
**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 2, 2018

**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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 2, 2018, the registrant issued a press release announcing its financial results for the quarter ended March 31, 2018, 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, 2018, 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.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated May 2, 2018, announcing American Equity Investment Life Holding Company's financial results for the quarter ended March 31, 2018.
99.2	American Equity Investment Life Holding Company's Financial Supplement for the quarter ended March 31, 2018.

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 2, 2018

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**

By: /s/ John M. Matovina
John M. Matovina
Chief Executive Officer and President



For more information, contact:

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

FOR IMMEDIATE RELEASE

May 2, 2018

American Equity Reports First Quarter 2018 Results

Company Highlights

- First quarter 2018 net income of \$141.0 million or \$1.55 per diluted common share
- First quarter 2018 non-GAAP operating income¹ of \$77.7 million or \$0.85 per diluted common share
- First quarter 2018 annuity sales of \$1.0 billion
- Policyholder funds under management of \$49.1 billion
- First quarter 2018 investment spread of 2.54%
- Estimated risk-based capital ratio of 383% compared to 378% at December 31, 2017

WEST DES MOINES, Iowa (May 2, 2018) - American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities, today reported first quarter 2018 net income of \$141.0 million, or \$1.55 per diluted common share, compared to net income of \$53.9 million, or \$0.60 per diluted common share, for first quarter 2017.

Non-GAAP operating income¹ for the first quarter of 2018 was \$77.7 million, or \$0.85 per diluted common share, compared to non-GAAP operating income¹ of \$59.6 million, or \$0.66 per diluted common share, for first quarter 2017. On a trailing twelve-month basis, non-GAAP operating¹ return on average equity excluding average AOCI¹ was 14.6% based upon reported results and 13.5% excluding both the impact of assumption revisions and losses on extinguishment of debt.

POLICYHOLDER FUNDS UNDER MANAGEMENT UP 1.5% ON \$1.0 BILLION OF SALES

Policyholder funds under management at March 31, 2018 were \$49.1 billion, a \$747 million or 1.5% increase from December 31, 2017. First quarter sales were \$1.0 billion before coinsurance ceded and \$941 million after coinsurance ceded. Gross sales and net sales for the quarter were down 4.5% and 6.6%, respectively, from first quarter 2017 sales. However, on a sequential basis, gross and net sales increased 2.2% and 6.6%, respectively.

Total sales by independent agents for American Equity Investment Life Insurance Company increased 9.5% sequentially while total sales by broker-dealers and banks for Eagle Life Insurance Company fell by \$52 million or 23.7% sequentially, in part due to a \$25 million decline in sales of non-core multi-year fixed rate annuities. Sales of fixed index annuities (FIAs) were up 5.2% sequentially to \$994 million driven by the gain in sales for American Equity Life.

Commenting on sales, John Matovina, Chairman and Chief Executive Officer, said: "We are pleased with another sequential increase in FIA sales and the momentum we have in sales by American Equity Life's independent agents. Sales in that channel appear to have bottomed in the third quarter of last year. FIA sales for Eagle Life of \$161 million were down \$27 million or 14.5% sequentially but still got our year off to a good start and were 83% higher than Eagle Life's 2017 first quarter FIA sales."

Commenting on the market environment and the outlook for FIA sales, Matovina added: "The market in each of our distribution channels remains competitive. Despite the increase in equity market volatility since early February, a number of competitors raised rates and guaranteed income. However, the changes we made to our products in September and October of last year kept us in good stead, and we continue to be in a strong competitive position for guaranteed income, caps and participation rates."

Matovina continued: "In March, we introduced our new IncomeShield series of fixed index annuity products. IncomeShield was designed to allow policyholders to tailor their lifetime income benefit rider to their specific time horizons for guaranteed income. IncomeShield 10 is now our highest guaranteed income product. In addition, one version of the IncomeShield lifetime income benefit rider allows policyholders to begin receiving lifetime income payments 30 days after the policy is issued which is a new feature for us which enhances our competitive positioning in the guaranteed income segment of the market. Initial agent response to IncomeShield has been very positive. Just one month after its introduction, IncomeShield is accounting for more than 18% of American Equity Life's new applications. While some of this may be agents pivoting from one of our products to the new IncomeShield, there are also indications that we're picking up incremental sales from agents who have returned to selling American Equity products."

INVESTMENT SPREAD DECLINES LARGELY ON NON-TRENDABLE ITEMS; OUTLOOK FOR INVESTMENT YIELD MORE FAVORABLE; RENEWAL RATE ADJUSTMENTS TO MITIGATE IMPACT OF RISING OPTION COSTS

American Equity's investment spread was 2.54% for the first quarter of 2018 compared to 2.75% for the fourth quarter of 2017 and 2.71% for the first quarter of 2017. On a sequential basis, the average yield on invested assets decreased by eleven basis points while the cost of money rose ten basis points. Average yield on invested assets fell to 4.36% for the first quarter of 2018 compared to 4.47% for the fourth quarter of 2017 primarily reflecting a decrease in the benefit from fee income from bond transactions and prepayment income to three basis points in the first quarter of 2018 from eleven basis points in the fourth quarter of 2017. The average yield on fixed income securities purchased and commercial mortgage loans funded in the first quarter of 2018 was 4.43% compared to 4.27% in the fourth quarter of 2017.

