes the following major operating companies: American General Life Insurance Company (AGL); The Variable Annuity Life Insurance Company (VALIC); The United States Life Insurance Company in the City of New York (U.S. Life); Laya Healthcare Limited and AIG Life Limited.

Other Operations

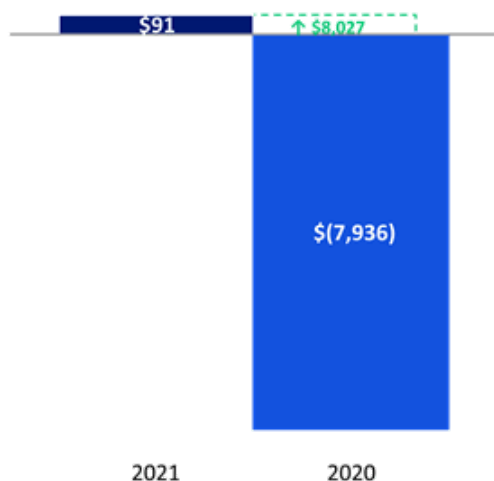
Other Operations primarily consists of income from assets held by AIG Parent and other corporate subsidiaries, deferred tax assets related to tax attributes, corporate expenses and intercompany eliminations, our institutional asset management business and results of our consolidated investment entities, General Insurance portfolios in run-off as well as the historical results of our legacy insurance lines ceded to Fortitude Re.

FINANCIAL PERFORMANCE SUMMARY

Net Income (Loss) Attributable to AIG Common Shareholders

Three Months Ended June 30,

(in millions)



2021 and 2020 Quarterly Comparison

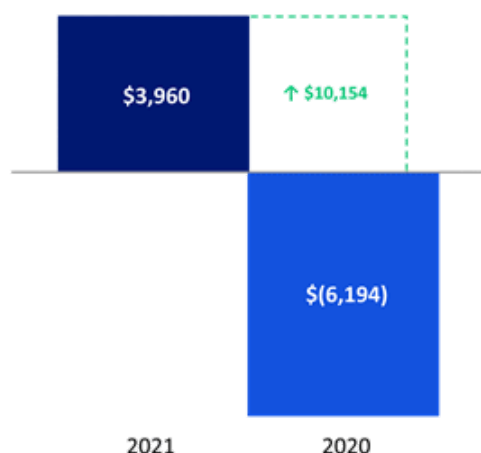
Net income attributable to AIG Common Shareholders increased \$8.0 billion due to the following, on a pre-tax basis:

- the recognition of an \$8.4 billion loss on the closing of the Majority Interest Fortitude Sale in 2020;
- \$406 million lower net realized losses, as lower derivative losses on variable annuity embedded derivatives, net of related hedges (\$957 million) and other derivative and hedge activity (\$318 million) were offset by a larger mark-to-market net realized loss on the Fortitude Re embedded derivative (\$1.2 billion), with remaining impacts driven primarily by other changes in realized gains across our investment portfolio;
- \$309 million higher returns in our investment portfolio due primarily to Private Equity income compared to losses in the prior year period, partially offset by lower gains on fair value option bonds;
- General Insurance loss ratio improvement of 11.3 points primarily driven by change in business mix along with strong rate improvement, focused risk selection, improved terms and conditions and significantly lower catastrophe losses (9.8 points or \$556 million); and
- General Insurance expense ratio improvement of 2.2 points primarily driven by change in business mix, ongoing expense discipline and a higher premium base.

These pre-tax increases were partially offset by \$1.9 billion higher income tax expense with \$1.7 billion attributable to the tax benefit on the deconsolidation of Fortitude Holdings in 2020.

For further discussion see Consolidated Results of Operations.

Net Income (Loss) Attributable to AIG Common Shareholders
Six Months Ended June 30,
(in millions)



2021 and 2020 Year-to-Date Comparison

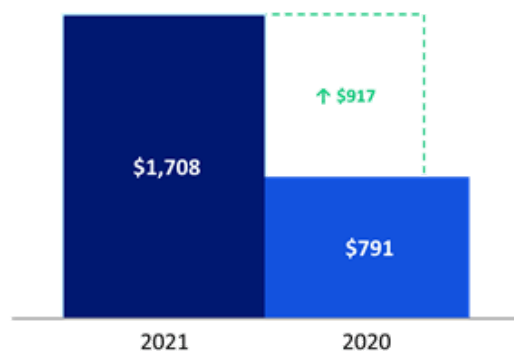
Net income attributable to AIG Common Shareholders increased \$10.2 billion due to the following, on a pre-tax basis:

- the recognition of an \$8.4 billion loss on the closing of the Majority Interest Fortitude Sale in 2020;
- \$1.5 billion higher returns in our investment portfolio due primarily to higher income on our alternative investments and fair value option equity securities gains, which was driven primarily by positive returns achieved in equity markets. This compares to the prior year where we experienced losses on our alternative investments and fair value option equity securities, which were driven by the equity market downturn associated with the onset of the COVID-19 pandemic, partially offset by declines in fair value option and available for sale bonds;
- \$137 million higher net realized gains, due to the favorable change in net realized gains on the Fortitude Re embedded derivative mark-to-market (\$1.2 billion), a reduction in the allowance for credit losses on fixed maturity securities (\$296 million) and other favorable changes in realized gains across our investment portfolio, largely offset by lower derivative gains on variable annuity embedded derivatives, net of related hedges (\$1.1 billion) and other derivative and hedge activity (\$1.0 billion);
- General Insurance loss ratio improvement of 6.2 points primarily driven by change in business mix along with strong rate improvement, focused risk selection, improved terms and conditions and significantly lower catastrophe losses (4.7 points or \$542 million); and
- General Insurance expense ratio improvement of 2.0 points primarily due to change in business mix, ongoing expense discipline and a higher premium base.

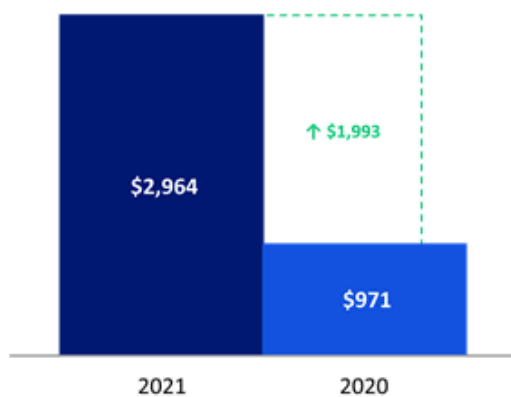
These pre-tax increases were partially offset by \$1.8 billion higher income tax expense with \$1.7 billion attributable to the tax benefit on the deconsolidation of Fortitude Holdings in 2020.

For further discussion see Consolidated Results of Operations.

Adjusted Pre-Tax Income*
Three Months Ended June 30,
(in millions)



Adjusted Pre-Tax Income*
Six Months Ended June 30,
(in millions)



2021 and 2020 Quarterly Comparison

Adjusted pre-tax income increased \$917 million primarily due to:

- General Insurance loss ratio improvement of 11.3 points primarily driven by change in business mix along with strong rate improvement, focused risk selection, improved terms and conditions and significantly lower catastrophe losses (9.8 points or \$556 million); and
- General Insurance expense ratio improvement of 2.2 points primarily driven by change in business mix, ongoing expense discipline and a higher premium base.

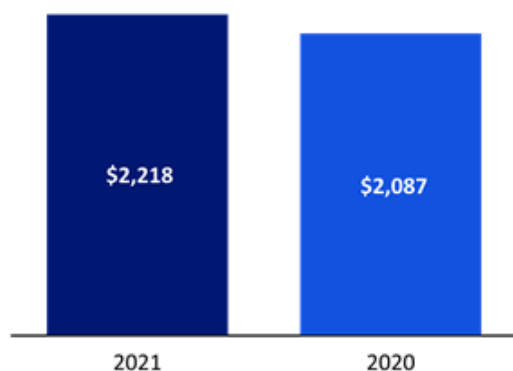
2021 and 2020 Year-to-Date Comparison

Adjusted pre-tax income increased \$2.0 billion primarily due to:

- \$476 million higher returns in our investment portfolio due primarily to higher income on our alternative investments, which was driven by positive returns achieved in equity markets. This compares to the prior year where we experienced losses on our alternative investments due to the equity market downturn associated with the onset of the COVID-19 pandemic;
- General Insurance loss ratio improvement of 6.2 points primarily driven by change in business mix along with strong rate improvement, focused risk selection, improved terms and conditions and significantly lower catastrophe losses (4.7 points or \$542 million); and
- General Insurance expense ratio improvement of 2.0 points primarily due to change in business mix, ongoing expense discipline and a higher premium base.

* Non-GAAP measure – for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations.

General Operating and Other Expenses
Three Months Ended June 30,
(in millions)

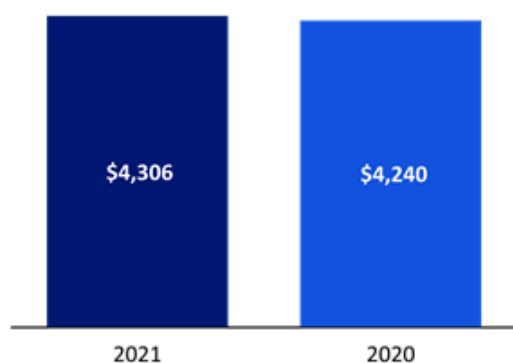


2021 and 2020 Quarterly Comparison

General operating and other expenses increased \$131 million primarily due to increases in performance-based employee costs (\$73 million) and transaction costs (\$31 million) partially offset by decreases in restructuring and other costs.

General operating and other expenses in the three-month periods ended June 30, 2021 and 2020 included approximately \$126 million and \$134 million of pre-tax restructuring and other costs, respectively, which were primarily comprised of employee severance charges and other costs related to organizational simplification, operational efficiency, and business rationalization.

General Operating and Other Expenses
Six Months Ended June 30,
(in millions)



2021 and 2020 Year-to-Date Comparison

General operating and other expenses increased \$66 million primarily due to increases in performance-based employee costs (\$73 million).

General operating and other expenses in the six-month periods ended June 30, 2021 and 2020 included approximately \$200 million and \$224 million of pre-tax restructuring and other costs, respectively, which were primarily comprised of employee severance charges and other costs related to organizational simplification, operational efficiency, and business rationalization.

Return on Common Equity

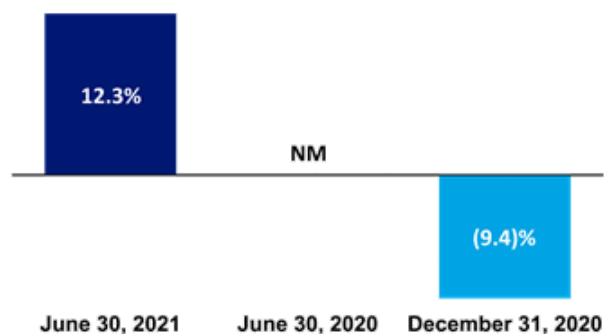
Three Months Ended June 30,



Return on Common Equity

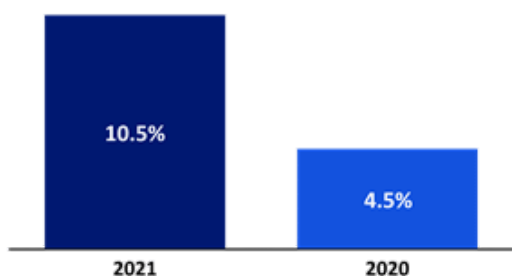
Six Months Ended

Year Ended



Adjusted Return on Common Equity*

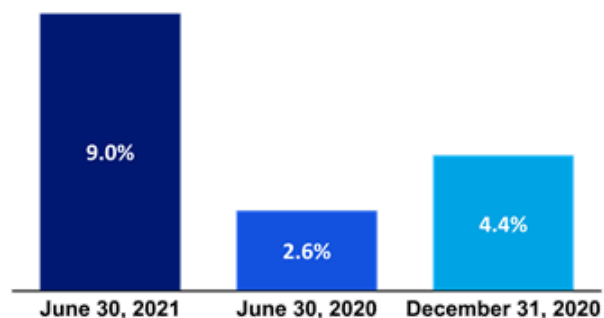
Three Months Ended June 30,



Adjusted Return on Common Equity*

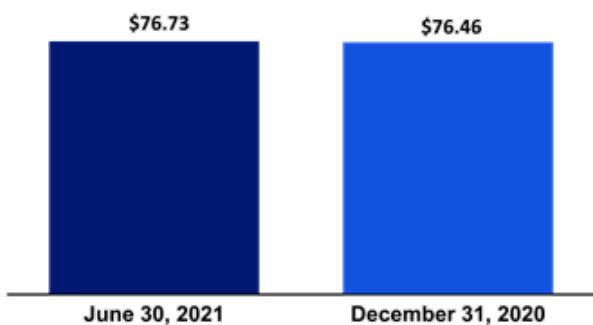
Six Months Ended

Year Ended

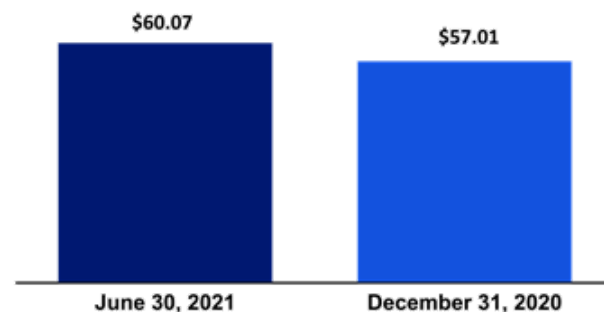


* Non-GAAP measure – for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations.

Book Value Per Common Share



Adjusted Book Value Per Common Share*



* Non-GAAP measure – for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations.

AIG'S OUTLOOK – INDUSTRY AND ECONOMIC FACTORS

Our business is affected by industry and economic factors such as interest rates, currency exchange rates, credit and equity market conditions, catastrophic claims events, regulation, tax policy, competition, and general economic, market and political conditions. We continued to operate under challenging market conditions in the first six months of 2021, characterized by factors such as the impact of COVID-19 and the related governmental and societal responses, interest rate volatility, inflationary pressures, an uneven global economic recovery, global trade tensions and Brexit. Brexit has also affected the U.S. dollar/British pound exchange rate and increased the volatility of exchange rates among the Euro, British pound and the Japanese yen (the Major Currencies), which may continue for some time.

On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG. On July 14, 2021, AIG and Blackstone announced that they have reached a definitive agreement for Blackstone to acquire a 9.9 percent equity stake in SAFG, which is the holding company for AIG's Life and Retirement business, for \$2.2 billion in an all cash transaction, subject to adjustment if the final pro forma adjusted book value is greater or lesser than the target pro forma adjusted book value. The transaction contemplates that most of AIG's investment operations would be transferred to SAFG or its subsidiaries as part of the separation. As part of this agreement, AIG also agreed to enter into a long-term strategic asset management relationship with Blackstone to manage an initial \$50 billion of Life and Retirement's existing investment portfolio upon closing of the equity investment, with that amount increasing by increments of \$8.5 billion per year for the next five years beginning in the third or fourth quarter of 2022, for an aggregate of \$92.5 billion. These transactions are subject to customary closing conditions, including the expiration or termination of the waiting period under the HSR Act, and are expected to close in the third quarter of 2021. While we currently believe an initial public offering is the next step in the separation of the Life and Retirement business from AIG, no assurance can be given regarding the form that a separation transaction may take or the specific terms or timing thereof, or that a separation will in fact occur. Any separation transaction will be subject to the satisfaction of various conditions and approvals, including approval by the AIG Board of Directors, receipt of insurance and other required regulatory approvals, and satisfaction of any applicable requirements of the SEC.

On July 14, 2021, AIG and BREIT, a long-term, perpetual capital vehicle affiliated with Blackstone, announced that they have reached a definitive agreement for BREIT to acquire AIG's interests in a U.S. affordable housing portfolio for approximately \$5.1 billion, subject to certain adjustments, in an all cash transaction. This transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2021.

For additional information on the separation of AIG's Life and Retirement business, please see the 2020 Annual Report, Part I, Item 1A. Risk Factors – Business and Operations – No assurances can be given that the separation of our Life and Retirement business will occur or as to the specific terms or timing thereof. In addition, the separation could cause the emergence or exacerbate the effects of other risks to which AIG is exposed and Executive Summary – Overview.

Impact of COVID-19

We are continually assessing the impact on our business, operations and investments of COVID-19 and the resulting ongoing economic and societal disruption. These impacts initially included a global economic contraction, disruptions in financial markets, increased market volatility and declines in certain equity and other asset prices that had negative effects on our investments, our access to liquidity, our ability to generate new sales and the costs associated with claims. While many of the major global economies continue to recover and global financial markets appear to have largely stabilized, there remains a risk that the disruptions previously experienced could return as COVID-19 persists or new variants arise. In addition, in response to the crisis, new governmental, legislative and regulatory actions have been taken and continue to be developed that have resulted and could continue to result in additional restrictions and requirements, or court decisions rendered, relating to or otherwise affecting our policies that may have a negative impact on our business, operations and capital.

General Insurance offers numerous products for which we are monitoring claims activity and assessing adverse impact on future new and renewal business in relation to the COVID-19 crisis. We are continually reassessing our exposures in light of unfolding developments in the U.S. and globally and evaluating coverage by our reinsurance arrangements.

In our Life and Retirement business, the most significant impacts relating to COVID-19 have been the impact of interest rate and equity market levels on spread and fee income, deferred acquisition cost amortization and adverse mortality. We are actively monitoring our claims activity and the potential direct and indirect impacts that COVID-19 may have across our portfolio of Life and Retirement businesses.

We have a diverse investment portfolio with material exposures to various forms of credit risk. The far-reaching economic impacts of COVID-19 have been largely offset, to date, by intervention taken by governments and monetary authorities and equity market rebound resulting in a minimal impact on the value of the portfolio. At this point in time, uncertainty surrounding the duration and severity of the COVID-19 crisis makes the long-term financial impact difficult to quantify.

For additional information please see the 2020 Annual Report, Part I, Item 1A. Risk Factors – Market Conditions – COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

Impact of Changes in the Interest Rate Environment

Key U.S. benchmark rates initially rose sharply in the first three months of 2021 but subsequently fell reflecting concerns over future economic growth. The low interest rate environment negatively affects sales of interest rate sensitive products in our industry and negatively impacts the profitability of our existing business as we reinvest cash flows from investments, including increased calls and prepayments of fixed maturity securities and mortgage loans, at rates below the average yield of our existing portfolios. We actively manage our exposure to the interest rate environment through portfolio selection and asset-liability management, including spread management strategies for our investment-oriented products and economic hedging of interest rate risk from guarantee features in our variable and fixed index annuities. We may not be able to fully mitigate our interest rate risk by matching exposure of our assets relative to our liabilities. A low interest rate environment could also impair our ability to earn the returns assumed in the pricing and the reserving of our products at the time they were sold and issued.

Additionally, sustained low interest rates may result in higher pension expense due to the impact on discounting of projected benefit cash flows.

Annuity Sales and Surrenders

The interest rate environment has a significant impact on the annuity industry. Low long-term interest rates put pressure on investment returns, which may negatively affect sales of interest rate sensitive products and reduce future profits on certain existing fixed rate products. However, our disciplined rate setting has helped to mitigate some of the pressure on investment spreads. Rapidly rising interest rates could create the potential for increased sales, but may also drive higher surrenders. Fixed annuities have surrender charge periods, generally in the three-to-five year range, which may help mitigate increased early surrenders in a rising rate environment. In addition, older contracts that have higher minimum interest rates and continue to be attractive to the contract holders have driven better than expected persistency in fixed annuities, although the reserves for such contracts have continued to decrease over time in amount and as a percentage of the total annuity portfolio. We closely monitor surrenders of fixed annuities as contracts with lower minimum interest rates come out of the surrender charge period. Changes in interest rates significantly impact the valuation of our liabilities for annuities with guaranteed income features and the value of the related hedging portfolio.

Reinvestment and Spread Management

We actively monitor fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. We also frequently review our interest rate assumptions and actively manage the crediting rates used for new and in-force business. Business strategies continue to evolve to maintain profitability of the overall business in light of the interest rate environment. A low interest rate environment puts margin pressure on pricing of new business and on existing products, due to the challenge of investing new money or recurring premiums and deposits, and reinvesting investment portfolio cash flows, in the low interest rate environment. In addition, there is investment risk associated with future premium receipts from certain in-force business. Specifically, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities.

The contractual provisions for renewal of crediting rates and guaranteed minimum crediting rates included in products may reduce spreads in a sustained low interest rate environment and thus reduce future profitability. Although this interest rate risk is partially mitigated through the asset-liability management process, product design elements and crediting rate strategies, a sustained low interest rate environment may negatively affect future profitability.

For additional information on our investment and asset-liability management strategies see Investments.

For investment-oriented products, for example universal life, and variable, fixed and fixed indexed annuities, in our Individual Retirement, Group Retirement, Life Insurance and Institutional Markets businesses, our spread management strategies include disciplined pricing and product design for new business, modifying or limiting the sale of products that do not achieve targeted spreads, using asset-liability management to match assets to liabilities to the extent practicable, and actively managing crediting rates to help mitigate some of the pressure on investment spreads. Renewal crediting rate management is done under contractual provisions that were designed to allow crediting rates to be reset at pre-established intervals in accordance with state and federal laws and subject to minimum crediting rate guarantees. We will continue to adjust crediting rates on in-force business to mitigate the pressure on spreads from declining base yields, but our ability to lower crediting rates may be limited by the competitive environment, contractual minimum crediting rates, and provisions that allow rates to be reset only at pre-established intervals. As interest rates begin to rise again, we may need to raise crediting rates on in-force business for competitive and other reasons, potentially offsetting a portion of the additional investment income resulting from investing in a higher interest rate environment.

Of the aggregate fixed account values of our Individual Retirement and Group Retirement annuity products, 68 percent were crediting at the contractual minimum guaranteed interest rate at June 30, 2021. The percentage of fixed account values of our annuity products that are currently crediting at rates above one percent was 59 percent at both June 30, 2021 and December 31, 2020. These businesses continue to focus on pricing discipline and strategies to manage the minimum guaranteed interest crediting rates offered on new sales in the context of regulatory requirements and competitive positioning. In the universal life products in our Life Insurance business, 67 percent of the account values were crediting at the contractual minimum guaranteed interest rate at June 30, 2021.

The following table presents fixed annuity and universal life account values of our Individual Retirement, Group Retirement and Life Insurance operating segments by contractual minimum guaranteed interest rate and current crediting rates, excluding balances ceded to Fortitude Re:

June 30, 2021 Contractual Minimum Guaranteed Interest Rate (in millions)	Current Crediting Rates			Total
	At Contractual Minimum Guarantee	1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	
Individual Retirement*				
<=1%	\$ 9,453	\$ 2,132	\$ 18,082	\$ 29,667
> 1% - 2%	4,774	29	1,690	6,493
> 2% - 3%	10,684	1	18	10,703
> 3% - 4%	8,368	41	6	8,415
> 4% - 5%	491	-	4	495
> 5% - 5.5%	34	-	5	39
Total Individual Retirement	\$ 33,804	\$ 2,203	\$ 19,805	\$ 55,812
Group Retirement*				
<=1%	\$ 2,107	\$ 3,168	\$ 4,677	\$ 9,952
> 1% - 2%	6,080	703	117	6,900
> 2% - 3%	14,869	-	-	14,869
> 3% - 4%	741	-	-	741
> 4% - 5%	7,045	-	-	7,045
> 5% - 5.5%	166	-	-	166
Total Group Retirement	\$ 31,008	\$ 3,871	\$ 4,794	\$ 39,673
Universal life insurance				
<=1%	\$ -	\$ -	\$ -	\$ -
> 1% - 2%	101	24	361	486
> 2% - 3%	265	537	1,202	2,004
> 3% - 4%	1,437	180	205	1,822
> 4% - 5%	3,134	2	-	3,136
> 5% - 5.5%	240	-	-	240
Total universal life insurance	\$ 5,177	\$ 743	\$ 1,768	\$ 7,688
Total	\$ 69,989	\$ 6,817	\$ 26,367	\$ 103,173
Percentage of total	68 %	7 %	25 %	100 %

* Individual Retirement and Group Retirement amounts shown include fixed options within variable annuity products.

General Insurance

The impact of low interest rates on our General Insurance segment is primarily on our long-tail casualty line of business. We currently expect limited impacts on our existing long-tail casualty business as the duration of our assets is slightly longer than that of our liabilities. Sustained low interest rates would potentially impact new and renewal business for the long-tail casualty line as we may not be able to adjust our future pricing consistent with our profitability objectives to fully offset the impact of investing at lower rates. However, we will continue to be disciplined in pricing and risk selection.

In addition, for our General Insurance segment, sustained low interest rates may unfavorably affect the net loss reserve discount for workers' compensation, and to a lesser extent could favorably impact assumptions about future medical costs, the combined net effect of which could result in higher net loss reserves.

Standard of Care Developments

In our Life and Retirement business, we and our distributors are subject to laws and regulations regarding the standard of care applicable to sales of our products and the provision of advice to our customers. In recent years, many of these laws and regulations have been revised or reexamined while others have been newly adopted. We continue to closely follow these legislative and regulatory activities. *For additional information regarding these legislative and regulatory activities, see Item 1. Business – Regulation – U.S. Regulation – Standard of Care Developments in the 2020 Annual Report.* Changes in standard of care requirements or new standards issued by governmental authorities, such as the Department of Labor, the SEC, the National Association of Insurance Commissioners (NAIC) or state regulators and/or legislators, may affect our businesses, results of operations and financial condition. While we cannot predict the long-term impact of these legislative and regulatory developments on our Life and Retirement businesses, we believe our diverse product offerings and distribution relationships position us to compete effectively in this evolving marketplace.

Impact of Currency Volatility

Currency volatility remains acute. Such volatility affected line item components of income for those businesses with substantial international operations. In particular, growth trends in net premiums written reported in U.S. dollars can differ significantly from those measured in original currencies. The net effect on underwriting results, however, is significantly mitigated, as both revenues and expenses are similarly affected.

These currencies may continue to fluctuate, in either direction, especially as a result of the UK's exit from the European Union (EU), and such fluctuations will affect net premiums written growth trends reported in U.S. dollars, as well as financial statement line item comparability.

General Insurance businesses are transacted in most major foreign currencies. The following table presents the average of the quarterly weighted average exchange rates of the Major Currencies, which have the most significant impact on our businesses:

Rate for 1 USD	Three Months Ended		Percentage Change	Six Months Ended		Percentage Change
	June 30,			June 30,		
Currency:	2021	2020		2021	2020	
GBP	0.72	0.81	(11)%	0.73	0.79	(8)%
EUR	0.83	0.91	(9)%	0.83	0.91	(9)%
JPY	108.95	107.57	1 %	106.62	108.51	(2)%

Unless otherwise noted, references to the effects of foreign exchange in the General Insurance discussion of results of operations are with respect to movements in the Major Currencies included in the preceding table.

Consolidated Results of Operations

The following section provides a comparative discussion of our consolidated results of operations on a reported basis for the three- and six-month periods ended June 30, 2021 and 2020. Factors that relate primarily to a specific business are discussed in more detail within the business segment operations section.

For a discussion of the Critical Accounting Estimates that affect our results of operations see Critical Accounting Estimates in this MD&A and Part II, Item 7. MD&A – Critical Accounting Estimates in the 2020 Annual Report.

The following table presents our consolidated results of operations and other key financial metrics:

(in millions)	Three Months Ended		Percentage Change	Six Months Ended		Percentage Change
	June 30, 2021	2020		June 30, 2021	2020	
Revenues:						
Premiums	\$ 7,914	\$ 7,407	7 %	\$ 14,421	\$ 14,850	(3)%
Policy fees	771	749	3	1,555	1,504	3
Net investment income:			NM			
Net investment income - excluding Fortitude Re funds withheld assets	3,168	3,250	(3)	6,339	5,758	10
Net investment income - Fortitude Re funds withheld assets	507	116	337	993	116	NM
Total net investment income	3,675	3,366	9	7,332	5,874	25
Net realized gains (losses):			NM			
Net realized gains (losses) - excluding Fortitude Re funds withheld assets and embedded derivative	(43)	(1,591)	97	652	1,928	(66)
Net realized gains on Fortitude Re funds withheld assets	173	96	80	346	96	260
Net realized gains (losses) on Fortitude Re funds withheld embedded derivative	(2,056)	(837)	(146)	326	(837)	NM
Total net realized gains (losses)	(1,926)	(2,332)	17	1,324	1,187	12
Other income	247	206	20	503	424	19
Total revenues	10,681	9,396	14	25,135	23,839	5
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	6,084	6,521	(7)	11,223	12,846	(13)
Interest credited to policyholder account balances	872	918	(5)	1,740	1,875	(7)
Amortization of deferred policy acquisition costs	915	754	21	2,219	2,616	(15)
General operating and other expenses	2,218	2,087	6	4,306	4,240	2
Interest expense	338	365	(7)	680	720	(6)
(Gain) loss on extinguishment of debt	106	-	NM	98	17	476
Net (gain) loss on sale or disposal of divested businesses	1	8,412	(100)	(6)	8,628	NM
Total benefits, losses and expenses	10,534	19,057	(45)	20,260	30,942	(35)
Income (loss) from continuing operations before income tax expense (benefit)	147	(9,661)	NM	4,875	(7,103)	NM
Income tax expense (benefit)	(3)	(1,896)	100	795	(992)	NM
Income (loss) from continuing operations	150	(7,765)	NM	4,080	(6,111)	NM
Loss from discontinued operations, net of income taxes	-	(1)	NM	-	(1)	NM
Net income (loss)	150	(7,766)	NM	4,080	(6,112)	NM
Less: Net income attributable to noncontrolling interests	51	162	(69)	105	67	57
Net income (loss) attributable to AIG	99	(7,928)	NM	3,975	(6,179)	NM
Less: Dividends on preferred stock	8	8	-	15	15	-
Net income (loss) attributable to AIG common shareholders	\$ 91	\$ (7,936)	NM%	\$ 3,960	\$ (6,194)	NM%

<i>(in millions, except per common share data)</i>	June 30, 2021	December 31, 2020
Balance sheet data:		
Total assets	\$ 598,250	\$ 586,481
Long-term debt	26,161	28,103
Debt of consolidated investment entities	9,566	9,431
Total AIG shareholders' equity	66,083	66,362
Book value per common share	76.73	76.46
Adjusted book value per common share	60.07	57.01

The following table presents a reconciliation of Book value per common share to Adjusted book value per common share, which is a non-GAAP measure. For additional information see Use of Non-GAAP Measures.

<i>(dollars in millions, except per common share data)</i>	June 30, 2021	December 31, 2020
Total AIG shareholders' equity	\$ 66,083	\$ 66,362
Preferred equity	485	485
Total AIG common shareholders' equity	65,598	65,877
Less: Accumulated other comprehensive income (loss)	10,209	13,511
Add: Cumulative unrealized gains and losses related to Fortitude Re Funds Withheld Assets	3,341	4,657
Less: Deferred tax assets	7,374	7,907
Adjusted common shareholders' equity	\$ 51,356	\$ 49,116
Total common shares outstanding	854,927,930	861,558,049
Book value per common share	\$ 76.73	\$ 76.46
Adjusted book value per common share	60.07	57.01

The following table presents a reconciliation of Return on common equity to Adjusted return on common equity, which is a non-GAAP measure. For additional information see Use of Non-GAAP Measures.

<i>(dollars in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2021	2020	2021	2020	2020
Actual or annualized net income (loss) attributable to AIG common shareholders	\$ 364	\$ (31,744)	\$ 7,920	\$ (12,388)	\$ (5,973)
Actual or annualized adjusted after-tax income attributable to AIG common shareholders	5,324	2,244	4,508	1,332	2,201
Average AIG common shareholders' equity	\$ 63,896	\$ 60,719	\$ 64,556	\$ 62,209	\$ 63,225
Less: Average AOCI	8,338	4,088	10,062	4,386	7,529
Add: Average cumulative unrealized gains and losses related to Fortitude Re Funds Withheld Assets	2,794	2,108	3,415	1,405	2,653
Less: Average DTA	7,457	8,589	7,607	8,718	8,437
Average adjusted AIG common shareholders' equity	\$ 50,895	\$ 50,150	\$ 50,302	\$ 50,510	\$ 49,912
Return on common equity	0.6 %	NM	12.3 %	NM	(9.4) %
Adjusted return on common equity	10.5 %	4.5 %	9.0 %	2.6 %	4.4 %

The following table presents a reconciliation of pre-tax income/net income (loss) attributable to AIG to adjusted pre-tax income/adjusted after-tax income attributable to AIG:

Three Months Ended June 30,	2021				2020			
	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests ^(d)	After Tax	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests ^(d)	After Tax
<i>(in millions, except per common share data)</i>								
Pre-tax income (loss)/net income (loss), including noncontrolling interests	\$ 147	\$ (3)	\$ -	\$ 150	\$ (9,661)	\$ (1,896)	\$ -	\$ (7,766)
Noncontrolling interests			(51)	(51)			(162)	(162)
Pre-tax income (loss)/net income (loss) attributable to AIG	\$ 147	\$ (3)	\$ (51)	\$ 99	\$ (9,661)	\$ (1,896)	\$ (162)	\$ (7,928)
Dividends on preferred stock				8				8
Net income (loss) attributable to AIG common shareholders				\$ 91				\$ (7,936)
Changes in uncertain tax positions and other tax adjustments ^(a)		(35)	-	35		(206)	-	206
Deferred income tax valuation allowance releases ^(b)		25	-	(25)		183	-	(183)
Changes in fair value of securities used to hedge guaranteed living benefits	(13)	(2)	-	(11)	(16)	(4)	-	(12)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized gains (losses)	(120)	(25)	-	(95)	(255)	(53)	-	(202)
Changes in the fair value of equity securities	13	3	-	10	(56)	(12)	-	(44)
Loss on extinguishment of debt	106	23	-	83	-	-	-	-
Net investment income on Fortitude Re funds withheld assets	(507)	(107)	-	(400)	(116)	(24)	-	(92)
Net realized gains on Fortitude Re funds withheld assets	(173)	(37)	-	(136)	(96)	(20)	-	(76)
Net realized losses on Fortitude Re funds withheld embedded derivative	2,056	431	-	1,625	837	176	-	661
Net realized losses ^(c)	59	17	-	42	1,607	367	-	1,240
Loss from discontinued operations				-				1
Loss from divested businesses	1	-	-	1	8,412	1,657	-	6,755
Non-operating litigation reserves and settlements	-	-	-	-	-	-	-	-
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	(65)	(14)	-	(51)	(33)	(7)	-	(26)
Net loss reserve discount charge	22	5	-	17	16	3	-	13
Integration and transaction costs associated with acquiring or divesting businesses	35	7	-	28	4	1	-	3
Restructuring and other costs	126	26	-	100	134	28	-	106
Non-recurring costs related to regulatory or accounting changes	21	4	-	17	14	3	-	11
Noncontrolling interests primarily related to net realized gains (losses) of Fortitude Holdings' standalone results ^(d)				-			136	136
Adjusted pre-tax income/Adjusted after-tax income attributable to AIG common shareholders	\$ 1,708	\$ 318	\$ (51)	\$ 1,331	\$ 791	\$ 196	\$ (26)	\$ 561
Weighted average diluted shares outstanding ^(e)				872.9				867.0
Income (loss) per common share attributable to AIG common shareholders (diluted) ^(e)				\$ 0.11				\$ (9.15)
Adjusted after-tax income per common share attributable to AIG common shareholders (diluted) ^(e)				\$ 1.52				\$ 0.64

Six Months Ended June 30,	2021				2020			
	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests ^(d)	After Tax	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests ^(d)	After Tax
<i>(in millions, except per common share data)</i>								
Pre-tax income (loss)/net income (loss), including noncontrolling interests	\$ 4,875	\$ 795	\$ -	\$ 4,080	\$ (7,103)	\$ (992)	\$ -	\$ (6,112)
Noncontrolling interests			(105)	(105)			(67)	(67)
Pre-tax income (loss)/net income (loss) attributable to AIG	\$ 4,875	\$ 795	\$ (105)	\$ 3,975	\$ (7,103)	\$ (992)	\$ (67)	\$ (6,179)
Dividends on preferred stock				15				15
Net income (loss) attributable to AIG common shareholders				\$ 3,960				\$ (6,194)
Changes in uncertain tax positions and other tax adjustments ^(a)		866	-	(866)		(211)	-	211
Deferred income tax valuation allowance charges ^(b)		(661)	-	661		(100)	-	100
Changes in fair value of securities used to hedge guaranteed living benefits	(35)	(7)	-	(28)	(9)	(2)	-	(7)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized gains (losses)	83	18	-	65	283	60	-	223
Changes in the fair value of equity securities	(9)	(2)	-	(7)	135	28	-	107
(Gain) loss on extinguishment of debt	98	21	-	77	17	4	-	13
Net investment income on Fortitude Re funds withheld assets	(993)	(209)	-	(784)	(116)	(24)	-	(92)
Net realized gains on Fortitude Re funds withheld assets	(346)	(73)	-	(273)	(96)	(20)	-	(76)
Net realized (gains) losses on Fortitude Re funds withheld embedded derivative	(326)	(68)	-	(258)	837	176	-	661
Net realized gains ^(c)	(568)	(128)	-	(440)	(1,887)	(398)	-	(1,489)
Loss from discontinued operations				-				1
(Income) loss from divested businesses	(6)	(1)	-	(5)	8,628	1,702	-	6,926
Non-operating litigation reserves and settlements	-	-	-	-	(6)	(1)	-	(5)
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	(84)	(18)	-	(66)	(41)	(9)	-	(32)
Net loss reserve discount (benefit) charge	(10)	(2)	-	(8)	72	15	-	57
Integration and transaction costs associated with acquiring or divesting businesses	44	9	-	35	6	1	-	5
Restructuring and other costs	200	42	-	158	224	47	-	177
Non-recurring costs related to regulatory or accounting changes	41	8	-	33	27	6	-	21
Noncontrolling interests primarily related to net realized gains (losses) of Fortitude Holdings' standalone results ^(d)			-	-			59	59
Adjusted pre-tax income/Adjusted after-tax income attributable to AIG common shareholders	\$ 2,964	\$ 590	\$ (105)	\$ 2,254	\$ 971	\$ 282	\$ (8)	\$ 666
Weighted average diluted shares outstanding ^(e)				874.6				870.6
Income (loss) per common share attributable to AIG common shareholders (diluted) ^(e)				\$ 4.53				\$ (7.11)
Adjusted after-tax income per common share attributable to AIG common shareholders (diluted) ^(e)				\$ 2.58				\$ 0.76

(a) Six months ended June 30, 2021 includes the recent completion of audit activity by the Internal Revenue Service (IRS).

(b) Six months ended June 30, 2021 includes an increase in the valuation allowance against a portion of certain tax attribute carryforwards of AIG's U.S. federal consolidated income tax group, as well as net valuation allowance release in certain foreign jurisdictions.

(c) Includes all net realized 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 and net realized gains and losses on Fortitude Re funds withheld assets.

(d) Prior to June 2, 2020, noncontrolling interests was primarily due to the 19.9 percent investment in Fortitude Holdings by an affiliate of Carlyle, which occurred in the fourth quarter of 2018. Carlyle was allocated 19.9 percent of Fortitude Holdings' standalone financial results through the June 2, 2020 closing date of the Majority Interest Fortitude Sale. Fortitude Holdings' results were mostly eliminated in AIG's consolidated income from continuing operations given that its results arose from intercompany transactions. Noncontrolling interests was calculated based on the standalone financial results of Fortitude Holdings. The most significant component of Fortitude Holdings' standalone results was the change in fair value of the embedded derivatives which changes with movements in interest rates and credit spreads, and which was recorded in net realized gains and losses of Fortitude Holdings. In accordance with AIG's adjusted after-tax income definition, realized gains and losses are excluded from noncontrolling interests. Subsequent to the Majority Interest Fortitude Sale, AIG owns 3.5 percent of Fortitude Holdings and no longer consolidates Fortitude Holdings in its financial statements as of such date. The minority interest in Fortitude Holdings is carried at cost within AIG's Other invested assets, which was \$100 million as of June 30, 2021.

Fortitude Holdings' summarized financial information (standalone results), prior to the Majority Interest Fortitude Sale on June 2, 2020 is presented below:

(in millions)	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Fortitude Holdings	AIG Noncontrolling Interest	Fortitude Holdings	AIG Noncontrolling Interest
Revenues	\$ 423	\$ 84	\$ 653	\$ 130
Expenses	244	49	702	140
Adjusted pre-tax income (loss)	179	35	(49)	(10)
Taxes (benefit) expense	38	8	(10)	(2)
Adjusted after-tax income (loss)	141	27	(39)	(8)
Net realized gains and other charges	872	174	383	77
Taxes on net realized gains and other charges	184	36	81	16
Net realized gains and other charges - after-tax	688	138	302	61
Net income	\$ 829	\$ 165	\$ 263	\$ 53

(e) For the three- and six-month periods ended June 30, 2020, because we reported net losses attributable to AIG common shareholders, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. However, because we reported adjusted after-tax income attributable to AIG common shareholders, the calculation of adjusted after-tax income per diluted share attributable to AIG common shareholders includes 3,226,882 dilutive shares and 3,939,732 dilutive shares for the three- and six-month periods ended June 30, 2020, respectively.

QUARTERLY PRE-TAX INCOME (LOSS) COMPARISON FOR 2021 AND 2020

Pre-tax income of \$147 million in the three-month period ended June 30, 2021 compared to pre-tax loss of \$9.7 billion in the same period in 2020 primarily due to:

- the recognition of an \$8.4 billion loss on the closing of the Majority Interest Fortitude Sale in 2020;
- \$406 million decrease in net realized losses primarily due to:
 - Life and Retirement guaranteed living benefits, net of hedges, reflecting lower net realized losses in 2021 compared to the same period in the prior year, primarily due to changes in the movement in the non-performance risk adjustment (NPA), which is not hedged as part of our economic hedging program (see *Insurance Reserves – Life and Annuity Future Policy Benefits, Policyholder Contract Deposits and DAC – Variable Annuity Guaranteed Benefits and Hedging Results*); and
 - other derivative and hedge activity (\$318 million) and other changes in realized gains across our investment portfolio.
 - Partially offset by a larger mark-to-market net realized loss on the Fortitude Re embedded derivative (\$1.2 billion).
- \$309 million higher returns in our investment portfolio due primarily to Private Equity income compared to losses in the prior year period, partially offset by lower gains on fair value option bonds;
- General Insurance loss ratio improvement of 11.3 points primarily driven by change in business mix along with strong rate improvement, focused risk selection, improved terms and conditions and significantly lower catastrophe losses (9.8 points or \$556 million); and
- General Insurance expense ratio improvement of 2.2 points primarily driven by change in business mix, ongoing expense discipline and a higher premium base.

YEAR-TO-DATE PRE-TAX INCOME (LOSS) COMPARISON FOR 2021 AND 2020

Pre-tax income of \$4.9 billion in the six-month period ended June 30, 2021 compared to pre-tax loss of \$7.1 billion in the same period in 2020 primarily due to:

- the recognition of an \$8.4 billion loss on the closing of the Majority Interest Fortitude Sale in 2020;
- \$1.5 billion higher returns in our investment portfolio due primarily to higher income on our alternative investments and fair value option equity securities gains, which was driven primarily by positive returns achieved in equity markets. This compares to the prior year where we experienced losses on our alternative investments and fair value option equity securities, which were driven by the equity market downturn associated with the onset of the COVID-19 pandemic, partially offset by declines in fair value option and available for sale bonds;
- \$137 million increase in net realized gains primarily due to:
 - favorable change in net realized gains on the Fortitude Re embedded derivative mark-to-market (\$1.2 billion); and
 - a reduction in the allowance for credit losses on fixed maturity securities (\$296 million) and other favorable changes in realized gains across our investment portfolio.

These gains were largely offset by:

- Life and Retirement guaranteed living benefits, net of hedges, reflecting lower net realized gains in 2021 compared to the same period in the prior year, primarily due to changes in the movement in the NPA, which is not hedged as part of our economic hedging program (*see Insurance Reserves – Life and Annuity Future Policy Benefits, Policyholder Contract Deposits and DAC – Variable Annuity Guaranteed Benefits and Hedging Results*).
- Other derivative and hedge activity (\$1.0 billion).
- General Insurance loss ratio improvement of 6.2 points primarily driven by change in business mix along with strong rate improvement, focused risk selection, improved terms and conditions and significantly lower catastrophe losses (4.7 points or \$542 million); and
- General Insurance expense ratio improvement of 2.0 points primarily due to change in business mix, ongoing expense discipline and a higher premium base.

U.S. TAX LAW CHANGES

On December 22, 2017, the U.S. enacted the Tax Act. The Tax Act includes provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes are imposed on the excess of a deemed return on tangible assets of certain foreign subsidiaries and for Base Erosion and Anti-Abuse Tax (BEAT) under which taxes are imposed on certain base eroding payments to affiliated foreign companies. While the U.S. tax authorities issued formal guidance, including recently issued regulations for BEAT and other provisions of the Tax Act, there are still certain aspects of the Tax Act that remain unclear and subject to substantial uncertainties. Additional guidance is expected in future periods. Such guidance may result in changes to the interpretations and assumptions we made and actions we may take, which may impact amounts recorded with respect to international provisions of the Tax Act, possibly materially. Consistent with accounting guidance, we treat BEAT as a period tax charge in the period the tax is incurred and have made an accounting policy election to treat GILTI taxes in a similar manner.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to mitigate the economic impacts of the COVID-19 crisis. The tax provisions of the CARES Act have not had and are currently not expected to have a material impact on AIG's U.S. federal tax liabilities.

Repatriation Assumptions

For 2021, we consider our foreign earnings with respect to certain operations in Canada, South Africa, the Far East, Latin America, Bermuda as well as the European, Asia Pacific and Middle East regions to be indefinitely reinvested. These earnings relate to ongoing operations and have been reinvested in active business operations. Deferred taxes, if necessary, have been provided on earnings of non-U.S. affiliates whose earnings are not indefinitely reinvested.

INTERIM TAX CALCULATION METHOD

We use the estimated annual effective tax rate method in computing our interim tax provision. Certain items, including those deemed to be unusual, infrequent or that cannot be reliably estimated, are excluded from the estimated annual effective tax rate. In these cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in uncertain tax positions and realizability of deferred tax assets, and are recorded in the period in which the change occurs. While certain impacts of the Tax Act are included in our annual effective tax rate, we continue to refine our calculations as additional information becomes available, which may result in changes to the estimated annual effective tax rate. As of June 30, 2021, the annual effective tax rate includes the tax effects of actual and projected COVID-19 related losses and market developments.

INCOME TAX EXPENSE ANALYSIS

For the three-month period ended June 30, 2021, the effective tax rate on income from continuing operations was (2.0) percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax benefits associated with the release of reserves for uncertain tax positions and interest related to a New York State tax settlement based on the completion of recent audit activity, tax exempt income, remeasurement of deferred taxes as a result of the increase in the UK corporate statutory income tax rate, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. These tax benefits were partially offset by tax charges associated with the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges. We also recognized a tax charge associated with reduction of net operating loss deferred tax assets in certain foreign jurisdictions, with a corresponding decrease in the related deferred tax asset valuation allowance. The effect of foreign operations is primarily related to income of our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the six-month period ended June 30, 2021, the effective tax rate on income from continuing operations was 16.3 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax benefits associated with the release of reserves for uncertain tax positions, penalties and interest related to the recent completion of audit activity by the IRS, release of reserves for uncertain tax positions and interest related to a New York State tax settlement based on the completion of recent audit activity, tax exempt income, remeasurement of deferred taxes as a result of an increase in the UK corporate income tax rate enacted during the second quarter, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. These tax benefits were partially offset by tax charges associated with the establishment of U.S. federal valuation allowance related to certain tax attribute carryforwards, the effect of foreign operations, excess tax charges related to share based compensation payments recorded through the income statement, state and local income taxes, and non-deductible transfer pricing charges. We also recognized a tax charge associated with reduction of net operating loss deferred tax assets in certain foreign jurisdictions, with a corresponding decrease in the related deferred tax asset valuation allowance. The effect of foreign operations is primarily related to income of our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the three-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 19.6 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the increase of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. The effect of foreign operations is primarily related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the six-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 14.0 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the establishment of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, excess tax charges related to share based compensation payments recorded through the income statement, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from AOCI to income from continuing operations related to the disposal of available for sale securities. The effect of foreign operations is primarily related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

Business Segment Operations

Our business operations consist of General Insurance, Life and Retirement, and Other Operations.

General Insurance consists of two operating segments: North America and International. Life and Retirement consists of four operating segments: Individual Retirement, Group Retirement, Life Insurance and Institutional Markets. Other Operations is primarily comprised of corporate, our institutional asset management business and consolidation and eliminations.

On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG. For further discussion on the separation of Life and Retirement see Note 1 to the Condensed Consolidated Financial Statements.

The following table summarizes Adjusted pre-tax income (loss) from our business segment operations. See also Note 3 to the Condensed Consolidated Financial Statements.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
General Insurance				
North America - Underwriting income (loss)	\$ 169	\$ (439)	\$ (33)	\$ (542)
International - Underwriting income	294	96	569	112
Net investment income	731	518	1,503	1,106
General Insurance	1,194	175	2,039	676
Life and Retirement				
Individual Retirement	617	549	1,149	854
Group Retirement	347	214	654	357
Life Insurance	20	2	(20)	80
Institutional Markets	140	130	282	205
Life and Retirement	1,124	895	2,065	1,496
Other Operations				
Other Operations before consolidation and eliminations	(516)	(332)	(870)	(1,167)
Consolidation and eliminations	(94)	53	(270)	(34)
Other Operations	(610)	(279)	(1,140)	(1,201)
Adjusted pre-tax income	\$ 1,708	\$ 791	\$ 2,964	\$ 971

General Insurance

General Insurance is managed by our geographic markets of North America and International. Our global presence is reflected in our multinational capabilities to provide our Commercial Lines and Personal Insurance products within these geographic markets.

PRODUCTS AND DISTRIBUTION



Liability: Products include general liability, environmental, commercial automobile liability, workers' compensation, excess casualty and crisis management insurance products. Casualty also includes risk-sharing and other customized structured programs for large corporate and multinational customers.

Financial Lines: Products include professional liability insurance for a range of businesses and risks, including directors and officers, mergers and acquisitions, fidelity, employment practices, fiduciary liability, cyber risk, kidnap and ransom, and errors and omissions insurance.

Property: Products include commercial and industrial property as well as package insurance products and services that cover exposures to man-made and natural disasters, including business interruption.

Global Specialty: Products include aerospace, political risk, trade credit, portfolio solutions, energy-related property insurance products and marine.

Crop Risk Services: Products include hailstorm and multi-peril insurance.

Personal Lines: Products include personal auto and property in selected markets and insurance for high net-worth individuals offered through AIG's Private Client Group (PCG) in the U.S. that covers auto, homeowners, umbrella, yacht, fine art and collections. In addition, we offer extended warranty insurance and services covering electronics, appliances, and HVAC.

Accident & Health: Products include voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations, as well as a broad range of travel insurance products and services for leisure and business travelers.

General Insurance products in North America and International markets are distributed through various channels, including captive and independent agents, brokers, affinity partners, airlines and travel agents, and retailers. Our global platform enables writing multi-national and cross-border risks in both Commercial Lines and Personal Insurance.

BUSINESS STRATEGY

Profitable Growth: Deploy capital efficiently to act opportunistically and optimize diversity within the portfolio to grow in profitable lines, geographies and customer segments, while taking a disciplined approach in reducing exposure where terms and conditions do not meet our risk/return appetite. Look to inorganic growth opportunities in profitable markets and segments to expand our capabilities and footprint.

Reinsurance Optimization: Strategically partner with reinsurers to effectively manage exposure to losses arising from frequency of large catastrophic events and severity from individual risk losses. We strive to optimize our reinsurance program to manage volatility and protect the balance sheet from tail events and unpredictable net losses in support of our profitable growth objectives.

Underwriting Excellence: Empower and increase accountability of the underwriter and continue to integrate underwriting, claims and actuarial to enable better decision making. Focus on enhancing risk selection, driving consistent underwriting best practices and building robust monitoring standards to improve underwriting results.

COMPETITION AND CHALLENGES

Operating in a highly competitive industry, General Insurance competes against several hundred companies, specialty insurance organizations, mutual companies and other underwriting organizations in the U.S. In international markets, we compete against foreign insurance operations of large global insurance groups and local companies in specific market areas and product types. Insurance companies compete through a combination of risk acceptance criteria, product pricing, service and terms and conditions. General Insurance seeks to distinguish itself in the insurance industry primarily based on its well-established brand, global franchise, multinational capabilities, financial and capital strength, innovative products, claims handling expertise, expertise in providing specialized coverages and customer service.

We serve our business and individual customers on a global basis – from the largest multinational corporations to local businesses and individuals. Our clients benefit from our substantial underwriting expertise.

Our challenges include:

- long-tail Commercial Lines exposures that create added challenges to pricing and risk management;
- over-capacity in certain lines of business that creates downward market pressure on pricing;
- tort environment volatility in certain jurisdictions and lines of business; and
- volatility in claims arising from natural and man-made catastrophes, including public health events, such as the COVID-19 crisis.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

Below is a discussion of the industry and economic factors impacting our operating segments:

The worldwide health and economic impact of COVID-19 continues to evolve, influenced by the scope, severity and duration of the crisis as well as the actions of governments, judiciaries, legislative bodies, regulators and other third parties in response, all of which are subject to continuing uncertainty. While production in certain lines of business continues to remain near or below pre-COVID-19 levels, although uneven, the global economic recovery is having a positive impact on consumer and business demand across our Commercial Line and Personal Insurance businesses. The overall results of General Insurance for the six months ended June 30, 2021 reflect continued strong performance from our Commercial Lines portfolio and positive momentum within Personal Insurance. Across our North America and International Commercial Lines of business we have seen increased demand for our insurance products with improvement in rates as well as terms and conditions. We continue to monitor potential inflationary impacts resulting from central bank stimulus, sharp increases in demand and supply chain disruptions on rate adequacy and loss cost trends. While the global economic outlook continues to improve, the ultimate impact of COVID-19 on our business will depend upon the speed at which government-mandated safety precautions can be fully lifted, the distribution and effectiveness of vaccinations, and the manner and speed with which economic activity sustainably rebounds.

General Insurance – North America

The North America business remains in a firm market with common drivers being higher industry-wide claims severity trends driven by social and economic inflation, higher natural catastrophe losses over recent years and the uncertain impact of COVID-19. While market discipline continues to support price increases across most lines (outside of Workers' Compensation), we are beginning to see capacity move back into the market given the improved conditions. Despite the higher rates, we have focused on retaining our best accounts which has led to improving retention across the portfolio. These retention rates are often coupled with an exposure limit management strategy to reduce volatility within the portfolio. We continue to proactively identify and prioritize targeted businesses to grow as market conditions warrant through effective portfolio management.

Personal Insurance growth prospects are supported by the need for full life cycle products and coverage, increases in personal wealth accumulation, and awareness of insurance protection and risk management. We compete in the high net-worth market, accident and health insurance, travel insurance, and warranty services and will continue to expand our innovative products and services to distribution partners and clients.

During the first quarter of 2021, AIG amended a distribution agreement with one of its largest travel insurance distributors. Following the effectiveness of the amendments, the revised agreement no longer represents a risk transfer transaction and as such will be accounted for under deposit accounting.

General Insurance – International

We believe our global presence provides Commercial Lines and Personal Insurance a competitive advantage, as the demand for multinational cross-border coverage and services increases due to the growing number of international customers, while giving us the ability to respond quickly to local market conditions and build client relationships.

We are continuing to pursue growth in our most profitable lines of business and diversify our portfolio across all regions by expanding key business lines (i.e. Financial Lines and Accident & Health) while remaining a market leader in key developed and developing markets. Overall, Commercial Lines continue to show positive rate increases, particularly in our Global Specialty, Financial Lines and Property portfolio and across international markets where market events or withdrawal of capability and capacity have favorably impacted pricing. We are maintaining our underwriting discipline, reducing gross and net limits, increasing use of reinsurance to reduce volatility, as well as continuing our risk selection strategy to improve profitability.

Personal Insurance focuses on individual customers, as well as group and corporate clients. Although market competition within Personal Insurance has increased, we continue to benefit from the underwriting quality, portfolio diversity, and generally low volatility of the short-tailed risk in these business lines, although some product classes are exposed to catastrophe losses.

GENERAL INSURANCE RESULTS

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Underwriting results:						
Net premiums written	\$ 6,860	\$ 5,549	24 %	\$ 13,339	\$ 11,470	16 %
(Increase) decrease in unearned premiums	(645)	188	NM	(1,258)	346	NM
Net premiums earned	6,215	5,737	8	12,081	11,816	2
Losses and loss adjustment expenses incurred ^(a)	3,810	4,167	(9)	7,658	8,226	(7)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	854	866	(1)	1,727	1,852	(7)
Other acquisition expenses	335	281	19	646	626	3
Total acquisition expenses	1,189	1,147	4	2,373	2,478	(4)
General operating expenses	753	766	(2)	1,514	1,542	(2)
Underwriting income (loss)	463	(343)	NM	536	(430)	NM
Net investment income	731	518	41	1,503	1,106	36
Adjusted pre-tax income	\$ 1,194	\$ 175	NM%	\$ 2,039	\$ 676	202 %
Loss ratio^(a)	61.3	72.6	(11.3)	63.4	69.6	(6.2)
Acquisition ratio	19.1	20.0	(0.9)	19.6	21.0	(1.4)
General operating expense ratio	12.1	13.4	(1.3)	12.5	13.1	(0.6)
Expense ratio	31.2	33.4	(2.2)	32.1	34.1	(2.0)
Combined ratio^(a)	92.5	106.0	(13.5)	95.5	103.7	(8.2)
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	(2.1)	(11.9)	9.8	(4.6)	(9.3)	4.7
Prior year development, net of (additional) return premium on loss sensitive business	0.7	0.8	(0.1)	0.8	0.8	-
Accident year loss ratio, as adjusted	59.9	61.5	(1.6)	59.6	61.1	(1.5)
Accident year combined ratio, as adjusted	91.1	94.9	(3.8)	91.7	95.2	(3.5)

(a) Consistent with our definition of APTI, excludes net loss reserve discount and 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.

The following table presents General Insurance net premiums written by operating segment, showing change on both reported and constant dollar basis:

(in millions)	Three Months Ended June 30,		Percentage Change in Original		Six Months Ended June 30,		Percentage Change in Original	
	2021	2020	U.S. dollars	Currency	2021	2020	U.S. dollars	Currency
North America	\$ 3,156	\$ 2,153	47 %	46 %	\$ 6,086	\$ 4,852	25 %	25 %
International	3,704	3,396	9	4	7,253	6,618	10	4
Total net premiums written	\$ 6,860	\$ 5,549	24 %	20 %	\$ 13,339	\$ 11,470	16 %	13 %

The following tables present General Insurance accident year catastrophes^(a) by geography^(b) and number of events:

(in millions)	# of Events	North America	International	Total
Three Months Ended June 30, 2021				
Flooding and rainstorms	1	\$ -	\$ -	\$ -
Windstorms and hailstorms	3	72	-	72
Winter storms	3	(2)	41	39
Earthquakes	1	-	7	7
Reinstatement premiums		12	8	20
Total catastrophe-related charges	8	\$ 82	\$ 56	\$ 138
Three Months Ended June 30, 2020				
Flooding and rainstorms	3	\$ 13	\$ 6	\$ 19
Windstorms and hailstorms	5	49	12	61
Earthquakes	2	9	1	10
COVID-19	N/A(c)	345	113	458
Civil unrest	1	81	45	126
Reinstatement premiums		2	18	20
Total catastrophe-related charges	11	\$ 499	\$ 195	\$ 694
Six Months Ended June 30, 2021				
Flooding and rainstorms	1	\$ -	\$ 10	\$ 10
Windstorms and hailstorms	3	82	-	82
Winter storms	3	349	80	429
Earthquakes	1	-	19	19
Reinstatement premiums		18	14	32
Total catastrophe-related charges	8	\$ 449	\$ 123	\$ 572
Six Months Ended June 30, 2020				
Flooding and rainstorms	3	\$ 30	\$ 16	\$ 46
Windstorms and hailstorms	5	79	76	155
Earthquakes	2	24	12	36
COVID-19	N/A(c)	468	262	730
Civil unrest	1	81	45	126
Reinstatement premiums		2	19	21
Total catastrophe-related charges	11	\$ 684	\$ 430	\$ 1,114

(a) Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each and man-made catastrophe losses, such as terrorism and civil disorders that exceed the \$10 million threshold.

(b) Geography: North America primarily includes insurance businesses in the United States, Canada and Bermuda, and our global reinsurance business, AIG Re. International includes regional insurance businesses in Japan, the United Kingdom, EMEA region, Asia Pacific, Latin America and Caribbean, and China. International also includes the results of Talbot as well as AIG's global specialty business.

(c) As COVID-19 continues to evolve, impacting many lines of business, the number of events is yet to be determined.

NORTH AMERICA RESULTS

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Underwriting results:						
Net premiums written	\$ 3,156	\$ 2,153	47 %	\$ 6,086	\$ 4,852	25 %
(Increase) decrease in unearned premiums	(471)	321	NM	(1,013)	353	NM
Net premiums earned	2,685	2,474	9	5,073	5,205	(3)
Losses and loss adjustment expenses incurred ^(a)	1,810	2,218	(18)	3,712	4,203	(12)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	309	337	(8)	616	768	(20)
Other acquisition expenses	112	61	84	207	178	16
Total acquisition expenses	421	398	6	823	946	(13)
General operating expenses	285	297	(4)	571	598	(5)
Underwriting income (loss)	\$ 169	\$ (439)	NM%	\$ (33)	\$ (542)	94 %
Loss ratio^(a)	67.4	89.7	(22.3)	73.2	80.7	(7.5)
Acquisition ratio	15.7	16.1	(0.4)	16.2	18.2	(2.0)
General operating expense ratio	10.6	12.0	(1.4)	11.3	11.5	(0.2)
Expense ratio	26.3	28.1	(1.8)	27.5	29.7	(2.2)
Combined ratio^(a)	93.7	117.8	(24.1)	100.7	110.4	(9.7)
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	(2.9)	(20.2)	17.3	(8.8)	(13.1)	4.3
Prior year development, net of (additional) return premium on loss sensitive business	1.6	1.0	0.6	2.1	0.9	1.2
Adjustment for ceded premiums under reinsurance contracts related to prior accident years and other	-	-	NM	-	(0.1)	NM
Accident year loss ratio, as adjusted	66.1	70.5	(4.4)	66.5	68.4	(1.9)
Accident year combined ratio, as adjusted	92.4	98.6	(6.2)	94.0	98.1	(4.1)

(a) Consistent with our definition of APTI, excludes net loss reserve discount and 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.

Business and Financial Highlights

The North America General Insurance business continues to make progress in strengthening our underwriting, actively managing our portfolio to improve business mix and articulating our revised risk appetite to the marketplace. We are at the forefront of the industry across multiple lines in terms of driving rate momentum while simultaneously increasing the level of business retained in targeted lines. As we see disruption in the marketplace, we are well placed to capitalize on opportunities.

During the second quarter of 2020, AIG entered into a series of quota share reinsurance agreements, including with Lloyd's Syndicate 2019, a Lloyd's syndicate managed by Talbot Underwriting Ltd., and with PCG 2019 Corporate Member Ltd., both of which are wholly-owned subsidiaries of AIG, to cede PCG business written by our General Insurance operations to third parties. Overall, these ceded reinsurance transactions, accounted for under ASC 944 Financial Services – Insurance, further AIG's continued optimization of its General Insurance portfolio, create additional products for clients and diversify AIG's capital base. We consolidate our interest in Syndicate 2019 and account for the reinsurance transactions in a manner consistent with other third-party reinsurance arrangements.

Underwriting income of \$169 million in the three-month period ended June 30, 2021 compared to an underwriting loss of \$439 million in the same period in the prior year primarily due to significantly lower catastrophe losses, improvement in the accident year loss ratio, as adjusted and lower general operating expense ratio.

Underwriting loss decreased by \$509 million in the six-month period ended June 30, 2021 compared to the same period in the prior year primarily due to significantly lower catastrophe losses, improvement in the accident year loss ratio, lower acquisition ratio driven by changes in business mix including the impact of COVID-19 as well as favorable prior year reserve development.

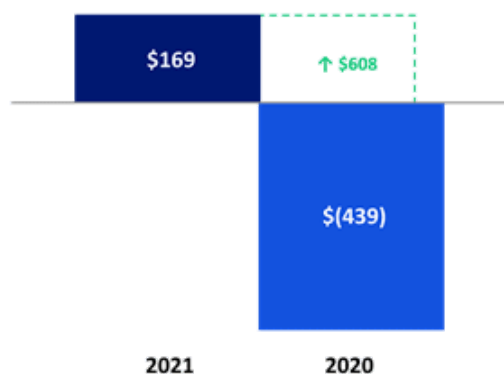
Net premiums written increased in the three- and six-month periods ended June 30, 2021 compared to the same periods in the prior year by \$1.0 billion and \$1.2 billion, respectively, primarily due to growth in Commercial lines driven by strong rate improvement, higher renewal retentions, and strong new business production. While net premiums written increased across most Commercial Lines, it was particularly strong within our AIG Re, Property and Financial Lines businesses. Lower ceded premiums due to 2020 quota share reinsurance agreements, and growth in Travel and Warranty businesses driven by recovery in Travel activity and consumer spending also drove the increase in Personal Lines net premiums written. The increase in the six-month period ended June 30, 2021 was partially offset by lower production in Personal Lines due to the impact of COVID-19.

For a discussion of 2021 reinsurance programs see Part II, Item 7. MD&A – Enterprise Risk Management in the 2020 Annual Report.

North America Underwriting Income (Loss)

Three Months Ended June 30,

(in millions)



Quarterly 2021 and 2020 Comparison

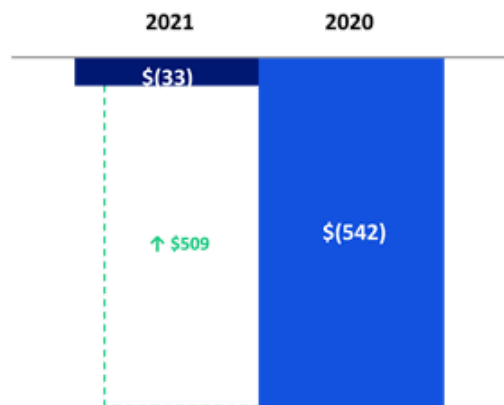
Underwriting income of \$169 million in 2021 compared to an underwriting loss of \$439 million in 2020 primarily reflected:

- significantly lower catastrophe losses (\$417 million), notably due to the impact of COVID-19 in 2020;
- improvement in the accident year loss ratio, as adjusted (4.4 points) primarily driven by change in business mix along with strong rate improvement, focused risk selection and improved terms and conditions;
- higher favorable prior year reserve development (0.6 points or \$25 million), primarily driven by favorable development in PCG;
- lower general operating expense ratio (1.4 points) resulting from ongoing expense discipline and a higher premium base; and
- lower acquisition ratio (0.4 points) primarily driven by changes in business mix.

North America Underwriting Income (Loss)

Six Months Ended June 30,

(in millions)

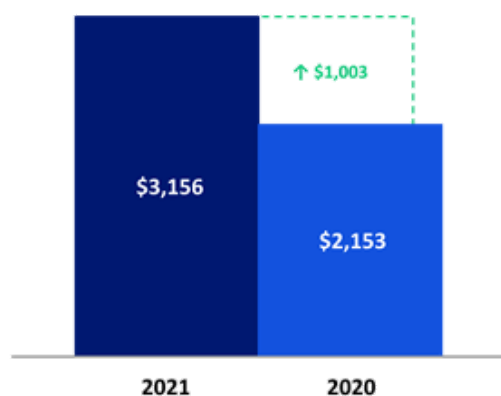


Year-to-Date 2021 and 2020 Comparison

Underwriting loss decreased by \$509 million primarily due to:

- significantly lower catastrophe losses (\$235 million), notably due to the impact of COVID-19 in 2020 and lower natural catastrophe losses;
- improvement in the accident year loss ratio, as adjusted (1.9 points) primarily driven by change in business mix along with strong rate improvement, focused risk selection and improved terms and conditions;
- lower acquisition ratio (2.0 points) primarily driven by changes in business mix including the impact of COVID-19 most notably in Travel; and
- higher favorable prior year reserve development (1.2 points or \$58 million), primarily driven by favorable development in PCG.

North America Net Premiums Written
Three Months Ended June 30,
(in millions)

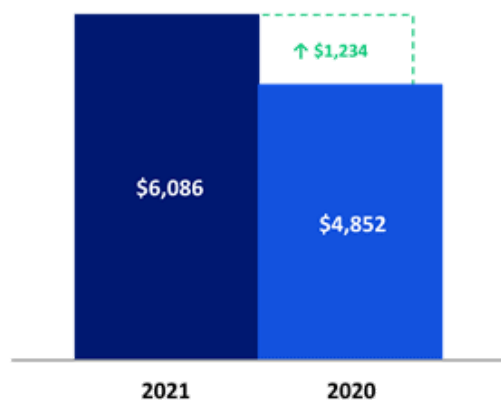


Quarterly 2021 and 2020 Comparison

Net premiums written increased by \$1.0 billion primarily due to:

- increased PCG net premiums written resulting from changes in our reinsurance program (\$510 million);
- growth in Commercial Lines (\$352 million), particularly within our AIG Re business, Casualty, Property, and Financial Lines businesses driven by strong rate improvement, higher renewal retentions and strong new business production; and
- growth in Personal Lines (\$142 million) particularly from our Travel and Warranty businesses driven by a rebound in travel activity and increased consumer spending.

North America Net Premiums Written
Six Months Ended June 30,
(in millions)

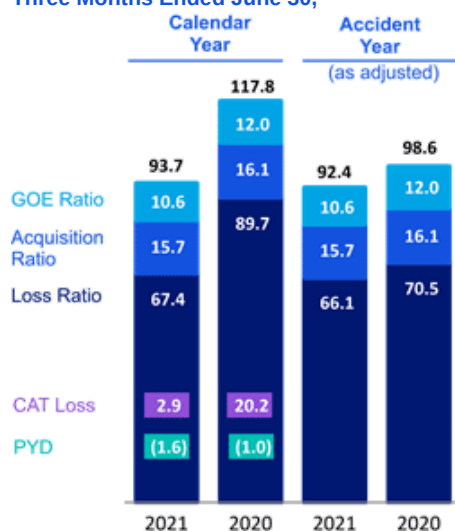


Year-to-Date 2021 and 2020 Comparison

Net premiums written increased by \$1.2 billion primarily due to:

- growth in Commercial Lines (\$985 million), particularly within our AIG Re business, Casualty, Property, and Financial Lines businesses, driven by strong rate improvement, higher renewal retentions and strong new business production as well as higher Crop business driven by higher commodity prices;
- increased PCG net premiums written resulting from changes in our reinsurance program (\$249 million); and
- growth in Personal Lines in our Warranty business driven by increased consumer spending was offset by lower production in Travel due to the change in business mix and impact of COVID-19.

North America Combined Ratios Three Months Ended June 30,



Quarterly 2021 and 2020 Comparison

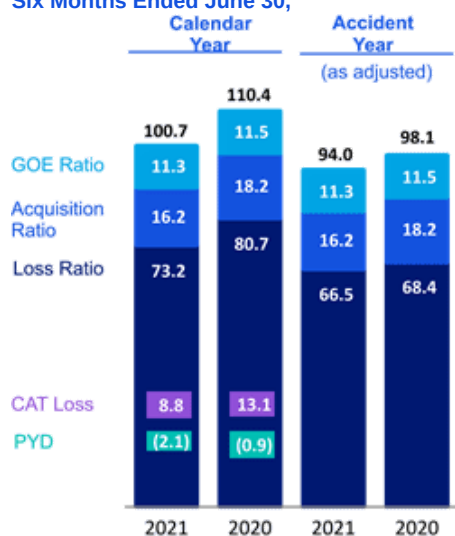
The decrease in the calendar year combined ratio of 24.1 points reflected a decrease in both the loss ratio (22.3 points) and the expense ratio (1.8 points).

The decrease in the loss ratio by 22.3 points reflected:

- significantly lower catastrophe losses (17.3 points);
- improvement in the accident year loss ratio, as adjusted (4.4 points) primarily driven by change in business mix along with strong rate improvement, focused risk selection and improved terms and conditions; and
- higher favorable prior year reserve development (0.6 points), primarily driven by favorable development in PCG.

The decrease in the expense ratio by 1.8 points reflected a lower general operating expense ratio (1.4 points) driven by higher premiums and impact of ongoing expense discipline and lower acquisition ratio (0.4 points) primarily driven by changes in business mix.

North America Combined Ratios Six Months Ended June 30,



Year-to-Date 2021 and 2020 Comparison

The decrease in the calendar year combined ratio of 9.7 points reflected a decrease in both the loss ratio (7.5 points) and the expense ratio (2.2 points).

The decrease in the loss ratio of 7.5 points reflected:

- significantly lower catastrophe losses (4.3 points), notably due to the impact of COVID-19 in 2020 and lower natural catastrophe losses;
- improvement in the accident year loss ratio, as adjusted (1.9 points) primarily driven by change in business mix along with strong rate improvement, focused risk selection and improved terms and conditions; and
- higher favorable prior year reserve development (1.2 points), primarily driven by favorable development in PCG.

The decrease in the expense ratio of 2.2 points reflected a lower acquisition ratio (2.0 points) primarily driven by changes in business mix including the impact of COVID-19 most notably in Travel.

INTERNATIONAL RESULTS

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Underwriting results:						
Net premiums written	\$ 3,704	\$ 3,396	9 %	\$ 7,253	\$ 6,618	10 %
Increase in unearned premiums	(174)	(133)	(31)	(245)	(7)	NM
Net premiums earned	3,530	3,263	8	7,008	6,611	6
Losses and loss adjustment expenses incurred	2,000	1,949	3	3,946	4,023	(2)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	545	529	3	1,111	1,084	2
Other acquisition expenses	223	220	1	439	448	(2)
Total acquisition expenses	768	749	3	1,550	1,532	1
General operating expenses	468	469	-	943	944	-
Underwriting income	\$ 294	\$ 96	206 %	\$ 569	\$ 112	408 %
Loss ratio	56.7	59.7	(3.0)	56.3	60.9	(4.6)
Acquisition ratio	21.8	23.0	(1.2)	22.1	23.2	(1.1)
General operating expense ratio	13.3	14.4	(1.1)	13.5	14.3	(0.8)
Expense ratio	35.1	37.4	(2.3)	35.6	37.5	(1.9)
Combined ratio	91.8	97.1	(5.3)	91.9	98.4	(6.5)
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	(1.5)	(5.7)	4.2	(1.7)	(6.4)	4.7
Prior year development, net of (additional) return premium on loss sensitive business	(0.1)	0.7	(0.8)	(0.1)	0.9	(1.0)
Accident year loss ratio, as adjusted	55.1	54.7	0.4	54.5	55.4	(0.9)
Accident year combined ratio, as adjusted	90.2	92.1	(1.9)	90.1	92.9	(2.8)

Business and Financial Highlights

The International General Insurance business is focused on underwriting profits, driving operational efficiency, further improving underwriting margins, and growing profitably in businesses and geographies that support our growth strategy.

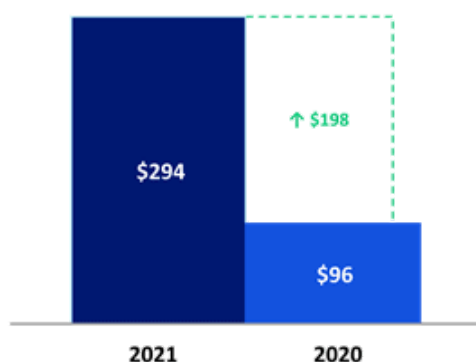
Underwriting income increased in the three- and six-month periods ended June 30, 2021 compared to the same periods in the prior year by \$198 million and \$457 million respectively, primarily due to significantly lower catastrophe losses, lower expense ratio partially offset by unfavorable prior year reserve development compared to favorable prior year reserve development in prior year. Underwriting income in the six-month period ended June 30, 2021 compared to the same period in the prior year also increased due to improved accident year loss ratio, as adjusted.

Net premiums written, excluding the impact of foreign exchange, increased in the three- and six-month periods ended June 30, 2021 compared to the same periods in the prior year by \$156 million and \$287 million, respectively, primarily due to growth across most Commercial Lines, in particular Financial Lines, Global Specialty and Talbot driven by strong rate improvement, higher renewal retentions and strong new business production, partially offset by lower production in Personal Lines driven by underwriting actions taken to strengthen our portfolio and to maintain pricing discipline.

The increase in the six-month period ended June 30, 2021 was partially offset by lower production in Personal Lines due to the impact of COVID-19.

For a discussion of 2021 reinsurance programs see Part II, Item 7 MD&A – Enterprise Risk Management in the 2020 Annual Report.

International Underwriting Income (Loss)
Three Months Ended June 30,
(in millions)



Quarterly 2021 and 2020 Comparison

Underwriting income increased by \$198 million primarily due to:

- significantly lower catastrophe losses (\$139 million), notably due to the impact of COVID-19 in 2020; and
- a lower expense ratio by 2.3 points reflected a lower acquisition ratio (1.2 points) primarily driven by lower acquisition expenses as well as change in business mix and a lower general operating expense ratio (1.1 points) resulting from ongoing expense discipline and a higher premium base.

These increases were partially offset by:

- change in prior year reserve development against 2020 (0.8 points or \$48 million), primarily due to favorable development in Property and Global Specialty in prior year.

