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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-28733

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/17 (MM/DD/YY) AND ENDING 12/31/17 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: AIG CAPITAL SERVICES, INC.

OFFICIAL USE ONLY
13158
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Harborside 5 185 Hudson Street
(No. and Street)

Jersey City	NJ	07311
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

FRANK CURRAN 201-324-6404
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers, LLP
(Name – *if individual, state last, first, middle name*)

300 Madison Avenue	New York	NY	10017
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- [x] Certified Public Accountant
- [ ] Public Accountant
- [ ] Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

**Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, FRANK CURRAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AIG CAPITAL SERVICES, INC., as of DECEMBER 31, 20 17, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

MARISSA J. TAFONE
Notary Public, State of New Jersey
No. 50018291
Qualified in Hudson County
Commission Expires June 24, 2020

Signature

CHIEF FINANCIAL OFFICER
Title

Notary Public

This report ** contains (check all applicable boxes):

- [x] (a) Facing Page.
- [x] (b) Statement of Financial Condition.
- [ ] (c) Statement of Income (Loss).
- [ ] (d) Statement of Changes in Financial Condition.
- [ ] (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- [ ] (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- [ ] (g) Computation of Net Capital.
- [ ] (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- [ ] (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- [ ] (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- [ ] (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- [x] (l) An Oath or Affirmation.
- [ ] (m) A copy of the SIPC Supplemental Report.
- [ ] (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

AIG CAPITAL SERVICES, INC.
(An indirectly wholly owned subsidiary of American International Group, Inc.)

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pwc

Report of Independent Registered Public Accounting Firm

To the Shareholder of AIG Capital Services, Inc.

Opinion on the Financial Statement – Statement of Financial Condition

We have audited the accompanying statement of financial condition of AIG Capital Services, Inc. as of December 31, 2017, including the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of this financial statement in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 27, 2018

We have served as the Company's auditor since 1990.

AIG CAPITAL SERVICES, INC.
(An indirectly wholly owned subsidiary of American International Group, Inc.)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	$ 47,563,504
Distribution and service fees receivable	7,082,735
Deferred expenses	35,741,237
Deferred income tax asset	4,142,000
Other assets	686,137
Total assets	$ 95,215,613

LIABILITIES AND SHAREHOLDER'S EQUITY

Accrued commissions payable	$ 4,929,619
Payable to affiliated companies	1,986,692
Intercompany income taxes payable	1,346,917
Deferred income tax liability	6,554,841
Other liabilities	39,441
Total liabilities	14,857,510
Commitments and Contingencies (Note 2)	
Shareholder's equity:	
Common stock, no par value; 200 shares authorized; 50 shares issued and outstanding, at stated value of $500 per share	25,000
Additional paid-in capital	196,248,095
Accumulated deficit	(115,914,992)
Total shareholder's equity	80,358,103
Total liabilities and shareholder's equity	$ 95,215,613

The accompanying notes are an integral part of this financial statement.

NOTES TO STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2017

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

AIG Capital Services, Inc. (the "Company") is a direct subsidiary of SunAmerica Asset Management, LLC (the "Parent"). The Parent is a direct subsidiary of American General Life Insurance Company ("AGL"), which is a direct subsidiary of AGC Life Insurance Company ("AGC"). AGC is a direct subsidiary of AIG Life Holdings, Inc. ("AIGLH") (formerly known as "SunAmerica Financial Group, Inc.") which is a direct subsidiary of SAFG Retirement Services, Inc. ("SAFGRS") (formerly known as "AIG Retirement Services, Inc."). SAFGRS is a direct subsidiary of American International Group, Inc. ("AIG").

The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority and conducts business as a distributor and underwriter of mutual funds, variable life insurance policies and variable annuity contracts. The Company provides mutual fund distribution services for its related retail mutual fund product line and records related distribution revenues and expenses. AGL, Variable Annuity Life Insurance Company and United States Life Insurance Company in the City of New York, affiliates of the Company are providers of variable life insurance policies and variable annuity contracts and as such these affiliates record related revenues and expenses on the insurance product offerings. ACS and the Parent acts as the sole distributor and advisor for the AIG Funds respectively.

The Company is a party to a selling agreement with VALIC Financial Advisors, Inc. (VFA), an indirect, wholly owned subsidiary of AIG, whereby VFA may offer and sell shares of mutual funds advised by the Parent, also an indirect, wholly owned subsidiary of AIG.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements requires management to make estimates and assumptions that effect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the Statements of Financial Condition and Cash Flows, the Company primarily holds its cash and cash equivalents in one cash bank account and one money market fund account. The balances at December 31, 2017 are approximately $26 million and $22 million respectively.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value of financial instruments

Fair Value Measurements, ASC 820, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial Accounting Standards Board accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standards also establish a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels:

- Level 1—Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2—Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the asset or liability being measured.
- Level 3—Valuation inputs are unobservable and significant to the fair value measurement.

The Company's money market fund investments, which are included in cash and cash equivalents on the Statement of Financial Condition, of approximately $22 million are classified within Level 1 of the hierarchy in accordance with ASC 820 as they are valued using published net asset values. The Company does not have any investments that are classified as Level 2 or Level 3.

