



West Des Moines, IA 50266

# **American Equity Investment Life Holding Company**

March 31, 2007

People...Service...Future  
**WE'RE THE ONE**



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# Forward-Looking Statement

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***We make forward-looking statements that are based on our current expectations and projections about current events. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and we are including this statement for purposes of invoking these safe harbor provisions. You can identify these statements from our use of the words “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” “target” and similar expressions. These forward-looking statements may include, among other things:***

- **statements relating to projected growth; anticipated changes in earnings, earnings per share, other financial performance measures; and management’s long-term performance goals;**
- **statements relating to the anticipated effects on our results of operations or our financial condition from expected developments or events;**
- **statements relating to our business and growth strategies, including any potential acquisitions and**
- **any other statements which are not historical facts.**

***These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements or industry results to differ materially from our expectations of future results, performance or achievements expressed or implied by the forward-looking statements.***

# Company Overview

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## *Leading Annuity Marketer and Underwriter*



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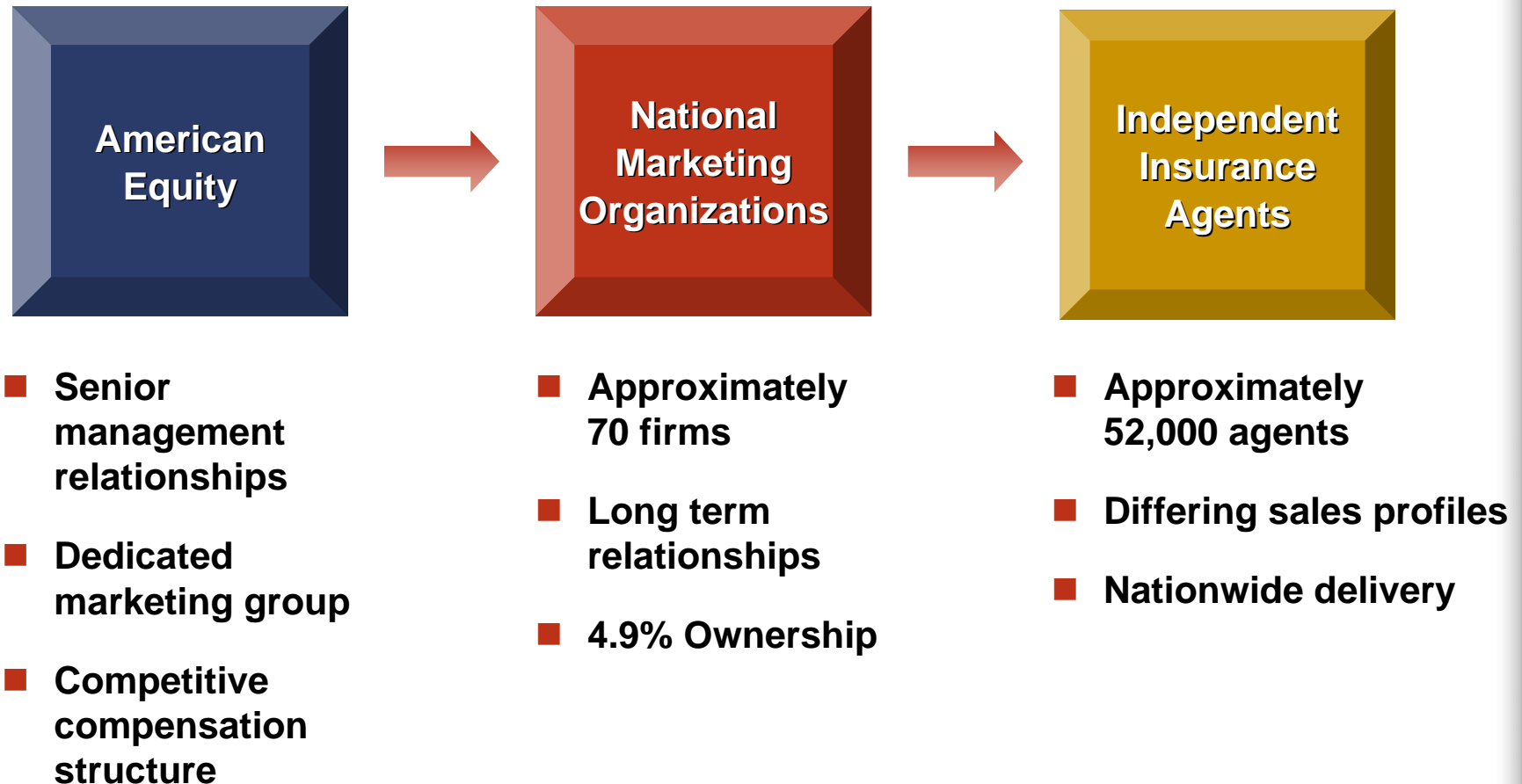
- **Formed by a proven, highly experienced management team**
  - Formed in 1995 by core senior management from the Statesman Group
- **Outstanding track record since formation:**
  - Rapid expansion in distribution force and annuity sales
  - Significant growth in assets
  - Favorable demographic trends will continue to drive growth
- **Well-designed product portfolio**
- **Conservative investment strategy**
- **Industry-leading growth and profitability**

