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

FORM 10-K/A

(Mark One)

Amendment No. 1

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the fiscal year ended December 31, 1999 or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the transition period from ____ to ____.

Commission File Number: 0-25985

American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

Iowa

42-1447959

(State of Incorporation)

(I.R.S. Employer Identification No.)

5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266

(515) 221-0002

(Telephone)

(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock,
par value \$1 per share

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Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes ☒ No

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Aggregate market value of the voting and non-voting common equity held by
non-affiliates of the registrant: No public market exists nor has active trading
occurred.

Shares of common stock outstanding as of February 29, 2000: 4,712,310

Documents incorporated by reference: Portions of the registrant's
definitive proxy statement for the annual meeting of shareholders to be held
June 30, 2000 are incorporated by reference into Part III of this report.

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. ☒

This Amendment No. 1 to Form 10-K is being filed for the following
purposes: (i) to expand the disclosure under Item 7A concerning market risk
associated with our invested assets, including derivative securities; (ii) to
reclassify certain financial statement items pertaining to our commitments to
a related party and to expand the disclosure of such commitments in our
financial statement footnotes; and (iii) to disclose amounts of premiums and
deposits by product type. For specific changes, see Item 7A, the Consolidated
Balance Sheets, the Consolidated Statements of Operations, Consolidated
Statements of Cash Flows, and Notes 1, 8 and 9 to the Consolidated Financial
Statements.

Item 1. Business

American Equity Investment Life Holding Company was formed on December 15, 1995, to develop, market, issue and administer annuities and life insurance through its life insurance subsidiary. We are a full service under writer of a broad array of annuity and insurance products. Our business consists primarily of the sale of equity-index and fixed rate annuities. Our business strategy is to focus on our annuity business and earn predicable returns by managing investment spreads and investment risk.

As a foundation for beginning our business, we acquired two blocks of in-force insurance from American Life and Casualty Insurance Company, the principal operating subsidiary of The Statesman Group, Inc., of which our Chairman, David J. Noble, and our Executive Vice Presidents, James M. Gerlach and Terry A. Reimer, were previously officers. In September 1996, we acquired Century Life Insurance Company which expanded our licensing authority to 23 states and the District of Columbia. We then merged our life subsidiary into Century Life Insurance Company and renamed the merged entity "American Equity Investment Life Insurance Company."

We were incorporated in the State of Delaware on December 15, 1995, and reincorporated in the State of Iowa on January 7, 1998. Our executive offices are located at 5000 Westown Parkway, Suite 440, West Des Moines, IA 50266, and our telephone number is (515) 221-0002. Information contained on our website is not a part of this report.

Products

Our products include equity-index annuities, fixed rate annuities, a variable annuity and life insurance.

Equity-Index Annuities. Equity-index annuities accounted for approximately 64% of the total annuity deposits collected during 1999. These products allow purchasers to earn investment returns linked to equity index appreciation without the risk of loss of their principal.

The annuity contract value is equal to the premiums paid, increased for returns which are based upon a percentage (the "participation rate") of the annual appreciation (based in certain situations on monthly averages) in a recognized index or benchmark. The participation rate, which we may reset annually, generally varies among the equity-index products from 65% to 100%. Some of the products also have an "asset fee" of from 1% to 4% which is deducted from the interest to be credited. The asset fees may be adjusted annually by us, subject to stated maximums. In addition, some products apply an overall maximum limit (or "cap") on the amount of annual interest the policyholder may earn in any one contract year, and the applicable cap also may be adjusted annually subject to stated minimums. The minimum guaranteed contract values are equal to 80% to 100% of the premium collected plus interest credited at an annual rate of 3%. The annuities provide for penalty-free withdrawals of up to 10% of premium or accumulation value (depending on the product) in each year after the first year of the annuity's term. Other withdrawals are subject to a surrender charge ranging initially from 9% to 25% over a surrender period of from five to fifteen years. During the applicable surrender charge period, the surrender charges on some equity-index products remain level, while on other equity-index products, the surrender charges decline by one to two percentage points per year. After a number of years, as specified in the annuity contract, the annuitant may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years, or for a combination of these payment options. We purchase call options on the applicable indexes as an investment to provide the income needed to fund the amount of the annual appreciation required to be credited on the equity-index products.

Fixed Rate Annuities. These products, which accounted for approximately 36% of the total annuity deposits collected during 1999, include single premium deferred annuities ("SPDAs"), flexible premium deferred annuities ("FPDAs") and single premium immediate annuities ("SPIAs"). An SPDA generally involves the tax-deferred accumulation of interest on a single premium paid by the policyholder. After a number of years, as specified in the annuity contract, the annuitant may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years, or for a combination of these payment options. FPDAs are similar to SPDAs in many respects, except that the FPDA allows additional premium payments in varying amounts by the policyholder without the filing of a new application. Our SPDAs and FPDAs generally have an interest rate (the "crediting rate") that is

guaranteed by us for the first policy year. After the first policy year, we have the discretionary ability to change the crediting rate to any rate at or above a guaranteed minimum rate. The guaranteed rate on all policies in force and new issues ranges from 3% to 4%. The initial crediting rate is largely a function of the interest rate we can earn on invested assets acquired with new annuity fund deposits and the rates offered on similar products by our competitors. For subsequent adjustments to crediting rates, we take into account the yield on our investment portfolio, annuity surrender assumptions, competitive industry pricing and crediting rate history for particular groups of annuity policies with similar characteristics.

Approximately 90% of our fixed rate annuity sales have been "bonus" products. The initial crediting rate on these products specifies a bonus crediting rate ranging from 1% to 7% of the annuity deposit for the first policy year only. After the first year, the bonus interest portion of the initial crediting rate is automatically discontinued, and the renewal crediting rate is established. Generally, there is a compensating adjustment in the commission paid to the agent to offset the first year interest bonus. In all situations, we obtain an acknowledgement from the policyholder, upon policy issuance, that a specified portion of the first year interest will not be paid in renewal years. As of December 31, 1999, crediting rates on our outstanding SPDAs and FPDAs generally ranged from 5.00% to 5.85% excluding interest bonuses guaranteed for the first year. The average crediting rate on FPDAs and SPDAs including interest bonuses was 6.51%, and the average crediting rate on those products excluding bonuses was 5.11%.

The policyholder is typically permitted to withdraw all or a part of the premium paid, plus accumulated interest credited to the account (the "accumulation value"), subject to the assessment of a surrender charge for withdrawals in excess of specified limits. Most of our SPDAs and FPDAs provide for penalty-free withdrawals of up to 10% of the accumulation value each year after the first year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which generally ranges from five to fifteen years after the date the policy is issued. This surrender charge is initially 9% to 25% of the accumulation value and generally decreases by approximately one to two percentage points per year during the surrender charge period. Surrender charges are set at levels to protect us from loss on early terminations and to reduce the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice lengthens the effective duration of the policy liabilities and enables us to maintain profitability on such policies.

Our SPIAs are designed to provide a series of periodic payments for a fixed period of time or for life, according to the policyholder's choice at the time of issue. The amounts, frequency, and length of time of the payments are fixed at the outset of the annuity contract. SPIAs are often purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years. The single premium is often the payout from a terminated annuity contract. The implicit interest rate on SPIAs is based on market conditions when the policy is issued. The implicit interest rate on our outstanding SPIAs averaged 5.10% at December 31, 1999.

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Variable Annuity. Variable annuities differ from equity-index and fixed rate annuities in that the policyholder, rather than the insurance company, bears the investment risk and the policyholder's rate of return is dependent upon the performance of the particular investment option selected by the policyholder. Profits on variable annuities are derived from the fees charged to policyholders. Sales to date have been insignificant.

In December 1997, we entered into a strategic alliance with Farm Bureau Life Insurance Company for the development, marketing and administration of variable annuity products. This agreement enabled us to introduce variable products into our product line. An affiliate of Farm Bureau provides the administrative support necessary to manage this business, and is paid an administrative fee for those services. We share in 30% of the risks, costs and operating results of these products through a reinsurance arrangement. See the discussion under Reinsurance for additional information regarding this arrangement as well as Farm Bureau's beneficial ownership of our common stock. Our variable product became available for sale in the third quarter of 1998.

Life Insurance. These products include traditional ordinary and term, universal life and other interest-sensitive life insurance products. As a result of the acquisition of the National Guard Life insurance business from American Life and Casualty Insurance Company we are one of the largest life insurance carriers for members of the state National Guard Associations, with more than \$1.5 billion of life insurance in force. We intend to continue offering a complete line of life insurance products for individual and group markets.

Investments

Investment activities are an integral part of our business, and investment income is a significant component of our total revenues. Profitability of many of our products is significantly affected by spreads between interest yields on investments and rates credited on annuity liabilities. Although substantially all credited rates on SPDAs and FPDAs may be changed annually, changes in crediting rates may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or to maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. As of December 31, 1999, the average yield, computed on the amortized cost basis of our investment portfolio, was 7.41%; the average interest rate credited or accruing to our fixed rate annuity liabilities, excluding interest bonuses guaranteed for the first year of the annuity contract, was 5.11%.

We manage the index-based risk component of our equity-index annuities by purchasing call options on the applicable indexes to hedge such risk and adjusting the participation rates, asset fee rates and other product features to reflect the change in the cost of such options (which varies based on market conditions).

For additional information regarding the composition of our investment portfolio and our interest rate risk management, see Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk, and Note 3 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

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Marketing

We market our products primarily to individuals in the United States ages 45-75 who are seeking to accumulate tax-deferred savings. We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were 33.5 million Americans age 65 and older in 1995, representing 13% of the U.S. population. By 2030, this sector of the population is expected to increase to 22% of the total population. Our products are particularly attractive to this group as a result of the guarantee of principal, competitive rates of credited interest, tax-deferred growth and alternative payout options.

We market our products through a variable cost brokerage distribution network. We emphasize high quality service to our agents and policyholders. Approximately 95% of new annuity policies are issued within 48 hours of our receipt of the application and initial premium, and commissions to agents are paid weekly. We believe these factors have been significant in building excellent relationships with our existing agency force.

We have recruited approximately 18,000 independent agents and agencies ranging in profile from national sales organizations to personal producing general agents. We aggressively recruit new agents and expect to continue to expand our independent agency force. In our recruitment efforts, we emphasize that agents have direct access to our executive officers, giving us an edge in recruiting over larger and foreign-owned competitors. We are currently licensed to sell our products in 42 states and the District of Columbia. We have applied or anticipate applying for licenses to sell our products in the remaining states.

The insurance brokerage distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the size of our brokerage distribution network by developing relationships with national and regional marketing organizations. These organizations typically recruit agents for us by advertising our products and our commission structure, through direct mail advertising, or through seminars for insurance agents and brokers. These organizations bear most of the cost incurred in marketing our products. We compensate marketing organizations by paying them a percentage of the commissions earned on new annuity and life policy sales generated by the agents recruited in such organizations. We also conduct other incentive programs for agents from time to time. We generally do not enter into exclusive arrangements with these marketing organizations.

Two of our national marketing organizations accounted for more than 10% of the annuity deposits and insurance premiums collected during 1999. One of these organizations produced approximately 15% of the collections and the other produced approximately 13%. The states with the largest share of direct premiums collected are: California (16.4%), Florida (15.9%), Michigan (5.9%), Texas

(5.4%) and Arizona (5.2%).

Competition and Ratings

We operate in a highly competitive industry. Most of our competitors are substantially larger and enjoy substantially greater financial resources, higher ratings by rating agencies, broader and more diversified product lines and more widespread agency relationships. Our annuity products compete with equity-index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank investments and other investment and retirement funding alternatives. Insurers compete with other insurance companies, financial intermediaries and other institutions based on a number of factors, including premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and broker compensation.

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The sales agents for our products use the ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market. In recent years, the market for annuities has been dominated by those insurers with the highest ratings. Our life subsidiary has received a rating of A- (Excellent) from A. M. Best Company and Api from Standard & Poor's.

Ratings generally involve quantitative and qualitative evaluations of a company's financial condition and operating performance. Generally, rating agencies base their ratings upon information furnished to them by the insurer and upon their own investigations, studies and assumptions. Ratings are based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors and are not recommendations to buy, sell or hold securities.

A. M. Best ratings currently range from A++ (Superior) to F (In Liquidation), and include 15 separate ratings categories. Within these categories, A++ (Superior) and A+ (Superior) are the highest, followed by A (Excellent) and A- (Excellent). Publications of A. M. Best indicate that the A and A- ratings are assigned to those companies that, in A. M. Best's opinion, have demonstrated excellent overall performance when compared to the standards established by A. M. Best and have demonstrated a strong ability to meet their obligations to policyholders over a long period of time.

Standard & Poor's insurer financial strength ratings currently range from AAA to NR, and include 10 separate ratings categories. Within these categories, AAA and AA are the highest, followed by A and BBB. Publications of Standard & Poor's indicate that an insurer rated "BBB" or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments. In addition, an insurer with a rating of A is regarded as having strong financial security characteristics. Ratings denoted with a "pi" subscript are insurer financial strength ratings based on an analysis of an insurer's published financial information and additional information in the public domain. They do not reflect in-depth meetings with an insurer's management and are therefore based on less comprehensive information than ratings without a "pi" subscript.

A.M. Best and Standard & Poor's review their ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in their judgment, circumstances so warrant. If our ratings were to be downgraded for any reason, we could experience a material decline in the sales of our products and the persistency of our in-force business.

Reinsurance

Consistent with the general practice of the life insurance industry, our life subsidiary enters into agreements of indemnity reinsurance with other insurance companies in order to reinsure portions of the coverage provided by its life and accident and health insurance products. Indemnity reinsurance agreements are intended to limit a life insurer's maximum loss on a large or unusually hazardous risk or to diversify its risks. Indemnity reinsurance does not discharge the original insurer's primary liability to the insured. Our reinsured business is primarily ceded to two reinsurers. We believe the assuming companies are able to honor all contractual commitments, based on our periodic review of their financial statements, insurance industry reports and reports filed with state insurance departments. We do not use financial or surplus relief reinsurance.

As of December 31, 1999, the policy risk retention limit was \$100,000 or less on all policies issued by us. Reinsurance ceded by us was immaterial and

reinsurance that we assumed (through the acquisition of two blocks of in-force insurance from American Life and Casualty Insurance Company) represented approximately 39% of net life insurance in force.

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During 1998, our life subsidiary entered into a modified coinsurance agreement to cede 70% of its variable annuity business to an affiliate of Farm Bureau Life Insurance Company. Farm Bureau beneficially owns 33.27% of the Company's common stock. Under this agreement and related administrative services agreements, the Company paid Farm Bureau's affiliate \$155,908 and \$77,954 for the years ended December 31, 1999 and 1998, respectively. The modified coinsurance agreement has an initial term of four years and will continue thereafter until termination by written notice at the election of either party. Any such termination will apply to the submission or acceptance of new policies, and business reinsured under the agreement prior to any such termination is not eligible for recapture before the expiration of 10 years.

Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to:

- o grant and revoke licenses to transact business;
- o regulate and supervise trade practices and market conduct;
- o establish guaranty associations;
- o license agents;
- o approve policy forms;
- o approve premium rates for some lines of business;
- o establish reserve requirements;
- o prescribe the form and content of required financial statements and reports;
- o determine the reasonableness and adequacy of statutory capital and surplus;
- o perform financial, market conduct and other examinations;
- o define acceptable accounting principles;
- o regulate the type and amount of permitted investments; and
- o limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

Our life subsidiary is subject to periodic examinations by state regulatory authorities. The Iowa Insurance Division completed an examination of our life subsidiary as of December 31, 1997 in 1998. No adjustments were recommended or required as a result of this examination.

Most states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus notes, the terms of affiliate

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transactions and other related matters. We are registered pursuant to such legislation in Iowa. Recently, a number of state legislatures have considered or have enacted legislative proposals that alter, and in many cases, increase the authority of state agencies to regulate insurance companies and holding company systems.

Most states, including Iowa, where our life subsidiary is domiciled, have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance

company incorporated in the state. The acquisition of 10% of such securities is generally deemed to be the acquisition of "control" for the purpose of the holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. In many states, the insurance authority may find that "control" in fact does not exist in circumstances in which a person owns or controls more than 10% of the voting securities.

Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation can significantly affect the insurance business. In addition, legislation has been passed which could result in the federal government assuming some role in regulating insurance companies and which allows combinations between insurance companies, banks and other entities.

The Securities and Exchange Commission has requested comments as to whether equity-index annuities, such as those sold by us, should be treated as securities under the Federal securities laws rather than as insurance products. Treatment of these products as securities would likely require additional registration and licensing of these products and the agents selling them, as well as cause us to seek additional marketing relationships for these products.

In recent years, the National Association of Insurance Commissioners ("NAIC"), an association of state regulators and their staffs, has approved and recommended to the states for adoption and implementation several model laws and regulations including:

- o investment reserve requirements;
- o risk-based capital ("RBC") standards for determining the level of statutory capital and surplus an insurer must maintain in relation to its investment and insurance risks;
- o codification of insurance accounting principles;
- o additional investment restrictions;
- o restrictions on an insurance company's ability to pay dividends; and
- o life product illustrations

The NAIC is currently developing new model laws or regulations, including:

- o product design standards;

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- o reserve requirements; and
- o annuity product illustrations.

These model laws and regulations may be adopted by the various states in which our life subsidiary is licensed, but the ultimate content and timing of any statutes and regulations adopted by the states cannot be determined at this time. It is not possible to predict the future impact of changing state and federal regulations on our operations. Furthermore, there can be no assurance that existing insurance related laws and regulations will not become more restrictive in the future or that laws and regulations enacted in the future will not be more restrictive.