The aggregate cost of money for annuity liabilities of 1.82% in the first quarter of 2018 was up ten basis points from 1.72% in the fourth quarter of 2017. The benefit from over hedging index linked interest obligations was two basis points in the fourth quarter of 2017 compared to eight basis points in the fourth quarter of 2017.

Commenting on investment spread, Matovina said: "Two thirds of the first quarter's sequential decline in investment spread was attributable to a fourteen basis point decrease in the benefit from non-trendable items including fee income from bond transactions, prepayment income and over-hedging. Our investment spread was also under pressure in the first quarter of 2018 in part due to the escalation of option costs for certain index strategies in the latter half of 2017 that is recognized in the cost of money ratably over the twelve month option period. To counteract this impact, we began reducing caps on the monthly point to point index strategy in March and will be expanding the universe of policies subject to monthly point to point cap reductions later this quarter. We have flexibility to reduce our crediting rates and could decrease our cost of money by approximately 0.54% through further reductions in renewal rates to guaranteed minimums should the cost of money not return to acceptable levels."

Matovina went on to say: "Our investment spread should also benefit from the recent increases in the benchmark 10-year U.S. Treasury rate and rates available to us on asset classes we have targeted for purchase. In addition to the uplift in investment yield on new purchases we've received from higher rates, we're also benefiting from the continued deployment of money into asset classes that were not traditionally in our portfolio including allocations to asset-backed securities. We're also positioned to benefit from further increases in short-term interest rates with 5% of our portfolio at March 31st in floating rate instruments. The prospect for higher investment yields is quite good and the trend of declining investment yields that has persisted for more than eight years is likely to end this year."

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 first quarter 2018 earnings on Thursday, May 3, 2018 at 8:00 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 5069026 (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 May 10, 2018 at 855-859-2056, passcode 5069026 (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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American Equity Investment Life Holding Company
Unaudited (Dollars in thousands, except per share data)

Consolidated Statements of Operations

	Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Premiums and other considerations	\$ 9,053	\$ 9,402
Annuity product charges	50,723	43,572
Net investment income	510,784	485,597
Change in fair value of derivatives	(451,083)	386,533
Net realized gains on investments, excluding other than temporary impairment ("OTTI") losses	302	2,338
OTTI losses on investments:		
Total OTTI losses	(907)	—
Portion of OTTI losses recognized in (from) other comprehensive income	—	(141)
Net OTTI losses recognized in operations	(907)	(141)
Total revenues	118,872	927,301
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits	12,094	11,875
Interest sensitive and index product benefits	514,095	419,139
Amortization of deferred sales inducements	100,423	62,325
Change in fair value of embedded derivatives	(867,232)	224,170
Interest expense on notes and loan payable	6,372	7,722
Interest expense on subordinated debentures	3,630	3,336
Amortization of deferred policy acquisition costs	140,639	89,678
Other operating costs and expenses	31,240	27,579
Total benefits and expenses	(58,739)	845,824
Income before income taxes	177,611	81,477
Income tax expense	36,649	27,538
Net income	\$ 140,962	\$ 53,939
Earnings per common share		
Earnings per common share	\$ 1.57	\$ 0.61
Earnings per common share - assuming dilution	\$ 1.55	\$ 0.60
Weighted average common shares outstanding (in thousands):		
Earnings per common share	90,017	88,647
Earnings per common share - assuming dilution	91,139	89,976

American Equity Investment Life Holding Company
Unaudited (Dollars in thousands, except per share data)

NON-GAAP FINANCIAL MEASURES

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

Reconciliation from Net Income to Non-GAAP Operating Income

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 140,962	\$ 53,939
Adjustments to arrive at non-GAAP operating income: (a)		
Net realized investment (gains) losses, including OTTI	23	(1,942)
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(78,818)	10,977
Change in fair value of derivatives - debt	(1,832)	(247)
Income taxes	17,359	(3,105)
Non-GAAP operating income	<u>\$ 77,694</u>	<u>\$ 59,622</u>
Per common share - assuming dilution:		
Net income	\$ 1.55	\$ 0.60
Adjustments to arrive at non-GAAP operating income:		
Net realized investment (gains) losses, including OTTI	—	(0.02)
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(0.87)	0.12
Change in fair value of derivatives - debt	(0.02)	—
Income taxes	0.19	(0.04)
Non-GAAP operating income	<u>\$ 0.85</u>	<u>\$ 0.66</u>

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

American Equity Investment Life Holding Company
Unaudited (Dollars in thousands)

NON-GAAP FINANCIAL MEASURES

Average Stockholders' Equity and Return on Average Equity

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 and non-GAAP operating income 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	
	March 31, 2018	
Average Stockholders' Equity		
Average equity including average AOCI	\$	2,491,611
Average AOCI		(412,263)
Average equity excluding average AOCI	\$	2,079,348
Return on Average Equity Excluding Average AOCI		
Net income	\$	261,668
Non-GAAP operating income		303,122
Return on Average Equity Excluding Average AOCI		
Net income		12.58%
Non-GAAP operating income		14.58%

