
**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): May 05, 2021

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

(Exact name of registrant as specified in its charter)

Iowa
(State or other jurisdiction
of incorporation)

001-31911
(Commission File Number)

42-1447959
(IRS Employer
Identification No.)

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$1	AEL	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A	AELPRA	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B	AELPRB	New York Stock Exchange

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On May 5, 2021, the registrant issued a press release announcing its financial results for the quarter ended March 31, 2021, 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 March 31, 2021, 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

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated May 5, 2021, announcing American Equity Investment Life Holding Company's financial results for the quarter ended March 31, 2021.
99.2	American Equity Investment Life Holding Company's Financial Supplement for the quarter ended March 31, 2021.
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURE

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

Date: May 5, 2021

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**

By: /s/ Ted M. Johnson
Ted M. Johnson
Chief Financial Officer



For more information, contact:

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

FOR IMMEDIATE RELEASE

May 5, 2021

American Equity Reports First Quarter 2021 Results

Company Highlights

- **First quarter 2021 net income available to common stockholders of \$271.8 million or \$2.82 per diluted common share compared to \$236.3 million, or \$2.57 per diluted common share, for the first quarter of 2020**
- **First quarter 2021 non-GAAP operating income¹ available to common stockholders of \$41.4 million or \$0.43 per diluted common share compared to \$154.1 million, or \$1.67 per diluted common share, for the first quarter of 2020**
- **First quarter 2020 results reflected one notable item², a tax-benefit due to the enactment of the CARES Act of \$31 million, or \$0.33 per diluted common share; No notable items² for first quarter 2021**
- **Book value per common share of \$54.76 at March 31, 2021; Book value per share excluding accumulated other comprehensive income and the net impact of accounting for fair value of derivatives and embedded derivatives of \$39.00 and \$34.81, respectively**
- **First quarter 2021 annuity sales of \$2.4 billion – All-time record for the company**
- **Policyholder funds under management of \$55.8 billion**

WEST DES MOINES, Iowa (May 5, 2021) - American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities (FIAs) today reported first quarter 2021 net income available to common stockholders of \$271.8 million, or \$2.82 per diluted common share, compared to net income available to common stockholders of \$236.3 million, or \$2.57 per diluted common share, for first quarter 2020.

Non-GAAP operating income¹ available to common stockholders for the first quarter 2021 was \$41.4 million, or \$0.43 per diluted common share, compared to non-GAAP operating income¹ available to common stockholders of \$154.1 million, or \$1.67 per diluted common share, for first quarter 2020. On a trailing twelve-month basis, non-GAAP operating return¹ on average common stockholders' equity excluding average AOCI¹ was (1.3)% based on reported results and 8.5% excluding the impact of notable items².

The year-over-year decrease in quarterly non-GAAP operating income¹ available to common stockholders excluding notable items² was primarily attributable to lower investment spread income, an increase in other operating costs and expenses, and increases in the amortization of deferred sales inducements and deferred policy acquisition costs. Actual versus modeled expectations in the quarter negatively affected amortization of deferred

policy acquisition and sales inducement costs by \$5 million and added to the increase in the liability for future policy benefits to be paid for lifetime income benefit riders (LIBRs) by \$11 million. Year-over-year, amortization of deferred policy acquisition and sales inducement costs increased \$22 million and the change in liability for future policy benefits to be paid for LIBR increased by \$3 million.

Other operating costs and expenses increased to \$56 million from \$44 million in the first quarter of 2020 reflecting costs associated with upgrading of capabilities and migration to our new business model.

INVESTMENT SPREAD DECREASES SEQUENTIALLY AS CASH INCREASES FOR REINSURANCE DEALS

American Equity's investment spread was 2.00% for the first quarter of 2021 compared to 2.25% for the fourth quarter of 2020 and 2.64% for the first quarter of 2020. On a sequential basis, the average yield on invested assets decreased by 30 basis points while the cost of money fell by 5 basis points. Adjusted investment spread excluding non-trendable items³ declined to 1.87% in the first quarter of 2021 from 2.13% in the fourth quarter of 2020.

Average yield on invested assets was 3.58% in the first quarter of 2021 compared to 3.88% in the fourth quarter of 2020. The decrease in investment yield was primarily driven by retention of a higher level of liquidity in the investment portfolios of the life insurance companies. The average adjusted yield on invested assets excluding non-trendable items³ was 3.47% in the first quarter of 2021 compared to 3.77% in the fourth quarter of 2020.

The aggregate cost of money for annuity liabilities of 1.58% in the first quarter of 2021 was down 5 basis points from 1.63% in the fourth quarter of 2020. The cost of money in the first quarter of 2021 was positively affected by 2 basis points of over-hedging of index-linked credits compared to 1 basis point of hedge gain in the fourth quarter of 2020.

Commenting on investment spread, Anant Bhalla, Chief Executive Officer, said: "The decrease in average yield on investment assets was primarily attributable to a 34-basis point reduction from interest foregone due to an increase in the amount of cash held in the life insurance company portfolios in the quarter. Cash and short-term investments in the quarter averaged \$8.6 billion in the first quarter of 2021 compared to \$4.4 billion in the fourth quarter of 2020. De-risking a portion of the public structured assets portfolio in the fourth quarter of 2020 resulted in higher cash balances at a time when the 10-year U.S. treasury rate was under 1%. Recent deployments of cash have been into assets at higher yields. In the first quarter, we purchased around \$1.1 billion of new assets at a yield of approximately 4% and in April purchased another approximately \$1.0 billion at a yield of approximately 3.4%.

Bhalla continued: "In advance of expected closing on previously announced reinsurance transactions and ramping our investing into new target asset allocations over the rest of 2021, we continued to accumulate substantial liquidity in the investment portfolio this quarter as we built up additional cash due to record sales and existing portfolio maturities. Excluding cash and invested assets to be utilized as part of both the transactions and redeployment strategies, we estimate the current point-in-time yield on the investment portfolio would be roughly 4%."

POLICYHOLDER FUNDS UNDER MANAGEMENT INCREASE 3.2% ON \$2.4 BILLION OF SALES

Policyholder funds under management at March 31, 2021 were \$55.8 billion, a \$1.8 billion, or 3.2% increase from December 31, 2020. First quarter gross sales were \$2,435 million, representing an increase of 245% from the first quarter 2020 sales level. On a sequential basis, gross sales increased 32%. Compared to the fourth quarter of 2020, gross sales at American Equity Life increased 46% while Eagle Life sales rose 19%.

Commenting on sales, Bhalla stated: "In the first quarter, we reported all-time record sales of \$2.4 billion. We believe this is an early indication of the future high-growth potential from AEL's Go-to-Market franchise.