International Underwriting Income (Loss)
Six Months Ended June 30,
(in millions)



Year-to-Date 2021 and 2020 Comparison

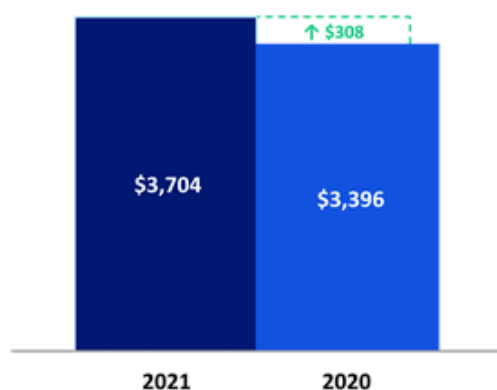
Underwriting income increased by \$457 million primarily due to:

- significantly lower catastrophe losses (\$307 million); notably due to the impact of COVID-19 in 2020;
- a lower expense ratio by 1.9 points reflected a lower acquisition ratio (1.1 points) primarily driven by lower acquisition cost as well as change in business mix and a lower general operating expense ratio (0.8 points) resulting from ongoing expense discipline and a higher premium base; and
- lower accident year loss ratio, as adjusted (0.9 points) primarily driven by change in business mix along with strong rate improvement, focused risk selection and improved terms and conditions.

These increases were partially offset by:

- change in prior year reserve development against 2020 (1.0 points or \$85 million), primarily due to favorable development in Casualty, Global Specialty and Property in prior year.

International Net Premiums Written
Three Months Ended June 30,
(in millions)



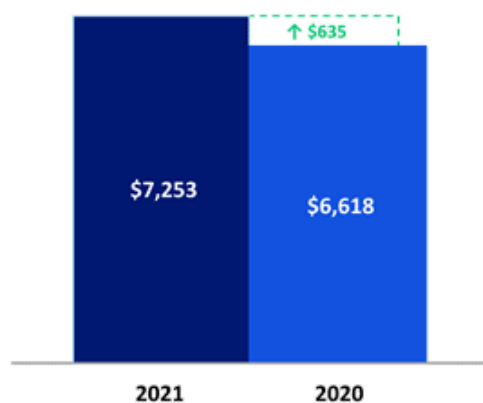
Quarterly 2021 and 2020 Comparison

Net premiums written, excluding the impact of foreign exchange, increased by \$156 million due to:

- growth across most Commercial Lines (\$182 million), notably in Financial Lines, Global Specialty and Talbot driven by strong rate improvement, higher renewal retentions and strong new business production.

This increase was partially offset by lower production in Personal Lines (\$26 million) driven by underwriting actions taken to strengthen our portfolio and to maintain pricing discipline, partially offset by growth in Warranty.

International Net Premiums Written
Six Months Ended June 30,
(in millions)



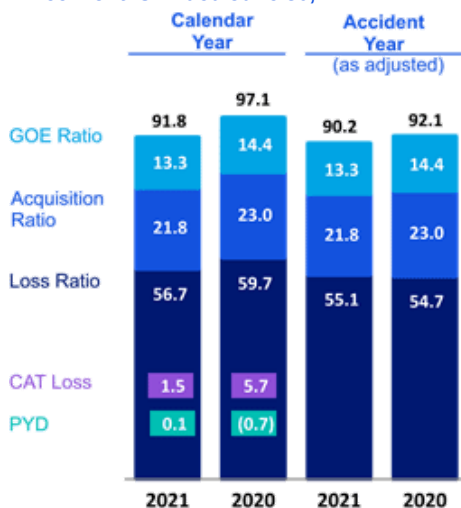
Year-to-Date 2021 and 2020 Comparison

Net premiums written, excluding the impact of foreign exchange, increased by \$287 million due to:

- growth across most Commercial Lines (\$413 million), notably in Financial Lines, Property, Global Specialty and Talbot driven by strong rate improvement, higher renewal retentions and strong new business production.

These increases were partially offset by lower production in Personal Lines (\$126 million) driven by underwriting actions taken to strengthen our portfolio and to maintain pricing discipline as well as due to the impact of COVID-19, partially offset by growth in Warranty.

International Combined Ratios Three Months Ended June 30,



Quarterly 2021 and 2020 Comparison

The decrease in the calendar year combined ratio of 5.3 points reflected a decrease in both the loss ratio (3.0 points) and the expense ratio (2.3 points).

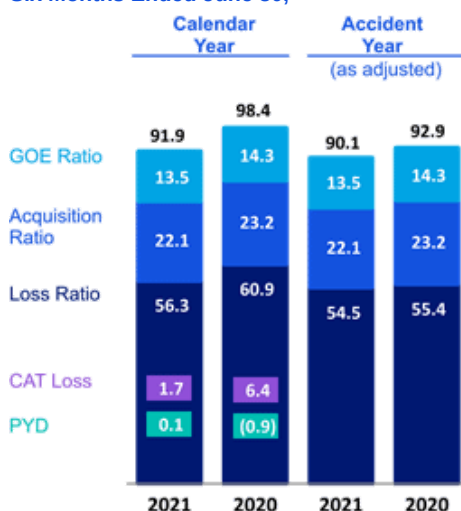
The decrease in the loss ratio by 3.0 points reflected:

- significantly lower catastrophe losses (4.2 points); partially offset by
- change in prior year reserve development against 2020 (0.8 points), primarily due to favorable development in Property and Global Specialty in prior year.

The decrease in the expense ratio by 2.3 points reflected:

- lower acquisition ratio (1.2 points) primarily driven by lower acquisition costs as well as change in business mix; and
- lower general operating expense ratio (1.1 points) resulting from ongoing expense discipline and a higher premium base.

International Combined Ratios Six Months Ended June 30,



Year-to-Date 2021 and 2020 Comparison

The decrease in the calendar year combined ratio of 6.5 points reflected a decrease in both the loss ratio (4.6 points) and the expense ratio (1.9 points).

The decrease in the loss ratio by 4.6 points reflected:

- significantly lower catastrophe losses (4.7 points), notably due to the impact of COVID-19 in 2020; and
- lower accident year loss ratio, as adjusted (0.9 points) primarily driven by change in business mix along with strong rate improvement, focused risk selection and improved terms and conditions.

These decreases were partially offset by change in prior year reserve development against 2020 (1.0 points), primarily due to favorable development in Casualty, Global Specialty and Property in prior year.

The decrease in the expense ratio by 1.9 points reflected:

- lower acquisition ratio (1.1 points) primarily driven by lower acquisition costs, change in business mix and changes in 2021 reinsurance program; and
- lower general operating expense ratio (0.8 points) due to ongoing expense discipline and a higher premium base.

Life and Retirement

Life and Retirement consists of four operating segments: Individual Retirement, Group Retirement, Life Insurance and Institutional Markets. We offer a broad portfolio of products in the U.S. through a multichannel distribution network and life and health products in the UK and Ireland.

PRODUCTS AND DISTRIBUTION



Variable Annuities: Products include variable annuities that offer a combination of growth potential, death benefit features and income protection features. Variable annuities are distributed primarily through banks, wirehouses, and regional and independent broker-dealers.

Index Annuities: Products include fixed index annuities that provide growth potential based in part on the performance of a market index as well as optional living guaranteed features that provide lifetime income protection. Fixed index annuities are distributed primarily through banks, broker-dealers, independent marketing organizations and independent insurance agents.

Fixed Annuities: Products include single premium fixed annuities, immediate annuities and deferred income annuities. Certain fixed deferred annuity products offer optional income protection features. The fixed annuities product line maintains an industry-leading position in the U.S. bank distribution channel by designing products collaboratively with banks and offering an efficient and flexible administration platform.

Retail Mutual Funds: Includes our mutual fund offerings and related administration and servicing operations. Retail Mutual Funds are distributed primarily through broker-dealers. *For further details on the Sale of Certain Assets of the Retail Mutual Funds Business, see Executive Summary – Overview.*



Group Retirement: Products and services consist of group mutual funds, group annuities, individual annuity and investment products, financial planning and advisory services, and plan administrative and compliance services.

AIG Retirement Services offers its products and services through The Variable Annuity Life Insurance Company and its subsidiaries, VALIC Financial Advisors, Inc. and VALIC Retirement Services Company.

AIG Retirement Services career financial advisors and independent financial advisors provide retirement plan participants with enrollment support and comprehensive financial planning services.



Life Insurance: In the U.S., products primarily include term life and universal life insurance distributed through independent marketing organizations, independent insurance agents, financial advisors and direct marketing. International operations include the distribution of life and health products in the UK and Ireland.



Institutional Markets: Products primarily include stable value wrap products, structured settlement and pension risk transfer annuities (direct and assumed reinsurance), corporate- and bank-owned life insurance, high net worth products and guaranteed investment contracts (GICs). Institutional Markets products are primarily distributed through specialized marketing and consulting firms and structured settlement brokers.

FHLB Funding Agreements are issued through our Individual Retirement, Group Retirement and Institutional Markets operating segments. Funding agreements are issued by our U.S. Life and Retirement companies to FHLBs in their respective districts at fixed or floating rates over specified periods, which can be prepaid at our discretion. Proceeds are generally invested in fixed income securities and other suitable investments to generate spread income. These investment contracts do not have mortality or morbidity risk and are similar to GICs.

BUSINESS STRATEGY

Deliver client-centric solutions through our unique franchise by bringing together a broad portfolio of life insurance, retirement and institutional products offered through an extensive, multichannel distribution network. Life and Retirement focuses on ease of doing business, offering valuable solutions, and expanding and deepening its distribution relationships across multiple channels.

Position market leading businesses to serve growing needs by continually enhancing product solutions, service delivery and digital capabilities while using data and analytics in an innovative manner to improve customer experience.

Individual Retirement will continue to capitalize on the opportunity to meet consumer demand for guaranteed income by maintaining innovative variable and index annuity products, while also managing risk from guarantee features through risk-mitigating product design and well-developed economic hedging capabilities.

Our fixed annuity products provide diversity in our annuity product suite by offering stable returns for retirement savings.

Group Retirement continues to enhance its technology platform to improve the customer experience for plan sponsors and individual participants. AIG Retirement Services' self-service tools paired with its career financial advisors provide a compelling service platform. Group Retirement's strategy also involves providing financial planning services for its clients and meeting their need for income in retirement. In this advisory role, Group Retirement's clients may invest in assets in which AIG or a third-party is custodian.

Life Insurance in the U.S. will continue to position itself for growth and changing market dynamics while continuing to execute strategies to enhance returns. Our focus is on materializing success from a multi-year effort of building state-of-the-art platforms and underwriting innovations, which are expected to bring process improvements and cost efficiencies.

In the UK, AIG Life Insurance will continue to focus on growing the business organically and through potential acquisition opportunities.

Institutional Markets continues to grow its assets under management across multiple product lines, including stable value wrap, GICs and pension risk transfer annuities. Our growth strategy is opportunistic and allows us to pursue select transactions that meet our risk-adjusted return requirements.

Enhance Operational Effectiveness by simplifying processes and operating environments to increase competitiveness, improve service and product capabilities and facilitate delivery of our target customer experience. We continue to invest in technology to improve operating efficiency and ease of doing business for our distribution partners and customers. We believe that simplifying our operating models will enhance productivity and support further profitable growth.

Manage our Balance Sheet through a rigorous approach to our products and portfolio. We match our product design and high-quality investments with our asset and liability exposures to support our cash and liquidity needs under various operating scenarios.

Deliver Value Creation and Manage Capital by striving to deliver solid earnings and returns on capital through disciplined pricing, sustainable underwriting improvements, expense efficiency, and diversification of risk, while optimizing capital allocation and efficiency within insurance entities to enhance return on common equity.

COMPETITION AND CHALLENGES

Life and Retirement operates in the highly competitive insurance and financial services industry in the U.S. and select international markets, competing against various financial services companies, including banks and other life insurance and mutual fund companies. Competition is primarily based on product pricing and design, distribution, financial strength, customer service and ease of doing business.

Our business remains competitive due to its long-standing market leading positions, innovative products, distribution relationships across multiple channels, customer-focused service and strong financial ratings.

Our primary challenges include:

- a low interest rate environment, which makes it difficult to profitably price new products and puts margin pressure on existing business due to lower reinvestment yields;
- increased competition in our primary markets, including aggressive pricing of annuities by private equity-backed annuity writers, increased competition and consolidation of employer groups in the group retirement planning market, and competitors with different profitability targets in the pension risk transfer space as well as other product lines;
- increasingly complex new and proposed regulatory requirements, which have affected industry growth and costs;
- upgrading our technology and underwriting processes while managing general operating expenses; and
- decreased premiums and deposits and adverse mortality experience due to COVID-19.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

Below is a discussion of the industry and economic factors impacting our specific operating segments:

The worldwide health and economic impact of COVID-19 continues to evolve, influenced by the scope, severity and duration of the crisis as well as the actions of governments, judiciaries, legislative bodies, regulators and other third parties in response, as well as the distribution and effectiveness of vaccinations, all of which are subject to continuing uncertainty. The impact on the results for the first six months of 2021 with respect to COVID-19 is primarily but not limited to COVID-19-related mortality.

On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG. On July 14, 2021, AIG and Blackstone announced that they have reached a definitive agreement for Blackstone to acquire a 9.9 percent equity stake in SAFG, which is the holding company for AIG's Life and Retirement business, for \$2.2 billion in an all cash transaction, subject to adjustment if the final pro forma adjusted book value is greater or lesser than the target pro forma adjusted book value. The transaction contemplates that most of AIG's investment operations would be transferred to SAFG or its subsidiaries as part of the separation. As part of this agreement, AIG also agreed to enter into a long-term strategic asset management relationship with Blackstone to manage an initial \$50 billion of Life and Retirement's existing investment portfolio upon closing of the equity investment, with that amount increasing by increments of \$8.5 billion per year for the next five years beginning in the third or fourth quarter of 2022, for an aggregate of \$92.5 billion. These transactions are subject to customary closing conditions, including the expiration or termination of the waiting period under the HSR Act, and are expected to close in the third quarter of 2021. While we currently believe an initial public offering is the next step in the separation of the Life and Retirement business from AIG, no assurance can be given regarding the form that a separation transaction may take or the specific terms or timing thereof, or that a separation will in fact occur. Any separation transaction will be subject to the satisfaction of various conditions and approvals, including approval by the AIG Board of Directors, receipt of insurance and other required regulatory approvals, and satisfaction of any applicable requirements of the SEC.

On July 14, 2021, AIG and BREIT, a long-term, perpetual capital vehicle affiliated with Blackstone, announced that they have reached a definitive agreement for BREIT to acquire AIG's interests in a U.S. affordable housing portfolio for approximately \$5.1 billion, subject to certain adjustments, in an all cash transaction. This transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2021.

On February 8, 2021, AIG announced the execution of a definitive agreement with Touchstone, an indirect wholly-owned subsidiary of Western & Southern Financial Group, to sell certain assets of AIG Life and Retirement's Retail Mutual Funds business. As of June 30, 2021, AIG Life and Retirement's Retail Mutual Funds business managed \$7.1 billion in assets across eighteen funds. The transaction closed on July 16, 2021 at which time we received initial proceeds, and twelve retail mutual funds managed by SAAMCo, a member of AIG Life and Retirement, with \$6.8 billion in assets, were reorganized into Touchstone funds. Additional proceeds may be earned over a three-year period based on asset levels in certain reorganized funds. Six retail mutual funds managed by SAAMCo and not included in the transaction were liquidated. AIG Life and Retirement will retain its fund management platform and capabilities dedicated to its variable insurance products.

For additional information regarding the separation of Life and Retirement please see Note 1 to the Condensed Consolidated Financial Statements and the 2020 Annual Report, Part I, Item 1A. Risk Factors – Business and Operations – No assurances can be given that the separation of our Life and Retirement business will occur or as to the specific terms or timing thereof. In addition, the separation could cause the emergence or exacerbate the effects of other risks to which AIG is exposed.

Individual Retirement

Increasing life expectancy and reduced expectations for traditional retirement income from defined benefit programs and fixed income securities are leading Americans to seek additional financial security as they approach retirement. The strong demand for individual index and fixed deferred annuities with guaranteed income features has attracted increased competition in this product space. In response to the low interest rate environment, which has added pressure to profit margins, we have developed guaranteed income benefits for variable, fixed index, and fixed deferred annuities with margins that are less sensitive to the level of interest rates.

Changes in the capital markets (interest rate environment, equity markets, volatility) can have a significant impact on sales, surrender rates, investment returns, guaranteed income features, and net investment spreads in the annuity industry.

Group Retirement

Group Retirement competes in the defined contribution market under the AIG Retirement Services brand. AIG Retirement Services is a leading retirement plan provider in the U.S. for K-12 schools and school districts, higher education, healthcare, government and other not-for-profit institutions. The defined contribution market is a highly efficient and competitive market that requires support for both plan sponsors and individual participants. To meet this challenge, AIG Retirement Services is investing in a client-focused technology platform to support improved compliance and self-service functionality. AIG Retirement Services' model pairs self-service tools with its career financial advisors who provide individual plan participants with enrollment support and comprehensive financial planning services.

Changes in the interest rate and equity market environment can have a significant impact on investment returns, fee income, advisory and other income, guaranteed income features, and net investment spreads, and a moderate impact on sales and surrender rates.

Life Insurance

Consumers have a significant need for life insurance, whether it is used for income replacement for their surviving family, estate planning or wealth transfer. Additionally, consumers use life insurance to provide living benefits in case of chronic, critical or terminal illnesses, and to supplement retirement income.

In response to consumer needs and a low interest rate environment, our Life Insurance product portfolio will continue to promote products with lower long-duration interest rate risk and mitigate exposure to products that have long-duration interest rate risk through sales levels and hedging strategies.

As life insurance ownership remains at historical lows in the U.S. and the UK, efforts to expand the reach and increase the affordability of life insurance are critical. The industry is investing in consumer-centric efforts to reduce traditional barriers to securing life protection by simplifying the sales and service experience. Digitally enabled processes and tools provide a fast, friendly and simple path to life insurance protection.

Institutional Markets

Institutional Markets serves a variety of needs for corporate clients. Demand is driven by a number of factors including the macroeconomic and regulatory environment. We expect to see continued growth in the pension risk transfer market (direct and assumed reinsurance) as corporate plan sponsors look to transfer asset or liability, longevity, administrative and operational risks associated with their defined benefit plans.

Changes in the interest rate environment can have a significant impact on investment returns and net investment spreads, as well as the tax efficiency associated with institutional life insurance products, impacting organic growth opportunities.

For additional discussion of the impact of market interest rate movement on our Life and Retirement business see Executive Summary – AIG's Outlook – Industry and Economic Factors – Impact of Changes in the Interest Rate Environment.

LIFE AND RETIREMENT RESULTS

<i>(in millions)</i>	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Revenues:						
Premiums	\$ 1,645	\$ 1,622	1 %	\$ 2,245	\$ 2,889	(22)%
Policy fees	772	728	6	1,555	1,461	6
Net investment income	2,376	2,099	13	4,729	4,165	14
Advisory fee and other income	253	212	19	497	432	15
Total adjusted revenues	5,046	4,661	8	9,026	8,947	1
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	2,223	2,082	7	3,480	3,871	(10)
Interest credited to policyholder account balances	882	880	-	1,752	1,777	(1)
Amortization of deferred policy acquisition costs	168	123	37	393	445	(12)
General operating and other expenses*	614	641	(4)	1,267	1,276	(1)
Interest expense	35	40	(13)	69	82	(16)
Total benefits, losses and expenses	3,922	3,766	4	6,961	7,451	(7)
Adjusted pre-tax income	\$ 1,124	\$ 895	26 %	\$ 2,065	\$ 1,496	38 %

* Includes general operating expenses, non-deferrable commissions, other acquisition expenses, advisory fee expenses and other expenses.

Our insurance companies generate significant revenues from investment activities. As a result, the operating segments in Life and Retirement are subject to variances in net investment income on the asset portfolios that support insurance liabilities and surplus.

For additional information on our investment strategy, asset-liability management process and invested asset composition see Investments.

INDIVIDUAL RETIREMENT RESULTS

<i>(in millions)</i>	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Revenues:						
Premiums	\$ 32	\$ 38	(16)%	\$ 57	\$ 79	(28)%
Policy fees	241	205	18	473	412	15
Net investment income	1,089	955	14	2,157	1,928	12
Advisory fee and other income	157	133	18	309	280	10
Benefits and expenses:						
Policyholder benefits and losses incurred	95	50	90	211	188	12
Interest credited to policyholder account balances	433	427	1	859	870	(1)
Amortization of deferred policy acquisition costs	108	54	100	241	275	(12)
Non deferrable insurance commissions	89	83	7	177	162	9
Advisory fee expenses	54	49	10	106	101	5
General operating expenses	107	100	7	221	210	5
Interest expense	16	19	(16)	32	39	(18)
Adjusted pre-tax income	\$ 617	\$ 549	12 %	\$ 1,149	\$ 854	35 %
Fixed annuities base net investment spread:						
Base yield*	4.02 %	4.21 %	(19)bps	4.00 %	4.28 %	(28)bps
Cost of funds	2.58	2.66	(8)	2.60	2.63	(3)
Fixed annuities base net investment spread	1.44 %	1.55 %	(11)bps	1.40 %	1.65 %	(25)bps

* Includes returns from base portfolio including accretion and income (loss) from certain other invested assets.

Business and Financial Highlights

The market environment continues to reflect uncertainties in the annuity business resulting from a low interest rate environment as well as the COVID-19 crisis. Premiums and deposits increased \$2.2 billion and \$2.4 billion in the three- and six-month periods ended June 30, 2021, respectively, compared to the same periods in the prior year. Net flows improved \$1.4 billion and \$2.4 billion in the three- and six-month periods ended June 30, 2021, respectively, compared to the same periods in the prior year.

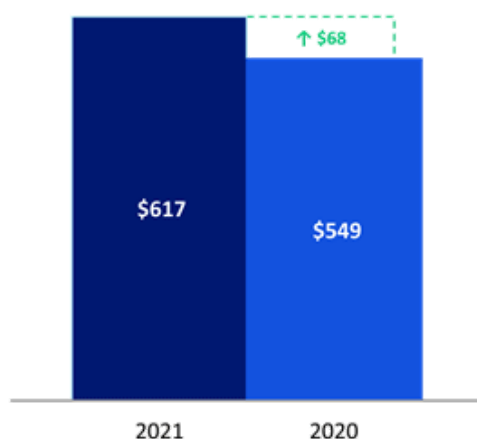
Adjusted pre-tax income increased \$68 million in the three-month period ended June 30, 2021 compared to the same period in the prior year, primarily due to higher net investment income (\$134 million) and higher policy and advisory fee income, net of expenses (\$55 million). Partially offsetting these increases was higher variable annuity DAC/SIA amortization and reserves (\$95 million) compared to the same period in the prior year.

Adjusted pre-tax income increased \$295 million in the six-month period ended June 30, 2021 compared to the same period in the prior year primarily due to higher net investment income (\$229 million) and higher policy and advisory fee income, net of expenses (\$85 million).

Individual Retirement Adjusted Pre-Tax Income (Loss)

Three Months Ended June 30,

(in millions)



Quarterly 2021 and 2020 Comparison

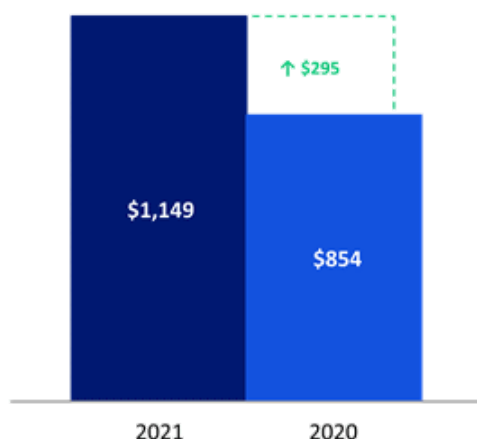
Adjusted pre-tax income increased \$68 million primarily due to:

- increase in net investment income (\$134 million) driven by higher private equity income (\$149 million) and higher gains on call and tender income (\$15 million) partially offset by lower gains on securities on which the fair value option was elected (\$14 million) and lower base portfolio income (\$11 million) primarily due to decreased reinvestment rates on the base portfolio; and
- higher policy and advisory fee income, net of expenses (\$55 million), mostly due to an increase in variable annuity separate account assets driven by strong equity market performance.

Partially offsetting these increases were:

- increase in variable annuity DAC/SIA amortization and reserves (\$95 million) mostly due to lower market returns (\$78 million); and
- higher non-deferrable commissions (\$6 million), and general operating expenses (\$7 million).

Individual Retirement Adjusted Pre-Tax Income (Loss)
Six Months Ended June 30,
(in millions)



Year-to-Date 2021 and 2020 Comparison

Adjusted pre-tax income increased \$295 million primarily due to:

- increase in net investment income (\$229 million) driven by higher private equity (\$204 million) and hedge fund (\$16 million) income, higher call and tender income (\$45 million) and higher gains on securities for which the fair value option was elected (\$26 million), partially offset by lower base portfolio income resulting from decreased reinvestment rates on the base portfolio (\$68 million); and
- higher policy and advisory fee income, net of expenses (\$85 million), mostly due to an increase in variable annuity separate account assets driven by robust equity market performance.

Partially offsetting these increases were:

- higher non-deferrable commissions (\$15 million) and general operating expenses (\$11 million).

INDIVIDUAL RETIREMENT GAAP PREMIUMS, PREMIUMS AND DEPOSITS, SURRENDERS AND NET FLOWS

For Individual Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums decreased \$6 million and \$22 million in the three- and six-month periods ended June 30, 2021, respectively, compared to the same periods in the prior year. Premiums are generally not a significant driver of Individual Retirement results.

Premiums and deposits are a non-GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts, FHLB funding agreements and mutual funds under administration.

Net flows for annuity products in Individual Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows for mutual funds represent deposits less withdrawals.

The following table presents a reconciliation of Individual Retirement GAAP premiums to premiums and deposits:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Premiums	\$ 32	\$ 38	\$ 57	\$ 79
Deposits	3,949	1,759	7,298	4,838
Other	(3)	(3)	(4)	(7)
Premiums and deposits	\$ 3,978	\$ 1,794	\$ 7,351	\$ 4,910

The following table presents surrenders as a percentage of average reserves:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Surrenders as a percentage of average reserves				
Fixed annuities	8.0 %	4.8 %	7.5 %	5.7 %
Variable and index annuities	6.5	4.7	6.4	5.5
Variable annuities	7.3	5.1	7.1	6.1
Index annuities	4.6	3.5	4.7	3.8

The following table presents reserves for fixed annuities and variable and index annuities by surrender charge category:

(in millions)	June 30, 2021		December 31, 2020*	
	Fixed Annuities	Variable and Index Annuities	Fixed Annuities	Variable and Index Annuities
No surrender charge	\$ 27,006	\$ 33,996	\$ 27,110	\$ 30,954
Greater than 0% - 2%	1,730	12,139	2,298	11,647
Greater than 2% - 4%	3,006	15,061	2,758	15,361
Greater than 4%	15,980	33,937	16,163	32,261
Non-surrenderable	2,219	-	2,214	-
Total reserves	\$ 49,941	\$ 95,133	\$ 50,543	\$ 90,223

* Certain reclassifications have been made to the prior year amounts for consistency with the current year presentation.

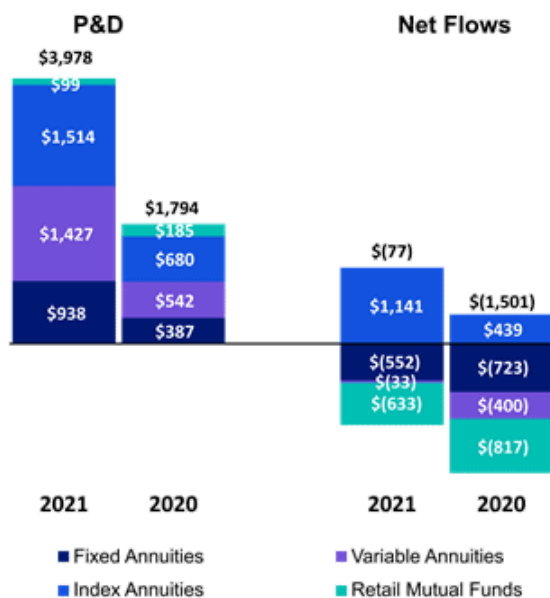
Individual Retirement annuities are typically subject to a four- to seven-year surrender charge period, depending on the product. For fixed annuities, the proportion of reserves subject to surrender charge at June 30, 2021 decreased compared to December 31, 2020. The increase in reserves with no surrender charge for variable and index annuities at June 30, 2021 compared to December 31, 2020 was principally due to normal aging of business.

A discussion of the significant variances in premiums and deposits and net flows for each product line follows:

Individual Retirement Premiums and Deposits (P&D) and Net Flows

Three Months Ended June 30,

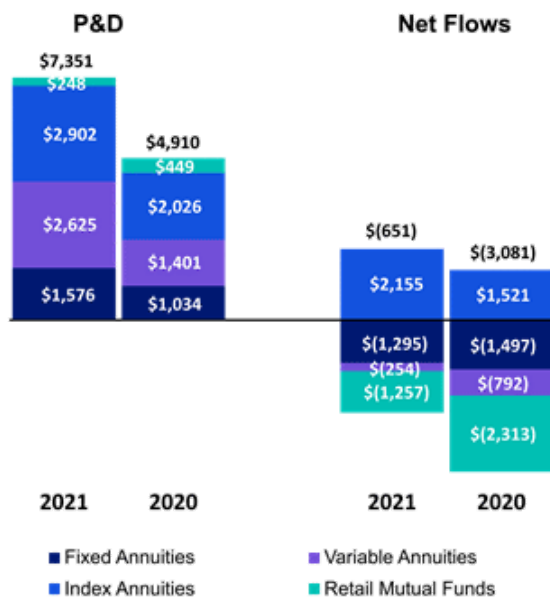
(in millions)



Quarterly 2021 and 2020 Comparison

- Fixed Annuities** Net flows remained negative but improved (\$171 million) over the prior year, mostly due to higher premiums and deposits (\$551 million) due to improved interest rate environment and prior year impact from distribution channel disruptions related to COVID-19, offset by higher surrenders and withdrawals (\$381 million).
- Variable Annuities** Net flows improved (\$367 million) primarily due to higher premium and deposits (\$885 million) driven by growth in independent and regional broker dealers in part due to prior year impact from distribution channel disruptions related to COVID-19, partially offset by higher surrenders and withdrawals (\$462 million) and death benefits (\$56 million).
- Index Annuities** Net flows increased (\$702 million) primarily due to higher premiums and deposits (\$834 million) driven by growth in wirehouse and bank channels partially due to prior year impact from distribution channel disruptions related to COVID-19, partially offset by higher surrenders and withdrawals (\$114 million) and death benefits (\$18 million).
- Retail Mutual Funds** Net flows remained negative but improved (\$184 million) due to lower surrenders and withdrawals (\$270 million) partially offset by lower premiums and deposits (\$86 million) due to investors' continued preference for passive, low-fee investment vehicles. See discussion regarding sale of certain AIG Life and Retirement Retail Mutual Funds business in Note 1 to the Condensed Consolidated Financial Statements.

Individual Retirement Premiums and Deposits (P&D) and Net Flows
Six Months Ended June 30,
(in millions)



Year-to-Date 2021 and 2020 Comparison

- **Fixed Annuities** Net flows remained negative but improved (\$202 million) over the prior year, mostly due to higher premiums and deposits (\$542 million) due to improved interest rate environment and prior year impact from distribution channel disruptions related to COVID-19, and lower death benefits (\$97 million) partially offset by higher surrenders and withdrawals (\$437 million).
- **Variable Annuities** Variable annuity net flows improved (\$538 million) primarily due to higher premium and deposits (\$1.2 billion) driven by growth in independent and regional broker dealers in part due to prior year impact from distribution channel disruptions related to COVID-19, partially offset by higher surrenders and withdrawal (\$544 million) and death benefits (\$143 million).
- **Index Annuities** Net flows increased (\$634 million) primarily due to higher premiums and deposits (\$876 million) driven by growth in wirehouse and bank channels partially due to prior year impact from distribution channel disruptions related to COVID-19, partially offset by higher surrenders and withdrawal (\$201 million) and death benefits (\$41 million).
- **Retail Mutual Funds** Net flows remained negative but improved (\$1.1 billion) due to lower surrenders and withdrawals (\$1.3 billion) partially offset by lower premiums and deposits (\$201 million) due to investors' continued preference for passive, low-fee investment vehicles, and the distribution channel disruptions related to COVID-19. *See discussion regarding sale of certain AIG Life and Retirement Retail Mutual Funds business in Note 1 to the Condensed Consolidated Financial Statements.*

GROUP RETIREMENT RESULTS

<i>(in millions)</i>	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Revenues:						
Premiums	\$ 4	\$ 3	33 %	\$ 8	\$ 9	(11)%
Policy fees	130	100	30	254	209	22
Net investment income	605	541	12	1,205	1,058	14
Advisory fee and other income	81	68	19	159	130	22
Benefits and expenses:						
Policyholder benefits and losses incurred	8	14	(43)	26	47	(45)
Interest credited to policyholder account balances	287	279	3	570	560	2
Amortization of deferred policy acquisition costs	13	4	225	29	39	(26)
Non deferrable insurance commissions	18	28	(36)	47	56	(16)
Advisory fee expenses	31	30	3	62	54	15
General operating expenses	106	132	(20)	219	271	(19)
Interest expense	10	11	(9)	19	22	(14)
Adjusted pre-tax income	\$ 347	\$ 214	62 %	\$ 654	\$ 357	83 %
Base net investment spread:						
Base yield*	4.17 %	4.27 %	(10)bps	4.14 %	4.33 %	(19)bps
Cost of funds	2.61	2.64	(3)	2.61	2.66	(5)
Base net investment spread	1.56 %	1.63 %	(7)bps	1.53 %	1.67 %	(14)bps

* Includes returns from base portfolio including accretion and income (loss) from certain other invested assets.

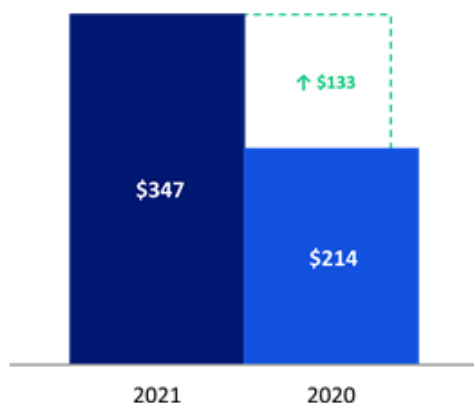
Business and Financial Highlights

Group Retirement is focused on implementing initiatives to grow its business. However, external factors, including increased competition and the consolidation of healthcare providers and other employers in target markets, continue to impact Group Retirement's customer retention. Premiums and deposits increased \$585 million and \$548 million in the three- and six-month periods ended June 30, 2021, respectively, compared to the same periods in the prior year. Net flows remained negative but improved \$14 million in the three-month period ended June 30, 2021 compared to the same period in the prior year. Net flows remained negative and deteriorated \$292 million in the six-month period ended June 30, 2021 compared to the same period in the prior year.

Adjusted pre-tax income increased \$133 million in the three-month period ended June 30, 2021 compared to the same period in the prior year primarily from higher net investment income (\$64 million), higher net policy and advisory fee income (\$42 million) and lower general operating expenses (\$26 million).

Adjusted pre-tax income increased \$297 million in the six-month period ended June 30, 2021 compared to the same period in the prior year primarily from higher net investment income (\$147 million), higher net policy and advisory fee income (\$66 million), lower general operating expenses (\$52 million) and decreases in variable annuity DAC amortization and reserves (\$31 million).

Group Retirement Adjusted Pre-Tax Income (Loss)
Three Months Ended June 30,
(in millions)



Quarterly 2021 and 2020 Comparison

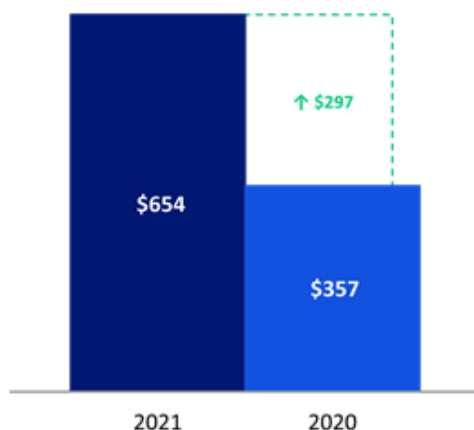
Adjusted pre-tax income increased \$133 million primarily due to:

- higher net investment income (\$64 million), primarily driven by higher private equity returns (\$86 million) partially offset by lower yield enhancement income (\$26 million);
- higher policy and advisory fee income, net of expenses (\$42 million), due to an increase in separate account, mutual fund, and advisory average assets; and
- lower general operating expenses (\$26 million) primarily due to decreased regulatory expenses.

Partially offsetting these increases were:

- lower base net investment spread (\$11 million) resulting from decreased reinvestment rates on the base portfolio and lower average invested assets partially offset by crediting rate reductions.

Group Retirement Adjusted Pre-Tax Income (Loss)
Six Months Ended June 30,
(in millions)



Year-to-Date 2021 and 2020 Comparison

Adjusted pre-tax income increased \$297 million primarily due to:

- higher net investment income (\$147 million), primarily driven by higher private equity returns (\$126 million) and higher gains on calls (\$26 million);
- higher policy and advisory fee income, net of expenses, (\$66 million) due to an increase in separate account, mutual fund, and advisory average assets;
- lower general operating expenses (\$52 million) primarily due to decreased regulatory expenses and savings from COVID-19 travel restrictions; and
- decreases in variable annuity DAC amortization and reserves (\$31 million) due to stronger equity market performance.

Partially offsetting these increases were:

- lower base net investment spread (\$25 million) resulting from decreased reinvestment rates on the base portfolio, partially offset by higher average invested assets and crediting rate reductions.

GROUP RETIREMENT GAAP PREMIUMS, PREMIUMS AND DEPOSITS, SURRENDERS AND NET FLOWS

For Group Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums in the three- and six-month periods ended June 30, 2021, which primarily represents immediate annuities, increased \$1 million and decreased \$1 million, respectively, compared to the same periods in the prior year. Premiums are not a significant driver of Group Retirement results.

Premiums and deposits are a non-GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts, FHLB funding agreements and mutual funds under administration.

Net flows for annuity products included in Group Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows for mutual funds represent deposits less withdrawals.

The following table presents a reconciliation of Group Retirement GAAP premiums to premiums and deposits:

<i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Premiums	\$ 4	\$ 3	\$ 8	\$ 9
Deposits	2,251	1,667	4,065	3,516
Premiums and deposits	\$ 2,255	\$ 1,670	\$ 4,073	\$ 3,525

The following table presents Group Retirement surrenders as a percentage of average reserves and mutual funds under administration:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Surrenders as a percentage of average reserves and mutual funds	7.9 %	7.3 %	8.4 %	8.2 %

The following table presents reserves for Group Retirement annuities by surrender charge category:

<i>(in millions)</i>	June 30, 2021 (a)	December 31, 2020 (a)
No surrender charge ^(b)	\$ 80,763	\$ 77,507
Greater than 0% - 2%	694	565
Greater than 2% - 4%	848	829
Greater than 4%	6,186	6,119
Non-surrenderable	765	616
Total reserves	\$ 89,256	\$ 85,636

(a) Excludes mutual fund assets under administration of \$27.7 billion and \$25.0 billion at June 30, 2021 and December 31, 2020, respectively.

(b) Group Retirement amounts in this category include general account reserves of approximately \$6.4 billion and \$6.3 billion at June 30, 2021 and December 31, 2020 respectively, which are subject to 20 percent annual withdrawal limitations at the participant level and general account reserves of \$6.2 billion at June 30, 2021 and \$5.8 billion at December 31, 2020, respectively, which are subject to 20 percent annual withdrawal limitations at the plan level.

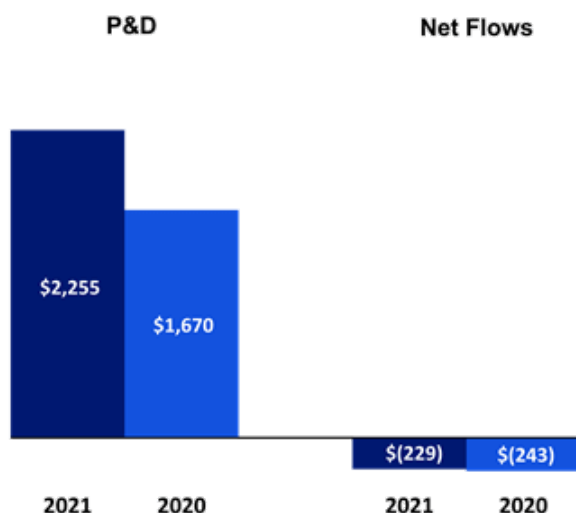
Group Retirement annuity deposits are typically subject to a five- to seven-year surrender charge period, depending on the product. At June 30, 2021, Group Retirement annuity reserves with no surrender charge increased compared to December 31, 2020 primarily due to growth in assets under management.

A discussion of the significant variances in premiums and deposits and net flows follows:

Group Retirement Premiums and Deposits and Net Flows

Three Months Ended June 30,

(in millions)



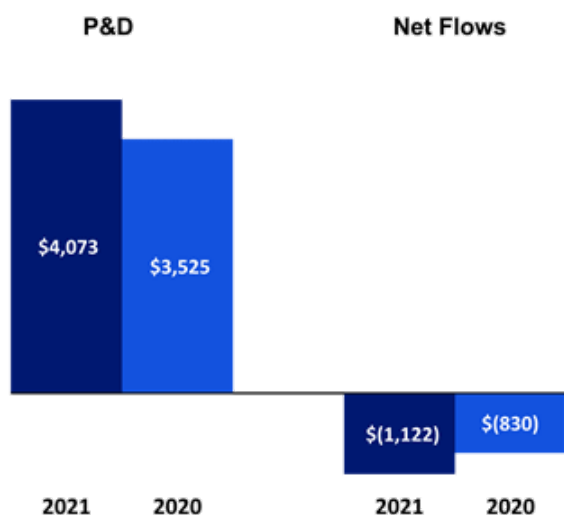
Quarterly 2021 and 2020 Comparison

Net flows remained negative but improved (\$14 million) due to higher deposits (\$585 million) partially offset by higher surrenders and withdrawals (\$529 million) and death benefits (\$42 million).

Group Retirement Premiums and Deposits and Net Flows

Six Months Ended June 30,

(in millions)



Year-to-Date 2021 and 2020 Comparison

Net flows remained negative and deteriorated (\$292 million) due to higher surrenders (\$753 million) and death benefits (\$87 million) partially offset by higher deposits (\$548 million). Large plan acquisitions and surrenders also contributed to the period over period volatility. In the six-month period ended June 30, 2021, large group activity contributed to net positive flows of \$0.6 billion compared to the same period in the prior year. External factors including consolidation of healthcare providers and other employers in target markets continue to impact Group Retirement customer retention.

LIFE INSURANCE RESULTS

(in millions)	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Revenues:						
Premiums	\$ 532	\$ 491	8 %	\$ 1,064	\$ 954	12 %
Policy fees	355	377	(6)	735	748	(2)
Net investment income	394	340	16	801	695	15
Other income	14	11	27	28	22	27
Benefits and expenses:						
Policyholder benefits and losses incurred	950	863	10	1,954	1,641	19
Interest credited to policyholder account balances	89	93	(4)	177	186	(5)
Amortization of deferred policy acquisition costs	45	64	(30)	120	129	(7)
Non deferrable insurance commissions	33	30	10	66	58	14
General operating expenses	152	160	(5)	318	310	3
Interest expense	6	7	(14)	13	15	(13)
Adjusted pre-tax income (loss)	\$ 20	\$ 2	NM%	\$ (20)	\$ 80	NM%

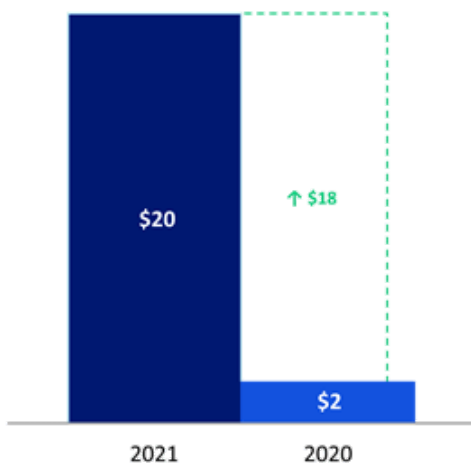
Business and Financial Highlights

Life Insurance is focused on selling profitable new products through strategic channels to enhance future returns. Adjusted pre-tax income increased \$18 million in the three-month period ended June 30, 2021 compared to the same period in the prior year primarily due to higher net investment income (\$54 million) and favorable general operating expenses (\$8 million) partially offset by higher mortality net of lower COVID-19 claims (\$45 million). Adjusted pre-tax loss in the six-month period ended June 30, 2021 compared to adjusted pre-tax income in the same period in the prior year decreased \$100 million primarily due to higher mortality (\$201 million) predominantly driven by COVID-19, and higher general operating expense (\$8 million), partially offset by higher net investment income (\$106 million).

Life Insurance Adjusted Pre-Tax Income (Loss)

Three Months Ended June 30,

(in millions)



Quarterly 2021 and 2020 Comparison

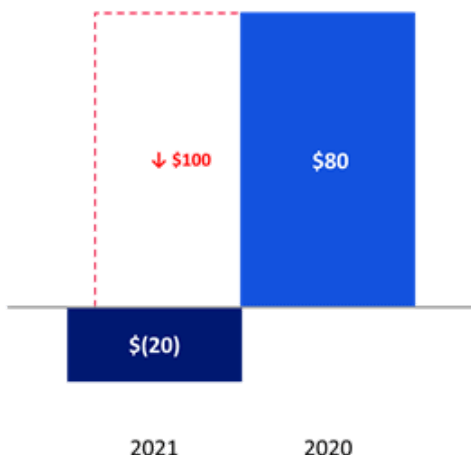
Adjusted pre-tax income increased \$18 million primarily due to:

- higher net investment income (\$54 million), primarily driven by higher private equity returns (\$60 million) due to stronger equity market performance; and
- lower general operating expenses (\$8 million).

Partially offsetting these increases were:

- higher mortality net of lower COVID-19 claims (\$45 million).

Life Insurance Adjusted Pre-Tax Income (Loss)
Six Months Ended June 30,
(in millions)



Year-to-Date 2021 and 2020 Comparison

Adjusted pre-tax loss compared to adjusted pre-tax income decreased \$100 million primarily due to:

- higher mortality (\$201 million) predominantly driven by COVID-19; and
- higher general operating expenses (\$8 million).

Partially offsetting these decreases were:

- higher net investment income (\$106 million), primarily driven by higher private equity returns (\$83 million) due to stronger equity market performance and higher gains on calls (\$39 million) partially offset by lower base portfolio income (\$24 million) driven by reduced fixed asset income.

LIFE INSURANCE GAAP PREMIUMS AND PREMIUMS AND DEPOSITS

Premiums for Life Insurance represent amounts received on traditional life insurance policies, primarily term life and international life and health. Premiums, excluding the effect of foreign exchange, increased \$21 million and \$75 million in the three- and six-month periods ended June 30, 2021, respectively, compared to the same periods in the prior year. Premiums and deposits for Life Insurance is a non-GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance.

The following table presents a reconciliation of Life Insurance GAAP premiums to premiums and deposits:

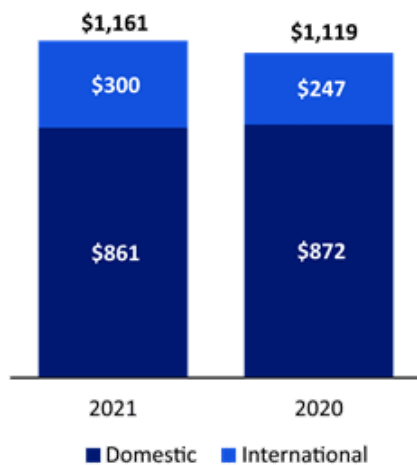
<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Premiums	\$ 532	\$ 491	\$ 1,064	\$ 954
Deposits	409	421	806	824
Other	220	207	422	403
Premiums and deposits	\$ 1,161	\$ 1,119	\$ 2,292	\$ 2,181

A discussion of the significant variances in premiums and deposits follows:

Life Insurance Premiums and Deposits

Three Months Ended June 30,

(in millions)



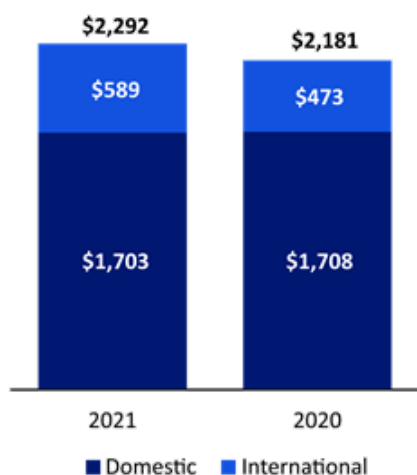
Quarterly 2021 and 2020 Comparison

Premiums and deposits, excluding the effect of foreign exchange, increased \$14 million primarily due to growth in international life premiums.

Life Insurance Premiums and Deposits

Six Months Ended June 30,

(in millions)



Year-to-Date 2021 and 2020 Comparison

Premiums and deposits, excluding the effect of foreign exchange, increased \$64 million primarily due to growth in international life premiums.

INSTITUTIONAL MARKETS RESULTS

<i>(in millions)</i>	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2021	2020		2021	2020	
Revenues:						
Premiums	\$ 1,077	\$ 1,090	(1)%	\$ 1,116	\$ 1,847	(40)%
Policy fees	46	46	-	93	92	1
Net investment income	288	263	10	566	484	17
Other income	1	-	NM	1	-	NM
Benefits and expenses:						
Policyholder benefits and losses incurred	1,170	1,155	1	1,289	1,995	(35)
Interest credited to policyholder account balances	73	81	(10)	146	161	(9)
Amortization of deferred policy acquisition costs	2	1	100	3	2	50
Non deferrable insurance commissions	6	8	(25)	13	16	(19)
General operating expenses	18	21	(14)	38	38	-
Interest expense	3	3	-	5	6	(17)
Adjusted pre-tax income	\$ 140	\$ 130	8 %	\$ 282	\$ 205	38 %

Business and Financial Highlights

Institutional Markets is focused on opportunities to grow its portfolio while maintaining pricing discipline. Product distribution continues to be strong. Growth in assets under management in recent years has partially driven higher net investment income and adjusted pre-tax income. Adjusted pre-tax income increased \$10 million and \$77 million in the three- and six-month periods ended June 30, 2021, respectively, compared to the same periods in the prior year.

Institutional Markets Adjusted Pre-Tax Income (Loss)

Three Months Ended June 30,

(in millions)

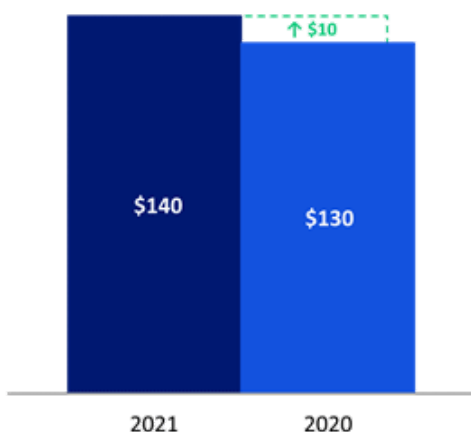
Quarterly 2021 and 2020 Comparison

Adjusted pre-tax income increased \$10 million primarily due to:

- higher private equity returns (\$55 million) and higher base portfolio income (\$19 million) driven by growth in average invested assets partially offset by lower yield enhancement income (\$50 million).

Partially offsetting these increases was:

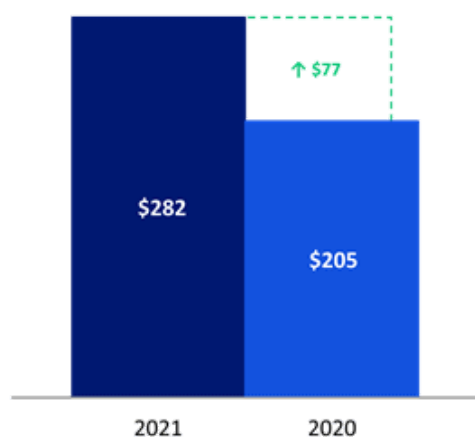
- higher policyholder benefit and losses incurred (\$15 million).



Institutional Markets Adjusted Pre-Tax Income (Loss)**Six Months Ended June 30,***(in millions)***Year-to-Date 2021 and 2020 Comparison**

Adjusted pre-tax income increased \$77 million primarily due to:

- higher private equity returns (\$79 million) and higher base portfolio income (\$28 million) driven by growth in average invested assets partially offset by lower yield enhancement income (\$29 million).

**INSTITUTIONAL MARKETS GAAP PREMIUMS AND PREMIUMS AND DEPOSITS**

Premiums for Institutional Markets primarily represent amounts received on pension risk transfer or structured settlement annuities with life contingencies. Premiums decreased \$13 million in the three-month period ended June 30, 2021 compared to the same period in the prior year primarily driven by structured settlement annuities with life contingencies business. Premiums decreased \$731 million in the six-month period ended June 30, 2021 compared to the same period in the prior year primarily driven by pension risk transfer business (direct and assumed reinsurance) written in 2020, as well as structured settlement annuities with life contingencies business and high net worth business.

Premiums and deposits for Institutional Markets is a non-GAAP financial measure that includes direct and assumed premiums as well as deposits received on investment-type annuity contracts. Deposits include GICs and FHLB funding agreements.

The following table presents a reconciliation of Institutional Markets GAAP premiums to premiums and deposits:

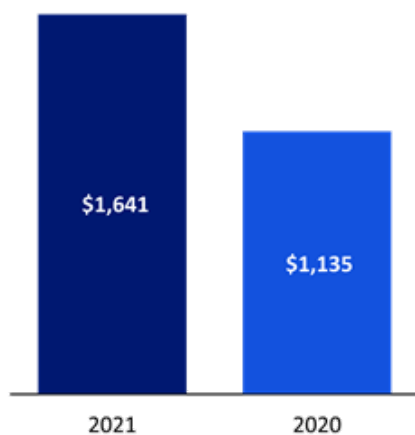
<i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Premiums	\$ 1,077	\$ 1,090	\$ 1,116	\$ 1,847
Deposits	559	39	593	250
Other	5	6	12	14
Premiums and deposits	\$ 1,641	\$ 1,135	\$ 1,721	\$ 2,111

A discussion of the significant variances in premiums and deposits follows:

Institutional Markets Premiums and Deposits

Three Months Ended June 30,

(in millions)



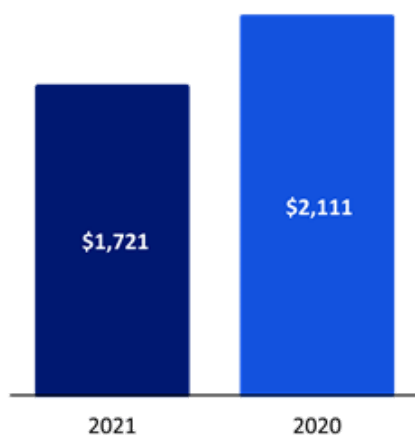
Quarterly 2021 and 2020 Comparison

Premiums and deposits increased (\$506 million) primarily due to higher deposits on GICs (\$550 million) and higher premium on pension risk transfer business (\$14 million), partially offset by lower premium and deposits on structured settlement annuities (\$55 million).

Institutional Markets Premiums and Deposits

Six Months Ended June 30,

(in millions)



Year-to-Date 2021 and 2020 Comparison

Premiums and deposits decreased (\$390 million) due to lower premiums on pension risk transfer (\$669 million), lower premium and deposits on structured settlement annuities (\$111 million), and lower deposits on high net worth products (\$37 million), partially offset by higher deposits on GICs (\$426 million).

Other Operations

Other Operations primarily consists of income from assets held by AIG Parent and other corporate subsidiaries, deferred tax assets related to tax attributes, corporate expenses and intercompany eliminations, our institutional asset management business and results of our consolidated investment entities, General Insurance portfolios in run-off as well as the historical results of our legacy insurance lines ceded to Fortitude Re.

OTHER OPERATIONS RESULTS

(in millions)	Three Months Ended			Percentage Change	Six Months Ended		
	June 30,				June 30,		
	2021	2020		2021	2020	Percentage Change	
Revenues:							
Premiums	\$ 54	\$ 36	50 %	\$ 106	\$ 140	(24)%	
Policy fees	-	21	NM%	-	42	NM	
Net investment income:							
Interest and dividends	45	336	(87)	95	814	(88)	
Alternative investments	118	(55)	NM	325	(78)	NM	
Other investment income	45	287	(84)	43	39	10	
Investment expenses	(8)	(18)	56	(14)	(35)	60	
Total net investment income	200	550	(64)	449	740	(39)	
Other income	5	-	NM	28	-	NM	
Total adjusted revenues	259	607	(57)	583	922	(37)	
Benefits, losses and expenses:							
Policyholder benefits and losses incurred	96	284	(66)	162	733	(78)	
Interest credited to policyholder account balances	-	44	NM	-	93	NM	
Acquisition expenses:							
Amortization of deferred policy acquisition costs	11	13	(15)	21	31	(32)	
Other acquisition expenses	(1)	-	NM	(1)	1	NM	
Total acquisition expenses	10	13		20	32	(38)	
General operating expenses							
Corporate and Other	319	243	31	560	529	6	
Asset Management	13	13	-	48	29	66	
Amortization of intangible assets	10	10	-	20	20	-	
Total General operating expenses	342	266	29	628	578	9	
Interest expense:							
Interest - Corporate and Other	265	290	(9)	537	563	(5)	
Interest - Asset Management*	62	42	48	106	90	18	
Total interest expense	327	332	(2)	643	653	(2)	
Total benefits, losses and expenses	775	939	(17)	1,453	2,089	(30)	
Adjusted pre-tax loss before consolidation and eliminations	(516)	(332)	(55)	(870)	(1,167)	25	
Consolidation and eliminations	(94)	53	NM	(270)	(34)	NM	
Adjusted pre-tax loss	\$ (610)	\$ (279)	(119)%	\$ (1,140)	\$ (1,201)	5 %	
Adjusted pre-tax income (loss) by activities:							
Corporate and Other	(617)	(248)	(149)	\$ (1,169)	\$ (1,127)	(4)%	
Asset Management	101	(84)	NM	299	(40)	NM	
Consolidation and eliminations	(94)	53	NM	(270)	(34)	NM	
Adjusted pre-tax loss	\$ (610)	\$ (279)	(119)%	\$ (1,140)	\$ (1,201)	5 %	

* Interest – Asset Management primarily represents interest expense on consolidated investment entities of \$61 million and \$41 million in the three-month periods ended June 30, 2021 and 2020, respectively, and \$102 million and \$87 million in the six-month periods ended June 30, 2021 and 2020, respectively.

QUARTERLY 2021 AND 2020 COMPARISON

Adjusted pre-tax loss before consolidation and eliminations of \$516 million in 2021 compared to \$332 million in 2020, an increase of \$184 million, was primarily due to the sale of a majority of the interest in Fortitude Holdings on June 2, 2020, as prior period results included adjusted pre-tax income of \$96 million. Excluding the results of Fortitude Re, adjusted pre-tax loss increased \$88 million primarily due to:

- higher general operating expenses primarily driven by increases in performance-based employee costs of \$73 million; and
- higher underwriting loss attributable to net prior year development in 2021 of \$65 million within Other Operations Run-off, primarily attributable to Blackboard insurance companies.

The increase in adjusted pre-tax loss was partially offset by:

- higher net investment income associated with consolidated investment entities of \$195 million, partially offset by decline in net mark to market gains on CDO securities of \$124 million and losses on fair value option assets of \$17 million.

Adjusted pre-tax loss on consolidation and eliminations of \$94 million in 2021 compared to adjusted pre-tax income on consolidation and eliminations of \$53 million in 2020, was primarily due to the elimination of the insurance companies' net investment income on their investment in the consolidated investment entities of \$167 million.

YEAR-TO-DATE 2021 AND 2020 COMPARISON

Adjusted pre-tax loss before consolidation and eliminations of \$870 million in 2021 compared to \$1.2 billion in 2020, a decrease of \$297 million, was primarily due to the sale of a majority of the interest in Fortitude Holdings on June 2, 2020, as prior period results included adjusted pre-tax loss of \$233 million. Excluding the results of Fortitude Re, adjusted pre-tax loss decreased \$64 million primarily due to:

- higher net investment income associated with consolidated investment entities of \$357 million was partially offset by decline in net mark to market gains on CDO securities of \$124 million.

The decrease in adjusted pre-tax loss was partially offset by:

- higher underwriting loss attributable to net prior year development in 2021 of \$84 million within Other Operations Run-off, primarily attributable to Blackboard insurance companies; and
- higher general operating expenses primarily driven by increases in performance-based employee costs of \$73 million.

Adjusted pre-tax loss on consolidation and eliminations of \$270 million in 2021 compared to \$34 million in 2020, an increase of \$236 million, was primarily due to the elimination of the insurance companies' net investment income on their investment in the consolidated investment entities of \$216 million.

Investments

OVERVIEW

Our investment strategies are tailored to the specific business needs of each operating unit by targeting an asset allocation mix that supports estimated cash flows of our outstanding liabilities and provides diversification from an asset class, sector, issuer, and geographic perspective. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus. The majority of assets backing our insurance liabilities consist of fixed maturity securities.

The worldwide health and economic impact of COVID-19 continues to evolve, influenced by the scope, severity and duration of the crisis as well as the actions of governments, judiciaries, legislative bodies, regulators and other third parties in response, including the distribution and effectiveness of vaccinations, all of which are subject to continuing uncertainty. Weak initial economic conditions resulting from COVID-19 have been met with intervention taken by governments and monetary authorities aimed at stimulating growth, resulting in a sharp recovery on our overall investment portfolio to pre-COVID-19 conditions. In certain segments of our diversified investment portfolio, there have been exposures to sectors of the economy significantly affected by the crisis, which has, in certain periods, resulted in the recognition of credit losses and increases in our allowance for credit losses. Further recognition of credit losses and increases in our allowances for credit losses could result if new business closures are imposed or economic conditions worsen in response to a future resurgence of the virus.

INVESTMENT HIGHLIGHTS IN THE SIX MONTHS ENDED JUNE 30, 2021

- A rise in interest rates resulted in a net unrealized loss movement in our investment portfolio. Net unrealized gains in our available for sale portfolio decreased to approximately \$21.4 billion as of June 30, 2021 from approximately \$27.4 billion as of December 31, 2020.
- We continued to make investments in structured securities and other fixed maturity securities with favorable risk compared to return characteristics to improve yields and increase net investment income.
- We experienced an increase in net investment income in the six-month period ended June 30, 2021 compared to the same period in the prior year due primarily to the higher income on our alternative investments and fair value option equity security holdings that directionally followed the positive returns achieved in equity markets. The same period in the prior year experienced significant volatility and declines in equity markets due to the onset of the COVID-19 crisis.
- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the three- and six-month periods ended June 30, 2021 was primarily attributable to movements in interest rates and spreads. There was a drop in rates and narrowing spreads in the three-month period ended June 30, 2021 that resulted in unrealized gains of approximately \$5.9 billion on fixed maturity securities. For the six-month period ended June 30, 2021, net unrealized losses related to fixed maturity securities were by \$5.8 billion due primarily to an increase in interest rates.

The change in net unrealized gains and losses on investments in the three- and six-month periods ended June 30, 2020 was primarily attributable to increases in the fair value of fixed maturity securities. For the six-month period ended June 30, 2020, there were net unrealized gains related to fixed maturity securities of \$3.5 billion due primarily to lower rates partially offset by a widening of credit spreads.

For further discussion of our investment portfolio see Note 5 to the Condensed Consolidated Financial Statements.

Net Realized Gains and Losses

Lower net realized losses excluding Fortitude Re Funds Withheld Assets in the three-month period ended June 30, 2021 compared to the same period in the prior year were primarily due to higher foreign exchange gains and allowance releases in the prior year compared to allowance increases in the current year. Lower net realized gains excluding Fortitude Re Funds Withheld Assets in the six-month period ended June 30, 2021 compared to the same period in the prior year were primarily due to lower derivatives gains, which more than offset foreign exchange gains and allowance releases compared to losses and increases, respectively, in the prior year.

Variable annuity embedded derivatives, net of related hedges, reflected lower losses in the three-month period ended June 30, 2021 and lower gains in the six-month period ended June 30, 2021 compared to the same periods in the prior year. Fair value gains or losses in the hedging portfolio are typically not fully offset by increases or decreases in liabilities due to the non-performance or "own credit" risk adjustment used in the valuation of the variable annuities with guaranteed minimum withdrawal benefits (GMWB) embedded derivative, which are not hedged as part of our economic hedging program, and other risk margins used for valuation that cause the embedded derivatives to be less sensitive to changes in market rates than the hedge portfolio.

Net realized gains (losses) on Fortitude Re funds withheld assets primarily reflect changes in the valuation of the modified coinsurance and funds withheld assets. Increases in the valuation of these assets result in losses to AIG as the appreciation on the assets must under those reinsurance arrangements be transferred to Fortitude Re. Decreases in valuation of the assets result in gains to AIG as the depreciation on the assets under those reinsurance arrangements must be transferred to Fortitude Re. *For further details on the impact of the funds withheld arrangements with Fortitude Re see Note 7 to the Condensed Consolidated Financial Statements.*

For further details on net realized gains and losses, see – Net Realized Gains and Losses below.

For additional discussion of market risk management related to these product features see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Life and Retirement Companies' Key Risks – Variable Annuity, Index Annuity and Universal Life Risk Management and Hedging Programs in the 2020 Annual Report. For more information on the economic hedging target and the impact to pre-tax income of this program see Insurance Reserves – Life and Annuity Future Policy Benefits, Policyholder Contract Deposits and DAC – Variable Annuity Guaranteed Benefits and Hedging Results in this MD&A.

For further discussion of our investment portfolio see Note 5 to the Condensed Consolidated Financial Statements.

INVESTMENT STRATEGIES

Investment strategies are assessed at the segment level and involve considerations that include local and general market conditions, duration and cash flow management, risk appetite and volatility constraints, rating agency and regulatory capital considerations, and tax and legal investment limitations.

Some of our key investment strategies are as follows:

- Our fundamental strategy across the portfolios is to seek investments with similar characteristics to the associated insurance liabilities to the extent practicable. AIG embeds Environmental, Social and Governance (ESG) considerations in its fundamental investment analysis of the companies or projects we invest in to ensure that they have sustainable earnings over the full term of our investment. AIG considers internal and external factors and evaluates changes in consumer behavior, industry trends related to ESG factors as well as the ability of the management of companies to respond appropriately to these changes in order to maintain their competitive advantage.
- We seek to originate investments that offer enhanced yield through illiquidity premiums, such as private placements and commercial mortgage loans, which also add portfolio diversification. These assets typically afford credit protections through covenants, ability to customize structures that meet our insurance liability needs, and deeper due diligence given information access.
- Given our global presence, we have access to assets that provide diversification from local markets. To the extent we purchase these investments, we generally hedge any currency risk using derivatives, which could provide opportunities to earn higher risk adjusted returns compared to assets in the functional currency.
- AIG Parent, included in Other Operations, actively manages its assets and liabilities, counterparties and duration. AIG Parent's liquidity sources are held primarily in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities that can be readily monetized through sales or repurchase agreements. This strategy allows us to both diversify our sources of liquidity and reduce the cost of maintaining sufficient liquidity.

- Within the U.S., the Life and Retirement and General Insurance investments are generally split between reserve backing and surplus portfolios.
 - Insurance reserves are backed by mainly investment grade fixed maturity securities that meet our duration, risk-return, tax, liquidity, credit quality and diversification objectives. We assess asset classes based on their fundamental underlying risk factors, including credit (public and private), commercial real estate and residential real estate regardless of whether such investments are bonds, loans, or structured products.
 - Surplus investments seek to enhance portfolio returns and are generally comprised of a mix of fixed maturity investment grade and below investment grade securities and various alternative asset classes, including private equity, real estate equity, and hedge funds. Over the past few years, hedge fund investments have been reduced with more emphasis given to private equity, real estate and below investment grade credit.
- Outside of the U.S., fixed maturity securities held by insurance companies consist primarily of investment-grade securities generally denominated in the currencies of the countries in which we operate.

Asset Liability Management

The investment strategy within the General Insurance companies focuses on growth of surplus, maintenance of sufficient liquidity for unanticipated insurance claims, and preservation of capital. General Insurance invests primarily in fixed maturity securities issued by corporations, municipalities and other governmental agencies; structured securities collateralized by, among other assets, residential and commercial real estate; and commercial mortgage loans. Fixed maturity securities of the General Insurance companies' North America operations have an average duration of 3.9 years. Fixed maturity securities of the General Insurance companies' International operations have an average duration of 4.3 years.

While invested assets backing reserves of the General Insurance companies are primarily invested in conventional liquid fixed maturity securities, we have continued to allocate to asset classes that offer higher yields through structural and illiquidity premiums, particularly in our North America operations. In addition, we continue to invest in both fixed rate and floating rate asset-backed investments to manage our exposure to potential changes in interest rates and inflation. We seek to diversify the portfolio across asset classes, sectors and issuers to mitigate idiosyncratic portfolio risks.

In addition, a portion of the surplus of General Insurance is invested in a diversified portfolio of alternative investments that seek to balance liquidity, volatility and growth of surplus. There is a higher allocation to equity-oriented investments in General Insurance surplus relative to other AIG portfolios given the underlying inflation risks inherent in that business. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields and have provided added diversification to the broader portfolio.

The investment strategy of the Life and Retirement companies is to provide net investment income to back liabilities that result in stable distributable earnings and enhance portfolio value, subject to asset liability management, capital, liquidity and regulatory constraints.

The Life and Retirement companies use asset-liability management as a primary tool to monitor and manage risk in their businesses. The Life and Retirement companies maintain a diversified, high-to-medium quality portfolio of fixed maturity securities issued by corporations, municipalities and other governmental agencies; structured securities collateralized by, among other assets, residential and commercial real estate; and commercial mortgage loans that, to the extent practicable, match the duration characteristics of the liabilities. We seek to diversify the portfolio across asset classes, sectors, and issuers to mitigate idiosyncratic portfolio risks. The investment portfolio of each product line is tailored to the specific characteristics of its insurance liabilities, and as a result, duration varies between distinct portfolios. The interest rate environment has a direct impact on the asset-liability management profile of the businesses, and an extended low interest rate environment may result in a lengthening of liability durations from initial estimates, primarily due to lower lapses, which may require us to further extend the duration of the investment portfolio. A further lengthening of the portfolio will be assessed in the context of available market opportunities as longer duration markets may not provide similar diversification benefits as shorter duration markets.

Fixed maturity securities of the Life and Retirement companies' domestic operations have an average duration of 9 years.

In addition, the Life and Retirement companies seek to enhance surplus portfolio returns through investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved returns in excess of the fixed maturity portfolio returns.

NAIC Designations of Fixed Maturity Securities

The Securities Valuation Office (SVO) of the NAIC evaluates the investments of U.S. insurers for statutory reporting purposes and assigns fixed maturity securities to one of six categories called 'NAIC Designations.' In general, NAIC Designations of '1' highest quality, or '2' high quality, include fixed maturity securities considered investment grade, while NAIC Designations of '3' through '6' generally include fixed maturity securities referred to as below investment grade. NAIC Designations for non-agency RMBS and CMBS are calculated using third party modeling results provided through the NAIC. These methodologies result in an improved NAIC Designation for such securities compared to the rating typically assigned by the three major rating agencies. The following tables summarize the ratings distribution of AIG subsidiaries' fixed maturity security portfolio by NAIC Designation, and the distribution by composite AIG credit rating, which is generally based on ratings of the three major rating agencies.

For a full description of the composite AIG credit ratings see – Credit Ratings.

The following table presents the fixed maturity security portfolio categorized by NAIC Designation, at fair value:

June 30, 2021										
<i>(in millions)</i>										
NAIC Designation	1	2	Total Investment Grade	3	4	5	6	Total Below Investment Grade	Total	
Other fixed maturity securities	\$ 103,618	\$ 90,354	\$ 193,972	\$ 9,409	\$ 8,217	\$ 1,300	\$ 132	\$ 19,058	\$ 213,030	
Mortgage-backed, asset-backed and collateralized	57,927	4,584	62,511	343	97	44	1,897	2,381	64,892	
Total*	\$ 161,545	\$ 94,938	\$ 256,483	\$ 9,752	\$ 8,314	\$ 1,344	\$ 2,029	\$ 21,439	\$ 277,922	

* Excludes \$14 million of fixed maturity securities for which no NAIC Designation is available.

The following table presents the fixed maturity security portfolio categorized by composite AIG credit rating, at fair value:

June 30, 2021										
<i>(in millions)</i>										
Composite AIG Credit Rating	AAA/AA/A	BBB	Total Investment Grade	BB	B	CCC and Lower	Total Below Investment Grade	Total		
Other fixed maturity securities	\$ 107,619	\$ 85,967	\$ 193,586	\$ 9,325	\$ 7,499	\$ 2,620	\$ 19,444	\$ 213,030		
Mortgage-backed, asset-backed and collateralized	49,252	4,986	54,238	627	351	9,676	10,654	64,892		
Total*	\$ 156,871	\$ 90,953	\$ 247,824	\$ 9,952	\$ 7,850	\$ 12,296	\$ 30,098	\$ 277,922		

* Excludes \$14 million of fixed maturity securities for which no NAIC Designation is available.

CREDIT RATINGS

At June 30, 2021, approximately 88 percent of our fixed maturity securities were held by our domestic entities. Approximately 89 percent of these securities were rated investment grade by one or more of the principal rating agencies. Our investment decision process relies primarily on internally generated fundamental analysis and internal risk ratings. Third-party rating services' ratings and opinions provide one source of independent perspective for consideration in the internal analysis.

Moody's Investors Service Inc. (Moody's), Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc. (S&P), or similar foreign rating services rate a significant portion of our foreign entities' fixed maturity securities portfolio. Rating services are not available for some foreign-issued securities. Our Credit Risk Management department closely reviews the credit quality of the foreign portfolio's non-rated fixed maturity securities. At June 30, 2021, approximately 94 percent of such investments were either rated investment grade or, on the basis of our internal analysis, were equivalent from a credit standpoint to securities rated investment grade. Approximately 26 percent of the foreign entities' fixed maturity securities portfolio is comprised of sovereign fixed maturity securities supporting policy liabilities in the country of issuance.

Composite AIG Credit Ratings

With respect to our fixed maturity securities, the credit ratings in the table below and in subsequent tables reflect: (i) a composite of the ratings of the three major rating agencies, or when agency ratings are not available, the rating assigned by the NAIC SVO (99 percent of total fixed maturity securities), or (ii) our equivalent internal ratings when these investments have not been rated by any of the major rating agencies or the NAIC. The "Non-rated" category in those tables consists of fixed maturity securities that have not been rated by any of the major rating agencies, the NAIC or us.

For a discussion of credit risks associated with Investments see Part II, Item 7. MD&A – Enterprise Risk Management – Credit Risk Management in the 2020 Annual Report.

The following table presents the composite AIG credit ratings of our fixed maturity securities calculated on the basis of their fair value:

(in millions)	Available for Sale		Other		Total	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Rating:						
Other fixed maturity securities						
AAA	\$ 11,957	\$ 11,758	\$ 1,736	\$ 1,803	\$ 13,693	\$ 13,561
AA	37,668	36,146	42	42	37,710	36,188
A	56,202	57,255	12	12	56,214	57,267
BBB	85,969	80,878	-	-	85,969	80,878
Below investment grade	18,200	18,087	-	-	18,200	18,087
Non-rated	1,258	769	-	-	1,258	769
Total	\$ 211,254	\$ 204,893	\$ 1,790	\$ 1,857	\$ 213,044	\$ 206,750
Mortgage-backed, asset-backed and collateralized						
AAA	\$ 28,163	\$ 31,133	\$ 274	\$ 347	\$ 28,437	\$ 31,480
AA	14,332	15,287	150	195	14,482	15,482
A	6,189	6,711	144	145	6,333	6,856
BBB	4,672	4,137	314	343	4,986	4,480
Below investment grade	8,432	9,281	1,947	2,165	10,379	11,446
Non-rated	28	54	247	239	275	293
Total	\$ 61,816	\$ 66,603	\$ 3,076	\$ 3,434	\$ 64,892	\$ 70,037
Total						
AAA	\$ 40,120	\$ 42,891	\$ 2,010	\$ 2,150	\$ 42,130	\$ 45,041
AA	52,000	51,433	192	237	52,192	51,670
A	62,391	63,966	156	157	62,547	64,123
BBB	90,641	85,015	314	343	90,955	85,358
Below investment grade	26,632	27,368	1,947	2,165	28,579	29,533
Non-rated	1,286	823	247	239	1,533	1,062
Total	\$ 273,070	\$ 271,496	\$ 4,866	\$ 5,291	\$ 277,936	\$ 276,787

Available-for-Sale Investments

The following table presents the fair value of our available-for-sale securities:

(in millions)	Fair Value at June 30, 2021	Fair Value at December 31, 2020
Bonds available for sale:		
U.S. government and government sponsored entities	\$ 4,501	\$ 4,126
Obligations of states, municipalities and political subdivisions	15,179	16,124
Non-U.S. governments	16,021	15,345
Corporate debt	175,553	169,298
Mortgage-backed, asset-backed and collateralized:		
RMBS	28,584	31,465
CMBS	15,464	16,133
CDO/ABS	17,768	19,005
Total mortgage-backed, asset-backed and collateralized	61,816	66,603
Total bonds available for sale*	\$ 273,070	\$ 271,496

* At June 30, 2021 and December 31, 2020, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled \$27.9 billion and \$28.2 billion, respectively.

