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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 2, 2016

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**
(Exact Name of Registrant as Specified in its Charter)

Iowa
(State or Other Jurisdiction
of Incorporation)

001-31911
(Commission File Number)

42-1447959
(IRS Employer
Identification No.)

6000 Westown Parkway, West Des Moines, Iowa
(Address of Principal Executive Offices)

50266
(Zip Code)

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

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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

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

Item 2.02 Results of Operations and Financial Condition

On November 2, 2016, the registrant issued a press release announcing its financial results for the quarter ended September 30, 2016, a copy of which is attached as Exhibit 99.1 and is incorporated herein by reference. The registrant's financial supplement for the quarter ended September 30, 2016, is attached as Exhibit 99.2 and is incorporated herein by reference.

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

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

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

Exhibit Number	Description
99.1	Press release dated November 2, 2016, announcing American Equity Investment Life Holding Company's financial results for the quarter ended September 30, 2016.
99.2	American Equity Investment Life Holding Company's Financial Supplement for the quarter ended September 30, 2016.

SIGNATURE

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

Date: November 2, 2016

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**

By: /s/ John M. Matovina

John M. Matovina

Chief Executive Officer and President

EXHIBIT INDEX

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For more information, contact:

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

FOR IMMEDIATE RELEASE

November 2, 2016

American Equity Reports Third Quarter 2016 Results

Company Highlights

- Third quarter 2016 net loss of \$7.4 million or \$0.09 per diluted common share
- Third quarter 2016 operating loss¹ of \$4.7 million or \$0.05 per diluted common share
- Third quarter 2016 annuity sales of \$1.5 billion, down 16% from third quarter 2015
- Policyholder funds under management of \$44.5 billion, up 1.9% from June 30, 2016
- Third quarter 2016 investment spread of 2.57%
- Operating income¹ return on average equity¹ of 6.7% (trailing twelve months); excluding unlocking and assumption revisions, operating income¹ return on average equity¹ of 11.4% (trailing twelve months)
- Estimated risk-based capital (RBC) ratio of 338% (pro forma including \$100 million capital contribution on October 3, 2016) compared to 336% at December 31, 2015

WEST DES MOINES, Iowa (November 2, 2016) - American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities, today reported third quarter 2016 net loss of \$7.4 million, or \$0.09 per diluted common share, compared to net income of \$97.3 million, or \$1.19 per diluted common share, for third quarter 2015.

Operating loss¹ for the third quarter of 2016 was \$4.7 million, or \$0.05 per diluted common share, compared to operating income of \$45.9 million, or \$0.56 per diluted common share, for third quarter 2015.

The third quarter 2016 net loss and operating loss¹ were negatively affected by \$52.9 million (\$0.61 per diluted common share) and \$52.6 million (\$0.60 per diluted common share), respectively, for revisions to assumptions utilized in the determination of deferred policy acquisition costs, deferred sales inducements and the liability for future benefits to be paid under lifetime income benefit riders. Net income and operating income¹ for the third quarter of 2015 were impacted by similar assumption revisions which decreased net income by \$1.1 million (\$0.01 per diluted common share) and operating income¹ by \$8.7 million (\$0.10 per diluted common share).

In addition, the third quarter 2016 net loss and operating loss¹ were increased by \$1.3 million after tax or \$0.02 per diluted common share for items that were discrete to the quarter. The discrete items included \$1.1 million for income tax adjustments related to income earned in 2015 and the first half of 2016 and \$0.2 million after tax for the write off of capitalized debt issuance costs associated with the Company's November 2013 revolving line of credit facility which was refinanced and terminated at the end of the third quarter.

POLICYHOLDER FUNDS UNDER MANAGEMENT UP 1.9% ON \$1.5 BILLION OF SALES

Policyholder funds under management at September 30, 2016 were \$44.5 billion, an \$820 million or 1.9% increase from the end of the second quarter. Third quarter sales were \$1.5 billion before coinsurance ceded and \$1.1 billion after coinsurance ceded. Gross and net sales for the quarter were down sequentially and compared to the prior year third quarter with decreases ranging between 16% and 35%.

Commenting on sales, John Matovina, Chief Executive Officer and President, said: "Our pace of sales slowed in the quarter but we are still growing invested assets and policyholder funds under management. As we indicated in our second quarter commentary, we expected sales to moderate in the second half of this year following a very strong first six months. Sales by independent agents for American Equity Investment Life Insurance Company (American Equity Life) declined 26% sequentially with FIA sales down 15% and MYGA sales down 88%. Although formal FIA sales data for third quarter 2016 will not likely be released until later this month, our expectation is that the sequential decline in FIA sales by our independent agents was consistent with the overall market experience. MYGA sales by independent agents were 2.6% of total independent agent sales in the third quarter. That mix of FIA and MYGA sales by our independent agents is more in line with our historical experience than the first two quarters of this year."

Commenting on Eagle Life, Matovina added: "Expanding our Eagle Life business has been a key initiative for us which has been reinforced by the Department of Labor (DOL) conflict of interest fiduciary rule that becomes operational next April if not otherwise delayed or overturned through litigation. The rule favors sales of FIAs by broker-dealers and banks and poses significant challenges to sales of FIAs by independent agents. Eagle Life continued to gain traction during the third quarter. It added a new distribution relationship, bringing the total to 52 selling agreements, and began selling through a potentially significant bank relationship. That being said, the market environment in Eagle Life's distribution channels was more competitive in the third quarter and Eagle Life grew its invested assets and policyholder funds under management more slowly than in the second quarter. Sales were down 29% sequentially to \$348 million, with FIA sales declining to \$153 million from \$190 million and MYGA sales declining to \$195 million from \$300 million."

Matovina continued: "The outlook for FIA sales for the next two quarters remains favorable. However, sales of FIAs by independent agents may come under pressure next year if the DOL rule becomes effective in the second quarter. We are encouraged by several of our NMO partners applying to the DOL to qualify as financial institutions under the Best Interest Contract exemption. However, the timing of approval of financial institution status, if granted, is uncertain as the DOL has not provided guidance on its process for qualification. We intend to continue to support our NMO partners and independent agents. We have filed traditional fixed rate annuity product forms and companion lifetime income benefit riders which we plan to introduce to the market by the beginning of 2017. We believe these products offer safety of principal and guaranteed lifetime income desired by retirement account holders, while qualifying for distribution under the less onerous PTE 84-24 exemption."

SPREAD DECLINES ON LOWER INVESTMENT YIELD; CASH BALANCE DECLINES

American Equity's investment spread was 2.57% for the third quarter of 2016 compared to 2.62% for the second quarter of 2016 and 2.83% for the third quarter of 2015. On a sequential basis, the average yield on invested assets declined eight basis points while the cost of money declined three basis points.

