

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
**Financial Supplement**

**September 30, 2010**

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

	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets</b>		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 14,648,448	\$ 10,704,131
Held for investment, at amortized cost	289,953	1,635,083
Equity securities, available for sale, at fair value	82,172	93,086
Mortgage loans on real estate	2,528,459	2,449,778
Derivative instruments	283,920	479,272
Short term investments	599,961	–
Other investments	19,810	12,760
Total investments	<u>18,452,723</u>	<u>15,374,110</u>
Cash and cash equivalents	664,519	528,002
Coinsurance deposits	2,566,228	2,237,740
Accrued investment income	148,512	113,658
Deferred policy acquisition costs	1,522,972	1,625,785
Deferred sales inducements	1,042,276	1,011,449
Deferred income taxes	61,420	85,661
Income taxes recoverable	7,760	103,684
Other assets	102,015	231,915
Total assets	<u>\$ 24,568,425</u>	<u>\$ 21,312,004</u>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Policy benefit reserves	\$ 22,125,981	\$ 19,336,221
Other policy funds and contract claims	183,948	119,403
Notes payable	327,740	316,468
Subordinated debentures	268,397	268,347
Other liabilities	615,970	516,942
Total liabilities	<u>23,522,036</u>	<u>20,557,381</u>
Stockholders' equity:		
Common stock	56,693	56,203
Additional paid-in capital	446,895	422,225
Unallocated common stock held by ESOP	(5,195)	(5,679)
Accumulated other comprehensive income (loss)	201,771	(30,456)
Retained earnings	346,225	312,330
Total stockholders' equity	<u>1,046,389</u>	<u>754,623</u>
Total liabilities and stockholders' equity	<u>\$ 24,568,425</u>	<u>\$ 21,312,004</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 3,181	\$ 3,166	\$ 9,111	\$ 9,519
Annuity product charges	18,538	15,835	52,673	47,501
Net investment income	260,475	241,471	758,230	688,928
Change in fair value of derivatives	93,980	121,507	(32,742)	108,178
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	11,298	5,510	22,264	10,587
OTTI losses on investments:				
Total OTTI losses	(2,160)	(94,216)	(16,347)	(171,668)
Portion of OTTI losses recognized in other comprehensive income	(1,830)	49,641	8,316	108,012
Net OTTI losses recognized in operations	(3,990)	(44,575)	(8,031)	(63,656)
Gain (loss) on extinguishment of debt	–	–	(292)	3,098
Total revenues	383,482	342,914	801,213	804,155
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	2,128	2,737	6,629	6,910
Interest sensitive and index product benefits	159,155	75,288	584,842	207,028
Amortization of deferred sales inducements	5,184	(8,081)	21,516	17,814
Change in fair value of embedded derivatives	114,823	259,737	(11,513)	414,636
Interest expense on notes payable	4,940	3,370	14,264	11,288
Interest expense on subordinated debentures	3,805	3,841	11,206	12,078
Interest expense on amounts due under repurchase agreements	–	100	–	344
Amortization of deferred policy acquisition costs	45,795	(2,972)	73,980	44,938
Other operating costs and expenses	16,213	13,961	48,900	45,305
Total benefits and expenses	352,043	347,981	749,824	760,341
Income (loss) before income taxes	31,439	(5,067)	51,389	43,814
Income tax expense (benefit)	10,925	(2,089)	17,494	11,305
Net income (loss)	\$ 20,514	\$ (2,978)	\$ 33,895	\$ 32,509
Earnings (loss) per common share	\$ 0.35	\$ (0.05)	\$ 0.58	\$ 0.59
Earnings (loss) per common share - assuming dilution (a)	\$ 0.33	\$ (0.05)	\$ 0.56	\$ 0.57
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	58,564	58,030	58,422	55,462
Earnings (loss) per common share - assuming dilution	62,498	60,833	62,246	58,231

(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 \$258 for the three months ended September 30, 2010, \$259 for the three months ended September 30, 2009, \$776 for the nine months ended September 30, 2010 and \$777 for the nine months ended September 30, 2009.