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

March 31, 2018

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - March 31, 2018
Unaudited (Dollars in thousands)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 45,551,348	\$ 45,372,989
Held for investment, at amortized cost	77,043	77,041
Mortgage loans on real estate	2,699,637	2,665,531
Derivative instruments	847,741	1,568,380
Other investments	481,825	616,764
Total investments	<u>49,657,594</u>	<u>50,300,705</u>
Cash and cash equivalents	723,784	1,434,045
Coinsurance deposits	4,871,912	4,858,289
Accrued investment income	454,519	429,008
Deferred policy acquisition costs	3,039,311	2,714,523
Deferred sales inducements	2,219,597	2,001,892
Deferred income taxes	159,601	38,147
Other assets	175,006	254,127
Total assets	<u>\$ 61,301,324</u>	<u>\$ 62,030,736</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 56,072,140	\$ 56,142,673
Other policy funds and contract claims	280,072	282,884
Notes payable	494,215	494,093
Subordinated debentures	242,667	242,565
Amounts due under repurchase agreements	137,223	—
Income taxes payable	72,191	34,285
Other liabilities	1,455,826	1,984,079
Total liabilities	<u>58,754,334</u>	<u>59,180,579</u>
Stockholders' equity:		
Common stock	89,984	89,331
Additional paid-in capital	798,835	791,446
Accumulated other comprehensive income	399,982	724,599
Retained earnings	1,258,189	1,244,781
Total stockholders' equity	<u>2,546,990</u>	<u>2,850,157</u>
Total liabilities and stockholders' equity	<u>\$ 61,301,324</u>	<u>\$ 62,030,736</u>

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - March 31, 2018
Unaudited (Dollars in thousands, except per share data)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Premiums and other considerations	\$ 9,053	\$ 9,402
Annuity product charges	50,723	43,572
Net investment income	510,784	485,597
Change in fair value of derivatives	(451,083)	386,533
Net realized gains on investments, excluding other than temporary impairment ("OTTI") losses	302	2,338
OTTI losses on investments:		
Total OTTI losses	(907)	—
Portion of OTTI losses recognized in (from) other comprehensive income	—	(141)
Net OTTI losses recognized in operations	(907)	(141)
Total revenues	118,872	927,301
Benefits and expenses:		
Insurance policy benefits and change in future policy benefits	12,094	11,875
Interest sensitive and index product benefits	514,095	419,139
Amortization of deferred sales inducements	100,423	62,325
Change in fair value of embedded derivatives	(867,232)	224,170
Interest expense on notes and loan payable	6,372	7,722
Interest expense on subordinated debentures	3,630	3,336
Amortization of deferred policy acquisition costs	140,639	89,678
Other operating costs and expenses	31,240	27,579
Total benefits and expenses	(58,739)	845,824
Income before income taxes	177,611	81,477
Income tax expense	36,649	27,538
Net income	\$ 140,962	\$ 53,939
Earnings per common share		
Earnings per common share	\$ 1.57	\$ 0.61
Earnings per common share - assuming dilution	\$ 1.55	\$ 0.60
Weighted average common shares outstanding (in thousands):		
Earnings per common share	90,017	88,647
Earnings per common share - assuming dilution	91,139	89,976

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - March 31, 2018
Unaudited (Dollars in thousands, except per share data)

Quarterly Summary - Most Recent 5 Quarters

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenues:					
Traditional life insurance premiums	\$ 972	\$ 2,989	\$ 2,832	\$ 2,590	\$ 2,790
Life contingent immediate annuity considerations	8,081	5,548	5,737	5,130	6,612
Surrender charges	16,282	13,573	13,521	13,896	13,634
Lifetime income benefit rider fees	34,441	42,815	38,410	34,707	29,938
Net investment income	510,784	512,709	500,202	493,489	485,597
Change in fair value of derivatives	(451,083)	661,993	362,525	266,820	386,533
Net realized gains on investments, excluding OTTI	302	2,719	1,579	3,873	2,338
Net OTTI losses recognized in operations	(907)	(3,076)	(464)	(949)	(141)
Loss on extinguishment of debt (b)	—	—	(18,389)	(428)	—
Total revenues	118,872	1,239,270	905,953	819,128	927,301
Benefits and expenses:					
Traditional life insurance policy benefits and change in future policy benefits	821	1,528	1,898	2,020	2,185
Life contingent immediate annuity benefits and change in future policy benefits	11,273	9,007	8,925	7,966	9,690
Interest sensitive and index product benefits (c)	514,095	630,905	501,028	472,596	419,139
Amortization of deferred sales inducements (d)	100,423	65,885	14,707	33,695	62,325
Change in fair value of embedded derivatives	(867,232)	290,890	229,702	174,973	224,170
Interest expense on notes and loan payable	6,372	6,371	7,597	8,678	7,722
Interest expense on subordinated debentures	3,630	3,864	3,502	3,422	3,336
Amortization of deferred policy acquisition costs (d)	140,639	93,716	23,023	49,547	89,678
Other operating costs and expenses	31,240	29,366	28,782	25,964	27,579
Total benefits and expenses	(58,739)	1,131,532	819,164	778,861	845,824
Income before income taxes	177,611	107,738	86,789	40,267	81,477
Income tax expense (a)	36,649	70,935	29,832	13,321	27,538
Net income (a)(b)(c)(d)	\$ 140,962	\$ 36,803	\$ 56,957	\$ 26,946	\$ 53,939
Earnings per common share	\$ 1.57	\$ 0.41	\$ 0.64	\$ 0.30	\$ 0.61
Earnings per common share - assuming dilution (a)(b)(c)(d)	\$ 1.55	\$ 0.41	\$ 0.63	\$ 0.30	\$ 0.60
Weighted average common shares outstanding (thousands):					
Earnings per common share	90,017	89,308	89,069	88,897	88,647
Earnings per common share - assuming dilution	91,139	90,727	90,421	90,112	89,976

