

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

December 31, 2007

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

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 5,008,772	\$ 4,177,029
Held for investment, at amortized cost	5,355,733	5,128,146
Equity securities, available for sale, at fair value	87,412	45,512
Mortgage loans on real estate	1,953,894	1,652,757
Derivative instruments	204,657	381,601
Policy loans	427	419
Total investments	<u>12,610,895</u>	<u>11,385,464</u>
Cash and cash equivalents	18,888	29,949
Coinsurance deposits—related party	1,698,153	1,841,720
Accrued investment income	77,348	68,323
Deferred policy acquisition costs	1,272,108	1,088,890
Deferred sales inducements	588,473	427,554
Deferred income taxes	75,806	73,831
Other assets	52,701	74,392
Total assets	<u>\$ 16,394,372</u>	<u>\$ 14,990,123</u>

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CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(Dollars in thousands)

	December 31, 2007	December 31, 2006
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 14,711,780	\$ 13,207,931
Other policy funds and contract claims	120,186	128,579
Other amounts due to related parties	23,654	45,504
Notes payable	268,339	266,383
Subordinated debentures	268,330	268,489
Amounts due under repurchase agreements	257,225	385,973
Other liabilities	<u>133,223</u>	<u>92,198</u>
Total liabilities	15,782,737	14,395,057
Stockholders' equity:		
Common stock	53,556	53,501
Additional paid-in capital	387,302	389,644
Unallocated common stock held by ESOP	(6,781)	–
Accumulated other comprehensive loss	(38,929)	(38,769)
Retained earnings	<u>216,487</u>	<u>190,690</u>
Total stockholders' equity	<u>611,635</u>	<u>595,066</u>
Total liabilities and stockholders' equity	<u><u>\$ 16,394,372</u></u>	<u><u>\$ 14,990,123</u></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 December 31,		Year Ended December 31,	
	2007	2006	2007	2006
Revenues:				
Traditional life and accident and health insurance premiums	\$ 3,032	\$ 3,574	\$ 12,623	\$ 13,622
Annuity product charges	12,805	10,376	45,828	39,472
Net investment income	191,107	172,799	719,916	677,638
Realized gains (losses) on investments	(4,803)	1,329	(3,882)	1,345
Change in fair value of derivatives	(139,740)	123,757	(59,985)	183,783
Total revenues	62,401	311,835	714,500	915,860
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	2,029	2,194	8,419	8,808
Interest credited to account balances	110,294	132,244	560,209	404,269
Amortization of deferred sales inducements	(4,820)	8,198	11,708	24,793
Change in fair value of embedded derivatives	(56,426)	85,689	(67,902)	151,057
Interest expense on notes payable	4,043	2,393	16,221	20,382
Interest expense on subordinated debentures	5,644	5,238	22,520	21,354
Interest expense on amounts due under repurchase agreements	4,084	7,603	15,926	32,931
Amortization of deferred policy acquisition costs	(4,618)	27,326	56,330	94,923
Other operating costs and expenses	11,154	10,780	48,230	40,418
Total benefits and expenses	71,384	281,665	671,661	798,935
Income (loss) before income taxes	(8,983)	30,170	42,839	116,925
Income tax expense (benefit)	(3,985)	10,986	13,863	41,440
Net income (loss)	\$ (4,998)	\$ 19,184	\$ 28,976	\$ 75,485
Earnings (loss) per common share	\$ (0.09)	\$ 0.34	\$ 0.51	\$ 1.34
Earnings (loss) per common share - assuming dilution (a)	\$ (0.08)	\$ 0.32	\$ 0.50	\$ 1.27
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	56,348	55,889	56,760	56,243
Earnings (loss) per common share - assuming dilution	59,154	59,926	59,848	60,421

- (a) The numerator for earnings (loss) 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 December 31, 2007, \$265 for the three months ended December 31, 2006, \$1,052 for the year ended December 31, 2007 and \$1,068 for the year ended December 31, 2006.

