

AMERICAN INTERNATIONAL GROUP INC

Form 424B2

January 08, 2008

The information in this preliminary pricing supplement is not complete and may be changed. None of this preliminary pricing supplement, the prospectus supplement or the prospectus is an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 7,  
2008  
PRELIMINARY PRICING SUPPLEMENT NO.  
AIG-FP-54  
TO PROSPECTUS DATED JULY 13, 2007  
AND PROSPECTUS SUPPLEMENT DATED JULY  
13, 2007

FILED PURSUANT TO RULE 424(b)(2)  
REGISTRATION NO. 333-106040; 333-143992

**AMERICAN INTERNATIONAL GROUP, INC.  
MEDIUM-TERM NOTES, SERIES AIG-FP,  
PRINCIPAL PROTECTED NOTES LINKED TO THE PERFORMANCE  
OF A BASKET OF CURRENCIES  
DUE JANUARY , 2010  
(THE NOTES )**

**The Notes:**

The Notes are designed for investors who believe that the value (per U.S. dollar) of a basket of certain foreign currencies (the Basket ) will decrease from the pricing date (the Pricing Date ) to a date shortly before the maturity date of the Notes (the Valuation Date ). Investors must be willing to forego interest payments on the Notes. The value of the Basket will decrease if the Basket 's currencies (the Australian dollar, the New Zealand dollar, the Turkish lira, the British pound and the Brazilian real (each a Basket Component , and collectively the Basket Components )) appreciate against the U.S. dollar. The value of the Basket will increase if the Basket 's currencies depreciate against the U.S. dollar.

The Notes will have 100% principal protection on the maturity date.

There will be no payments on the Notes prior to the maturity date.

We cannot redeem the Notes prior to the maturity date.

The Notes will not be listed on any securities exchange.

The Notes will be senior unsecured debt securities of American International Group, Inc. ( AIG ) and part of a series entitled Medium-Term Notes, Series AIG-FP.

AIG Financial Products Corp., as calculation agent (the Calculation Agent ), will determine the value of the Basket as described in this pricing supplement.

The Notes will have CUSIP No. 02687QDL9.  
The settlement date is expected to be January , 2008.

The Pricing Date is expected to be January , 2008.

**Payment on the maturity date:**

The maturity date is expected to be January , 2010.

The amount you receive on the maturity date per \$1,000 principal amount of Notes will be based upon the direction of and percentage change in the level of the Basket from the starting value on the Pricing Date (the Starting Value ) to the ending value on the Valuation Date (the Ending Value ). If the Ending Value of the Basket calculated on the Valuation Date:

is less than the Starting Value, you will receive the \$1,000 principal amount per \$1,000 principal amount of Notes, plus an additional amount (the Additional Amount ) equal to \$1,000 multiplied by (1) the percentage by which the Starting Value exceeds the Ending Value and (2) a participation rate equal to a percentage between 200% and 250%; or

is greater than or equal to the Starting Value, you will receive \$1,000 per \$1,000 principal amount of Notes. The actual participation rate will be determined on the Pricing Date and set forth in the final offering document made available in connection with the sales of the Notes.

The Valuation Date is expected to be January , 2010.

Information included in this pricing supplement supersedes information in the related prospectus supplement and prospectus to the extent that it is different from that information.

**Investing in the Notes involves risks that are described in the Risk Factors section beginning on page PS-2 of this pricing supplement.**

	<u>Per Minimum Denomination</u>	<u>Total</u>
Public offering price	\$ 1,000.00	\$
Underwriting discount	\$ 17.50	\$
Proceeds, before expenses, to American International Group, Inc.	\$ 982.50	\$

Assuming there are no changes in the level of the Basket and no change in market conditions or any other relevant factors, the price, if any, at which Wachovia Capital Markets, LLC ( Wachovia Securities ) or another purchaser might be willing to purchase your Notes in a secondary market transaction is expected to be lower, and could be substantially lower, than the original public offering price of the Notes. This is due to, among other things, the fact that the original public offering price of the Notes included, and secondary market prices are likely to exclude, underwriting discounts paid with respect to, and the development and hedging costs associated with, the Notes, as well as the projected profit included in the cost of hedging our obligations under the Notes.

Depending on the date the Notes are priced for initial sale to the public (the Pricing Date ), which may be in January or February, the settlement date may occur in January or February 2008, and the Valuation Date and the maturity date may occur in January or February 2010. Any reference in this pricing supplement to the month in which the Pricing Date, settlement date, Valuation Date or maturity date will occur is subject to change as specified above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this pricing supplement or the related prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

### Wachovia Securities

The date of this pricing supplement is , 2008.