Average yield on invested assets continued to be unfavorably impacted by the investment of new premiums and portfolio cash flows at rates below the portfolio rate and high cash balances. The average yield on fixed income securities purchased and commercial mortgage loans funded in the third quarter of 2016 was 3.31% compared to 3.95% and 4.14%, respectively, in the second and first quarters of 2016. The average balance for cash and short-term investments was \$1.2 billion during the third quarter, compared to \$1.1 billion in the second quarter of 2016 and \$807 million in the first quarter of 2016. The unfavorable impact from the aforementioned items was partially offset by fee income from bond transactions and prepayment income which added four basis points to both third quarter 2016 and second quarter 2016 average yield on invested assets.

The aggregate cost of money for annuity liabilities decreased by three basis points to 1.89% in the third quarter of 2016 compared to 1.92% in the second quarter of 2016. This decrease reflected continued reductions in crediting rates. The benefit from over hedging the obligations for index linked interest was two basis points in the third quarter of 2016 compared to a nominal benefit in the second quarter of 2016.

Commenting on investment spread, John Matovina said: "We saw continued spread compression in the third quarter. Similar to the first two quarters of the year, the decrease in the cost of money from reductions in rates on our policy liabilities was less than the decrease in the average yield on investments that resulted from the investment of new premiums and portfolio cash flows in high quality investments with yields below our portfolio rate and the increase in average cash and short-term investment balances during the quarter."

Turning to the outlook for investment spread, Matovina added: "We expect investment spread in the fourth quarter to benefit from the substantial reinvestment of cash and short-term investments into higher yielding securities. As of September 30, 2016, cash and short-term investment balances had fallen to \$652 million from \$1.6 billion at the beginning of the quarter and decreased to \$308 million by the end of October. On September 1, 2016, we began implementing renewal adjustments covering \$16 - \$17 billion of policyholder account values that should lower the overall cost of money by eight basis points when fully implemented. On December 6, 2016, we will begin applying renewal adjustments on \$7.4 billion of additional policyholder account values. These adjustments will be implemented over the next 12 - 15 months on policy anniversary dates and are expected to reduce the 0.54% cost of money differential between existing rates and the guaranteed minimums we had at September 30, 2016."

EQUITY AND DEBT RAISES SUPPORT CAPITAL ADEQUACY

As previously reported, the Company raised \$235 million of capital during the quarter. On August 1st, it physically settled its two equity forward sales agreements and received \$134.7 million in net cash proceeds which were contributed to the capital and surplus of American Equity Life. On September 30, the Company entered into a credit agreement providing for a three-year \$100 million term loan and a \$150 million unsecured revolving credit facility maturing in September 2021. The interest rate on the term loan is currently 2.625% (3-month LIBOR plus 1.75%) and the term loan can be prepaid prior to maturity without penalty. Mandatory prepayments of the term loan are required with the net cash proceeds from any capital markets transaction as defined in the credit agreement. The revolving credit facility replaces the four year \$140 million facility that was entered into in November 2013 and is available for general corporate purposes, including capital contributions to the Company's operating subsidiaries. No amounts are currently drawn on the revolving credit facility.

Including proceeds from the term loan, which were contributed to capital and surplus of American Equity Life on October 3, 2016, the estimated RBC ratio at September 30, 2016 was 338%.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

CONFERENCE CALL

American Equity will hold a conference call to discuss third quarter 2016 earnings on Thursday, November 3, 2016 at 10:00 a.m. CDT. The conference call will be webcast live on the Internet. Investors and interested parties who wish to listen to the call on the Internet may do so at www.american-equity.com.

The call may also be accessed by telephone at 855-865-0606, passcode 95132764 (international callers, please dial 704-859-4382). An audio replay will be available shortly after the call on AEL's website. An audio replay will also be available via telephone through November 10, 2016 at 855-859-2056, passcode 95132764 (international callers will need to dial 404-537-3406).

ABOUT AMERICAN EQUITY

American Equity Investment Life Holding Company, through its wholly-owned operating subsidiaries, issues fixed annuity and life insurance products, with a primary emphasis on the sale of fixed index and fixed rate annuities. American Equity Investment Life Holding Company, a New York Stock Exchange Listed company (NYSE: AEL), is headquartered in West Des Moines, Iowa. For more information, please visit www.american-equity.com.

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

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Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands, except per share data)				
Revenues:				
Premiums and other considerations	\$ 12,731	\$ 8,335	\$ 31,534	\$ 25,369
Annuity product charges	47,675	37,975	125,304	99,066
Net investment income	463,583	436,085	1,374,239	1,253,930
Change in fair value of derivatives	103,794	(351,360)	68,828	(405,484)
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	5,256	1,159	10,680	10,362
OTTI losses on investments:				
Total OTTI losses	(4,554)	(10,000)	(11,334)	(10,132)
Portion of OTTI losses recognized in (from) other comprehensive income	1,575	4,771	(1,785)	3,943
Net OTTI losses recognized in operations	(2,979)	(5,229)	(13,119)	(6,189)
Total revenues	630,060	126,965	1,597,466	977,054
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	15,065	10,959	37,567	32,629
Interest sensitive and index product benefits	278,943	213,465	487,735	802,431
Amortization of deferred sales inducements	69,245	65,807	127,396	152,278
Change in fair value of embedded derivatives	144,404	(414,724)	694,564	(583,112)
Interest expense on notes and loan payable	6,887	7,283	20,649	21,976
Interest expense on subordinated debentures	3,253	3,075	9,627	9,138
Amortization of deferred policy acquisition costs	98,108	67,885	198,486	186,871
Other operating costs and expenses	25,133	24,497	78,786	70,487
Total benefits and expenses	641,038	(21,753)	1,654,810	692,698
Income (loss) before income taxes	(10,978)	148,718	(57,344)	284,356
Income tax expense (benefit)	(3,558)	51,412	(19,791)	98,302
Net income (loss)	\$ (7,420)	\$ 97,306	\$ (37,553)	\$ 186,054
Earnings (loss) per common share	\$ (0.09)	\$ 1.22	\$ (0.45)	\$ 2.39
Earnings (loss) per common share - assuming dilution	\$ (0.09)	\$ 1.19	\$ (0.45)	\$ 2.33
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	86,262	79,676	83,645	77,995
Earnings (loss) per common share - assuming dilution	87,044	81,559	84,413	79,977

NON-GAAP FINANCIAL MEASURES

In addition to net income (loss), the Company has consistently utilized operating income (loss) and operating income (loss) per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate its financial performance. Operating income (loss) equals net income (loss) adjusted to eliminate the impact of items that fluctuate from quarter to quarter in a manner unrelated to core operations. The most significant adjustments to arrive at operating income (loss) eliminate the impact of fair value accounting for our fixed index annuity business and are not economic in nature but rather impact the timing of reported results. The Company believes measures excluding their impact are useful in analyzing operating trends and the combined presentation and evaluation of operating income (loss) together with net income (loss) provides information that may enhance an investor's understanding of its underlying results and profitability.

