

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

**December 31, 2008**

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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)**

|  | <u>December 31,</u><br><u>2008</u> | <u>December 31,</u><br><u>2007</u> |
|--|------------------------------------|------------------------------------|
|  | (Unaudited)                        |                                    |
| <b>Assets</b>  |                                    |                                    |
| Investments:   |                                    |                                    |
| Fixed maturity securities:                           |                                    |                                    |
| Available for sale, at fair value                    | \$ 6,629,046                       | \$ 5,008,772                       |
| Held for investment, at amortized cost               | 3,604,149                          | 5,355,733                          |
| Equity securities, available for sale, at fair value | 99,552                             | 87,412                             |
| Mortgage loans on real estate                        | 2,329,824                          | 1,953,894                          |
| Derivative instruments                               | 56,588                             | 204,657                            |
| Policy loans   | 446                                | 427                                |
| Total investments                                    | <u>12,719,605</u>                  | <u>12,610,895</u>                  |
| Cash and cash equivalents                            | 214,862                            | 18,888                             |
| Coinsurance deposits                                 | 1,528,981                          | 1,698,153                          |
| Accrued investment income                            | 91,756                             | 77,348                             |
| Deferred policy acquisition costs                    | 1,579,871                          | 1,272,108                          |
| Deferred sales inducements                           | 843,377                            | 588,473                            |
| Deferred income taxes                                | 85,700                             | 75,806                             |
| Other assets   | 23,661                             | 52,701                             |
| Total assets   | <u>\$ 17,087,813</u>               | <u>\$ 16,394,372</u>               |

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

|   | <b>December 31,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|---|------------------------------|------------------------------|
|   | <b>(Unaudited)</b>           |                              |
| <b>Liabilities and Stockholders' Equity</b> |                              |                              |
| Liabilities:                                |                              |                              |
| Policy benefit reserves                     | \$ 15,809,539                | \$ 14,711,780                |
| Other policy funds and contract claims      | 111,205                      | 120,186                      |
| Notes payable                               | 258,462                      | 268,339                      |
| Subordinated debentures                     | 268,209                      | 268,330                      |
| Amounts due under repurchase agreements     | –                            | 257,225                      |
| Other liabilities                           | <u>148,193</u>               | <u>156,877</u>               |
| Total liabilities                           | 16,595,608                   | 15,782,737                   |
| Stockholders' equity:                       |                              |                              |
| Common stock                                | 50,739                       | 53,556                       |
| Additional paid-in capital                  | 361,427                      | 387,302                      |
| Unallocated common stock held by ESOP       | (6,336)                      | (6,781)                      |
| Accumulated other comprehensive loss        | (147,376)                    | (38,929)                     |
| Retained earnings                           | <u>233,751</u>               | <u>216,487</u>               |
| Total stockholders' equity                  | <u>492,205</u>               | <u>611,635</u>               |
| Total liabilities and stockholders' equity  | <u>\$ 17,087,813</u>         | <u>\$ 16,394,372</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<br>December 31, |            | Year Ended<br>December 31, |           |
|--|------------------------------------|------------|----------------------------|-----------|
|  | 2008                               | 2007       | 2008                       | 2007      |
| <b>Revenues:</b>   |                                    |            |                            |           |
| Traditional life and accident and health insurance premiums    | \$ 3,093                           | \$ 3,032   | \$ 12,512                  | \$ 12,623 |
| Annuity product charges  | 15,400                             | 12,805     | 52,671                     | 45,828    |
| Net investment income  | 214,531                            | 191,107    | 822,077                    | 719,916   |
| Realized losses on investments                                 | (95,681)                           | (4,803)    | (187,093)                  | (3,882)   |
| Change in fair value of derivatives                            | (57,578)                           | (139,740)  | (372,009)                  | (59,985)  |
| Gain on retirement of debt                                     | 13,409                             | –          | 13,651                     | –         |
| Total revenues   | 93,174                             | 62,401     | 341,809                    | 714,500   |
| <b>Benefits and expenses:</b>                                  |                                    |            |                            |           |
| Insurance policy benefits and change in future policy benefits | 1,916                              | 2,029      | 8,972                      | 8,419     |
| Interest credited to account balances                          | 51,099                             | 110,294    | 205,131                    | 560,209   |
| Amortization of deferred sales inducements                     | (3,488)                            | (4,820)    | 30,705                     | 11,708    |
| Change in fair value of embedded derivatives                   | 27,216                             | (56,426)   | (210,753)                  | (67,902)  |
| Interest expense on notes payable                              | 3,693                              | 4,043      | 15,425                     | 16,221    |
| Interest expense on subordinated debentures                    | 4,896                              | 5,644      | 19,445                     | 22,520    |
| Interest expense on amounts due under repurchase agreements    | 513                                | 4,084      | 8,207                      | 15,926    |
| Amortization of deferred policy acquisition costs              | 8,143                              | (4,618)    | 126,738                    | 56,330    |
| Other operating costs and expenses                             | 14,083                             | 11,154     | 52,633                     | 48,230    |
| Total benefits and expenses                                    | 108,071                            | 71,384     | 256,503                    | 671,661   |
| Income (loss) before income taxes                              | (14,897)                           | (8,983)    | 85,306                     | 42,839    |
| Income tax expense (benefit)                                   | 7,245                              | (3,985)    | 64,531                     | 13,863    |
| Net income (loss)  | \$ (22,142)                        | \$ (4,998) | \$ 20,775                  | \$ 28,976 |
| Earnings (loss) per common share                               | \$ (0.42)                          | \$ (0.09)  | \$ 0.39                    | \$ 0.51   |
| Earnings (loss) per common share - assuming dilution (a)       | \$ (0.39)                          | \$ (0.08)  | \$ 0.39                    | \$ 0.50   |
| Weighted average common shares outstanding (in thousands):     |                                    |            |                            |           |
| Earnings (loss) per common share                               | 52,779                             | 56,348     | 53,750                     | 56,760    |
| Earnings (loss) per common share - assuming dilution           | 55,650                             | 59,154     | 56,622                     | 59,848    |