# Outstanding Track Record Since Formation

## *Building An Efficient Sales Distribution Network*



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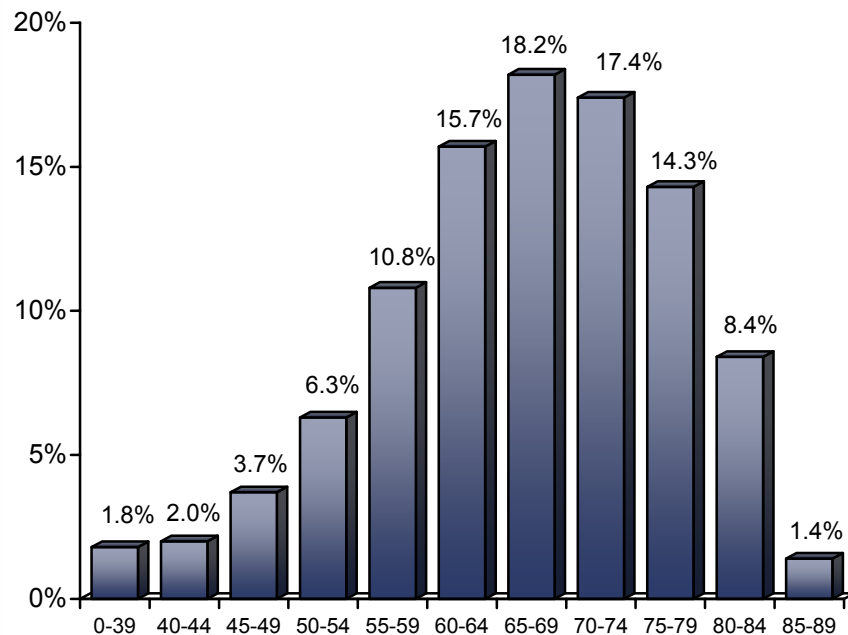


# Fast Growing Market

## *Favorable Demographic Trends Will Continue to Drive Growth*

- Our typical policyholder (a)
  - 66.2 years old
  - Average \$52,501 fund value

Percentage of Fund Value  
by Policyholder's Age

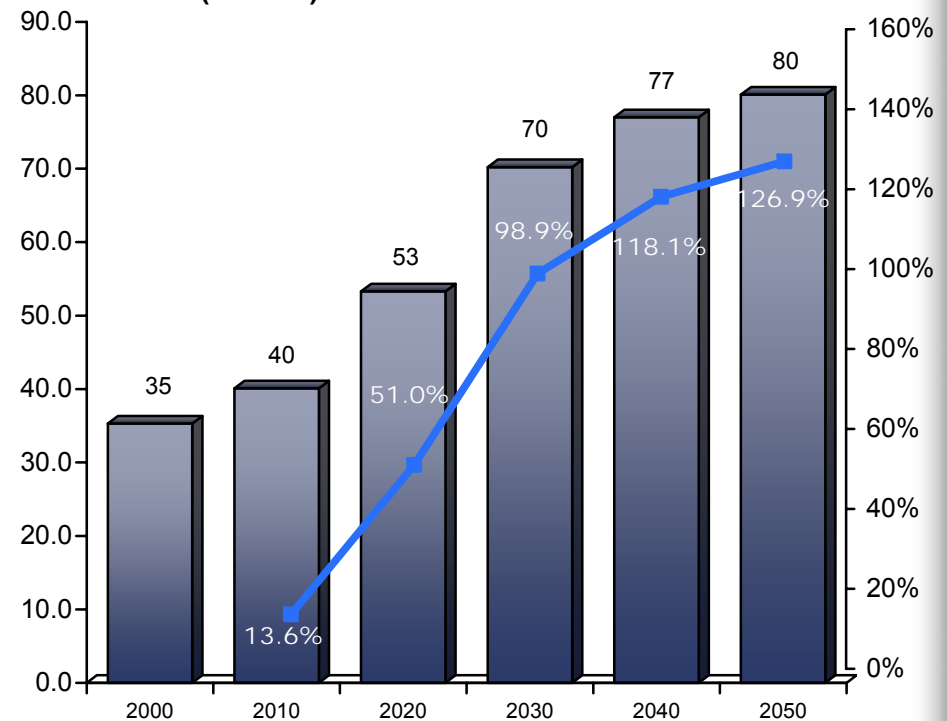


(a) As of March 31, 2007

(b) Source: U.S. Census bureau.

