

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

March 31, 2006

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

| | <u>March 31,</u> <u>2006</u> | <u>December 31,</u> <u>2005</u> |
|--|---------------------------------|------------------------------------|
| Assets | | |
| Investments: | | |
| Fixed maturity securities: | | |
| Available for sale, at market | \$ 4,349,103 | \$ 4,188,683 |
| Held for investment, at amortized cost | 4,946,296 | 4,711,427 |
| Equity securities, available for sale, at market | 72,643 | 84,846 |
| Mortgage loans on real estate | 1,419,291 | 1,321,637 |
| Derivative instruments | 248,689 | 185,391 |
| Policy loans | 379 | 362 |
| Total investments | <u>11,036,401</u> | <u>10,492,346</u> |
| Cash and cash equivalents | 43,274 | 112,395 |
| Coinsurance deposits—related party | 1,934,051 | 1,959,663 |
| Accrued investment income | 78,651 | 59,584 |
| Deferred policy acquisition costs | 1,047,327 | 977,015 |
| Deferred sales inducements | 358,815 | 315,848 |
| Deferred income tax asset | 122,325 | 94,288 |
| Other assets | 34,474 | 31,655 |
| Total assets | <u>\$ 14,655,318</u> | <u>\$ 14,042,794</u> |

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

| | March 31, 2006 | December 31, 2005 |
|---|---------------------------|------------------------------|
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Policy benefit reserves | \$ 12,668,054 | \$ 12,237,988 |
| Other policy funds and contract claims | 127,708 | 126,387 |
| Other amounts due to related parties | 26,480 | 27,677 |
| Notes payable | 308,644 | 281,043 |
| Subordinated debentures | 261,506 | 230,658 |
| Amounts due under repurchase agreements | 614,046 | 396,697 |
| Other liabilities | <u>159,696</u> | <u>222,986</u> |
| Total liabilities | 14,166,134 | 13,523,436 |
| Stockholders' equity: | | |
| Common Stock | 55,609 | 55,527 |
| Additional paid-in capital | 379,778 | 379,107 |
| Accumulated other comprehensive loss | (62,206) | (27,306) |
| Retained earnings | <u>116,003</u> | <u>112,030</u> |
| Total stockholders' equity | <u>489,184</u> | <u>519,358</u> |
| Total liabilities and stockholders' equity | <u>\$ 14,655,318</u> | <u>\$ 14,042,794</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 | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2006 | 2005 |
| Revenues: | | |
| Traditional life and accident and health insurance premiums | \$ 3,524 | \$ 3,756 |
| Annuity and single premium universal life product charges | 7,600 | 6,262 |
| Net investment income | 162,385 | 124,834 |
| Realized gains (losses) on investments | (42) | 232 |
| Change in fair value of derivatives | 49,328 | (35,990) |
| Total revenues | <u>222,795</u> | <u>99,094</u> |
| Benefits and expenses: | | |
| Insurance policy benefits and change in future policy benefits | 2,398 | 2,606 |
| Interest credited to account balances | 92,546 | 62,508 |
| Change in fair value of embedded derivatives | 62,764 | (18,591) |
| Interest expense on notes payable | 7,286 | 4,139 |
| Interest expense on subordinated debentures | 4,918 | 3,046 |
| Interest expense on amounts due under repurchase agreements | 5,799 | 1,428 |
| Amortization of deferred policy acquisition costs | 30,755 | 16,666 |
| Other operating costs and expenses | 10,180 | 8,145 |
| Total benefits and expenses | <u>216,646</u> | <u>79,947</u> |
| Income before income taxes | 6,149 | 19,147 |
| Income tax expense | 2,176 | 6,619 |
| Net income | <u>\$ 3,973</u> | <u>\$ 12,528</u> |
| Earnings per common share | \$ 0.07 | \$ 0.33 |
| Earnings per common share - assuming dilution (a) | \$ 0.07 | \$ 0.29 |
| Weighted average common shares outstanding (in thousands): | | |
| Earnings per common share | 55,554 | 38,372 |
| Earnings per common share - assuming dilution | 60,799 | 43,665 |

(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 \$270 for the three months ended March 31, 2006 and \$301 for the three months ended March 31, 2005, respectively.