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Operating Income

Year ended December 31, 2007 (Unaudited)

	<u>As Reported</u>	<u>Realized Loss 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	\$ 12,623	\$ –	\$ –	\$ 12,623
Annuity product charges	45,828	–	–	45,828
Net investment income	719,916	–	–	719,916
Realized losses on investments	(3,882)	3,882	–	–
Change in fair value of derivatives	(59,985)	–	195,751	135,766
Total revenues	<u>714,500</u>	<u>3,882</u>	<u>195,751</u>	<u>914,133</u>
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	8,419	–	–	8,419
Interest credited to account balances	560,209	–	–	560,209
Amortization of deferred sales inducements	11,708	347	23,358	35,413
Change in fair value of embedded derivatives	(67,902)	–	67,902	–
Interest expense on notes payable	16,221	–	(1,066)	15,155
Interest expense on subordinated debentures	22,520	–	–	22,520
Interest expense on amounts due under repurchase agreements	15,926	–	–	15,926
Amortization of deferred policy acquisition costs	56,330	921	52,298	109,549
Other operating costs and expenses	48,230	–	–	48,230
Total benefits and expenses	<u>671,661</u>	<u>1,268</u>	<u>142,492</u>	<u>815,421</u>
Income before income taxes	42,839	2,614	53,259	98,712
Income tax expense	13,863	926	19,021	33,810
Net income	<u>\$ 28,976</u>	<u>\$ 1,688</u>	<u>\$ 34,238</u>	<u>\$ 64,902</u>
Earnings per common share	\$ 0.51			\$ 1.14
Earnings per common share – assuming dilution	\$ 0.50			\$ 1.10

(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	\$ 389,511	\$ –	\$ 389,511
Cost of money for index annuities	(253,988)	–	(253,988)
Change in the difference between fair value and remaining option cost at beginning and end of period	(195,508)	195,751	243
	<u>\$ (59,985)</u>	<u>\$ 195,751</u>	<u>\$ 135,766</u>
Index credits included in interest credited to account balances	<u>\$ 403,416</u>		<u>\$ 403,416</u>

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Operating Income

Three months ended December 31, 2007 (Unaudited)

	<u>As Reported</u>	<u>Realized Loss 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	\$ 3,032	\$ –	\$ –	\$ 3,032
Annuity product charges	12,805	–	–	12,805
Net investment income	191,107	–	–	191,107
Realized losses on investments	(4,803)	4,803	–	–
Change in fair value of derivatives	(139,740)	–	132,491	(7,249)
Total revenues	<u>62,401</u>	<u>4,803</u>	<u>132,491</u>	<u>199,695</u>
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	2,029	–	–	2,029
Interest credited to account balances	110,294	–	–	110,294
Amortization of deferred sales inducements	(4,820)	347	13,837	9,364
Change in fair value of embedded derivatives	(56,426)	–	56,426	–
Interest expense on notes payable	4,043	–	(271)	3,772
Interest expense on subordinated debentures	5,644	–	–	5,644
Interest expense on amounts due under repurchase agreements	4,084	–	–	4,084
Amortization of deferred policy acquisition costs	(4,618)	921	31,409	27,712
Other operating costs and expenses	11,154	–	–	11,154
Total benefits and expenses	<u>71,384</u>	<u>1,268</u>	<u>101,401</u>	<u>174,053</u>
Income (loss) before income taxes	(8,983)	3,535	31,090	25,642
Income tax expense (benefit)	(3,985)	1,252	11,355	8,622
Net income (loss)	<u>\$ (4,998)</u>	<u>\$ 2,283</u>	<u>\$ 19,735</u>	<u>\$ 17,020</u>
Earnings (loss) per common share	\$ (0.09)			\$ 0.30
Earnings (loss) per common share – assuming dilution	\$ (0.08)			\$ 0.29

(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 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 (loss), 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	\$ 65,049	\$ –	\$ 65,049
Cost of money for index annuities	(72,368)	–	(72,368)
Change in the difference between fair value and remaining option cost at beginning and end of period	(132,421)	132,491	70
	<u>\$ (139,740)</u>	<u>\$ 132,491</u>	<u>\$ (7,249)</u>
Index credits included in interest credited to account balances	<u>\$ 72,370</u>		<u>\$ 72,370</u>