The following table presents the fair value of our aggregate credit exposures to non-U.S. governments for our fixed maturity securities:

<i>(in millions)</i>	June 30, 2021	December 31, 2020
Japan	\$ 1,318	\$ 1,510
Canada	1,205	986
France	757	790
United Kingdom	742	820
Germany	634	642
Indonesia	634	554
Israel	529	535
Chile	495	398
United Arab Emirates	460	519
Mexico	445	358
Other	8,802	8,233
Total	\$ 16,021	\$ 15,345

The following table presents the fair value of our aggregate European credit exposures by major sector for our fixed maturity securities:

<i>(in millions)</i>	June 30, 2021					December 31, 2020 Total
	Sovereign	Financial Institution	Non- Financial Corporates	Structured Products	Total	
Euro-Zone countries:						
France	\$ 757	\$ 1,808	\$ 1,479	\$ -	\$ 4,044	\$ 4,206
Germany	634	232	2,802	-	3,668	3,691
Netherlands	245	1,104	1,298	29	2,676	2,804
Ireland	12	137	507	1,392	2,048	2,162
Belgium	136	296	1,152	-	1,584	1,538
Spain	26	375	551	-	952	989
Luxembourg	87	289	413	-	789	712
Italy	23	99	500	-	622	580
Finland	78	38	45	-	161	123
Austria	68	-	-	-	68	93
Other Euro-Zone	558	96	245	-	899	928
Total Euro-Zone	\$ 2,624	\$ 4,474	\$ 8,992	\$ 1,421	\$ 17,511	\$ 17,826
Remainder of Europe:						
United Kingdom	\$ 742	\$ 4,458	\$ 10,054	\$ 1,954	\$ 17,208	\$ 17,066
Switzerland	19	983	844	-	1,846	1,778
Norway	383	56	176	-	615	556
Sweden	190	216	131	-	537	646
Russian Federation	205	22	145	-	372	407
Other - Remainder of Europe	82	295	175	-	552	227
Total - Remainder of Europe	\$ 1,621	\$ 6,030	\$ 11,525	\$ 1,954	\$ 21,130	\$ 20,680
Total	\$ 4,245	\$ 10,504	\$ 20,517	\$ 3,375	\$ 38,641	\$ 38,506

Investments in Municipal Bonds

At June 30, 2021, the U.S. municipal bond portfolio was composed primarily of essential service revenue bonds and high-quality tax-exempt bonds with 93 percent of the portfolio rated A or higher.

The following table presents the fair values of our available for sale U.S. municipal bond portfolio by state and municipal bond type:

(in millions)	June 30, 2021				December 31, 2020 Total Fair Value
	State General Obligation	Local General Obligation	Revenue	Total Fair Value	
State:					
California	\$ 732	\$ 416	\$ 1,989	\$ 3,137	\$ 3,301
New York	7	246	2,584	2,837	3,135
Texas	85	503	942	1,530	1,553
Illinois	90	97	865	1,052	1,106
Massachusetts	421	1	350	772	800
Ohio	19	-	513	532	542
Georgia	105	71	297	473	494
Florida	6	-	412	418	436
Virginia	11	-	378	389	456
Washington	166	6	215	387	413
Pennsylvania	17	2	363	382	399
Washington, D.C.	11	-	290	301	328
New Jersey	12	1	273	286	269
All other states ^(a)	330	197	2,156	2,683	2,892
Total^{(b)(c)}	\$ 2,012	\$ 1,540	\$ 11,627	\$ 15,179	\$ 16,124

(a) We did not have material credit exposure to the government of Puerto Rico.

(b) Excludes certain university and not-for-profit entities that issue their bonds in the corporate debt market. Includes industrial revenue bonds.

(c) Includes \$545 million of pre-refunded municipal bonds.

Investments in Corporate Debt Securities

The following table presents the industry categories of our available for sale corporate debt securities:

Industry Category (in millions)	Fair Value at June 30, 2021	Fair Value at December 31, 2020
Financial institutions:		
Money center/Global bank groups	\$ 10,256	\$ 10,512
Regional banks – other	470	627
Life insurance	3,068	3,175
Securities firms and other finance companies	355	312
Insurance non-life	6,460	5,805
Regional banks – North America	7,481	7,505
Other financial institutions	16,728	15,581
Utilities	24,306	23,470
Communications	11,745	11,137
Consumer noncyclical	24,839	24,826
Capital goods	9,346	8,773
Energy	13,613	13,293
Consumer cyclical	13,625	13,213
Basic	6,232	5,894
Other	27,029	25,175
Total*	\$ 175,553	\$ 169,298

* At June 30, 2021 and December 31, 2020, approximately 90 percent of these investments were rated investment grade.

Our investments in the energy category, as a percentage of total investments in available-for-sale fixed maturities, was 5.0 percent and 4.9 percent, at June 30, 2021 and December 31, 2020, respectively. While the energy investments are primarily investment grade and are actively managed, the category continues to experience volatility that could adversely affect credit quality and fair value.

Investments in RMBS

The following table presents AIG's RMBS available for sale securities:

<i>(in millions)</i>	Fair Value at June 30, 2021	Fair Value at December 31, 2020
Agency RMBS	\$ 13,934	\$ 15,816
Alt-A RMBS	6,649	7,278
Subprime RMBS	2,396	2,575
Prime non-agency	3,583	3,847
Other housing related	2,022	1,949
Total RMBS^{(a)(b)}	\$ 28,584	\$ 31,465

(a) Includes approximately \$6.9 billion and \$7.6 billion at June 30, 2021 and December 31, 2020, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. For additional discussion on Purchased Credit Impaired Securities see Note 5 to the Condensed Consolidated Financial Statements.

(b) The weighted average expected life was five years at June 30, 2021 and December 31, 2020.

Our underwriting practices for investing in RMBS, other asset-backed securities (ABS) and CDOs take into consideration the quality of the originator, the manager, the servicer, security credit ratings, underlying characteristics of the mortgages, borrower characteristics, and the level of credit enhancement in the transaction.

Investments in CMBS

The following table presents our CMBS available for sale securities:

<i>(in millions)</i>	Fair Value at June 30, 2021	Fair Value at December 31, 2020
CMBS (traditional)	\$ 12,540	\$ 12,917
Agency	1,823	2,078
Other	1,101	1,138
Total	\$ 15,464	\$ 16,133

The fair value of CMBS holdings remained stable during the second quarter of 2021. The majority of our investments in CMBS are in tranches that contain substantial protection features through collateral subordination. The majority of CMBS holdings are traditional conduit transactions, broadly diversified across property types and geographical areas.

Investments in ABS/CDOs

The following table presents our ABS/CDO available for sale securities by collateral type:

<i>(in millions)</i>	Fair value at June 30, 2021	Fair value at December 31, 2020
Collateral Type:		
ABS	\$ 9,005	\$ 9,178
Bank loans (collateralized loan obligation)	8,743	9,793
Other	20	34
Total	\$ 17,768	\$ 19,005

Unrealized Losses of Fixed Maturity Securities

The following table shows the aging of the unrealized losses of fixed maturity securities, the extent to which the fair value is less than amortized cost or cost, and the number of respective items in each category:

June 30, 2021	Less Than or Equal to 20% of Cost ^(b)			Greater Than 20% to 50% of Cost ^(b)			Greater Than 50% of Cost ^(b)			Total			
	Aging ^(a) (dollars in millions)	Unrealized			Unrealized			Unrealized			Unrealized		
		Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Loss ^(d)	Items ^(e)
Investment grade bonds													
0-6 months	\$ 28,681	\$ 600	5,380	\$ 6	\$ 2	4	\$ 3	\$ 2	7	\$ 28,690	\$ 604	5,391	
7-11 months	5,426	262	736	6	1	-	-	-	-	5,432	263	736	
12 months or more	4,218	201	548	80	20	8	1	1	2	4,299	222	558	
Total	\$ 38,325	\$ 1,063	6,664	\$ 92	\$ 23	12	\$ 4	\$ 3	9	\$ 38,421	\$ 1,089	6,685	
Below investment grade bonds													
0-6 months	\$ 3,433	\$ 46	1,691	\$ 18	\$ 7	11	\$ 15	\$ 14	8	\$ 3,466	\$ 67	1,710	
7-11 months	242	9	122	97	25	16	1	1	2	340	35	140	
12 months or more	3,450	133	851	314	74	32	22	17	16	3,786	224	899	
Total	\$ 7,125	\$ 188	2,664	\$ 429	\$ 106	59	\$ 38	\$ 32	26	\$ 7,592	\$ 326	2,749	
Total bonds													
0-6 months	\$ 32,114	\$ 646	7,071	\$ 24	\$ 9	15	\$ 18	\$ 16	15	\$ 32,156	\$ 671	7,101	
7-11 months	5,668	271	858	103	26	16	1	1	2	5,772	298	876	
12 months or more	7,668	334	1,399	394	94	40	23	18	18	8,085	446	1,457	
Total^(e)	\$ 45,450	\$ 1,251	9,328	\$ 521	\$ 129	71	\$ 42	\$ 35	35	\$ 46,013	\$ 1,415	9,434	

(a) Represents the number of consecutive months that fair value has been less than cost by any amount.

(b) Represents the percentage by which fair value is less than cost at June 30, 2021.

(c) For bonds, represents amortized cost net of allowance.

(d) The effect on Net income of unrealized losses after taxes will be mitigated upon realization because certain realized losses will result in current decreases in the amortization of certain DAC.

(e) Item count is by CUSIP by subsidiary.

The allowance for credit losses was \$4 million for investment grade bonds and \$94 million for below investment grade bonds as of June 30, 2021.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the three- and six-month periods ended June 30, 2021 was primarily attributable to increases (decreases) in the fair value of fixed maturity securities. For the three-month period ended June 30, 2021, net unrealized gains related to fixed maturity securities increased by \$5.9 billion due primarily to a drop in rates and narrowing of credit spreads. For the six-month period ending June 30, 2021, net unrealized gains related to fixed maturities decreased by \$5.8 billion due primarily to an increase in interest rates.

The change in net unrealized gains and losses on investments in the three- and six-month periods ended June 30, 2020 was primarily attributable to increases in the fair value of fixed maturity securities. For the six-month period ended June 30, 2020, net unrealized gains related to fixed maturity securities increased by \$3.5 billion due primarily to lower rates partially offset by a widening of credit spreads.

For further discussion of our investment portfolio see Note 5 to the Condensed Consolidated Financial Statements.

Commercial Mortgage Loans

At June 30, 2021, we had direct commercial mortgage loan exposure of \$36.4 billion.

The following table presents the commercial mortgage loan exposure by location and class of loan based on amortized cost:

(dollars in millions)	Number of Loans	Class						Total	Percent of Total
		Apartments	Offices	Retail	Industrial	Hotel	Others		
June 30, 2021									
State:									
New York	103	\$ 2,318	\$ 5,224	\$ 436	\$ 442	\$ 103	\$ -	8,523	23 %
California	63	822	1,322	244	559	771	32	3,750	10
New Jersey	46	1,825	31	424	101	12	33	2,426	7
Texas	52	690	1,144	168	114	143	-	2,259	6
Florida	67	479	153	464	214	217	-	1,527	4
Massachusetts	11	533	197	544	24	-	-	1,298	5
Illinois	21	558	571	10	17	-	21	1,177	3
Pennsylvania	22	79	144	483	76	25	-	807	2
Washington D.C.	13	498	211	-	-	19	-	728	2
Ohio	23	169	10	179	258	-	-	616	2
Other states	170	2,053	614	1,145	657	388	-	4,857	13
Foreign	83	4,280	1,015	1,027	1,285	465	375	8,447	23
Total*	674	\$ 14,304	\$ 10,636	\$ 5,124	\$ 3,747	\$ 2,143	\$ 461	\$ 36,415	100 %
December 31, 2020									
State:									
New York	107	\$ 2,624	\$ 5,237	\$ 465	\$ 393	\$ 102	\$ -	8,821	24 %
California	66	842	1,343	247	532	775	32	3,771	10
New Jersey	47	1,756	31	420	92	12	33	2,344	6
Texas	51	605	1,165	170	100	144	-	2,184	6
Florida	69	421	153	497	216	217	-	1,504	4
Massachusetts	12	536	227	551	25	-	-	1,339	4
Illinois	20	504	574	10	18	-	22	1,128	3
Washington, D.C.	13	465	213	-	-	19	-	697	2
Pennsylvania	21	79	17	489	76	25	-	686	2
Ohio	23	170	10	183	261	-	-	624	2
Other states	187	1,992	722	1,192	731	399	-	5,036	14
Foreign	84	3,975	1,020	1,025	1,322	575	373	8,290	23
Total*	700	\$ 13,969	\$ 10,712	\$ 5,249	\$ 3,766	\$ 2,268	\$ 460	\$ 36,424	100 %

* Does not reflect allowance for credit losses.

For additional discussion on commercial mortgage loans see Note 7 to the Consolidated Financial Statements in the 2020 Annual Report.

Net Realized Gains and Losses

The following table presents the components of Net realized gains (losses):

Three Months Ended June 30,	2021			2020		
	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total
<i>(in millions)</i>						
Sales of fixed maturity securities	\$ 40	\$ 95	\$ 135	\$ 27	\$ 122	\$ 149
Intent to sell	-	-	-	(3)	-	(3)
Change in allowance for credit losses on fixed maturity securities	10	4	14	(24)	(7)	(31)
Change in allowance for credit losses on loans	67	8	75	(22)	4	(18)
Foreign exchange transactions	139	9	148	44	3	47
Variable annuity embedded derivatives, net of related hedges	(53)	-	(53)	(1,010)	-	(1,010)
All other derivatives and hedge accounting	(336)	60	(276)	(568)	(26)	(594)
Other	90	(3)	87	(35)	-	(35)
Net realized gains (losses) – excluding Fortitude Re funds withheld embedded derivative	(43)	173	130	(1,591)	96	(1,495)
Net realized losses on Fortitude Re funds withheld embedded derivative	-	(2,056)	(2,056)	-	(837)	(837)
Net realized losses	\$ (43)	\$ (1,883)	\$ (1,926)	\$ (1,591)	\$ (741)	\$(2,332)
Six Months Ended June 30,	2021			2020		
	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total	Excluding Fortitude Re Funds Withheld Assets	Fortitude Re Funds Withheld Assets	Total
<i>(in millions)</i>						
Sales of fixed maturity securities	\$ 134	\$ 390	\$ 524	\$ 241	\$ 122	\$ 363
Intent to sell	-	-	-	(3)	-	(3)
Change in allowance for credit losses on fixed maturity securities	61	6	67	(222)	(7)	(229)
Change in allowance for credit losses on loans	108	3	111	(60)	4	(56)
Foreign exchange transactions	90	3	93	(210)	3	(207)
Variable annuity embedded derivatives, net of related hedges	36	-	36	1,182	-	1,182
All other derivatives and hedge accounting	15	(57)	(42)	991	(26)	965
Other	208	1	209	9	-	9
Net realized gains – excluding Fortitude Re funds withheld embedded derivative	652	346	998	1,928	96	2,024
Net realized gains (losses) on Fortitude Re funds withheld embedded derivative	-	326	326	-	(837)	(837)
Net realized gains (losses)	\$ 652	\$ 672	\$ 1,324	\$ 1,928	\$ (741)	\$1,187

Lower net realized losses excluding Fortitude Re Funds Withheld Assets in the three-month period ended June 30, 2021 compared to the same period in the prior year were primarily due to higher foreign exchange gains and allowance releases in the prior year compared to allowance increases in the current year. Lower net realized gains excluding Fortitude Re Funds Withheld Assets in the six-month period ended June 30, 2021 compared to the same period in the prior year were primarily due to lower derivatives gains, which more than offset foreign exchange gains and allowance releases compared to losses and increases, respectively, in the prior year.

Variable annuity embedded derivatives, net of related hedges, reflected lower losses in the three-month period ended June 30, 2021 and lower gains in the six-month period ended June 30, 2021 compared to the same periods in the prior year. Fair value gains or losses in the hedging portfolio are typically not fully offset by increases or decreases in liabilities due to the non-performance or "own credit" risk adjustment used in the valuation of the variable annuities with GMWB embedded derivative, which are not hedged as part of our economic hedging program, and other risk margins used for valuation that cause the embedded derivatives to be less sensitive to changes in market rates than the hedge portfolio.

Net realized gains (losses) on Fortitude Re funds withheld assets primarily reflect changes in the valuation of the modified coinsurance and funds withheld assets. Increases in the valuation of these assets result in losses to AIG as the appreciation on the assets must under those reinsurance arrangements be transferred to Fortitude Re. Decreases in valuation of the assets result in gains to AIG as the depreciation on the assets under those reinsurance arrangements must be transferred to Fortitude Re. *For further details on the impact of the funds withheld arrangements with Fortitude Re see Note 7 to the Condensed Consolidated Financial Statements.*

For additional discussion of market risk management related to these product features see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Life and Retirement Companies' Key Risks – Variable Annuity, Index Annuity and Universal Life Risk Management and Hedging Programs in the 2020 Annual Report. For more information on the economic hedging target and the impact to pre-tax income of this program see Insurance Reserves – Life and Annuity Future Policy Benefits, Policyholder Contract Deposits and DAC – Variable Annuity Guaranteed Benefits and Hedging Results in this MD&A.

For further discussion of our investment portfolio see Note 5 to the Condensed Consolidated Financial Statements.

Insurance Reserves

LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LOSS RESERVES)

The following table presents the components of our gross and net loss reserves by segment and major lines of business^(a):

	June 30, 2021			December 31, 2020		
	Net liability for unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	Gross liability for unpaid losses and loss adjustment expenses	Net liability for unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	Gross liability for unpaid losses and loss adjustment expenses
<i>(in millions)</i>						
General Insurance:						
U.S. Workers' Compensation (net of discount)	\$ 3,766	\$ 5,533	\$ 9,299	\$ 3,905	\$ 5,653	\$ 9,558
U.S. Excess Casualty	3,711	4,512	8,223	3,746	4,584	8,330
U.S. Other Casualty	3,560	4,490	8,050	3,520	4,568	8,088
U.S. Financial Lines	4,837	2,093	6,930	4,838	2,193	7,031
U.S. Property and Special Risks	6,472	2,734	9,206	6,181	2,571	8,752
U.S. Personal Insurance	1,225	1,825	3,050	1,116	1,626	2,742
UK/Europe Casualty and Financial Lines	7,131	1,446	8,577	6,826	1,225	8,051
UK/Europe Property and Special Risks	2,918	1,305	4,223	2,679	1,215	3,894
UK/Europe and Japan Personal Insurance	2,247	575	2,822	2,219	505	2,724
Other product lines ^(b)	6,138	5,561	11,699	6,202	5,410	11,612
Unallocated loss adjustment expenses ^(b)	1,443	1,087	2,530	1,526	1,106	2,632
Total General Insurance	43,448	31,161	74,609	42,758	30,656	73,414
Other Operations Run-Off:						
U.S. Run-Off Long Tail Insurance Lines (net of discount)	243	3,441	3,684	205	3,500	3,705
Other run-off product lines	197	63	260	210	60	270
Blackboard	198	87	285	88	101	189
Unallocated loss adjustment expenses	29	114	143	28	114	142
Total Other Operations Run-Off	667	3,705	4,372	531	3,775	4,306
Total	\$ 44,115	\$ 34,866	\$ 78,981	\$ 43,289	\$ 34,431	\$ 77,720

(a) Includes net loss reserve discount of \$791 million and \$725 million as of June 30, 2021 and December 31, 2020, respectively. *For discussion of loss reserve discount see Note 10 to the Condensed Consolidated Financial Statements.*

(b) Other product lines and Unallocated loss adjustment expenses includes \$3.7 billion and \$3.8 billion within Gross liability for unpaid losses and loss adjustment expense and Reinsurance recoverable on unpaid losses and loss adjustment expense as of June 30, 2021 and December 31, 2020, respectively, for the Fortitude Re reinsurance.

Prior Year Development

The following table summarizes incurred (favorable) unfavorable prior year development net of reinsurance by segment:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
General Insurance:				
North America*	\$ (58)	\$ (33)	\$ (116)	\$ (58)
International	7	(41)	9	(76)
Total General Insurance	\$ (51)	\$ (74)	\$ (107)	\$ (134)
Other Operations Run-Off	65	(2)	84	(2)
Total prior year (favorable) unfavorable development	\$ 14	\$ (76)	\$ (23)	\$ (136)

* Includes the amortization attributed to the deferred gain at inception from the National Indemnity Company (NICO) adverse development reinsurance agreement of \$49 million and \$53 million for the three-month periods ended June 30, 2021 and 2020, respectively, and \$101 million and \$106 million for the six-month periods ended June 30, 2021 and 2020, respectively. Consistent with our definition of APTI, the amount excludes the portion of (favorable)/unfavorable prior year reserve development for which we have ceded the risk under the NICO reinsurance agreements of \$(92) million and \$(2) million for the three-month periods ended June 30, 2021 and 2020, respectively, and \$(91) million and \$4 million for the six-month periods ended June 30, 2021 and 2020, respectively. Also excludes the related changes in amortization of the deferred gain, which were \$(27) million and \$23 million for the three-month periods ended June 30, 2021 and 2020, respectively, and \$(7) million and \$45 million for the six-month periods ended June 30, 2021 and 2020, respectively.

Net Loss Development

In the three-month period ended June 30, 2021, we recognized adverse prior year loss reserve development of \$14 million. The key components of this development were:

North America

- Amortization of the deferred gain on the adverse development cover and favorable development on Workers Compensation partially offset by adverse development on U.S. Property, Special Risks and Financial Lines.

International

- Adverse development on Property and Other short-tail lines.

Other Operations

- Adverse development on the Blackboard insurance companies and other runoff companies due to increased severity on reported claims.

In the six-month period ended June 30, 2021, we recognized favorable prior year loss reserve development of \$(23) million. The key components of this development were:

North America

- Amortization of the deferred gain from the adverse development cover and favorable development on Workers Compensation partially offset by adverse development on Commercial Property and Financial Lines.

International

- Adverse development in Property and Other short-tailed lines.

Other Operations

- Adverse development on the Blackboard insurance companies and other runoff companies due to increased severity on reported claims.

In the three-month period ended June 30, 2020, we recognized favorable prior year loss reserve development of \$(76) million. The key components of this development were:

North America

- amortization of the deferred gain from the adverse development reinsurance agreement with NICO; and
- favorable development on North American Property;
- partially offset by adverse development in the Programs business driven by discontinued programs.

International

- favorable development in International Property and Special Risks businesses, largely driven by UK/Europe.

In the six-month period ended June 30, 2020, we recognized favorable prior year loss reserve development of \$(136) million. The key components of this development were:

North America

- amortization of the deferred gain from the adverse development reinsurance agreement with NICO; and
- favorable development on North American Property;
- partially offset by adverse development in the Programs business driven by discontinued programs, and in Personal Insurance.

International

- favorable development in International Casualty recoveries; and
- favorable development in International Property and Special Risks businesses, largely driven by UK/Europe.

The following tables summarize incurred (favorable) unfavorable prior year development net of reinsurance, by segment and major lines of business, and by accident year groupings:

Three Months Ended June 30, 2021

(in millions)	Total	2020	2019 & Prior
General Insurance North America:			
U.S. Workers' Compensation	\$ (79)	\$ 11	\$ (90)
U.S. Excess Casualty	(12)	-	(12)
U.S. Other Casualty	3	(2)	5
U.S. Financial Lines	30	-	30
U.S. Property and Special Risks	22	5	17
U.S. Personal Insurance	(18)	(10)	(8)
Other Product Lines	(4)	(4)	-
Total General Insurance North America	\$ (58)	\$ -	\$ (58)
General Insurance International:			
UK/Europe Casualty and Financial Lines	\$ 12	\$ 2	\$ 10
UK/Europe Property and Special Risks	(13)	(10)	(3)
UK/Europe and Japan Personal Insurance	(3)	-	(3)
Other product lines	11	7	4
Total General Insurance International	\$ 7	\$ (1)	\$ 8
Other Operations Run-Off	65	34	31
Total Prior Year (Favorable) Unfavorable Development	\$ 14	\$ 33	\$ (19)

Three Months Ended June 30, 2020

(in millions)	Total	2019	2018 & Prior
General Insurance North America:			
U.S. Workers' Compensation	\$ (28)	\$ 20	\$ (48)
U.S. Excess Casualty	(13)	-	(13)
U.S. Other Casualty	(35)	(20)	(15)
U.S. Financial Lines	(7)	-	(7)
U.S. Property and Special Risks	65	5	60
U.S. Personal Insurance	6	1	5
Other Product Lines	(21)	(10)	(11)
Total General Insurance North America	\$ (33)	\$ (4)	\$ (29)
General Insurance International:			
UK/Europe Casualty and Financial Lines	\$ -	\$ -	\$ -
UK/Europe Property and Special Risks	(22)	(8)	(14)
UK/Europe and Japan Personal Insurance	12	15	(3)
Other product lines	(31)	7	(38)
Total General Insurance International	\$ (41)	\$ 14	\$ (55)
Other Operations Run-Off	(2)	(2)	-
Total Prior Year (Favorable) Unfavorable Development	\$ (76)	\$ 8	\$ (84)

Six Months Ended June 30, 2021

<i>(in millions)</i>	Total	2020	2019 & Prior
General Insurance North America:			
U.S. Workers' Compensation	\$ (105)	\$ 13	\$ (118)
U.S. Excess Casualty	(24)	-	(24)
U.S. Other Casualty	1	(2)	3
U.S. Financial Lines	21	-	21
U.S. Property and Special Risks	20	(9)	29
U.S. Personal Insurance	(22)	(9)	(13)
Other Product Lines	(7)	(6)	(1)
Total General Insurance North America	\$ (116)	\$ (13)	\$ (103)
General Insurance International:			
UK/Europe Casualty and Financial Lines	\$ 8	\$ (1)	\$ 9
UK/Europe Property and Special Risks	(10)	(1)	(9)
UK/Europe and Japan Personal Insurance	(4)	(4)	-
Other product lines	15	18	(3)
Total General Insurance International	\$ 9	\$ 12	\$ (3)
Other Operations Run-Off	84	33	51
Total Prior Year (Favorable) Unfavorable Development	\$ (23)	\$ 32	\$ (55)

Six Months Ended June 30, 2020

<i>(in millions)</i>	Total	2019	2018 & Prior
General Insurance North America:			
U.S. Workers' Compensation	\$ (56)	\$ 22	\$ (78)
U.S. Excess Casualty	(26)	-	(26)
U.S. Other Casualty	(46)	(20)	(26)
U.S. Financial Lines	(15)	-	(15)
U.S. Property and Special Risks	58	1	57
U.S. Personal Insurance	46	48	(2)
Other Product Lines	(19)	(24)	5
Total General Insurance North America	\$ (58)	\$ 27	\$ (85)
General Insurance International:			
UK/Europe Casualty and Financial Lines	\$ -	\$ -	\$ -
UK/Europe Property and Special Risks	(31)	(21)	(10)
UK/Europe and Japan Personal Insurance	-	3	(3)
Other product lines	(45)	10	(55)
Total General Insurance International	\$ (76)	\$ (8)	\$ (68)
Other Operations Run-Off	(2)	(2)	-
Total Prior Year (Favorable) Unfavorable Development	\$ (136)	\$ 17	\$ (153)

We note that for certain categories of claims (e.g., construction defect claims and environmental claims) and for reinsurance recoverable, losses may sometimes be reclassified to an earlier or later accident year as more information about the date of occurrence becomes available to us.

Significant Reinsurance Agreements

In the first quarter of 2017, we entered into an adverse development reinsurance agreement with NICO, under which we transferred to NICO 80 percent of the reserve risk on substantially all of our U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of the losses on subject business paid on or after January 1, 2016 in excess of \$25 billion of net paid losses, up to an aggregate limit of \$25 billion. We account for this transaction as retroactive reinsurance. This transaction resulted in a gain, which under GAAP retroactive reinsurance accounting is deferred and amortized into income over the settlement period. NICO created a collateral trust account as security for their claim payment obligations to us, into which they deposited the consideration paid under the agreement, and Berkshire Hathaway Inc. has provided a parental guarantee to secure NICO's obligations under the agreement.

For a description of AIG's catastrophe reinsurance protection for 2021, see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – General Insurance Companies' Key Risks – Natural Catastrophe Risk in the 2020 Annual Report.

The table below shows the calculation of the deferred gain on the adverse development reinsurance agreement as of June 30, 2021 and as of December 31, 2020, showing the effect of discounting of loss reserves and amortization of the deferred gain.

<i>(in millions)</i>		June 30, 2021		December 31, 2020
Gross Covered Losses				
Covered reserves before discount	\$	15,589	\$	16,534
Inception to date losses paid		26,030		25,198
Attachment point		(25,000)		(25,000)
Covered losses above attachment point	\$	16,619	\$	16,732
Deferred Gain Development				
Covered losses above attachment ceded to NICO (80%)	\$	13,295	\$	13,386
Consideration paid including interest		(10,188)		(10,188)
Pre-tax deferred gain before discount and amortization		3,107		3,198
Discount on ceded losses ^(a)		(855)		(911)
Pre-tax deferred gain before amortization		2,252		2,287
Inception to date amortization of deferred gain at inception		(1,005)		(904)
Inception to date amortization attributed to changes in deferred gain ^(b)		(61)		(86)
Deferred gain liability reflected in AIG's balance sheet	\$	1,186	\$	1,297

(a) For the period from inception to June 30, 2021, the accretion of discount and a reduction in effective interest rates was offset by changes in estimates of the amount and timing of future recoveries under the adverse development reinsurance agreement.

(b) Excluded from our definition of APTI.

The following table presents the rollforward of activity in the deferred gain from the adverse development reinsurance agreement:

<i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Balance at beginning of year, net of discount	\$ 1,282	\$ 1,392	\$ 1,297	\$ 1,381
(Favorable) unfavorable prior year reserve development ceded to NICO ^(a)	(92)	(2)	(91)	4
Amortization attributed to deferred gain at inception ^(b)	(49)	(53)	(101)	(106)
Amortization attributed to changes in deferred gain ^(c)	28	(12)	25	(26)
Changes in discount on ceded loss reserves	17	(14)	56	58
Balance at end of period, net of discount	\$ 1,186	\$ 1,311	\$ 1,186	\$ 1,311

(a) Prior year reserve development ceded to NICO under the retroactive reinsurance agreement is deferred under GAAP.

(b) Represents amortization of the deferred gain recognized in APTI.

(c) Excluded from APTI and included in GAAP.

The lines of business subject to this agreement have been the source of the majority of the prior year adverse development charges over the past several years. The agreement has resulted in lower capital charges for reserve risks at our U.S. insurance subsidiaries. In addition, net investment income declined as a result of lower invested assets.

Fortitude Re was established during the first quarter of 2018 in a series of reinsurance transactions related to our Run-Off operations. Those reinsurance transactions were designed to consolidate most of our Insurance Run-Off Lines into a single legal entity. As of June 30, 2021, approximately \$30.1 billion of reserves from our Life and Retirement Run-Off Lines and approximately \$4.0 billion of reserves from our General Insurance Run-Off Lines related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions.

Of the Fortitude Re reinsurance agreements, the largest is the Amended and Restated Combination Coinsurance and Modified Coinsurance Agreement by and between our subsidiary AGL and Fortitude Re. Under this treaty, approximately \$23.0 billion of AGL reserves as of June 30, 2021 were ceded to Fortitude Re representing a mix of life and annuity risks. Fortitude Re provides 100 percent reinsurance of the ceded risks. AGL continues to administer the policies, including handling claims, although it is anticipated that much of the administration will move to a Fortitude Re administrative subsidiary over time, subject to regulatory approvals being obtained and the satisfaction of other conditions. Until such time, Fortitude Re has certain rights to consult on and participate in such administration, and AGL retains the risk of collection of any third party reinsurance covering the ceded business. At effectiveness of the treaty, an amount equal to the aggregate ceded reserves was deposited by AGL into a modified coinsurance account of AGL to

secure the obligations of Fortitude Re. Fortitude Re receives or makes quarterly payments that represent the net gain or loss under the treaty for the relevant quarter, including any net investment gain or loss on the assets in the modified coinsurance account. An AIG affiliate will serve as portfolio manager of assets in the modified coinsurance account for a minimum of three years after the June 2, 2020 closing of the Majority Interest Fortitude Sale.

For a summary of significant reinsurers see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Reinsurance Activities – Reinsurance Recoverable in the 2020 Annual Report.

LIFE AND ANNUITY FUTURE POLICY BENEFITS, POLICYHOLDER CONTRACT DEPOSITS AND DAC

The following section provides discussion of life and annuity future policy benefits, policyholder contract deposits and deferred policy acquisition costs.

Variable Annuity Guaranteed Benefits and Hedging Results

Our Individual Retirement and Group Retirement businesses offer variable annuity products with GMWB riders that provide guaranteed living benefit features. The liabilities for GMWB are accounted for as embedded derivatives measured at fair value. The fair value of the embedded derivatives may fluctuate significantly based on market interest rates, equity prices, credit spreads, market volatility, policyholder behavior and other factors.

In addition to risk-mitigating features in our variable annuity product design, we have an economic hedging program designed to manage market risk from GMWB, including exposures to changes in interest rates, equity prices, credit spreads and volatility. The hedging program utilizes derivative instruments, including but not limited to equity options, futures contracts and interest rate swap and swaption contracts, as well as fixed maturity securities with a fair value election.

For additional discussion of market risk management related to these product features see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Life and Retirement Companies' Key Risks – Variable Annuity, Index Annuity and Universal Life Risk Management and Hedging Programs in the 2020 Annual Report.

Differences in Valuation of Embedded Derivatives and Economic Hedge Target

The variable annuity hedging program utilizes an economic hedge target, which represents an estimate of the underlying economic risks in our GMWB riders. The economic hedge target differs from the GAAP valuation of the GMWB embedded derivatives primarily due to the following:

- The economic hedge target includes 100 percent of rider fees in present value calculations; the GAAP valuation reflects only those fees attributed to the embedded derivative such that the initial value at contract issue equals zero;
- The economic hedge target uses best estimate actuarial assumptions and excludes explicit risk margins used for GAAP valuation, such as margins for policyholder behavior, mortality, and volatility; and
- The economic hedge target excludes the non-performance or “own credit” risk adjustment used in the GAAP valuation, which reflects a market participant’s view of our claims-paying ability by incorporating a different spread (the NPA spread) to the curve used to discount projected benefit cash flows. Because the discount rate includes the NPA spread and other explicit risk margins, the GAAP valuation is generally less sensitive to movements in interest rates and other market factors, and to changes from actuarial assumption updates, than the economic hedge target. *For more information on our valuation methodology for embedded derivatives within policyholder contract deposits see Note 4 to the Condensed Consolidated Financial Statements.*

The market value of the hedge portfolio compared to the economic hedge target at any point in time may be different and is not expected to be fully offsetting. In addition to the derivatives held in conjunction with the variable annuity hedging program, the Life and Retirement companies have cash and invested assets available to cover future claims payable under these guarantees. The primary sources of difference between the change in the fair value of the hedging portfolio and the economic hedge target include:

- Basis risk due to the variance between expected and actual fund returns, which may be either positive or negative;
- Realized volatility versus implied volatility;
- Actual versus expected changes in the hedge target driven by assumptions not subject to hedging, particularly policyholder behavior; and
- Risk exposures that we have elected not to explicitly or fully hedge.

The following table presents a reconciliation between the fair value of the GAAP embedded derivatives and the value of our economic hedge target:

<i>(in millions)</i>		June 30, 2021		December 31, 2020
Reconciliation of embedded derivatives and economic hedge target:				
Embedded derivative liability	\$	2,484	\$	3,572
Exclude non-performance risk adjustment		(2,501)		(2,958)
Embedded derivative liability, excluding NPA		4,985		6,530
Adjustments for risk margins and differences in valuation		(2,107)		(2,502)
Economic hedge target liability	\$	2,878	\$	4,028

Impact on Pre-tax Income (Loss)

The impact on our pre-tax income (loss) of the variable annuity guaranteed living benefits and related hedging results includes changes in the fair value of the GMWB embedded derivatives, and changes in the fair value of related derivative hedging instruments, both of which are recorded in Net realized gains (losses). Realized gains (losses), as well as net investment income from changes in the fair value of fixed maturity securities used in the hedging program, are excluded from adjusted pre-tax income of Individual Retirement and Group Retirement.

The change in the fair value of the embedded derivatives and the change in the value of the hedging portfolio are not expected to be fully offsetting, primarily due to the differences in valuation between the economic hedge target, the GAAP embedded derivatives and the fair value of the hedging portfolio, as discussed above. When corporate credit spreads widen, the change in the NPA spread generally reduces the fair value of the embedded derivative liabilities, resulting in a gain, and when corporate credit spreads narrow or tighten, the change in the NPA spread generally increases the fair value of the embedded derivative liabilities, resulting in a loss. In addition to changes driven by credit market-related movements in the NPA spread, the NPA balance also reflects changes in business activity and in the net amount at risk from the underlying guaranteed living benefits.

The following table presents the net increase (decrease) to consolidated pre-tax income (loss) from changes in the fair value of the GMWB embedded derivatives and related hedges, excluding related DAC amortization:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Change in fair value of embedded derivatives, excluding NPA	\$ (762)	\$ 1,298	\$ 1,917	\$(4,303)
Change in fair value of variable annuity hedging portfolio:				
Fixed maturity securities*	13	11	31	18
Interest rate derivative contracts	760	35	(644)	2,229
Equity derivative contracts	(390)	(891)	(780)	493
Change in fair value of variable annuity hedging portfolio	383	(845)	(1,393)	2,740
Change in fair value of embedded derivatives excluding NPA, net of hedging portfolio	(379)	453	524	(1,563)
Change in fair value of embedded derivatives due to NPA spread	18	(1,094)	(93)	1,552
Change in fair value of embedded derivatives due to change in NPA volume	321	(358)	(364)	1,211
Total change due to NPA	339	(1,452)	(457)	2,763
Net impact on pre-tax income (loss)	\$ (40)	\$ (999)	\$ 67	\$ 1,200
Impact to Consolidated Income Statement				
Net investment income, net of related interest credited to policyholder account balances	\$ 13	\$ 11	\$ 31	\$ 18
Net realized gains (losses)	(53)	(1,010)	36	1,182
Net impact on pre-tax income (loss)	\$ (40)	\$ (999)	\$ 67	\$ 1,200
Net change in value of economic hedge target and related hedges				
Net impact on economic gains (losses)	\$ 267	\$ (801)	\$ 77	\$ 1,167

* The change in fair value of available-for-sale fixed maturity securities recognized as a component of other comprehensive income were gains of \$105 million for the three-month period ended June 30, 2021, due to lower interest rates, and losses of \$111 million for the six-month period ended June 30, 2021, due to higher interest rates. The change in fair value of available-for-sale fixed maturity securities recognized as a component of other comprehensive income were gains of \$142 million and \$129 million for the three- and six-month periods ended June 30, 2020, respectively, due to lower interest rates.

The net impact on pre-tax loss of \$40 million from the GMWB embedded derivatives and related hedges in the three-month period ended June 30, 2021 (excluding related DAC amortization) was driven by losses from the impact of lower interest rates on the change in the fair value of embedded derivatives excluding NPA, offset by gains from higher equity markets, widening of credit spreads on the economic hedge target and the NPA spread, and impact of lower interest rates that resulted in NPA volume gains from higher expected GMWB payments, net of the hedging portfolio. The net impact on pre-tax income of \$67 million from the GMWB embedded derivatives and related hedges in the six-month period ended June 30, 2021 (excluding related DAC amortization) was driven by gains from higher equity markets, impact of higher interest rates on the change in the fair value of embedded derivatives excluding NPA, net of the hedging portfolio, offset by the tightening of NPA credit spreads and impact of higher interest rates that resulted in NPA volume losses from lower expected GMWB payments. The net impact on pre-tax loss of \$999 million from the GMWB embedded derivatives and related hedges in the three-month period ended June 30, 2020 (excluding related DAC amortization) was driven by tightening of credit spreads on the economic hedge target and NPA spread, and NPA volume losses from lower expected GMWB payments, partially offset by the impact of higher equity markets on the change in the fair value of embedded derivatives excluding NPA, net of the hedging portfolio. The net impact on pre-tax income of \$1.2 billion from the GMWB embedded derivatives and related hedges in the six-month period ended June 30, 2020 (excluding related DAC amortization) was driven by widening of credit spreads on the economic hedge target and the NPA spread, and impact of lower interest rates that resulted in NPA volume gains from higher expected GMWB payments, partially offset by the impact of lower interest rates on the change in the fair value of embedded derivatives excluding NPA, net of the hedging portfolio.

The change in the fair value of the GMWB embedded derivatives, excluding NPA, in the three-month period ended June 30, 2021 reflected losses from decreases in interest rates, partially offset by gains from higher equity markets. The change in the fair value of the GMWB embedded derivatives, excluding NPA, in the six-month period ended June 30, 2021 reflected gains from increases in interest rates and gains from higher equity markets. The change in the fair value of the GMWB embedded derivatives, excluding NPA, in the three-month period ended June 30, 2020 reflected gains from higher equity markets, offset by lower interest rates. The change in the fair value of the GMWB embedded derivatives, excluding NPA, in the six-month period ended June 30, 2020 reflected losses from decreases in interest rates and lower equity markets, offset by widening of credit spreads.

Fair value gains or losses in the hedging portfolio are typically not fully offset by increases or decreases in liabilities on a GAAP basis, due to the NPA and other risk margins used for GAAP valuation that cause the embedded derivatives to be less sensitive to changes in market rates than the hedge portfolio. On an economic basis, the changes in the fair value of the hedge portfolio were partially offset by the changes in the economic hedge target, as discussed below. In the three-month period ended June 30, 2021, we had a net mark to market gain of approximately \$267 million from our hedging activities related to our economic hedge target primarily driven by widening credit spreads. In the six-month period ended June 30, 2021, we had a net mark to market gain of approximately \$77 million from our hedging activities related to our economic hedge target primarily driven by widening credit spreads, and higher equity markets. In the three-month period ended June 30, 2020, we had a net mark to market loss of approximately \$801 million from our hedging activities related to our economic hedge target primarily driven by higher equity markets, offset by tightening credit spreads. In the six-month period ended June 30, 2020, we had a net mark to market gain of approximately \$1.2 billion, from our hedging activities related to our economic hedge target primarily driven by lower interest rates and equity markets, offset by widening credit spreads.

Change in Economic Hedge Target

The increase in the economic hedge target liability in the three-month period ended June 30, 2021 was primarily driven by the decrease in rates offset by higher equity markets. The decrease in the economic hedge target liability in the first half of 2021 was primarily due to higher interest rates and equity markets. The increase in the economic hedge target liability in the three-month period ended June 30, 2020 was primarily driven by the tightening of credit spreads and decrease in interest rates, offset by the increase in equity markets. The increase in the economic hedge target liability in the first half of 2020 was primarily due to lower interest rates and lower equity markets, offset by widening credit spreads.

Change in Fair Value of the Hedging Portfolio

The changes in the fair value of the economic hedge target and, to a lesser extent, the embedded derivative valuation under GAAP, were offset in part by the following changes in the fair value of the variable annuity hedging portfolio:

- Changes in the fair value of interest rate derivative contracts, which included swaps, swaptions and futures, resulted in gains driven by declining interest rates in the three-month period ended June 30, 2021 and losses driven by higher interest rates in the six-month period ended June 30, 2021 compared to gains due to lower interest rates in the three- and six-month periods ended June 30, 2020.
- Changes in the fair value of equity derivative contracts, which included futures and options, resulted in losses in the three- and six-month periods ended June 30, 2021 compared to losses in the three-month period ended June 30, 2020 and gains in the six-month period ended June 30, 2020, which varied based on the relative change in equity market returns in the respective periods.
- Changes in the fair value of fixed maturity securities, primarily corporate bonds, are used as a capital-efficient way to economically hedge interest rate and credit spread-related risk. The change in the fair value of the corporate bond hedging program in the three-month period ended June 30, 2021 reflected gains due to decreases in interest rates. The change in the fair value of the corporate bond hedging program in the six-month period ended June 30, 2021 reflected losses due to increases in interest rates, offset by tightening credit spreads. The change in the fair value of the corporate bond hedging program in the three-month period ended June 30, 2020 reflected gains due to decreases in interest rates and tightening of credit spreads, while in the six-month period ended June 30, 2020 reflected gains due to decreases in interest rates offset by widening credit spreads.

DAC

The following table summarizes the major components of the changes in DAC, including VOBA, within the Life and Retirement companies:

Six Months Ended June 30, (in millions)	2021	2020
Balance, beginning of year	\$ 7,316	\$ 8,119
Initial allowance upon the adoption of the current expected credit loss accounting standard	-	15
Acquisition costs deferred	535	455
Amortization expense:		
Related to realized gains and losses	(78)	(287)
All other operating amortization	(393)	(445)
Increase (decrease) in DAC due to foreign exchange	6	(35)
Change related to unrealized depreciation (appreciation) of investments	603	(330)
Balance, end of period^(a)	\$ 7,989	\$ 7,492

(a) DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was \$10.5 billion and \$9.8 billion at June 30, 2021 and 2020, respectively.

DAC and Reserves Related to Unrealized Appreciation of Investments

DAC and Reserves for universal life and investment-oriented products are adjusted at each balance sheet date to reflect the change in DAC, unearned revenue, and benefit reserves with an offset to Other comprehensive income (OCI) as if securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (shadow Investment-Oriented Adjustments). Similarly, for long-duration traditional products, significant unrealized appreciation of investments in a sustained low interest rate environment may cause additional future policy benefit liabilities with an offset to OCI to be recorded.

Shadow adjustments to DAC and unearned revenue generally move in the opposite direction of the change in unrealized appreciation of the available for sale securities portfolio, reducing the reported DAC and unearned revenue balance when market interest rates decline. Conversely, shadow adjustments to benefit reserves generally move in the same direction as the change in unrealized appreciation of the available for sale securities portfolio, increasing reported future policy benefit liabilities balance when market interest rates decline.

Market conditions in the six-month period ended June 30, 2021 drove a \$4.9 billion decrease in the unrealized appreciation of fixed maturity securities held to support the Life and Retirement businesses at June 30, 2021 compared to December 31, 2020. At June 30, 2021, the shadow Investment-Oriented Adjustments reflected increases in amortized balances including DAC and unearned revenue reserves, while policyholder benefit liabilities including shadow loss recognition reserves decreased \$760 million from December 31, 2020.

Reserves

The following table presents a rollforward of insurance reserves by operating segments for Life and Retirement, including future policy benefits, policyholder contract deposits, other policyholder funds, and separate account liabilities, as well as Retail Mutual Funds and Group Retirement mutual fund assets under administration:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Individual Retirement				
Balance at beginning of period, gross	\$ 148,110	\$ 135,898	\$ 148,837	\$ 144,753
Premiums and deposits	3,978	1,794	7,351	4,910
Surrenders and withdrawals	(3,238)	(2,551)	(6,349)	(6,424)
Death and other contract benefits	(817)	(744)	(1,653)	(1,567)
Subtotal	148,033	134,397	148,186	141,672
Change in fair value of underlying assets and reserve accretion, net of policy fees	3,777	7,001	3,534	(418)
Cost of funds ^(a)	415	420	829	832
Other reserve changes	234	238	(90)	(30)
Balance at end of period	152,459	142,056	152,459	142,056
Reinsurance ceded	(312)	(310)	(312)	(310)
Total Individual Retirement insurance reserves and mutual fund assets	\$ 152,147	\$ 141,746	\$ 152,147	\$ 141,746
Group Retirement				
Balance at beginning of period, gross	\$ 112,732	\$ 90,947	\$ 110,651	\$ 102,049
Premiums and deposits	2,255	1,670	4,073	3,525
Surrenders and withdrawals	(2,263)	(1,734)	(4,747)	(3,994)
Death and other contract benefits	(221)	(179)	(448)	(361)
Subtotal	112,503	90,704	109,529	101,219
Change in fair value of underlying assets and reserve accretion, net of policy fees	4,206	8,552	7,049	(2,153)
Cost of funds ^(a)	284	277	564	555
Other reserve changes	(51)	(10)	(200)	(98)
Balance at end of period	116,942	99,523	116,942	99,523
Total Group Retirement insurance reserves and mutual fund assets	\$ 116,942	\$ 99,523	\$ 116,942	\$ 99,523
Life Insurance				
Balance at beginning of period, gross	\$ 27,589	\$ 26,743	\$ 27,998	\$ 27,397
Premiums and deposits	1,056	1,027	2,085	1,999
Surrenders and withdrawals	(116)	(96)	(260)	(267)
Death and other contract benefits	(138)	(170)	(311)	(301)
Subtotal	28,391	27,504	29,512	28,828
Change in fair value of underlying assets and reserve accretion, net of policy fees	(198)	(275)	(406)	(658)
Cost of funds ^(a)	89	93	177	186
Other reserve changes	25	364	(976)	(670)
Balance at end of period	28,307	27,686	28,307	27,686
Reinsurance ceded	(1,488)	(1,365)	(1,488)	(1,365)
Total Life Insurance reserves	\$ 26,819	\$ 26,321	\$ 26,819	\$ 26,321

Institutional Markets

Balance at beginning of period, gross	\$	26,813	\$	24,389	\$	27,342	\$	23,673
Premiums and deposits		1,641		1,135		1,721		2,111
Surrenders and withdrawals		(607)		(107)		(919)		(216)
Death and other contract benefits		(194)		(235)		(402)		(529)
Subtotal		27,653		25,182		27,742		25,039
Change in fair value of underlying assets and reserve accretion, net of policy fees		280		219		445		268
Cost of funds ^(a)		73		81		146		161
Other reserve changes		(7)		90		(334)		104
Balance at end of period		27,999		25,572		27,999		25,572
Reinsurance ceded		(45)		(46)		(45)		(46)
Total Institutional Markets reserves	\$	27,954	\$	25,526	\$	27,954	\$	25,526
Total insurance reserves and mutual fund assets								
Balance at beginning of period, gross	\$	315,244	\$	277,977	\$	314,828	\$	297,872
Premiums and deposits		8,930		5,626		15,230		12,545
Surrenders and withdrawals		(6,224)		(4,488)		(12,275)		(10,901)
Death and other contract benefits		(1,370)		(1,328)		(2,814)		(2,758)
Subtotal		316,580		277,787		314,969		296,758
Change in fair value of underlying assets and reserve accretion, net of policy fees		8,065		15,497		10,622		(2,961)
Cost of funds ^(a)		861		871		1,716		1,734
Other reserve changes		201		682		(1,600)		(694)
Balance at end of period, excluding Fortitude Re reserves		325,707		294,837		325,707		294,837
Fortitude Re reserves ^(b)		28,118		28,568		28,118		28,568
Balance at end of period, including Fortitude Re reserves		353,825		323,405		353,825		323,405
Fortitude Re reinsurance ceded ^(b)		(28,118)		(28,568)		(28,118)		(28,568)
Reinsurance ceded		(1,845)		(1,721)		(1,845)		(1,721)
Total insurance reserves and mutual fund assets	\$	323,862	\$	293,116	\$	323,862	\$	293,116

(a) Excludes amortization of deferred sales inducements.

(b) Includes amounts related to policies where AIG has partially ceded to other reinsurers and Fortitude Re.

Insurance reserves, as well as Retail Mutual Funds and Group Retirement mutual fund assets under administration, were comprised of the following balances:

<i>(in millions)</i>		June 30, 2021		December 31, 2020
Future policy benefits	\$	49,533	\$	48,864
Policyholder contract deposits		161,280		160,450
Other policyholder funds*		948		957
Separate account liabilities		107,306		100,290
Total insurance reserves		319,067		310,561
Mutual fund assets		34,758		32,772
Total insurance reserves and mutual fund assets	\$	353,825	\$	343,333

* Excludes unearned revenue liability.

Liquidity and Capital Resources

OVERVIEW

Liquidity refers to the ability to generate sufficient cash resources to meet our payment obligations. It is defined as cash and unencumbered assets that can be monetized in a short period of time at a reasonable cost. We endeavor to manage our liquidity prudently through various risk committees, policies and procedures, and a stress testing and liquidity risk framework established by our Treasury group with oversight by Enterprise Risk Management (ERM). Our liquidity risk framework is designed to manage liquidity at both AIG Parent and its subsidiaries to meet our financial obligations for a minimum of six months under a liquidity stress scenario.

See Part II, Item 7. MD&A – Enterprise Risk Management – Risk Appetite, Limits, Identification and Measurement and Enterprise Risk Management – Liquidity Risk Management in the 2020 Annual Report for additional information.

Capital refers to the long-term financial resources available to support the operation of our businesses, fund business growth, and cover financial and operational needs that arise from adverse circumstances. Our primary source of ongoing capital generation is derived from the profitability of our insurance subsidiaries. We must comply with numerous constraints on our minimum capital positions. These constraints drive the requirements for capital adequacy at AIG and the individual businesses and are based on internally-defined risk tolerances, regulatory requirements, rating agency and creditor expectations and business needs. Actual capital levels are monitored on a regular basis, and using ERM's stress testing methodology, we evaluate the capital impact of potential macroeconomic, financial and insurance stresses in relation to the relevant capital constraints of both AIG and our insurance subsidiaries.

We believe that we have sufficient liquidity and capital resources to satisfy future requirements and meet our obligations to policyholders, customers, creditors and debt-holders, including those arising from reasonably foreseeable contingencies or events.

Nevertheless, some circumstances may cause our cash or capital needs to exceed projected liquidity or readily deployable capital resources. Additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of annuities and other policies, downgrades in credit ratings, catastrophic losses or fluctuations in the capital markets generally may result in significant additional cash or capital needs and loss of sources of liquidity and capital. Other potential events that could cause a liquidity strain include an economic collapse of a nation or region significant to our operations, nationalization, catastrophic terrorist acts, pandemics or other events causing economic or political upheaval. In addition, regulatory and other legal restrictions could limit our ability to transfer funds freely, either to or from our subsidiaries.

For a discussion regarding risks associated with COVID-19, see the 2020 Annual Report, Part I, Item 1A. Risk Factors – Market Conditions – COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

Depending on market conditions, regulatory and rating agency considerations and other factors, we may take various liability and capital management actions. Liability management actions may include, but are not limited to, repurchasing or redeeming outstanding debt, issuing new debt or engaging in debt exchange offers. Capital management actions may include, but are not limited to, issuing preferred stock, paying dividends to our shareholders on the AIG Common Stock, par value \$2.50 per share (AIG Common Stock), paying dividends to the holders of our Series A 5.85% Non-Cumulative Perpetual Preferred Stock (Series A Preferred Stock), and repurchases of AIG Common Stock.

LIQUIDITY AND CAPITAL RESOURCES HIGHLIGHTS

SOURCES

Liquidity to AIG Parent from Subsidiaries

During the six-month period ended June 30, 2021, our General Insurance companies distributed cash and fixed maturity securities of \$855 million, and our Life and Retirement companies distributed cash of \$1.4 billion, to AIG Parent or applicable intermediate holding companies.

Warrant Exercises

In January 2021, we received aggregate proceeds of approximately \$92 million in connection with warrant exercises to purchase approximately 2 million shares of AIG Common Stock that occurred prior to the January 19, 2021 expiration of warrants to purchase shares of AIG Common Stock.

Tax Sharing Payment from Fortitude Re

In January 2021, we received \$109 million in tax sharing payments in the form of cash from Fortitude Re related to periods prior to the Majority Interest Fortitude Sale. The tax sharing payments from Fortitude Re may be subject to further adjustment in future periods.

USES

General Borrowings*

During the six-month period ended June 30, 2021, \$1.8 billion of debt categorized as general borrowings matured, was repaid or redeemed as follows:

- Redeemed \$1.5 billion aggregate principal amount of our 3.300% Notes Due 2021.
- Repurchased, through cash tender offers, \$254 million aggregate principal amount of certain notes and debentures issued or guaranteed by AIG for an aggregate purchase price of approximately \$359 million.

We made interest payments on our general borrowings totaling \$551 million during the six-month period ended June 30, 2021. Of this amount, AIG Parent made interest payments on AIG Parent-issued debt instruments totaling \$524 million during the six-month period ended June 30, 2021.

Dividends

We paid a cash dividend of \$365.625 per share on AIG's Series A Preferred Stock during each of the first and second quarters of 2021 totaling \$15 million.

We paid a cash dividend of \$0.32 per share on AIG Common Stock during each of the first and second quarters of 2021 totaling \$550 million.

Repurchases of Common Stock

During the six-month period ended June 30, 2021, we repurchased approximately 13 million shares of AIG Common Stock, for an aggregate purchase price of approximately \$592 million pursuant to Exchange Act Rule 10b5-1 repurchase plans. Approximately \$92 million of these share repurchases were funded with proceeds received from warrant exercises that occurred prior to the expiration of warrants to purchase shares of AIG Common Stock on January 19, 2021.

IRS Tax Prepayment

In June 2021, AIG Parent made a prepayment of approximately \$354 million to the U.S. Treasury in connection with certain settlement agreements described in Tax Matters below.

* On July 1, 2021, we repurchased through cash tender offers an additional \$8 million aggregate principal amount of certain notes and debentures issued or guaranteed by AIG for an aggregate purchase price of approximately \$10 million.

ANALYSIS OF SOURCES AND USES OF CASH

The following table presents selected data from AIG's Condensed Consolidated Statements of Cash Flows:

Six Months Ended June 30, (in millions)	2021	2020
Sources:		
Net cash provided by operating activities	\$ 2,810	\$ -
Changes in policyholder contract balances	1,958	1,407
Issuance of long-term debt	54	4,139
Issuance of debt of consolidated investment entities	2,542	1,370
Total sources	7,364	6,916
Uses:		
Net cash used in operating activities	-	(239)
Net cash used in investing activities	(1,645)	(2,903)
Repayments of long-term debt	(1,839)	(513)
Repayments of debt of consolidated investment entities	(2,560)	(1,364)
Purchase of common stock	(592)	(500)
Dividends paid on preferred stock	(15)	(15)
Dividends paid on common stock	(550)	(551)
Net cash used in other financing activities	(298)	(269)
Total uses	(7,499)	(6,354)
Effect of exchange rate changes on cash and restricted cash	(34)	3
Increase (decrease) in cash and restricted cash	\$ (169)	\$ 565

The following table presents a summary of AIG's Condensed Consolidated Statements of Cash Flows:

Six Months Ended (in millions)	2021	2020
Summary:		
Net cash provided by (used in) operating activities	\$ 2,810	\$ (239)
Net cash used in investing activities	(1,645)	(2,903)
Net cash provided by (used in) financing activities	(1,300)	3,704
Effect of exchange rate changes on cash and restricted cash	(34)	3
Net Increase (decrease) in cash and restricted cash	(169)	565
Cash and restricted cash at beginning of year	3,230	3,287
Cash and restricted cash at end of period	\$ 3,061	\$ 3,852

Operating Cash Flow Activities

Insurance companies generally receive most premiums in advance of the payment of claims or policy benefits. The ability of insurance companies to generate positive cash flow is affected by the frequency and severity of losses under their insurance policies, policy retention rates and operating expenses.

Interest payments totaled \$592 million in the six-month period ended June 30, 2021 compared to \$581 million in the same period in the prior year. Excluding interest payments, AIG had operating cash inflows of \$3.4 billion in the six-month period ended June 30, 2021 compared to operating cash inflows of \$342 million in the same period in the prior year.

Investing Cash Flow Activities

Net cash used in investing activities in the six-month period ended June 30, 2021 was \$1.6 billion compared to net cash used in investing activities of \$2.9 billion in the same period in the prior year.

Financing Cash Flow Activities

Net cash used in financing activities in the six-month period ended June 30, 2021 reflected:

- approximately \$550 million in the aggregate to pay a dividend of \$0.32 per share on AIG Common Stock in each of the first and second quarters of 2021;
- approximately \$15 million in the aggregate to pay a dividend of \$365.625 per share on AIG's Series A Preferred Stock in each of the first and second quarters of 2021;
- approximately \$592 million in the aggregate to repurchase approximately 13 million shares of AIG Common Stock;
- approximately \$1.8 billion in net outflows from the issuance and repayment of long-term debt; and
- approximately \$18 million in net outflows from the issuance and repayment of debt of consolidated investment entities.

Net cash provided by financing activities in the six-month period ended June 30, 2020 reflected:

- approximately \$551 million in the aggregate to pay a dividend of \$0.32 per share on AIG Common Stock in each of the first and second quarters of 2020;
- approximately \$15 million in the aggregate to pay a dividend of \$365.625 per share on AIG's Series A Preferred Stock in each of the first and second quarters of 2020;
- \$500 million to repurchase approximately 12 million shares of AIG Common Stock;
- approximately \$3.6 billion in net inflows from the issuance and repayment of long-term debt; and
- approximately \$6 million in net inflows from the issuance and repayment of debt of consolidated investment entities.

LIQUIDITY AND CAPITAL RESOURCES OF AIG PARENT AND SUBSIDIARIES

AIG Parent

As of June 30, 2021, AIG Parent had approximately \$11.7 billion in liquidity sources. AIG Parent's liquidity sources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities and also include a committed, revolving syndicated credit facility. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities. AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. Based upon an assessment of funding needs, the liquidity sources can be readily monetized through sales or repurchase agreements or contributed as admitted assets to regulated insurance companies. AIG Parent liquidity is monitored through the use of various internal liquidity risk measures. AIG Parent's primary sources of liquidity are dividends, distributions, loans and other payments from subsidiaries and credit facilities. AIG Parent's primary uses of liquidity are for debt service, capital and liability management, and operating expenses.

We believe that we have sufficient liquidity and capital resources to satisfy our reasonably foreseeable future requirements and meet our obligations to our creditors, debt-holders and insurance company subsidiaries. We expect to access the debt and preferred equity markets from time to time to meet funding requirements as needed.

We utilize our capital resources to support our businesses, with the majority of capital allocated to our insurance operations. Should we have or generate more capital than is needed to support our business strategies (including organic growth or acquisition opportunities) or mitigate risks inherent to our business, we may develop plans to distribute such capital to shareholders via dividends or AIG Common Stock repurchase authorizations or deploy such capital towards liability management.

In the normal course, it is expected that a portion of the capital released by our insurance operations, by our other operations or through the utilization of AIG's deferred tax assets may be available to support our business strategies, for distribution to shareholders or for liability management.

In developing plans to distribute capital, AIG considers a number of factors, including, but not limited to: AIG's business and strategic plans, expectations for capital generation and utilization, AIG's funding capacity and capital resources in comparison to internal benchmarks, as well as rating agency expectations, regulatory requirements, bank creditor covenants and internal stress tests for capital.

The following table presents AIG Parent's liquidity sources:

<i>(in millions)</i>	As of June 30, 2021	As of December 31, 2020
Cash and short-term investments ^(a)	\$ 3,465	\$ 6,762
Unencumbered fixed maturity securities ^(b)	3,725	3,711
Total AIG Parent liquidity	7,190	10,473
Available capacity under committed, syndicated credit facility ^(c)	4,500	4,500
Total AIG Parent liquidity sources	\$ 11,690	\$ 14,973

(a) Cash and short-term investments include reverse repurchase agreements totaling \$2.0 billion and \$5.4 billion as of June 30, 2021 and December 31, 2020, respectively.

(b) Unencumbered securities consist of publicly traded, investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities. Includes \$20 million of securities received as dividends in the six months ended June 30, 2021 with a forward settle date of July 14, 2021.

(c) For additional information relating to this committed, syndicated credit facility see – Credit Facilities below.

Insurance Companies

We expect that our insurance companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our insurance companies' liquidity resources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Each of our material insurance companies' liquidity is monitored through various internal liquidity risk measures. The primary sources of liquidity are premiums, fees, reinsurance recoverables and investment income and maturities. The primary uses of liquidity are paid losses, reinsurance payments, benefit claims, surrenders, withdrawals, interest payments, dividends, expenses, investment purchases and collateral requirements.

Our General Insurance companies may require additional funding to meet capital or liquidity needs under certain circumstances. Large catastrophes may require us to provide additional support to our affected operations. Downgrades in our credit ratings could put pressure on the insurer financial strength ratings of our subsidiaries, which could result in non-renewals or cancellations by policyholders and adversely affect a subsidiary's ability to meet its own obligations. Increases in market interest rates may adversely affect the financial strength ratings of our subsidiaries, as rating agency capital models may reduce the amount of available capital relative to required capital.

Management believes that because of the size and liquidity of our Life and Retirement companies' investment portfolios, normal deviations from projected claim or surrender experience would not create significant liquidity risk. Furthermore, our Life and Retirement companies' products contain certain features that mitigate surrender risk, including surrender charges. However, in times of extreme capital markets disruption or as a result of fluctuations in the capital markets generally, liquidity needs could outpace resources. As part of their risk management framework, our Life and Retirement companies continue to evaluate and, where appropriate, pursue strategies and programs to improve their liquidity position and facilitate their ability to maintain a fully invested asset portfolio.

Certain of our U.S. insurance companies are members of the FHLBs in their respective districts. Borrowings from FHLBs are used to supplement liquidity or for other uses deemed appropriate by management. Our U.S. General Insurance companies had no outstanding borrowings from FHLBs at both June 30, 2021 and December 31, 2020. Our U.S. Life and Retirement companies had \$3.6 billion which were due to FHLBs in their respective districts at both June 30, 2021 and December 31, 2020, under funding agreements issued through our Individual Retirement, Group Retirement and Institutional Markets operating segments, which were reported in Policyholder contract deposits. Proceeds from funding agreements are generally invested in fixed income securities and other investments intended to generate spread income. These investment contracts do not have mortality or morbidity risk and are similar to GICs. In addition, our U.S. Life and Retirement companies had no outstanding borrowings in the form of cash advances from FHLBs at both June 30, 2021 and December 31, 2020.

Certain of our U.S. Life and Retirement companies have programs, which began in 2012, that lend securities from their investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under these programs, these U.S. Life and Retirement companies lend securities to financial institutions and receive cash as collateral equal to 102 percent of the fair value of the loaned securities. Cash collateral received is invested in short-term investments or partially used for short-term liquidity purposes. Additionally, the aggregate amount of securities that a Life and Retirement company is able to lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. Our U.S. Life and Retirement companies had \$3.4 billion of securities subject to these agreements at both June 30, 2021 and December 31, 2020, respectively, and \$3.4 billion and \$3.5 billion of liabilities to borrowers for collateral received at June 30, 2021 and December 31, 2020, respectively.

AIG generally manages capital between AIG Parent and our insurance companies through internal, Board-approved policies and limits, as well as management standards. In addition, AIG Parent has unconditional capital maintenance agreements (CMAs) in place with certain subsidiaries. Nevertheless, regulatory and other legal restrictions could limit our ability to transfer capital freely, either to or from our subsidiaries.

AIG Parent and/or certain subsidiaries are parties to several letter of credit agreements with various financial institutions, which issue letters of credit from time to time in support of our insurance companies. These letters of credit are subject to reimbursement by AIG Parent and/or certain subsidiaries in the event of a drawdown by our insurance companies. Letters of credit issued in support of the General Insurance companies totaled approximately \$4.0 billion at June 30, 2021. Letters of credit issued in support of the Life and Retirement companies totaled approximately \$613 million at June 30, 2021.

In the six-month period ended June 30, 2021, our General Insurance companies collectively paid to AIG Parent or applicable intermediate holding companies a total of approximately \$829 million in dividends in the form of cash and fixed maturity securities and \$26 million in tax sharing payments in the form of cash. The fixed maturity securities primarily included U.S. treasuries and securities issued by other U.S. agencies.

In the six-month period ended June 30, 2021, our Life and Retirement companies collectively paid to AIG Parent or applicable intermediate holding companies a total of approximately \$649 million in dividends in the form of cash and \$738 million in tax sharing payments in the form of cash.

Tax Matters

In October 2020, the Southern District of New York dismissed the case for the 1997 tax year related to the disallowance of foreign tax credits associated with cross border financing transactions based upon the settlement reached between AIG and the government. The settlement concluded our ongoing dispute related to the disallowance of foreign tax credits associated with cross border financing transactions for all years and as a result of the settlement, we will be required to make a payment to the U.S. Treasury. The amount we currently expect to pay based on settlement terms is approximately \$0.4 billion, including obligations of AIG Parent and subsidiaries. This amount is net of payments previously made with respect to cross border financing transactions from tax years 1997 through 2006 and other matters related to 2006 and prior, including prepayments of approximately \$548 million and \$354 million that AIG made to the U.S. Treasury in June 2020 and June 2021, respectively. The amount also includes interest that will become due after review of the interest calculations and will reflect benefits from the application of interest netting which AIG has requested. While we continue to finalize the interest calculations with the IRS, AIG expects to make the remaining payment as early as the third quarter of 2021.

For additional information regarding this matter see Note 15 to the Condensed Consolidated Financial Statements.

CREDIT FACILITIES

We maintain a committed, revolving syndicated credit facility (the Facility) as a potential source of liquidity for general corporate purposes. The Facility provides for aggregate commitments by the bank syndicate to provide unsecured revolving loans and/or standby letters of credit of up to \$4.5 billion without any limits on the type of borrowings and is scheduled to expire in June 2022.

As of June 30, 2021, a total of \$4.5 billion remains available under the Facility. Our ability to utilize the Facility is not contingent on our credit ratings. However, our ability to utilize the Facility is conditioned on the satisfaction of certain legal, operating, administrative and financial covenants and other requirements contained in the Facility. These include covenants relating to our maintenance of a specified total consolidated net worth and total consolidated debt to total consolidated capitalization. Failure to satisfy these and other requirements contained in the Facility would restrict our access to the Facility and could have a material adverse effect on our financial condition, results of operations and liquidity. We expect to utilize the Facility from time to time, and may use the proceeds for general corporate purposes.

CONTRACTUAL OBLIGATIONS

As of June 30, 2021, there have been no material changes in our contractual obligations from December 31, 2020, a description of which may be found in Part II, Item 7. MD&A – Liquidity and Capital Resources – Contractual Obligations in the 2020 Annual Report.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMERCIAL COMMITMENTS

As of June 30, 2021, there have been no material changes in our off-balance sheet arrangements and commercial commitments from December 31, 2020, a description of which may be found in Part II, Item 7. MD&A – Liquidity and Capital Resources – Off-Balance Sheet Arrangements and Commercial Commitments in the 2020 Annual Report.

Arrangements with Variable Interest Entities

We enter into various arrangements with variable interest entities (VIEs) in the normal course of business, and we consolidate a VIE when we are the primary beneficiary of the entity.

For a further discussion of our involvement with VIEs see Note 8 to the Condensed Consolidated Financial Statements.

DEBT

The following table provides the rollforward of AIG's total debt outstanding:

Six Months Ended June 30, 2021 (in millions)	Balance at December 31, 2020	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes	Balance at June 30, 2021
Debt issued or guaranteed by AIG:						
AIG general borrowings:						
Notes and bonds payable	\$ 23,068	\$ -	\$ (1,537)	\$ (60)	\$ 20	\$ 21,491
Junior subordinated debt	1,561	-	-	(5)	-	1,556
AIG Japan Holdings Kabushiki Kaisha	361	-	-	(18)	-	343
AIGLH notes and bonds payable	282	-	(82)	-	-	200
AIGLH junior subordinated debt	361	-	(135)	-	1	227
Validus notes and bonds payable	348	-	-	-	(2)	346
Total AIG general borrowings	25,981	-	(1,754)	(83)	19	24,163
AIG borrowings supported by assets:^(a)						
Series AIGFP matched notes and bonds payable	21	-	-	-	-	21
GIAs, at fair value	2,033	54	(121)	-	(62) ^(b)	1,904
Notes and bonds payable, at fair value	64	-	(4)	-	10 ^(b)	70
Total AIG borrowings supported by assets	2,118	54	(125)	-	(52)	1,995
Total debt issued or guaranteed by AIG	28,099	54	(1,879)	(83)	(33)	26,158
Other subsidiaries' notes, bonds, loans and mortgages payable - not guaranteed by AIG	4	-	(1)	-	-	3
Total long-term debt	28,103	54	(1,880)	(83)	(33)	26,161
Debt of consolidated investment entities - not guaranteed by AIG ^(c)	9,431	2,542	(2,560)	(4)	157 ^(d)	9,566
Total debt	\$ 37,534	\$ 2,596	\$ (4,440)	\$ (87)	\$ 124	\$ 35,727

(a) AIG Parent guarantees all such debt, except for Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent. Collateral posted to third parties were \$1.4 billion at both June 30, 2021 and December 31, 2020. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

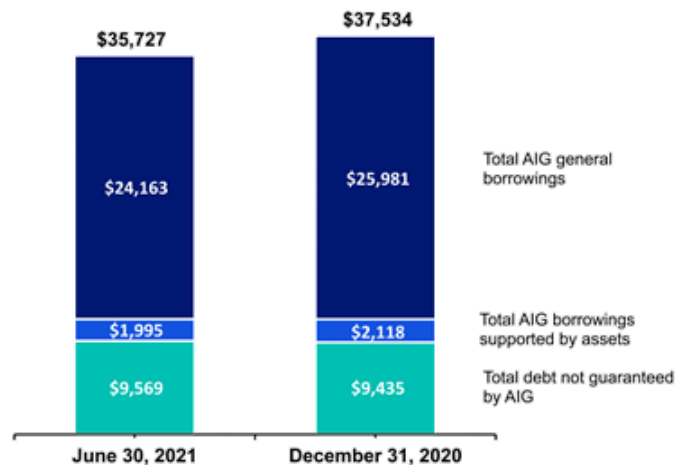
(b) Primarily represents adjustments to the fair value of debt.

(c) At June 30, 2021, includes debt of consolidated investment entities related to real estate investments of \$3.0 billion, affordable housing partnership investments of \$2.5 billion and other securitization vehicles of \$4.1 billion. At December 31, 2020, includes debt of consolidated investment entities related to real estate investments of \$3.1 billion, affordable housing partnership investments of \$2.3 billion and other securitization vehicles of \$4.0 billion.

(d) Includes the effect of consolidating previously unconsolidated partnerships.

TOTAL DEBT OUTSTANDING

(in millions)

**Debt Maturities**

The following table summarizes maturing long-term debt at June 30, 2021 of AIG for the next four quarters:

(in millions)	Third Quarter 2021	Fourth Quarter 2021	First Quarter 2022	Second Quarter 2022	Total
AIG general borrowings	\$ -	\$ -	\$ -	\$ 1,498	\$ 1,498
AIG borrowings supported by assets	54	35	-	20	109
Other subsidiaries' notes, bonds, loans and mortgages payable	1	-	-	-	1
Total	\$ 55	\$ 35	\$ -	\$ 1,518	\$ 1,608

The following table presents maturities of long-term debt (including unamortized original issue discount, hedge accounting valuation adjustments and fair value adjustments, when applicable):

June 30, 2021 (in millions)	Total	Remainder of 2021	2022	2023	Year Ending			
					2024	2025	2026	Thereafter
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	\$ 21,491	\$ -	\$ 1,515	\$ 1,668	\$ 999	\$ 2,751	\$ 1,545	\$ 13,013
Junior subordinated debt	1,556	-	-	-	-	-	-	1,556
AIG Japan Holdings Kabushiki Kaisha	343	-	-	225	-	118	-	-
AIGLH notes and bonds payable	200	-	-	-	-	101	-	99
AIGLH junior subordinated debt	227	-	-	-	-	-	-	227
Validus notes and bonds payable	346	-	-	-	-	-	-	346
Total AIG general borrowings	24,163	-	1,515	1,893	999	2,970	1,545	15,241
AIG borrowings supported by assets:								
Series AIGFP matched notes and bonds payable	21	-	-	-	-	-	-	21
GIAs, at fair value	1,904	89	52	127	147	579	102	808
Notes and bonds payable, at fair value	70	-	-	-	-	-	-	70
Total AIG borrowings supported by assets	1,995	89	52	127	147	579	102	899
Total debt issued or guaranteed by AIG	26,158	89	1,567	2,020	1,146	3,549	1,647	16,140
Debt not guaranteed by AIG:								
Other subsidiaries notes, bonds, loans and mortgages payable	3	1	1	1	-	-	-	-
Total debt not guaranteed by AIG	3	1	1	1	-	-	-	-
Total*	\$ 26,161	\$ 90	\$ 1,568	\$ 2,021	\$ 1,146	\$ 3,549	\$ 1,647	\$ 16,140

* Does not reflect \$9.6 billion of notes issued by consolidated investment entities, for which recourse is limited to the assets of the respective investment entities and for which there is no recourse to the general credit of AIG.

CREDIT RATINGS

Credit ratings estimate a company's ability to meet its obligations and may directly affect the cost and availability of financing to that company.

The following table presents the credit ratings of AIG and certain of its subsidiaries as of the date of this filing. Figures in parentheses indicate the relative ranking of the ratings within the agency's rating categories; that ranking refers only to the major rating category and not to the modifiers assigned by the rating agencies.

	Short-Term Debt		Senior Long-Term Debt		
	Moody's	S&P	Moody's ^(a)	S&P ^(b)	Fitch ^(c)
American International Group, Inc.	P-2 (2nd of 3)	A-2 (2nd of 8)	Baa 2 (4th of 9) / Stable outlook	BBB+ (4th of 9) CreditWatch Negative	BBB+ (4th of 9) Rating Watch Negative
AIG Financial Products Corp. ^(d)	P-2	A-2	Baa 2 (4th of 9) / Stable outlook	BBB+ CreditWatch Negative	

(a) Moody's appends numerical modifiers 1, 2 and 3 to the generic rating categories to show relative position within the rating categories.

(b) S&P ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(c) Fitch Ratings Inc. (Fitch) ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(d) AIG guarantees all obligations of AIG Financial Products Corp.

These credit ratings are current opinions of the rating agencies. They may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at our request. *For a discussion of rating agency actions in response to AIG's announced intention to separate its Life and Retirement business from AIG, see –Rating Agency Actions Related to the Announced Separation of Life and Retirement below.*

We are party to some agreements that contain "ratings triggers." Depending on the ratings maintained by one or more rating agencies, these triggers could result in (i) the termination or limitation of credit availability or a requirement for accelerated repayment, (ii) the termination of business contracts or (iii) a requirement to post collateral for the benefit of counterparties.

In the event of a downgrade of AIG's long-term senior debt ratings, AIG Financial Products Corp. and related subsidiaries (collectively AIGFP) and certain other AIG entities would be required to post additional collateral under some derivative and other transactions, or certain of the counterparties of AIGFP or of such other AIG entities would be permitted to terminate such transactions early.

The actual amount of collateral that we would be required to post to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade.