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 "expect", "target", "hope", "intend", "intent", 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 first quarter 2021 earnings on Thursday, May 6, at 10:00 a.m. CT. The conference call will be webcast live on the Internet. Investors and interested parties who wish to listen to the call on the internet may do so at www.american-equity.com.

The call may also be accessed by telephone at 855-865-0606, passcode 6756942 (international callers, please dial 704-859-4382). An audio replay will be available shortly after the call on American Equity's website. An audio replay will also be available via telephone through May 13, 2021 at 855-859-2056, passcode 6756942 (international callers will need to dial 404-537-3406).

ABOUT AMERICAN EQUITY

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

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

2 Notable items, as and when applicable, appear on page 5 of our March 31, 2021 financial supplement

3 Non-trendable items are the impact of investment yield – additional prepayment income and cost of money effect of over (under) hedging as shown in our March 31, 2021 financial supplement on page 11, "Spread Results".

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Consolidated Statements of Operations

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Premiums and other considerations	\$ 13,213	\$ 7,664
Annuity product charges	60,082	59,549
Net investment income	497,190	573,318
Change in fair value of derivatives	396,305	(941,874)
Net realized losses on investments	(4,583)	(20,336)
Loss on extinguishment of debt	—	(2,024)
Total revenues	<u>962,207</u>	<u>(323,703)</u>
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits	16,424	10,072
Interest sensitive and index product benefits	476,595	400,219
Amortization of deferred sales inducements	122,975	73,591
Change in fair value of embedded derivatives	(282,413)	(1,250,061)
Interest expense on notes payable	6,393	6,385
Interest expense on subordinated debentures	1,326	1,588
Amortization of deferred policy acquisition costs	203,823	120,702
Other operating costs and expenses	55,865	43,626
Total benefits and expenses	<u>600,988</u>	<u>(593,878)</u>
Income before income taxes	361,219	270,175
Income tax expense	78,535	27,228
Net income	<u>282,684</u>	<u>242,947</u>
Less: Preferred stock dividends	10,919	6,611
Net income available to common stockholders	<u>\$ 271,765</u>	<u>\$ 236,336</u>
Earnings per common share	\$ 2.84	\$ 2.58
Earnings per common share - assuming dilution	\$ 2.82	\$ 2.57
Weighted average common shares outstanding (in thousands):		
Earnings per common share	95,735	91,644
Earnings per common share - assuming dilution	96,216	92,021

NON-GAAP FINANCIAL MEASURES

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

Reconciliation from Net Income Available to Common Stockholders to Non-GAAP Operating Income Available to Common Stockholders and Non-GAAP Operating Income Available to Common Stockholders, Excluding Notable Items

	Three Months Ended March 31,	
	2021	2020
Net income available to common stockholders	\$ 271,765	\$ 236,336
Adjustments to arrive at non-GAAP operating income available to common stockholders: (a)		
Net realized gains/losses on financial assets, including credit losses	3,516	16,349
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(297,634)	(120,454)
Change in fair value of derivatives - interest rate caps and swap	—	(848)
Income taxes	63,794	22,702
Non-GAAP operating income available to common stockholders	41,441	154,085
Impact of notable items (b)	—	(30,778)
Non-GAAP operating income available to common stockholders, excluding notable items	\$ 41,441	\$ 123,307
Per common share - assuming dilution:		
Net income available to common stockholders	\$ 2.82	\$ 2.57
Adjustments to arrive at non-GAAP operating income available to common stockholders:		
Net realized gains/losses on financial assets, including credit losses	0.04	0.17
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(3.09)	(1.31)
Change in fair value of derivatives - interest rate caps and swap	—	(0.01)
Income taxes	0.66	0.25
Non-GAAP operating income available to common stockholders	0.43	1.67
Impact of notable items	—	(0.33)
Non-GAAP operating income available to common stockholders, excluding notable items	\$ 0.43	\$ 1.34

Notable Items

	Three Months Ended March 31,	
	2021	2020
Notable items impacting Non-GAAP operating income available to common stockholders:		
Tax benefit related to the CARES Act	\$ —	\$ (30,778)
Total notable items (b)	\$ —	\$ (30,778)

- (a) Adjustments to net income available to common stockholders to arrive at non-GAAP operating income available to common stockholders are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.
- (b) Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items include the impact from actuarial assumption updates, certain initial uncapitalized costs to establish the AEL 2.0 strategy, and initial non-deferred impacts related to reinsurance transactions. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Book Value per Common Share

	Q1 2021
Total stockholders' equity	\$ 5,928,760
Equity available to preferred stockholders (a)	(700,000)
Total common stockholders' equity (b)	5,228,760
Accumulated other comprehensive income	(1,505,260)
Total common stockholders' equity excluding AOCI (b)	3,723,500
Net impact of fair value accounting for derivatives and embedded derivatives	(399,538)
Total common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives (b)	\$ 3,323,962
Common shares outstanding	95,482,733
Book Value per Common Share: (c)	
Book value per common share	\$ 54.76
Book value per common share excluding AOCI (b)	\$ 39.00
Book value per common share excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives (b)	\$ 34.81

- (a) Equity available to preferred stockholders is equal to the redemption value of outstanding preferred stock plus share dividends declared but not yet issued.
- (b) Total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives, non-GAAP financial measures, exclude equity available to preferred stockholders. Total common stockholders' equity and book value per common share excluding AOCI, non-GAAP financial measures, are based on common stockholders' equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale securities, we believe these non-GAAP financial measures provide useful supplemental information. Total common stockholders' equity and book value per common share excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives, non-GAAP financial measures, are based on common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives. Since the net impact of fair value accounting for our derivatives and embedded derivatives fluctuates from quarter to quarter and the most significant impacts relate to 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 these non-GAAP financial measures provide useful supplemental information.
- (c) Book value per common share including and excluding AOCI and book value per common share excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives are calculated as total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives divided by the total number of shares of common stock outstanding.

