
**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): August 2, 2017

**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 August 2, 2017, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2017, 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 June 30, 2017, is attached as Exhibit 99.2 and is incorporated herein by reference.

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

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

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

Exhibit Number	Description
99.1	Press release dated August 2, 2017, announcing American Equity Investment Life Holding Company's financial results for the quarter ended June 30, 2017.
99.2	American Equity Investment Life Holding Company's Financial Supplement for the quarter ended June 30, 2017.

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: August 2, 2017

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**

By: /s/ John M. Matovina

John M. Matovina

Chief Executive Officer and President

EXHIBIT INDEX

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For more information, contact:

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

FOR IMMEDIATE RELEASE

August 2, 2017

American Equity Reports Second Quarter 2017 Results

Company Highlights

- Second quarter 2017 net income of \$26.9 million or \$0.30 per diluted common share
- Second quarter 2017 non-GAAP operating income¹ of \$63.7 million or \$0.71 per diluted common share
- Second quarter 2017 annuity sales of \$1.2 billion, down 44% from second quarter 2016
- Policyholder funds under management of \$46.9 billion, up 2.0% from March 31, 2017 and 7.5% from June 30, 2016
- Second quarter 2017 investment spread of 2.72%
- Estimated risk-based capital ratio of 366% compared to 342% at December 31, 2016

WEST DES MOINES, Iowa (August 2, 2017) - American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities, today reported second quarter 2017 net income of \$26.9 million, or \$0.30 per diluted common share, compared to net income of \$14.7 million, or \$0.18 per diluted common share, for second quarter 2016.

Non-GAAP operating income¹ for the second quarter of 2017 was \$63.7 million, or \$0.71 per diluted common share, compared to non-GAAP operating income¹ of \$50.1 million, or \$0.60 per diluted common share, for second quarter 2016. On a trailing twelve month basis, non-GAAP operating¹ return on average equity¹ was 9.0% based upon reported results and 11.6% excluding the impact of assumption revisions in the third quarter of 2016.

POLICYHOLDER FUNDS UNDER MANAGEMENT UP 2.0% ON \$1.2 BILLION OF SALES

Policyholder funds under management at June 30, 2017 were \$46.9 billion, a \$912 million or 2.0% increase from March 31, 2017. Second quarter sales were \$1.2 billion before coinsurance ceded and \$1.1 billion after coinsurance ceded. Gross sales and net sales for the quarter were down substantially from the record second quarter sales posted in 2016. On a sequential basis, gross sales were up 9% with net sales up 6%.

Total sales by independent agents for American Equity Investment Life Insurance Company (American Equity Life) increased 2% sequentially while total sales by broker-dealers and banks for Eagle Life Insurance Company (Eagle Life) climbed by \$76 million or 69% sequentially. Sales of fixed index annuities (FIAs) were up 9% sequentially to \$1.1 billion with increases at both Eagle Life and American Equity Life.

Commenting on sales, John Matovina, Chairman and Chief Executive Officer, said: "We were pleased with the sequential increase in sales and the rebound in FIA sales from Eagle Life's broker-dealers and banks but recognize that new business remained relatively soft compared to historical levels. While sales were down substantially on a year-over-year basis, we would note that second quarter 2016 sales benefited from a high level of multi-year guaranteed annuity (MYGA) sales. The relatively smaller decline in net sales compared to gross sales reflects both significantly lower volumes of MYGA products which are substantially coinsured as well as a reduction in the coinsured portion of Eagle Life's FIA product sales from 80% to 50%. Earlier this year, we enhanced our competitive positioning by adding an optional market value adjustment (MVA) feature to our Eagle Life Select and American Equity Life Choice series of products. This change, which allowed us to offer higher rates on MVA versions than the comparable non-MVA versions, had a substantial positive effect on Eagle Life's second quarter FIA sales."

