

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 12, 2020

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
(Exact name of registrant as specified in its charter)

Iowa
(State or other jurisdiction of incorporation)

001-31911
(Commission File Number)

42-1447959
(IRS Employer Identification No.)

6000 Westown Parkway
West Des Moines, IA 50266
(Address of principal executive offices and zip code)

(515) 221-0002
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$1	AEL	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A	AELPRA	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

On February 12, 2020, the registrant issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2019, a copy of which is attached as Exhibit 99.1 and is incorporated herein by reference. The registrant's financial supplement for the fourth quarter and year ended December 31, 2019, is attached as Exhibit 99.2 and is incorporated herein by reference.

The information, including exhibits attached hereto, furnished under this Item 2.02 shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as otherwise expressly stated in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The following exhibits are being furnished with this Form 8-K.

Exhibit Number	Description
99.1	Press release dated February 12, 2020, announcing American Equity Investment Life Holding Company's financial results for the fourth quarter and year ended December 31, 2019.
99.2	American Equity Investment Life Holding Company's Financial Supplement for the fourth quarter and year ended December 31, 2019.
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 12, 2020

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**

By: /s/ John M. Matovina

John M. Matovina

Chief Executive Officer and President



For more information, contact:

Steven D. Schwartz, Vice President-Investor Relations
(515) 273-3763, sschwartz@american-equity.com

FOR IMMEDIATE RELEASE

February 12, 2020

American Equity Reports Fourth Quarter and Full Year 2019 Results

Company Highlights

- **Fourth quarter 2019 net income of \$220.2 million or \$2.40 per diluted common share; Full year 2019 net income of \$246.1 million or \$2.68 per diluted common share**
- **Fourth quarter 2019 non-GAAP operating income¹ of \$125.8 million or \$1.37 per diluted common share; Full year 2019 non-GAAP operating income¹ of \$548.2 million or \$5.97 per diluted common share**
- **Fourth quarter 2019 annuity sales of \$921 million**
- **Policyholder funds under management of \$53.2 billion**
- **Fourth quarter 2019 investment spread of 2.77%**
- **Risk-based capital ratio at December 31, 2019 of 372%**
- **Issued \$400 million of perpetual preferred stock**
- **Annual cash dividend of \$0.30 per share**

WEST DES MOINES, Iowa (February 12, 2020) - American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities (FIAs), today reported fourth quarter 2019 net income of \$220.2 million, or \$2.40 per diluted common share, compared to net income of \$53.8 million, or \$0.59 per diluted common share, for fourth quarter 2018. For the year ended December 31, 2019, net income was \$246.1 million, or \$2.68 per diluted common share, compared to \$458.0 million, or \$5.01 per diluted common share, for the year ended December 31, 2018.

Non-GAAP operating income¹ for fourth quarter 2019 was \$125.8 million, or \$1.37 per diluted common share, compared to non-GAAP operating income¹ of \$90.3 million, or \$0.99 per diluted common share, for fourth quarter 2018. For the year ended December 31, 2019, non-GAAP operating income¹ was \$548.2 million, or \$5.97 per diluted common share, compared to \$425.7 million, or \$4.66 per diluted common share, for the year ended December 31, 2018. Non-GAAP operating return¹ on average common stockholders' equity excluding average AOCI¹ was 21.4% based on reported results and 17.0% excluding the impact of assumption revisions.

The year-over-year increases in quarterly non-GAAP operating income¹ and non-GAAP operating income¹ per share were primarily attributable to an increase in investment spread which benefited from active rate management and lower amortization of deferred policy acquisition costs and deferred sales inducements. The benefit from these items was partially offset by a greater increase in the liability for future benefits to be paid for lifetime income benefit riders. The decline in amortization and the increase in the liability for lifetime income benefit riders reflect the impact of third quarter 2019 revisions to the assumptions utilized in the determination of these items.

POLICYHOLDER FUNDS UNDER MANAGEMENT UP 0.5% ON \$921 MILLION OF SALES

Policyholder funds under management at December 31, 2019 were \$53.2 billion, a \$283 million, or 0.5% increase from September 30, 2019. Fourth quarter gross and net sales were \$921 million and \$844 million, respectively, representing decreases of 18% and 19% from fourth quarter 2018 sales. On a sequential basis, gross and net sales decreased 29% and 31%, respectively.

Total sales by independent agents for American Equity Investment Life Insurance Company (American Equity Life) and total sales by broker-dealers and banks for Eagle Life Insurance Company (Eagle Life) decreased sequentially by 27% and 39%, respectively. Sales of fixed index annuities (FIAs) were down 32% sequentially to \$833 million due to a 27% decrease in sales for American Equity Life and a 59% decrease for Eagle Life.

Commenting on sales, John Matovina, Chairman and Chief Executive Officer, said: "The decreases in gross sales in the independent agent channel were attributable to competitive rate dynamics in the market. Consistent with our long-standing principle of financial discipline, and in response to lower investment yields in the third quarter, we meaningfully lowered product rates and guaranteed income levels in mid-October. The competition did not act in a similar manner neither in terms of timing nor nature with regards to rates and guaranteed income."

Matovina continued: "In the bank and broker-dealer channels, Eagle Life had distinguished itself with its emphasis on offering attractive participation rates on the S&P 500 Index annual point-to-point strategy. However, the reductions we made to participation rates in October left us in a less competitive position for much of the quarter."

Commenting on the market environment and the outlook for FIA sales, Matovina added: "The market in each of our distribution channels continues to be competitive. However, with the uptick in investment yields during the fourth quarter, we increased caps and participation rates on our accumulation products in mid-December; putting us in a better competitive position than we were for much of the fourth quarter. Our October decreases in guaranteed income were not widely matched by the marketplace and we did not increase guaranteed income levels in December as we expect product pricing and returns for policies issued in 2020 to be negatively impacted by decreases in the prescribed valuation interest rates used to compute regulatory reserves. While in the near term this may be a sales head wind for us with respect to policies with lifetime income benefit riders, we expect competitors will ultimately adjust their guaranteed income pricing to recognize this factor, but the timing and size of any such adjustments is unclear at this time."

Matovina continued: "A significant initiative for Eagle Life in the fourth quarter was the launch of its guaranteed income product, the Eagle Select Income Focus. Distributors have shown substantial interest and several have already agreed to sell the product. We anticipate sales to materialize early in the second quarter. We also finalized a selling agreement with a large independent broker-dealer last quarter and expect to see sales in the near future from this distribution relationship."