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**Operating Income**  
**Nine months ended September 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)				
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 9,111	\$ –	\$ –	\$ 9,111
Annuity product charges	52,673	–	–	52,673
Net investment income	758,230	–	–	758,230
Change in fair value of derivatives	(32,742)	–	207,914	175,172
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	22,264	(22,264)	–	–
Net OTTI losses recognized in operations	(8,031)	8,031	–	–
Gain (loss) on extinguishment of debt	(292)	292	–	–
Total revenues	801,213	(13,941)	207,914	995,186
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	6,629	–	–	6,629
Interest sensitive and index product benefits	584,842	–	(9,560)	575,282
Amortization of deferred sales inducements	21,516	(3,459)	54,162	72,219
Change in fair value of embedded derivatives	(11,513)	–	12,996	1,483
Interest expense on notes payable	14,264	–	–	14,264
Interest expense on subordinated debentures	11,206	–	–	11,206
Amortization of deferred policy acquisition costs	73,980	(4,100)	68,466	138,346
Other operating costs and expenses	48,900	–	–	48,900
Total benefits and expenses	749,824	(7,559)	126,064	868,329
Income before income taxes	51,389	(6,382)	81,850	126,857
Income tax expense	17,494	(2,245)	29,055	44,304
Net income	\$ 33,895	\$ (4,137)	\$ 52,795	\$ 82,553
Earnings per common share	\$ 0.58			\$ 1.41
Earnings per common share – assuming dilution	\$ 0.56			\$ 1.34

(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 extinguishment 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	\$ 364,274	\$ –	\$ 364,274
Cost of money for fixed index annuities	(188,728)	–	(188,728)
Change in the difference between fair value and remaining option cost at beginning and end of period	(208,288)	207,914	(374)
	<u>\$ (32,742)</u>	<u>\$ 207,914</u>	<u>\$ 175,172</u>
Index credits included in interest credited to account balances	<u>\$ 381,425</u>		<u>\$ 381,425</u>

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**Operating Income**  
**Three months ended September 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)				
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 3,181	\$ –	\$ –	\$ 3,181
Annuity product charges	18,538	–	–	18,538
Net investment income	260,475	–	–	260,475
Change in fair value of derivatives	93,980	–	(76,885)	17,095
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	11,298	(11,298)	–	–
Net OTTI losses recognized in operations	(3,990)	3,990	–	–
Total revenues	<u>383,482</u>	<u>(7,308)</u>	<u>(76,885)</u>	<u>299,289</u>
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	2,128	–	–	2,128
Interest sensitive and index product benefits	159,155	–	(3,488)	155,667
Amortization of deferred sales inducements	5,184	(1,991)	21,749	24,942
Change in fair value of embedded derivatives	114,823	–	(113,340)	1,483
Interest expense on notes payable	4,940	–	–	4,940
Interest expense on subordinated debentures	3,805	–	–	3,805
Amortization of deferred policy acquisition costs	45,795	(2,295)	4,254	47,754
Other operating costs and expenses	16,213	–	–	16,213
Total benefits and expenses	<u>352,043</u>	<u>(4,286)</u>	<u>(90,825)</u>	<u>256,932</u>
Income before income taxes	31,439	(3,022)	13,940	42,357
Income tax expense	10,925	(1,072)	4,942	14,795
Net income	<u>\$ 20,514</u>	<u>\$ (1,950)</u>	<u>\$ 8,998</u>	<u>\$ 27,562</u>
Earnings per common share	\$ 0.35			\$ 0.47
Earnings per common share – assuming dilution	\$ 0.33			\$ 0.45

(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 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	\$ 84,014	\$ –	\$ 84,014
Cost of money for fixed index annuities	(67,793)	–	(67,793)
Change in the difference between fair value and remaining option cost at beginning and end of period	<u>77,759</u>	<u>(76,885)</u>	<u>874</u>
	<u>\$ 93,980</u>	<u>\$ (76,885)</u>	<u>\$ 17,095</u>
Index credits included in interest credited to account balances	<u>\$ 85,893</u>		<u>\$ 85,893</u>

