

OLD NATIONAL BANCORP /IN/
Form 8-K
February 17, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 17, 2012

OLD NATIONAL BANCORP
(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction)

001-15817
(Commission)

35-1539838
(IRS Employer)

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(State of incorporation)

(File Number)

(Identification No.)

One Main Street Evansville, Indiana 47708
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (812) 464-1294

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure

The executive officers of Old National Bancorp intend to use the materials filed herewith, in whole or in part, in one or more meetings with investors and analysts. A copy of the investor presentation is attached hereto as Exhibit 99.1.

Old National Bancorp does not intend for this Item 7.01 or Exhibit 99.1 to be treated as filed for purposes of the Securities Exchange Act of 1934, as amended, or incorporated by reference into its filings under the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. The following exhibit is furnished herewith:

The following exhibit shall not be deemed to be filed for purposes of the Securities Exchange Act of 1934, as amended:

99.1 Old National Bancorp Investment Thesis

* * * * *

SIGNATURE

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 hereunto duly authorized.

Date: February 17, 2012

OLD NATIONAL BANCORP

By: /s/ Christopher A. Wolking
Christopher A. Wolking
Senior Executive Vice President and
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
99.1	Old National Bancorp Investment Thesis

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style="width:100%;padding-left:3pt;background-color:#B3E2E3;">

		112
170		
Total		
\$		55,963
\$		\$52,859
\$		16,193
\$		\$16,468
\$		72,156
\$		\$69,327
Total		

AAA

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\$		42,511
		\$42,584
\$		9,189
		\$8,890
\$		51,700
		\$51,474
AA		
		47,715
47,386		
		3,020
3,525		
		50,735
50,911		
A		
		69,549
68,357		
		1,277
1,516		
		70,827
69,873		
BBB		
		79,771
82,051		
		1,284
1,275		

	81,056
83,326	
Below investment grade	
	30,270
29,165	
	9,029
9,222	
	39,299
38,387	
Non-rated	
	435
416	
	56
156	
	489
572	
Total	
\$	270,251
	\$269,959
\$	23,855
	\$24,584
\$	294,106
	\$294,543

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The following tables summarize the composition of AIG's investments by reportable segment:

<i>(in millions)</i>	Reportable Segment			Other	Consolidation and	Total
	AIG Property Casualty	AIG Life and Retirement	Operations	Eliminations		
March 31, 2013						
Fixed maturity securities:						
Bonds available for sale, at fair value	\$ 103,478	\$ 161,818	\$ 9,412	\$ (4,457)	\$ 270,251	
Bond trading securities, at fair value	2,059	2,499	19,764	(467)	23,855	
Equity securities:						
Common and preferred stock available for sale, at fair value	2,969	131	8		3,108	
Common and preferred stock trading, at fair value		592	104		696	
Mortgage and other loans receivable, net of allowance	1,212	18,686	1,503	(1,913)	19,488	
Other invested assets	12,754	12,741	3,069	401	28,965	
Short-term investments	5,658	7,272	11,185	(779)	23,336	
Total investments*	128,130	203,739	45,045	(7,215)	369,699	
Cash	671	332	224		1,227	
Total invested assets	\$ 128,801	\$ 204,071	\$ 45,269	\$ (7,215)	\$ 370,926	
December 31, 2012						
Fixed maturity securities:						
Bonds available for sale, at fair value	\$ 102,563	\$ 163,550	\$ 6,580	\$ (2,734)	\$ 269,959	
Bond trading securities, at fair value	1,597	1,856	21,362	(231)	24,584	
Equity securities:						
Common and preferred stock available for sale, at fair value	3,093	111	8		3,212	
Common and preferred stock trading, at fair value		562	100		662	
Mortgage and other loans receivable, net of allowance	2,839	18,755	2,015	(4,127)	19,482	
Other invested assets	12,720	12,737	3,280	380	29,117	
Short-term investments	7,935	7,392	14,432	(951)	28,808	
Total investments*	130,747	204,963	47,777	(7,663)	375,824	
Cash	649	297	205		1,151	
Total invested assets	\$ 131,396	\$ 205,260	\$ 47,982	\$ (7,663)	\$ 376,975	

* At both March 31, 2013 and December 31, 2012, approximately 88 percent and 12 percent of investments were held by domestic and foreign entities, respectively.

AIG Property Casualty

In our property casualty business, the duration of liabilities for long-tail casualty lines is greater than that for other lines. As differentiated from the life insurance and retirement services companies, the focus is not on asset-liability matching, but on preservation of capital and growth of surplus.

Fixed maturity securities of AIG Property Casualty domestic operations, with an average duration of 4.3 years, are currently comprised primarily of tax-exempt securities, which provide attractive risk-adjusted after-tax returns as well as taxable municipal bonds, government and agency bonds, and corporate bonds . The majority of these high quality investments are rated A or higher based on composite ratings.

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ITEM 2 / INVESTMENTS

Fixed maturity securities held in AIG Property Casualty foreign operations are of high quality and short to intermediate duration, averaging 4.4 years.

While invested assets backing reserves are primarily invested in conventional fixed maturity securities in AIG Property Casualty domestic operations, a modest portion of surplus is allocated to alternative investments, including private equity and hedge funds. These investments have provided a combination of added diversification and attractive long-term returns over time.

AIG Life and Retirement

With respect to AIG Life and Retirement, we use asset-liability management as a tool to determine the composition of the invested assets. Our objective is to maintain a matched asset-liability structure, although we may occasionally determine that it is economically advantageous to be temporarily in an unmatched position. To the extent that we have maintained a matched asset-liability structure, the economic effect of interest rate fluctuations is partially mitigated.

Our investment strategy for AIG Life and Retirement is to produce cash flows greater than maturing insurance liabilities. There exists a future investment risk associated with certain policies currently in-force which will have premium receipts in the future. That is, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities.

AIG Life and Retirement frequently reviews its interest rate assumptions and actively manages the crediting rates used for its new and in force business. Business strategies continue to evolve to maintain profitability of the overall business in a low interest rate environment.

The investment of insurance cash flows and reinvestment of the proceeds of matured securities and coupons requires active management of investment yields while maintaining satisfactory investment quality and liquidity.

A number of guaranteed benefits, such as living benefits and guaranteed minimum death benefits, are offered on certain variable and indexed annuity products. The fair value of these benefits is measured based on actuarial and capital market assumptions related to projected cash flows over the expected lives of the contracts. We manage our exposure resulting from these long-term guarantees through reinsurance or capital market hedging instruments. We actively review underlying assumptions of policyholder behavior and persistency related to these guarantees. We have taken positions in certain derivative financial instruments in order to hedge the impact of changes in equity markets and interest rates on these benefit guarantees. We execute listed futures and options contracts on equity indexes to hedge certain guarantees of variable and indexed annuity products. We also enter into various types of futures and options contracts, primarily to hedge changes in value of certain guarantees of variable and indexed annuities due to fluctuations in interest rates. We use several instruments to hedge interest rate exposure, including listed futures on government securities, listed options on government securities and the purchase of government securities.

With respect to over-the-counter derivatives, we deal with highly rated counterparties and do not expect the counterparties to fail to meet their obligations under the contracts. We have controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties periodically. We generally use ISDA Master Agreements and Credit Support Annexes (CSAs) with bilateral collateral provisions to reduce counterparty credit exposures.

Fixed maturity securities of AIG Life and Retirement, with an average duration of 6.4 years, are comprised of taxable corporate bonds, as well as municipal and government bonds, commercial mortgage loans, and agency and non-agency structured securities. The majority of these investments are held in the available for sale portfolio and are rated investment grade based on our composite ratings.

NAIC Designations

The 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. The NAIC

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Designations for certain mortgaged-backed, asset-backed and collateralized securities are based on security level expected losses as modeled by an independent third party engaged by the NAIC.

The following table presents the NAIC Designations of the fixed maturity securities in AIG Life and Retirement's fixed maturity security portfolio based on fair value:

At March 31, 2013 (in millions)	Rating Agency Designation	Other Fixed Maturity Securities	Mortgage Backed, Asset Backed and Collateralized	Total
Investment grade:				
1	Aaa/Aa/A	\$ 50,919	\$ 37,428	\$ 88,347
2	Baa	64,081	1,678	65,759
Subtotal		115,000	39,106	154,106
Below investment grade:				
3	Ba	4,527	778	5,305
4	B	2,166	373	2,539
5	Caa and Lower	526	373	899
6	In or near default	162	616	778
Subtotal		7,381	2,140	9,521
Total*		\$ 122,381	\$ 41,246	\$ 163,627

* Excludes \$690 million of fixed maturity securities that are not held in legal entities within AIG Life and Retirement that require a statutory filing, therefore no NAIC rating is available for these securities.