The NAIC's RBC requirements are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. The RBC formula defines a new minimum capital standard which supplements low, fixed minimum capital and surplus requirements previously implemented on a state-by-state basis. Such requirements are not designed as a ranking mechanism for adequately capitalized companies.

The NAIC's RBC requirements provide for four levels of regulatory attention depending on the ratio of a company's total adjusted capital to its RBC. Adjusted capital is defined as the total of statutory capital, surplus, asset valuation reserve and certain other adjustments. Calculations using the NAIC formula at December 31, 1999, indicate that the ratio of total adjusted capital to RBC for us exceeded by approximately 4 times the highest level at which regulatory action might be triggered.

Our life subsidiary also may be required, under the solvency or guaranty laws of most states in which it does business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength and, in certain instances, may be offset against future premium taxes. Assessments related to business reinsured for periods prior to the effective date of the reinsurance are the responsibility of the ceding companies. Given the short period of time since the inception of our business, we believe that assessments, if any, will be minimal.

Federal Income Taxation

The annuity and life insurance products that we market and issue generally provide the policyholder with an income tax advantage, as compared to other savings investments, such as certificates of deposit and taxable bonds, in that income taxation on any increases in the contract values of these products is deferred until it is received by the policyholder. With other savings investments, the increase in value is generally taxed as earned. Annuity benefits and life insurance benefits, which accrue prior to the death of the policyholder, are generally not taxable until paid. Life insurance death benefits are generally exempt from income tax. Also, benefits received on immediate annuities are recognized as taxable income ratably, as opposed to the methods used for some other investments which tend to accelerate taxable income into earlier years. The tax advantage for annuities and life insurance is provided in the Internal Revenue Code of 1986, as amended (the "Code"), and is generally followed in all states and other United States taxing jurisdictions.

From time to time, various tax law changes have been proposed that could have an adverse effect on our business, including the elimination of all or a portion of the income tax advantage for annuities and life insurance. If legislation were enacted to eliminate the tax deferral for annuities, such a change would have an adverse effect on our ability to sell non-qualified annuities. Non-qualified annuities are

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annuities that are not sold to an individual retirement account or other qualified retirement plan.

Our life subsidiary is taxed under the life insurance company provisions of the Code. Provisions in the Code require a portion of the expenses incurred in selling insurance products to be capitalized and deducted over a period of years, as opposed to immediate deduction in the year incurred. This provision increases the tax for statutory accounting purposes which reduces statutory surplus and, accordingly, decreases the amount of cash dividends that may be paid by our life subsidiary.

Employees

As of December 31, 1999, we had 113 full-time employees, of which 103 are located in Des Moines, Iowa, and 10 are located in the Pell City, Alabama offices. We have experienced no work stoppages or strikes and consider our relations with our employees to be excellent. None of our employees are represented by a union.

Other Subsidiaries

We formed American Equity Investment Properties, L.C., an Iowa limited liability company to hold title to an office building in Birmingham, Alabama, where a portion of our life subsidiary's operations were conducted. The building was sold in 1998, and American Equity Investment Properties, L.C. now holds the remaining cash proceeds from the sale of the building. There are no present plans to dissolve American Equity Investment Properties, L.C., which may be used in the future to facilitate other aspects of our business.

On February 16, 1998, we formed American Equity Capital, Inc., an Iowa corporation, in connection with the introduction of variable products as a part of our product mix. American Equity Capital, Inc. acts as the broker-dealer for the sale of our variable products and will recruit other broker-dealers to establish a distribution network for these products.

On July 9, 1999, we formed American Equity Capital Trust I, a Delaware statutory business trust. On October 25, 1999, we formed American Equity Capital Trust II, a Delaware statutory business trust. We formed these trusts in connection with the issuance of two issues of trust preferred securities. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 8 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Item 2. Properties.

We do not own any real estate. We lease space for our principal offices in West Des Moines, Iowa, pursuant to written leases for approximately 26,550 square feet at an annual rental of \$480,588. The leases expire on June 30, 2004 and have a renewal option of an additional five year term at a rental rate equal to the prevailing fair market value. We also lease space for our office in Pell City, Alabama, pursuant to a written lease dated January 3, 2000, for approximately 3,380 square feet at an annual rental of \$43,095. This lease expires on December 31, 2004.

Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

There is no established public trading market for our common stock. As of February 29, 2000, we had 284 common shareholders.

In 1999, we paid a cash dividend of \$0.02 per share on our common stock and our participating convertible preferred stock. We intend to continue to pay an annual cash dividend on such shares so long as we have sufficient capital and/or future earnings to do so. However, we anticipate retaining most of our future earnings, if any, for use in our operations and the expansion of our business.

Our credit agreement contains a restrictive covenant which limits our ability to declare or pay any dividends. In addition, since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Iowa insurance laws restrict the amount of distributions our life subsidiary can pay to us without the approval of the Iowa Insurance Division. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 7 and 10 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

For information regarding unregistered sales of equity securities during 1999, see our Form 10-Qs for the quarters ending June 30, 1999 and September 30, 1999.

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Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data as of and for the periods indicated should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this report.

Year Ended
December 31 -

- 1999 1998
1997 1996 ---

STATEMENT OF
OPERATIONS
DATA:
Revenues
Insurance
policy income
\$ 13,746,532
\$ 11,170,655
\$ 11,436,803
\$14,554,714
Net
investment
income
64,609,612
26,356,472
4,018,617
865,155
Realized
gains on
investments
1,454,417
426,782 -- --

- -----
- -----
- -----
Total
revenues
79,810,561
37,953,909
15,455,420
15,419,869
Benefits and
expenses
Insurance
policy
benefits and
change in
future polic
benefits
7,231,895
6,084,893
7,440,080
8,787,700
Interest
credited to
account
balances
41,726,895
15,837,912
2,129,686
77,831
Interest
expense on
notes payable
896,383
788,770
979,826
493,801
Interest
expense on
General
Agency
Commission
and Servicing
Agreement
3,861,325
1,652,479
182,839 --
Interest
expense on
amounts due
under
repurchase
agreements
3,490,849
1,528,718
291,547 --
Amortization
of deferred
policy

acquisition		
costs and		
value of		
insurance in		
force		
acquired		
7,378,946		
2,293,654		
960,193		
879,916		
Amortization		
of goodwill		
70,000	70,000	
70,000	17,500	
Other		
operating		
costs and		
expenses		
12,058,398		
8,692,813		
8,160,863		
6,302,094	---	
-----	-	
-----	-	
-----	-	
-----	-	
Total		
benefits and		
expenses		
76,714,691		
36,949,239		
20,215,034		
16,558,842	--	

Income (loss)		
before income		
taxes		
3,095,870		
1,004,670		
(4,759,614)		
(1,138,973)		
Income tax		
(expense)		
benefit		
1,369,835		
(760,483)		
1,390,226	--	

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-	-----	
-	-----	
4,465,705		
244,187		
(3,369,388)		
(1,138,973)		
Minority		
interest in		
earnings of		
subsidiaries:		
Earnings		
attributable		
to company-		
obligated		
mandatorily		
redeemable		
preferred		
securities of		
subsidiary		
trusts		
(2,022,359)	-	
-	-----	
-----	---	
-----	---	
-----	---	
-----	Net	
income (loss)		
\$ 2,443,346	\$	
244,187	\$	

(3,369,388)
 \$(1,138,973)
 =====
 =====
 =====
 =====
 PER SHARE
 DATA: Basic
 earnings
 (loss) per
 common share
 \$ 0.52 \$ 0.05
 \$ (2.11) \$
 (1.90)
 Diluted
 earnings
 (loss) per
 common share
 0.42 0.05
 (2.11) (1.90)
 Dividends
 declared per
 common share
 0.02 -- -- --
 BALANCE SHEET
 DATA (at
 period end):
 Total assets
 \$1,717,619,284
 \$708,109,513
 \$239,711,137
 \$35,214,597
 Policy
 benefit
 reserves
 1,358,875,848
 541,082,179
 155,998,268
 11,846,566
 Notes payable
 20,600,000
 10,000,000
 10,000,000
 10,000,000
 Trust
 preferred
 securities
 issued by
 subsidiary
 trusts
 98,981,629 --
 -- --
 Stockholders'
 equity
 34,324,291
 66,130,521
 54,426,049
 10,137,102
 OTHER
 FINANCIAL
 DATA: Life
 subsidiary
 statutory
 capital and
 surplus at
 December 31 \$
 139,855,053 \$
 80,947,913 \$
 64,709,809
 \$17,302,272
 Life
 subsidiary
 statutory net
 income for
 the year
 ended
 December 31
 17,837,476
 4,803,545
 4,470,284
 1,174,811

Item 7. Management's discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our consolidated financial position at December 31, 1999 and 1998, and our consolidated results of operations for the three years ended December 31, 1999, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing elsewhere in this report.

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by us with the Securities and Exchange Commission, press releases, presentations by us or our management or oral statements) relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things:

- o general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, our ability to access capital resources and the costs associated therewith, the market value of our investments and the lapse rate and profitability of policies
- o customer response to new products and marketing initiatives
- o mortality and other factors which may affect the profitability of our products
- o changes in the Federal income tax laws and regulations which may affect the relative income tax advantages of our products
- o increasing competition in the sale of annuities
- o regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products and regulation of the sale, underwriting and pricing of products
- o the risk factors or uncertainties listed from time to time in our private placement memorandums or filings with the Securities and Exchange Commission

Results of Operations

Business Overview. We effectively commenced business on January 1, 1996, shortly after our formation and incorporation. As a foundation for beginning our business, we acquired two blocks of in-force insurance from another insurance company, of which several of our executive officers were previously employees. Later in 1996, we acquired another life insurance company with no in-force insurance which expanded our licensing authority to sell insurance and annuities to 23 states and the District of Columbia. Since then, we have expanded our licensing to 42 states and the District of Columbia.

We specialize in the sale of individual annuities (primarily deferred annuities) and, to a lesser extent, we also sell life insurance. Under generally accepted accounting principles, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited to the policyholder, or the "investment spread," as well as realized gains on investments. In the case of equity-index annuities, the investment spread consists of net investment income in excess of the amortization of the cost of the options purchased to fund the index-based component of the policyholder's return. Revenue is also recognized from surrender charges deducted from the policyholder's account

balance.

Commissions and certain other costs relating to the production of new and renewal business are not expensed when incurred but instead are capitalized as deferred policy acquisition costs. Deferred policy acquisition costs for annuities are amortized into expense with the emergence of gross profits. Under certain circumstances, deferred policy acquisition costs will be expensed earlier than originally estimated, for example, when policy terminations are higher than originally estimated and when investments relating to the liabilities of such products are called or sold at a gain prior to anticipated maturity.

We had net income of \$2,443,000 for the year ended December 31, 1999, compared to net income of \$244,000 in 1998 and a net loss of \$3,369,000 in 1997. The trend in net income is a direct result of the substantial growth in our annuity business which began to accelerate in the third quarter of 1997. Annuity reserves grew from \$23,657,000 at June 30, 1997 to \$146,311,000 at December 31, 1997, \$529,765,000 at December 31, 1998 and \$1,342,256,000 at December 31, 1999. New annuity deposits for the year ended December 31, 1999 increased 116% to \$814,605,000, compared to \$377,917,000 for 1998. The 1998 amount represented a 166% increase over the 1997 amount of \$141,854,000, of which \$121,430,000 was collected in the second half of the year. The increased annuity production is a direct result of the growth in our agency force, which increased from approximately 400 agents at December 31, 1996, to 4,450 agents at December 31, 1997, 10,525 agents at December 31, 1998 and 18,000 agents at December 31, 1999.

The growth in our annuity business resulted in a sizeable increase in our investment spread for 1999 and 1998. While certain expenses also increased as a result of the growth in our annuity business, the incremental profits from a larger deposit base allowed us to offset a greater portion of our fixed operating costs and expenses. Our 1999 results also benefitted from a gain of \$1,542,000 on the termination of a total return swap contract. Our 1998 results also benefitted from a gain of \$275,000 on the sale of an office building in Birmingham, Alabama, from which our operations in that location were previously conducted. The comparison of 1998 to 1997 was also favorably impacted by certain costs and expenses recognized in 1997 as discussed below under Other operating costs and expenses.

Traditional life and accident and health insurance premiums decreased 2% to \$10,294,000 in 1999 and 8% to \$10,528,000 in 1998 from \$11,425,000 in 1997. The majority of our traditional life and accident and health insurance premiums consist of group policies sold to a limited market. Because our primary focus is the sale of annuities, we have made no effort to expand sales of these products to other markets. As a result, sales of such products have declined slightly.

Annuity and single premium universal life product charges (surrender charges assessed against policy withdrawals and mortality and expense charges assessed against single premium universal life policyholder account balances) increased 437% to \$3,452,000 in 1999, and 5,258% to \$643,000 in 1998, from \$12,000 in 1997. These increases are principally attributable to the growth in our annuity business

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and correspondingly, increases in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies were \$60,845,000, \$23,637,000 and \$2,419,000 for 1999, 1998 and 1997, respectively.

Net investment income increased 145% to \$64,610,000 in 1999 and 556% to \$26,356,000 in 1998 from \$4,019,000 in 1997. These increases are principally attributable to the growth in our annuity business and correspondingly, increases in our invested assets. Invested assets (amortized cost basis) increased 147% to \$1,499,730,000 at December 31, 1999 and 199% to \$607,764,000 at December 31, 1998 compared to \$203,034,000 at December 31, 1997, while the effective yield earned on average invested assets was 7.34%, 7.46% and 7.80% for 1999, 1998, and 1997, respectively.

Realized gains on investments increased 241% to \$1,454,000 in 1999 compared to \$427,000 in 1998 and \$0 in 1997. The increase in 1999 was primarily attributable to a gain realized on the termination of a total return swap contract. In 1998, realized gains consisted of a gain of \$152,000 on the sale of fixed maturity securities and a gain of \$275,000 on the sale of our office building in Alabama.

Traditional life and accident and health insurance benefits increased 19% to \$7,232,000 in 1999 and decreased 18% to \$6,085,000 in 1998 compared to \$7,440,000 in 1997. The increase in 1999 was attributable to an increase in death benefits and surrenders, and the decrease in 1998 was attributable to a

decrease in those items for that year.

Interest credited to annuity policyholder account balances increased 163% to \$41,727,000 in 1999 and 644% to \$15,838,000 in 1998 from \$2,130,000 in 1997. These increases are principally attributable to increases in annuity liabilities. The amounts are also impacted by changes in the weighted average crediting rate for our fixed rate annuity liabilities, which, excluding interest rate bonuses guaranteed for the first year of the annuity contract, was 5.11%, 5.20% and 5.43% at December 31, 1999, 1998 and 1997, respectively. The weighted average crediting rate, including interest rate bonuses guaranteed for the first year of the annuity contract, was 6.51%, 7.05%, and 7.25% at December 31, 1999, 1998 and 1997, respectively.

Interest expense on notes payable increased 14% to \$896,000 in 1999 and decreased 19% to \$789,000 in 1998 from \$980,000 in 1997. The 1999 increase is attributable to increases in the outstanding borrowings in the third and fourth quarters of 1999, offset in part by a decrease in the average applicable interest rate. The 1998 decrease is attributable to lower interest rates. The applicable interest rate declined from 8.41% for 1997 to 7.96% for 1998, and 7.52% for 1999.

Interest expense on amounts due under repurchase agreements increased 128% to \$3,491,000 in 1999 and 424% to \$1,529,000 in 1998 from \$292,000 in 1997. These increases were principally attributable to larger average balances of funds borrowed, offset in part by a lower cost of funds in 1999. See Note 7 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Amortization of deferred policy acquisition costs and value of insurance in force acquired increased 222% to \$7,378,946 in 1999 and 139% to \$2,293,654 in 1998 from \$960,193 in 1997. These increases are primarily due to the growth in our annuity business as discussed above.

Other operating costs and expenses increased 39% to \$12,058,000 in 1999 and 7% to \$8,693,000 in 1998 from \$8,161,000 in 1997. These increases are principally attributable to increases in employees and related salaries and costs of employment. The comparison of 1998 to 1997 is also favorably impacted by \$1,864,000 of costs and expenses for two items in 1997. These items were: (i) \$1,236,000

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for agency and product development costs that were expensed in 1997 in the year incurred rather than being capitalized and amortized to expense in subsequent years and (ii) \$628,000 for compensation expense as a result of an amendment to the stock option agreement with our chairman and president. See Note 9 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Income tax expense for 1999 was a benefit of \$1,370,000 compared to an expense of \$760,000 in 1998, and a benefit of \$1,390,000 in 1997. The benefit in 1999 is attributable to: (i) the elimination of the December 31, 1998 valuation allowance on deferred income tax assets of \$1,537,000 and (ii) tax benefits of \$708,000 attributable to the redeemable preferred securities of subsidiaries. Excluding these two items, 1999 income tax expense would have been \$815,000 for an effective income tax rate of 27%. The effective income tax rates for 1998 and 1997, excluding the impact of changes in the valuation allowance for deferred income tax assets were 36% and 44%, respectively. These effective income tax rates varied from the applicable statutory federal income tax rates of 35% for 1999 and 34% for 1998 and 1997 principally because: (i) in 1999, the December 31, 1998 net deferred tax asset was adjusted to the 35% rate; (ii) in 1998, we had certain nondeductible expenses; and (iii) in 1997, we qualified as a small life insurance company under provisions of the Internal Revenue Code and recognized the small company deduction only available to such companies. See Note 6 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Minority interest in earnings of subsidiaries includes amounts for distributions and the accretion of the issue discount on company-obligated mandatorily redeemable preferred stocks of subsidiary trusts issued in 1999. Tax benefits attributable to these amounts are reported as a reduction of income tax expense. See Note 9 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Financial Condition

Investments. Our investment strategy is to maintain a predominantly investment grade fixed income portfolio, provide adequate liquidity to meet our cash obligations to policyholders and others and maximize current income and

total investment return through active investment management. Consistent with this strategy, our investments principally consist of fixed maturity securities and short-term investments. We also have approximately 3% of our invested assets at December 31, 1999 in derivative instruments (equity market index call options) purchased in connection with the issuance of equity-index annuities.