- (a) The numerator for earnings (loss) per common share - assuming dilution is equal to net income (loss) 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, 2008, \$262 for the three months ended December 31, 2007, \$1,042 for the year ended December 31, 2008 and \$1,052 for the year ended December 31, 2007.

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**Operating Income**  
**Year ended December 31, 2008 (Unaudited)**

|  | As Reported      | Adjustments                          |                                  | Operating Income (a) |
|--|------------------|--------------------------------------|----------------------------------|----------------------|
|  |                  | Realized Losses and Convertible Debt | SFAS 133 and Other Index Annuity |                      |
| (Dollars in thousands, except per share data)                  |                  |                                      |                                  |                      |
| <b>Revenues:</b>   |                  |                                      |                                  |                      |
| Traditional life and accident and health insurance premiums    | \$ 12,512        | \$ –                                 | \$ –                             | \$ 12,512            |
| Annuity product charges  | 52,671           | –                                    | –                                | 52,671               |
| Net investment income  | 822,077          | –                                    | –                                | 822,077              |
| Realized losses on investments                                 | (187,093)        | 187,093                              | –                                | –                    |
| Change in fair value of derivatives                            | (372,009)        | –                                    | 109,502                          | (262,507)            |
| Gain on retirement of debt                                     | 13,651           | (13,651)                             | –                                | –                    |
| Total revenues   | <u>341,809</u>   | <u>173,442</u>                       | <u>109,502</u>                   | <u>624,753</u>       |
| <b>Benefits and expenses:</b>                                  |                  |                                      |                                  |                      |
| Insurance policy benefits and change in future policy benefits | 8,972            | –                                    | –                                | 8,972                |
| Interest credited to account balances                          | 205,131          | –                                    | 2,761                            | 207,892              |
| Amortization of deferred sales inducements                     | 30,705           | 35,589                               | (13,642)                         | 52,652               |
| Change in fair value of embedded derivatives                   | (210,753)        | –                                    | 210,753                          | –                    |
| Interest expense on notes payable                              | 15,425           | –                                    | (1,040)                          | 14,385               |
| Interest expense on subordinated debentures                    | 19,445           | –                                    | –                                | 19,445               |
| Interest expense on amounts due under repurchase agreements    | 8,207            | –                                    | –                                | 8,207                |
| Amortization of deferred policy acquisition costs              | 126,738          | 61,634                               | (43,474)                         | 144,898              |
| Other operating costs and expenses                             | 52,633           | –                                    | –                                | 52,633               |
| Total benefits and expenses                                    | <u>256,503</u>   | <u>97,223</u>                        | <u>155,358</u>                   | <u>509,084</u>       |
| Income before income taxes                                     | 85,306           | 76,219                               | (45,856)                         | 115,669              |
| Income tax expense   | 64,531           | (8,319)                              | (16,167)                         | 40,045               |
| Net income   | <u>\$ 20,775</u> | <u>\$ 84,538</u>                     | <u>\$ (29,689)</u>               | <u>\$ 75,624</u>     |
| Earnings per common share                                      | \$ 0.39          |                                      |                                  | \$ 1.41              |
| Earnings per common share – assuming dilution                  | \$ 0.39          |                                      |                                  | \$ 1.35              |