## **RISK FACTORS**

Investing in the Notes involves a number of significant risks not associated with similar investments in a conventional debt security, including events that are difficult to predict and beyond AIG's control. Investors should carefully consider the following discussion of risks and the discussion of risks included in the related prospectus before deciding whether to invest in the Notes. Prospective investors should consult their financial and legal advisors as to the risks entailed by an investment in the Notes and the suitability of the Notes in light of their particular circumstances.

### **You may not earn a return on your investment**

If the Ending Value is not less than the Starting Value, the Additional Amount you will receive at maturity will be \$0, and we will pay you \$1,000 per \$1,000 principal amount of your Notes. This will be true even if the level of the Basket was lower than the Starting Value at some time during the life of the Notes but later rises above the Starting Value.

### **The market price you may receive or be quoted for your Notes on a date prior to the maturity date will be affected by important factors, including the costs of developing, hedging and distributing the Notes**

Assuming there are no changes in the level of the Basket and no change in market conditions or any other relevant factors, the price, if any, at which Wachovia Securities or another purchaser might be willing to purchase your Notes in a secondary market transaction is expected to be lower, and could be substantially lower, than the original public offering price of the Notes. This is due to, among other things, the fact that the original public offering price of the Notes included, and secondary market prices are likely to exclude, underwriting discounts paid with respect to, and the development and hedging costs associated with, the Notes, as well as the projected profit included in the cost of hedging our obligations under the Notes.

### **A trading market for the Notes is not expected to develop, which may adversely affect the price you receive if you sell your Notes before the maturity date**

The Notes will not be listed on any futures or securities exchange, and we do not expect a trading market for the Notes to develop. Although Wachovia Securities has indicated that it currently expects to bid for Notes offered for sale to it by holders of the Notes, it is not required to do so and may cease making those bids at any time. If a market-maker (which may be Wachovia Securities) makes a market in the Notes, the price it quotes would reflect any changes in market conditions and other relevant factors. This quoted price could be higher or lower than the original public offering price of the Notes. The Notes are not designed to be short-term trading instruments and if you sell your Notes in the secondary market prior to maturity you will not be entitled to principal protection or any minimum return of the principal amount of your Notes sold. Accordingly, you should be able and willing to hold the Notes to maturity.

### **Many factors interrelate in complex ways to affect the trading value of the Notes**

The market price which you may receive for the Notes will be affected by factors that interrelate in complex ways. The effect of one factor may offset the increase in the trading value of the Notes caused by another factor and the effect of one factor may exacerbate the decrease in the trading value of the Notes caused by another factor. For example, a decrease in the volatility of the Basket Components relative to the U.S. dollar may offset some or all of any increase in the trading value of the Notes attributable to another factor, such as an appreciation in the Basket Components relative to the U.S. dollar. The following paragraphs describe the expected impact on the trading value of the Notes given a change in a specific factor, assuming all other conditions remain constant.

*The value of the Basket is expected to affect the trading value of the Notes.* We expect that the trading value, if any, of the Notes will depend substantially on the amount, if any, by which the value of the Basket is less than or is not less than the Starting Value. However, even if you choose to sell your Notes when the value of the Basket is less than the Starting Value, you may receive substantially less than the amount that would be payable on

the maturity date based on this value because of the expectation that the level of the Basket will continue to fluctuate until the Ending Value is determined on the Valuation Date.

*Changes in the volatilities of the Basket Components relative to the U.S. dollar are expected to affect the trading value of the Notes.* Volatility is the term used to describe the size and frequency of price and/or market fluctuations. If the volatilities of the Basket Components relative to the U.S. dollar increase or decrease, the trading value of the Notes may be adversely affected.

*Changes in the levels of interest rates are expected to affect the trading value of the Notes.* We expect that changes in interest rates will affect the trading value of the Notes. In general, if U.S. interest rates increase, we expect that the trading value of the Notes will decrease and, conversely, if U.S. interest rates decrease, we expect that the trading value of the Notes will increase. If interest rates increase or decrease in markets based on any Basket Component, the trading value of the Notes may be adversely affected. Interest rates may also affect the economies issuing the Basket Components and, in turn, the respective exchange rates, and therefore, the trading value of the Notes.

*As the time remaining to the maturity date of the Notes decreases, the time premium associated with the Notes is expected to decrease.* We anticipate that before their maturity date, the Notes may trade, if at all, at a value above that which would be expected based on the value of the Basket. This difference will reflect a time premium due to expectations concerning the value of the U.S. dollar relative to the Basket Components prior to the maturity date of the Notes. However, as the time remaining to the maturity date of the Notes decreases, we expect that this time premium will decrease, lowering the trading value of the Notes.

