

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

June 30, 2010

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	June 30, 2010	December 31, 2009
	<u> </u>	<u> </u>
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 13,268,670	\$ 10,704,131
Held for investment, at amortized cost	761,206	1,635,083
Equity securities, available for sale, at fair value	85,631	93,086
Mortgage loans on real estate	2,524,332	2,449,778
Derivative instruments	191,411	479,272
Short term investments	449,797	–
Other investments	16,965	12,760
Total investments	<u>17,298,012</u>	<u>15,374,110</u>
Cash and cash equivalents	845,375	528,002
Coinsurance deposits	2,451,516	2,237,740
Accrued investment income	113,021	113,658
Deferred policy acquisition costs	1,565,899	1,625,785
Deferred sales inducements	1,026,129	1,011,449
Deferred income taxes	76,878	85,661
Income taxes recoverable	–	103,684
Other assets	44,184	231,915
Total assets	<u>\$ 23,421,014</u>	<u>\$ 21,312,004</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 20,924,162	\$ 19,336,221
Other policy funds and contract claims	154,170	119,403
Notes payable	313,079	316,468
Subordinated debentures	268,360	268,347
Income taxes payable	14,583	–
Other liabilities	828,191	516,942
Total liabilities	<u>22,502,545</u>	<u>20,557,381</u>
Stockholders' equity:		
Common stock	56,581	56,203
Additional paid-in capital	427,899	422,225
Unallocated common stock held by ESOP	(5,358)	(5,679)
Accumulated other comprehensive income (loss)	113,649	(30,456)
Retained earnings	325,698	312,330
Total stockholders' equity	<u>918,469</u>	<u>754,623</u>
Total liabilities and stockholders' equity	<u>\$ 23,421,014</u>	<u>\$ 21,312,004</u>

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Traditional life and accident and health insurance premiums	\$ 2,643	\$ 2,867	\$ 5,930	\$ 6,353
Annuity product charges	18,617	16,615	34,135	31,666
Net investment income	254,845	226,803	497,755	447,457
Change in fair value of derivatives	(208,737)	30,494	(126,722)	(13,329)
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	1,063	4,317	10,966	5,077
OTTI losses on investments:				
Total OTTI losses	(1,603)	(22,061)	(14,187)	(77,452)
Portion of OTTI losses recognized in other comprehensive income	785	16,418	10,146	58,371
Net OTTI losses recognized in operations	(818)	(5,643)	(4,041)	(19,081)
Gain (loss) on retirement of debt	(292)	3,098	(292)	3,098
Total revenues	<u>67,321</u>	<u>278,551</u>	<u>417,731</u>	<u>461,241</u>
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	2,169	1,974	4,501	4,173
Interest sensitive and index product benefits	228,818	71,977	425,687	131,740
Amortization of deferred sales inducements	3,243	12,184	16,332	25,895
Change in fair value of embedded derivatives	(190,211)	140,716	(126,336)	154,899
Interest expense on notes payable	4,673	3,642	9,324	7,918
Interest expense on subordinated debentures	3,716	4,029	7,401	8,237
Interest expense on amounts due under repurchase agreements	–	2	–	244
Amortization of deferred policy acquisition costs	917	13,266	28,185	47,910
Other operating costs and expenses	16,702	16,880	32,687	31,344
Total benefits and expenses	<u>70,027</u>	<u>264,670</u>	<u>397,781</u>	<u>412,360</u>
Income (loss) before income taxes	(2,706)	13,881	19,950	48,881
Income tax expense (benefit)	(1,202)	4,869	6,569	13,394
Net income (loss)	<u>\$ (1,504)</u>	<u>\$ 9,012</u>	<u>\$ 13,381</u>	<u>\$ 35,487</u>
Earnings (loss) per common share	\$ (0.03)	\$ 0.16	\$ 0.23	\$ 0.66
Earnings (loss) per common share - assuming dilution (a)	\$ (0.03)	\$ 0.16	\$ 0.23	\$ 0.63
Weighted average common shares outstanding (in thousands):				
Earnings per common share	58,427	55,336	58,326	54,157
Earnings per common share - assuming dilution	61,592	58,105	61,365	56,909

(a) The numerator for earnings per common share - assuming dilution is equal to net income plus the after tax cost of interest on convertible subordinated debentures issued to a subsidiary trust. The after tax cost of such interest was \$259 for the three months ended June 30, 2010 and June 30, 2009 and \$518 for the six months ended June 30, 2010 and June 30, 2009.