(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 related deferred tax asset valuation allowance, gain on retirement of convertible debt, SFAS 133, dealing with 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, 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  | \$ 27,237           | \$ –              | \$ 27,237           |
| Cost of money for index annuities  | (288,723)           | –                 | (288,723)           |
| Change in the difference between fair value and remaining option cost at beginning and end of period | (110,523)           | 109,502           | (1,021)             |
|  | <u>\$ (372,009)</u> | <u>\$ 109,502</u> | <u>\$ (262,507)</u> |
| Index credits included in interest credited to account balances                                      | <u>\$ 33,337</u>    |                   | <u>\$ 33,337</u>    |

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**Operating Income**  
**Three months ended December 31, 2008 (Unaudited)**

|  | As Reported | Adjustments                          |                                  | Operating Income (a) |
|--|-------------|--------------------------------------|----------------------------------|----------------------|
|  |             | Realized Losses and Convertible Debt | SFAS 133 and Other Index Annuity |                      |
| (Dollars in thousands, except per share data)                  |             |                                      |                                  |                      |
| <b>Revenues:</b>   |             |                                      |                                  |                      |
| Traditional life and accident and health insurance premiums    | \$ 3,093    | \$ –                                 | \$ –                             | \$ 3,093             |
| Annuity product charges  | 15,400      | –                                    | –                                | 15,400               |
| Net investment income  | 214,531     | –                                    | –                                | 214,531              |
| Realized losses on investments                                 | (95,681)    | 95,681                               | –                                | –                    |
| Change in fair value of derivatives                            | (57,578)    | –                                    | (8,276)                          | (65,854)             |
| Gain on retirement of debt                                     | 13,409      | (13,409)                             | –                                | –                    |
| Total revenues   | 93,174      | 82,272                               | (8,276)                          | 167,170              |
| <b>Benefits and expenses:</b>                                  |             |                                      |                                  |                      |
| Insurance policy benefits and change in future policy benefits | 1,916       | –                                    | –                                | 1,916                |
| Interest credited to account balances                          | 51,099      | –                                    | 2,041                            | 53,140               |
| Amortization of deferred sales inducements                     | (3,488)     | 15,775                               | 6,483                            | 18,770               |
| Change in fair value of embedded derivatives                   | 27,216      | –                                    | (27,216)                         | –                    |
| Interest expense on notes payable                              | 3,693       | –                                    | (233)                            | 3,460                |
| Interest expense on subordinated debentures                    | 4,896       | –                                    | –                                | 4,896                |
| Interest expense on amounts due under repurchase agreements    | 513         | –                                    | –                                | 513                  |
| Amortization of deferred policy acquisition costs              | 8,143       | 31,313                               | 6,391                            | 45,847               |
| Other operating costs and expenses                             | 14,083      | –                                    | –                                | 14,083               |
| Total benefits and expenses                                    | 108,071     | 47,088                               | (12,534)                         | 142,625              |
| Income (loss) before income taxes                              | (14,897)    | 35,184                               | 4,258                            | 24,545               |
| Income tax expense   | 7,245       | (356)                                | 1,558                            | 8,447                |
| Net income (loss)  | \$ (22,142) | \$ 35,540                            | \$ 2,700                         | \$ 16,098            |
| Earnings (loss) per common share                               | \$ (0.42)   |                                      |                                  | \$ 0.30              |
| Earnings (loss) per common share – assuming dilution           | \$ (0.39)   |                                      |                                  | \$ 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 including related deferred tax asset valuation allowance, gain on retirement of convertible debt, SFAS 133, dealing with 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.

|  |                    |  |                   |                    |
|--|--------------------|--|-------------------|--------------------|
| Change in fair value of derivatives:   |                    |  |                   |                    |
| Proceeds received at expiration  | \$ 2,596           |  | \$ –              | \$ 2,596           |
| Cost of money for index annuities  | (68,150)           |  | –                 | (68,150)           |
| Change in the difference between fair value and remaining option cost at beginning and end of period | 7,976              |  | (8,276)           | (300)              |
|  | <u>\$ (57,578)</u> |  | <u>\$ (8,276)</u> | <u>\$ (65,854)</u> |
| Index credits included in interest credited to account balances                                      | <u>\$ 4,073</u>    |  |                   | <u>\$ 4,073</u>    |