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

	<u>Q3 2010</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>
	(Dollars in thousands, except per share data)				
<b>Revenues:</b>					
Traditional life and accident and health insurance premiums	\$ 3,181	\$ 2,643	\$ 3,287	\$ 3,135	\$ 3,166
Annuity product charges	18,538	18,617	15,518	15,857	15,835
Net investment income	260,475	254,845	242,910	243,244	241,471
Change in fair value of derivatives	17,095	91,306	66,771	6,597	(56,805)
Total revenues	<u>299,289</u>	<u>367,411</u>	<u>328,486</u>	<u>268,833</u>	<u>203,667</u>
<b>Benefits and expenses:</b>					
Insurance policy benefits and change in future policy benefits	2,128	2,169	2,332	1,979	2,737
Interest sensitive and index product benefits	155,667	224,331	195,284	140,704	74,697
Amortization of deferred sales inducements	24,942	24,503	22,774	20,772	20,209
Change in fair value of embedded derivatives	1,483	–	–	–	–
Interest expense on notes payable	4,940	4,673	4,651	3,565	3,370
Interest expense on subordinated debentures	3,805	3,716	3,685	3,741	3,841
Interest expense on amounts due under repurchase agreements	–	–	–	190	100
Amortization of deferred policy acquisition costs	47,754	46,417	44,175	41,732	41,472
Other operating costs and expenses	16,213	16,702	15,985	11,950	13,961
Total benefits and expenses	<u>256,932</u>	<u>322,511</u>	<u>288,886</u>	<u>224,633</u>	<u>160,387</u>
Operating income before income taxes	42,357	44,900	39,600	44,200	43,280
Income tax expense	<u>14,795</u>	<u>15,692</u>	<u>13,817</u>	<u>15,486</u>	<u>15,127</u>
Operating income (a)	27,562	29,208	25,783	28,714	28,153
Net realized gains and net OTTI losses on investments, net of offsets	1,950	(11)	2,369	12,293	(11,491)
Convertible debt retirement, net of income taxes	–	(171)	–	(2,207)	–
Net effect of derivatives and other index annuity, net of offsets	<u>(8,998)</u>	<u>(30,530)</u>	<u>(13,267)</u>	<u>(2,779)</u>	<u>(19,640)</u>
Net income (loss)	<u>\$ 20,514</u>	<u>\$ (1,504)</u>	<u>\$ 14,885</u>	<u>\$ 36,021</u>	<u>\$ (2,978)</u>
Operating income per common share (a)	\$ 0.47	\$ 0.50	\$ 0.44	\$ 0.49	\$ 0.49
Operating income per common share – assuming dilution (a)	\$ 0.45	\$ 0.48	\$ 0.43	\$ 0.48	\$ 0.47
Earnings (loss) per common share	\$ 0.35	\$ (0.03)	\$ 0.26	\$ 0.62	\$ (0.05)
Earnings (loss) per common share – assuming dilution	\$ 0.33	\$ (0.03)	\$ 0.25	\$ 0.60	\$ (0.05)
<b>Weighted average common shares outstanding (in thousands):</b>					
Earnings (loss) per common share	58,564	58,427	58,225	58,143	58,030
Earnings (loss) per common share - assuming dilution	62,498	61,592	61,138	60,946	60,833

(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 extinguishment of convertible 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**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<b>(Dollars in thousands, except per share data)</b>	
<b>Capitalization:</b>		
Notes payable	\$ 327,740	\$ 316,468
Subordinated debentures payable to subsidiary trusts	268,397	268,347
<b>Total debt</b>	<b>596,137</b>	<b>584,815</b>
<b>Total stockholders' equity</b>	<b>1,046,389</b>	<b>754,623</b>
<b>Total capitalization</b>	<b>1,642,526</b>	<b>1,339,438</b>
Accumulated other comprehensive (income) loss (AOCL)	(201,771)	30,456
<b>Total capitalization excluding AOCL (a)</b>	<b>\$ 1,440,755</b>	<b>\$ 1,369,894</b>
<b>Total stockholders' equity</b>	<b>\$ 1,046,389</b>	<b>\$ 754,623</b>
Accumulated other comprehensive (income) loss	(201,771)	30,456
<b>Total stockholders' equity excluding AOCL (a)</b>	<b>\$ 844,618</b>	<b>\$ 785,079</b>
Common shares outstanding (b)	58,051,299	57,698,687
<b>Book Value per Share: (c)</b>		
Book value per share including AOCL	\$ 18.03	\$ 13.08
Book value per share excluding AOCL (a)	\$ 14.55	\$ 13.61
<b>Debt-to-Capital Ratios: (d)</b>		
Senior debt / Total capitalization	22.7%	23.1%
Adjusted debt / Total capitalization	26.4%	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**