INVESTMENT SPREAD INCREASES ON LOWER COST OF MONEY

American Equity's investment spread was 2.77% for the fourth quarter of 2019 compared to 2.75% for the third quarter of 2019 and 2.56% for the fourth quarter of 2018. On a sequential basis, the average yield on invested assets decreased by 7 basis points while the cost of money fell by 9 basis points.

Average yield on invested assets was 4.52% in the fourth quarter of 2019 compared to 4.59% in the third quarter of 2019. This decrease was attributable to a decrease in the benefit from non-trendable investment income items from 13 basis points in the third quarter to 9 basis points in the fourth quarter of this year. The impact from the decline in short term yields on the \$4.8 billion of floating rate instruments in the investment portfolio negatively affected average yield by 3 basis points.

The aggregate cost of money for annuity liabilities of 1.75% in the fourth quarter of 2019 was down 9 basis points from 1.84% in the third quarter of 2019. The cost of money benefited by 5 basis points from over hedging index-linked interest obligations, compared to 2 basis points in the third quarter of 2019.

Commenting on investment spread, Matovina said: "Excluding non-trendable investment spread items, investment spread increased 3 basis points sequentially. Once again, the driver of spread improvement was a decrease in the cost of money resulting from active management of our rates and further declines in option costs. Option costs decreased in the fourth quarter reflecting the actions taken in August and October to reduce caps and participation rates on new and renewal business. The trend of declining option costs, which began in December 2018, should extend further as we began reducing renewal rates on \$29.7 billion of policyholder funds under management last month. Should yields available to us remain at current levels or the cost of money rise, we have flexibility to reduce our crediting rates and could decrease our cost of money by approximately 0.59% through further reductions in renewal rates to guaranteed minimums."

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future operations, strategies, financial results or other developments, and are subject to assumptions, risks and uncertainties. Statements such as "guidance", "expect", "anticipate", "believe", "goal", "objective", "target", "may", "should", "estimate", "projects" or similar words as well as specific projections of future results qualify as forward-looking statements. Factors that may cause our actual results to differ materially from those contemplated by these forward looking statements can be found in the company's Form 10-K filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date the statement was made and the company undertakes no obligation to update such forward-looking statements. There can be no assurance that other factors not currently anticipated by the company will not materially and adversely affect our results of operations. Investors are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf.

CONFERENCE CALL

American Equity will hold a conference call to discuss fourth quarter 2019 earnings on Thursday, February 13, 2020 at 9:00 a.m. CT. The conference call will be webcast live on the Internet. Investors and interested parties who wish to listen to the call on the internet may do so at www.american-equity.com.

The call may also be accessed by telephone at 855-865-0606, passcode 3083906 (international callers, please dial 704-859-4382). An audio replay will be available shortly after the call on American Equity's website. An audio replay will also be available via telephone through February 20, 2020 at 855-859-2056, passcode 3083906 (international callers will need to dial 404-537-3406).

ABOUT AMERICAN EQUITY

American Equity Investment Life Holding Company, through its wholly-owned subsidiaries, is a leading issuer of fixed index annuities through independent agents, banks and broker-dealers. American Equity Investment Life Holding Company, a New York Stock Exchange listed company (NYSE: AEL), is headquartered in West Des Moines, Iowa. For more information, please visit www.american-equity.com.

1 Use of non-GAAP financial measures is discussed in this release in the tables that follow the text of the release.

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Consolidated Statements of Operations

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues:				
Premiums and other considerations	\$ 8,846	\$ 4,430	\$ 23,534	\$ 26,480
Annuity product charges	62,722	60,394	240,035	224,488
Net investment income	588,217	554,355	2,307,635	2,147,812
Change in fair value of derivatives	466,434	(1,054,281)	906,906	(777,848)
Net realized gains (losses) on investments, excluding other than temporary impairment (OTTI) losses	7,029	3,097	6,962	(37,178)
OTTI losses on investments:				
Total OTTI losses	(17,412)	(18,980)	(18,511)	(35,005)
Portion of OTTI losses recognized from other comprehensive income	—	—	(215)	(1,651)
Net OTTI losses recognized in operations	(17,412)	(18,980)	(18,726)	(36,656)
Loss on extinguishment of debt	(2,001)	—	(2,001)	—
Total revenues	1,113,835	(450,985)	3,464,345	1,547,098
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	11,553	7,439	35,418	39,530
Interest sensitive and index product benefits	399,514	255,700	1,287,576	1,610,835
Amortization of deferred sales inducements	91,260	(11,578)	88,585	222,201
Change in fair value of embedded derivatives	147,879	(804,026)	1,454,042	(1,389,491)
Interest expense on notes payable	6,384	6,376	25,525	25,498
Interest expense on subordinated debentures	3,651	4,041	15,764	15,491
Amortization of deferred policy acquisition costs	133,573	(8,750)	87,717	327,991
Other operating costs and expenses	39,194	33,597	154,153	129,301
Total benefits and expenses	833,008	(517,201)	3,148,780	981,356
Income before income taxes	280,827	66,216	315,565	565,742
Income tax expense	60,677	12,393	69,475	107,726
Net income	\$ 220,150	\$ 53,823	\$ 246,090	\$ 458,016
Earnings per common share	\$ 2.41	\$ 0.59	\$ 2.70	\$ 5.07
Earnings per common share - assuming dilution	\$ 2.40	\$ 0.59	\$ 2.68	\$ 5.01
Weighted average common shares outstanding (in thousands):				
Earnings per common share	91,314	90,555	91,139	90,348
Earnings per common share - assuming dilution	91,883	91,622	91,782	91,423

NON-GAAP FINANCIAL MEASURES

In addition to net income, we have consistently utilized non-GAAP operating income and non-GAAP 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. Non-GAAP operating income equals net income adjusted to eliminate the impact of items that fluctuate from quarter to quarter in a manner unrelated to core operations, and we believe measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income eliminate the impact of fair value accounting for our fixed index annuity business. These adjustments are not economic in nature but rather impact the timing of reported results. We believe the combined presentation and evaluation of non-GAAP operating income together with net income provides information that may enhance an investor's understanding of our underlying results and profitability.

