

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

**September 30, 2007**

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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)**

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 4,885,762	\$ 4,177,029
Held for investment, at amortized cost	5,290,679	5,128,146
Equity securities, available for sale, at fair value	89,839	45,512
Mortgage loans on real estate	1,827,050	1,652,757
Derivative instruments	350,364	381,601
Policy loans	421	419
Total investments	<u>12,444,115</u>	<u>11,385,464</u>
Cash and cash equivalents	19,909	29,949
Coinsurance deposits—related party	1,738,058	1,841,720
Accrued investment income	86,704	68,323
Deferred policy acquisition costs	1,207,562	1,088,890
Deferred sales inducements	539,856	427,554
Deferred income taxes	81,966	73,831
Other assets	56,622	74,392
Total assets	<u>\$ 16,174,792</u>	<u>\$ 14,990,123</u>

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

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Policy benefit reserves	\$ 14,394,309	\$ 13,207,931
Other policy funds and contract claims	123,817	128,579
Other amounts due to related parties	41,285	45,504
Notes payable	264,092	266,383
Subordinated debentures	268,299	268,489
Amounts due under repurchase agreements	306,657	385,973
Other liabilities	<u>157,302</u>	<u>92,198</u>
Total liabilities	15,555,761	14,395,057
Stockholders' equity:		
Common stock	53,862	53,501
Additional paid-in capital	388,932	389,644
Unallocated common stock held by ESOP	(7,001)	–
Accumulated other comprehensive loss	(49,365)	(38,769)
Retained earnings	<u>232,603</u>	<u>190,690</u>
Total stockholders' equity	<u>619,031</u>	<u>595,066</u>
Total liabilities and stockholders' equity	<u>\$ 16,174,792</u>	<u>\$ 14,990,123</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 3,344	\$ 3,313	\$ 9,591	\$ 10,048
Annuity and single premium universal life product charges	12,576	10,756	33,023	29,096
Net investment income	183,732	173,272	528,809	504,839
Realized gains (losses) on investments	325	(273)	921	16
Change in fair value of derivatives	(10,709)	72,280	79,755	60,026
Total revenues	189,268	259,348	652,099	604,025
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	2,360	1,947	6,390	6,614
Interest credited to account balances	165,821	86,572	449,915	272,025
Amortization of deferred sales inducements	3,412	920	21,957	16,595
Change in fair value of embedded derivatives	(34,935)	113,925	(41,161)	65,368
Interest expense on notes payable	4,039	4,175	12,178	17,989
Interest expense on subordinated debentures	5,673	5,796	16,876	16,116
Interest expense on amounts due under repurchase agreements	4,764	10,997	11,842	25,328
Amortization of deferred policy acquisition costs	15,237	11,479	73,095	67,597
Other operating costs and expenses	11,582	9,527	37,076	29,638
Total benefits and expenses	177,953	245,338	588,168	517,270
Income before income taxes	11,315	14,010	63,931	86,755
Income tax expense	3,918	4,593	22,018	30,454
Net income	\$ 7,397	\$ 9,417	\$ 41,913	\$ 56,301
Earnings per common share	\$ 0.13	\$ 0.17	\$ 0.74	\$ 1.01
Earnings per common share - assuming dilution (a)	\$ 0.13	\$ 0.16	\$ 0.71	\$ 0.94
Weighted average common shares outstanding (in thousands):				
Earnings per common share	56,878	55,684	56,899	55,628
Earnings per common share - assuming dilution	59,774	60,314	60,081	60,589

- (a) The numerator for earnings per common share - assuming dilution is equal to net income plus the after tax cost of interest on convertible subordinated debentures issued to a subsidiary trust. The after tax cost of such interest was \$262 for the three months ended September 30, 2007, \$266 for the three months ended September 30, 2006, \$790 for the nine months ended September 30, 2007 and \$802 for the nine months ended September 30, 2006.