Commenting on the competitive environment and the outlook for FIA sales, Matovina added: "The market in each of our distribution channels remained competitive in the second quarter. We continue to suspect that uncertainty regarding the Department of Labor (DOL) conflict of interest fiduciary rule may be distracting from marketing activities and playing a role in lower sales. Strong equity market returns are also proving to be a headwind to sales of guaranteed income products. We have seen a shift in emphasis on the part of independent agents from guaranteed income products to accumulation products focused on upside potential. In addition, we believe securities licensed agents are placing increased allocations of client funds into equity markets. This premise was reinforced by recent discussions with our National Marketing Organization partners. American Equity Life's Choice and Eagle Life's Select products are competitive for accumulation and our marketing department will be putting increased emphasis on promoting the accumulation story for these products."

Matovina continued: "In July, we discontinued our no-fee FIA lifetime income benefit rider and lowered the rider roll up rate on certain fee riders. These changes allowed us to reduce the target spread for American Equity Life's bonus FIAs and recognize lower valuation interest rates used to compute statutory reserves for policies issued in 2017 compared to policies issued in 2016. To date, we have seen three competitors make downward adjustments but none that compete in our guaranteed income space. As a result, our guaranteed income is currently less than some of our most important competitors. Despite the current challenges in the FIA market, we believe the long-term outlook for FIA sales remains favorable driven by well understood demographic factors."

COST OF MONEY REDUCTION BENEFITS INVESTMENT SPREAD

American Equity's investment spread was 2.72% for the second quarter of 2017 compared to 2.71% for the first quarter of 2017 and 2.62% for the second quarter of 2016. On a sequential basis, the average yield on invested assets declined by three basis points while the cost of money declined four basis points.

Average yield on invested assets fell to 4.45% for the second quarter of 2017 compared to 4.48% for the first quarter of 2017 and continued to be unfavorably impacted by the investment of new premiums and portfolio cash flows at rates below the portfolio rate. The average yield on fixed income securities purchased and commercial mortgage loans funded in the second quarter of 2017 was 3.96% compared to 4.13% and 3.95% in the first quarter of 2017 and second quarter of 2016, respectively. However, the unfavorable impact from new money investment yields was offset by fee income from bond transactions, prepayment income and other non-trendable investment income items which added eight basis points to the second quarter average yield on invested assets compared to ten basis points from such items in the first quarter of 2017.

The aggregate cost of money for annuity liabilities decreased by four basis points to 1.73% in the second quarter of 2017 compared to 1.77% in the first quarter of 2017. This decrease primarily reflected continued reductions in crediting rates. The benefit from over hedging the obligations for index linked interest was six basis points in the second quarter of 2017 compared to five basis points in the first quarter of 2017.

Commenting on investment spread, Matovina said: "Second quarter spread results were enhanced by a reduction in the cost of money attributable to new money rates and reductions in renewal crediting rates, over hedging benefits, fee income from bond transactions and prepayment income, and other recurring, but variable, investment income items. While investment spread did increase on a sequential basis, yields available to us on investments that meet our high quality parameters remain below our portfolio rate and will continue to pressure our spread results. We will continue to achieve reductions in our cost of money through renewal rate adjustments that will be implemented on policy anniversary dates over the remainder of this year. We continue to have flexibility to reduce our crediting rates, if necessary, and could decrease our cost of money by approximately 0.46% through further reductions in renewal rates to guaranteed minimums should the investment yields currently available to us persist."

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 second quarter 2017 earnings on Thursday, August 3, 2017 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 48714902 (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 August 10, 2017 at 855-859-2056, passcode 48714902 (international callers will need to dial 404-537-3406).

