

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

June 30, 2007

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

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|------------------------------|
| | <u>(Unaudited)</u> | |
| Assets | | |
| Investments: | | |
| Fixed maturity securities: | | |
| Available for sale, at fair value | \$ 4,623,126 | \$ 4,177,029 |
| Held for investment, at amortized cost | 5,226,441 | 5,128,146 |
| Equity securities, available for sale, at fair value | 78,949 | 45,512 |
| Mortgage loans on real estate | 1,771,625 | 1,652,757 |
| Derivative instruments | 412,289 | 381,601 |
| Policy loans | 428 | 419 |
| Total investments | <u>12,112,858</u> | <u>11,385,464</u> |
| Cash and cash equivalents | 22,243 | 29,949 |
| Coinsurance deposits—related party | 1,772,761 | 1,841,720 |
| Accrued investment income | 73,384 | 68,323 |
| Deferred policy acquisition costs | 1,183,229 | 1,088,890 |
| Deferred sales inducements | 506,608 | 427,554 |
| Deferred income taxes | 83,630 | 73,831 |
| Other assets | 45,965 | 74,392 |
| Total assets | <u>\$ 15,800,678</u> | <u>\$ 14,990,123</u> |

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

| | June 30, 2007 | December 31, 2006 |
|---|--------------------------|------------------------------|
| | (Unaudited) | |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Policy benefit reserves | \$ 14,001,669 | \$ 13,207,931 |
| Other policy funds and contract claims | 122,353 | 128,579 |
| Other amounts due to related parties | 45,077 | 45,504 |
| Notes payable | 264,848 | 266,383 |
| Subordinated debentures | 268,298 | 268,489 |
| Amounts due under repurchase agreements | 396,570 | 385,973 |
| Other liabilities | <u>100,160</u> | <u>92,198</u> |
| Total liabilities | 15,198,975 | 14,395,057 |
| Stockholders' equity: | | |
| Common stock | 53,862 | 53,501 |
| Additional paid-in capital | 388,917 | 389,644 |
| Accumulated other comprehensive loss | (66,282) | (38,769) |
| Retained earnings | <u>225,206</u> | <u>190,690</u> |
| Total stockholders' equity | <u>601,703</u> | <u>595,066</u> |
| Total liabilities and stockholders' equity | <u>\$ 15,800,678</u> | <u>\$ 14,990,123</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | |
| Traditional life and accident and health insurance premiums | \$ 3,190 | \$ 3,211 | \$ 6,247 | \$ 6,735 |
| Annuity and single premium universal life product charges | 11,453 | 10,740 | 20,447 | 18,340 |
| Net investment income | 175,719 | 169,182 | 345,077 | 331,567 |
| Realized gains on investments | 17 | 331 | 596 | 289 |
| Change in fair value of derivatives | 98,986 | (61,582) | 90,464 | (12,254) |
| Total revenues | 289,365 | 121,882 | 462,831 | 344,677 |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 2,097 | 2,269 | 4,030 | 4,667 |
| Interest credited to account balances | 168,141 | 101,845 | 284,094 | 185,453 |
| Amortization of deferred sales inducements | 14,184 | 6,737 | 18,545 | 15,675 |
| Change in fair value of embedded derivatives | 405 | (111,321) | (6,226) | (48,557) |
| Interest expense on notes payable | 4,057 | 6,528 | 8,139 | 13,814 |
| Interest expense on subordinated debentures | 5,614 | 5,402 | 11,203 | 10,320 |
| Interest expense on amounts due under repurchase agreements | 3,060 | 8,532 | 7,078 | 14,331 |
| Amortization of deferred policy acquisition costs | 40,289 | 25,363 | 57,858 | 56,118 |
| Other operating costs and expenses | 14,083 | 9,931 | 25,494 | 20,111 |
| Total benefits and expenses | 251,930 | 55,286 | 410,215 | 271,932 |
| Income before income taxes | 37,435 | 66,596 | 52,616 | 72,745 |
| Income tax expense | 12,846 | 23,685 | 18,100 | 25,861 |
| Net income | \$ 24,589 | \$ 42,911 | \$ 34,516 | \$ 46,884 |
| Earnings per common share | \$ 0.43 | \$ 0.77 | \$ 0.61 | \$ 0.84 |
| Earnings per common share - assuming dilution (a) | \$ 0.41 | \$ 0.71 | \$ 0.58 | \$ 0.78 |
| Weighted average common shares outstanding (in thousands): | | | | |
| Earnings per common share | 57,122 | 55,644 | 56,909 | 55,599 |
| Earnings per common share - assuming dilution | 60,309 | 60,655 | 60,342 | 60,727 |