(a) Q4 2017 includes income tax expense related to the revaluation of our deferred tax assets and liabilities using the new enacted federal tax rate resulting from the Tax Cuts and Jobs Act of 2017. The change in the federal income tax rate decreased net income and earnings per common share - assuming dilution by \$35.9 million and \$0.40 per share, respectively.

(b) Q3 2017 includes a loss on the extinguishment of our 6.625% Notes due in 2021. The loss decreased net income and earnings per common share - assuming dilution by \$10.8 million and \$0.12 per share, respectively.

(c) Q3 2017 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index product benefits by \$21.6 million and decreased net income and earnings per common share - assuming dilution by \$13.9 million and \$0.15 per share, respectively.

(d) Q3 2017 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$34.3 million and \$48.2 million, respectively, and increased net income and earnings per common share - assuming dilution by \$53.1 million and \$0.59 per share, respectively.

[Table of Contents](#)**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY****Financial Supplement - March 31, 2018****Unaudited (Dollars in thousands, except per share data)****NON-GAAP FINANCIAL MEASURES**

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

Reconciliation from Net Income to Non-GAAP Operating Income

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 140,962	\$ 53,939
Adjustments to arrive at non-GAAP operating income: (a)		
Net realized investment (gains) losses, including OTTI	23	(1,942)
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(78,818)	10,977
Change in fair value of derivatives - debt	(1,832)	(247)
Income taxes	17,359	(3,105)
Non-GAAP operating income	<u>\$ 77,694</u>	<u>\$ 59,622</u>
Per common share - assuming dilution:		
Net income	\$ 1.55	\$ 0.60
Adjustments to arrive at non-GAAP operating income:		
Net realized investment (gains) losses, including OTTI	—	(0.02)
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(0.87)	0.12
Change in fair value of derivatives - debt	(0.02)	—
Income taxes	0.19	(0.04)
Non-GAAP operating income	<u>\$ 0.85</u>	<u>\$ 0.66</u>

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

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NON-GAAP FINANCIAL MEASURES

Summary of Adjustments to Arrive at Non-GAAP Operating Income

	Three Months Ended	
	March 31,	
	2018	2017
Net realized investment gains and losses, including OTTI:		
Net realized (gains) losses on investments, including OTTI	\$ 605	\$ (2,197)
Amortization of DAC and DSI	(582)	255
Income taxes	(5)	692
	<u>\$ 18</u>	<u>\$ (1,250)</u>
Change in fair value of derivatives and embedded derivatives:		
Index annuities	\$ (157,811)	\$ 22,443
Interest rate caps and swap	(1,832)	(247)
Amortization of DAC and DSI	78,993	(11,466)
Income taxes	17,364	(3,797)
	<u>\$ (63,286)</u>	<u>\$ 6,933</u>

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NON-GAAP FINANCIAL MEASURES

Quarterly Summary - Most Recent 5 Quarters

Reconciliation from Net Income to Non-GAAP Operating Income

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
Net income (b)	\$ 140,962	\$ 36,803	\$ 56,957	\$ 26,946	\$ 53,939
Adjustments to arrive at non-GAAP operating income: (a)					
Net realized investment (gains) losses, including OTTI	23	(676)	(916)	(1,559)	(1,942)
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(78,818)	5,463	47,835	57,571	10,977
Change in fair value of derivatives - debt	(1,832)	(1,085)	(357)	465	(247)
Income taxes (b)	17,359	34,003	(16,281)	(19,741)	(3,105)
Non-GAAP operating income (c)(d)(e)	<u>\$ 77,694</u>	<u>\$ 74,508</u>	<u>\$ 87,238</u>	<u>\$ 63,682</u>	<u>\$ 59,622</u>
Per common share - assuming dilution:					
Net income	\$ 1.55	\$ 0.41	\$ 0.63	\$ 0.30	\$ 0.60
Adjustments to arrive at non-GAAP operating income:					
Net realized investment (gains) losses, including OTTI	—	(0.01)	(0.01)	(0.02)	(0.02)
Change in fair value of derivatives and embedded derivatives - fixed index annuities	(0.87)	0.06	0.52	0.64	0.12
Change in fair value of derivatives - debt	(0.02)	(0.01)	—	0.01	—
Income taxes	0.19	0.37	(0.18)	(0.22)	(0.04)
Non-GAAP operating income (c)(d)(e)	<u>\$ 0.85</u>	<u>\$ 0.82</u>	<u>\$ 0.96</u>	<u>\$ 0.71</u>	<u>\$ 0.66</u>