For a discussion of the effects of downgrades in our credit ratings see Note 9 to the Condensed Consolidated Financial Statements and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in the 2020 Annual Report.

FINANCIAL STRENGTH RATINGS

Financial Strength ratings estimate an insurance company's ability to pay its obligations under an insurance policy. The following table presents the ratings of our significant insurance subsidiaries as of the date of this filing.

	A.M. Best	S&P	Fitch	Moody's
National Union Fire Insurance Company of Pittsburgh, Pa.	A	A+	A	A2
Lexington Insurance Company	A	A+	A	A2
American Home Assurance Company	A	A+	A	A2
American General Life Insurance Company	A	A+	A+	A2
The Variable Annuity Life Insurance Company	A	A+	A+	A2
United States Life Insurance Company in the City of New York	A	A+	A+	A2
AIG Europe S.A.	NR	A+	NR	A2
American International Group UK Ltd.	A	A+	NR	A2
AIG General Insurance Co. Ltd.	NR	A+	NR	NR
Validus Reinsurance, Ltd.	A	A+	NR	A2

These financial strength ratings are current opinions of the rating agencies. They may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances.

For a discussion of the effects of downgrades in our financial strength ratings see Note 9 to the Condensed Consolidated Financial Statements and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in the 2020 Annual Report.

RATING AGENCY ACTIONS RELATED TO THE ANNOUNCED SEPARATION OF LIFE AND RETIREMENT

On October 26, 2020, AIG announced its intention to separate its Life and Retirement business from AIG, and on July 14, 2021, AIG and Blackstone announced that they have reached a definitive agreement for Blackstone to acquire a 9.9 percent equity stake in AIG's Life and Retirement business. In response to such announcements, the rating agencies in the tables above took the following actions:

- On October 27, 2020, A.M. Best issued a comment stating that its financial strength and issuer credit ratings on AIG and subsidiaries are unchanged as a result of the announcement.
- On October 28, 2020, Fitch placed the credit ratings of AIG on "Rating Watch Negative." Fitch also affirmed the financial strength ratings and outlooks on AIG's insurance subsidiaries.
- On October 28, 2020, Moody's placed the debt ratings of AIG on review for downgrade. Moody's also affirmed the financial strength ratings and outlooks on AIG's insurance subsidiaries. On July 15, 2021, Moody's lowered its debt ratings of AIG to Baa2 from Baa1 and assigned a stable outlook. Moody's also revised the outlook on the A2 financial strength ratings of the Life and Retirement subsidiaries to negative from stable. The ratings of the General Insurance subsidiaries were unaffected by these announcements.
- On October 27, 2020, S&P placed the credit ratings of AIG and the financial strength ratings of most of the General Insurance subsidiaries on CreditWatch with negative implications. S&P also placed the financial strength ratings of the Life and Retirement subsidiaries on CreditWatch with developing implications.

REGULATION AND SUPERVISION

For a discussion of our regulation and supervision by different regulatory authorities in the United States and abroad, including with respect to our liquidity and capital resources see Part I, Item 1. Business – Regulation and Part I, Item 1A. Risk Factors – Regulation in the 2020 Annual Report, and Regulatory Environment below in this MD&A.

DIVIDENDS

On February 16, 2021, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.32 per share, payable on March 30, 2021 to shareholders of record on March 16, 2021. On May 6, 2021, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.32 per share, payable on June 29, 2021 to shareholders of record on June 15, 2021. On August 5, 2021, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.32 per share, payable on September 30, 2021 to shareholders of record on September 16, 2021.

On February 16, 2021, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of \$365.625 per share, payable on March 15, 2021 to holders of record on February 26, 2021. On May 6, 2021, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of \$365.625 per share, payable on June 15, 2021 to holders of record on May 31, 2021. On August 5, 2021, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of \$365.625 per share, payable on September 15, 2021 to holders of record on August 31, 2021.

The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, as discussed further in Note 12 to the Condensed Consolidated Financial Statements.

REPURCHASES OF AIG COMMON STOCK

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions.

During the six-month period ended June 30, 2021, we repurchased approximately 13 million shares of AIG Common Stock for an aggregate purchase price of \$592 million pursuant to Exchange Act Rule 10b5-1 repurchase plans. As of June 30, 2021, approximately \$908 million remained under our then-existing share repurchase authorization.

On August 3, 2021, our Board of Directors authorized a share repurchase authorization of AIG Common Stock of \$6.0 billion (inclusive of the approximately \$908 million remaining under the Board's prior share repurchase authorization). As of August 5, 2021, \$6.0 billion remained under the authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through the Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our business and strategic plans, financial condition, results of operations, liquidity and other factors, as discussed further in Note 12 to the Condensed Consolidated Financial Statements.

DIVIDEND RESTRICTIONS

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities.

For a discussion of restrictions on payments of dividends by our subsidiaries see Note 19 to the Consolidated Financial Statements in the 2020 Annual Report.

Enterprise Risk Management

Risk management includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns. We consider risk management an integral part of managing our core businesses and a key element of our approach to corporate governance.

OVERVIEW

We have an integrated process for managing risks throughout our organization in accordance with our firm-wide risk appetite. Our Board of Directors has oversight responsibility for the management of risk. Our Enterprise Risk Management department supervises and integrates the risk management functions in each of our business units, providing senior management with a consolidated view of AIG's major risk positions. Within each business unit, senior leaders and executives approve targeted risk tolerances within the framework provided by ERM. ERM supports our businesses and management by embedding risk management in our key day-to-day business processes and in identifying, assessing, quantifying, monitoring, reporting, and mitigating the risks taken by our businesses and AIG overall. Nevertheless, our risk management efforts may not always be successful and material adverse effects on our business, results of operations, cash flows, liquidity or financial condition may occur.

AIG employs a Three Lines of Defense model. AIG's business leaders assume full accountability for the risks and controls in their operating units, and ERM performs a review, challenge and oversight function. The third line consists of our Internal Audit Group that provides independent assurance for AIG's Board.

For a further discussion of AIG's risk management program see Part II, Item 7. MD&A – Enterprise Risk Management in the 2020 Annual Report.

As of June 30, 2021, there have been no material changes in our economic exposure to market risk from December 31, 2020, a description of which may be found in Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk in the 2020 Annual Report. *See Part I, Item 1A. Risk Factors in the 2020 Annual Report on how difficult conditions in the financial markets and the economy generally may materially adversely affect our business and results of our operations.*

Regulatory Environment

OVERVIEW

Our operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, derivatives, investment advisory and thrift regulators in the United States and abroad. The insurance and financial services industries are generally subject to close regulatory scrutiny and supervision.

Our insurance subsidiaries are subject to regulation and supervision by the states and jurisdictions in which they do business. We expect that the domestic and international regulations applicable to us and our regulated entities will continue to evolve for the foreseeable future.

In particular, significant legislative and regulatory activity has occurred at both the U.S. federal and state levels, as well as globally, in response to COVID-19 and its impact on insurance consumers. For example, many jurisdictions have issued regulations and guidance advising or requiring insurers to offer accommodations to policyholders adversely impacted by COVID-19, including requirements to defer payment of, or refund, premiums, postpone policy lapses, and have sought information and data from insurers on a number of topics, including operational preparedness, policyholder data, claims data, and other matters. While some of these legislative and regulatory initiatives have expired, a resurgence of the COVID-19 virus may lead to a renewal of those initiatives. A number of U.S. states have also passed legislation or issued other guidance that creates a presumption of coverage under workers' compensation insurance for certain people impacted by COVID-19. In most cases, the presumption applies to first responders and medical professionals, but some states apply the scope of the presumption more broadly, and efforts are underway in other states to further expand the scope of the presumption. Members of the U.S. Congress have held discussions and sought information with respect to business interruption, travel and other insurance lines impacted by the COVID-19 crisis and legislators both in the U.S. and overseas are discussing a number of potential loss-sharing programs, some of which contemplate participation by insurers, including a proposed pandemic risk insurance bill relating to business interruption and event cancellation insurance. In the EU and UK, insurance regulators issued guidance in 2020 for insurance groups subject to their jurisdiction to carefully consider the prudential impact of dividend payments and share buybacks for the benefit of shareholders, and variable remuneration policies such as cash bonuses. In the UK, the Prudential Regulation Authority announced in December 2020 that they would not be extending these recommendations into 2021. In the EU, the European Insurance and Occupational Pensions Authority and the Luxembourg Commissariat aux Assurances guidance requiring disclosure to national regulators in advance of dividends being paid remain in place until September 2021. We cannot predict what form any further legal and regulatory responses to concerns about COVID-19 and related public health issues will take, or how such responses will impact our business. We continue to actively monitor these developments and to cooperate fully with all government and regulatory authorities as they further develop their responses.

In addition to the information set forth in this Quarterly Report on Form 10-Q, our regulatory status is also discussed in the 2020 Annual Report, Part I, Item 1A. Risk Factors – Market Conditions – COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

Glossary

Accident year The annual calendar accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

Accident year combined ratio, as adjusted The combined ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Accident year loss ratio, as adjusted The loss ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Acquisition ratio Acquisition costs divided by net premiums earned. Acquisition costs are those costs incurred to acquire new and renewal insurance contracts and also include the amortization of VOBA and DAC. Acquisition costs vary with sales and include, but are not limited to, commissions, premium taxes, direct marketing costs and certain costs of personnel engaged in sales support activities such as underwriting.

Additional premium represents a premium on an insurance policy over and above the initial premium imposed at the beginning of the policy. An additional premium may be assessed if the insured's risk is found to have increased significantly.

Adjusted revenues exclude Net realized 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 segments.

Assets under administration include assets under management and Retail Mutual Funds and Group Retirement mutual fund assets that we sell or administer.

Assets under management include assets in the general and separate accounts of our subsidiaries that support liabilities and surplus related to our life and annuity insurance products and the notional value of stable value wrap contracts.

Attritional losses are losses recorded in the current accident year, which are not catastrophe losses.

Base Spread Net investment income excluding income from alternative investments and other enhancements, less interest credited excluding amortization of sales inducement assets.

Base Yield Net investment income excluding income from alternative investments and other enhancements, as a percentage of average base invested asset portfolio, which excludes alternative investments, other bond securities and certain other investments for which the fair value option has been elected.

Book value per common share, excluding accumulated other comprehensive income (AOCI) adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets and deferred tax assets (DTA) (Adjusted book value per common share) is a non-GAAP measure and is used to show the amount of our net worth on a per-common share basis. Adjusted book value per common share is derived by dividing total AIG common shareholders' equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets and DTA (Adjusted Common Shareholders' Equity), by total common shares outstanding.

Casualty insurance Insurance that is primarily associated with the losses caused by injuries to third persons, i.e., not the insured, and the legal liability imposed on the insured as a result.

Combined ratio Sum of the loss ratio and the acquisition and general operating expense ratios.

CSA Credit Support Annex A legal document generally associated with an ISDA Master Agreement that provides for collateral postings which could vary depending on ratings and threshold levels.

Credit Valuation Adjustment (CVA)/Non-Performance Risk Adjustment (NPA) The CVA/NPA adjusts the valuation of derivatives to account for nonperformance risk of our counterparty with respect to all net derivative assets positions. Also, the CVA/NPA reflects the fair value movement in AIGFP's asset portfolio that is attributable to credit movements only, without the impact of other market factors such as interest rates and foreign exchange rates. Finally, the CVA/NPA also accounts for our own credit risk in the fair value measurement of all derivative net liability positions and liabilities where AIG has elected the fair value option, when appropriate.

DAC Deferred Policy Acquisition Costs Deferred costs that are incremental and directly related to the successful acquisition of new business or renewal of existing business.

DAC Related to Unrealized Appreciation (Depreciation) of Investments An adjustment to DAC and Reserves for investment-oriented products, equal to the change in DAC and unearned revenue amortization that would have been recorded if fixed maturity securities available for sale and also, prior to 2018, equity securities at fair value had been sold at their stated aggregate fair value and the proceeds reinvested at current yields. An adjustment to benefit reserves for investment-oriented products is also recognized to reflect the application of the benefit ratio to the accumulated assessments that would have been recorded if fixed maturity securities available for sale and also, prior to 2018, equity securities at fair value had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (collectively referred to as shadow Investment-Oriented Adjustments).

For long-duration traditional products, significant unrealized appreciation of investments in a sustained low interest rate environment may cause additional future policy benefit liabilities to be recorded (shadow loss reserves).

Deferred Gain on Retroactive Reinsurance Retroactive reinsurance is a reinsurance contract in which an assuming entity agrees to reimburse a ceding entity for liabilities incurred as a result of past insurable events. If the amount of premium paid by the ceding reinsurer is less than the related ceded loss reserves, the resulting gain is deferred and amortized over the settlement period of the reserves. Any related development on the ceded loss reserves recoverable under the contract would increase the deferred gain if unfavorable, or decrease the deferred gain if favorable.

Expense ratio Sum of acquisition expenses and general operating expenses, divided by net premiums earned.

General operating expense ratio General operating expenses divided by net premiums earned. General operating expenses are those costs that are generally attributed to the support infrastructure of the organization and include but are not limited to personnel costs, projects and bad debt expenses. General operating expenses exclude losses and loss adjustment expenses incurred, acquisition expenses, and investment expenses.

GIC/GIA *Guaranteed Investment Contract/Guaranteed Investment Agreement* A contract whereby the seller provides a guaranteed repayment of principal and a fixed or floating interest rate for a predetermined period of time.

IBNR *Incurred But Not Reported* Estimates of claims that have been incurred but not reported to us.

ISDA Master Agreement An agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, that generally provides for the net settlement of all or a specified group of these derivative transactions, as well as pledged collateral, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions.

LAE *Loss Adjustment Expenses* The expenses directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster's fees and the portion of general expenses allocated to claim settlement costs.

Loan-to-Value Ratio Principal amount of loan amount divided by appraised value of collateral securing the loan.

Loss Ratio Losses and loss adjustment expenses incurred divided by net premiums earned.

Loss reserve development The increase or decrease in incurred losses and loss adjustment expenses related to prior years as a result of the re-estimation of loss reserves at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid losses and loss adjustment expenses. The estimated ultimate cost of settling claims relating to insured events that have occurred on or before the balance sheet date, whether or not reported to the insurer at that date.

Master netting agreement An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts covered by such agreement, as well as pledged collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one such contract.

Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each and man-made catastrophe losses, such as terrorism and civil disorders that exceed the \$10 million threshold.

Net premiums written represent the sales of an insurer, adjusted for reinsurance premiums assumed and ceded, during a given period. Net premiums earned are the revenue of an insurer for covering risk during a given period. Net premiums written are a measure of performance for a sales period, while net premiums earned are a measure of performance for a coverage period.

Noncontrolling interests The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Policy fees An amount added to a policy premium, or deducted from a policy cash value or contract holder account, to reflect the cost of issuing a policy, establishing the required records, sending premium notices and other related expenses.

Pool A reinsurance arrangement whereby all of the underwriting results of the pool members are combined and then shared by each member in accordance with its pool participation percentage.

Premiums and deposits – Life and Retirement 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, FHLB funding agreements and mutual funds.

Prior year development See *Loss reserve development*.

RBC Risk-Based Capital A formula designed to measure the adequacy of an insurer's statutory surplus compared to the risks inherent in its business.

Reinstatement premiums Additional premiums payable to reinsurers or receivable from insurers to restore coverage limits that have been reduced or exhausted as a result of reinsured losses under certain excess of loss reinsurance contracts.

Reinsurance The practice whereby one insurer, the reinsurer, in consideration of a premium paid to that insurer, agrees to indemnify another insurer, the ceding company, for part or all of the liability of the ceding company under one or more policies or contracts of insurance which it has issued.

Retroactive Reinsurance See *Deferred Gain on Retroactive Reinsurance*.

Return on common equity – Adjusted after-tax income excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets and DTA (Adjusted return on common equity) is a non-GAAP measure and is used to show the rate of return on common shareholders' equity. Adjusted return on common equity is derived by dividing actual or annualized adjusted after-tax income attributable to AIG common shareholders by average Adjusted Common Shareholders' Equity.

Return premium represents amounts given back to the insured in the case of a cancellation, an adjustment to the rate or an overpayment of an advance premium.

SIA Sales Inducement Asset Represents enhanced crediting rates or bonus payments to contract holders on certain annuity and investment contract products that meet the criteria to be deferred and amortized over the life of the contract.

Solvency II Legislation in the European Union which reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. The Solvency II Directive (2009/138/EEC) was adopted on November 25, 2009 and became effective on January 1, 2016.

Subrogation The amount of recovery for claims we have paid our policyholders, generally from a negligent third party or such party's insurer.

Surrender charge A charge levied against an investor for the early withdrawal of funds from a life insurance or annuity contract, or for the cancellation of the agreement.

Surrender rate represents annualized surrenders and withdrawals as a percentage of average reserves and Group Retirement mutual fund assets under administration.

Unearned premium reserve Liabilities established by insurers and reinsurers to reflect unearned premiums, which are usually refundable to policyholders if an insurance or reinsurance contract is canceled prior to expiration of the contract term.

VOBA Value of Business Acquired Present value of projected future gross profits from in-force policies of acquired businesses.

Acronyms

A&H Accident and Health Insurance

ABS Asset-Backed Securities

AUM Assets Under Management

APTI Adjusted pre-tax income

CDO Collateralized Debt Obligations

CDS Credit Default Swap

CMA Capital Maintenance Agreement

CMBS Commercial Mortgage-Backed Securities

EGPs Estimated Gross Profits

FASB Financial Accounting Standards Board

FRBNY Federal Reserve Bank of New York

GAAP Accounting Principles Generally Accepted in the United States of America

GMDB Guaranteed Minimum Death Benefits

GMWB Guaranteed Minimum Withdrawal Benefits

ISDA International Swaps and Derivatives Association, Inc.

Moody's Moody's Investors' Service Inc.

NAIC National Association of Insurance Commissioners

NM Not Meaningful

ORR Obligor Risk Ratings

OTC Over-the-Counter

OTTI Other-Than-Temporary Impairment

RMBS Residential Mortgage-Backed Securities

S&P Standard & Poor's Financial Services LLC

SEC Securities and Exchange Commission

URR Unearned Revenue Reserve

VIE Variable Interest Entity

ITEM 3 | Quantitative and Qualitative Disclosures About Market Risk

Included in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Enterprise Risk Management.

ITEM 4 | Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by American International Group, Inc. (AIG) management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of June 30, 2021. Based on this evaluation, AIG's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that have occurred during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

ITEM 1 | Legal Proceedings

For a discussion of legal proceedings see Note 11 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A | Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors in the 2020 Annual Report.

ITEM 2 | Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares	Average Price Paid	Total Number of Shares Purchased as Part of Publicly	Approximate Dollar Value of Shares that May Yet Be Purchased Under the
	Repurchased	per Share	Announced Plans or Programs	Plans or Programs (in millions)
April 1 – 30	1,203,662	\$ 46.80	1,203,662	\$ 1,081
May 1 – 31	1,335,896	50.62	1,335,896	1,014
June 1 – 30	2,074,198	51.00	2,074,198	908
Total	4,613,756	\$ 49.79	4,613,756	\$ 908

During the three-month period ended June 30, 2021, we repurchased approximately 5 million shares of AIG Common Stock, par value \$2.50 per share (AIG Common Stock) for an aggregate purchase price of \$230 million pursuant to Exchange Act Rule 10b5-1 repurchase plans.

As of June 30, 2021, approximately \$908 million remained under our then-existing share repurchase authorization of AIG Common Stock. On August 3, 2021, our Board of Directors authorized a share repurchase authorization of AIG Common Stock of \$6.0 billion (inclusive of the approximately \$908 million remaining under the Board's prior share repurchase authorization). Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our business and strategic plans, financial condition, results of operations, liquidity and other factors. The repurchase of AIG Common Stock is also subject to the terms of AIG's Series A 5.85% Non-Cumulative Preferred Stock (Series A Preferred Stock), pursuant to which AIG may not (other than in limited circumstances) purchase, redeem or otherwise acquire AIG Common Stock unless the full dividends for the latest completed dividend period on all outstanding shares of Series A Preferred Stock have been declared and paid or provided for.

ITEM 4 | Mine Safety Disclosures

Not applicable.

ITEM 6 | Exhibits

Exhibit Index

Exhibit Number	Description	Location
4	Second Supplemental Indenture, dated as of June 10, 2021, to Junior Subordinated Indenture, dated as of December 1, 1996, among AIG Life Holdings, Inc. (as successor to America General Corporation), AIG and Deutsche Bank Trust Company Americas, as trustee.	Filed herewith.
10	(1) AIG Long Term Incentive Plan (as amended and restated April 2021)*	Incorporated by reference to Exhibit 10.6 to AIG's Quarterly Report on Form 10-Q, filed with the SEC on May 7, 2021 (File No. 1-8787).
	(2) AIG Long Term Incentive Plan Form of Award Agreement*	Incorporated by reference to Exhibit 10.7 to AIG's Quarterly Report on Form 10-Q, filed with the SEC on May 7, 2021 (File No. 1-8787).
	(3) Stock Purchase Agreement, dated as of July 14, 2021, between American International Group, Inc. and Argon Holdco LLC (an affiliate of The Blackstone Group, Inc.)	Filed herewith.
	(4) Purchase Agreement, dated as of July 14, 2021, between American International Group, Inc. and Aztec Holdco LLC (an affiliate of The Blackstone Group, Inc.)	Filed herewith.
22	Guaranteed Securities	None.
31	Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications**	Filed herewith.
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, (ii) the Condensed Consolidated Statements of Income (Loss) for the three and six months ended June 30, 2021 and 2020, (iii) the Condensed Consolidated Statements of Equity for the three and six months ended June 30, 2021 and 2020, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020, (v) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2021 and 2020 and (vi) the Notes to the Condensed Consolidated Financial Statements	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	Filed herewith.

* This exhibit is a management contract or compensatory arrangement.

** This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN INTERNATIONAL GROUP, INC.

(Registrant)

/S/ MARK D. LYONS

Mark D. Lyons

Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/S/ ELIAS F. HABAYEB

Elias F. Habayeb

Senior Vice President

Deputy Chief Financial Officer and
Chief Accounting Officer, AIG and

Chief Financial Officer, General Insurance
(Principal Accounting Officer)

Dated: August 6, 2021

AIG LIFE HOLDINGS, INC.

Second Supplemental

Indenture

Dated as of June 10, 2021

(Supplemental to Junior Subordinated Indenture Dated as of December 1, 1996)

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Trustee

SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”), dated as of June 10, 2021, among AIG Life Holdings, Inc. (as successor to American General Corporation) (“AIG Life Holdings”), American International Group, Inc. (“AIG” or the “Guarantor”) and Deutsche Bank Trust Company Americas (as successor to Bankers Trust Company) (the “Trustee”).

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture (as defined below).

WHEREAS, American General Corporation, the obligations of which were subsequently succeeded to by AIG Life Holdings, and the Trustee have heretofore executed and delivered a certain indenture, dated as of December 1, 1996 (as previously amended and as amended and supplemented hereby, the “Indenture”) providing for the issuance of Securities;

WHEREAS, pursuant to the Indenture, a series of 7.57% Junior Subordinated Deferrable Interest Debentures, Series A, of which \$36,745,000 in aggregate principal amount was outstanding as of May 11, 2021 (the “Outstanding Series A Notes”) and a series of 8 1/8% Junior Subordinated Deferrable Interest Debentures, Series B of which \$211,987,000 in aggregate principal amount was outstanding as of May 11, 2021 (the “Outstanding Series B Notes” and, together with the Outstanding Series A Notes, the “Outstanding Series A-B Notes”);

WHEREAS, pursuant to an Offer to Purchase and Series A-B Consent Solicitation Statement, dated May 11, 2021, as amended, AIG has respectively (i) offered to purchase for cash any and all Outstanding Series A-B Notes (the “Tender Offers”) and (ii) offered to pay for the delivery of consents by holders of Outstanding Series A-B Notes (the “Series A-B Consent Solicitation” and, together with the Tender Offers, the “Offers”);

WHEREAS, pursuant to the Offers there have been obtained the consents (collectively, the “Required Series A-B Consents”) of such proportion of the Holders of Outstanding Series A-B Notes as is required to approve a supplemental indenture to the Indenture to amend the Indenture as set forth in Article 1 of this Second Supplemental Indenture (the “Proposed Series A-B Amendment”);

WHEREAS, Section 9.2 of the Indenture provides that with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of any series then Outstanding, AIG Life Holdings, when authorized by a Board Resolution, and the Trustee may at any time and from time to time, enter into an indenture or indentures supplemental to the Indenture for the purpose of eliminating any of the provisions of the Indenture or modifying in any manner the rights of the Holders of Securities, subject to the limitations set forth therein;

WHEREAS, an Officer's Certificate and Opinion of Counsel has been delivered to the Trustee to the effect that that this Second Supplemental Indenture is authorized or permitted by the Indenture;

WHEREAS, AIG and AIG Life Holdings desire and have requested that the Trustee join in the execution of this Second Supplemental Indenture for the purpose of evidencing the implementation of the Proposed Series A-B Amendment;

WHEREAS, the execution and delivery of this Second Supplemental Indenture have been authorized by resolutions of the board of directors of AIG Life Holdings; and

WHEREAS, all conditions precedent and requirements necessary to make this Second Supplemental Indenture a valid and legally binding instrument in accordance with its terms have been complied with, performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized.

NOW, THEREFORE, AIG, AIG Life Holdings, and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders.

Article 1

Amendments to Indenture and Outstanding Series A-B Notes

Section 101. Section 7.4 of the Indenture is hereby amended and restated in its entirety as follows:

The Company shall file with the Trustee and with the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided in the Trust Indenture Act; provided that any such information, documents or reports filed with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is filed with the Commission. The Company also shall comply with the other provisions of Trust Indenture Act Section 314(a); it being understood that the Trustee shall have no responsibility to determine whether such filings have been made. Delivery of reports, information and documents to the Trustee is for informational purposes only and the information and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein, or determinable from information contained therein including the Company's compliance with any of their covenants thereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

Article 2

Miscellaneous

Section 201. This Second Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Second Supplemental Indenture forms a part thereof.

Section 202. If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Second Supplemental Indenture, the Trust Indenture Act provision shall control.

Section 203. The Article headings herein are for convenience only and shall not affect the construction hereof.

Section 204. All covenants and agreements in this Second Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 205. In case any provision in this Second Supplemental Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 206. Nothing in this Second Supplemental Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Second Supplemental Indenture.

Section 207. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles.

Section 208. This Second Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original but all such counterparts together constitute but one in the same instrument.

Section 209. The recitals contained herein shall be taken as the statements of the Company and the Guarantor, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Second Supplemental Indenture.

Section 210. Delivery of this Agreement by one party to the other may be made by facsimile, electronic mail (including any electronic signature complying with the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309), as amended

from time to time, or other applicable law) or other transmission method, and the parties hereto agree that any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the day and year first written above.

AIG LIFE HOLDINGS, INC.

By /s/ Thomas Diemer
Name: Thomas Diemer
Title: Executive Vice President and Chief
Financial Officer

AIG LIFE HOLDINGS, INC.

By /s/ Justin Caulfield
Name: Justin Caulfield
Title: Treasurer

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ Sabra R. Purtil
Name: Sabra R. Purtil
Title: Senior Vice President, Deputy Chief
Financial Officer, Treasurer and
Rating Agency Relations

DEUTSCHE BANK TRUST COMPANY AMERICAS

By /s/ Luke Russell
Name: Luke Russell
Title: Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS

By /s/ Kathryn Fischer
Name: Kathryn Fischer
Title: Vice President

[Signature Page to Second Supplemental Indenture - AIGLH]

STOCK PURCHASE AGREEMENT
BY AND BETWEEN
AMERICAN INTERNATIONAL GROUP, INC.
AND
ARGON HOLDCO LLC
DATED AS OF JULY 14, 2021

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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT, dated as of July 14, 2021 (this “Agreement”), is made by and between American International Group, Inc., a Delaware corporation (“Seller”), and Argon Holdco LLC, a Delaware limited liability company (“Buyer”).

WHEREAS, Seller owns 100 shares of common stock (the “Common Stock”), par value \$1.00 per share, of SAFG Retirement Services, Inc., a Delaware corporation (the “Company”), representing 100% of the issued and outstanding shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, Seller desires to (i) cause the Company to effect a stock split and recapitalization of the Common Stock into 90,100 shares of Class A common stock, par value \$1.00 per share (the “New Class A Common Stock”), and 9,900 shares of Class B common stock, par value \$1.00 per share (the “New Class B Common Stock” and, together with the New Class A Common Stock, the “New Common Stock”) and (ii) sell and convey to Buyer, and Buyer desires to purchase and acquire from Seller, 9,900 shares of New Class B Common Stock (the “Purchased Shares”), representing 9.9% of the issued and outstanding shares of New Common Stock following such purchase; and

WHEREAS, at and in connection with the consummation of the transactions contemplated by this Agreement, (a) the applicable Company Subsidiaries will enter into separately managed account agreements with Blackstone ISG-I Advisors L.L.C., a Delaware limited liability company (“Investment Manager”), in the form attached hereto as Schedule A of the Seller Disclosure Schedule, pursuant to which Investment Manager will perform certain investment management services for such Company Subsidiaries (the “SMA Agreements”) and (b) the Investment Manager, Seller and the Company will enter into a commitment letter in connection with the SMA Agreements and this Agreement, in the form attached hereto as Schedule A of the Seller Disclosure Schedule, pursuant to which the Investment Manager and the Company will agree to certain terms and conditions associated with the SMA Agreements as set forth in such commitment letter (the “SMA Commitment Letter”).

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.1 Definitions. For purposes of this Agreement, the following terms have the respective meanings set forth below:

“Action” means (a) any civil, criminal or administrative action, suit, claim, litigation, audit, inquiry or examination, in each case, before a Governmental Entity or (b) any arbitration proceeding or similar proceeding.

“Adjusted After Tax Income” has the meaning set forth in the Calculation Methodologies.

“Adjusted Book Value” means shareholder’s equity, excluding Accumulated Other Comprehensive Income and adjusted for the cumulative unrealized gains and losses related to Fortitude Re funds withheld assets, calculated using the same methodologies, adjustments, procedures and assumptions as the Calculation Methodologies.

“Adjusted Separation Balance Sheet” has the meaning set forth in Section 3.6(d).

“Affiliate” of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly through the ownership of voting securities, by contract, or otherwise, and the terms “controlling” and “controlled” have the meanings correlative to the foregoing. For the avoidance of doubt, neither the Company nor any Company Subsidiary shall be deemed to be an “Affiliate” of Buyer. For purposes of this Agreement, other than for purposes of the definition of “Buyer Indemnitee” and Section 9.10, neither Blackstone nor any investment funds or investment vehicles affiliated with, or managed or advised by, Blackstone or any portfolio company (as such term is commonly understood in the private equity industry) or investment of Blackstone or of any such investment fund or investment vehicle shall be deemed to be an “Affiliate” of Buyer.

“Affiliate Contract” means any material Contract between any of the Company or any Company Subsidiary, on the one hand, and Seller or any Subsidiary of Seller (other than the Company or any Company Subsidiary), on the other hand.

“Agreement” has the meaning set forth in the Preamble.

“AH Distribution” has the meaning set forth in Section 5.1(b)(iv).

“AH Transaction” means the transactions contemplated by that certain Purchase Agreement, dated as of the date hereof, between Seller and Aztec Holdco LLC.

“AICPA” means American Institute of Certified Public Accountants.

“Applicable Law” means any law, statute, ordinance, written rule or regulation, order, injunction, judgment, decree, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to any Person or such Person’s businesses, properties, assets or rights, as may be amended from time to time.

“Audit Opinion” means a report of independent auditors for an audit conducted in accordance with the standards of the AICPA of the balance sheets of the in-scope entities and partially in-scope entities as of March 31, 2021.

“Audited Company Balance Sheet” has the meaning set forth in Section 2.5(c).

“Board” has the meaning set forth in Section 5.8 of the Seller Disclosure Schedule.

“Blackstone” has the meaning set forth in Section 5.4(b).

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are required or authorized by Applicable Law to be closed.

“Buyer” has the meaning set forth in the Preamble.

“Buyer Indemnitee” means Buyer, each of its Subsidiaries and Affiliates, and its and their respective officers, directors, employees, agents, successors and permitted assigns.

“Buyer Material Adverse Effect” means any change, development, event or effect that is, individually or in the aggregate, materially adverse to the ability of Buyer to consummate the transactions contemplated hereby by the Outside Date.

“Buyer Party” means Buyer or any Affiliate of Buyer that is a party to any Transaction Agreement.

“Calculation Methodologies” are those line-item adjustments, methodologies, procedures and assumptions set forth on Section 1.1(d) of the Seller Disclosure Schedule.

“Closing” has the meaning set forth in Section 2.2.

“Closing Adjusted Book Value” has the meaning set forth in Section 2.5(c).

“Closing Separation Balance Sheet” has the meaning set forth in Section 2.5(c).

“Closing Adjusted Separation Balance Sheet” has the meaning set forth in Section 2.5(c).

“Closing Date” has the meaning set forth in Section 2.2.

“Closing Pro Forma Roll-Forward Balance Sheet” has the meaning set forth in Section 2.5(c).

“Closing Purchase Price” has the meaning set forth in Section 2.5(c).

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Stock” has the meaning set forth in the Recitals.

“Company” has the meaning set forth in the Preamble.

“Company Balance Sheet” has the meaning set forth in Section 3.6(d).

“Company Business” means the life and retirement insurance business, with such adjustments as reflected in the Separation Balance Sheet, (i) as conducted by Seller and its Subsidiaries as of immediately prior to the date hereof for purposes of the representations and warranties set forth in Article III (other than Section 3.13) and Article IV and the covenants and agreements set forth in Article V (as well as the provisions of this Article I and Article IX with respect to the foregoing), and (ii) as conducted by Seller and its Subsidiaries as of immediately prior to the Separation for purposes of the representations and warranties set forth in Section 3.13

and the Separation Principles (as well as the provisions of this Article I and Article IX with respect to the foregoing).

“Company Subsidiaries” has the meaning set forth in Section 3.3.

“Confidentiality Agreement” means the confidentiality agreement, dated March 6, 2021, between Seller and Blackstone.

“Contract” means any contract, agreement, indenture, note, bond, loan, instrument, license or other enforceable arrangement or agreement.

“Covered Accounts” has the meaning set forth in Section 3.14(b).

“Deal Adjustments” has the meaning set forth in the Calculation Methodologies.

“Deal Perimeter Adjustments” has the meaning set forth in the Calculation Methodologies.

“Deductible” has the meaning set forth in Section 7.2(b).

“Dispute Notice” has the meaning set forth in Section 2.5(e).

“Disputed Item” has the meaning set forth in Section 2.5(e).

“Enforceability Exceptions” has the meaning set forth in Section 3.4.

“Equity Commitment Letter” has the meaning set forth in Section 4.7.

“Equity Provider” has the meaning set forth in Section 4.7.

“Equity Provider Related Persons” has the meaning set forth in Section 5.4(e).

“ERISA” means the Employee Retirement Income Security Act of 1974.

“Exchange Act” has the meaning set forth in Section 3.6(h).

“Final Adjusted Book Value” has the meaning set forth in Section 2.5(f).

“Final Pro Forma Roll-Forward Balance Sheet” has the meaning set forth in Section 2.5(f).

“Final Purchase Price” has the meaning set forth in Section 2.5(f).

“Financial Supplement” has the meaning set forth in Section 3.6(d).

“Fraud” means actual and intentional fraud by a party to this Agreement with the specific intent to deceive or mislead in connection with the making of the representations and warranties set forth in Article III or Article IV, as applicable. For the avoidance of doubt, “Fraud” does not include constructive fraud or any torts based on negligence or recklessness.

“GAAP” means generally accepted accounting principles in the United States.

“Giveback Equity” has the meaning set forth in Section 2.5(b).

“Governmental Entity” means any domestic or foreign court, tribunal, commission or governmental authority, instrumentality (including any legislature, commission, regulatory or administrative agency, governmental branch, bureau or department) or agency or any self-regulatory body.

“HSR Act” has the meaning set forth in Section 3.5.

“Hybrid Securities” has the meaning set forth in Section 5.7.

“Hybrid Securities Offering” has the meaning set forth in Section 5.7.

“Indemnification Cap” has the meaning set forth in Section 7.2(b).

“Indemnified Party” has the meaning set forth in Section 7.4(a).

“Indemnifying Party” has the meaning set forth in Section 7.4(a).

“Independent Firm” has the meaning set forth in Section 2.5(g).

“Insurance Company” means any Subsidiary of the Company that is required to be licensed as an insurer or reinsurer.

“Insurance Contracts” means the insurance or annuity policies and contracts (including side letters), together with all binders, slips, certificates, endorsements and riders thereto, issued, entered into, acquired or assumed (by reinsurance or otherwise) by any Insurance Company prior to the Closing.

“Insurance Regulator” means, with respect to any jurisdiction, the Governmental Entity charged with the supervision of insurance companies in such jurisdiction.

“Interim Adjusted Book Value” has the meaning set forth in Section 2.5(a).

“Interim Pro Forma Roll-Forward Balance Sheet” has the meaning set forth in Section 2.5(a).

“Interim Purchase Price” has the meaning set forth in Section 2.5(a).

“Investment Assets” means the investment assets, including general account and separate account assets, of the Insurance Companies.

“Investment Manager” has the meaning set forth in the Recitals.

“IPO” means the consummation of an initial public offering of securities by the Company, whether pursuant to an initial underwritten public offering of securities that is registered under the Securities Act or an initial public offering of the Company Business structured as a secondary offering of securities by Seller or a distribution of securities by the Company to existing

equityholders that would result in securities of the Company being registered under the Exchange Act.

“Knowledge” means the actual knowledge of (a) with respect to Seller, those Persons listed in Section 1.1(a) of the Seller Disclosure Schedule, and (b) with respect to Buyer, those Persons listed in Section 1.1(b) of the Seller Disclosure Schedule.

“Liability” means any liability, damage, expense or obligation of any kind, character or description (including in respect of Taxes), whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, asserted or unasserted, executory, determined or determinable or otherwise.

“Liens” has the meaning set forth in Section 3.2(a).

“Limited Guaranty” has the meaning set forth in Section 4.8.

“Material Adverse Effect” means any change, development, event or effect that has a material adverse effect on the business, financial condition or results of operations of the Company Business, taken as a whole, but excluding any such change, development, event or effect resulting from or arising out of (a) general political, economic or securities or financial market conditions (including changes in interest rates or changes in equity or debt prices and corresponding changes in the value of the Investment Assets of the Company and the Company Subsidiaries), (b) any occurrence or condition generally affecting participants in any jurisdiction or geographic area in any segment of the industries or markets in which the Company or the Company Subsidiaries participate, including the deferred and immediate annuity, variable annuity or life insurance industries, (c) any change or proposed change after the date hereof in GAAP, SAP or Applicable Law, or the interpretation or enforcement thereof (including changes after the date hereof in GAAP or SAP prescribed or permitted by the applicable insurance regulatory authority and accounting pronouncements of the SEC, the National Association of Insurance Commissioners and the Financial Accounting Standards Board), (d) natural or man-made catastrophe events, hostilities, acts of war or terrorism, or any escalation or worsening thereof, (e) any epidemic, pandemic or similar outbreak, (f) the COVID-19 virus outbreak and efforts by Governmental Entities in response thereto and the consequences of such efforts, (g) the negotiation, execution and delivery of, or compliance with the express terms of, or the taking of any action expressly required by, this Agreement or any other Transaction Agreements, or the public announcement of, or consummation in accordance with the terms hereof of, any of the transactions contemplated hereby or thereby (including the Separation) (including the effect thereof on the relationships (contractual or otherwise) of the Company and the Company Subsidiaries and their respective Affiliates with policyholders, clients, customers, employees, suppliers, vendors, service providers or Governmental Entities) (it being understood that this clause (g) shall be disregarded for purposes of the representations and warranties set forth in the first sentence of Section 3.5 and the related condition to the Closing), (h) the effects of any breach, violation or non-performance of any provision of this Agreement by Buyer or any of its Affiliates, (i) the identity of or facts related to Buyer or its Affiliates or the effect of any action taken by Seller, the Company or any of their respective Affiliates at the express written request of Buyer, (j) changes in the value of any Investment Assets of the Company or any Company Subsidiaries, (k) any downgrade or threatened

downgrade or change or development in the financial strength or other rating assigned to the Company or any Company Subsidiaries by any rating agency (provided, that this clause (k) shall not by itself exclude the underlying causes of any such downgrade, change, development, event or effect to the extent such underlying causes are not otherwise excluded by clauses (a) through (l) (other than this clause (k)) hereof), or (l) any failure of the Company or any of the Company Subsidiaries to meet any financial projections or targets, including any estimates or expectations of revenue, earnings or other financial performance or results of operations for any period, in and of itself, or any failure by the Company or any of the Company Subsidiaries to meet its internal or published projections, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations (provided, that this clause (l) shall not by itself exclude the underlying causes giving rise or contributing to any such failure to the extent such underlying causes are not otherwise excluded by clauses (a) through (k), except, in the case of the foregoing clauses (a), (b), (c) and (d), to the extent that such change, development, event or effect has a disproportionately adverse effect on the Company Business, taken as a whole, as compared to other participants in the same industry (in which case the incremental disproportionately adverse effect may be taken into account determining whether there has been a Material Adverse Effect).

“New Class A Common Stock” has the meaning set forth in the Recitals.

“New Class B Common Stock” has the meaning set forth in the Recitals.

“New Common Stock” has the meaning set forth in the Recitals.

“Notice Period” has the meaning set forth in Section 7.4(c).

“Organizational Documents” of a Person means the certificate of incorporation, bylaws or equivalent organizational documents of such Person.

“Outside Date” has the meaning set forth in Section 8.1(b).

“Permits” has the meaning set forth in Section 3.10(b).

“Permitted Lien” means, with respect to any asset, any (a) carriers’, mechanics’, materialmens’ or similar Lien arising in the ordinary course of business imposed by Applicable Law for amounts not yet due, (b) Lien arising from any act of Buyer or any of its Affiliates, (c) Lien that is disclosed in Section 1.1(c) of the Seller Disclosure Schedule under the heading “Permitted Liens”, (d) Lien for Taxes, assessments or other governmental charges not yet due and payable or due and payable but not delinquent or the amount or validity of which is being contested in good faith and, in each case, for which adequate reserves are reflected in accordance with GAAP, (e) Lien arising under a conditional sales Contract or equipment lease with a third party, (f) Lien in favor of the Company or any Company Subsidiary, (g) restrictions under applicable federal and state securities laws and (h) Lien or other imperfection of title that does not materially detract from the current value or materially interfere with the current use of the properties or rights affected thereby.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization, Governmental Entity or other entity.

“Plan Asset Issue” means that any assets of a Covered Account constitute Plan Assets.

“Plan Assets” has the meaning set forth in Section 3.14(b).

“Pro Forma Roll-Forward Balance Sheet” has the meaning set forth in Section 3.6(d).

“Purchase Price” has the meaning set forth in Section 2.1.

“Purchase Price Cap” means \$2,200,000,000.

“Purchased Shares” has the meaning set forth in the Recitals.

“Reconciliation” has the meaning set forth in Section 3.6(d).

“Representative” means any Person’s directors, officers, employees, agents, advisors, attorneys, accountants, consultants and other representatives.

“Resolution Period” shall have the meaning set forth in Section 2.5(f).

“SAP” means, for each of the Company and each Company Subsidiary, the statutory accounting practices prescribed or permitted in respect of such Person by the applicable Insurance Regulator for such Person’s state of domicile.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” has the meaning set forth in Section 4.5.

“Seller” has the meaning set forth in the Preamble.

“Seller Disclosure Schedule” means the disclosure schedule (including any attachments thereto) delivered by Seller to Buyer in connection with, and constituting a part of, this Agreement.

“Seller Fundamental Representations” means those representations and warranties of the Seller and the Company set forth in Section 3.1 (Organization, Standing and Corporate Power), Section 3.2(a) (Capital Structure), Section 3.4 (Authority), and Section 3.12 (Brokers).

“Seller Indemnitee” means Seller, each of its Subsidiaries and Affiliates, and its and their respective officers, directors, employees, agents, successors and permitted assigns.

“Seller SEC Documents” has the meaning set forth in Section 3.6(h).

“Separation” has the meaning set forth in the Separation Principles.

“Separation Balance Sheet” has the meaning set forth in Section 3.6(d).

“Separation Documentation” has the meaning set forth in Section 5.9(a).

“Separation Principles” has the meaning set forth in Section 5.9(a).

“SMA Agreements” has the meaning set forth in the Recitals.

“SMA Commitment Letter” has the meaning set forth in the Recitals.

“Specified Amount” means \$19,176,000,000.

“Specified Transaction Agreements” means the SMA Agreements and the SMA Commitment Letter.

“Statutory Statements” has the meaning set forth in Section 3.6(b).

“Stockholders Agreement” has the meaning set forth in Section 5.8.

“Subsidiary” of any Person at the time in question means another Person more than 50% of the total combined voting power of all classes of capital stock or other voting interests of which, or more than 50% of the equity securities of which, is at such time owned directly or indirectly by such first Person.

“Target Adjusted Book Value” means \$20,202,000,000.

“Tax Authority” means any Governmental Entity having jurisdiction over the assessment, determination, collection or imposition of any Tax.

“Tax Proceeding” means any audit, examination, contest, litigation, dispute or other proceeding with respect to Taxes or with or against any Tax Authority.

“Tax Return” means any return, report, estimate, extension request, information statement, or claim for refund filed or required to be filed in connection with any Tax, including any schedule or attachment thereto, and any amendment thereof.

“Taxes” means any and all federal, state, local, or foreign taxes charges, fees, levies or other assessments, including any income, franchise, profits, gains, premium, property (real or personal), sales, use, excise, employment, unemployment, payroll, withholding, gross receipts, license, stamp, occupation, social security (or similar, including FICA), disability, workers’ compensation, windfall profits, environmental, capital stock, transfer, stamp, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge, assessment or deficiencies of any kind in the nature of taxes, including in each case any interest, penalties, or additions thereto, whether disputed or not.

“third-party claim” has the meaning set forth in Section 7.4(a).

“Transaction Agreements” means this Agreement, the SMA Agreements, the SMA Commitment Letter and the Stockholders Agreement.

“Transaction Expenses” means, without duplication, all liabilities incurred by a party for fees, expenses, costs or charges as a result of the contemplation, negotiation, efforts to consummate or consummation of the transactions contemplated by this Agreement, including any fees and expenses of investment bankers, attorneys, accountants, actuaries or other advisors, and any fees

payable by such party to Governmental Entities or other third parties, in each case, in connection with the consummation of the transactions contemplated by this Agreement.

“Treasury Regulations” means all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time.

“Willful Breach” means, with respect to any breaches of or failures to perform any of the covenants or other agreements contained in this Agreement, a material breach that is a consequence of an act or failure to act undertaken by the breaching party with actual knowledge that such party’s act or failure to act would result in or constitute a material breach of this Agreement.

ARTICLE II PURCHASE OF THE SHARES

SECTION 2.1 Purchase and Sale of Shares. Upon the terms and subject to the conditions of this Agreement, Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase and acquire from Seller, the Purchased Shares for an aggregate purchase price equal to two billion two hundred million U.S. dollars (\$2,200,000,000) (the “Purchase Price”), to be paid in cash by wire transfer of immediately available funds as contemplated by Section 2.3. The Purchase Price shall be subject to adjustment after the Closing in accordance with Section 2.5.

SECTION 2.2 Closing. The closing of the purchase and sale of the Purchased Shares (the “Closing”) shall take place remotely by exchange of documents and signatures (or their electronic counterparts) at 9:00 a.m., New York City time, the third (3rd) Business Day following the satisfaction or waiver of all of the conditions set forth in Article VI (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing), unless another date, time or place is agreed to in writing by the parties (it being agreed that at either party’s request, the other party shall consider in good faith whether the Closing Date shall be the last Business Day of a calendar month). The Closing shall for all purposes under this Agreement be deemed effective as of 12:01 a.m. on the day on which the Closing occurs, and such date and time are herein referred to as the “Closing Date.”

SECTION 2.3 Closing Deliveries.

(a) Seller Closing Deliveries. At the Closing, Seller shall deliver or cause to be delivered to Buyer:

- (i) one or more certificates or book-entry notations representing the Purchased Shares;
- (ii) the certificate contemplated by Section 6.2(d);
- (iii) counterparts of each Transaction Agreement other than this Agreement to which Seller or the Company is a party, duly executed by such Person; and
- (iv) a duly executed IRS Form W-9 of Seller.

(b) Buyer’s Closing Deliveries. At the Closing, Buyer shall deliver to Seller:

(i) in cash, by wire transfer of immediately available funds to an account designated in writing by Seller no later than two (2) Business Days prior to the Closing Date, an amount equal to the Purchase Price;

(ii) the certificate contemplated by Section 6.3(c); and

(iii) counterparts of each Transaction Agreement other than this Agreement to which a Buyer Party is a party, duly executed by such Buyer Party.

SECTION 2.4 Withholding. Buyer and any other applicable withholding agent shall be entitled to deduct and withhold from any payments made pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of any such payment under any applicable Tax Law. To the extent that amounts are so withheld, and paid to the proper Tax Authority pursuant to any applicable Tax Law, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made. Except to the extent otherwise required pursuant to a change in Applicable Law, provided Seller complies with its obligation pursuant to Section 2.3(a)(iv), no deduction or withholding of Tax shall be made from the Purchase Price. Buyer shall promptly, and in no event later than three (3) Business Days prior to Closing, notify Seller of its intention to make any deduction or withholding required pursuant to a change in Applicable Law and shall cooperate with Seller to mitigate, reduce or eliminate any such deduction or withholding.

SECTION 2.5 Purchase Price Adjustment

(a) Seller shall deliver (or cause to be delivered) to Buyer, no later than sixty (60) calendar days following the consummation of the AH Transaction, a pro forma balance sheet of the Company as of the Closing that is presented in the same manner and that uses the same methodologies, adjustments, procedures and assumptions used in the Pro Forma Roll-Forward Balance Sheet, taking into account all information available at such time (including the actual amount of the AH Distribution) and calculated in accordance with the Calculation Methodologies (the “Interim Pro Forma Roll-Forward Balance Sheet”). The Interim Pro Forma Roll-Forward Balance Sheet will set forth the Adjusted Book Value as of the Closing, after giving effect to the AH Distribution (the “Interim Adjusted Book Value”), and be accompanied by reasonable supporting detail reflecting the basis for such calculation. The “Interim Purchase Price” shall be an amount equal to the Purchase Price, as adjusted on the basis of the Interim Adjusted Book Value pursuant to Section 2.5(b)(i) or Section 2.5(b)(ii), as applicable.

(b) The procedures for dispute resolution set forth in Section 2.5(e) through (g) shall apply to the Interim Pro Forma Roll-Forward Balance Sheet *mutatis mutandis*. Promptly, and in any event within five (5) Business Days, after the Interim Adjusted Book Value becomes final and binding on the parties hereto:

(i) if the Interim Adjusted Book Value exceeds the Target Adjusted Book Value, then, subject to the proviso in this Section 2.5(b), Buyer shall deliver, or cause to be delivered, to the Seller (or another entity designated in writing by the Seller) payment, by wire transfer to a bank account designated in writing by the Seller (such designation to be made within three (3) Business Days after the Interim Adjusted Book Value becomes

final and binding on the parties hereto), of immediately available funds in an amount equal to 9.9% multiplied by the absolute value of the difference between the Interim Adjusted Book Value and the Target Adjusted Book Value; and

(ii) if the Target Adjusted Book Value exceeds the Interim Adjusted Book Value, then Seller shall deliver, or cause to be delivered, to the Buyer (or another entity designated in writing by Buyer) payment, by wire transfer to a bank account designated in writing by Buyer (such designation to be made within three (3) Business Days after the Interim Adjusted Book Value becomes final and binding on the parties hereto), of immediately available funds in an amount equal to 9.9% multiplied by the following:

(A) if the AH Distribution has occurred and the Interim Adjusted Book Value (giving effect to the AH Distribution) is equal to or greater than the Specified Amount, 50% of the absolute value of the difference between the Interim Adjusted Book Value and the Target Adjusted Book Value;

(B) if the AH Distribution has occurred and the Interim Adjusted Book Value (giving effect to the AH Distribution) is less than the Specified Amount, the sum of (1) \$500,000,000 and (2) 100% of the absolute value of the difference between the Interim Adjusted Book Value and the Specified Amount; or

(C) if the AH Distribution has not occurred, the absolute value of the difference between the Interim Adjusted Book Value and the Target Adjusted Book Value;

provided, however, that to the extent that the Interim Purchase Price exceeds the Purchase Price Cap, such portion of such excess shall be satisfied by Buyer delivering, or causing to be delivered, to Seller (or another entity designated in writing by Seller), a number of Purchased Shares (such shares, the "Giveback Equity") then held by Buyer, such that, following such delivery, the ownership percentage held by Buyer shall equal (A) (1) the Purchase Price Cap minus (2) an amount equal to the aggregate dividends paid after the Closing and prior to the delivery of the Giveback Equity in respect of the Giveback Equity divided by (B) the excess of the Interim Adjusted Book Value over the Target Adjusted Book Value plus \$22,222,000,000.

(c) Seller shall deliver (or cause to be delivered) to Buyer, no later than the tenth (10th) Business Day prior to the earlier of (x) the expected consummation of the IPO and (y) the thirty-six (36)-month anniversary of the Closing Date, (i) an audited balance sheet of the Company and the Company Subsidiaries, which balance sheet shall have been prepared in accordance with the Calculation Methodologies and GAAP and shall be accompanied by an Audit Opinion (the "Audited Company Balance Sheet"), (ii) a pro forma balance sheet of the Company and the Company Subsidiaries, which shall be the Audited Company Balance Sheet that is presented in the same manner and is calculated in accordance with the Calculation Methodologies, adjusted for the actual Deal Perimeter Adjustments that are not included in the Audited Company Balance Sheet (the "Closing Separation Balance Sheet"), (iii) a pro forma balance sheet of the Company and the Company Subsidiaries, which shall be the Closing Separation Balance Sheet that is

presented in the same manner and is calculated in accordance with the Calculation Methodologies, adjusted for the actual Deal Adjustments and any other adjustments required to reflect the actual terms of the Separation that are not included in the Closing Separation Balance Sheet (the "Closing Adjusted Separation Balance Sheet"), (iv) a pro forma balance sheet of the Company and the Company Subsidiaries, which shall be the Closing Adjusted Separation Balance Sheet rolled forward from March 31, 2021 to Closing to reflect the Roll-Forward Items, in each case, calculated in accordance with the Calculation Methodologies and based upon all information available at such time (the "Closing Pro Forma Roll-Forward Balance Sheet"), and, at Buyer's request, an updated Reconciliation, bridging the amounts and calculations set forth in the Financial Supplement to the Audited Company Balance Sheet. The Closing Pro Forma Roll-Forward Balance Sheet will be accompanied by reasonable supporting detail reflecting the basis for such calculation. The Audited Company Balance Sheet, the Closing Separation Balance Sheet, the Closing Adjusted Separation Balance Sheet and the Closing Pro Forma Roll-Forward Balance Sheet (x) shall be calculated using the same financial accounting methods, principles, practices and principles (including actuarial, reserving and other methods, principles, practices and principles of the Insurance Companies), the same Tax classifications and Tax elections and valuations of assets used in preparing the Company Balance Sheet, the Separation Balance Sheet, the Adjusted Separation Balance Sheet and the Pro Forma Roll-Forward Balance Sheet, respectively, notwithstanding any changes subsequent to the date of the applicable balance sheet by the Company and any Company Subsidiaries thereto, and (y) in the case of the Closing Separation Balance Sheet, the Closing Adjusted Separation Balance Sheet and the Closing Pro Forma Roll-Forward Balance Sheet, shall reflect all legal entities considered (either in part or in full) in preparation of the Separation Balance Sheet. In addition to the Audited Company Balance Sheet, Seller and Buyer will engage a mutually agreed-upon audit firm to conduct agreed-upon review procedures in accordance with AICPA Statement on Standards for Attestation Engagements 19 ("Review") (the terms of which will be mutually agreed-upon by Buyer and Seller prior to the commencement of the Review) of the (i) Deal Adjustments and any other adjustments required to be taken to reflect the actual terms of the Separation that are not included in the Audited Company Balance Sheet reflected in either the Closing Separation Balance Sheet or the Closing Adjusted Separation Balance Sheet, and (ii) Adjusted After Tax Income for the Company and the Company Subsidiaries for the period from March 31, 2021 to Closing reflected in the Closing Pro Forma Roll-Forward Balance Sheet. The Closing Pro Forma Roll-Forward Balance Sheet will set forth the Adjusted Book Value as of the Closing (the "Closing Adjusted Book Value") and will not reflect the impact of any events or actions taken after the date of the Audited Company Balance Sheet, other than (1) the adjustments for events or actions contemplated to be taken after the date of the Audited Company Balance Sheet that are reflected as line items in the Separation Balance Sheet and the Pro Forma Roll-Forward Balance Sheet (including any changes or modifications as a result of the actual Separation and the Deal Adjustments), (2) any other separation adjustments required as a result of the actual Separation and (3) changes or modifications in Adjusted Book Value as a result of (but excluding any changes or modifications solely as a result of events or actions taken after the date of the Audited Company Balance Sheet) the audit of the Company and Company Subsidiaries and Review of the items described in clauses (i) and (ii) of the prior sentence. The Closing Adjusted Book Value will be calculated based upon such Audited Company Balance Sheet and Review of Adjusted After Tax Income and the separation adjustments (including the Deal Adjustments) and, in each case, in a manner consistent with the provisions of this paragraph. The "Closing Purchase Price" shall be an amount equal to the Purchase Price, as

adjusted on the basis of the Closing Book Value pursuant to Section 2.5(h), as applicable. The parties agree that any Liabilities as a result of a breach of Section 3.8(c) shall be included as an appropriate adjustment to the Interim Purchase Price and the Closing Purchase Price in lieu of Buyer's remedies under Section 7.2, notwithstanding anything to the contrary herein.

(d) Seller and the Company shall provide (and shall cause their Subsidiaries to provide) Buyer and its Affiliates and their respective Representatives with such access to their and their Affiliates' financial records and information relating to, and their employees and Representatives that were involved in, the preparation of Interim Pro Forma Roll-Forward Balance Sheet, the Audited Company Balance Sheet, the Closing Separation Balance Sheet, the Closing Adjusted Separation Balance Sheet, the Closing Pro Forma Roll-Forward Balance Sheet and the adjustment process set forth in this Section 2.5 as may be reasonably requested by the Buyer or any of its Affiliates and their respective Representatives for purposes of the adjustment process set forth in this Section 2.5.

(e) Within thirty (30) days after the delivery of the Closing Pro Forma Roll-Forward Balance Sheet, Buyer may provide Seller with a written notice setting forth, in reasonable detail, its disagreement with one or more items on the Closing Pro Forma Roll-Forward Balance Sheet, including the calculation of the Closing Adjusted Book Value prepared by the Company as part of the Closing Pro Forma Roll-Forward Balance Sheet (a "Dispute Notice"). Any Dispute Notice must set forth in reasonable detail (i) any item on the Closing Pro Forma Roll-Forward Balance Sheet which Buyer believes has not been prepared in accordance with this Agreement and the correct amount of such item (each, a "Disputed Item") and (ii) Buyer's alternative calculation of the Disputed Item, as applicable, calculated in accordance with the Calculation Methodologies. All items on the Closing Pro Forma Roll-Forward Balance Sheet that are not Disputed Items shall be final, conclusive and binding on the parties hereto for purposes of this Section 2.5.

(f) If Buyer fails to provide a Dispute Notice within thirty (30) days after the delivery of the Closing Pro Forma Roll-Forward Balance Sheet, the Closing Pro Forma Roll-Forward Balance Sheet and the Closing Adjusted Book Value and the resulting calculation of the Closing Purchase Price contained therein shall be deemed accepted and shall become the "Final Pro Forma Roll-Forward Balance Sheet", the "Final Adjusted Book Value" and the "Final Purchase Price", respectively, and shall be final and binding upon the parties hereto. If, within thirty (30) days after the delivery of the Closing Pro Forma Roll-Forward Balance Sheet, Buyer provides Seller with a Dispute Notice, Buyer and Seller shall attempt in good faith to amicably resolve all matters set forth in the Dispute Notice during the thirty (30) day period following receipt of the Dispute Notice by Buyer (the "Resolution Period"). To the extent any such disputes are resolved to the mutual satisfaction of Buyer and Seller during the Resolution Period, such resolutions shall be reflected on the Closing Pro Forma Roll-Forward Balance Sheet and the resulting calculation of the Closing Adjusted Book Value and the Closing Purchase Price contained therein and shall be deemed final and binding upon the parties hereto, and, if all such disputes are so resolved, the Closing Pro Forma Roll-Forward Balance Sheet and the resulting calculation of the Closing Adjusted Book Value and the Closing Purchase Price contained therein, as modified to reflect the resolution of such disputes, shall be deemed final and shall become the Final Pro Forma Roll-Forward Balance Sheet, the Final Adjusted Book Value and the Final Purchase Price, respectively.

(g) If any such disputes cannot, for any reason, be resolved prior to the expiration of the Resolution Period, then, within thirty (30) days after the end of the Resolution Period, Seller and Buyer shall (i) set forth in writing their respective positions on any such disputes still at issue and their determination of the calculation of the Closing Adjusted Book Value and the resulting calculation of the Closing Purchase Price and (ii) submit such written submissions regarding the unresolved disputes to a boutique specialty firm with an active practice area focused on post-merger and acquisitions purchase price dispute resolution selected jointly by Seller and Buyer (the “Independent Firm”). The Independent Firm shall deliver its written determination to Buyer and Seller no later than forty five (45) days following the date on which the unresolved disputes are submitted in writing to the Independent Firm or such other date as the Independent Firm may determine in its discretion or as may be mutually agreed by Buyer and Seller. The Independent Firm’s determination shall (A) be based solely on presentations and written submissions by Buyer and Seller to the Independent Firm made in accordance with this Section 2.5(g), and not by independent review and (B) set forth in reasonable detail the basis for the Independent Firm’s final determination of the Closing Adjusted Book Value in accordance with the Calculation Methodologies and the resulting calculation of Closing Purchase Price; provided that the Independent Firm shall only be entitled to resolve Disputed Items, and in no event shall the Independent Firm determine, with respect to any item that remains an unresolved dispute submitted to it, an amount which is outside the range established by (1) the amount submitted by Seller in its submission under this Section 2.5(g) and (2) the amount submitted by Buyer in its submission under this Section 2.5(g). Absent manifest arithmetical error, such determinations by the Independent Firm shall be conclusive and binding upon the parties and shall not be subject to appeal or review thereafter, and the Closing Pro Forma Roll-Forward Balance Sheet and the Closing Adjusted Book Value and the resulting calculation of the Closing Purchase Price contained therein, as modified by the Independent Firm’s final determination, shall be deemed final and shall become the Final Pro Forma Roll-Forward Balance Sheet, the Final Adjusted Book Value and the Final Purchase Price, respectively. The fees and disbursements of the Independent Firm shall be borne by Seller and Buyer in inverse proportion to the absolute value of the difference between the Independent Firm’s determination the Final Adjusted Book Value and the other party’s calculation of Closing Adjusted Book Value in its submission under this Section 2.5(g) (i.e., so that each party will bear the Independent Firm’s fees and disbursements in proportion to the extent to which the other party prevails in respect of the difference between the parties’ aggregate calculations of the Closing Adjusted Book Value).

(h) Promptly, and in any event within five (5) Business Days, after the Final Adjusted Book Value becomes final and binding on the parties hereto pursuant to Section 2.5(f) or Section 2.5(g), as applicable, then either Buyer shall deliver, or cause to be delivered, to the Seller (or another entity designated in writing by the Seller), or Seller shall deliver, or cause to be delivered, to the Buyer (or another entity designated in writing by Buyer), as applicable, in either case a cash payment and/or a number of Purchased Shares (subject to the following proviso and the Purchase Price Cap) so that the Buyer and the Seller would be in the same position as they would have been, taking into account any cash dividends that have been (or should have been) received by Buyer or Seller in respect of Purchased Shares and any prior payment made by Buyer to Seller or Seller to Buyer pursuant to Section 2.5(b), had the parties used (A) the Final Adjusted Book Value instead of the Interim Adjusted Book Value and (B) the final number of Purchased Shares (taking into account any Purchased Shares that shall constitute Giveback Equity) as a result of the purchase price adjustment in Section 2.5(b) and this Section 2.5(h), in each of cases (A) and (B), for

purposes of the purchase price adjustment in Section 2.5(b); provided, that, with respect to any payment made to Buyer, such payment shall be made (i) in cash if Buyer owns 9.900% of the outstanding equity of the Company and (ii) in such number of Purchased Shares as would result in Buyer owning 9.900% of the outstanding equity of the Company, plus cash in excess of such amount.

(i) Section 2.5(i) of the Seller Disclosure Schedule sets forth illustrative calculations of the Interim Purchase Price and Final Purchase Price adjustments calculated in accordance with this Section 2.5.

(j) The parties agree to treat any amounts paid (or deemed paid through the delivery of shares) under this Section 2.5 as an adjustment to (A) the Purchase Price per Purchased Share and/or (B) the number of Purchased Shares acquired hereunder for all applicable tax purposes, unless otherwise required by law.

SECTION 2.6 Company Capitalization. Prior to the Closing, Seller shall, and shall cause the Company to, cause the Organizational Documents of the Company to be amended, and take such other actions as are necessary, to effect a stock split and recapitalization of the outstanding Common Stock into 90,100 shares of New Class A Common Stock and 9,900 shares of New Class B Common Stock. Upon the completion of such stock split and recapitalization, the New Common Stock shall be the only authorized, issued and outstanding capital stock of the Company, and all of the outstanding shares of New Common Stock shall be pari passu and identical in all respects, other than with respect to the right of the New Class A Common Stock to receive one hundred percent (100%) of any AH Distribution.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER

Except as (a) disclosed in any report, schedule, form, statement or other document filed with or furnished to the SEC by Seller since December 31, 2019 and publicly available prior to the date of this Agreement, other than disclosure contained in the “Risk Factors” or “Forward-Looking Statements” sections thereof, it being understood that any matter disclosed in any such report, schedule, form, statement or other document shall not be deemed disclosed for purposes of Section 3.1, Section 3.2 or Section 3.4, (b) set forth in the Seller Disclosure Schedule (it being understood that any information set forth in one Section or subsection of the Seller Disclosure Schedule shall be deemed to apply to and qualify the Section or subsection of this Agreement to which it corresponds in number and each other Section or subsection of this Agreement or the Seller Disclosure Schedule to the extent the relevance to such Section or subsection is reasonably apparent on the face of such disclosure), Seller represents and warrants to Buyer as follows:

SECTION 3.1 Organization, Standing and Corporate Power.

(a) Each of Seller and the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Each of Seller and the Company has the requisite corporate power and authority to own, lease or otherwise hold the assets, rights and properties owned, leased or otherwise held by it and to carry on its business as now being conducted, except where the failure to have such power and authority (i) has not had and would

not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (ii) would not reasonably be expected to be materially adverse to the ability of Seller to consummate the transactions contemplated hereby by the Outside Date and (iii) would not reasonably be expected to have a material adverse effect on the ability of Seller, the Company and the Company Subsidiaries, as applicable, to perform their obligations under the Transaction Agreements. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification necessary, other than where the failure to be so qualified or in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Seller or the Company has made available to Buyer true and complete copies of the Organizational Documents of the Company, each as amended to the date hereof. The Organizational Documents of the Company that have been so delivered are in full force and effect, and neither Seller nor the Company is in breach of any provision thereof.

SECTION 3.2 Capital Structure.

(a) As of the date hereof, (i) there are 1,000 authorized shares of capital stock of the Company, consisting of 1,000 shares of Common Stock, and (ii) the issued and outstanding capital stock of the Company consists of 100 shares of Common Stock. Except as provided in the preceding clause (ii), no shares of capital stock or other equity interests of the Company are issued, reserved for issuance or outstanding. As of the Closing, (A) there shall be 200,000 authorized shares of capital stock of the Company, consisting of 180,000 shares of New Class A Common Stock and 20,000 shares of New Class B Common Stock, and (B) the issued and outstanding capital stock of the Company shall consist of 90,100 shares of New Class A Common Stock and 9,900 shares of New Class B Common Stock. Except as provided in the preceding clause (B), as of the Closing, there shall be no shares of capital stock or other equity interests of the Company that are issued, reserved for issuance or outstanding. All outstanding shares of capital stock of the Company were duly authorized and validly issued and are fully paid and non-assessable, and are not subject to, and were not issued in violation of, the Securities Act or other Applicable Law, any Contract or any preemptive, subscription or similar rights. Seller is the record and beneficial owner of all of the shares of Common Stock issued and outstanding, free and clear of all pledges, liens, charges, encumbrances and security interests of any kind (collectively, "Liens") other than restrictions on transfer or otherwise under applicable securities laws. There are no restrictions upon the voting or transfer of the shares of Common Stock pursuant to the Organizational Documents of the Company or any agreement to which Seller or the Company is a party. There are no securities, options, warrants, rights (including conversion, exchange, preemptive, rights of first refusal, redemption rights, "tag along" rights or "drag along" rights and subscription rights) or other commitments or agreements (other than this Agreement or any other Transaction Agreement) of any kind to which Seller or the Company is a party obligating either of them to issue, sell, purchase, redeem, transfer or deliver shares of capital stock or other equity interests of the Company.

(b) Neither the Company nor any Company Subsidiary has any outstanding bonds, debentures, notes or other indebtedness, the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of the

Company on any matter. There are no voting trusts, proxies, “poison pills”, “stockholder rights plans” or similar Contracts to which the Company is a party with respect to the voting of any shares of capital stock or other equity interests of the Company.

SECTION 3.3 Subsidiaries. Each Subsidiary of the Company (a “Company Subsidiary”) is duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation, formation or organization and has the requisite power and authority to own, lease or otherwise hold the assets, rights and properties owned, leased or otherwise held by it and to carry on its business as now being conducted, in each case except where the failure to be in good standing or have such power and authority has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each Company Subsidiary is duly qualified as a foreign corporation, limited liability company, partnership or other entity, as applicable, to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification necessary, other than in such jurisdictions where the failure to be so qualified or in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. No Company Subsidiary is an insured depository institution within the meaning of section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(c)).

SECTION 3.4 Authority. Each of Seller, the Company and each applicable Company Subsidiary has the requisite corporate or other power and authority to enter into this Agreement and the other Transaction Agreements to which it is or will be a party and to consummate the transactions contemplated hereby and thereby, as applicable. The execution and delivery by each of Seller, the Company and each applicable Company Subsidiary of this Agreement and the other Transaction Agreements to which it is or will be a party and the consummation by each of Seller, the Company and each applicable Company Subsidiary of the transactions contemplated hereby and thereby, as applicable, have been or, with respect to the Transaction Agreements to be executed and delivered after the date of this Agreement, will be, duly authorized by all necessary corporate action on the part of Seller, the Company or the applicable Company Subsidiary, as applicable. Each of this Agreement and the other Transaction Agreements to which Seller, the Company or a Company Subsidiary is or will be a party has been or, with respect to the Transaction Agreements to be executed and delivered after the date of this Agreement, will be, duly executed and delivered by Seller, the Company or the applicable Company Subsidiary, as applicable, and, assuming this Agreement and such other Transaction Agreements constitute legal, valid and binding agreements of the other parties hereto and thereto, constitute legal, valid and binding obligations of Seller, the Company or the applicable Company Subsidiary, as applicable, enforceable against Seller, the Company or the applicable Company Subsidiary, as applicable, in accordance with their terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting creditors’ rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought (collectively, the “Enforceability Exceptions”).

SECTION 3.5 Noncontravention; Consents. The execution and delivery by each of Seller, the Company and each applicable Company Subsidiary of this Agreement and the other Transaction Agreements to which it is or will be a party, and the consummation of the transactions contemplated hereby and thereby, will not (a) conflict with any of the provisions of the

Organizational Documents of Seller or the Company, (b) subject to the matters referred to in the next sentence, conflict with, result in a breach of or default (with or without notice or lapse of time or both) under, give any contracting party the right to terminate, modify, cancel or accelerate or receive any payment, or provide its consent, under, or result in the creation of any Lien (other than a Permitted Lien) on any property, asset or right of Seller, or the Company or the Company Subsidiaries, or the Company Business, as applicable, under, any Contract to which such Person is a party or (c) subject to the matters referred to in the next sentence, contravene any Applicable Law applicable to Seller, or the Company or the Company Subsidiaries, as applicable, except, in the case of clauses (b) and (c), as (I) has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (II) would not reasonably be expected to be materially adverse to the ability of Seller to consummate the transactions contemplated hereby by the Outside Date and (III) would not reasonably be expected to have a material adverse effect on the ability of Seller, the Company and the Company Subsidiaries, as applicable, to perform their obligations under the Transaction Agreements. No consent, approval or authorization of, or declaration or filing with, or notice to, any third party or Governmental Entity is required by or with respect to Seller or the Company in connection with the execution and delivery of this Agreement and the other Transaction Agreements by Seller or the Company, as applicable, or the consummation by Seller or the Company, as applicable, of the transactions contemplated hereby and thereby, except for (i) the filing required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (ii) filings with the SEC, (iii) consents, approvals, authorizations, declarations, filings or notices in connection with the Separation and (iv) such other consents, approvals, authorizations, declarations, filings or notices that, if not obtained or made, have not had and would not reasonably be expected to (A) have, individually or in the aggregate, a Material Adverse Effect, (B) be materially adverse to the ability of Seller to consummate the transactions contemplated hereby by the Outside Date or (III) have a material adverse effect on the ability of Seller, the Company and the Company Subsidiaries, as applicable, to perform their obligations under the Transaction Agreements.

SECTION 3.6 Financial Statements; SEC Reports.

(a) Section 3.6(a) of the Seller Disclosure Schedule sets forth, with respect to each Insurance Company that is required to file statutory financial statements, true and complete copies of (i) the audited annual statutory financial statements of the Insurance Companies (together with all notes thereto) as of and for the years ended December 31, 2020 and December 31, 2019 and (ii) the unaudited interim statutory balance sheets of the Insurance Companies as of March 31, 2021 (collectively, the "Statutory Statements").

(b) The Company maintains, in all material respects, (i) books and records in compliance with Applicable Law and (ii) proper and adequate systems of internal accounting controls designed to provide reasonable assurance that: (A) transactions are executed with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements in conformity in all material respects with SAP, (C) access to its assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate actions are taken with respect to any differences. To the Knowledge of Seller, since January 1, 2019, neither the Company nor Seller has received any material claim regarding the internal accounting controls of the Company. The Company has

disclosed, based on the most recent evaluation of internal control over financial reporting prior to the date of this Agreement, to Seller's auditors and the audit committee of the board of directors of Seller, (1) all "significant deficiencies" or "material weaknesses" in the design or operation of internal control over financial reporting which are reasonably likely to materially adversely affect the Company or any Company Subsidiaries' ability to record, process, summarize and report financial information and (2) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company or such Company Subsidiaries' internal control over financial reporting. No material weakness in the Company's or any Company Subsidiaries' internal control over financial reporting or reportable conditions existed as of December 31, 2020.

(c) The statutory policy reserves required by SAP to be held with respect to the Insurance Contracts reported in the Statutory Statements (i) were determined, in all material respects, in accordance with SAP, (ii) are fairly stated, in all material respects, in accordance with sound actuarial principles applied on a consistent basis, and (iii) include, in all material respects, provisions for all actuarial reserves required to be established in accordance with Applicable Law.

(d) Section 3.6(d)(i) of the Seller Disclosure Schedule sets forth an unaudited balance sheet of the Company as of March 31, 2021, prepared in accordance with GAAP, and fairly presents in all material respects the consolidated financial position of the Company as of such date (the "Company Balance Sheet"). Section 3.6(d)(ii) of the Seller Disclosure Schedule sets forth a copy of the Company Balance Sheet adjusted to give effect to the assets and liabilities contemplated to be transferred to the Company and Company Subsidiaries in connection with the Separation in accordance with the Separation Principles (other than the Deal Adjustments), calculated in accordance with the Calculation Methodologies and prepared in good faith (the "Separation Balance Sheet"). Section 3.6(d)(iii) of the Seller Disclosure Schedule sets forth a copy of the Separation Balance Sheet, adjusted to give effect to the Deal Adjustments (the "Adjusted Separation Balance Sheet"). Section 3.6(d)(iv) of the Seller Disclosure Schedule sets forth a copy of an illustrative Separation Balance Sheet, adjusted on an illustrative basis, to (A) include the results of Adjusted After Tax Income earned during the period from March 31, 2021 to an illustrative closing on August 31, 2021 (other than any contributions to Adjusted After Tax Income from sources that are not the Company or the Company Subsidiaries following Separation) and (B) reflect an illustrative dividend declared between March 31, 2021 and Closing (clauses (A) and (B), the "Roll-Forward Items"), in each case, calculated in accordance with the Calculation Methodologies and prepared in good faith (the "Pro Forma Roll-Forward Balance Sheet"). The Adjusted Book Value set forth on the Pro Forma Roll-Forward Balance Sheet equals the Specified Amount. Section 3.6(d)(v) of the Seller Disclosure Schedule sets forth a reconciliation (the "Reconciliation") from the Seller's Quarterly Financial Supplement for the period ended March 31, 2021 Financial Supplement (the "Financial Supplement") through the Company Balance Sheet.