Available-for-Sale Investments

The following table presents the fair value of AIG's available-for-sale securities:

(in millions)	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Bonds available for sale:		
U.S. government and government sponsored entities	\$ 3,496	\$ 3,483
Obligations of states, municipalities and political subdivisions	35,111	35,705
Non-U.S. governments	25,375	26,800
Corporate debt	150,306	151,112
Mortgage-backed, asset-backed and collateralized:		
RMBS	36,126	34,392
CMBS	10,411	10,134
CDO/ABS	9,426	8,333

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Total mortgage-backed, asset-backed and collateralized	55,963	52,859
Total bonds available for sale*	270,251	269,959
Equity securities available for sale:		
Common stock	2,922	3,029
Preferred stock	82	78
Mutual funds	104	105
Total equity securities available for sale	3,108	3,212
Total	\$ 273,359	\$ 273,171

* At March 31, 2013 and December 31, 2012, bonds available for sale held by us that were below investment grade or not rated totaled \$30.7 billion and \$29.6 billion, respectively.

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Investments in Municipal Bonds

At March 31, 2013, the U.S. municipal bond portfolio of AIG Property Casualty was composed primarily of essential service revenue bonds and high-quality tax-backed bonds with over 98 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:

March 31, 2013 (in millions)	State General Obligation	Local General Obligation	Revenue	Total Fair Value
State:				
California	\$ 705	\$ 1,304	\$ 3,272	\$ 5,281
Texas	199	2,253	2,082	4,534
New York	55	839	3,622	4,516
Washington	712	276	796	1,784
Massachusetts	871		868	1,739
Illinois	158	667	731	1,556
Florida	506	9	1,010	1,525
Virginia	91	148	877	1,116
Georgia	476	154	382	1,012
Arizona		161	821	982
Ohio	192	148	547	887
Maryland	439	97	169	705
Pennsylvania	427	74	197	698
All other states	1,610	1,212	5,954	8,776
Total^{(a)(b)}	\$ 6,441	\$ 7,342	\$ 21,328	\$ 35,111

(a) Excludes certain university and not-for-profit entities that issue their bonds in the corporate debt market. Includes industrial revenue bonds.

(b) Includes \$8.5 billion 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 March 31, 2013	Fair Value at December 31, 2012
Financial institutions:		
Money Center /Global Bank Groups	\$ 12,449	\$ 12,300
Regional banks other	878	885

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Life insurance	4,172	4,180
Securities firms and other finance companies	635	636
Insurance non-life	5,512	5,429
Regional banks North America	7,387	7,729
Other financial institutions	7,580	7,633
Utilities	24,689	24,993
Communications	11,727	11,744
Consumer noncyclical	17,367	17,307
Capital goods	9,744	9,697
Energy	11,190	11,275
Consumer cyclical	10,895	10,781
Basic	9,656	9,753
Other	16,425	16,770
Total*	\$ 150,306	\$ 151,112

* At both March 31, 2013 and December 31, 2012, approximately 94 percent of these investments were rated investment grade.

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Investments in RMBS

The following table presents AIG's RMBS available for sale investments by year of vintage:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Total RMBS		
2013	\$ 807	\$
2012	2,787	1,630
2011	7,483	7,545
2010	2,497	2,951
2009	350	378
2008 and prior*	22,202	21,888
Total RMBS	\$ 36,126	\$ 34,392
Agency		
2013	\$ 807	\$
2012	2,555	1,395
2011	5,410	5,498
2010	2,404	2,812
2009	278	321
2008 and prior	3,185	3,548
Total Agency	\$ 14,639	\$ 13,574
Alt-A		
2010	\$ 48	\$ 53
2008 and prior	8,258	7,871
Total Alt-A	\$ 8,306	\$ 7,924
Subprime		
2008 and prior	\$ 2,317	\$ 2,151
Total Subprime	\$ 2,317	\$ 2,151
Prime non-agency		
2012	\$ 232	\$ 235
2011	2,073	2,047
2010	44	86
2009	72	58
2008 and prior	8,013	7,910
Total Prime non-agency	\$ 10,434	\$ 10,336
Total Other housing related	\$ 430	\$ 407

* Includes approximately \$9.6 billion of Purchased Credit Impaired securities that were purchased at a significant discount to amortized cost commencing in the second quarter of 2011.

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The following table presents our RMBS available for sale investments by credit rating:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Rating:		
Total RMBS		
AAA	\$ 17,208	\$ 16,048
AA	488	795
A	610	411
BBB	724	744
Below investment grade ^(a)	17,096	16,283
Non-rated		111
Total RMBS^(b)	\$ 36,126	\$ 34,392
Agency RMBS		
AAA	\$ 14,603	\$ 13,464
AA	36	110
Total Agency	\$ 14,639	\$ 13,574
Alt-A RMBS		
AAA	\$ 41	\$ 57
AA	90	195
A	161	83
BBB	281	314
Below investment grade ^(a)	7,733	7,275
Total Alt-A	\$ 8,306	\$ 7,924
Subprime RMBS		
AAA	\$ 34	\$ 38
AA	85	170
A	225	129
BBB	188	185
Below investment grade ^(a)	1,785	1,629
Total Subprime	\$ 2,317	\$ 2,151
Prime non-agency		
AAA	\$ 2,518	\$ 2,487
AA	273	317
A	221	196
BBB	209	208
Below investment grade ^(a)	7,213	7,017
Non-rated		111
Total prime non-agency	\$ 10,434	\$ 10,336

Total Other housing related \$ 430 \$ 407

(a) Commencing in the second quarter of 2011, we began purchasing certain RMBS that had experienced deterioration in credit quality since their origination. See Note 6 to the Condensed Consolidated Financial Statements, Investments – Purchased Credit Impaired (PCI) Securities, for additional discussion.

(b) The weighted average expected life was 6 years at both March 31, 2013 and December 31, 2012.

Our underwriting practices for investing in RMBS, other asset-backed securities 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.

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Investments in CMBS

The following table presents our CMBS available for sale investments:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
CMBS (traditional)	\$ 8,265	\$ 7,880
ReRemic/CRE CDO		219
Agency	1,607	1,486
Other	539	549
Total	\$ 10,411	\$ 10,134

The following table presents our CMBS available for sale investments by year of vintage:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Year:		
2013	\$ 575	\$
2012	1,439	1,427
2011	1,337	1,347
2010	736	807
2009	20	44
2008 and prior	6,304	6,509
Total	\$ 10,411	\$ 10,134

The following table presents our CMBS available for sale investments by credit rating:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Rating:		
AAA	\$ 4,577	\$ 4,278
AA	1,655	1,591
A	787	827
BBB	1,228	1,266

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Below investment grade	2,149	2,156
Non-rated	15	16
Total	\$ 10,411	\$ 10,134

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The following table presents our CMBS available for sale investments by geographic region:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Geographic region:		
New York	\$ 1,938	\$ 1,710
California	1,011	921
Texas	600	590
Florida	419	406
Virginia	330	314
New Jersey	316	266
Illinois	306	265
Hawaii	214	125
Pennsylvania	213	205
Massachusetts	199	182
Georgia	192	186
Nevada	177	176
All Other*	4,496	4,788
Total	\$ 10,411	\$ 10,134

* Includes Non-U.S. locations.

The following table presents our CMBS available for sale investments by industry:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Industry:		
Office	\$ 2,753	\$ 2,736
Multi-family*	2,533	2,439
Retail	2,589	2,489
Lodging	1,334	1,269
Industrial	561	560
Other	641	641
Total	\$ 10,411	\$ 10,134

* Includes Agency-backed CMBS.

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The fair value of CMBS holdings remained stable during the first quarter of 2013. 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.

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Investments in CDOs

The following table presents our CDO available for sale investments by collateral type:

<i>(in millions)</i>	Fair value at March 31, 2013	Fair value at December 31, 2012
Collateral Type:		
Bank loans (CLO)	\$ 3,200	\$ 2,579
Synthetic investment grade	3	25
Other	831	424
Subprime ABS		10
Total	\$ 4,034	\$ 3,038

The following table presents our CDO available for sale investments by credit rating:

<i>(in millions)</i>	Fair Value at March 31, 2013	Fair Value at December 31, 2012
Rating:		
AAA	\$ 148	\$ 144
AA	897	542
A	1,684	1,284
BBB	543	485
Below investment grade	762	583
Total	\$ 4,034	\$ 3,038

Commercial Mortgage Loans

At March 31, 2013, we had direct commercial mortgage loan exposure of \$14.2 billion. At that date, over 99 percent of the loans were current.

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The following table presents the commercial mortgage loan exposure by location and class of loan based on amortized cost:

March 31, 2013 (dollars in millions)	Number of Loans	Class						Total	Percent of Total
		Apartments	Offices	Retails	Industrials	Hotels	Others		
State:									
California	152	\$ 118	\$ 938	\$ 284	\$ 635	\$ 393	\$ 651	3,019	21%
New York	87	650	1,316	175	97	101	147	2,486	17
New Jersey	56	475	281	305	6	18	66	1,151	8
Florida	91	52	174	253	99	20	228	826	6
Texas	55	37	284	152	206	101	27	807	6
Pennsylvania	56	48	99	169	118	16	14	464	3
Ohio	52	159	35	97	64	38	9	402	3
Maryland	21	22	144	186	13	4	3	372	3
Colorado	19	11	198			96	59	364	3
Arizona	12	40	106	57	36		86	325	2
Other states	344	385	1,225	1,002	431	354	376	3,773	27
Foreign	62	1			65		115	181	1
Total*	1,007	\$ 1,998	\$ 4,800	\$ 2,680	\$ 1,770	\$ 1,141	\$ 1,781	14,170	100%

* Excludes portfolio valuation losses.