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**Operating Income**  
**Nine months ended September 30, 2007 (Unaudited)**

	<u>As Reported</u>	<u>Realized Gain Adjustments</u>	<u>SFAS 133 Adjustments</u>	<u>Operating Income (a)</u>
(Dollars in thousands, except per share data)				
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 9,591	\$ –	\$ –	\$ 9,591
Annuity and single premium universal life product charges	33,023	–	–	33,023
Net investment income	528,809	–	–	528,809
Realized gains on investments	921	(921)	–	–
Change in fair value of derivatives	79,755	–	63,260	143,015
Total revenues	<u>652,099</u>	<u>(921)</u>	<u>63,260</u>	<u>714,438</u>
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	6,390	–	–	6,390
Interest credited to account balances	449,915	–	–	449,915
Amortization of deferred sales inducements	21,957	–	4,092	26,049
Change in fair value of embedded derivatives	(41,161)	–	41,161	–
Interest expense on notes payable	12,178	–	(795)	11,383
Interest expense on subordinated debentures	16,876	–	–	16,876
Interest expense on amounts due under repurchase agreements	11,842	–	–	11,842
Amortization of deferred policy acquisition costs	73,095	–	8,742	81,837
Other operating costs and expenses	37,076	–	–	37,076
Total benefits and expenses	<u>588,168</u>	<u>–</u>	<u>53,200</u>	<u>641,368</u>
Income before income taxes	63,931	(921)	10,060	73,070
Income tax expense	22,018	(326)	3,496	25,188
Net income	<u>\$ 41,913</u>	<u>\$ (595)</u>	<u>\$ 6,564</u>	<u>\$ 47,882</u>
Earnings per common share	\$ 0.74			\$ 0.84
Earnings per common share – assuming dilution	\$ 0.71			\$ 0.81

(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	\$ 324,462	\$ –	\$ 324,462
Cost of money for index annuities	(181,620)	–	(181,620)
Change in the difference between fair value and remaining option cost at beginning and end of period	(63,087)	63,260	173
	<u>\$ 79,755</u>	<u>\$ 63,260</u>	<u>\$ 143,015</u>
Index credits included in interest credited to account balances	<u>\$ 331,046</u>		<u>\$ 331,046</u>

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**Operating Income**  
**Three months ended September 30, 2007 (Unaudited)**

	<u>As Reported</u>	<u>Realized Gain Adjustments</u>	<u>SFAS 133 Adjustments</u>	<u>Operating Income (a)</u>
(Dollars in thousands, except per share data)				
<b>Revenues:</b>				
Traditional life and accident and health insurance premiums	\$ 3,344	\$ –	\$ –	\$ 3,344
Annuity and single premium universal life product charges	12,576	–	–	12,576
Net investment income	183,732	–	–	183,732
Realized gains on investments	325	(325)	–	–
Change in fair value of derivatives	(10,709)	–	67,041	56,332
Total revenues	<u>189,268</u>	<u>(325)</u>	<u>67,041</u>	<u>255,984</u>
<b>Benefits and expenses:</b>				
Insurance policy benefits and change in future policy benefits	2,360	–	–	2,360
Interest credited to account balances	165,821	–	–	165,821
Amortization of deferred sales inducements	3,412	–	5,765	9,177
Change in fair value of embedded derivatives	(34,935)	–	34,935	–
Interest expense on notes payable	4,039	–	(269)	3,770
Interest expense on subordinated debentures	5,673	–	–	5,673
Interest expense on amounts due under repurchase agreements	4,764	–	–	4,764
Amortization of deferred policy acquisition costs	15,237	–	12,539	27,776
Other operating costs and expenses	11,582	–	–	11,582
Total benefits and expenses	<u>177,953</u>	<u>–</u>	<u>52,970</u>	<u>230,923</u>
Income before income taxes	11,315	(325)	14,071	25,061
Income tax expense	3,918	(115)	4,836	8,639
Net income	<u>\$ 7,397</u>	<u>\$ (210)</u>	<u>\$ 9,235</u>	<u>\$ 16,422</u>
Earnings per common share	\$ 0.13			\$ 0.29
Earnings per common share – assuming dilution	\$ 0.13			\$ 0.28

- (a) In addition to net income, we have consistently utilized operating income, operating income per common share and operating income per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate our financial performance. Operating income equals net income adjusted to eliminate the impact of net realized gains and losses on investments and the impact of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income, provides information that may enhance an investor's understanding of our underlying results and profitability.