Insurance statutes regulate the type of investments that our life subsidiary is permitted to make and limit the amount of funds that may be used for any one type of investment. In light of these statutes and regulations and our business and investment strategy, we generally seek to invest in United States government and government-agency securities and corporate securities rated investment grade by established nationally recognized rating organizations or in securities of comparable investment quality, if not rated.

We have classified a substantial portion of our fixed maturity investments as available-for-sale to maximize investment flexibility. Available-for-sale securities are reported at market value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, thereby exposing stockholders' equity to incremental volatility due to changes in market interest rates and the accompanying changes in the reported value of securities classified as available-for-sale, with stockholders' equity increasing as interest rates decline and, conversely, decreasing as interest rates rise.

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Liabilities. Our liability for policy benefit reserves increased \$817,794,000 and \$385,084,000 during 1999 and 1998, respectively, to \$1,358,876,000 at December 31, 1999 and \$541,082,000 at December 31, 1998, primarily due to annuity sales as discussed above. Substantially all of our annuity products have a surrender charge feature designed to reduce early withdrawal or surrender of the policies and to partially compensate us for our costs if policies are withdrawn early. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates.

On October 18, 1996, we borrowed \$10,000,000 from two banks under a variable rate revolving credit agreement. Proceeds from the borrowing were contributed to the capital and surplus of our life subsidiary (\$6,000,000) and used to refinance indebtedness we incurred to capitalize our life subsidiary at the time of its formation (\$4,000,000). During 1999, this line of credit was increased to permit maximum borrowings of \$25,000,000, and we borrowed an additional \$10,600,000, bringing our liability for notes payable to \$20,600,000 at December 31, 1999. We loaned the proceeds of the 1999 borrowings to American Equity Investment Service Company (see discussion that follows under Liquidity of Parent Company). The loan matures on March 31, 2001 with an option for a four year extension as a term loan. Under this agreement, we are required to maintain minimum capital and surplus levels at our life subsidiary and meet certain other financial and operating ratio requirements. We are also prohibited from incurring other indebtedness for borrowed money without obtaining a waiver from the lenders and from paying dividends on our capital stock in excess of 10% of our consolidated net income for the prior fiscal year (except that in 1999 we were permitted to make a dividend payment equal to 44% of our consolidated net income for 1998).

Stockholders' Equity. We were initially capitalized in December, 1995 and January, 1996 through the issuance of shares of Common Stock for cash of \$4,000,000. Subsequent to our initial capitalization (400,000 shares of Common Stock after a May 29, 1996 100-for-1 stock split), we issued additional shares of Common Stock, warrants to purchase shares of Common Stock and shares of Series Preferred Stock convertible into shares of Common Stock in several private placement offerings as follows:

No. Issued
Warrant ----

Exercise
Description
Issue Price
Shares
Warrants
Price -----

-- Common

Stock &
 Warrants -
 -1996 \$10.00
 780,000
 156,000
 \$10.00 -
 -1997 10.00
 3,998 798
 10.00 -
 -1998(1)
 10.00 3,000
 600 10.00 --

 786,998
 157,398(2) -
 -1997 12.00
 570,416
 114,083(3)
 12.00 --
 68,250(4)
 12.00 -----

 ---- 570,416
 182,333
 Common Stock
 - 1997 16.00
 2,666,250
 1998 Series
 A
 Participating
 Preferred
 Stock - 1998
 16.00
 625,000

- (1) issued to the placement agent in payment of a portion of the compensation due to the placement agent
- (2) exercised during 1998
- (3) exercised during 1999
- (4) issued to the placement agent as part of placement agent compensation; expire on April 30, 2000

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The aggregate net proceeds from these offerings, including proceeds received from the exercise of warrants, was \$65,699,000, substantially all of which were contributed to the capital and surplus of our life subsidiary or used to fund the acquisition of the life insurance company acquired in 1996.

A portion of the 2,666,250 shares of Common Stock issued in 1997 at \$16 per share were issued in a rights offering to existing stockholders and in connection therewith, certain of our officers and directors received management subscription rights to purchase one share of Common Stock for each share owned and one-half share of Common Stock for each stock option held on the offering date. An aggregate of 719,125 management subscription rights were issued to nine officers and directors at that time. The management subscription rights have an exercise price of \$16.00 per share and expire on December 1, 2002. Farm Bureau Life Insurance Company purchased 1,562,500 shares of Common Stock in this offering and received a right of first refusal to maintain a 20% ownership interest in our capital stock.

The 625,000 shares of 1998 Series A Participating Preferred Stock issued in 1998 have participating dividend rights with the shares of Common Stock, when and as such dividends are declared. The preferred shares are convertible into shares of Common Stock on a one for one basis upon the earlier of the initial public offering of our Common Stock or December 31, 2003.

In September, 1999, American Equity Capital Trust I ("Trust I"), our wholly-owned subsidiary, issued \$25,970,000 of 8% Convertible Trust Preferred Securities (the "8% Trust Preferred Securities"). In connection with Trust I's issuance of the 8% Trust Preferred Securities and the related purchase by us of all of Trust I's common securities, we issued \$26,773,000 in principal amount of our 8% Convertible Junior Subordinated Debentures, due September 30, 2029 (the "8% Debentures") to Trust I. The sole assets of Trust I are the 8% Debentures

and any interest accrued thereon. Each 8% Trust Preferred Security is convertible into one share of our common stock at a conversion price equal to the lesser of (i) \$30 per share or (ii) 90% of the initial price per share to the public of common stock sold in connection with our initial public offering of such common stock (the "IPO"), upon the earlier of the 91st day following the IPO or September 30, 2002. The interest payment dates on the 8% Debentures correspond to the distribution dates on the 8% Trust Preferred Securities. The 8% Trust Preferred Securities, which have a liquidation value of \$30 per share plus accrued and unpaid distributions, mature simultaneously with the 8% Debentures. As of December 31, 1999, 865,671.33 shares of 8% Trust Preferred Securities were outstanding, all of which are unconditionally guaranteed by us to the extent of the assets of Trust I.

In October, 1999, American Equity Capital Trust II ("Trust II"), our wholly-owned subsidiary, issued 97,000 shares of 5% Trust Preferred Securities (the "5% Trust Preferred Securities"). The 5% Trust Preferred Securities, which have a liquidation value of \$100 per share (\$97,000,000 in the aggregate) have been assigned a fair value of \$72,490,000 (based upon an effective 7% yield-to-maturity). The consideration received by Trust II in connection with the issuance of the 5% Trust Preferred Securities consisted of fixed income trust preferred securities of equal value which were issued by the parent of Farm Bureau Life insurance Company. Farm Bureau beneficially owns 33.27% of our common stock.

In connection with Trust II's issuance of the 5% Preferred Securities and the related purchase by us of all of Trust II's common securities, we issued \$100,000,000 in principal amount of our 5% Subordinated Debentures, due June 1, 2047 (the "5% Debentures") to Trust II. The sole assets of Trust II are the 5% Debentures and any interest accrued thereon. The interest payment dates on the 5% Debentures correspond to the distribution dates on the 5% Trust Preferred Securities. The 5% Trust Preferred Securities mature simultaneously with the 5% Debentures. All of the 5% Trust Preferred Securities are unconditionally guaranteed by us to the extent of the assets of Trust II.

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Liquidity for Insurance Operations. Our life subsidiary generally receives adequate cash flow from premium collections and investment income to meet its obligations. Annuity and life insurance liabilities are generally long-term in nature. Policyholders may, however, withdraw funds or surrender their policies, subject to surrender and withdrawal penalty provisions. At December 31, 1999, approximately 98% of our annuity liabilities were subject to penalty upon surrender.

We believe that the diversity of our investment portfolio and the concentration of investments in high-quality, liquid securities provides sufficient liquidity to meet foreseeable cash requirements. The investment portfolio at December 31, 1999 included \$1,434,164,883 of publicly traded investment grade bonds. Although there is no present need or intent to dispose of such investments, our life subsidiary could readily liquidate portions of its investments, if such a need arose. In addition, investments could be used to facilitate borrowings under reverse-repurchase agreements or dollar-roll transactions. Such borrowings have been used by our life subsidiary from time to time to increase our return on investments and to improve liquidity.

Liquidity of Parent Company. The parent company is a legal entity separate and distinct from its subsidiaries, and has no business operations. The parent company needs liquidity primarily to service its debt, including the subordinated debentures issued to subsidiary trusts, pay operating expenses and pay dividends to stockholders. The primary sources of funds for these payments are: (i) interest received on trust preferred securities received in connection with the issuance of the 5% Trust Preferred Securities; (ii) principal and interest payments received on the parent company's note receivable from American Equity Investment Service Company (see discussion that follows); (iii) dividends on capital stock and surplus note interest payments from our life subsidiary; (iv) cash on hand (\$683,000 at December 31, 1999); and (v) cash (\$835,000 at December 31, 1999) that may be distributed by the American Equity Investment Properties, L.C. which holds the remaining cash proceeds from the sale of the office building in Birmingham, Alabama that was sold in 1998. The parent company may also obtain cash by issuing debt or equity securities.

The payment of dividends or the distributions, including surplus note payments, by our life subsidiary is subject to regulation by the Iowa Insurance Division. Currently, our life subsidiary may pay dividends or make other distributions without the prior approval of the Iowa Insurance Division, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) our life subsidiary's net gain from operations (excluding net realized capital gains or losses) for the preceding calendar year, or (2) 10% of our statutory surplus at the preceding December 31. For

2000, up to \$16,326,000 can be distributed as dividends or surplus note payments without prior approval of the Iowa Insurance Division. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. Our life subsidiary had \$29,259,000 of earned surplus at December 31, 1999.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, the Iowa insurance laws and regulations require that the statutory surplus of our life subsidiary following any dividend or distribution must be reasonable in relation to our outstanding liabilities and adequate for its financial needs.

The transfer of funds by our life subsidiary is also restricted by certain covenants in our loan agreement which, among other things, requires the life subsidiary to maintain statutory capital and surplus (including the asset valuation and interest maintenance reserves) of \$120,000,000 plus 25% of statutory

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net income for periods subsequent to December 31, 1999. Under the most restrictive of these limitations, \$21,450,000 of earned surplus at December 31, 1999 would be available for distribution by our life subsidiary to the parent company in the form of dividends or other distributions.

Statutory accounting practices prescribed or permitted for our life subsidiary differ in many respects from those governing the preparation of financial statements under generally accepted accounting principles ("GAAP"). Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income for our life subsidiary as of December 31, 1999 and 1998 and for the years ended December 31, 1999, 1998 and 1997 is included in Note 10 of the Notes to Audited Consolidated Financial Statements included elsewhere in this report.

Our life subsidiary has entered into a general agency commission and servicing agreement with American Equity Investment Service Company, an affiliated company wholly-owned by the Company's chairman and president, whereby the affiliate acts as a national supervisory agent with responsibility for paying commissions to the Company's agents. This agreement initially benefits the life subsidiary's statutory surplus by extending the payment of a portion of the first year commissions on new annuity business written by the life subsidiary over a longer period of time, and thereby enabling the life subsidiary to conduct a comparatively greater volume of business. In subsequent periods, the life subsidiary's statutory surplus is reduced through the payment of renewal commissions to the affiliate on this business based upon the account balances of the annuities remaining in force for a period of five years (see Note 11 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report).

The aggregate amount of first year commissions paid by the affiliate with funds obtained from sources other than the life subsidiary was \$69,127,000 from the inception of the agreement through December 31, 1999, and the aggregate amount of renewal commissions paid by the life subsidiary to the affiliate for the same period was \$22,708,000.

During 1999, the parent company agreed to loan the affiliate up to \$50,000,000 as the source of funds for the affiliate portion of first year commissions and had advanced \$18,175,000 through December 31, 1999 pursuant to the promissory note evidencing this agreement. Principal and interest are payable quarterly over five years from the date of the advance. The principal source of funds for us to advance funds to the affiliate is our bank line of credit, of which \$4,400,000 was available for borrowing at December 31, 1999. We anticipate increasing the maximum borrowing level under our bank line of credit in 2000 in order to be able to continue to make funds available to the affiliate to fund its portion of first year commissions.

Future payments by the life subsidiary on business in force at December 31, 1999 are dependent upon the account balances of the annuities remaining in force on each remaining quarterly renewal commission payment date. Assuming that the account balances remain constant over such remaining renewal commission payments dates, future renewal commission payments by the life subsidiary would be \$4,756,556 per quarterly payment until December, 2002 and \$3,685,274 per quarterly payment from January, 2003 until June, 2005. All such payments would

be capitalized as deferred policy acquisition costs and amortized to expense pursuant to the Company's stated accounting policy.

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Inflation

Inflation does not have a significant effect on our balance sheet; we have minimal investments in property, equipment or inventories. To the extent that interest rates may change to reflect inflation or inflation expectations, there would be an effect on our balance sheet and operations. Higher interest rates experienced in recent periods have decreased the value of our fixed maturity investments. It is likely that declining interest rates would have the opposite effect. It is not possible to calculate the effect such changes in interest rates have had on our operating results.

Year 2000 Readiness Disclosure

Many computer programs were originally written using two digits rather than four digits to identify a particular year. Such programs may recognize a date using "00" as the year 1900 rather than the year 2000. If not corrected, these computer programs could cause system failures or miscalculations in the year 2000, with possible adverse effects on our operations.

During the first quarter of 1998, we developed a strategy to identify and then test our internal computer programs which are date sensitive. Our systems for administering our group life policies were identified as having two-digit date codes. Conversion to four-digit codes and testing of such converted systems commenced in the second quarter of 1998 and was completed prior to December 31, 1998. These systems are now year 2000 compliant. The costs of testing and conversion charged to expense during 1998 were approximately \$25,000.

The policy issue and administration system for our individual annuity and life insurance business is a system developed from the outset using four digits for the year. This system was purchased from a third party vendor in the fourth quarter of 1996. At that time, the vendor provided us with a letter of year 2000 compliance for this system. However, we did not rely solely on the compliance letter and began a comprehensive systems test in the third quarter of 1998. Testing included processing daily, monthly, quarterly and annual business cycles through February 29, 2000. Internal testing was completed during the fourth quarter of 1998. This system was determined to be year 2000 compliant. The costs of testing of this system charged to expense during 1998 were approximately \$10,000.

External testing with third party providers of computer dependent services was completed during the first quarter of 1999. The most critical of these providers to our ongoing business operations is the financial institution with which we electronically interface each business day for the processing of premium collections and commission payments. Integrated testing between us and this financial institution was successfully completed in February 1999. Testing included all types of ACH (Automated Clearing House) transactions. The cost of such testing charged to expense in 1999 was approximately \$5,000.

Additionally, we instituted a corporate wide disaster recovery plan for our data systems which included our Iowa and Alabama locations. Both locations were prepared to serve the other in the event of a prolonged business outage. The plan incorporated contingencies for year 2000 interruptions caused by certain third party providers and other outside elements for which adequate testing cannot be conducted. These would include, for example, utility companies that supply electricity and water.

We experienced no disruptions or other problems with our computer systems on January 1, 2000 or thereafter in connection with date-sensitive processing. We experienced no disruptions in other services such as electronic funds transfers, phone systems or utilities.

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Pending Accounting Change

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Accounting for gains or losses resulting from changes in the values of those derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Statement is effective for us in the year 2001, with earlier adoption encouraged. We have not

yet determined the effect that adoption of this new Statement will have on our operations or financial position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist predominantly of the investment grade fixed maturity securities of very high credit quality; (ii) have projected returns which satisfy our spread targets; and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency.

We seek to maximize the total return on our held-for-sale investments through active investment management. Accordingly, we have determined that our held-for-sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates; (ii) changes in relative values of individual securities and asset sectors; (iii) changes in prepayment risks; (iv) changes in credit quality outlook for certain securities; (v) liquidity needs; and (vi) other factors.

We have a portfolio of held for investment securities which consists principally of zero coupon bonds issued by U.S. government agencies. These securities are purchased to secure long-term yields which meet our spread targets and support the underlying liabilities.

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments.

The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (participation or asset fee rates for equity-index annuities) on substantially all of our annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use computer models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. (The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates). When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities. At December 31, 1999, the effective duration of our fixed maturity securities and short-term investments was approximately 8.6 years and the estimated duration of our insurance liabilities was approximately 6.9 years.

If interest rates were to increase 10% from levels at December 31, 1999, we estimate that the fair value of our fixed maturity securities, net of corresponding changes in the values of deferred policy acquisition costs and insurance in force acquired would decrease by approximately \$62,673,000. The computer models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

Our investments in equity index call options are closely matched with our obligations to equity-indexed annuity holders. Market value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for

equity-indexed products.