Reconciliation from Net Income (Loss) to Operating Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands, except per share data)				
Net income (loss)	\$ (7,420)	\$ 97,306	\$ (37,553)	\$ 186,054
Adjustments to arrive at operating income (loss): (a)				
Net realized investment (gains) losses, including OTTI	(1,008)	2,542	752	(2,835)
Change in fair value of derivatives and embedded derivatives - index annuities	9,400	(83,410)	160,078	(61,277)
Change in fair value of derivatives and embedded derivatives - debt	(1,049)	2,575	2,483	2,746
Litigation reserve	(1,957)	—	(1,957)	—
Income taxes	(2,689)	26,903	(57,426)	20,991
Operating income (loss) (a non-GAAP financial measure)	<u>\$ (4,723)</u>	<u>\$ 45,916</u>	<u>\$ 66,377</u>	<u>\$ 145,679</u>
Per common share - assuming dilution:				
Net income (loss)	\$ (0.09)	\$ 1.19	\$ (0.45)	\$ 2.33
Adjustments to arrive at operating income (loss):				
Anti-dilutive effect of net loss	—	—	0.01	—
Net realized investment (gains) losses, including OTTI	(0.01)	0.03	0.01	(0.03)
Change in fair value of derivatives and embedded derivatives - index annuities	0.11	(1.02)	1.89	(0.77)
Change in fair value of derivatives and embedded derivatives - debt	(0.01)	0.03	0.03	0.03
Litigation reserve	(0.02)	—	(0.02)	—
Income taxes	(0.03)	0.33	(0.68)	0.26
Operating income (loss) (a non-GAAP financial measure)	<u>\$ (0.05)</u>	<u>\$ 0.56</u>	<u>\$ 0.79</u>	<u>\$ 1.82</u>

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

NON-GAAP FINANCIAL MEASURES

Average Stockholders' Equity and Return on Average Equity (Unaudited)

Return on average equity measures how efficiently the Company generates profits from the resources provided by its net assets. Return on average equity is calculated by dividing net income (loss) and operating income (loss) for the trailing twelve months by average equity excluding average accumulated other comprehensive income ("AOCI"). The Company excludes AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments.

	Twelve Months Ended	
	September 30, 2016	
	(Dollars in thousands)	
Average Stockholders' Equity ¹		
Average equity including average AOCI	\$	2,436,560
Average AOCI		(695,176)
Average equity excluding average AOCI	\$	1,741,384
Net income (loss)	\$	(3,777)
Operating income		116,518
Return on Average Equity Excluding Average AOCI		
Net income (loss)		(0.22)%
Operating income		6.69 %

1 - The net proceeds received from the Company's settlement of the two equity forward sales agreements in August 2016 are included in the computations of average stockholders' equity on a weighted average basis based upon the number of days they were available to the Company in the twelve month period. The weighted average amount is added to the simple average of (a) stockholders' equity at the beginning of the twelve month period and (b) stockholders' equity at the end of the twelve month period excluding the net proceeds received from the settlement of the two equity forward sales agreements in August 2016.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

September 30, 2016

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - September 30, 2016

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 42,304,410	\$ 36,421,839
Held for investment, at amortized cost	76,773	76,622
Equity securities, available for sale, at fair value	7,843	7,828
Mortgage loans on real estate	2,419,230	2,435,257
Derivative instruments	706,007	337,256
Other investments	297,068	291,530
Total investments	<u>45,811,331</u>	<u>39,570,332</u>
Cash and cash equivalents	812,814	397,749
Coinsurance deposits	4,453,320	3,187,470
Accrued investment income	405,996	362,104
Deferred policy acquisition costs	2,370,781	2,905,136
Deferred sales inducements	1,800,435	2,232,148
Deferred income taxes	—	232,683
Income taxes recoverable	12,652	29,599
Other assets	180,892	112,171
Total assets	<u>\$ 55,848,221</u>	<u>\$ 49,029,392</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 50,814,665	\$ 45,495,431
Other policy funds and contract claims	302,849	324,850
Notes and loan payable	493,445	393,227
Subordinated debentures	241,751	241,452
Deferred income taxes	110,551	—
Other liabilities	1,072,098	629,897
Total liabilities	<u>53,035,359</u>	<u>47,084,857</u>
Stockholders' equity:		
Common stock	87,898	81,354
Additional paid-in capital	767,570	630,367
Accumulated other comprehensive income	963,796	201,663
Retained earnings	<u>993,598</u>	<u>1,031,151</u>
Total stockholders' equity	<u>2,812,862</u>	<u>1,944,535</u>
Total liabilities and stockholders' equity	<u>\$ 55,848,221</u>	<u>\$ 49,029,392</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - September 30, 2016

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Premiums and other considerations	\$ 12,731	\$ 8,335	\$ 31,534	\$ 25,369
Annuity product charges	47,675	37,975	125,304	99,066
Net investment income	463,583	436,085	1,374,239	1,253,930
Change in fair value of derivatives	103,794	(351,360)	68,828	(405,484)
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	5,256	1,159	10,680	10,362
OTTI losses on investments:				
Total OTTI losses	(4,554)	(10,000)	(11,334)	(10,132)
Portion of OTTI losses recognized in (from) other comprehensive income	1,575	4,771	(1,785)	3,943
Net OTTI losses recognized in operations	(2,979)	(5,229)	(13,119)	(6,189)
Total revenues	630,060	126,965	1,597,466	977,054
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	15,065	10,959	37,567	32,629
Interest sensitive and index product benefits	278,943	213,465	487,735	802,431
Amortization of deferred sales inducements	69,245	65,807	127,396	152,278
Change in fair value of embedded derivatives	144,404	(414,724)	694,564	(583,112)
Interest expense on notes and loan payable	6,887	7,283	20,649	21,976
Interest expense on subordinated debentures	3,253	3,075	9,627	9,138
Amortization of deferred policy acquisition costs	98,108	67,885	198,486	186,871
Other operating costs and expenses	25,133	24,497	78,786	70,487
Total benefits and expenses	641,038	(21,753)	1,654,810	692,698
Income (loss) before income taxes	(10,978)	148,718	(57,344)	284,356
Income tax expense (benefit)	(3,558)	51,412	(19,791)	98,302
Net income (loss)	<u>\$ (7,420)</u>	<u>\$ 97,306</u>	<u>\$ (37,553)</u>	<u>\$ 186,054</u>
Earnings (loss) per common share				
Earnings (loss) per common share	\$ (0.09)	\$ 1.22	\$ (0.45)	\$ 2.39
Earnings (loss) per common share - assuming dilution	\$ (0.09)	\$ 1.19	\$ (0.45)	\$ 2.33
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	86,262	79,676	83,645	77,995
Earnings (loss) per common share - assuming dilution	87,044	81,559	84,413	79,977