Change in fair value of derivatives:

Proceeds received at expiration or gains recognized upon early termination	\$ 122,890	\$ –	\$ 122,890
Cost of money for index annuities	(66,617)	–	(66,617)
Change in the difference between fair value and remaining option cost at beginning and end of period	(66,982)	67,041	59
	<u>\$ (10,709)</u>	<u>\$ 67,041</u>	<u>\$ 56,332</u>
Index credits included in interest credited to account balances	<u>\$ 125,500</u>		<u>\$ 125,500</u>

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

	<u>Q3 2007</u>	<u>Q2 2007</u>	<u>Q1 2007</u>	<u>Q4 2006</u>	<u>Q3 2006</u>
	(Dollars in thousands, except per share data)				
<b>Revenues:</b>					
Traditional life and accident and health insurance premiums	\$ 3,344	\$ 3,190	\$ 3,057	\$ 3,574	\$ 3,313
Annuity and single premium universal life product charges	12,576	11,453	8,994	10,376	10,756
Net investment income	183,732	175,719	169,358	172,799	173,272
Change in fair value of derivatives	56,332	68,821	17,862	38,880	(5,992)
Total revenues	<u>255,984</u>	<u>259,183</u>	<u>199,271</u>	<u>225,629</u>	<u>181,349</u>
<b>Benefits and expenses:</b>					
Insurance policy benefits and change in future policy benefits	2,360	2,097	1,933	2,194	1,947
Interest credited to account balances	165,821	168,141	115,953	132,245	86,572
Amortization of deferred sales inducements	9,177	9,124	7,748	8,231	6,843
Interest expense on notes payable	3,770	3,793	3,820	3,737	3,960
Interest expense on subordinated debentures	5,673	5,614	5,589	5,238	5,796
Interest expense on amounts due under repurchase agreements	4,764	3,060	4,018	7,603	10,997
Amortization of deferred policy acquisition costs	27,776	28,405	25,656	27,185	26,635
Other operating costs and expenses	11,582	14,083	11,411	10,780	9,527
Total benefits and expenses	<u>230,923</u>	<u>234,317</u>	<u>176,128</u>	<u>197,213</u>	<u>152,277</u>
Operating income before income taxes	25,061	24,866	23,143	28,416	29,072
Income tax expense	<u>8,639</u>	<u>8,539</u>	<u>8,010</u>	<u>9,650</u>	<u>10,193</u>
Operating income (a)	16,422	16,327	15,133	18,766	18,879
Realized gains (losses) on investments, net of offsets	210	11	374	417	(177)
Income tax contingency	–	–	–	(384)	384
Net effect of SFAS 133, net of offsets	<u>(9,235)</u>	<u>8,251</u>	<u>(5,580)</u>	<u>385</u>	<u>(9,669)</u>
Net income	<u>\$ 7,397</u>	<u>\$ 24,589</u>	<u>\$ 9,927</u>	<u>\$ 19,184</u>	<u>\$ 9,417</u>
Operating income per common share (a)	\$ 0.29	\$ 0.29	\$ 0.27	\$ 0.34	\$ 0.34
Operating income per common share – assuming dilution (a)	\$ 0.28	\$ 0.28	\$ 0.26	\$ 0.32	\$ 0.32
Earnings per common share	\$ 0.13	\$ 0.43	\$ 0.18	\$ 0.34	\$ 0.17
Earnings per common share – assuming dilution	\$ 0.13	\$ 0.41	\$ 0.17	\$ 0.32	\$ 0.16
<b>Weighted average common shares outstanding (in thousands):</b>					
Earnings per common share	56,878	57,122	56,693	55,889	55,684
Earnings per common share - assuming dilution	59,774	60,309	60,159	59,926	60,314

(a) In addition to net income, we have consistently utilized operating income, operating income per common share and operating income per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate our financial performance. Operating income equals net income adjusted to eliminate the impact of net realized gains and losses on investments, the impact of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives, and the impact of an income tax contingency liability. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income, provides information that may enhance an investor's understanding of our underlying results and profitability.

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**Capitalization/ Book Value per Share**