As a part of our asset-liability management activities, we from time to time purchase financial futures instruments and total return exchange agreements, although such investments account for a relatively small portion of our total portfolio. These derivative securities are based upon U.S. Treasury or agency obligations as the underlying reference securities. Financial futures contracts are commitments to either purchase or sell a financial instrument at a specific future date for a specified price and may be settled in cash or through delivery of the financial instrument. Total return exchange agreements generally involve the exchange of the total return or yield on a referenced security for a specified interest rate.

If a financial futures contract used to manage interest rate risk is terminated early or results in payments based on the change in value of the underlying asset, any resulting gain or loss is deferred and amortized as an adjustment to the yield of the designated asset over its remaining life as long as the transaction qualifies for hedge accounting. The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains or losses recorded in income. To date, high correlation has been achieved. Deferred gains totaling \$4,969,781 for 1999 (\$0 in 1998) are included in held for investment fixed maturities and will be amortized as an adjustment to interest income over the life of the hedged instrument. The notional amount of outstanding agreements to sell securities was \$204,600,000 at December 31, 1999.

For total return exchange agreements, the differential of the total return yield or interest to be paid or received on a settlement date is recognized as an adjustment to investment income. If a total return swap agreement is terminated early any resulting gain or loss is recognized as realized gain or loss. In 1999, the Company recognized net investment expense of \$2,069,355 related to payments made on settlement dates, and realized a gain of \$1,541,669 on the termination of one total return swap agreement. The notional amount of outstanding agreements was \$332,000,000 at December 31, 1999.

The primary risk associated with the futures contract and the total return swaps is the risk that interest rate fluctuations result in unfavorable price movements. At December 31, 1999, a decrease of 25 basis points in the applicable interest rate on our total return swaps would produce a decline in value of approximately \$3,700,000 on swaps representing short positions (which would be offset at least in part by a gain on the swaps representing long positions), and an increase of 25 basis points in the applicable interest rate would produce a decline in value of approximately \$4,800,000 on swaps representing long positions (which would be offset at least in part by a gain on the swaps representing short positions).

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Item 8. Consolidated Financial Statements and Supplementary Data.

The financial statements are included as a part of this report on form 10-K on pages F-1 through F-29.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

The information required by Part III is incorporated by reference from our definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 1999.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

Financial Statements and Financial Statement Schedules. See Index to Consolidated Financial Statements on page F-1 for a list of financial statements and financial statement schedules included in this report.

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are omitted because they are not applicable, not

required, or because the information is included elsewhere in the consolidated financial statements or notes thereto.

Exhibits. See Exhibit Index immediately preceding the Exhibits for a list of Exhibits filed with this report.

Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended December 31, 1999.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 8th day of January, 2002.

AMERICAN EQUITY INVESTMENT
LIFE HOLDING COMPANY

By: /s/ D.J. NOBLE

D.J. Noble, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature

Title

(Capacity)

Date - ---

----- ---

/s/ D.J.

NOBLE

Chairman

of the

Board and

President,

January 8,

2002 - ---

-

(Principal

Executive

Officer)

D.J. Noble

/S/ WENDY

L. CARLSON

Chief

Financial

Officer

and

General

Counsel

January 8,

2002 - ---

-

(Principal

Financial

Officer)

Wendy L.

Carlson

/s/ TERRY

A. REIMER

Chief

Operating

Officer

and

Executive

- -----

 Vice
 President
 (Principal
 Accounting
 Officer
 January 8,
 2002 Terry
 A. Reimer
 /s/ JAMES
 M. GERLACH
 Director
 January 8,
 2002 - ---

 - James M.
 Gerlach
 /s/ ROBERT
 L. HILTON
 Director
 January 8,
 2002 - ---

 - Robert
 L. Hilton
 /s/ BEN T.
 MORRIS
 Director
 January 8,
 2002 - ---

 - Ben T.
 Morris /s/
 DAVID S.
 MULCAHY
 Director
 January 8,
 2002 - ---

 - David S.
 Mulcahy
 /s/ A.J.
 STRICKLAND,
 III
 Director
 January 8,
 2002 - ---

 - A.J.
 Strickland,
 III /s/
 HARLEY A.
 WHITFIELD
 Director
 January 8,
 2002 - ---

 - Harley
 A.
 Whitfield
 /s/ JOHN
 C.
 ANDERSON
 Director
 January 8,
 2002 - ---

 - John C.
 Anderson

American Equity Investment Life
Holding Company

Consolidated Financial Statements

Years ended December 31, 1999, 1998 and 1997

Index to Financial Statements

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Audited Consolidated Financial Statements

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Consolidated Statements of Operations.....F-5

Consolidated Statements of Changes in Stockholders' Equity.....F-6

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Schedules

Schedule I - Summary of Investments - Other Than

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(Parent Company).....F-31

Schedule III - Supplementary Insurance Information.....F-36

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Report of Independent Auditors

The Board of Directors and Stockholders

American Equity Investment Life Holding Company

We have audited the accompanying consolidated balance sheets of American Equity Investment Life Holding Company as of December 31, 1999 and 1998, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedules listed in the Index on page F-1. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Equity Investment Life Holding Company at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 1, 2000

F-2

December 31
 1999 1998 -----

 ----- Assets
 Cash and
 investments:
 Fixed maturity
 securities:
 Available-for-
 sale, at market
 (amortized
 cost: 1999 -
 \$1,070,465,367;
 1998 -
 \$600,300,562) \$
 997,019,819
 \$601,897,562
 Held for
 investment, at
 amortized cost
 (market: 1999 -
 \$315,974,664)
 398,467,247 --
 Equity
 securities, at
 market (cost:
 1999 -
 \$8,019,999)
 7,613,489 --
 Derivative
 instruments
 44,209,883
 16,171,621
 Policy loans
 231,068 192,184
 Cash and cash
 equivalents
 5,881,515
 15,891,779 ----

 ----- Total
 cash and
 investments
 1,453,423,021
 634,153,146
 Receivable from
 other insurance
 companies
 597,956 616,737
 Premiums due
 and uncollected
 1,097,105
 1,684,698
 Accrued
 investment
 income
 14,183,386
 2,946,796
 Receivables
 from related
 parties
 18,896,009
 89,427
 Property,
 furniture and
 equipment, less
 accumulated
 depreciation:
 1999 -
 \$1,632,011;
 1998 - \$859,085
 1,346,325
 1,242,228 Value
 of insurance in
 force acquired
 752,427
 1,068,906
 Deferred policy
 acquisition
 costs
 178,800,329

57,103,449
 Intangibles,
 less
 accumulated
 amortization
 1999 -
 \$681,412; 1998
 - \$472,306
 2,238,004
 646,142
 Deferred income
 tax asset
 43,036,868
 8,289,499
 Federal income
 taxes
 recoverable
 1,662,522 --
 Other assets
 1,214,545
 117,035 Assets
 held in
 separate
 account 370,787
 151,450 -----

 ----- Total
 assets
 \$1,717,619,284
 \$708,109,513
 =====
 =====

See accompanying notes.

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American Equity Investment Life Holding Company
 Consolidated Balance Sheets

(continued)

December 31 1999
 1998 -----

 ----- Liabilities
 and Stockholders'
 Equity Liabilities:
 Policy benefit
 reserves:
 Traditional life and
 accident and health
 insurance products \$
 15,059,895 \$
 11,317,156 Annuity
 and single premium
 universal life
 products
 1,343,815,953
 529,765,023 Other
 policy funds and
 contract claims
 11,553,574 6,315,598
 Provision for
 experience rating
 refunds 544,610
 833,679 Amounts due
 to related party
 under General Agency
 Commission and
 Servicing Agreement
 52,115,834
 25,097,677 Other
 amounts due to
 related parties
 10,003,258 2,438,600
 Notes payable

20,600,000	
10,000,000	Amounts
due under repurchase	
agreements	
86,968,750	
49,000,000	Amounts
due on securities	
purchased 29,713,749	
-- Federal income	
taxes payable --	
1,648,822	Other
liabilities	
13,566,954	5,410,987
Liabilities related	
to separate account	
370,787	151,450
----	----
-----	-----
Total liabilities	
1,584,313,364	
641,978,992	
Commitments and	
contingencies	
Minority interest in	
subsidiaries:	
company-obligated	
mandatorily	
redeemable preferred	
securities of	
subsidiary trusts	
98,981,629	--
Stockholders'	
equity: Series	
Preferred Stock, par	
value \$1 per share,	
2,000,000 shares	
authorized; 625,000	
shares of 1998	
Series A	
Participating	
Preferred Stock	
issued and	
outstanding 625,000	
625,000 Common	
Stock, par value \$1	
per share -	
25,000,000 shares	
authorized; issued	
and outstanding:	
1999 - 4,712,310	
shares; 1998 -	
4,581,962 shares	
4,712,310	4,581,962
Additional paid-in	
capital 66,057,863	
64,783,117	
Accumulated other	
comprehensive income	
(loss) (35,234,635)	
420,035 Retained-	
earnings deficit	
(1,836,247)	
(4,279,593)	-----
-----	-----
-----	-----
Total	
stockholders' equity	
34,324,291	
66,130,521	-----
-----	-----
-----	-----
Total	
liabilities and	
stockholders' equity	
\$ 1,717,619,284	\$
708,109,513	
=====	
=====	

See accompanying notes

American Equity Investment Life Holding Company

Consolidated Statements of Operations

Year ended
December 31
1999 1998
1997 -----

Revenues:
Traditional
life and
accident and
health
insurance
premiums
\$10,294,437
\$10,528,108
\$11,424,907
Annuity and
single
premium
universal
life product
charges
3,452,095
642,547
11,896 Net
investment
income
64,609,612
26,356,472
4,018,617
Realized
gains on
investments
1,454,417
426,782 -- -

Total
revenues
79,810,561
37,953,909
15,455,420
Benefits and
expenses:
Insurance
policy
benefits and
change in
future
policy
benefits
7,231,895
6,084,893
7,440,080
Interest
credited to
account
balances
41,726,895
15,837,912
2,129,686
Interest
expense on
notes
payable
896,383
788,770
979,826
Interest
expense on
General
Agency
Commission

and	
Servicing	
Agreement	
3,861,325	
1,652,479	
182,839	
Interest	
expense on	
amounts due	
under	
repurchase	
agreements	
3,490,849	
1,528,718	
291,547	
Amortization	
of deferred	
policy	
acquisition	
costs and	
value of	
insurance in	
force	
acquired	
7,378,946	
2,293,654	
960,193	
Amortization	
of goodwill	
70,000	
70,000	
70,000 Other	
operating	
costs and	
expenses	
12,058,398	
8,692,813	
8,160,863 --	

Total	
benefits and	
expenses	
76,714,691	
36,949,239	
20,215,034 -	

Income	
(loss)	
before	
income taxes	
3,095,870	
1,004,670	
(4,759,614)	
Income tax	
benefit	
(expense):	
Current	
(14,188,656)	
(5,311,080)	
(2,565,057)	
Deferred	
15,558,491	
4,550,597	
3,955,283 --	

1,369,835	
(760,483)	
1,390,226	
Minority	
interests in	
subsidiaries:	
Earnings	
attributable	
to company-	
obligated	

mandatorily
redeemable
preferred
securities
of
subsidiary
trusts
(2,022,359)

----- Net
income
(loss) \$
2,443,346 \$
244,187
\$(3,369,388)

=====
=====
=====

Basic
earnings
(loss) per
common share
\$ 0.52 \$
0.05 \$
(2.11)

=====
=====
=====

Diluted
earnings
(loss) per
common share
\$ 0.42 \$
0.05 \$
(2.11)

=====
=====
=====

See accompanying notes.

Consolidated Statements of Changes in Stockholders' Equity
American Equity Investment Life Holding Company

Preferred
Stock -----
-- Balance
at January
1, 1997 \$ --
Comprehensive
loss: Net
loss for
year --
Change in
net
unrealized
investment
gains/losses
-- Total
comprehensive
loss
Issuance of
3,240,864
shares of
common
stock, less
issuance
expenses of
\$2,928,493 -
-
Compensation

expense
 related to
 issuance of
 stock
 options and
 warrants --

 Balance at
 December 31,
 1997 --
 Comprehensive
 income: Net
 income for
 year --
 Change in
 net
 unrealized
 investment
 gains/losses
 -- Total
 comprehensive
 income
 Issuance of
 161,098
 shares of
 common
 stock, less
 issuance
 expenses of
 \$329,700 --
 Issuance of
 625,000
 shares of
 1998 Series
 A
 Participating
 Preferred
 Stock, less
 issuance
 expenses of
 \$31,930
 625,000 ----
 ---- Balance
 at December
 31, 1998
 625,000
 Comprehensive
 loss: Net
 income for
 year --
 Change in
 net
 unrealized
 investment
 gains/losses
 -- Total
 comprehensive
 loss
 Issuance of
 130,348
 shares of
 common
 stock, less
 issuance
 expenses of
 \$21,756 --
 Dividends on
 preferred
 stock (\$.02
 per share) -
 - Dividends
 on common
 stock (\$.02
 per share) -
 - -----
 Balance at
 December 31,
 1999
 \$625,000
 =====

See accompanying notes.

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American Equity Investment Life Holding Company
Consolidated Statements of Changes in Stockholders' Equity
(continued)

Accumulated
Additional
Other
Retained-
Total Paid-
In
Comprehensive
Earnings
Stockholders'
Common Stock
Capital
Income
(Loss)
Deficit
Equity - ---

-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-

\$1,180,000
\$10,313,050
\$ (201,556)
\$(1,154,392)
\$ 10,137,102

-- -- --
(3, 369, 388)
(3, 369, 388)

411,856 --
411,856 ----

$$\begin{array}{r} (2,957,532) \\ 3,240,864 \\ 43,377,615 - \end{array}$$

46,618,479 -
- 628,000 - -
-- 628,000 -

4,420,864
54,318,665
210,300
(4,523,780)
54,426,049 -

$$\begin{array}{r} 244,187 \\ 244,187 \text{ -- --} \\ - 209,735 \text{ --} \\ \hline 209,735 \text{ ----} \end{array}$$

```

    453,922
    161,098
1,121,382 --
-- 1,282,480
-- 9,343,070

```

9,968,070 -

4,581,962	
64,783,117	
420,035	
(4,279,593)	
66,130,521	-
-	- - - -
2,443,346	
2,443,346	- -
-	- -
(35,654,670)	
-	- -
(35,654,670)	
-	- - - - - - - -
(33,211,324)	
130,348	
1,381,492	- -
- -	1,511,840
- -	(12,500)
- -	- -
(12,500)	- -
(94,246)	- -
- -	(94,246)
-	- - - - - - - -
-	- - - - - - - -
-	- - - - - - - -
-	- - - - - - - -
\$4,712,310	
\$66,057,863	
\$(35,234,635)	
\$(1,836,247)	
\$ 34,324,291	
=====	
=====	
=====	
=====	
=====	

See accompanying notes.

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American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows

Year ended	
December 31	
1999 1998	
1997	- - - - -
- - - - -	- - - - -
- - - - -	- - - - -
- - - - -	- - - - -
- Operating	
activities	
Net income	
(loss) \$	
2,443,346	\$
244,187	\$
(3,369,388)	
Adjustments	
to	
reconcile	
net income	
(loss) to	
net cash	
used in	
operating	
activities:	
Adjustments	
related to	
interest	
sensitive	
products:	
Interest	
credited to	
account	

balances
41,726,895
15,837,912
2,129,686
Annuity and
single
premium
universal
life
(3,452,095)
(642,547)
(11,896)
product
charges
Increase in
traditional
life and
accident
and health
insurance
reserves
3,742,739
1,629,777
287,197
Policy
acquisition
costs
deferred
(62,828,981)
(19,291,978)
(2,782,517)
Amortization
of deferred
policy
acquisition
costs
7,062,467
2,019,560
578,193
Amortization
of discount
and
premiums on
fixed
maturity
securities
and
derivative
instruments
(10,765,015)
(12,975,476)
(997,853)
Provision
for
depreciation
and other
amortization
1,298,511
991,569
913,168
Compensation
expense
related to
issuance of
stock
options and
warrants --
-- 628,000
Realized
gains on
investments
(1,454,417)
(426,782) -
- Deferred
income
taxes
(15,558,491)
(4,550,597)
(3,955,283)
Reduction
of amounts

due to
 related
 party under
 General
 Agency
 Commission
 and
 Servicing
 Agreement
 (3,140,037)
 (3,675,402)
 (192,376)
 Change in
 other
 operating
 assets and
 liabilities:
 Federal
 income
 taxes
 recoverable
 (1,662,522)
 -- --
 Federal
 income
 taxes
 payable
 (1,648,822)
 (913,920)
 2,562,742
 Accrued
 investment
 income
 (11,236,590)
 (1,184,172)
 (1,347,769)
 Other
 policy
 funds and
 contract
 claims
 5,237,976
 3,960,442
 1,279,542
 Receivables
 from
 related
 parties
 (18,806,582)
 (52,045) --
 Other
 liabilities
 8,155,967
 2,907,964
 1,297,281
 Other
 (650,621)
 (72,751)
 (271,762) -

 - -----
 ----- Net
 cash used
 in
 operating
 activities
 (61,536,272)
 (16,194,259)
 (3,253,035)

See accompanying notes.