- (a) Adjustments to net income to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.
- (b) Q4 2017 includes income tax expense related to the revaluation of our deferred tax assets and liabilities using the new enacted federal tax rate resulting from the Tax Cuts and Jobs Act of 2017 ("Tax Reform"). The change in the federal income tax rate decreased net income and earnings per common share - assuming dilution by \$35.9 million and \$0.40 per share, respectively. The impact of Tax Reform has been excluded from non-GAAP operating income.
- (c) Q3 2017 includes a loss on the extinguishment of our 6.625% Notes due in 2021. The loss decreased non-GAAP operating income and non-GAAP operating income per common share - assuming dilution by \$10.8 million and \$0.12 per share, respectively.
- (d) Q3 2017 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$31.3 million and \$43.7 million, respectively, and increased non-GAAP operating income and non-GAAP operating income per common share- assuming dilution by \$48.3 million and \$0.53 per share, respectively.
- (e) Q3 2017 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index product benefits by \$21.6 million and decreased non-GAAP operating income and non-GAAP operating income per common share - assuming dilution by \$13.9 million and \$0.15 per share, respectively.

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NON-GAAP FINANCIAL MEASURES

Summary of Adjustments to Arrive at Non-GAAP Operating Income

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
Net realized gains on investments	\$ (302)	\$ (2,719)	\$ (1,579)	\$ (3,873)	\$ (2,338)
Net OTTI losses recognized in operations	907	3,076	464	949	141
Change in fair value of derivatives	707,589	(283,801)	(130,150)	(34,225)	(201,974)
Increase (decrease) in total revenues	708,194	(283,444)	(131,265)	(37,149)	(204,171)
Amortization of deferred sales inducements	(33,212)	1,499	22,442	34,550	5,459
Change in fair value of embedded derivatives	867,232	(290,890)	(229,702)	(174,973)	(224,170)
Amortization of deferred policy acquisition costs	(45,199)	2,245	29,433	46,797	5,752
Increase (decrease) in total benefits and expenses	788,821	(287,146)	(177,827)	(93,626)	(212,959)
Increase (decrease) in income before income taxes	(80,627)	3,702	46,562	56,477	8,788
Increase (decrease) in income tax expense	(17,359)	(34,003)	16,281	19,741	3,105
Increase (decrease) in net income	<u>\$ (63,268)</u>	<u>\$ 37,705</u>	<u>\$ 30,281</u>	<u>\$ 36,736</u>	<u>\$ 5,683</u>

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Capitalization/Book Value per Share

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
Capitalization:					
Notes and loan payable	\$ 500,000	\$ 500,000	\$ 500,000	\$ 900,000	\$ 500,000
Subordinated debentures payable to subsidiary trusts	246,969	246,908	246,847	246,787	246,729
Total debt	746,969	746,908	746,847	1,146,787	746,729
Total stockholders' equity	2,546,990	2,850,157	2,762,667	2,651,408	2,436,231
Total capitalization	3,293,959	3,597,065	3,509,514	3,798,195	3,182,960
Accumulated other comprehensive income (AOCI)	(399,982)	(724,599)	(659,491)	(610,122)	(424,543)
Total capitalization excluding AOCI (a)	\$ 2,893,977	\$ 2,872,466	\$ 2,850,023	\$ 3,188,073	\$ 2,758,417
Total stockholders' equity					
Total stockholders' equity	\$ 2,546,990	\$ 2,850,157	\$ 2,762,667	\$ 2,651,408	\$ 2,436,231
Accumulated other comprehensive income	(399,982)	(724,599)	(659,491)	(610,122)	(424,543)
Total stockholders' equity excluding AOCI (a)	\$ 2,147,008	\$ 2,125,558	\$ 2,103,176	\$ 2,041,286	\$ 2,011,688
Common shares outstanding					
Common shares outstanding	89,983,823	89,331,087	88,948,986	88,756,072	88,645,741
Book Value per Share: (b)					
Book value per share including AOCI	\$ 28.30	\$ 31.91	\$ 31.06	\$ 29.87	\$ 27.48
Book value per share excluding AOCI (a)	\$ 23.86	\$ 23.79	\$ 23.64	\$ 23.00	\$ 22.69
Debt-to-Capital Ratios: (c)					
Senior debt / Total capitalization	17.3%	17.4%	17.5%	28.2%	18.1%
Adjusted debt / Total capitalization	17.3%	17.4%	17.5%	28.2%	18.1%

(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) 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.