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Operating Income
Three months ended March 31, 2006

| | <u>As Reported</u> | <u>Realized Gain Adjustments</u> | <u>FAS 133 Adjustments</u> | <u>Operating Income (a)</u> |
|--|--------------------|--------------------------------------|--------------------------------|---------------------------------|
| (Dollars in thousands, except per share data) | | | | |
| Revenues: | | | | |
| Traditional life and accident and health insurance premiums | \$ 3,524 | \$ – | \$ – | \$ 3,524 |
| Annuity and single premium universal life product charges | 7,600 | – | – | 7,600 |
| Net investment income | 162,385 | – | – | 162,385 |
| Realized gains (losses) on investments | (42) | 42 | – | – |
| Change in fair value of derivatives | 49,328 | – | (55,896) | (6,568) |
| Total revenues | <u>222,795</u> | <u>42</u> | <u>(55,896)</u> | <u>166,941</u> |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 2,398 | – | – | 2,398 |
| Interest credited to account balances | 92,546 | – | (3,095) | 89,451 |
| Change in fair value of embedded derivatives | 62,764 | – | (62,764) | – |
| Interest expense on notes payable | 7,286 | – | (3,351) | 3,935 |
| Interest expense on subordinated debentures | 4,918 | – | – | 4,918 |
| Interest expense on amounts due under repurchase agreements | 5,799 | – | – | 5,799 |
| Amortization of deferred policy acquisition costs | 30,755 | – | (7,948) | 22,807 |
| Other operating costs and expenses | 10,180 | – | – | 10,180 |
| Total benefits and expenses | <u>216,646</u> | <u>–</u> | <u>(77,158)</u> | <u>139,488</u> |
| Income before income taxes | 6,149 | 42 | 21,262 | 27,453 |
| Income tax expense | 2,176 | 15 | 7,524 | 9,715 |
| Net income | <u>\$ 3,973</u> | <u>\$ 27</u> | <u>\$ 13,738</u> | <u>\$ 17,738</u> |
| Earnings per common share | \$ 0.07 | | | \$ 0.32 |
| Earnings per common share – assuming dilution | \$ 0.07 | | | \$ 0.30 |

- (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 FAS 133, dealing with market value changes in 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.

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Operating Income/Net Income
Quarterly Summary – Most Recent 5 Quarters

| | <u>Q1 2006</u> | <u>Q4 2005</u> | <u>Q3 2005</u> | <u>Q2 2005</u> | <u>Q1 2005</u> |
|---|-----------------|------------------|-----------------|------------------|------------------|
| (Dollars in thousands, except per share data) | | | | | |
| Revenues: | | | | | |
| Traditional life and accident and health insurance premiums | \$ 3,524 | \$ 3,019 | \$ 3,539 | \$ 3,264 | \$ 3,756 |
| Annuity and single premium universal life product charges | 7,600 | 6,296 | 6,105 | 7,023 | 6,262 |
| Net investment income | 162,385 | 153,707 | 142,492 | 133,365 | 125,007 |
| Change in fair value of derivatives | (6,568) | (12,550) | 10,722 | (8,955) | (13,570) |
| Total revenues | <u>166,941</u> | <u>150,472</u> | <u>162,858</u> | <u>134,697</u> | <u>121,455</u> |
| Benefits and expenses: | | | | | |
| Insurance policy benefits and change in future policy benefits | 2,398 | 1,619 | 2,401 | 1,963 | 2,606 |
| Interest credited to account balances | 89,451 | 83,181 | 97,174 | 72,102 | 62,948 |
| Interest expense on General Agency Commission and Servicing Agreement | – | – | 778 | 874 | 989 |
| Interest expense on notes payable | 3,935 | 4,053 | 3,554 | 3,446 | 3,546 |
| Interest expense on subordinated debentures | 4,918 | 4,131 | 3,826 | 3,142 | 3,046 |
| Interest expense on amounts due under repurchase agreements | 5,799 | 4,455 | 3,162 | 2,235 | 1,428 |
| Amortization of deferred policy acquisition costs | 22,807 | 20,734 | 20,764 | 19,955 | 18,487 |
| Other operating costs and expenses | 10,180 | 9,370 | 8,554 | 9,474 | 8,121 |
| Total benefits and expenses | <u>139,488</u> | <u>127,543</u> | <u>140,213</u> | <u>113,191</u> | <u>101,171</u> |
| Operating income before income taxes | 27,453 | 22,929 | 22,645 | 21,506 | 20,284 |
| Income tax expense | 9,715 | 8,290 | 7,567 | 7,396 | 7,008 |
| Operating income (a) | 17,738 | 14,639 | 15,078 | 14,110 | 13,276 |
| Realized gains (losses) on investments, net of offsets | (27) | (348) | (2,599) | 143 | 151 |
| Net effect of FIN 46 and state income tax contingency | – | (905) | (2,836) | (77) | 120 |
| Net effect of FAS 133 | (13,738) | (2,317) | (2,480) | (1,944) | (1,019) |
| Net income | <u>\$ 3,973</u> | <u>\$ 11,069</u> | <u>\$ 7,163</u> | <u>\$ 12,232</u> | <u>\$ 12,528</u> |
| Operating income per common share (a) | \$ 0.32 | \$ 0.35 | \$ 0.39 | \$ 0.37 | \$ 0.35 |
| Operating income per common share – assuming dilution (a) | \$ 0.30 | \$ 0.32 | \$ 0.35 | \$ 0.33 | \$ 0.31 |
| Earnings per common share | \$ 0.07 | \$ 0.26 | \$ 0.19 | \$ 0.32 | \$ 0.33 |
| Earnings per common share – assuming dilution | \$ 0.07 | \$ 0.24 | \$ 0.17 | \$ 0.29 | \$ 0.29 |
| Weighted average common shares outstanding (in thousands): | | | | | |
| Earnings per common share | 55,554 | 42,053 | 38,497 | 38,379 | 38,372 |
| Earnings per common share - assuming dilution | 60,799 | 46,823 | 43,786 | 43,749 | 43,665 |