<b>Product Type</b>	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
	(Dollars in thousands)		
Fixed Index Annuities:			
Index Strategies	\$ 1,530,269	\$ 1,163,375	\$ 1,535,477
Fixed Strategy	1,091,296	1,462,926	1,849,833
	<u>2,621,565</u>	<u>2,626,301</u>	<u>3,385,310</u>
Fixed Rate Annuities:			
Single-Year Rate Guaranteed	197,144	76,878	113,511
Multi-Year Rate Guaranteed	295,526	74,436	178,737
	<u>492,670</u>	<u>151,314</u>	<u>292,248</u>
Total before coinsurance ceded	3,114,235	2,777,615	3,677,558
Coinsurance ceded	402,297	514,620	749,260
Net after coinsurance ceded	<u>\$ 2,711,938</u>	<u>\$ 2,262,995</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 September 30, 2010

<b>Product Type</b>	<b>Surrender Charge</b>			<b>Net Account Value</b>	
	<b>Avg. Years At Issue</b>	<b>Avg. Years Remaining</b>	<b>Avg. % Remaining</b>	<b>Dollars in Thousands</b>	<b>%</b>
Fixed Index Annuities	14.3	10.9	15.9%	\$17,130,580	90.6%
Single-Year Fixed Rate Guaranteed Annuities	10.9	4.4	7.1%	1,284,051	6.8%
Multi-Year Fixed Rate Guaranteed Annuities	6.7	2.3	5.0%	<u>495,227</u>	<u>2.6%</u>
Total	13.9	10.3	15.0%	<u>\$18,909,858</u>	<u>100.0%</u>



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**Annuity Liability Characteristics**

	<b>Fixed Annuities Account Value</b>	<b>Fixed Index Annuities Account Value</b>
	<b>(Dollars in thousands)</b>	
<b><u>SURRENDER CHARGE PERCENTAGES (1):</u></b>		
No surrender charge	\$ 344,144	\$ 324,952
0.0% < 2.0%	34,953	49,418
2.0% < 3.0%	79,013	95,453
3.0% < 4.0%	41,939	129,580
4.0% < 5.0%	212,424	388,795
5.0% < 6.0%	58,680	342,302
6.0% < 7.0%	189,218	290,888
7.0% < 8.0%	63,837	275,558
8.0% < 9.0%	172,043	230,289
9.0% < 10.0%	212,464	388,657
10.0% or greater	370,563	14,614,688
	<b><u>\$ 1,779,278</u></b>	<b><u>\$ 17,130,580</u></b>
	<b>Fixed and Fixed Index Annuities Account Value</b>	<b>Weighted Average Surrender Charge</b>
	<b>(Dollars in thousands)</b>	
<b><u>SURRENDER CHARGE EXPIRATION BY YEAR</u></b>		
Out of Surrender Charge	\$ 653,797	0.00%
2010	66,773	2.62%
2011	280,302	2.85%
2012	424,823	4.08%
2013	590,965	4.95%
2014	623,638	6.10%
2015	630,580	7.82%
2016	781,456	9.14%
2017	915,763	10.31%
2018	891,952	12.44%
2019	646,221	12.94%
2020	798,666	13.90%
2021	620,723	15.17%
2022	1,115,376	17.36%
2023	4,041,127	19.58%
2024	3,448,708	19.59%
2025	1,245,512	19.60%
2026	1,119,649	19.98%
2027	13,827	20.00%
	<b><u>\$ 18,909,858</u></b>	<b>15.02%</b>

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**Annuity Liability Characteristics**

	<b>Fixed Annuities Account Value</b>	<b>Fixed Index Annuities Account Value</b>
	<b>(Dollars in thousands)</b>	
<u>APPLICABLE GUARANTEE PERIOD:</u>		
Annual reset (2)	\$ 1,566,441	\$ 17,108,774
Multi-year (3 - 5 years)	212,837	21,806
	<u>\$ 1,779,278</u>	<u>\$ 17,130,580</u>
<u>ULTIMATE MINIMUM GUARANTEE RATE:</u>		
2.00%	\$ 267,366	\$ 1,156
2.20%	4,336	76,639
2.25%	6,016	4,310,733
2.25% (3)	190,671	983,585
3.00% (4)	1,246,221	1,412,684
3.00% (5)	–	9,930,712
3.50% (6)	–	415,071
4.00%	64,668	–
	<u>\$ 1,779,278</u>	<u>\$ 17,130,580</u>
<u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (7) (8):</u>		
No differential	\$ 64,978	\$ 1,872
› 0.0% - 0.5%	1,056,816	1,443,148
› 0.5% - 1.0% (9)	298,200	1,150,881
› 1.0% - 1.5% (9)	75,110	50,130
› 1.5% - 2.0%	134,098	2,875
› 2.0% - 2.5%	20,463	–
› 2.5% - 3.0%	49,906	–
Greater than 3.0%	2,318	–
2.00% ultimate guarantee - 2.96% wtd avg interest rate (10)	77,389	–
2.25% ultimate guarantee - 2.98% wtd avg interest rate (10)	–	1,280,840
3.00% ultimate guarantee - 3.21% wtd avg interest rate (10)	–	2,885,147
Cumulative floor	–	10,315,687
	<u>\$ 1,779,278</u>	<u>\$ 17,130,580</u>