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Operating Income
Six months ended June 30, 2010 (Unaudited)

	As Reported	Adjustments		Operating Income (a)
		Realized Gains and Convertible Debt	Derivatives and Other Index Annuity	
(Dollars in thousands, except per share data)				
Revenues:				
Traditional life and accident and health insurance premiums	\$ 5,930	\$ –	\$ –	\$ 5,930
Annuity product charges	34,135	–	–	34,135
Net investment income	497,755	–	–	497,755
Change in fair value of derivatives	(126,722)	–	284,799	158,077
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	10,966	(10,966)	–	–
Net OTTI losses recognized in operations	(4,041)	4,041	–	–
Gain (loss) on retirement of debt	(292)	292	–	–
Total revenues	417,731	(6,633)	284,799	695,897
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	4,501	–	–	4,501
Interest sensitive and index product benefits	425,687	–	(6,072)	419,615
Amortization of deferred sales inducements	16,332	(1,468)	32,413	47,277
Change in fair value of embedded derivatives	(126,336)	–	126,336	–
Interest expense on notes payable	9,324	–	–	9,324
Interest expense on subordinated debentures	7,401	–	–	7,401
Amortization of deferred policy acquisition costs	28,185	(1,805)	64,212	90,592
Other operating costs and expenses	32,687	–	–	32,687
Total benefits and expenses	397,781	(3,273)	216,889	611,397
Income before income taxes	19,950	(3,360)	67,910	84,500
Income tax expense	6,569	(1,173)	24,113	29,509
Net income	\$ 13,381	\$ (2,187)	\$ 43,797	\$ 54,991
Earnings per common share	\$ 0.23			\$ 0.94
Earnings per common share – assuming dilution	\$ 0.23			\$ 0.90

(a) In addition to net income, we have consistently utilized operating income, operating income per common share and operating income per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate our financial performance. Operating income equals net income adjusted to eliminate the impact of net realized gains and losses on investments including net OTTI losses recognized in operations, gain (loss) on retirement of debt and fair value changes in derivatives and embedded derivatives. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income, provides information that may enhance an investor’s understanding of our underlying results and profitability.

Change in fair value of derivatives:				
Proceeds received at expiration	\$ 280,260		\$ –	\$ 280,260
Cost of money for fixed index annuities	(120,935)		–	(120,935)
Change in the difference between fair value and remaining option cost at beginning and end of period	(286,047)		284,799	(1,248)
	<u>\$ (126,722)</u>		<u>\$ 284,799</u>	<u>\$ 158,077</u>
Index credits included in interest credited to account balances	<u>\$ 295,532</u>			<u>\$ 295,532</u>

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Operating Income
Three months ended June 30, 2010 (Unaudited)

	As Reported	Adjustments		Operating Income (a)
		Realized Gains and Convertible Debt	Derivatives and Other Index Annuity	
(Dollars in thousands, except per share data)				
Revenues:				
Traditional life and accident and health insurance premiums	\$ 2,643	\$ –	\$ –	\$ 2,643
Annuity product charges	18,617	–	–	18,617
Net investment income	254,845	–	–	254,845
Change in fair value of derivatives	(208,737)	–	300,043	91,306
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	1,063	(1,063)	–	–
Net OTTI losses recognized in operations	(818)	818	–	–
Gain (loss) on retirement of debt	(292)	292	–	–
Total revenues	<u>67,321</u>	<u>47</u>	<u>300,043</u>	<u>367,411</u>
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	2,169	–	–	2,169
Interest sensitive and index product benefits	228,818	–	(4,487)	224,331
Amortization of deferred sales inducements	3,243	(208)	21,468	24,503
Change in fair value of embedded derivatives	(190,211)	–	190,211	–
Interest expense on notes payable	4,673	–	–	4,673
Interest expense on subordinated debentures	3,716	–	–	3,716
Amortization of deferred policy acquisition costs	917	(55)	45,555	46,417
Other operating costs and expenses	16,702	–	–	16,702
Total benefits and expenses	<u>70,027</u>	<u>(263)</u>	<u>252,747</u>	<u>322,511</u>
Income (loss) before income taxes	(2,706)	310	47,296	44,900
Income tax expense (benefit)	(1,202)	128	16,766	15,692
Net income (loss)	<u>\$ (1,504)</u>	<u>\$ 182</u>	<u>\$ 30,530</u>	<u>\$ 29,208</u>
Earnings (loss) per common share	\$ (0.03)			\$ 0.50
Earnings (loss) per common share – assuming dilution	\$ (0.03)			\$ 0.48