(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 FIN 46, dealing with the consolidation of variable interest entities, the impact of the establishment of a state income tax contingency liability, and the impact of FAS 133, dealing with market value changes in 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.

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Capitalization/ Book Value per Share

| | <u>March 31, 2006</u> | <u>December 31, 2005</u> |
|--|----------------------------|------------------------------|
| (Dollars in thousands, except per share data) | | |
| Capitalization: | | |
| Notes payable | \$ 308,644 | \$ 281,043 |
| Subordinated debentures payable to subsidiary trusts | 261,506 | 230,658 |
| Total debt | <u>570,150</u> | <u>511,701</u> |
| Total stockholders' equity | <u>489,184</u> | <u>519,358</u> |
| Total capitalization | 1,059,334 | 1,031,059 |
| Accumulated other comprehensive loss (AOCL) | 62,206 | 27,306 |
| Total capitalization excluding AOCL (a) | <u><u>\$ 1,121,540</u></u> | <u><u>\$ 1,058,365</u></u> |
| Total stockholders' equity | \$ 489,184 | \$ 519,358 |
| Accumulated other comprehensive loss | 62,206 | 27,306 |
| Total stockholders' equity excluding AOCL (a) | <u><u>\$ 551,390</u></u> | <u><u>\$ 546,664</u></u> |
| Common shares outstanding | 55,608,655 | 55,527,180 |
| Book Value per Share: (b) | | |
| Book value per share including AOCL | \$ 8.80 | \$ 9.35 |
| Book value per share excluding AOCL (a) | \$ 9.92 | \$ 9.84 |
| Debt-to-Capital Ratios: (c) | | |
| Senior debt / Total capitalization | 24.8% | 26.6% |
| Adjusted debt / Total capitalization | 34.2% | 33.7% |

(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 accumulated other comprehensive loss. Since AOCL fluctuates from quarter to quarter due to unrealized changes in the fair market 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) 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.

(c) Debt-to-capital ratios are computed using total capitalization excluding AOCL. Adjusted debt includes senior debt 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. The computations at March 31, 2006 also eliminate the impact of FAS 133, dealing with market value changes in derivatives, on the 5.25% contingent convertible senior notes payable, stockholders' equity and total capitalization.

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Annuity Deposits by Product Type

| Product Type | Three Months Ended March 31, | | Year Ended December 31, |
|--------------------------------|---|-------------------|------------------------------------|
| | 2006 | 2005 | 2005 |
| Index Annuities: | | | |
| Index Strategies | \$ 362,438 | \$ 418,677 | \$ 1,780,092 |
| Fixed Strategy | 177,306 | 201,585 | 908,868 |
| | <u>539,744</u> | <u>620,262</u> | <u>2,688,960</u> |
| Fixed Rate Annuities: | | | |
| Single-Year Rate Guaranteed | 23,568 | 52,116 | 193,288 |
| Multi-Year Rate Guaranteed | 1,355 | 3,908 | 12,807 |
| | <u>24,923</u> | <u>56,024</u> | <u>206,095</u> |
| Total before coinsurance ceded | 564,667 | 676,286 | 2,895,055 |
| Coinsurance ceded | <u>950</u> | <u>1,792</u> | <u>4,688</u> |
| Net after coinsurance ceded | <u>\$ 563,717</u> | <u>\$ 674,494</u> | <u>\$ 2,890,367</u> |