See Note 7 to the Consolidated Financial Statements in the 2012 Annual Report for further discussion.

Impairments

The following table presents impairments by investment type:

Three Months Ended March 31, (in millions)	2013	2012
Fixed maturity securities, available for sale	\$ 36	\$ 449
Equity securities, available for sale	5	4
Private equity funds and hedge funds	33	165
Subtotal	74	618
Life settlement contracts ^(a)	49	58
Alternative investments	1	
Real estate ^(b)	5	7
Total	\$ 129	\$ 683

(a) Impairments of investments in Life settlement contracts are recorded in Other realized losses.

(b) Impairments of investments in Real estate are recorded in Other income.

Other-Than-Temporary Impairments

To determine other-than-temporary impairments, we use fundamental credit analyses of individual securities without regard to rating agency ratings. Based on this analysis, we expect to receive cash flows sufficient to cover the amortized cost of all below investment grade securities for which credit impairments were not recognized.

The following tables present other-than-temporary impairment charges recorded in earnings on fixed maturity securities, equity securities, private equity funds and hedge funds.

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<i>(in millions)</i>	Reportable Segment		Other Operations	Total
	AIG Property Casualty	AIG Life and Retirement		
Three Months Ended March 31, 2013				
Impairment Type:				
Severity	\$ 2	\$	\$ 1	\$ 2
Change in intent	2		1	3
Foreign currency declines				
Issuer-specific credit events	15	48		63
Adverse projected cash flows		6		6
Total	\$ 19	\$ 54	\$ 1	\$ 74

Three Months Ended March 31, 2012

Impairment Type:				
Severity	\$ 4	\$	\$	\$ 4
Change in intent	2	18		20
Foreign currency declines	5			5
Issuer-specific credit events	191	373	22	586
Adverse projected cash flows	1	2		3
Total	\$ 203	\$ 393	\$ 22	\$ 618

Other-than-temporary impairment charges by investment type and impairment type:

<i>(in millions)</i>	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets [*]	Total
Impairment Type:						
Severity	\$	\$	\$	\$	\$ 2	\$ 2
Change in intent				1	2	3
Foreign currency declines						
Issuer-specific credit events	4	3	13	9	34	63
Adverse projected cash flows	6					6
Total	\$ 10	\$ 3	\$ 13	\$ 10	\$ 38	\$ 74

Three Months Ended March 31, 2012

Impairment Type:						
Severity	\$	\$	\$	\$	\$ 4	\$ 4
Change in intent					20	20
Foreign currency declines				5		5
Issuer-specific credit events	330	3	89	19	145	586
Adverse projected cash flows	3					3

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Total \$ 333 \$ 3 \$ 89 \$ 24 \$ 169 \$ 618

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

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<i>(in millions)</i>	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2013						
Rating:						
AAA	\$	\$	\$	\$	\$	\$
AA						
A						
BBB						
Below investment grade	10	3	13	9		35
Non-rated				1	38	39
Total	\$ 10	\$ 3	\$ 13	\$ 10	\$ 38	\$ 74
Three Months Ended March 31, 2012						
Rating:						
AAA	\$	\$	\$	\$	\$	\$
AA	1					1
A	1	1				2
BBB	2					2
Below investment grade	329	2	89	18		438
Non-rated				6	169	175
Total	\$ 333	\$ 3	\$ 89	\$ 24	\$ 169	\$ 618

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

We recorded other-than-temporary impairment charges in the three-months periods ended March 31, 2013 and 2012 related to:

issuer-specific credit events;

securities for which we have changed our intent from hold to sell;

declines due to foreign exchange rates;

adverse changes in estimated cash flows on certain structured securities;

securities that experienced severe market valuation declines; and

other impairments, including equity securities, private equity funds, hedge funds, direct private equity investments, aircraft trusts and investments in life settlement contracts.

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There was no significant impact to our consolidated financial condition or results of operations from other-than-temporary impairment charges for any one single credit. Also, no individual other-than-temporary impairment charge exceeded 0.01 percent and 0.10 percent of total equity at March 31, 2013 and 2012, respectively.

In periods subsequent to the recognition of an other-than-temporary impairment charge for available for sale fixed maturity securities that is not foreign-exchange related, we generally prospectively accrete into earnings the difference between the new amortized cost and the expected undiscounted recovery value over the remaining life of the security. The accretion that was recognized for these securities in earnings was \$205 million and \$218 million for the three-month periods ended March 31, 2013 and 2012, respectively. For a discussion of AIG's other-than-temporary impairment accounting policy, see Note 7 to the Consolidated Financial Statements in the 2012 Annual Report.

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The following table shows the aging of the pre-tax unrealized losses of fixed maturity and equity securities, the extent to which the fair value is less than amortized cost or cost, and the number of respective items in each category:

March 31, 2013

Aging ^(a) (dollars in millions)	Less Than or Equal to 20% of Cost ^(b)			Greater Than 20% to 50% of Cost ^(b)			Greater Than 50% of Cost ^(b)			Total		
	Unrealized Cost ^(c)	Loss	Items ^(e)	Unrealized Cost ^(c)	Loss	Items ^(e)	Unrealized Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Unrealized Loss ^(d)	Items ^(e)
Investment grade bonds												
0 6 months	\$ 18,035	\$ 336	2,345	\$	\$		\$	\$		\$ 18,035	\$ 336	2,345
7 11 months	1,780	97	228							1,780	97	228
12 months or more	3,637	211	398	352	95	25	12	10	2	4,001	316	425
Total	\$ 23,452	\$ 644	2,971	\$ 352	\$ 95	25	\$ 12	\$ 10	2	\$ 23,816	\$ 749	2,998
Below investment grade bonds												
0 6 months	\$ 1,414	\$ 39	426	\$ 87	\$ 24	14	\$	\$		\$ 1,501	\$ 63	440
7 11 months	325	31	46	50	13	8	2	2	3	377	46	57
12 months or more	2,729	218	399	575	159	88	108	64	19	3,412	441	506
Total	\$ 4,468	\$ 288	871	\$ 712	\$ 196	110	\$ 110	\$ 66	22	\$ 5,290	\$ 550	1,003
Total bonds												
0 6 months	\$ 19,449	\$ 375	2,771	\$ 87	\$ 24	14	\$	\$		\$ 19,536	\$ 399	2,785
7 11 months	2,105	128	274	50	13	8	2	2	3	2,157	143	285
12 months or more	6,366	429	797	927	254	113	120	74	21	7,413	757	931
Total ^(e)	\$ 27,920	\$ 932	3,842	\$ 1,064	\$ 291	135	\$ 122	\$ 76	24	\$ 29,106	\$ 1,299	4,001
Equity securities												
0 11 months	\$ 109	\$ 8	86	\$ 39	\$ 11	28	\$	\$		\$ 148	\$ 19	114
12 months or more												
Total	\$ 109	\$ 8	86	\$ 39	\$ 11	28	\$	\$		\$ 148	\$ 19	114

(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 March 31, 2013.

(c) For bonds, represents amortized cost.

(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.

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For the three-month period ended March 31, 2013, net unrealized gains related to fixed maturity and equity securities decreased by \$1.1 billion primarily due to the increase in interest rates for investment grade fixed maturity securities, which more than offset the narrowing of credit spreads for high yield securities.

See also Note 6 to the Condensed Consolidated Financial Statements for further discussion of our investment portfolio.

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ITEM 2 / ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management

At AIG, 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

Enterprise Risk Management (ERM)

At AIG, 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 (ERM) Department supervises and integrates the risk management functions in each of our business units, providing senior management with a consolidated view of the firm's major risk positions. Within each business unit, senior leaders and executives approve risk-taking policies and targeted risk tolerance within the framework provided by ERM. ERM supports our businesses and management in the embedding of enterprise risk management in all of our key day to day business processes and in identifying, assessing, quantifying, managing and mitigating the risks taken by us and our businesses.

Our ERM framework provides senior management with a consolidated view of our risk appetite and major risk positions.

For a complete discussion of AIG's risk management program, see Part II, Item 7. MD&A Enterprise Risk Management in the 2012 Annual Report.

In each of our business units, senior leaders and executives approve risk-taking policies and targeted risk tolerance within the ERM framework while working with ERM to mitigate risks across the firm.

Risk management is an integral part of how we manage our core businesses.

Credit Risk Management

Overview

Credit risk is defined as the risk that our customers or counterparties are unable or unwilling to repay their contractual obligations when they become due. Credit risk may also result from a downgrade of counterparty's credit ratings.