- (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 \$262 for the three months ended June 30, 2007, \$266 for the three months ended June 30, 2006, \$528 for the six months ended June 30, 2007 and \$536 for the six months ended June 30, 2006.

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Operating Income

Six months ended June 30, 2007 (Unaudited)

| | <u>As Reported</u> | <u>Realized Gain Adjustments</u> | <u>SFAS 133 Adjustments</u> | <u>Operating Income (a)</u> |
|--|--------------------|--------------------------------------|---------------------------------|---------------------------------|
| (Dollars in thousands, except per share data) | | | | |
| Revenues: | | | | |
| Traditional life and accident and health insurance premiums | \$ 6,247 | \$ – | \$ – | \$ 6,247 |
| Annuity and single premium universal life product charges | 20,447 | – | – | 20,447 |
| Net investment income | 345,077 | – | – | 345,077 |
| Realized gains on investments | 596 | (596) | – | – |
| Change in fair value of derivatives | 90,464 | – | (3,781) | 86,683 |
| Total revenues | <u>462,831</u> | <u>(596)</u> | <u>(3,781)</u> | <u>458,454</u> |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 4,030 | – | – | 4,030 |
| Interest credited to account balances | 284,094 | – | – | 284,094 |
| Amortization of deferred sales inducements | 18,545 | – | (1,673) | 16,872 |
| Change in fair value of embedded derivatives | (6,226) | – | 6,226 | – |
| Interest expense on notes payable | 8,139 | – | (526) | 7,613 |
| Interest expense on subordinated debentures | 11,203 | – | – | 11,203 |
| Interest expense on amounts due under repurchase agreements | 7,078 | – | – | 7,078 |
| Amortization of deferred policy acquisition costs | 57,858 | – | (3,797) | 54,061 |
| Other operating costs and expenses | 25,494 | – | – | 25,494 |
| Total benefits and expenses | <u>410,215</u> | <u>–</u> | <u>230</u> | <u>410,445</u> |
| Income before income taxes | 52,616 | (596) | (4,011) | 48,009 |
| Income tax expense | 18,100 | (211) | (1,340) | 16,549 |
| Net income | <u>\$ 34,516</u> | <u>\$ (385)</u> | <u>\$ (2,671)</u> | <u>\$ 31,460</u> |
| Earnings per common share | \$ 0.61 | | | \$ 0.55 |
| Earnings per common share – assuming dilution | \$ 0.58 | | | \$ 0.53 |

(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 and the impact of SFAS 133, dealing with 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 or gains recognized upon early termination | \$ 201,572 | \$ – | \$ 201,572 |
| Cost of money for index annuities | (115,003) | – | (115,003) |
| Change in the difference between fair value and remaining option cost at beginning and end of period | 3,895 | (3,781) | 114 |
| | <u>\$ 90,464</u> | <u>\$ (3,781)</u> | <u>\$ 86,683</u> |
| Index credits included in interest credited to account balances | <u>\$ 205,546</u> | | <u>\$ 205,546</u> |