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - September 30, 2016

Quarterly Summary - Most Recent 5 Quarters (Unaudited)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
(Dollars in thousands, except per share data)					
Revenues:					
Traditional life insurance premiums	\$ 2,147	\$ 2,398	\$ 2,634	\$ 2,891	\$ 2,664
Life contingent immediate annuity considerations	10,584	9,060	4,711	7,788	5,671
Surrender charges	13,819	11,997	14,565	10,543	13,104
Lifetime income benefit rider fees	33,856	29,127	21,940	26,559	24,871
Net investment income	463,583	459,830	450,826	438,262	436,085
Change in fair value of derivatives	103,794	39,099	(74,065)	69,338	(351,360)
Net realized gains (losses) on investments, excluding OTTI	5,256	2,737	2,687	(151)	1,159
Net OTTI losses recognized in operations	(2,979)	(4,446)	(5,694)	(13,347)	(5,229)
Total revenues	630,060	549,802	417,604	541,883	126,965
Benefits and expenses:					
Traditional life insurance policy benefits and change in future policy benefits	1,348	2,177	1,545	2,044	1,730
Life contingent immediate annuity benefits and change in future policy benefits	13,717	11,216	7,564	10,785	9,229
Interest sensitive and index product benefits (b)(e)(f)	278,943	111,121	97,671	165,622	213,465
Amortization of deferred sales inducements (c)(d)(g)	69,245	30,672	27,479	57,112	65,807
Change in fair value of embedded derivatives	144,404	284,303	265,857	118,414	(414,724)
Interest expense on notes and loan payable	6,887	6,882	6,880	6,873	7,283
Interest expense on subordinated debentures	3,253	3,206	3,168	3,101	3,075
Amortization of deferred policy acquisition costs (c)(d)(g)	98,108	50,665	49,713	99,243	67,885
Other operating costs and expenses (a)	25,133	26,823	26,830	25,731	24,497
Total benefits and expenses	641,038	527,065	486,707	488,925	(21,753)
Income (loss) before income taxes	(10,978)	22,737	(69,103)	52,958	148,718
Income tax expense (benefit)	(3,558)	8,029	(24,262)	19,182	51,412
Net income (loss) (a)(b)(c)(d)(e)(f)(g)	\$ (7,420)	\$ 14,708	\$ (44,841)	\$ 33,776	\$ 97,306
Earnings (loss) per common share	\$ (0.09)	\$ 0.18	\$ (0.55)	\$ 0.41	\$ 1.22
Earnings (loss) per common share - assuming dilution (a)(b)(c)(d)(e)(f)(g)	\$ (0.09)	\$ 0.18	\$ (0.55)	\$ 0.40	\$ 1.19
Weighted average common shares outstanding (in thousands):					
Earnings (loss) per common share	86,262	82,517	82,129	81,733	79,676
Earnings (loss) per common share - assuming dilution	87,044	83,184	82,961	83,851	81,559

- (a) Q3 2016 includes a benefit of \$2.8 million based upon developments in the claims process associated with a lawsuit settlement, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, decreased the net loss and loss per common share - assuming dilution by \$1.1 million and \$0.01 per share, respectively.
- (b) Q3 2016 includes expense from the revision of assumptions used in determining reserves held for living income benefit riders. The impact increased interest sensitive and index product benefits by \$42.0 million and increased the net loss and loss per common share - assuming dilution by \$27.1 million and \$0.31 per share, respectively.
- (c) Q3 2016 includes expense from unlocking which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$17.9 million and \$22.1 million, respectively, and increased the net loss and loss per common share- assuming dilution by \$25.8 million and \$0.30 per share, respectively.
- (d) Q1 2016 includes expense from unlocking which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$17.9 million and \$26.1 million, respectively, and increased the net loss and loss per common share- assuming dilution by \$28.4 million and \$0.35 per share, respectively.
- (e) Q4 2015 includes an adjustment to reserves for living income benefit riders which reduced interest sensitive and index product benefits by \$1.9 million, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, increased net income and earnings per common share-assuming dilution by \$0.7 million and \$0.01 per share, respectively.

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- (f) Q3 2015 includes expense from the revision of assumptions used in determining reserves held for living income benefit riders. The impact increased interest sensitive and index product benefits by \$18.3 million and decreased net income and earnings per common share - assuming dilution by \$11.8 million and \$0.14 per share, respectively.
- (g) Q3 2015 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$5.6 million and \$11.0 million, respectively, and increased net income and earnings per common share- assuming dilution by \$10.7 million and \$0.13 per share, respectively.

NON-GAAP FINANCIAL MEASURES

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

Reconciliation from Net Income (Loss) to Operating Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands, except per share data)				
Net income (loss)	\$ (7,420)	\$ 97,306	\$ (37,553)	\$ 186,054
Adjustments to arrive at operating income (loss): (a)				
Net realized investment (gains) losses, including OTTI	(1,008)	2,542	752	(2,835)
Change in fair value of derivatives and embedded derivatives - index annuities	9,400	(83,410)	160,078	(61,277)
Change in fair value of derivatives and embedded derivatives - debt	(1,049)	2,575	2,483	2,746
Litigation reserve	(1,957)	—	(1,957)	—
Income taxes	(2,689)	26,903	(57,426)	20,991
Operating income (loss) (a non-GAAP financial measure)	<u>\$ (4,723)</u>	<u>\$ 45,916</u>	<u>\$ 66,377</u>	<u>\$ 145,679</u>
Per common share - assuming dilution:				
Net income (loss)	\$ (0.09)	\$ 1.19	\$ (0.45)	\$ 2.33
Adjustments to arrive at operating income (loss):				
Anti-dilutive effect of net loss	—	—	0.01	—
Net realized investment (gains) losses, including OTTI	(0.01)	0.03	0.01	(0.03)
Change in fair value of derivatives and embedded derivatives - index annuities	0.11	(1.02)	1.89	(0.77)
Change in fair value of derivatives and embedded derivatives - debt	(0.01)	0.03	0.03	0.03
Litigation reserve	(0.02)	—	(0.02)	—
Income taxes	(0.03)	0.33	(0.68)	0.26
Operating income (loss) (a non-GAAP financial measure)	<u>\$ (0.05)</u>	<u>\$ 0.56</u>	<u>\$ 0.79</u>	<u>\$ 1.82</u>

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

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NON-GAAP FINANCIAL MEASURES

Summary of Adjustments to Arrive at Operating Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands)				
Net realized investment gains and losses, including OTTI:				
Net realized (gains) losses on investments, including OTTI	\$ (2,277)	\$ 4,070	\$ 2,439	\$ (4,173)
Amortization of DAC and DSI	1,269	(1,528)	(1,687)	1,338
Income taxes	358	(903)	(267)	1,006
	<u>\$ (650)</u>	<u>\$ 1,639</u>	<u>\$ 485</u>	<u>\$ (1,829)</u>
Change in fair value of derivatives and embedded derivatives:				
Index annuities	\$ 29,145	\$ (93,752)	\$ 345,469	\$ (27,466)
Interest rate caps and swap	(1,049)	2,575	2,483	2,746
Amortization of DAC and DSI	(19,745)	10,342	(185,391)	(33,811)
Income taxes	(3,742)	27,806	(57,854)	19,985
	<u>\$ 4,609</u>	<u>\$ (53,029)</u>	<u>\$ 104,707</u>	<u>\$ (38,546)</u>
Litigation reserve:				
Change in litigation reserve recorded in other operating costs	\$ (2,829)	\$ —	\$ (2,829)	\$ —
Amortization of DAC and DSI	872	—	872	—
Income taxes	695	—	695	—
	<u>\$ (1,262)</u>	<u>\$ —</u>	<u>\$ (1,262)</u>	<u>\$ —</u>