Surrender Charge Protection and Fund Values by Product Type

Annuity Surrender Charges and Net (of coinsurance) Fund Values at March 31, 2006

| Product Type | Surrender Charge | | | Net Fund Value | |
|---|------------------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------|
| | Avg. Years At Issue | Avg. Years Remaining | Avg. % Remaining | Dollars in Thousands | % |
| Index Annuities | 13.6 | 11.4 | 14.7% | \$ 7,641,986 | 72.6% |
| Single-Year Fixed Rate Guaranteed Annuities | 10.6 | 6.5 | 9.7% | 1,763,709 | 16.7% |
| Multi-Year Fixed Rate Guaranteed Annuities | 5.9 | 2.1 | 5.0% | <u>1,128,540</u> | <u>10.7%</u> |
| Total | 12.2 | 9.6 | 12.8% | <u>\$10,534,235</u> | <u>100.0%</u> |

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Annuity Liability Characteristics

| | <u>Fixed Annuities Account Value</u> | <u>Index Annuities Account Value</u> |
|--|--|--|
| <u>SURRENDER CHARGE PERCENTAGES (1):</u> | | |
| No surrender charge | \$ 381,578 | \$ 42,922 |
| 1.0% < 2.0% | 15,152 | 5,911 |
| 2.0% < 3.0% | 7,988 | 5,656 |
| 3.0% < 4.0% | 20,677 | 3,916 |
| 4.0% < 5.0% | 100,929 | 30,763 |
| 5.0% < 6.0% | 395,759 | 41,442 |
| 6.0% < 7.0% | 144,985 | 79,521 |
| 7.0% < 8.0% | 205,505 | 241,124 |
| 8.0% < 9.0% | 280,320 | 311,918 |
| 9.0% < 10.0% | 320,200 | 750,057 |
| 10.0% or greater | 1,019,156 | 6,128,756 |
| | <u>\$ 2,892,249</u> | <u>\$ 7,641,986</u> |
| | <u>Fixed and Index Annuities Account Value</u> | <u>Weighted Average Surrender Charge</u> |
| <u>SURRENDER CHARGE EXPIRATION BY YEAR</u> | | |
| Out of Surrender Charge | \$ 424,255 | 0.00% |
| 2006 | 396,519 | 5.18% |
| 2007 | 138,388 | 4.91% |
| 2008 | 149,720 | 6.26% |
| 2009 | 429,790 | 8.09% |
| 2010 | 496,934 | 7.81% |
| 2011 | 466,483 | 8.27% |
| 2012 | 689,280 | 8.99% |
| 2013 | 727,036 | 9.79% |
| 2014 | 630,149 | 11.23% |
| 2015 | 547,993 | 13.32% |
| 2016 | 783,533 | 14.17% |
| 2017 | 976,821 | 14.72% |
| 2018 | 563,669 | 15.52% |
| 2019 | 260,442 | 15.72% |
| 2020 | 627,999 | 16.46% |
| 2021 | 644,248 | 18.02% |
| 2022 | 1,250,699 | 19.82% |
| 2023 | 330,277 | 20.00% |
| | <u>\$ 10,534,235</u> | <u>13.28%</u> |

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Annuity Liability Characteristics

| | Fixed Annuities Account Value | Index Annuities Account Value |
|---|--|--|
| <u>APPLICABLE GUARANTEE PERIOD:</u> | | |
| Annual reset (2) | \$ 2,118,388 | \$ 7,527,317 |
| Multi-year (3 - 5 years) | 773,861 | 114,669 |
| | <u>\$ 2,892,249</u> | <u>\$ 7,641,986</u> |
| <u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u> | | |
| 2.00% | – | \$ 8,721 |
| 2.20% | 7,541 | 86,940 |
| 2.25% (4) | 260,946 | 2,797,077 |
| 3.00% | 2,511,416 | 3,350,138 |
| 3.50% (5) | – | 1,399,110 |
| 4.00% | 112,346 | – |
| | <u>\$ 2,892,249</u> | <u>\$ 7,641,986</u> |
| <u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (6) (7):</u> | | |
| No differential | \$ 103,196 | – |
| > 0.0% - 0.5% | 1,716,287 | 908,336 |
| > 0.5% - 1.0% | 241,266 | 1,265,483 |
| > 1.0% - 1.5% | 156,593 | 102,884 |
| > 1.5% - 2.0% | 18,735 | 267 |
| > 2.0% - 2.5% | 114,215 | 1,387 |
| > 2.5% - 3.0% | 312,235 | 7,105 |
| Greater than 3.0% | 229,722 | 369 |
| Cumulative floor (3) | – | 5,356,155 |
| | <u>\$ 2,892,249</u> | <u>\$ 7,641,986</u> |