We devote considerable resources to managing our direct and indirect credit exposures. These exposures may arise from fixed income investments, equity securities, deposits, reverse repurchase agreements and repurchase agreements, commercial paper, corporate and consumer loans, leases, reinsurance recoverables, counterparty risk arising from derivatives activities, collateral extended to counterparties, insurance risk cessions to third parties, financial guarantees and letters of credit.

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Our credit risks are managed at the corporate level within ERM. ERM is assisted by credit functions headed by seasoned credit officers in all the business units, whose primary role is to assure appropriate credit risk management relative to our credit risk parameters. Our Chief Credit Officer (CCO) and credit executives are primarily responsible for the development and maintenance of credit risk policies and procedures.

Responsibilities of the CCO and credit executives include:

developing and implementing our company-wide credit policies;

approving delegated credit authorities to our credit executives;

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ITEM 2 / ENTERPRISE RISK MANAGEMENT

managing the approval process for requests for credit limits, program limits and credit transactions above authorities or where concentrations of risk may exist or be incurred;

aggregating globally all credit exposure data by counterparty, country, sector and industry and reporting risk concentrations regularly to and reviewing with senior management;

administering regular portfolio credit reviews of investment, derivative and credit-incurring business units and recommending corrective actions where required;

conducting credit research on countries, sectors and asset classes where risk concentrations may exist;

developing methodologies for quantification and assessment of credit risks, including the establishment and maintenance of our internal risk rating process; and

approving appropriate credit reserves, credit-related other-than-temporary impairments and corresponding methodologies in all credit portfolios.

We monitor and control our company-wide credit risk concentrations and attempt to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimize the level of credit risk in some circumstances, we may require third-party guarantees, reinsurance or collateral, such as letters of credit and trust collateral accounts. We treat these guarantees, reinsurance recoverables, letters of credit and trust collateral accounts as credit exposure and include them in our risk concentration exposure data. We identify our aggregate credit exposures to our underlying counterparty risks.

Largest Credit Concentrations

Our single largest credit exposure, the U.S. Government, was 25 percent of Total equity at March 31, 2013 compared to 25 percent at December 31, 2012. Exposure to the U.S. Government primarily includes credit exposure related to U.S. Treasury and government agency securities and to direct and guaranteed exposures to U.S. government-sponsored entities, primarily the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) based upon their U.S. Government conservatorship. Based on our internal risk ratings, at March 31, 2013, our largest below investment grade-rated credit exposure, apart from ILFC leasing arrangements secured by aircraft with airlines having below investment grade ratings, was related to a non-financial corporate counterparty. That exposure was 0.6 percent of Total equity, compared to 0.6 percent at December 31, 2012.

Government Credit Concentrations (non-U.S.)

Our total direct and guaranteed credit exposure to non-U.S. governments is \$21.4 billion at March 31, 2013, compared to \$22.9 billion in December 31, 2012. Our single largest concentration in this sector was to the government of Japan in the amount of \$6.9 billion at March 31, 2013. Most of these securities were held in the investment portfolios of our Japanese insurance operations and are yen denominated.

Table of Contents**ITEM 2 / ENTERPRISE RISK MANAGEMENT**

The following table presents our aggregate credit exposures to non-U.S. governments and their agencies, dependent state-owned enterprises, financial institutions and local governments:

<i>(in millions)</i>	March 31, 2013	December 31, 2012
Japan	\$ 6,948	\$ 8,109
Canada	2,704	2,718
Germany	1,253	1,446
France	1,148	1,207
China	921	926
South Korea	707	693
Singapore	638	122
United Kingdom	610	816
Mexico	573	552
Australia	539	601
Other	5,320	5,732
Total	\$ 21,361	\$ 22,922

Financial Institution Concentrations

Our single largest industry credit exposure at March 31, 2013 was to the global financial institutions sector as a whole, which includes banks and finance companies, securities firms, and insurance and reinsurance companies, many of which can be highly correlated at times of market stress. As of March 31, 2013, credit exposure to this sector was \$77.1 billion, or 77 percent, of Total equity compared to 87 percent at December 31, 2012.

At March 31, 2013:

\$72.1 billion, or 94 percent, of these global financial institution credit exposures were considered investment grade based on our internal ratings.

\$5.0 billion, or 6 percent, were considered non-investment grade based on our internal ratings. Aggregate credit exposure to the ten largest below investment grade-rated financial institutions was \$2.1 billion.

Our aggregate credit exposure to fixed maturity securities of the financial institution sector amounted to \$33.7 billion.

Short-term bank deposit placements, reverse repurchase agreements, repurchase agreements and commercial paper issued by financial institutions (primarily commercial banks), operating account balances with banks and bank-issued commercial letters of credit supporting insurance credit exposures were \$13.3 billion, or 17 percent, of the total global financial institution credit exposure.

The remaining credit exposures to this sector were primarily related to reinsurance recoverables, collateral extended to counterparties mostly pursuant to derivative transactions, derivatives, and captive fronting risk management programs for these financial institutions.

European Concentrations

We actively monitor our European credit exposures, especially those exposures to issuers in the Euro-Zone periphery. We use various stress assumptions to identify issuers and securities warranting review by senior management and to determine the need for mitigating actions. As a mitigating action, we typically decide not to renew maturing exposures or, when the opportunity presents itself, to sell or to tender securities. To date, we have not actively used credit default protection. We periodically evaluate the financial condition of issuers and adjust internal risk ratings as warranted.

The result of these continuing reviews has led us to believe that our combined credit risk exposures in the Euro-Zone are manageable risks given the type and size of exposure and the credit quality and size of the issuers.

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The following table presents our aggregate United Kingdom and European credit exposures (excluding ILFC) by major sector:

<i>(in millions)</i>	March 31, 2013					December 31, 2012	
	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products/ Other ^(a)	Total	Total	
Euro-Zone countries:							
France	\$ 1,148	\$ 2,426	\$ 7,147	\$ 169	\$ 10,890	\$ 10,533	
Germany	1,253	3,665	3,706	174	8,798	9,248	
Netherlands	254	4,228	2,197	1,480	8,159	8,333	
Spain	166	655	2,367	1,032	4,220	4,067	
Italy	87	333	1,964	222	2,606	2,848	
Belgium	132	203	921		1,256	1,174	
Ireland		91	880		971	1,018	
Luxembourg		27	603	36	666	666	
Austria	146	151	206		503	523	
Finland	127	30	296		453	432	
Other Euro-Zone	24	24	206	18	272	306	
Total Euro-Zone	3,337	11,833	20,493	3,131	38,794	39,148	
Remainder of Europe							
United Kingdom	610	9,004	15,895	4,458	29,967	30,372	
Switzerland	59	4,817	2,880		7,756	7,290	
Sweden	127	2,835	545		3,507	3,643	
Other remainder of Europe	1,034	1,069	2,353	1,079	5,535	5,612	
Total remainder of Europe	1,830	17,725	21,673	5,537	46,765	46,917	
Total	\$ 5,167	\$ 29,558	\$ 42,166	\$ 8,668	\$ 85,559	\$ 86,065	

(a) Other represents mortgage guaranty insurance (\$1.3 billion), primarily in Spain (\$935 million) and Italy (\$174 million).

Aggregate credit exposure to European governments totaled \$5.2 billion at March 31, 2013, compared to \$6.0 billion at December 31, 2012. Many of the European governments' ratings have been downgraded by one or more of the major rating agencies, occurring mostly in countries in the Euro-Zone periphery where our government credit exposures (Spain, Italy and Portugal) totaled \$256 million at March 31, 2013. The downgrades primarily reflect continued recessionary conditions, large government budget deficits, rising government debt-to-GDP ratios and large financing requirements of these countries. These credit exposures primarily included available-for-sale and trading securities (at fair value) issued by these governments. At March 31, 2013, we had no direct or guaranteed credit exposure to the governments of Greece, Ireland or Cyprus.

Our exposure to European financial institutions at March 31, 2013 included \$18.7 billion of credit exposures to European banks, of which \$17.3 billion were considered investment grade based on our internal ratings. Aggregate below investment grade rated credit exposures to European banks were \$1.5 billion. Our credit exposures to banks domiciled in the Euro-Zone countries totaled \$7.7 billion at March 31, 2013, of which \$4.4 billion were fixed maturity securities. Credit exposures to banks based in the five countries of the Euro-Zone periphery (Spain, Italy, Ireland, Greece, and Portugal) totaled \$989 million, of which \$710 million were fixed maturity securities. These credit exposures were primarily to the largest banks in Spain and Italy. Credit exposures to banks based in France totaled \$1.4 billion at March 31, 2013, of which \$759 million were fixed maturity securities. Our credit exposures were predominantly to the largest banks in these countries.

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In addition, our exposure at March 31, 2013 to European financial institutions included \$10.8 billion of aggregate credit exposure to non-bank institutions, mostly insurers and reinsurers, with \$8.3 billion, or 77 percent, of credit exposure representing reinsurance recoverable balances. Reinsurance recoverables were primarily to highly rated reinsurers based in Switzerland, the United Kingdom and Germany. At March 31, 2013, \$1.4 billion of the aggregate credit exposure to non-banks was fixed maturity securities, of which 94 percent were considered investment grade based on our internal ratings.