NON-GAAP FINANCIAL MEASURES

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

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

	Twelve Months Ended March 31, 2021	
Average Common Stockholders' Equity Excluding Average AOCI		
Average total stockholders' equity	\$	4,714,176
Average equity available to preferred stockholders		(550,000)
Average AOCI		(851,035)
Average common stockholders' equity excluding average AOCI		3,313,141
Impact of notable items on average common stockholders' equity excluding average AOCI		170,448
Average common stockholders' equity excluding average AOCI and notables	\$	3,483,589
Return on Average Common Stockholders' Equity Excluding Average AOCI		
Net income available to common stockholders	\$	673,374
Adjustments to arrive at non-GAAP operating loss available to common stockholders: (a)		
Net realized gains/losses on financial assets, including credit losses		46,522
Change in fair value of derivatives and embedded derivatives - fixed index annuities		(960,337)
Income taxes		196,900
Non-GAAP operating loss available to common stockholders		(43,541)
Impact of notable items (b)		340,895
Non-GAAP operating income available to common stockholders, excluding notable items	\$	297,354
Net income available to common stockholders		20.32 %
Non-GAAP operating loss available to common stockholders		(1.31)%
Non-GAAP operating income available to common stockholders, excluding notable items		8.54 %

Notable Items

	Twelve Months Ended March 31, 2021	
Notable items impacting Non-GAAP operating loss available to common stockholders:		
Impact of actuarial assumption updates	\$	340,895
Total notable items (b)	\$	340,895

- (a) Adjustments to net income available to common stockholders to arrive at non-GAAP operating loss available to common stockholders are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) where applicable.
- (b) Notable items reflect the after-tax impact to non-GAAP operating loss available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items include the impact from actuarial assumption updates, certain initial uncapitalized costs to establish the AEL 2.0 strategy, and initial non-deferred impacts related to reinsurance transactions. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

March 31, 2021

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - March 31, 2021
Unaudited (Dollars in thousands)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2021</u>	<u>December 31, 2020 (a)</u>
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value	\$ 45,690,341	\$ 47,538,893
Mortgage loans on real estate	4,290,602	4,165,489
Derivative instruments	1,509,892	1,310,954
Other investments	908,437	590,078
Total investments	52,399,272	53,605,414
Cash and cash equivalents	11,087,125	9,095,522
Coinsurance deposits	4,646,406	4,844,927
Accrued investment income	410,112	398,082
Deferred policy acquisition costs	2,470,851	2,225,199
Deferred sales inducements	1,587,653	1,448,375
Income taxes recoverable	—	862
Other assets	76,247	70,198
Total assets	\$ 72,677,666	\$ 71,688,579
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 63,519,546	\$ 62,352,882
Other policy funds and contract claims	234,468	240,904
Notes payable	495,811	495,668
Subordinated debentures	78,187	78,112
Deferred income taxes	376,895	504,000
Income taxes payable	19,599	—
Other liabilities	2,024,400	1,668,025
Total liabilities	66,748,906	65,339,591
Stockholders' equity:		
Preferred stock, Series A	16	16
Preferred stock, Series B	12	12
Common stock	95,483	95,721
Additional paid-in capital	1,687,669	1,681,127
Accumulated other comprehensive income	1,505,260	2,203,557
Retained earnings	2,640,320	2,368,555
Total stockholders' equity	5,928,760	6,348,988
Total liabilities and stockholders' equity	\$ 72,677,666	\$ 71,688,579

- (a) The December 31, 2020 balance sheet includes reclassifications from previously reported amounts for the correction of an immaterial error in the calculation of the impact of unrealized gains and losses on lifetime income benefit reserves which was determined in the first quarter of 2021. This is reflected in deferred policy acquisition costs, deferred sales inducements, policy benefit reserves, deferred income taxes and accumulated other comprehensive income

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - March 31, 2021
Unaudited (Dollars in thousands, except per share data)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31,	
	2021	2020
Revenues:		
Premiums and other considerations	\$ 13,213	\$ 7,664
Annuity product charges	60,082	59,549
Net investment income	497,190	573,318
Change in fair value of derivatives	396,305	(941,874)
Net realized losses on investments	(4,583)	(20,336)
Loss on extinguishment of debt	—	(2,024)
Total revenues	962,207	(323,703)
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits	16,424	10,072
Interest sensitive and index product benefits	476,595	400,219
Amortization of deferred sales inducements	122,975	73,591
Change in fair value of embedded derivatives	(282,413)	(1,250,061)
Interest expense on notes payable	6,393	6,385
Interest expense on subordinated debentures	1,326	1,588
Amortization of deferred policy acquisition costs	203,823	120,702
Other operating costs and expenses	55,865	43,626
Total benefits and expenses	600,988	(593,878)
Income before income taxes	361,219	270,175
Income tax expense	78,535	27,228
Net income	282,684	242,947
Less: Preferred stock dividends	10,919	6,611
Net income available to common stockholders	\$ 271,765	\$ 236,336
Earnings per common share	\$ 2.84	\$ 2.58
Earnings per common share - assuming dilution	\$ 2.82	\$ 2.57
Weighted average common shares outstanding (in thousands):		
Earnings per common share	95,735	91,644
Earnings per common share - assuming dilution	96,216	92,021

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - March 31, 2021
Unaudited (Dollars in thousands, except per share data)
Quarterly Summary - Most Recent 5 Quarters

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenues:					
Traditional life insurance premiums	\$ 706	\$ 701	\$ 708	\$ 722	\$ 823
Life contingent immediate annuity considerations	12,507	9,578	9,699	10,310	6,841
Surrender charges	19,481	17,009	16,447	19,390	19,705
Lifetime income benefit rider fees	40,601	48,954	45,830	44,048	39,844
Net investment income	497,190	521,725	543,331	543,704	573,318
Change in fair value of derivatives	396,305	443,867	205,011	327,662	(941,874)
Net realized losses on investments	(4,583)	(12,135)	(22,321)	(25,888)	(20,336)
Loss on extinguishment of debt	—	—	—	—	(2,024)
Total revenues	962,207	1,029,699	798,705	919,948	(323,703)
Benefits and expenses:					
Traditional life insurance policy benefits and change in future policy benefits	1,049	1,091	655	702	621
Life contingent immediate annuity benefits and change in future policy benefits	15,375	11,975	12,618	12,629	9,451
Interest sensitive and index product benefits (a)	476,595	325,912	576,147	240,992	400,219
Amortization of deferred sales inducements (b)(d)	122,975	22,768	416,983	(75,178)	73,591
Change in fair value of embedded derivatives (c)(d)	(282,413)	568,836	(1,732,497)	1,126,935	(1,250,061)
Interest expense on notes payable	6,393	6,391	6,388	6,388	6,385
Interest expense on subordinated debentures	1,326	1,325	1,323	1,321	1,588
Amortization of deferred policy acquisition costs (b)(d)	203,823	26,145	622,596	(119,889)	120,702
Other operating costs and expenses	55,865	55,321	42,738	41,951	43,626
Total benefits and expenses	600,988	1,019,764	(53,049)	1,235,851	(593,878)
Income (loss) before income taxes	361,219	9,935	851,754	(315,903)	270,175
Income tax expense (benefit) (e)	78,535	1,193	184,554	(68,474)	27,228
Net income (loss) (a)(b)(c)(d)(e)	282,684	8,742	667,200	(247,429)	242,947
Less: Preferred stock dividends	10,919	15,004	5,950	5,950	6,611
Net income (loss) available to common stockholders (a)(b)(c)(d)(e)	\$ 271,765	\$ (6,262)	\$ 661,250	\$ (253,379)	\$ 236,336
Earnings (loss) per common share	\$ 2.84	\$ (0.07)	\$ 7.20	\$ (2.76)	\$ 2.58
Earnings (loss) per common share - assuming dilution (a)(b)(c)(d)(e)	\$ 2.82	\$ (0.07)	\$ 7.17	\$ (2.76)	\$ 2.57
Weighted average common shares outstanding (thousands):					
Earnings (loss) per common share	95,735	92,904	91,861	91,803	91,644
Earnings (loss) per common share - assuming dilution	96,216	93,352	92,163	92,027	92,021