(a) In addition to net income (loss), we have consistently utilized operating income, operating income per common share and operating income per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate our financial performance. Operating income equals net income (loss) adjusted to eliminate the impact of net realized gains and losses on investments including net OTTI losses recognized in operations, gain (loss) on retirement of debt and fair value changes in derivatives and embedded derivatives. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income, provides information that may enhance an investor’s understanding of our underlying results and profitability.

Change in fair value of derivatives:				
Proceeds received at expiration	\$ 154,416		\$ –	\$ 154,416
Cost of money for fixed index annuities	(62,494)		–	(62,494)
Change in the difference between fair value and remaining option cost at beginning and end of period	(300,659)		300,043	(616)
	<u>\$ (208,737)</u>		<u>\$ 300,043</u>	<u>\$ 91,306</u>
Index credits included in interest credited to account balances	<u>\$ 161,974</u>			<u>\$ 161,974</u>

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Operating Income/Net Income
Quarterly Summary – Most Recent 5 Quarters (Unaudited)

	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>
	(Dollars in thousands, except per share data)				
Revenues:					
Traditional life and accident and health insurance premiums	\$ 2,643	\$ 3,287	\$ 3,135	\$ 3,166	\$ 2,867
Annuity product charges	18,617	15,518	15,857	15,835	16,615
Net investment income	254,845	242,910	243,244	241,471	226,803
Change in fair value of derivatives	91,306	66,771	6,597	(56,805)	(53,476)
Total revenues	<u>367,411</u>	<u>328,486</u>	<u>268,833</u>	<u>203,667</u>	<u>192,809</u>
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits	2,169	2,332	1,979	2,737	1,974
Interest sensitive and index product benefits	224,331	195,284	140,704	74,697	76,515
Amortization of deferred sales inducements	24,503	22,774	20,772	20,209	17,986
Interest expense on notes payable	4,673	4,651	3,565	3,370	3,642
Interest expense on subordinated debentures	3,716	3,685	3,741	3,841	4,029
Interest expense on amounts due under repurchase agreements	–	–	190	100	2
Amortization of deferred policy acquisition costs	46,417	44,175	41,732	41,472	39,231
Other operating costs and expenses	16,702	15,985	11,950	13,961	16,380
Total benefits and expenses	<u>322,511</u>	<u>288,886</u>	<u>224,633</u>	<u>160,387</u>	<u>159,759</u>
Operating income before income taxes	44,900	39,600	44,200	43,280	33,050
Income tax expense	<u>15,692</u>	<u>13,817</u>	<u>15,486</u>	<u>15,127</u>	<u>11,471</u>
Operating income (a)	29,208	25,783	28,714	28,153	21,579
Net realized gains and net OTTI losses on investments, net of offsets	(11)	2,369	12,293	(11,491)	(141)
Convertible debt retirement, net of income taxes	(171)	–	(2,207)	–	1,520
Net effect of derivatives and other index annuity, net of offsets	<u>(30,530)</u>	<u>(13,267)</u>	<u>(2,779)</u>	<u>(19,640)</u>	<u>(13,946)</u>
Net income (loss)	<u>\$ (1,504)</u>	<u>\$ 14,885</u>	<u>\$ 36,021</u>	<u>\$ (2,978)</u>	<u>\$ 9,012</u>
Operating income per common share (a)	\$ 0.50	\$ 0.44	\$ 0.49	\$ 0.49	\$ 0.39
Operating income per common share – assuming dilution (a)	\$ 0.48	\$ 0.43	\$ 0.48	\$ 0.47	\$ 0.38
Earnings (loss) per common share	\$ (0.03)	\$ 0.26	\$ 0.62	\$ (0.05)	\$ 0.16
Earnings (loss) per common share – assuming dilution	\$ (0.03)	\$ 0.25	\$ 0.60	\$ (0.05)	\$ 0.16
Weighted average common shares outstanding (in thousands):					
Earnings (loss) per common share	58,427	58,225	58,143	58,030	55,336
Earnings (loss) per common share - assuming dilution	61,592	61,138	60,946	60,833	58,105