(e) Seller has filed with or furnished to the SEC all reports, schedules, forms, statements or other documents (including all exhibits and financial statements required to be filed or furnished therewith and any other document or information required to be incorporated therein) required by the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to be filed or furnished by Seller with the SEC since December 31, 2019 (collectively, together with any documents filed with or furnished to the SEC during such period by Seller to the SEC on a voluntary basis, the "Seller SEC Documents"). As of its respective date, or, if amended

prior to the date hereof, as of the date of the last such amendment, each Seller SEC Document complied when filed or furnished (or, if applicable, when amended) in all material respects with the Securities Act, the Exchange Act and the Sarbanes-Oxley Act, and none of the Seller SEC Documents when filed or furnished (or, in the case of a registration statement filed under the Securities Act, at the time it was declared effective or subsequently amended) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.7 No Undisclosed Liabilities. Neither the Company nor any of the Company Subsidiaries has any liability, whether known or unknown, absolute, accrued, contingent or otherwise, that is required to be reflected in a balance sheet (or the notes thereto) of the Company and the Company Subsidiaries prepared in accordance with GAAP, except (a) those liabilities provided for or disclosed in the Company Balance Sheet, or in the notes thereto, (b) liabilities incurred in the ordinary course of business since March 31, 2021, (c) liabilities incurred in connection with the transactions contemplated by this Agreement (including the Separation) and the other Transaction Agreements, (d) liabilities that will no longer be liabilities of the Company and the Company Subsidiaries following the completion of the Separation and (e) other liabilities that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.8 No Material Adverse Effect; Absence of Changes. (a) Since December 31, 2020, there has not been any event or change that has had or would reasonably be expected have, individually or in the aggregate, a Material Adverse Effect, (b) since December 31, 2020 and prior to the date hereof, each of Seller, the Company and the Company Subsidiaries has conducted the Company Business in all material respects in the ordinary course of business (other than in connection with the execution and delivery of this Agreement, the transactions contemplated by this Agreement (including the Separation) and any alternatives thereto) and (c) since March 31, 2021 and prior to the date hereof, the Company has not (i) taken any action that, if taken after the date of this Agreement, would require the consent of Buyer pursuant to Sections 5.1(b)(vi) and (vii) or (ii) declared or paid any dividends; provided that, notwithstanding anything to the contrary herein, compliance with this Section 3.8(c) shall not be a condition, and shall not be considered for purpose of determining the satisfaction of any condition, precedent to the Closing, and any breach of this Section 3.8(c) shall not give rise to any claim for indemnification pursuant to Article VII, but any breach of this Section 3.8(c) shall be treated in accordance with the final sentence of Section 2.5(c).

SECTION 3.9 Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect:

(a) (i) All Tax Returns required to be filed by or on behalf of the Company or any Company Subsidiary have been timely filed (after giving effect to any valid extensions of time in which to make such filings) with the appropriate Tax Authorities and are true and complete and (ii) all Taxes, whether or not shown on such Tax Returns, required to be paid by or with respect to the Company or any Company Subsidiary (including Taxes required to be withheld from payments to third parties) have been timely paid, except, in each case, with respect to Taxes or matters for which adequate reserves are reflected, in accordance with GAAP, in the Company's and the

Company Subsidiaries' financial statements. The Company and each Company Subsidiary has complied with Applicable Law relating to withholding and reporting (including information reporting) of Taxes and has duly and timely withheld and paid over to the appropriate Tax Authorities all amounts required to be so withheld and paid over.

(b) As of the date hereof, no deficiencies for Taxes have been proposed, asserted or assessed in writing against the Company or any Company Subsidiary that have not been resolved or paid in full. No agreement, waiver or other document or arrangement is currently in effect waiving or extending the period for assessment or collection of Taxes (including any applicable statute of limitation) with respect to the Company or any Company Subsidiary. As of the date hereof, neither the Company nor any Company Subsidiary is under audit, examination or investigation by any Governmental Entity or the subject of any judicial or administrative proceeding in respect of Taxes. During the past three years, neither the Company nor any Company Subsidiary has received written notice from any jurisdiction in which the Company or such Subsidiary has not filed income or franchise Tax Returns or paid income or franchise Taxes that the Company or such Company Subsidiary is required to file such Tax Returns or pay such Taxes in such jurisdiction.

(c) Except for (i) any existing Tax sharing or allocation agreements between (A) Seller or any of its Subsidiaries (other than the Company or any Company Subsidiaries), on the one hand, and (B) the Company or any Company Subsidiaries, on the other hand, which agreements are in substantially the same form as the Tax sharing agreements previously provided to Buyer or (ii) any Tax sharing or allocation agreements solely between or among the Company and any Company Subsidiaries, neither the Company nor any Company Subsidiaries is a party to or bound by any agreement dealing with Tax sharing, allocation, indemnity or distribution (other than an agreement entered into in the ordinary course of business or a lending arrangement that, in each case, does not relate primarily to Taxes) pursuant to which it will have any obligation to make any payments for any periods ending after the Closing.

(d) Neither the Company nor any Company Subsidiary (i) has during the past ten years been a member of an affiliated group filing a consolidated Tax Return (other than the "affiliated group" as defined in Section 1504(a) of the Code, the common parent of which is or was Seller or any of its Subsidiaries) or (ii) has any liability for Taxes of any Person (other than Seller, any Subsidiary of the Seller or any Company Subsidiary) under Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign law, or as a transferee or successor.

(e) There are no Liens for Taxes upon the assets of the Company or any Company Subsidiaries, except for Permitted Liens.

(f) During the past two years, neither the Company nor any Company Subsidiaries has been a "distributing corporation" or a "controlled corporation" within the meaning of Section 355(a)(1)(A) of the Code.

(g) Within the past three years, neither the Company nor any Company Subsidiaries has participated in any "listed transactions" within the meaning of Treasury Regulations Section 1.6011-4(b)(2).

(h) Neither the Company nor any Company Subsidiaries has received or applied for a Tax ruling or entered into a closing agreement pursuant to Section 7121 of the Code, offer in compromise, or similar agreement with a Tax Authority, in any case, that would be binding upon the Company or any Company Subsidiaries after the Closing.

SECTION 3.10 Compliance with Applicable Law; Permits.

(a) The Company and the Company Subsidiaries are, and, since December 31, 2019, have been, in compliance with all Applicable Laws, except as would not reasonably be expected to be, individually or in the aggregate, material to the Company Business, taken as a whole, or materially adverse to the ability of Seller to consummate the transactions contemplated hereby. Except as would not reasonably be expected to be, individually or in the aggregate, material to the Company Business, taken as a whole, or materially adverse to the ability of Seller to consummate the transactions contemplated hereby or have a material adverse effect on the ability of Seller, the Company and the Company Subsidiaries, as applicable, to perform their obligations under the Transaction Agreements, none of the Company or any of the Company Subsidiaries (i) has since December 31, 2019 received any written or, to the Knowledge of Seller, other communication from the Company or any Company Subsidiary regarding any actual or alleged violation of, or failure on the part of the Company or any Company Subsidiary to comply with, any Applicable Laws or order, injunction or decree of a Governmental Entity or (ii) to the Knowledge of Seller, is under investigation with respect to any material violation of any Applicable Laws or order, injunction or decree of a Governmental Entity other than any such item that has been cured or otherwise resolved to the satisfaction of such Governmental Entity.

(b) The Company and the Company Subsidiaries own, hold or possess all permits, licenses, approvals, authorizations, consents and registrations that are necessary for them to own or lease, operate and use their respective assets, rights or properties and to carry on and conduct their respective businesses as conducted on the date hereof (collectively, "Permits"), except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. All such Permits are valid and in full force and effect and the Company and the Company Subsidiaries are in compliance with the requirements of all such Permits, in each case, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or would not reasonably be expected to be materially adverse to the ability of Seller to consummate the transactions contemplated hereby by the Outside Date or have a material adverse effect on the ability of Seller, the Company and the Company Subsidiaries, as applicable, to perform their obligations under the Transaction Agreements.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, none of the Insurance Companies has, since December 31, 2019, received written notice of deficiencies or violations described in any reports of examination (including financial, market conduct and similar examinations) of any Insurance Company issued by any Insurance Regulator that have not been resolved to the reasonable satisfaction of the Insurance Regulator that noted such deficiencies or violations.

SECTION 3.11 Litigation. There are no Actions pending against the Company or the Company Subsidiaries that would reasonably be expected to be, individually or in the aggregate, material to the Company Business, taken as a whole. There is no order of any Governmental Entity

in effect or, to the Knowledge of Seller, threatened against the Company or any Company Subsidiaries that would reasonably be expected to be, individually or in the aggregate, material to the Company Business, taken as a whole.

SECTION 3.12 Brokers. Seller is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller, the Company or any of their respective Affiliates.

SECTION 3.13 Sufficiency of Assets. The assets, rights and properties held by the Company and the Company Subsidiaries as of the completion of the Separation, when taken together with all of the other agreements entered into in connection with the Separation (including in respect of transition services), shall be sufficient for the conduct of the Company Business in all material respects.

SECTION 3.14 Employee Matters.

(a) Except as would not reasonably be expected to be material to the Company and the Company Subsidiaries, taken as a whole, neither the execution and delivery of this Agreement nor the consummation of the purchase of the Purchased Shares contemplated hereby will result in, cause the accelerated vesting, funding or delivery of, or increase the amount or value of, any payment or benefit to any current or former employee, trustee, director or consultant of the Company or any of the Company Subsidiaries, or result in any payment that could reasonably be construed, individually or in combination with any other such payment, to constitute an “excess parachute payment” under Section 280G of the Code.

(b) No portion of the assets in any account of any direct or indirect subsidiary of the Company administered by the Investment Manager pursuant to the SMA Agreements in the forms attached hereto as Schedule A of the Seller Disclosure Schedule (each, a “Covered Account” and collectively, the “Covered Accounts”) constitutes “plan assets” within the meaning of ERISA and the regulations promulgated thereunder of any plan subject to ERISA or Section 4975 of the Code (“Plan Assets”).

SECTION 3.15 Insurance Matters. Except as has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect:

(a) Each reinsurance agreement to which the Company or any Company Subsidiary is a party and has any material existing rights or material obligations (each, a “Reinsurance Contract”) is a legal, valid and binding obligation of the Company or the applicable Company Subsidiary party thereto, and, to the Knowledge of Seller, each other party thereto, and is enforceable against the Company or the applicable Company Subsidiary party thereto, and, to the Knowledge of Seller, each other party thereto, in accordance with its terms, subject to the Enforceability Exceptions.

(b) Since December 31, 2019, neither the Company nor the applicable Company Subsidiary, nor, to the Knowledge of Seller, any of the other parties to any Reinsurance Contract is in default or breach or has failed to perform any obligation under any such Reinsurance Contract.

(c) There are no pending or, to the Knowledge of Seller, threatened Actions with respect to any Reinsurance Contract.

SECTION 3.16 No Other Representation or Warranty. Except for the representations and warranties expressly contained in this Article III, none of Seller, the Company or any other Person on behalf of Seller or the Company makes any express or implied representation or warranty with respect to Seller, the Company, the Company Business or otherwise, or with respect to any information provided to Buyer or its Affiliates or its or their Representatives in connection with this Agreement or the transactions contemplated hereby, and Buyer hereby disclaims any reliance on any representations and warranties, except for the representations and warranties expressly contained in this Article III. None of Seller, the Company or any other Person will have or be subject to any liability to Buyer or its Affiliates or any other Person resulting from the distribution to Buyer or its Affiliates or its or their Representatives, the use by any of the foregoing of, any such information, including any information, documents, projections, forecasts or any other material made available to Buyer or its Affiliates or its or their Representatives in certain “data rooms” or management presentations in connection with any consideration and review of this Agreement or the transactions contemplated hereby, unless any such information is expressly subject to a representation or warranty contained in this Article III.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

SECTION 4.1 Organization and Standing. Buyer is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware.

SECTION 4.2 Authority. Buyer has the requisite corporate power and authority to enter into this Agreement and the other Transaction Agreements to which it is or will be a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each Buyer Party of this Agreement and the other Transaction Agreements to which it is or will be a party and the consummation by each Buyer Party of the transactions contemplated hereby and thereby have been and, with respect to the Transaction Agreements to be executed and delivered after the date of this Agreement, will be, duly authorized by all necessary corporate action on the part of such Buyer Party. Each of this Agreement and the other Transaction Agreements to which a Buyer Party is or will be a party has been or, with respect to the Transaction Agreements to be executed and delivered after the date of this Agreement, will be, duly executed and delivered by such Buyer Party and, assuming this Agreement and such other Transaction Agreements constitute legal, valid and binding agreements of the other parties hereto and thereto, constitute legal, valid and binding obligations of such Buyer Party, enforceable against such Buyer Party in accordance with their terms, subject to the Enforceability Exceptions.

SECTION 4.3 Noncontravention; Consents. The execution and delivery by Buyer and each Buyer Party of this Agreement and the other Transaction Agreements by to which it is or will be a party, and the consummation of the transactions contemplated hereby and thereby by such Buyer Party will not (a) conflict with any of the provisions of the Organizational Documents of any Buyer Party, (b) subject to the matters referred to in the next sentence, conflict with, result in

a breach of or default (with or without notice or lapse of time or both) under, give any contracting party the right to terminate, cancel or accelerate any payment under, or result in the creation of any Lien (other than a Permitted Lien) on any property, asset or right of any Buyer Party under, any material Contract to which any Buyer Party is a party or (c) subject to the matters referred to in the next sentence, contravene any Applicable Law, except, in the case of clauses (b) and (c) above, as (i) has not had and would not reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect and (ii) would not reasonably be expected to have a material adverse effect on the ability of Buyer and the Buyer Parties, as applicable, to perform their obligations under the Transaction Agreements. No consent, approval or authorization of, or declaration or filing with, or notice to, any third party or Governmental Entity is required by or with respect to any Buyer Party in connection with the execution and delivery of this Agreement and the other Transaction Agreements by the Buyer Parties or the consummation by the Buyer Parties of any of the transactions contemplated hereby and thereby, except (i) for the filing required under the HSR Act, (ii) for such other consents, approvals, authorizations, declarations, filings or notices that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect and (iii) as has not had and would not reasonably be expected to have a material adverse effect on the ability of Buyer and the Buyer Parties, as applicable, to perform their obligations under the Transaction Agreements.

SECTION 4.4 Compliance with Applicable Law. Buyer is in compliance with all Applicable Law, except as would not reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect.

SECTION 4.5 Purchase Not for Distribution. The Purchased Shares will be acquired by Buyer for its own account and not with a view to distribution. Buyer will not resell, transfer, assign, pledge or otherwise dispose of any Purchased Shares, except in compliance with the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or pursuant to an available exemption therefrom. Buyer (a) has made its own inquiry and investigation into, and, based thereon, has formed an independent judgment concerning, the Company, the Company Subsidiaries and the Company Business and (b) has been furnished with or given access to certain information about the Company, the Company Subsidiaries and the Company Business.

SECTION 4.6 Litigation. There are no Actions pending or, to the Knowledge of Buyer, threatened in writing against or affecting Buyer or, to the Knowledge of Buyer, any of its Affiliates, that (a) seek to restrain or enjoin the consummation of any of the transactions contemplated by this Agreement or (b) would reasonably be expected to have a Buyer Material Adverse Effect. There is no order of any Governmental Entity in effect or, to the Knowledge of Buyer, threatened against Buyer or, to the Knowledge of Buyer, any of its Affiliates, that would reasonably be expected to have, individually or in the aggregate, a Buyer Material Adverse Effect.

SECTION 4.7 Sufficiency of Funds. Buyer is a party to and has accepted a fully executed equity commitment letter, dated as of the date hereof (the "Equity Commitment Letter"), from Blackstone Holdings II L.P. (the "Equity Provider") pursuant to which the Equity Provider has agreed, on the terms and subject to the conditions set forth in the Equity Commitment Letter, to invest in Buyer the amounts set forth therein. Buyer has delivered to Seller a true, complete and correct copy of the executed Equity Commitment Letter. As of the date hereof, the Equity

Commitment Letter is in full force and effect and has not been amended, restated or otherwise modified or waived, and the commitments contained therein have not been withdrawn, modified or rescinded in any respect. Assuming the conditions set forth in Section 6.1 and Section 6.2 are satisfied at the Closing, Buyer will have at the Closing cash proceeds sufficient to pay the Purchase Price at the Closing. The obligations of Buyer to effect the transactions contemplated by this Agreement are not conditioned upon the availability to Buyer or any of its Affiliates of any debt, equity or other financing in any amount whatsoever.

SECTION 4.8 Limited Guaranty. Concurrently with the execution and delivery of this Agreement, Buyer has delivered to Seller the limited guaranty, dated as of the date hereof (the "Limited Guaranty"), addressed to Seller from the Equity Provider, guaranteeing certain obligations of Buyer under this Agreement on the terms set forth therein. As of the date hereof, the Limited Guaranty is in full force and effect and constitutes a legal, valid and binding obligation of the Equity Provider, enforceable against the Equity Provider in accordance with its terms, subject to the Enforceability Exceptions.

SECTION 4.9 Brokers. Buyer is solely responsible for the payment of the fees and expenses of any broker, investment banker, financial adviser or other Person acting in a similar capacity in connection with the transactions contemplated by this Agreement or any of the Transaction Agreements based upon arrangements made by or on behalf of Buyer or any of its Affiliates.

SECTION 4.10 No Other Representation or Warranty. Except for the representations and warranties expressly contained in this Article IV, none of Buyer or any other Person on behalf of Buyer makes any express or implied representation or warranty with respect to Buyer or otherwise, or with respect to any information provided to Seller, the Company or their Affiliates or their Representatives in connection with this Agreement or the transactions contemplated hereby, and Seller hereby disclaims any reliance on any representations and warranties, except for the representations and warranties expressly contained in this Article IV. None of Buyer or any other Person will have or be subject to any liability to Seller, the Company or their Affiliates or any other Person resulting from the distribution to Seller, the Company or their Affiliates or their Representatives, the use by any of the foregoing of, any such information, including any information, documents, projections, forecasts or any other material made available to Seller, the Company or their Affiliates or their Representatives in certain "data rooms" or management presentations in connection with any consideration and review of this Agreement or the transactions contemplated hereby, unless any such information is expressly subject to a representation or warranty contained in this Article IV.

ARTICLE V COVENANTS

SECTION 5.1 Conduct of Business.

(a) Except (i) as required or expressly contemplated by this Agreement or the other Transaction Agreements, (ii) as required by Applicable Law, (iii) in connection with the Separation to the extent consistent with the Separation Principles, (iv) as reasonably required in response to COVID-19 or any actions of any Governmental Entity in response thereto, (v) as set forth in

Section 5.1 of the Seller Disclosure Schedule or (vi) as Buyer otherwise consents in advance in writing (which shall include email) (which consent shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement to the Closing, Seller shall cause the Company to, and to cause the Company Subsidiaries and the Company Business to, use reasonable best efforts to carry on the Company Business in all material respects in the ordinary course and, to the extent consistent therewith, to preserve intact and maintain its current business organizations and its material relationships with third parties (including Governmental Entities, insureds and others having business dealings with them).

(b) Except (i) as required or expressly contemplated by this Agreement or the other Transaction Agreements, (ii) as required by Applicable Law, (iii) in connection with the Separation to the extent consistent with the Separation Principles, (iv) as reasonably required in response to COVID-19 or any actions of any Governmental Entity in response thereto, (v) as set forth in Section 5.1 of the Seller Disclosure Schedule or (vi) as Buyer otherwise consents in advance in writing (which shall include email) (which consent shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement to the Closing, Seller shall cause the Company, the Company Subsidiaries and the Company Business not to:

(i) (A) split, combine or reclassify any of the Company's outstanding capital stock or equity securities or issue or authorize the issuance of any other stock or securities (including any derivatives securities) in respect of, in lieu of or in substitution for shares or other interests representing any of the Company's outstanding capital stock or equity securities, (B) purchase, redeem or otherwise acquire any outstanding capital stock or equity securities of the Company or (C) consummate or adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization, business combination or other reorganization of the Company or any of the Company Subsidiaries that are material to the Company Business;

(ii) issue, sell, convey, transfer, dispose of, pledge, grant any option, warrant or right to purchase or subscribe to or otherwise encumber any capital stock of or equity interests in the Company, or issue, sell, grant or enter into any subscription, warrant, option, conversion or other right, agreement, commitment, arrangement or understanding of any kind, contingent or otherwise, to purchase or otherwise acquire, any such capital stock or equity interests, or any securities convertible into or exchangeable for any such capital stock or equity interests;

(iii) (A) amend the Company's Organizational Documents or (B) amend (in any material respect) the Organizational Documents of any of Company Subsidiary that is material to the Company Business, in each case, in a manner that would disproportionately adversely affect the rights or obligations of Buyer, in its capacity as a holder of New Common Stock, relative to Seller, in its capacity as a holder of New Common Stock, in each case as if the Closing had occurred prior to such amendment;

(iv) declare, set a record date or set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, the outstanding capital stock of or equity interests in the Company or otherwise transfer or make payments in respect of equity interests in the Company, except for (A) dividends or distributions in an

amount equal to Adjusted After Tax Income with respect to the period between March 31, 2021 and Closing (subject to any regulatory requirements) declared prior to the Closing and (B) as set forth on Item 1 of Section 5.1(b)(iv) of the Seller Disclosure Schedule (the "AH Distribution") (in each case, so long as the aggregate impact of the distributions set forth in clauses (A) and (B) are reflected in the calculation of Interim Adjusted Book Value and Final Adjusted Book Value in accordance with the Calculation Methodologies);

(v) other than (x) with respect to the Separation Documentation (which shall be governed by the terms of the Separation Principles), (y) any modification, amendment, or termination of, or entry into, any Affiliate Contract that is on arm's length terms, fair and reasonable to the Company Business in all material respects or in the ordinary course of business consistent with historical practice, or (z) any modification, amendment or termination of, or entry into, any Affiliate Contract in connection with the Separation in accordance with the Separation Documentation, (A) modify, amend (in any material respect) or terminate (other than, as a result of the expiration of the term thereof) any Affiliate Contract, or waive, release or assign any material rights or claims thereunder or (B) enter into any Affiliate Contract, in each of cases (A) and (B), on terms that are adverse in any material respect to Buyer;

(vi) other than with respect to any Insurance Company or operating indebtedness (i.e., guaranteed investment contracts, FHLB short-term financings and other ordinary course operating indebtedness) incurred in the ordinary course of business consistent with past practice, incur, assume, guarantee, refinance, be allocated or become obligated with respect to any third-party indebtedness (including by issuance of debt securities of the Company or any Company Subsidiary), except as permitted pursuant to (and which shall be taken into account for purposes of) the Separation Principles, in each case, so long as such third-party indebtedness is reflected in full in the calculation of Final Adjusted Book Value;

(vii) (A) repay, forgive or otherwise cancel any intercompany indebtedness or payables between the Company or any Company Subsidiary (or otherwise with respect to the Company Business), on the one hand, and Seller or any of its Subsidiaries, on the other hand, (B) loan any amounts to Seller or its Subsidiaries (other than the Company and the Company Subsidiaries) or (C) incur any indebtedness or payables to Seller or its Subsidiaries (other than the Company and the Company Subsidiaries), in each case, other than (x) repayments of intercompany indebtedness and payables to Seller and its Subsidiaries in the ordinary course of business of business consistent with past practice (which repayments are not subject to limitation), (y) the incurrence of ordinary course intercompany indebtedness or payables consistent with historical practice, on terms (including with respect to interest rates) consistent with historical practice with respect to existing ordinary course intercompany indebtedness), (z) as permitted pursuant to (and which shall be taken into account for purposes of) the Separation Principles, in each case, so long as the aggregate amount of such intercompany indebtedness and payables and repayments are reflected in full in the calculation of Final Adjusted Book Value;

(viii) enter into any new material line of business that would subject Buyer or its Affiliates to obligations under the Bank Holding Company Act of 1956, as amended, or any other Applicable Law that governs banking or similar entities; or

(ix) enter into a binding agreement to take or commit to take any of the foregoing actions.

SECTION 5.2 Access to Information. From the date of this Agreement through the earlier of the Closing and such time as this Agreement is terminated in accordance with Article VIII, Seller shall cause the Company and the Company Subsidiaries to provide, solely in furtherance of the transactions contemplated by this Agreement and the other Transaction Agreements, Buyer and its Representatives with, upon reasonable advance notice and during regular business hours, reasonable access to the offices, properties, assets, books, Contracts, insurance policies and business, regulatory, financial and other records, and management and Representatives of the Company, as Buyer may request from time to time; provided that any such access pursuant to this Section 5.2 shall be conducted in accordance with Applicable Law, under the supervision of Seller's personnel and in such a manner as to not to unreasonably interfere with the normal operations of the Company and the Company Subsidiaries. The foregoing notwithstanding, Seller shall not be required to cause the Company or the Company Subsidiaries to provide such access if it would unreasonably disrupt the operations of Seller or its Subsidiaries (including the Company and the Company Subsidiaries), would cause a violation of any Contract, would, in the reasonable judgment of Seller or the Company, result in a loss of privilege or trade secret protection or would constitute a violation of any Applicable Law, and in any such event, the parties shall use commercially reasonable efforts to make appropriate substitute arrangements in a manner that does not result in such loss or violation. In addition, to the extent that Seller undertake and completes an appraisal of the assets of the Company or the Company Subsidiaries prior to the Closing, Seller shall promptly deliver a copy of such appraisal to Buyer and provide Buyer with access to such reasonable and supporting information underlying such appraisal, including any third-party provider involved in its preparation, as may be reasonably requested by Buyer.

SECTION 5.3 Reasonable Best Efforts. Upon the terms and subject to the conditions and other agreements set forth in this Agreement, other than with respect to obtaining permits, orders or other consents, approvals or authorizations of Governmental Entities (which shall be exclusively governed by Section 5.4), each party agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other party in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the other Transaction Agreements.

SECTION 5.4 Consents, Approvals and Filings.

(a) Each of Seller and Buyer shall use, and shall cause their respective Affiliates to use, their respective reasonable best efforts, and shall cooperate, and shall cause their respective Affiliates to cooperate, fully with each other, in each case to (i) comply as promptly as practicable with all requirements of Governmental Entities applicable to the transactions contemplated by this Agreement and the other Transaction Agreements and (ii) obtain as promptly as practicable all necessary permits, orders or other consents, approvals or authorizations of Governmental Entities

in connection with the consummation of the transactions contemplated by this Agreement and the other Transaction Agreements; provided, that each party shall be responsible for all fees and costs related to its own required filings with and approvals of other Governmental Entities. In connection with the foregoing, each of Seller and Buyer shall, and shall cause their respective Affiliates to, make all legally required filings with, and requests for approval by, all applicable Governmental Entities (including insurance regulators) as promptly as practicable after the date hereof in order to facilitate prompt consummation of the transactions contemplated by this Agreement, including filing the notification and report form required under the HSR Act within fifteen (15) Business Days after the date hereof, and to use reasonable best efforts to take all steps that are necessary, proper or advisable to avoid any Action by any Governmental Entity with respect to the transactions contemplated by this Agreement.

(b) In connection with the foregoing, each of Seller and Buyer shall, and shall cause their respective Affiliates to, consent and commit to any condition, limitation or qualification imposed by any Governmental Entity on its grant of any such permit, order, consent, approval or authorization; provided, that notwithstanding the foregoing or anything to the contrary in this Agreement (including Section 5.3 and this Section 5.4) or any other Transaction Agreement, (i) neither Seller nor any of its Affiliates shall be required to agree, consent or commit to any such conditions, limitations or qualifications in respect of Seller or any of its Affiliates, or any businesses, operations, assets or liabilities thereof, other than the Company and the Company Subsidiaries, (ii) none of Seller, Buyer or any of their respective Affiliates shall be required to consent to or comply with any such conditions, limitations or qualifications that (A) are not conditioned upon (and effective only after) the Closing, (B) individually or in the aggregate, would reasonably be expected to have a material adverse effect on the Company Business, taken as a whole, or (C) would impose any requirement on Buyer or any of its Affiliates relating to the contribution of capital, keep well or capital maintenance arrangements or maintaining certain risk based capital levels of the Insurance Companies, (iii) neither Buyer nor any of its Affiliates shall be required to agree, consent or commit to any such conditions, limitations or qualifications with respect to any of Buyer's Affiliates (including, for these purposes, The Blackstone Group Inc. ("Blackstone") and its Subsidiaries and any investment funds or investment vehicles affiliated with, or managed or advised by, Blackstone or any portfolio company (as such term is commonly understood in the private equity industry) or investment of Blackstone or of any such investment fund or investment vehicle), or any interest therein, other than, subject to the foregoing clause (C), with respect to the Company, the Company Subsidiaries and the Company Business, any such Person's direct or indirect investment in or ownership of any interest in the foregoing, or this Agreement, the other Transaction Agreements or the transactions contemplated hereby or thereby; provided, that prior to Buyer or its Affiliates agreeing to any condition, limitation or qualification required pursuant to this Section 5.4, Buyer shall be entitled to engage in good faith discussions with the applicable Governmental Entity to seek to resolve any requests or objections, so long as such discussions would not reasonably be expected to prevent the consummation of the transactions contemplated hereby by the Outside Date. In no event shall the either party propose, negotiate, effect or agree to any action contemplated above without the prior written consent of the other party.

(c) Buyer and Seller shall cooperate and consult with each other in connection with the making of all filings, notifications, communications, submissions, and any other actions pursuant to this Section 5.4 in connection with all necessary permits, orders or other consents, approvals or

authorizations of Governmental Entities in connection with the consummation of the transactions contemplated by this Agreement, and, to the extent not prohibited by Applicable Law, Buyer and Seller shall each keep the other apprised on a reasonably current basis of the status of in connection with all necessary permits, orders or other consents, approvals or authorizations of Governmental Entities in connection with the consummation of the transactions contemplated by this Agreement, including promptly furnishing the other with copies of substantive communications received by Buyer and Seller, as the case may be, or any of their respective Affiliates, from any Governmental Entity with respect to any such permits, orders or other consents, approvals or authorizations of Governmental Entities. Subject to Applicable Law relating to the exchange of information, Buyer and Seller shall permit counsel for the other party a reasonable opportunity to review in advance, and consider in good faith the views of the other party in connection with, any proposed notifications or filings and any written communications or submissions to any Governmental Entity in connection with all necessary permits, orders or other consents, approvals or authorizations of Governmental Entities in connection with the consummation of the transactions contemplated by this Agreement; provided that Buyer and Seller may, as each deems advisable and necessary, redact such materials to remove sensitive information, or reasonably designate any sensitive material provided to the other party under this Agreement as “outside counsel only.”

(d) Prior to the Closing, except as otherwise agreed by the parties, the parties shall cooperate and use reasonable best efforts to make or obtain the approval, authorization, consent, license or permission of, or waiver or other action by, or notification to, any third party (other than a Governmental Entity or an Affiliate of Seller, the Company or Buyer) required for the consummation of the transactions contemplated by this Agreement and the other Transaction Agreements; provided that no party shall be required to make any payment or incur any liability or offer or grant any accommodation (financial or otherwise) or commence or participate in any Action in order to obtain such third-party consents.

(e) Buyer shall not be required to (i) provide (A) nonpublic or other financial or sensitive personally identifiable information of the Equity Provider, its respective affiliates and their respective directors, officers, employees, managers or partners, or its or their control persons or direct or indirect equityholders and their respective directors, officers, employees, managers or partners (collectively with the Equity Provider, the “Equity Provider Related Persons”) or (B) any other nonpublic, proprietary or other confidential information of an Equity Provider Related Person that exceeds the scope of information that such Equity Provider Related Person has historically supplied in connection with a similar governmental filing or notification, or (ii) disclose the identities of direct or indirect shareholders, members or beneficiaries of the Equity Provider or its affiliates that beneficially own less than 10% of any such entity, in each of cases (i) or (ii), (x) unless the failure to provide or disclose such information would reasonably be expected to (1) impede the Closing or (2) prevent the consummation of the transactions contemplated hereby by the Outside Date, in which case Buyer shall be required to provide or disclose such information and (y) except for National Association of Insurance Commissioners biographical information. Without limiting the foregoing, Buyer (A) shall be entitled to enter into good-faith discussions with the applicable Governmental Entity and use reasonable best efforts to seek to promptly resolve such requests prior to providing such information and (B) may provide any such sensitive or confidential information directly to the applicable Governmental Entity requesting such information without being provided to the Seller or the Company to the extent permitted by the applicable Governmental Entity. Without limiting the obligations of Buyer pursuant to this

Section 5.4, all appearances, submissions, presentations, briefs, and proposals made or submitted by or on behalf of the Equity Provider Related Persons before any Governmental Entity shall be controlled by Buyer.

SECTION 5.5 Public Announcements. Each of Buyer and Seller shall, and shall cause their respective Affiliates to, consult with the other party before issuing, and provide the other party with the opportunity to review and comment upon, any press release or other public statement with respect to this Agreement or the transactions contemplated hereby, and shall not issue any such press release or make any such public statement with respect to such matters unless the other party consents in advance in writing (which shall include email) (which consent shall not be unreasonably withheld, conditioned or delayed), except as may be required by Applicable Law or by the requirements of any securities exchange; provided that, to the extent not prohibited by Applicable Law or the requirements of any such securities exchange and to the extent reasonably practicable, the disclosing party under this exception shall provide the non-disclosing party a reasonable opportunity to review any such disclosure; provided, however, that the foregoing shall not apply to any press release or other public statement to the extent the statements therein with respect to this Agreement or the transactions contemplated hereby are consistent in all material respects with statements previously issued in compliance with this Section 5.5.

SECTION 5.6 Further Assurances. Each of Seller and Buyer shall execute and deliver, or shall cause to be executed and delivered, such documents, certificates, agreements and other writings and shall take, or shall cause to be taken, such further actions, in each case as may be reasonably requested by any other party to carry out the provisions of this Agreement.

SECTION 5.7 Company Financing. Buyer agrees that, in the event that, at any time before or after the Closing, the Company offers for sale in a private or public offering of securities (the "Hybrid Securities Offering") subordinated debt securities (the "Hybrid Securities"), then Buyer shall (a) consider in good faith purchasing, or causing to be purchased, at least \$250,000,000 aggregate principal amount of Hybrid Securities in or concurrently with the Hybrid Securities Offering, on the same terms and conditions as such Hybrid Securities are issued and sold to other investors in the Hybrid Securities Offering; provided, that any such purchase by Buyer shall require the mutual agreement of Buyer and the Company, and (b) use good faith efforts to assist the Company with the offering and sale of the Hybrid Securities in the Hybrid Securities Offering; provided that such good faith efforts shall not require, or be construed to require, Buyer or its Affiliate to purchase any such Hybrid Securities in such Hybrid Securities Offering.

SECTION 5.8 Stockholders Agreement. Prior to the Closing, Seller and Buyer shall negotiate in good faith the form of a definitive stockholders agreement (the "Stockholders Agreement"), by and among the Company, Seller and Buyer, having the terms set forth in Section 5.8 of the Seller Disclosure Schedule; provided, that, until such time as such definitive form is completed, executed and delivered by the parties, the terms set forth in Section 5.8 of the Seller Disclosure Schedule shall control and be binding upon the Company, Seller and Buyer from and after the Closing, and references in this Agreement to the "Stockholders Agreement" shall be deemed to be references to such binding terms.

SECTION 5.9 Separation.

(a) As promptly as practicable after the date hereof, the Seller and the Company shall take certain actions to effect the Separation in accordance with the separation principles set forth in Section 5.9 of the Seller Disclosure Schedule hereto (the "Separation Principles"). From and after the date hereof, Seller shall use commercially reasonable efforts to, and shall cause the Company and the Company Subsidiaries to use commercially reasonable efforts to, take all actions and do all things necessary, proper and advisable, subject to the requirements of Applicable Law and of any Governmental Entity, to prepare, execute and perform the separation agreement and other customary agreements for a separation on terms consistent with the Separation Principles (such agreements and other documentation, the "Separation Documentation").

(b) Seller shall provide drafts of the Separation Documentation to be filed with the SEC (including related exhibits and schedules) and other Separation Documentation reasonably requested by Buyer, in each case, reasonably in advance of the filing of forms of such Separation Documentation with the SEC or finalizing such other Separation Documentation and drafts of any separation steps memorandum or similar planning information regarding the Separation (the "Separation Materials") and shall make its applicable Representatives available to Buyer's Representatives a reasonable number of times upon reasonable prior notice (and during normal business hours) for purposes of discussing the draft Separation Documentation and Separation Materials and shall consider in good faith any comments of Buyer's Representatives to such documents provided promptly following Buyer's receipt thereof. Seller shall keep Buyer apprised on a reasonably timely basis of the status of the Separation. The Separation Documentation shall be (i) in form and substance consistent with the Separation Principles and (ii) negotiated and implemented in good faith.

(c) The parties agree that, in connection with the Separation and the transactions contemplated by the SMA Agreements, Seller or one or more of its Subsidiaries (including the Company and the Company Subsidiaries) may transfer to Buyer or its Affiliates certain investment personnel that provide investment management services to the Company, provided that any such transfer shall require the mutual agreement of Seller or the Company, on the one hand, and Buyer, on the other hand (in each case, in its sole discretion).

(d) Notwithstanding anything to the contrary herein, (i) Buyer acknowledges that the Separation is not expected to be completed prior to the Closing and the execution and performance of agreements and other documentation and taking of other actions required to effect the separation may not occur until after the Closing and (ii) the parties agree that the completion of the Separation or any part thereof is not a condition to the obligations of either party to effect the Closing (it being understood that the Company shall comply with its obligations relating to the Separation hereunder).

SECTION 5.10 Plan Assets. Prior to the Closing, Seller shall not allow, and shall cause the Company and the Company Subsidiaries to not allow, any portion of any assets in any Covered Account to constitute Plan Assets. Prior to the Closing, Seller shall promptly notify Buyer in writing if Seller (or any of its Affiliates) becomes aware that there is a reasonable likelihood that any of the Covered Accounts' assets constitute Plan Assets, which notice shall identify the applicable Covered Account(s). Seller and the Company shall use commercially reasonable efforts

to remediate any Plan Asset Issue as soon as reasonably as practicable following the date a Plan Asset Issue is identified or notified to the Company. The parties expressly agree that compliance with this covenant shall not be a condition to Closing, and the presence of a Plan Asset Issue shall not be a basis not to consummate the Closing.

SECTION 5.11 Corporate Governance.

(a) Prior to the Closing, Seller shall take all actions necessary to cause the Board as of the Closing to be comprised of eleven (11) directors, consisting of nine (9) directors designated by Seller, one (1) director designated by Buyer and the Chief Executive Officer of the Company as of immediately prior to the Closing.

(b) Prior to the Closing, Seller shall take all actions necessary to cause the Board as of immediately following the Closing to have an audit committee. The director designated by Buyer shall be entitled to serve on all committees of the Board, subject to eligibility requirements under Applicable Law, in accordance with the Stockholders Agreement.

SECTION 5.12 Tax Matters.

(a) In connection with the sale of the Purchased Shares contemplated by this Agreement, any other applicable transfer of equity of the Company, including any such transfer by Seller, or any transaction that causes the Company to cease to be a member of the affiliated group of which Seller is the common parent for U.S. federal income tax purposes, Seller agrees to make a valid and timely election under Treasury Regulations Section 1.1502-36(d)(6)(i)(A) to elect to reduce its basis in Company shares to the extent necessary to avoid attribute reduction under Treasury Regulations Section 1.1502-36(d) and Seller also agrees not to make any election to reattribute attributes under Treasury Regulations Sections 1.1502-36(d)(6)(i)(B) or (C).

(b) Until the date upon which the Company is no longer a member of the affiliated group of which Seller is the common parent for U.S. federal income tax purposes, the Company and the Company Subsidiaries shall be permitted to consummate transactions that accelerate taxable income up to an amount that does not materially exceed the amount of taxable income needed for Seller to utilize existing foreign tax credits.

SECTION 5.13 SMA Cooperation. Prior to the Closing, Seller shall use commercially reasonable efforts to cause the Existing AUM (as defined in the SMA Agreements) to equal \$50,000,000,000 in accordance with the terms of the SMA Commitment Letter in the aggregate; provided, that it shall not be a condition to the closing of the transactions contemplated by this Agreement that the Existing AUM shall equal or exceed such amount. Prior to the Closing, Buyer and Seller shall, Seller shall cause the Company and the Company Subsidiaries to, cooperate in good faith in connection with preparing for the appointment of the Investment Manager under, and successfully implementing the arrangements contemplated by, the SMA Agreements.

ARTICLE VI
CONDITIONS PRECEDENT

SECTION 6.1 Conditions to Each Party's Obligations. The obligations of Buyer and Seller to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following conditions:

(a) Approvals. The waiting period (and any extension thereof) applicable to the transactions contemplated hereby under the HSR Act shall have been terminated or shall have otherwise expired.

(b) No Injunctions or Restraints. No order, injunction or other order issued by any court of competent jurisdiction and no law, statute, rule or regulation of any Governmental Entity preventing or making illegal the consummation of the transactions contemplated hereby or the transactions contemplated by the Specified Transaction Agreements shall be in effect.

SECTION 6.2 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by Buyer in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Seller set forth in Section 3.8(a) shall be true and correct in all respects as of the Closing Date as though made as of the Closing Date. Other than the representations and warranties of Seller set forth in Section 3.8(a) and the Seller Fundamental Representations, the representations and warranties of Seller set forth in this Agreement shall be true and correct, without giving effect to any qualification set forth therein as to "materiality," "Material Adverse Effect" or similar qualifications, as of the Closing Date as though made as of the Closing Date (except to the extent any such representation and warranty is made as of an earlier date, in which case as of such earlier date), except where the failure of all such representations and warranties to be so true and correct has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Other than the representations and warranties of Seller set forth in Section 3.2(a), the Seller Fundamental Representations shall be true and correct in all material respects, and the representations and warranties of Seller set forth in Section 3.2(a) shall be true and correct in all respects except for *de minimis* inaccuracies, in each case, as of the Closing Date as though made as of the Closing Date (except to the extent any such representation and warranty is made as of an earlier date, in which case as of such date).

(b) Performance of Obligations of Seller. Seller shall have performed and complied in all material respects with the obligations and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing.

(c) Closing Certificate. Seller shall have delivered to Buyer a certificate duly executed by an authorized officer of Seller, dated as of the Closing Date, certifying on behalf of Seller as to Seller's compliance with the conditions set forth in Section 6.2(a) and Section 6.2(b).

(d) SMA Arrangements. The SMA Agreements and the SMA Commitment Letter shall have been executed and delivered in the forms attached hereto as Schedule A of the Seller Disclosure Schedule and shall be in full force and effect such that the SMA Agreements and the SMA Commitment Letter shall be effective at and following the Closing.

SECTION 6.3 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by such Seller in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement shall be true and correct, without giving effect to any qualification set forth therein as to “materiality,” “Buyer Material Adverse Effect” or similar qualifications, in all material respects as of the Closing Date as though made and as of the Closing Date (except to the extent any such representation and warranty is made as of an earlier date, in which case as of such date).

(b) Performance of Obligations of Buyer. Buyer shall have performed and complied in all material respects with the obligations and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing.

(c) Closing Certificate. Buyer shall have delivered to Seller a certificate duly executed by an authorized officer of Buyer, dated as of the Closing Date, certifying on behalf of Buyer as to Buyer’s compliance with the conditions set forth in Section 6.3(a) and Section 6.3(b).

ARTICLE VII SURVIVAL; INDEMNIFICATION

SECTION 7.1 Survival. The representations, warranties, covenants and agreements of the parties hereto contained in or made pursuant to this Agreement shall survive in full force and effect until the date that is twelve (12) months after the Closing Date, at which time they shall terminate (and no claims shall be made for indemnification under Section 7.2 or Section 7.3 thereafter), except: (a) the Seller Fundamental Representations shall each survive in full force and effect until the date that is six (6) years after the Closing Date, (b) the representations and warranties made in Section 3.13 shall survive in full force and effect until the three (3)-month anniversary of the IPO, and (c) the covenants and agreements that by their terms apply or are to be performed in whole or in part after the Closing (including those relating to the Separation) shall survive in full force and effect to the extent they so apply or are to be performed after the Closing.

SECTION 7.2 Indemnification by Seller.

(a) After the Closing and subject to this Article VII, Seller shall indemnify, defend and hold harmless the Buyer Indemnitees against, and reimburse the Buyer Indemnitees for, all Liabilities that the Buyer Indemnitees may at any time suffer or incur, or become subject to:

(i) as a result of or in connection with the breach or inaccuracy of any representation or warranty set forth in Article III or contained in any certificate or instrument delivered by Seller pursuant hereto (other than the representations and warranties of Seller set forth in Section 3.14(b));

(ii) as a result of or in connection with the breach or inaccuracy of the representations and warranties of Seller set forth in Section 3.14(b), or contained in any certificate or instrument delivered by Seller pursuant hereto; or

(iii) as a result of or in connection with any breach or failure by any of Seller to perform any of its covenants, agreements or obligations contained in this Agreement.

(b) Notwithstanding anything to the contrary contained herein, Seller shall not be required to indemnify, defend or hold harmless the Buyer Indemnitees against, or reimburse the Buyer Indemnitees for, any Liabilities pursuant to Section 7.2(a)(i): (i) until the aggregate amount of the Buyer Indemnitees' Liabilities for which the Buyer Indemnitees are finally determined to be otherwise entitled to indemnification under Section 7.2(a)(i) exceeds \$100,000,000 (the "Deductible"), after which Seller shall be obligated for all the Buyer Indemnitees' Liabilities for which the Buyer Indemnitees are finally determined to be otherwise entitled to indemnification under Section 7.2(a)(i) (but only Liabilities in excess of the Deductible) and (ii) in a cumulative aggregate amount with respect to indemnification under Section 7.2(a)(i) (other than with respect to Seller Fundamental Representations) exceeding \$220,000,000 (the "Indemnification Cap"). For purposes of determining whether the threshold set forth in clause (ii) of this Section 7.2(b) has been met or exceeded, any amount paid by Seller or any of its Affiliates (other than the Company and the Company Subsidiaries) for Liabilities pursuant to Section 7.2(a)(i) only shall be taken into account. The foregoing limitations in this Section 7.2(b) shall not apply to any claim arising under Section 7.2(a)(ii) or Section 7.2(a)(iii) or any claim arising from the Fraud of Seller and the limitation in Section 7.2(b)(ii) shall not apply to Seller Fundamental Representations.

(c) Seller shall not be required to indemnify, defend or hold harmless the Buyer Indemnitees against, or reimburse the Buyer Indemnitees for, any Liabilities pursuant to Section 7.2(a)(i) or Section 7.2(a)(ii) in a cumulative aggregate amount exceeding the Purchase Price. The foregoing limitation in this Section 7.2(c) shall not apply to any claim arising under Section 7.2(a)(iii) or any claim from the Fraud of Seller.

(d) The representations, warranties, covenants, agreements and obligations of Seller and any Buyer Indemnitee's right to indemnification with respect thereto shall not be affected or deemed waived by reason of (i) any investigation made by or on behalf of Buyer Indemnitees (including by any of their respective Representatives) or by reason of the fact that such Buyer Indemnitee or any of such Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate, (ii) the waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, agreement or obligation or (iii) the Closing.

SECTION 7.3 Indemnification by Buyer.

(a) After the Closing and subject to this Article VII, Buyer shall indemnify, defend and hold harmless the Seller Indemnitees against, and reimburse the Seller Indemnitees for, all Liabilities that the Seller Indemnitees may at any time suffer or incur, or become subject to:

(i) as a result of or in connection with the breach or inaccuracy of any representation or warranty set forth in Article IV or contained in any certificate or instrument delivered by Buyer pursuant hereto; or

(ii) as a result of or in connection with any breach or failure by Buyer to perform any of its covenants, agreements or obligations contained in this Agreement.

(b) Notwithstanding anything to the contrary contained herein, Buyer shall not be required to indemnify, defend or hold harmless the Seller Indemnitees against, or reimburse the Seller Indemnitees for, any Liabilities pursuant to Section 7.3(a) (i): (i) until the aggregate amount of the Seller Indemnitees' Liabilities for which the Seller Indemnitees are finally determined to be otherwise entitled to indemnification under Section 7.3(a)(i) exceeds the Deductible, after which Buyer shall be obligated for all the Seller Indemnitees' Liabilities for which the Seller Indemnitees are finally determined to be otherwise entitled to indemnification under Section 7.3(a)(i) (but only Liabilities in excess of the Deductible) and (ii) in a cumulative aggregate amount with respect to indemnification under Section 7.3(a)(i) exceeding the Indemnification Cap. The foregoing limitation in this Section 7.3(b) shall not apply to any claim arising under Section 7.3(a)(ii) or any claim arising from the Fraud of the Buyer.

(c) The Buyer shall not be required to indemnify, defend or hold harmless the Seller Indemnitees against, or reimburse the Seller Indemnitees for, any Liabilities pursuant to Section 7.3(a)(i) in a cumulative aggregate amount exceeding the Purchase Price. The foregoing limitation in this Section 7.3(c) shall not apply to any claim arising from the Fraud of the Buyer.

(d) The representations, warranties, covenants, agreements and obligations of Buyer and any Seller Indemnitee's right to indemnification with respect thereto shall not be affected or deemed waived by reason of (i) any investigation made by or on behalf of Seller Indemnitees (including by any of their respective Representatives) or by reason of the fact that such Seller Indemnitee or any of such Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate, (ii) the waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, agreement or obligation or (iii) the Closing.

SECTION 7.4 Claims Procedure.

(a) If any Person entitled to be indemnified under this Article VII (an "Indemnified Party") becomes aware of any fact, matter or circumstance that may give rise to a claim for indemnification under this Article VII, the Indemnified Party shall promptly notify the party providing indemnification under this Article VII (the "Indemnifying Party") in writing of any claim in respect of which indemnity may be sought under this Article VII, including any pending or threatened claim or demand made in writing by a non-affiliated third party that the Indemnified Party has determined has given or could reasonably give rise to a right of indemnification under this Agreement (including a pending or threatened claim or demand asserted by a non-affiliated third party against the Indemnified Party) (each, a "third-party claim"), setting out the provisions under this Agreement on which such claim is based, and such other information (to the extent available) as is reasonably necessary to enable the Indemnifying Party to assess the merits of the potential claim, to make such provision as it may consider reasonably necessary (including details

of the legal and factual basis of the claim and the evidence on which the party relies (including where the claim is the result of a third-party claim, evidence of the third-party claim)) and setting out its estimate of the amount of Liabilities to the extent ascertainable which are, or are to be, the subject of the claim; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VII except to the extent that the Indemnifying Party is actually prejudiced by such failure and, in any event, only to the extent of such prejudice. The parties agree that (i) in this Article VII, they intend to shorten, in the case of the limited survival periods specified in Section 7.1, the applicable statute of limitations period with respect to certain claims; (ii) notices for claims in respect of a breach of a representation, warranty, covenant, agreement or obligation must be delivered prior to the expiration of the applicable survival period specified in Section 7.1 for such representation, warranty, covenant, agreement or obligation; and (iii) any claims for indemnification for which notice is not timely delivered in accordance with this Section 7.4(a) shall be expressly barred and are hereby waived; provided further that, if, prior to such applicable date, a party hereto shall have notified the other party hereto in accordance with the requirements of this Section 7.4(a) of a claim for indemnification under this Article VII (whether or not formal legal action shall have been commenced based upon such claim), such claim (but only such claim) shall continue to be subject to indemnification in accordance with this Article VII notwithstanding the passing of such applicable date until the final resolution thereof in accordance with this Article VII.

(b) The Indemnified Party and the Indemnifying Party shall reasonably cooperate with each other and assist each other in determining the validity of any third-party claim for indemnity and in defending against such a third-party claim. In connection with any fact, matter, event or circumstance that may give rise to a claim against any Indemnifying Party under this Agreement, the Indemnified Party shall ensure that the Indemnified Party and each of its Affiliates: (i) shall use reasonable efforts to preserve all material evidence relevant to the claim, (ii) shall (upon the Indemnifying Party's written request and at the Indemnifying Party's expense) reasonably cooperate with the Indemnifying Party's and its Representatives' efforts to investigate the fact, matter, event or circumstance alleged to give rise to such claim and whether and to what extent any amount is payable in respect of such claim, and (iii) shall (at the Indemnifying Party's expense) disclose to the Indemnifying Party and its Representatives all material of which it is aware which reasonably relates to the claim and provide (upon the Indemnifying Party's written request and at the Indemnifying Party's expense), all such information and assistance, including reasonable access to relevant premises and personnel during normal business hours, and the right to examine and copy or photograph any relevant assets, accounts, documents and records, as the Indemnifying Party or its Representatives may reasonably request, subject to the Indemnifying Party and its Representatives agreeing in such form as the Indemnified Party may reasonably require to keep all such information confidential and to use it only for the purpose of investigating and defending the claim in question. The party in charge of the defense shall keep the other party reasonably apprised from time to time as to the status of the defense or any settlement negotiations with respect thereto.

(c) Upon receipt of a notice of a claim for indemnity from an Indemnified Party pursuant to Section 7.4(a) in respect of a third-party claim, the Indemnifying Party may, by written notice to the Indemnified Party delivered within thirty (30) Business Days of the receipt of notice of such third-party claim (the "Notice Period"), assume the defense and control of any third-party claim, with its own counsel (which shall be reasonably acceptable to the Indemnified Party) and at its own expense, but shall allow the Indemnified Party a reasonable opportunity to participate

in the defense of such third-party claim with its own counsel and at its own expense (unless the Indemnified Party in good faith determines that there is an actual conflict of interest with the Indemnifying Party in respect of such third-party claim, in which case the Indemnifying Party shall be liable for the fees and expenses under this Agreement of one legal counsel for all the Indemnified Parties, in addition to one local counsel in each applicable jurisdiction, with respect to such third-party claim); provided, that the Indemnifying Party shall not have the right to assume the defense of any third-party claim that primarily relates to Buyer's or its Affiliates' Taxes. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which shall not be unreasonably withheld, conditioned or delayed), consent to a settlement, compromise or discharge of, or the entry of any judgment arising from, any third-party claim, unless (i) such settlement, compromise, discharge or entry of any judgment does not involve (A) any finding or admission of any violation of Law or admission of any wrongdoing by an Indemnified Party or (B) the imposition of an order, injunction or decree of a Governmental Entity that would restrict the future activity or conduct of an Indemnified Party, (ii) such settlement or compromise is comprised solely of monetary damages (other than customary confidentiality and other ancillary obligations), and the Indemnifying Party shall obtain, as a condition of such settlement, compromise, discharge, entry of judgment (if applicable), or other resolution, a complete and unconditional release of each Indemnified Party from any and all liabilities in respect of such third-party claim and (iii) the Indemnifying Party pays all amounts arising from such settlement or compromise.

(d) If the Indemnifying Party elects not to defend the Indemnified Party against a third-party claim, whether by not giving the Indemnified Party timely notice of its desire to so defend within the Notice Period or by giving notice of its election not to defend against such third-party claim, the Indemnified Party shall have the right but not the obligation to assume its own defense at the expense of the Indemnifying Party. Unless and until the Indemnifying Party makes an election in accordance with Section 7.4(c) to assume the defense of such third-party claim, the Indemnified Party may defend against such third-party claim in such manner as it may reasonably deem appropriate, with all of the Indemnified Party's expenses arising out of the defense of such third-party claim subject to indemnification under this Agreement to the extent provided in this Article VII. The Indemnified Party shall not settle, compromise or consent to the entry of any judgment with respect to any claim or demand for which it is seeking indemnification from the Indemnifying Party or admit to any liability with respect to such claim or demand without the prior written consent of the Indemnifying Party (which may not be unreasonably withheld, conditioned or delayed). Notwithstanding anything to the contrary contained in this Article VII, no Indemnifying Party shall have any liability under this Article VII for any Liabilities arising out of or in connection with any third-party claim that is settled or compromised by an Indemnified Party without the consent of such Indemnifying Party.

(e) In the event any Indemnifying Party receives a notice of a claim for indemnity from an Indemnified Party pursuant to Section 7.4(a) that does not involve a third-party claim, the Indemnifying Party shall notify the Indemnified Party within thirty (30) Business Days following its receipt of such notice whether the Indemnifying Party disputes its liability to the Indemnified Party under this Article VII.

(f) Notwithstanding the foregoing provisions of this Section 7.4, (i) if a third-party claim relates to Taxes (other than Taxes of Buyer or its Affiliates) that are indemnified under Section 7.2, Seller shall have the exclusive right to conduct, at its own expense, such Tax Proceeding, and (ii) Seller shall have the exclusive right to control in all respects, and neither Buyer nor any of its Affiliates shall be entitled to participate in, any Tax Proceeding with respect to any Tax Return of (A) Seller or any of its Affiliates or (B) a consolidated, combined or unitary group that includes Seller or any of its Affiliates.

SECTION 7.5 Payment. In the event a claim for indemnification under this Article VII has been finally determined, the amount of such final determination shall be paid by the Indemnifying Party to the Indemnified Party on demand in immediately available funds. Except to the extent otherwise required pursuant to a “determination” within the meaning of Section 1313(a) of the Code, the parties agree to treat, for income tax purposes, such payment as an adjustment to the purchase price. Any claim, action, suit, arbitration or proceeding by or before any Governmental Entity, and the liability for and amount of damages therefor, shall be deemed to be “finally determined” for purposes of this Article VII when the parties hereto have so determined by mutual agreement or, if disputed, when an order, injunction or decree of a Governmental Entity that has become final and non-appealable has been entered into with respect to such claim, action, suit, arbitration or proceeding.

SECTION 7.6 Exclusive Remedies. Each party hereto acknowledges and agrees that other than Fraud, following the Closing, (a) the indemnification provisions of this Article VII shall be the sole and exclusive remedies of the parties hereto for any breach of the representations or warranties contained in this Agreement or any certificate or instrument delivered hereunder, (b) notwithstanding anything to the contrary contained herein, no breach of any representation, warranty, covenant, agreement or obligation contained herein shall give rise to any right on the part of any party hereto to rescind this Agreement or any of the transactions contemplated hereby, and (c) the indemnification provisions of this Article VII shall be the sole and exclusive monetary remedies of the parties hereto for any breach or non-fulfillment of any covenant, agreement or obligation contained in this Agreement; provided that this clause (c) does not preclude any party from bringing an action for specific performance or other equitable remedy to require any party to perform its obligations under this Agreement.

SECTION 7.7 Damages. Seller and Buyer agree that with respect to each indemnification obligation set forth in this Article VII, the Indemnifying Party’s indemnification obligation shall not include Liabilities arising from any consequential (including consequential, lost profit damages and diminution in value), indirect, incidental, punitive, exemplary, incidental or special damages (and, in each case, whether or not foreseeable), except to the extent payable to a third party in respect of a third-party claim. For purposes of calculating the amount of any Liability under this Article VII, each representation and warranty contained in this Agreement shall be read without regard to any “materiality,” “Material Adverse Effect,” “Buyer Material Adverse Effect” or other similar qualification contained in or otherwise applicable to such representation or warranty, other than the representation and warranty set forth in Section 3.8(a). For purposes of determining whether a breach of any representation or warranty made in this Agreement has occurred, each representation and warranty contained in this Agreement shall be read with regard to any “materiality” or other similar qualification contained in or otherwise applicable to such representation or warranty but any “Material Adverse Effect” or other similar

qualification contained in or otherwise applicable to such representation or warranty shall be read as “material to the Company Business, taken as a whole”.

SECTION 7.8 Right to Recover. If an Indemnifying Party has paid an amount in discharge of any claim under this Agreement and the Indemnified Party recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a non-affiliated third party a sum which indemnifies or compensates the Indemnified Party (in whole or in part) in respect of the Liability which is the subject matter of the claim, Buyer or Seller, as applicable, shall procure that all steps are taken as may reasonably be required to pay to Seller or Buyer, as applicable, as soon as practicable after receipt an amount equal to (a) any sum recovered from the non-affiliated third party less any reasonable costs and expenses incurred in obtaining such recovery or (b) if less, the amount previously paid by the Indemnifying Party to the Indemnified Party. The Indemnifying Party shall be subrogated to any right of action (whether pursuant to contract, arising under Applicable Law or otherwise) which the Indemnified Party may have against any other Person with respect to any matter giving rise to a claim for indemnification hereunder.

SECTION 7.9 Double Claims. No Indemnified Party shall be entitled to recover from an Indemnifying Party under this Article VII more than once in respect of the same Liability (notwithstanding that such Liability may result from breaches of multiple provisions of this Agreement).

ARTICLE VIII TERMINATION

SECTION 8.1 Termination of Agreement. This Agreement may be terminated at any time prior to the Closing:

(a) by Seller or Buyer, in writing, if there shall be any order, injunction or decree of any Governmental Entity that prohibits or restrains either party from consummating the transactions contemplated hereby or the transactions contemplated by the Specified Transaction Agreements and such order, injunction or decree shall have become final and non-appealable or there shall be a law, statute, rule or regulation of any Governmental Entity in effect that prevents or makes illegal the transactions contemplated hereby or the transactions contemplated by the Specified Transaction Agreements; provided, that the party seeking to terminate this Agreement pursuant to this Section 8.1(a) shall have performed in all material respects its obligations under Section 5.3 and Section 5.4;

(b) by Seller or Buyer, in writing, if the Closing has not occurred on or prior to December 31, 2021 (the “Outside Date”); provided, that the party seeking to terminate this Agreement has not materially breached this Agreement in a manner that contributed materially to the failure of the Closing to occur on or prior to such date;

(c) by Seller, in writing, if a breach of any provision of this Agreement that has been committed by Buyer would cause the failure of a condition to Closing set forth in Section 6.3(a) or Section 6.3(b) and such breach is not capable of being cured or, if capable of being cured, is not cured before the earlier of (i) the Outside Date and (ii) the date that is twenty (20) Business Days after Buyer receives written notice from Seller that Seller intends to terminate this Agreement

pursuant to this Section 8.1(c); provided, that Seller is not then in material breach of this Agreement;

(d) by Buyer, in writing, if a breach of any provision of this Agreement that has been committed by Seller would cause the failure of a condition to Closing set forth in Section 6.2(a) or Section 6.2(b) and such breach is not capable of being cured or, if capable of being cured, is not cured before the earlier of (i) the Outside Date and (ii) the date that is twenty (20) Business Days after Seller receives written notice from Buyer that Buyer intends to terminate this Agreement pursuant to this Section 8.1(d); provided, that Buyer is not then in material breach of this Agreement;

(e) by Seller, in writing, if (i) all of the conditions to Buyer's obligations under this Agreement set forth in Section 6.1 and Section 6.2 have been satisfied (other than those conditions that by their terms are to be satisfied at the Closing, provided that such conditions are then capable of being satisfied at the Closing), (ii) Seller has irrevocably confirmed in writing to Buyer that (A) all of the conditions to Seller's obligations under this Agreement set forth in Section 6.1 and Section 6.3 have been satisfied (other than those conditions that by their terms are to be satisfied at the Closing, provided that such conditions are then capable of being satisfied at the Closing) or that Seller is willing to irrevocably waive any such conditions that remain unsatisfied and (B) Seller is ready, willing and able to proceed with the Closing and (iii) Buyer fails to comply with its obligations under Article II to consummate the Closing by the later of two (2) Business Days after (A) the date of delivery of the written confirmation contemplated by the foregoing clause (ii) and (B) the time specified in Section 2.2; or

(f) by mutual written agreement of Seller and Buyer.

SECTION 8.2 Effect of Termination. If this Agreement is terminated pursuant to Section 8.1, this Agreement shall become null and void and of no further force and effect without liability of either party (or any Representative of such party) to the other party to this Agreement; provided, that (a) subject to the two immediately following sentences, no such termination shall relieve a party from liability for any Fraud or Willful Breach of this Agreement, (b) Section 1.1, Section 5.5, this Section 8.2 and Article IX shall survive termination and (c) if requested in writing by Seller, Buyer shall return to Seller or destroy (and provide a certificate of destruction) all documents received by Buyer or any of its Affiliates or its or their Representatives from or on behalf of Seller, the Company, their respective Affiliates and their respective Representatives relating to the transactions contemplated hereby, whether obtained before or after the execution hereof (it being agreed that the Confidentiality Agreement shall remain in full force and effect in accordance with its terms). Notwithstanding anything to the contrary in this Agreement, solely in the event that the Closing does not occur, the maximum aggregate liability of Buyer and the Equity Provider for any Liability suffered as a result of any breach of this Agreement (including any Willful Breach), the Equity Commitment Letter or the Limited Guaranty, or the failure of the transactions contemplated hereby or thereby to be consummated, or in respect of any oral representation made or alleged to be have been made in connection herewith or therewith, whether in equity or at law, in contract, in tort or otherwise, shall not exceed and shall be limited to the Purchase Price, and in no event shall Seller seek to, and Seller shall cause its controlled Affiliates, directors, and officers not to seek to, recover any money damages (including consequential, indirect or punitive damages) in excess of such amount in respect of any such breach, failure or

representation. In furtherance and not in limitation of the foregoing, solely in the event that the Closing does not occur and Seller commences an Action seeking monetary damages for any breach of this Agreement (including any Willful Breach), the Equity Commitment Letter or the Limited Guaranty, or the failure of the transactions contemplated hereby or thereby to be consummated, upon payment of damages in an amount up to the Purchase Price, Buyer and the Equity Provider shall not have any further liability or obligation to Seller or any of its equity holders, controlling persons, directors, officers, employees, agents, Affiliates, members, managers or general or limited partners or any former, current or future stockholder, controlling person, director, officer, employee, general or limited partner, member, manager, Affiliate or agent of any of the foregoing relating to or arising out of this Agreement, the Equity Commitment Letter or the Limited Guaranty, or the failure of the any transaction contemplated hereby or thereby to be consummated, whether in equity or at law, in contract, in tort or otherwise, and in such event, Seller shall not seek to, and shall cause its controlled Affiliates, directors, and officers not to seek to, recover any money damages (including consequential, indirect or punitive damages, or damages on account of a Willful Breach) from Buyer or the Equity Provider for any such breach or failure.

ARTICLE IX GENERAL PROVISIONS

SECTION 9.1 Fees and Expenses. Except as otherwise expressly provided in this Agreement, whether or not the purchase and sale of the Purchased Shares is consummated, each party shall pay its own Transaction Expenses incident to preparing for, entering into and carrying out the Transaction Agreements and the consummation of the transactions contemplated thereby. Notwithstanding anything to the contrary in this Agreement, Buyer shall pay, when due, and be responsible for, any sales, use transfer, documentary, stamp, recording, value added, conveyance, goods and services or similar Taxes and fees imposed on or payable solely as a result of the transfer and sale of the Purchased Shares pursuant to this Agreement; provided, that Buyer shall not be responsible, and shall not bear any such taxes that would not have resulted if the transfer and sale of the Purchased Shares was the only relevant transaction for purposes of determining whether such Tax applies under Applicable Law. The party required by Applicable Law to do so shall file all necessary Tax Returns and other documentation with respect to all Taxes referenced in the immediately preceding sentence and, if required by Applicable Law, the other party shall, or shall cause its respective Affiliates to, join in the execution of any such Tax Returns and other documentation.

SECTION 9.2 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt), (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested), (c) on the date sent by e-mail if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient, or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

if to Buyer, to:

Argon Holdco LLC
c/o The Blackstone Group Inc.
345 Park Avenue
New York, New York 10154
Attention: John G. Finley
Email: john.finley@blackstone.com

with a copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Elizabeth A. Cooper
Katherine M. Krause
Email: ecooper@stblaw.com
katherine.krause@stblaw.com

and

Skadden, Arps, Slate, Meagher & Flom LLP
One Manhattan West
New York, New York 10001
Attention: Todd Freed
Jon Hlafter
Email: todd.freed@skadden.com
jon.hlafter@skadden.com

if to Seller, to:

American International Group, Inc.
1271 Avenue of the Americas
41st Floor
New York, New York 10020
Attention: General Counsel
Email: lucy.fato@aig.com

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Edward D. Herlihy
David K. Lam
Mark A. Stagliano
Email: edherlihy@wlrk.com
dklam@wlrk.com
mastagliano@wlrk.com

SECTION 9.3 Interpretation. When reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. All references herein to any agreement, instrument, statute, rule or regulation are to the agreement, instrument, statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under said statutes) and to any section of any statute, rule or regulation including any successor to said section. Any fact or item disclosed in any Section or subsection of each of the Seller Disclosure Schedule shall be deemed to apply to and qualify the Section or subsection of this Agreement to which it corresponds in number and each other Section or subsection of this Agreement or the Seller Disclosure Schedule to the extent the relevance to such Section or subsection is reasonably apparent on the face of such disclosure. Disclosure of any item in the Seller Disclosure Schedule shall not be deemed an admission that such item represents a material item, fact, exception of fact, event or circumstance or that occurrence or non-occurrence of any change or effect related to such item has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” Whenever the words “hereof,” “hereto,” “hereby,” “herein” and “hereunder” and words of similar import are used in this Agreement, they shall be deemed to refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the word “or” is used in this Agreement, it shall not be exclusive. Whenever the word “extent” in the phrase “to the extent” is used in this Agreement, it shall be deemed to mean the degree to which a subject or other thing extends and shall not mean simply “if.” Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. Whenever the word “Dollars” or the “\$” sign appear in this Agreement, they shall be construed to mean United States Dollars, and all transactions under this Agreement shall be in United States Dollars. All percentages resulting from calculations pursuant to Section 2.5 of this Agreement will be set forth in decimals and rounded to the nearest thousandth. This Agreement has been fully negotiated by both parties and shall not be construed by any Governmental Entity against either party by virtue of the fact that such party was the drafting party.

SECTION 9.4 Entire Agreement; Third Party Beneficiaries. This Agreement (including all Exhibits and Schedules hereto), the Confidentiality Agreement, the Equity Commitment Letter, the Limited Guaranty and the other Transaction Agreements constitute the entire agreement, and supersede all prior agreements, understandings, representations and warranties, both written and oral, among the parties with respect to the subject matter of this Agreement. Except as otherwise expressly provided in this Article IX, this Agreement is not intended to confer upon any Person other than the parties to this Agreement any rights or remedies.

SECTION 9.5 Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to its principles or rules of conflict of laws, to the extent such principles or rules are not mandatorily applicable by statute and would permit or require the application of the laws of another jurisdiction.

SECTION 9.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise, by either party without the prior written consent of the other party, and any such assignment that is not consented to shall be null and void; provided that Buyer may, without the prior written consent of Seller, assign its rights and interests, and delegate its obligations, under this Agreement to an Affiliate thereof; provided, however, that no such assignment or delegation shall (i) relieve Buyer of its obligations hereunder or (ii) impair or delay, in any material respect, the consummation of the transactions contemplated hereby. Subject to the foregoing, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

SECTION 9.7 Jurisdiction; Enforcement.

(a) Each party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the Court of Chancery of the State of Delaware, or, if (and only if) such court finds it lacks jurisdiction, the federal court of the United States of America sitting in Delaware, or if (and only if) such court finds it lacks jurisdiction, any other court located in the State of Delaware, and any appellate court from any thereof, for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit or other proceeding, each party irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of such courts, that such action, suit or other proceeding is not subject to the jurisdiction of such courts, that such action, suit or other proceeding is brought in an inconvenient forum or that the venue of such action, suit or other proceeding is improper. Each party also agrees that any final and non-appealable judgment against a party in connection with any action, suit or other proceeding will be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 9.2, constitute good, proper and sufficient service thereof. Notwithstanding this Section 9.7(a), the determination of the Closing Purchase Price shall be made

as set forth in Section 2.5; provided, that any dispute over the obligations of the parties under Section 2.5 shall be subject to this Section 9.7.

(b) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, without the necessity of posting bond or other undertaking, the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Agreement, this being in addition (subject to the terms of this Agreement, including the last sentence of this Section 9.7(b)) to any other remedy to which such party is entitled at law or in equity. In the event that any Action is brought in equity to enforce the provisions of this Agreement, no party shall allege, and each party hereby waives any defense or counterclaim, that there is an adequate remedy at law. The parties further agree that nothing contained in this Section 9.7(b) shall require a party to institute any action for (or limit such party's right to institute any action for) specific performance under this Section 9.7(b) before exercising any other right under this Agreement. Notwithstanding anything to the contrary in this Agreement, but without limiting Seller's rights pursuant to Article VII, while Seller may concurrently seek specific performance in accordance with and subject to this Section 9.7(b) to cause Buyer to consummate the transactions contemplated hereby and to recover monetary damages from Buyer, subject to the limitations set forth in Section 8.2, under no circumstances shall Seller be permitted or entitled to receive both (i) a grant of specific performance causing Buyer to consummate the transactions contemplated hereby and (ii) monetary damages of any kind whatsoever.

(c) EACH PARTY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO OTHER PARTY OR REPRESENTATIVE, AGENT OR ATTORNEY THEREOF HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.7(C).

SECTION 9.8 Severability; Amendment; Waiver.

(a) Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(b) This Agreement may be amended or a provision hereof waived only by a written instrument signed by each of Buyer and Seller.

(c) No delay on the part of a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of a party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

SECTION 9.9 Certain Limitations.

(a) With respect to any estimation, valuation, appraisal, projection or forecast made available to Buyer, its Affiliates or their respective Representatives with respect to Seller, the Company or their respective Affiliates, Buyer acknowledges and agrees that (i) there are uncertainties inherent in attempting to make such estimations, valuations, appraisals, projections and forecasts, (ii) it is familiar with such uncertainties, (iii) such estimations, valuations, appraisals, projections and forecasts are not and shall not be deemed to be representations or warranties of Seller, the Company or any of their respective Affiliates, except to the extent set forth in the representations and warranties set forth in Article III, and (iv) it shall have no claim against any Person with respect to any such valuation, appraisal, projection or forecast.

(b) Except to the extent expressly set forth in the representations and warranties of Seller set forth in Article III, neither Seller nor the Company makes any express or implied representation or warranty hereby or otherwise under this Agreement or any other Transaction Agreement as to the future experience, success or profitability of the Company Business, whether or not conducted in a manner similar to the manner in which the Company Business was conducted prior to the Closing, or that the reserves held by or on behalf of any the Company or any Company Subsidiaries or otherwise with respect to the Company Business or the assets supporting such reserves have been or will be adequate or sufficient for the purposes for which they were established or that the reinsurance recoverables taken into account in determining the amount of such reserves will be collectible or whether such reserves were calculated, established or determined in accordance with any actuarial, statutory or other standard, or concerning any financial statement line item or asset, Liability or equity amount that would be affected by any of the foregoing.

(c) Buyer further acknowledges and agrees that it (i) is a sophisticated party and understands the merits and risks of consummating the transactions contemplated by this Agreement and the other Transaction Agreements, (ii) has made its own inquiry and investigation into, has completed to its satisfaction its own due diligence investigation of, and, based thereon, has formed an independent judgment concerning the Company, the Company Subsidiaries and the Company Business, (iii) has been furnished or provided access to such information and documents about the Company, the Company Subsidiaries and the Company Business and the operations thereof or otherwise as it has deemed necessary to enable it to form such independent judgment and (iv) has been provided an opportunity to ask questions of Seller and the Company with respect to such information, documents and other materials and has received answers to such questions. Buyer further acknowledges and agrees that none of Seller (except as expressly set forth in Article -III) the Company or any of their respective Affiliates, nor any other Person not a party to this Agreement, is making or has made any representations or warranties, express or implied, as

to the accuracy or completeness of any such information, documents and other materials, and hereby expressly disclaim any such representations or warranties or any reliance thereon, other than the representations and warranties expressly set forth in this Agreement.

SECTION 9.10 Non-Recourse. Notwithstanding anything to the contrary contained herein or otherwise, this Agreement may only be enforced against, and any claims or causes of action that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement or the transactions contemplated hereby, may only be made against, the Persons that are expressly identified as parties to this Agreement (in the preamble and signature pages hereto) in their capacities as parties to this Agreement or the Persons that are expressly identified as parties to any other Transaction Agreement, the Equity Commitment Letter or the Limited Guaranty in their capacities as parties to such agreements, and no former, current or future equity holders, controlling persons, directors, officers, employees, agents, Affiliates, members, managers or general or limited partners of any of the Persons that are expressly identified herein as parties to such agreements or any former, current or future stockholder, controlling person, director, officer, employee, general or limited partner, member, manager, Affiliate or agent of any of the foregoing, or any other non-party, shall have any liability for any obligations or liabilities of the parties or for any claim (whether in tort, contract or otherwise) based on, in respect of, or by reason of, the transactions contemplated hereby or thereby or in respect of any representations, warranties or statements made or alleged to be made in connection herewith or therewith (except to the extent such Person is expressly identified as a party to such other agreement). Without limiting the rights of either party against the other party, in no event shall either party or any of its Affiliates seek to enforce this Agreement against, make any claims for breach of this Agreement against, or seek to recover monetary damages for breach of this Agreement from, any non-party, whether by or through attempted piercing of the corporate, limited partnership or limited liability company veil, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute, regulation or Applicable Law, or otherwise. The non-parties specified above shall be express third-party beneficiaries of this Section 9.10.

SECTION 9.11 No Offset. No party to this Agreement may offset any amount due to any other party or any of such other party's Affiliates against any amount owed or alleged to be owed from such other party or its Affiliates under this Agreement or any other Transaction Agreement without the written consent of such other party.

SECTION 9.12 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. Each party may deliver its signed counterpart of this Agreement to the other party by means of electronic mail or any other electronic medium utilizing image scan technology, and such delivery will have the same legal effect as hand delivery of an originally executed counterpart.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their respective duly authorized officers as of the date first written above.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Mark Lyons _____

Name: Mark Lyons

Title: Executive Vice President and Chief Financial Officer

[Signature Page to L&R Stock Purchase Agreement]

ARGON HOLDCO LLC

By: Blackstone Holdings II L.P., its sole member

By: Blackstone Holdings I/II GP L.L.C., its general partner

By: /s/ Michael Chae

Name: Michael Chae

Title: Chief Financial Officer

[Signature Page to L&R Stock Purchase Agreement]

PURCHASE AGREEMENT

dated as of July 14, 2021

between

AMERICAN INTERNATIONAL GROUP, INC.

and

AZTEC HOLDCO LLC

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Disclosure Schedules

Parent Disclosure Schedule
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This PURCHASE AGREEMENT (this “Agreement”), dated as of July 14, 2021, is entered into by and between AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation (“Parent”), and AZTEC HOLDCO LLC, a Delaware limited liability company (“Acquiror”).

RECITALS

A. SAFG Retirement Services, Inc., a Delaware corporation and a wholly owned subsidiary of Parent (the “Seller”), is engaged in the business of, directly and indirectly, holding interests in, providing services relating to and otherwise managing and disposing of a portfolio of investments in real estate properties.