Consolidated Statements of Cash Flows

(continued)

Year ended
December 31
1999 1998 1997

Investing
activities
Sales,
maturities or
repayments of
investments:
Fixed maturity
securities -
available-for-
sale \$
308,669,843 \$
222,745,031 \$
22,591,487
Derivative
instruments
1,541,669 -- --

310,211,512
222,745,031
22,591,487

Acquisitions of
investments:
Fixed maturity
securities -
available-for-
sale

(734,248,023)
(602,830,456)
(200,181,267)

Fixed maturity
securities -
held for
investment
(310,499,557) -

- -- Equity
securities
(8,019,999) --

-- Derivative
instruments
(39,396,518)
(11,539,179)
(1,815,674)

Proceeds
received from
futures
contract
4,969,781

Policy loans
(38,884)
(8,831)

(26,830) -----

(1,087,233,200)
(614,378,466)
(202,023,771)

Proceeds from
sale of
property --
2,094,619 --

Purchases of
property,
furniture and
equipment
(877,023)
(625,567)

(1,123,129) ---

```

-----
-----
----- Net
cash used in
investing
activities
(777,898,711)
(390,164,383)
(180,555,413)
Financing
activities
Receipts
credited to
annuity and
single premium
universal life
policyholder
account
balances
816,126,324
377,917,332
141,853,600
Return of
annuity and
single premium
universal life
policyholder
account
balances
(60,844,621)
(23,637,290)
(2,419,197)
Financing fees
deferred
(1,800,968) --
-- Proceeds
from notes
payable
10,600,000 -- -
- Increase in
amounts due
under
repurchase
agreements
37,968,750
49,000,000 --
Proceeds from
issuance of
company-
obligated
mandatorily
redeemable
preferred
securities of
subsidiary
trusts
25,970,140 -- -
- Net proceeds
from sale of
preferred stock
-- 9,968,070 --
Net proceeds
from issuance
of common stock
1,511,840
1,282,480
46,618,479
Dividends paid
(106,746) -- --
-----
-----
----- Net cash
provided by
financing
activities
829,424,719
414,530,592
186,052,882 ---
-----
-----

```

```

-----
Increase
(decrease) in
cash and cash
equivalents
(10,010,264)
8,171,950
2,244,434 Cash
and cash
equivalents at
beginning of
year 15,891,779
7,719,829
5,475,395 -----
-----
----- Cash
and cash
equivalents at
end of year $
5,881,515 $
15,891,779 $
7,719,829
=====
=====
=====
Supplemental
disclosures of
cash flow
information
Cash paid
during year
for: Interest $
4,903,561 $
1,995,789 $
1,113,886
Income taxes
17,500,000
6,225,000 2,315
Non-cash
investing and
financing
activities:
Bonus interest
deferred as
policy
acquisition
costs 7,602,004
5,909,679
1,035,325
Issuance of
common stock in
payment of
deferred
compensation
90,400 -- --
Exchange of
held for
investment
fixed maturity
securities for
company-
obligated
mandatorily
redeemable
preferred
securities of
subsidiary
trusts
72,490,000 -- -
-

```

See accompanying notes.

December 31, 1999

1. Organization and Significant Accounting Policies

Organization

American Equity Investment Life Holding Company (the Company), through its wholly-owned subsidiary, American Equity Investment Life Insurance Company, is licensed to sell insurance products in 42 states and the District of Columbia at December 31, 1999. The Company offers a broad array of annuity and insurance products. The Company's business consists primarily of the sale of equity-index and fixed rate annuities. In 1998, the Company began offering variable annuity products. The Company operates solely in the life insurance business.

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: American Equity Investment Life Insurance Company, American Equity Investment Capital, Inc. (formed in 1998), American Equity Capital Trust I (formed in 1999), American Equity Capital Trust II (formed in 1999), American Equity of Hawaii, Inc. (formed in 1999) and American Equity Investment Properties, L.C. All significant inter-company accounts and transactions have been eliminated.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are utilized in the calculation of value of insurance in force acquired, deferred policy acquisition costs, policyholder liabilities and accruals and valuation allowances on investments. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized.

Certain amounts in the 1998 and 1997 consolidated financial statements have been reclassified to conform to the 1999 financial statement presentation.

Investments

Fixed maturity securities (bonds and redeemable preferred stocks that mature more than one year after issuance) that may be sold prior to maturity are classified as available-for-sale. Available-for-sale securities are reported at estimated fair value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of income taxes and certain adjustments. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives. Amortization/accrual of premiums and discounts on mortgage and asset-backed securities incorporate prepayment assumptions to estimate the securities' expected lives.

Fixed maturity securities that the Company has the positive intent and ability to hold to maturity are classified as held for investment. Held for investment securities are reported at cost adjusted for amortization of premiums and discounts. Changes in the market value of these securities, except for declines that are other than temporary, are not reflected in the Company's financial statements. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives.

Equity securities, comprised of common and non-redeemable preferred stocks, are reported at market value. Unrealized gains and losses are included directly in a separate component of stockholders' equity, net of income taxes.

The Company sells deferred annuity products with an additional benefit provision based on the increase, if any, in specified equity market indexes or benchmarks. The Company has purchased one-year option contracts with characteristics similar to the additional benefit provisions to hedge potential increases to policyholder benefits resulting from these additional benefit provisions. The cost of the options is amortized over the life of the contracts and is recorded, net of proceeds received upon expiration, as a component of net investment income.

These options are reported at fair value in the consolidated balance sheets. The options are purchased at the time the related annuity policies are issued, with similar maturity dates and benefit features that fluctuate as the value of the options change. Changes in the unrealized appreciation of the options (\$12,762,839, \$8,061,627 and \$839,359 during the years ended December 31, 1999, 1998 and 1997, respectively) are offset by changes to the policy benefit liabilities in the consolidated statements of operations.

The Company's hedging strategy attempts to mitigate any potential risk of loss under these agreements through a regular monitoring process which evaluates the program's effectiveness. The Company is exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, the Company purchases its option contracts from multiple counterparties and evaluates the creditworthiness of all counterparties prior to purchase of the contracts. At December 31, 1999, all of these options had been purchased from nationally recognized investment banking institutions with a Standard and Poor's credit rating of BBB+ or higher.

Policy loans are reported at unpaid principal.

The carrying values of all the Company's investments are reviewed on an ongoing basis for credit deterioration. If this review indicates a decline in market value that is other than temporary, the Company's carrying value in the investment is reduced to its estimated realizable value and a specific writedown is taken. Such reductions in carrying value are recognized as realized losses and charged to income. Realized gains and losses on sales are determined on the basis of specific identification of investments.

Market values, as reported herein, of fixed maturity and equity securities are based on the latest quoted market prices, or for those fixed maturity securities not readily marketable, at values which are representative of the market values of issues of comparable yield and quality.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Deferred Policy Acquisition Costs

To the extent recoverable from future policy revenues and gross profits, certain costs of producing new business, principally commissions, first-year bonus interest and certain costs of policy issuance (including policy issue costs of \$2,949,107 in 1999, \$1,908,540 in 1998 and \$789,435 in 1997) have been deferred. For annuity and single premium universal life products, these costs are being amortized generally in proportion to expected gross profits from surrender charges and investment, mortality, and expense margins. That amortization is adjusted retrospectively when estimates of future gross profits/margins (including the impact of realized investment gains and losses) to be realized from a group of products are revised. Deferred policy acquisition costs are also adjusted for the change in amortization that would have occurred if available-for-sale fixed maturity securities had been sold at their aggregate market value and the proceeds reinvested at current yield. The impact of this adjustment is included in accumulated other comprehensive income (loss) within stockholders' equity.

For traditional life and accident and health insurance, deferred policy acquisition costs are being amortized over the premium-paying period of the related policies in proportion to premium revenues recognized, principally using the same assumptions for interest, mortality and withdrawals that are used for computing liabilities for future policy benefits subject to traditional "lock-in" concepts.

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Value of Insurance In Force Acquired

The value of insurance in force acquired represents that actuarially determined present value of the projected future cash flows from the insurance contracts that were acquired pursuant to two reinsurance agreements. This balance is amortized, evaluated for recovery and adjusted for the impact of unrealized gains and losses in the same manner as deferred policy acquisition costs described above.

Intangibles

Intangibles consist of deferred debt and trust preferred security issue costs and the excess of the purchase price paid over the fair value of the net

assets acquired (goodwill) in connection with the purchase of an inactive life insurance company in 1996. Deferred issue costs are being amortized over the life of the related agreement using the interest method. Goodwill is being amortized over 10 years using the straight-line method.

Property, Furniture and Equipment

Property and furniture and equipment, comprised primarily of office furniture and equipment, data processing equipment and capitalized software costs, are reported at cost less allowances for depreciation. Depreciation expense is determined primarily using the straight-line method over the estimated useful lives of the assets.

Separate Accounts

The separate account assets and liabilities represent funds that are separately administered for the benefit of variable annuity policyholders who bear the underlying investment risk. The separate account assets and liabilities are carried at fair value. Revenues and expenses related to the separate account assets and liabilities, to the extent of premiums received from and benefits paid or provided to the separate account policyholders, are excluded from the amounts reported in the consolidated statements of operations. The Company receives various fees (mortality, expense and surrender charges assessed against policyholder account balances) that are included as revenues in the consolidated statements of operations.

Future Policy Benefits

Future policy benefit reserves for annuity and single premium universal life products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for these products ranged from 3.0% to 12.0% in 1999 and 1998, and from 3.0% to 12.4% in 1997. A portion of this amount (\$7,602,004, \$5,909,679 and \$1,035,325 during the years ended December 31, 1999, 1998 and 1997, respectively) represents an additional interest credit on first-year premiums payable until the first contract anniversary date (first-year bonus interest). Such amounts have been offset against interest credited to account balances and deferred as policy acquisitions costs.

The liability for future policy benefits for traditional life insurance is based on net level premium reserves, including assumptions as to interest, mortality, and other assumptions underlying the guaranteed policy cash values. Reserve interest assumptions are level and range from 3.0% to 6.0%. The liabilities for future policy benefits for accident and health insurance are computed using a net level premium method, including assumptions as to morbidity and other assumptions based on the Company's experience, modified as necessary to give effect to anticipated trends and to include provisions for possible unfavorable deviations. Policy benefit claims are charged to expense in the period that the claims are incurred.

Unpaid claims include amounts for losses and related adjustment expenses and are determined using individual claim evaluations and statistical analysis. Unpaid claims represent estimates of the ultimate net costs of all losses, reported and unreported, which remain unpaid at December 31 of each year. These estimates are necessarily subject to the impact of future changes in claim severity, frequency and other factors. In spite of the variability inherent in such situations, management believes that the unpaid claim amounts are adequate. The estimates are continuously reviewed and as adjustments to these amounts become necessary, such adjustments are reflected in current operations.

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Certain policies of the Company include provisions for refunds of premiums based upon annual experience of the underlying business equal to net premiums received less a 16% administrative fee and less claims incurred. Such amounts (1999 - \$1,206,348; 1998 - \$523,807; and 1997 - \$711,129) are reported as a reduction of traditional life and accident and health insurance premiums in the consolidated statements of operations.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period. Deferred income tax assets are subject to ongoing

evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. If future income is not generated as expected, deferred income tax assets may need to be written off.

Stockholders' Equity

During 1999, the Company increased the number of authorized shares of common stock, \$1 par value, from 10,000,000 to 25,000,000. In connection with the issuance of the Company's common stock under certain private placement offerings, the Company issued warrants to purchase one additional share of common stock for every five shares that were purchased. In addition, warrants to purchase 80,000 shares of the Company's common stock were issued in 1997 in connection with the amendment of the Stock Option Agreement with the Company's chairman (see Note 9). During 1999, 114,083 warrants were exercised at a price of \$12.00 per share. During 1998, 157,398 warrants were exercised at a price of \$10.00. At December 31, 1999, the Company had warrants for 148,250 shares outstanding with exercise prices of \$12.00 per share (68,250 shares) and \$10.00 per share (80,000 shares). All of the warrants expire on April 30, 2000.

During 1998, the Company issued 625,000 shares of 1998 Series A Participating Preferred Stock, at par, under a private placement offering in exchange for cash of \$10,000,000. These shares have participating dividend rights with shares of the Company's common stock, when and as such dividends are declared. These shares are convertible into shares of the Company's common stock on a one-for-one basis and have no voting rights.

Recognition of Premium Revenues and Costs

Revenues for annuity and single premium universal life products consist of surrender charges assessed against policyholder account balances and mortality and expense charges (single premium universal life products only) during the period. Expenses related to these products include interest credited to policyholder account balances and benefit claims incurred in excess of policyholder account balances (single premium universal life products only).

Traditional life and accident and health insurance premiums are recognized as revenues over the premium-paying period. Future policy benefits and policy acquisition costs are recognized as expenses over the life of the policy by means of the provision for future policy benefits and amortization of deferred policy acquisition costs.

All insurance-related revenues, benefits, losses and expenses are reported net of reinsurance ceded.

Premiums and Deposits by Product Type

The Company markets equity-index annuities, fixed rate annuities, a variable annuity and life insurance. In connection with its reinsured group life business, the Company also collects renewal premiums on certain accident and health policies. Premium receipts (after cancellations) by product category collected during 1999, 1998 and 1997 were as follows:

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PRODUCT TYPE

1999 1998
1997 - -----

FIXED
ANNUITIES:
Equity Index
\$
551,278,000
\$
163,470,000
\$ 34,836,000
Fixed Rate
264,848,000
214,447,000
107,018,000
LIFE
INSURANCE:
10,025,000
10,155,000

10,867,000
 ACCIDENT AND
 HEALTH
 RENEWALS:
 269,000
 373,000
 558,000
 VARIABLE
 ANNUITIES:
 219,000
 151,000 -- -

 --- \$
 826,639,000
 \$
 388,596,000
 \$
 153,279,000
 =====
 =====
 =====

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders. Other comprehensive income (loss) excludes net realized investment gains (losses) included in net income (loss) which merely represent transfers from unrealized to realized gains and losses. These amounts totaled \$983,264 and \$35,886 in 1999 and 1998, respectively. Such amounts, which have been measured through the date of sale, are net of adjustments to deferred policy acquisition costs and income taxes totaling \$471,153 in 1999 and \$115,864 in 1998.

Pending Accounting Change

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires companies to record derivative instruments on the balance sheet at fair value. Accounting for gains or losses resulting from changes in the fair values of derivative instruments is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Statement is effective for the Company in the year 2001, with earlier adoption encouraged. The Company has not yet determined the effect that this new Statement will have on its operations or financial position.

2. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:

Fixed maturity securities: Quoted market prices, when available, or price matrices for securities which are not actively traded, developed using yield data and other factors relating to instruments or securities with similar characteristics.

Equity securities: Quoted market prices, where available.

Derivative instruments: Quoted market prices from related counterparties.

Policy loans: The Company has not attempted to determine the fair values associated with its policy loans, as management believes any differences between the Company's carrying value and the fair values afforded these instruments are immaterial to the Company's financial position and, accordingly, the cost to provide such disclosure is not worth the benefit to be derived.

Cash and cash equivalents: Amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

Separate account assets and liabilities: Reported at estimated fair value in the consolidated balance sheets.

Annuity and single premium universal life policy reserves: Fair values of the Company's liabilities under contracts not involving significant mortality or morbidity risks (principally deferred annuities), are stated at the cost the Company would incur to extinguish the liability (i.e., the cash surrender value). The Company is not required to and has not estimated the fair value

of its liabilities under other contracts.

Notes payable and amounts due under repurchase agreements: As all notes and short-term indebtedness under repurchase agreements have variable interest rates, the amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

Company-obligated mandatorily redeemable preferred securities of subsidiary trusts: Fair values are estimated by discounting expected cash flows using interest rates currently being offered for similar securities.