(a) In addition to net income (loss), we have consistently utilized operating income, operating income per common share and operating income per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate our financial performance. Operating income equals net income (loss) adjusted to eliminate the impact of net realized gains and losses on investments including net OTTI losses recognized in operations and related deferred tax valuation allowance, gain (loss) on retirement of debt, fair value changes in derivatives and embedded derivatives and the Lehman counterparty default on expired call options. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income (loss), provides information that may enhance an investor's understanding of our underlying results and profitability.

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Capitalization/ Book Value per Share

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(Dollars in thousands, except per share data)	
Capitalization:		
Notes payable	\$ 313,079	\$ 316,468
Subordinated debentures payable to subsidiary trusts	<u>268,360</u>	<u>268,347</u>
Total debt	581,439	584,815
Total stockholders' equity	<u>918,469</u>	<u>754,623</u>
Total capitalization	1,499,908	1,339,438
Accumulated other comprehensive (income) loss (AOCL)	<u>(113,649)</u>	<u>30,456</u>
Total capitalization excluding AOCL (a)	<u>\$ 1,386,259</u>	<u>\$ 1,369,894</u>
Total stockholders' equity	\$ 918,469	\$ 754,623
Accumulated other comprehensive (income) loss	<u>(113,649)</u>	<u>30,456</u>
Total stockholders' equity excluding AOCL (a)	<u>\$ 804,820</u>	<u>\$ 785,079</u>
Common shares outstanding (b)	57,939,789	57,698,687
Book Value per Share: (c)		
Book value per share including AOCL	\$ 15.85	\$ 13.08
Book value per share excluding AOCL (a)	\$ 13.89	\$ 13.61
Debt-to-Capital Ratios: (d)		
Senior debt / Total capitalization	22.6%	23.1%
Adjusted debt / Total capitalization	26.9%	27.7%

- (a) Total capitalization, total stockholders' equity and book value per share excluding AOCL, non-GAAP financial measures, are based on stockholders' equity excluding the effect of AOCL. Since AOCL fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments, we believe these non-GAAP financial measures provide useful supplemental information.
- (b) Common shares outstanding include shares held by the NMO Deferred Compensation Trust: 2010 - 1,855,835 shares; 2009 - 2,022,800 shares and exclude unallocated shares held by ESOP: 2010 - 497,527 shares; 2009 - 527,272 shares.
- (c) Book value per share including and excluding AOCL is calculated as total stockholders' equity and total stockholders' equity excluding AOCL divided by the total number of shares of common stock outstanding.
- (d) Debt-to-capital ratios are computed using total capitalization excluding AOCL. Adjusted debt includes notes payable and the portion of the total subordinated debentures payable to subsidiary trusts outstanding (qualifying trust preferred securities) that exceeds 15% of total capitalization including AOCL.

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Annuity Deposits by Product Type

Product Type	Six Months Ended June 30,		Year Ended December 31,
	2010	2009	2009
	(Dollars in thousands)		
Fixed Index Annuities:			
Index Strategies	\$ 948,362	\$ 729,142	\$ 1,535,477
Fixed Strategy	704,230	980,892	1,849,833
	<u>1,652,592</u>	<u>1,710,034</u>	<u>3,385,310</u>
Fixed Rate Annuities:			
Single-Year Rate Guaranteed	115,165	39,416	113,511
Multi-Year Rate Guaranteed	125,885	48,181	178,737
	<u>241,050</u>	<u>87,597</u>	<u>292,248</u>
Total before coinsurance ceded	1,893,642	1,797,631	3,677,558
Coinsurance ceded	<u>259,072</u>	<u>589</u>	<u>749,260</u>
Net after coinsurance ceded	<u>\$ 1,634,570</u>	<u>\$ 1,797,042</u>	<u>\$ 2,928,298</u>

