

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

**December 31, 2010**

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**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
***Financial Supplement – December 31, 2010***

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

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
<b>Assets</b>		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 15,830,663	\$ 10,704,131
Held for investment, at amortized cost	822,200	1,635,083
Equity securities, available for sale, at fair value	65,961	93,086
Mortgage loans on real estate	2,598,641	2,449,778
Derivative instruments	479,786	479,272
Other investments	19,680	12,760
Total investments	<u>19,816,931</u>	<u>15,374,110</u>
Cash and cash equivalents	597,766	528,002
Coinsurance deposits	2,613,191	2,237,740
Accrued investment income	167,645	113,658
Deferred policy acquisition costs	1,747,760	1,625,785
Deferred sales inducements	1,227,328	1,011,449
Deferred income taxes	143,259	85,661
Income taxes recoverable	6,128	103,684
Other assets	106,755	231,915
Total assets	<u>\$ 26,426,763</u>	<u>\$ 21,312,004</u>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Policy benefit reserves	\$ 23,655,807	\$ 19,336,221
Other policy funds and contract claims	222,860	119,403
Notes payable	330,835	316,468
Subordinated debentures	268,435	268,347
Other liabilities	1,010,779	516,942
Total liabilities	<u>25,488,716</u>	<u>20,557,381</u>
Stockholders' equity:		
Common stock	56,968	56,203
Additional paid-in capital	454,454	422,225
Unallocated common stock held by ESOP	(4,815)	(5,679)
Accumulated other comprehensive income (loss)	81,820	(30,456)
Retained earnings	349,620	312,330
Total stockholders' equity	<u>938,047</u>	<u>754,623</u>
Total liabilities and stockholders' equity	<u>\$ 26,426,763</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 December 31,		Year Ended December 31,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 2,871	\$ 3,135	\$ 11,982	\$ 12,654
Annuity product charges	16,402	15,857	69,075	63,358
Net investment income	277,876	243,244	1,036,106	932,172
Change in fair value of derivatives	201,604	108,718	168,862	216,896
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	1,462	40,692	23,726	51,279
OTTI losses on investments:				
Total OTTI losses	(3,197)	(48,747)	(19,544)	(220,415)
Portion of OTTI losses recognized in (from) other comprehensive income	(12,639)	25,632	(4,323)	133,644
Net OTTI losses recognized in operations	(15,836)	(23,115)	(23,867)	(86,771)
Loss on extinguishment of debt	–	(3,773)	(292)	(675)
Total revenues	484,379	384,758	1,285,592	1,188,913
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	1,622	1,979	8,251	8,889
Interest sensitive and index product benefits	148,376	140,855	733,218	347,883
Amortization of deferred sales inducements	38,357	22,185	59,873	39,999
Change in fair value of embedded derivatives	142,463	114,872	130,950	529,508
Interest expense on notes payable	7,861	3,565	22,125	14,853
Interest expense on subordinated debentures	3,700	3,741	14,906	15,819
Interest expense on amounts due under repurchase agreements	–	190	–	534
Amortization of deferred policy acquisition costs	62,408	43,071	136,388	88,009
Other operating costs and expenses	65,715	11,950	114,615	57,255
Total benefits and expenses	470,502	342,408	1,220,326	1,102,749
Income before income taxes	13,877	42,350	65,266	86,164
Income tax expense	4,839	6,329	22,333	17,634
Net income	\$ 9,038	\$ 36,021	\$ 42,933	\$ 68,530
Earnings per common share	\$ 0.15	\$ 0.62	\$ 0.73	\$ 1.22
Earnings per common share - assuming dilution (a)	\$ 0.14	\$ 0.60	\$ 0.68	\$ 1.18
Weighted average common shares outstanding (in thousands):				
Earnings per common share	58,757	58,143	58,507	56,138
Earnings per common share - assuming dilution	65,054	60,946	64,580	58,915

(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 December 31, 2010 and December 31, 2009, \$1,035 for the year ended December 31, 2010 and \$1,037 for the year ended December 31, 2009.