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Of the \$20.5 billion of non-financial institution corporate exposure to Euro-Zone countries at March 31, 2013, 95 percent was to fixed maturity securities (\$11.0 billion) and insurance-related products (\$8.4 billion), with the majority of the insurance exposures being trade credit insurance (\$3.3 billion), captive fronting programs (\$3.1 billion), and surety bonds (\$1.5 billion). Our exposure to France of \$7.1 billion at March 31, 2013 represented the largest single non-financial corporate country exposure within the Euro-Zone, of which \$2.7 billion were fixed maturity securities. Approximately two-thirds of the French exposures were to issuers in the utilities, oil and gas, and telecommunications industries. Euro-Zone periphery non-financial institution corporate exposures (\$5.4 billion) at March 31, 2013 were heavily weighted towards large multinational corporations or issuers in relatively stable industries, such as regulated utilities (22 percent), telecommunications (16 percent), and oil and gas (9 percent).

Of the \$7.4 billion at March 31, 2013 of United Kingdom and European structured product exposures (largely consisting of residential mortgage-backed, commercial mortgage-backed and other asset-backed securities), United Kingdom structured products accounted for 73 percent, while the Netherlands and Germany comprised 20 percent and 2 percent, respectively. Structured product exposures to the Euro-Zone periphery accounted for 2 percent of the total. Approximately 76 percent of the United Kingdom and European structured products exposures were rated A or better at March 31, 2013 based on external rating agency ratings.

In addition, we had commercial real estate-related net equity investments in Europe totaling \$490 million at March 31, 2013 and related unfunded commitments of \$92 million.

The following table presents our aggregate United Kingdom and European credit exposures (excluding ILFC) by product type:

<i>(in millions)</i>	March 31, 2013						December 31,
	Fixed Maturity Securities ^(a)	Cash and Short-Term Investments ^(b)	Insurance Credit Exposures ^(c)	Reinsurance Recoverables	Other ^(d)	Total	2012 Total
Euro-Zone countries:							
France	\$ 4,847	\$ 428	\$ 3,833	\$ 541	\$ 1,241	\$ 10,890	\$ 10,533
Germany	4,405	328	1,946	2,029	89	8,797	9,248
Netherlands	5,702	70	1,792	570	27	8,161	8,333
Spain	1,837	130	2,229	22	2	4,220	4,067
Italy	1,569	2	966	61	10	2,608	2,848
Belgium	890	1	358	3	3	1,255	1,174
Ireland	725	48	197			970	1,018
Luxembourg	332	8	326			666	666
Austria	294	4	202	3		503	523
Finland	316	12	122	3		453	432
Other							
Euro-Zone	116	7	148			271	306
Total Euro-Zone	21,033	1,038	12,119	3,232	1,372	38,794	39,148
Remainder of Europe							
United Kingdom	15,979	1,334	8,606	2,336	1,711	29,966	30,372
Switzerland	3,150	367	1,077	3,162		7,756	7,290
Sweden	1,545	1,628	329	3		3,505	3,643
Other remainder of Europe	3,200	650	1,342	17	329	5,538	5,612

Total remainder of Europe		23,874		3,979		11,354		5,518		2,040		46,765		46,917
Total	\$	44,907	\$	5,017	\$	23,473	\$	8,750	\$	3,412	\$	85,559	\$	86,065

(a) Fixed maturity securities primarily includes available-for-sale and trading securities reported at fair value of \$42.0 billion (\$42.0 billion amortized cost), and \$2.9 billion (\$2.9 billion amortized cost), respectively.

(b) Cash and short-term investments include bank deposit placements (\$2.9 billion), collateral posted to counterparties against structured products (\$1.8 billion), securities purchased under agreements to resell (\$168 million), and operating accounts (\$152 million).

(c) Insurance Credit Exposures primarily consist of captive fronting management programs (\$10.3 billion), trade credit insurance (\$6.8 billion), and surety bonds (\$2.0 billion) and commercial letters of credit supporting insurance credit exposures (\$783 million).

(d) Other primarily consists of derivative transactions reported at fair value.

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ITEM 2 / ENTERPRISE RISK MANAGEMENT

At March 31, 2013, approximately 87 percent of fixed maturity securities in the United Kingdom and European exposures were considered investment grade based on our internal ratings. European financial institution fixed maturity securities exposure was \$10.1 billion, of which \$1.1 billion were covered bonds (debt securities secured by a pool of financial assets sufficient to cover any bondholder claims and that have full recourse to the issuing bank). During the first quarter of 2013, \$4.4 billion of fixed maturity securities were issued by banks domiciled in the Euro-Zone countries. Our subordinated debt holdings and Tier 1 and preference share securities in these banks totaled \$871 million and \$308 million, respectively, at March 31, 2013. These exposures were predominantly to the largest banks in those countries.

Other Credit Concentrations

We have a risk concentration in the U.S. municipal sector, primarily through the investment portfolios of our insurance companies. A majority of these securities were held in available-for-sale portfolios of our domestic property and casualty insurance companies. See Investments Available for Sale Investments herein for further details. We had \$405 million of additional exposure to the municipal sector outside of our insurance company portfolios at March 31, 2013, compared to \$464 million at December 31, 2012. These exposures consisted of derivatives and trading securities (at fair value), and exposure related to other insurance and financial services operations.

We have a risk concentration in the residential mortgage sector in the form of non-agency RMBS, CDO of RMBS as well as our mortgage guaranty insurance business. See Investments Available for Sale Investments herein for further details on RMBS and CDO investments. The net risk-in-force for UGC was \$34.7 billion at March 31, 2013, of which exposure in the United States was \$31.5 billion. UGC has no concentration of exposure in any one state that exceeds 10 percent of UGC's total United States exposure.

We also have a risk concentration in the commercial real estate sector in the form of non-agency CMBS, CDO of CMBS as well as commercial mortgage whole loans. See Investments Available for Sale Investments and Investments Commercial Mortgage Loans herein for further details.

We also monitor our aggregate cross-border exposures by country and region. Cross-border exposure is defined as an underlying risk that is taken within a country or jurisdiction other than the country or jurisdiction in which an AIG business unit taking the risk is domiciled. These cross-border exposures include both aggregated cross-border credit exposures to unrelated third parties and cross-border investments in our own international subsidiaries. Five countries had cross-border exposures in excess of 10 percent of Total equity at both March 31, 2013 and December 31, 2012. Based on our internal risk ratings, at March 31, 2013, three countries were rated AAA and two were rated AA. The two largest cross-border exposures were to the United Kingdom and Bermuda.

We regularly review concentration reports in the categories listed above as well as credit trends by risk ratings and credit spreads. We periodically adjust limits and review exposures for risk mitigation to provide reasonable assurance that we do not incur excessive levels of credit risk and that our credit risk profile is properly calibrated across business units.

Market Risk Management

Market risk is defined as the potential loss arising from adverse fluctuations in interest rates, foreign currencies, equity and commodity prices, and their levels of volatility. Market risk includes credit spread risk, the potential loss arising from adverse fluctuations in credit spreads of securities or counterparties.

We are exposed to market risks, primarily within our insurance businesses and GCM. In our insurance operations, market risk results primarily from potential mismatches in our asset-liability exposures, rather than speculative positioning. Specifically, our life insurance and retirement businesses collect premiums or deposits from policyholders and invest the proceeds in predominantly long-term, fixed maturity securities. We earn a spread between the asset yield and the cost payable to policyholders. We manage the business so that the cash flows from invested assets are sufficient to meet policyholder obligations when they become due, without the need to sell assets prematurely into a potentially distressed market. In periods of severe market volatility, depressed and illiquid fair values on otherwise performing investments diminish shareholders' equity even without actual credit event related losses.

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ITEM 2 / ENTERPRISE RISK MANAGEMENT

Our market exposures can be categorized as follows:

Benchmark interest rates. Benchmark interest rates are also known as risk-free interest rates and are associated with either the government/treasury yield curve or the swap curve. The fair value of our significant fixed maturity securities portfolio changes as benchmark interest rates change.

Credit spread or risk premium. Credit spread risk is the potential for loss due to a change in an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument.

Equity and alternative investment prices. We are exposed to equity and alternative investment prices affecting a variety of instruments. These include direct investments in common stock and mutual funds, minimum benefit guarantees embedded in the structure of certain variable annuity and variable life insurance products and other equity-like investments, such as hedge funds and private equity funds, private equity investments, commercial real estate and real estate funds.

Foreign currency exchange rates. We are a globally diversified enterprise with significant income, assets and liabilities denominated in, and significant capital deployed in, a variety of currencies.

Duration/key rate duration. Duration is the measure of the sensitivities of a fixed-income instrument to the changes in the benchmark yield curve. Key rate duration measures sensitivities to the movement at a given term point on the yield curve.