(c) Debt-to-capital ratios are computed using total capitalization excluding AOCI. Adjusted debt includes notes and loan 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

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
Average yield on invested assets	4.36%	4.47%	4.43%	4.45%	4.48%
Aggregate cost of money	1.82%	1.72%	1.73%	1.73%	1.77%
Aggregate investment spread	2.54%	2.75%	2.70%	2.72%	2.71%
Impact of:					
Investment yield - additional prepayment income	0.03%	0.11%	0.05%	0.07%	0.07%
Cost of money effect of over hedging	0.02%	0.08%	0.06%	0.06%	0.05%
Weighted average investments	\$46,898,365	\$46,031,966	\$45,228,136	\$44,379,879	\$43,552,928

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

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
Included in interest sensitive and index product benefits:					
Index credits	\$ 423,940	\$ 526,200	\$ 375,019	\$ 371,623	\$ 321,880
Interest credited	55,067	59,065	62,725	62,930	65,178
Included in change in fair value of derivatives:					
Proceeds received at option expiration	(425,557)	(535,328)	(382,949)	(378,517)	(326,552)
Pro rata amortization of option cost	168,732	156,782	150,163	145,502	141,543
Cost of money for deferred annuities	<u>\$ 222,182</u>	<u>\$ 206,719</u>	<u>\$ 204,958</u>	<u>\$ 201,538</u>	<u>\$ 202,049</u>
Weighted average liability balance outstanding	\$ 48,774,490	\$ 48,014,427	\$ 47,281,417	\$ 46,478,748	\$ 45,613,388

Annuity Account Balance Rollforward

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
Account balances at beginning of period	\$ 48,400,755	\$ 47,628,099	\$ 46,934,736	\$ 46,022,759	\$ 45,204,015
Net deposits	930,734	874,952	826,885	1,060,638	1,002,509
Premium bonuses	43,670	41,098	46,982	62,848	65,244
Fixed interest credited and index credits	479,007	585,265	437,744	434,553	387,058
Surrender charges	(16,282)	(13,573)	(13,521)	(13,896)	(13,634)
Lifetime income benefit rider fees	(34,441)	(42,815)	(38,410)	(34,707)	(29,938)
Surrenders, withdrawals, deaths, etc.	(655,219)	(672,271)	(566,317)	(597,459)	(592,495)
Account balances at end of period	<u>\$ 49,148,224</u>	<u>\$ 48,400,755</u>	<u>\$ 47,628,099</u>	<u>\$ 46,934,736</u>	<u>\$ 46,022,759</u>

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Annuity Deposits by Product Type

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
American Equity:					
Fixed index annuities	\$ 833,350	\$ 757,160	\$ 738,257	\$ 953,560	\$ 941,167
Annual reset fixed rate annuities	16,490	18,974	20,142	20,870	14,843
Multi-year fixed rate annuities	2,001	3,773	5,717	7,541	6,393
Single premium immediate annuities	10,630	7,909	6,505	4,981	5,551
	<u>862,471</u>	<u>787,816</u>	<u>770,621</u>	<u>986,952</u>	<u>967,954</u>
Eagle Life:					
Fixed index annuities	160,564	187,888	133,503	167,632	87,672
Multi-year fixed rate annuities	8,024	32,953	10,717	19,994	23,508
	<u>168,588</u>	<u>220,841</u>	<u>144,220</u>	<u>187,626</u>	<u>111,180</u>
Consolidated:					
Fixed index annuities	993,914	945,048	871,760	1,121,192	1,028,839
Annual reset fixed rate annuities	16,490	18,974	20,142	20,870	14,843
Multi-year fixed rate annuities	10,025	36,726	16,434	27,535	29,901
Single premium immediate annuities	10,630	7,909	6,505	4,981	5,551
Total before coinsurance ceded	1,031,059	1,008,657	914,841	1,174,578	1,079,134
Coinsurance ceded	89,695	125,796	81,451	108,959	71,074
Net after coinsurance ceded	<u>\$ 941,364</u>	<u>\$ 882,861</u>	<u>\$ 833,390</u>	<u>\$ 1,065,619</u>	<u>\$ 1,008,060</u>

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at March 31, 2018:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	13.5	8.2	13.1%	\$ 47,098,120	95.8%
Annual Reset Fixed Rate Annuities	10.8	4.3	7.5%	1,411,296	2.9%
Multi-Year Fixed Rate Annuities	6.7	2.4	5.4%	638,808	1.3%
Total	13.4	8.0	12.8%	<u>\$ 49,148,224</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	\$ 752,501	\$ 2,318,604
0.0% < 2.0%	38,026	229,306
2.0% < 3.0%	15,842	222,682
3.0% < 4.0%	13,535	169,894
4.0% < 5.0%	24,181	532,196
5.0% < 6.0%	64,419	479,101
6.0% < 7.0%	62,386	798,791
7.0% < 8.0%	193,474	1,999,074
8.0% < 9.0%	214,763	2,036,165
9.0% < 10.0%	39,474	2,865,583
10.0% or greater	631,503	35,446,724
	<u>\$ 2,050,104</u>	<u>\$ 47,098,120</u>