B. In connection with such business, the Seller and certain of its Affiliates hold interests as a general partner, limited partner and/or member with respect to the following entities (in each case, as more particularly described in and subject to the exceptions set forth in this Agreement): (i) certain upper-tier partnerships (each, an “Investor Fund”) in which the general partner is an Affiliate of the Seller and the limited partner is or was a third-party investor (a “Tax Credit Investor”) or an Affiliate of the Seller; (ii) certain middle-tier partnerships (each, a “Housing Fund”) in which one or more Investor Funds hold limited partner interests and in which the general partner is the Seller or an Affiliate thereof; and (iii) certain lower-tier partnerships and limited liability companies, each of which is formed for the purpose of owning and developing a Property (each, an “Operating Partnership”), in which a Housing Fund holds a limited partner interest and in which the general partner is an Affiliate of the Seller or a third party (a “Third-Party GP”).

C. Set forth on Annex I is a current list of the interests owned by the Seller and its Affiliates in certain Investor Funds, Housing Funds, GP Entities and SLP Entities (such interests set forth on Annex I, the “Transferred Equity Interests”, and such entities, the “Target Entities”) and the Operating Partnerships (and any Subsidiaries) in which such Target Entities hold interests, directly or indirectly.

D. Parent owns, directly or indirectly through Seller or certain of its Affiliates, (i)(x) interests in fees due from the Operating Partnerships, the Investor Funds or the Housing Funds under the Organizational Documents of such entities (or, as applicable, under other Contracts with such entities setting forth entitlements to fees provided for or permitted by such Organizational Documents) and (y) certain other records, data, software (including the Parent’s Oracle-based cash flow modelling, but, for the avoidance of doubt, excluding any software licensed from Oracle), analytical tools and other assets related to the Business (such assets referred to in clause (i) collectively, the “Ancillary Transferred Assets”), and (ii) debt interests secured, directly or indirectly, by liens on the Properties, a current list of which is set forth on Annex II (the “Transferred Debt Interests”).

E. Parent desires to cause the Seller and the other Seller Parties to sell to Acquiror (or to an Acquiror Designee), and Acquiror desires to purchase, the Transferred Equity Interests, the Ancillary Transferred Assets and the Transferred Debt Interests, and Acquiror is willing to assume the Assumed Liabilities, in each case upon the terms and subject to the conditions set forth herein.

F. Contemporaneously with the execution of this Agreement, Parent and Acquiror have entered into the Escrow Agreement pursuant to which the Deposit shall be deposited with the Escrow Agent in accordance with Section 2.08(a).

G. In connection with this Agreement, at the Closing, in accordance with and pursuant to the provisions of Section 6.11(c), Acquiror and Parent will enter into a hold harmless agreement in substantially the form attached hereto as Exhibit B (the “Hold Harmless Agreement”).

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. Capitalized terms used in this Agreement shall have the meanings specified in Exhibit A or elsewhere in this Agreement.

ARTICLE II

PURCHASE AND SALE

Section 2.01. Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing:

(a) Parent shall cause the applicable Seller Parties to sell, convey, assign, transfer and deliver to Acquiror, and Acquiror (or an Acquiror Designee) shall purchase, acquire and accept from such Seller Parties (i) the Transferred Equity Interests free and clear of all Liens other than Permitted Liens, (ii) the Transferred Debt Interests free and clear of all Liens, (iii) the Ancillary Transferred Assets free and clear of all Liens, and (iv) the Assigned Contracts free and clear of all Liens (collectively, the "Transferred Assets");

(b) Parent and its Affiliates shall not sell, assign, transfer or convey to Acquiror and Acquiror shall not purchase any of Parent's or any of its Affiliates' right, title and interest in and to any assets of Parent and its Affiliates besides the Transferred Assets (the "Excluded Assets"), whether directly or indirectly through the transfer of the Transferred Equity Interests (*i.e.*, whether owned directly by Parent or an Affiliate or owned by a Target Entity). Notwithstanding anything to the contrary contained herein, the Excluded Assets include:

- (i) all cash and cash equivalents (including marketable securities and short-term investments) and deposits other than (x) Transferred Reserves and (y) Transferred Cash Flow;
- (ii) any Intercompany Agreements;
- (iii) all consideration received by, and all rights of, Parent and its Affiliates pursuant to the Transaction Agreements;
- (iv) Excluded Property Assets and Liabilities relating to each Excluded Property;
- (v) Excluded Debt Interests; and
- (vi) the items set forth on Section 2.01 of the Parent Disclosure Schedule.

Section 2.02. Assumption of Liabilities.

(a) On the terms and subject to the conditions set forth in this Agreement, from and after the Closing, Acquiror shall assume and be solely responsible for, and duly and properly perform, discharge and pay, when due, any and all Liabilities of Parent and its Affiliates, whether relating to

periods prior to, on, or after the Closing Date, to the extent relating to or arising out of the Transferred Equity Interests, the Transferred Debt Interests, the Assigned Contracts, any other Transferred Assets or the Business, including, without limitation, all:

- (i) Liabilities assumed by Acquiror pursuant to Section 2.12(c);
- (ii) Liabilities for Transfer Taxes;
- (iii) Liabilities in connection with any Existing Loans;
- (iv) Liabilities for Transferred Reserves; and
- (v) Liabilities for the items set forth on Section 2.02(a)(v) of the Parent Disclosure Schedule;

but excluding, in each case, any Excluded Liabilities (collectively, the “Assumed Liabilities”).

(b) Acquiror shall not assume or be obligated to pay, perform or otherwise discharge any of the following:

- (i) Liabilities relating to, arising out of or resulting from the conduct, ownership or operation of any Excluded Asset or any business of Parent or any of its Affiliates other than the Business;
- (ii) Liabilities for which Parent or its Affiliates are made responsible pursuant to the express terms of this Agreement;
- (iii) Liabilities of Parent or Seller under guarantees provided to Tax Credit Investors (such guarantees, the “Fund Guarantees”), to the extent such Liabilities arise out of Prior Noncompliance and not out of Acquiror’s failure to perform its obligations under Section 6.11 with respect to Prior Noncompliance;
- (iv) Liabilities relating to each Excluded Asset, including any Liability arising at any time pursuant to an agreement entered into in connection with the disposition of an Excluded Asset; and
- (v) Liabilities of Parent, any Affiliate of Parent, any Transferred Subsidiary or Operating Partnership to any Participant Vehicle, including with respect to any Contract or Organizational Document of Parent, its Affiliates or any Transferred Subsidiary or Operating Partnership, and including any Liabilities arising out of or relating to transactions contemplated by this Agreement (collectively, the “Excluded Liabilities”).

Section 2.03. Closing. The transactions contemplated by this Agreement shall take place at a closing (the “Closing”) that shall be held no later than 2:00 p.m., New York City time, on December 31, 2021, at the offices of Sullivan & Cromwell LLP at 125 Broad Street, New York, New York 10004, or such other time or place (including by way of remote exchange of documents) as Parent and Acquiror may agree in writing (the date on which the Closing takes place being the “Closing Date”); provided that if the Acquiror consents in writing to effectuate the Closing prior to December 31, 2021 (which it may do so in its sole discretion, subject to providing Parent with notice at least one (1) calendar month in advance of the proposed Closing Date), the Closing shall occur on the last Business Day of the first month during which all the conditions set forth in ARTICLE VIII have been satisfied or waived

(other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at the Closing), unless such date would be less than ten (10) Business Days after the date on which all conditions set forth in ARTICLE VIII are so satisfied or waived, in which case on the last Business Day of the immediately following month, or on such other date as Parent and Acquiror may agree in writing. Upon the occurrence of the Closing, the time and date that the purchase and sale described in Section 2.01 becomes effective shall be 12:01 a.m., New York City time, on the Closing Date.

Section 2.04. Purchase Price. The aggregate purchase price to be paid at the Closing in consideration of the purchase and sale described in Section 2.01 and the assumption of the Assumed Liabilities shall be an amount in cash equal to \$5,095,035,068 (the "Base Purchase Price") as adjusted in accordance with Section 2.06 (as so adjusted, the "Purchase Price").

Section 2.05. Allocation of Purchase Price. Attached hereto as Annex IV is a schedule (the "Allocation Schedule") allocating the Purchase Price, together with any other amounts treated as consideration for Tax purposes, among the Transferred Assets and/or any other assets treated as transferred for Tax purposes in a manner consistent with applicable Tax Law and with the terms of this Agreement. The portion of the Purchase Price allocated to each Property on the Allocation Schedule is referred to herein as the "Allocated Value" with respect to such Property. The portion of the Purchase Price allocated to each Transferred Debt Interest on the Allocation Schedule is referred to herein as the "Debt Allocated Value" with respect to such Transferred Debt Interest. Each of the parties agrees to file (and cause its respective Affiliates to file) its respective Tax Returns consistent with the Allocation Schedule, and not take any position inconsistent with such schedule in any Tax Return, Tax filing, audit, or refund claim, unless required by applicable Law. Each party agrees to provide notification to the other party if any Tax Authority proposes changes to any allocations made pursuant to the Allocation Schedule.

Section 2.06. Payment of Purchase Price.

(a) Not less than twenty (20) calendar days prior to the anticipated Closing Date, Parent shall prepare and deliver to Acquiror a written statement (the "Closing Statement") setting forth Parent's good faith determination of the Purchase Price. If, during such twenty (20) calendar day period prior to the anticipated Closing Date, Acquiror (acting reasonably and in good faith) objects to any portion of the Closing Statement on the basis of an error in calculation, Parent shall consider in good faith any such objection and may, but shall not be required to, update the Closing Statement to address such objection. If such objection is not resolved by the Closing, then the objection will not be taken into account in the final Closing Statement used for the Closing, and the terms of Section 2.06(d) below shall apply.

(b) The Closing Statement shall designate the Cash Flow Cut-Off Date and include the following:

(i) (A) a list of the following Properties (each, an "Excluded Property"): (1) any Property that has been sold or is expected to be sold by the applicable Operating Partnership prior to the Closing in accordance with the terms of this Agreement, (2) any Property with respect to which Parent and its Affiliates will not own any direct or indirect Equity Interests in the applicable Operating Partnership as of the Closing in accordance with the terms of this Agreement, and (3) any other Property designated as an Excluded Property in accordance with this Agreement, including pursuant to Section 3.04(c) and any Scheduled Pipeline Property designated as an Excluded Property pursuant to Annex V; and (B) a statement of the Allocated Value and Net Sales Price (as defined on Annex V) with respect to each Excluded Property and each Property that is subject to a Third Party Sale Contract (as defined on Annex V);

(ii) a statement of Pre-Closing Cash Flow and Permitted Deductions from Pre-Closing Cash Flow;

(iii) a statement of the amount of any Transferred Reserves *less* cash reserves or deposits held by a third-party servicer with respect to the Transferred Debt Interests (the “Reserve Amount”); and

(iv) a statement of (A) each Transferred Debt Interest that has been paid off (or redeemed) or is expected to be paid off (or redeemed), in each case, in whole or in part, prior to the Closing (the “Excluded Debt Interests”) and the Debt Allocated Value for each such Transferred Debt Interest (which, in the case of a partial repayment or expected partial repayment of a Transferred Debt Interest, shall be reduced by the amount of such Transferred Debt Interest repaid prior to the Closing) and (B) any debt interests secured, directly or indirectly, by liens on the Properties, acquired or originated by Parent or its Affiliates after the date hereof and prior to the Closing in accordance with the terms of this Agreement and the Debt Allocated Value for each such interest (the “Additional Transferred Debt Interests”).

(c) At the Closing, Acquiror shall pay to Parent, by wire transfer of immediately available funds to an account designated by Parent at least two (2) Business Days prior to the Closing, an amount equal to the Base Purchase Price adjusted as follows:

(i) (A) decreased on a dollar-for-dollar basis by an amount equal to the aggregated Allocated Value of all Excluded Properties as set forth in the Closing Statement and (B) without duplication of clause (A), further adjusted in accordance with Annex V;

(ii) decreased on a dollar-for-dollar basis by an amount equal to the Deposit;

(iii) decreased on a dollar-for-dollar basis by an amount equal to the Excess Title Exception Amount;

(iv) decreased on a dollar-for-dollar basis by an amount equal to the amount by which (A) Pre-Closing Cash Flow *less* Permitted Deductions from Pre-Closing Cash Flow (each, as set forth in the Closing Statement) exceeds (B) \$70,000,000;

(v) decreased on a dollar-for-dollar basis by an amount equal to the Reserve Amount as set forth in the Closing Statement (in lieu of the Seller Parties transferring cash equal to the Reserve Amount to Acquiror);

(vi) decreased on a dollar-for-dollar basis by an amount equal to any Transferred Cash Flow actually received by the Seller Parties following the Cash Flow Cut-Off Date, if any (in lieu of the Seller Parties transferring cash equal to Transferred Cash Flow to Acquiror);

(vii) decreased on a dollar-for-dollar basis by an amount equal to the aggregate Debt Allocated Value of all Excluded Debt Interests (for the avoidance of doubt, after giving effect to the reductions of Debt Allocated Value pursuant to Section 2.02(b)(v)) as set forth in the Closing Statement; and

(viii) increased on a dollar-for-dollar basis by an amount equal to the aggregate par value and accrued but unpaid interest of all Additional Transferred Debt Interests as set forth in the Closing Statement.

(d) Prior to the Closing, Acquiror (acting reasonably and after consulting with Parent in good faith) shall deliver written notice to Parent of any dispute Acquiror has with respect to any item contained in the Closing Statement (the “Dispute Notice”) within the time period set forth in Section 2.06(a). The Dispute Notice shall set forth in reasonable detail the basis for any dispute included therein. Upon receipt by Parent of a Dispute Notice, Acquiror and Parent shall negotiate in good faith to resolve any dispute set forth therein prior to the Closing. If Acquiror and Parent, such good faith effort notwithstanding, fail to resolve any such dispute prior to Closing, then Acquiror and Parent jointly shall engage, within ten (10) Business Days following the Closing Date, a nationally recognized major accounting firm selected jointly by Acquiror and Parent (the “Independent Accounting Firm”) to resolve any such dispute. If Acquiror and Parent are unable to agree on the Independent Accounting Firm (or if the firm agreed to is unavailable or conflicted), then each of Acquiror and Parent shall select a nationally recognized major accounting firm, and the two (2) firms will mutually select a third (3rd) nationally recognized major accounting firm to serve as the Independent Accounting Firm. As promptly as practicable, and in any event not more than fifteen (15) days following the engagement of the Independent Accounting Firm, Acquiror and Parent shall each prepare and submit a presentation detailing each party’s complete statement of proposed resolution of each issue still in dispute to the Independent Accounting Firm; provided that the Independent Accounting Firm shall act as an expert and not as an arbitrator, and shall render its final determination based on the submissions of the parties hereto and not based on independent investigation or review. Acquiror and Parent shall cause the Independent Accounting Firm to, as soon as practicable after the submission of the presentations described in the immediately preceding sentence and in any event not more than thirty (30) days following such presentations, make a final determination, binding on the parties hereto, of the appropriate amount of each of the line items that remain in dispute as indicated in the Dispute Notice. All determinations made by the Independent Accounting Firm, and the Closing Statement, as modified by the Independent Accounting Firm, will be final, conclusive and binding on the parties hereto. All fees and expenses relating to the work, if any, to be performed by the Independent Accounting Firm shall be allocated between Parent and Acquiror in the same proportion that the aggregate dollar amount of line items unsuccessfully disputed or defended, as the case may be, by each such party (as finally determined by the Independent Accounting Firm) bears to the total dollar amount of disputed line items on which the Independent Accounting Firm makes a determination presented by both Acquiror and Parent. All payments required to be made by a Party pursuant to this Section 2.06(d) shall be made within fifteen (15) Business Days of the final determination by the Independent Accounting Firm.

(e) If the matter(s) subject to the Dispute Notice is resolved (or are resolved, on a net basis, if there are multiple such matters) in Acquiror’s favor such that the Purchase Price actually paid at Closing exceeded the Purchase Price that should have been paid, then Parent shall pay or cause to be paid an amount in cash equal to such excess to Acquiror by wire transfer of immediately available funds to an account or accounts designated in writing by Acquiror to Parent at least two (2) Business Days prior to such payment date. If the matter(s) subject to the Dispute Notice is resolved (or are resolved, on a net basis, if there are multiple such matters) in Parent’s favor such that the Purchase Price actually paid at Closing was less than the Purchase Price that should have been paid, then Acquiror shall pay or cause to be paid an amount in cash equal to such shortfall to Parent by wire transfer of immediately available funds to an account or accounts designated in writing by Parent to Acquiror at least two (2) Business Days prior to such payment date. Any such payment is to be made within five (5) Business Days following the date on which the Purchase Price is finally determined pursuant to this Section 2.06.

(f) To the extent that, following the Closing but prior to the first (1st) anniversary of the Closing Date, Acquiror or its Affiliates receive distributions from the Target Entities or Operating Partnerships (or a Target Entity receives a distribution or payment from an Operating Partnership) which represent repayment of advances previously made by Seller Parties (and not reimbursed to Seller Parties at or prior to Closing) for (i) good faith deposits and actual out of pocket costs in connection with

contemplated refinancings or (ii) restoration expenses relating to the Properties that are subject to reimbursement from insurance claims or government fundings, to the extent such advances are reflected on Section 2.06(f) of the Parent Disclosure Schedule, as Section 2.06(f) of the Parent Disclosure Schedule may be updated by Parent prior to Closing to reflect such advances made after the date of this Agreement and prior to the Closing, then, in each case, Acquiror shall promptly remit or cause to be remitted the amount of any such distributions to Parent.

Section 2.07. Closing Deliveries.

(a) At the Closing, in addition to the payments pursuant to Section 2.06:

(i) Parent shall, to the extent requested in writing at least fifteen (15) days prior to the Closing, cause to be delivered to Acquiror written resignations of each officer, manager and/or director, if any, of each of the applicable Transferred Subsidiaries;

(ii) Parent shall deliver, or cause to be delivered, to Acquiror counterparts of each of the applicable Ancillary Agreements duly executed by Parent or its applicable Affiliate(s) party thereto;

(iii) Acquiror shall deliver, or cause to be delivered, to Parent counterparts of each of the applicable Ancillary Agreements duly executed by Acquiror or its applicable Affiliate(s) party thereto;

(iv) each party hereto shall deliver a duly executed counterpart of applicable transfer tax and other documentary recording tax forms and related documents as are required by Law in connection with the payment of all state or local Transfer Taxes that may be due in connection with such Closing;

(v) each Seller Party shall deliver, or cause to be delivered, to Acquiror a properly completed IRS Form W-9 executed by such Seller Party, as well as any corresponding state and local forms or certifications Seller Parties elect to provide to establish an exemption from or reduction of any state or local withholding tax requirements with respect to the transactions hereunder; and

(vi) each party hereto shall deliver to the other such other documents and instruments as may be reasonably necessary to consummate the transactions contemplated by this Agreement for the Closing.

(b) In addition to the deliverables set forth in Section 2.07(a), at or prior to the Closing, (i) Parent shall deliver to Acquiror the certificate referred to in Section 8.03(a) and (ii) Acquiror shall deliver to Parent the certificate referred to in Section 8.02(a).

(c) To the extent required under applicable Law or as reasonably deemed necessary by either of the parties hereto to effect the transactions contemplated hereunder, the parties shall execute and deliver, or cause their respective Affiliates to execute and deliver, such stock, asset and/or business transfer agreements, bills of sale, deeds, assignments, assumptions, allonges and other documents and instruments of sale, conveyance, assignment, transfer and assumption and Parent shall deliver a certificate that all Intercompany Agreements have been terminated at no cost or liability to Acquiror, Transferred Subsidiary or Operating Partnership after the Closing, and shall use commercially reasonable efforts to deliver or cause the delivery to Acquiror of all certificated interests and stock certificates representing ownership interests in each Target Entity and Transferred Subsidiary and all original notes and mortgages

with respect to the Transferred Debt Interests to the extent such certificated interests, stock certificates, original notes and mortgages are in Parent's possession or control (the "Business Transfer Documents") as are necessary to effect any transfer of the Transferred Assets or any assumption of the Assumed Liabilities at the Closing. Each Business Transfer Document shall be substantially in the form attached as the applicable Exhibit hereto, if any, and shall otherwise be in form and substance reasonably agreed to by the parties and as is usual and customary in the applicable jurisdiction; provided that the parties agree and acknowledge that the Business Transfer Documents are intended solely to formalize the terms and conditions of this Agreement or otherwise to comply with any applicable Law and shall be, in all respects, consistent with the terms and conditions set forth in this Agreement. In the event of any inconsistency between this Agreement and a Business Transfer Document, this Agreement shall control.

(d) With respect to each of the Properties, as applicable, the Seller Parties and Acquiror shall apportion as of the Closing Date any other item that, under the explicit terms of this Agreement, is to be apportioned at the Closing.

Section 2.08. Deposit.

(a) Within one (1) Business Day after the date hereof, Acquiror shall deposit with Wilmington Trust, N.A. ("Escrow Agent") in a single wire transfer an amount in cash equal to \$500,000,000.00 (together with interest earned thereon, the "Deposit"). Subject to the terms of the Escrow Agreement, while held by the Escrow Agent, upon the request of Acquiror, the Deposit shall be placed in an interest-bearing account under Acquiror's taxpayer identification number, and all interest so earned in connection with the Deposit shall be deemed a part of the Deposit and shall accrue to the benefit of the party receiving the Deposit. Acquiror shall be responsible for any Taxes on the interest or earnings from the Deposit and any fee charged by the Escrow Agent in connection with the placement of the Deposit in an interest-bearing account.

(b) The Deposit shall be applied as a credit to the Purchase Price at Closing. In the event of (i) a valid termination of this Agreement by Parent pursuant to Section 9.01(b) if, at the time of such termination, (A) the closing condition in Section 8.01(a) has been satisfied and Parent has irrevocably confirmed in writing to Acquiror that it stands ready, willing and able to consummate the transactions contemplated by this Agreement on the date falling ten (10) Business Days after delivery of such confirmation, and (B) at the end of such ten (10) Business Day period, Acquiror does not consummate the transactions contemplated by this Agreement or (ii) termination of this Agreement pursuant to any other provision of Section 9.01 except for a valid termination by (x) either party pursuant to Section 9.01(c) or (y) Acquiror pursuant to Section 9.01(d) or Section 9.01(f), Escrow Agent is authorized to deliver the Deposit to Parent on or before the tenth (10th) Business Day following receipt by Escrow Agent and the non-terminating party of written notice of such termination, unless (solely if Acquiror is the non-terminating party) Acquiror notifies Escrow Agent within five (5) Business Days following receipt by Escrow Agent and Acquiror of written notice of such termination that Acquiror disputes the right of Parent to receive the Deposit. In the event of a valid termination of this Agreement by (x) either party pursuant to Section 9.01(c) or (y) Acquiror pursuant to Section 9.01(d) or Section 9.01(f), Escrow Agent is authorized to deliver the Deposit to Acquiror on or before the tenth (10th) Business Day following receipt by Escrow Agent and the non-terminating party of written notice of such termination, unless (solely if Parent is the non-terminating party) Parent notifies Escrow Agent within five (5) Business Days following receipt by Escrow Agent and Parent of written notice of such termination that Parent disputes the right of Acquiror to receive the Deposit. In the event of a notification by the non-terminating party that it disputes the right of the other party to receive the Deposit, Escrow Agent may interplead the Deposit into a court of competent jurisdiction in the county in which the Deposit has been deposited. All attorneys' fees and costs and Escrow Agent's costs and expenses incurred in connection with such interpleader shall be assessed against the party that is not awarded the

Deposit, or if the Deposit is distributed in part to both parties, then in the inverse proportion of such distribution. It is understood and agreed that the Deposit shall be deemed earned by Parent, represents adequate bargained-for consideration for Parent's execution and delivery of this Agreement, and is non-refundable to Acquiror except as expressly set forth in this Section 2.08.

Section 2.09. Method of Payments. With respect to any payment due under this Agreement, except as otherwise expressly specified herein, such payment shall be (i) made by no later than 10:00 a.m., New York City time, on the day when due (unless otherwise consented to by the party hereto (or its Affiliate) to whom such payment is due) and (ii) paid by wire transfer of immediately available funds to the account or accounts designated in writing by the party hereto (or its Affiliate) receiving such payment.

Section 2.10. Interest. All computations of interest with respect to any payment due under this Agreement shall be based on the Interest Rate on the basis of a year of 365 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Whenever any payment under this Agreement will be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of payment of interest.

Section 2.11. Withholding Taxes. As of the date of this Agreement, neither Parent nor Acquiror is aware of any requirement to deduct or withhold any Tax from the payment of any amount specified in this Agreement under any applicable Law, provided that each applicable Seller Party has delivered a properly completed IRS Form W-9 at Closing. Notwithstanding the foregoing sentence, Acquiror and its Affiliates shall be entitled to deduct and withhold from the payment of any amount specified in this Agreement such amount as it is required to deduct and withhold with respect to the making of such payment under applicable Law; provided that, unless required by a change in Tax Law, Acquiror and its Affiliates shall not be permitted to deduct and withhold from any payments under this Agreement under Section 1445 or 1446 of the Code if the applicable Seller Party has delivered a properly completed IRS Form W-9 at Closing, pursuant to Section 2.07(a)(v) herein, and Acquiror shall provide Parent with notice (which shall include the basis and method of calculation of the proposed deduction or withholding) as soon as reasonably practicable (and in any case prior to making the deduction or withholding and in no event later than three (3) Business Days prior to the Closing) upon becoming aware of any other requirements to deduct and withhold from any consideration otherwise payable to Parent and shall cooperate with Parent to mitigate, reduce or eliminate any such deduction or withholding. To the extent that amounts are so withheld, and paid to the proper Tax Authority pursuant to applicable Law, such withheld amounts shall be treated for all purposes of this agreement as having been paid to such holder in respect of which such deduction and withholding was made.

Section 2.12. Non-Transferred Assets.

(a) Preemptive Rights.

(i) Acquiror hereby acknowledges that certain of the Properties and Operating Partnerships are subject to rights of first refusal, purchase options or other preemptive rights in favor of third parties (the "Option Holders"), in accordance with applicable Laws or the Contracts (a "Preemptive Right").

(ii) Unless otherwise mutually agreed between Parent and Acquiror, (A) Parent shall deliver, as soon as reasonably practicable following the date hereof, a valid notice to the Option Holders with respect to certain Preemptive Rights that will be exercisable prior to December 31, 2021 as a result of the transactions contemplated by this Agreement, as set

forth on Section 2.12(a)(ii) of the Parent Disclosure Schedule (each, a “Triggered Preemptive Right”), (B) Parent and Acquiror shall use their commercially reasonable efforts to obtain a waiver of each Triggered Preemptive Right, provided, that the obligation to use such efforts shall not include the payment of any consideration or grant of any financial accommodation to any Person in order to obtain any such consent, approval, license, permit, order, qualification or other authorization (collectively, the “Option Waivers”), and (C) if an Option Waiver is not obtained with respect to any Triggered Preemptive Right, Parent and Acquiror shall each comply with the terms of such Triggered Preemptive Right.

(iii) In the event that prior to the Closing, Parent receives any notice pursuant to which a Person purports to exercise, or claim entitlement to, a Preemptive Right (for clarity, whether or not a Triggered Preemptive Right) with respect to any Property that would otherwise have been transferred at the Closing or any direct or indirect Equity Interests in the Operating Partnership that owns such a Property, whether valid or invalid, Parent shall deliver a notice of such exercise or claim to Acquiror as soon as reasonably practicable. Thereafter, Seller Parties shall keep Acquiror reasonably apprised of, and shall obtain Acquiror’s prior consent, not to be unreasonably withheld, conditioned or delayed, with respect to (A) material communications with the applicable third party exercising its Preemptive Right, (B) any acceptance of a Preemptive Right, (C) any commencement or response to litigation in connection with the exercise of such Preemptive Right and (D) any settlement agreement in connection with the exercise of the Preemptive Right. The payment of any settlement or other costs associated with such Preemptive Right shall, to the extent arising from actions or inactions requested or caused by Acquiror, be solely for the account of Acquiror, unless otherwise agreed to in writing by Parent.

(iv) If any sale with respect to a Property (or the Operating Partnership that owns such Property) is consummated pursuant to a Preemptive Right prior to the Closing, such Property will be treated as an Excluded Property from and after such consummation. Neither Parent, Seller Parties nor Acquiror shall have any liability hereunder with regard to any such Property, except for the obligations hereunder that expressly survive a termination of this Agreement.

(b) Excluded Properties and Excluded Debt Interests.

(i) To the extent that a Property becomes, prior to the Closing and in accordance with the terms of this Agreement, an Excluded Property, (A) Parent’s representations, warranties and covenants hereunder shall, in each case, cease to be of any force and effect with respect to, and Acquiror shall have no rights or entitlements relating to, the Excluded Property or any direct or indirect Transferred Assets of any kind exclusively relating to the Excluded Property (collectively, the “Excluded Property Assets”) (for the avoidance of doubt, including any obligation of the Parent to deliver, and any right of the Acquiror to receive, any Excluded Property Asset), nor shall Acquiror shall have any obligation to assume any Liability with respect to the Excluded Property Assets; provided, that any Transferred Debt Interests relating to an Excluded Property shall be treated as Excluded Property Assets only if they are designated as such in a written notice delivered by Parent to Acquiror, (B) Parent’s representations, warranties and covenants hereunder shall, in each case, cease to be of any force and effect with respect to any Seller Party’s, Target Entity’s or Operating Partnership’s direct or indirect interest in, or actions or omissions to the extent relating to, any Excluded Property Asset, (C) the Base Purchase Price shall be reduced by the Allocated Value of any Property that is an Excluded Property as of the Closing (subject to adjustment pursuant to Annex V), and (D) this Agreement shall be deemed amended, without any action on the part of any Person, to reflect the foregoing.

(ii) *Intentionally Omitted.*

(iii) If a Transferred Debt Interest becomes an Excluded Debt Interest pursuant to the terms hereof, Parent's representations, warranties and covenants hereunder shall, in each case, cease to be of any force and effect with respect to, and Acquiror shall have no rights or entitlements relating to, such Transferred Debt Interest or any obligation to assume any Liability with respect to the Excluded Debt Interest, and this Agreement shall be deemed amended, without any action on the part of any Person, to reflect the foregoing; provided, that, in the case of a partial repayment or expected partial repayment of a Transferred Debt Interest, Parent's representations, warranties and covenants hereunder shall, in each case, cease to be of any force and effect solely to the extent of the Transferred Debt Interest that has been repaid as at the Closing. In addition, this Agreement shall be deemed amended, without any action on the part of any Person, to reflect the acquisition by Parent or its Affiliates of any Additional Transferred Debt Interests in accordance with the terms of this Agreement prior to the Closing.

(c) Absence of Consents.

(i) In the event that (x) Acquiror has not obtained, prior to the Closing, any consent of a third party or any Governmental Approval required in connection with the sale of any Transferred Assets relating to a Property (including any Existing Loan Consent with respect to such Property) or (y) any third party (including a Third-Party GP) purports to have a consent right over the sale of any Transferred Asset and Acquiror reasonably believes the sale of such Transferred Assets will result in litigation if a consent from such third party is not obtained, then the terms of Section 2.12(c) of the Parent Disclosure Schedule shall apply with respect to such Transferred Assets.

(ii) In the absence of an Existing Loan Consent, from and after the Closing and until such time as the applicable Existing Loan encumbering any Property (or any direct or indirect Equity Interests in the entity owning such Property) has been refinanced or repaid in full, or the applicable Existing Lender with respect thereto has otherwise agreed in writing to release Parent and each of its applicable Affiliates from any further Liability arising under such Existing Loan in respect of obligations arising on or after the Closing Date (whether pursuant to recourse obligations, guarantees, indemnification agreements, letters of credit or otherwise), any such Liability shall be treated as an Assumed Liability.

(iii) Subject to Section 2.12(c)(i), to the extent that the assignment, transfer, conveyance or delivery or attempted assignment, transfer, conveyance or delivery of any Ancillary Transferred Asset or Assigned Contract or any claim or right or any benefit arising under or resulting from any Ancillary Transferred Asset or Assigned Contract is prohibited by any applicable Law or would require the consent, approval, license, permit, order, qualification or other authorization of any third party or Governmental Authority that has not been obtained prior to the Closing Date, the Closing shall proceed without the assignment, transfer, conveyance or delivery of such Ancillary Transferred Asset or Assigned Contract. In the event that the Closing proceeds without the assignment, transfer, conveyance or delivery of any such Ancillary Transferred Asset or Assigned Contract, then, following the Closing, Acquiror shall use its commercially reasonable efforts to obtain promptly such consent, approval, license, permit, order, qualification or other authorization and Parent shall reasonably cooperate therewith; provided, however, that no party hereto shall be obligated to pay any consideration or grant any financial accommodation to any Person in order to obtain any such consent, approval, license, permit, order, qualification or other authorization. To the extent the requisite consent, approval, license, permit, order, qualification or other authorization is obtained, Parent shall (or shall cause its

applicable Affiliates to) assign, transfer, convey and deliver the relevant Ancillary Transferred Asset or Assigned Contract to Acquiror at no additional cost.

(iv) For the avoidance of doubt, there shall be no adjustment to the Purchase Price as a result of the matters referred to in this Section 2.12(c), nor shall this Section 2.12(c) be construed to limit each party's obligations under Section 6.05 or to limit the applicability of, or require the waiver of, the conditions to Closing set forth in ARTICLE VIII.

ARTICLE III

TITLE MATTERS

Section 3.01. Access to the Properties. From the date hereof until the Closing or earlier termination of this Agreement, Parent shall cause the applicable Seller Parties to use commercially reasonable efforts to provide the Acquiror with access to the Properties upon reasonable prior written notice to Parent (which notice shall in any event be delivered at least five (5) Business Days in advance), subject in all cases to the provisions of this Section 3.01 and Section 3.02; provided, however, that Parent shall be under no obligation to cause the Acquiror's access to any Property that the applicable Seller Party lacks authority to provide. Under no circumstances shall Acquiror communicate (in person, by telephone, in writing or otherwise) or in any way initiate contact with any Residents, employee of any property manager of such Properties, Third-Party GPs or any Governmental Authority related to a Property without the prior express written approval of Parent; provided, however, that no consent shall be required and Acquiror shall be permitted to (v) conduct ordinary course communications not related to the Business, (w) conduct customary due diligence with respect to the Properties, which may require communications with Governmental Authorities to collect typical real-estate and entity diligence confirmation information including customary inquiries in connection with the preparation of environmental Phase I reports and zoning reports (e.g., copies of planning, zoning, and violation information), (x) communicate with Governmental Authorities in connection with seeking required Governmental Approvals and third-party consents pursuant to the terms of this Agreement, (y) communicate with lenders with respect to any Existing Loan (the "Existing Lenders") in connection with obtaining any Existing Loan Consent and (z) communicate with Third-Party GPs; provided that (1) Seller Parties shall have the right and obligation to initiate communications (and an introduction to Acquiror) with each Third-Party GP and, to the extent Seller does not promptly initiate such communications, then with reasonable prior notice to (and consultation in good faith with) Parent, Acquiror shall have the right to initiate such contact, (2) Acquiror shall keep Parent reasonably apprised of, and reasonably cooperate with Parent in connection with, all subsequent material communications and correspondence with any Third-Party GP, including with respect to consents and approvals to be obtained from Existing Lenders and Housing Authorities, matters reasonably necessary in order to consummate the transactions contemplated hereby and post-Closing Operating Partnership and Property matters, and provided, further, Seller Parties shall have the right to participate in any material communications related to the transactions contemplated herein. Parent shall have the right to have a Representative present at all times while Acquiror or its Representatives are physically on a Property. As a condition precedent to having access to the Properties pursuant to this Section 3.01, Acquiror shall deliver to Parent certificates evidencing that Acquiror and/or its relevant Representatives carry and maintain such general liability insurance policies with such companies and in such scope and amounts as are acceptable to Parent in its reasonable discretion, in all cases naming Parent and the applicable Operating Partnership as an additional insured and loss payee thereunder. Acquiror's obligations under this Section 3.01 shall survive any termination of this Agreement.

(a) Acquiror does hereby acknowledge, represent, warrant and agree, on behalf of itself and each of its Affiliates, to and with Parent, that with respect to each Property and the Transferred Assets relating thereto (if any), (i) Acquiror is acquiring the Transferred Assets (including an indirect interest in the Properties related thereto, as applicable) in an “AS IS, WHERE IS, AND WITH ALL FAULTS” condition with respect to any facts, circumstances, conditions and defects of all kinds; (ii) Parent and its Affiliates have no obligation to repair or correct any such facts, circumstances, conditions or defects or compensate Acquiror for the same; (iii) Acquiror has not relied and will not rely on, and Parent and its Affiliates have not made and are not liable for or bound by, any express or implied warranties, guarantees, statements, representations or information pertaining to the Properties or relating thereto made or furnished by Parent, its Affiliates, the asset manager(s) of the Properties, or any real estate broker, agent or third party representing or purporting to represent Parent or its Affiliates, to whomever made or given, directly or indirectly, orally or in writing (including specifically, without limitation, information in the CIM, the Virtual Data Room, any information packages distributed with respect to a Property or other information provided to Acquiror or its Representatives by Parent or its Representatives, the Operating Partnerships or their partners or Representatives, or any property management company or its Representatives), other than those representations and warranties expressly provided in ARTICLE IV; (iv) Acquiror is and will be relying strictly and solely upon the advice and counsel of its own Representatives and Acquiror is and will be fully satisfied that the portion of the Purchase Price allocable to each Transferred Asset is fair and adequate consideration; (v) Acquiror has had an adequate opportunity to make such legal, factual and other inquiries and investigations as Acquiror deems necessary, desirable or appropriate with respect to the Transferred Assets and each Property; (vi) except as otherwise expressly provided in ARTICLE IV, Parent and its Affiliates have not at any time made and are not now making, and specifically disclaim, any warranties or representations of any kind or character, express or implied, with respect to any Transferred Asset or any Property as an inducement to Acquiror to enter into this Agreement and to purchase the Transferred Assets, or for any other purpose including, but not limited to, warranties or representations as to (A) matters of title, (B) environmental matters relating to a Property or any portion thereof, including, without limitation, the presence of Hazardous Materials in, on, under or in the vicinity of a Property, (C) geological conditions, including, without limitation, subsidence, subsurface conditions, water table, underground water reservoirs, limitations regarding the withdrawal of water, and geologic faults and the resulting damage of past and/or future faulting, (D) whether, and to the extent to which, a Property or any portion thereof is affected by any stream (surface or underground), body of water, wetlands, flood prone area, flood plain, floodway or special flood hazard, (E) drainage, (F) soil conditions, including the existence of instability, past soil repairs, soil additions or conditions of soil fill, or susceptibility to landslides, or the sufficiency of any undershoring, (G) the presence of endangered species or any environmentally sensitive or protected areas, (H) zoning or building entitlements to which a Property or any portion thereof may be subject, (I) the availability of any utilities to a Property or any portion thereof including, without limitation, water, sewage, gas and electric, (J) usages of adjoining property, (K) access to a Property or any portion thereof, (L) the value, compliance with the plans and specifications, size, location, age, use, design, quality, description, suitability, structural integrity, operation, title to, or physical or financial condition of a Property or any portion thereof, or any income, expenses, charges, liens, encumbrances, rights or claims on or affecting or pertaining to a Property or any part thereof, (M) the condition or use of a Property or compliance of a Property with any or all past, present or future federal, state or local ordinances, rules, regulations or laws, building, fire or zoning ordinances, codes or other similar laws, (N) the existence or non-existence of underground storage tanks, surface impoundments, or landfills, (O) any other matter affecting the stability and integrity of a Property, (P) the potential for further development of a Property, (Q) the merchantability of a Property or fitness of a Property for any particular purpose, (R) the truth, accuracy or completeness of any information provided by or on behalf of Parent or its Affiliates or any information contained in the Virtual Data Room, (S) tax consequences or (T) any other matter or thing

with respect to any Property or any of the Transferred Assets; and (vii) by reason of all of the foregoing, from and after the Closing, except as expressly provided in this Agreement, Acquiror shall assume the full risk of any loss or damage occasioned by any fact, circumstance, condition or defect pertaining to the Transferred Assets and/or the physical and other conditions of the Properties and/or the operation of the Properties, regardless of whether the same is capable of being observed or ascertained.

(b) EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, PARENT AND ITS AFFILIATES HAVE NOT, DO NOT AND WILL NOT, WITH RESPECT TO ANY PROPERTY OR ANY TRANSFERRED ASSETS RELATING THERETO, MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION OR MERCHANTABILITY, OR WITH RESPECT TO THE VALUE, PROFITABILITY OR OPERATING POTENTIAL OF ANY PROPERTY OR ANY OPERATING PARTNERSHIP OR TRANSFERRED ASSETS RELATING THERETO.

(c) Except as expressly set forth in this Agreement, from and after the Closing, Acquiror FOREVER RELEASES AND DISCHARGES Parent and its Affiliates from all responsibility, obligations, claims, demands and liability whatsoever regarding the condition, valuation, salability or utility of the Properties or any of the Transferred Assets, or their suitability for any purpose whatsoever including, but not limited to, with respect to the presence in the soil, air, structures and surface and subsurface waters, of Hazardous Materials or other materials or substances that have been or may in the future be determined to be toxic, hazardous, undesirable or subject to regulation and that may need to be specially treated, handled and/or removed from any Property under current or future federal, state and local laws, regulations or guidelines, and any structural and geologic conditions, subsurface soil and water conditions and solid and hazardous waste and Hazardous Materials on, under, adjacent to or otherwise affecting the Properties, and further including, but not limited to, liabilities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Sections 9601 *et seq.*), as amended (“CERCLA”).

(d) Acquiror further hereby WAIVES (and by Closing will be deemed to have WAIVED) any and all objections and complaints (including, but not limited to, federal, state and local statutory and common law-based actions, and any private right of action under any federal, state or local Laws guidelines to which the Properties are or may be subject, including, but not limited to, CERCLA) concerning the physical characteristics and any existing conditions of the Properties, including, without limitation, any lessor’s obligations under the Leases relating to the physical, environmental or legal compliance status of any Property, whether arising before or after the date hereof. Acquiror further hereby assumes the risk of changes in applicable Law relating to past, present and future environmental conditions on the Properties and the risk that adverse physical characteristics and conditions, including, without limitation, the presence of Hazardous Materials or other contaminants, may not have been revealed by its investigation.

(e) The term “Hazardous Materials” shall mean asbestos, any petroleum fuel and any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the state where a Property is located or the government of the United States, including, but not limited to, any material or substance defined as a “hazardous waste,” “extremely hazardous waste,” “restricted hazardous waste,” “hazardous substance,” “hazardous material” or “toxic pollutant” under state law and/or under CERCLA.

(f) The provisions of this Section 3.02 shall survive any termination of this Agreement and shall survive the Closing.

(g) Acquiror acknowledges and agrees that the disclaimers and other agreements set forth in this Section 3.02 are an integral part of this Agreement and that Parent would not have entered into this Agreement for the Purchase Price in the absence of such disclaimers and other agreements.

Section 3.03. Termination. In the event of termination of this Agreement and within a reasonable period of time after Parent requests such information, Acquiror shall deliver to Parent copies of all third-party reports, plans, studies, applications or any other matters obtained by or prepared for Acquiror in connection with Acquiror's review of the Properties and which relate to the physical condition of the Properties, including, without limitation, any engineering and environmental reports completed and/or obtained by Acquiror in connection with Acquiror's review of the Properties. IN ALL EVENTS, ACQUIROR SHALL INDEMNIFY, DEFEND, AND HOLD HARMLESS THE APPLICABLE OPERATING PARTNERSHIPS AND PARENT INDEMNIFIED PERSONS FREE FROM AND AGAINST: (i) ANY AND ALL LOSSES (INCLUDING REASONABLE ATTORNEY'S FEES) OR LIENS THAT IN ANY WAY RELATE TO, ARISE OUT OF, ARE OCCASIONED BY OR ARE CONNECTED WITH THE ACCESS, INSPECTIONS AND OTHER EXAMINATIONS CONDUCTED BY ACQUIROR OR ITS REPRESENTATIVES HEREOF ("ACCESS"), WHETHER SUCH ACCESS OCCURRED BEFORE OR AFTER THE DATE HEREOF, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS BY A THIRD PARTY ARISING FROM ANY ACT OR FAILURE TO ACT AUTHORIZED BY ACQUIROR OR ITS REPRESENTATIVES, BUT EXCLUDING ANY PREEXISTING CONDITIONS (EXCEPT TO THE EXTENT EXACERBATED BY THE ACTIVITIES OF ACQUIROR AND/OR ITS REPRESENTATIVES) AND EXCLUDING ANY LOSSES ARISING OUT OF THE DISCOVERY OR DISCLOSURE OF A PROPERTY'S CONDITION; AND (ii) ANY DAMAGE OR INJURY TO PERSON OR PROPERTY CAUSED BY ACQUIROR AND/OR ITS REPRESENTATIVES. WITHOUT LIMITING THE FOREGOING, ACQUIROR SHALL, AND SHALL CAUSE ITS REPRESENTATIVES TO, KEEP THE PROPERTIES FREE AND CLEAR OF ANY MECHANICS' LIENS OR MATERIALMEN'S LIENS BEING CLAIMED BY, THROUGH OR UNDER ACQUIROR AND/OR ITS REPRESENTATIVES AND RELATED TO ANY SUCH ACCESS. ACQUIROR FURTHER WAIVES AND RELEASES ANY CLAIMS, DEMANDS, DAMAGES, ACTIONS, CAUSES OF ACTION OR OTHER REMEDIES OF ANY KIND WHATSOEVER AGAINST THE SELLER PARTIES FOR PROPERTY DAMAGES OR BODILY AND/OR PERSONAL INJURIES TO ACQUIROR, ITS AGENTS, INDEPENDENT CONTRACTORS, SERVANTS AND/OR EMPLOYEES ARISING OUT OF ANY ENTRY ONTO A PROPERTY BY, OR ANY INVESTIGATIONS, EXAMINATIONS OR EXAMINATIONS PERFORMED BY SAID PERSONS, EXCEPT TO THE EXTENT OF ANY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY SELLER PARTY. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, ACQUIROR'S OBLIGATIONS UNDER THIS SECTION 3.03 SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

Section 3.04. Title Matters.

(a) Parent has made available to Acquiror or its Representative copies of certain title insurance policies, commitments, or pro formas, whether owner's or lender's, if any, relating to the Properties in Parent's possession or the possession of its Affiliates (each, an "Existing Policy" and collectively, the "Existing Policies"). From the date hereof until Closing, Parent shall use commercially reasonable efforts to provide to Acquiror the most recent survey, if any, relating to each of the Properties in Parent's possession or the possession of a Seller Party, upon Acquiror's reasonable request (each, an "Existing Survey" and collectively, the "Existing Surveys").

(b) Parent has ordered current title commitments for one or more of the Properties (together with the underlying exception documents, the "Title Commitments").

(c) Title Exceptions.

(i) Any title matters disclosed in the Title Commitments (or any update thereto) that materially impair the current use, operation or value of a Property and are not Permitted Liens or Permitted Encumbrances are referred to collectively herein as “Material Title Exceptions”; provided, that without limiting the generality of the foregoing, the items set forth on Section 3.04(c) of the Parent Disclosure Schedule shall not be deemed to be Material Title Exceptions. Except as expressly provided in this Agreement, the existence of any Material Title Exception shall not give rise to any right of Acquiror to exclude any assets required to be purchased hereunder or to terminate this Agreement.

(ii) Within ten (10) Business Days following the receipt by Acquiror of the Title Commitments but in any event no later than thirty (30) days after the date hereof, Acquiror shall notify Parent in writing as to which Material Title Exceptions, if any, disclosed in a Title Commitment are not acceptable to Acquiror (the “Acquiror’s Title Notice”).

(A) If any Material Title Exception(s) identified in the Acquiror’s Title Notices collectively would reasonably be expected to have an effect on the value of the Transferred Equity Interests that relate to the applicable Property, as reasonably determined by Parent in good faith and notified to Acquiror in writing following Parent’s receipt of the Acquiror’s Title Notice (the “Title Exception Adjustment Amount”) that, individually or in the aggregate with all other Title Exception Adjustment Amounts, exceeds two percent (2%) of the Base Purchase Price, Parent may, but shall not be required to, use such measures as Parent may deem appropriate to seek to satisfy or eliminate any such Material Title Exceptions at Parent’s sole cost and expense, and Acquiror shall reasonably cooperate with Parent in connection therewith. If Parent does not cause any Material Title Exception identified in the Acquiror’s Title Notice to be eliminated as an exception to, or insured through an endorsement to, the title policy issued with respect to the applicable Property at or prior to the Closing (an “Uninsured Exception”), then the Purchase Price shall be reduced by the corresponding Title Exception Adjustment Amount for such Uninsured Exception, but solely to the extent that the Title Exception Adjustment Amounts corresponding to all Uninsured Exceptions, in the aggregate, exceed two percent (2%) of the Base Purchase Price (the amount of such excess, the “Excess Title Exception Amount”). In addition, Parent may at any time determine to exclude from the Transferred Assets any Property affected by a Material Title Exception identified in Acquiror’s Title Notice, in which event such Property shall be deemed to be an Excluded Property and the Purchase Price shall be adjusted with regard to such Property as provided in Section 2.06(c), and not, for the avoidance of doubt, as provided in Section 2.06(c)(iii).

(B) If, as of the date that is two (2) Business Days prior to the expected Closing Date, the aggregate Title Exception Adjustment Amounts with respect to Material Title Exception(s) identified in the Acquiror’s Title Notice exceeds ten percent (10%) of the Base Purchase Price (for the avoidance of doubt, excluding any Material Title Exception that has been satisfied or eliminated and any Material Title Exceptions with respect to Excluded Properties), Parent shall notify Acquiror of the same and Acquiror may elect, at any time prior to the Closing, to terminate this Agreement by delivering notice to Parent of such election, whereupon this Agreement shall be terminated (and the other provisions of ARTICLE IX of this Agreement shall govern).

(C) Notwithstanding anything to the contrary contained herein, (1) Parent shall have no obligation to incur, or to cause to be incurred, any expense or liability to satisfy or eliminate any Material Title Exception or other item or matter affecting title to the Properties, whether or not revealed by a Title Commitment, and (2) no failure by Parent or any Affiliate to satisfy or eliminate (or to cause any Third-Party GP or other third party to satisfy or eliminate) any Material Title Exception or other item or matter affecting title to the Properties shall constitute a breach of or default under this Agreement, nor shall any such failure give rise to a liability of Parent hereunder or entitle Acquiror to any recourse to equitable relief or other remedy against Parent and its Affiliates.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT

Except (a) as set forth in the corresponding sections or subsections of the disclosure schedule delivered to Acquiror by Parent prior to entering into this Agreement (the “Parent Disclosure Schedule”) (it being understood and agreed by the parties hereto that disclosure of any item in any section or subsection of the Parent Disclosure Schedule shall be deemed disclosure with respect to any other section or subsection of the Parent Disclosure Schedule to which the relevance of such item is reasonably apparent), and (b) for any fact, information or condition disclosed in any Existing Policy, Existing Survey provided to Acquiror, Existing Loan Documents, or other material posted to the Virtual Data Room no later than the Virtual Data Room Cut-Off Date or in Parent’s Annual Report on Form 10-K for the year ended December 31, 2020 (excluding any risk factor or forward-looking disclosures contained in such documents under the heading “Risk Factors,” and any disclosure of risks included in any “forward-looking statements” disclaimer, or other statements that are similarly nonspecific or predictive, cautionary, or forward-looking) or any other report, form, schedule, registration statement, definitive proxy statement or information statement (including any exhibits and documents incorporated by reference and any amendments thereto) filed with the SEC by Parent subsequent to December 31, 2020, Parent hereby represents and warrants to Acquiror as of the date hereof and as of the Closing Date (or in the case of representations and warranties that speak as of a specified date, as of such specified date) as follows; provided that, notwithstanding anything to the contrary contained in this ARTICLE IV, to the extent any representation or warranty below relates to any Operating Partnership, or any Property owned by an Operating Partnership, then each such representation or warranty shall be deemed to be made to the Knowledge of Parent (with the exception of the representations and warranties set forth in Section 4.09(a) and Section 4.14 (but only to the extent such representation in Section 4.14 relates to Organizational Documents executed by a Seller Party or Target Entity)) as follows:

Section 4.01. Incorporation and Authority of Parent and the Seller Parties. Each of Parent and the Seller is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. Each of the Seller Parties other than the Seller is a corporation or other organization duly incorporated or organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization and has the requisite corporate or other applicable organizational power and authority to conduct its business as presently conducted, except where the failure to be so incorporated or organized, existing or in good standing or to have such power or authority, individually or in the aggregate, would not reasonably be expected to have a Business Material Adverse Effect. Parent or the applicable Affiliate of Parent (as applicable) has all requisite corporate or other applicable organizational power to enter into, consummate the transactions contemplated by and carry out its obligations under each of the Transaction Agreements to which it is a party. The execution and delivery by Parent or the applicable Affiliate of Parent (as applicable) of each of the Transaction Agreements to which it is a party and the consummation by Parent or the applicable Affiliate of Parent (as

applicable) of the transactions contemplated by each of the Transaction Agreements to which it is a party have been (with respect to Parent) or will be prior to the Closing (with respect to each other Affiliate of Parent, as applicable) duly authorized by all requisite corporate or other similar organizational action on the part of Parent or the applicable Affiliate of Parent (as applicable). Each of the Transaction Agreements to which Parent or the applicable Affiliate of Parent (as applicable) is a party has been, or upon execution and delivery thereof will be, duly executed and delivered by Parent or the applicable Affiliate of Parent (as applicable). Assuming due authorization, execution and delivery by the other parties hereto or thereto, each of the Transaction Agreements to which Parent or the applicable Affiliate of Parent (as applicable) is a party constitutes, or upon execution and delivery thereof will constitute, the legal, valid and binding obligation of Parent or the applicable Affiliate of Parent (as applicable), enforceable against it in accordance with its terms, subject in each case to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance, preferential transfer or similar Laws now or hereafter in effect relating to or affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4.02. Incorporation, Qualification and Authority of the Transferred Subsidiaries. Each of the Transferred Subsidiaries is a corporation or other organization duly incorporated or organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization and has the requisite corporate or other applicable organizational power and authority to conduct its business as presently conducted, except where the failures to be so incorporated, organized or existing or in good standing or to have such power or authority, individually or in the aggregate, would not reasonably be expected to have a Business Material Adverse Effect. Each of the Transferred Subsidiaries is duly qualified as a foreign corporation or other organization to do business, and is in good standing, in each jurisdiction where the character of its owned, operated or leased properties or the nature of its activities makes such qualification and good standing necessary, except for failures to so qualify or be in good standing that, individually or in the aggregate, would not reasonably be expected to have a Business Material Adverse Effect.

Section 4.03. No Conflict. Provided that the consents, approvals, authorizations of third parties and Governmental Authorities, as contemplated by Section 6.05, have been obtained (and subject to Section 2.12(c)), and except as may result from the exercise of any Preemptive Right or from any facts or circumstances relating to the identity or regulatory status of Acquiror or its Affiliates, the execution and delivery by Parent or the applicable Seller Party (as applicable) of, and the consummation by Parent or the applicable Seller Party (as applicable) of the transactions contemplated by, the Transaction Agreements to which Parent or the applicable Seller Party (as applicable) is a party do not and will not (a) violate or conflict with the organizational documents of Parent or the applicable Seller Party (as applicable) or the Organizational Documents of any of the Transferred Subsidiaries, (b) subject to Governmental Approvals, conflict with or violate any Law or Governmental Order applicable to Parent or the applicable Seller Party (as applicable) or any of the Transferred Subsidiaries or by which any of them or any of their respective properties or assets is bound or subject or (c) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time or both, would constitute a default) under, or result in a termination or give to any Person any rights of termination, vesting, amendment, acceleration or cancellation of, trigger any payment or result in the creation of any Lien (other than Permitted Liens) on any of the assets or properties of the Business or any of the Target Entities pursuant to, any Material Contract to which any of the Target Entities is a party or by which any of them or any of their respective properties or assets is bound or subject, except, in the case of clauses (b) and (c) of this Section 4.03, for any such conflicts, violations, breaches, defaults, terminations, accelerations, cancellations or creations that, individually or in the aggregate, would not reasonably be expected to have a Business Material Adverse Effect.

Section 4.04. Governmental Consents and Approvals. Except as may result from any facts or circumstances relating to the identity or regulatory status of Acquiror or its Affiliates and except in connection with consents, approvals, filings and notifications with respect to applicable Housing Authorities (for the avoidance of doubt, including in their capacity as lenders or as agencies having jurisdiction with respect to Tax Credit Laws) or any antitrust or competition Law or by any Governmental Authority with jurisdiction over enforcement of any applicable antitrust or competition Laws, the execution and delivery by Parent or the applicable Seller Party (as applicable) of the Transaction Agreements to which it is a party do not, and the consummation by Parent or the applicable Seller Party (as applicable) of the transactions contemplated by the Transaction Agreements to which it is a party will not, require any consent, approval, license, permit, order, qualification or authorization of, or registration with or other action by, or any filing with or notification to, any Governmental Authority (each, a “Governmental Approval”) to be obtained or made by Parent or the applicable Affiliate of Parent (as applicable) or any Transferred Subsidiary, except for any Governmental Approvals the failure to obtain which, individually or in the aggregate, would not be reasonably expected to have a Business Material Adverse Effect.

Section 4.05. Absence of Litigation. As of the date hereof, to the Knowledge of Parent, none of Parent, its Affiliates, the Target Entities, or any Operating Partnership (other than a Third Party Operating Partnership) has received written notice of any Actions or Governmental Orders pending or threatened in writing against any of the Target Entities that, individually or in the aggregate, would reasonably be expected to have a Business Material Adverse Effect. As of the date hereof, there is no Governmental Order or Action to which the Parent or any of the Seller Parties or Target Entities is a party pending or, to the Knowledge of Parent, threatened in writing seeking to prevent, hinder, modify, delay or challenge the transactions contemplated by this Agreement.

Section 4.06. No Employees. The Transferred Subsidiaries do not have any employees.

Section 4.07. Taxes.

(a) All income and other material Tax Returns required to be filed by or on behalf of each Target Entity have been filed in accordance with all applicable Law. All such Tax Returns are true, correct and complete in all material respects. All material Taxes required to be paid by the Target Entities (whether or not shown on any Tax Return) have been timely paid. All Taxes of each Target Entity, if not yet due or owing, have been adequately accrued and reserved in accordance with GAAP. No written claim has ever been received by Parent or a Target Entity from a Governmental Authority with respect to a Target Entity in a jurisdiction where such Target Entity does not file Tax Returns that such Target Entity is or may be subject to material taxation in that jurisdiction. There are no material Liens with respect to Taxes upon any Transferred Asset other than Permitted Liens. There is no pending, or to Parent’s or any Target Entity’s Knowledge threatened, claim or action concerning any liability for material Taxes of or with respect to any Target Entity.

(b) No Target Entity has waived any statute of limitations in respect of U.S. federal income Taxes or other material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency (other than extensions resulting from an extension of the time to file any Tax Return) which waiver or agreement is currently in effect (other than (i) as a result of such Target Entity being a member of any affiliated, combined, unitary or similar group for federal, state, local or foreign law Tax purposes or (ii) with respect to non-income Taxes, in the ordinary course of business). No closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings relating to Taxes have been entered into with or issued by any Governmental Authority with or in respect

of any Target Entity that are currently in effect and will materially affect Acquiror's or any Target Entity's liability for Taxes for any period after the Closing Date.

(c) No Target Entity is a party to or is bound by any Tax allocation agreement, Tax indemnification agreement, Tax sharing agreement, or any contractual obligation requiring it to indemnify or reimburse any other Person (other than a Target Entity or its Subsidiary) with respect to Taxes (other than pursuant to a credit agreement, lease agreement, employment agreement or other commercial agreement entered into in the ordinary course of business and other than this Agreement and Ancillary Agreements).

(d) No Target Entity will be required to include any material amount in taxable income or exclude any material item of deduction or loss from taxable income for any taxable period (or portion thereof) beginning after the Closing Date as a result of (i) any installment sale or open transaction disposition made by such Target Entity prior to the Closing, or (ii) any change in any method of accounting elected or requested prior to the Closing (other than as a result of a change in Law after the date hereof).

(e) Each Target Entity is, and has been for the past five (5) years, for U.S. federal (and, where applicable, state and local) income Tax purposes, properly classified as a "partnership" within the meaning of Treasury Regulations Section 301.7701-3(b)(1)(i) or as an entity "disregarded as separate from its owner" within the meaning of Treasury Regulations Section 301.7701-3(b)(1)(ii).

Section 4.08. Transferred Assets.

(a) Each of the Seller Parties set forth on Annex I is, or prior to the Closing will be, the legal and beneficial holder of the Transferred Equity Interests set forth opposite its name, free and clear of all Liens other than Permitted Liens.

(b) One or more Affiliates of Parent is, or prior to the Closing will be, the legal and beneficial holder of the Transferred Debt Interests set forth on Annex II, free and clear of all Liens other than Permitted Liens.

(c) The Assigned Contracts are in full force and effect and are enforceable against each party thereto in accordance with the express terms thereof, except for such failures to be valid, binding or enforceable as would not, individually or in the aggregate, be reasonably likely to have a Business Material Adverse Effect, subject in each case to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance, preferential transfer or similar Laws now or hereafter in effect relating to or affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law). The Virtual Data Room contains true, correct and complete copies of each of the Assigned Contracts.

Section 4.09. Real Property.

(a) Annex I identifies the common name used by Parent in its records to identify the real property (i) owned by each Operating Partnership and/or (ii) subject to a Ground Lease, in each case as of the date hereof.

(b) Except for (i) such rights as are not material in the aggregate and (ii) the Triggered Preemptive Rights, none of Parent, any Seller Party or Transferred Subsidiary or, to the Knowledge of Parent, any Operating Partnership, has granted or is bound by or subject to the terms of any

unexpired option agreements or contractual rights of first offer, rights of first negotiation or rights of first refusal with respect to the purchase of any Property or any portion thereof or any other unexpired contractual rights in favor of third Persons to purchase or otherwise acquire a Property or any portion thereof, in each case, if such right will become exercisable prior to December 31, 2021 as a result of the transactions contemplated by this Agreement.

Section 4.10. Guarantees. True, correct and complete copies of each (a) Fund Guarantee and (b) any other guaranty or credit support (other than non-recourse carveout guarantees and environmental indemnities) provided by Parent or an Affiliate with respect to any Debt has been posted to the Virtual Data Room (together, the “Existing Guarantees”). Neither Parent nor any Affiliate thereof, to the Knowledge of Parent, is in material breach or violation of, or default under any Existing Guarantee that remains uncured.

Section 4.11. Material Contracts.

(a) Section 4.11(a) of the Parent Disclosure Schedule sets forth a complete list, in each case as of the date hereof, of each Contract described in clauses (i) through (iv) below (or the accurate description of principal terms in case of oral Contracts), including all amendments, supplements and side letters thereto that modify each such Contract in any material respect, to which a Seller Party or a Transferred Subsidiary is a party or by which it is bound or to which any of their respective assets are subject (each such contract described in this Section 4.11(a), a “Material Contract”):

(i) all Contracts which contain restrictions with respect to payment of dividends or any other distribution in respect of the Transferred Assets;

(ii) all Contracts constituting indebtedness of any Transferred Subsidiary or Operating Partnership in excess of \$1,000,000, but excluding any Existing Loans, Transferred Debt Documents or Operating Deficit Loans;

(iii) all Contracts that contain covenants purporting to limit, in any material respect, either the type of business in which a Transferred Subsidiary (or, after the Closing, Acquiror or its Affiliates) may engage in or the geographic area in which any of them may so engage; or

(iv) all Contracts that involve the future disposition or acquisition of any Property (or any interest therein) or any Transferred Asset owned by a Seller Party or Transferred Subsidiary, or any merger, consolidation or similar business combination transaction involving any Transferred Subsidiary.

(b) Notwithstanding the foregoing, “Material Contracts” shall not include any Contract that is (A) a Ground Lease, (B) a Transferred Debt Document, (C) an Existing Loan Document, (D) an Organizational Document, (E) a Regulatory Agreement, (F) a Contract which would be a Material Contract solely by virtue of containing terms that are recorded use restrictions affecting a Property and any improvements thereon or (G) a Contract entered into prior to Closing that constitutes an Intercompany Agreement and is terminated at or before Closing at no cost or liability to Acquiror, any Transferred Subsidiary or Operating Partnership.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Business Material Adverse Effect, each Material Contract to which a Seller Party or Subsidiary is a party or by which any Property is bound constitutes a legal, valid and binding obligation of such Seller Party or Subsidiary. No Seller Party or Target Entity has delivered any written notice of

default under a Material Contract that remains uncured and no Seller Party, Target Entity or, to the Knowledge of Parent, any Operating Partnership or third party is in material violation, breach of or default under, nor, to the Knowledge of Parent, has there occurred an event or condition that with the passage of time or the giving of notice (or both) would constitute a material violation, breach of, or default under any Material Contract by a Seller Party.

Section 4.12. Tax Credit Matters. With respect to each Operating Partnership for which the Compliance Expiration Date has not yet occurred, to the Knowledge of Parent there are no unresolved IRS Form 8823s that are material in the aggregate.

Section 4.13. Brokers. Except for CBRE Capital Advisors, Inc., no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the consummation of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or its Affiliates. Acquiror shall have no responsibility for any such fee, commission or expense payable to any broker, finder or investment banker engaged by or on behalf of Parent or any of its Affiliates.

Section 4.14. Organizational Documents; Capitalization.

(a) The Virtual Data Room contains a true, correct and complete copy of the Partnership Agreement of each Target Entity and the Partnership Agreement, as executed by the applicable Seller Party or Target Entity, of each Operating Partnership. The Partnership Agreements of each Target Entity and Operating Partnership are in full force and effect and contain the entire agreement between the parties thereto relating to each Target Entity or Operating Partnership, as applicable; provided, that the foregoing sentence shall not be deemed inaccurate by virtue of any Organizational Document or other Contract with respect to an Operating Partnership that was not executed by a Seller Party or Target Entity or any action taken with respect to an Operating Partnership by Persons other than Parent, its Affiliates and the Target Entities. Except as set forth on Section 4.14(a) of the Parent Disclosure Schedule, no Seller Party or Target Entity has received written notice during the twelve (12) months prior to the date hereof from any Tax Credit Investor or Third-Party GP of the exercise by such Tax Credit Investor or Third-Party GP of any Transfer Rights which has not been closed.

(b) No Person has an Equity Interest in any Target Entity or Operating Partnership except as set forth in the Organizational Documents for such Target Entity or, subject to the proviso contained in the second sentence of Section 4.14(a), as set forth in the Organizational Documents for such Operating Partnership.

(c) The Transferred Equity Interests are owned by Seller Parties, and the equity interests owned by each Transferred Subsidiary in any Operating Partnership (the "Transferred Subsidiary Owned Interests"), in each case, as reflected in the Organizational Documents of the relevant Transferred Subsidiary or (subject to the proviso contained in the second sentence of Section 4.14(a)) Operating Partnership, are owned by the applicable Seller Parties or Transferred Subsidiaries free and clear of any Liens, other than Permitted Liens. The Transferred Equity Interests and the Transferred Subsidiary Owned Interests are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive or similar rights (other than the Preemptive Rights and Triggered Preemptive Rights). Except as disclosed in the Organizational Documents but subject to the proviso contained in the second sentence of Section 4.14(a), there are no (i) securities convertible into or exchangeable for the equity interests or other securities of any Transferred Subsidiary or Operating Partnership or (ii) options, warrants or other rights to purchase or subscribe to equity interests or other securities of any Transferred Subsidiary or Operating Partnership or securities which are convertible into or exchangeable for equity interests or other securities of any Transferred Subsidiary or Operating Partnership. Except as set forth in the

Organizational Documents, there are no outstanding contractual obligations of any Transferred Subsidiary or (subject to the proviso contained in the second sentence of Section 4.14(a)) Operating Partnership to repurchase, redeem, exchange or otherwise acquire any interests in a Transferred Subsidiary or Operating Partnership. Other than the Organizational Documents, no Seller Party or Transferred Subsidiary is a party to any members' agreement (or equivalent), voting trust agreement or registration rights agreement relating to any Transferred Equity Interests or any Transferred Subsidiary Owned Interests or any other Contract relating to disposition, voting or distributions with respect to any interest in any Transferred Subsidiary or (subject to the proviso contained in the second sentence of Section 4.14(a)) Operating Partnership.

Section 4.15. Financial Statements.

(a) The Virtual Data Room contains true, complete and correct copies of: (i) with respect to each Investor Fund with a Tax Credit Investor as of the date hereof, the audited balance sheet of such Investor Fund as of December 31, 2019 and the related audited statement of income, changes in equity and cash flow of such Investor Fund for the fiscal years ended December 31, 2019 and (ii) to the extent in Parent's possession or control, the audited balance sheet of each Operating Partnership as of December 31, 2019 and as of December 31, 2020 and the related audited statement of income, changes in equity and cash flow of each Operating Partnership for the fiscal years ended December 31, 2019 and December 31, 2020 (the "Audited Financial Statements").

(b) The aggregate amount in the column labeled "Net SHF RoC Balances" of Section 4.15(b) of the Parent Disclosure Schedule (the "Net SHF RoC Balance"), materially accurately reflects the net return of capital contributions to the Housing Funds for the Operating Partnerships listed in Section 4.15(b) of the Parent Disclosure Schedule as of December 31, 2020. The unaudited balance sheet items as of December 31, 2020 with respect to Investor Funds with a Tax Credit Investor as of December 31, 2020 set forth in Section 4.15(b) of the Parent Disclosure Schedule (the "Investor Fund Balances"), taken as a whole, are materially accurate and correct.

(c) The Audited Financial Statements, Net SHF RoC Balance and Investor Fund Balances have been relied upon by Parent and Seller Parties for their internal and external financial reporting purposes.

Section 4.16. Transferred Debt Interests. Set forth on Annex II is a true, complete and correct list of the Transferred Debt Interests as of the date hereof. The Virtual Data Room contains true, complete and correct copies of the Existing Loan Documents related to the Transferred Debt Interests, to the extent in Parent's possession and control, and none of such Existing Loan Documents related to the Transferred Debt Interests have been modified, subordinated, waived, extended, cancelled or released by the Obligor or lender thereunder in any manner except as would not reasonably be expected to affect the value of the Transferred Debt Interests.

Section 4.17. Prohibited Person. Neither Parent, Seller Parties nor any of its officers, directors, shareholders, partners, members or any direct holders of Equity Interests in Parent or Seller Parties is or will be a Prohibited Person. Parent and Seller Parties covenant and agree that neither Parent, Seller Parties nor any of their officers, directors, shareholders, partners, members or direct holders of Equity Interests in Parent or Seller Party shall (A) conduct any business, nor engage in any transaction or dealing, with any Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person in violation of applicable sanctions, or (B) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in EO13224.

Section 4.18. ERISA. Neither Parent nor any Seller Party is (i) an “employee benefit plan” within the meaning of ERISA, (ii) a “plan” within the meaning of Section 4975 of the Code or (iii) an entity whose underlying assets include “plan assets” by reason of a plan’s investment in such entity within the meaning of 29 C.F.R. § 2510.3101 of any such employee plan or plans. Prior to Closing, no portion of the Transferred Assets will constitute “plan assets” of one or more “employee benefit plans” for purposes of Title I of ERISA or Section 4975 of the Code.

Section 4.19. Disclaimer. Except for the representations and warranties contained in this ARTICLE IV, no other Person makes any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to Parent, the Seller Parties, the Transferred Subsidiaries, the GP Entities, the Investor Funds, the Housing Funds, the Operating Partnerships, their respective Affiliates, the Business, the Transaction Agreements or the transactions contemplated by the Transaction Agreements, including any relating to the financial condition, results of operations, assets or liabilities of any of the foregoing entities. Except for the representations and warranties contained in this ARTICLE IV, Parent disclaims, on behalf of itself, the Seller Parties, the Transferred Subsidiaries, the GP Entities, the Investor Funds, the Housing Funds, the Operating Partnerships, their respective Affiliates and their respective Representatives, any other representations or warranties and all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished (orally or in writing) to Acquiror or its Affiliates or their respective Representatives (including any opinion, projection, forecast, advice, statement or information that may have been or may be provided to Acquiror or its Affiliates or Representatives, whether by any Representative of Parent, the Seller Parties or any of their respective Affiliates or otherwise), in connection with the Business only. For the avoidance of doubt, no representation or warranty is made to Acquiror or any other Person regarding the probable success or profitability of the Business (whether before or after the Closing).

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF ACQUIROR

Except as set forth in the corresponding sections or subsections of the disclosure schedule delivered to Parent by Acquiror prior to entering into this Agreement (the “Acquiror Disclosure Schedule”) (it being understood and agreed by the parties hereto that disclosure of any item in any section or subsection of Acquiror Disclosure Schedule shall be deemed disclosure with respect to any other section or subsection of Acquiror Disclosure Schedule to which the relevance of such item is reasonably apparent), Acquiror hereby represents and warrants to Parent as of the date hereof and (unless otherwise stated in this ARTICLE V) as of the Closing Date as follows:

Section 5.01. Incorporation and Authority of Acquiror. Acquiror is a limited liability company, duly organized, validly existing and in good standing under the Laws of the State of Delaware. Acquiror or the applicable Affiliate of Acquiror (as applicable) has all requisite corporate or other applicable organizational power to enter into, consummate the transactions contemplated by and carry out its obligations under, each of the Transaction Agreements to which it is a party. The execution and delivery by Acquiror or the applicable Affiliate of Acquiror (as applicable) of each of the Transaction Agreements to which it is a party and the consummation by Acquiror or the applicable Affiliate of Acquiror (as applicable) of the transactions contemplated by each of the Transaction Agreements to which it is a party have been or will be prior to the Closing (as applicable) duly authorized by all requisite corporate or other similar organizational action on the part of Acquiror or the applicable Affiliate of Acquiror (as applicable). Each of the Transaction Agreements to which Acquiror or the applicable Affiliate of Acquiror (as applicable) is a party has been, or upon execution and delivery thereof will be, duly executed and delivered by Acquiror or the applicable Affiliate of Acquiror (as applicable).

Assuming due authorization, execution and delivery by the other parties hereto or thereto, each of the Transaction Agreements to which Acquiror or the applicable Affiliate of Acquiror (as applicable) is a party constitutes, or upon execution and delivery thereof will constitute, the legal, valid and binding obligation of Acquiror or the applicable Affiliate of Acquiror (as applicable), enforceable against it in accordance with its terms, subject in each case to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, rehabilitation, liquidation, fraudulent conveyance, preferential transfer or similar Laws now or hereafter in effect relating to or affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general equitable principles (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 5.02. No Conflict. Provided that the consents, approvals, authorizations of third parties and Governmental Authorities, as contemplated in Section 6.05 herein, have been obtained (and subject to Section 2.12(c)), and except as otherwise provided in this ARTICLE V and except as may result from any facts or circumstances relating to the identity or regulatory status of Parent or its Affiliates, the execution and delivery by Acquiror or the applicable Affiliate of Acquiror (as applicable) of, and the consummation by Acquiror or the applicable Affiliate of Acquiror (as applicable) of the transactions contemplated by, the Transaction Agreements to which Acquiror or the applicable Affiliate of Acquiror (as applicable) is a party do not and will not (a) violate or conflict with the organizational documents of Acquiror or the applicable Affiliate of Acquiror (as applicable), (b) subject to Governmental Approvals, conflict with or violate any Law or other Governmental Order applicable to Acquiror or the applicable Affiliate of Acquiror (as applicable) or by which any of them or any of their respective properties or assets is bound or subject or (c) result in any breach of, or constitute a default (or event which, with the giving of notice or lapse of time or both, would constitute a default) under, or give to any Person any rights of termination, acceleration or cancellation of or result in the creation of any Lien (other than Permitted Liens) on any of the assets or properties of Acquiror or any of its Affiliates pursuant to, any material contract or any note, bond, loan or credit agreement, mortgage or indenture to which Acquiror or any of its Affiliates is a party or by which any of them or any of their respective properties or assets is bound or subject, except, in the case of clauses (b) and (c) of this Section 5.02, for any such conflicts, violations, breaches, defaults, terminations, accelerations, cancellations or creations that, individually or in the aggregate, would not reasonably be expected to have an Acquiror Material Adverse Effect.

Section 5.03. Governmental Consents and Approvals. Except as may result from any facts or circumstances relating to the identity or regulatory status of Parent or its Affiliates and except in connection with consents, approvals, filings and notifications with respect to applicable Housing Authorities (for the avoidance of doubt, including in their capacity as lenders or as agencies having jurisdiction with respect to Tax Credit Laws) or any antitrust or competition Law or by any Governmental Authority with jurisdiction over enforcement of any applicable antitrust or competition Laws, the execution and delivery by Acquiror or the applicable Affiliate of Acquiror (as applicable) of the Transaction Agreements to which it is a party do not, and the consummation by Acquiror or the applicable Affiliate of Acquiror (as applicable) of the transactions contemplated by the Transaction Agreements to which it is a party will not, require any Governmental Approval to be obtained or made by Acquiror or the applicable Affiliate of Acquiror (as applicable), except for any Governmental Approvals the failure to obtain or make which, individually or in the aggregate, would not reasonably be expected to have an Acquiror Material Adverse Effect.

Section 5.04. Absence of Litigation; Compliance and Regulatory Matters.

(a) There are no Actions pending or, to the Knowledge of Acquiror, threatened in writing against Acquiror or any of its Affiliates or any of their respective assets, properties or businesses that (i) question the legality of the transactions contemplated by any of the Transaction Agreements or

(ii) individually or in the aggregate would reasonably be expected to have an Acquiror Material Adverse Effect.

(b) Acquiror and its Affiliates are not in violation of any Laws or Governmental Orders or subject to any Governmental Orders applicable to them or their respective assets, properties or businesses that, individually or in the aggregate, would reasonably be expected to have an Acquiror Material Adverse Effect.