Scenario analysis. Scenario analysis uses historical, hypothetical, or forward-looking macroeconomic scenarios to assess and report exposures. Examples of hypothetical scenarios include a 100 basis point parallel shift in the yield curve or a 10 percent immediate and simultaneous decrease in world-wide equity markets.

Stress testing. Stress testing is a special form of scenario analysis in which the scenarios are designed to lead to a material adverse outcome. Examples of such scenarios include the stock market crash of October 1987 or the widening of yields or spread of RMBS or CMBS during 2008.

VaR. Value at Risk (VaR) is a summary statistical measure that uses the estimated volatility and correlation of market factors, and a management-determined level of confidence, to estimate how frequently a portfolio of risk exposures could be expected to lose at least a specified amount.

Insurance Operations Portfolio Sensitivities

The following table provides estimates of our sensitivity to changes in yield curves, equity prices and foreign currency exchange rates:

Exposure

Effect

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<i>(dollars in millions)</i>	March 31, 2013	December 31, 2012	Sensitivity Factor	March 31, 2013	December 31, 2012
Yield sensitive assets	\$ 301,502	\$ 305,809	100 bps parallel increase in all yield curves	\$ (16,504)	\$ (16,005)
Equity and alternative investments exposure	\$ 26,929	\$ 27,131	20% decline in stock prices and value of alternative investments	\$ (5,386)	\$ (5,426)
Foreign currency exchange rates net exposure	\$ 9,757	\$ 9,106	10% depreciation of all foreign currency exchange rates against the U.S. dollar	\$ (976)	\$ (911)

Exposures to yield curve movements include fixed maturity securities, loans, finance receivables and short-term investments, but exclude consolidated separate account assets. Total yield-sensitive assets decreased 1.4 percent or

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ITEM 2 / ENTERPRISE RISK MANAGEMENT

approximately \$4.3 billion, compared to December 31, 2012, primarily due to a net decrease in fixed income securities and other fixed assets of \$2.7 billion, and a decrease in cash equivalents of \$1.6 billion.

Exposures to equity and alternative investment prices include investments in common stock, preferred stocks, mutual funds, hedge funds, private equity funds, commercial real estate and real estate funds, but exclude consolidated separate account assets and consolidated managed partnerships and funds. Total exposure in these areas decreased 0.7 percent, or approximately \$202 million, compared to December 31, 2012, primarily due to a decrease of \$80 million related to decreases in partnership investments, a decrease in common equity securities of \$70 million and a decrease in other equity investments of \$65 million. These decreases were partially offset by an increase in real estate investments of \$11 million.

Exposures to foreign currency exchange rates reflect our consolidated non-U.S. dollar net capital investments on a GAAP basis. Foreign currency exchange rates net exposure increased 7.1 percent, or \$651 million, compared to December 31, 2012. This was primarily due to an increase in Hong Kong dollar exposure of \$562 million as a result of AIG Life and Retirement's investment in PICC, and an increase in Hong Kong dollar exposure of \$143 million due to the increase in market value of AIG Property Casualty's investment in PICC Property and Casualty Company Limited.

For illustrative purposes, we modeled our sensitivities based on a 100 basis point increase in yield curves, a 20 percent decline in equities and alternative assets, and a 10 percent depreciation of all foreign currency exchange rates against the U.S. dollar. This should not be taken as a prediction, but only as a demonstration of the potential effects of such events.

Liquidity Risk Management

Liquidity risk is defined as the risk that our financial condition will be adversely affected by the inability or perceived inability to meet our short-term cash, collateral or other financial obligations.

The failure to appropriately manage liquidity risk can result in reduced operating flexibility, increased costs, and reputational harm. Because liquidity is critically important, our liquidity governance includes a number of liquidity and funding policies and monitoring tools to address both AIG-specific, broader industry and market related liquidity events.

Sources of Liquidity risk can include, but are not limited to:

financial market movements – significant changes in interest rates can provide incentives for policyholders to surrender their policies. Changes in markets can impact collateral posting requirements or limit our ability to sell assets at reasonable values to meet liquidity needs due to unfavorable market conditions, inadequate market depth, or other investors seeking to sell the same or similar assets;

potential reputational events or credit downgrade – changes can have an impact on policyholder cancellations and withdrawals or impact collateral posting requirements; and

catastrophic events, including natural and man-made disasters, that can increase policyholder claims.

The principal objective of ERM's liquidity risk framework is to protect AIG's liquidity position and identify a diversity of funding sources available to meet actual and contingent liabilities during both normal and stress periods.

We defined our risk appetite to include a liquidity target. AIG Parent liquidity risk tolerance levels are established for base and stress scenarios over a two-year time horizon designed to ensure that funding needs are met under varying market conditions. If we project that we will breach the tolerance, we will assess and determine the appropriate liquidity management actions. However, the market conditions in effect at that time may not permit us to achieve an increase in liquidity sources or a reduction in liquidity requirements.

Additionally, each business unit is responsible for managing liquidity within a framework designed for the measurement and monitoring of liquidity risks inherent to the business. Current cash and liquidity positions are reviewed for changes and against minimum liquidity levels. Future cash inflows and outflows are tracked through cash flow forecasting. If the business unit projects a breach of the minimum liquidity levels, the amount of required liquidity resources will be identified and we will determine any actions to be taken. Business unit level key indicators are assessed to provide advance warning of potential liquidity risks.

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ITEM 2 / CRITICAL ACCOUNTING ESTIMATES

Critical Accounting Estimates

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

classification of ILFC as held for sale;

insurance liabilities, including property casualty and mortgage guaranty unpaid claims and claims adjustment expenses and future policy benefits for life and accident and health contracts;

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;

recoverability of assets including reinsurance assets;

estimated gross profits for investment-oriented products;

impairment charges, including other-than-temporary impairments of financial instruments and goodwill impairments;

liabilities for legal contingencies; and

fair value measurements of certain financial assets and liabilities.

See Note 1 to the Condensed Consolidated Financial Statements for additional information.

These accounting estimates require the use of assumptions about matters that may be highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition and results of operations could be materially affected. The following discussion updates critical accounting estimates included in the 2012 Annual Report. For a complete discussion of AIG's critical accounting estimates, you should read this section in conjunction with Part II, Item 7. MD&A Critical Accounting Estimates in the 2012 Annual Report.

Classification of ILFC as Held for Sale

We report a business as held for sale when management has approved or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is anticipated to occur during the next 12 months, which may require significant judgment, and certain other specified criteria are met. A business classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized.

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On December 9, 2012, we entered into a definitive agreement with Jumbo Acquisition Limited for the sale of 80.1 percent of the common stock of ILFC for approximately \$4.23 billion in cash. Jumbo Acquisition Limited may elect to purchase an additional 9.9 percent of the common stock of ILFC for \$522.5 million (the Option) within ten days after approval of the ILFC Transaction and the Option by the Committee on Foreign Investment in the United States. The transaction is subject to required regulatory approvals and other customary closing conditions. We determined ILFC met the criteria at December 31, 2012 for held for sale accounting and, consequently, we recorded a \$4.4 billion after tax loss for the year ended December 31, 2012, which was reported in Income (loss) from discontinued operations in the Consolidated Statement of Operations in 2012.

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Table of Contents**ITEM 2 / CRITICAL ACCOUNTING ESTIMATES****Recoverability of Net Deferred Tax Asset**

The evaluation of the recoverability of our net 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 net 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.

We consider a number of factors in order to reliably estimate future taxable income, so we can determine the extent of our ability to realize net operating losses (NOLs), foreign tax credits (FTCs) and nonlife capital loss carryforwards. These factors include forecasts of future income for each of our businesses and actual and planned business and operational changes, both of which include assumptions about future macroeconomic and AIG-specific conditions and events. We also subject the forecasts to stresses of key assumptions and evaluate the effect on tax attribute utilization. We also apply stresses to our assumptions about the effectiveness of relevant prudent and feasible tax planning strategies. Our income forecasts, coupled with our tax planning strategies and stress scenarios, all resulted in sufficient taxable income to achieve realization of the tax attributes (other than life-insurance-business capital loss carryforwards) prior to their expiration.

See Note 15 to the Condensed Consolidated Financial Statements for a discussion of AIG's framework for assessing the recoverability of its deferred tax asset.

Fair Value Measurements of Certain Financial Assets and Liabilities

See Note 5 to the Condensed Consolidated Financial Statements for additional information about the measurement of fair value of financial assets and financial liabilities and AIG's accounting policy regarding the incorporation of credit risk in fair value measurements.

The following table presents the fair value of fixed maturity and equity securities by source of value determination:

March 31, 2013 <i>(in billions)</i>	Fair Value	Percent of Total
Fair value based on external sources ^(a)	\$ 279	94%
Fair value based on internal sources	19	6
Total fixed maturity and equity securities ^(b)	\$ 298	100%

(a) Includes \$25 billion for which the primary source is broker quotes.

(b) Includes available for sale and trading securities.

Level 3 Assets and Liabilities

Assets and liabilities recorded at fair value in the Condensed Consolidated Balance Sheet are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair value. See Note 5 to the Condensed Consolidated Financial Statements for additional information.