- (1) In addition, \$1,535,315 (53%) 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) Index Annuities provide guarantees based on a cumulative floor over the term of the product. Rates used to determine the cumulative floor may be applied to less than 100% of the annuity deposits received.
- (4) Products have a guarantee of 2.25% for the first 10 years, & 3.00% thereafter.
- (5) Rates applicable to the minimum guaranteed surrender value are 3.50% for the first 5 years, & 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.
- (6) Recent issues may contain bonus interest rates ranging from 1.0% to 3.0%.
- (7) 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 243 basis points.

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Spread Results

| | Q1 2006 | Q1 2005 | FY 2005 |
|--|--------------------|--------------------|--------------------|
| Average yield on invested assets | 6.13% | 6.22% | 6.18% |
| Cost of Money | | | |
| Aggregate | 3.42% | 3.70% | 3.70% |
| Average net cost of money for index annuities | 3.13% | 3.32% | 3.38% |
| Average crediting rate for fixed rate annuities: | | | |
| Annually adjustable | 3.28% | 3.34% | 3.32% |
| Multi-year rate guaranteed | 5.49% | 5.49% | 5.56% |
| Investment spread: | | | |
| Aggregate | 2.71% | 2.52% | 2.48% |
| Index annuities | 3.00% | 2.90% | 2.80% |
| Fixed rate annuities: | | | |
| Annually adjustable | 2.85% | 2.88% | 2.86% |
| Multi-year rate guaranteed | 0.64% | 0.73% | 0.62% |

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Summary of Invested Assets

| | <u>March 31,</u> <u>2006</u> | | <u>December 31,</u> <u>2005</u> | |
|--|----------------------------------|----------------|------------------------------------|----------------|
| | <u>Carrying</u> <u>Amount</u> | <u>Percent</u> | <u>Carrying</u> <u>Amount</u> | <u>Percent</u> |
| | (Dollars in thousands) | | | |
| Fixed maturity securities: | | | | |
| United States Government full faith and credit | \$ 2,685 | – | \$ 2,774 | – |
| United States Government sponsored agencies | 7,772,838 | 70.4% | 7,445,474 | 71.0% |
| Public utilities | 137,720 | 1.2% | 133,346 | 1.3% |
| Corporate securities | 756,908 | 6.9% | 674,230 | 6.4% |
| Redeemable preferred stocks | 55,385 | 0.5% | 46,896 | 0.4% |
| Mortgage and asset-backed securities: | | | | |
| Government | 192,587 | 1.7% | 220,379 | 2.1% |
| Non-Government | 377,276 | 3.4% | 377,011 | 3.6% |
| Total fixed maturity securities | 9,295,399 | 84.1% | 8,900,110 | 84.8% |
| Equity securities | 72,643 | 0.7% | 84,846 | 0.8% |
| Mortgage loans on real estate | 1,419,291 | 12.9% | 1,321,637 | 12.6% |
| Derivative instruments | 248,689 | 2.3% | 185,391 | 1.8% |
| Policy loans | 379 | – | 362 | – |
| Total investments | <u>\$ 11,036,401</u> | <u>100.0%</u> | <u>\$ 10,492,346</u> | <u>100.0%</u> |