Reconciliation from Net Income to Non-GAAP Operating Income

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 220,150	\$ 53,823	\$ 246,090	\$ 458,016
Adjustments to arrive at non-GAAP operating income: (a)				
Net realized investment gains/losses, including OTTI	7,606	9,525	7,361	45,450
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(127,777)	36,186	373,221	(72,181)
Change in fair value of derivatives - interest rate caps and swap	(167)	1,276	1,247	(1,892)
Income taxes	26,023	(10,475)	(79,736)	(3,653)
Non-GAAP operating income	<u>\$ 125,835</u>	<u>\$ 90,335</u>	<u>\$ 548,183</u>	<u>\$ 425,740</u>
Per common share - assuming dilution:				
Net income	\$ 2.40	\$ 0.59	\$ 2.68	\$ 5.01
Adjustments to arrive at non-GAAP operating income:				
Net realized investment gains/losses, including OTTI	0.08	0.10	0.08	0.50
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(1.39)	0.40	4.07	(0.79)
Change in fair value of derivatives - interest rate caps and swap	—	0.01	0.01	(0.02)
Income taxes	0.28	(0.11)	(0.87)	(0.04)
Non-GAAP operating income	<u>\$ 1.37</u>	<u>\$ 0.99</u>	<u>\$ 5.97</u>	<u>\$ 4.66</u>

(a) Adjustments to net income to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.

NON-GAAP FINANCIAL MEASURES

Average Common Stockholders' Equity and Return on Average Common Stockholders' Equity.

Return on average common stockholders' equity measures how efficiently we generate profits from the resources provided by our net assets. Return on average common stockholders' equity and non-GAAP operating return on average common stockholders' equity are calculated by dividing net income and non-GAAP operating income, respectively, for the trailing twelve months by average total stockholders' equity excluding average equity available to preferred stockholders and average accumulated other comprehensive income (AOCI). We exclude AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments.

	Twelve Months Ended	
	December 31, 2019	
Average Common Stockholders' Equity Excluding Average AOCI		
Average total stockholders' equity	\$	3,484,610
Average equity available to preferred stockholders		(200,000)
Average AOCI		(722,745)
Average common stockholders' equity excluding average AOCI	\$	2,561,865
Net income	\$	246,090
Non-GAAP operating income	\$	548,183
Return on Average Common Stockholders' Equity Excluding Average AOCI		
Net income		9.61%
Non-GAAP operating income		21.40%

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

December 31, 2019

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2019
Unaudited (Dollars in thousands)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value	\$ 51,580,490	\$ 45,923,727
Mortgage loans on real estate	3,448,793	2,943,091
Derivative instruments	1,355,989	205,149
Other investments	492,301	355,531
Total investments	56,877,573	49,427,498
Cash and cash equivalents	2,293,392	344,396
Coinsurance deposits	5,115,013	4,954,068
Accrued investment income	472,826	468,729
Deferred policy acquisition costs	2,923,454	3,535,838
Deferred sales inducements	1,966,723	2,516,721
Deferred income taxes	—	291,169
Income taxes recoverable	—	26,537
Other assets	47,571	60,608
Total assets	\$ 69,696,552	\$ 61,625,564
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 61,893,945	\$ 57,606,009
Other policy funds and contract claims	256,105	270,858
Notes payable	495,116	494,591
Subordinated debentures	157,265	242,982
Amounts due under repurchase agreements	—	109,298
Deferred income taxes	177,897	—
Income taxes payable	429	—
Other liabilities	2,145,676	502,725
Total liabilities	65,126,433	59,226,463
Stockholders' equity:		
Preferred stock	16	—
Common stock	91,107	90,369
Additional paid-in capital	1,212,311	811,186
Accumulated other comprehensive income (loss)	1,497,921	(52,432)
Retained earnings	1,768,764	1,549,978
Total stockholders' equity	4,570,119	2,399,101
Total liabilities and stockholders' equity	\$ 69,696,552	\$ 61,625,564

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2019
Unaudited (Dollars in thousands, except per share data)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues:				
Premiums and other considerations	\$ 8,846	\$ 4,430	\$ 23,534	\$ 26,480
Annuity product charges	62,722	60,394	240,035	224,488
Net investment income	588,217	554,355	2,307,635	2,147,812
Change in fair value of derivatives	466,434	(1,054,281)	906,906	(777,848)
Net realized gains (losses) on investments, excluding other than temporary impairment (OTTI) losses	7,029	3,097	6,962	(37,178)
OTTI losses on investments:				
Total OTTI losses	(17,412)	(18,980)	(18,511)	(35,005)
Portion of OTTI losses recognized from other comprehensive income	—	—	(215)	(1,651)
Net OTTI losses recognized in operations	(17,412)	(18,980)	(18,726)	(36,656)
Loss on extinguishment of debt	(2,001)	—	(2,001)	—
Total revenues	1,113,835	(450,985)	3,464,345	1,547,098
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	11,553	7,439	35,418	39,530
Interest sensitive and index product benefits	399,514	255,700	1,287,576	1,610,835
Amortization of deferred sales inducements	91,260	(11,578)	88,585	222,201
Change in fair value of embedded derivatives	147,879	(804,026)	1,454,042	(1,389,491)
Interest expense on notes payable	6,384	6,376	25,525	25,498
Interest expense on subordinated debentures	3,651	4,041	15,764	15,491
Amortization of deferred policy acquisition costs	133,573	(8,750)	87,717	327,991
Other operating costs and expenses	39,194	33,597	154,153	129,301
Total benefits and expenses	833,008	(517,201)	3,148,780	981,356
Income before income taxes	280,827	66,216	315,565	565,742
Income tax expense	60,677	12,393	69,475	107,726
Net income	\$ 220,150	\$ 53,823	\$ 246,090	\$ 458,016
Earnings per common share				
Earnings per common share	\$ 2.41	\$ 0.59	\$ 2.70	\$ 5.07
Earnings per common share - assuming dilution	\$ 2.40	\$ 0.59	\$ 2.68	\$ 5.01
Weighted average common shares outstanding (in thousands):				
Earnings per common share	91,314	90,555	91,139	90,348
Earnings per common share - assuming dilution	91,883	91,622	91,782	91,423

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2019
Unaudited (Dollars in thousands, except per share data)