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Operating Income
Three months ended June 30, 2007 (Unaudited)

| | <u>As Reported</u> | <u>Realized Gain Adjustments</u> | <u>SFAS 133 Adjustments</u> | <u>Operating Income (a)</u> |
|--|--------------------|--------------------------------------|---------------------------------|---------------------------------|
| (Dollars in thousands, except per share data) | | | | |
| Revenues: | | | | |
| Traditional life and accident and health insurance premiums | \$ 3,190 | \$ – | \$ – | \$ 3,190 |
| Annuity and single premium universal life product charges | 11,453 | – | – | 11,453 |
| Net investment income | 175,719 | – | – | 175,719 |
| Realized gains on investments | 17 | (17) | – | – |
| Change in fair value of derivatives | 98,986 | – | (30,165) | 68,821 |
| Total revenues | <u>289,365</u> | <u>(17)</u> | <u>(30,165)</u> | <u>259,183</u> |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 2,097 | – | – | 2,097 |
| Interest credited to account balances | 168,141 | – | – | 168,141 |
| Amortization of deferred sales inducements | 14,184 | – | (5,060) | 9,124 |
| Change in fair value of embedded derivatives | 405 | – | (405) | – |
| Interest expense on notes payable | 4,057 | – | (264) | 3,793 |
| Interest expense on subordinated debentures | 5,614 | – | – | 5,614 |
| Interest expense on amounts due under repurchase agreements | 3,060 | – | – | 3,060 |
| Amortization of deferred policy acquisition costs | 40,289 | – | (11,884) | 28,405 |
| Other operating costs and expenses | 14,083 | – | – | 14,083 |
| Total benefits and expenses | <u>251,930</u> | <u>–</u> | <u>(17,613)</u> | <u>234,317</u> |
| Income before income taxes | 37,435 | (17) | (12,552) | 24,866 |
| Income tax expense | 12,846 | (6) | (4,301) | 8,539 |
| Net income | <u>\$ 24,589</u> | <u>\$ (11)</u> | <u>\$ (8,251)</u> | <u>\$ 16,327</u> |
| Earnings per common share | \$ 0.43 | | | \$ 0.29 |
| Earnings per common share – assuming dilution | \$ 0.41 | | | \$ 0.28 |

(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 and the impact of SFAS 133, dealing with 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 or gains recognized upon early termination | \$ 128,629 | \$ – | \$ 128,629 |
| Cost of money for index annuities | (59,864) | – | (59,864) |
| Change in the difference between fair value and remaining option cost at beginning and end of period | 30,221 | (30,165) | 56 |
| | <u>\$ 98,986</u> | <u>\$ (30,165)</u> | <u>\$ 68,821</u> |
| Index credits included in interest credited to account balances | <u>\$ 128,425</u> | | <u>\$ 128,425</u> |