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of coinsurance) Account Values at June 30, 2010

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	14.3	10.9	15.8%	\$16,209,698	90.3%
Single-Year Fixed Rate Guaranteed Annuities	10.9	4.4	7.1%	1,273,741	7.1%
Multi-Year Fixed Rate Guaranteed Annuities	6.8	2.2	4.9%	<u>469,090</u>	<u>2.6%</u>
Total	13.9	10.2	14.9%	<u>\$17,952,529</u>	<u>100.0%</u>

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
	(Dollars in thousands)	
<u>SURRENDER CHARGE PERCENTAGES (1):</u>		
No surrender charge	\$ 326,711	\$ 300,645
0.0% < 2.0%	43,687	66,655
2.0% < 3.0%	73,114	91,703
3.0% < 4.0%	44,138	112,280
4.0% < 5.0%	174,761	340,082
5.0% < 6.0%	62,058	358,030
6.0% < 7.0%	240,847	329,431
7.0% < 8.0%	69,188	262,198
8.0% < 9.0%	136,936	231,268
9.0% < 10.0%	201,444	283,368
10.0% or greater	369,947	13,834,038
	<u>\$ 1,742,831</u>	<u>\$ 16,209,698</u>
	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
	(Dollars in thousands)	
<u>SURRENDER CHARGE EXPIRATION BY YEAR</u>		
Out of Surrender Charge	\$ 611,391	0.00%
2010	139,851	2.42%
2011	286,438	3.11%
2012	435,676	4.49%
2013	601,805	5.22%
2014	635,140	6.38%
2015	607,811	8.11%
2016	764,376	9.43%
2017	927,274	10.54%
2018	896,296	12.69%
2019	650,741	13.18%
2020	696,945	13.88%
2021	624,724	15.32%
2022	1,125,633	17.50%
2023	4,063,057	19.71%
2024	2,938,170	19.52%
2025	1,230,065	19.69%
2026	708,484	19.99%
2027	8,652	20.00%
	<u>\$ 17,952,529</u>	14.88%

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Annuity Liability Characteristics

	<u>Fixed Annuities Account Value</u>	<u>Fixed Index Annuities Account Value</u>
	(Dollars in thousands)	
<u>APPLICABLE GUARANTEE PERIOD:</u>		
Annual reset (2)	\$ 1,559,932	\$ 16,184,018
Multi-year (3 - 7 years)	182,899	25,680
	<u>\$ 1,742,831</u>	<u>\$ 16,209,698</u>
 <u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u>		
2.00%	\$ 210,262	\$ 1,161
2.20%	4,317	77,823
2.25%	–	3,777,210
2.25% (3)	200,338	1,009,222
3.00%	1,260,177	10,763,339
3.50% (4)	–	580,943
4.00%	67,737	–
	<u>\$ 1,742,831</u>	<u>\$ 16,209,698</u>
 <u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (5) (6):</u>		
No differential	\$ 64,219	\$ 34,077
> 0.0% - 0.5%	1,078,493	4,279,516
> 0.5% - 1.0%	324,279	2,141,867
> 1.0% - 1.5%	107,817	47,432
> 1.5% - 2.0%	101,218	3
> 2.0% - 2.5%	22,726	–
> 2.5% - 3.0%	43,579	–
Greater than 3.0%	500	–
Index strategies	–	9,706,803
	<u>\$ 1,742,831</u>	<u>\$ 16,209,698</u>