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

	<u>Q4 2007</u>	<u>Q3 2007</u>	<u>Q2 2007</u>	<u>Q1 2007</u>	<u>Q4 2006</u>
	(Dollars in thousands, except per share data)				
Revenues:					
Traditional life and accident and health insurance premiums	\$ 3,032	\$ 3,344	\$ 3,190	\$ 3,057	\$ 3,574
Annuity product charges	12,805	12,576	11,453	8,994	10,376
Net investment income	191,107	183,732	175,719	169,358	172,799
Change in fair value of derivatives	(7,249)	56,332	68,821	17,862	38,880
Total revenues	<u>199,695</u>	<u>255,984</u>	<u>259,183</u>	<u>199,271</u>	<u>225,629</u>
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits	2,029	2,360	2,097	1,933	2,194
Interest credited to account balances	110,294	165,821	168,141	115,953	132,245
Amortization of deferred sales inducements	9,364	9,177	9,124	7,748	8,231
Interest expense on notes payable	3,772	3,770	3,793	3,820	3,737
Interest expense on subordinated debentures	5,644	5,673	5,614	5,589	5,238
Interest expense on amounts due under repurchase agreements	4,084	4,764	3,060	4,018	7,603
Amortization of deferred policy acquisition costs	27,712	27,776	28,405	25,656	27,185
Other operating costs and expenses	11,154	11,582	14,083	11,411	10,780
Total benefits and expenses	<u>174,053</u>	<u>230,923</u>	<u>234,317</u>	<u>176,128</u>	<u>197,213</u>
Operating income before income taxes	25,642	25,061	24,866	23,143	28,416
Income tax expense	<u>8,622</u>	<u>8,639</u>	<u>8,539</u>	<u>8,010</u>	<u>9,650</u>
Operating income (a)	17,020	16,422	16,327	15,133	18,766
Realized gains (losses) on investments, net of offsets	(2,283)	210	11	374	417
Income tax contingency	–	–	–	–	(384)
Net effect of SFAS 133, net of offsets	<u>(19,735)</u>	<u>(13,189)</u>	<u>4,266</u>	<u>(5,580)</u>	<u>385</u>
Net income (loss)	<u>\$ (4,998)</u>	<u>\$ 3,443</u>	<u>\$ 20,604</u>	<u>\$ 9,927</u>	<u>\$ 19,184</u>
Operating income per common share (a)	\$ 0.30	\$ 0.29	\$ 0.29	\$ 0.27	\$ 0.34
Operating income per common share – assuming dilution (a)	\$ 0.29	\$ 0.28	\$ 0.28	\$ 0.26	\$ 0.32
Earnings (loss) per common share	\$ (0.09)	\$ 0.06	\$ 0.36	\$ 0.18	\$ 0.34
Earnings (loss) per common share – assuming dilution	\$ (0.08)	\$ 0.06	\$ 0.35	\$ 0.17	\$ 0.32
Weighted average common shares outstanding (in thousands):					
Earnings (loss) per common share	56,348	56,878	57,122	56,693	55,889
Earnings (loss) per common share - assuming dilution	59,154	59,774	60,309	60,159	59,926

(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, 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 (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

	December 31, 2007	December 31, 2006
	(Dollars in thousands, except per share data)	
Capitalization:		
Notes payable	\$ 268,339	\$ 266,383
Subordinated debentures payable to subsidiary trusts	268,330	268,489
Total debt	536,669	534,872
Total stockholders' equity	611,635	595,066
Total capitalization	1,148,304	1,129,938
Accumulated other comprehensive loss (AOCL)	38,929	38,769
Total capitalization excluding AOCL (a)	\$ 1,187,233	\$ 1,168,707
Total stockholders' equity	\$ 611,635	\$ 595,066
Accumulated other comprehensive loss	38,929	38,769
Total stockholders' equity excluding AOCL (a)	\$ 650,564	\$ 633,835
Common shares outstanding (b)	55,919,585	56,144,074
Book Value per Share: (c)		
Book value per share including AOCL	\$ 10.94	\$ 10.60
Book value per share excluding AOCL (a)	\$ 11.63	\$ 11.29
Book value per share excluding AOCL and SFAS 133 (a)	\$ 12.22	\$ 11.28
Debt-to-Capital Ratios: (d)		
Senior debt / Total capitalization	22.6%	22.8%
Adjusted debt / Total capitalization	30.7%	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. Book value per share excluding AOCL and the impact of SFAS 133 is a non-GAAP financial measure based on stockholders' equity excluding the effect of AOCL and the cumulative impact on stockholders' equity of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives. Because the cumulative impact of SFAS 133 fluctuates in a manner unrelated to core operations, we believe this non-GAAP financial measure provides useful supplemental information.
- (b) Common shares outstanding include shares held by the NMO Deferred Compensation Trust: 2007 - 2,993,148 shares; 2006 - 2,643,148 shares and exclude unallocated shares held by ESOP: 2007 - 629,565 shares; 2006 - 0 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. Book value excluding AOCL and the impact of SFAS 133 is calculated as total stockholders' equity excluding AOCL adjusted to eliminate the cumulative impact on stockholders' equity of SFAS 133 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	Three Months Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006
	(Dollars in thousands)			
Index Annuities:				
Index Strategies	\$ 401,800	\$ 245,915	\$ 1,578,347	\$ 1,160,467
Fixed Strategy	123,047	159,845	515,229	626,791
	<u>524,847</u>	<u>405,760</u>	<u>2,093,576</u>	<u>1,787,258</u>
Fixed Rate Annuities:				
Single-Year Rate Guaranteed	8,108	14,135	45,948	76,164
Multi-Year Rate Guaranteed	947	1,811	5,158	6,544
	<u>9,055</u>	<u>15,946</u>	<u>51,106</u>	<u>82,708</u>
Total before coinsurance ceded	533,902	421,706	2,144,682	1,869,966
Coinsurance ceded	318	535	1,779	2,859
Net after coinsurance ceded	<u>\$ 533,584</u>	<u>\$ 421,171</u>	<u>\$ 2,142,903</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 December 31, 2007