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

| | <u>Q2 2007</u> | <u>Q1 2007</u> | <u>Q4 2006</u> | <u>Q3 2006</u> | <u>Q2 2006</u> |
|---|---|-----------------|------------------|-----------------|------------------|
| | (Dollars in thousands, except per share data) | | | | |
| Revenues: | | | | | |
| Traditional life and accident and health insurance premiums | \$ 3,190 | \$ 3,057 | \$ 3,574 | \$ 3,313 | \$ 3,211 |
| Annuity and single premium universal life product charges | 11,453 | 8,994 | 10,376 | 10,756 | 10,740 |
| Net investment income | 175,719 | 169,358 | 172,799 | 173,272 | 169,182 |
| Change in fair value of derivatives | 68,821 | 17,862 | 38,880 | (5,992) | 7,474 |
| Total revenues | <u>259,183</u> | <u>199,271</u> | <u>225,629</u> | <u>181,349</u> | <u>190,607</u> |
| Benefits and expenses: | | | | | |
| Insurance policy benefits and change in future policy benefits | 2,097 | 1,933 | 2,194 | 1,947 | 2,269 |
| Interest credited to account balances | 168,141 | 115,953 | 132,245 | 86,572 | 101,845 |
| Amortization of deferred sales inducements | 9,124 | 7,748 | 8,231 | 6,843 | 6,575 |
| Interest expense on notes payable | 3,793 | 3,820 | 3,737 | 3,960 | 3,909 |
| Interest expense on subordinated debentures | 5,614 | 5,589 | 5,238 | 5,796 | 5,402 |
| Interest expense on amounts due under repurchase agreements | 3,060 | 4,018 | 7,603 | 10,997 | 8,532 |
| Amortization of deferred policy acquisition costs | 28,405 | 25,656 | 27,185 | 26,635 | 24,473 |
| Other operating costs and expenses | 14,083 | 11,411 | 10,780 | 9,527 | 9,931 |
| Total benefits and expenses | <u>234,317</u> | <u>176,128</u> | <u>197,213</u> | <u>152,277</u> | <u>162,936</u> |
| Operating income before income taxes | 24,866 | 23,143 | 28,416 | 29,072 | 27,671 |
| Income tax expense | <u>8,539</u> | <u>8,010</u> | <u>9,650</u> | <u>10,193</u> | <u>9,720</u> |
| Operating income (a) | 16,327 | 15,133 | 18,766 | 18,879 | 17,951 |
| Realized gains (losses) on investments, net of offsets | 11 | 374 | 417 | (177) | 214 |
| Income tax contingency | – | – | (384) | 384 | – |
| Net effect of SFAS 133 | <u>8,251</u> | <u>(5,580)</u> | <u>385</u> | <u>(9,669)</u> | <u>24,746</u> |
| Net income | <u>\$ 24,589</u> | <u>\$ 9,927</u> | <u>\$ 19,184</u> | <u>\$ 9,417</u> | <u>\$ 42,911</u> |
| Operating income per common share (a) | \$ 0.29 | \$ 0.27 | \$ 0.34 | \$ 0.34 | \$ 0.32 |
| Operating income per common share – assuming dilution (a) | \$ 0.28 | \$ 0.26 | \$ 0.32 | \$ 0.32 | \$ 0.30 |
| Earnings per common share | \$ 0.43 | \$ 0.18 | \$ 0.34 | \$ 0.17 | \$ 0.77 |
| Earnings per common share – assuming dilution | \$ 0.41 | \$ 0.17 | \$ 0.32 | \$ 0.16 | \$ 0.71 |
| Weighted average common shares outstanding (in thousands): | | | | | |
| Earnings per common share | 57,122 | 56,693 | 55,889 | 55,684 | 55,644 |
| Earnings per common share - assuming dilution | 60,309 | 60,159 | 59,926 | 60,314 | 60,655 |

(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, the impact of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives, and the impact of an income tax contingency liability. 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.

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Capitalization/ Book Value per Share

| | <u>June 30, 2007</u> | <u>December 31, 2006</u> |
|--|---|------------------------------|
| | (Dollars in thousands, except per share data) | |
| Capitalization: | | |
| Notes payable | \$ 264,848 | \$ 266,383 |
| Subordinated debentures payable to subsidiary trusts | 268,298 | 268,489 |
| Total debt | <u>533,146</u> | <u>534,872</u> |
| Total stockholders' equity | <u>601,703</u> | <u>595,066</u> |
| Total capitalization | 1,134,849 | 1,129,938 |
| Accumulated other comprehensive loss (AOCL) | 66,282 | 38,769 |
| Total capitalization excluding AOCL (a) | <u>\$ 1,201,131</u> | <u>\$ 1,168,707</u> |
| Total stockholders' equity | \$ 601,703 | \$ 595,066 |
| Accumulated other comprehensive loss | 66,282 | 38,769 |
| Total stockholders' equity excluding AOCL (a) | <u>\$ 667,985</u> | <u>\$ 633,835</u> |
| Common shares outstanding (b) | 56,855,199 | 56,144,074 |
| Book Value per Share: (c) | | |
| Book value per share including AOCL | \$ 10.58 | \$ 10.60 |
| Book value per share excluding AOCL (a) | \$ 11.75 | \$ 11.29 |
| Debt-to-Capital Ratios: (d) | | |
| Senior debt / Total capitalization | 22.1% | 22.8% |
| Adjusted debt / Total capitalization | 30.2% | 31.3% |