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**Operating Income**  
**Year ended December 31, 2010 (Unaudited)**

	As Reported	Adjustments		Operating Income (a)
		Realized Gains and Other Adjustments	Derivatives and Other Index Annuity	
(Dollars in thousands, except per share data)				
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 11,982	\$ –	\$ –	\$ 11,982
Annuity product charges	69,075	–	–	69,075
Net investment income	1,036,106	–	–	1,036,106
Change in fair value of derivatives	168,862	–	35,711	204,573
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	23,726	(23,726)	–	–
Net OTTI losses recognized in operations	(23,867)	23,867	–	–
Loss on extinguishment of debt	(292)	292	–	–
Total revenues	<u>1,285,592</u>	<u>433</u>	<u>35,711</u>	<u>1,321,736</u>
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	8,251	–	–	8,251
Interest sensitive and index product benefits	733,218	–	(9,616)	723,602
Amortization of deferred sales inducements	59,873	852	39,213	99,938
Change in fair value of embedded derivatives	130,950	–	(101,355)	29,595
Interest expense on notes payable	22,125	–	–	22,125
Interest expense on subordinated debentures	14,906	–	–	14,906
Amortization of deferred policy acquisition costs	136,388	4,414	48,332	189,134
Other operating costs and expenses	114,615	(48,000)	–	66,615
Total benefits and expenses	<u>1,220,326</u>	<u>(42,734)</u>	<u>(23,426)</u>	<u>1,154,166</u>
Income before income taxes	65,266	43,167	59,137	167,570
Income tax expense	22,333	15,320	20,970	58,623
Net income	<u>\$ 42,933</u>	<u>\$ 27,847</u>	<u>\$ 38,167</u>	<u>\$ 108,947</u>
Earnings per common share	\$ 0.73			\$ 1.86
Earnings per common share – assuming dilution	\$ 0.68			\$ 1.70

(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, loss on extinguishment of debt, the settlement of a class action lawsuit 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	\$ 438,394	\$ –	\$ 438,394
Cost of money for fixed index annuities	(260,970)	–	(260,970)
Change in the difference between fair value and remaining option cost at beginning and end of period	(8,562)	35,711	27,149
	<u>\$ 168,862</u>	<u>\$ 35,711</u>	<u>\$ 204,573</u>

Index credits included in interest credited to account balances	<u>\$ 454,660</u>		<u>\$ 454,660</u>
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**Operating Income**  
**Three months ended December 31, 2010 (Unaudited)**

	As Reported	Adjustments		Operating Income (a)
		Realized Gains and Other Adjustments	Derivatives and Other Index Annuity	
(Dollars in thousands, except per share data)				
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 2,871	\$ –	\$ –	\$ 2,871
Annuity product charges	16,402	–	–	16,402
Net investment income	277,876	–	–	277,876
Change in fair value of derivatives	201,604	–	(172,203)	29,401
Net realized gains on investments, excluding other than temporary impairment (“OTTI”) losses	1,462	(1,462)	–	–
Net OTTI losses recognized in operations	(15,836)	15,836	–	–
Total revenues	<u>484,379</u>	<u>14,374</u>	<u>(172,203)</u>	<u>326,550</u>
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	1,622	–	–	1,622
Interest sensitive and index product benefits	148,376	–	(56)	148,320
Amortization of deferred sales inducements	38,357	4,311	(14,949)	27,719
Change in fair value of embedded derivatives	142,463	–	(114,351)	28,112
Interest expense on notes payable	7,861	–	–	7,861
Interest expense on subordinated debentures	3,700	–	–	3,700
Amortization of deferred policy acquisition costs	62,408	8,514	(20,134)	50,788
Other operating costs and expenses	65,715	(48,000)	–	17,715
Total benefits and expenses	<u>470,502</u>	<u>(35,175)</u>	<u>(149,490)</u>	<u>285,837</u>
Income before income taxes	13,877	49,549	(22,713)	40,713
Income tax expense	4,839	17,565	(8,085)	14,319
Net income	<u>\$ 9,038</u>	<u>\$ 31,984</u>	<u>\$ (14,628)</u>	<u>\$ 26,394</u>
Earnings per common share	\$ 0.15			\$ 0.45
Earnings per common share – assuming dilution	\$ 0.14			\$ 0.41

(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, the settlement of a class action lawsuit 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.