*Changes in our credit ratings may affect the trading value of the Notes.* Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings may affect the trading value of the Notes. However, because the return on your Notes is dependent upon factors in addition to our ability to pay our obligations under the Notes, such as the percentage increase, if any, in the value of the Basket over the term of the Notes, an improvement in our credit ratings will not reduce the other investment risks related to the Notes. For instance, our credit ratings may not reflect the potential impact on the value of your Notes of risks related to structure, market or other factors discussed herein.

In general, assuming all relevant factors are held constant, we expect that the effect on the trading value of the Notes of a given change in some of the factors listed above will be less if it occurs later in the term of the Notes than if it occurs earlier in the term of the Notes. We expect, however, that the effect on the trading value of the Notes of a given change in the value of the Basket will be greater if it occurs later in the term of the Notes than if it occurs earlier in the term of the Notes.

**Any positive return(s) in one or more of the Basket Components may be offset by a negative return in another Basket Component**

The Notes are linked to the performance of the Basket, which is composed of five Basket Components. Each of the Basket Components is equally weighted in determining the level of the Basket. Accordingly, the performance of the Basket will be based on the aggregate appreciation or depreciation of the Basket Components taken as a whole. Therefore, a positive return in one Basket Component may be offset, in whole or in part, by a negative return of a lesser, equal or greater magnitude in another Basket Component. For example, the combination of a 2% Australian dollar appreciation against the US dollar and a 1% New Zealand dollar appreciation against the US dollar would be entirely offset by a 0% Turkish lira appreciation, a -2% British pound depreciation against the US dollar and a -1% Brazilian real depreciation against the US dollar, resulting in an Ending Value that is equal to the Starting Value and a payment at maturity to you of only your principal amount.

**Your yield may be lower than other debt securities of comparable maturity**

The yield that you will receive on the Notes may be less than the return you could earn on other investments. Your yield may be less than the yield you would earn if you bought a traditional interest-bearing debt

security of AIG with the same maturity date. Your investment may not reflect the full opportunity cost to you when you take into account factors that affect the time value of money.

**You must rely on your own evaluation of the merits of an investment linked to the Basket**

In the ordinary course of their businesses, AIG and Wachovia Securities or their subsidiaries may express views on expected movements in foreign currency exchange rates, and these views are sometimes communicated to clients who participate in the foreign currency exchange markets. However, these views are subject to change from time to time. Moreover, other professionals who deal in foreign currencies may at any time have significantly different views from those of AIG or Wachovia Securities or their subsidiaries. For these reasons, you are encouraged to investigate the currency exchange markets based on information from multiple sources, and should not rely on the views expressed by AIG or Wachovia Securities or their subsidiaries.

You should make such investigation as you deem appropriate as to the merits of an investment linked to the Basket. Neither the offering of the Notes nor any view which may from time to time be expressed by our affiliates in the ordinary course of their businesses with respect to future exchange rate movements constitutes a recommendation as to the merits of an investment in the Notes.

**The return on your Notes depends on the values of the Basket Components, which are affected by many complex factors outside of our control**

The value of any currency, including the Basket Components, may be affected by complex political and economic factors. The exchange rate of each Basket Component is at any moment a result of the supply and demand for that currency relative to other currencies, and changes in the exchange rate result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the originating country of each Basket Component, including economic and political developments in other countries. Of particular importance are the relative rates of inflation, interest rate levels, balance of payments and extent of governmental surpluses or deficits in those countries, all of which are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of those countries, and other countries important to international trade and finance.

Foreign exchange rates can be fixed by sovereign governments or they may be floating. Exchange rates of most economically developed nations and many developing nations are permitted to fluctuate in value relative to the U.S. dollar. However, governments sometimes do not allow their currencies to float freely in response to economic forces. Governments, including those issuing the Basket Components, may use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. They may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of other developments affecting any of the Basket Components, or any other currency.

**Even though currencies trade around the clock, your Notes will not, and the prevailing market prices for your Notes may not, reflect the underlying currency prices and rates**

The interbank market in foreign currencies is a global, around-the-clock market. Therefore, the hours of trading for the Notes will not conform to the hours during which the Basket Components are traded. Significant price and rate movements may take place in the underlying foreign exchange markets that will not be reflected immediately in the market price, if any, of the Notes. The possibility of these movements should be taken into account in relating the value of the Notes to those in the underlying foreign exchange markets.

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There is no systematic reporting of last-sale information for foreign currencies. Reasonably current bid and offer information is available in certain brokers' offices, in bank foreign currency trading offices and to others who wish to subscribe for this information, but this information will not necessarily be reflected in the value of the Basket, as determined by the Calculation Agent. There is no regulatory requirement that those quotations be firm or revised on a timely basis. The absence of last-sale information and the limited availability of quotations to individual investors may make it difficult for many investors to obtain timely, accurate data about the state of the underlying foreign exchange markets.