Quarterly Summary - Most Recent 5 Quarters

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenues:					
Traditional life insurance premiums	\$ 762	\$ 778	\$ 799	\$ 829	\$ 845
Life contingent immediate annuity considerations	8,084	4,374	3,327	4,581	3,585
Surrender charges	15,092	20,537	19,480	16,456	15,710
Lifetime income benefit rider fees	47,630	43,110	41,220	36,510	44,684
Net investment income	588,217	590,412	570,568	558,438	554,355
Change in fair value of derivatives	466,434	(20,042)	76,045	384,469	(1,054,281)
Net realized gains (losses) on investments, excluding OTTI	7,029	4,328	(3,832)	(563)	3,097
Net OTTI losses recognized in operations	(17,412)	(101)	(1,213)	—	(18,980)
Loss on extinguishment of debt	(2,001)	—	—	—	—
Total revenues	1,113,835	643,396	706,394	1,000,720	(450,985)
Benefits and expenses:					
Traditional life insurance policy benefits and change in future policy benefits	835	758	576	878	731
Life contingent immediate annuity benefits and change in future policy benefits	10,718	6,869	6,363	8,421	6,708
Interest sensitive and index product benefits (a)	399,514	500,285	251,103	136,674	255,700
Amortization of deferred sales inducements (b)	91,260	(55,769)	19,785	33,309	(11,578)
Change in fair value of embedded derivatives (c)	147,879	212,278	327,562	766,323	(804,026)
Interest expense on notes payable	6,384	6,382	6,380	6,379	6,376
Interest expense on subordinated debentures	3,651	3,968	4,057	4,088	4,041
Amortization of deferred policy acquisition costs (b)	133,573	(120,934)	29,946	45,132	(8,750)
Other operating costs and expenses	39,194	38,554	37,426	38,979	33,597
Total benefits and expenses	833,008	592,391	683,198	1,040,183	(517,201)
Income (loss) before income taxes	280,827	51,005	23,196	(39,463)	66,216
Income tax expense (benefit)	60,677	13,645	4,606	(9,453)	12,393
Net income (loss) (a)(b)(c)	\$ 220,150	\$ 37,360	\$ 18,590	\$ (30,010)	\$ 53,823
Earnings (loss) per common share	\$ 2.41	\$ 0.41	\$ 0.20	\$ (0.33)	\$ 0.59
Earnings (loss) per common share - assuming dilution (a)(b)(c)	\$ 2.40	\$ 0.41	\$ 0.20	\$ (0.33)	\$ 0.59
Weighted average common shares outstanding (thousands):					
Earnings (loss) per common share	91,314	91,252	91,103	90,883	90,555
Earnings (loss) per common share - assuming dilution	91,883	91,711	91,785	91,744	91,622

- (a) Q3 2019 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index product benefits by \$315.4 million and decreased net income and earnings per common share - assuming dilution by \$247.3 million and \$2.70 per share, respectively.
- (b) Q3 2019 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$104.7 million and \$193.0 million, respectively, and increased net income and earnings per common share - assuming dilution by \$233.4 million and \$2.54 per share, respectively.
- (c) Q3 2019 includes expense from the revision of assumptions used in determining the embedded derivative component of our fixed index annuity policy benefit reserves. The impact increased change in fair value of embedded derivatives by \$28.2 million and decreased net income and earnings per common share - assuming dilution by \$22.1 million and \$0.24 per share, respectively.

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In addition to net income, we have consistently utilized non-GAAP operating income and non-GAAP 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. Non-GAAP operating income equals net income adjusted to eliminate the impact of items that fluctuate from quarter to quarter in a manner unrelated to core operations, and we believe measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income eliminate the impact of fair value accounting for our fixed index annuity business. These adjustments are not economic in nature but rather impact the timing of reported results. We believe the combined presentation and evaluation of non-GAAP operating income together with net income provides information that may enhance an investor's understanding of our underlying results and profitability.

Reconciliation from Net Income to Non-GAAP Operating Income

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 220,150	\$ 53,823	\$ 246,090	\$ 458,016
Adjustments to arrive at non-GAAP operating income: (a)				
Net realized investment gains/losses, including OTTI	7,606	9,525	7,361	45,450
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(127,777)	36,186	373,221	(72,181)
Change in fair value of derivatives - interest rate caps and swap	(167)	1,276	1,247	(1,892)
Income taxes	26,023	(10,475)	(79,736)	(3,653)
Non-GAAP operating income	<u>\$ 125,835</u>	<u>\$ 90,335</u>	<u>\$ 548,183</u>	<u>\$ 425,740</u>
Per common share - assuming dilution:				
Net income	\$ 2.40	\$ 0.59	\$ 2.68	\$ 5.01
Adjustments to arrive at non-GAAP operating income:				
Net realized investment gains/losses, including OTTI	0.08	0.10	0.08	0.50
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(1.39)	0.40	4.07	(0.79)
Change in fair value of derivatives - interest rate caps and swap	—	0.01	0.01	(0.02)
Income taxes	0.28	(0.11)	(0.87)	(0.04)
Non-GAAP operating income	<u>\$ 1.37</u>	<u>\$ 0.99</u>	<u>\$ 5.97</u>	<u>\$ 4.66</u>

(a) Adjustments to net income to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) where applicable.

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Summary of Adjustments to Arrive at Non-GAAP Operating Income

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net realized investment gains and losses, including OTTI:				
Net realized gains/losses on investments, including OTTI	\$ 10,383	\$ 15,883	\$ 11,764	\$ 73,834
Amortization of DAC and DSI	(2,777)	(6,358)	(4,403)	(28,384)
Income taxes	(1,643)	(2,374)	875	(12,282)
	<u>\$ 5,963</u>	<u>\$ 7,151</u>	<u>\$ 8,236</u>	<u>\$ 33,168</u>
Change in fair value of derivatives and embedded derivatives:				
Fixed index annuities	\$ (222,927)	\$ 212,253	\$ 368,650	\$ (42,394)
Interest rate caps and swap	(167)	1,276	1,247	(1,892)
Amortization of DAC and DSI	95,150	(176,067)	4,571	(29,787)
Income taxes	27,666	(8,101)	(80,611)	16,077
	<u>\$ (100,278)</u>	<u>\$ 29,361</u>	<u>\$ 293,857</u>	<u>\$ (57,996)</u>
Worthless stock deduction:				
Income taxes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7,448)</u>