<b>Change in fair value of derivatives:</b>				
Proceeds received at expiration	\$ 74,120		\$ –	\$ 74,120
Cost of money for fixed index annuities	(72,242)		–	(72,242)
Change in the difference between fair value and remaining option cost at beginning and end of period	199,726		(172,203)	27,523
	<u>\$ 201,604</u>		<u>\$ (172,203)</u>	<u>\$ 29,401</u>
Index credits included in interest credited to account balances	<u>\$ 73,235</u>			<u>\$ 73,235</u>

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

	<u>Q4 2010</u>	<u>Q3 2010</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>
	(Dollars in thousands, except per share data)				
<b>Revenues:</b>					
Traditional life and accident and health insurance premiums	\$ 2,871	\$ 3,181	\$ 2,643	\$ 3,287	\$ 3,135
Annuity product charges	16,402	18,538	18,617	15,518	15,857
Net investment income	277,876	260,475	254,845	242,910	243,244
Change in fair value of derivatives	29,401	17,095	91,306	66,771	6,597
Total revenues	<u>326,550</u>	<u>299,289</u>	<u>367,411</u>	<u>328,486</u>	<u>268,833</u>
<b>Benefits and expenses:</b>					
Insurance policy benefits and change in future policy benefits	1,622	2,128	2,169	2,332	1,979
Interest sensitive and index product benefits	148,320	155,667	224,331	195,284	140,704
Amortization of deferred sales inducements	27,719	24,942	24,503	22,774	20,772
Change in fair value of embedded derivatives	28,112	1,483	–	–	–
Interest expense on notes payable	7,861	4,940	4,673	4,651	3,565
Interest expense on subordinated debentures	3,700	3,805	3,716	3,685	3,741
Interest expense on amounts due under repurchase agreements	–	–	–	–	190
Amortization of deferred policy acquisition costs	50,788	47,754	46,417	44,175	41,732
Other operating costs and expenses	17,715	16,213	16,702	15,985	11,950
Total benefits and expenses	<u>285,837</u>	<u>256,932</u>	<u>322,511</u>	<u>288,886</u>	<u>224,633</u>
Operating income before income taxes	40,713	42,357	44,900	39,600	44,200
Income tax expense	<u>14,319</u>	<u>14,795</u>	<u>15,692</u>	<u>13,817</u>	<u>15,486</u>
Operating income (a)	26,394	27,562	29,208	25,783	28,714
Net realized gains and net OTTI losses on investments, net of offsets	(4,687)	1,950	(11)	2,369	12,293
Lawsuit settlement	(27,297)	–	–	–	–
Convertible debt retirement, net of income taxes	–	–	(171)	–	(2,207)
Net effect of derivatives and other index annuity, net of offsets	14,628	(8,998)	(30,530)	(13,267)	(2,779)
Net income (loss)	<u>\$ 9,038</u>	<u>\$ 20,514</u>	<u>\$ (1,504)</u>	<u>\$ 14,885</u>	<u>\$ 36,021</u>
Operating income per common share (a)	\$ 0.45	\$ 0.47	\$ 0.50	\$ 0.44	\$ 0.49
Operating income per common share – assuming dilution (a)	\$ 0.41	\$ 0.45	\$ 0.48	\$ 0.43	\$ 0.48
Earnings (loss) per common share	\$ 0.15	\$ 0.35	\$ (0.03)	\$ 0.26	\$ 0.62
Earnings (loss) per common share – assuming dilution	\$ 0.14	\$ 0.33	\$ (0.03)	\$ 0.25	\$ 0.60
<b>Weighted average common shares outstanding (in thousands):</b>					
Earnings (loss) per common share	58,757	58,564	58,427	58,225	58,143
Earnings (loss) per common share - assuming dilution	65,054	62,498	61,592	61,138	60,946