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
	(Dollars in thousands, except per share data)	
<b>Capitalization:</b>		
Notes payable	\$ 264,092	\$ 266,383
Subordinated debentures payable to subsidiary trusts	268,299	268,489
<b>Total debt</b>	<u>532,391</u>	<u>534,872</u>
<b>Total stockholders' equity</b>	<u>619,031</u>	<u>595,066</u>
<b>Total capitalization</b>	1,151,422	1,129,938
Accumulated other comprehensive loss (AOCL)	49,365	38,769
<b>Total capitalization excluding AOCL (a)</b>	<u>\$ 1,200,787</u>	<u>\$ 1,168,707</u>
<b>Total stockholders' equity</b>	\$ 619,031	\$ 595,066
Accumulated other comprehensive loss	49,365	38,769
<b>Total stockholders' equity excluding AOCL (a)</b>	<u>\$ 668,396</u>	<u>\$ 633,835</u>
Common shares outstanding (b)	56,205,202	56,144,074
<b>Book Value per Share: (c)</b>		
Book value per share including AOCL	\$ 11.01	\$ 10.60
Book value per share excluding AOCL (a)	\$ 11.89	\$ 11.29
<b>Debt-to-Capital Ratios: (d)</b>		
Senior debt / Total capitalization	22.0%	22.8%
Adjusted debt / Total capitalization	30.0%	31.3%

- (a) Total capitalization, total stockholders' equity and book value per share excluding AOCL, non-GAAP financial measures, are based on stockholders' equity excluding the effect of AOCL. Since AOCL fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments caused principally by changes in market interest rates, we believe these non-GAAP financial measures provide useful supplemental information.
- (b) Common shares outstanding include shares held by the NMO Deferred Compensation Trust: 2007 - 2,993,148 shares; 2006 - 2,643,148 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>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	(Dollars in thousands)		
Index Annuities:			
Index Strategies	\$ 1,176,547	\$ 914,552	\$ 1,160,467
Fixed Strategy	392,182	466,946	626,791
	<u>1,568,729</u>	<u>1,381,498</u>	<u>1,787,258</u>
Fixed Rate Annuities:			
Single-Year Rate Guaranteed	37,840	62,029	76,164
Multi-Year Rate Guaranteed	4,211	4,733	6,544
	<u>42,051</u>	<u>66,762</u>	<u>82,708</u>
Total before coinsurance ceded	1,610,780	1,448,260	1,869,966
Coinsurance ceded	<u>1,461</u>	<u>2,324</u>	<u>2,859</u>
Net after coinsurance ceded	<u>\$ 1,609,319</u>	<u>\$ 1,445,936</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 September 30, 2007

<b>Product Type</b>	<b>Surrender Charge</b>			<b>Net Account Value</b>	
	<b>Avg. Years At Issue</b>	<b>Avg. Years Remaining</b>	<b>Avg. % Remaining</b>	<b>Dollars in Thousands</b>	<b>%</b>
Index Annuities	14.0	11.3	15.0%	\$10,297,949	83.3%
Single-Year Fixed Rate Guaranteed Annuities	10.6	5.4	8.3%	1,552,202	12.6%
Multi-Year Fixed Rate Guaranteed Annuities	7.0	3.1	6.0%	<u>509,448</u>	<u>4.1%</u>
	13.3	10.2	13.7%	<u>\$12,359,599</u>	<u>100.0%</u>

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**Annuity Liability Characteristics**

	<b>Fixed Annuities Account Value</b>	<b>Index Annuities Account Value</b>
	<b>(Dollars in thousands)</b>	
<b><u>SURRENDER CHARGE PERCENTAGES (1):</u></b>		
No surrender charge	\$ 182,214	\$ 86,214
0.0% < 2.0%	14,711	676
2.0% < 3.0%	82,398	13,144
3.0% < 4.0%	30,017	25,711
4.0% < 5.0%	142,989	108,651
5.0% < 6.0%	34,716	61,332
6.0% < 7.0%	167,892	276,683
7.0% < 8.0%	263,408	450,553
8.0% < 9.0%	326,827	422,504
9.0% < 10.0%	254,420	487,110
10.0% or greater	562,058	8,365,371
	<u>\$ 2,061,650</u>	<u>\$ 10,297,949</u>
	<b>Fixed and Index Annuities Account Value</b>	<b>Weighted Average Surrender Charge</b>
	<b>(Dollars in thousands)</b>	
<b><u>SURRENDER CHARGE EXPIRATION BY YEAR</u></b>		
Out of Surrender Charge	\$ 268,428	0.00%
2007	36,141	3.57%
2008	118,262	4.27%
2009	381,542	7.01%
2010	433,833	6.27%
2011	401,586	6.88%
2012	595,314	7.63%
2013	729,709	8.11%
2014	659,253	9.43%
2015	631,661	11.54%
2016	824,126	12.51%
2017	973,218	13.42%
2018	736,847	14.19%
2019	481,374	14.28%
2020	602,131	15.62%
2021	672,439	17.09%
2022	1,323,971	18.93%
2023	2,199,444	19.78%
2024	290,320	20.00%
	<u>\$ 12,359,599</u>	<u>13.65%</u>