- (a) Q3 2020 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index products by \$285.8 million and decreased both net income and net income available to common stockholders by \$224.4 million and decreased earnings per common share - assuming dilution by \$2.44 per share.
- (b) Q3 2020 includes expense from the revision of assumptions which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$391.4 million and \$589.2 million, respectively, and decreased both net income and net income available to common stockholders by \$769.8 million and decreased earnings per common share - assuming dilution by \$8.35 per share.
- (c) Q3 2020 includes a benefit from the revision of assumptions used in determining the embedded derivative component of our fixed index annuity policy benefit reserves. The impact decreased change in fair value of embedded derivatives by \$2,111.1 million and increased both net income and net income available to common stockholders by \$1,657.2 million and increased earnings per common share - assuming dilution by \$17.98 per share.
- (d) Q2 2020 includes a benefit from the revision of assumptions used in determining the embedded derivative component of our fixed index annuity policy benefit reserves. The impact decreased change in fair value of embedded derivatives by \$230.1 million, increased amortization of deferred sales inducements and deferred policy acquisition costs by \$36.7 million and \$57.6 million, respectively, and decreased both net loss and net loss available to common stockholders by \$106.5 million and reduced loss per common share - assuming dilution by \$1.16 per share.

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- (e) Q1 2020 includes a tax benefit related to the provision of the Coronavirus Aid, Relief, and Economic Security Act, ("CARES Act") which was signed into legislation on March 27, 2020 and allows net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect. The impact reduced income tax expense and increased both net income and net income available to common stockholders by \$30.8 million and increased earnings per common share - assuming dilution by \$0.33 per share.

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

Reconciliation from Net Income Available to Common Stockholders to Non-GAAP Operating Income Available to Common Stockholders and Non-GAAP Operating Income Available to Common Stockholders, Excluding Notable Items

	Three Months Ended March 31,	
	2021	2020
Net income available to common stockholders	\$ 271,765	\$ 236,336
Adjustments to arrive at non-GAAP operating income available to common stockholders: (a)		
Net realized gains/losses on financial assets, including credit losses	3,516	16,349
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(297,634)	(120,454)
Change in fair value of derivatives - interest rate caps and swap	—	(848)
Income taxes	63,794	22,702
Non-GAAP operating income available to common stockholders	41,441	154,085
Impact of notable items (b)	—	(30,778)
Non-GAAP operating income available to common stockholders, excluding notable items	\$ 41,441	\$ 123,307
Per common share - assuming dilution:		
Net income available to common stockholders	\$ 2.82	\$ 2.57
Adjustments to arrive at non-GAAP operating income available to common stockholders:		
Net realized gains/losses on financial assets, including credit losses	0.04	0.17
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(3.09)	(1.31)
Change in fair value of derivatives - interest rate caps and swap	—	(0.01)
Income taxes	0.66	0.25
Non-GAAP operating income available to common stockholders	0.43	1.67
Impact of notable items	—	(0.33)
Non-GAAP operating income available to common stockholders, excluding notable items	\$ 0.43	\$ 1.34

Notable Items

	Three Months Ended March 31,	
	2021	2020
Notable items impacting Non-GAAP operating income available to common stockholders:		
Tax benefit related to the CARES Act	\$ —	\$ (30,778)
Total notable items (b)	\$ —	\$ (30,778)

- (a) Adjustments to net income available to common stockholders to arrive at non-GAAP operating income available to common stockholders are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) where applicable.
- (b) Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items include the impact from actuarial assumption updates, certain initial uncapitalized costs to establish the AEL 2.0 strategy, and initial non-deferred impacts related to reinsurance transactions. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

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Summary of Adjustments to Arrive at Non-GAAP Operating Income Available to Common Stockholders

	Three Months Ended March 31,	
	2021	2020
Net realized gains/losses on financial assets, including credit losses:		
Net realized gains/losses on financial assets, including credit losses	\$ 4,727	\$ 21,657
Amortization of DAC and DSI	(1,211)	(5,308)
Income taxes	(756)	(3,531)
	<u>\$ 2,760</u>	<u>\$ 12,818</u>
Change in fair value of derivatives and embedded derivatives:		
Fixed index annuities	\$ (493,799)	\$ (209,891)
Interest rate caps and swap	—	(848)
Amortization of DAC and DSI	196,165	89,437
Income taxes	64,550	26,233
	<u>\$ (233,084)</u>	<u>\$ (95,069)</u>

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Quarterly Summary - Most Recent 5 Quarters
Reconciliation from Net Income (Loss) Available to Common Stockholders to Non-GAAP Operating Income (Loss) Available to Common Stockholders and Non-GAAP Operating Income Available to Common Stockholders, Excluding Notable Items