The following sets forth a comparison of the fair values and carrying amounts of the Company's financial instruments:

December 31
1999 1998 --

Carrying
Estimated
Carrying
Estimated
Amount Fair
Value Amount
Fair Value -

- - - - -

Assets Fixed
maturity
securities:
Available-
for-sale \$
997,019,819
\$
997,019,819
\$601,897,562
\$601,897,562
Held-for-
investment
398,467,247
315,974,664
-- -- Equity
securities
7,613,489
7,613,489 --
--

Derivative
instruments
44,209,883
44,209,883
16,171,621
16,171,621
Policy loans
231,068
231,068
192,184
192,184 Cash
and cash
equivalents
5,881,515
5,881,515
15,891,779
15,891,779
Separate
account
assets
370,787
370,787
151,450
151,450
Liabilities

Annuity and single premium universal life reserves
 1,343,815,953
 1,149,271,147
 529,765,023
 458,253,796
 Notes payable
 20,600,000
 20,600,000
 10,000,000
 10,000,000
 Amounts due under repurchase agreements
 86,968,750
 86,968,750
 49,000,000
 49,000,000
 Separate account liabilities
 370,787
 370,787
 151,450
 151,450
 Company-obligated mandatorily redeemable preferred securities of subsidiary trusts
 98,981,629
 98,981,629 -

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3. Investments

At December 31, 1999 and 1998, the amortized cost and estimated fair value of fixed maturity securities and equity securities were as follows:

	Gross Amortized Unrealized Estimated December 31, 1999	Gross Unrealized Estimated December 31, 1999	Gross Fair Value - Fixed maturity securities Available-for-sale United States Government and agencies
\$ 642,115,817	\$ 111,819		\$ (39,229,308)
\$602,998,328			

State,
 municipal and
 other
 governments
 4,539,257 --
 (379,607)
 4,159,650
 Public
 utilities
 12,201,799 --
 (1,362,599)
 10,839,200
 Corporate
 securities
 300,422,046
 408,652
 (28,539,013)
 272,291,685
 Redeemable
 preferred
 stocks
 9,240,340 --
 (824,220)
 8,416,120
 Mortgage and
 asset-backed
 securities
 101,946,108
 642,075
 (4,273,347)
 98,314,836 --

 \$1,070,465,367
 \$1,162,546
 \$(74,608,094)
 \$997,019,819
 =====
 =====
 =====
 =====
 Held for
 investment
 United States
 Government
 and agencies
 \$ 323,311,715
 \$ --
 \$(74,631,915)
 \$248,679,800
 Redeemable
 preferred
 stocks
 75,155,532 --
 (7,860,668)
 67,294,864 --

 ----- \$
 398,467,247 \$
 --
 \$(82,492,583)
 \$315,974,664
 =====
 =====
 =====
 =====
 Equity
 securities
 Non-
 redeemable
 preferred
 stocks \$
 6,850,000 \$ -
 - \$ (227,160)
 \$ 6,622,840
 Common stocks
 1,169,999 --

```

(179,350)
990,649 -----
-----
-----
-----
----- $
8,019,999 $ -
- $ (406,510)
$ 7,613,489
=====
=====
=====
December 31,
1998 - -----
-----
-----
---- Fixed
maturity
securities
Available-
for-sale
United States
Government
and agencies
$ 385,393,461
$ 854,292 $
(23,637)
$386,224,116
State,
municipal and
other
governments
4,227,231 --
(3,231)
4,224,000
Public
utilities
9,869,720
194,810 --
10,064,530
Corporate
securities
191,393,819
1,036,268
(525,097)
191,904,990
Mortgage and
asset-backed
securities
9,416,331
64,400 (805)
9,479,926 ---
-----
-----
-----
----- $
600,300,562
$2,149,770 $
(552,770)
$601,897,562
=====
=====
=====
=====

```

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The amortized cost and estimated fair value of fixed maturity securities at December 31, 1999, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of the Company's mortgage-backed and asset-backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

Available-
for-sale Held

unrealized	
gains	
(losses) on	
available-	
for-sale	
fixed	
maturity and	
equity	
securities	
\$(73,852,058)	
\$1,597,000	
Adjustments	
for assumed	
changes in	
amortization	
of deferred	
policy	
acquisition	
costs	
19,644,927	
(960,583)	
Deferred	
income tax	
benefit	
(expense)	
18,972,496	
(216,382) --	

Net	
unrealized	
gains	
(losses)	
reported as	
accumulated	
other	
comprehensive	
income	
(loss)	
\$(35,234,635)	
\$ 420,035	
=====	
=====	

Components of net investment income are as follows:

Year ended	
December	
31 1999	
1998 1997	

- -----	
--- -----	
---- Fixed	
maturity	
securities	
\$69,877,178	
\$28,304,437	
\$5,131,361	
Equity	
securities	
456,000 --	
--	
Derivative	
instruments	
(6,151,600)	
(1,767,580)	
(589,484)	
Policy	
loans	
19,722	
8,338	
12,281	
Cash and	
cash	
equivalents	
487,254	
331,530	
124,393	
Other	

951,035
55,109 --

- -----

65,639,589
26,931,834
4,678,551
Less
investment
expenses
(1,029,977)
(575,362)
(659,934)

- -----

---- Net
investment
income
\$64,609,612
\$26,356,472
\$4,018,617
=====
=====
=====

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An analysis of sales, maturities, and principal repayments of the Company's available-for-sale fixed maturity securities for the year ended December 31, 1999 is as follows:

Gross Gross
Proceeds
Amortized
Realized
Realized
from Cost
Gains
Losses Sale

- -----

- Year
ended
December
31, 1999
Scheduled
principal
repayments,
calls and
tenders
\$195,837,799
\$ -- \$ --
\$195,837,799
Sales
112,919,296
322,454
(409,706)
112,832,044

- -----

\$308,757,095
\$322,454
\$(409,706)
\$308,669,843
=====
=====
=====
=====
Year ended
December
31, 1998
Scheduled

principal
repayments
calls and
tenders
\$157,731,977
\$ -- \$ --
\$157,731,977
Sales
64,861,304
163,865
(12,115)
65,013,054

-

\$222,593,281
\$163,865
\$(12,115)
\$222,745,031
=====
=====
=====
=====

For the year ended December 31, 1999, realized gains on investments consisted of net losses of \$87,252 on the sale of available-for-sale fixed maturity securities and a gain of \$1,541,669 on the termination of a total return swap. For the year ended December 31, 1998, realized gains of \$426,782 consisted of net gains on sales of available-for-sale fixed maturities of \$151,750 and a gain on the sale of real property of \$275,032. The Company did not have any realized gains for the year ended December 31, 1997.

The change in unrealized appreciation/depreciation on investments for the year ended December 31, 1999 aggregated (\$75,449,058), and consisted of unrealized depreciation on available-for-sale fixed maturity securities and equity securities of \$75,042,548 and \$406,510, respectively. The changes in unrealized appreciation/depreciation on investments aggregated \$905,405 and \$893,151 for the years ended December 31, 1998 and 1997, respectively, and were entirely attributable to available-for-sale fixed maturity securities. The change in net unrealized appreciation/depreciation is recorded net of adjustments to deferred policy acquisition costs and deferred income taxes totaling \$39,794,388 in 1999, \$695,670 in 1998 and \$481,295 in 1997.

As a part of its asset-liability management activities, the Company from time to time purchases financial futures instruments and total return exchange agreements. The operations of the Company are subject to risk of interest rate fluctuations to the extent that there is a difference between the amount of the Company's interest-earning assets and interest-bearing liabilities that mature in specified periods. The principal objective of the Company's asset-liability management activities is to provide maximum levels of net investment income while maintaining acceptable levels of interest rate and liquidity risk, and facilitating the funding needs of the Company. Financial futures contracts are commitments to either purchase or sell a financial instrument at a specific future date for a specified price and may be settled in cash or through delivery of the financial instrument. Total return exchange agreements generally involve the exchange of the total return or yield on a referenced security for a specified interest rate.

If a financial futures contract used to manage interest rate risk is terminated early or results in payments based on the change in value of the underlying asset, any resulting gain or loss is deferred and amortized as an adjustment to the yield of the designated asset over its remaining life as long as the transaction qualifies for hedge accounting. The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains or losses recorded in income. To date, high correlation has been achieved. Deferred gains totaling \$4,969,781 for 1999 (\$0 in 1998) are included in held for investment fixed maturities and will be amortized as an adjustment to interest income over the life of the hedged instrument. The notional amount of outstanding agreements to sell securities was \$204,600,000 at

December 31, 1999. A fixed maturity security with an amortized cost of \$14,932,303 has been deposited with a broker dealer to establish a margin account for the futures contracts.

For total return exchange agreements, the differential of the total return yield or interest to be paid or received on a settlement date is recognized as an adjustment to investment income. If a total return swap agreement is terminated early any resulting gain or loss is recognized as realized gain or loss. In 1999, the Company recognized net investment expense of \$2,069,355 related to payments made on settlement dates, and realized a gain of \$1,541,669 on the termination of one total return swap agreement. The notional amount of outstanding agreements was \$332,000,000 at December 31, 1999.

At December 31, 1999, the following investments in any person or its affiliates (other than bonds issued by agencies of the United States Government) exceeded 10% of stockholders' equity:

--- FBL
 Capital
 Trust I
 \$67,294,864
 \$75,155,532
 United
 Dominion
 Realty
 \$4,802,600
 \$5,162,500
 AIG Global
 Trust
 19,000,000
 19,000,008
 U.S. Tr
 Cap A 144A
 5,262,046
 5,355,772
 Knight
 Funding,
 Ltd
 19,053,000
 18,430,348
 Nationwide
 Health
 Prop.
 4,890,600
 6,043,729
 Northwest
 Airlines
 10,135,483
 10,123,774
 BT Capital
 Trust
 4,868,000
 5,334,466
 Sutter CBO
 10,353,000
 10,000,000
 Health
 Care
 Properties
 4,815,000

5,000,000
South
Street CBO
9,520,839
9,737,000
Keycorp
Inst..
Cap-A 144A
4,701,920
5,265,316
FMR Corp.
9,662,600
10,084,411
Chase
Capital I
4,894,450
5,166,715
Nations
Bank
9,890,000
13,059,307
Fortress
CBO C
4,482,500
4,634,799
Evaluated
Loan
Collateral
9,108,000
9,108,000
Harcourt
Gen. Inc.
4,607,000
4,944,039
M&I
Capital
Trust
9,125,000
10,406,323
BS Com.
Mtg. 1999-
C1-D
4,295,800
4,723,306
American
Financial
Group
8,793,200
9,357,988
Orng &
Rkld
Utilities
4,397,000
4,962,985
Genamerica
Capital I
8,586,000
9,593,719
Simon
Debartolo
4,375,586
5,005,544
Jet
Equipment
Trust
8,250,000
8,214,878
Developers
Div. Rlty
4,215,250
5,013,067
Ikon
Capital,
Inc.
7,841,120
7,975,587
NJ Econ
Dev
Authority
4,159,650
4,539,257

JPM
Capital
Trust
7,700,000
8,473,156
Citicorp
Capital II
4,018,006
4,322,442
Bear
Stearns
M.T. Notes
7,680,000
7,930,144
Witco
Corp.
3,845,000
4,698,565
Commercial
Net I
7,388,480
7,699,283
Southern
Co. Cap.
Trust
3,823,200
4,261,940
Land O'
Lake
Capital
Tr.
6,837,432
8,078,789
First
Industrial
LP Mtn
3,800,000
4,090,222
New Plan
Excel
Realty Tr.
6,622,840
6,850,000
New Plan
Realty Tr.
Mtn
3,654,800
4,171,590
Engelhard
Corp.
5,516,400
5,896,425
Spieker
Properties
3,583,720
4,031,540
Farmers
Exchange
Capital
5,250,000
5,800,300
Lehman
Bros.
Holdings
3,508,000
4,879,094
Hilton
Hotels
Corp.
5,246,850
5,966,360
Nascor
1998-026-
A13
3,442,684
3,423,260
Health
Care
Property
5,146,680
5,565,410

EOP
 Operating
 LP
 3,436,400
 3,973,337
 Juniper 99
 A-3a
 4,615,650
 5,000,000

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4. Value of Insurance In Force Acquired

An analysis of the value of insurance in force acquired for the years ended December 31, 1999, 1998 and 1997 is as follows:

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Balance at beginning of year	\$1,068,906	\$1,343,000	\$1,725,000
Accretion of interest during the year	55,000	71,000	91,000
Amortization of asset	(371,479)	(345,094)	(473,000)
	-----	-----	-----
Balance at end of year	\$ 752,427	\$1,068,906	\$1,343,000
	=====	=====	=====

Amortization of the value of insurance in force acquired for the next five years is expected to be as follows: 2000 - \$232,000; 2001 - \$104,000; 2002 - \$104,000; 2003 - \$103,000; and 2004 - \$104,000.

5. Reinsurance and Policy Provisions

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers. Reinsurance coverages for life insurance vary according to the age and risk classification of the insured. The Company does not use financial or surplus relief reinsurance.

Reinsurance contracts do not relieve the Company of its obligations to its policyholders. To the extent that reinsuring companies are later unable to meet obligations under reinsurance agreements, the Company's life insurance subsidiary would be liable for these obligations, and payment of these obligations could result in losses to the Company. To limit the possibility of such losses, the Company evaluates the financial condition of its reinsurers, and monitors concentrations of credit risk. Insurance premiums have been reduced by \$1,110,871, \$567,027 and \$722,545 and insurance benefits have been reduced by \$335,558, \$375,592 and \$503,154 during the years ended December 31, 1999, 1998 and 1997, respectively, as a result of cession agreements.

No allowance for uncollectible amounts has been established against the Company's asset for amounts receivable from other insurance companies since none of the receivables are deemed by management to be uncollectible.

During 1998, the company entered into a modified coinsurance agreement to cede 70% of its variable annuity business to Equitrust Life Insurance Company ("Equitrust"). Equitrust is an affiliate of Farm Bureau Life Insurance Company which beneficially owns 33.27% of the Company's common stock. Under this agreement and related administrative services agreements, the Company paid Equitrust \$155,908 and \$77,954 for the years ended December 31, 1999 and 1998, respectively. The modified coinsurance agreement has an initial term of four years and will continue thereafter until termination by written notice at the election of either party. Any such termination will apply to the submission or acceptance of new policies, and business reinsured under the agreement prior to any such termination is not eligible for recapture before the expiration of 10 years. Equitrust (or one of its affiliates) provides the administrative support necessary to manage this business.

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The activity in the liability for unpaid claims and related adjustment expense

for the years ended December 31, 1999, 1998 and 1997, net of reinsurance, is summarized as follows:

Unpaid
Claims
Unpaid
Liability
at Claims
Beginning
of Claims
Claims
Liability
at Year
Incurred
Paid End
of Year --

- -----
--- -----

Year ended
December
31, 1999
1999 \$ --
\$ 550,877
\$ 319,145
\$ 231,732
1998 and
prior
672,661
(186,097)
124,112
362,452 --

- -----
--- -----

672,661 \$
364,780 \$
443,257
594,184
=====

=====

Active
life
reserve
1,518,222
1,575,828

- -----
--- Total
accident
and health
reserves \$
2,190,883
\$
2,170,012
=====

=====

Year ended
December
31, 1998
1998 \$ --
\$ 580,845
\$ 318,507
\$ 262,338
1997 and
prior
667,287
(133,100)
123,864
410,323 --

- -----
--- -----

667,287 \$
447,745 \$

```

442,371
672,661
=====
=====
Active
life
reserve
1,406,694
1,518,222
-----
- -----
--- Total
accident
and health
reserves $
2,073,981
$
2,190,883
=====
=====
Year ended
December
31, 1997
1997 $ --
$ 556,302
$ 296,060
$ 260,242
1996 and
prior
629,651
(107,471)
115,135
407,045 --
-----
-----
- -----
- -----
-----
629,651 $
448,831 $
411,195
667,287
=====
=====
Active
life
reserve
1,350,132
1,406,694
-----
- -----
--- Total
accident
and health
reserves $
1,979,783
$
2,073,981
=====
=====

```

6. Income Taxes

The Company files a consolidated federal income tax return with all its subsidiaries except American Equity Investment Life Insurance Company, which files a separate federal income tax return and American Equity Investment Properties, L.C., which is taxed as a partnership and, as such, all taxable income is allocated to its owners.

Deferred income taxes are established by the Company and its subsidiaries based upon the temporary differences among financial reporting and tax bases of assets and liabilities within each entity, the reversal of which will result in taxable or deductible amounts in future years when the related asset or liability is recovered or settled, measured using the enacted tax rates.

Income tax benefit (expense) differed from that computed at the applicable statutory federal income tax rate (35% in 1999; 34% in 1998 and 1997) as

Year ended	
December 31	
1999	1998
1997	-----
-----	-----
-----	-----

Income	
(loss)	
before	
income	
taxes \$	
3,095,870	\$
1,004,670	
\$(4,759,614)	
=====	
=====	
=====	

Income tax
benefit
(expense)
on income
(loss)
before
income
taxes at
statutory
rate
\$(1,083,555)
\$ (341,588)
\$ 1,618,269
Tax effect
of:

Earnings on company-obligated mandatorily redeemable preferred securities of subsidiary trusts 708,000 --
-- State income taxes 61,000
59,000
129,000
Small company deduction - -- --

331,000	
Change in valuation allowance on deferred income tax assets	
1,537,000	
(397,000)	
(707,000)	
Other	
147,390	
(80,895)	
18,957	----

Income tax	
benefit	
(expense)	\$
1,369,835	\$
(760,483)	\$
1,390,226	
=====	

=====

The tax effect of individual temporary differences at December 31, 1999 and 1998, is as follows:

December 31	
1999	1998
--	--
-----	-----
Deferred income tax assets:	
Policy benefit reserves \$	
55,066,000	\$
17,810,000	
Provision for experience rating refunds	
191,000	
283,000	
Unrealized depreciation on available-for-sale fixed maturity securities and equity securities	
18,972,496	-
- Deferred compensation	
426,000	
350,000	Net operating loss
carryforwards	
1,609,000	
1,182,000	
Other	15,372
66,000	-----
-----	-----
76,279,868	
19,691,000	
Deferred income tax liabilities:	
Unrealized appreciation of available-for-sale fixed maturity securities	-
- (216,382)	
Accrued discount on fixed maturity securities	
(800,000)	--
Deferred policy acquisition costs	
(31,861,000)	
(8,939,000)	
Value of insurance in force acquired	
(263,000)	

(363,000)
Other
(319,000)
(346,119) --

(33,243,000)
(9,864,501)
Valuation
allowance on
deferred
income tax
assets --
(1,537,000)

Deferred
income tax
asset \$
43,036,868 \$
8,289,499
=====
=====

The Company regularly reviews its needs for a valuation allowance against its deferred income tax assets. During the year ended December 31, 1997, the Company's life insurance company became taxable and it is expected that it will continue to pay federal income taxes in the foreseeable future. As a result, the valuation allowance pertaining to deferred income tax assets at this subsidiary was eliminated at December 31, 1997. At December 31, 1998 and 1997, the Company carried a valuation allowance against deferred income tax assets of the non-life insurance entities due to the uncertainty of future income. However, this valuation allowance was eliminated at December 31, 1999 as a result of the Company's adoption of plans and policies relative to future taxable income or loss of the non-life entities.