- Projected Growth in our Target Market (b)

Number of Americans Aged  
65 and Older (millions)



INSURANCE MARKETPLACE  
STANDARDS ASSOCIATION



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# Outstanding Service Culture

## *Value to Our Sales Distribution Network*



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- The Advantage Group surveyed annuity producers to grade ten of the top index annuity carriers in August 2003

- The Advantage Group is the leading authority on the index annuity market

- American Equity ranked #1 in every category:

- Providing accurate information
- Ease of doing business
- Resolving problems
- Handling transfers
- Marketing materials
- Returning phone calls

- Overall, American Equity was the top-rated carrier

### American Equity

Allianz

ING

AmerUS

Midland National

Jefferson-Pilot

Sun Life (Keyport)

North American Life

Fidelity & Guaranty

National Western Life

### Overall Grade

3.281

3.016

3.014

2.772

2.659

2.613

2.542

2.439

2.355

2.000

Source: The Advantage Group ([www.indexannuity.org](http://www.indexannuity.org)) Index Annuity Report Card Survey.



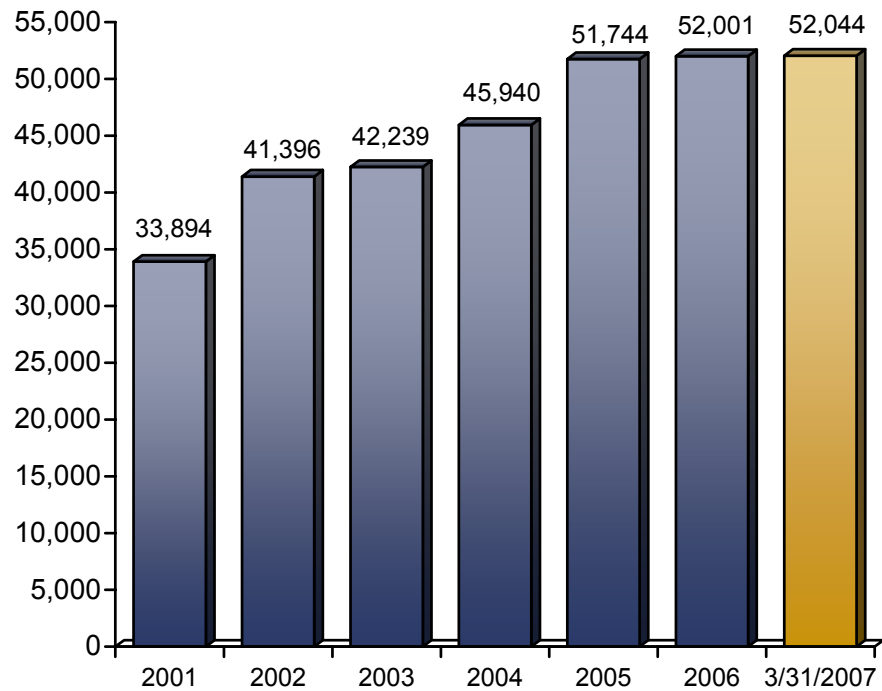
# Outstanding Track Record Since Formation

## *Rapid Expansion in Sales and Distribution*



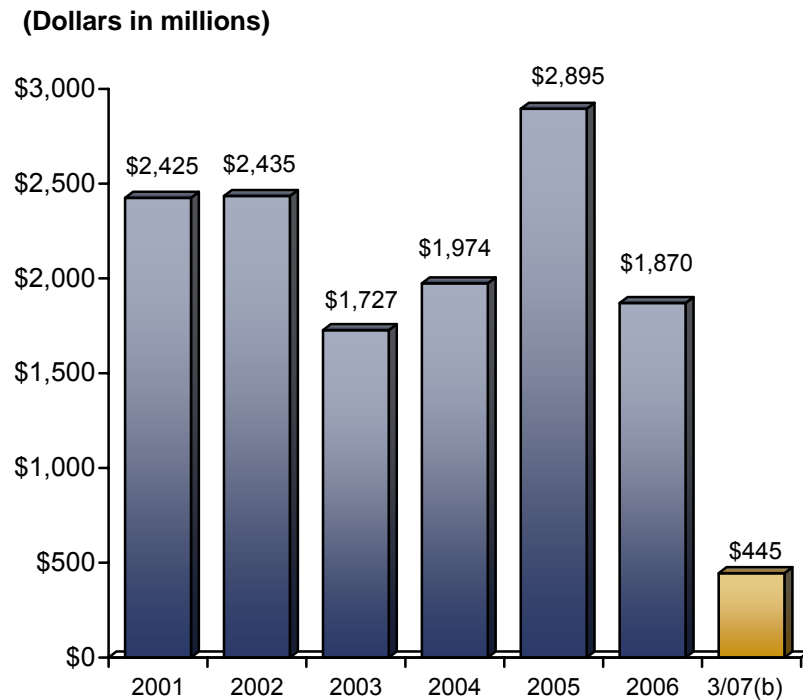
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### Licensed Agents