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Index Annuities	14.0	11.2	14.9%	\$10,750,775	84.4%
Single-Year Fixed Rate Guaranteed Annuities	10.6	5.2	8.1%	1,505,526	11.8%
Multi-Year Fixed Rate Guaranteed Annuities	7.0	3.0	5.8%	483,918	3.8%
	13.4	10.2	13.7%	<u>\$12,740,219</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	\$ 189,999	\$ 91,205
0.0% < 2.0%	13,625	548
2.0% < 3.0%	78,827	16,975
3.0% < 4.0%	33,067	35,682
4.0% < 5.0%	155,654	127,870
5.0% < 6.0%	35,179	81,790
6.0% < 7.0%	189,652	308,033
7.0% < 8.0%	227,357	482,635
8.0% < 9.0%	353,196	365,037
9.0% < 10.0%	171,163	491,616
10.0% or greater	541,725	8,749,384
	<u>\$ 1,989,444</u>	<u>\$ 10,750,775</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	\$ 281,204	0.00%
2008	113,865	3.97%
2009	372,849	6.61%
2010	421,867	5.98%
2011	390,355	6.64%
2012	576,250	7.37%
2013	728,657	7.88%
2014	652,840	9.17%
2015	631,615	11.36%
2016	833,873	12.13%
2017	1,004,416	13.38%
2018	726,552	14.09%
2019	528,141	14.13%
2020	593,806	15.48%
2021	667,644	16.88%
2022	1,312,809	18.78%
2023	2,610,933	19.75%
2024	292,543	20.00%
	<u>\$ 12,740,219</u>	<u>13.74%</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)	\$ 1,749,400	\$ 10,622,034
Multi-year (3 - 5 years)	240,044	128,741
	<u>\$ 1,989,444</u>	<u>\$ 10,750,775</u>
<u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u>		
2.00%	\$ –	\$ 1,537
2.20%	4,707	93,258
2.25% (3)	240,083	2,698,643
3.00%	1,653,708	6,360,968
3.50% (4)	–	1,596,369
4.00%	90,946	–
	<u>\$ 1,989,444</u>	<u>\$ 10,750,775</u>
<u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (5) (6):</u>		
No differential	\$ 85,485	\$ –
> 0.0% - 0.5%	1,318,334	1,429,795
> 0.5% - 1.0%	339,177	833,295
> 1.0% - 1.5%	153,322	123,016
> 1.5% - 2.0%	29,041	90
> 2.0% - 2.5%	47,946	55
> 2.5% - 3.0%	13,258	–
Greater than 3.0%	2,881	–
Index strategies	–	8,364,524
	<u>\$ 1,989,444</u>	<u>\$ 10,750,775</u>

- (1) In addition, \$1,249,327 (63%) 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 135 basis points.