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NON-GAAP FINANCIAL MEASURES

Quarterly Summary - Most Recent 5 Quarters (Unaudited)

Reconciliation from Net Income (Loss) to Operating Income (Loss)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
(Dollars in thousands, except per share data)					
Net income (loss)	\$ (7,420)	\$ 14,708	\$ (44,841)	\$ 33,776	\$ 97,306
Adjustments to arrive at operating income (loss): (a)					
Net realized investment (gains) losses, including OTTI	(1,008)	605	1,155	8,572	2,542
Change in fair value of derivatives and embedded derivatives - index annuities	9,400	53,129	97,549	17,221	(83,409)
Change in fair value of derivatives and embedded derivatives - debt	(1,049)	768	2,764	(1,449)	2,574
Litigation reserve	(1,957)	—	—	—	—
Income taxes	(2,689)	(19,108)	(35,629)	(7,979)	26,903
Operating income (loss) (a non-GAAP financial measure) (b)(c)(d)(e)(f)(g)	<u>\$ (4,723)</u>	<u>\$ 50,102</u>	<u>\$ 20,998</u>	<u>\$ 50,141</u>	<u>\$ 45,916</u>
Per common share - assuming dilution:					
Net income (loss)	\$ (0.09)	\$ 0.18	\$ (0.55)	\$ 0.40	\$ 1.19
Adjustments to arrive at operating income (loss):					
Anti-dilutive effect of net loss	—	—	0.01	—	—
Net realized investment (gains) losses, including OTTI	(0.01)	—	0.01	0.10	0.03
Change in fair value of derivatives and embedded derivatives - index annuities	0.11	0.64	1.18	0.21	(1.02)
Change in fair value of derivatives and embedded derivatives - debt	(0.01)	0.01	0.03	(0.02)	0.03
Litigation reserve	(0.02)	—	—	—	—
Income taxes	(0.03)	(0.23)	(0.43)	(0.09)	0.33
Operating income (loss) (a non-GAAP financial measure) (b)(c)(d)(e)(f)(g)	<u>\$ (0.05)</u>	<u>\$ 0.60</u>	<u>\$ 0.25</u>	<u>\$ 0.60</u>	<u>\$ 0.56</u>

- (a) Adjustments to net income (loss) to arrive at operating income (loss) are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.
- (b) Q3 2016 includes expense from unlocking which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$18.1 million and \$21.5 million, respectively, and increased the operating loss and operating loss per common share- assuming dilution by \$25.5 million and \$0.29 per share, respectively.
- (c) Q3 2016 includes expense from the revision of assumptions used in determining reserves held for living income benefit riders. The impact increased interest sensitive and index product benefits by \$42.0 million and increased the operating loss and operating loss per common share - assuming dilution by \$27.1 million and \$0.31 per share, respectively.
- (d) Q1 2016 includes expense from unlocking which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$18.1 million and \$26.3 million, respectively, and decreased operating income and operating income per common share- assuming dilution by \$28.6 million and \$0.35 per share, respectively.
- (e) Q4 2015 includes an adjustment to reserves for living income benefit riders which reduced interest sensitive and index product benefits by \$1.9 million, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, increased operating income and operating income per common share-assuming dilution by \$0.5 million and \$0.01 per share, respectively.
- (f) Q3 2015 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$0.5 million and \$4.3 million, respectively, and increased operating income and operating income per common share- assuming dilution by \$3.1 million and \$0.04 per share, respectively.
- (g) Q3 2015 includes expense from the revision of assumptions used in determining reserves held for living income benefit riders. The impact increased interest sensitive and index product benefits by \$18.3 million and decreased operating income and operating income per common share - assuming dilution by \$11.8 million and \$0.14 per share, respectively.

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NON-GAAP FINANCIAL MEASURES

Summary of Adjustments to Arrive at Operating Income (Loss) (Unaudited)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
(Dollars in thousands)					
Net realized (gains) losses on investments	\$ (5,256)	\$ (2,737)	\$ (2,687)	\$ 151	\$ (1,159)
Net OTTI losses recognized in operations	2,979	4,446	5,694	13,347	5,229
Change in fair value of derivatives	(116,308)	(170,795)	(59,509)	(132,818)	322,406
Decrease (increase) in total revenues	(118,585)	(169,086)	(56,502)	(119,320)	326,476
Amortization of deferred sales inducements	8,934	28,027	48,002	(3,075)	(12,644)
Change in fair value of embedded derivatives	(144,404)	(284,303)	(265,857)	(118,414)	413,583
Amortization of deferred policy acquisition costs	8,670	32,688	59,885	(22,175)	3,830
Other operating costs and expenses	2,829	—	—	—	—
Increase (decrease) in total benefits and expenses	(123,971)	(223,588)	(157,970)	(143,664)	404,769
Increase (decrease) in income (loss) before income taxes	5,386	54,502	101,468	24,344	(78,293)
Increase (decrease) in income tax expense	2,689	19,108	35,629	7,979	(26,903)
Increase (decrease) in net income (loss)	<u>\$ 2,697</u>	<u>\$ 35,394</u>	<u>\$ 65,839</u>	<u>\$ 16,365</u>	<u>\$ (51,390)</u>

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Capitalization/Book Value per Share

	September 30, 2016		December 31, 2015	
Capitalization:				
Notes and loan payable	\$	500,000	\$	400,000
Subordinated debentures payable to subsidiary trusts		246,615		246,450
Total debt		746,615		646,450
Total stockholders' equity		2,812,862		1,944,535
Total capitalization		3,559,477		2,590,985
Accumulated other comprehensive income (AOCI)		(963,796)		(201,663)
Total capitalization excluding AOCI (a)	\$	2,595,681	\$	2,389,322
Total stockholders' equity	\$	2,812,862	\$	1,944,535
Accumulated other comprehensive income		(963,796)		(201,663)
Total stockholders' equity excluding AOCI (a)	\$	1,849,066	\$	1,742,872
Common shares outstanding (b)		87,913,510		81,584,091
Book Value per Share: (c)				
Book value per share including AOCI	\$	32.00	\$	23.83
Book value per share excluding AOCI (a)	\$	21.03	\$	21.36
Debt-to-Capital Ratios: (d)				
Senior debt / Total capitalization		19.3%		16.7%
Adjusted debt / Total capitalization		19.3%		16.7%

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

(b) Common shares outstanding include shares held by the NMO Deferred Compensation Trust: 2016 - 15,058 shares; 2015 - 230,012 shares

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

(d) Debt-to-capital ratios are computed using total capitalization excluding AOCI. Adjusted debt includes notes payable and the portion of the total subordinated debentures payable to subsidiary trusts outstanding (qualifying trust preferred securities) that exceeds 15% of total capitalization excluding AOCI.