(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, loss on extinguishment of debt, the settlement of a class action lawsuit 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 (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>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(Dollars in thousands, except per share data)	
<b>Capitalization:</b>		
Notes payable	\$ 330,835	\$ 316,468
Subordinated debentures payable to subsidiary trusts	<u>268,435</u>	<u>268,347</u>
<b>Total debt</b>	599,270	584,815
<b>Total stockholders' equity</b>	<u>938,047</u>	<u>754,623</u>
<b>Total capitalization</b>	1,537,317	1,339,438
Accumulated other comprehensive (income) loss (AOCL)	<u>(81,820)</u>	<u>30,456</u>
<b>Total capitalization excluding AOCL (a)</b>	<u>\$ 1,455,497</u>	<u>\$ 1,369,894</u>
<b>Total stockholders' equity</b>	\$ 938,047	\$ 754,623
Accumulated other comprehensive (income) loss	<u>(81,820)</u>	<u>30,456</u>
<b>Total stockholders' equity excluding AOCL (a)</b>	<u>\$ 856,227</u>	<u>\$ 785,079</u>
Common shares outstanding (b)	58,377,233	57,698,687
<b>Book Value per Share: (c)</b>		
Book value per share including AOCL	\$ 16.07	\$ 13.08
Book value per share excluding AOCL (a)	\$ 14.67	\$ 13.61
<b>Debt-to-Capital Ratios: (d)</b>		
Senior debt / Total capitalization	22.7%	23.1%
Adjusted debt / Total capitalization	26.2%	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 - 447,048 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>Three Months Ended December 31,</b>		<b>Year Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Dollars in thousands)</b>			
Fixed Index Annuities:				
Index Strategies	\$ 871,622	\$ 372,102	\$ 2,401,891	\$ 1,535,477
Fixed Strategy	459,711	386,907	1,551,007	1,849,833
	1,331,333	759,009	3,952,898	3,385,310
Fixed Rate Annuities:				
Single-Year Rate Guaranteed	134,561	36,633	331,705	113,511
Multi-Year Rate Guaranteed	88,590	104,301	384,116	178,737
	223,151	140,934	715,821	292,248
Total before coinsurance ceded	1,554,484	899,943	4,668,719	3,677,558
Coinsurance ceded	76,665	234,640	478,962	749,260
Net after coinsurance ceded	<u>\$ 1,477,819</u>	<u>\$ 665,303</u>	<u>\$ 4,189,757</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 December 31, 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	11.0	16.1%	\$18,423,555	91.0%
Single-Year Fixed Rate Guaranteed Annuities	10.9	4.6	7.4%	1,325,154	6.5%
Multi-Year Fixed Rate Guaranteed Annuities	6.6	2.2	4.9%	502,526	2.5%
Total	13.9	10.3	15.2%	<u>\$20,251,235</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>
	(Dollars in thousands)	
<b><u>SURRENDER CHARGE PERCENTAGES (1):</u></b>		
No surrender charge	\$ 359,519	\$ 330,456
0.0% < 2.0%	30,374	46,432
2.0% < 3.0%	92,958	105,413
3.0% < 4.0%	40,020	165,577
4.0% < 5.0%	239,380	424,337
5.0% < 6.0%	47,646	308,184
6.0% < 7.0%	132,449	257,258
7.0% < 8.0%	84,604	283,917
8.0% < 9.0%	197,814	233,496
9.0% < 10.0%	202,518	568,644
10.0% or greater	400,398	15,699,841
	<b><u>\$ 1,827,680</u></b>	<b><u>\$ 18,423,555</u></b>
	<b>Fixed and Fixed Index Annuities Account Value</b>	<b>Weighted Average Surrender Charge</b>
	(Dollars in thousands)	
<b><u>SURRENDER CHARGE EXPIRATION BY YEAR</u></b>		
Out of Surrender Charge	\$ 689,975	0.00%
2011	272,862	2.52%
2012	412,614	3.64%
2013	578,684	4.66%
2014	611,898	5.84%
2015	635,429	7.58%
2016	818,232	8.79%
2017	904,787	10.08%
2018	905,930	12.20%
2019	639,691	12.73%
2020	969,483	13.97%
2021	615,713	14.94%
2022	1,107,723	17.20%
2023	4,008,406	19.46%
2024	4,176,609	19.69%
2025	1,254,175	19.49%
2026	1,630,848	19.98%
2027	18,176	20.00%
	<b><u>\$ 20,251,235</u></b>	15.22%