The following table presents the amount of assets and liabilities measured at fair value on a recurring basis and classified as Level 3:

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<i>(in billions)</i>	March 31, 2013	Percentage of Total	December 31, 2012	Percentage of Total
Assets	\$ 42.5	7.7%	\$ 40.5	7.4%
Liabilities	3.7	0.8	4.1	0.9

Level 3 fair value measurements are based on valuation techniques that use at least one significant input that is unobservable. We consider unobservable inputs to be those for which market data is not available and that are

Table of Contents**ITEM 2 / CRITICAL ACCOUNTING ESTIMATES**

developed using the best information available about the assumptions that market participants would use when valuing the asset or liability. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

We classify fair value measurements for certain assets and liabilities as Level 3 when they require significant unobservable inputs in their valuation, including contractual terms, prices and rates, yield curves, credit curves, measures of volatility, prepayment rates, default rates, mortality rates and correlations of such inputs.

The following paragraphs describe the methods we use to measure fair value on a recurring basis for super senior credit default swaps classified in Level 3. See Note 6 to the Consolidated Financial Statements in the 2012 Annual Report for a discussion of the valuation methodologies for other assets classified in Level 3, including certain fixed maturity securities and certain other invested assets, and Note 5 to the Condensed Consolidated Financial Statements herein for a discussion of transfers of Level 3 assets and liabilities.

Super Senior Credit Default Swap Portfolio

The entities included in GCM wrote credit protection on the super senior risk layer of collateralized loan obligations (CLOs), multi-sector CDOs and diversified portfolios of corporate debt, and prime residential mortgages through 2006. In these transactions, AIG is at risk of credit performance on the super senior risk layer related to such assets.

See Notes 5 and 9 to the Condensed Consolidated Financial Statements for information about the Regulatory Capital, Multi-Sector CDO, Corporate Debt/Collateralized Debt Obligation (CLO) and other portfolios.

AIG utilizes sensitivity analyses that estimate the effects of using alternative pricing and other key inputs on our calculation of the unrealized market valuation loss related to the super senior credit default swap portfolio. For the purposes of estimating sensitivities for the super senior multi-sector CDO credit default swap portfolio, the change in valuation derived using the Binomial Expansion Technique (BET) model is used to estimate the change in the fair value of the derivative liability. Of the total \$3.7 billion net notional amount of CDS written on multi-sector CDOs outstanding at March 31, 2013, a BET value is available for \$2.5 billion net notional amount. No BET value is determined for \$1.2 billion of CDS written on European multi-sector CDOs as prices on the underlying securities held by the CDOs are not provided by collateral managers; instead these CDS are valued using counterparty prices. Therefore, sensitivities disclosed below apply only to the net notional amount of \$2.5 billion.

The following table presents key inputs used in the BET model, and the potential increase (decrease) to the fair value of the derivative liability by ABS category at March 31, 2013 corresponding to changes in these key inputs:

<i>(dollars in millions)</i>	Average Inputs Used at March 31, 2013	Change	Increase (Decrease) to Fair Value of Derivative Liability						
			Entire Portfolio	RMBS Prime	RMBS Alt-A	RMBS Subprime	CMBS	CDOs	Other
Bond prices	44 points	Increase of 5 points Decrease of 5 points	\$ (135)	\$ (2)	\$ (7)	\$ (64)	\$ (41)	\$ (11)	\$ (10)
			138	2	7	57	42	15	15
Weighted average life	5.93 years	Increase of 1 year Decrease of 1 year	12			8	3		1
			(18)			(14)	(3)		(1)
Recovery rates	18%	Increase of 10%	(10)		(2)	(7)	(1)		

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		Decrease of 10%	15	2	8	2	3
Diversity score ^(a)	13	Increase of 5	(5)				
		Decrease of 5	11				
Discount curve ^(b)	N/A	Increase of 100bps	5				

(a) The diversity score is an input at the CDO level. A calculation of sensitivity to this input by type of security is not possible.

(b) The discount curve is an input at the CDO level. A calculation of sensitivity to this input by type of security is not possible. Furthermore, for this input it is not possible to disclose a weighted average input as a discount curve consists of a series of data points.

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ITEM 2 / REGULATORY ENVIRONMENT

REGULATORY ENVIRONMENT

Our operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, investment advisory, banking and thrift regulators in the United States and abroad. Our insurance subsidiaries are subject to regulation and supervision by the states and jurisdictions in which they do business. The insurance and financial services industries generally have been subject to heightened regulatory scrutiny and supervision in recent years.

In addition to the information set forth in this Quarterly Report on Form 10-Q, AIG's regulatory status is also discussed in Part I, Item 1. Business Regulation, Part I, Item 1A. Risk Factors Regulation, Part II, Item 7. MD&A Liquidity and Capital Resources Regulation and Supervision and Note 20 to the Consolidated Financial Statements in the 2012 Annual Report.

Other Regulatory Developments

In addition to the adoption of Dodd-Frank in the United States, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and taking steps to avoid similar problems in the future. The Financial Stability Board (FSB), consisting of representatives of national financial authorities of the G20 nations, has issued a series of frameworks and recommendations intended to produce significant changes in how financial companies, particularly SIFIs, should be regulated. These frameworks and recommendations address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including compensation, and a number of related issues associated with responses to the financial crisis. The FSB has directed the International Association of Insurance Supervisors (the IAIS, headquartered in Basel, Switzerland) to create standards relative to these areas and incorporate them within that body's Insurance Core Principles (ICPs). IAIS's ICPs form the baseline threshold against which countries' financial services regulatory efforts in the insurance sector are measured. That measurement is made by periodic Financial Sector Assessment Program (FSAP) reviews conducted by the World Bank and the International Monetary Fund and the reports thereon spur the development of country-specific additional or amended regulatory changes. Lawmakers and regulatory authorities in a number of jurisdictions in which our subsidiaries conduct business have already begun implementing legislative and regulatory changes consistent with these recommendations, including proposals governing consolidated regulation of insurance holding companies by the Financial Services Agency in Japan, financial and banking regulation adopted in France and compensation regulations proposed or adopted by the financial regulators in Germany and the United Kingdom Financial Services Authority.

The FSB has also charged the IAIS with developing a template for measuring systemic risks posed by insurer groups. The IAIS has requested data from selected insurers around the world to determine which elements of the insurance sector, if any, could materially and adversely impact other parts of the global financial services sector (e.g., commercial and investment banking, securities trading, etc.). Ultimately, the IAIS will recommend its final assessment template to the FSB to determine whether any insurer groups should be designated as Globally Systemically Important Insurers (G-SIIs). The current timetable indicates preliminary designations to be announced by June 2013. AIG could be preliminarily designated a G-SII and, if a final designation is made, AIG could be then be subject to enhanced supervisory efforts, which could include enhanced capital requirements. Under the current timetable, insurer groups would expect to be definitively designated G-SIIs in 2017 and would then be subject to such enhanced capital requirements (currently termed High Loss Absorbance Capital requirements) in 2019.

The IAIS is developing a ComFrame, a Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs), which includes additional supervisory oversight based on its ICPs but also adds requirements and supervisory processes pertaining to the international business activities of IAIGs. As currently delineated under the ComFrame, AIG meets the parameters set forth to define an IAIG. While we currently do not know when any ComFrame directives will be finalized and become effective, the IAIS will undertake a field testing of the ComFrame, including the possibility of additional capital requirements for IAIGs, which is expected to commence in the latter part of 2013. It is expected that the ComFrame would be fully implemented by 2018.

Legislation in the European Union could also affect our international insurance operations. The Solvency II Directive (2009/138/EEC) (Solvency II), which was adopted on November 25, 2009 and is expected to become effective in January 2016 reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. The impact on us will

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ITEM 2 / REGULATORY ENVIRONMENT

depend on whether the U.S. insurance regulatory regime is deemed "equivalent" to Solvency II; if the U.S. insurance regulatory regime is not equivalent, then we, along with other insurance companies, could be required to be supervised under Solvency II standards. Whether the U.S. insurance regulatory regime will be deemed "equivalent" is still under consideration by European authorities and remains uncertain, so we are not currently able to predict the impact of Solvency II.

We expect that the regulations applicable to us and our regulated entities will continue to evolve for the foreseeable future.

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ITEM 2 / GLOSSARY

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. Catastrophe losses are generally weather or seismic events having a net impact on AIG Property Casualty in excess of \$10 million each.

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. Acquisition costs vary with sales and include, but are not limited to, commissions, premium taxes, direct marketing costs, certain costs of personnel engaged in sales support activities such as underwriting, and the change in deferred acquisition costs. Acquisition costs that are incremental and directly related to successful sales efforts are deferred and recognized over the coverage periods of related insurance contracts. Acquisition costs that are not incremental and directly related to successful sales efforts are recognized as incurred.