- (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 caused principally by changes in market interest rates, we believe these non-GAAP financial measures provide useful supplemental information.
- (b) Common shares outstanding include shares held by the NMO Deferred Compensation Trust.
- (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, |
|--------------------------------|--------------------------------------|---------------------|------------------------------------|
| | 2007 | 2006 | 2006 |
| | (Dollars in thousands) | | |
| Index Annuities: | | | |
| Index Strategies | \$ 756,851 | \$ 695,019 | \$ 1,160,467 |
| Fixed Strategy | 278,372 | 340,622 | 626,791 |
| | <u>1,035,223</u> | <u>1,035,641</u> | <u>1,787,258</u> |
| Fixed Rate Annuities: | | | |
| Single-Year Rate Guaranteed | 28,094 | 44,063 | 76,164 |
| Multi-Year Rate Guaranteed | 3,672 | 2,682 | 6,544 |
| | <u>31,766</u> | <u>46,745</u> | <u>82,708</u> |
| Total before coinsurance ceded | 1,066,989 | 1,082,386 | 1,869,966 |
| Coinsurance ceded | <u>1,075</u> | <u>1,834</u> | <u>2,859</u> |
| Net after coinsurance ceded | <u>\$ 1,065,914</u> | <u>\$ 1,080,552</u> | <u>\$ 1,867,107</u> |

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of coinsurance) Account Values at June 30, 2007

| Product Type | Surrender Charge | | | Net Account Value | |
|---|------------------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------|
| | Avg. Years At Issue | Avg. Years Remaining | Avg. % Remaining | Dollars in Thousands | % |
| Index Annuities | 14.0 | 11.4 | 14.9% | \$ 9,764,740 | 82.1% |
| Single-Year Fixed Rate Guaranteed Annuities | 10.6 | 5.6 | 8.6% | 1,598,946 | 13.4% |
| Multi-Year Fixed Rate Guaranteed Annuities | 6.9 | 3.2 | 6.0% | 537,218 | 4.5% |
| Total | 13.2 | 10.2 | 13.6% | <u>\$11,900,904</u> | <u>100.0%</u> |

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Annuity Liability Characteristics

| | Fixed Annuities Account Value | Index Annuities Account Value |
|---|--|--|
| | (Dollars in thousands) | |
| <u>SURRENDER CHARGE PERCENTAGES (1):</u> | | |
| No surrender charge | \$ 187,996 | \$ 80,138 |
| 0.0% < 2.0% | 15,107 | 1,009 |
| 2.0% < 3.0% | 80,368 | 11,367 |
| 3.0% < 4.0% | 30,059 | 26,168 |
| 4.0% < 5.0% | 122,959 | 79,151 |
| 5.0% < 6.0% | 32,809 | 45,594 |
| 6.0% < 7.0% | 172,551 | 263,394 |
| 7.0% < 8.0% | 281,138 | 387,269 |
| 8.0% < 9.0% | 287,478 | 482,514 |
| 9.0% < 10.0% | 328,313 | 470,636 |
| 10.0% or greater | 597,386 | 7,917,500 |
| | <u>\$ 2,136,164</u> | <u>\$ 9,764,740</u> |
| | Fixed and Index Annuities Account Value | Weighted Average Surrender Charge |
| | (Dollars in thousands) | |
| <u>SURRENDER CHARGE EXPIRATION BY YEAR</u> | | |
| Out of Surrender Charge | \$ 268,134 | 0.00% |
| 2007 | 67,441 | 3.62% |
| 2008 | 121,842 | 4.56% |
| 2009 | 385,490 | 7.22% |
| 2010 | 444,886 | 6.58% |
| 2011 | 411,056 | 7.09% |
| 2012 | 612,237 | 7.85% |
| 2013 | 725,883 | 8.36% |
| 2014 | 666,170 | 9.75% |
| 2015 | 622,748 | 11.75% |
| 2016 | 806,905 | 12.84% |
| 2017 | 963,400 | 13.59% |
| 2018 | 741,336 | 14.38% |
| 2019 | 411,575 | 14.48% |
| 2020 | 605,408 | 15.75% |
| 2021 | 675,505 | 17.22% |
| 2022 | 1,326,715 | 19.05% |
| 2023 | 1,760,093 | 19.79% |
| 2024 | 284,080 | 20.00% |
| | <u>\$ 11,900,904</u> | <u>13.54%</u> |