- (1) In addition, \$960,572 (55%) of the Fixed Annuities Account Value have market value adjustment protection.
- (2) The contract features for substantially all of the Fixed Index Annuities Account Value provide for the annual reset of contractual features that effect the cost of money. The contract features for less than .5% of the Fixed Index Annuities Account Value are reset every two years.
- (3) Products have a guarantee of 2.25% for the first 10 years, and 3.00% thereafter.
- (4) Rates applicable to the minimum guaranteed surrender value are 3.50% for the first 5 years, and 3.00% thereafter (applied to less than 100% of the annuity deposits received). Minimum guaranteed rates for amounts allocated to the fixed rate strategy are 2.25% for the first 10 years, and 3.00% thereafter.
- (5) Recent issues may contain bonus interest rates ranging from 1.0% to 3.0%.
- (6) Includes products with multi-year guarantees for which the credited rate cannot be decreased to the ultimate minimum guaranteed rate until the end of the multi-year period. The weighted average differential between the current credited rate and the ultimate minimum guaranteed rate on the multi-year guarantee fixed annuity account values was approximately 179 basis points.

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Spread Results

	Six Months Ended June 30,		Year Ended December 31,
	2010	2009	2009
Average yield on invested assets	6.14%	6.29%	6.30%
Cost of money:			
Aggregate	2.93%	3.31%	3.26%
Cost of money for fixed index annuities	2.87%	3.30%	3.24%
Average crediting rate for fixed rate annuities:			
Annually adjustable	3.26%	3.26%	3.26%
Multi-year rate guaranteed	3.76%	3.89%	3.88%
Investment spread:			
Aggregate	3.21%	2.98%	3.04%
Fixed index annuities	3.27%	2.99%	3.06%
Fixed rate annuities:			
Annually adjustable	2.88%	3.03%	3.04%
Multi-year rate guaranteed	2.38%	2.40%	2.42%

Summary of Invested Assets

	June 30, 2010		December 31, 2009	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturity securities:				
United States Government full faith and credit	\$ 3,583	–	\$ 3,310	–
United States Government sponsored agencies	5,656,367	32.7%	5,557,971	36.2%
United States municipalities, states and territories	839,692	4.9%	355,634	2.3%
Corporate securities	4,912,349	28.4%	3,933,198	25.6%
Residential mortgage backed securities	2,617,885	15.1%	2,489,101	16.2%
Total fixed maturity securities	14,029,876	81.1%	12,339,214	80.3%
Equity securities	85,631	0.5%	93,086	0.6%
Mortgage loans on real estate	2,524,332	14.6%	2,449,778	15.9%
Derivative instruments	191,411	1.1%	479,272	3.1%
Short term investments	449,797	2.6%	–	–
Other investments	16,965	0.1%	12,760	0.1%
	\$ 17,298,012	100.0%	\$ 15,374,110	100.0%

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Credit Quality of Fixed Maturity Securities - June 30, 2010

<u>NAIC Designation</u>	<u>Carrying Amount</u> (Dollars in thousands)	<u>Percent</u>	<u>Rating Agency Rating</u>	<u>Carrying Amount</u> (Dollars in thousands)	<u>Percent</u>
1	\$ 10,602,283	75.5%	Aaa/Aa/A	\$ 9,935,802	70.9%
2	3,063,421	21.8%	Baa	2,769,297	19.7%
3	325,016	2.3%	Ba	343,487	2.4%
4	23,910	0.2%	B	98,149	0.7%
5	8,325	0.1%	Caa and lower	876,220	6.2%
6	6,921	0.1%	In or near default	6,921	0.1%
	<u>\$ 14,029,876</u>	<u>100.0%</u>		<u>\$ 14,029,876</u>	<u>100.0%</u>

Watch List Securities - June 30, 2010

<u>General Description</u>	<u>Amortized Cost</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Months Below Amortized Cost</u>
Corporate bonds:				
Finance, insurance and real estate companies	\$ 10,984	\$ (2,522)	\$ 8,462	26 - 39
U.S. retail company	10,484	(1,746)	8,738	59 - 61
	<u>\$ 21,468</u>	<u>\$ (4,268)</u>	<u>\$ 17,200</u>	

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Summary of Residential Mortgage Backed Securities