<u>Surrender Charge Expiration By Year:</u>	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
Out of Surrender Charge	\$ 3,071,105	0.00%
2018	493,943	2.44%
2019	496,602	3.61%
2020	845,159	5.49%
2021	1,347,780	7.14%
2022	1,960,056	8.50%
2023	4,769,803	10.27%
2024	5,277,373	11.67%
2025	6,076,283	12.00%
2026	5,111,147	13.32%
2027	4,367,656	14.67%
2028	2,843,790	16.25%
2029	2,986,467	18.01%
2030	2,745,553	18.42%
2031	3,322,021	18.89%
2032	2,046,147	19.32%
2033	1,154,767	19.83%
2034	232,572	19.96%
	<u>\$ 49,148,224</u>	<u>12.82%</u>

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Annuity Liability Characteristics

<u>Credited Rate vs. Ultimate Minimum Guaranteed Rate Differential:</u>	Fixed Annuities Account Value	Fixed Index Annuities Account Value
No differential	\$ 952,117	\$ 1,517,682
> 0.0% - 0.25%	64,997	244,924
> 0.25% - 0.5%	248,637	3,914
> 0.5% - 1.0%	67,471	19,640
> 1.0% - 1.5%	11,801	—
1.00% ultimate guarantee - 2.52% wtd avg interest rate (a)	456,698	327,308
1.50% ultimate guarantee - 1.26% wtd avg interest rate (a)	158,204	4,218,934
2.00% ultimate guarantee - 1.86% wtd avg interest rate (a)	90,179	—
2.25% ultimate guarantee - 1.96% wtd avg interest rate (a)	—	1,024,234
3.00% ultimate guarantee - 2.15% wtd avg interest rate (a)	—	1,929,788
Allocated to index strategies (see tables that follow)	—	37,811,696
	<u>\$ 2,050,104</u>	<u>\$ 47,098,120</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 March 31, 2018 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.17%.

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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	\$ 1,556	\$ 97,216	\$ 2,691,926	\$ 84,808	\$ 199,615
1.75% - 3%	6,709,531	—	—	—	—
3% - 4%	971,592	13,390	—	—	—
4% - 5%	440,123	192,953	4,206,351	—	—
5% - 6%	442,181	149,746	37,242	—	—
6% - 7%	—	—	139	—	—
>= 7%	—	7,124	1,535	8,419	1,655

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

	Minimum Guaranteed Participation Rate			
	10%	20% - 25%	35%	50% +
Current Participation Rate				
At minimum	\$ 611	\$ 418,631	\$ 125,236	\$ 144,011
< 20%	564,247	—	—	—
20% - 40%	917,836	185,437	—	—
40% - 60%	1,143,067	112,884	73,706	—
>= 60%	13,646	—	—	—

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

Current Cap	
At minimum	\$ 342,852
1.10% - 1.30%	5,527,265
1.40% - 1.60%	4,923,924
1.70% - 2.00%	3,148,315
>= 2.10%	3,197

Volatility Control Index

Current Asset Fee	
At Maximum	\$ —
0.75% - 1.75%	255,114
2.25% - 2.75%	843,753
3.00% - 4.00%	2,212,876

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 0.65% based upon prices of options for the week ended April 10, 2018.

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Summary of Invested Assets

	March 31, 2018		December 31, 2017	
	Carrying Amount	Percent	Carrying Amount	Percent
Fixed maturity securities:				
United States Government full faith and credit	\$ 11,433	—%	\$ 11,876	—%
United States Government sponsored agencies	1,270,106	2.6%	1,305,017	2.6%
United States municipalities, states and territories	4,137,005	8.3%	4,166,812	8.3%
Foreign government obligations	231,671	0.5%	239,360	0.5%
Corporate securities	29,661,171	59.7%	29,956,012	59.6%
Residential mortgage backed securities	1,102,609	2.2%	1,105,567	2.2%
Commercial mortgage backed securities	5,596,882	11.3%	5,544,850	11.0%
Other asset backed securities	3,617,514	7.3%	3,120,536	6.2%
Total fixed maturity securities	45,628,391	91.9%	45,450,030	90.4%
Mortgage loans on real estate	2,699,637	5.4%	2,665,531	5.3%
Derivative instruments	847,741	1.7%	1,568,380	3.1%
Other investments	481,825	1.0%	616,764	1.2%
	\$ 49,657,594	100.0%	\$ 50,300,705	100.0%

Credit Quality of Fixed Maturity Securities - March 31, 2018

NAIC Designation	Carrying Amount	Percent	Rating Agency Rating	Carrying Amount	Percent
1	\$ 27,984,297	61.3%	Aaa/Aa/A	\$ 27,823,308	61.0%
2	16,147,267	35.4%	Baa	16,267,301	35.7%
3	1,323,748	2.9%	Ba	1,097,231	2.4%
4	145,085	0.3%	B	156,922	0.3%
5	19,926	0.1%	Caa	152,903	0.3%
6	8,068	—%	Ca and lower	130,726	0.3%
	\$ 45,628,391	100.0%		\$ 45,628,391	100.0%

