

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

March 31, 2007

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

	March 31, 2007	December 31, 2006
	(Unaudited)	
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 4,187,089	\$ 4,177,029
Held for investment, at amortized cost	5,190,953	5,128,146
Equity securities, available for sale, at fair value	64,047	45,512
Mortgage loans on real estate	1,696,169	1,652,757
Derivative instruments	354,793	381,601
Policy loans	432	419
Total investments	<u>11,493,483</u>	<u>11,385,464</u>
Cash and cash equivalents	28,479	29,949
Coinsurance deposits—related party	1,803,879	1,841,720
Accrued investment income	79,158	68,323
Deferred policy acquisition costs	1,122,217	1,088,890
Deferred sales inducements	458,416	427,554
Deferred income tax asset	70,227	73,831
Other assets	42,345	74,392
Total assets	<u>\$ 15,098,204</u>	<u>\$ 14,990,123</u>

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

	March 31, 2007	December 31, 2006
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 13,491,268	\$ 13,207,931
Other policy funds and contract claims	124,748	128,579
Other amounts due to related parties	37,458	45,504
Notes payable	265,613	266,383
Subordinated debentures	268,268	268,489
Amounts due under repurchase agreements	231,834	385,973
Other liabilities	<u>72,442</u>	<u>92,198</u>
Total liabilities	14,491,631	14,395,057
Stockholders' equity:		
Common stock	53,539	53,501
Additional paid-in capital	391,266	389,644
Accumulated other comprehensive loss	(38,849)	(38,769)
Retained earnings	<u>200,617</u>	<u>190,690</u>
Total stockholders' equity	<u>606,573</u>	<u>595,066</u>
Total liabilities and stockholders' equity	<u>\$ 15,098,204</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	
	March 31,	
	2007	2006
Revenues:		
Traditional life and accident and health insurance premiums	\$ 3,057	\$ 3,524
Annuity and single premium universal life product charges	8,994	7,600
Net investment income	169,358	162,385
Realized gains (losses) on investments	579	(42)
Change in fair value of derivatives	(8,522)	49,328
Total revenues	<u>173,466</u>	<u>222,795</u>
Benefits and expenses:		
Insurance policy benefits and change in future policy benefit	1,933	2,398
Interest credited to account balances	115,953	83,608
Amortization of deferred sales inducements	4,361	8,938
Change in fair value of embedded derivatives	(6,631)	62,764
Interest expense on notes payable	4,082	7,286
Interest expense on subordinated debentures	5,589	4,918
Interest expense on amounts due under repurchase agreements	4,018	5,799
Amortization of deferred policy acquisition costs	17,569	30,755
Other operating costs and expenses	11,411	10,180
Total benefits and expenses	<u>158,285</u>	<u>216,646</u>
Income before income taxes	15,181	6,149
Income tax expense	5,254	2,176
Net income	<u>\$ 9,927</u>	<u>\$ 3,973</u>
Earnings per common share	\$ 0.18	\$ 0.07
Earnings per common share - assuming dilution (a)	\$ 0.17	\$ 0.07
Weighted average common shares outstanding (in thousands):		
Earnings per common share	56,693	55,554
Earnings per common share - assuming dilution	60,159	60,799

(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 \$265 for the three months ended March 31, 2007 and \$270 for the three months ended March 31, 2006.

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Operating Income
Three months ended March 31, 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)				
Revenues:				
Traditional life and accident and health insurance premiums	\$ 3,057	\$ –	\$ –	\$ 3,057
Annuity and single premium universal life product charges	8,994	–	–	8,994
Net investment income	169,358	–	–	169,358
Realized gains on investments	579	(579)	–	–
Change in fair value of derivatives	(8,522)	–	26,384	17,862
Total revenues	<u>173,466</u>	<u>(579)</u>	<u>26,384</u>	<u>199,271</u>
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	1,933	–	–	1,933
Interest credited to account balances	115,953	–	–	115,953
Amortization of deferred sales inducements	4,361	–	3,387	7,748
Change in fair value of embedded derivatives	(6,631)	–	6,631	–
Interest expense on notes payable	4,082	–	(262)	3,820
Interest expense on subordinated debentures	5,589	–	–	5,589
Interest expense on amounts due under repurchase agreements	4,018	–	–	4,018
Amortization of deferred policy acquisition costs	17,569	–	8,087	25,656
Other operating costs and expenses	11,411	–	–	11,411
Total benefits and expenses	<u>158,285</u>	<u>–</u>	<u>17,843</u>	<u>176,128</u>
Income before income taxes	15,181	(579)	8,541	23,143
Income tax expense	5,254	(205)	2,961	8,010
Net income	<u>\$ 9,927</u>	<u>\$ (374)</u>	<u>\$ 5,580</u>	<u>\$ 15,133</u>
Earnings per common share	\$ 0.18			\$ 0.27
Earnings per common share – assuming dilution	\$ 0.17			\$ 0.26