(a) Before coinsurance (b) Three months ended March 31st

### Annuity Deposits (a)





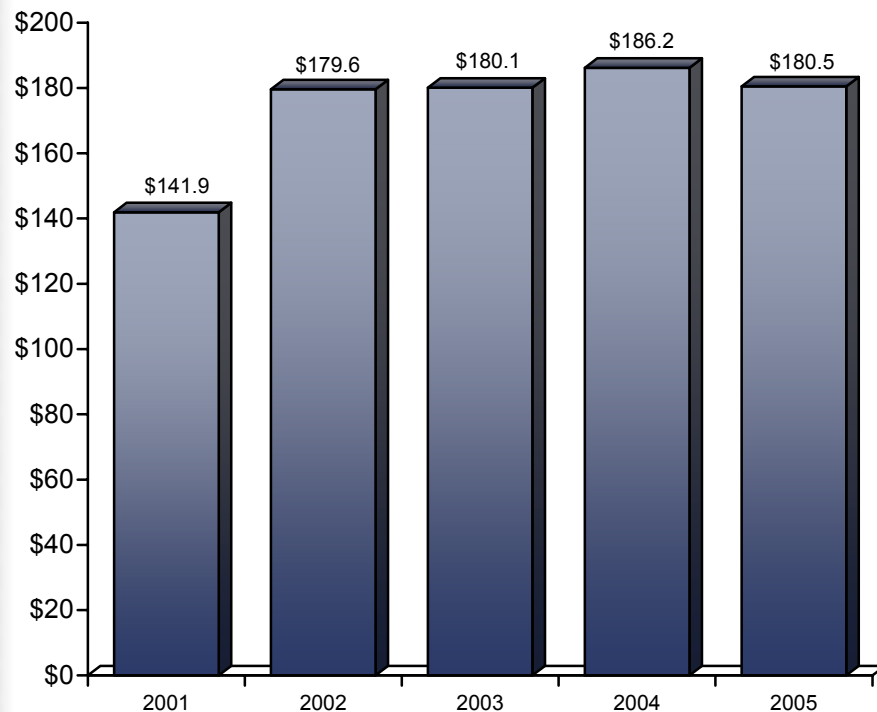
# Fast Growing Market

## *The Individual Annuity Market Exhibits High Growth*

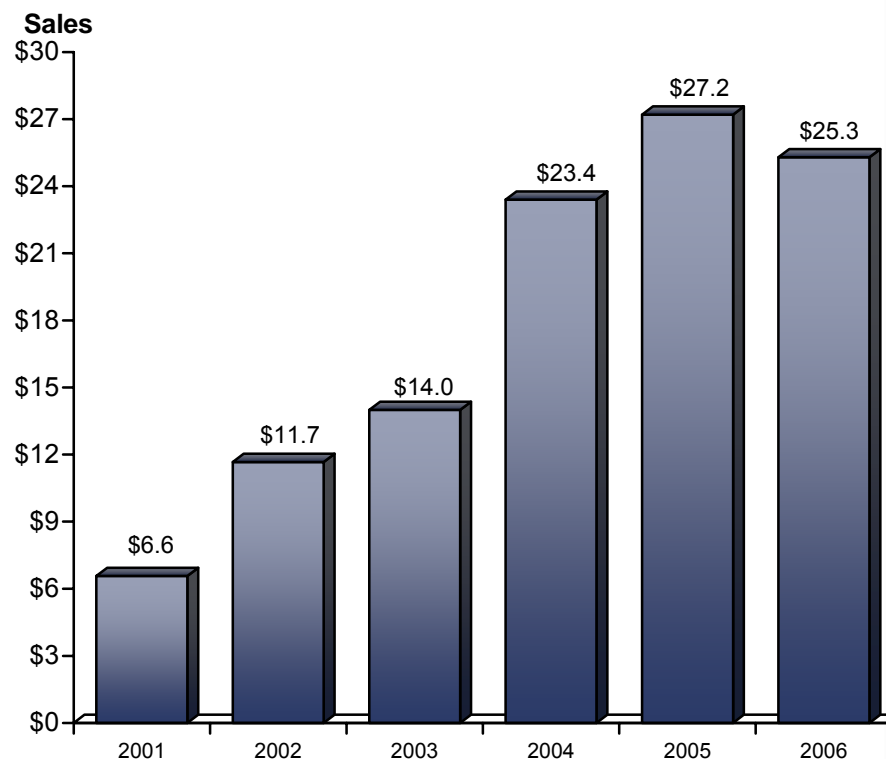


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**Total Annuity Sales (a)(b)**  
(\$ in billions)