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NON-GAAP FINANCIAL MEASURES

Quarterly Summary - Most Recent 5 Quarters

Reconciliation from Net Income (Loss) to Non-GAAP Operating Income

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net income (loss)	\$ 220,150	\$ 37,360	\$ 18,590	\$ (30,010)	\$ 53,823
Adjustments to arrive at non-GAAP operating income: (a)					
Net realized investment gains/losses, including OTTI	7,606	(3,175)	2,625	305	9,525
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(127,777)	250,186	99,868	150,944	36,186
Change in fair value of derivatives - interest rate caps and swap	(167)	(76)	854	636	1,276
Income taxes	26,023	(50,940)	(22,346)	(32,473)	(10,475)
Non-GAAP operating income (b)(c)	<u>\$ 125,835</u>	<u>\$ 233,355</u>	<u>\$ 99,591</u>	<u>\$ 89,402</u>	<u>\$ 90,335</u>
Per common share - assuming dilution:					
Net income (loss)	\$ 2.40	\$ 0.41	\$ 0.20	\$ (0.33)	\$ 0.59
Adjustments to arrive at non-GAAP operating income:					
Net realized investment gains/losses, including OTTI	0.08	(0.04)	0.03	—	0.10
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(1.39)	2.73	1.09	1.64	0.40
Change in fair value of derivatives - interest rate caps and swap	—	—	0.01	0.01	0.01
Income taxes	0.28	(0.56)	(0.24)	(0.35)	(0.11)
Non-GAAP operating income (b)(c)	<u>\$ 1.37</u>	<u>\$ 2.54</u>	<u>\$ 1.09</u>	<u>\$ 0.97</u>	<u>\$ 0.99</u>

- (a) Adjustments to net income (loss) to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.
- (b) Q3 2019 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index product benefits by \$315.4 million and decreased non-GAAP operating income and non-GAAP operating income per common share - assuming dilution by \$247.3 million and \$2.70 per share, respectively.
- (c) Q3 2019 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$184.9 million and \$288.3 million, respectively, and increased non-GAAP operating income and non-GAAP operating income per common share- assuming dilution by \$371.0 million and \$4.05 per share, respectively.

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NON-GAAP FINANCIAL MEASURES

Summary of Adjustments to Arrive at Non-GAAP Operating Income

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net realized (gains) losses on investments	\$ (7,029)	\$ (4,328)	\$ 3,832	\$ 563	\$ (3,097)
Net OTTI losses recognized in operations	17,412	101	1,213	—	18,980
Change in fair value of derivatives	(370,973)	(79,943)	(108,662)	(524,567)	1,017,555
Increase (decrease) in total revenues	(360,590)	(84,170)	(103,617)	(524,004)	1,033,438
Amortization of deferred sales inducements	(37,374)	(57,408)	49,101	35,494	77,745
Change in fair value of embedded derivatives	(147,879)	(212,278)	(327,562)	(766,323)	804,026
Amortization of deferred policy acquisition costs	(54,999)	(61,419)	71,497	54,940	104,680
Increase (decrease) in total benefits and expenses	(240,252)	(331,105)	(206,964)	(675,889)	986,451
Increase in income (loss) before income taxes	(120,338)	246,935	103,347	151,885	46,987
Increase (decrease) in income tax expense (benefit)	(26,023)	50,940	22,346	32,473	10,475
Increase (decrease) in net income (loss)	<u>\$ (94,315)</u>	<u>\$ 195,995</u>	<u>\$ 81,001</u>	<u>\$ 119,412</u>	<u>\$ 36,512</u>

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Capitalization/Book Value per Common Share

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Capitalization:					
Notes payable	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Subordinated debentures payable to subsidiary trusts	159,272	247,362	247,294	247,227	247,161
Total debt	659,272	747,362	747,294	747,227	747,161
Total stockholders' equity	4,570,119	4,126,716	3,497,475	2,939,537	2,399,101
Total capitalization	5,229,391	4,874,078	4,244,769	3,686,764	3,146,262
Accumulated other comprehensive (income) loss (AOCI)	(1,497,921)	(1,639,429)	(1,049,984)	(513,697)	52,432
Total capitalization excluding AOCI (a)	<u>\$ 3,731,470</u>	<u>\$ 3,234,649</u>	<u>\$ 3,194,785</u>	<u>\$ 3,173,067</u>	<u>\$ 3,198,694</u>
Total stockholders' equity	\$ 4,570,119	\$ 4,126,716	\$ 3,497,475	\$ 2,939,537	\$ 2,399,101
Equity available to preferred stockholders (c)	(400,000)	—	—	—	—
Total common stockholders' equity (b)	4,170,119	4,126,716	3,497,475	2,939,537	2,399,101
Accumulated other comprehensive (income) loss	(1,497,921)	(1,639,429)	(1,049,984)	(513,697)	52,432
Total common stockholders' equity excluding AOCI (b)	<u>\$ 2,672,198</u>	<u>\$ 2,487,287</u>	<u>\$ 2,447,491</u>	<u>\$ 2,425,840</u>	<u>\$ 2,451,533</u>
Common shares outstanding	91,107,555	91,006,950	90,936,324	90,784,123	90,369,229
Book Value per Common Share: (d)					
Book value per common share (b)	\$ 45.77	\$ 45.35	\$ 38.46	\$ 32.38	\$ 26.55
Book value per common share excluding AOCI (b)	\$ 29.33	\$ 27.33	\$ 26.91	\$ 26.72	\$ 27.13
Debt-to-Capital Ratios: (e)					
Senior debt / Total capitalization	13.4%	15.5%	15.7%	15.8%	15.6%
Total debt / Total capitalization	17.7%	23.1%	23.4%	23.5%	23.4%

(a) Total capitalization excluding AOCI, a non-GAAP financial measure, is based on stockholders' equity excluding the effect of AOCI.

(b) Total common stockholders' equity and book value per common share excluding AOCI, non-GAAP financial measures, are based on common stockholders' equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale securities, we believe these non-GAAP financial measures provide useful supplemental information. Total common stockholders' equity and total common stockholder's equity excluding AOCI, non-GAAP financial measures, exclude equity available to preferred stockholders.

(c) Equity available to preferred stockholders is equal to the redemption value of outstanding preferred stock plus share dividends declared but not yet issued.

(d) Book value per common share including and excluding AOCI is calculated as total common stockholders' equity and total common stockholders' equity excluding AOCI divided by the total number of shares of common stock outstanding.