- (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	\$ 72,943	\$ –	\$ 72,943
Cost of money for index annuities	(55,139)	–	(55,139)
Change in the difference between fair value and remaining option cost at beginning and end of period	(26,326)	26,384	58
	<u>\$ (8,522)</u>	<u>\$ 26,384</u>	<u>\$ 17,862</u>
Index credits included in interest credited to account balances	<u>\$ 77,121</u>		<u>\$ 77,121</u>

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

	<u>Q1 2007</u>	<u>Q4 2006</u>	<u>Q3 2006</u>	<u>Q2 2006</u>	<u>Q1 2006</u>
	(Dollars in thousands, except per share data)				
Revenues:					
Traditional life and accident and health insurance premiums	\$ 3,057	\$ 3,574	\$ 3,313	\$ 3,211	\$ 3,524
Annuity and single premium universal life product charges	8,994	10,376	10,756	10,740	7,600
Net investment income	169,358	172,799	173,272	169,182	162,385
Change in fair value of derivatives	17,862	38,880	(5,992)	7,474	(6,568)
Total revenues	<u>199,271</u>	<u>225,629</u>	<u>181,349</u>	<u>190,607</u>	<u>166,941</u>
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits	1,933	2,194	1,947	2,269	2,398
Interest credited to account balances	115,953	132,245	86,572	101,845	83,608
Amortization of deferred sales inducements	7,748	8,231	6,843	6,575	5,843
Interest expense on notes payable	3,820	3,737	3,960	3,909	3,935
Interest expense on subordinated debentures	5,589	5,238	5,796	5,402	4,918
Interest expense on amounts due under repurchase agreements	4,018	7,603	10,997	8,532	5,799
Amortization of deferred policy acquisition costs	25,656	27,185	26,635	24,473	22,807
Other operating costs and expenses	11,411	10,780	9,527	9,931	10,180
Total benefits and expenses	<u>176,128</u>	<u>197,213</u>	<u>152,277</u>	<u>162,936</u>	<u>139,488</u>
Operating income before income taxes	23,143	28,416	29,072	27,671	27,453
Income tax expense	<u>8,010</u>	<u>9,650</u>	<u>10,193</u>	<u>9,720</u>	<u>9,715</u>
Operating income (a)	15,133	18,766	18,879	17,951	17,738
Realized gains (losses) on investments, net of offsets	374	417	(177)	214	(27)
Income tax contingency	–	(384)	384	–	–
Net effect of SFAS 133	<u>(5,580)</u>	<u>385</u>	<u>(9,669)</u>	<u>24,746</u>	<u>(13,738)</u>
Net income	<u>\$ 9,927</u>	<u>\$ 19,184</u>	<u>\$ 9,417</u>	<u>\$ 42,911</u>	<u>\$ 3,973</u>
Operating income per common share (a)	\$ 0.27	\$ 0.34	\$ 0.34	\$ 0.32	\$ 0.32
Operating income per common share – assuming dilution (a)	\$ 0.26	\$ 0.32	\$ 0.32	\$ 0.30	\$ 0.30
Earnings per common share	\$ 0.18	\$ 0.34	\$ 0.17	\$ 0.77	\$ 0.07
Earnings per common share – assuming dilution	\$ 0.17	\$ 0.32	\$ 0.16	\$ 0.71	\$ 0.07
Weighted average common shares outstanding (in thousands):					
Earnings per common share	56,693	55,889	55,684	55,644	55,554
Earnings per common share - assuming dilution	60,159	59,926	60,314	60,655	60,799

(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

	March 31, 2007	December 31, 2006
	(Dollars in thousands, except per share data)	
Capitalization:		
Notes payable	\$ 265,613	\$ 266,383
Subordinated debentures payable to subsidiary trusts	268,268	268,489
Total debt	533,881	534,872
Total stockholders' equity	606,573	595,066
Total capitalization	1,140,454	1,129,938
Accumulated other comprehensive loss (AOCL)	38,849	38,769
Total capitalization excluding AOCL (a)	\$ 1,179,303	\$ 1,168,707
Total stockholders' equity	\$ 606,573	\$ 595,066
Accumulated other comprehensive loss	38,849	38,769
Total stockholders' equity excluding AOCL (a)	\$ 645,422	\$ 633,835
Common shares outstanding (b)	56,181,920	56,144,074
Book Value per Share: (c)		
Book value per share including AOCL	\$ 10.80	\$ 10.60
Book value per share excluding AOCL (a)	\$ 11.49	\$ 11.29
Debt-to-Capital Ratios: (d)		
Senior debt / Total capitalization	22.5%	22.8%
Adjusted debt / Total capitalization	30.8%	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.
- (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