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Annuity Liability Characteristics

| | Fixed Annuities Account Value | Index Annuities Account Value |
|---|--|--|
| | (Dollars in thousands) | |
| <u>APPLICABLE GUARANTEE PERIOD:</u> | | |
| Annual reset (2) | \$ 1,833,897 | \$ 9,632,907 |
| Multi-year (3 - 5 years) | 302,267 | 131,833 |
| | <u>\$ 2,136,164</u> | <u>\$ 9,764,740</u> |
| <u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u> | | |
| 2.00% | \$ – | \$ 1,529 |
| 2.20% | 5,186 | 92,580 |
| 2.25% (3) | 247,298 | 2,733,305 |
| 3.00% | 1,785,295 | 5,335,341 |
| 3.50% (4) | – | 1,601,985 |
| 4.00% | 98,385 | – |
| | <u>\$ 2,136,164</u> | <u>\$ 9,764,740</u> |
| <u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (5) (6):</u> | | |
| No differential | \$ 92,925 | \$ – |
| > 0.0% - 0.5% | 1,366,475 | 1,088,494 |
| > 0.5% - 1.0% | 354,566 | 1,212,863 |
| > 1.0% - 1.5% | 172,624 | 127,272 |
| > 1.5% - 2.0% | 28,277 | 260 |
| > 2.0% - 2.5% | 64,359 | 1,210 |
| > 2.5% - 3.0% | 26,711 | 862 |
| Greater than 3.0% | 30,227 | – |
| Index strategies | – | 7,333,779 |
| | <u>\$ 2,136,164</u> | <u>\$ 9,764,740</u> |

- (1) In addition, \$1,363,679 (64%) of the Fixed Annuities Account Value have market value adjustment protection.
- (2) The contract features for substantially all of the 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 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 153 basis points.

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Spread Results

| | Six Months Ended | | Year Ended |
|--|-------------------------|-------------|---------------------|
| | June 30, | | December 31, |
| | 2007 | 2006 | 2006 |
| Average yield on invested assets | 6.09% | 6.13% | 6.14% |
| Cost of Money | | | |
| Aggregate | 3.38% | 3.46% | 3.41% |
| Average net cost of money for index annuities | 3.34% | 3.27% | 3.28% |
| Average crediting rate for fixed rate annuities: | | | |
| Annually adjustable | 3.27% | 3.25% | 3.25% |
| Multi-year rate guaranteed | 4.22% | 5.12% | 4.81% |
| Investment spread: | | | |
| Aggregate | 2.71% | 2.67% | 2.73% |
| Index annuities | 2.75% | 2.86% | 2.86% |
| Fixed rate annuities: | | | |
| Annually adjustable | 2.82% | 2.88% | 2.89% |
| Multi-year rate guaranteed | 1.87% | 1.01% | 1.33% |

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Summary of Invested Assets

| | June 30, 2007 | | December 31, 2006 | |
|---|----------------------------|----------------|----------------------------|----------------|
| | Carrying Amount | Percent | Carrying Amount | Percent |
| | (Dollars in thousands) | | | |
| Fixed maturity securities: | | | | |
| United States Government full faith and credit | \$ 2,703 | – | \$ 2,746 | – |
| United States Government sponsored agencies | 8,017,342 | 66.2% | 7,966,485 | 70.0% |
| Public utilities | 133,385 | 1.1% | 137,461 | 1.2% |
| Corporate securities | 912,319 | 7.5% | 643,850 | 5.6% |
| Redeemable preferred stocks | 176,311 | 1.5% | 135,933 | 1.2% |
| Mortgage and asset-backed securities: | | | | |
| Government | 75,257 | 0.6% | 67,883 | 0.6% |
| Non-Government | 532,250 | 4.4% | 350,817 | 3.1% |
| Total fixed maturity securities | 9,849,567 | 81.3% | 9,305,175 | 81.7% |
| Equity securities | 78,949 | 0.7% | 45,512 | 0.4% |
| Mortgage loans on real estate | 1,771,625 | 14.6% | 1,652,757 | 14.5% |
| Derivative instruments | 412,289 | 3.4% | 381,601 | 3.4% |
| Policy loans | 428 | – | 419 | – |
| | <u>\$ 12,112,858</u> | <u>100.0%</u> | <u>\$ 11,385,464</u> | <u>100.0%</u> |