ABOUT AMERICAN EQUITY

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

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

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Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in thousands, except per share data)				
Revenues:				
Premiums and other considerations	\$ 7,720	\$ 11,458	\$ 17,122	\$ 18,803
Annuity product charges	48,603	41,124	92,175	77,629
Net investment income	493,489	459,830	979,086	910,656
Change in fair value of derivatives	266,820	39,099	653,353	(34,966)
Net realized gains on investments, excluding other than temporary impairment ("OTTI") losses	3,873	2,737	6,211	5,424
OTTI losses on investments:				
Total OTTI losses	—	(762)	—	(6,780)
Portion of OTTI losses recognized from other comprehensive income	(949)	(3,684)	(1,090)	(3,360)
Net OTTI losses recognized in operations	(949)	(4,446)	(1,090)	(10,140)
Loss on extinguishment of debt	(428)	—	(428)	—
Total revenues	819,128	549,802	1,746,429	967,406
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	9,986	13,393	21,861	22,502
Interest sensitive and index product benefits	472,596	111,121	891,735	208,792
Amortization of deferred sales inducements	33,695	30,672	96,020	58,151
Change in fair value of embedded derivatives	174,973	284,303	399,143	550,160
Interest expense on notes and loan payable	8,678	6,882	16,400	13,762
Interest expense on subordinated debentures	3,422	3,206	6,758	6,374
Amortization of deferred policy acquisition costs	49,547	50,665	139,225	100,378
Other operating costs and expenses	25,964	26,823	53,543	53,653
Total benefits and expenses	778,861	527,065	1,624,685	1,013,772
Income (loss) before income taxes	40,267	22,737	121,744	(46,366)
Income tax expense (benefit)	13,321	8,029	40,859	(16,233)
Net income (loss)	\$ 26,946	\$ 14,708	\$ 80,885	\$ (30,133)
Earnings (loss) per common share	\$ 0.30	\$ 0.18	\$ 0.91	\$ (0.37)
Earnings (loss) per common share - assuming dilution	\$ 0.30	\$ 0.18	\$ 0.90	\$ (0.37)
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	88,897	82,517	88,773	82,323
Earnings (loss) per common share - assuming dilution	90,112	83,184	90,045	83,073

NON-GAAP FINANCIAL MEASURES

In addition to net income (loss), 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 (loss) 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 and 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 (loss) provides information that may enhance an investor's understanding of its underlying results and profitability.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in thousands, except per share data)				
Net income (loss)	\$ 26,946	\$ 14,708	\$ 80,885	\$ (30,133)
Adjustments to arrive at non-GAAP operating income: (a)				
Net realized investment (gains) losses, including OTTI	(1,559)	605	(3,501)	1,760
Change in fair value of derivatives and embedded derivatives - index annuities	57,571	53,129	68,548	150,678
Change in fair value of derivatives and embedded derivatives - debt	465	768	218	3,532
Income taxes	(19,741)	(19,108)	(22,846)	(54,737)
Non-GAAP operating income	<u>\$ 63,682</u>	<u>\$ 50,102</u>	<u>\$ 123,304</u>	<u>\$ 71,100</u>
Per common share - assuming dilution:				
Net income (loss)	\$ 0.30	\$ 0.18	\$ 0.90	\$ (0.37)
Adjustments to arrive at non-GAAP operating income:				
Anti-dilutive effect of net loss	—	—	—	0.01
Net realized investment (gains) losses, including OTTI	(0.02)	—	(0.04)	0.02
Change in fair value of derivatives and embedded derivatives - index annuities	0.64	0.64	0.76	1.81
Change in fair value of derivatives and embedded derivatives - debt	0.01	0.01	—	0.04
Income taxes	(0.22)	(0.23)	(0.25)	(0.65)
Non-GAAP operating income	<u>\$ 0.71</u>	<u>\$ 0.60</u>	<u>\$ 1.37</u>	<u>\$ 0.86</u>

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

NON-GAAP FINANCIAL MEASURES

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

Return on average equity measures how efficiently the Company generates profits from the resources provided by its net assets. Return on average equity is calculated by dividing net income 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	
	June 30, 2017	
	(Dollars in thousands)	
Average Stockholders' Equity ¹		
Average equity including average AOCI	\$	2,688,293
Average AOCI		(751,677)
Average equity excluding average AOCI	\$	1,936,616
Net income	\$	194,261
Non-GAAP operating income		174,548
Return on Average Equity Excluding Average AOCI		
Net income		10.03%
Non-GAAP operating income		9.01%