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**Annuity Liability Characteristics**

	<b>Fixed Annuities Account Value</b>	<b>Index Annuities Account Value</b>
	<b>(Dollars in thousands)</b>	
<b><u>APPLICABLE GUARANTEE PERIOD:</u></b>		
Annual reset (2)	\$ 1,789,676	\$ 10,167,329
Multi-year (3 - 5 years)	271,974	130,620
	<b><u>\$ 2,061,650</u></b>	<b><u>\$ 10,297,949</u></b>
 <b><u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u></b>		
2.00%	\$ –	\$ 1,520
2.20%	4,801	93,702
2.25% (3)	243,925	2,723,576
3.00%	1,718,519	5,873,685
3.50% (4)	–	1,605,466
4.00%	94,405	–
	<b><u>\$ 2,061,650</u></b>	<b><u>\$ 10,297,949</u></b>
 <b><u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (5) (6):</u></b>		
No differential	\$ 88,970	\$ –
> 0.0% - 0.5%	1,335,593	1,242,316
> 0.5% - 1.0%	350,973	1,031,059
> 1.0% - 1.5%	166,471	126,268
> 1.5% - 2.0%	28,472	260
> 2.0% - 2.5%	61,452	410
> 2.5% - 3.0%	14,842	–
Greater than 3.0%	14,877	–
Index strategies	–	7,897,636
	<b><u>\$ 2,061,650</u></b>	<b><u>\$ 10,297,949</u></b>

- (1) In addition, \$1,309,186 (64%) of the Fixed Annuities Account Value have market value adjustment protection.
- (2) The contract features for substantially all of the Index Annuities Account Value provide for the annual reset of contractual features that effect the cost of money. The contract features for less than .5% of the Index Annuities Account Value are reset every two years.
- (3) Products have a guarantee of 2.25% for the first 10 years, and 3.00% thereafter.
- (4) Rates applicable to the minimum guaranteed surrender value are 3.50% for the first 5 years, and 3.00% thereafter (applied to less than 100% of the annuity deposits received). Minimum guaranteed rates for amounts allocated to the fixed rate strategy are 2.25% for the first 10 years, and 3.00% thereafter.
- (5) Recent issues may contain bonus interest rates ranging from 1.0% to 3.0%.
- (6) Includes products with multi-year guarantees for which the credited rate cannot be decreased to the ultimate minimum guaranteed rate until the end of the multi-year period. The weighted average differential between the current credited rate and the ultimate minimum guaranteed rate on the multi-year guarantee fixed annuity account values was approximately 143 basis points.

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**Spread Results**

	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
Average yield on invested assets	6.09%	6.13%	6.14%
Cost of Money			
Aggregate	3.44%	3.43%	3.41%
Average net cost of money for index annuities	3.42%	3.28%	3.28%
Average crediting rate for fixed rate annuities:			
Annually adjustable	3.28%	3.25%	3.25%
Multi-year rate guaranteed	4.18%	4.94%	4.81%
Investment spread:			
Aggregate	2.65%	2.70%	2.73%
Index annuities	2.67%	2.85%	2.86%
Fixed rate annuities:			
Annually adjustable	2.81%	2.88%	2.89%
Multi-year rate guaranteed	1.91%	1.19%	1.33%

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**Summary of Invested Assets**

	<u>September 30, 2007</u>		<u>December 31, 2006</u>	
	<u>Carrying Amount</u>	<u>Percent</u>	<u>Carrying Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
Fixed maturity securities:				
United States Government full faith and credit	\$ 2,786	–	\$ 2,746	–
United States Government sponsored agencies	8,140,901	65.4%	7,966,485	70.0%
Public utilities	148,080	1.2%	137,461	1.2%
Corporate securities	1,031,534	8.3%	643,850	5.6%
Redeemable preferred stocks	191,847	1.6%	135,933	1.2%
Mortgage and asset-backed securities:				
Government	75,085	0.6%	67,883	0.6%
Non-Government	586,208	4.7%	350,817	3.1%
Total fixed maturity securities	10,176,441	81.8%	9,305,175	81.7%
Equity securities	89,839	0.7%	45,512	0.4%
Mortgage loans on real estate	1,827,050	14.7%	1,652,757	14.5%
Derivative instruments	350,364	2.8%	381,601	3.4%
Policy loans	421	–	419	–
	<u>\$ 12,444,115</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	September 30, 2007		December 31, 2006	
		Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)					
1	Aaa/Aa/A	\$ 9,193,502	90.3%	\$ 8,643,440	92.9%
2	Baa	869,027	8.6%	556,218	6.0%
3	Ba	89,629	0.9%	88,896	0.9%
4	B	24,283	0.2%	12,022	0.1%
5	Caa and lower	–	–	–	–
6	In or near default	–	–	4,599	0.1%
		<u>\$ 10,176,441</u>	<u>100.0%</u>	<u>\$ 9,305,175</u>	<u>100.0%</u>