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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)	\$ 1,608,976	\$ 18,407,060
Multi-year (3 - 7 years)	218,704	16,495
	<u>\$ 1,827,680</u>	<u>\$ 18,423,555</u>
<u>ULTIMATE MINIMUM GUARANTEE RATE:</u>		
1.50%	\$ –	\$ 6,868
2.00%	320,025	1,185
2.20%	4,336	76,119
2.25%	6,008	5,061,330
2.25% (3)	187,941	968,749
3.00% (4)	1,247,455	1,370,221
3.00% (5)	–	10,658,825
3.50% (6)	–	280,258
4.00%	61,915	–
	<u>\$ 1,827,680</u>	<u>\$ 18,423,555</u>
<u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (7):</u>		
No differential	\$ 73,031	\$ 4,827
> 0.0% - 0.25%	898,342	1,055,771
> 0.25% - 0.5%	130,139	369,593
> 0.5% - 1.0% (8)	307,498	1,137,766
> 1.0% - 1.5% (8)	92,763	60,256
> 1.5% - 2.0%	136,208	2,894
> 2.0% - 2.5%	18,493	–
> 2.5% - 3.0%	75,465	–
1.50% ultimate guarantee - 2.50% wtd avg interest rate (9)	–	1,485
2.00% ultimate guarantee - 2.87% wtd avg interest rate (9)	95,741	–
2.25% ultimate guarantee - 2.91% wtd avg interest rate (9)	–	1,477,488
3.00% ultimate guarantee - 3.16% wtd avg interest rate (9)	–	3,083,785
Cumulative floor	–	11,229,690
	<u>\$ 1,827,680</u>	<u>\$ 18,423,555</u>

- (1) In addition, \$961,370 (52.6%) 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) \$187,941 of Fixed Annuities Account Value have a guarantee of 2.25% for the first 10 years and 3% thereafter. They begin increasing in 2014. \$669,111 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 begin increasing in 2014.
- (9) 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>Year Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Average yield on invested assets	6.06%	6.30%
Cost of money:		
Aggregate	2.91%	3.26%
Cost of money for fixed index annuities	2.86%	3.24%
Average crediting rate for fixed rate annuities:		
Annually adjustable	3.26%	3.26%
Multi-year rate guaranteed	3.74%	3.88%
Investment spread:		
Aggregate	3.15%	3.04%
Fixed index annuities	3.20%	3.06%
Fixed rate annuities:		
Annually adjustable	2.80%	3.04%
Multi-year rate guaranteed	2.32%	2.42%

**Summary of Invested Assets**

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>Carrying Amount</b>	<b>Percent</b>	<b>Carrying Amount</b>	<b>Percent</b>
	<b>(Dollars in thousands)</b>			
Fixed maturity securities:				
United States Government full faith and credit	\$ 4,388	0.1%	\$ 3,310	–
United States Government sponsored agencies	3,750,065	18.9%	5,557,971	36.2%
United States municipalities, states and territories	2,367,003	11.9%	355,634	2.3%
Corporate securities	7,652,850	38.6%	3,933,198	25.6%
Residential mortgage backed securities	2,878,557	14.6%	2,489,101	16.2%
Total fixed maturity securities	16,652,863	84.1%	12,339,214	80.3%
Equity securities	65,961	0.3%	93,086	0.6%
Mortgage loans on real estate	2,598,641	13.1%	2,449,778	15.9%
Derivative instruments	479,786	2.4%	479,272	3.1%
Other investments	19,680	0.1%	12,760	0.1%
	<b>\$ 19,816,931</b>	<b>100.0%</b>	<b>\$ 15,374,110</b>	<b>100.0%</b>