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net income (loss) available to common stockholders	\$ 271,765	\$ (6,262)	\$ 661,250	\$ (253,379)	\$ 236,336
Adjustments to arrive at non-GAAP operating income (loss) available to common stockholders: (a)					
Net realized gains/losses on financial assets, including credit losses	3,516	9,369	15,145	18,492	16,349
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(297,634)	90,616	(1,176,909)	423,590	(120,454)
Change in fair value of derivatives - interest rate caps and swap	—	—	—	—	(848)
Income taxes	63,794	(21,996)	250,701	(95,599)	22,702
Non-GAAP operating income (loss) available to common stockholders	41,441	71,727	(249,813)	93,104	154,085
Impact of notable items (b)	—	—	340,895	—	(30,778)
Non-GAAP operating income available to common stockholders, excluding notable items (c)(d)(e)	\$ 41,441	\$ 71,727	\$ 91,082	\$ 93,104	\$ 123,307
Per common share - assuming dilution:					
Net income (loss) available to common stockholders	\$ 2.82	\$ (0.07)	\$ 7.17	\$ (2.76)	\$ 2.57
Adjustments to arrive at non-GAAP operating income (loss) available to common stockholders:					
Anti-dilutive effect of net loss	—	—	—	0.01	—
Anti-dilutive effect of operating loss	—	—	0.01	—	—
Net realized gains/losses on financial assets, including credit losses	0.04	0.10	0.16	0.20	0.17
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(3.09)	0.97	(12.77)	4.60	(1.31)
Change in fair value of derivatives - interest rate caps and swap	—	—	—	—	(0.01)
Income taxes	0.66	(0.23)	2.71	(1.04)	0.25
Non-GAAP operating income (loss) available to common stockholders	0.43	0.77	(2.72)	1.01	1.67
Impact of notable items	—	—	3.70	—	(0.33)
Non-GAAP operating income available to common stockholders, excluding notable items (c)(d)(e)	\$ 0.43	\$ 0.77	\$ 0.98	\$ 1.01	\$ 1.34

Notable Items

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Notable items impacting Non-GAAP operating income (loss) available to common stockholders:					
Impact of actuarial assumption updates (c)(d)	\$ —	\$ —	\$ 340,895	\$ —	\$ —
Tax benefit related to the CARES Act (e)	—	—	—	—	(30,778)
Total notable items (b)	\$ —	\$ —	\$ 340,895	\$ —	\$ (30,778)

- (a) Adjustments to net income (loss) available to common stockholders to arrive at non-GAAP operating income (loss) available to common stockholders are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) where applicable.
- (b) Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items include the impact from actuarial assumption updates, certain initial uncapitalized costs to establish the AEL 2.0 strategy, and initial non-deferred impacts related to reinsurance transactions. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.
- (c) Q3 2020 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index products by \$285.8 million and increased non-GAAP operating loss available to common stockholders and non-GAAP operating loss available to common stockholders per common share - assuming dilution by \$224.4 million and \$2.44 per share, respectively.
- (d) Q3 2020 includes expense from the revision of assumptions which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$57.5 million and \$91.0 million, respectively, and increased non-GAAP operating loss available to common stockholders and non-GAAP operating loss available to common stockholders per common share - assuming dilution by \$116.5 million and \$1.26 per share, respectively.

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- (e) Q1 2020 includes a tax benefit related to the provision of CARES Act which was signed into legislation on March 27, 2020 and allows net operating losses for 2018 through 2020 to be carried back to previous tax years in which a 35% statutory tax rate was in effect. The impact reduced income tax expense and increased non-GAAP operating income available to common stockholders and non-GAAP operating income available to common stockholders per common share - assuming dilution by \$30.8 million and \$0.33 per share, respectively.

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Summary of Adjustments to Arrive at Non-GAAP Operating Income (Loss) Available to Common Stockholders

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net realized losses on investments	\$ 4,583	\$ 12,135	\$ 22,321	\$ 25,888	\$ 20,336
Change in fair value of derivatives	(211,387)	(416,450)	(203,088)	(413,489)	1,039,322
Increase (decrease) in total revenues	(206,804)	(404,315)	(180,767)	(387,601)	1,059,658
Amortization of deferred sales inducements	(69,788)	22,785	(303,710)	115,511	(29,683)
Change in fair value of embedded derivatives	282,413	(568,836)	1,732,497	(1,126,935)	1,250,061
Interest sensitive and index product benefits (a)	(145)	761	1,298	612	(1,321)
Amortization of deferred policy acquisition costs	(125,166)	40,990	(449,088)	181,129	(54,446)
Increase (decrease) in total benefits and expenses	87,314	(504,300)	980,997	(829,683)	1,164,611
Increase in income (loss) before income taxes	(294,118)	99,985	(1,161,764)	442,082	(104,953)
Increase (decrease) in income tax expense (benefit)	(63,794)	21,996	(250,701)	95,599	(22,702)
Increase (decrease) in net income (loss) available to common stockholders	\$ (230,324)	\$ 77,989	\$ (911,063)	\$ 346,483	\$ (82,251)

- (a) Interest sensitive and index product benefits adjustment reflects the change in the allowance for credit losses on our reinsurance recoverable/coinsurance deposits under a revised impairment model for financial assets measured at amortized cost which we were required to adopt on January 1, 2020. The change in this allowance is reflected in the net realized gains/losses of financial assets, including credit losses line in the other Non-GAAP financial measures tables in this financial supplement.

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Capitalization/Book Value per Common Share

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Capitalization:					
Notes payable	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Subordinated debentures payable to subsidiary trusts	78,187	78,112	78,037	77,964	77,893
Total debt	578,187	578,112	578,037	577,964	577,893
Total stockholders' equity (a)	5,928,760	6,348,988	5,918,216	4,919,689	3,499,592
Total capitalization (a)	6,506,947	6,927,100	6,496,253	5,497,653	4,077,485
Accumulated other comprehensive income (AOCI) (a)	(1,505,260)	(2,203,557)	(1,911,593)	(1,577,499)	(196,809)
Total capitalization excluding AOCI (b)	\$ 5,001,687	\$ 4,723,543	\$ 4,584,660	\$ 3,920,154	\$ 3,880,676
Total stockholders' equity (a)					
Equity available to preferred stockholders (c)	(700,000)	(700,000)	(700,000)	(700,000)	(400,000)
Total common stockholders' equity (a)(d)	5,228,760	5,648,988	5,218,216	4,219,689	3,099,592
Accumulated other comprehensive income (a)	(1,505,260)	(2,203,557)	(1,911,593)	(1,577,499)	(196,809)
Total common stockholders' equity excluding AOCI (d)	3,723,500	3,445,431	3,306,623	2,642,190	2,902,783
Net impact of fair value accounting for derivatives and embedded derivatives	(399,538)	(166,453)	(237,099)	685,839	353,853
Total common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives (d)	\$ 3,323,962	\$ 3,278,978	\$ 3,069,524	\$ 3,328,029	\$ 3,256,636
Common shares outstanding					
Common shares outstanding	95,482,733	95,720,622	91,931,837	91,595,066	91,497,841
Book Value per Common Share: (e)					
Book value per common share (a)	\$ 54.76	\$ 59.02	\$ 56.76	\$ 46.07	\$ 33.88
Book value per common share excluding AOCI (d)	\$ 39.00	\$ 35.99	\$ 35.97	\$ 28.85	\$ 31.73
Book value per common share excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives (d)	\$ 34.81	\$ 34.26	\$ 33.39	\$ 36.33	\$ 35.59
Debt-to-Capital Ratios: (f)					
Senior debt / Total capitalization	10.0 %	10.6 %	10.9 %	12.8 %	12.9 %
Total debt / Total capitalization	11.6 %	12.2 %	12.6 %	14.7 %	14.9 %