(c) As of the date hereof, no Person from whom any such consent is to be obtained has, to the Knowledge of Acquiror, indicated to Acquiror an intent to (i) take any action or fail to take any action that is reasonably likely to prohibit, materially delay or materially impair the consummation of the transactions contemplated by this Agreement or (ii) impose any obligation or condition in connection with such consent that, individually or in the aggregate, would reasonably be expected to result in a material liability of Parent or any of its Affiliates after the Closing.

Section 5.05. Securities Matters. The Transferred Equity Interests are being acquired by Acquiror for its own account and without a view to the public distribution or sale of any of the Transferred Equity Interests or any interest in them. Acquiror has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Transferred Equity Interests, and Acquiror is capable of bearing the economic risks of such investment, including a complete loss of its investment in the Transferred Equity Interests. Acquiror understands and agrees that it may not sell, transfer, assign, pledge or otherwise dispose of any of the Transferred Equity Interests other than pursuant to a registered offering in compliance with, or a transaction exempt from, the registration requirements of the Securities Act and applicable state and foreign securities Laws.

Section 5.06. Financial Ability. Acquiror has, and will have at the Closing, (a) all funds necessary to pay the Purchase Price and its other payment obligations under this Agreement and to consummate the transactions contemplated by this Agreement and the other Transaction Agreements and has furnished to Parent written evidence thereof, and (b) not incurred any obligation, commitment, restriction or liability of any kind, which would reasonably be expected to have an Acquiror Material Adverse Effect. The obligations of Acquiror to effect the transactions contemplated by this Agreement are not conditioned upon the availability to Acquiror or any of its Affiliates of any debt, equity or other financing in any amount whatsoever.

Section 5.07. Investigation. Acquiror acknowledges and agrees, on behalf of itself and each of its Affiliates, that (a) Acquiror has made its own inquiry and investigation into, and has been furnished with or given adequate access to such information as it has requested with respect to, and, based thereon, has formed an independent judgment concerning, the Transferred Assets, the Transferred Subsidiaries and the Business, (b) the only representations, warranties, covenants and agreements made by Parent, the Seller, any of their respective Affiliates or their respective Representatives or any other Person are the representations, warranties, covenants and agreements made in this Agreement, (c) except as set forth in ARTICLE IV, none of Parent, the Seller, the Transferred Subsidiaries, any of their respective Affiliates or their respective Representatives makes any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, including any relating to the financial condition, results of operations, assets or liabilities of any of the foregoing entities and (d) no other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, is made with respect to (i) the Transferred Assets or the operation of the Transferred Subsidiaries after the Closing in any manner or (ii) the probable success or profitability of the Transferred Assets or the Transferred Subsidiaries or the Business (whether before or after the Closing). Except for the representations and warranties contained in ARTICLE IV, Acquiror has not relied upon any other representations

or warranties or any other information made or supplied by or on behalf of Parent, the Seller, the Transferred Subsidiaries, any of their respective Affiliates or their respective Representatives, and Acquiror acknowledges and agrees that none of such Persons has any liability or responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished (orally or in writing) to Acquiror or its Affiliates or their respective Representatives (including any opinion, projection, forecast, advice, statement or information that may have been or may be provided to Acquiror). Neither Acquiror nor any of its Affiliates is aware of (x) any inaccuracy of the representations or warranties contained in ARTICLE IV or (y) any material errors in, or material omissions from, the Parent Disclosure Schedule.

Section 5.08. No Acquiror Material Adverse Effect. Since December 31, 2017, no event has occurred or circumstance has arisen that, individually or in the aggregate, has had or would reasonably be expected to have an Acquiror Material Adverse Effect.

Section 5.09. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the consummation of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Acquiror or its Affiliates. Parent and its Affiliates shall have no responsibility for any such fee, commission or expense payable to any broker, finder or investment banker engaged by or on behalf of Acquiror or any of its Affiliates.

Section 5.10. Prohibited Persons. Neither Acquiror nor any of its officers, directors, shareholders, partners, members or any direct holders of Equity Interests in Acquiror is or will be an entity or person (i) that is listed in the Annex to, or is otherwise subject to the provisions of, Executive Order 13224 issued on September 24, 2001 ("EO13224"), (ii) whose name appears on the United States Treasury Department's Office of Foreign Assets Control's ("OFAC") most current list of "Specially Designated National and Blocked Persons" (which list may be published from time to time in various mediums including, but not limited to, the OFAC website), (iii) that commits, threatens to commit or supports "terrorism," as that term is defined in EO13224, (iv) that is subject to sanctions administered by OFAC or is in violation of any federal, state, municipal or local laws, statutes, codes, ordinances, orders, decrees, rules or regulations relating to terrorism or money laundering, including, without limitation, EO13224 and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or (v) that is otherwise affiliated with any entity or person listed above (any and all parties or persons described in clauses (i) through (v) above are herein referred to as a "Prohibited Person"). Acquiror covenants and agrees that neither Acquiror nor any of its officers, directors, shareholders, partners, members or direct holders of Equity Interests in Acquiror shall (A) conduct any business, nor engage in any transaction or dealing, with any Prohibited Person, including, but not limited to, the making or receiving of any contribution of funds, goods, or services, to or for the benefit of a Prohibited Person in violation of applicable sanctions, or (B) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in EO13224.

Section 5.11. ERISA. Acquiror is not (i) an "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a "plan" within the meaning of Section 4975 of the Code or (iii) an entity whose underlying assets include "plan assets" by reason of a plan's investment in such entity within the meaning of 29 C.F.R. § 2510.3101 of any such employee plan or plans. After the Closing, no portion of the Transferred Assets will constitute "plan assets" of one or more "employee benefit plans" for purposes of Title I of ERISA or Section 4975 of the Code.

Section 5.12. Disclaimer. Except for the representations and warranties contained in this ARTICLE V made by Acquiror, no other Person makes any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to Acquiror, its Affiliates, their respective businesses, the Transaction Agreements or the transactions contemplated by the Transaction Agreements. Except for the representations and warranties contained in this ARTICLE V, Acquiror disclaims, on behalf of itself, its Affiliates and their respective Representatives, (a) any other representations or warranties, whether made by Acquiror or any of its Affiliates or their respective Representatives or any other Person and (b) all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished (orally or in writing) to Parent or its Affiliates or their respective Representatives (including any opinion, projection, forecast, advice, statement or information that may have been or may be provided to Parent or its Affiliates or Representatives by any Representative of Acquiror or any of its Affiliates). Acquiror acknowledges that a Contagion Event has had, is having and is likely to continue to have, an impact on the Business and the Transferred Subsidiaries and their business and, to the extent that any representation or warranty of Parent herein is or becomes inaccurate or breached as a result of the impact of a Contagion Event or any action or inaction by Parent, the Seller Parties or the Transferred Subsidiaries, including any of their compliance with any directive, order, policy, guidance or recommendation by any Governmental Authority or any disaster plan of Parent, the Seller Parties or the Transferred Subsidiaries or any change in applicable Laws as a result of a Contagion Event, in each case, to the extent reasonably in response to the Contagion Event, then such representation or warranty shall not be deemed breached for any purpose under this Agreement, including ARTICLE IV and Section 8.01 and Section 8.02 and the Parent Disclosure Schedule shall be deemed automatically updated accordingly.

ARTICLE VI

ADDITIONAL AGREEMENTS

Notwithstanding anything to the contrary contained in this ARTICLE VI, to the extent any covenant below relates to any Property or Person that is not controlled, directly or indirectly, by Parent and/or an Affiliate thereof, then Parent, the Seller Parties and the Target Entities shall each be deemed to have satisfied such covenant if it has used commercially reasonable efforts to cause the Person that controls such Person or Property to comply with the applicable covenant, including the enforcement of all of its rights pursuant to the terms of any applicable Contract or agreement relating to such Property or Person; provided, however, that the use of such commercially reasonable efforts shall not require Parent to, in a manner inconsistent with the Ordinary Course of Business, delay, condition or withhold any consent sought by Third-Party GPs or to commence any legal action.

Section 6.01. Conduct of Business Prior to the Closing.

(a) Subject to any applicable Laws, during the period from the date hereof through the Closing, except (i) as otherwise contemplated by or permitted by the Transaction Agreements, (ii) for matters identified in Section 6.01(a) of the Parent Disclosure Schedule, (iii) as may otherwise be required by applicable fiduciary duties (in Parent's good faith determination), contractual obligations in Contracts made available to Acquiror in the Virtual Data Room prior to the date hereof (including pursuant to the Organizational Documents of any Investor Fund, Housing Fund or Operating Partnership) and contractual obligations to Tax Credit Investors, (iv) as otherwise consented to by Acquiror (which consent shall not be unreasonably withheld, delayed or conditioned), (v) in response to any Contagion Event or any change in Law or policy as a result of or related to any Contagion Event; provided that (A) any such action or inaction shall be reasonably in response to the Contagion Event, and (B) prior to any such action by Parent, the Seller Parties or the Target Entities, Parent shall consult with Acquiror in good faith to the extent practicable under the circumstances or (vi) as may be required in connection with the valid exercise

of a Preemptive Right as contemplated by, and in accordance with, Section 2.12(a), Parent shall cause the Seller Parties, the Target Entities and each Operating Partnership (other than a Third-Party Operating Partnership) to conduct the Business (including with respect to their direct and indirect rights and obligations with respect to the Operating Partnerships and the Properties) in the Ordinary Course of Business, which shall include holding or operating, as applicable, the Transferred Equity Interests, Ancillary Transferred Assets, Assigned Contracts and the Transferred Subsidiaries in the Ordinary Course of Business; provided that no action by Parent, the Seller Parties or the Target Entities with respect to matters specifically addressed by any provision of Section 6.01(b) shall be deemed a breach of this sentence unless such action would constitute a breach of such other provision.

(b) Subject to any applicable Laws, during the period from the date hereof through the Closing, except (i) as otherwise contemplated by or permitted by the Transaction Agreements, including Annex V, (ii) for matters identified in Section 6.01(b) of the Parent Disclosure Schedule, (iii) as may otherwise be required by contractual obligations in Contracts made available to Acquiror in the Virtual Data Room prior to the date hereof (including pursuant to the Organizational Documents of any Investor Fund, Housing Fund or Operating Partnership) or contractual obligations to Tax Credit Investors or (iv) as otherwise consented to by Acquiror (which consent shall not be unreasonably withheld, delayed or conditioned), Parent and Seller Parties shall not initiate or approve of any Acquiror Approval Matter. For purposes hereof, a decision to do any of the following is an “Acquiror Approval Matter”:

(i) Sale of Property. Sell any Property (or any direct or indirect equity interest therein), exercise any Transfer Right or enter into any agreement or understanding with respect to the foregoing, other than (x) as may be required in connection with the exercise of a Preemptive Right as contemplated by, and in accordance with, Section 2.12(a), (y) sales of the Properties (or any direct or indirect interest therein) identified on Section 6.01(b)(i)(y) of the Parent Disclosure Schedule (each, a “Scheduled Pipeline Property”), which sales may be contracted for and consummated in accordance with the terms of, and subject to the Purchase Price adjustments set forth on, Annex V, or (z) sales of Properties (or 100% of the direct or indirect equity interest held directly or indirectly by the Seller Parties therein) other than the Scheduled Pipeline Properties, which sales may be contracted for and consummated in accordance with the terms of, and subject to the Purchase Price adjustments set forth on, Annex V;

(ii) Indebtedness. Consent to or cause any Operating Partnership or any Transferred Subsidiary to incur or guaranty any indebtedness or encumber any Property, Transferred Equity Interest in any Transferred Subsidiary as security for any indebtedness other than the Existing Loans or Transferred Debt Interests (including any Additional Transferred Debt Interests), other than (x) refinancings of the Properties set forth on Section 6.01(b)(ii) of the Parent Disclosure Schedule (the “Scheduled Refinancing Properties”), which refinancings may be consummated in accordance with the terms set forth on Annex V, or (y) refinancings of Properties other than the Scheduled Refinancing Properties, which refinancings may be consummated in accordance with the terms set forth on Annex V;

(iii) Acquisitions. Consent to any acquisition by any Transferred Subsidiary or Operating Partnership of any real property or any securities, capital stock, bonds, debentures, notes, limited liability company interests, limited partnership interests or other ownership interests of any Person, or any intellectual property or material personal property, or acquire or permit any Affiliate of Parent to acquire, directly or indirectly, any interest in any Target Entity or any Property, other than (x) acquisitions set forth on Section 6.01(b)(iii) of the Parent Disclosure Schedule or (y) in connection with a Permitted OP Substitution;

(iv) New Securities. Cause any Transferred Subsidiary or Operating Partnership to do any of the following: (A) authorize for issuance, issue or sell or agree to commit to issue or sell any securities, capital stock, bonds, debentures, notes, limited liability company interests, limited partnership interests or other ownership or equity interest (including any phantom or participation interest) of any Transferred Subsidiary or Operating Partnership (other than the Transferred Equity Interests pursuant hereto), other than in connection with a Permitted OP Substitution, or grant any options, warrants or other rights entitling any person or entity to require the issuance or delivery of any such security, (B) repurchase, redeem or otherwise acquire any securities or securities equivalents, other than in connection with a Permitted OP Substitution, (C) reclassify, combine, split or subdivide any Transferred Equity Interests or any interests in any Transferred Subsidiaries, (D) transfer, assign or convey or grant any options or rights with respect to any Transferred Equity Interests or any interests in any Transferred Subsidiaries or enter into any agreement with respect to the foregoing or (E) enter into any voting agreement with respect to the Transferred Equity Interests or any interests in any Transferred Subsidiaries.

(v) Other Matters. Consent, approve or cause any of the following with respect to a Transferred Subsidiary or Operating Partnership: (A) any capital contributions under any Organizational Documents other than in the Ordinary Course of Business; (B)(i) any loans or advance to or by a Transferred Subsidiary or Operating Partnership or (ii) any investment in, capital contribution to or extension of any credit to or by a Transferred Subsidiary or Operating Partnership, in each case other than (x) advances and capital contributions under the Organizational Documents in the Ordinary Course of Business and (y) Operating Deficit Loans by Third-Party GPs representing indebtedness not in excess of \$1,000,000; (C)(i) amend, modify, terminate, waive or extend any Material Contract (including any Assigned Contract, but excluding any contracts of sale addressed in Section 6.01(b)(i)), Ground Lease, Regulatory Agreements, or PILOT Arrangements, (ii) amend, modify, terminate, waive or permit an assignment of or admit a new member or partner under or pursuant to Organizational Documents other than in connection with a Permitted OP Substitution, or (iii) enter into any new Contract that would constitute a Material Contract (excluding any contracts of sale addressed in Section 6.01(b)(i)), Ground Lease, Regulatory Agreement, Organizational Document or PILOT Arrangements if such Contract was in existence as of the date hereof, to the extent such Contract will be binding on Acquiror, any Transferred Subsidiary or any Operating Partnership after the Closing; (D) enter into any Contract between Parent or any of its Affiliates, on the one hand, and any Transferred Subsidiary or Operating Partnership, on the other hand, to the extent such Contract will be binding on Acquiror, any Transferred Subsidiary or any Operating Partnership after the Closing; or (E) make, change or revoke any tax classification of a Target Entity as a partnership or disregarded entity, or any other material tax election (other than an election to be an electing real estate trade or business under Section 163(j)(B)(7) of the Code) that would result in any adverse effect to Acquiror and its Affiliates after the Closing. Notwithstanding anything to the contrary in this Section 6.01(b)(v), actions specifically addressed by any other provision of this Section 6.01(b) shall not be deemed a breach of this Section 6.01(b)(v) unless such action would constitute a breach of such other provision.

Section 6.02. Access to Information.

(a) From the date hereof until the Closing Date, subject to any applicable Law and to any applicable privileges (including the attorney-client privilege) and contractual confidentiality obligations, without limitation of the Acquiror's obligations under Section 3.01, Parent shall, and shall cause each of the Transferred Subsidiaries and each such Person's respective Representatives to, and shall use commercially reasonable efforts to cause the Operating Partnerships to, upon reasonable prior notice

(i) afford the Representatives of Acquiror reasonable access, during normal business hours, to the offices, properties, books and records of the Seller Parties (to the extent related to the Business) and Transferred Subsidiaries, (ii) furnish to the Representatives of Acquiror such additional financial data and other information in Parent's possession or control regarding the Business, the Transferred Assets and the Target Entities as Acquiror may from time to time reasonably request and (iii) make available to the Representatives of Acquiror the employees of Parent and its Affiliates in respect of the Business, the Transferred Assets, and the Transferred Subsidiaries and the businesses conducted by them whose assistance and expertise is necessary to assist Acquiror in connection with Acquiror's preparation to integrate the Business, the Transferred Assets and the Target Entities into Acquiror's organization following the Closing; provided, however, that such investigation shall not unreasonably interfere with any of the businesses or operations of Parent, the Seller, the Business, the Target Entities or any of their respective Affiliates; provided, further, that the auditors and independent accountants of Parent, the Business, the Transferred Subsidiaries or any of their respective Affiliates shall not be obligated to make any work papers available to any Person unless and until such Person has signed a customary confidentiality and hold harmless agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors or independent accountants; and provided, further, that, notwithstanding anything to the contrary contained herein, neither Parent nor any of its Affiliates shall be required to disclose to Acquiror or any Representative of Acquiror any consolidated, combined, affiliated or unitary Tax Return which includes Parent or any of its Affiliates or any Tax-related work papers, except, in each case, for materials or portions thereof that relate solely to the Business or any Transferred Subsidiaries. If so reasonably requested by Parent, Acquiror shall enter into a customary joint defense agreement with any one or more of Parent, the Seller Parties and the Transferred Subsidiaries with respect to any information to be provided to Acquiror pursuant to this Section 6.02(a). Acquiror shall indemnify and hold harmless Parent, the Seller and their respective Affiliates from and against any Losses that may be incurred by any of them arising out of or related to Acquiror's and its Representatives' use, storage or handling of (A) any personally identifiable information relating to employees or customers of the Business or any Target Entities and (B) any other information that is protected by applicable Law (including privacy Laws) or Contract and to which Acquiror or any of its Affiliates or Representatives is afforded access pursuant to the terms of this Agreement. Acquiror's obligations under this Section 6.02(a) shall survive any termination of this Agreement and shall survive the Closing.

(b) In addition to the provisions of Section 6.03, from and after the Closing Date, in connection with any reasonable business purpose related to time periods prior to the Closing Date, including (x) in response to the request or at the direction of a Governmental Authority, (y) the preparation of Tax Returns or other documents related to Tax matters and (z) the determination of any matter relating to the rights or obligations of Parent, the Seller and their respective Affiliates under any of the Transaction Agreements, subject to any applicable Law and any applicable privileges (including the attorney-client privilege) and contractual confidentiality obligations, and specifically excluding Acquiror and its Affiliate's income Tax returns and associated working papers, internal memoranda, reports or assessments of Acquiror or any of its Affiliates, including with respect to the Business and including any valuations or the Business, the Transferred Assets, or any Transferred Subsidiaries or Operating Partnerships, upon reasonable prior notice, Acquiror shall, shall cause the Transferred Subsidiaries and their respective Affiliates and Representatives to, and shall use commercially reasonable efforts to cause the Operating Partnerships to, (i) afford Parent, the Seller and their respective Affiliates and their respective Representatives reasonable access, during normal business hours, to the offices, properties, books, data, files, information and records of Acquiror and its Affiliates in respect of the Transferred Assets, the Business, and/or Transferred Subsidiaries and the businesses conducted by them prior to the Closing Date (including, for the avoidance of doubt, Tax Returns and other information and documents relating to Tax matters relating to periods prior to the Closing Date), and (ii) furnish to Parent, the Seller and their respective Affiliates and their respective Representatives such additional financial data and other information in Acquiror's control regarding the Transferred Assets, the Business, and/or the Transferred

Subsidiaries and the businesses conducted by them prior to the Closing Date as Parent, the Seller and their respective Affiliates or their respective Representatives may from time to time reasonably request (including, for the avoidance of doubt, Tax Returns and other information and documents relating to Tax matters for periods prior to the Closing Date); provided, however, that such investigation shall not unreasonably interfere with the business or operations of Acquiror, any Transferred Subsidiary or any of their respective Affiliates; and provided, further, that the auditors and independent accountants of Acquiror or its Affiliates shall not be obligated to make any work papers available to any Person to the extent they relate to any period after the Closing Date, and with respect to work papers relating to periods prior to the Closing Date, only until such Person has signed a customary confidentiality and hold harmless agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors or independent accountants. If so reasonably requested by Acquiror, Parent shall, and shall cause the Seller or their respective Affiliates (as applicable) to, enter into a customary joint defense agreement with any one or more of Acquiror and its Affiliates with respect to any information to be provided to Parent or its Affiliates or their respective Representatives pursuant to this Section 6.02(b). Parent shall indemnify and hold harmless Acquiror and their respective Affiliates from and against any Losses that may be incurred by any of them arising out of or related to Parent and its Affiliates' and Representatives' use, storage or handling of (A) any personally identifiable information relating to employees or customers of the Business or any of the Transferred Subsidiaries and (B) any other information that is protected by applicable Law (including privacy Laws) or contract and to which Parent or its Representatives is afforded access pursuant to the terms of this Agreement after Closing. Parent's obligations under this Section 6.02(b) shall survive the Closing.

(c) Notwithstanding anything to the contrary contained herein, Parent shall not be required prior to the Closing to disclose, or cause its Affiliates or its or its Affiliates' respective Representatives prior to the Closing to disclose, to Acquiror or any of its Affiliates or any of their respective Representatives (or provide access to any offices, properties, books or records of Parent or any of its Affiliates that could result in the disclosure to such Persons or others of) any information that is subject to a confidentiality agreement or obligation prohibiting its disclosure or that is privileged, nor shall Parent be required to permit, cause its Affiliates or its or its Affiliates' respective Representatives to permit, or cause others to permit Acquiror or any of its Affiliates, or any of their respective Representatives, to have access to or to copy or remove from the offices or properties of Parent or Acquiror, as applicable, or any of its Affiliates, any documents or other materials that might reveal any such information that is subject to a confidentiality agreement or obligation prohibiting its disclosure. Notwithstanding anything to the contrary contained herein, neither party shall be required after the Closing to disclose, or cause its Affiliates or its or its Affiliates' respective Representatives after to the Closing to disclose, to the other party or any of its Affiliates or any of their respective Representatives (or provide access to any offices, properties, books or records of such party or any of its Affiliates that could result in the disclosure to such Persons or others of) any information that is subject to a confidentiality agreement or obligation prohibiting its disclosure or that is privileged, nor shall either party be required to permit, cause its Affiliates or its or its Affiliates' respective Representatives to permit, or cause others to permit the other party or any of its Affiliates, or any of their respective Representatives, to have access to or to copy or remove from the offices or properties of Acquiror or any of its Affiliates any documents or other materials that might reveal any such information that is subject to a confidentiality agreement or obligation prohibiting its disclosure; provided that Parent or Acquiror, as applicable, shall give notice to the other party of the fact it is withholding such information or documents and thereafter Parent or Acquiror, as applicable, shall use commercially reasonable efforts and shall cause its Affiliates or its or its Affiliates' respective Representatives to use their respective commercially reasonable efforts to allow the disclosure of such information in a manner and to the greatest extent possible that would not violate the foregoing.

Section 6.03. Books and Records.

(a) Subject to Section 6.04(b), Parent, the Seller and their respective Affiliates shall have the right to retain copies of all books, data, files, information and records in any media (including, for the avoidance of doubt, Tax Returns and other information and documents relating to Tax matters) related to any of the Transferred Assets or any Target Entity for periods ending on or prior to the Closing Date. With respect to all original books, data, files, information and records of the Business and the Target Entities existing as of the Closing Date, Acquiror shall, and shall cause each of the Target Entities to (and shall use commercially reasonable efforts to cause each Operating Partnership to), (i) comply in all material respects with all applicable Laws, including the Code, relating to the preservation and retention of records, (ii) apply preservation and retention policies that are no less stringent than those generally applied by Acquiror and its Affiliates and (iii) for at least six (6) years after the Closing Date or until notice is received from Parent of the expiration of the applicable statute of limitations for Tax purposes, whichever is later, preserve and retain all such original books, data, files, information and records and thereafter dispose of such original books, data, files, information and records only after it shall have given Parent ninety (90) days' prior written notice of such disposition and the opportunity (at Parent's expense) to remove and retain such information.

(b) Notwithstanding anything to the contrary contained herein or any other Transaction Agreement, to the extent that Parent or any of its Affiliates has retained books, records, files, tapes, software, data, documents, hardware, storage devices or other information, materials or equipment that are not used in the operation of the Business or any of the Transferred Subsidiaries or required by any of the Transferred Subsidiaries for regulatory purposes ("Archived Files") pursuant to a Litigation Hold or otherwise, Acquiror acknowledges and agrees that the Archived Files are solely the property of Parent. Parent agrees that it will retain the Archived Files that relate to the Business and the Transferred Subsidiaries for no less than three (3) months post-Closing, after which Parent may recycle or discard such Archived Files.

Section 6.04. Confidentiality.

(a) Except to the extent (i) required or permitted pursuant to the terms of this Agreement, including in connection with obtaining third-party consents or Governmental Approvals, (ii) as modified by Section 6.04(c), the terms of the confidentiality agreement, dated December 2, 2020 (the "Confidentiality Agreement"), between Parent and Blackstone Real Estate Services L.L.C. are incorporated into this Agreement by reference and shall continue in full force and effect until the Closing, at which time the confidentiality obligations under the Confidentiality Agreement shall terminate. If, for any reason, the transactions contemplated by this Agreement are not consummated, the Confidentiality Agreement shall nonetheless continue in full force and effect in accordance with its terms.

(b) From and after the Closing, Parent, on the one hand, and Acquiror, on the other hand, shall, and shall cause their respective Affiliates and Representatives to, maintain in confidence any written, oral or other information relating to the other party or its Affiliates, except that the foregoing requirements of this Section 6.04 shall not apply to the extent that (i) any such information is or becomes generally available to the public other than (A) in the case of Acquiror, as a result of disclosure by Parent or its Affiliates or any of their respective Representatives and (B) in the case of Parent, as a result of disclosure by Acquiror or any Transferred Subsidiary (after the Closing Date) or any of their respective Affiliates or any of their respective Representatives, (ii) any such information (including any report, statement, testimony or other submission to a Governmental Authority) is required by applicable Law, Governmental Order or such Governmental Authority to be disclosed, after prior notice has been given to the other party to the extent such notice is permitted by applicable Law, provided that no such notice is required if prohibited by applicable Law, (iii) any such information is reasonably necessary to be

disclosed in connection with any Action or in any dispute with respect to the Transaction Agreements (including in response to any summons, subpoena or other legal process or formal or informal investigative demand issued to the disclosing party in the course of any litigation, arbitration, mediation, investigation or administrative proceeding), (iv) any such information was or becomes available to such party on a non-confidential basis and from a source (other than a party hereto or any Affiliate or Representative of such party) that is not bound by a confidentiality agreement with respect to such information or (v) after the Closing, any such information becomes known or available pursuant to or as a result of the carrying out of the provisions of an Ancillary Agreement (which information shall be governed by the confidentiality provisions set forth in such Ancillary Agreement). Each of the parties hereto shall instruct its Affiliates and Representatives having access to such information of such obligation of confidentiality.

(c) Notwithstanding anything to the contrary contained herein, the parties hereto acknowledge and agree that (i) Parent, the Seller and their respective Affiliates may, without notifying Acquiror or any other Person, share any information relating to or obtained from Acquiror or its Affiliates with (A) any Governmental Authority then having jurisdiction over Parent or its Affiliates or (B) the IRS or any other Tax Authority, in each case as Parent or the Seller deems necessary or advisable in their good faith judgment; and (ii) Acquiror and its respective Affiliates may, without notifying Parent or any other Person, share any information relating to or obtained from Parent or its Affiliates with (A) any Governmental Authority then having jurisdiction over Acquiror or its Affiliates or (B) the IRS or any other Tax Authority, in each case as required by applicable Law.

(d) To the fullest extent permitted by applicable Laws, the provisions of Section 6.04(b) shall not restrict or limit the use of or disclosure by Parent or any of its Affiliates of any customer information (including such information relating to the Business and the Transferred Subsidiaries) if such information was in the possession or control of Parent or its Affiliates prior to the Closing Date and it relates to the ordinary course of Parent's businesses other than the Business. For the avoidance of doubt, the foregoing shall apply regardless of whether such information (i) was also possessed or controlled by any of the Transferred Subsidiaries on or prior to the Closing Date and/or (ii) was originated by any other Person.

Section 6.05. Governmental Approvals and Third-Party Consents.

(a) Acquiror shall use commercially reasonable efforts to obtain as promptly as practicable all authorizations, consents, orders and approvals of all Governmental Authorities (including any Housing Authority) and any third party (including any lender under an Existing Loan, any Third-Party GP, any Tax Credit Investor or other direct or indirect beneficial owner in an Operating Partnership) that may be or may become necessary, proper or advisable to consummate or make effective the transactions contemplated by the Transaction Agreements, and each of Acquiror and Parent shall take all commercially reasonable actions as may be requested by any such Governmental Authorities or third parties to obtain such authorizations, consents, orders and approvals. Acquiror, Parent and the Seller Parties shall reasonably cooperate in connection with Acquiror's obtaining as promptly as practicable all such authorizations, consents, orders and approvals, and Parent shall use commercially reasonable efforts to submit, or to cause to be submitted, any filings, requests or applications for such authorizations, consents, orders and approvals that are required to be made by Parent, a Seller Party, a Target Entity or an Operating Partnership. Neither Parent nor Acquiror shall take or cause to be taken any action that they are aware or should reasonably be aware would have the effect of delaying, impairing or impeding the receipt of any such required authorizations, consents, orders or approvals. The parties hereto agree that any payments to obtain the authorizations, consents, orders and approvals contemplated by this Section 6.05(a) shall be borne by Acquiror; provided that (i) Acquiror may elect not to obtain the same and instead make the applicable Transferred Asset subject to Section 2.12(c), (ii) neither Parent nor any of its

Affiliates shall charge an “assumption,” “transfer,” “review” or similar fee with respect to any Existing Loan Consents (but without limitation of any such fees required to be paid to any third-party Existing Lender or third-party servicer under any Existing Loan) and (iii) without the prior consent of Acquiror, neither Parent nor any of its Affiliates shall make any payments (unless borne solely by Parent in accordance with Section 6.05(f) below), cause any Transferred Subsidiary or Operating Partnership to incur any liability or otherwise encumber any of the Transferred Assets, Transferred Subsidiaries or Operating Partnerships in connection with obtaining any of the authorizations, consents, orders and approvals contemplated by this Section 6.05(a).

(b) Without limiting the generality of Section 6.05(a), the parties hereto shall as promptly as reasonably practicable (which shall in no event be later than thirty (30) days after the date hereof) make or cause their respective Affiliates, where applicable, to make all filings and notifications with all Governmental Authorities (excluding Housing Authorities and any lender which is a Governmental Authority and any filing that may be required under any antitrust or competition Law or by any Governmental Authority with jurisdiction over enforcement of any applicable antitrust or competition Laws, which, if required, shall be made as soon as reasonably practicable, but in any event prior to September 30, 2021) that may be or may become reasonably necessary, proper or advisable under the Transaction Agreements and applicable Laws to consummate and make effective the transactions contemplated by the Transaction Agreements. Parent and Acquiror each shall supply promptly any additional information and documentary material that may be reasonably requested pursuant to applicable Laws; provided no party shall be required to furnish any information if based on the advice of such party’s counsel, or such party’s reasonable determination, the furnishing of such information will violate applicable Law.

(c) Subject to the terms and conditions set forth in this Agreement, without limiting the generality of the other undertakings pursuant to this Section 6.05, each of Parent and Acquiror shall take or cause to be taken the following actions: (i) the prompt provision to a Governmental Authority of non-privileged information, documents or testimony requested by such Governmental Authority that are necessary, proper or advisable to permit consummation of the transactions contemplated by the Transaction Agreements, provided no party shall be required to furnish any information if based on the advice of such party’s counsel, or such party’s reasonable determination, the furnishing of such information will violate applicable Law; (ii) the prompt use of commercially reasonable efforts to avoid the entry of, or to effect the dissolution of, any permanent, preliminary or temporary injunction or other order, decree, decision, determination or judgment that would delay, restrain, prevent, enjoin or otherwise prohibit the Closing; and (iii) the prompt use of commercially reasonable efforts to take, in the event that any permanent, preliminary or temporary injunction, decision, order, judgment, determination or decree is entered or issued or becomes reasonably foreseeable to be entered or issued, in any proceeding or inquiry of any kind that would make consummation of the transactions contemplated by the Transaction Agreements in accordance with the terms of the Transaction Agreements unlawful or that would delay, restrain, prevent, enjoin or otherwise prohibit consummation of the transactions contemplated by the Transaction Agreements, any and all commercially reasonable steps (including the appeal thereof and the posting of a bond) necessary to resist, vacate, modify, reverse, suspend, prevent, eliminate or remove such actual, anticipated or threatened injunction, decision, order, judgment, determination or decree so as to permit such consummation on a schedule as close as possible to that contemplated by the Transaction Agreements, including cooperating with each other to determine any applicable Transferred Assets that can be deemed Excluded Assets, provided that the consideration payable with respect to such Excluded Assets, in the aggregate, is de minimis in comparison to the Purchase Price. Notwithstanding anything in this Agreement to the contrary, nothing in this Section 6.05 or elsewhere shall require the Acquiror or any of its Affiliates to take any action with respect to itself, any of its Affiliates, the Transferred Assets, the Transferred Subsidiaries or their Affiliates including but not limited to (x) selling or otherwise disposing of, or holding separate, any business, assets or properties, (y) terminating or creating any relationships,

contractual rights, obligations or other arrangement, or (z) effecting any other change or restructuring, of Acquiror or its Affiliates, the Transferred Assets, or the Transferred Subsidiaries (each, a “Divestiture or Burden”). Parent and Seller Parties shall not and shall not permit any Target Entity, Transferred Subsidiary or any Affiliate of the foregoing or any Person under the authority of any Parent or Seller Parties to request, cause or approve any Seller Party or any Transferred Subsidiary to agree to any Divestiture or Burden without the prior written consent of Acquiror. Each party shall have sole responsibility for its respective filing fees associated with filings with Governmental Authorities (and if applicable Law does not stipulate the party responsible for such filing fee, the fee shall be shared equally by Seller and Acquiror).

(d) Subject to applicable Laws relating to the sharing of information, (i) each of Parent and Acquiror shall promptly notify one another of any communication it receives from any Governmental Authority and permit the other party to review in advance any proposed communication by such party to any Governmental Authority and shall provide each other with copies of all correspondence, filings or communications between such party or any of its Representatives, on the one hand, and any Governmental Authority or members of the staff of any Governmental Authority, on the other hand, in each case to the extent relating to the matters that are the subject of this Agreement, subject to the terms of Section 6.04 (with such redactions as such party deems reasonable to make relating to information it deems confidential or proprietary) and (ii) neither party shall agree to participate in any meeting or discussion with any Governmental Authority relating to the matters that are the subject of this Agreement unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, allows the other party to participate in such meeting or discussion; provided, that the foregoing clauses (i) and (ii) shall not apply with respect to routine communications with Housing Authorities regarding requests for consent of such Housing Authorities to the consummation of the transactions contemplated by this Agreement except to the extent requested by Parent. Subject to the Confidentiality Agreement and to Section 6.02(c), Parent and Acquiror shall coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing; provided, however, that the foregoing shall not require either party or their respective Affiliates (i) to disclose any information that in the reasonable judgment of such party or any of their respective Affiliates (as the case may be) is proprietary or would result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality or (ii) to disclose any privileged information or confidential competitive information of such party or any of their respective Affiliates; and provided, further, that notification obligations with respect to communications received from a Tax Authority, as well as the rights and obligations of the parties hereto with respect to any Tax audit or administrative or court proceeding related to Taxes, shall be governed solely by Section 7.02. Neither party hereto shall be required to comply with any provision of this Section 6.05(d) to the extent that such compliance would be prohibited by applicable Law.

(e) Acquiror (with Parent’s cooperation) shall (i) as promptly as reasonably practicable after the date hereof, file all notices and applications with any Housing Authorities, lenders or third parties (excluding filings subject to Section 6.05(b)) for any known consents required to consummate the transactions contemplated by this Agreement; and (ii) promptly and timely deliver all documents, certifications, information, representations, agreements and other materials reasonably required to obtain such consents.

(f) Parent shall not be required to compensate any third party, commence or participate in litigation, incur any liability or offer or grant any accommodation (financial or otherwise) to any third party to obtain any consent or approval required to complete the transactions contemplated by this Agreement (each, a “Transaction Accommodation”) and Parent shall not grant any such Transaction Accommodation without Acquiror’s prior written consent unless the Transaction Accommodation would not (i) result in Acquiror or any Transferred Subsidiary or Operating Partnership incurring any liability,

(ii) adversely affect the ownership, operation or value of any Transferred Asset or Property, (iii) adversely affect any rights, or result in a waiver of any rights, that a Transferred Subsidiary may have pursuant to applicable Law or Contract (including any Organizational Documents) or (iv) encumber any Property or any direct or indirect interest therein.

(g) From time to time, the applicable Operating Partnerships, Housing Funds or Investor Funds, or Parent and its Affiliates and their respective Representatives, may (or if reasonably requested by Acquiror in accordance with and subject to the provisions of this Section 6.05(g), shall) sign certifications, notices or other documents, make filings with Governmental Authorities, or take other action in connection with obtaining approvals of a Housing Authority, Existing Lender or other third party or otherwise in connection with the transactions contemplated by this Agreement (collectively, the "Parent Statements"); provided, Acquiror shall have the right to review and reasonably approve in advance any Parent Statements being made by or at the request of Parent or its Affiliates and proposed to be delivered by Parent to a third party that has notice, consent or approval rights with respect to the transactions contemplated hereby. Except to the extent that statements or representations made in Parent Statements are a breach of Parent's representations and warranties expressly set forth in this Agreement, Acquiror hereby agrees to indemnify, defend and hold harmless the Parent Indemnified Persons from and against any and all Losses which in any way relate to or arise out of a Parent Statement made to a Governmental Authority or other third party that has filing, notice, consent or approval rights or requirements with respect to the transactions contemplated hereby, except to the extent such Losses are caused by Parent's or Parent's Representatives' intentional misconduct or fraud. The indemnity set forth in this Section 6.05(g) shall survive any termination of this Agreement and shall survive the Closing.

Section 6.06. Insurance. From and after the Closing Date, neither the Parent nor any of its Affiliates shall be under any obligation to maintain, extend or take any other action with respect to blanket insurance policies, self-insurance programs or other insurance policies covering the Business, any Target Entity, or any Property or Transferred Asset. The Seller Parties shall cause to be terminated and canceled, with effect on the Closing Date, the coverage of certain Properties under a group insurance policy maintained by the Parent or its Affiliates, and Acquiror shall thereafter be responsible for obtaining replacement insurance coverage with respect to such Properties.

Section 6.07. Intellectual Property; Trade Names and Trademarks.

(a) Acquiror, for itself and its Affiliates, acknowledges and agrees that Acquiror is not purchasing, acquiring or otherwise obtaining any right, title or interest in, to or under any Intellectual Property owned by or licensed to Parent or its Affiliates and the Trademarks "SunAmerica," "AIG," "American International Group, Inc." or "AI," or any Trademarks or any other name or source identifiers related thereto or employing the wording "AIG" or any "AI" formative marks, "American International" formative marks or any derivation or variation of any of the foregoing (for example, among others, AI, AI RISK, AIA, AIU, as well as American International, American International Group, American International Underwriters, American International Assurance) or any confusingly similar trade, corporate or business name, Trademark or other name or source identifier (including any registrations and applications relating thereto) (collectively, the "Parent Names and Marks"), and neither Acquiror nor any of its Affiliates shall have any rights in or to any of Parent Names and Marks and neither Acquiror nor any of its Affiliates shall (i) seek to register in any jurisdiction any trade, corporate or business name, Trademark, or other name or source identifier that is a derivation, translation, adaptation, combination or variation of Parent Names and Marks or that is confusingly similar thereto or (ii) contest the use, ownership, validity or enforceability of any rights of Parent or any of its Affiliates in or to any of Parent Names and Marks.

(b) Certain Actions Following the Closing Date.

(i) Following the Closing Date, Acquiror shall, and shall cause its Affiliates (for the avoidance of doubt, including all Target Entities and all Operating Partnerships other than the Third-Party Operating Partnerships) to, and shall use commercially reasonable efforts to cause the Third-Party Operating Partnerships to, as promptly as possible cease and discontinue any and all uses of the Intellectual Property owned or licensed by Parent or its Affiliates, including Parent Names and Marks, whether or not in combination with other words, symbols or other distinctive or non-distinctive elements and all trade, corporate or business names, Trademarks and other name or source identifiers similar to any of the foregoing or embodying any of the foregoing whether or not in combination with other words, symbols or other distinctive or non-distinctive elements.

(ii) As promptly as practicable after the Closing Date, and in no event later than ninety (90) days after the Closing Date, Acquiror shall, and shall cause its Affiliates to, destroy, exhaust or return to the Seller all materials bearing Parent Names and Marks, including signage, advertising, promotional materials, packaging, inventory, electronic materials, collateral goods, web sites, forms, product, training and service literature and materials, and other materials (collectively, the “Materials”), and, if required by Law, shall within thirty (30) days of the Closing Date make all filings with any Governmental Authority to effect the elimination of any use of Parent Names and Marks from the businesses of the Business and the Target Entities, so as to bring Acquiror and its Affiliates into compliance with this Section 6.07 and shall deliver a certificate to Parent confirming such filings. Except as otherwise provided in this Section 6.07, the Business and the Target Entities shall during such period of up to ninety (90) days after the Closing Date have the right to use such existing Materials in connection with their existing businesses as conducted as of the Closing to the extent such use cannot commercially reasonably be avoided. From and after the Closing, Acquiror shall not, and shall cause its applicable Affiliates not to, directly or indirectly modify the Materials in any respect, and all goodwill arising from the use of Parent Names and Marks by the Acquiror or its Affiliates will inure to the sole benefit of Parent and its Affiliates. Notwithstanding the foregoing, Acquiror shall, and shall cause its applicable Affiliates to, commence the removal of Parent Names and Marks from all such Materials as promptly as possible following the Closing Date and Acquiror shall, and shall cause its applicable Affiliates to, (i) immediately upon the Closing Date cease all use of Parent Names and Marks on all electronic media, stationery, business cards, purchase orders, invoices, receipts and similar correspondence and (ii) within thirty (30) days of the Closing Date destroy all such items enumerated in this Section 6.07(b)(ii) and, upon request, shall send a written statement to Parent confirming that all such items have been destroyed. With respect to all other Materials covered by this Section 6.07, upon request by Parent after the date that is ninety (90) days after the Closing Date, Acquiror shall send a written statement to Parent verifying that it has destroyed, exhausted or returned to the Seller all such Materials and shall send Parent representative samples of how Acquiror uses advertising and promotional materials that do not include Parent Names and Marks. Acquiror, for itself and its Affiliates, agrees that use of Parent Names and Marks during the ninety (90)-day period authorized by this Section 6.07 shall be only with respect to goods and services existing in inventory at the Closing, shall not be for any new policies, goods or services (including any new marketing or advertising materials or product, training or service literature), and shall be of a level of quality equal to or greater than the quality of goods and services with respect to which the Target Entities used Parent Names and Marks immediately prior to the Closing. In addition to any and all other remedies available to Parent and its Affiliates, Acquiror, for itself and its Affiliates, shall indemnify and hold harmless Parent Indemnified Persons from and against any liabilities, obligations, losses or damages arising from or relating to the use of Parent Names and Marks by the Target Entities. Acquiror, for itself and its Affiliates, agrees that, after the Closing Date, Acquiror and its Affiliates shall not expressly, or by implication, do business as or represent themselves as Parent or its Affiliates (or the personnel

of Parent or its Affiliates) and shall use all reasonable efforts to ensure that there is no confusion that the Business and the Target Entities are no longer affiliated with Parent or its Affiliates.

(iii) No later than the date that is ninety (90) days after the Closing Date, Acquiror shall execute, or shall cause the execution of, amendments to the organizational documents with respect to the applicable Target Entities to effect a change in their respective names to a name not containing any of Parent Names and Marks or any derivation, translation, adaptation, combination or variation thereof. Immediately after the Closing, Acquiror shall cause the applicable Target Entities to file such amended organizational documents with the applicable Governmental Authority and take all other necessary action to fulfill its obligations set forth in this Section 6.07 as soon as reasonably practicable. Notwithstanding the foregoing, to the extent such amendments or changes to the applicable organizational documents require the consent of any third party or Governmental Authority, the obligations under this Section 6.07 shall not apply until such consent is received; provided that Acquiror will use its commercially reasonable efforts to secure the consent of any third party or Governmental Authority prior to the expiration of the ninety (90) day period.

(iv) To the extent that any of the Target Entities owns any rights in or to any Parent Names and Marks, including any registrations or applications for registrations thereof in any jurisdiction, Acquiror shall cause each of such Target Entities to immediately, after the Closing Date, cease all use thereof (except as otherwise expressly permitted by this Section 6.07), and as soon as practicable after the Closing Date (but in no event more than ninety (90) days thereafter), abandon all rights in and to such Parent Names and Marks, including abandoning any such registrations and applications for registrations. As soon as practicable after the Closing Date (but in no event more than ninety (90) days thereafter), Acquiror shall cause each of the applicable Target Entities to submit to the applicable Governmental Authorities all necessary filings to abandon all its and their rights, registrations and applications for registrations for any and all Parent Names and Marks. Notwithstanding the foregoing, should Acquiror or any of its Affiliates, following the Closing Date, become aware of any domain name registration by any Target Entity that includes or incorporates any Parent Names and Marks, Acquiror shall promptly notify Parent of the existence of such domain name registration and, upon Parent's request, shall, or shall cause the applicable Target Entity to, assign and transfer, and hereby does assign and transfer, all right, title and interest in or to such domain name registration to Parent or an Affiliate of Parent. Acquiror shall pay any and all renewal fees that are due to the applicable domain name registrar for the period of up to one (1) month after each such domain name registration is transferred.

(v) Any failure by Acquiror to cause a Third-Party Operating Partnership to comply with this Section 6.07(b) shall not be deemed to be a breach of Acquiror's covenants hereunder if and to the extent that such failure is attributable to actions or omissions of a Third-Party GP, so long as Acquiror shall have (1) used its commercially reasonable efforts to cause the Third-Party GP and the Third-Party Operating Partnership to comply with this Section 6.07(b) and (2) notified Parent promptly upon becoming aware of any such noncompliance.

(c) Acquiror, on behalf of itself and its Affiliates, agrees that irreparable damage would occur if this Section 6.07 were not performed in accordance with its specific terms or were otherwise breached. It is accordingly agreed that, in addition to any and all other remedies available to Parent and its Affiliates, without the necessity of posting bond or other undertaking, Parent or any of its Affiliates (or their respective successors or assigns) shall be entitled to proceed against Acquiror and its Affiliates in law and in equity for such damages or other relief as a court may deem appropriate and shall be entitled to seek a temporary restraining order and preliminary and final injunctive or other equitable

relief, including specific performance, to prevent breaches of this Section 6.07 and, in addition to any other remedy to which they are entitled at law or in equity, to enforce specifically the terms and provisions of this Section 6.07. In the event that any Action is brought in equity to enforce the provisions of this Section 6.07, no party hereto shall allege, and each party hereto hereby waives the defense or counterclaim, that there is an adequate remedy at law.

Section 6.08. Mutual Release.

(a) Effective as of the Closing, Parent, for itself and on behalf of its Subsidiaries and Affiliates, and each of their respective partners, members, trustees, directors, officers, employees, representatives, property managers, asset managers, agents, and their successors, heirs and executors (each, a "Parent Releasor"), hereby irrevocably, knowingly and voluntarily releases, discharges and forever waives and relinquishes all claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions and causes of action of whatever kind or nature, whether known or unknown, which any Parent Releasor has, may have or might have or may assert now or in the future, against (i) the Transferred Subsidiaries and their respective successors, assigns, heirs, executors, officers, directors, partners and employees and (ii) Acquiror, and each of Acquiror's Affiliates and their respective successors, assigns, heirs, executors, officers, directors, partners and employees (each, an "Acquiror Releasee"), arising out of, based upon or resulting from the Business, including with respect to the Properties, the Operating Partnerships, any Contract, any Transferred Assets, any transaction, event, circumstance, action, failure to act or occurrence of any sort or type, whether known or unknown, and which occurred, existed, was taken, permitted or begun prior to the Closing Date in connection with the foregoing; provided, however, that nothing contained in this Section 6.08(a) shall release, discharge, waive or otherwise affect the rights or obligations of any party to the extent related to or arising out of any (i) Insurance Agreement, (ii) any Transaction Agreement or (iii) any claim alleging fraud or intentional misconduct. Parent shall, and shall cause each Parent Releasor to, refrain from, directly or indirectly, asserting any claim or demand or commencing, instituting or causing to be commenced, any legal proceeding of any kind against any Acquiror Releasee based upon any matter released pursuant to this Section 6.08(a). The parties hereto hereby acknowledge and agree that the execution of this Agreement shall not constitute an acknowledgment of or an admission by any Parent Releasor or Acquiror Releasee of the existence of any such claims or of liability for any matter or precedent upon which any liability may be asserted.

(b) Effective as of the Closing, Acquiror, for itself and on behalf of its Affiliates (including, for the avoidance of doubt, the Target Entities) and each of their respective partners, members, trustees, directors, officers, employees, representatives, property managers, asset managers, agents, and each of their successors, heirs and executors (each, an "Acquiror Releasor"), hereby irrevocably, knowingly and voluntarily releases, discharges and forever waives and relinquishes all claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions and causes of action of whatever kind or nature, whether known or unknown, which any Acquiror Releasor has, may have or might have or may assert now or in the future, against any of Parent, any Seller Party and their respective Affiliates and their respective successors, assigns, heirs, executors, officers, directors, partners and employees (in each case in their capacity as such) (each, a "Parent Releasee"), arising out of, based upon or resulting from the Business, including with respect to the Properties, the Operating Partnerships, any Contract, transaction, event, circumstance, action, failure to act or occurrence of any sort or type, whether known or unknown, and which occurred, existed, was taken, permitted or begun prior to the Closing Date in connection with the foregoing; provided, however, that nothing contained in this Section 6.08(b) shall release, discharge, waive or otherwise affect the rights or obligations of any party to the extent related to or arising out of (i) any Insurance Agreement, (ii) any claim arising under the terms of any Transaction Agreement or (iii) any claim alleging fraud or intentional misconduct. Acquiror shall, and shall cause each Acquiror Releasor to, refrain from, directly or indirectly, asserting any claim or demand or

commencing, instituting or causing to be commenced, any legal proceeding of any kind against any Parent Releasee based upon any matter released pursuant to this Section 6.08(b). The parties hereto hereby acknowledge and agree that the execution of this Agreement shall not constitute an acknowledgment of or an admission by any Acquiror Releasor or Parent Releasee of the existence of any such claims or of liability for any matter or precedent upon which any liability may be asserted.

Section 6.09. Distributions. Subject to the adjustments to the Purchase Price as provided in Section 2.06, nothing in this Agreement shall be deemed to prohibit or limit in any manner (a) Parent or any Affiliate thereof, or any Investor Fund, Housing Fund, Operating Partnership or GP Entity, from declaring, setting aside and/or paying any dividend or distribution in respect of any capital stock, partnership interests, limited liability company or membership interests or other securities or Equity Interests, or (b) the operation of Parent's and its Affiliates' cash sweep program (it being understood that such program applies to accounts of the Seller and certain Subsidiaries thereof).

Section 6.10. Intentionally Omitted.

Section 6.11. Tax Credits.

(a) Tax Credits and Affordability Requirements. Acquiror hereby acknowledges that (i) the Operating Partnerships have acquired, developed, owned and operated the Properties as projects intended to qualify for tax credits ("Tax Credits"), including, without limitation, low-income housing tax credits under Section 42 of the Code and the Treasury Regulations promulgated thereunder (collectively, "Section 42"), (ii) the Properties are subject to regulatory and other agreements relating to income, rent or other affordable housing restrictions (collectively referred to as the "Regulatory Agreements"), (iii) in order to maintain and preserve the Tax Credits, and otherwise comply with the Tax Credit Laws and other obligations under the Regulatory Agreements, the Properties must be operated in compliance with the Regulatory Agreements and all applicable rules, procedures, regulations, guidelines and other requirements under Section 42 and all other applicable federal, state or local affordable housing laws, regulations and other requirements relating to the Properties (collectively, the "Tax Credit Laws"), and (iv) the failure to operate the Properties in compliance with the Regulatory Agreements and Tax Credit Laws may cause the recapture (and/or related liability) of all or a portion of such Tax Credits and/or result in other significant damages and economic loss related to the Tax Credits.

(b) Covenants. Acquiror hereby covenants to Parent and the Seller Parties, on behalf of itself and its Affiliates (including, following the Closing, the Transferred Subsidiaries), that, from and after the Closing:

(i) Acquiror, at its sole cost and expense and for the duration of all applicable time periods, shall and shall cause each such Operating Partnership to (or shall use best efforts to cause an Operating Partnership to, in the case of any Third-Party Operating Partnership) (x) assume, undertake and cause to be performed all of the obligations under the Regulatory Agreements and the Tax Credit Laws applicable to the Properties, including, without limitation, all ownership and operating restrictions and all resident qualification and rent restrictions applicable to the Properties, and (y) make timely, accurate and complete submissions of all reports to governmental agencies and any other reports reasonably required to be delivered with respect to the Properties pursuant to the Tax Credit Laws, the Regulatory Agreements and any other documents or regulations related to the Tax Credits (including, without limitation, any applicable Housing Authority monitoring requirements);

(ii) for all periods through the Compliance Expiration Date, Acquiror shall and shall cause each Operating Partnership to (or shall use its commercially reasonable efforts to

cause an Operating Partnership to, in the case of any Third-Party Operating Partnership) prepare and deliver to Parent the following documentation (it being acknowledged and agreed that all appropriate filings are required to be made for periods ending on or before the Compliance Expiration Date, even though such filings may be due after the Compliance Expiration Date):

(A) within ten (10) days after it receives notification of the occurrence of any event that a management agent or owner experienced in the Section 42 tax credit program would reasonably expect may result in the recapture of any Tax Credits with respect to a Property or the violation of any Regulatory Agreement, a report regarding such event, any reasonable documentation relating thereto, and the expected resolution of such event, including, without limitation:

(1) upon the occurrence of any natural disaster and/or widespread property damage having an adverse impact on the physical condition of a Property, a report of the extent of the damage to a Property, any expected delay in construction or rehabilitation, and the effect such damage might have on the operations or leasing activity of a Property;

(2) upon learning of any violation of any health, safety or building code, or other statute or regulation which could reasonably be expected to affect the availability of any unit included in a Property for rental, a detailed statement describing such matters along with any written notices thereof received by Acquiror or an Operating Partnership, from any federal, state, or local government entity; and

(3) a notice of any default received by Acquiror or an Operating Partnership, with respect to any loan secured by a Property and/or any interest therein;

(B) within five (5) Business Days after receipt by Acquiror or an Operating Partnership:

(1) copies of all notices of noncompliance or IRS Form 8823 issued by the Housing Authority or notice of any IRS proceeding involving Acquiror and/or an Operating Partnership; and

(2) copies of all reports, legal proceedings or notices of alleged violations, and notices of all actions taken, or proposed to be taken, affecting Acquiror, an Operating Partnership or a Property by any governmental or quasi-governmental agency or other person or entity that, individually or collectively, would or, with notice or passage of time or both, may result in the recapture of any Tax Credits or the violation of any Regulatory Agreement;

(C) within thirty (30) days after receipt by Acquiror or an Operating Partnership, copies of any reports issued by the Housing Authority, or its agent, with respect to a Property; and

(D) contemporaneously with their submission to any Housing Authority, copies of all reports and information required by such agency or its agents with respect to a Property owned by an Operating Partnership, including, without limitation, IRS Form 8703 and any Housing Authority annual compliance certification; and

(iii) upon Parent's reasonable request, Acquiror shall deliver to Parent copies of any back-up or supporting documentation in Acquiror's or an Operating Partnership's possession or control relating to any obligation of Acquiror under this Section 6.11.

(c) Indemnification. As a material inducement for Parent to enter into this Agreement, at the Closing, Acquiror and Parent shall enter into the Hold Harmless Agreement, pursuant to, and subject to the terms and provisions of which, the indemnifying party shall indemnify, defend and hold harmless Parent Indemnified Persons from and against (i) Losses arising out of or relating to any recapture of the Tax Credits; (ii) Losses arising out of or relating to any penalties, interest or other claims by the IRS or any other Governmental Authority in connection with any Tax Credits; and (iii) any and all Losses, in any way, relate to, arise out of, are occasioned by or are connected with (A) the breach of any of the covenants in this Section 6.11; (B) the violation of any Regulatory Agreement; (C) any failure to maintain ownership, use and operation of a Property in accordance with the Tax Credit Laws; and (D) any Fund Guarantee with respect to Tax Credit recapture or compliance with Tax Credit Laws or Regulatory Agreements; provided, however, that the indemnity set forth in this Section 6.11(c) shall not include any Losses arising out of or relating to any Prior Noncompliance, to the extent set forth in Section 6.11(e), or any Excluded Liability. If and to the extent requested by a Tax Credit Investor in connection with the transactions contemplated hereby, Acquiror shall cause a creditworthy Affiliate to guarantee the obligations owed to such Tax Credit Investor under a Fund Guarantee.

(d) Further Covenants. Acquiror, on behalf of itself and the Operating Partnerships from and after the Closing, hereby further covenants and agrees that, prior to the Compliance Expiration Date applicable to any particular Property, Acquiror shall not and shall cause the Operating Partnership (or shall use its commercially reasonable efforts to cause an Operating Partnership to, in the case of any Third-Party Operating Partnership) that owns such Property not to, directly or indirectly, sell, transfer or otherwise convey such Property or, in the aggregate, fifty percent (50%) or more of the equity (or any other Controlling interest) in such Property or the applicable Operating Partnership, unless the prospective buyer expressly assumes all obligations of Acquiror and such Operating Partnership under this Section 6.11 with respect to the Property subject to such transfer or owned by such Operating Partnership subject to such transfer, including, without limitation, Acquiror's indemnity obligations set forth in Section 6.11(c) of this Agreement. Notwithstanding anything to the contrary contained herein, following any sale, transfer or other conveyance of any or all of the interests in any Property owned by an Operating Partnership or such applicable Operating Partnership, directly or indirectly (whether occurring before or after the applicable Compliance Expiration Date), Acquiror shall remain directly liable to Parent Indemnified Persons and shall not be released from any obligations to Parent Indemnified Persons under this Section 6.11, whether accruing before or after the date of such sale, transfer or other conveyance.

(e) Prior Noncompliance. Notwithstanding anything to the contrary herein, including Section 6.11(c), as between Acquiror and its Affiliates, on the one hand, and the Parent Indemnified Persons, on the other hand, neither Acquiror nor any of its Affiliates shall have any liability to Parent Indemnified Persons or any Tax Credit Investor or any other Person, whether under any Fund Guarantee or otherwise, including, as between Parent Indemnified Persons, on the one hand, and Acquiror (or its applicable Affiliate), in its capacity as general partner of an Investor Fund, on the other hand, with respect to any noncompliance with any Regulatory Agreement or Tax Credit Laws that occurred prior to the Closing ("Prior Noncompliance"). Notwithstanding anything to the contrary contained herein, Acquiror agrees to reasonably cooperate and/or jointly undertake with Parent any corrective action Parent determines is necessary to remedy the Prior Noncompliance or to mitigate any of the Seller Parties' liability with respect thereto, including, without limitation, (i) allowing Parent, the Seller Parties and their respective Representatives to have reasonable access to the applicable Property and any related books and records with respect to periods prior to Closing, (ii) with Acquiror's approval, communicate directly with the residents and other appropriate persons as to any such matters, (iii) enforcing any Tax Credit-related

indemnification rights or other applicable remedies against Third-Party GPs (and any guarantors of the obligations of a Third-Party GP), to the extent available with respect to any Prior Noncompliance and (iv) upon a Housing Fund's receipt of proceeds received from any Third-Party Operating Partnership or Third-Party GP (or a guarantor of the obligations of a Third-Party GP) due to Prior Noncompliance, remitting to Parent such proceeds, less any amounts that Acquiror or its Affiliates have actually paid to Tax Credit Investors due to such Prior Noncompliance (except to the extent that Parent has previously reimbursed such amounts to Acquiror).

(f) Covenant Regarding Change of Status. Acquiror hereby covenants that it shall not, prior to the Closing, contact any federal, state or local governmental or quasi-governmental authority, resident, resident association, resident's rights group, or similar person or organization regarding the feasibility or possibility of changing the status of a Property from an affordable housing project as currently operated, or modifying any Regulatory Agreement, whether any such change would occur prior to or after the Compliance Expiration Date, or in any way indicate the intention to do the same.

(g) Survival. The provisions of this Section 6.11 shall survive the Closing.

Section 6.12. Casualty and Condemnation.

(a) If, prior to the Closing Date, Parent obtains Knowledge that any Property has suffered material damage by fire or other casualty (a "Casualty") or obtains Knowledge of a condemnation proceeding relating to any Property (a "Condemnation"), Parent shall notify Acquiror of such event; provided, that in no event shall any delay in the provision of such notice give rise to any liability on the part of Parent or be deemed a material breach of this Agreement.

(b) Insurance and Condemnation Proceeds. With respect to any Casualty or Condemnation affecting a Property after the date of this Agreement, Seller Parties will allow (and will use commercially reasonable efforts to cause the Third-Party Operating Partnerships to allow) Acquiror to participate in the negotiations regarding the settlement of any such claim for insurance and condemnation proceeds in excess of an amount equal to ten percent (10%) of the Allocated Value for the applicable Property and will not settle or compromise any such claims related to the damage, destruction or condemnation under the relevant insurance policies or against a Governmental Authority effecting the Condemnation without Acquiror's consent (provided Parent or its Affiliates have such consent rights under the applicable Operating Partnership's Partnership Agreement). Parent will provide to Acquiror copies of any material correspondence relating to any such claims and will advise Acquiror of all material developments concerning such claims. Any insurance proceeds or condemnation awards actually received by Parent or any of its Affiliates related to any Casualty or Condemnation occurring after January 1, 2021 shall be treated as Pre-Closing Cash Flow for purposes of calculating the Purchase Price in Section 2.06.

(c) Restoration Plans. Subject to Parent's or its Affiliate's rights under the applicable Operating Partnership's Partnership Agreement, Parent will obtain the Acquiror's approval, which will not be unreasonably withheld, delayed or conditioned, concerning any restoration, repair or re-construction plans for any Property affected by a Casualty or Condemnation, the cost of which (as reasonably estimated by Acquiror) will exceed ten percent (10%) of the Allocated Value of the applicable Property. Parent shall conduct (or use commercially reasonable efforts to cause the Third-Party Operating Partnership to conduct) all such restoration, repair and reconstruction substantially in accordance with such restoration, repair and reconstruction plans approved by Acquiror and in accordance with applicable Law. Notwithstanding the foregoing, the Seller Parties will be permitted to incur or enter into an agreement to incur any amount reasonably necessary to effect emergency or necessary repairs

related to preservation of the Properties or health and safety matters or which are required by the terms of any Lease or other agreement to which any Seller Party or Transferred Subsidiary is a party.

(d) The foregoing shall not be deemed breached as a result of any action (i) that a Third-Party GP takes or causes to be taken or that an Existing Lender requires or requests to be taken in accordance with the Existing Loan Documents (except to the extent Parent's consent is required or requested, then subject to Parent's fiduciary duties to an Investor Fund or Operating Partnership, Parent shall seek consent of Acquiror if otherwise required above), or (ii) subject to Section 6.01, any action determined to be necessary by Parent, in its reasonable discretion, in order to preserve Tax Credits or otherwise comply with Tax Credit Laws or Regulatory Agreements. Notwithstanding anything to the contrary contained herein, Parent and its Affiliates shall be permitted to incur or enter into an agreement to incur any amount reasonably necessary to effect emergency or necessary repairs related to the preservation of the Properties or health and safety matters or which are required by the terms of any Lease or other agreement to which an Operating Partnership is a party.

Section 6.13. Further Action. Parent and Acquiror (a) shall execute and deliver, or shall cause to be executed and delivered, such documents and other instruments and shall take, or shall cause to be taken, such further actions as may be reasonably required to carry out the provisions of the Transaction Agreements and give effect to the transactions contemplated by the Transaction Agreements, (b) shall refrain from taking any actions that could reasonably be expected to impair, delay or impede the Closing, and (c) not in limitation of any other provision of this Agreement, shall use their respective reasonable best efforts to cause all the conditions to the obligations of the other party hereto to consummate the transactions contemplated by this Agreement to be met as soon as reasonably practicable.

ARTICLE VII

TAX MATTERS

Section 7.01. Tax Returns.

(a) Parent shall timely file, and shall otherwise use commercially reasonable efforts to cause to be timely filed, when due (taking into account all extensions properly obtained) all Tax Returns that are required to be filed by or with respect to any Target Entity for Pre-Closing Taxable Periods (but only with respect to Tax Returns required to be filed by or with respect to any such entity on a combined, consolidated or unitary basis with Parent or any Retained Affiliate thereof and not Tax Returns required to be filed separately by such entity) or due on or before the Closing Date (with respect to other Tax Returns and where Parent controls such actions), and in each case Parent shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Acquiror shall timely file (where Acquiror controls such actions), and shall otherwise use commercially reasonable efforts to cause to be timely filed, when due (taking into account all extensions properly obtained) all other Tax Returns that are required to be filed by or with respect to each Target Entity and Acquiror shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. With respect to Tax Returns to be filed by Acquiror pursuant to the immediately preceding sentence that relate to Pre-Closing Taxable Periods or Straddle Periods, (x) such Tax Returns shall be prepared and filed (A) unless otherwise required by applicable Law, or as a result of a determination by a "Big Four" accounting firm engaged by Acquiror that such position is not supported at a "more likely than not" level of comfort (in which case Acquiror shall provide Parent, together with the delivery of such Tax Return in accordance with clause (y) or (z), as applicable, with written explanation from such accounting firm (which shall include the authority and basis for such determination)), in a manner consistent with past practice and no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods used in prior periods

in filing such Tax Returns (including positions which would have the effect of accelerating income to periods for which Parent is liable or deferring deductions to periods for which Acquiror is liable but other than, to the extent not already in effect, an election under Section 754 of the Code) and (B) where relevant, giving effect to the purchase and sale transaction contemplated in this Agreement as of immediately before the beginning of the Closing Date for purposes of Section 706 of the Code and Treasury Regulations thereunder (and applicable state and local income Tax Law), (y) Acquiror shall furnish, or cause to be furnished, an estimated IRS Schedule K-1, and applicable estimated state and local apportionment information, by July 15 after the end of the relevant taxable year for review and approval by Parent, which approval may not be unreasonably withheld, but may in all cases be withheld if such Tax Returns were not prepared in accordance with clause (x) of this sentence, and a final K-1 and final state and local apportionment information (in each case as approved by Parent) by September 1 after the end of the relevant taxable year, and (z) any other Tax Returns not described in clause (y) of this sentence shall be submitted to Parent not later than ninety (90) days prior to the due date for filing such Tax Returns (or, if such due date is within ninety (90) days following the Closing Date, as promptly as practicable following the Closing Date) for review and approval by Parent, which approval may not be unreasonably withheld, but may in all cases be withheld if such Tax Returns were not prepared in accordance with clause (x) of this sentence. With respect to any Tax Returns described in clause (y) or (z) of the foregoing sentence, Acquiror further agrees that it shall use good faith in considering and incorporating, as is reasonable, comments received from Parent in respect of any item which might affect the Tax liabilities for which Parent or any of its Affiliates may be liable.

(b) None of Acquiror or any Affiliate of Acquiror shall, or shall cause or permit any of the Target Entities to, (i) amend, re-file or otherwise modify (or grant an extension of any statute of limitations with respect to) any Tax Return relating in whole or in part to any Target Entity with respect to any Pre-Closing Taxable Periods that could reasonably be expected to have an adverse effect on Parent, or (ii) make any Tax election with respect to any of the Target Entities or Transferred Assets that has retroactive effect to a Pre-Closing Taxable Period without the prior written consent of Parent, which consent may be withheld in the sole discretion of Parent.

(c) Acquiror shall, as soon as reasonably practicable, but in no event later than the later of (i) July 15 after the end of the relevant tax year and (ii) ninety (90) days following Parent's request therefor, cause each Target Entity over which it has authority to do so to prepare and provide, and use commercially reasonable efforts to cause the Third-Party Operating Partnerships to prepare and provide, to Parent a package of Tax information materials (including schedules and work papers) required and reasonably requested by Parent to enable Parent to prepare and file all Tax Returns required to be prepared and filed by it (the "Tax Package"). The Tax Package shall be completed in accordance with past practice (to the extent provided by Parent), including past practice as to providing such information and as to the method of computation of separate taxable income or other relevant measure of income of each Target Entity.

Section 7.02. Contest Provisions. Acquiror shall notify Parent, as soon as reasonably practicable, in writing upon receipt by Acquiror, any of its Affiliates, or any Target Entity of notice of any pending or threatened federal, state, local or foreign Tax audits, examinations or assessments which might affect the Tax liabilities for which Parent or any of its Affiliates may be liable. Parent or its designee shall have the sole right to represent the interests of any Target Entity in any Tax audit or administrative or court proceeding relating to taxable periods ending before the Closing Date or otherwise relating to Taxes for which Parent or any of its Affiliates may be liable, to settle such matters, and to employ counsel of its choice at its expense; provided that none of Parent, its designee, or its Affiliates may concede, settle or compromise any Tax claim for any Taxes for which Acquiror, any of its Affiliates, or any Target Entity may be liable, without the prior written consent of Acquiror (such consent not to be unreasonably withheld), and Acquiror or its designee shall be entitled to participate at its expense in any such Tax audit

or administrative or court proceeding. In the case of a Straddle Period, Parent or its designee shall be entitled to participate at its expense in any Tax audit or administrative or court proceeding relating (in whole or in part) to Taxes attributable to the portion of such Straddle Period ending before the Closing Date and for which Parent or any of its Affiliates may be liable, and with the written consent of Acquiror (such consent not to be unreasonably withheld) and at Parent's or its designee's sole expense, Parent or its designee may assume the entire control of such audit or proceeding, subject to the rights of Acquiror in the prior sentence. None of Acquiror, any of its Affiliates or any Target Entities (and, where relevant, a "partnership representative" of any such entity) may concede, settle or compromise any Tax claim for any Taxes for which Parent or any of its Affiliates may be liable, without the prior written consent of Parent (such consent not to be unreasonably withheld). Nothing in this Agreement shall prevent Acquiror, in the event of any "partnership" audit, examination or assessment relating to any Tax matters of any Target Entity, from causing the applicable "partnership representative" to make the "push-out" election under Section 6226 of the Code (to the extent permitted under applicable law) in its sole discretion, and Acquiror shall cause such election to be made if Parent so requests with respect to any audit, examination or assessment which might affect the Tax liabilities for which Parent or any of its Affiliates may be liable. In the event of any conflict between ARTICLE X and this Section 7.02, this Section 7.02 shall control.

Section 7.03. Assistance and Cooperation. After the Closing Date, each of Parent and Acquiror shall, and shall cause their respective Affiliates to:

- (a) assist the other party in preparing any Tax Returns which such other party is responsible for preparing and filing in accordance with Section 7.01;
- (b) cooperate fully in preparing for any audits of, or disputes with any Tax Authority regarding, any Tax Returns of a Target Entity;
- (c) make available to the other and to any Tax Authority as reasonably requested all information, records and documents relating to Taxes of any Target Entity;
- (d) provide timely notice to the other in writing of any pending or threatened Tax audits or assessments of any Target Entity for taxable periods for which the other may have a liability;
- (e) furnish the other with copies of all correspondence received from any Tax Authority in connection with any Tax audit or information request with respect to any taxable period for which the other may have a liability;
- (f) timely sign and deliver such certificates or forms as may be necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns or other reports with respect to, Transfer Taxes; and
- (g) timely provide to the other powers of attorney or similar authorizations necessary to carry out the purposes of this ARTICLE VII;

provided, that neither Parent nor any of its Affiliates (nor their respective Representatives) shall be required to disclose to Acquiror or any of its Representatives any consolidated, combined, affiliated or unitary Tax Return which includes Parent or any of its Affiliates or any Tax-related work papers, except, in each case, for materials or portions thereof that relate solely to the Business or Target Entities. If reasonably requested by Parent, Acquiror shall enter into a customary joint defense agreement with Parent or any Affiliate of Parent with respect to any information to be provided to Acquiror pursuant to this Section 7.03. In the event of any conflict between ARTICLE X and this Section 7.03, this Section 7.03 shall control.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.01. Conditions to Obligations of Each Party. The respective obligations of each party hereto to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver by Parent and Acquiror, at or prior to the Closing, of each of the following conditions:

(a) No Governmental Order. There shall be no Law or Governmental Order in existence that prohibits the consummation of the transactions contemplated by this Agreement taken as a whole.

Section 8.02. Conditions to Obligations of Parent. The obligation of Parent to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) The Acquiror Specified Representations shall be true and correct in all respects as of the Closing, as if made on the Closing Date (other than the representations and warranties made as of another stated date, which representations and warranties shall have been true and correct as of such date); (ii) the representations and warranties of Acquiror contained in this Agreement (other than the Acquiror Specified Representations) shall be true and correct as of the Closing, as if made on the Closing Date (other than the representations and warranties made as of another stated date, which representations and warranties shall have been true and correct as of such date) (in either case without giving effect to (x) any limitations as to materiality or “Acquiror Material Adverse Effect” set forth therein and (y) any language in the first paragraph of ARTICLE V regarding the dates the representations and warranties are made), except to the extent that any breaches of such representations and warranties, individually or in the aggregate, have not had, or would not reasonably be expected to have, an Acquiror Material Adverse Effect; (iii) the covenants contained in this Agreement that are to be complied with by Acquiror on or prior to the Closing shall have been complied with in all material respects; and (iv) Parent shall have received a certificate dated the Closing Date of Acquiror signed by a duly authorized executive officer of Acquiror stating that the conditions specified in clauses (i), (ii) and (iii) of this Section 8.02(a) have been waived or satisfied.

(b) Ancillary Agreements. Acquiror shall have executed and delivered each of the Ancillary Agreements to which it is a party and shall have caused each applicable Affiliate of Acquiror to execute and deliver each of the Ancillary Agreements to which such Affiliate of Acquiror is a party.

Section 8.03. Conditions to Obligations of Acquiror. The obligations of Acquiror to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the conditions set forth in this Section 8.03. For the avoidance of doubt, the obligation of Acquiror to consummate the transactions contemplated by the Transaction Agreements shall not, except as set forth in this Section 8.03 or as otherwise provided in this ARTICLE VIII, be subject to any contingency or condition based on financing, due diligence, the receipt of any Person’s consent or approval or otherwise.

(a) Representations and Warranties; Covenants. (i) The Parent Specified Representations shall be true and correct in all material respects as of the Closing, as if made on the Closing Date (other than the representations and warranties made as of another stated date, which representations and warranties shall have been true and correct in all material respects as of such date) (in either case without giving effect to (x) any limitations as to materiality or “Business Material Adverse

Effect” set forth therein and (y) any language in the first paragraph of ARTICLE IV regarding the dates the representations and warranties are made); (ii) the other representations and warranties of Parent contained in this Agreement (other than the Parent Specified Representations) shall be true and correct as of the Closing, as if made on the Closing Date (other than the representations and warranties made as of another stated date, which representations and warranties shall have been true and correct as of such date) (in either case without giving effect to (x) any limitations as to materiality or “Business Material Adverse Effect” set forth therein and (y) any language in the first paragraph of ARTICLE IV regarding the dates the representations and warranties are made), except to the extent that any breaches of such representations and warranties, individually or in the aggregate, have not had, or would not reasonably be expected to have, a Business Material Adverse Effect; (iii) the covenants contained in this Agreement that are to be complied with by Parent on or before the Closing shall have been complied with in all material respects; and (iv) Acquiror shall have received a certificate dated as of the Closing Date of Parent signed by a duly authorized executive officer of Parent stating that the conditions specified in clauses (i), (ii) and (iii) of this Section 8.03(a) have been waived or satisfied.

(b) Ancillary Agreements. Parent shall have executed and delivered each of the Ancillary Agreements to which it is a party and shall have caused each applicable Affiliate of Parent to execute and deliver each of the Ancillary Agreements to which such Affiliate of Parent is a party.

ARTICLE IX

TERMINATION

Section 9.01. Termination. This Agreement may be terminated prior to the Closing only as follows:

(a) by the mutual written consent of Parent and Acquiror;

(b) by either Parent or Acquiror if the Closing has not occurred on or before December 31, 2021 (the “Outside Date”); provided, however, that the right to terminate this Agreement under this Section 9.01(b) shall not be available to any party hereto whose failure to take any action required to fulfill any of such party’s obligations under this Agreement has been the primary cause or has primarily resulted in the failure of the Closing to occur prior to such date;

(c) by either Parent or Acquiror in the event of the issuance of a final, non-appealable Governmental Order restraining or prohibiting the consummation of the transactions contemplated by this Agreement;

(d) by Acquiror (but only so long as Acquiror is not in material breach of its obligations under this Agreement) if there has been a material breach of any representation, warranty, covenant or agreement of Parent such that one or more of the conditions to Closing set forth in Section 8.01 and Section 8.03 are not capable of being fulfilled as of the Outside Date, and in any such case such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured prior to the earlier of (i) twenty (20) days after providing written notice of such breach to the other party and (ii) the Outside Date;

(e) by Parent (but only so long as Parent or any Seller Party is not in material breach of its obligations under this Agreement) if there has been a material breach of any representation, warranty, covenant or agreement of Acquiror such that one or more of the conditions to Closing set forth in Section 8.01 and Section 8.02 are not capable of being fulfilled as of the Outside Date, and in any such case such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured

prior to the earlier of (i) twenty (20) days after providing written notice of such breach to the other party and (ii) the Outside Date;

(f) by Acquiror, if and to the extent that the Title Exception Adjustment Amount(s) exceed, individually or in the aggregate, the threshold set forth in Section 3.04(c)(ii), by delivery of a notice in accordance with the terms of Section 3.04(c)(ii); or

(g) by Parent, if there is any breach of the covenant in Section 6.11(f) by Acquiror, whether occurring before or after the date hereof, unless promptly following, and in any event within ten (10) Business Days of, Acquiror's receipt of notice from Parent of such breach or otherwise obtaining Acquiror's Knowledge of such breach, Acquiror has (i) used commercially reasonable efforts to mitigate the effects of such breach (including taking any necessary measures to retract any communications made in breach of such covenant, amending or supplementing any such communications in consultation with Parent, and modifying Acquiror's relevant practices and procedures with respect to third-party communications to the extent necessary to avoid the recurrence of such breach) and (ii) paid or cause to be paid to Parent an amount in cash equal to \$1,000,000, as liquidated damages and not as penalty.