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Spread Results

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Average yield on invested assets	4.46%	4.79%	4.52%	4.77%
Aggregate cost of money	1.89%	1.96%	1.91%	1.96%
Aggregate investment spread	2.57%	2.83%	2.61%	2.81%
Impact of:				
Investment yield - additional prepayment income	0.04%	0.14%	0.05%	0.08%
Cost of money effect of over hedging	0.02%	0.02%	0.01%	0.05%
Weighted average investments (in thousands)	\$41,693,486	\$36,518,093	\$40,586,396	\$35,124,768

Weighted average investments include fixed maturity securities at amortized cost and equity securities at cost. The numerator for average yield on invested assets includes net investment income and the tax effect of investment income that is exempt from income taxes.

Summary of Cost of Money for Deferred Annuities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands)				
Included in interest sensitive and index product benefits:				
Index credits	\$ 126,653	\$ 101,170	\$ 142,084	\$ 515,675
Interest credited	69,715	62,519	198,682	187,946
Included in change in fair value of derivatives:				
Proceeds received at option expiration	(128,293)	(103,750)	(144,343)	(529,196)
Pro rata amortization of option cost	140,286	130,956	420,529	374,466
Cost of money for deferred annuities	<u>\$ 208,361</u>	<u>\$ 190,895</u>	<u>\$ 616,952</u>	<u>\$ 548,891</u>
Weighted average liability balance outstanding (in thousands)	\$ 44,050,773	\$ 38,863,688	\$ 43,005,333	\$ 37,358,304

Annuity Account Balance Rollforward

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands)				
Account balances at beginning of period	\$ 43,640,978	\$ 38,117,343	\$ 41,249,647	\$ 35,363,041
Net deposits	1,114,817	1,718,755	4,241,271	4,640,646
Premium bonuses	74,784	127,220	270,991	346,410
Fixed interest credited and index credits	196,368	163,689	340,766	703,621
Surrender charges	(13,819)	(13,104)	(40,381)	(36,071)
Lifetime income benefit rider fees	(33,856)	(24,871)	(84,923)	(62,995)
Surrenders, withdrawals, deaths, etc.	<u>(518,703)</u>	<u>(478,998)</u>	<u>(1,516,802)</u>	<u>(1,344,618)</u>
Account balances at end of period	<u>\$ 44,460,569</u>	<u>\$ 39,610,034</u>	<u>\$ 44,460,569</u>	<u>\$ 39,610,034</u>

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Annuity Deposits by Product Type

Product Type	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2016	2015	2016	2015	2015
(Dollars in thousands)					
Fixed index annuities	\$ 1,291,236	\$ 1,764,179	\$ 4,504,784	\$ 4,748,612	\$ 6,791,689
Annual reset fixed rate annuities	13,877	8,425	46,448	32,612	45,182
Multi-year fixed rate annuities	225,937	45,032	1,161,527	132,249	214,356
Single premium immediate annuities	11,730	8,921	25,357	27,085	32,752
Total before coinsurance ceded	1,542,780	1,826,557	5,738,116	4,940,558	7,083,979
Coinsurance ceded	416,233	98,881	1,471,488	272,827	471,822
Net after coinsurance ceded	<u>\$ 1,126,547</u>	<u>\$ 1,727,676</u>	<u>\$ 4,266,628</u>	<u>\$ 4,667,731</u>	<u>\$ 6,612,157</u>

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at September 30, 2016:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	13.8	9.0	14.3%	\$ 42,369,303	95.3%
Annual Reset Fixed Rate Annuities	10.8	3.6	7.5%	1,416,343	3.2%
Multi-Year Fixed Rate Annuities	6.6	2.9	5.7%	674,923	1.5%
Total	13.6	8.8	13.9%	<u>\$ 44,460,569</u>	<u>100.0%</u>

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
(Dollars in thousands)		
<u>SURRENDER CHARGE PERCENTAGES:</u>		
No surrender charge	\$ 776,102	\$ 1,596,107
0.0% < 2.0%	11,638	676,660
2.0% < 3.0%	46,169	70,526
3.0% < 4.0%	35,888	464,095
4.0% < 5.0%	54,517	114,561
5.0% < 6.0%	72,837	451,844
6.0% < 7.0%	58,033	436,029
7.0% < 8.0%	67,284	458,314
8.0% < 9.0%	94,677	1,262,936
9.0% < 10.0%	307,600	1,771,409
10.0% or greater	566,522	35,066,821
	<u>\$ 2,091,267</u>	<u>\$ 42,369,302</u>

	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
(Dollars in thousands)		
<u>SURRENDER CHARGE EXPIRATION BY YEAR:</u>		
Out of Surrender Charge	\$ 2,372,209	0.00%
2016	220,108	1.61%
2017	783,356	1.96%
2018	722,608	4.36%
2019	539,567	5.85%
2020	900,010	7.80%
2021	1,378,466	9.23%
2022	2,018,728	10.89%
2023	4,801,715	12.67%
2024	5,364,094	13.90%
2025	5,894,593	14.20%
2026	4,424,030	15.18%
2027	2,728,745	17.55%
2028	2,422,450	18.26%
2029	3,029,702	18.64%
2030	2,562,884	19.09%
2031	2,851,489	19.64%
2032	1,422,141	19.99%
2033	23,674	20.00%
	<u>\$ 44,460,569</u>	13.91%

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
(Dollars in thousands)		
<u>CREDITED RATE VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL:</u>		
No differential	\$ 929,513	\$ 1,185,311
› 0.0% - 0.25%	168,222	54,273
› 0.25% - 0.5%	237,554	128,337
› 0.5% - 1.0%	136,326	758,001
› 1.0% - 1.5%	12,554	1,940
› 1.5% - 2.0%	1,379	—
› 2.0% - 2.5%	31	—
1.00% ultimate guarantee - 2.71% wtd avg interest rate (a)	367,420	124,476
1.50% ultimate guarantee - 1.32% wtd avg interest rate (a)	141,609	4,881,972
2.00% ultimate guarantee - 2.24% wtd avg interest rate (a)	96,659	—
2.25% ultimate guarantee - 2.29% wtd avg interest rate (a)	—	1,296,283
3.00% ultimate guarantee - 2.49% wtd avg interest rate (a)	—	2,509,866
Allocated to index strategies (see tables that follow)	—	31,428,843
	<u>\$ 2,091,267</u>	<u>\$ 42,369,302</u>

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

If all crediting rates were reduced to minimum guaranteed rates (subject to limitations imposed by ultimate minimum guaranteed rates where applicable) the weighted average crediting rate as of September 30, 2016 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.32%.