Product Type	Three Months Ended March 31,		Year Ended December 31,
	2007	2006	2006
	(Dollars in thousands)		
Index Annuities:			
Index Strategies	\$ 301,791	\$ 362,438	\$ 1,160,467
Fixed Strategy	128,970	177,306	626,791
	<u>430,761</u>	<u>539,744</u>	<u>1,787,258</u>
Fixed Rate Annuities:			
Single-Year Rate Guaranteed	11,786	23,568	76,164
Multi-Year Rate Guaranteed	1,932	1,355	6,544
	<u>13,718</u>	<u>24,923</u>	<u>82,708</u>
Total before coinsurance ceded	444,479	564,667	1,869,966
Coinsurance ceded	<u>591</u>	<u>950</u>	<u>2,859</u>
Net after coinsurance ceded	<u>\$ 443,888</u>	<u>\$ 563,717</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 March 31, 2007

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Index Annuities	13.9	11.4	14.8%	\$ 9,162,748	80.7%
Single-Year Fixed Rate Guaranteed Annuities	10.6	5.8	8.8%	1,629,535	14.3%
Multi-Year Fixed Rate Guaranteed Annuities	6.9	3.2	5.9%	<u>572,755</u>	<u>5.0%</u>
Total	13.1	10.1	13.5%	<u>\$11,365,038</u>	<u>100.0%</u>

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Index Annuities Account Value
	(Dollars in thousands)	
<u>SURRENDER CHARGE PERCENTAGES (1):</u>		
No surrender charge	\$ 205,116	\$ 75,524
0.0% < 2.0%	16,546	1,325
2.0% < 3.0%	66,038	8,921
3.0% < 4.0%	23,707	20,794
4.0% < 5.0%	119,264	59,718
5.0% < 6.0%	34,604	41,932
6.0% < 7.0%	184,488	235,764
7.0% < 8.0%	257,644	325,615
8.0% < 9.0%	284,717	505,446
9.0% < 10.0%	351,066	498,159
10.0% or greater	659,100	7,389,550
	<u>\$ 2,202,290</u>	<u>\$ 9,162,748</u>

	Fixed and Index Annuities Account Value	Weighted Average Surrender Charge
	(Dollars in thousands)	
<u>SURRENDER CHARGE EXPIRATION BY YEAR</u>		
Out of Surrender Charge	\$ 280,640	0.00%
2007	89,658	3.78%
2008	125,412	4.92%
2009	392,127	7.35%
2010	456,596	6.86%
2011	420,244	7.39%
2012	629,460	8.04%
2013	724,491	12.32%
2014	676,125	10.09%
2015	615,106	12.03%
2016	788,955	13.19%
2017	957,147	13.82%
2018	739,291	14.66%
2019	298,640	14.79%
2020	605,953	15.92%
2021	678,759	17.33%
2022	1,325,054	19.19%
2023	1,332,301	19.86%
2024	229,079	20.00%
	<u>\$ 11,365,038</u>	<u>13.64%</u>

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Annuity Liability Characteristics

	<u>Fixed Annuities Account Value</u>	<u>Index Annuities Account Value</u>
	(Dollars in thousands)	
<u>APPLICABLE GUARANTEE PERIOD:</u>		
Annual reset (2)	\$ 1,879,328	\$ 9,029,322
Multi-year (3 - 5 years)	322,962	133,426
	<u>\$ 2,202,290</u>	<u>\$ 9,162,748</u>
 <u>ULTIMATE MINIMUM GUARANTEE RATE (3):</u>		
2.00%	\$ –	\$ 1,580
2.20%	22,193	92,799
2.25% (3)	252,563	2,742,921
3.00%	1,826,269	4,742,787
3.50% (4)	–	1,582,661
4.00%	101,265	–
	<u>\$ 2,202,290</u>	<u>\$ 9,162,748</u>
 <u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL (5) (6)</u>		
No differential	\$ 95,270	\$ –
> 0.0% - 0.5%	1,406,883	959,247
> 0.5% - 1.0%	337,982	1,338,240
> 1.0% - 1.5%	175,783	128,306
> 1.5% - 2.0%	44,197	260
> 2.0% - 2.5%	64,300	1,204
> 2.5% - 3.0%	37,526	1,909
Greater than 3.0%	40,349	–
Index strategies	–	6,733,582
	<u>\$ 2,202,290</u>	<u>\$ 9,162,748</u>

- (1) In addition, \$1,402,269 (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 160 basis points.