(e) Debt-to-capital ratios are computed using total capitalization excluding AOCI.

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Spread Results

Year Ended December 31,							
2019	2018		Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
4.52%	4.47%	Average yield on invested assets	4.52%	4.59%	4.51%	4.48%	4.51%
1.84%	1.87%	Aggregate cost of money	1.75%	1.84%	1.88%	1.90%	1.95%
2.68%	2.60%	Aggregate investment spread	2.77%	2.75%	2.63%	2.58%	2.56%
Impact of:							
0.06%	0.08%	Investment yield - additional prepayment income	0.08%	0.11%	0.04%	0.01%	0.09%
0.03%	0.05%	Cost of money effect of over hedging	0.05%	0.02%	0.04%	0.02%	0.03%
\$51,072,498	\$48,104,780	Weighted average investments	\$52,141,459	\$51,529,850	\$50,709,966	\$49,908,718	\$49,258,548

Weighted average investments include fixed maturity securities at amortized cost and mortgage loans on real estate and other investments at carrying values as reflected in the consolidated balance sheets. The numerator for average yield on invested assets includes net investment income and the tax effect of investment income that is exempt from income taxes.

Summary of Cost of Money for Deferred Annuities

Year Ended December 31,							
2019	2018		Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
		Included in interest sensitive and index product benefits:					
\$ 587,818	\$ 1,285,555	Index credits	\$ 277,798	\$ 92,343	\$ 161,752	\$ 55,925	\$ 157,999
196,907	214,166	Interest credited	49,482	49,511	50,478	47,436	53,559
		Included in change in fair value of derivatives:					
(605,005)	(1,307,755)	Proceeds received at option expiration	(284,624)	(95,491)	(166,430)	(58,460)	(162,433)
781,841	739,558	Pro rata amortization of option cost	188,984	195,354	199,006	198,497	198,999
<u>\$ 961,561</u>	<u>\$ 931,524</u>	Cost of money for deferred annuities	<u>\$ 231,640</u>	<u>\$ 241,717</u>	<u>\$ 244,806</u>	<u>\$ 243,398</u>	<u>\$ 248,124</u>
\$ 52,278,357	\$ 49,855,778	Weighted average liability balance outstanding	\$ 53,092,419	\$ 52,682,886	\$ 52,009,407	\$ 51,328,715	\$ 50,832,984

Annuity Account Balance Rollforward

Year Ended December 31,							
2019	2018		Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
\$ 51,053,450	\$ 48,400,755	Account balances at beginning of period	\$ 52,950,937	\$ 52,414,835	\$ 51,603,979	\$ 51,053,450	\$ 50,612,519
4,661,171	3,967,928	Net deposits	838,761	1,216,720	1,425,325	1,180,365	1,040,857
177,942	179,465	Premium bonuses	36,983	46,968	48,370	45,621	44,450
784,725	1,499,721	Fixed interest credited and index credits	327,280	141,854	212,230	103,361	211,558
(71,565)	(65,644)	Surrender charges	(15,092)	(20,537)	(19,480)	(16,456)	(15,710)
(168,470)	(158,844)	Lifetime income benefit rider fees	(47,630)	(43,110)	(41,220)	(36,510)	(44,684)
(3,203,355)	(2,769,931)	Surrenders, withdrawals, deaths, etc.	(857,341)	(805,793)	(814,369)	(725,852)	(795,540)
<u>\$ 53,233,898</u>	<u>\$ 51,053,450</u>	Account balances at end of period	<u>\$ 53,233,898</u>	<u>\$ 52,950,937</u>	<u>\$ 52,414,835</u>	<u>\$ 51,603,979</u>	<u>\$ 51,053,450</u>

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Annuity Deposits by Product Type

Year Ended December 31,								
2019	2018		Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	
American Equity Life:								
\$ 4,058,638	\$ 3,560,881	Fixed index annuities	\$ 765,180	\$ 1,054,796	\$ 1,211,004	\$ 1,027,658	\$ 944,097	
11,245	45,636	Annual reset fixed rate annuities	1,843	2,340	3,614	3,448	5,574	
1,613	3,581	Multi-year fixed rate annuities	306	593	566	148	332	
12,002	23,813	Single premium immediate annuities	4,873	3,314	1,747	2,068	2,893	
4,083,498	3,633,911		772,202	1,061,043	1,216,931	1,033,322	952,896	
Eagle Life:								
646,903	660,401	Fixed index annuities	67,784	166,081	235,558	177,480	162,847	
199	1,555	Annual reset fixed rate annuities	6	—	66	127	484	
232,613	109,096	Multi-year fixed rate annuities	81,041	79,000	47,004	25,568	12,802	
879,715	771,052		148,831	245,081	282,628	203,175	176,133	
Consolidated:								
4,705,541	4,221,282	Fixed index annuities	832,964	1,220,877	1,446,562	1,205,138	1,106,944	
11,444	47,191	Annual reset fixed rate annuities	1,849	2,340	3,680	3,575	6,058	
234,226	112,677	Multi-year fixed rate annuities	81,347	79,593	47,570	25,716	13,134	
12,002	23,813	Single premium immediate annuities	4,873	3,314	1,747	2,068	2,893	
4,963,213	4,404,963	Total before coinsurance ceded	921,033	1,306,124	1,499,559	1,236,497	1,129,029	
290,040	413,222	Coinsurance ceded	77,399	86,090	72,487	54,064	85,279	
\$ 4,673,173	\$ 3,991,741	Net after coinsurance ceded	\$ 843,634	\$ 1,220,034	\$ 1,427,072	\$ 1,182,433	\$ 1,043,750	

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at December 31, 2019:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	12.9	6.9	11.0%	\$ 51,200,043	96.2%
Annual Reset Fixed Rate Annuities	9.6	3.4	6.2%	1,421,259	2.7%
Multi-Year Fixed Rate Annuities	4.2	0.7	1.9%	612,596	1.1%
Total	12.7	6.7	10.8%	\$ 53,233,898	100.0%