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Annuity Liability Characteristics

FIXED INDEX ANNUITIES ACCOUNT VALUE - INDEX STRATEGIES

Annual Monthly Average and Point-to-Point with Caps

	Minimum Guaranteed Cap				
	1%	3%	4%	7%	8% +
Current Cap	(Dollars in thousands)				
At minimum	\$ 1,718	\$ 69,508	\$ 1,762,800	\$ 48,725	\$ 222,040
1.75% - 3%	4,518,324	—	—	—	—
3% - 4%	2,605,257	33,485	—	—	—
4% - 5%	191,918	186,084	3,696,787	—	—
5% - 6%	352,471	133,955	1,809,884	—	—
6% - 7%	—	—	19	—	—
>= 7%	—	16,156	776	63,987	14,593

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

	Minimum Guaranteed Participation Rate			
	10%	20% - 25%	35%	50% +
Current Participation Rate	(Dollars in thousands)			
At minimum	\$ 431	\$ 430,299	\$ 134,033	\$ 155,323
< 20%	403,854	—	—	—
20% - 40%	775,128	198,530	—	—
40% - 60%	532,633	123,270	92,672	—
>= 60%	4,785	—	—	—

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

(Dollars in thousands)

Current Cap	
At minimum	\$ 15,742
1.20% - 1.40%	3,875,048
1.45% - 1.70%	2,756,316
1.80% - 2.00%	2,787,266
>= 2.10%	912,713

Volatility Control Index

(Dollars in thousands)

Current Asset Fee	
At Maximum	\$ —
0.75% - 1.75%	149,851
2.25% - 2.75%	1,205,334
3.00% - 3.50%	938,071

If all caps and participation rates were reduced to minimum caps and participation rates and current asset fees were increased to their maximums, the cost of options would decrease by 0.64% based upon prices of options for the week ended October 18, 2016.

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Summary of Invested Assets

	September 30, 2016		December 31, 2015	
	Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)				
Fixed maturity securities:				
United States Government full faith and credit	\$ 418,465	0.9%	\$ 471,256	1.3%
United States Government sponsored agencies	1,472,904	3.2%	1,398,611	3.5%
United States municipalities, states and territories	4,052,210	8.8%	3,755,367	9.5%
Foreign government obligations	254,420	0.6%	212,565	0.5%
Corporate securities	27,992,430	61.1%	23,879,016	60.3%
Residential mortgage backed securities	1,358,174	3.0%	1,462,072	3.7%
Commercial mortgage backed securities	5,310,156	11.6%	4,174,396	10.5%
Other asset backed securities	1,522,424	3.3%	1,145,178	2.9%
Total fixed maturity securities	42,381,183	92.5%	36,498,461	92.2%
Equity securities	7,843	—%	7,828	—%
Mortgage loans on real estate	2,419,230	5.3%	2,435,257	6.2%
Derivative instruments	706,007	1.5%	337,256	0.9%
Other investments	297,068	0.7%	291,530	0.7%
	<u>\$ 45,811,331</u>	<u>100.0%</u>	<u>\$ 39,570,332</u>	<u>100.0%</u>

Credit Quality of Fixed Maturity Securities - September 30, 2016

NAIC Designation	Carrying Amount	Percent	Rating Agency Rating	Carrying Amount	Percent
	(Dollars in thousands)			(Dollars in thousands)	
1	\$ 27,489,043	64.9%	Aaa/Aa/A	\$ 27,509,994	64.9%
2	13,679,587	32.3%	Baa	13,278,853	31.3%
3	1,063,846	2.5%	Ba	931,771	2.2%
4	124,317	0.3%	B	147,965	0.4%
5	18,839	—%	Caa	59,636	0.1%
6	5,551	—%	Ca and lower	452,964	1.1%
	<u>\$ 42,381,183</u>	<u>100.0%</u>		<u>\$ 42,381,183</u>	<u>100.0%</u>

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Watch List Securities - September 30, 2016

General Description	Amortized Cost	Unrealized Losses	Fair Value	Months Below Amortized Cost
(Dollars in thousands)				
Investment grade				
Corporate securities:				
Utilities	\$ 10,452	\$ (4,023)	\$ 6,429	13
Other asset backed securities:				
Financials	2,218	(1,153)	1,065	66
Utilities	4,995	(1,805)	3,190	1
	<u>\$ 17,665</u>	<u>\$ (6,981)</u>	<u>\$ 10,684</u>	
Below investment grade				
Corporate securities:				
Energy	\$ 45,044	\$ (10,668)	\$ 34,376	25 - 41
Industrials	4,981	(3,181)	1,800	23
Materials	29,772	(3,518)	26,254	15 - 44
Telecommunications	2,171	(686)	1,485	27
Other asset backed securities:				
Financials	4,854	(3,209)	1,645	40
	<u>\$ 86,822</u>	<u>\$ (21,262)</u>	<u>\$ 65,560</u>	
	<u>\$ 104,487</u>	<u>\$ (28,243)</u>	<u>\$ 76,244</u>	

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Fixed Maturity Securities by Sector

	September 30, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(Dollars in thousands)				
Available for sale:				
United States Government full faith and credit and sponsored agencies	\$ 1,827,263	\$ 1,891,369	\$ 1,856,786	\$ 1,869,867
United States municipalities, states and territories	3,548,586	4,052,210	3,422,667	3,755,367
Foreign government obligations	233,825	254,420	210,953	212,565
Corporate securities:				
Consumer discretionary	2,099,757	2,273,231	1,983,595	2,012,874
Consumer staples	1,874,753	2,062,630	1,612,382	1,649,408
Energy	2,692,289	2,773,070	2,622,284	2,410,184
Financials	5,809,449	6,265,900	4,955,851	5,134,209
Health care	2,012,020	2,240,504	1,944,109	2,007,107
Industrials	3,456,068	3,776,857	3,236,836	3,295,598
Information technology	1,918,390	2,049,504	1,689,259	1,694,466
Materials	1,853,284	1,965,256	1,732,123	1,624,073
Telecommunications	625,722	671,452	543,689	547,424
Utilities	3,409,769	3,837,247	3,277,402	3,427,041
Residential mortgage backed securities:				
Government agency	668,231	755,536	687,515	741,431
Prime	365,024	386,461	474,756	493,096
Alt-A	192,465	216,177	204,714	227,545
Commercial mortgage backed securities:				
Government agency	553,433	595,614	359,273	370,966
Other	4,567,928	4,714,542	3,878,992	3,803,430
Other asset backed securities:				
Consumer discretionary	117,140	116,850	62,852	61,759
Energy	8,009	8,676	8,143	9,097
Financials	1,138,936	1,160,432	816,906	821,343
Industrials	213,903	224,870	223,414	231,678
Telecommunications	7,838	8,406	13,789	14,575
Utilities	4,995	3,190	5,420	6,726
Redeemable preferred stock - financials	—	6	—	10
	<u>\$ 39,199,077</u>	<u>\$ 42,304,410</u>	<u>\$ 35,823,710</u>	<u>\$ 36,421,839</u>
Held for investment:				
Corporate security - financials	\$ 76,773	\$ 75,547	\$ 76,622	\$ 65,377

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Fixed Maturity Securities by Sector

Energy and Metals & Mining

In the table on the previous page, oil and metals and mining exposure is reflected within the foreign government, energy, material, utilities, and industrial sectors. Our privately placed available for sale fixed maturity securities at September 30, 2016 total \$175.1 million fair value (\$176.6 million amortized cost) in Energy and \$43.4 million fair value (\$45.6 million amortized cost) in Metals & Mining and are not included in the following tables.