The Company has net operating loss carryforwards for tax purposes of \$3,978,000 at December 31, 1999, which expire in 2010 through 2014. None of these carryforwards is currently available to reduce the tax provisions for financial reporting purposes.

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7. Notes Payable and Amounts Due Under Repurchase Agreements

On October 18, 1996, the Company borrowed \$10 million from two banks under a variable rate revolving credit agreement with a maximum borrowing level of \$10 million. During 1999, the maximum borrowing level was increased to \$25,000,000, and the Company borrowed an additional \$10,600,000. The notes bear interest (7.56% at December 31, 1999) at LIBOR plus a specified margin of up to 1.75% and interest is payable quarterly. Principal and accrued interest is due and payable on March 31, 2001, with an option for a four-year extension as a term loan. Under the agreement, the Company is required to maintain minimum capital and surplus levels at American Equity Investment Life Insurance Company and meet certain other financial and operating ratio requirements. The Company is also prohibited from incurring other indebtedness for borrowed money and from paying dividends on its capital stock in excess of 10% of its consolidated net income for the prior fiscal year (except that in 1999, the Company was permitted to make the dividend payments reflected in the consolidated financial statements).

As part of its investment strategy, the Company enters into securities lending programs to increase its return on investments and improve its liquidity. These transactions are accounted for as amounts due under repurchase agreements (short-term collateralized borrowings). Such borrowings averaged approximately \$68,139,218 and \$28,216,906 for the years ended December 31, 1999 and 1998, respectively, and were collateralized by investment securities with fair market values approximately equal to the amount due. At December 31, 1999, the Company has securities lending programs with First Union Securities, Inc. and Bear, Stearns & Co., Inc. with amounts due to each of \$57,906,250 and \$29,062,500, respectively. The weighted average interest rate on amounts due under repurchase agreements was 5.12% and 5.42% for the years ended December 31, 1999 and 1998, respectively.

8. General Agency Commission and Servicing Agreement

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly-owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. Under the terms of the original agreement, the Service

Company was required to pay the greater of (a) 5% of the premiums collected by the Company on the sale of certain annuity products, or (b) 50% of the agent's commissions payable by the Company on the sale of those same policies. In return, the Company agreed to pay quarterly renewal commissions to the Service Company equal to .3275% of the premiums received by the Company on policies that still remain in force. In addition, the Company has agreed to pay supplemental commissions should lapses in any quarter exceed 1.88%, or certain other circumstances arise. The Agreement terminates on June 30, 2005.

On December 31, 1997, the Service Company and the Company amended the Agreement to provide for the payment of 100% of the agents' commissions by the Service Company for policies issued from July 1, 1997 through December 31, 1997. In return, the Company agreed to pay the Service Company quarterly renewal commissions of .7% of the premiums received by the Company before January 1, 1998 that still remain in force, and .325% for in-force amounts received thereafter. The revised quarterly renewal commission schedule commenced December 31, 1997. For policies issued from January 1, 1998 through August 30, 1999, the original agreement remains in effect and, accordingly, the Company pays renewal commissions of .325% of the premiums received on such policies which remain in force.

On June 30, 1999, the Service Company and the Company further amended the Agreement to provide for the payment of 30% of agents' commissions by the Service Company for policies issued on or after September 1, 1999, and the Company agreed to pay the Service Company quarterly renewal commissions of .25% for in force amounts received thereafter.

The above-described amendments to the General Agency Commission and Servicing Agreement resulted from the ability and willingness of the Service Company to assume differing levels of commitments under the General Agency Commission and Servicing Agreement.

In connection with the General Agency Commission and Servicing Agreement, the Company records commissions and a related payable for amounts paid by the Service Company. Interest expense is recorded based upon estimated future payments to the Service Company based upon an imputed interest rate (assumed to be 9.0%) for each of the periods presented. Estimated future payments are evaluated regularly and the imputed interest rate will be adjusted when deemed necessary. During the years ended December 31, 1999, 1998 and 1997, the Service Company paid \$37,722,852, \$19,933,480, and \$11,470,576 respectively, to agents of the Company. The Company paid renewal commissions to the Service Company of \$14,566,020, \$6,781,288 and \$1,360,410, respectively, which were used to reduce the amount due under commission and servicing agreement, and amounts attributable to imputed interest.

From January, 1997 to July, 1999, the Service Company borrowed approximately \$45,000,000 from David J. Noble, Chairman, Chief Executive Officer and President of the Company as the source of funding its portion of producing agents' commission payments. During 1999, the Company agreed to loan the Service Company up to \$50,000,000 as an alternate source of funds for such first year commissions, and the Company had advanced \$18,175,000 to the Service Company through December 31, 1999 pursuant to the promissory note evidencing this agreement. Principal and interest on all loans to the Service Company are payable quarterly over five years from the date of the advance. Interest on all such indebtedness accrues at "reference rate" of the financial institution which is the Company's principal lender. This rate averaged 7.98% in 1999, 8.38% in 1998 and 8.44% in 1997. The Service Company repays the above described indebtedness from the renewal commissions paid to it under the General Agency Commission and Servicing Agreement.

9. Minority Interests in Subsidiary Trusts

During, 1999, American Equity Capital Trust I ("Trust I"), a wholly-owned subsidiary of the Company, issued \$25,970,140 of 8% Convertible Trust Preferred Securities (the "8% Trust Preferred Securities"). In connection with Trust I's issuance of the 8% Trust Preferred Securities and the related purchase by the Company of all of Trust I's common securities, the Company issued \$26,773,000 in principal amount of its 8% Convertible Junior Subordinated Debentures, due September 30, 2029 (the "8% Debentures") to Trust I. The sole assets of Trust I are the 8% Debentures and any interest accrued thereon. Each 8% Trust Preferred Security is convertible into one share of common stock of the Company at a conversion price equal to the lesser of (i) \$30 per share or (ii) 90% of the initial price per share to the public of the Company's common stock sold in connection with its initial public offering of such common stock (the "IPO"), upon the earlier of the 91st day following the IPO or September 30, 2002. The interest payment dates on the 8% Debentures correspond to the distribution dates on the 8% Trust Preferred Securities. The 8% Trust Preferred Securities, which have a liquidation value of \$30 per share plus accrued and unpaid distributions, mature simultaneously with the 8% Debentures. At December 31, 1999, 865,671.33

shares of 8% Trust Preferred Securities were outstanding, all of which are unconditionally guaranteed by the Company to the extent of the assets of Trust I.

Also during 1999, American Equity Capital Trust II ("Trust II"), a wholly-owned subsidiary of the Company, issued 97,000 shares of 5% Trust Preferred Securities (the "5% Trust Preferred Securities") to Iowa Farm Bureau Federation, which owns more than 50% of the voting capital stock of FBL Financial Group, Inc. ("FBL"), parent company of Farm Bureau Life Insurance Company ("Farm Bureau"). Farm Bureau beneficially owns 33.27% of our common stock. The 5% Trust Preferred Securities, which have a liquidation value of \$100 per share (\$97,000,000 in the aggregate), have been assigned a fair value of \$72,490,000 (based upon an effective 7% yield-to-maturity). The consideration received by Trust II in connection with the issuance of the 5% Trust Preferred Securities consisted of fixed income trust preferred securities of equal value which were issued by FBL.

In connection with Trust II's issuance of the 5% Preferred Securities and the related purchase by the Company of all of Trust II's common securities, the Company issued \$100,000,000 in principal amount of its 5% Subordinated Debentures, due June 1, 2047 (the "5% Debentures") to Trust II. The sole assets of Trust II are the 5% Debentures and any interest accrued thereon. The interest payment dates on the 5% Debentures correspond to the distribution dates on the 5% Trust Preferred Securities. The 5% Trust Preferred Securities mature simultaneously with the 5% Debentures. All of the 5% Trust Preferred Securities are unconditionally guaranteed by the Company to the extent of the assets of Trust II.

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10. Retirement and Stock Compensation Plans

The Company has adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all full-time employees of the Company, subject to minimum eligibility requirements. Employees can contribute up to 15% of their annual salary (with a maximum contribution of \$10,000 in 1999, \$10,000 in 1998, and \$9,500 in 1997) to the plan. The Company contributes an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were \$41,703, \$25,231 and \$19,434 for the years ended December 31, 1999, 1998 and 1997 respectively.

The Company has entered into deferred compensation arrangements with certain officers, directors, and consultants, whereby these individuals have agreed to take common stock of the Company at a future date in lieu of current cash payments. The common stock is to be issued in conjunction with a "trigger event", as that term is defined in the individual agreements. At December 31, 1999 and 1998, these individuals have earned, and the Company has reserved for future issuance, 96,060 and 96,958 shares of common stock, respectively, pursuant to these arrangements. The Company has also accrued \$1,097,933 and \$1,017,333 as an other liability at December 31, 1999 and 1998, respectively, representing the value associated with the shares earned. In September, 1999, a retired employee received a distribution of 9,040 shares in accordance with the employee's deferred compensation arrangement.

During 1997, the Company established the American Equity Investment NMO Deferred Compensation Plan whereby agents can earn common stock in addition to their normal commissions. Awards are calculated using formulas determined annually by the Company's Board of Directors and are generally based upon new annuity deposits. For the years ended December 31, 1999, 1998 and 1997, agents earned the right to receive 112,596, 83,861 and 13,131 shares, respectively. These shares will be awarded at the end of the vesting period of 4 years for the 1999 and 1998 programs, and 3 years for the 1997 program. A portion of the awards may be subject to forfeiture if certain production levels are not met over the remaining vesting period. The Company recognizes commission expense as the awards vest. For the years ended December 31, 1999 and 1998, agents vested in 53,042 and 25,342 shares of common stock, respectively, and the Company recorded commission expense (which was subsequently capitalized as deferred policy acquisition costs) of \$1,379,092 and \$295,354, respectively, under these plans. Amounts accrued are reported as other liabilities until the stock has been issued. At December 31, 1999, the Company has reserved 209,588 shares for future issuance under the plans. Two of the Company's national marketing organizations accounted for more than 10% of the annuity deposits and insurance premium collections during 1999.

During 1997, a Stock Option Agreement with the Company's Chairman (and owner of 8.6% of its outstanding common stock at December 31, 1999) was amended to fix

Changes in the number of stock options outstanding during the years ended December 31, 1999, 1998 and 1997 are as follows (excluding options on 120,000 shares that were exercisable at fair value in 1998 and 1997 and converted to a fixed exercise price in 1999):

Outstanding at January 1, 1997
612,000 \$
10.00 \$
6,120,000
Granted
341,700
10.98
3,750,400
Cancelled (412,000)
10.00
(4,120,000)
Exercised (200)
10.00
(2,000)
Forfeited (5,800)
10.00
(58,000) -

- 535,700
10.62
5,690,400
Outstanding at
December 31, 1997
Granted
38,500
16.00
616,000
Canceled

(16,500)
10.18
(168,000)
Exercised
(700)
11.71
(8,200) --

Outstanding
at
December
31, 1998
557,000
11.01
6,130,200
Granted
95,920
22.44
2,152,240
Converted
120,000
22.00
2,640,000
Canceled
(1,550)
20.06
(31,000)
Exercised
(7,225)
10.27
(74,200) -

-
Outstanding
at
December
31, 1999
764,145
14.16
\$10,817,240
=====
=====

Stock options outstanding at December 31, 1999 (all currently exercisable) are follows:

Weighted-
Average
Remaining
Life
Number
(in
Years) -

Exercise
price:
\$10.00
375,000
7.18
\$12.00
122,600
7.55
\$16.00
51,675
8.73
\$22.00
204,370
8.26
\$26.00
10,500
9.92 ---

764,145
7.67
=====

At December 31, 1999, the Company had 47,730 shares of common stock available for future grant under the 1996 Stock Option Plan.

On December 1, 1997, in connection with a rights offering of shares of the Company's common stock, the Company issued subscription rights to purchase an aggregate of 719,125 shares of the Company's common stock to certain officers and directors. The subscription rights have an exercise price of \$16.00 per share, were fully exercisable immediately, and expire on December 1, 2002.

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Pro forma information regarding net income is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options and subscription rights under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a minimum value option pricing model (which is used for non-public companies) with the following weighted-average assumptions:

Year ended	
December 31 1999	
1998	
1997 ---	
- ---- -	

Risk-free	
interest rate	
4.73%	
5.40%	
6.50%	
Dividend yield	0%
0% 0%	
Weighted-average	
expected life	3
years	3
years	3
years	

The minimum value option pricing model is similar to the Black-Scholes option valuation model (which is primarily used for public companies) except that it excludes an assumption for the expected volatility of market price. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net earnings and earnings per common share were as follows:

Year ended	
December 31	
1999 1998	
1997 -----	

-- -----	
---	Net
income	
(loss), as	
reported	
\$2,443,346	
\$244,187	
\$(3,369,388)	
Net income	
(loss), pro	
forma	
2,035,000	
189,000	

(4,903,000)
 Basic
 earnings
 per common
 share, as
 reported
 0.52 0.05
 (2.11)
 Basic
 earnings
 per common
 share, pro
 forma 0.43
 0.04 (3.07)
 Diluted
 earnings
 per common
 share, as
 reported
 0.42 0.05
 (2.11)
 Diluted
 earnings
 per common
 share, pro
 forma 0.35
 0.04 (3.07)

11. Life Insurance Subsidiary

Iowa Insurance Laws require domestic insurers to maintain a minimum of \$5.0 million capital and surplus.

Prior approval of regulatory authorities is required for the payment of dividends to the Company by its life insurance subsidiary which exceed an annual limitation. During 2000, the life insurance subsidiary could pay dividends to its parent of approximately \$16,326,000 without prior approval from regulatory authorities.

The financial statements of American Equity Investment Life Insurance Company included herein differ from related statutory-basis financial statements principally as follows: (a) the bond portfolio is segregated into held-for-investment (carried at amortized cost), available-for-sale (carried at fair value), and trading (carried at fair value) classifications rather than generally being carried at amortized cost; (b) acquisition costs of acquiring new business are deferred and amortized over the life of the policies rather than charged to operations as incurred; (c) the excess of purchase price over net assets acquired in business combinations is allocated to identifiable intangibles such as value of insurance in force acquired, rather than being entirely attributable to goodwill (a portion of which may be non-admitted); (d) policy reserves on traditional life and accident and health insurance products are based on reasonable assumptions of expected mortality, morbidity, interest and withdrawals which include a provision for possible adverse deviation from such assumptions which may differ from reserves based on statutory mortality rates and interest; (e) future policy benefit reserves on certain universal life and annuity products are based on full account values, rather than discounting methodologies utilizing statutory interest rates; (f) reinsurance amounts are shown as gross amounts, net of an allowance for uncollectible amounts, on the consolidated balance sheet rather than netted against the corresponding receivable or payable; (g) deferred income taxes are provided for the

difference between the financial statement and income tax bases of assets and liabilities; (h) net realized gains or losses attributed to changes in the level of interest rates in the market are recognized as gains or losses in the statement of operations when the sale is completed rather than deferred and amortized over the remaining life of the fixed maturity security or mortgage loan; (i) declines in the estimated realizable value of investments are charged to the statement of operations for declines in value, when such declines in value are judged to be other than temporary rather than through the establishment of a formula-determined statutory investment reserve (carried as a liability), changes in which are charged directly to surplus, (j) agents' balances and certain other assets designated as "non-admitted assets" for statutory purposes are reported as assets rather than being charged to surplus; (k) revenues for universal life and annuity products consist of policy charges for the cost of insurance, policy administration charges, amortization of policy initiation fees and surrender charges assessed rather than premiums received; and (l) pension income or expense is recognized in accordance with SFAS No. 87,

Employers' Accounting for Pensions, rather than in accordance with rules and regulations permitted by the Employee Retirement Income Security Act of 1974; (m) surplus notes are reported as a liability rather than as a component of capital and surplus; and (n) assets and liabilities are restated to fair values when a change in ownership occurs, rather than continuing to be presented at historical cost.

Net income for the life insurance subsidiary as determined in accordance with statutory accounting practices was \$17,837,476, \$4,803,545 and \$4,470,284 in 1999, 1998 and 1997, respectively, and total statutory capital and surplus of the life insurance subsidiary was \$139,855,053 and \$80,947,913 at December 31, 1999 and 1998, respectively.

In 1998, the NAIC adopted codified statutory accounting principles (Codification). Codification will likely change, to some extent, prescribed statutory accounting practices and may result in changes to the accounting practices that the Company uses to prepare its statutory-basis financial statements, to be effective January 1, 2001. Codification will require adoption by the various states before it becomes the prescribed statutory basis of accounting for insurance companies domesticated within those states. Accordingly, before Codification becomes effective for the Company, the State of Iowa must adopt Codification as the prescribed basis of accounting on which domestic insurers must report their statutory-basis results to the Insurance Division, Department of Commerce, of the State of Iowa. At this time it is anticipated that the State of Iowa will adopt Codification. However, based on current guidance, management believes that the impact of Codification will not be material to the Company's statutory-basis financial statements.