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

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

June 30, 2017

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - June 30, 2017

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

	June 30, 2017	December 31, 2016
Assets		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 43,893,785	\$ 41,060,494
Held for investment, at amortized cost	76,931	76,825
Mortgage loans on real estate	2,553,391	2,480,956
Derivative instruments	1,086,624	830,519
Other investments	314,421	308,774
Total investments	47,925,152	44,757,568
Cash and cash equivalents	1,574,913	791,266
Coinsurance deposits	4,710,650	4,639,492
Accrued investment income	416,482	397,773
Deferred policy acquisition costs	2,721,596	2,905,377
Deferred sales inducements	2,042,889	2,208,218
Deferred income taxes	64,074	168,578
Income taxes recoverable	952	11,474
Other assets	178,882	173,726
Total assets	\$ 59,635,590	\$ 56,053,472
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 53,903,497	\$ 51,637,026
Other policy funds and contract claims	287,381	298,347
Notes and loan payable	888,660	493,755
Subordinated debentures	242,045	241,853
Amounts due under repurchase agreements	61,673	—
Other liabilities	1,600,926	1,090,896
Total liabilities	56,984,182	53,761,877
Stockholders' equity:		
Common stock	88,741	88,001
Additional paid-in capital	778,376	770,344
Accumulated other comprehensive income	610,122	339,966
Retained earnings	1,174,169	1,093,284
Total stockholders' equity	2,651,408	2,291,595
Total liabilities and stockholders' equity	\$ 59,635,590	\$ 56,053,472

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - June 30, 2017

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Premiums and other considerations	\$ 7,720	\$ 11,458	\$ 17,122	\$ 18,803
Annuity product charges	48,603	41,124	92,175	77,629
Net investment income	493,489	459,830	979,086	910,656
Change in fair value of derivatives	266,820	39,099	653,353	(34,966)
Net realized gains on investments, excluding other than temporary impairment ("OTTI") losses	3,873	2,737	6,211	5,424
OTTI losses on investments:				
Total OTTI losses	—	(762)	—	(6,780)
Portion of OTTI losses recognized from other comprehensive income	(949)	(3,684)	(1,090)	(3,360)
Net OTTI losses recognized in operations	(949)	(4,446)	(1,090)	(10,140)
Loss on extinguishment of debt	(428)	—	(428)	—
Total revenues	819,128	549,802	1,746,429	967,406
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	9,986	13,393	21,861	22,502
Interest sensitive and index product benefits	472,596	111,121	891,735	208,792
Amortization of deferred sales inducements	33,695	30,672	96,020	58,151
Change in fair value of embedded derivatives	174,973	284,303	399,143	550,160
Interest expense on notes and loan payable	8,678	6,882	16,400	13,762
Interest expense on subordinated debentures	3,422	3,206	6,758	6,374
Amortization of deferred policy acquisition costs	49,547	50,665	139,225	100,378
Other operating costs and expenses	25,964	26,823	53,543	53,653
Total benefits and expenses	778,861	527,065	1,624,685	1,013,772
Income (loss) before income taxes	40,267	22,737	121,744	(46,366)
Income tax expense (benefit)	13,321	8,029	40,859	(16,233)
Net income (loss)	\$ 26,946	\$ 14,708	\$ 80,885	\$ (30,133)
Earnings (loss) per common share				
Earnings (loss) per common share	\$ 0.30	\$ 0.18	\$ 0.91	\$ (0.37)
Earnings (loss) per common share - assuming dilution	\$ 0.30	\$ 0.18	\$ 0.90	\$ (0.37)
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	88,897	82,517	88,773	82,323
Earnings (loss) per common share - assuming dilution	90,112	83,184	90,045	83,073

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - June 30, 2017

Quarterly Summary - Most Recent 5 Quarters (Unaudited)