**Future performance of the Basket cannot be predicted on the basis of historical performance**

The exchange rates of the Basket Components will determine the Basket level. As a result, it is impossible to predict whether, or the extent to which, the level of the Basket will rise or fall. As discussed herein, exchange rates will be influenced by complex and interrelated political, economic, financial and other factors. Accordingly, the historical performance of the Basket Components should not be taken as an indication of the future performance of the Basket, and no projection, representation or warranty is made regarding future performance.

**Purchases and sales by us or the swap counterparty may affect your return**

We intend to hedge our obligations under the Notes by entering into a swap transaction with Wachovia Bank, N.A. as the swap counterparty. In turn, the swap counterparty may hedge its obligations on that swap transaction by purchasing the Basket Components, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the trading prices of the Basket Components or the level of the Basket, and may adjust these hedges by, among other things, purchasing or selling Basket Components, or exchange-traded funds or other derivative instruments with returns linked to the Basket or the Basket Components at any time. If our swap transaction with Wachovia Bank, N.A. were terminated, we may hedge our obligations by engaging in any of the hedging activities described above. Although they are not expected to, any of these hedging activities may adversely affect the trading prices of the Basket Components or the level of the Basket and, therefore, the market value of the Notes even as we or the swap counterparty may realize substantial returns from these activities.

**We may have conflicts of interests arising from our relationship with the Calculation Agent**

AIG Financial Products Corp. ( AIG-FP ), our subsidiary, in its capacity as Calculation Agent for the Notes, is under no obligation to take your interests into consideration in determining the Starting Value, the Ending Value and the Additional Amount, if any, and is only required to act in good faith and in a commercially reasonable manner. Because these determinations by AIG-FP will affect the payment at maturity on the Notes, conflicts of interest may arise in connection with its performance of its role as Calculation Agent.

**Tax consequences**

You should consider the tax consequences of investing in the Notes. See United States Federal Income Taxation in this pricing supplement.

**DESCRIPTION OF THE NOTES**

AIG will issue the Medium-Term Notes, Series AIG-FP, Principal Protected Notes Linked to the Performance of a Basket of Currencies, due January , 2010 (the Notes ) as part of a series of senior debt securities entitled Medium-Term Notes, Series AIG-FP, under the Indenture dated as of October 12, 2006 between AIG and The Bank of New York, as trustee, which is more fully described in the prospectus dated July 13, 2007. You should carefully read this pricing supplement, along with the prospectus supplement dated July 13, 2007 and the prospectus, to fully understand the terms of the Notes and the tax and other considerations that are important to you in making a decision about whether to invest in the Notes. Information included in this pricing supplement supersedes information in the related prospectus supplement and prospectus to the extent that it is different from that information. You should carefully review the Risk Factors sections in this pricing supplement and the aforementioned prospectus, which highlight certain risks associated with an investment in the Notes, to determine whether an investment in the Notes is appropriate for you.

The Notes are expected to mature on January , 2010.

The CUSIP number for the Notes is 02687QDL9.

The Notes will not be subject to redemption by AIG or repayment at the option of any holder of the Notes before the maturity date. The Notes will not have the benefit of any sinking fund.

AIG will issue the Notes in denominations of \$1,000 and multiples of \$1,000 in excess thereof. You may transfer the Notes only in increments of \$1,000 principal amount. You will not have the right to receive physical certificates evidencing your ownership except under limited circumstances. Instead, we will issue the Notes in the form of a global certificate, which will be held by The Depository Trust Company, also known as DTC, or its nominee. Direct and indirect participants in DTC will record your ownership of the Notes. You should refer to the sections entitled Description of Notes We May Offer Book-Entry System in the related prospectus supplement and Legal Ownership and Book-Entry Issuance in the related prospectus.

**Payment on the Maturity Date**

On the maturity date, you will be entitled to receive a cash payment, denominated in U.S. dollars, of \$1,000 for each \$1,000 principal amount of the Notes plus the Additional Amount, if any, as provided below. If the Ending Value is not less than the Starting Value, you will be entitled to receive only the \$1,000 principal amount. There will be no other payment of interest, periodic or otherwise, on the Notes prior to the maturity date.

If the maturity date is not a New York Business Day, then you will receive payment in respect of the Notes on the next succeeding New York Business Day, with no adjustment to the amount of such payment on account thereof.

New York Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions generally in the City of New York are authorized or obligated by law, regulation or executive order to close or (iii) a day on which banks in the City of New York are not open for dealing in foreign exchange and foreign currency deposits.