- (a) Q1 2020 through Q4 2020 include the impact of a correction of an immaterial error in the calculation of the impact of unrealized gains and losses on lifetime income benefit reserves which was determined in Q1 2021. This had the impact of reducing AOCI as of December 31, 2020 by \$225.7 million and decreased book value per common share by \$2.35 compared to amounts previously reported.
- (b) Total capitalization excluding AOCI, a non-GAAP financial measure, is based on stockholders' equity excluding the effect of AOCI.
- (c) Equity available to preferred stockholders is equal to the redemption value of outstanding preferred stock plus share dividends declared but not yet issued.
- (d) Total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives, non-GAAP financial measures, exclude equity available to preferred stockholders. Total common stockholders' equity and book value per common share excluding AOCI, non-GAAP financial measures, are based on common stockholders' equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale securities, we believe these non-GAAP financial measures provide useful supplemental information. Total common stockholders' equity and book value per common share excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives, non-GAAP financial measures, are based on common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives. Since the net impact of fair value accounting for our derivatives and embedded derivatives fluctuates from quarter to quarter and the most significant impacts relate to 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 these non-GAAP financial measures provide useful supplemental information.
- (e) Book value per common share including and excluding AOCI and book value per common share excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives are calculated as total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for derivatives and embedded derivatives divided by the total number of shares of common stock outstanding.
- (f) Debt-to-capital ratios are computed using total capitalization excluding AOCI.

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Spread Results

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Average yield on invested assets	3.58%	3.88%	4.10%	4.12%	4.36%
Aggregate cost of money	1.58%	1.63%	1.66%	1.73%	1.72%
Aggregate investment spread	2.00%	2.25%	2.44%	2.39%	2.64%
Impact of:					
Investment yield - additional prepayment income	0.11%	0.11%	0.10%	0.03%	0.06%
Cost of money effect of over (under) hedging	0.02%	0.01%	0.03%	(0.01)%	0.05%
Weighted average investments	\$55,712,648	\$53,836,378	\$53,024,798	\$52,901,215	\$52,623,239

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

Summary of Cost of Money for Deferred Annuities

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Included in interest sensitive and index product benefits:					
Index credits	\$ 345,737	\$ 195,927	\$ 174,747	\$ 97,875	\$ 278,940
Interest credited	56,477	49,551	47,376	46,594	48,947
Included in change in fair value of derivatives:					
Proceeds received at option expiration	(349,119)	(197,921)	(178,405)	(97,015)	(285,263)
Pro rata amortization of option cost	164,230	170,505	176,481	182,841	187,030
Cost of money for deferred annuities	\$ 217,325	\$ 218,062	\$ 220,199	\$ 230,295	\$ 229,654
Weighted average liability balance outstanding	\$ 54,935,106	\$ 53,531,441	\$ 53,059,376	\$ 53,214,255	\$ 53,274,905

Annuity Account Balance Rollforward

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Account balances at beginning of period	\$ 54,056,725	\$ 53,006,150	\$ 53,112,600	\$ 53,315,909	\$ 53,233,898
Net deposits	2,417,729	1,830,816	557,675	543,026	681,752
Premium bonuses	24,850	25,143	21,205	22,710	24,552
Fixed interest credited and index credits	402,214	245,478	222,123	144,469	327,887
Surrender charges	(19,481)	(17,009)	(16,447)	(19,390)	(19,705)
Lifetime income benefit rider fees	(40,601)	(48,954)	(45,830)	(44,048)	(39,844)
Surrenders, withdrawals, deaths, etc.	(1,027,956)	(984,899)	(845,176)	(850,076)	(892,631)
Account balances at end of period	\$ 55,813,480	\$ 54,056,725	\$ 53,006,150	\$ 53,112,600	\$ 53,315,909

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Annuity Deposits by Product Type

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
American Equity Life:					
Fixed index annuities	\$ 516,995	\$ 500,495	\$ 432,602	\$ 472,899	\$ 586,063
Annual reset fixed rate annuities	2,167	1,664	1,817	2,316	2,331
Multi-year fixed rate annuities	787,192	394,999	531	83	369
Single premium immediate annuities	13,959	7,774	10,205	10,084	5,398
	<u>1,320,313</u>	<u>904,932</u>	<u>445,155</u>	<u>485,382</u>	<u>594,161</u>
Eagle Life:					
Fixed index annuities	148,836	106,170	60,476	72,371	106,502
Annual reset fixed rate annuities	162	—	39	17	41
Multi-year fixed rate annuities	965,425	833,765	68,206	1,031	4,149
	<u>1,114,423</u>	<u>939,935</u>	<u>128,721</u>	<u>73,419</u>	<u>110,692</u>
Consolidated:					
Fixed index annuities	665,831	606,665	493,078	545,270	692,565
Annual reset fixed rate annuities	2,329	1,664	1,856	2,333	2,372
Multi-year fixed rate annuities	1,752,617	1,228,764	68,737	1,114	4,518
Single premium immediate annuities	13,959	7,774	10,205	10,084	5,398
Total before coinsurance ceded	<u>2,434,736</u>	<u>1,844,867</u>	<u>573,876</u>	<u>558,801</u>	<u>704,853</u>
Coinsurance ceded	3,048	6,277	5,996	5,691	17,703
Net after coinsurance ceded	<u>\$ 2,431,688</u>	<u>\$ 1,838,590</u>	<u>\$ 567,880</u>	<u>\$ 553,110</u>	<u>\$ 687,150</u>

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at March 31, 2021:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	12.7	6.1	9.8%	\$ 50,806,548	91.0 %
Annual Reset Fixed Rate Annuities	8.9	2.6	5.0%	1,411,594	2.5 %
Multi-Year Fixed Rate Annuities	4.0	3.0	8.3%	3,595,338	6.5 %
Total	12.1	5.8	9.6%	<u>\$ 55,813,480</u>	<u>100.0 %</u>

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Annuity Liability Characteristics

<u>Surrender Charge Percentages:</u>	Fixed Annuities Account Value	Fixed Index Annuities Account Value
No surrender charge	\$ 863,221	\$ 3,125,254
0.0% < 2.0%	17,708	339,017
2.0% < 3.0%	53,828	2,475,661
3.0% < 4.0%	96,137	2,512,346
4.0% < 5.0%	59,922	2,117,537
5.0% < 6.0%	192,916	2,854,843
6.0% < 7.0%	39,113	2,476,842
7.0% < 8.0%	66,622	4,079,101
8.0% < 9.0%	60,483	3,579,166
9.0% < 10.0%	3,115,181	3,455,370
10.0% or greater	441,801	23,791,411
	<u>\$ 5,006,932</u>	<u>\$ 50,806,548</u>