Income taxes

The Company operates as an integral part of the operations of its Parent. It files a consolidated federal and various combined state and local income tax returns with AIG and separate tax returns with certain other states and localities. The federal income tax provision or benefit is computed on a benefit for loss basis. Under this method, the Company records income taxes on a separate return basis except that when determining the realizability of deferred income tax assets, it benefits from those assets that are realizable when considered in the context of the consolidated operations of itself and the Parent or are utilized currently by other members of the consolidated group. The Company calculates its own current and deferred state income taxes using the actual apportionment and statutory rates for states in which they are required to file on a separate basis. In states that have a unitary regime, AIG accrues and pays the taxes owed and does not allocate the provision or cash settle the expense with the members of the unitary group. Unlike for federal income tax purposes, AIG does not have state tax sharing agreements. AIG has determined that because the unitary tax expense will never be borne by the subsidiaries, the state tax unitary liability is not included in this separate company financial result.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income taxes are determined under the asset and liability method and are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates expected to apply to taxable income in the periods in which the deferred income tax liability or asset is expected to be settled or realized. The effect of tax rate changes on deferred income taxes is recognized in the income tax provision in the period that includes the enactment date. The Company provides a valuation allowance against deferred income tax assets ("DTAs") when it is more likely than not that such DTAs will not be realized as described above.

The Company recognizes tax benefits from uncertain tax positions only when tax positions meet the minimum probability threshold as defined by ASC 740, "Income Taxes," which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the financial statements. The Company's continuing practice is to recognize interest and penalties related to income tax matters as a component of the income tax provision.

Deferred expenses

The Company defers sales commissions related to the sale of mutual funds (the "Funds") which have both a 12b-1 distribution plan and a contingent deferred sales charge (CDSC) feature. These costs are amortized on a straight-line basis, adjusted for redemptions, over a period ranging from one year to six years (CDSC period), The Company has a process to evaluate impairment annually or whenever circumstances indicate an impairment may have occurred. No impairments were identified as a result of these tests for the year ended December 31, 2017. Details of the current period deferred expense activity follow below:

Beginning balance at January 1, 2017	$ 44,616,438
Add: Deferred expenses January 1, 2017 through December 31, 2017	14,408,098
Less: Amortization January 1, 2017 through December 31, 2017	(23,283,299)
Ending balance at December 31, 2017	$ 35,741,237

Ending balance at December 31, 2017 includes accumulated amortization of $44,259,012.

Distribution and service fees

12b-1 fees consist of distribution fees and service fees paid by the Funds to the Company as the distributor of the Funds' shares. These fees are accrued monthly and are computed based on the average net assets of the Funds under management.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Indemnifications (commitments and contingencies)

In the normal course of business the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of material loss to be remote.

NOTE 3 - RELATED PARTIES

The following is a summary of the significant transactions with affiliated companies as of December 31, 2017 and for the year then ended. As indicated below, the Company had significant transactions with related parties, the terms of which may not necessarily be indicative of the terms that would have existed if the Company operated as an unaffiliated entity. The Company is the principal distributor of various mutual funds and annuities managed by the Parent.

The Company has a policy whereby certain sales and marketing expenses incurred by the Parent on the Company's behalf are reimbursed by the Company. These amounts totaled $18.2 million for 2017, of which, $7.1 million have been included in deferred expenses on the Statement of Financial Condition.

Approximately $2.4 million has been earned by affiliates during the year ended December 31, 2017 for commissions and other sales and marketing costs in connection with the distribution of mutual fund shares.

As of December 31, 2017, the Company had a $2.0 million payable to affiliates recorded on the Statement of Financial Condition. The payable balance was related primarily to sales and marketing expenses paid on behalf of the Company and due to the Parent.

The Company acts as distributor of subaccounts offered within AGL's variable annuity and variable universal life products. All related broker-dealer sales commission expenses and account maintenance commission expenses incurred on the distribution of these products are maintained by AGL.

The Company participates in a consolidated federal income tax return with AIG and is subject to a tax sharing agreement. Pursuant to that agreement, the Company expects to make a payment for its 2017 accrued liability in early 2018. To the extent that its net operating losses are utilized in the consolidated return, it would receive payment for such amounts used after the filing of the 2017 federal consolidated return in 2018. It is not currently expected that any net operating losses will be used in the 2017 federal consolidated return.

NOTE 3 - RELATED PARTIES (CONT'D)

The Company benefits from services provided by employees of AGL. AGL's employees participate in various AIG-sponsored defined benefit pension and postretirement plans. AIG, as sponsor, is ultimately responsible for the maintenance of these plans in compliance with applicable laws. The Company is not directly liable for obligations under these plans; its obligation results from AIG's allocation of the Company's share of expenses from the plans based on participants' earnings for the pension plans and on estimated claims less contributions from participants for the postretirement plans.

Effective January 1, 2016, the U.S. defined benefit pension plans were frozen. Consequently, these plans are closed to new participants and current participants no longer earn benefits. However, interest credits continue to accrue on the existing cash balance accounts and participants are continuing to accrue years of service for purposes of vesting and early retirement eligibility and subsidies as they continue to be employed by AIG and its subsidiaries.