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Credit Quality of Fixed Maturity Securities

| NAIC Designation | Rating Agency Equivalent | March 31, 2006 | | December 31, 2005 | |
|------------------------|---------------------------------|---------------------|---------------|----------------------|---------------|
| | | Carrying Amount | Percent | Carrying Amount | Percent |
| (Dollars in thousands) | | | | | |
| 1 | Aaa/Aa/A | \$ 8,710,802 | 93.7% | \$ 8,368,330 | 94.0% |
| 2 | Baa | 473,636 | 5.1% | 416,614 | 4.7% |
| 3 | Ba | 95,765 | 0.9% | 93,335 | 1.0% |
| 4 | B | 3,368 | 0.1% | 3,396 | 0.1% |
| 5 | Caa and lower | 7,110 | 0.1% | 11,719 | 0.1% |
| 6 | In or near default | 4,718 | 0.1% | 6,716 | 0.1% |
| | Total fixed maturity securities | <u>\$ 9,295,399</u> | <u>100.0%</u> | <u>\$ 8,900,110</u> | <u>100.0%</u> |

Watch List Securities - Aging of Gross Unrealized Losses - March 31, 2006

| Issuer | Amortized Cost | Unrealized Losses | Estimated Fair Value | Maturity Date | Months Below Amortized Cost |
|------------------------|-------------------|----------------------|-------------------------|------------------|--------------------------------------|
| (Dollars in thousands) | | | | | |
| Ford | \$ 5,003 | \$ (1,303) | \$ 3,700 | 7/16/2031 | 7 |
| | <u>\$ 5,003</u> | <u>\$ (1,303)</u> | <u>\$ 3,700</u> | | |

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Mortgage Loans by Region and Property Type

| | March 31, 2006 | | December 31, 2005 | |
|-----------------------------------|------------------------|---------------|----------------------|---------------|
| | Carrying Amount | Percent | Carrying Amount | Percent |
| | (Dollars in thousands) | | | |
| Geographic distribution | | | | |
| East | \$ 307,871 | 21.7% | \$ 283,085 | 21.4% |
| Middle Atlantic | 99,489 | 7.0% | 93,579 | 7.1% |
| Mountain | 220,261 | 15.5% | 198,476 | 15.0% |
| New England | 44,231 | 3.1% | 47,839 | 3.6% |
| Pacific | 123,230 | 8.7% | 117,977 | 8.9% |
| South Atlantic | 230,890 | 16.3% | 213,423 | 16.1% |
| West North Central | 268,241 | 18.9% | 258,181 | 19.5% |
| West South Central | 125,078 | 8.8% | 109,077 | 8.3% |
| Total mortgage loans | <u>\$ 1,419,291</u> | <u>100.0%</u> | <u>\$ 1,321,637</u> | <u>100.0%</u> |
| Property type distribution | | | | |
| Office | \$ 427,358 | 30.2% | \$ 384,606 | 29.1% |
| Medical Office | 80,169 | 5.6% | 75,716 | 5.7% |
| Retail | 299,034 | 21.1% | 285,715 | 21.6% |
| Industrial/Warehouse | 358,281 | 25.2% | 346,461 | 26.2% |
| Hotel | 61,373 | 4.3% | 52,274 | 4.0% |
| Apartments | 81,077 | 5.7% | 68,795 | 5.2% |
| Mixed use/other | 111,999 | 7.9% | 108,070 | 8.2% |
| Total mortgage loans | <u>\$ 1,419,291</u> | <u>100.0%</u> | <u>\$ 1,321,637</u> | <u>100.0%</u> |

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
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Shareholder Information

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Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

| 2006 | High | Low | Close | Dividend Declared |
|----------------|-------------|------------|--------------|--------------------------|
| First Quarter | \$14.34 | \$12.76 | \$14.34 | \$0.00 |
| 2005 | | | | |
| First Quarter | \$12.92 | \$10.14 | \$12.79 | \$0.00 |
| Second Quarter | \$12.79 | \$10.08 | \$11.88 | \$0.00 |
| Third Quarter | \$11.96 | \$10.41 | \$11.35 | \$0.00 |
| Fourth Quarter | \$13.06 | \$10.83 | \$13.05 | \$0.04 |
| 2004 | | | | |
| First Quarter | \$13.15 | \$10.05 | \$12.85 | \$0.00 |
| Second Quarter | \$13.10 | \$ 9.75 | \$ 9.95 | \$0.00 |
| Third Quarter | \$10.22 | \$ 8.79 | \$ 9.49 | \$0.00 |
| Fourth Quarter | \$11.00 | \$ 9.41 | \$10.77 | \$0.02 |

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Shareholders may receive when available, without charge, a copy of American Equity's Annual Report, SEC filings and/or press releases by calling Debra J. Richardson, Senior Vice President, at (515) 457-1704 by visiting our web site at www.american-equity.com.