**Total Index Annuity Sales (c)**  
(\$ in billions)



(a) Source: A.M. Best's Aggregates and Averages 2006 Edition.

(b) Industry total – direct premium and annuity considerations for individual annuities.

(c) Source: Advantage Compendium, Ltd. ([www.indexannuity.org](http://www.indexannuity.org))

# Well-Designed Product Portfolio

## Significant Surrender Protection



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Annuity Type	Net Fund Value at March. 31, 2007 <sup>(a)</sup>		2007 Net Premium <sup>(b)</sup>		Surrender Charge		
	\$ (Millions)	%	\$ (Millions)	%	Avg. Period (Years)	Avg. Remaining (Years)	Avg. Remaining (%)
Index	\$9,162.7	80.7%	\$430.4	97.0%	13.9	11.4	14.8%
Fixed	1,629.5	14.3	11.6	2.6	10.6	5.8	8.8%
Multi-Year	572.8	5.0	1.9	0.4	6.9	3.2	5.9%
Total	11,365.0	100.0%	\$443.9	100.0%	13.1	10.1	13.5%

(a) After coinsurance of \$1,783.9 million.

(b) After coinsurance of \$0.6 million.

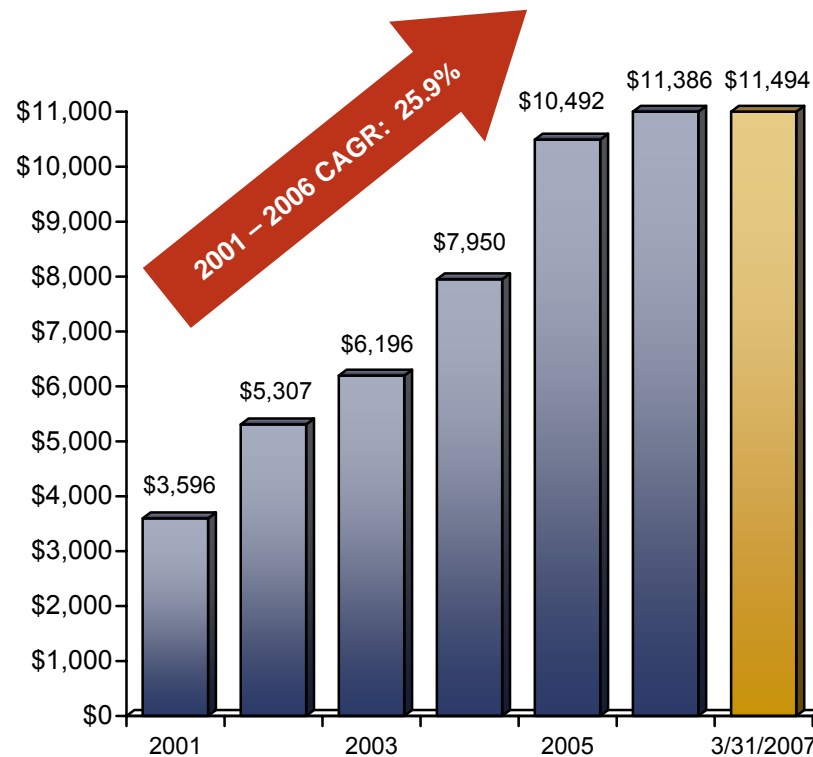
# Well-Designed Product Portfolio

## Significant Growth in Assets (\$ in millions)

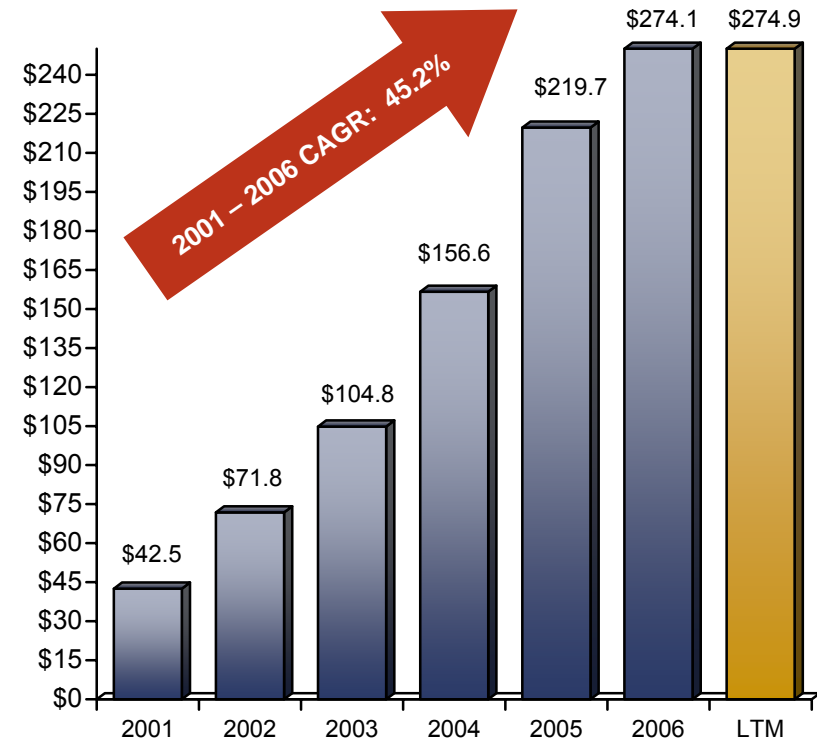


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### Total Investments



### Investment Spread (a)



(a) Net investment income less cost of money related to account balances; excludes amortization of bonus interest

# Well-Designed Product Portfolio

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## *Index Annuities: Innovation & Leadership*