Sector and Subsector	September 30, 2016			
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Average Credit Rating
(Dollars in thousands)				
Energy				
Independent	\$ 505,553	\$ 506,918	\$ 1,365	Baa
Integrated	497,369	532,324	34,955	A
Oil field services	405,148	385,393	(19,755)	Baa
Refining	119,571	126,823	7,252	Baa
Midstream	760,316	790,623	30,307	Baa
Government owned no guarantee	308,695	336,258	27,563	A
Metals & Mining	559,112	583,469	24,357	Baa
Total Energy and Metals & Mining	\$ 3,155,764	\$ 3,261,808	\$ 106,044	Baa

Amortized Cost at September 30, 2016								
Energy								
NRSRO Rating	Independent	Integrated	Oil field services	Refining	Midstream	Government Owned No Guarantee	Metals & Mining	Total
(Dollars in thousands)								
Aaa	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Aa	—	228,200	—	—	—	44,662	—	272,862
A	89,493	84,765	90,631	500	90,842	214,194	76,594	647,019
Baa	369,837	149,192	185,220	119,071	635,467	25,264	287,846	1,771,897
Ba	46,223	35,212	100,235	—	34,007	—	129,897	345,574
B	—	—	29,062	—	—	24,575	54,092	107,729
Below B	—	—	—	—	—	—	10,683	10,683
	<u>\$ 505,553</u>	<u>\$ 497,369</u>	<u>\$ 405,148</u>	<u>\$ 119,571</u>	<u>\$ 760,316</u>	<u>\$ 308,695</u>	<u>\$ 559,112</u>	<u>\$ 3,155,764</u>

Fair Value at September 30, 2016								
Energy								
NRSRO Rating	Independent	Integrated	Oil field services	Refining	Midstream	Government Owned No Guarantee	Metals & Mining	Total
(Dollars in thousands)								
Aaa	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Aa	—	249,998	—	—	—	47,087	—	297,085
A	93,882	88,981	98,603	551	99,269	242,485	83,669	707,440
Baa	369,909	159,716	183,741	126,272	658,477	25,936	304,529	1,828,580
Ba	43,127	33,629	83,138	—	32,877	—	129,763	322,534
B	—	—	19,911	—	—	20,750	49,452	90,113
Below B	—	—	—	—	—	—	16,056	16,056
	<u>\$ 506,918</u>	<u>\$ 532,324</u>	<u>\$ 385,393</u>	<u>\$ 126,823</u>	<u>\$ 790,623</u>	<u>\$ 336,258</u>	<u>\$ 583,469</u>	<u>\$ 3,261,808</u>

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Mortgage Loans on Commercial Real Estate

	September 30, 2016		December 31, 2015	
	Principal	Percent	Principal	Percent
(Dollars in thousands)				
Geographic distribution				
East	\$ 652,230	26.9%	\$ 698,113	28.5%
Middle Atlantic	155,249	6.4%	160,261	6.6%
Mountain	231,561	9.5%	252,442	10.3%
New England	12,834	0.5%	13,161	0.5%
Pacific	387,212	16.0%	355,268	14.5%
South Atlantic	474,238	19.5%	456,227	18.6%
West North Central	319,341	13.2%	313,120	12.8%
West South Central	195,240	8.0%	201,317	8.2%
	<u>\$ 2,427,905</u>	<u>100.0%</u>	<u>\$ 2,449,909</u>	<u>100.0%</u>
Property type distribution				
Office	\$ 321,297	13.2%	\$ 396,154	16.2%
Medical office	54,129	2.2%	77,438	3.2%
Retail	825,490	34.0%	790,158	32.2%
Industrial/Warehouse	677,342	27.9%	686,400	28.0%
Hotel	1,142	0.1%	3,361	0.1%
Apartment	376,189	15.5%	352,971	14.4%
Mixed use/other	172,316	7.1%	143,427	5.9%
	<u>\$ 2,427,905</u>	<u>100.0%</u>	<u>\$ 2,449,909</u>	<u>100.0%</u>
	September 30, 2016	December 31, 2015		
Credit Exposure - By Payment Activity				
Performing	\$ 2,426,284	\$ 2,438,341		
In workout	1,621	11,568		
Delinquent	—	—		
Collateral dependent	—	—		
	2,427,905	2,449,909		
Specific loan loss allowance	(1,327)	(7,842)		
General loan loss allowance	(6,200)	(6,300)		
Deferred prepayment fees	(1,148)	(510)		
	\$ 2,419,230	\$ 2,435,257		

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Shareholder Information

Corporate Offices:

American Equity Investment Life Holding Company
6000 Westown Parkway
West Des Moines, IA 50266

Inquiries:

Steven Schwartz, Vice President-Investor Relations
(515) 273-3673, sschwartz@american-equity.com

Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

	High	Low	Close	Dividend Declared
2016				
First Quarter	\$23.65	\$12.65	\$16.80	\$0.00
Second Quarter	\$16.96	\$12.77	\$14.25	\$0.00
Third Quarter	\$18.32	\$13.07	\$17.73	\$0.00
2015				
First Quarter	\$29.62	\$25.46	\$29.13	\$0.00
Second Quarter	\$29.90	\$25.06	\$26.98	\$0.00
Third Quarter	\$30.02	\$22.36	\$23.31	\$0.00
Fourth Quarter	\$28.30	\$22.55	\$24.03	\$0.22
2014				
First Quarter	\$26.42	\$18.84	\$23.62	\$0.00
Second Quarter	\$25.15	\$20.97	\$24.60	\$0.00
Third Quarter	\$25.25	\$21.69	\$22.88	\$0.00
Fourth Quarter	\$29.75	\$21.36	\$29.19	\$0.20

Transfer Agent:

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

Annual Report and Other Information:

Shareholders may receive when available, without charge, a copy of American Equity's Annual Report, SEC filings and/or press releases by calling Steven Schwartz, Vice President-Investor Relations, at (515) 273-3763 or by visiting our web site at www.american-equity.com.

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Research Analyst Coverage

John Nadel
Credit Suisse
(212) 325-4016
john.nadel@credit-suisse.com

Thomas Gallagher
Evercore ISI
(212) 446-9439
thomas.gallagher@evercoreisi.com

Randy Binner
Friedman, Billings, Ramsey & Co., Inc.
(703) 312-1890
rbinner@fbr.com

Pablo Singzon II
JP Morgan
(212) 622-2295
pablo.s.singzon@jpmorgan.com

C. Gregory Peters
Raymond James & Associates, Inc.
(727) 567-1534
greg.peters@raymondjames.com

Kenneth S. Lee
RBC Capital Markets, LLC
(212) 905-5995
kenneth.s.lee@rbccm.com

John Barnidge
Sandler O'Neill & Partners, L.P.
(312) 281-3412
jbarnidge@sandleroneill.com

Mark Hughes
SunTrust Robinson Humphrey
(404) 926-5072
mark.hughes@suntrust.com