***Determination of the Additional Amount***

The Additional Amount per \$1,000 principal amount of the Notes will be denominated in U.S. dollars, will be determined by the Calculation Agent and will equal:

- (i) If the Ending Value is less than the Starting Value:

$$\$1,000 \times \left( \frac{\text{Starting Value} - \text{Ending Value}}{\text{Starting Value}} \right) \times \text{Participation Rate}$$

- (ii) If the Ending Value is equal to or greater than the Starting Value, \$0.



The Starting Value will be set to 1000 on the date the Notes are priced for initial sale to the public (the Pricing Date), expected to be January, 2008.

The Ending Value will equal the value of the Basket as determined by the Calculation Agent on the Valuation Date, in accordance with the process set forth below herein in the section entitled Description of the Basket and using the Exchange Rates (as defined below) on that date.

The Valuation Date will be the tenth New York Business Day immediately prior to the maturity date.

The Participation Rate is expected to be a percentage between 200% and 250% and will be set forth in the final Pricing Supplement made available in connection with the sale of the Notes.

The Calculation Agent in respect of the Notes will be AIG-FP, a subsidiary of AIG. All determinations made by the Calculation Agent, absent a determination of a manifest error, will be conclusive for all purposes and binding on AIG and the holders and beneficial owners of the Notes.

**Examples**

Set forth below are three examples of calculations of payments on the maturity date assuming a Participation Rate of 225%, the midpoint of the range of 200% to 250%:

**Example 1** The hypothetical Ending Value is equal to 120% of the Starting Value:

Starting Value: 1000

Hypothetical Ending Value: 1200

Payment on the maturity date (per \$1,000 principal amount) = \$1,000

**Example 2** The hypothetical Ending Value is equal to 95% of the Starting Value:

Starting Value: 1000

Hypothetical Ending Value: 950

Percentage by which Starting Value exceeds hypothetical Ending Value: 5%

Additional Amount (per \$1,000 principal amount) =  $\$1,000 \times .05 \times 225\% = \$112.50$

Payment on the maturity date (per \$1,000 principal amount) =  $\$1,000 + \$112.50 = \$1,112.50$

**Example 3** The hypothetical Ending Value is equal to 85% of the Starting Value:

Starting Value: 1000

Hypothetical Ending Value: 850

Percentage by which Starting Value exceeds hypothetical Ending Value: 15%

Additional Amount (per \$1,000 principal amount) =  $\$1,000 \times .15 \times 225\% = \$337.50$

Payment on the maturity date (per \$1,000 principal amount) =  $\$1,000 + \$337.50 = \$1,337.50$

**Hypothetical Payout Profile**

This graph reflects the hypothetical performance of the Notes, assuming a hypothetical Participation Rate of 225%, the midpoint of the range of 200% to 250%. The solid line reflects the hypothetical payment at maturity for the Notes, while the dotted line reflects the performance of an investment in the Basket Components.

This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual Ending Value, the Participation Rate and the term of your investment.

### Hypothetical returns

The following table illustrates, for a range of hypothetical Ending Values:

the percentage by which the Starting Value exceeds the hypothetical Ending Value for the Basket;

the total amount payable on the maturity date per \$1,000 principal amount of the Notes;

the total rate of return to holders of the Notes;

the pretax annualized rate of return to holders of the Notes; and

the pretax annualized rate of return in U.S. dollars on an investment in the Basket Components.

The table below assumes a Participation Rate of 225%, the midpoint of the range of 200% to 250%. The actual Participation Rate will be determined on the Pricing Date and set forth in the final pricing supplement made available in connection with the sales of the Notes.

<b>Hypothetical Ending Value</b>	<b>Percentage by which the Starting Value exceeds the hypothetical Ending Value</b>	<b>Total amount payable on the maturity date per \$1,000 principal amount of the Notes (1)</b>	<b>Total rate of return on the Notes</b>	<b>Pretax annualized rate of return on the Notes (2)</b>	<b>Pretax annualized rate of return on the Basket Components (2)(3)</b>
1250.00	-25.00%	\$ 1,000.00	0.00%	0.00%	-13.88%
1200.00	-20.00%	\$ 1,000.00	0.00%	0.00%	-10.85%
1150.00	-15.00%	\$ 1,000.00	0.00%	0.00%	-7.96%
1100.00	-10.00%	\$ 1,000.00	0.00%	0.00%	-5.20%
1050.00	-5.00%	\$ 1,000.00	0.00%	0.00%	-2.55%