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### ■ Policyholder chooses index to determine rate of return

- Company purchases annual call options providing policyholder with a % return of index performance
- The index risk is completely hedged and resets annually

### ■ Product innovation

- S&P 500® equity-linked annuities
- Dow Jones Industrial Average<sup>SM</sup> equity index (First)
- Lehman Brothers U.S. Treasury Index
- Lehman Brothers U.S. Aggregate Index
- NASDAQ-100 Index®
- Integrity Series product line (Leadership)
- Multi-strategy income crediting products (Innovation)

### ■ Quick roll-out of products (one to three months)

# Well-Designed Product Portfolio

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## *Spread Management*



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**Investment Yield: 6.00%**

**Target Spread: 2.50%**

**Budget: 3.50%**

- **Pay Fixed Interest of 3.50%, or**
- **Buy Option Costing 3.50%**

■ **Index Growth Hedged with Options**

■ **Budget is Investment Yield Less Target Spread**

■ **Control Cost with Policy Levers**

- Participation Rate
- Cap
- Asset Fee Rate
- Fixed Crediting Rate

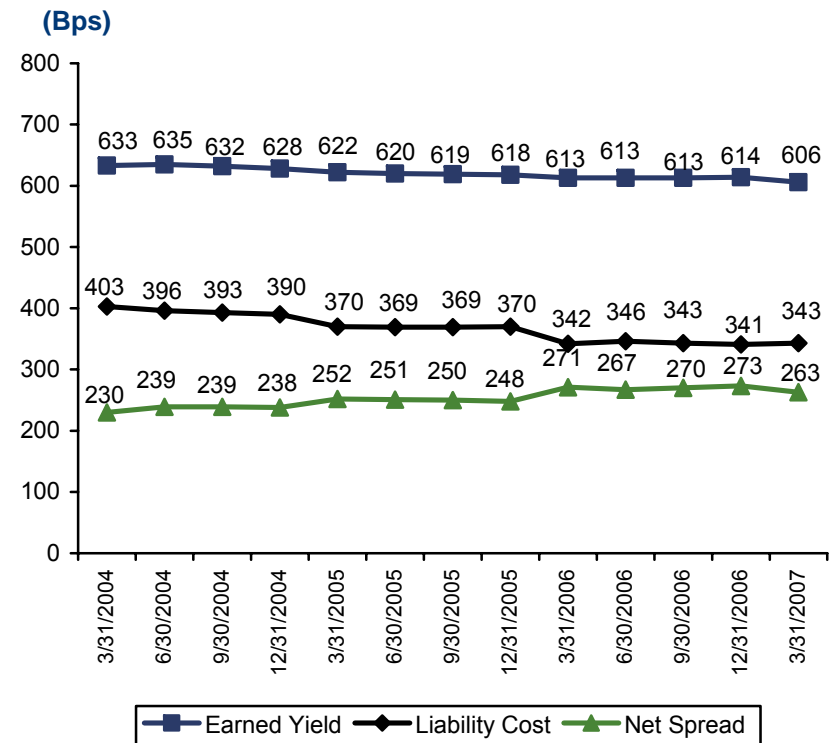
# Financial Overview



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- **Annual reset**
- **Current base rates**
  - New Money 3.10% - 3.40%
  - Renewals 3.15% - 3.35%
- **Target spread**
  - Fixed and index = 250 bps
  - Multi-year = 160 -190 bps

