

Fixed-Interest Options

Issued and guaranteed by The Variable Annuity Life Insurance Company

SAVING : INVESTING : PLANNING

Asset quality fact sheet (as of 12/31/08)

The Fixed-Interest Options that are available through our annuities, including those paired with our mutual fund platforms, feature a highly competitive interest rate. These insurance products provide a guaranteed rate of return that protects participants from the volatility common in an uninsured bond fund. This guarantee is backed by the claims-paying ability of The Variable Annuity Life Insurance Company.

Industry analysts and rating agencies rigorously review The Variable Annuity Life Insurance Company each year to evaluate its financial condition. The subsequent ratings are consistently high over time reflecting (among other factors) the \$2.8 billion surplus maintained in the general account in excess of the approximately \$31 billion in general account policyholder liability reserves.

To ensure the safety of participant assets, our actuarial team tests multiple and varied economic scenarios to identify potential mismatches between assets and liabilities. These results are used to guide investment selections for the general account.

Fixed-Interest Options

The management strategy for the general account is intended to produce a reasonably stable and predictable return throughout the economic cycle, without undue risk or volatility. The portfolio consists principally of investment-grade corporate debt securities and highly rated mortgage-backed and asset-backed securities. In addition, a small allocation — normally 10% or less — is made to other, more volatile but potentially higher yielding investments.

General investment guidelines for the General Account

- > Investment objective: Optimize yield adjusting for credit risk, liquidity and liability characteristics
- > Investment style: Broadly diversified portfolio of U.S.-dollar-denominated, fixed-income securities with a small allocation to alternative investments
- > Eligible investments: U.S. government securities, corporate bonds, mortgage-backed securities, asset-backed securities, private placement, mortgage loans, foreign bonds, private equity, hedge funds and interest rate derivatives

General Account investment guidelines (detail)	Target range
Asset/liquidity allocation	
Liquid assets	
Public investment grade	20 - 60%
Public below-investment grade	3 - 8%
Mortgage-backed securities	15 - 30%
Commercial MBS	0 - 10%
Asset-backed securities	0 - 10%
	60 - 90%
Illiquid assets	
Private investment grade	10 - 25%
Private below-investment grade	0 - 3%
Mortgage loans	10 - 20%
Other	0 - 10%
	10 - 50%
Credit allocation	
Government	0 - 5%
Agency	10 - 25%
AAA	0 - 20%
AA	5 - 20%
A	15 - 50%
BBB	20 - 45%
<BBB	0 - 10%
Maturity allocation	
Maturities will range from 1 - 30 years with emphasis placed on intermediate maturities from 5 - 15 years.	
Effective duration	
0 - 2	0 - 20%
2 - 4	10 - 20%
4 - 6	20 - 50%
6 - 8	15 - 40%
8 - 10	0 - 10%
10 - 12	0 - 5%
12+	0 - 5%

The allocation to equities is intended to provide an economic hedge against the potential risks associated with inflation and rising interest rates, as well as the potential for superior long-term growth. Within our fixed-income credit portfolios, we conduct rigorous and thorough independent credit analyses, and follow policies of extensive diversification and active management. Portfolios of mortgage-backed securities and related asset classes are actively managed to mitigate prepayment risk.

Top Ten Holdings by issuer as of December 31, 2008	
Bank of America Corp	1.04%
Wells Fargo & Co	0.87%
Morgan Stanley	0.71%
Duisburg-DVG Leasing Trust	0.45%
American International Group	0.40%
Hartford Financial Services Group Inc	0.38%
Exxon Mobil Corp	0.34%
HSBC Holdings PLC	0.31%
Dominion Resources Inc	0.29%
Royal Bank of Scotland Group PLC	0.27%

General Account holdings details as of December 31, 2008 (bond portfolio)	
Quarter ending	12/31/08
Total fund assets (billion)	\$33.42
Average maturity years	14
Average duration years (option-adjusted)	4.5
Average life (bonds and mortgages)	7.8
Sector/quality breakdown - %	
Government	0.0%
Agency	14.8
AAA	17.5
AA	12.8
A	20.4
BBB	25.9
<BBB	8.6
Average credit rating	A+

Independent industry analyst ratings (as of March 3, 2009)	
Standard & Poor's	A+
A.M. Best Company	A
Moody's Investors Service	A1
Fitch	AA-

Total invested fixed account assets and bond portfolios (as of December 31, 2008)	
Total fixed account assets	
Bonds	68%
Mortgages	13%
Policy loans (secured by contract values)	3%
Cash and short-term investments	5%
Common and preferred stock, real estate and other investments	11%
Total bond portfolio	
U.S. Government bonds	0%
U.S. Government agency bonds	15%
ABS/CMBS/CMOs	28%
Corporate bonds	57%

The Variable Annuity Life Insurance Company's general account bond portfolio has maintained an average rating of A+, reflecting the high quality of the portfolio.

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This document applies to the following:

Policy Forms UIT-194 Series, GFUA-398, GFA-504, IFA-406, SRA-1004, FLEX 5-8005, FLEX 7-8008, A201-05, IFA-608, MBIFA-1007, SPIA-405, GUP-64/74, IFA-572, GFA-572, UIT-981/UITG-981, UIT-585, IMM-86, and other policy forms no longer actively sold by The Variable Annuity Life Insurance Company.

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