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Spread Results

	Year Ended December 31,	
	2007	2006
Average yield on invested assets	6.11%	6.14%
Cost of Money		
Aggregate	3.50%	3.41%
Average net cost of money for index annuities	3.51%	3.28%
Average crediting rate for fixed rate annuities:		
Annually adjustable	3.28%	3.25%
Multi-year rate guaranteed	4.14%	4.81%
Investment spread:		
Aggregate	2.61%	2.73%
Index annuities	2.60%	2.86%
Fixed rate annuities:		
Annually adjustable	2.83%	2.89%
Multi-year rate guaranteed	1.97%	1.33%

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Summary of Invested Assets

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Carrying Amount</u>	<u>Percent</u>	<u>Carrying Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
Fixed maturity securities:				
United States Government full faith and credit	\$ 19,882	0.2%	\$ 2,746	–
United States Government sponsored agencies	8,208,909	65.1%	7,966,485	70.0%
Public utilities	146,525	1.1%	137,461	1.2%
Corporate securities	1,084,550	8.6%	643,850	5.6%
Redeemable preferred stocks	188,054	1.5%	135,933	1.2%
Mortgage and asset-backed securities:				
Government	75,353	0.6%	67,883	0.6%
Non-Government	641,232	5.1%	350,817	3.1%
Total fixed maturity securities	10,364,505	82.2%	9,305,175	81.7%
Equity securities	87,412	0.7%	45,512	0.4%
Mortgage loans on real estate	1,953,894	15.5%	1,652,757	14.5%
Derivative instruments	204,657	1.6%	381,601	3.4%
Policy loans	427	–	419	–
	<u>\$ 12,610,895</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	December 31, 2007		December 31, 2006	
		Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)					
1	Aaa/Aa/A	\$ 9,361,755	90.3%	\$ 8,643,440	92.9%
2	Baa	915,259	8.8%	556,218	6.0%
3	Ba	53,784	0.5%	88,896	0.9%
4	B	20,310	0.3%	12,022	0.1%
5	Caa and lower	13,397	0.1%	–	–
6	In or near default	–	–	4,599	0.1%
		<u>\$ 10,364,505</u>	<u>100.0%</u>	<u>\$ 9,305,175</u>	<u>100.0%</u>

Watch List Securities - December 31, 2007

General Description	Amortized Cost	Unrealized Losses	Estimated Fair Value	Months Below Amortized Cost
Corporate Bonds:				
Reinsurance Company	\$ 15,035	\$ (4,910)	\$ 10,125	28
Home Builder	4,965	(1,365)	3,600	29
Consumer Staple Company	9,759	(2,111)	7,648	19
Mortgage-Backed Securities:				
FHA/VA loans	2,799	(1,180)	1,619	30
Common & Preferred Stock:				
Finance, Insurance and Real Estate Companies	15,685	(5,587)	10,098	6 - 11
	<u>\$ 48,243</u>	<u>\$ (15,153)</u>	<u>\$ 33,090</u>	

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Mortgage Loans by Region and Property Type

	<u>December 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
Geographic distribution				
East	\$ 458,418	23.5%	\$ 364,977	22.1%
Middle Atlantic	133,662	6.8%	115,930	7.0%
Mountain	310,244	15.9%	267,808	16.2%
New England	45,618	2.3%	43,228	2.6%
Pacific	141,264	7.2%	132,085	8.0%
South Atlantic	344,800	17.7%	299,373	18.1%
West North Central	356,334	18.2%	290,592	17.6%
West South Central	163,554	8.4%	138,764	8.4%
	<u>\$ 1,953,894</u>	<u>100.0%</u>	<u>\$ 1,652,757</u>	<u>100.0%</u>
Property type distribution				
Office	\$ 586,109	30.0%	\$ 508,093	30.7%
Medical Office	108,667	5.6%	78,147	4.7%
Retail	438,214	22.4%	389,534	23.6%
Industrial/Warehouse	453,654	23.2%	381,248	23.1%
Hotel	115,758	5.9%	71,510	4.3%
Apartments	105,431	5.4%	91,190	5.5%
Mixed use/other	146,061	7.5%	133,035	8.1%
	<u>\$ 1,953,894</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
Third Quarter	\$12.55	\$9.51	\$10.65	\$0.00
Fourth Quarter	\$11.25	\$8.09	\$8.29	\$0.06
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

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

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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