<u>Collateral Type</u>	<u>NAIC Designation</u>	<u>Principal Amount</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
(Dollars in thousands)				
OTTI has not been recognized				
Government agency	1	\$ 68,223	\$ 67,492	\$ 74,442
Prime	1	1,723,416	1,619,632	1,648,712
	2	106,797	106,389	97,022
	3	21,474	21,140	13,898
Alt-A	1	14,110	12,819	10,599
	2	46,456	47,264	38,381
		<u>\$ 1,980,476</u>	<u>\$ 1,874,736</u>	<u>\$ 1,883,054</u>
OTTI has been recognized				
Prime	1	\$ 229,734	\$ 208,447	\$ 177,581
	2	195,908	186,514	146,159
	3	69,651	66,589	54,332
Alt-A	1	272,064	234,292	193,977
	2	164,235	141,783	113,135
	3	73,583	61,817	46,892
	6	5,080	4,409	2,755
		<u>\$ 1,010,255</u>	<u>\$ 903,851</u>	<u>\$ 734,831</u>
Total by collateral type				
Government agency		\$ 68,223	\$ 67,492	\$ 74,442
Prime		2,346,980	2,208,711	2,137,704
Alt-A		575,528	502,384	405,739
		<u>\$ 2,990,731</u>	<u>\$ 2,778,587</u>	<u>\$ 2,617,885</u>
Total by NAIC designation				
	1	\$ 2,307,547	\$ 2,142,682	\$ 2,105,311
	2	513,396	481,950	394,697
	3	164,708	149,546	115,122
	6	5,080	4,409	2,755
		<u>\$ 2,990,731</u>	<u>\$ 2,778,587</u>	<u>\$ 2,617,885</u>

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Mortgage Loans by Region and Property Type

	<u>June 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Carrying Amount</u>	<u>Percent</u>	<u>Carrying Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
Geographic distribution				
East	\$ 573,476	22.8%	\$ 555,294	22.7%
Middle Atlantic	169,462	6.7%	168,246	6.9%
Mountain	401,447	15.9%	388,940	15.9%
New England	43,609	1.7%	44,541	1.8%
Pacific	230,531	9.1%	216,382	8.8%
South Atlantic	498,355	19.7%	463,773	18.9%
West North Central	409,139	16.2%	410,883	16.8%
West South Central	199,413	7.9%	201,719	8.2%
	<u>\$ 2,525,432</u>	<u>100.0%</u>	<u>\$ 2,449,778</u>	<u>100.0%</u>
Loan loss allowance	(1,100)		–	
	<u>\$ 2,524,332</u>		<u>\$ 2,449,778</u>	
Property type distribution				
Office	\$ 673,362	26.6%	\$ 664,397	27.1%
Medical Office	159,434	6.3%	145,390	5.9%
Retail	582,467	23.1%	564,023	23.0%
Industrial/Warehouse	620,604	24.6%	606,317	24.8%
Hotel	148,999	5.9%	155,594	6.4%
Apartments	128,158	5.1%	122,854	5.0%
Mixed use/other	212,408	8.4%	191,203	7.8%
	<u>\$ 2,525,432</u>	<u>100.0%</u>	<u>\$ 2,449,778</u>	<u>100.0%</u>
Loan loss allowance	(1,100)		–	
	<u>\$ 2,524,332</u>		<u>\$ 2,449,778</u>	

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Shareholder Information

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John M. Matovina, Vice Chairman, Chief Financial Officer and Treasurer
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Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend Declared</u>
2010				
First Quarter	\$10.99	\$6.65	\$10.65	\$0.00
Second Quarter	\$11.64	\$8.53	\$10.32	\$0.00
2009				
First Quarter	\$7.40	\$2.96	\$4.16	\$0.00
Second Quarter	\$8.86	\$4.01	\$5.58	\$0.00
Third Quarter	\$8.65	\$5.24	\$7.02	\$0.00
Fourth Quarter	\$8.40	\$6.10	\$7.44	\$0.08
2008				
First Quarter	\$10.21	\$6.82	\$9.28	\$0.00
Second Quarter	\$11.63	\$7.61	\$8.15	\$0.00
Third Quarter	\$10.75	\$7.27	\$7.50	\$0.00
Fourth Quarter	\$7.75	\$3.65	\$7.00	\$0.07

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Annual Report and Other Information:

Shareholders may receive when available, without charge, a copy of American Equity's Annual Report, SEC filings and/or press releases by calling Julie L. LaFollette, Investor Relations, at (515) 273-3602 or by visiting our web site at www.american-equity.com.

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