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<b>Hypothetical Ending Value</b>	<b>Percentage by which the Starting Value exceeds the hypothetical Ending Value</b>	<b>Total amount payable on the maturity date per \$1,000 principal amount of the Notes (1)</b>	<b>Total rate of return on the Notes</b>	<b>Pretax annualized rate of return on the Notes (2)</b>	<b>Pretax annualized rate of return on the Basket Components (2)(3)</b>
1000.00 <sup>(4)</sup>	0.00%	\$ 1,000.00	0.00%	0.00%	0.00%
950.00	5.00%	\$ 1,112.50	11.25%	5.40%	2.45%
900.00	10.00%	\$ 1,225.00	22.50%	10.41%	4.82%
850.00	15.00%	\$ 1,337.50	33.75%	15.08%	7.11%
800.00	20.00%	\$ 1,450.00	45.00%	19.47%	9.33%
750.00	25.00%	\$ 1,562.50	56.25%	23.61%	11.47%

(1) The amount you receive on the maturity date will not be less than \$1,000 per \$1,000 principal amount.

(2) The annualized rates of return specified in this table are calculated on a semiannual bond equivalent basis and assume an investment term from January , 2008 to January , 2010, a term expected to be equal to that of the Notes.

(3) The pretax annualized rates of return specified in this column assume that the underlying currency

positions will be converted into U.S. dollars at the same time and at the same Exchange Rates (as defined below) as those in the Basket.

- (4) The Starting Value will be set to 1000 on the Pricing Date.

The above figures are for purposes of illustration only. The actual amount received by you and the resulting total and pretax annualized rates of return will depend on the actual Ending Value, as calculated based upon the Exchange Rates on the Valuation Date, the actual Participation Rate and the term of your investment.

**Events of Default and Acceleration**

In case an Event of Default with respect to any Notes has occurred and is continuing, the amount payable to a holder of the Notes upon any acceleration permitted by the Notes, with respect to each \$1,000 principal amount of the Notes, will be equal to the sum of \$1,000 plus the Additional Amount, if any, calculated as though the date of acceleration were the maturity date of the Notes.

In case of default in payment of the Notes, whether on the maturity date or upon acceleration, from and after that date the Notes will bear interest, payable upon demand of their holders, at the then-current Federal Funds Rate, reset daily, as determined by reference to Reuters page FEDFUNDS1 under the heading EFFECT , to the extent that payment of such interest shall be legally enforceable, on the unpaid amount due and payable on that date in accordance with the terms of the Notes to the date payment of that amount has been made or duly provided for.

Reuters page FEDFUNDS1 means the display page designated as FEDFUNDS1 on the Reuters service or any successor page, or page on a successor service, displaying such rate. If the Federal Funds Rate cannot be determined by reference to Reuters page FEDFUNDS1, such rate will be determined in accordance with the procedures set forth in the related prospectus supplement.

### DESCRIPTION OF THE BASKET

The Basket is designed to allow investors to participate in exchange rate movements of the currencies included in the Basket, as reflected by changes in the U.S. dollar value of the Basket, from the Starting Value to the Ending Value. The currencies that will compose the Basket are the Australian dollar ( AUD ), the New Zealand dollar ( NZD ), the Turkish lira ( TRY ), the British pound ( GBP ) and the Brazilian real ( BRL ). As the exchange rates used in calculating the Ending Value are expressed as the number of units of the relevant Basket Component per U.S. dollar, the Basket can be viewed as having long positions in the Australian dollar, the New Zealand dollar, the Turkish lira, the British pound and the Brazilian real. The Basket Components will be weighted equally. Additionally, the Basket can be viewed as having a short position in the U.S. dollar.

On the Pricing Date, a fixed factor (the Exchange Ratio ) will be determined for each Basket Component based upon the weighting of that Basket Component in the Basket (with each Basket Component weighted equally in the Basket) and the Exchange Rate of such Basket Component, as determined on the Pricing Date. The Exchange Ratio for each Basket Component will be calculated by dividing, on the Pricing Date, (i) the initial U.S. dollar value of such Basket Component by (ii) the Exchange Rate of such Basket Component, and rounding to four decimal places. The Exchange Ratio for each Basket Component will remain fixed over the term of the Notes and will be used to calculate the Ending Value of the Basket on the Valuation Date as described below. The initial U.S. dollar value of each Basket Component will be the product of (i) the weighting of such Basket Component, and (ii) \$1,000, the principal amount per security.

As the Exchange Rates (as defined below) move, the value of each Basket Component will vary based on the appreciation or depreciation of that Basket Component. Any depreciation in a Basket Component relative to the U.S. dollar, assuming the Exchange Rates of all the other Basket Components remain the same, will result in an increase in the value of the Basket. Conversely, any appreciation in a Basket Component relative to the U.S. dollar, assuming the Exchange Rates of all the other Basket Components remain the same, will result in a decrease in the value of the Basket.