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
(Dollars in thousands, except per share data)					
Revenues:					
Traditional life insurance premiums	\$ 2,590	\$ 2,790	\$ 2,767	\$ 2,147	\$ 2,398
Life contingent immediate annuity considerations	5,130	6,612	9,466	10,584	9,060
Surrender charges	13,896	13,634	11,196	13,819	11,997
Lifetime income benefit rider fees	34,707	29,938	37,079	33,856	29,127
Net investment income	493,489	485,597	475,633	463,583	459,830
Change in fair value of derivatives	266,820	386,533	95,391	103,794	39,099
Net realized gains on investments, excluding OTTI	3,873	2,338	844	5,256	2,737
Net OTTI losses recognized in operations	(949)	(141)	(9,560)	(2,979)	(4,446)
Loss on extinguishment of debt	(428)	—	—	—	—
Total revenues	819,128	927,301	622,816	630,060	549,802
Benefits and expenses:					
Traditional life insurance policy benefits and change in future policy benefits	2,020	2,185	2,026	1,348	2,177
Life contingent immediate annuity benefits and change in future policy benefits	7,966	9,690	12,890	13,717	11,216
Interest sensitive and index product benefits (b)	472,596	419,139	237,737	278,943	111,121
Amortization of deferred sales inducements (c)	33,695	62,325	123,770	69,245	30,672
Change in fair value of embedded derivatives	174,973	224,170	(151,099)	144,404	284,303
Interest expense on notes and loan payable	8,678	7,722	7,599	6,887	6,882
Interest expense on subordinated debentures	3,422	3,336	3,331	3,253	3,206
Amortization of deferred policy acquisition costs (c)	49,547	89,678	175,526	98,108	50,665
Other operating costs and expenses (a)	25,964	27,579	23,445	25,133	26,823
Total benefits and expenses	778,861	845,824	435,225	641,038	527,065
Income (loss) before income taxes	40,267	81,477	187,591	(10,978)	22,737
Income tax expense (benefit)	13,321	27,538	66,795	(3,558)	8,029
Net income (loss) (a)(b)(c)	\$ 26,946	\$ 53,939	\$ 120,796	\$ (7,420)	\$ 14,708
Earnings (loss) per common share	\$ 0.30	\$ 0.61	\$ 1.37	\$ (0.09)	\$ 0.18
Earnings (loss) per common share - assuming dilution (a)(b)(c)	\$ 0.30	\$ 0.60	\$ 1.35	\$ (0.09)	\$ 0.18
Weighted average common shares outstanding (in thousands):					
Earnings (loss) per common share	88,897	88,647	88,211	86,262	82,517
Earnings (loss) per common share - assuming dilution	90,112	89,976	89,178	87,044	83,184

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in thousands, except per share data)				
Net income (loss)	\$ 26,946	\$ 14,708	\$ 80,885	\$ (30,133)
Adjustments to arrive at non-GAAP operating income: (a)				
Net realized investment (gains) losses, including OTTI	(1,559)	605	(3,501)	1,760
Change in fair value of derivatives and embedded derivatives - index annuities	57,571	53,129	68,548	150,678
Change in fair value of derivatives and embedded derivatives - debt	465	768	218	3,532
Income taxes	(19,741)	(19,108)	(22,846)	(54,737)
Non-GAAP operating income	<u>\$ 63,682</u>	<u>\$ 50,102</u>	<u>\$ 123,304</u>	<u>\$ 71,100</u>
Per common share - assuming dilution:				
Net income (loss)	\$ 0.30	\$ 0.18	\$ 0.90	\$ (0.37)
Adjustments to arrive at non-GAAP operating income:				
Anti-dilutive effect of net loss	—	—	—	0.01
Net realized investment (gains) losses, including OTTI	(0.02)	—	(0.04)	0.02
Change in fair value of derivatives and embedded derivatives - index annuities	0.64	0.64	0.76	1.81
Change in fair value of derivatives and embedded derivatives - debt	0.01	0.01	—	0.04
Income taxes	(0.22)	(0.23)	(0.25)	(0.65)
Non-GAAP operating income	<u>\$ 0.71</u>	<u>\$ 0.60</u>	<u>\$ 1.37</u>	<u>\$ 0.86</u>

(a) Adjustments to net income (loss) to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements (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 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in thousands)				
Net realized investment gains and losses, including OTTI:				
Net realized (gains) losses on investments, including OTTI	\$ (2,924)	\$ 1,709	\$ (5,121)	\$ 4,716
Amortization of DAC and DSI	1,365	(1,104)	1,620	(2,956)
Income taxes	554	(215)	1,246	(625)
	<u>\$ (1,005)</u>	<u>\$ 390</u>	<u>\$ (2,255)</u>	<u>\$ 1,135</u>
Change in fair value of derivatives and embedded derivatives:				
Index annuities	\$ 140,283	\$ 112,740	\$ 162,726	\$ 316,324
Interest rate caps and swap	465	768	218	3,532
Amortization of DAC and DSI	(82,712)	(59,611)	(94,178)	(165,646)
Income taxes	(20,295)	(18,893)	(24,092)	(54,112)
	<u>\$ 37,741</u>	<u>\$ 35,004</u>	<u>\$ 44,674</u>	<u>\$ 100,098</u>