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Credit Quality of Fixed Maturity Securities

| NAIC Designation | Rating Agency Equivalent | June 30, 2007 | | December 31, 2006 | |
|------------------------|-----------------------------|---------------------|---------------|---------------------|---------------|
| | | Carrying Amount | Percent | Carrying Amount | Percent |
| (Dollars in thousands) | | | | | |
| 1 | Aaa/Aa/A | \$ 8,947,008 | 90.8% | \$ 8,643,440 | 92.9% |
| 2 | Baa | 792,057 | 8.0% | 556,218 | 6.0% |
| 3 | Ba | 84,844 | 0.9% | 88,896 | 0.9% |
| 4 | B | 25,658 | 0.3% | 12,022 | 0.1% |
| 5 | Caa and lower | – | – | – | – |
| 6 | In or near default | – | – | 4,599 | 0.1% |
| | | <u>\$ 9,849,567</u> | <u>100.0%</u> | <u>\$ 9,305,175</u> | <u>100.0%</u> |

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Mortgage Loans by Region and Property Type

| | <u>June 30, 2007</u> | | <u>December 31, 2006</u> | |
|-----------------------------------|----------------------------|----------------|----------------------------|----------------|
| | <u>Carrying Amount</u> | <u>Percent</u> | <u>Carrying Amount</u> | <u>Percent</u> |
| | (Dollars in thousands) | | | |
| Geographic distribution | | | | |
| East | \$ 414,718 | 23.4% | \$ 364,977 | 22.1% |
| Middle Atlantic | 122,198 | 6.9% | 115,930 | 7.0% |
| Mountain | 283,609 | 16.0% | 267,808 | 16.2% |
| New England | 44,928 | 2.5% | 43,228 | 2.6% |
| Pacific | 123,749 | 7.0% | 132,085 | 8.0% |
| South Atlantic | 307,787 | 17.4% | 299,373 | 18.1% |
| West North Central | 335,250 | 18.9% | 290,592 | 17.6% |
| West South Central | 139,386 | 7.9% | 138,764 | 8.4% |
| | <u>\$ 1,771,625</u> | <u>100.0%</u> | <u>\$ 1,652,757</u> | <u>100.0%</u> |
| Property type distribution | | | | |
| Office | \$ 539,867 | 30.5% | \$ 508,093 | 30.7% |
| Medical Office | 92,260 | 5.2% | 78,147 | 4.7% |
| Retail | 410,928 | 23.2% | 389,534 | 23.6% |
| Industrial/Warehouse | 400,535 | 22.6% | 381,248 | 23.1% |
| Hotel | 97,439 | 5.5% | 71,510 | 4.3% |
| Apartments | 86,346 | 4.9% | 91,190 | 5.5% |
| Mixed use/other | 144,250 | 8.1% | 133,035 | 8.1% |
| | <u>\$ 1,771,625</u> | <u>100.0%</u> | <u>\$ 1,652,757</u> | <u>100.0%</u> |

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Shareholder Information

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Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

| 2007 | High | Low | Close | Dividend Declared |
|----------------|-------------|------------|--------------|--------------------------|
| First Quarter | \$14.07 | \$12.17 | \$13.13 | \$0.00 |
| Second Quarter | \$13.97 | \$11.37 | \$12.08 | \$0.00 |
| 2006 | | | | |
| First Quarter | \$14.34 | \$12.76 | \$14.34 | \$0.00 |
| Second Quarter | \$14.60 | \$10.66 | \$10.66 | \$0.00 |
| Third Quarter | \$12.55 | \$10.07 | \$12.27 | \$0.00 |
| Fourth Quarter | \$13.44 | \$11.90 | \$13.03 | \$0.05 |
| 2005 | | | | |
| First Quarter | \$12.92 | \$10.14 | \$12.79 | \$0.00 |
| Second Quarter | \$12.79 | \$10.08 | \$11.88 | \$0.00 |
| Third Quarter | \$11.96 | \$10.41 | \$11.35 | \$0.00 |
| Fourth Quarter | \$13.06 | \$10.83 | \$13.05 | \$0.04 |

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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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