To compute the Final Basket value, (i) the Exchange Ratio with respect to each Basket Component will be multiplied by the then-current Exchange Rate for that Basket Component, and the resulting products summed. For example, if on the Valuation Date the value of the Australian dollar has appreciated from Australian dollars per U.S. dollar, its value , 2008, to Australian dollar per U.S. dollar, then the contribution to the value of the Basket of the Australian dollar would equal (the hypothetical Exchange Ratio for the AUD, , multiplied by ). The appreciation in the Australian dollar would decrease the value of the Basket because of the long position. Based on the above, assuming the Exchange Rate of the other Basket Components remains the same, the value of the Basket on the Valuation Date would be (the sum of the products of the Exchange Ratio and the Exchange Rate for each Basket Component, rounded to two decimal places).

The term Exchange Rate, as of any date, means:

(i) for the Australian dollar, the currency exchange rate in the interbank market quoted as the number of Australian dollars for which one U.S. dollar can be exchanged, equal to the inverse of the value as reported by Reuters on page WMRSPOT01, or any substitute page thereto, at approximately 4:00 p.m. in London, England;

(ii) for the New Zealand dollar, the currency exchange rate in the interbank market quoted as the number of New Zealand dollars for which one U.S. dollar can be exchanged, equal to the inverse of the value as reported by Reuters on page WMRSPOT01, or any substitute page thereto, at approximately 4:00 p.m. in London, England;

(iii) for the Turkish lira, the currency exchange rate in the interbank market quoted as the number of Turkish lira for which one U.S. dollar can be exchanged, equal to the value as reported by Reuters on page WMRSPOT01, or any substitute page thereto, at approximately 4:00 p.m. in London, England;

(iv) for the British pound, the currency exchange rate in the interbank market quoted as the number of British pounds for which one U.S. dollar can be exchanged, equal to the inverse of the value as reported by Reuters on page WMRSPOT01, or any substitute page thereto, at approximately 4:00 p.m. in London, England; and

(v) for the Brazilian real, the currency exchange rate in the interbank market quoted as the number of Brazilian real for which one U.S. dollar can be exchanged, equal to the value as reported by Reuters on page BRL PTAX (BRL09), or any substitute page thereto, at approximately 6:00 p.m. in Sao Paulo, Brazil.

If the currency exchange rates are not so quoted on Reuters page WMRSPOT01 or BRL PTAX (BRL09) (as applicable), or any substitute page thereto, then the Exchange Rates used to determine the Starting Value or the Ending Value, as applicable, will equal the noon buying rate in New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the Noon Buying Rate ). If the Noon Buying Rate is not announced on that date, then the Exchange Rates will be calculated on the basis of the arithmetic mean of the applicable spot quotations received by the Calculation Agent at approximately 10:00 a.m., New York City time, on the relevant date for the purchase or sale for deposits in the relevant currencies by the London offices of three leading banks engaged in the interbank market (selected in the sole discretion of the Calculation Agent) (the

Reference Banks ). If fewer than three Reference Banks provide spot quotations, then the Exchange Rates will be calculated on the basis of the arithmetic mean of the applicable spot quotations received by the Calculation Agent at approximately 10:00 a.m., New York City time, on the relevant date from two leading commercial banks in New York (selected in the sole discretion of the Calculation Agent), for the purchase or sale for deposits in the relevant currencies. If these spot quotations are available from only one bank, then the Calculation Agent, in its sole discretion, will determine which quotation is available and reasonable to be used. If no spot quotation is available, then the Exchange Rates will be the rate the Calculation Agent, in its sole discretion, determines to be fair and reasonable under the circumstances at approximately 10:00 a.m., New York City time, on the relevant date.

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*While historical information on the Basket will not exist before the Pricing Date, the following graph sets forth the hypothetical historical month-end values of the Basket from January 2002 through December 2007 based upon historical Exchange Rates, the Exchange Ratio indicated above and a Basket value of 1000 on January 31, 2002. The historical data used in this graph reflects the historical exchange rates available on Bloomberg, which may not be identical to those determined at the fixing times set forth above. This hypothetical historical data on the Basket is not necessarily indicative of the future performance of the Basket or what the value of the Notes may be. Any upward or downward trend in the hypothetical historical value of the Basket during any period set forth below is not an indication that the Basket is more or less likely to increase or decrease in value at any time over the term of the Notes.*

Source: Bloomberg L.P. (without independent verification)

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### UNITED STATES FEDERAL INCOME TAXATION

Under applicable U.S. Treasury Regulations governing debt obligations with payments denominated in, or determined by reference to, more than one currency, for persons whose functional currency is the U.S. dollar, the Notes will not be foreign currency denominated debt obligations because the predominant currency of the Notes is the U.S. dollar. Accordingly, we will treat the Notes as being denominated in U.S. dollars, and payments on the Notes determined by reference to currencies other than the U.S. dollar as contingent payments under the special federal income tax rules applicable to contingent payment obligations. These rules are described under the heading "United States Taxation - Original Issue Discount - Notes Subject to Contingent Payment Obligation Rules" in the related prospectus supplement. As more completely described in the related prospectus supplement, holders will recognize income before the receipt of cash attributable thereto and gains on sale or redemption will be ordinary.