AIG After-tax operating income (loss) is derived by excluding the following items from net income (loss): income (loss) from discontinued operations, net loss (gain) on sale of divested businesses, income from divested businesses, legacy tax adjustments primarily related to certain changes in uncertain tax positions (FIN 48) and other tax adjustments, legal reserves (settlements) related to "legacy crisis matters," deferred income tax valuation allowance (releases) charges, changes in fair value of AIG Life and Retirement securities designated to hedge living benefit liabilities, change in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital (gains) losses, (gain) loss on extinguishment of debt, net realized capital (gains) losses, non-qualifying derivative hedging activities, excluding net realized capital (gains) losses, and bargain purchase gain. "Legacy crisis matters" include favorable and unfavorable settlements related to events leading up to and resulting from our September 2008 liquidity crisis and legal fees incurred by AIG as the plaintiff in connection with such legal matters.

AIG Life and Retirement Operating income (loss) Operating income (loss) is derived by excluding the following items from net income (loss): legal settlements related to legacy crisis matters, changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net realized capital (gains) losses, and changes in benefit reserves and DAC, VOBA, and SIA related to net realized capital (gains) losses.

AIG Life and Retirement Premiums and deposits includes life insurance premiums and deposits on annuity contracts, guaranteed investments contracts and mutual funds.

AIG Property Casualty 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. From the period in which the premiums are written until the period in which they are earned, the amount is presented as Unearned premium reserves in the Consolidated Balance Sheet.

AIG Property Casualty Operating income (loss) includes both underwriting income (loss) and net investment income, but excludes net realized capital (gains) losses, other (income) expense, legal settlements related to legacy crisis matters and bargain purchase gain. Underwriting income (loss) is derived by reducing net premiums earned by claims and claims adjustment expense and underwriting expenses, acquisition expense and general operating expense.

BET Binomial Expansion Technique A model that generates expected loss estimates for CDO tranches and derives a credit rating for those tranches.

Book Value Per Common Share Excluding Accumulated Other Comprehensive Income (loss) (AOCI) is used to show the amount of our net worth on a per-share basis. Book Value Per Common Share Excluding AOCI is derived by dividing Total AIG shareholders' equity, excluding AOCI, by Total common shares outstanding.

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ITEM 2 / GLOSSARY

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 that provides for collateral postings at various ratings and threshold levels.

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.

Expense ratio Sum of acquisition expenses and general operating expenses, divided by net premiums earned.

First-Lien Priority over all other subordinate liens or claims on a property in the event of default on a mortgage.

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 claims adjustment expenses, 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.

LAE Loss Adjustment Expenses The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs.

Loss Ratio Claims and claims adjustment expenses incurred divided by net premiums earned. Claims adjustment expenses are directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster's fees, and claims department personnel costs.

Loss reserve development The increase or decrease in incurred claims and claim adjustment expenses as a result of the re-estimation of claims and claim adjustment expense reserves at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid claims and claims adjustment expense. 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.

LTV Loan-to-Value Ratio Principal amount of loan amount divided by appraised value of collateral securing the loan.

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. From the period in which the premiums are written until the period in which they are earned, the amount is presented as Unearned premium reserves in the Consolidated Balance Sheet.

Noncontrolling interest The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Other Operations Operating income (loss): income (loss) excluding certain legal reserves (settlements) related to legacy crisis matters, (gain) loss on extinguishment of debt, amortization of the FRBNY prepaid commitment fee asset, Net realized capital (gains) losses, net (gains) losses on sale of divested businesses and properties, and income from divested businesses.

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.

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ITEM 2 / GLOSSARY

Prior year development Increase or decrease in estimates of losses and loss expenses for prior years that is included in earnings.

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 premium Additional premiums payable to reinsurers to restore coverage limits that have been exhausted as a result of reinsured losses under certain excess of loss reinsurance treaties.

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.

Rescission Denial of claims and termination of coverage on loans related to fraudulent or undocumented claims, underwriting guideline violations and other deviations from contractual terms.

Retained Interest Category within AIG's Other operations that includes the fair value gains or losses, prior to their sale, of the AIA ordinary shares retained following the AIA initial public offering and the MetLife, Inc. (MetLife) securities that were received as consideration from the sale of American Life Insurance Company (ALICO) and the fair value gains or losses, prior to the FRBNY liquidation of ML III assets in 2012, on the retained interest in ML III.

Second-lien Subordinate in ranking to the first-lien holder on a property in the event of default on a mortgage.

Severe losses Individual non-catastrophe first party losses greater than \$10 million, net of related reinsurance.

SIA Sales Inducement Asset Represents amounts that are credited to policyholder account balances related to the enhanced crediting rates that a seller offers on certain of its annuity products.

SIFI Systemically Important Financial Institutions Financial institutions are deemed systemically important (that is, the failure of the financial institution could pose a threat to the financial stability of the United States) by the Financial Stability Oversight Council (FSOC) based on a three-stage analytical process.

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 is expected to become effective in January 2016.

SSDMF Social Security Death Master File A database of deceased individuals, most of whom were issued a social security number during their lifetimes, maintained by the U.S. Social Security Administration.

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.

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 from acquired businesses.

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ITEM 2 / ACRONYMS

ACRONYMS

A&H Accident and Health Insurance

ABS Asset-Backed Security

CDO Collateralized Debt Obligation

CDS Credit Default Swap

CLO Collateralized Loan Obligations

CMA Capital Maintenance Agreement

CMBS Commercial Mortgage Backed Securities

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.

NAIC National Association of Insurance Commissioners

NM Not Meaningful

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

VIE Variable Interest Entity

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ITEM 3. / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Included in Part I, Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations Enterprise Risk Management.

ITEM 4. / 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 (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 AIG's management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of AIG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, AIG's Chief Executive Officer and Chief Financial Officer have concluded that AIG's disclosure controls and procedures were effective as of March 31, 2013.

There has been no change in AIG's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, AIG's internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1 / LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 10 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 factors discussed throughout Part I, Item 1A. Risk Factors in AIG's Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 4 / MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6 / EXHIBITS

See accompanying Exhibit Index.

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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/ DAVID L. HERZOG

David L. Herzog
Executive Vice President
Chief Financial Officer
Principal Financial Officer

/s/ JOSEPH D. COOK

Joseph D. Cook
Vice President Finance
Principal Accounting Officer

Dated: May 2, 2013

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Description	Location
10	Material Contracts	
	(1) American International Group, Inc. 2013 Long-Term Incentive Plan*	Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
	(2) Form of 2013 Long-Term Incentive Plan Performance Share Units Award Agreement*	Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
	(3) American International Group, Inc. Clawback Policy*	Incorporated by reference to Exhibit 10.3 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
	(4) American International Group, Inc. 2013 Short-Term Incentive Plan*	Incorporated by reference to Exhibit 10.4 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
	(5) Form of 2013 Short-Term Incentive Plan Award Letter*	Incorporated by reference to Exhibit 10.5 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
	(6) American International Group, Inc. 2012 Executive Severance Plan (as amended)*	Filed herewith.
	(7) Description of Non-Management Director Compensation*	Incorporated by reference to "Compensation of Directors" in AIG's Definitive Proxy Statement on Schedule 14A, dated April 4, 2013 (File No. 1-8787).
	(8) Description of Named Executive Officer Compensation*	Incorporated by reference to AIG's Current Report on Form 8-K filed with the SEC on April 4, 2013 (File No. 1-8787).
	(9) Side Letter, dated as of February 19, 2013, to Unconditional Capital Maintenance Agreement, dated as of March 30, 2011, between AIG and American General Life Insurance Company	Incorporated by reference to Exhibit 10.77 to AIG's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-8787).
	(10) Side Letter, dated as of February 19, 2013, to Unconditional Capital Maintenance Agreement, dated as of March 30, 2011, between AIG and The United States Life Insurance Company in the City of New York	Incorporated by reference to Exhibit 10.79 to AIG's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-8787).
	(11) Amended and Restated Unconditional Capital Maintenance Agreement, dated as of February 20, 2013, among AIG, Chartis Inc., AIU Insurance Company, American Home Assurance Company, Chartis Casualty Company, Chartis Property Casualty Company, Chartis Specialty Insurance Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., Lexington Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and The Insurance Company of the State	Incorporated by reference to Exhibit 10.80 to AIG's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-8787).

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of Pennsylvania

(12) Side Letter, dated as of February 19, 2013, to Unconditional Capital Maintenance Agreement, dated as of March 30, 2011, between AIG and The Variable Annuity Life Insurance Company

Incorporated by reference to Exhibit 10.83 to AIG's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-8787).

11 Statement re: Computation of Per Share Earnings

Included in Note 13 to the Condensed Consolidated Financial Statements.

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Exhibit Number	Description	Location
12	Computation of Ratios of Earnings to Fixed Charges	Filed herewith.
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: (i) the Condensed Consolidated Balance Sheet as of March 31, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statement of Income for the three months ended March 31, 2013 and 2012, (iii) the Condensed Consolidated Statement of Equity for the three months ended March 31, 2013, (iv) the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2013 and 2012, (v) the Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013 and 2012 and (vi) the Notes to the Condensed Consolidated Financial Statements.	Filed herewith.

* This exhibit is a management contract or compensatory plan or 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.