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

|   | <u>Q4 2008</u>                                | <u>Q3 2008</u>     | <u>Q2 2008</u>  | <u>Q1 2008</u>   | <u>Q4 2007</u>    |
|---|---|--------------------|-----------------|------------------|-------------------|
|   | (Dollars in thousands, except per share data) |                    |                 |                  |                   |
| <b>Revenues:</b>  |   |                    |                 |                  |                   |
| Traditional life and accident and health insurance premiums       | \$ 3,093                                      | \$ 3,223           | \$ 2,880        | \$ 3,316         | \$ 3,032          |
| Annuity product charges   | 15,400  | 13,328             | 11,845          | 12,098           | 12,805            |
| Net investment income   | 214,531                                       | 209,978            | 202,080         | 195,488          | 191,107           |
| Change in fair value of derivatives                               | (65,854)                                      | (66,940)           | (67,261)        | (62,452)         | (7,249)           |
| Total revenues  | <u>167,170</u>                                | <u>159,589</u>     | <u>149,544</u>  | <u>148,450</u>   | <u>199,695</u>    |
| <b>Benefits and expenses:</b>                                     |   |                    |                 |                  |                   |
| Insurance policy benefits and change in future policy benefits    | 1,916   | 2,126              | 2,321           | 2,609            | 2,029             |
| Interest credited to account balances                             | 53,140  | 51,107             | 49,469          | 54,176           | 110,294           |
| Amortization of deferred sales inducements                        | 18,770  | 13,397             | 9,890           | 10,595           | 9,364             |
| Interest expense on notes payable                                 | 3,460   | 3,638              | 3,649           | 3,638            | 3,772             |
| Interest expense on subordinated debentures                       | 4,896   | 4,669              | 4,649           | 5,231            | 5,644             |
| Interest expense on amounts due under repurchase agreements       | 513   | 2,698              | 2,024           | 2,972            | 4,084             |
| Amortization of deferred policy acquisition costs                 | 45,847  | 33,108             | 36,356          | 29,587           | 27,712            |
| Other operating costs and expenses                                | 14,083  | 13,550             | 12,549          | 12,451           | 11,154            |
| Total benefits and expenses                                       | <u>142,625</u>                                | <u>124,293</u>     | <u>120,907</u>  | <u>121,259</u>   | <u>174,053</u>    |
| Operating income before income taxes                              | 24,545  | 35,296             | 28,637          | 27,191           | 25,642            |
| Income tax expense  | <u>8,447</u>                                  | <u>12,181</u>      | <u>9,960</u>    | <u>9,457</u>     | <u>8,622</u>      |
| Operating income (a)  | 16,098  | 23,115             | 18,677          | 17,734           | 17,020            |
| Realized gains (losses) on investments, net of offsets            | (43,384)                                      | (39,222)           | (8,910)         | (1,008)          | (2,283)           |
| Convertible debt retirement, net of income taxes                  | 7,844   | 36                 | 263             | (157)            | –                 |
| Net effect of SFAS 133, net of offsets                            | <u>(2,700)</u>                                | <u>5,069</u>       | <u>(5,263)</u>  | <u>32,583</u>    | <u>(19,735)</u>   |
| Net income (loss)   | <u>\$ (22,142)</u>                            | <u>\$ (11,002)</u> | <u>\$ 4,767</u> | <u>\$ 49,152</u> | <u>\$ (4,998)</u> |
| Operating income per common share (a)                             | \$ 0.30                                       | \$ 0.44            | \$ 0.35         | \$ 0.32          | \$ 0.30           |
| Operating income per common share – assuming dilution (a)         | \$ 0.29                                       | \$ 0.42            | \$ 0.33         | \$ 0.31          | \$ 0.29           |
| Earnings (loss) per common share                                  | \$ (0.42)                                     | \$ (0.21)          | \$ 0.09         | \$ 0.89          | \$ (0.09)         |
| Earnings (loss) per common share – assuming dilution              | \$ (0.39)                                     | \$ (0.19)          | \$ 0.09         | \$ 0.85          | \$ (0.08)         |
| <b>Weighted average common shares outstanding (in thousands):</b> |   |                    |                 |                  |                   |
| Earnings (loss) per common share                                  | 52,779  | 52,916             | 53,934          | 55,431           | 56,348            |
| Earnings (loss) per common share - assuming dilution              | 55,650  | 55,835             | 56,856          | 58,221           | 59,154            |

(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 related deferred tax asset valuation allowance, gain on retirement of convertible debt, SFAS 133, dealing with fair value changes in derivatives and embedded derivatives and the Lehman counterparty default on expired call options. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income (loss), provides information that may enhance an investor's understanding of our underlying results and profitability.