On September 29, 2017, the Financial Stability Oversight Council (Council) rescinded its determination that material financial distress at AIG could pose a threat to U.S. financial stability and as a result, AIG is no longer designated as a nonbank systemically important financial institution (nonbank SIFI). With the rescission of its designation as a nonbank SIFI, AIG is no longer subject to the consolidated supervision of the Board of Governors of the Federal Reserve System or subject to the enhanced prudential standards set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations.

On September 25, 2017, AIG announced organizational changes designed to position AIG a growing, more profitable insurer that is focused on underwriting excellence. In the fourth quarter of 2017, AIG finalized its plan to reorganize its operating model. Commercial Insurance and Consumer Insurance segments transitioned to General Insurance and Life and Retirement, respectively. AIG's core businesses include General Insurance, Life and Retirement and Other Operations. General Insurance consists of two operating segments – North America and International. Life and Retirement consists of four operating segments – Individual Retirement, Group Retirement, Life Insurance and Institutional Markets. Blackboard U.S. Holdings, Inc. (Blackboard), AIG's technology-driven subsidiary, is reported within Other Operations. AIG also reports a Legacy Portfolio consisting of run-off insurance lines and legacy investments, which are considered non-core.

Additional information on AIG is publicly available in AIG Parent's regulatory filings with the U.S. Securities and Exchange Commission ("SEC"), which can be found at www.sec.gov. Information regarding AIG Parent as described herein is qualified by regulatory filings AIG Parent files from time to time with the SEC.

NOTE 4 - INCOME TAXES

US Tax Reform

On December 22, 2017, the United States enacted Public Law 115-97, known informally as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act reduces the statutory rate of U.S. federal corporate income tax to 21%. The Tax Act enacts numerous other changes which do not materially impact AIG Capital Services, Inc. Consistent with requirements of ASC 740, Accounting for Income Taxes, we have remeasured our deferred tax assets and liabilities with reference to the statutory income tax rate of 21%. For the period ended December 31, 2017, we have recognized income tax effects of $1.6 million which are attributable to the reduction in the U.S. corporate income tax. The SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. Per SAB 118, income taxes of those aspects of the Tax Act for which accounting under ASC 740 is complete are reflected on the financial statements. There is no anticipation that the tax effects of the provisions for which no estimate can currently be determined would have a material impact on the financial position.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax reporting purposes. The significant components of the deferred tax assets and liabilities are as follows:

Deferred Tax Assets:	
Net operating loss carryforwards	$ 4,142,000
Total deferred tax assets	$ 4,142,000
Deferred Tax Liabilities:	
Deferred acquisition costs	$ 6,554,841
Total deferred tax liabilities	$ 6,554,841

The deferred income tax assets related to federal net operating loss carryforwards will begin to expire in 2028. These deferred income tax assets are considered more likely than not realizable based on the reversal of the deferred tax liability and the historical and projected earnings of the Parent. Pursuant to the tax sharing agreement, the Company receives benefit for its net operating losses utilized in the AIG consolidated federal tax return.

In addition, the Company has deferred income taxes of approximately $ 4.6 million related to state net operating loss carryforwards. Such carryforwards began to expire in 2018. The Company has concluded that it is more likely than not that deferred income tax assets related to the state net operating loss carryforwards will not be realized. Accordingly, as of December 31, 2017, the Company has a state valuation allowance of $ 3.1 million on the related deferred income tax assets. This represents a state valuation allowance decrease of $ 0.3 million from prior year.

NOTE 4 - INCOME TAXES (CONT'D)

The Company recognizes and measures its unrecognized tax benefits in accordance with authoritative guidance. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. Based on this standard, the Company has concluded it has no positions for which a reserve for unrecognized tax benefits should be established.

The Company is currently under Internal Revenue Service examination for the taxable years 2007 to 2010. Although the final outcome of possible issues raised in any future examination is uncertain, the Company believes that the ultimate liability, including interest, will not materially exceed amounts recorded in the consolidated financial statements. The Company's taxable years 2008 to 2017 remain subject to examination by state tax jurisdictions.

NOTE 5 - REGULATORY

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (the rule of the applicable exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The Company is required to maintain minimum net capital equal to the greater of $25,000 or $6^{2}/_{3}$% of aggregate indebtedness.

At December 31, 2017, the Company had net capital of $38,909,543, which was $38,356,032 in excess of its required net capital of $553,511. The ratio of aggregate indebtedness to net capital is 0.21 to 1. See Schedule I.

The Company claims exemption from the computation for determination of reserve requirements under paragraph (k)(1) of 15c3-3.

The Company claims exemption from the possession or control requirements under paragraph (k)(1) of 15c3-3.

NOTE 6 – SUBSEQUENT EVENTS

Management of the Company has performed an evaluation of subsequent events through February 27, 2018, which is the date the financial statements were available to be issued. No subsequent events were noted in management's evaluation which would require disclosure.

AIG CAPITAL SERVICES, INC.
(An indirectly wholly owned subsidiary of American International Group, Inc.)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2017