Watch List Securities - March 31, 2018

General Description	Amortized Cost	Unrealized Gains (Losses)	Fair Value	Months Below Amortized Cost
Below investment grade				
Corporate securities:				
Consumer discretionary	\$ 25,974	\$ (5,061)	\$ 20,913	4 - 38
Energy	29,054	(6,538)	22,516	2 - 43
Industrials	2,585	(785)	1,800	41
Materials	3,990	1,172	5,162	—
Other asset backed securities:				
Financials	6,036	(3,143)	2,893	58 - 84
	\$ 67,639	\$ (14,355)	\$ 53,284	

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Fixed Maturity Securities by Sector

	March 31, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:				
United States Government full faith and credit and sponsored agencies	\$ 1,320,008	\$ 1,281,539	\$ 1,320,151	\$ 1,316,893
United States municipalities, states and territories	3,853,098	4,137,005	3,804,360	4,166,812
Foreign government obligations	227,617	231,671	228,214	239,360
Corporate securities:				
Capital goods	2,482,603	2,561,017	2,405,102	2,570,734
Consumer discretionary	5,997,115	6,115,715	5,889,227	6,232,728
Energy	2,644,095	2,682,268	2,554,199	2,666,172
Financials	6,105,310	6,270,600	6,004,618	6,369,575
Industrials	301,841	301,765	283,915	291,174
Information technology	1,879,595	1,921,253	1,829,396	1,932,131
Materials	1,811,957	1,858,545	1,801,312	1,901,090
Other	989,366	1,016,899	989,641	1,052,676
Telecommunications	1,519,649	1,557,743	1,461,536	1,539,840
Transportation	1,242,529	1,268,859	1,152,637	1,218,964
Utilities	3,827,291	4,029,464	3,756,070	4,103,887
Residential mortgage backed securities:				
Government agency	626,594	651,417	628,320	668,641
Prime	292,470	304,648	269,407	282,360
Alt-A	124,968	146,544	130,757	154,566
Commercial mortgage backed securities:				
Government agency	552,502	547,978	554,514	564,400
Non-agency	5,132,788	5,048,904	4,977,408	4,980,450
Other asset backed securities:				
Auto	298,176	297,676	298,142	299,688
Financials	2,461,188	2,471,064	1,976,720	1,986,259
Industrials	238,523	242,894	243,859	251,321
Military housing	437,207	463,800	433,840	461,452
Other	144,323	142,080	123,414	121,816
	<u>\$ 44,510,813</u>	<u>\$ 45,551,348</u>	<u>\$ 43,116,759</u>	<u>\$ 45,372,989</u>
Held for investment:				
Corporate security - financials	\$ 77,043	\$ 69,441	\$ 77,041	\$ 76,460

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
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Unaudited (Dollars in thousands)

Mortgage Loans on Commercial Real Estate

	March 31, 2018		December 31, 2017	
	Principal	Percent	Principal	Percent
Geographic distribution				
East	\$ 563,593	20.8%	\$ 548,067	20.5%
Middle Atlantic	166,782	6.2%	163,485	6.1%
Mountain	317,872	11.7%	308,486	11.5%
New England	12,146	0.5%	12,265	0.5%
Pacific	482,593	17.8%	466,030	17.4%
South Atlantic	613,999	22.7%	609,736	22.8%
West North Central	315,339	11.6%	324,808	12.2%
West South Central	235,028	8.7%	241,438	9.0%
	<u>\$ 2,707,352</u>	<u>100.0%</u>	<u>\$ 2,674,315</u>	<u>100.0%</u>
Property type distribution				
Office	\$ 270,066	10.0%	\$ 283,926	10.6%
Medical office	32,902	1.2%	34,338	1.3%
Retail	1,051,749	38.8%	1,040,028	38.9%
Industrial/Warehouse	703,892	26.0%	677,770	25.3%
Apartment	471,097	17.4%	462,897	17.3%
Mixed use/other	177,646	6.6%	175,356	6.6%
	<u>\$ 2,707,352</u>	<u>100.0%</u>	<u>\$ 2,674,315</u>	<u>100.0%</u>

	March 31, 2018	December 31, 2017
Credit exposure - by payment activity		
Performing	\$ 2,705,957	\$ 2,670,657
In workout	1,395	1,436
Delinquent	—	—
Collateral dependent	—	2,222
	<u>2,707,352</u>	<u>2,674,315</u>
Specific loan loss allowance	(696)	(1,418)
General loan loss allowance	(5,800)	(6,100)
Deferred prepayment fees	(1,219)	(1,266)
	<u>\$ 2,699,637</u>	<u>\$ 2,665,531</u>

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Financial Supplement - March 31, 2018

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) 273-3763, sschwartz@american-equity.com

Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend Declared</u>
2018				
First Quarter	\$35.79	\$28.90	\$29.36	\$0.00
2017				
First Quarter	\$28.00	\$21.66	\$23.63	\$0.00
Second Quarter	\$26.65	\$22.23	\$26.28	\$0.00
Third Quarter	\$29.43	\$25.43	\$29.08	\$0.00
Fourth Quarter	\$32.54	\$28.06	\$30.73	\$0.26
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
Fourth Quarter	\$23.41	\$15.39	\$22.54	\$0.24

Transfer Agent:

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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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