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**Capitalization/ Book Value per Share**

|  | <u>December 31,<br/>2008</u>                  | <u>December 31,<br/>2007</u> |
|--|---|------------------------------|
|  | (Dollars in thousands, except per share data) |                              |
| <b>Capitalization:</b>                               |   |                              |
| Notes payable  | \$ 258,462                                    | \$ 268,339                   |
| Subordinated debentures payable to subsidiary trusts | 268,209                                       | 268,330                      |
| <b>Total debt</b>                                    | <u>526,671</u>                                | <u>536,669</u>               |
| <b>Total stockholders' equity</b>                    | <u>492,205</u>                                | <u>611,635</u>               |
| <b>Total capitalization</b>                          | 1,018,876                                     | 1,148,304                    |
| Accumulated other comprehensive loss (AOCL)          | 147,376                                       | 38,929                       |
| <b>Total capitalization excluding AOCL (a)</b>       | <u>\$ 1,166,252</u>                           | <u>\$ 1,187,233</u>          |
| <b>Total stockholders' equity</b>                    | \$ 492,205                                    | \$ 611,635                   |
| Accumulated other comprehensive loss                 | 147,376                                       | 38,929                       |
| <b>Total stockholders' equity excluding AOCL (a)</b> | <u>\$ 639,581</u>                             | <u>\$ 650,564</u>            |
| Common shares outstanding (b)                        | 52,504,096                                    | 55,919,585                   |
| <b>Book Value per Share: (c)</b>                     |   |                              |
| Book value per share including AOCL                  | \$ 9.37                                       | \$ 10.94                     |
| Book value per share excluding AOCL (a)              | \$ 12.18                                      | \$ 11.63                     |
| <b>Debt-to-Capital Ratios: (d)</b>                   |   |                              |
| Senior debt / Total capitalization                   | 22.2%   | 22.6%                        |
| Adjusted debt / Total capitalization                 | 30.2%   | 30.2%                        |

- (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: 2008 - 2,353,053 shares; 2007 - 2,993,148 shares and exclude unallocated shares held by ESOP: 2008 - 588,312 shares; 2007 - 629,565 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<br/>December 31,</b> |                   | <b>Year Ended<br/>December 31,</b> |                     |
|--------------------------------|--|-------------------|------------------------------------|---------------------|
|                                | <b>2008</b>                                | <b>2007</b>       | <b>2008</b>                        | <b>2007</b>         |
|                                | <b>(Dollars in thousands)</b>              |                   |                                    |                     |
| Index annuities:               |  |                   |                                    |                     |
| Index strategies               | \$ 263,337                                 | \$ 401,800        | \$ 1,303,871                       | \$ 1,578,347        |
| Fixed strategy                 | 268,175                                    | 123,047           | 937,227                            | 515,229             |
|                                | 531,512                                    | 524,847           | 2,241,098                          | 2,093,576           |
| Fixed rate annuities:          |  |                   |                                    |                     |
| Single-year rate guaranteed    | 7,580                                      | 8,108             | 28,930                             | 45,948              |
| Multi-year rate guaranteed     | 14,913                                     | 947               | 18,978                             | 5,158               |
|                                | 22,493                                     | 9,055             | 47,908                             | 51,106              |
| Total before coinsurance ceded | 554,005                                    | 533,902           | 2,289,006                          | 2,144,682           |
| Coinsurance ceded              | 161  | 318               | 1,310                              | 1,779               |
| Net after coinsurance ceded    | <u>\$ 553,844</u>                          | <u>\$ 533,584</u> | <u>\$ 2,287,696</u>                | <u>\$ 2,142,903</u> |