## Spread Analysis



# Financial Overview

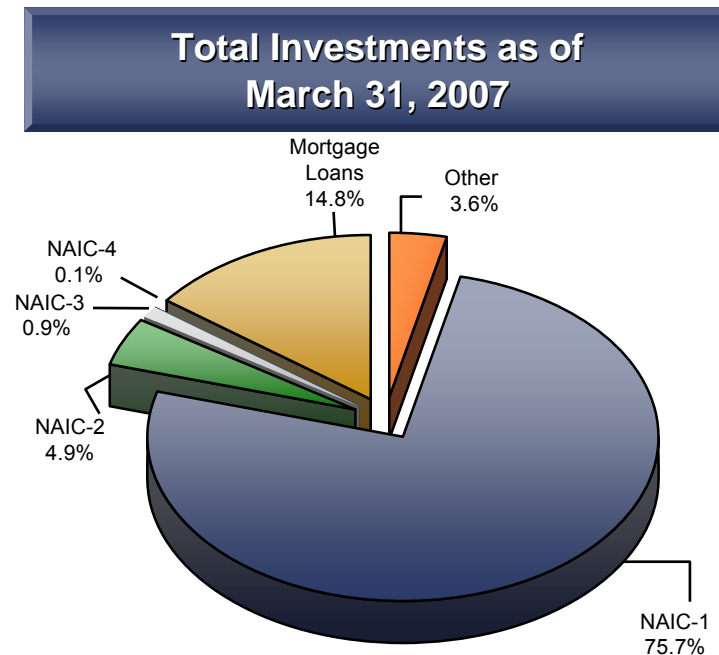
## *A Conservative Investment Strategy*



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- **Maintain policyholder and shareholder safety**
- **Maximize investment income within risk parameters**
- **Minimize credit risk**
  - Avoided “unprecedented” credit losses sustained by peers (a)
- **99% of fixed maturity securities are investment grade**
  - 70% U.S. agency bonds
- **Manage duration and convexity**

(a) Moody's Special Comment "The Real Truth: Bond Credit Losses of U.S. Life Insurers", October 2003



NAIC Designation	Rating Agency Equivalent	Percent
1	Aaa/Aa/A	92.8%
2	Baa	6.0%
3	Ba	1.1%
4	B	0.1%
5	Caa & lower	-
6	In or near default	-