<u>Surrender Charge Expiration By Year:</u>	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
Out of Surrender Charge	\$ 3,988,475	0.00 %
2021	890,498	2.83 %
2022	1,612,006	3.38 %
2023	4,924,795	5.31 %
2024	6,112,377	6.24 %
2025	6,248,444	7.18 %
2026	5,619,291	8.93 %
2027	4,372,775	10.64 %
2028	4,629,583	11.62 %
2029	5,904,946	13.06 %
2030	3,900,325	14.89 %
2031	3,284,275	16.75 %
2032	1,966,654	17.86 %
2033	1,135,185	18.35 %
2034	718,079	18.82 %
2035	324,648	19.33 %
2036	151,448	19.86 %
2037	29,676	20.00 %
	<u>\$ 55,813,480</u>	<u>9.63 %</u>

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Annuity Liability Characteristics

Credited Rate vs. Ultimate Minimum Guaranteed Rate Differential:	Fixed Annuities Account Value	Fixed Index Annuities Account Value
No differential	\$ 977,823	\$ 1,220,033
> 0.00% - 0.25%	47,107	140,908
> 0.25% - 0.50%	231,342	6,814
> 0.50% - 1.00%	13,685	1,155
> 1.00% - 1.50%	11,117	—
1.00% ultimate guarantee - 2.16% wtd avg interest rate (a)	3,468,309	1,047,938
1.50% ultimate guarantee - 1.08% wtd avg interest rate (a)	137,803	3,160,134
1.75% ultimate guarantee - 1.72% wtd avg interest rate (a)	48,805	528,653
2.00% ultimate guarantee - 1.85% wtd avg interest rate (a)	70,941	—
2.25% ultimate guarantee - 1.65% wtd avg interest rate (a)	—	673,613
3.00% ultimate guarantee - 1.95% wtd avg interest rate (a)	—	1,360,897
Allocated to index strategies (see tables that follow)	—	42,666,403
	<u>\$ 5,006,932</u>	<u>\$ 50,806,548</u>

(a) The minimum guaranteed interest rate for the fixed rate or the fixed rate strategy ranges from 0.5% - 1.75%. 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 March 31, 2021 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.12%.

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Annuity Liability Characteristics

FIXED INDEX ANNUITIES ACCOUNT VALUE - INDEX STRATEGIES

Annual Monthly Average and Point-to-Point with Caps

	Minimum Guaranteed Cap				
	1%	3%	4%	7%	8% +
Current Cap					
At minimum	\$ 1,282	\$ 103,647	\$ 5,059,257	\$ 59,601	\$ 132,676
1.75% - 3%	9,073,436	—	—	—	—
3% - 4%	316,349	2,092	—	—	—
4% - 5%	1,605,627	210,515	1,028,667	—	—
5% - 6%	622,541	181,589	27,284	—	—
6% - 7%	141	—	442	—	—
>= 7%	9,825	7,705	867	4,879	—

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

	Minimum Guaranteed Participation Rate			
	10%	20% - 25%	35%	50% +
Current Participation Rate				
At minimum	\$ 186,688	\$ 412,453	\$ 83,468	\$ 90,519
< 20%	1,322,160	—	—	—
20% - 40%	3,251,757	206,325	3,465	—
40% - 60%	1,945,548	49,706	47,629	—
60% - 100%	838,650	—	—	—
> 100%	596,808	—	—	—

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

Current Cap	
At minimum	\$ 1,925,877
1.10% - 1.30%	6,189,740
1.40% - 1.60%	1,884,173
1.70% - 2.00%	265,581
>= 2.10%	9,811

Volatility Control Index

Current Asset Fee	
At Maximum	\$ —
0.75% - 1.75%	342,379
2.25% - 2.75%	179,444
3.00% - 3.50%	1,074,225
3.75% - 5.25%	3,223,841

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 0.71% based upon prices of options for the week ended April 2, 2021.

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Summary of Invested Assets

	March 31, 2021		December 31, 2020	
	Carrying Amount	Percent	Carrying Amount	Percent
Fixed maturity securities:				
United States Government full faith and credit	\$ 38,727	0.1 %	\$ 39,771	0.1 %
United States Government sponsored agencies	1,027,441	1.9 %	1,039,551	1.9 %
United States municipalities, states and territories	3,655,844	7.0 %	3,776,131	7.0 %
Foreign government obligations	193,944	0.4 %	202,706	0.4 %
Corporate securities	29,890,265	57.0 %	31,156,827	58.1 %
Residential mortgage backed securities	1,346,473	2.6 %	1,512,831	2.8 %
Commercial mortgage backed securities	4,177,242	8.0 %	4,261,227	8.0 %
Other asset backed securities	5,360,405	10.2 %	5,549,849	10.4 %
Total fixed maturity securities	45,690,341	87.2 %	47,538,893	88.7 %
Mortgage loans on real estate	4,290,602	8.2 %	4,165,489	7.8 %
Derivative instruments	1,509,892	2.9 %	1,310,954	2.4 %
Other investments	908,437	1.7 %	590,078	1.1 %
	<u>\$ 52,399,272</u>	<u>100.0 %</u>	<u>\$ 53,605,414</u>	<u>100.0 %</u>

Credit Quality of Fixed Maturity Securities - March 31, 2021

NAIC Designation	Carrying Amount	Percent	Rating Agency Rating	Carrying Amount	Percent
1	\$ 25,301,796	55.4 %	Aaa/Aa/A	\$ 26,363,222	57.7 %
2	18,833,794	41.2 %	Baa	18,108,379	39.6 %
3	1,310,371	2.9 %	Ba	972,986	2.1 %
4	189,560	0.4 %	B	115,164	0.3 %
5	27,540	0.1 %	Caa	60,977	0.1 %
6	27,280	— %	Ca and lower	69,613	0.2 %
	<u>\$ 45,690,341</u>	<u>100.0 %</u>		<u>\$ 45,690,341</u>	<u>100.0 %</u>

Watch List Securities - March 31, 2021

General Description (a)	Amortized Cost	Allowance for Credit Losses	Amortized Cost, Net of Allowance	Net Unrealized Losses, Net of Allowance	Fair Value
Corporate securities - Public securities	\$ 141,385	\$ (39,737)	\$ 101,648	\$ (1,816)	\$ 99,832
Corporate securities - Private placement securities	205,522	(15,978)	189,544	(2,137)	187,407
Residential mortgage backed securities	36,729	(1,192)	35,537	(1,442)	34,095
Commercial mortgage backed securities	69,324	—	69,324	(5,695)	63,629
Other asset backed securities	35,000	—	35,000	(484)	34,516
United States municipalities, states and territories	19,062	(2,791)	16,271	(574)	15,697
	<u>\$ 507,022</u>	<u>\$ (59,698)</u>	<u>\$ 447,324</u>	<u>\$ (12,148)</u>	<u>\$ 435,176</u>

(a) The watch list consists of all fixed maturity securities we have determined contain elevated credit risk, including those we have taken credit losses on.