**Surrender Charge Protection and Account Values by Product Type**

Annuity Surrender Charges and Net (of coinsurance) Account Values at December 31, 2008

| <b>Product Type</b>                         | <b>Surrender Charge</b>            |                                     |                                 | <b>Net Account Value</b>        |               |
|---|------------------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------|
|   | <b>Avg.<br/>Years<br/>At Issue</b> | <b>Avg.<br/>Years<br/>Remaining</b> | <b>Avg.<br/>%<br/>Remaining</b> | <b>Dollars in<br/>Thousands</b> | <b>%</b>      |
| Index Annuities                             | 14.1                               | 11.1                                | 15.1%                           | \$12,421,663                    | 87.4%         |
| Single-Year Fixed Rate Guaranteed Annuities | 10.6                               | 4.5                                 | 7.3%                            | 1,334,189                       | 9.4%          |
| Multi-Year Fixed Rate Guaranteed Annuities  | 7.0                                | 2.5                                 | 5.5%                            | 449,708                         | 3.2%          |
| Total                                       | 13.5                               | 10.2                                | 14.1%                           | <u>\$14,205,560</u>             | <u>100.0%</u> |

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Annuity Liability Characteristics

|  | <u>Fixed<br/>Annuities<br/>Account Value</u>               | <u>Index<br/>Annuities<br/>Account Value</u>         |
|--|--|--|
|  | (Dollars in thousands)                                     |  |
| <u>SURRENDER CHARGE PERCENTAGES (1):</u>   |  |  |
| No surrender charge                        | \$ 195,180   | \$ 114,380   |
| 0.0% < 2.0%                                | 16,345   | 22,183   |
| 2.0% < 3.0%                                | 99,779   | 31,185   |
| 3.0% < 4.0%                                | 57,703   | 98,347   |
| 4.0% < 5.0%                                | 95,412   | 167,076  |
| 5.0% < 6.0%                                | 102,508  | 196,089  |
| 6.0% < 7.0%                                | 205,132  | 481,360  |
| 7.0% < 8.0%                                | 314,431  | 283,231  |
| 8.0% < 9.0%                                | 157,651  | 392,115  |
| 9.0% < 10.0%                               | 73,653   | 338,001  |
| 10.0% or greater                           | 466,103  | 10,297,696   |
|  | <u>\$ 1,783,897</u>  | <u>\$ 12,421,663</u>                                 |
|  | <u>Fixed and<br/>Index<br/>Annuities<br/>Account Value</u> | <u>Weighted<br/>Average<br/>Surrender<br/>Charge</u> |
|  | (Dollars in thousands)                                     |  |
| <u>SURRENDER CHARGE EXPIRATION BY YEAR</u> |  |  |
| Out of Surrender Charge                    | \$ 309,560   | 0.00%  |
| 2009                                       | 335,422  | 5.83%  |
| 2010                                       | 371,391  | 4.64%  |
| 2011                                       | 346,438  | 5.42%  |
| 2012                                       | 513,284  | 6.37%  |
| 2013                                       | 679,692  | 6.89%  |
| 2014                                       | 642,993  | 7.95%  |
| 2015                                       | 580,158  | 10.04%   |
| 2016                                       | 801,128  | 11.10%   |
| 2017                                       | 1,009,667  | 12.12%   |
| 2018                                       | 942,822  | 14.31%   |
| 2019                                       | 494,697  | 13.60%   |
| 2020                                       | 652,443  | 14.68%   |
| 2021                                       | 617,661  | 16.34%   |
| 2022                                       | 1,217,084  | 18.28%   |
| 2023                                       | 2,501,276  | 19.26%   |
| 2024                                       | 2,154,758  | 19.93%   |
| 2025                                       | 35,086   | 20.00%   |
|  | <u>\$ 14,205,560</u>                                       | <u>14.05%</u>  |

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**Annuity Liability Characteristics**

|  | <b>Fixed<br/>Annuities<br/>Account Value</b> | <b>Index<br/>Annuities<br/>Account Value</b> |
|--|--|--|
|  | <b>(Dollars in thousands)</b>                |  |
| <u>APPLICABLE GUARANTEE PERIOD:</u>  |  |  |
| Annual reset (2)   | \$ 1,583,658                                 | \$ 12,296,273                                |
| Multi-year (3 - 5 years)   | 200,239                                      | 125,390                                      |
|  | <u>\$ 1,783,897</u>                          | <u>\$ 12,421,663</u>                         |
| <br><u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u>  |  |  |
| 2.00%  | \$ –   | \$ 1,407                                     |
| 2.20%  | 4,756  | 86,503                                       |
| 2.25%  | –  | 1,379,664                                    |
| 2.25% (3)  | 224,947                                      | 1,106,670                                    |
| 3.00%  | 1,475,215                                    | 8,369,425                                    |
| 3.50% (4)  | –  | 1,477,994                                    |
| 4.00%  | 78,979                                       | –  |
|  | <u>\$ 1,783,897</u>                          | <u>\$ 12,421,663</u>                         |
| <br><u>CREDITED RATE (INCLUDING BONUS INTEREST) VS.<br/>ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL<br/>(5) (6):</u> |  |  |
| No differential  | \$ 73,407                                    | \$ –   |
| > 0.0% - 0.5%  | 1,202,276                                    | 2,749,365                                    |
| > 0.5% - 1.0%  | 313,276                                      | 1,005,011                                    |
| > 1.0% - 1.5%  | 125,515                                      | 101,284                                      |
| > 1.5% - 2.0%  | 47,843                                       | 90   |
| > 2.0% - 2.5%  | 8,840  | –  |
| > 2.5% - 3.0%  | 11,227                                       | –  |
| Greater than 3.0%  | 1,513  | –  |
| Index strategies   | –  | 8,565,913                                    |
|  | <u>\$ 1,783,897</u>                          | <u>\$ 12,421,663</u>                         |