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NON-GAAP FINANCIAL MEASURES

Quarterly Summary - Most Recent 5 Quarters (Unaudited)

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

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
(Dollars in thousands, except per share data)					
Net income (loss)	\$ 26,946	\$ 53,939	\$ 120,796	\$ (7,420)	\$ 14,708
Adjustments to arrive at non-GAAP operating income (loss): (a)					
Net realized investment (gains) losses, including OTTI	(1,559)	(1,942)	6,436	(1,008)	605
Change in fair value of derivatives and embedded derivatives - index annuities	57,571	10,977	(103,444)	9,400	53,129
Change in fair value of derivatives and embedded derivatives - debt	465	(247)	(3,748)	(1,049)	768
Litigation reserve	—	—	—	(1,957)	—
Income taxes	(19,741)	(3,105)	35,927	(2,689)	(19,108)
Non-GAAP operating income (loss) (b)(c)	<u>\$ 63,682</u>	<u>\$ 59,622</u>	<u>\$ 55,967</u>	<u>\$ (4,723)</u>	<u>\$ 50,102</u>
Per common share - assuming dilution:					
Net income (loss)	\$ 0.30	\$ 0.60	\$ 1.35	\$ (0.09)	\$ 0.18
Adjustments to arrive at non-GAAP operating income (loss):					
Anti-dilutive effect of net loss	—	—	—	—	—
Net realized investment (gains) losses, including OTTI	(0.02)	(0.02)	0.07	(0.01)	—
Change in fair value of derivatives and embedded derivatives - index annuities	0.64	0.12	(1.16)	0.11	0.64
Change in fair value of derivatives and embedded derivatives - debt	0.01	—	(0.04)	(0.01)	0.01
Litigation reserve	—	—	—	(0.02)	—
Income taxes	(0.22)	(0.04)	0.41	(0.03)	(0.23)
Non-GAAP operating income (loss) (b)(c)	<u>\$ 0.71</u>	<u>\$ 0.66</u>	<u>\$ 0.63</u>	<u>\$ (0.05)</u>	<u>\$ 0.60</u>

- (a) Adjustments to net income (loss) to arrive at non-GAAP operating income (loss) are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.
- (b) Q3 2016 includes expense from unlocking which increased amortization of deferred sales inducements and deferred policy acquisition costs by \$18.1 million and \$21.5 million, respectively, and increased the non-GAAP operating loss and non-GAAP operating loss per common share- assuming dilution by \$25.5 million and \$0.29 per share, respectively.
- (c) Q3 2016 includes expense from the revision of assumptions used in determining reserves held for living income benefit riders. The impact increased interest sensitive and index product benefits by \$42.0 million and increased the non-GAAP operating loss and non-GAAP operating loss per common share - assuming dilution by \$27.1 million and \$0.31 per share, respectively.

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NON-GAAP FINANCIAL MEASURES

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

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
(Dollars in thousands)					
Net realized gains on investments	\$ (3,873)	\$ (2,338)	\$ (844)	\$ (5,256)	\$ (2,737)
Net OTTI losses recognized in operations	949	141	9,560	2,979	4,446
Change in fair value of derivatives	(34,225)	(201,974)	(108,359)	(116,308)	(170,795)
Decrease in total revenues	(37,149)	(204,171)	(99,643)	(118,585)	(169,086)
Amortization of deferred sales inducements	34,550	5,459	(61,820)	8,934	28,027
Change in fair value of embedded derivatives	(174,973)	(224,170)	151,099	(144,404)	(284,303)
Amortization of deferred policy acquisition costs	46,797	5,752	(88,166)	8,670	32,688
Other operating costs and expenses	—	—	—	2,829	—
Increase (decrease) in total benefits and expenses	(93,626)	(212,959)	1,113	(123,971)	(223,588)
Increase (decrease) in income (loss) before income taxes	56,477	8,788	(100,756)	5,386	54,502
Increase (decrease) in income tax expense	19,741	3,105	(35,927)	2,689	19,108
Increase (decrease) in net income (loss)	<u>\$ 36,736</u>	<u>\$ 5,683</u>	<u>\$ (64,829)</u>	<u>\$ 2,697</u>	<u>\$ 35,394</u>