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<u>Surrender Charge Percentages:</u>	Fixed Annuities Account Value	Fixed Index Annuities Account Value
No surrender charge	\$ 809,540	\$ 2,646,816
0.0% < 2.0%	13,700	226,563
2.0% < 3.0%	9,894	481,526
3.0% < 4.0%	59,363	1,484,260
4.0% < 5.0%	54,923	1,157,238
5.0% < 6.0%	90,011	2,553,299
6.0% < 7.0%	285,493	1,134,898
7.0% < 8.0%	67,225	5,126,742
8.0% < 9.0%	38,681	3,915,131
9.0% < 10.0%	106,631	4,192,664
10.0% or greater	498,394	28,280,906
	<u>\$ 2,033,855</u>	<u>\$ 51,200,043</u>

<u>Surrender Charge Expiration By Year:</u>	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
Out of Surrender Charge	\$ 3,456,356	0.00%
2020	741,765	2.58%
2021	1,219,601	4.33%
2022	1,747,549	5.46%
2023	4,244,073	6.00%
2024	5,256,078	8.30%
2025	5,918,598	9.31%
2026	5,266,175	10.84%
2027	4,462,910	12.25%
2028	4,781,322	13.12%
2029	6,000,531	14.28%
2030	2,578,809	17.11%
2031	3,144,762	17.86%
2032	2,145,751	18.30%
2033	1,252,193	18.75%
2034	699,504	19.33%
2035	317,921	20.00%
	<u>\$ 53,233,898</u>	10.78%

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<u>Credited Rate vs. Ultimate Minimum Guaranteed Rate Differential:</u>	Fixed Annuities Account Value	Fixed Index Annuities Account Value
No differential	\$ 958,763	\$ 1,334,400
> 0.0% - 0.25%	51,338	168,517
> 0.25% - 0.5%	241,152	5,826
> 0.5% - 1.0%	37,957	12,745
> 1.0% - 1.5%	11,704	—
1.00% ultimate guarantee - 2.39% wtd avg interest rate (a)	456,845	671,589
1.50% ultimate guarantee - 1.20% wtd avg interest rate (a)	145,717	3,425,873
1.75% ultimate guarantee - 1.98% wtd avg interest rate (a)	49,359	461,336
2.00% ultimate guarantee - 1.85% wtd avg interest rate (a)	81,020	—
2.25% ultimate guarantee - 1.84% wtd avg interest rate (a)	—	815,101
3.00% ultimate guarantee - 2.05% wtd avg interest rate (a)	—	1,566,836
Allocated to index strategies (see tables that follow)	—	42,737,820
	\$ 2,033,855	\$ 51,200,043

(a) The minimum guaranteed interest rate for the fixed rate or the fixed rate strategy is 1.00%. The ultimate guaranteed rate is applied on less than 100% of the premium.

If all crediting rates were reduced to minimum guaranteed rates (subject to limitations imposed by ultimate minimum guaranteed rates where applicable) the weighted average crediting rate as of December 31, 2019 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.16%.

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Annuity Liability Characteristics

FIXED INDEX ANNUITIES ACCOUNT VALUE - INDEX STRATEGIES

Annual Monthly Average and Point-to-Point with Caps

	Minimum Guaranteed Cap				
	1%	3%	4%	7%	8% +
Current Cap					
At minimum	\$ 1,434	\$ 91,846	\$ 4,810,024	\$ 67,045	\$ 158,331
1.75% - 3%	8,374,483	—	—	—	—
3% - 4%	264,045	12,531	—	—	—
4% - 5%	786,914	224,780	1,644,751	—	—
5% - 6%	601,161	195,814	32,070	—	—
6% - 7%	—	—	422	—	—
>= 7%	10,895	6,819	710	5,961	183

Annual Monthly Average and Point-to-Point with Participation Rates

	Minimum Guaranteed Participation Rate			
	10%	20% - 25%	35%	50% +
Current Participation Rate				
At minimum	\$ 980	\$ 368,796	\$ 101,284	\$ 108,619
< 20%	772,874	—	—	—
20% - 40%	1,026,625	161,404	—	—
40% - 60%	3,119,243	93,718	59,843	—
60% - 100%	449,364	—	—	—
> 100%	364,083	—	—	—

S&P 500 Monthly Point-to-Point - Minimum Guaranteed Monthly Cap = 1.0%

Current Cap	
At minimum	\$ 1,704,610
1.10% - 1.30%	7,695,584
1.40% - 1.60%	2,319,064
1.70% - 2.00%	434,754
>= 2.10%	1,653

Volatility Control Index

Current Asset Fee	
At Maximum	\$ —
0.75% - 1.75%	406,445
2.25% - 2.75%	210,571
3.00% - 3.50%	3,155,631
3.75% - 4.50%	1,579,560

If all caps and participation rates were reduced to minimum caps and participation rates and current asset fees were increased to their maximums, the cost of options would decrease by 0.70% based upon prices of options for the week ended January 29, 2020.

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Summary of Invested Assets

	December 31, 2019		December 31, 2018	
	Carrying Amount	Percent	Carrying Amount	Percent
Fixed maturity securities:				
United States Government full faith and credit	\$ 161,765	0.3%	\$ 11,652	—%
United States Government sponsored agencies	625,020	1.1%	1,138,529	2.3%
United States municipalities, states and territories	4,527,671	7.9%	4,126,267	8.3%
Foreign government obligations	205,096	0.3%	230,274	0.5%
Corporate securities	32,536,839	57.2%	28,371,514	57.4%
Residential mortgage backed securities	1,575,664	2.8%	1,202,159	2.4%
Commercial mortgage backed securities	5,786,279	10.2%	5,379,003	10.9%
Other asset backed securities	6,162,156	10.8%	5,464,329	11.1%
Total fixed maturity securities	51,580,490	90.6%	45,923,727	92.9%
Mortgage loans on real estate	3,448,793	6.1%	2,943,091	6.0%
Derivative instruments	1,355,989	2.4%	205,149	0.4%
Other investments	492,301	0.9%	355,531	0.7%
	<u>\$ 56,877,573</u>	<u>100.0%</u>	<u>\$ 49,427,498</u>	<u>100.0%</u>

Credit Quality of Fixed Maturity Securities - December 31, 2019

NAIC Designation	Carrying Amount	Percent	Rating Agency Rating	Carrying Amount	Percent
1	\$ 30,122,657	58.4%	Aaa/Aa/A	\$ 30,662,644	59.4%
2	20,316,911	39.4%	Baa	19,833,309	38.4%
3	977,191	1.9%	Ba	821,902	1.6%
4	112,534	0.2%	B	81,407	0.2%
5	45,205	0.1%	Caa	95,676	0.2%
6	5,992	—%	Ca and lower	85,552	0.2%
	<u>\$ 51,580,490</u>	<u>100.0%</u>		<u>\$ 51,580,490</u>	<u>100.0%</u>