- (1) In addition, \$1,086,578 (61%) 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 132 basis points.

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Spread Results

|  | <b>Year Ended<br/>December 31,</b> |             |
|--|------------------------------------|-------------|
|  | <b>2008</b>                        | <b>2007</b> |
| Average yield on invested assets                 | 6.20%                              | 6.11%       |
| Cost of money:                                   |                                    |             |
| Aggregate  | 3.43%                              | 3.50%       |
| Cost of money for index annuities                | 3.43%                              | 3.51%       |
| Average crediting rate for fixed rate annuities: |                                    |             |
| Annually adjustable                              | 3.26%                              | 3.28%       |
| Multi-year rate guaranteed                       | 3.88%                              | 4.14%       |
| Investment spread:                               |                                    |             |
| Aggregate  | 2.77%                              | 2.61%       |
| Index annuities                                  | 2.77%                              | 2.60%       |
| Fixed rate annuities:                            |                                    |             |
| Annually adjustable                              | 2.94%                              | 2.83%       |
| Multi-year rate guaranteed                       | 2.32%                              | 1.97%       |

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**Summary of Invested Assets**

|  | <b>December 31, 2008</b>   |                | <b>December 31, 2007</b>   |                |
|--|----------------------------|----------------|----------------------------|----------------|
|  | <b>Carrying<br/>Amount</b> | <b>Percent</b> | <b>Carrying<br/>Amount</b> | <b>Percent</b> |
|  | (Dollars in thousands)     |                |                            |                |
| Fixed maturity securities:                                     |                            |                |                            |                |
| United States Government full faith<br>and credit              | \$ 22,050                  | 0.2%           | \$ 19,882                  | 0.2%           |
| United States Government sponsored<br>agencies                 | 6,633,481                  | 52.1%          | 8,208,909                  | 65.1%          |
| Corporate securities, including redeemable<br>preferred stocks | 1,764,390                  | 13.9%          | 1,419,129                  | 11.2%          |
| Mortgage and asset-backed securities                           | 1,813,274                  | 14.3%          | 716,585                    | 5.7%           |
| Total fixed maturity securities                                | 10,233,195                 | 80.5%          | 10,364,505                 | 82.2%          |
| Equity securities  | 99,552                     | 0.8%           | 87,412                     | 0.7%           |
| Mortgage loans on real estate                                  | 2,329,824                  | 18.3%          | 1,953,894                  | 15.5%          |
| Derivative instruments   | 56,588                     | 0.4%           | 204,657                    | 1.6%           |
| Policy loans   | 446                        | –              | 427                        | –              |
|  | <b>\$ 12,719,605</b>       | <b>100.0%</b>  | <b>\$ 12,610,895</b>       | <b>100.0%</b>  |

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**Credit Quality of Fixed Maturity Securities**

| NAIC<br>Designation    | Rating Agency<br>Equivalent | December 31, 2008    |               | December 31, 2007    |               |
|------------------------|-----------------------------|----------------------|---------------|----------------------|---------------|
|                        |                             | Carrying<br>Amount   | Percent       | Carrying<br>Amount   | Percent       |
| (Dollars in thousands) |                             |                      |               |                      |               |
| 1                      | Aaa/Aa/A                    | \$ 8,510,772         | 83.2%         | \$ 9,361,755         | 90.3%         |
| 2                      | Baa                         | 1,292,303            | 12.6%         | 915,259              | 8.8%          |
| 3                      | Ba                          | 225,594              | 2.2%          | 53,784               | 0.5%          |
| 4                      | B                           | 135,989              | 1.3%          | 20,310               | 0.3%          |
| 5                      | Caa and lower               | 31,375               | 0.3%          | 13,397               | 0.1%          |
| 6                      | In or near default          | 37,162               | 0.4%          | –                    | –             |
|                        |                             | <u>\$ 10,233,195</u> | <u>100.0%</u> | <u>\$ 10,364,505</u> | <u>100.0%</u> |