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Fixed Maturity Securities by Sector

	March 31, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:				
United States Government full faith and credit and sponsored agencies	\$ 1,033,893	\$ 1,066,168	\$ 1,032,936	\$ 1,079,322
United States municipalities, states and territories	3,258,694	3,655,844	3,236,767	3,776,131
Foreign government obligations	177,075	193,944	177,062	202,706
Corporate securities:				
Capital goods	2,311,299	2,574,918	2,295,927	2,721,465
Consumer discretionary	5,798,478	6,496,175	5,674,845	6,734,249
Energy	2,055,070	2,209,978	2,140,768	2,359,893
Financials	6,035,023	6,623,469	5,971,097	6,877,472
Government non-guaranteed	553,630	623,122	539,148	632,178
Industrials	302,568	332,364	276,352	319,823
Information technology	1,513,900	1,701,536	1,556,654	1,840,942
Materials	1,572,530	1,752,546	1,543,032	1,803,501
Other	318,002	352,818	315,628	370,204
Telecommunications	1,444,260	1,608,440	1,340,484	1,582,329
Transportation	1,318,958	1,427,863	1,362,858	1,511,499
Utilities	3,752,734	4,187,036	3,728,403	4,403,272
Residential mortgage backed securities:				
Government agency	521,139	579,600	549,677	627,201
Prime	667,158	675,162	771,031	788,933
Alt-A	74,716	91,711	79,248	96,697
Commercial mortgage backed securities:				
Government agency	395,783	432,183	398,141	447,726
Non-agency	3,624,027	3,745,059	3,721,509	3,813,501
Other asset backed securities:				
Auto	280,997	288,595	258,286	266,065
Energy	7,209	8,414	7,301	8,946
Financials	4,441	4,209	4,441	3,911
Industrials	51,074	52,538	60,894	61,147
Collateralized loan obligations	4,024,767	3,931,973	4,255,839	4,112,318
Military housing	462,411	499,718	464,684	538,356
Other	554,623	574,958	541,724	559,106
	<u>\$ 42,114,459</u>	<u>\$ 45,690,341</u>	<u>\$ 42,304,736</u>	<u>\$ 47,538,893</u>

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Mortgage Loans on Real Estate

	March 31, 2021		December 31, 2020	
	Principal	Percent	Principal	Percent
Geographic distribution: commercial mortgage loans				
East	\$ 694,952	19.6 %	\$ 699,741	19.5 %
Middle Atlantic	277,420	7.8 %	281,971	7.9 %
Mountain	384,719	10.8 %	391,025	10.9 %
New England	24,624	0.7 %	24,774	0.7 %
Pacific	672,948	19.0 %	659,743	18.4 %
South Atlantic	828,593	23.4 %	832,739	23.3 %
West North Central	257,546	7.3 %	266,050	7.4 %
West South Central	406,338	11.4 %	424,111	11.9 %
	<u>\$ 3,547,140</u>	<u>100.0 %</u>	<u>\$ 3,580,154</u>	<u>100.0 %</u>
Property type distribution: commercial mortgage loans				
Office	\$ 294,760	8.3 %	\$ 297,065	8.3 %
Medical Office	22,072	0.6 %	20,584	0.6 %
Retail	1,153,141	32.5 %	1,187,484	33.2 %
Industrial/Warehouse	945,205	26.6 %	929,325	25.9 %
Apartment	927,945	26.2 %	939,084	26.2 %
Mixed use/Other	204,017	5.8 %	206,612	5.8 %
	<u>\$ 3,547,140</u>	<u>100.0 %</u>	<u>\$ 3,580,154</u>	<u>100.0 %</u>

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	March 31, 2021			
	Commercial	Agricultural	Residential	Total
Credit exposure - by payment activity				
Performing	\$ 3,547,140	\$ 266,269	\$ 454,134	\$ 4,267,543
In workout	—	—	—	—
Delinquent	—	—	42,001	42,001
Collateral dependent	—	—	—	—
Principal outstanding	3,547,140	266,269	496,135	4,309,544
Unamortized discounts and premiums, net	—	—	10,146	10,146
Deferred fees and costs, net	(1,213)	(684)	1,323	(574)
Amortized cost	3,545,927	265,585	507,604	4,319,116
Valuation allowance	(26,139)	(439)	(1,936)	(28,514)
Carrying value	\$ 3,519,788	\$ 265,146	\$ 505,668	\$ 4,290,602
	December 31, 2020			
	Commercial	Agricultural	Residential	Total
Credit exposure - by payment activity				
Performing	\$ 3,580,154	\$ 245,807	\$ 366,047	\$ 4,192,008
In workout	—	—	—	—
Delinquent	—	—	273	273
Collateral dependent	—	—	—	—
Principal outstanding	3,580,154	245,807	366,320	4,192,281
Unamortized discounts and premiums, net	—	—	5,212	5,212
Deferred fees and costs, net	(1,266)	(634)	925	(975)
Amortized cost	3,578,888	245,173	372,457	4,196,518
Valuation allowance	(25,529)	(2,130)	(3,370)	(31,029)
Carrying value	\$ 3,553,359	\$ 243,043	\$ 369,087	\$ 4,165,489

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Shareholder Information

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Inquiries:

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Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend Declared</u>
2021				
First Quarter	\$32.54	\$26.21	\$31.53	\$0.00
2020				
First Quarter	\$34.16	\$9.07	\$18.80	\$0.00
Second Quarter	\$27.09	\$14.76	\$24.71	\$0.00
Third Quarter	\$27.32	\$19.06	\$21.99	\$0.00
Fourth Quarter	\$34.25	\$22.37	\$27.66	\$0.32
2019				
First Quarter	\$33.57	\$26.34	\$27.02	\$0.00
Second Quarter	\$30.91	\$25.84	\$27.16	\$0.00
Third Quarter	\$27.80	\$20.16	\$24.20	\$0.00
Fourth Quarter	\$30.96	\$21.75	\$29.93	\$0.30

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 website at www.american-equity.com.

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