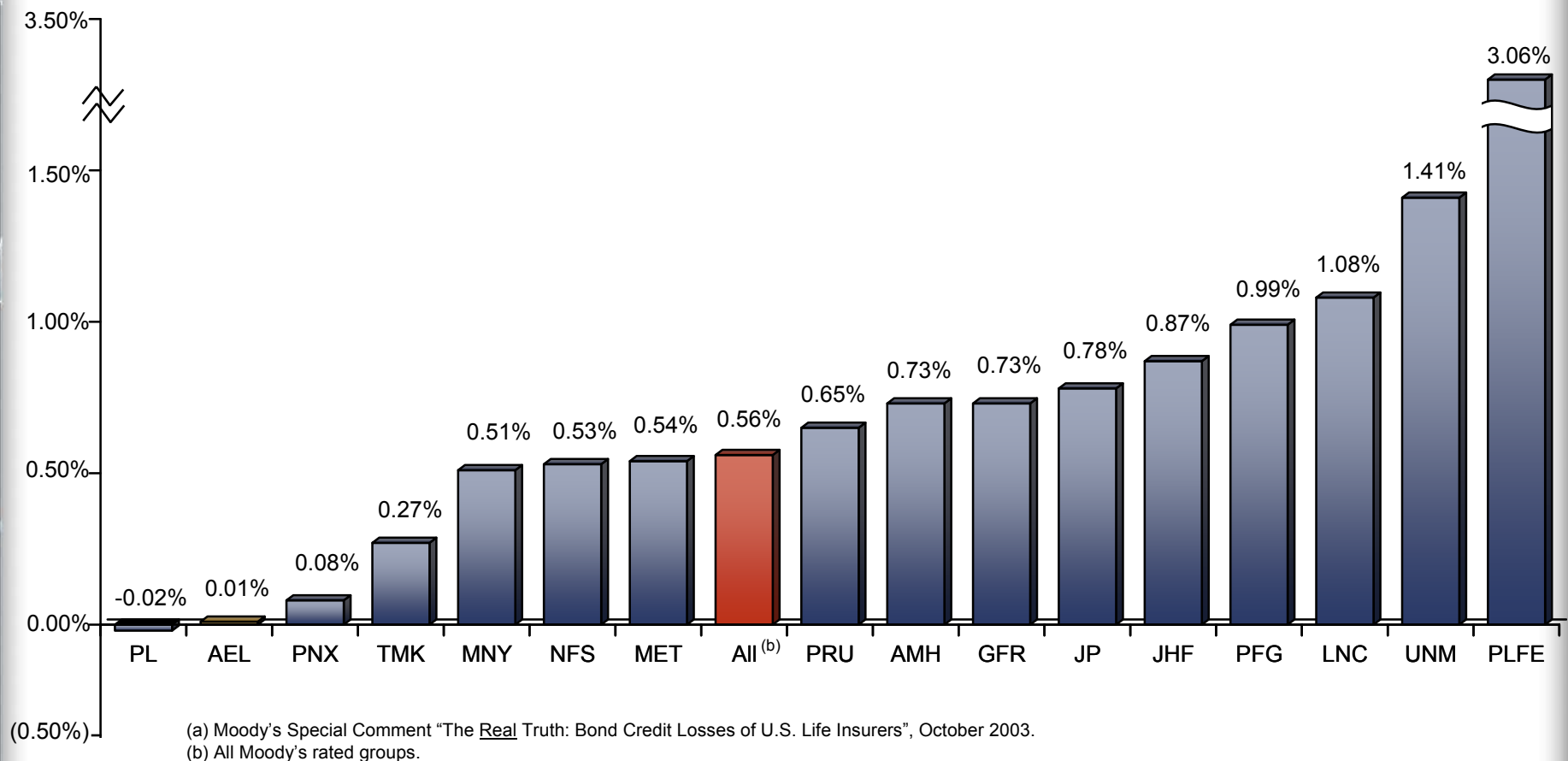


# Financial Overview

## Industry 2002 Credit Losses, % of Invested Assets <sup>(a)</sup>



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# Financial Overview

## Outstanding Revenue and Profitability Growth (\$ in millions)



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	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<b>2001- 2006 CAGR</b>	<u>3/06</u> <sup>(d)</sup>	<u>3/07</u> <sup>(d)</sup>
Total Revenues	\$180.4	\$279.7	\$450.9	\$495.6	\$567.7	\$915.9	38.4%	\$222.8	\$173.5
Net Income	0.9 <sup>(c)</sup>	14.2	25.4	29.3	43.0	75.5	62.9%	4.0	9.9
Operating Income <sup>(a)</sup>	\$1.3 <sup>(c)</sup>	\$11.1	\$24.6	\$43.0	\$57.1	\$73.3	60.0%	\$17.7	\$15.1
Operating ROAE <sup>(b)</sup>	1.7% <sup>(c)</sup>	13.4%	22.9%	14.1%	16.0%	12.5%			11.8%

(a) Net income adjusted to eliminate the impact of net realized gains and losses on investments, SFAS 133, FIN 46 and state income tax contingency.

(b) Based on average equity excluding AOCI.

(c) Reduced by \$5.7 million due to the decision to maintain a significant liquid investment position after the September 11 terrorist attacks.

Operating ROAE would have been 9.2% without the impact of the forgone net investment income.

(d) Three months ended March 31st

# Financial Overview



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## Capitalization and Coverage Ratios

Capitalization	12/31/05	12/31/06	3/31/07
Notes Payable	\$281.0	\$266.4	\$265.6
Subordinated Debentures	230.7	268.5	268.3
Stockholders' Equity ex-AOCI	546.7	631.3	645.4
Total Capitalization ex-AOCI	<u>\$1,058.4</u>	<u>\$1,166.2</u>	<u>\$1,179.3</u>

<b>Debt / Total Capitalization ex-AOCI</b>	<b>26.6%</b>	<b>22.8%</b>	<b>22.5%</b>
<b>Adjusted Debt / Total Capitalization ex-AOCI <sup>(a)</sup></b>	<b>33.7%</b>	<b>31.4%</b>	<b>30.8%</b>

	2005	2006
Earnings Before Interest and Taxes (EBIT) <sup>(b)</sup>	\$116.1	\$149.5
Interest Expense <sup>(b)</sup>	28.7	36.9

<b>EBIT Interest Coverage <sup>(b)</sup></b>	<b>4.0x</b>	<b>4.0x</b>
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a) 100% equity credit given to subordinated debentures payable to subsidiary trusts (qualifying trust preferred securities) for a maximum of 15% of total capital including AOCI.

b) Operating income basis

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