Watch List Securities - September 30, 2007

Issuer	Type of Security	Amortized Cost	Unrealized Loss	Estimated Fair Value	Maturity Date
(Dollars in thousands)					
Tribune Co.	Corporate Bond	\$ 9,690	\$ (2,372)	\$ 7,318	08/15/2015
Stingray Pass-Thru Trust	Corporate Bond	14,027	(3,457)	10,570	01/12/2015
Countrywide - FHA/VA	Mortgage-Backed Security	2,813	(708)	2,105	06/25/2035
Northstar Realty Finance	Preferred Stock	7,250	(1,580)	5,670	Perpetual
Arbor Realty Trust Inc.	Common Stock	1,935	(613)	1,322	N/A
Quadra Realty Trust Inc.	Common Stock	1,500	(547)	953	N/A
		<u>\$ 37,215</u>	<u>\$ (9,277)</u>	<u>\$ 27,938</u>	

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Mortgage Loans by Region and Property Type

	<u>September 30, 2007</u>		<u>December 31, 2006</u>	
	<u>Carrying Amount</u>	<u>Percent</u>	<u>Carrying Amount</u>	<u>Percent</u>
	(Dollars in thousands)			
<b>Geographic distribution</b>				
East	\$ 422,894	23.1%	\$ 364,977	22.1%
Middle Atlantic	127,714	7.0%	115,930	7.0%
Mountain	301,532	16.5%	267,808	16.2%
New England	44,706	2.5%	43,228	2.6%
Pacific	128,843	7.1%	132,085	8.0%
South Atlantic	304,007	16.6%	299,373	18.1%
West North Central	340,018	18.6%	290,592	17.6%
West South Central	157,336	8.6%	138,764	8.4%
	<u>\$ 1,827,050</u>	<u>100.0%</u>	<u>\$ 1,652,757</u>	<u>100.0%</u>
<b>Property type distribution</b>				
Office	\$ 554,237	30.4%	\$ 508,093	30.7%
Medical Office	97,178	5.3%	78,147	4.7%
Retail	415,179	22.7%	389,534	23.6%
Industrial/Warehouse	421,776	23.1%	381,248	23.1%
Hotel	106,278	5.8%	71,510	4.3%
Apartments	89,843	4.9%	91,190	5.5%
Mixed use/other	142,559	7.8%	133,035	8.1%
	<u>\$ 1,827,050</u>	<u>100.0%</u>	<u>\$ 1,652,757</u>	<u>100.0%</u>

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

**Corporate Offices:**

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**Inquiries:**

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John M. Matovina, Vice Chairman  
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**Common Stock and Dividend Information:**

New York Stock Exchange symbol: "AEL"

<b>2007</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Dividend Declared</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
<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
<b>2005</b>				
First Quarter	\$12.92	\$10.14	\$12.79	\$0.00
Second Quarter	\$12.79	\$10.08	\$11.88	\$0.00
Third Quarter	\$11.96	\$10.41	\$11.35	\$0.00
Fourth Quarter	\$13.06	\$10.83	\$13.05	\$0.04

**Transfer Agent:**

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P.O. Box 43010  
Providence, RI 02940-0310  
Phone: (877) 282-1169  
Fax: (781) 575-2723  
[www.computershare.com](http://www.computershare.com)

**Annual Report and Other Information:**

Shareholders may receive when available, without charge, a copy of American Equity's Annual Report, SEC filings and/or press releases by calling Julie L. LaFollette, Investor Relations, at (515) 273-3602 or by visiting our web site at [www.american-equity.com](http://www.american-equity.com).



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**Research Analyst Coverage**

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