Watch List Securities - December 31, 2019

General Description	Amortized Cost	Unrealized Gains (Losses)	Fair Value	Months Below Amortized Cost
Below investment grade				
Corporate securities:				
Consumer discretionary	\$ 52,654	\$ (3,575)	\$ 49,079	0 - 59
Energy	38,386	(5,742)	32,644	0 - 64
Industrials	563	(363)	200	7
Materials	3,990	560	4,550	—
Other asset backed securities:				
Financials	977	261	1,238	—
Industrials	8,364	(2,420)	5,944	50
	<u>\$ 104,934</u>	<u>\$ (11,279)</u>	<u>\$ 93,655</u>	

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Fixed Maturity Securities by Sector

	December 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:				
United States Government full faith and credit and sponsored agencies	\$ 763,164	\$ 786,785	\$ 1,220,340	\$ 1,150,181
United States municipalities, states and territories	4,147,343	4,527,671	3,880,703	4,126,267
Foreign government obligations	186,993	205,096	226,860	230,274
Corporate securities:				
Capital goods	2,550,750	2,794,986	2,491,620	2,485,845
Consumer discretionary	6,082,974	6,658,120	5,742,182	5,665,192
Energy	2,499,030	2,677,646	2,543,114	2,468,545
Financials	6,737,325	7,323,150	6,046,859	6,054,591
Government non-guaranteed	539,639	606,308	564,912	578,657
Industrials	311,269	336,537	302,078	298,620
Information technology	1,868,131	2,051,175	1,794,676	1,781,800
Materials	1,818,048	1,961,033	1,771,359	1,759,325
Other	439,171	469,344	434,228	432,739
Telecommunications	1,510,836	1,664,350	1,604,307	1,594,978
Transportation	1,486,540	1,603,997	1,438,723	1,428,378
Utilities	3,978,459	4,390,193	3,749,080	3,822,844
Residential mortgage backed securities:				
Government agency	591,100	646,787	604,998	636,632
Prime	793,357	815,916	420,350	434,991
Alt-A	93,281	112,961	109,275	130,536
Commercial mortgage backed securities:				
Government agency	414,626	437,420	442,287	438,063
Non-agency	5,176,541	5,348,859	5,049,984	4,940,940
Other asset backed securities:				
Auto	403,860	411,371	315,439	318,616
Energy	7,495	8,603	—	—
Financials	4,967	5,493	8,322	8,931
Industrials	167,466	171,273	217,358	216,724
Collateralized loan obligations	4,787,402	4,612,694	4,579,467	4,320,168
Military housing	471,621	539,029	438,350	464,071
Other	407,558	413,693	134,319	135,819
	<u>\$ 48,238,946</u>	<u>\$ 51,580,490</u>	<u>\$ 46,131,190</u>	<u>\$ 45,923,727</u>

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Mortgage Loans on Commercial Real Estate

	December 31, 2019		December 31, 2018	
	Principal	Percent	Principal	Percent
Geographic distribution				
East	\$ 645,991	18.7%	\$ 586,773	19.9%
Middle Atlantic	284,597	8.2%	168,969	5.7%
Mountain	389,892	11.3%	357,642	12.1%
New England	9,152	0.3%	9,418	0.3%
Pacific	655,518	19.0%	521,363	17.7%
South Atlantic	751,199	21.7%	694,599	23.5%
West North Central	302,534	8.7%	291,890	9.9%
West South Central	420,031	12.1%	321,810	10.9%
	<u>\$ 3,458,914</u>	<u>100.0%</u>	<u>\$ 2,952,464</u>	<u>100.0%</u>

Property type distribution				
Office	\$ 250,287	7.3%	\$ 268,932	9.1%
Medical office	29,990	0.9%	33,467	1.1%
Retail	1,225,670	35.4%	1,091,627	37.0%
Industrial/Warehouse	896,558	25.9%	762,887	25.8%
Apartment	858,679	24.8%	600,638	20.3%
Agricultural	51,303	1.5%	25,000	0.9%
Mixed use/other	146,427	4.2%	169,913	5.8%
	<u>\$ 3,458,914</u>	<u>100.0%</u>	<u>\$ 2,952,464</u>	<u>100.0%</u>

	December 31, 2019	December 31, 2018
Credit exposure - by payment activity		
Performing	\$ 3,458,914	\$ 2,952,464
In workout	—	—
Delinquent	—	—
Collateral dependent	—	—
	<u>3,458,914</u>	<u>2,952,464</u>
Specific loan loss allowance	(229)	(229)
General loan loss allowance	(8,950)	(8,010)
Deferred prepayment fees	(942)	(1,134)
	<u>\$ 3,448,793</u>	<u>\$ 2,943,091</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2019**Shareholder Information****Corporate Offices:**

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Inquiries:

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Common Stock and Dividend Information:

New York Stock Exchange symbol: “AEL”

	High	Low	Close	Dividend Declared
2019				
First Quarter	\$33.57	\$26.34	\$27.02	\$0.00
Second Quarter	\$30.91	\$25.84	\$27.16	\$0.00
Third Quarter	\$27.80	\$20.16	\$24.20	\$0.00
Fourth Quarter	\$30.96	\$21.75	\$29.93	\$0.30
2018				
First Quarter	\$35.79	\$28.90	\$29.36	\$0.00
Second Quarter	\$37.16	\$27.06	\$36.00	\$0.00
Third Quarter	\$38.57	\$34.51	\$35.36	\$0.00
Fourth Quarter	\$36.39	\$25.27	\$27.94	\$0.28
2017				
First Quarter	\$28.00	\$21.66	\$23.63	\$0.00
Second Quarter	\$26.65	\$22.23	\$26.28	\$0.00
Third Quarter	\$29.43	\$25.43	\$29.08	\$0.00
Fourth Quarter	\$32.54	\$28.06	\$30.73	\$0.26

Transfer Agent:

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P.O. Box 43010
Providence, RI 02940-0310
Phone: (877) 282-1169
Fax: (781) 575-2723
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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 Steven Schwartz, Vice President-Investor Relations, at (515) 273-3763 or by visiting our website at www.american-equity.com.

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