**Watch List Securities - December 31, 2008**

| General Description                          | Amortized<br>Cost | Unrealized<br>Losses | Estimated<br>Fair Value | Months Unrealized<br>Losses Greater<br>Than 20% |
|--|-------------------|----------------------|-------------------------|---|
| Corporate bonds:                             |                   |                      |                         |   |
| Finance, insurance and real estate companies | \$ 41,306         | \$ (11,019)          | \$ 30,287               | 1 - 7   |
| Retail                                       | 10,497            | (6,338)              | 4,159                   | 11  |
| Consumer Staple                              | 9,488             | (4,016)              | 5,472                   | 1   |
| Home Building and Construction Products      | 9,285             | (3,062)              | 6,223                   | 1   |
| Mining                                       | 7,246             | (3,683)              | 3,563                   | 3   |
| Mortgage-backed securities                   | 91,489            | (20,559)             | 70,930                  | 0 - 3   |
| Common and preferred stocks:                 |                   |                      |                         |   |
| Finance, insurance and real estate companies | 157,015           | (51,440)             | 105,575                 | 0 - 11  |
| Telecommunication and media companies        | 9,433             | (3,806)              | 5,627                   | 7 - 8   |
|  | <u>\$ 335,759</u> | <u>\$ (103,923)</u>  | <u>\$ 231,836</u>       |   |

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**Mortgage Loans by Region and Property Type**

|                                   | <u>December 31, 2008</u> |                | <u>December 31, 2007</u> |                |
|-----------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                   | <u>Carrying</u>          |                | <u>Carrying</u>          |                |
|                                   | <u>Amount</u>            | <u>Percent</u> | <u>Amount</u>            | <u>Percent</u> |
|                                   | (Dollars in thousands)   |                |                          |                |
| <b>Geographic distribution</b>    |                          |                |                          |                |
| East                              | \$ 537,303               | 23.1%          | \$ 458,418               | 23.5%          |
| Middle Atlantic                   | 161,222                  | 6.9%           | 133,662                  | 6.8%           |
| Mountain                          | 386,988                  | 16.6%          | 310,244                  | 15.9%          |
| New England                       | 44,517                   | 1.9%           | 45,618                   | 2.3%           |
| Pacific                           | 194,301                  | 8.3%           | 141,264                  | 7.2%           |
| South Atlantic                    | 421,507                  | 18.1%          | 344,800                  | 17.7%          |
| West North Central                | 397,375                  | 17.1%          | 356,334                  | 18.2%          |
| West South Central                | 186,611                  | 8.0%           | 163,554                  | 8.4%           |
|                                   | <u>\$ 2,329,824</u>      | <u>100.0%</u>  | <u>\$ 1,953,894</u>      | <u>100.0%</u>  |
| <b>Property type distribution</b> |                          |                |                          |                |
| Office                            | \$ 655,278               | 28.1%          | \$ 586,109               | 30.0%          |
| Medical Office                    | 142,409                  | 6.1%           | 108,667                  | 5.6%           |
| Retail                            | 551,172                  | 23.7%          | 438,214                  | 22.4%          |
| Industrial/Warehouse              | 552,012                  | 23.7%          | 453,654                  | 23.2%          |
| Hotel                             | 154,671                  | 6.6%           | 115,758                  | 5.9%           |
| Apartments                        | 111,933                  | 4.8%           | 105,431                  | 5.4%           |
| Mixed use/other                   | 162,349                  | 7.0%           | 146,061                  | 7.5%           |
|                                   | <u>\$ 2,329,824</u>      | <u>100.0%</u>  | <u>\$ 1,953,894</u>      | <u>100.0%</u>  |

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

**Corporate Offices:**

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West Des Moines, IA 50266

**Inquiries:**

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Debra J. Richardson, Executive Vice President and Secretary  
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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<br/>Declared</u> |
|----------------|-------------|------------|--------------|------------------------------|
| <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                       |
| <b>2007</b>    |             |            |              |                              |
| 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                       |
| <b>2006</b>    |             |            |              |                              |
| 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:**

Computershare Trust Company, N.A.  
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, Director, Investor Relations and Assistant Secretary, at (515) 273-3602 or by visiting our web site at [www.american-equity.com](http://www.american-equity.com).

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