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Spread Results

	Three Months Ended March 31,		Year Ended December 31,
	2007	2006	2006
Average yield on invested assets	6.06%	6.13%	6.14%
Cost of money:			
Aggregate	3.43%	3.42%	3.41%
Average net cost of money for index annuities	3.41%	3.13%	3.28%
Average crediting rate for fixed rate annuities:			
Annually adjustable	3.25%	3.28%	3.25%
Multi-year rate guaranteed	4.28%	5.49%	4.81%
Investment spread:			
Aggregate	2.63%	2.71%	2.73%
Index annuities	2.65%	3.00%	2.86%
Fixed rate annuities:			
Annually adjustable	2.81%	2.85%	2.89%
Multi-year rate guaranteed	1.78%	0.64%	1.33%

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Summary of Invested Assets

	<u>March 31,</u> <u>2007</u>		<u>December 31,</u> <u>2006</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	\$ 2,758	–	\$ 2,746	–
United States Government sponsored agencies	8,026,182	69.8%	7,966,485	70.0%
Public utilities	126,188	1.1%	137,461	1.2%
Corporate securities	662,070	5.8%	643,850	5.6%
Redeemable preferred stocks	136,992	1.2%	135,933	1.2%
Mortgage and asset-backed securities:				
Government	68,248	0.5%	67,883	0.6%
Non-Government	355,604	3.1%	350,817	3.1%
Total fixed maturity securities	9,378,042	81.5%	9,305,175	81.7%
Equity securities	64,047	0.6%	45,512	0.4%
Mortgage loans on real estate	1,696,169	14.8%	1,652,757	14.5%
Derivative instruments	354,793	3.1%	381,601	3.4%
Policy loans	432	–	419	–
Total investments	<u>\$ 11,493,483</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	March 31, 2007		December 31, 2006	
		Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)					
1	Aaa/Aa/A	\$ 8,701,578	92.8%	\$ 8,643,440	92.9%
2	Baa	558,791	6.0%	556,218	6.0%
3	Ba	105,407	1.1%	88,896	0.9%
4	B	12,266	0.1%	12,022	0.1%
5	Caa and lower	–	–	–	–
6	In or near default	–	–	4,599	0.1%
	Total fixed maturity securities	<u>\$ 9,378,042</u>	<u>100.0%</u>	<u>\$ 9,305,175</u>	<u>100.0%</u>

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Mortgage Loans by Region and Property Type

	March 31, 2007		December 31, 2006	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Geographic distribution				
East	\$ 376,711	22.2%	\$ 364,977	22.1%
Middle Atlantic	124,274	7.3%	115,930	7.0%
Mountain	266,482	15.7%	267,808	16.2%
New England	42,879	2.5%	43,228	2.6%
Pacific	134,242	7.9%	132,085	8.0%
South Atlantic	306,483	18.1%	299,373	18.1%
West North Central	305,304	18.0%	290,592	17.6%
West South Central	139,794	8.3%	138,764	8.4%
Total mortgage loans	<u>\$ 1,696,169</u>	<u>100.0%</u>	<u>\$ 1,652,757</u>	<u>100.0%</u>
Property type distribution				
Office	\$ 523,314	30.8%	\$ 508,093	30.7%
Medical Office	77,583	4.6%	78,147	4.7%
Retail	399,549	23.5%	389,534	23.6%
Industrial/Warehouse	385,249	22.7%	381,248	23.1%
Hotel	80,814	4.8%	71,510	4.3%
Apartments	90,979	5.4%	91,190	5.5%
Mixed use/other	138,681	8.2%	133,035	8.1%
Total mortgage loans	<u>\$ 1,696,169</u>	<u>100.0%</u>	<u>\$ 1,652,757</u>	<u>100.0%</u>

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Shareholder Information

Corporate Offices:

American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266

Inquiries:

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John M. Matovina, Vice Chairman
(515) 457-1813, 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 Declared</u>
2007				
First Quarter	\$14.07	\$12.17	\$13.13	\$0.00
2006				
First Quarter	\$14.34	\$12.76	\$14.34	\$0.00
Second Quarter	\$14.60	\$10.66	\$10.66	\$0.00
Third Quarter	\$12.55	\$10.07	\$12.27	\$0.00
Fourth Quarter	\$13.44	\$11.90	\$13.03	\$0.05
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

Transfer Agent:

Comptershare Trust Company, N.A.
P.O. Box 43010
Providence, RI 02940-0310
Phone: (877) 282-1169
Fax: (781) 575-2723
www.computershare.com

Annual Report and Other Information:

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

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