- (1) In addition, \$966,473 (54%) 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) Products have a guarantee of 3.00% on 100% of the premium.
- (5) Products have a guarantee of 3.00% on less than 100% of the premium.
- (6) 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.
- (7) Recent issues may contain bonus interest rates ranging from 1.0% to 3.0%.
- (8) 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.
- (9) \$190,671 of Fixed Annuities Account Value have a guarantee of 2.25% for the first 10 years and 3% thereafter. They may reset beginning in 2014. \$674,769 of Index Annuities Account Value is in fixed rate strategies that have a guarantee of 2.25% for the first 10 years and 3% thereafter. They may reset beginning in 2014.
- (10) The minimum guaranteed interest rate for the fixed rate or the fixed rate strategy is 1.0%. The ultimate guaranteed rate is applied on less than 100% of the premium.

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**Spread Results**

	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
Average yield on invested assets	6.08%	6.32%	6.30%
Cost of money:			
Aggregate	2.92%	3.29%	3.26%
Cost of money for fixed index annuities	2.87%	3.27%	3.24%
Average crediting rate for fixed rate annuities:			
Annually adjustable	3.26%	3.26%	3.26%
Multi-year rate guaranteed	3.75%	3.90%	3.88%
Investment spread:			
Aggregate	3.16%	3.03%	3.04%
Fixed index annuities	3.21%	3.05%	3.06%
Fixed rate annuities:			
Annually adjustable	2.82%	3.06%	3.04%
Multi-year rate guaranteed	2.33%	2.42%	2.42%

**Summary of Invested Assets**

	<b>September 30, 2010</b>		<b>December 31, 2009</b>	
	<b>Carrying Amount</b>	<b>Percent</b>	<b>Carrying Amount</b>	<b>Percent</b>
	(Dollars in thousands)			
Fixed maturity securities:				
United States Government full faith and credit	\$ 3,698	–	\$ 3,310	–
United States Government sponsored agencies	4,366,314	23.7%	5,557,971	36.2%
United States municipalities, states and territories	1,261,070	6.8%	355,634	2.3%
Corporate securities	6,578,478	35.7%	3,933,198	25.6%
Residential mortgage backed securities	2,728,841	14.8%	2,489,101	16.2%
Total fixed maturity securities	14,938,401	81.0%	12,339,214	80.3%
Equity securities	82,172	0.4%	93,086	0.6%
Mortgage loans on real estate	2,528,459	13.7%	2,449,778	15.9%
Derivative instruments	283,920	1.5%	479,272	3.1%
Short term investments	599,961	3.3%	–	–
Other investments	19,810	0.1%	12,760	0.1%
	<u>\$ 18,452,723</u>	<u>100.0%</u>	<u>\$ 15,374,110</u>	<u>100.0%</u>

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**Credit Quality of Fixed Maturity Securities - September 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	\$ 10,862,015	72.6%	Aaa/Aa/A	\$ 10,234,520	68.4%
2	3,703,832	24.8%	Baa	3,380,406	22.6%
3	328,772	2.2%	Ba	309,816	2.1%
4	32,079	0.2%	B	102,210	0.7%
5	4,200	0.1%	Caa and lower	903,946	6.1%
6	7,503	0.1%	In or near default	7,503	0.1%
	<u>\$ 14,938,401</u>	<u>100.0%</u>		<u>\$ 14,938,401</u>	<u>100.0%</u>