12. Commitments and Contingencies

The Company leases its home office space and certain equipment under operating leases which expire through June 2004. During the years ended December 31, 1999, 1998 and 1997, rent expense on the home office space totaled \$451,748, \$350,174 and \$334,627, respectively. At December 31, 1999, minimum rental payments due under all noncancellable operating leases with initial terms of one year or more are:

Year ending December 31:	
2000	\$ 538,000
2001	535,000
2002	528,000
2003	520,000
2004	265,000

	\$ 2,386,000
	=====

Assessments are, from time to time, levied on the Company by life and health guaranty associations by most states in which the Company is licensed to cover losses to policyholders of insolvent or rehabilitated companies. In some states, these assessments can be partially recovered through a reduction in future premium taxes. Given the short period since inception, management believes that assessments against the Company for failures known to date will be minimal.

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13. Earnings per share

The following table sets forth the computation of basic earnings (loss) per common share and diluted earnings per common share:

Year ended	
December 31	
1999 1998	
1997 -----	

Numerator:	
Net income	
(loss) \$	
2,443,346 \$	
244,187	
\$(3,369,388)	
Dividends	
on	
preferred	
stock	
(12,500) --	

-- -----
 -- -----
 -- -----

 Numerator
 for basic
 earnings
 (loss) per
 common
 share
 2,430,846
 244,187
 (3,369,388)
 Dividends
 on
 preferred
 stock
 12,500 -- -
 - -----
 -- -----
 --- -----

 Numerator
 for diluted
 earnings
 (loss) per
 common
 share \$
 2,443,346 \$
 244,187
 \$(3,369,388)
 =====
 =====
 =====
 Denominator:
 Weighted
 average
 shares
 outstanding
 4,669,429
 4,464,912
 1,598,695
 Effect of
 dilutive
 securities:
 Preferred
 stock
 625,000
 3,425 --
 Warrants
 84,586
 117,370 --
 Stock
 options and
 management
 subscription
 rights
 342,801
 114,788 --
 Deferred
 compensation
 agreements
 117,487
 13,533 -- -

 Adjusted
 weighted
 average
 shares
 outstanding
 5,839,303
 4,714,028
 1,598,695
 =====
 =====
 =====
 Basic
 earnings
 (loss) per

[illegible]

preferred
stocks
9,240,340
8,416,120
8,416,120
Mortgage and
asset-backed
securities
101,946,108
98,314,836
98,314,836 --

1,070,465,367
997,019,819
997,019,819
Held for
investment
United States
Government
and agencies
323,311,715
248,679,800
323,311,715
Redeemable
preferred
stocks
75,155,532
67,294,864
75,155,532 --

398,467,247
315,974,664
398,467,247 -

--- Total
fixed
maturity
securities
1,468,932,614
1,312,994,483
1,395,487,066

----- Equity
securities:
Non-
redeemable
preferred
stocks
6,850,000
6,622,840
6,622,840
Common stocks
1,169,999
990,649
990,649 -----

Total equity
securities
8,019,999
7,613,489
7,613,489 ---

- Derivative
instruments
22,546,058
44,209,883
Policy loans

231,068	
231,068	
Short-term	
investments	
45,000	45,000

- - - - -	
--- Total	
investments	
\$1,499,774,739	
\$1,447,586,506	
=====	
=====	

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and derivative instruments.

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Schedule II

Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

Condensed Balance Sheets

December 31	
1999 1998 ---	

Assets Cash	
and cash	
equivalents \$	
682,980 \$	
2,212,159	
Fixed	
maturity	
security,	
held for	
investment,	
at amortized	
cost (market:	
1999	
-\$43,013,614)	
46,667,553 --	
Receivables	
from	
subsidiary	
(eliminated	
in	
consolidation)	
3,194,630 --	
Receivables	
from related	
parties	
18,788,327 --	
Property,	
furniture and	
equipment,	
less	
accumulated	
depreciation	
of \$760,956	
in 1999 and	
\$453,927 in	
1998 211,050	
518,079 Debt	
issue costs,	
less	
accumulated	
amortization	
of \$453,912	
in 1999 and	
\$314,805 in	

1998	
1,765,505	
103,642	
Deferred	
income tax	
asset	
1,963,212 --	
Investment	
income due	
and accrued	
546,666 --	
Other assets	
-- 27,699 ---	

73,819,923	
2,861,579	
Investment in	
and advances	
to	
subsidiaries	
(eliminated	
in	
consolidation)	
86,826,790	
74,712,974 --	

Total assets	
\$ 160,646,713	
\$ 77,574,553	
=====	
=====	
Liabilities	
and	
Stockholders'	
Equity	
Liabilities:	
Notes payable	
\$ 20,600,000	
\$ 10,000,000	
Payable to	
subsidiaries	
(eliminated	
in	
consolidation)	
102,028,638 -	
- Amounts due	
to related	
parties	
2,591,370 --	
Other	
liabilities	
1,102,414	
1,444,032 ---	

Total	
liabilities	
126,322,422	
11,444,032	
Commitments	
and	
contingencies	
Stockholders'	
equity:	
Series	
Preferred	
Stock 625,000	
625,000	
Common Stock	
4,712,310	
4,581,962	
Additional	
paid-in	
capital	
66,057,863	
64,783,117	
Accumulated	
other	
comprehensive	

income (loss)
(35,234,635)
420,035
Retained-
earnings
deficit
(1,836,247)
(4,279,593) -

Total
stockholders'
equity
34,324,291
66,130,521 --

Total
liabilities
and
stockholders'
equity \$
160,646,713 \$
77,574,553
=====
=====

See accompanying note to condensed financial statements.

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Schedule II

Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

Condensed Statements of Operations

Year ended
December 31
1999 1998
1997 -----
--- -----
-- -----
- Revenues:
Net
investment
income \$
1,022,500 \$
154,307 \$
50,161
Dividends
from
subsidiary
(eliminated
in
consolidation)
3,000,000 --
-- Interest
from
subsidiary
(eliminated
in
consolidation)
46,419 -- --
Surplus note
interest from
subsidiary
(eliminated
in
consolidation)
1,079,106
157,788
134,077
Interest on

note	
receivable	
from related	
party	
(eliminated	
in	
consolidation)	
581,957	-- --
-----	-
-----	--

Total	
revenues	
5,729,982	
312,095	
184,238	
Expenses:	
Interest	
expense on	
notes payable	
896,383	
788,770	
979,826	
Interest	
expense on	
debentures	
issued to	
subsidiary	
trusts	
(eliminated	
in	
consolidation)	
2,068,778	--
-- Other	
operating	
costs and	
expenses	
821,814	
818,782	
1,281,776	---

Total	
expenses	
3,786,975	
1,607,552	
2,261,602	---

Income	
(loss) before	
income taxes,	
equity in	
undistributed	
income (loss)	
of	
subsidiaries	
and earnings	
attributable	
to company-	
obligated	
mandatorily	
redeemable	
preferred	
securities of	
subsidiary	
trusts	
1,943,007	
(1,295,457)	
(2,077,364)	
Deferred	
income tax	
benefit	
1,963,212	--
--	-----
-	-----

Income (loss)	
before equity	
in	
undistributed	

income (loss)	
of	
subsidiaries	
and earnings	
attributable	
to company-	
obligated	
mandatorily	
redeemable	
preferred	
securities of	
subsidiary	
trusts	
3,906,219	
(1,295,457)	
(2,077,364)	
Equity in	
undistributed	
income (loss)	
of	
subsidiaries	
(eliminated	
in	
consolidation)	
559,486	
1,539,644	
(1,292,024) -	

Income (loss)	
before	
earnings	
attributable	
to company-	
obligated	
mandatorily	
redeemable	
preferred	
securities of	
subsidiary	
trusts	
4,465,705	
244,187	
(3,369,388)	
Minority	
interest in	
subsidiaries	
- earnings	
attributable	
to company-	
obligated	
mandatorily	
redeemable	
preferred	
securities of	
subsidiary	
trusts	
(2,022,359) -	
- - - - -	
- - - - -	
- - - - -	
- Net income	
(loss) \$	
2,443,346 \$	
244,187	
\$(3,369,388)	
=====	
=====	
=====	

See accompanying note to condensed financial statements.

(Parent Company)

American Equity Investment Life Holding Company

Condensed Statements of Cash Flows

Year ended
December 31
1999 1998
1997 -----

Operating
activities
Net income
(loss) \$
2,443,346 \$
244,187
\$(3,369,388)
Adjustments
to reconcile
net income
(loss) to
net cash
provided by
(used in)
operating
activities:
Provision
for
depreciation
and
amortization
446,136
401,624
306,082
Accrual of
discount on
fixed
maturity
security
(333,753) --
--
Compensation
expense
related to
issuance of
stock
options and
warrants --
-- 628,000
Equity in
undistributed
loss
(income) of
subsidiaries
(559,486)
(1,539,644)
1,292,024
Minority
interest in
subsidiaries
- earnings
attributable
to company-
obligated
mandatorily
redeemable
preferred
securities
of
subsidiary
trusts
2,022,359 --
-- Accrual
of discount
on
debentures
issued to

subsidiary
 trusts
 521,489 -- -
 - Deferred
 income taxes
 (1,963,212)
 -- --
 Changes in
 operating
 assets and
 liabilities:
 Receivable
 from
 subsidiaries
 (3,194,630)
 126,775
 (85,509)
 Receivable
 from related
 party
 (613,327) --
 --
 Investment
 income due
 and accrued
 (546,666) --
 -- Other
 assets
 27,699
 (25,657)
 (2,042)
 Payable to
 subsidiaries
 1,850
 (17,247)
 (733,313)
 Amounts due
 to related
 parties
 2,591,370 --
 -- Other
 liabilities
 (341,620)
 481,802
 128,634 ----

 Net cash
 provided by
 (used in)
 operating
 activities
 501,555
 (328,160)
 (1,835,512)

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Year ended
 December 31
 1999 1998
 1997 -----

 Investing
 activities
 Capital
 contributions
 to
 subsidiaries
 (6,075,159)
 (6,600,000)
 (42,500,000)
 Purchase of
 surplus
 notes from

subsidiary
(17,000,000)
(5,500,000)
-- Purchase
of note
receivable
from related
party
(18,175,000)
-- --

Purchases of
property,
furniture
and
equipment --
(196,117)
(514,269) --

Net cash
provided by
(used in)
investing
activities
(41,250,159)
(12,296,117)
(43,014,269)
Financing
activities
Financing
fees
deferred
(1,800,968)
-- --

Proceeds
from notes
payable
10,600,000 -
- --

Proceeds
from
issuance of
company-
obligated
mandatorily
redeemable
preferred
securities
of
subsidiary
trusts
29,015,299 -
- -- Net
proceeds
from sale of
preferred
stock --
9,968,070 --

Net proceeds
from
issuance of
common stock
1,511,840
1,282,480
46,618,479
Dividends
paid
(106,746) --

----- Net
cash
provided by
financing
activities
39,219,425
11,250,550
46,618,479 -

 Increase
 (decrease)
 in cash and
 cash
 equivalents
 (1,529,179)
 (1,373,727)
 1,768,698
 Cash and
 cash
 equivalents
 at beginning
 of year
 2,212,159
 3,585,886
 1,817,188 --

 Cash and
 cash
 equivalents
 at end of
 year \$
 682,980 \$
 2,212,159
 \$3,585,886
 =====
 =====
 =====

Supplemental
 disclosure
 of cash flow
 information
 Cash paid
 during the
 year for
 interest:
 Interest on
 notes
 payable \$
 896,383 \$
 467,111 \$
 840,344
 Interest
 paid to
 subsidiary
 trusts
 1,547,289 --
 -- Exchange
 of fixed
 maturity
 securities
 for
 debentures
 issued to
 subsidiary
 trusts
 72,490,000 -
 - -- Fixed
 maturity
 security
 contributed
 to
 subsidiary
 26,156,200 -
 - --

See accompanying note to condensed financial statements.

(Parent Company)

American Equity Investment Life Holding Company

Note to Condensed Financial Statements

December 31, 1999

1. Basis of Presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company.

In the parent company-only financial statements, the Company's investment in and advances to subsidiaries (which includes surplus notes issued by the Company's life insurance subsidiary) is stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' fixed maturity securities classified as "available-for-sale" and equity securities in accordance with SFAS 115, Accounting for Certain Investments in Debt and Equity Securities.

The parent company's fixed maturity security is held for investment.

See Note 7 to the consolidated financial statements for a description of the parent company's notes payable.

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Schedule III

Supplementary Insurance Information

American Equity Investment Life Holding Company

December 31, 1999

Future Policy
Deferred
Benefits,
Other Policy
Policy
Losses,
Claims Claims
and Insurance
Acquisition
and Loss
Unearned
Benefits
Premiums
Segment Costs
Expenses
Premiums
Payable and
Charges - ---

- -----

Year ended
December 31,
1999 Life
insurance
\$178,800,329
\$1,358,875,848
\$ -
\$11,553,574
\$13,746,532
Year ended
December 31,
1998 Life
insurance
57,103,449
541,082,179 -

6,315,598
11,170,655
Year ended
December 31,
1997 Life
insurance
14,575,497
155,998,268 -
2,355,156
11,436,803
Amortization
Benefits of
Deferred Net
Claims,
Losses Policy
Other
Investment
and
Settlement
Acquisition
Operating
Premiums
Segment
Income
Expenses
Costs
Expenses
Written - ---

- -----

--- -----
-- -----
Year ended
December 31,
1999 Life
insurance
\$64,609,612
\$48,958,790 \$
7,062,467
\$16,832,109 \$
- Year ended
December 31,
1998 Life
insurance
26,356,472
21,922,805
2,019,560
11,354,395 -
Year ended
December 31,
1997 Life
insurance
4,018,617
9,569,766
578,193
9,884,236 -

Schedule IV

Reinsurance

American Equity Investment Life Holding Company

Assumed from
Percentage of
Gross Ceded
to Other
Amount
Assumed
Segment
Amount Other
Companies

Companies Net
Amount to Net
- -----

---- December
31, 1999 Life
insurance in
force
\$1,555,677,000
\$1,268,312 \$
990,516,000
\$2,544,925,000
38.9%
=====

=====

=====

=====

=====

Insurance
premiums and
other
considerations
Annuity and
single
premium
universal
life product
charges \$
3,452,095 \$ -
- \$ -- \$
3,452,095 - %
Traditional
life
insurance and
accident and
health
insurance
premiums
7,444,448
1,110,871
3,960,860
10,294,437
38.5% -----

-- \$
10,896,543
\$1,110,871 \$
3,960,860 \$
13,746,532
28.8%
=====

=====

=====

=====

=====

December 31,
1998 Life
insurance in
force \$
1,407,000 \$ -
-
\$2,398,544,000
\$2,399,951,000
99.9%
=====

=====

=====

=====

=====

Insurance
premiums and

other
considerations
Annuity
product
charges \$
642,547 \$ --
\$ -- \$
642,547 - %
Traditional
life
insurance and
accident and
health
insurance
premiums
19,174
567,027
11,075,961
10,528,108
105.2% -----

--- \$ 661,721
567,027 \$
11,075,961 \$
11,170,655
99.2%

=====
=====
=====
=====
December 31,
1997 Life
insurance in
force \$ -- \$
--
\$2,427,796,000
\$2,427,796,000
100.0%

=====
=====
=====
=====
Insurance
premiums and
other

considerations
Annuity
product
charges \$
11,896 \$ -- \$
-- \$ 11,896 -
% Traditional
life
insurance and
accident and
health
insurance
premiums --
722,545
12,147,452
11,424,907
106.3% -----

--- \$ 11,896
\$ 722,545 \$
12,147,452 \$
11,436,803
106.2%

=====
=====
=====
=====
=====

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Incorporation, including Articles of Amendment**
3.2	Amended and Restated Bylaws
4.1	Agreement dated December 4, 1997 between American Equity Investment Life Holding Company and Farm Bureau Life Insurance Company re Right of First Refusal*
4.2	Stockholders' Agreement dated April 30, 1997 among American Equity Investment Life Holding Company, David J. Noble, Twenty Services, Inc., Sanders Morris Mundy Inc. and stockholders*
4.3	Registration Rights Agreement dated April 30, 1997 between American Equity Investment Life Holding Company and stockholders*
4.4	Amended and Restated Declaration of Trust of American Equity Capital Trust I dated September 7, 1999
	The Company agrees to furnish the Commission upon its request a copy of any instrument defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries
9	Voting Trust Agreement dated December 30, 1997 among Farm Bureau Life Insurance Company, American Equity Investment Life Holding Company and David J. Noble, David S. Mulcahy and Debra J. Richardson (Voting Trustees)*
10.1	Restated and Amended General Agency Commission and Servicing Agreement dated June 30, 1997 between American Equity Investment Life Insurance Company and American Equity Investment Service Company*
10.1-A	1999 General Agency Commission and Servicing Agreement dated as of June 30, 1999 between American Equity Investment Life Insurance Company and American Equity Investment Service Company
10.2	1996 Stock Option Plan*
10.3	Restated and Amended Stock Option and Warrant Agreement dated April 30, 1997 between American Equity Investment Life Holding Company and D.J. Noble*
10.4	Warrant to Purchase Common Stock dated May 12, 1997 issued to Sanders Morris Mundy Inc.*
10.5	Deferred Compensation Agreements between American Equity Investment Life Holding Company and (a)ab James M. Gerlach dated June 6, 1996* (b)abTerry A. Reimer dated November 11, 1996* (c)abDavid S. Mulcahy dated December 31, 1997*
21	Subsidiaries of American Equity Investment Life Holding Company
27	Financial Data Schedule

* Incorporated by reference to the Registration Statement on Form 10 dated April 29, 1999

** Incorporated by reference to the Registration Statement on Form 10 dated April 29, 1999 and Post-Effective Amendment No. 1 to the Registration Statement on Form 10 dated July 20, 1999.