The U.S. Treasury Regulations governing the U.S. federal income tax treatment of contingent payment obligations require the issuer of such Notes to provide the purchaser with the comparable yield of a hypothetical AIG debt instrument with terms similar to the Notes, but without any contingent payments, and a projected payment schedule for payments on the Notes. As discussed in the related prospectus supplement, a purchaser of the Notes will need this information to calculate its income on the Notes. Solely for purposes of applying these regulations, we have determined that the comparable yield is  $\%$ . Based on this comparable yield, the projected payment on the maturity date will be \$ per \$1,000 principal amount of the Notes.

**The comparable yield and projected payment set forth above are being provided to holders solely for the purpose of determining the amount of interest that accrues in respect of the Notes for U.S. federal income tax purposes, and none of AIG or its affiliates or agents is making any representation or prediction regarding the actual amount that may be payable with respect to the Notes on the maturity date.**

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**ERISA CONSIDERATIONS**

The Notes may not be purchased or held by any employee benefit plan or other plan or account that is subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ) or Section 4975 of the Code (each, a plan ), or by any entity whose underlying assets include plan assets by reason of any plan s investment in the entity (a plan asset entity ), unless in each case the purchaser or holder is eligible for exemptive relief from the prohibited transaction rules of ERISA and Section 4975 of the Code under a prohibited transaction class exemption issued by the Department of Labor or another applicable statutory or administrative exemption. Each purchaser or holder of the Notes will be deemed to represent that either (1) it is not a plan or plan asset entity and is not purchasing the Notes on behalf of or with plan assets or (2) with respect to the purchase and holding, it is eligible for relief under a prohibited transaction class exemption or other applicable statutory or administrative exemption from the prohibited transaction rules of ERISA and Section 4975 of the Code. The foregoing supplements the discussion under ERISA Considerations in the base prospectus dated July 13, 2007.

**USE OF PROCEEDS**

We intend to lend the net proceeds from the sale of the Notes to our subsidiary AIG-FP or certain of its subsidiaries for use for general corporate purposes.

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### **SUPPLEMENTAL PLAN OF DISTRIBUTION**

Under the terms, and subject to the conditions, contained in a terms agreement dated the date hereof, we have agreed to sell the Notes to Wachovia Securities. Wachovia Securities has advised us that it proposes initially to offer all or part of the Notes directly to the public on a fixed price basis at the offering price set forth on the cover of this pricing supplement. After the initial public offering, the public offering price may be changed. The terms agreement provides that Wachovia Securities is committed to take and pay for all of the Notes if any are taken. See also Supplemental Plan of Distribution in the related prospectus supplement.

We may deliver the Notes against payment therefor in New York, New York on a date that is in excess of three business days following the Pricing Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the initial settlement on the Notes occurs more than three business days from the Pricing Date, purchasers who wish to trade Notes more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

### **GENERAL INFORMATION**

We are offering notes on a continuing basis through AIG Financial Securities Corp., ABN AMRO Incorporated, ANZ Securities, Inc., Banca IMI S.p.A., Banc of America Securities LLC, Barclays Capital Inc., Bear, Stearns & Co. Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BNY Capital Markets, Inc., Calyon Securities (USA) Inc., CIBC World Markets Corp., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Daiwa Securities America Inc., Daiwa Securities SMBC Europe Limited, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Greenwich Capital Markets, Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities Inc., Key Banc Capital Markets Inc., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities International plc, Mizuho International plc, Mizuho Securities USA Inc., Morgan Stanley & Co. Incorporated, National Australia Capital Markets, LLC, RBC Capital Markets Corporation, Santander Investment Securities Inc., Scotia Capital (USA) Inc., SG Americas Securities, LLC, TD Securities (USA) LLC, UBS Securities LLC, and Wachovia Capital Markets, LLC, as agents, each of which has agreed to use its best efforts to solicit offers to purchase notes. We may also accept offers to purchase notes through other agents. See Plan of Distribution in the related prospectus supplement.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined if the prospectus, the prospectus supplement or this pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

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Capitalized terms used in this pricing supplement and not otherwise defined shall have the meanings ascribed to them in the related prospectus supplement and prospectus, as applicable.

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