**Watch List Securities - September 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	\$ 6,012	\$ (805)	\$ 5,207	35 - 42
U.S. retail company	10,481	(1,331)	9,150	64
	<u>\$ 16,493</u>	<u>\$ (2,136)</u>	<u>\$ 14,357</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)				
<b>OTTI has not been recognized</b>				
Government agency	1	\$ 67,103	\$ 66,390	\$ 73,631
Prime	1	1,818,274	1,722,604	1,761,936
	2	26,291	24,730	24,499
	3	21,474	21,145	18,795
	4	10,627	10,195	10,347
Alt-A	1	55,282	54,732	52,375
	2	5,123	5,219	4,304
		<u>\$ 2,004,174</u>	<u>\$ 1,905,015</u>	<u>\$ 1,945,887</u>
<b>OTTI has been recognized</b>				
Prime	1	\$ 226,865	\$ 205,822	\$ 180,883
	2	195,252	185,801	159,643
	3	69,651	65,530	61,645
Alt-A	1	269,492	232,093	213,585
	2	160,021	137,310	117,387
	3	71,622	59,857	47,112
	6	4,899	4,238	2,699
		<u>\$ 997,802</u>	<u>\$ 890,651</u>	<u>\$ 782,954</u>
<b>Total by collateral type</b>				
Government agency		\$ 67,103	\$ 66,390	\$ 73,631
Prime		2,368,434	2,235,827	2,217,748
Alt-A		566,439	493,449	437,462
		<u>\$ 3,001,976</u>	<u>\$ 2,795,666</u>	<u>\$ 2,728,841</u>
<b>Total by NAIC designation</b>				
	1	\$ 2,437,016	\$ 2,281,641	\$ 2,282,410
	2	386,687	353,060	305,833
	3	162,747	146,532	127,552
	4	10,627	10,195	10,347
	6	4,899	4,238	2,699
		<u>\$ 3,001,976</u>	<u>\$ 2,795,666</u>	<u>\$ 2,728,841</u>

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**Mortgage Loans by Region and Property Type**

	<u>September 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)			
<b>Geographic distribution</b>				
East	\$ 580,822	22.9%	\$ 560,256	22.9%
Middle Atlantic	164,084	6.5%	168,246	6.9%
Mountain	399,951	15.8%	388,940	15.8%
New England	43,165	1.7%	44,541	1.8%
Pacific	238,125	9.4%	216,382	8.8%
South Atlantic	498,266	19.6%	464,077	18.9%
West North Central	398,664	15.7%	410,883	16.7%
West South Central	212,594	8.4%	201,719	8.2%
	<u>\$ 2,535,671</u>	<u>100.0%</u>	<u>\$ 2,455,044</u>	<u>100.0%</u>
Loan loss allowance	<u>(7,212)</u>		<u>(5,266)</u>	
	<u>\$ 2,528,459</u>		<u>\$ 2,449,778</u>	
<b>Property type distribution</b>				
Office	\$ 672,909	26.6%	\$ 664,701	27.1%
Medical Office	157,852	6.2%	145,390	5.9%
Retail	563,801	22.2%	564,023	23.0%
Industrial/Warehouse	626,743	24.7%	610,279	24.9%
Hotel	151,834	6.0%	155,594	6.3%
Apartments	136,764	5.4%	122,854	5.0%
Mixed use/other	225,768	8.9%	192,203	7.8%
	<u>\$ 2,535,671</u>	<u>100.0%</u>	<u>\$ 2,455,044</u>	<u>100.0%</u>
Loan loss allowance	<u>(7,212)</u>		<u>(5,266)</u>	
	<u>\$ 2,528,459</u>		<u>\$ 2,449,778</u>	

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
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**Shareholder Information**

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**Inquiries:**

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John M. Matovina, Vice Chairman, Chief Financial Officer and Treasurer  
(515) 457-1813, [jmatovina@american-equity.com](mailto:jmatovina@american-equity.com)

**Common Stock and Dividend Information:**

New York Stock Exchange symbol: "AEL"

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend Declared</u>
<b>2010</b>				
First Quarter	\$10.99	\$6.65	\$10.65	\$0.00
Second Quarter	\$11.64	\$8.53	\$10.32	\$0.00
Third Quarter	\$11.19	\$9.19	\$10.24	\$0.00
<b>2009</b>				
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
<b>2008</b>				
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

**Transfer Agent:**

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P.O. Box 43010  
Providence, RI 02940-0310  
Phone: (877) 282-1169  
Fax: (781) 575-2723  
[www.computershare.com](http://www.computershare.com)

**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](http://www.american-equity.com).

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