Section 9.02. Notice of Termination. Any party hereto desiring to terminate this Agreement pursuant to Section 9.01 shall give written notice of such termination to the other party hereto.

Section 9.03. Effect of Termination. In the event of the termination of this Agreement as provided in Section 9.01, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto, except as otherwise expressly set forth in Section 3.01 through 3.03, Section 6.02(a), Section 6.04, Section 6.05(g), this ARTICLE IX, Section 10.06 and ARTICLE XI, or any other provision that expressly survives a termination of this Agreement.

ARTICLE X

INDEMNIFICATION

Section 10.01. Survival. The representations, warranties, covenants and agreements of the parties hereto contained in or made pursuant to this Agreement shall survive in full force and effect until the date that is twelve (12) months after the Closing Date, at which time they shall terminate (and no claims shall be made for indemnification under Section 10.02 or Section 10.03 thereafter), except: (i) Parent Specified Representations and Acquiror Specified Representations shall survive the Closing indefinitely; (ii) the covenants and agreements that by their terms apply or are to be performed in whole or in part after the Closing ("Post-Closing Covenants") shall survive for the period provided in such covenants and agreements, if any, or until fully performed; and (iii) the covenants and agreements that by their terms apply or are to be performed in their entirety on or prior to the Closing ("Pre-Closing Covenants") shall terminate at the Closing.

Section 10.02. Indemnification by Parent.

(a) After the Closing and subject to this ARTICLE X, Parent shall indemnify, defend and hold harmless Acquiror, its Affiliates and their respective Representatives (collectively, the "Acquiror Indemnified Parties") against, and reimburse any Acquiror Indemnified Party for, all Losses that such Acquiror Indemnified Party may at any time suffer or incur, or become subject to:

(i) as a result of or in connection with the inaccuracy or breach of any representation or warranty made by Parent in this Agreement;

(ii) as a result of or in connection with any breach or failure by Parent to perform any of its covenants or obligations contained in this Agreement; or

(iii) to the extent relating to or arising out of any Excluded Liabilities.

(b) Notwithstanding anything to the contrary contained herein, Parent shall not be required to indemnify, defend or hold harmless any Acquiror Indemnified Party against, or reimburse any Acquiror Indemnified Party for, any Losses pursuant to Section 10.02(a)(i) (other than Losses arising out of the inaccuracy or breach of any Parent Specified Representations, which shall not be subject to or count against the De Minimis Threshold, Deductible or Cap) (i) with respect to any claim (or series of related claims arising from the same underlying facts, events or circumstances) unless such claim (or series of related claims arising from the same underlying facts, events or circumstances) involves Losses in excess of \$250,000 (the “De Minimis Threshold”) (nor shall any such claim or series of related claims that does not exceed the De Minimis Threshold be applied to or considered for purposes of calculating the aggregate amount of Acquiror Indemnified Parties’ Losses for which Parent has responsibility under clause (ii) of this Section 10.02(b) below); (ii) until the aggregate amount of Acquiror Indemnified Parties’ Losses for which Acquiror Indemnified Parties are finally determined to be otherwise entitled to indemnification under Section 10.02(a)(i) exceeds two percent (2%) of the Purchase Price (the “Deductible”), after which Parent shall be obligated for all Acquiror Indemnified Parties’ Losses for which Acquiror Indemnified Parties are finally determined to be otherwise entitled to indemnification under Section 10.02(a)(i) that are in excess of two percent (2%) of the Purchase Price, but only if such excess Losses arise with respect to any claim (or series of related claims arising from the same underlying facts, events or circumstances) that involves Losses in excess of the De Minimis Threshold; and (iii) in a cumulative aggregate amount, together with the Excess Title Exception Amount (if any), exceeding five percent (5%) of the Purchase Price (the “Cap”). Notwithstanding anything to the contrary contained herein, Parent shall not be required to indemnify, defend or hold harmless any Acquiror Indemnified Party against, or reimburse any Acquiror Indemnified Party for, any Losses pursuant to Section 10.02(a)(i) (including, for this purpose, in respect of the inaccuracy or breach of any Parent Specified Representations) in a cumulative aggregate amount exceeding the Purchase Price. Notwithstanding anything to the contrary contained herein, Parent shall not be required to indemnify, defend or hold harmless any Acquiror Indemnified Party against, or reimburse any Acquiror Indemnified Party for, (i) any Losses relating to a title exception, it being understood that the adjustments referred to in Section 3.04(c) shall be the sole and exclusive remedy of Acquiror with respect to such matters or (ii) any Losses pursuant to Section 10.02(a)(i) in respect of the inaccuracy or breach of the representation and warranty contained in Section 4.07(e) to the extent such Losses arise in a taxable period or portion thereof beginning on or after the Closing Date.

Section 10.03. Indemnification by Acquiror.

(a) After the Closing and subject to this ARTICLE X, Acquiror shall indemnify, defend and hold harmless Parent, the Seller and their respective Affiliates and their respective Representatives (collectively, the “Parent Indemnified Persons”) against, and reimburse any Parent Indemnified Party for, all Losses that such Parent Indemnified Party may at any time suffer or incur, or become subject to:

(i) as a result of or in connection with the inaccuracy or breach of any representation or warranty made by Acquiror in this Agreement;

(ii) as a result of or in connection with any breach or failure by Acquiror to perform any of its covenants or obligations contained in this Agreement including, without limitation, Section 6.11;

(iii) to the extent relating to, arising out of or in connection with any of the Business, the Transferred Subsidiaries or any of their respective post-Closing Affiliates (including any predecessor of any thereof), or any business, property, asset, liability, operation, activity or Transferred Subsidiary of any of the foregoing, whether heretofore, currently or hereafter owned or conducted (as the case may be (including any Losses to the extent relating to, arising out of or in connection with Parent Indemnified Persons seeking indemnification hereunder)) except to the extent such Losses constitute Losses for which Parent is required to indemnify any Acquiror Indemnified Party pursuant to Section 10.02(a); or

(iv) to the extent relating to or arising out of any Assumed Liabilities.

(b) Notwithstanding anything to the contrary contained herein, Acquiror shall not be required to indemnify, defend or hold harmless any Parent Indemnified Party against, or reimburse any Parent Indemnified Party for, any Losses pursuant to Section 10.03(a)(i) (other than Losses arising out of the inaccuracy or breach of any Acquiror Specified Representations which shall not be subject to or count against the De Minimis Threshold, Deductible or the Cap) (i) with respect to any claim (or series of related claims arising from the same underlying facts, events or circumstances) unless such claim (or series of related claims arising from the same underlying facts, events or circumstances) involves Losses in excess of the De Minimis Threshold (nor shall any such claim or series of related claims that does not meet the De Minimis Threshold be applied to or considered for purposes of calculating the aggregate amount of Parent Indemnified Persons' Losses for which Acquiror has responsibility under clause (ii) of this Section 10.03(b) below); (ii) until the aggregate amount of Parent Indemnified Persons' Losses for which Parent Indemnified Persons are finally determined to be otherwise entitled to indemnification under Section 10.03(a)(i) exceeds two percent (2%) of the Purchase Price, after which Acquiror shall be obligated for all Parent Indemnified Persons' Losses for which Parent Indemnified Persons are finally determined to be otherwise entitled to indemnification under Section 10.03(a)(i) and not only Losses that are in excess of the Deductible, but only if such excess Losses arise with respect to any claim (or series of related claims arising from the same underlying facts, events or circumstances) that involves Losses in excess of the De Minimis Threshold; and (iii) in a cumulative aggregate amount exceeding the Cap. For purposes of determining whether the threshold set forth in clause (iii) of this Section 10.03(b) has been met or exceeded, any amount paid by Acquiror for Losses pursuant to Section 10.03(a)(i), other than any Losses in respect of the inaccuracy or breach of any Acquiror Specified Representations, shall be taken into account. Notwithstanding anything to the contrary contained herein, Acquiror shall not be required to indemnify, defend or hold harmless any Parent Indemnified Party against, or reimburse any Parent Indemnified Party for, any Losses pursuant to Section 10.03(a)(i) (including, for this purpose, in respect of the inaccuracy or breach of any Acquiror Specified Representations) in a cumulative aggregate amount exceeding the Purchase Price.

Section 10.04. Notification of Claims.

(a) A Person that may be entitled to be indemnified under this Agreement (the "Indemnified Party") shall promptly notify the party or parties liable for such indemnification (the "Indemnifying Party") in writing of any claim in respect of which indemnity may be sought under this ARTICLE X, including any pending or threatened claim or demand by a third party that the Indemnified Party has determined has given or could reasonably give rise to a right of indemnification under this Agreement (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party) (each, a "Third-Party Claim"), describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or demand; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this ARTICLE X except to the extent that the Indemnifying Party is prejudiced by such failure. The parties agree that (i) in this ARTICLE X they intend to shorten (in the case of the limited survival periods

specified in Section 10.01) and lengthen (in the case of the indefinite survival periods specified in Section 10.01) (as the case may be) the applicable statute of limitations period with respect to certain claims; (ii) notices for claims in respect of a breach of a representation, warranty, covenant or agreement (other than a Post-Closing Covenant) must be delivered prior to the expiration of any applicable survival period specified in Section 10.01 for such representation, warranty, covenant or agreement; (iii) notices for claims in respect of a breach of a Post-Closing Covenant must be delivered prior to the date that is six (6) months after the last day of the effective period of such Post-Closing Covenant; and (iv) any claims for indemnification for which notice is not timely delivered in accordance with this Section 10.04(a) shall be expressly barred and are hereby waived; provided, further, that if, prior to such applicable date, a party hereto shall have notified the other party hereto in accordance with the requirements of this Section 10.04(a) of a claim for indemnification under this ARTICLE X (whether or not formal legal action shall have been commenced based upon such claim), such claim shall continue to be subject to indemnification in accordance with this ARTICLE X notwithstanding the passing of such applicable date.

(b) Upon receipt of a notice of a claim for indemnity from an Indemnified Party pursuant to Section 10.04(a) in respect of a Third-Party Claim, the Indemnifying Party may, by notice to the Indemnified Party delivered within twenty (20) Business Days of the receipt of notice of such Third-Party Claim, assume the defense and control of any Third-Party Claim, with its own counsel and at its own expense, but shall allow the Indemnified Party a reasonable opportunity to participate in the defense of such Third-Party Claim with its own counsel and at its own expense. The Indemnified Party may take any actions reasonably necessary to defend such Third-Party Claim prior to the time that it receives a notice from the Indemnifying Party as contemplated by the immediately preceding sentence. Parent or Acquiror (as the case may be) shall, and shall cause each of its Affiliates and Representatives to, cooperate in all commercially reasonable respects with the Indemnifying Party in the defense of any Third-Party Claim, provided, nothing herein shall require any party to disclose or otherwise waive privilege. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (which shall not be unreasonably withheld), consent to a settlement, compromise or discharge of, or the entry of any judgment arising from, any Third-Party Claim, unless such settlement, compromise, discharge or entry of any judgment does not involve any finding or admission of any violation of Law or admission of any wrongdoing by the Indemnified Party, and the Indemnifying Party shall (i) pay or cause to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness of such settlement or judgment (unless otherwise provided in such judgment), (ii) not encumber any of the material assets of any Indemnified Party or agree to any restriction or condition that would apply to or materially adversely affect any Indemnified Party or the conduct of any Indemnified Party's business and (iii) obtain, as a condition of any settlement, compromise, discharge, entry of judgment (if applicable) or other resolution, a complete and unconditional release of each Indemnified Party from any and all liabilities in respect of such Third-Party Claim. So long as the Indemnifying Party is reasonably contesting the Third-Party Claim in good faith, the Indemnified Party shall not settle, compromise or consent to the entry of any judgment with respect to any Third-Party Claim that the Indemnifying Party has assumed the defense of in accordance with this Section 10.04(b) without the prior written consent of the Indemnifying Party.

(c) Notwithstanding anything to the contrary contained in this ARTICLE X (including Section 10.02 and Section 10.03), unless the Indemnifying Party fails to take control of the defense of such Third-Party Claim or the Indemnifying Party elects to undertake the defense thereof but thereafter fails to defend the Third-Party Claim or fails to defend such Third-Party Claim in good faith, in which case the Indemnified Party shall have the right to contest, settle or compromise the claim but shall not thereby waive any right to indemnity therefor pursuant to this Agreement, no Indemnifying Party shall have any liability under this ARTICLE X for any Losses arising out of or in connection with any Third-Party Claim that is settled or compromised by an Indemnified Party without the consent of such Indemnifying Party.

(d) In the event any Indemnifying Party receives a notice of a claim for indemnity from an Indemnified Party pursuant to Section 10.04(a) that does not involve a Third-Party Claim, the Indemnifying Party shall notify the Indemnified Party within twenty (20) Business Days following its receipt of such notice whether the Indemnifying Party disputes its liability to the Indemnified Party under this ARTICLE X. The Indemnified Party shall reasonably cooperate with and assist the Indemnifying Party in determining the validity of any such claim for indemnity by the Indemnified Party.

Section 10.05. Payment. In the event a claim or any Action for indemnification under this ARTICLE X has been finally determined, the amount of such final determination shall be paid (a) if the Indemnified Party is an Acquiror Indemnified Party, by Parent to the Indemnified Party and (b) if the Indemnified Party is a Parent Indemnified Party, by Acquiror to the Indemnified Party, in each case on demand in immediately available funds. A claim or an Action, and the liability for and amount of damages therefor, shall be deemed to be “finally determined” for purposes of this ARTICLE X when the parties hereto have so determined by mutual agreement or, if disputed, when a final non-appealable Governmental Order has been entered into with respect to such claim or Action.

Section 10.06. Exclusive Remedies.

(a) Each party hereto acknowledges and agrees that (i) prior to the Closing, the sole and exclusive remedy of Acquiror for any breach or inaccuracy of any representation or warranty contained in this Agreement or any certificate or instrument delivered hereunder shall be, in the event that each of the conditions set forth in ARTICLE VIII has not been satisfied or waived, refusal to close the purchase and sale of the Transferred Assets hereunder and recover the Deposit, subject to and in accordance with Section 2.08; (ii) prior to the Closing, the sole and exclusive remedy of Parent for any breach or inaccuracy of any representation or warranty contained in this Agreement or any certificate or instrument delivered hereunder shall be, in the event that each of the conditions set forth in ARTICLE VIII has not been satisfied or waived, refusal to close the purchase and sale of the Transferred Assets hereunder and recover the Deposit, as liquidated damages and not as a penalty, subject to and in accordance with Section 2.08, in satisfaction of claims against Acquiror with respect to such breach or inaccuracy; (iii) following the Closing, (A) the indemnification provisions of this ARTICLE X shall be the sole and exclusive remedies of the parties hereto for any breach of the representations or warranties and covenants and agreements contained in this Agreement and (B) notwithstanding anything to the contrary contained herein, no breach of any representation, warranty, covenant or agreement contained herein shall give rise to any right on the part of any party hereto to rescind this Agreement or any of the transactions contemplated by this Agreement; and (iv) following the Closing, subject to the last sentence of Section 6.02(a), the indemnification provisions of this ARTICLE X shall be the sole and exclusive monetary remedies of the parties hereto for any breach of any Pre-Closing Covenant or any Post-Closing Covenant.

(b) THE PARTIES ACKNOWLEDGE AND AGREE THAT PARENT SHALL BE ENTITLED TO RECEIVE THE ENTIRE DEPOSIT IN CERTAIN CIRCUMSTANCES SET FORTH IN SECTION 2.08(b). IN SUCH EVENT, THE ESCROW AGENT SHALL DISBURSE THE DEPOSIT TO PARENT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF SECTION 2.08(b) AND THE ESCROW AGREEMENT AND PARENT SHALL HAVE NO FURTHER OBLIGATIONS UNDER THIS AGREEMENT, EXCEPT THOSE WHICH EXPRESSLY SURVIVE SUCH TERMINATION. ACQUIROR AND PARENT HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE IMPRACTICAL AND/OR EXTREMELY DIFFICULT TO FIX OR ESTABLISH THE ACTUAL DAMAGE SUSTAINED BY PARENT AS A RESULT OF SUCH TERMINATION, AND AGREE THAT THE DEPOSIT IS A REASONABLE APPROXIMATION THEREOF. THE DEPOSIT SHALL CONSTITUTE AND BE DEEMED TO BE THE AGREED AND LIQUIDATED DAMAGES OF PARENT IN SUCH EVENT, AND SHALL BE PAID BY THE

ESCROW AGENT TO PARENT AS PARENT'S SOLE AND EXCLUSIVE REMEDY HEREUNDER. THE PAYMENT OF THE DEPOSIT AS LIQUIDATED DAMAGES IS NOT INTENDED TO BE A FORFEITURE OR PENALTY, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES. ACQUIROR AND PARENT FURTHER HEREBY ACKNOWLEDGE AND AGREE THAT IT WOULD BE IMPRACTICAL AND/OR EXTREMELY DIFFICULT TO FIX OR ESTABLISH THE ACTUAL DAMAGE SUSTAINED BY PARENT AS A RESULT OF A BREACH OF THE COVENANTS SET FORTH IN SECTION 9.01(G), AND AGREE THAT THE AMOUNT REFERRED TO IN SECTION 9.01(G) IS A REASONABLE APPROXIMATION THEREOF AND SHALL CONSTITUTE AND BE DEEMED TO BE THE AGREED AND LIQUIDATED DAMAGES OF PARENT IN SUCH EVENT. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED TO BE A FORFEITURE OR PENALTY, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES.

(c) Notwithstanding the foregoing, this Section 10.06 shall not operate to limit the rights of Acquiror to seek equitable remedies (including specific performance or injunctive relief) as permitted under Section 11.13, and the parties acknowledge and agree that Acquiror may sue for specific performance of Parent's obligations under this Agreement in lieu of terminating this Agreement.

Section 10.07. Additional Indemnification Provisions.

(a) Parent and Acquiror agree, for themselves and on behalf of their respective Affiliates and Representatives, that with respect to each indemnification obligation set forth in this ARTICLE X, any Transaction Agreement or any other document executed or delivered in connection with the Closing: (i) all Losses shall be net of any Eligible Insurance Proceeds; (ii) in no event shall an Indemnifying Party have any liability to an Indemnified Party (other than in connection with Section 10.03(a)(iii)) for: (A) any Losses to the extent arising from special circumstances of the Indemnified Party that were not communicated prior to the date hereof by the Indemnified Party to the Indemnifying Party, (B) any punitive or special damages other than punitive or special damages recovered by third parties in connection with a Third-Party Claim, (C) any Losses to the extent not the probable and reasonably foreseeable result of any breach by the Indemnifying Party of a representation and warranty or covenant contained in this Agreement (provided that this clause (C) shall not apply to any Losses that are recovered by third parties in connection with a Third-Party Claim), (D) any damages solely attributable to diminution of value or lost profits to the extent constituting damages in excess of the difference between the value of what the Indemnified Party received in the transaction contemplated by this Agreement and the value of what the Indemnified Party should have received in the transaction contemplated by the Agreement if there had been no breach of the representation and warranty or covenant by the Indemnifying Party for which breach the Indemnified Party is seeking indemnification and (E) any Losses to the extent incurred in connection with a party's assertion, enforcement, dispute or resolution of its indemnification or other rights under this Agreement or the collection of any amounts payable to a party hereto under this Agreement; and (iii) in no event shall Parent have any liability for any Losses due from a Third-Party GP (or any guarantor of the obligations of a Third-Party GP).

(b) Any amount payable by an Indemnifying Party pursuant to this ARTICLE X shall be paid promptly and payment shall not be delayed pending any determination of Eligible Insurance Proceeds. In any case where an Indemnified Party recovers from a third Person any Eligible Insurance Proceeds or any other amount in respect of any Loss for which an Indemnifying Party has actually reimbursed it pursuant to this ARTICLE X, such Indemnified Party shall promptly pay over to the Indemnifying Party the amount of such Eligible Insurance Proceeds, but not in excess of the sum of (i) any amount previously paid by the Indemnifying Party to or on behalf of the Indemnified Party in respect of such claim and (ii) any amount expended by the Indemnifying Party in pursuing or defending any claim arising out of such matter.

(c) The parties hereto shall treat any indemnification payment made under this Agreement as an adjustment to the Purchase Price for all applicable tax purposes.

(d) If any portion of Losses to be reimbursed by the Indemnifying Party may be covered, in whole or in part, by third-party insurance coverage, the Indemnified Party shall promptly give notice thereof to the Indemnifying Party (a “Notice of Insurance”). If the Indemnifying Party so requests within one hundred eighty (180) days after receipt of a Notice of Insurance, the Indemnified Party shall use its commercially reasonable efforts to collect the maximum amount of insurance proceeds thereunder, in which event all such proceeds actually received, net of costs reasonably incurred by the Indemnified Party in seeking such collection, shall be considered “Eligible Insurance Proceeds.”

Section 10.08. Copies to Parent and Acquiror. If any notification is made under this ARTICLE X to an Affiliate of Parent or Acquiror, a copy of such notification shall also be sent to Parent or Acquiror, respectively.

Section 10.09. Mitigation. Each of the parties hereto agrees to take all commercially reasonable steps to mitigate its respective Losses upon and after becoming aware of any event or condition that would reasonably be expected to give rise to any Losses that are indemnifiable hereunder.

ARTICLE XI

GENERAL PROVISIONS

Section 11.01. Expenses.

(a) Except as may be otherwise specified in this Agreement and the other Transaction Agreements, all costs and expenses, including fees and disbursements of counsel, financial advisers and accountants, incurred in connection with this Agreement and the other Transaction Agreements and the transactions contemplated by this Agreement and the other Transaction Agreements shall be paid by the Person incurring such costs and expenses, whether or not the Closing shall have occurred.

(b) Parent and Acquiror agree to comply with all real estate Transfer Tax laws applicable to transactions contemplated by this Agreement and to cooperate in the preparation and filing of all necessary transfer tax and other documentary recording tax forms and related documents as are required by Law in connection with the payment of all Transfer Taxes. Acquiror shall be responsible for (i) subject to the terms of Section 6.05(a), any costs, fees or expenses (excluding Parent’s and its Affiliates’ attorneys’ fees) incurred in order to (A) obtain consents from any Governmental Authority or any third party as contemplated by this Agreement, including the Existing Loan Consents and any consents from Tax Credit Investors or Third-Party GPs (provided Acquiror shall not reimburse Parent for any such costs, fees and expenses unless Acquiror provided Parent with its consent prior to incurring such costs, fees or expenses), (B) effect a buyout of any Tax Credit Investor’s interest in an Investor Fund or any Third-Party GP’s interest in an Operating Partnership (provided that such buyout is agreed to after the date hereof and with Acquiror’s prior written consent), (ii) any costs, fees or expenses incurred in order to obtain any Title Commitment (including reimbursing Parent or its Affiliates for any amounts advanced by Parent or an Affiliate thereof), (iii) any title insurance premium for any owner’s insurance policy, (iv) recording or filing charges payable in connection with the recording of any transfer or conveyance instruments delivered in connection with the transactions contemplated by this Agreement, (v) all costs, fees or expenses incurred by Acquiror in connection with Acquiror’s due diligence review hereunder, (vi) all Transfer Taxes, and (vii) all costs, fees or expenses allocated to Acquiror pursuant to the other provisions of this Agreement. To the extent that Parent or its Affiliates incur any out of pocket expenses

of a type described in this Section 11.01(b) or otherwise with Acquiror's prior written consent, Acquiror shall reimburse Parent for such amount at Closing.

(c) The provisions of this Section 11.01 shall survive the Closing or a termination of this Agreement.

Section 11.02. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties hereto at the respective addresses (or at such other address for a party hereto as shall be specified in a notice given in accordance with this Section 11.02) as set forth on Section 11.02 of the Parent Disclosure Schedule.

Section 11.03. Public Announcements. No party hereto or any Affiliate or Representative of such party shall issue or cause the publication of any press release or public announcement or otherwise communicate with any news media in respect of this Agreement or the transactions contemplated by this Agreement without the prior written consent of the other party hereto (which consent shall not be unreasonably withheld, conditioned or delayed), except as may be required by Law or applicable securities exchange rules, in which case the party hereto required to publish such press release or public announcement shall allow the other party hereto a reasonable opportunity to comment on such press release or public announcement in advance of such publication. Prior to the Closing, neither of the parties hereto, nor any of their respective Affiliates or Representatives, shall, other than in connection with the ordinary course operation of the Business or as provided for under this Agreement, make any disclosure concerning plans or intentions relating to the customers, agents or employees of, or other Persons with significant business relationships with, any of the Transferred Subsidiaries without first obtaining the prior written approval of the other party hereto, which approval shall not be unreasonably withheld, conditioned or delayed.

Section 11.04. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

Section 11.05. Entire Agreement. Except as otherwise expressly provided in the Transaction Agreements, this Agreement and the other Transaction Agreements constitute the entire agreement of the parties hereto with respect to the subject matter of the Transaction Agreements and supersede all prior agreements and undertakings, both written and oral, other than the Confidentiality Agreement to the extent not in conflict with this Agreement, between or on behalf of Parent and/or its Affiliates, on the one hand, and Acquiror and/or its Affiliates, on the other hand, with respect to the subject matter of the Transaction Agreements.

Section 11.06. Assignment. This Agreement shall not be assigned, in whole or in part, by operation of law or otherwise without the prior written consent of the parties hereto. Any attempted assignment in violation of this Section 11.06 shall be void. This Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by the parties hereto and their successors and

permitted assigns. Notwithstanding the foregoing, (i) Parent shall have the right to assign, in whole or in part, by operation of law or otherwise, any of its rights, interests or obligations under this Agreement to any Affiliate of Parent (provided, that (x) Parent shall not be released from its indemnification obligations under ARTICLE X, (y) Parent cannot assign any of its obligations under any guarantees of the Economic Transfer Agreement, unless it is to L&R Entity or another creditworthy entity reasonably approved by Acquiror, and (z) Parent shall assign its obligation to cause the transfer of a Transferred Asset (or entry into an Economic Transfer Agreement with respect to a Transferred Asset) to an Affiliate solely to the extent that such Affiliate directly or indirectly owns or controls, or otherwise has the authority to cause the fulfillment of Parent's obligations under the Transaction Agreements with respect to, such Transferred Asset), and (ii) Acquiror shall be permitted to designate one or more Affiliates of Acquiror that shall, subject to the Closing, take title to any Transferred Equity Interests or Transferred Debt Interests or accept the assignment of any Assigned Contracts and/or the other Transferred Assets (and assume the Assumed Liabilities in respect thereof) in lieu of Acquiror (an "Acquiror Designee"); provided that any such designation shall be permitted solely if (i) a schedule setting forth all such designations, including the name of the designated Acquiror Designees and the applicable Transferred Equity Interests, Transferred Debt Interests and/or Assigned Contract with respect to each Acquiror Designee, is delivered to Parent at least ten (10) days prior to the Closing; provided that such designation shall not be permitted if it would reasonably be expected to increase the unreimbursed costs or liabilities borne by Parent and its Affiliates in connection with such transactions or cause any material impairment on or delay in the ability of any Person to perform its respective obligations under any Transaction Agreement or to consummate the transactions contemplated thereby; (ii) Acquiror promptly provides to Parent such customary due diligence information regarding the Acquiror Designees as Parent may reasonably request for the purposes of meeting legal or regulatory compliance; and (iii) any representations and warranties given with respect to Acquiror, as set forth in ARTICLE V, shall be deemed given with respect to each Acquiror Designee, as applicable; and provided, further, that in no event shall any such designation relieve Acquiror of any obligation under any Transaction Agreement; and provided, further, that all disclaimers, waivers, releases, indemnities and other protections afforded to Parent and its Affiliates by this Agreement shall apply to and be binding on the Acquiror Designees.

Section 11.07. No Third-Party Beneficiaries. Except as provided in Section 6.08 with respect to Acquiror Releasees and Parent Releasees and in ARTICLE X with respect to Parent Indemnified Persons and Acquiror Indemnified Parties, and, subject to the last two sentences of this Section 11.07, this Agreement is for the sole benefit of the parties hereto and their successors and permitted assigns (including Acquiror Designees), and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. The Seller shall be an express third-party beneficiary under this Agreement and, as such, this Agreement may be enforced by the Seller as if it were a party hereto. Any Parent Entity who, immediately prior to the Closing, was an Affiliate of Parent, shall be an express third-party beneficiary under Section 11.01(b) and, as such, this Agreement may be enforced by any such Parent Entity as if it were a party hereto.

Section 11.08. No Recording. The provisions of this Agreement will not constitute a Lien on any Property and neither this Agreement nor any notice or memorandum of this Agreement will be recorded by Acquiror.

Section 11.09. Amendment; Waiver. No provision of this Agreement or any other Transaction Agreements may be amended, supplemented or modified except by a written instrument signed by all of the parties thereto. No provision of this Agreement or any other Transaction Agreements may be waived except by a written instrument signed by the party against whom the waiver is to be effective. No failure or delay by any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or

further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

Section 11.10. Disclosure Schedules.

(a) Matters reflected in any Section of this Agreement, including any section or subsection of the Parent Disclosure Schedule or Acquiror Disclosure Schedule, are not necessarily limited to matters required by this Agreement to be so reflected. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. No reference to or disclosure of any item or other matter in any Section of this Agreement, including any section or subsection of the Parent Disclosure Schedule or Acquiror Disclosure Schedule, shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in this Agreement, the Parent Disclosure Schedule or the Acquiror Disclosure Schedule. Without limiting the foregoing, no such reference to or disclosure of a possible breach or violation of any contract, Law or Governmental Order shall be construed as an admission or indication that any such breach or violation exists or has actually occurred.

(b) Parent and Acquiror shall have the right, from time to time prior to the Closing, to supplement or amend the Parent Disclosure Schedule and the Acquiror Disclosure Schedule, as the case may be, with respect to any matter hereafter arising (other than as a result of a breach of this Agreement by the party seeking to make such supplementation or amendment, as the case may be) that, if existing or known at the date of this Agreement, would have been required to be set forth or described in such Parent Disclosure Schedule or Acquiror Disclosure Schedule, as the case may be. Any such supplemental or amended disclosure shall be deemed to have cured any breach of any representation or warranty made in this Agreement for purposes of ARTICLE X, but not for purposes of determining whether or not the conditions set forth in ARTICLE VIII have been satisfied.

Section 11.11. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement, all Ancillary Agreements, all transactions contemplated by this Agreement or any Ancillary Agreement, and all claims and defenses arising out of or relating to any such transaction or agreement or the formation, breach, termination or validity of any such agreement, shall in all respects be governed by, and construed in accordance with, the Laws of the State of New York without giving effect to any conflicts of Law principles of such state that would apply the Laws of another jurisdiction.

(b) Each of Parent and Acquiror irrevocably and unconditionally:

(i) submits for itself and its property to the exclusive jurisdiction of the Delaware Court of Chancery, or if the Delaware Court of Chancery lacks jurisdiction of the subject matter, the United States District Court for the District of Delaware, or if both the Delaware Court of Chancery and the United States District Court for the District of Delaware lack jurisdiction of the subject matter, any court of competent jurisdiction sitting in the State of Delaware, in any Action directly or indirectly arising out of or relating to this Agreement, the transactions contemplated by the Transaction Agreement, or the formation, breach, termination or validity of this Agreement and agrees that all claims in respect of any such Action shall be heard and determined solely in such court;

(ii) consents that any such Action may and shall be brought in such courts and waives any objection that it may now or hereafter have to the venue or jurisdiction of any

such Action in such court or that such court is an inconvenient forum for the Action and agrees not to assert, plead or claim the same;

(iii) agrees that the final judgment of such court shall be enforceable in any court having jurisdiction over the relevant party or any of its assets;

(iv) irrevocably waives any right to remove any such Action from the Delaware Court of Chancery to any federal court;

(v) agrees that service of process in any such Action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided in Section 11.02; and

(vi) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the applicable rules of procedure.

(c) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER ANY OF THE TRANSACTION AGREEMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE OTHER TRANSACTION AGREEMENTS OR THE FORMATION, BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT OR ANY OTHER TRANSACTION AGREEMENT. EACH OF PARENT AND ACQUIROR CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH OF PARENT AND ACQUIROR UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH OF PARENT AND ACQUIROR MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH OF PARENT AND ACQUIROR HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION 11.11. EITHER PARENT OR ACQUIROR MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 11.12. Rules of Construction. Interpretation of this Agreement and the other Transaction Agreements (except as specifically provided in any such other Transaction Agreements, in which case such specified rules of construction shall govern with respect to such other Transaction Agreements) shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Preamble, Recitals, Article, Section, paragraph, Annexes and Exhibit are references to the Preamble, Recitals, Articles, Sections, paragraphs, Annexes and Exhibits to this Agreement unless otherwise specified; (c) references to "\$" shall mean United States dollars; (d) the word "including" and words of similar import shall mean "including without limitation," unless otherwise specified; (e) the word "or" shall not be exclusive; (f) the words "herein," "hereof," "hereunder" and "hereby" and similar terms are to be deemed to refer to this Agreement as a whole and not to any specific Section; (g) the headings are for reference purposes only and shall not affect in any way the meaning or interpretation of the Transaction Agreements; (h) the Transaction Agreements shall

be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted; (i) if a word or phrase is defined, the other grammatical forms of such word or phrase have a corresponding meaning; (j) references to any statute, listing rule, rule, standard, regulation or other law include a reference to (A) the corresponding rules and regulations and (B) each of them as amended, modified, supplemented, consolidated, replaced or rewritten from time to time; (k) references to any section of any statute, listing rule, rule, standard, regulation or other law include any successor to such section, but shall not include any changes to such statute as a result of or in connection with a Contagion Event; (l) references to any Person's "commercially reasonable efforts," "best efforts" or other efforts standards shall not be deemed to include causing any action to be taken (or not to be taken) that is beyond such Person's authority under the governing documents of any Operating Partnership in which an unaffiliated third party serves as the general partner or managing member and (m) the words "made available" mean that the subject documents or other materials were included in and available in the Virtual Data Room prior to the Virtual Data Room Cut-Off Date.

Section 11.13. Specific Performance. Subject to Section 10.06, (a) the parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, (b) it is accordingly agreed that, without the necessity of posting bond or other undertaking, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Agreement, and (c) in the event that any Action is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto hereby waives the defense or counterclaim that there is an adequate remedy at law. Notwithstanding the foregoing, or any other provision of this Agreement to the contrary, the parties agree that neither Parent nor any of its Affiliates shall be entitled to an injunction or injunctions to enforce specifically the Closing of any of the transactions contemplated hereby and that the sole and exclusive remedy of Parent and its Affiliates relating to the failure of Acquiror to consummate any of the transactions contemplated hereby shall be the remedies set forth in Section 10.06(b).

Section 11.14. Counterparts. This Agreement and each of the other Transaction Agreements may be executed in one or more counterparts, and by the different parties to each such agreement in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to any Transaction Agreement by facsimile or other means of electronic transmission shall be as effective as delivery of a manually executed counterpart of any such Agreement.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Mark Lyons
Name: Mark Lyons
Title: Chief Financial Officer and Executive
Vice President

AZTEC HOLDCO LLC

By: /s/ Jacob Werner
Name: Jacob Werner
Title: Senior Managing Director and Vice
President

EXHIBIT A DEFINITIONS

“Access” shall have the meaning set forth in Section 3.03.

“Acquiror” shall have the meaning set forth in the Preamble hereto.

“Acquiror Approval Matter” shall have the meaning in Section 6.01(b).

“Acquiror Designee” shall have the meaning set forth in Section 11.06.

“Acquiror Disclosure Schedule” shall have the meaning set forth in the first paragraph of ARTICLE V.

“Acquiror Indemnified Parties” shall have the meaning set forth in Section 10.02(a).

“Acquiror Material Adverse Effect” means any effect, event, development or change that, individually or in the aggregate with all other effects, events, developments or changes, would reasonably be expected to be materially adverse to the ability of Acquiror to consummate the transactions contemplated by the Transaction Agreements by the Outside Date.

“Acquiror Releasee” shall have the meaning set forth in Section 6.08(a).

“Acquiror Releasor” shall have the meaning set forth in Section 6.08(b).

“Acquiror Specified Representations” means the representations and warranties made in Section 5.01, Section 5.05, and Section 5.09.

“Acquiror’s Title Notice” shall have the meaning set forth in Section 3.04(c)(ii).

“Action” means any claim, action, suit, arbitration or proceeding by or before any Governmental Authority or arbitral body.

“Additional Transferred Debt Interests” shall have the meaning set forth in Section 2.06(b)(iv).

“Affiliate” means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person; provided, however, that for the purposes of this definition, Parent shall not be deemed to be an Affiliate of Acquiror. Notwithstanding anything to the contrary contained herein, unless otherwise expressly specified in this Agreement, (i) “Affiliates” of Parent or any Seller Party shall not be deemed to include (A) any Investor Fund in which the limited partner is a Tax Credit Investor or any Housing Fund in which such an Investor Fund invests, directly or indirectly, (B) any Operating Partnership or (C) any Participant Vehicle; and (ii) the Transferred Subsidiaries shall be deemed “Affiliates” of Parent (and not Acquiror) prior to the Closing and shall be deemed “Affiliates” of Acquiror (and not Parent) from and after the Closing.

“Agreement” means this Purchase Agreement, dated as of the date hereof, between Parent and Acquiror, including the Annexes and Exhibits hereto, the Parent Disclosure Schedule, the Acquiror Disclosure Schedule and all amendments to such agreement made in accordance with Section 11.09.

“Allocated Value” shall have the meaning set forth in Section 2.05.

“Allocation Schedule” shall have the meaning set forth in Section 2.05.

“Ancillary Agreements” means:

(i) the Hold Harmless Agreement;

(ii) any Economic Transfer Agreements; and

(iii) any Business Transfer Documents to be entered into between the parties as contemplated by Section 2.07(c) but which are not specifically enumerated herein as Ancillary Agreements.

“Ancillary Transferred Assets” shall have the meaning set forth in the Recitals.

“Archived Files” shall have the meaning set forth in Section 6.03(b).

“Assigned Contracts” means all Contracts identified as such in Annex III.

“Assumed Liabilities” shall have the meaning set forth in Section 2.02(a).

“Audited Financial Statements” shall have the meaning set forth in Section 4.15(a).

“Bankruptcy Event” means any of the following events: (a) the passage of a resolution for the dissolution of Parent or the Seller; (b) Parent or the Seller becoming the subject of (i) the entry of an order for relief by a Governmental Authority having jurisdiction in the premises judging either or both of Parent and the Seller bankrupt or insolvent under any applicable Bankruptcy Law, (ii) the appointment of a receiver, liquidator, rehabilitator, conservator, assignee, trustee, sequestrator or examiner (or other similar official) of either or both of Parent and the Seller or of any substantial part of the property of either of them pursuant to any Bankruptcy Law, (iii) an order to wind up or liquidate either of their affairs or (iv) an involuntary bankruptcy, insolvency, reorganization, liquidation, rehabilitation, conservation, examination or other similar proceeding with respect to either or both of Parent and the Seller that is unstayed or undismissed for a period of thirty (30) consecutive days; or (c) any of (i) the commencement by either or both of Parent and the Seller of a proceeding to be adjudicated a bankrupt or insolvent, (ii) the consent by either or both of Parent and the Seller to the institution of bankruptcy, insolvency or examination proceedings against it, (iii) the filing or consent to the filing by either or both of Parent and the Seller of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, (iv) the consent or application by either or both of Parent and the Seller to the appointment of a receiver, liquidator, rehabilitator, conservator, assignee, trustee, sequestrator or examiner (or other similar official) of Parent or the Seller (as applicable) or of any substantial part of Parent’s or the Seller’s property pursuant to any Bankruptcy Law or (v) the making by either or both of Parent and the Seller of an assignment for the benefit of creditors.

“Bankruptcy Law” means any applicable bankruptcy, insolvency, reorganization, liquidation, rehabilitation, conservation, examination or other similar Law.

“Base Purchase Price” shall have the meaning set forth in Section 2.04.

“Business” means the business conducted by Parent, the Seller, the other Seller Parties and the Transferred Subsidiaries, as relates to the Properties, the Operating Partnerships and, with respect to the Operating Partnerships and Properties owned by them only, any Person holding an Equity Interest in any Operating Partnership (for the avoidance of doubt, including the ownership of the Transferred Equity Interests and Transferred Debt Interests).

“Business Day” means any day that is not a Saturday, a Sunday or other day on which commercial banks in the City of New York, New York are required or authorized by Law to remain closed.

“Business Material Adverse Effect” means (a) any effect, event, development or change (any such item, an “Effect”) that, individually or in the aggregate, together with all other Effects, is or would reasonably be expected to have a material adverse effect on the financial condition, assets, liabilities, business or results of operations of the Business and the Transferred Subsidiaries, taken as a whole; provided, however, that none of the following shall constitute or be deemed to contribute to a Business Material Adverse Effect, or shall otherwise be taken into account in determining whether a Business Material Adverse Effect has occurred or would be reasonably likely to occur: any Effect arising out of, resulting from or attributable to (i) (A) the United States or global economy generally or capital or financial markets generally, including changes in interest or exchange rates, (B) political, social or global health conditions, including any Contagion Event, any declaration of martial law, quarantine or similar directive, policy or guidance or other action by any Governmental Authority, generally of the United States or (C) changes that are the result of factors generally affecting any of the industries generally in which the Business operates or in which products or services of the Business are used or distributed; (ii) the negotiation, execution, announcement or consummation of the transactions contemplated by, or the performance of obligations under, this Agreement or the other Transaction Agreements (provided that this clause (ii) shall not apply to the use of Business Material Adverse Effect in Section 4.03); (iii) the identity of, or the effects of any facts or circumstances relating to, Acquiror or its Affiliates (provided that this clause (iii) shall not apply to the use of Business Material Adverse Effect in Section 4.03); (iv) any changes or prospective changes in applicable Law, GAAP or SAP or the enforcement or interpretation thereof; (v) actions expressly required to be taken pursuant to this Agreement or otherwise taken with Acquiror’s written consent; (vi) the effect of any action taken by Acquiror or its Affiliates with respect to the transactions contemplated by this Agreement; (vii) any hostilities, act of war, sabotage, terrorism or military actions, or any escalation or worsening of any such hostilities, act of war, sabotage, terrorism or military actions, or any pandemic, epidemic, hurricane, flood, tornado, earthquake or other natural disaster, in each case in jurisdictions in which the Business or the Transferred Subsidiaries operate; (viii) any of the investment assets of the Business and any failure by the Business to achieve any earnings, premiums written or other financial projections or forecasts (it being understood that the facts or occurrences giving rise to such change or failure may be taken into account in determining whether there has been or will be, a Business Material Adverse Effect); and (ix) any effect that is cured by Parent prior to the Closing, except in the case of the foregoing clauses (a)(i), (a)(iv) and (a)(vi) to the extent such Effect is materially disproportionately adverse with respect to the Business as compared to Persons other than the Seller Parties engaged in the industries in which the Business is conducted and (b) an Effect that, individually or in the aggregate with all other Effects, would reasonably be expected to be materially adverse to the ability of Parent, Seller Party or any Affiliate of Parent to consummate the transactions contemplated by the Transaction Agreements by the Outside Date. For the avoidance of doubt, neither (1) any change or development in the business, financial condition, results of operations or credit, financial strength or other ratings of Parent or any of its Affiliates (other than the Transferred Subsidiaries and the Business) or (2) any Bankruptcy Event involving Parent or any of its Affiliates (other than any of the Transferred Subsidiaries) (any of the events referred to in the foregoing clauses (1) and (2), a “Parent Event”) shall be deemed, in and of itself, to constitute a Business Material Adverse Effect, nor shall any such Parent Event be taken into account in determining whether a Business Material Adverse Effect has occurred or is reasonably likely to occur, except to the extent that such Parent Event (or the underlying cause of such Parent Event) adversely affects (i) the financial condition or results of operations of the Business, taken as a whole or (ii) the ability of Parent, Seller Party or any Affiliate of Parent to consummate the transactions contemplated by the Transaction Agreements by the Outside Date.

“Business Transfer Documents” shall have the meaning set forth in Section 2.07(c).

“Cap” shall have the meaning set forth in Section 10.02(b).

“Cash Flow Cut-Off Date” means a date between the date hereof and a date that is at least twenty (20) calendar days prior to the Closing Date, selected by Parent in its discretion.

“Casualty” shall have the meaning set forth in Section 6.12.

“CERCLA” shall have the meaning set forth in Section 3.02(c).

“CIM” means the confidential information memorandum for Project Aztec prepared by CBRE Capital Advisors, Inc.

“Closing” shall have the meaning set forth in Section 2.03.

“Closing Date” shall have the meaning set forth in Section 2.03.

“Closing Statement” shall have the meaning set forth in Section 2.06(a).

“Code” means the United States Internal Revenue Code of 1986.

“Compliance Expiration Date” means, with respect to each Property, the date on which the Compliance Period, as defined in § 42(i)(1) of the Code, ends.

“Condemnation” shall have the meaning set forth in Section 6.12.

“Confidentiality Agreement” shall have the meaning set forth in Section 6.04(a).

“Contagion Event” means the outbreak of contagious disease, epidemic or pandemic (including COVID-19 or any mutation or variant thereof).

“Contract” means any contract, agreement, undertaking, indenture, commitment, loan, consent, note or other legally binding obligation, whether written or oral.

“Control” or “control” means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms “Controlled by,” “under common Control with” and “Controlling” shall have correlative meanings. Notwithstanding anything to the contrary contained herein, for the purposes of this Agreement, (i) Parent shall be deemed not to be Controlled by any Person and (ii) neither Parent nor any Seller Party shall be deemed to Control (A) any Investor Fund in which the limited partner is a Tax Credit Investor or any Housing Fund or Operating Partnership in which such an Investor Fund invests, directly or indirectly, (B) any Third-Party Operating Partnership or (C) any Participant Vehicle.

“De Minimis Threshold” shall have the meaning set forth in Section 10.02(b).

“Debt” means all Existing Loans and Transferred Debt Interests and any other financing relating to the Properties and/or the Business.

“Debt Allocated Value” shall have the meaning set forth in Section 2.05.

“Deductible” shall have the meaning set forth in Section 10.02(b).

“Deferred Closing Asset” shall have the meaning set forth in Section 2.12(c) of the Parent Disclosure Schedule.

“Deposit” shall have the meaning set forth in Section 2.08(a).

“Dispute Notice” shall have the meaning set forth in Section 2.06(d).

“Divestiture or Burden” shall have the meaning set forth in Section 6.05(f).

“Economic Transfer Agreement” shall have the meaning set forth in Section 2.12(c) of the Parent Disclosure Schedule.

“Effect” means any effect, event, development or change.

“Eligible Insurance Proceeds” shall have the meaning set forth in Section 10.07(d).

“EO13224” shall have the meaning set forth in Section 5.10.

“Equity Interests” means capital stock or other type of equity interest in (as applicable) a Person.

“ERISA” shall have the meaning set forth in Section 5.11.

“Escrow Agent” shall have the meaning set forth in Section 2.08(a).

“Escrow Agreement” means that certain escrow agreement between and among Parent, Acquiror and the Escrow Agent entered into contemporaneously with the execution of this Agreement.

“Excess Title Exception Amount” shall have the meaning set forth in Section 3.04(c)(ii)(A).

“Excluded Assets” shall have the meaning set forth in Section 2.01(b).

“Excluded Debt Interests” shall have the meaning set forth in Section 2.06(b)(iv).

“Excluded Liabilities” shall have the meaning set forth in Section 2.02(b)(iv).

“Excluded Property” shall have the meaning set forth in Section 2.06(b)(i).

“Excluded Property Assets” shall have the meaning set forth in Section 2.12(b)(i).

“Existing Guarantee” shall have the meaning set forth in Section 4.10.

“Existing Lenders” shall have the meaning set forth in Section 3.01.

“Existing Loan” means (i) any loans in existence as of the date hereof encumbering the Properties and (ii) as of the Closing Date, the loans referred to in the foregoing clause (i), as modified by any refinancings, reissuance, refunding or amendment of such Existing Loans done in accordance with this Agreement, but excluding in each case (x) the Operating Deficit Loans and (y) any Transferred Debt Interests other than those secured by first lien mortgages encumbering any Property.

“Existing Loan Consents” means all consents and approvals required in connection with Acquiror’s or its applicable Affiliates’ direct or indirect assumption, from and after the Closing, of any Existing Loans that will continue to encumber any Property, Transferred Equity Interest or other Transferred Asset following the Closing, or such consents and approvals required by the Existing Loan Documents in connection with the transactions contemplated hereby, it being understood that any such assumption shall include either (i) a release of Parent and each of its applicable Affiliates from any Existing Loan Liability or (ii) an indemnity, in accordance with the terms of the Hold Harmless Agreement, from Acquiror or a creditworthy Affiliate of Acquiror reasonably acceptable to Parent for any Existing Loan Liability.

“Existing Loan Documents” means all trust indentures, loan agreements, series documents, notes, mortgages, guaranties, indemnities and other documents evidencing the Existing Loans or Seller Parties’ interest therein (together with any amendments, modifications or supplements thereto).

“Existing Loan Liability” means all Liabilities pursuant to any recourse obligations, guarantees, indemnification agreements, letters of credit posted by Parent or its applicable Affiliates as security or other similar obligations in connection with any Existing Loan.

“Existing Policy” shall have the meaning set forth in Section 3.04(a).

“Existing Survey” shall have the meaning set forth in Section 3.04(a).

“finally determined” shall have the meaning set forth in Section 10.05.

“Financial Statements” shall have the meaning set forth in Section 4.15.

“Fund Guarantees” shall have the meaning set forth in Section 2.02(b)(iii).

“GAAP” means United States generally accepted accounting principles.

“Governmental Approval” shall have the meaning set forth in Section 4.04.

“Governmental Authority” means any domestic or foreign governmental, legislative, judicial, administrative or regulatory authority, agency, commission, body, court, association or entity.

“Governmental Order” means any order, writ, judgment, injunction, decree or award entered by or with any Governmental Authority.

“GP Entities” means, collectively, any Affiliates of Parent that serve as the general partner or managing member of any Investor Fund, Housing Fund or Operating Partnership (in each case, in their capacity as such).

“Ground Lease” means a lease by which an Operating Partnership currently leases a Property and assignments thereof, any amendments or modifications thereto, and any guaranty or other agreements related thereto.

“Hazardous Materials” shall have the meaning set forth in Section 3.02(e).

“Hold Harmless Agreement” shall have the meaning set forth in the Recitals.

“Housing Authority” means the relevant tax credit allocation agency, the issuer of any multifamily bonds issued for the benefit of a Property, and any other federal, state or local agency with jurisdiction or other rights or authority over a Property or the Tax Credits related thereto.

“Housing Fund” shall have the meaning set forth in the Recitals.

“HUD” means the United States Department of Housing and Urban Development.

“Indemnified Party” shall have the meaning set forth in Section 10.04(a).

“Indemnifying Party” shall have the meaning set forth in Section 10.04(a).

“Independent Account Firm” shall have the meaning set forth in Section 2.06(d).

“Insurance Agreement” means (a) any insurance policies purchased or obtained for a Target Entity or Subsidiary thereof from Parent or any of its Affiliates (other than any Target Entity or Subsidiary thereof), which policy solely provides coverage to any Target Entity or Subsidiary thereof (or any Property) and (b) any other Contracts entered into in connection with any Contract or policy contemplated by clause (a) of this definition.

“Intellectual Property” means all intellectual property rights in and to the following: (a) patents and patent applications; (b) trademarks, service marks, trade dress, logos, Internet domain names, and registrations and applications for registration thereof, all rights therein provided by international treaties or conventions and all reissues, extensions and renewals of any of the foregoing, and all goodwill associated with the foregoing (“Trademarks”); (c) copyrights and registrations and applications for registration thereof, and all rights therein provided by international treaties or conventions; and (d) trade secrets and other confidential processes and know-how.

“Intercompany Agreements” means contracts, agreements, notes, leases, licenses and other instruments between any Transferred Subsidiary, on the one hand, and Parent or any Affiliate of Parent (other than the Transferred Subsidiaries), on the other hand.

“Interest Rate” means an interest rate per annum equal to the average of the prime rate as published in the Wall Street Journal with respect to each day during the period for which interest is to be paid.

“Investor Fund” shall have the meaning set forth in the Recitals.

“Investor Fund Balances” shall have the meaning set forth in Section 4.15(b).

“IRS” means the United States Internal Revenue Service.

“Knowledge” of a Person means: (a) in the case of Parent, the actual knowledge of any Person listed in Section 1.01(a) of the Parent Disclosure Schedule, subject to the subject matter limitations set forth in such section of the Parent Disclosure Schedule, but shall not include the knowledge, actual or implied, of any direct or indirect partner, principal, affiliate, independent contractor, consultant, property manager, asset manager or agent of Parent or any Affiliate of Parent, or any employee of any thereof (*i.e.*, Acquiror acknowledges and agrees that the knowledge of any of the foregoing parties, including, without limitation, property managers, shall not be imputed to Parent), or (b) in the case of Acquiror, the actual knowledge of any Person listed in Section 1.01(a) of the Acquiror Disclosure Schedule, subject to the subject matter limitations set forth in such section of the Acquiror Disclosure Schedule but shall not

include the knowledge, actual or implied, of any other direct or indirect partner, principal, affiliate, independent contractor, consultant, property manager, asset manager or agent of Acquiror or any Affiliate of Acquiror, or any employee of any thereof (*i.e.*, Parent acknowledges and agrees that the knowledge of any of the foregoing parties, shall not be imputed to Acquiror). Notwithstanding anything to the contrary contained herein, the individuals listed in Sections 1.01(a) of the Parent Disclosure Schedule and of the Acquiror Disclosure Schedule shall not have any personal liability with respect to any matters set forth in this Agreement or any of Parent's or Acquiror's respective representations and warranties herein being or becoming untrue, inaccurate or incomplete.

“L&R Entity” means SAFG Retirement Services, Inc., a Delaware corporation (“L&R Parent”), or, if applicable, a newly formed holding company which will be the direct or indirect parent of L&R Parent and will own, directly or indirectly, all of the life and retirement insurance business of American International Group, Inc. and its Subsidiaries (the “L&R Business”) (such holding company, the “IPO Corporation”) effective as of the separation of the L&R Business from Parent or the initial public offering of shares of common stock of L&R Parent or the IPO Corporation. “Subsidiary” for purposes of this definition only shall mean with respect to any Person at the time in question, another Person more than 50% of the total combined voting power of all classes of capital stock or other voting interests of which, or more than 50% of the equity securities of which, is at such time owned directly or indirectly by such first Person.

“Law” means any federal, state, local or foreign law, statute or ordinance, or any rule, regulation, judgment, order, writ, injunction, ruling, decree or agency requirement of any Governmental Authority.

“Leased Real Properties” means real properties leased, subleased, licensed or occupied, directly or indirectly, in whole or in part, by Parent or any Affiliate thereof in connection with the Business or by any Target Entity, including pursuant to any Ground Lease.

“Leases” means all leases and other occupancy agreements of a Property or any portion thereof and amendments thereto and guaranties thereof where an Operating Partnership holds the landlord's interest, including leases which may be entered into by the applicable Operating Partnership after the date hereof and prior to the Closing as permitted by this Agreement.

“Liabilities” means all debts, liabilities or obligations, including all costs and expenses relating thereto.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, conditional or installment sales agreement, Transfer Right, restriction on transfer, claims against title, easement, lien or charge of any kind, whether voluntarily incurred or arising by operation of law.

“Litigation Hold” means the scope of documents and records whose preservation is mandated by a document retention notice issued in connection with any litigation, arbitration, mediation (or other form of dispute resolution), third-party subpoena or regulatory inquiry.

“Losses” means any and all losses, damages, reasonable costs, reasonable expenses, liabilities, settlement payments, awards, judgments, fines, obligations, claims and deficiencies.

“Material Contract” shall have the meaning set forth in Section 4.11(a).

“Material Title Exceptions” shall have the meaning set forth in Section 3.04(c)(i).

“Materials” shall have the meaning set forth in Section 6.07(b)(ii).

“Net SHF RoC Balances” shall have the meaning set forth in Section 4.15(b).

“No Consent Asset” shall have the meaning set forth in Section 2.12(c) of the Parent Disclosure Schedule.

“No Consent Asset Sale Start Date” shall have the meaning set forth in Section 2.12(c) of the Parent Disclosure Schedule.

“Notice of Insurance” shall have the meaning set forth in Section 10.07(d).

“Obligor” means, with respect to any Transferred Debt Interest, the applicable borrower, mortgagor, grantor under a deed of trust, guarantor or indemnitor or other person who owes payments or provides security under such Transferred Debt Interest.

“OFAC” shall have the meaning set forth in Section 5.10.

“Operating Deficit Loan” means, with respect to any Property, a cash advance or loan extended by Parent, an Affiliate thereof or a Third-Party GP, directly or indirectly, to an Operating Partnership, excluding Transferred Debt Interests or Additional Transferred Debt Interests.

“Operating Partnership” shall have the meaning set forth in the Recitals.

“Option Holders” shall have the meaning set forth in Section 2.12(a)(i).

“Option Waivers” shall have the meaning set forth in Section 2.12(a)(ii).

“Ordinary Course of Business” with respect to a Person means the ordinary course of business of such Person, consistent with past practice, subject to such changes by such Person and/or its Affiliates as are reasonably necessary in light of the then current operating conditions and developments with respect to such Person and/or its Affiliates.

“Organizational Documents” means, as to any Person, as applicable, the (i) certificate or articles of incorporation, organization or formation or certificate of limited partnership; (ii) by-laws; (iii) limited partnership agreement or limited liability company agreement or operating agreement or other similar governing corporate documents (including all amendments, modifications, supplements and assignments thereto) but solely, in the case of Organizational Documents of Operating Partnerships, to the extent entered into by or with Seller Party, Target Entity or Housing Fund); (iv) side letters or similar agreements, to the extent relating directly to the terms of the foregoing, entered into by or with any Seller Party, Transferred Subsidiary or Housing Fund (in each case, as amended from time to time).

“Outside Consent Date” shall have the meaning set forth in Section 2.12(c) of the Parent Disclosure Schedule.

“Outside Date” shall have the meaning set forth in Section 9.01(b).

“Parent” shall have the meaning set forth in the Preamble hereto.

“Parent Disclosure Schedule” shall have the meaning set forth in the first paragraph of ARTICLE IV.

“Parent Entity” means Parent or any of its Affiliates.

“Parent Event” shall have the meaning set forth in the definition of Business Material Adverse Effect.

“Parent Indemnified Persons” shall have the meaning set forth in Section 10.03(a).

“Parent Names and Marks” shall have the meaning set forth in Section 6.07(a).

“Parent Releasee” shall have the meaning set forth in Section 6.08(b).

“Parent Releasor” shall have the meaning set forth in Section 6.08(a).

“Parent Specified Representations” means the representations and warranties made in Section 4.01, Section 4.08(a), Section 4.08(b) and Section 4.13.

“Parent Statements” shall have the meaning set forth in Section 6.05(g).

“Participant Vehicle” means any limited partnership, limited liability company or other entity in which the beneficial owners are Participants.

“Participants” means former employees of the Business (or related persons, Affiliates or permitted assigns or successors thereof).

“Partnership Agreements” means the Organizational Documents of each of the Investor Funds, Housing Funds or Operating Partnerships, as amended from time to time.

“Permitted Deductions from Pre-Closing Cash Flow” means, collectively, (A) any payments of proceeds to Seller Parties with respect to the Transferred Debt Interests, (B) proceeds derived from Excluded Properties (subject to Annex V), (C) proceeds of refinancings or refundings completed on or prior to May 1, 2021, (D) payments or distributions which represent repayment of advances previously made by Seller Parties for (i) good faith deposits and actual out of pocket costs in connection with contemplated refinancings or (ii) restoration expenses relating to the Properties that are subject to reimbursement from insurance claims or government fundings and (E) repayment of advances made on or after January 1, 2021 by Seller Parties on account of shortfall deficits of an Operating Partnership, repairs, capital expenditures or maintenance for a Property; provided, that the advances referenced in the foregoing clause (D) shall be limited to those set forth on Section 2.06(f) of the Parent Disclosure Schedule and any such advances made after the date of this Agreement and prior to the Closing.

“Permitted Encumbrances” means the following items:

(i) all unpaid personal property, real estate and any excise Taxes related thereto, and all water, sewer, utility, trash and other similar charges, in each case that are (A) not yet due and payable as of the Closing Date but are or may become or give rise to a Lien on all or any portion of such Property, or (B) being contested in good faith by the owner of such Property and have been paid in full (it being understood that such items may be subject to apportionment or adjustment at Closing as provided herein);

(ii) liens of supplemental Taxes for the Closing and events occurring from and after the Closing;

(iii) any state of facts which may be disclosed by an accurate survey of the Properties;

- (iv) any state of facts or matters that would be revealed by an inspection of a Property, provided such state of facts does not render title to such Property unmarketable;
- (v) undetermined or inchoate liens, rights of distress and charges incidental to construction, maintenance or current operations that have not at such time been filed or exercised or that relate to obligations not due or payable;
- (vi) the rights of residents as residents only without any purchase options, rights of first offer or rights of refusal pursuant to Leases or otherwise relating to the premises leased by a resident, now in effect or which may be in effect on the applicable Closing Date;
- (vii) the terms and conditions of the Ground Leases and any matter affecting the fee estate of lessor under a Ground Lease only and such matter does not encumber the leasehold estate;
- (viii) any Material Title Exceptions deemed waived by Acquiror in accordance with this Agreement;
- (ix) all easements, rights of way, encumbrances, covenants, conditions or restrictions that appear of record, provided that no such matter materially impairs the current use or value of such Property or the operation of the business conducted thereon in any material manner;
- (x) all matters created or caused by or on behalf of, or with the written consent of, Acquiror or any Affiliate thereof;
- (xi) all Laws, including all environmental, building and zoning restrictions affecting such Property or the ownership, use or operation thereof adopted by any Governmental Authority having jurisdiction over such Property or the ownership, use or operation thereof, and all amendments or additions thereto now in effect or which may be in force and effect after the date hereof with respect to such Property, except to the extent that a Property is not in material compliance with any Laws relating to zoning; the parties hereby acknowledge and agree that the failure of any Property to have any required certificate of occupancy or other permit or license (other than on account of a failure of such Property to be in material compliance with a Law relating to zoning) shall not be treated as a title or survey matter and shall be deemed to be a Permitted Encumbrance;
- (xii) any Liens of mechanics, material or materialmen, contractors, consultants, or other workmen or suppliers for labor and/or material provided to or for the benefit of a Property for or on behalf of any Resident, to the extent such Liens encumber such Resident's leasehold interest only, and are Liens for which a Resident has an obligation to remove under a Lease;
- (xiii) any rights of licensees or other third parties, as service providers only, without any purchase rights or options, under any contracts related to the operation, ownership or management of a Property, including maintenance, service, construction, supply and equipment rental contracts, if any, but not including Leases, not assumed by Acquiror as of the Closing;
- (xiv) with respect to Properties secured by any of the Transferred Debt Interests, the terms and conditions set forth in any of the Transferred Debt Interests, including any intercreditor agreements, subordination agreements, participation

agreements, cross-collateralization agreements and similar agreements related thereto, and the rights of the Obligors set forth therein;

(xv) Liens securing Existing Loans relating to such Property;

(xvi) any other imperfections of title or non-monetary encumbrances which do not have a material and adverse effect on the value or use of, or access to, a Property; and

(xvii) any state of facts or matters revealed in any Existing Policy, Existing Survey, Existing Loan Documents, Organizational Documents, Regulatory Agreements, Material Contracts or Ground Leases posted to the Virtual Data Room prior to the Virtual Data Room Cut-Off Date.

“Permitted Liens” means the following Liens: (a) Liens that secure debt that is reflected on the Existing Loans; (b) Liens for Taxes that are not yet due or payable or that are being contested in good faith by appropriate proceedings (in the case of contested matters, for which appropriate reserves in the determination of the Operating Partnership have been set aside); (c) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law arising or incurred in the Ordinary Course of Business that relate to amounts not yet due; (d) Liens incurred or deposits made to a Governmental Authority in the Ordinary Course of Business in connection with a governmental authorization, registration, filing, license, permit or approval; (e) Liens incurred or deposits made in the Ordinary Course of Business in connection with workers’ compensation, unemployment insurance or other types of social security; (f) defects of title, easements, rights-of-way, covenants, restrictions and other similar charges or encumbrances not materially interfering with the ordinary conduct of business or which are shown by a current title report or other similar report or listing previously provided or made available to Acquiror; (g) Liens not created by any of the Transferred Subsidiaries that affect the underlying fee interest of any Leased Real Property; (h) non-monetary Liens incurred in the Ordinary Course of Business securing obligations or liabilities that are not individually or in the aggregate material to the relevant asset or property, respectively; (i) gaps in the chain of title of any Property evident from the records of the relevant Governmental Authority maintaining such records; (j) all agreements, settlements, consents and other arrangements entered into in the Ordinary Course of Business, to the extent posted to the Virtual Data Room prior to the Virtual Data Room Cut-Off Date; (k) zoning, building and other generally applicable land use restrictions; (l) Liens not created by any of the Transferred Subsidiaries that have been placed by a third party on the fee title of the real property constituting the Leased Real Property or real property over which any of the Transferred Subsidiaries has easement rights; (m) Liens created, caused to be created or consented to in writing by Acquiror or its Affiliates; (n) any set of facts an accurate up-to-date survey would show; provided, however, such facts do not materially interfere with the present use of the relevant Property by the Transferred Subsidiaries, respectively; (o) leases or similar agreements affecting the Properties, provided that such leases and agreements have been provided or made available to Acquiror; (p) provided Parent causes such Liens to be removed at Closing, Liens or other restrictions on transfer imposed by applicable insurance Laws; (q) with respect to the Transferred Debt Interests prior to Closing, Liens granted under securities lending and borrowing agreements, repurchase and reverse repurchase agreements and derivatives entered into in the Ordinary Course of Business; (r) provided Parent causes such Liens to be removed at Closing, clearing and settlement Liens on securities and other investment properties incurred in the ordinary course of clearing and settlement transactions in such securities and other investment properties and holding of legal title or other interests in securities or other investment properties by custodians or depositories in the Ordinary Course of Business; (s) restrictions on transfer under federal and state securities Laws; (t) contractual restrictions on transfer contained in the Partnership Agreements; and (u) restrictions on transfer imposed by HUD or applicable Housing Authorities.

“Permitted OP Substitution” means (x) the substitution of an Affiliate of Parent for any third party in such third party’s capacity as a partner in an Operating Partnership, including by causing a Target Entity to exercise a replacement right under the Partnership Agreement of an Operating Partnership; provided, that (i) following any such substitution, the Transferred Assets shall include 100% of the Equity Interests in the Affiliate of Parent that acquired such third party’s interest in the Operating Partnership, (ii) except for the obligations of the general partner under the Partnership Agreement of the Operating Partnership as a result of becoming the general partner, such substitution shall not result in the creation of any new or expanded incurrence of liability, encumbrance or other post-Closing obligations on behalf of any Transferred Subsidiary or Operating Partnership (including by way of the payment of any fees, promote or other economic interests, or any indemnity or post-buyout obligations, other than the general partner’s indemnification or similar rights already existing under the applicable Partnership Agreement), (iii) no adjustment to the Purchase Price shall be made in connection with such buyout or substitution unless expressly agreed to by the parties, and (iv) Parent shall use commercially reasonable efforts to give Acquiror prior notice and reasonably consult with Acquiror prior to any such buyout or substitution, and (y) the substitution of a non-profit general partner with another non-profit general partner with the consent of Acquiror, not to be unreasonably withheld, conditioned or delayed.

“Person” means any natural person, general or limited partnership, corporation, limited liability company, limited liability partnership, firm, association or organization or other legal entity.

“Personal Property” means the mechanical systems, fixtures, furniture, appliances, tools, supplies, inventories, furnishings, equipment and other items of tangible personal property placed or installed on or about any Property and which are owned by an Operating Partnership and used as a part of or in connection with a Property, including, without limitation, all heating, ventilation and air conditioning compressors, engines, systems and equipment; any and all elevators, electrical fixtures, systems and equipment; all plumbing fixtures, systems and equipment; and all keys. “Personal Property” shall exclude personal property that is owned by the Residents, former residents or the management company, or which is leased pursuant to a Service Contract or Permitted Encumbrance.

“PILOT Arrangement” means the “payment in lieu of taxes’ arrangements affecting any Properties.

“Post-Closing Covenants” shall have the meaning set forth in Section 10.01.

“Pre-Closing Covenants” shall have the meaning set forth in Section 10.01.

“Pre-Closing Cash Flow” shall mean the aggregate cash proceeds that were actually received by the Target Entities from any Operating Partnership (or, if applicable, fees paid directly to a Seller Party from any Operating Partnership), in each case, after January 1, 2021 and prior to the Cash Flow Cut-Off Date and, if received by the Target Entities, that were subsequently distributed or paid to the Seller Parties during such period, to the extent attributable to the Seller Parties’ ownership of the Transferred Equity Interests, Ancillary Transferred Assets and Assigned Contracts and the operation and management of the Properties, including, for the avoidance of doubt, any proceeds actually received by the Seller Parties in respect of refinancings or refundings completed after May 1, 2021.

“Pre-Closing Taxable Period” means, collectively, all taxable periods ending before the Closing Date.

“Preemptive Right” shall have the meaning set forth in Section 2.12(a)(i).

“Prior Noncompliance” shall have the meaning set forth in Section 6.11(e).

“Prohibited Person” shall have the meaning set forth in Section 5.10.

“Properties” means, collectively, the real estate properties owned by the Operating Partnerships (or Subsidiaries of Operating Partnerships). With respect to any particular Target Entity or Operating Partnership, a “Property” means a real estate property in which such Person owns an interest, directly or indirectly.

“Purchase Price” shall have the meaning set forth in Section 2.04.

“Regulatory Agreements” shall have the meaning set forth in Section 6.11(a).

“Representative” of a Person means the directors, officers, employees, advisers, agents, consultants, accountants, investment bankers or other representatives of such Person and of such Person’s Affiliates.

“Reserve Amount” shall have the meaning set forth in Section 2.06(b)(iii).

“Residents” means the residents of the Properties as of the Closing.

“Retained Affiliate” means any Affiliate of Parent other than the Transferred Subsidiaries.

“SAP” means, as to any insurance or reinsurance company, the statutory accounting practices prescribed or permitted by applicable insurance Laws and the insurance regulatory authorities, in each case, of the jurisdiction in which such company is domiciled.

“Scheduled Pipeline Property” shall have the meaning set forth in Section 6.01(b)(i).

“Scheduled Refinancing Properties” shall have the meaning set forth in Section 6.01(b)(ii).

“SEC” means the United States Securities and Exchange Commission.

“Section 42” shall have the meaning set forth in Section 6.11(a).

“Securities Act” means the Securities Act of 1933.

“Seller” shall have the meaning set forth in the Recitals.

“Seller Parties” means (i) with respect to the Transferred Equity Interests, the Seller and each Affiliate thereof identified as such on Annex I, and (ii) with respect to any other Transferred Assets, the Seller and the applicable Affiliate thereof that owns such Transferred Asset immediately prior to the Closing.

“Service Contracts” means maintenance, service, construction, supply and equipment rental contracts, if any, but not including Leases.

“SLP Entities” means, collectively, any Affiliates of Parent that hold a special limited partner interest in an Operating Partnership.

“Straddle Period” means a taxable period beginning before and ending on or after the Closing Date.

“Subsidiary” of any Person means any corporation, general or limited partnership, joint venture, limited liability company, limited liability partnership or other Person that is a legal entity, trust or estate of which (or in which) (a) the issued and outstanding Equity Interests having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such corporation or other Person (irrespective of whether at the time Equity Interests of any other class or classes of such corporation or other Person shall or might have voting power upon the occurrence of any contingency), (b) more than 50% of the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) more than 50% of the beneficial interest in such trust or estate, is at the time of determination directly or indirectly beneficially owned or Controlled by such Person. Notwithstanding anything to the contrary contained herein, unless otherwise expressly specified in this Agreement, (i) “Subsidiaries” of Parent or any Seller Party shall not be deemed to include (A) any Investor Fund in which the limited partner is a Tax Credit Investor or any Housing Fund or Operating Partnership in which such an Investor Fund invests, directly or indirectly, (B) any Operating Partnership or (C) any Participant Vehicle; and (ii) the Transferred Subsidiaries shall be deemed “Subsidiaries” of Parent (and not Acquiror) prior to the Closing and shall be deemed “Subsidiaries” of Acquiror (and not Parent) from and after the Closing.

“Target Entities” shall have the meaning set forth in the Recitals.

“Tax” or “Taxes” means all taxes, charges, fees, imposts, levies or other assessments, including income, excise, gross receipts, premium, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, payroll, stamp taxes or other charges in the nature of taxes (whether payable directly or by withholding) imposed by any Tax Authority, together with any interest and any penalties thereon or additional amounts with respect thereto.

“Tax Authority” means any Governmental Authority having jurisdiction over the assessment, determination, collection or imposition of any Tax.

“Tax Credit Investor” shall have the meaning set forth in the Recitals.

“Tax Credit Laws” shall have the meaning set forth in Section 6.11(a).

“Tax Credits” shall have the meaning set forth in Section 6.11(a).

“Tax Package” shall have the meaning set forth in Section 7.01(c).

“Tax Returns” means all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax Authority relating to Taxes.

“Third-Party Claim” shall have the meaning set forth in Section 10.04(a).

“Third-Party GP” shall have the meaning set forth in the Recitals.

“Third-Party Operating Partnership” means any Operating Partnership in which a Third-Party GP is a general partner or managing member.

“Title Commitments” shall have the meaning set forth in Section 3.04(b).

“Title Exception Adjustment Amount” shall have the meaning set forth in Section 3.04(c)(ii)(A).

“Trademarks” shall have the meaning set forth in the definition of “Intellectual Property.”

“Transaction Accommodation” shall have the meaning set forth in Section 6.05(f).

“Transaction Agreements” means, collectively, this Agreement and the Ancillary Agreements.

“Transfer Rights” means, as applicable, any Preemptive Right and any other put option, call option, option to purchase, a marketing right, a forced sale, tag or drag right or a right of first offer, right of first refusal or right that is similar to any of the foregoing (including any right of first refusal provided under Section 42(i)(7) of the Code), whether arising under any Organizational Documents of a Person or pursuant to any other Contract.

“Transfer Taxes” means all sales, use, documentary, stamp, stock transfer, or real property transfer or gains Taxes or similar Taxes payable or arising as a result of the consummation of the transactions contemplated by this Agreement.

“Transferred Assets” shall have the meaning set forth in Section 2.01(a).

“Transferred Cash Flow” means cash proceeds actually received by Target Entities or Seller Parties from any Operating Partnership after the Cash Flow Cut-Off Date, but solely to the extent that such cash proceeds would otherwise be within the definition of “Pre-Closing Cash Flow” but for the fact that they are received after the Cash Flow Cut-Off Date.

“Transferred Debt Documents” means all loan agreements, notes, mortgages, guarantees, indemnities and other loan documents evidencing the Transferred Debt Interests (together with any amendments, modifications or supplements thereto).

“Transferred Debt Interests” shall have the meaning set forth in the Recitals.

“Transferred Equity Interests” shall have the meaning set forth in the Recitals.

“Transferred Reserves” means all cash reserves or deposits (a) held or controlled by a Seller Party (x) on behalf of an Operating Partnership or an Investor Fund (but with respect to Investor Funds, solely to the extent held for the benefit of a Tax Credit Investor that owns a direct or indirect equity interest in such Investor Fund) or (b) held or controlled by a Seller Party as the holder of the Transferred Debt Interests or (c) held by a third-party servicer with respect to the Transferred Debt Interests.

“Transferred Subsidiaries” means any Target Entity and any Person that is either wholly owned or controlled, directly or indirectly, by a Target Entity, but excluding any Operating Partnerships or Subsidiaries thereof.

“Transferred Subsidiary Owned Interests” shall have the meaning set forth in Section 4.14.

“Triggered Preemptive Right” shall have the meaning set forth in Section 2.12(a)(ii).

“Uninsured Exception” shall have the meaning set forth in Section 3.04(c)(ii)(A).

“Virtual Data Room” means the virtual data rooms maintained by SmartRoom for “Project Aztec.”

“Virtual Data Room Cut-Off Date” shall mean the date that is three (3) Business Days prior to the date hereof; except that with respect to the documents identified on Annex VI, the Virtual Data Room Cut-Off Date shall mean the date that is one (1) day prior to the date hereof.

CERTIFICATIONS

I, Peter S. Zaffino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American International Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/S/ PETER S. ZAFFINO

Peter S. Zaffino

President and Chief Executive Officer

CERTIFICATIONS

I, Mark D. Lyons, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American International Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/S/ MARK D. LYONS

Mark D. Lyons
Executive Vice President and
Chief Financial Officer

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter S. Zaffino, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2021

/S/ PETER S. ZAFFINO

Peter S. Zaffino

President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark D. Lyons, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2021

/S/ MARK D. LYONS

Mark D. Lyons
Executive Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.