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**Credit Quality of Fixed Maturity Securities - December 31, 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	\$ 12,262,263	73.6%	Aaa/Aa/A	\$ 11,599,255	69.7%
2	4,012,076	24.1%	Baa	3,725,920	22.4%
3	348,256	2.1%	Ba	294,200	1.8%
4	19,178	0.1%	B	69,033	0.4%
5	6,262	0.1%	Caa and lower	959,437	5.7%
6	4,828	–	In or near default	5,018	–
	<u>\$ 16,652,863</u>	<u>100.0%</u>		<u>\$ 16,652,863</u>	<u>100.0%</u>

**Watch List Securities - December 31, 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	\$ 10,260	\$ (660)	\$ 9,600	0 - 45
U.S. retail company	10,479	(1,304)	9,175	67
	<u>\$ 20,739</u>	<u>\$ (1,964)</u>	<u>\$ 18,775</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	\$ 341,430	\$ 308,917	\$ 307,939
Prime	1	1,661,865	1,573,960	1,634,953
	2	1,500	1,480	1,363
	3	52,677	51,239	45,499
Alt-A	1	55,022	54,512	56,072
	2	5,123	5,216	4,708
		<u>\$ 2,117,617</u>	<u>\$ 1,995,324</u>	<u>\$ 2,050,534</u>
<b>OTTI has been recognized</b>				
Prime	1	\$ 135,747	\$ 123,053	\$ 115,519
	2	331,762	304,578	279,488
	3	62,145	58,765	52,738
Alt-A	1	260,021	224,492	212,030
	2	183,992	146,413	125,259
	3	49,314	43,343	40,287
	6	4,709	4,060	2,702
		<u>\$ 1,027,690</u>	<u>\$ 904,704</u>	<u>\$ 828,023</u>
<b>Total by collateral type</b>				
Government agency		\$ 341,430	\$ 308,917	\$ 307,939
Prime		2,245,696	2,113,075	2,129,560
Alt-A		558,181	478,036	441,058
		<u>\$ 3,145,307</u>	<u>\$ 2,900,028</u>	<u>\$ 2,878,557</u>
<b>Total by NAIC designation</b>				
	1	\$ 2,454,085	\$ 2,284,934	\$ 2,326,513
	2	522,377	457,687	410,818
	3	164,136	153,347	138,524
	6	4,709	4,060	2,702
		<u>\$ 3,145,307</u>	<u>\$ 2,900,028</u>	<u>\$ 2,878,557</u>

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**Mortgage Loans by Region and Property Type**

	<u>December 31, 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	\$ 618,250	23.6%	\$ 560,256	22.9%
Middle Atlantic	172,443	6.6%	168,246	6.9%
Mountain	402,965	15.4%	388,940	15.8%
New England	42,695	1.6%	44,541	1.8%
Pacific	247,254	9.5%	216,382	8.8%
South Atlantic	496,606	19.0%	464,077	18.9%
West North Central	419,002	16.0%	410,883	16.7%
West South Central	215,650	8.3%	201,719	8.2%
	<u>2,614,865</u>	<u>100.0%</u>	<u>2,455,044</u>	<u>100.0%</u>
Loan loss allowance	(16,224)		(5,266)	
	<u>\$ 2,598,641</u>		<u>\$ 2,449,778</u>	
<b>Property type distribution</b>				
Office	\$ 683,404	26.1%	\$664,701	27.1%
Medical Office	166,930	6.4%	145,390	5.9%
Retail	589,369	22.5%	564,023	23.0%
Industrial/Warehouse	666,908	25.5%	610,279	24.9%
Hotel	151,516	5.8%	155,594	6.3%
Apartments	131,682	5.1%	122,854	5.0%
Mixed use/other	225,056	8.6%	192,203	7.8%
	<u>2,614,865</u>	<u>100.0%</u>	<u>2,455,044</u>	<u>100.0%</u>
	(16,224)		(5,266)	
	<u>\$ 2,598,641</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  
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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>
<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
Fourth Quarter	\$13.01	\$10.11	\$12.55	\$0.10
<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

**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).

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
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