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Capitalization/Book Value per Share

	(a) Pro-forma June 30, 2017	June 30, 2017	December 31, 2016
(Dollars in thousands, except share and per share data)			
Capitalization:			
Notes and loan payable	\$ 500,000	\$ 900,000	\$ 500,000
Subordinated debentures payable to subsidiary trusts	246,787	246,787	246,671
Total debt	746,787	1,146,787	746,671
Total stockholders' equity	2,640,652	2,651,408	2,291,595
Total capitalization	3,387,439	3,798,195	3,038,266
Accumulated other comprehensive income (AOCI)	(610,122)	(610,122)	(339,966)
Total capitalization excluding AOCI (b)	\$ 2,777,317	\$ 3,188,073	\$ 2,698,300
Total stockholders' equity	\$ 2,640,652	\$ 2,651,408	\$ 2,291,595
Accumulated other comprehensive income	(610,122)	(610,122)	(339,966)
Total stockholders' equity excluding AOCI (b)	\$ 2,030,530	\$ 2,041,286	\$ 1,951,629
Common shares outstanding (c)	88,756,072	88,756,072	88,016,188
Book Value per Share: (d)			
Book value per share including AOCI	\$ 29.75	\$ 29.87	\$ 26.04
Book value per share excluding AOCI (b)	\$ 22.88	\$ 23.00	\$ 22.17
Debt-to-Capital Ratios: (e)			
Senior debt / Total capitalization	18.0%	28.2%	18.5%
Adjusted debt / Total capitalization	18.0%	28.2%	18.5%

- (a) Pro-forma June 30, 2017 amounts include the impact of the redemption of \$400 million of 6.625% senior unsecured notes in July 2017. The redemption resulted in a net decrease in notes and loan payable of \$400 million and a net decrease in stockholders' equity of \$10.8 million.
- (b) 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.
- (c) Common shares outstanding include shares held by the NMO Deferred Compensation Trust: 2017 - 15,058 shares; 2016 - 15,058 shares
- (d) 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.
- (e) 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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Average yield on invested assets	4.45%	4.54%	4.46%	4.56%
Aggregate cost of money	1.73%	1.92%	1.75%	1.92%
Aggregate investment spread	2.72%	2.62%	2.71%	2.64%
Impact of:				
Investment yield - additional prepayment income	0.07%	0.04%	0.07%	0.06%
Cost of money effect of over hedging	0.06%	—%	0.06%	—%
Weighted average investments (in thousands)	\$44,379,879	\$40,600,182	\$43,966,404	\$40,032,851

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

Summary of Cost of Money for Deferred Annuities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in thousands)				
Included in interest sensitive and index product benefits:				
Index credits	\$ 371,623	\$ 8,900	\$ 693,503	\$ 15,431
Interest credited	62,930	66,265	128,108	128,967
Included in change in fair value of derivatives:				
Proceeds received at option expiration	(378,517)	(9,308)	(705,069)	(16,050)
Pro rata amortization of option cost	145,502	140,477	287,045	280,243
Cost of money for deferred annuities	<u>\$ 201,538</u>	<u>\$ 206,334</u>	<u>\$ 403,587</u>	<u>\$ 408,591</u>
Weighted average liability balance outstanding (in thousands)	\$ 46,478,748	\$ 43,080,446	\$ 46,046,068	\$ 42,482,613

Annuity Account Balance Rollforward

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(Dollars in thousands)				
Account balances at beginning of period	\$ 46,022,759	\$ 42,519,915	\$ 45,204,015	\$ 41,249,647
Net deposits	1,060,638	1,497,701	2,063,147	3,126,454
Premium bonuses	62,848	88,533	128,092	196,207
Fixed interest credited and index credits	434,553	75,165	821,611	144,398
Surrender charges	(13,896)	(11,997)	(27,530)	(26,562)
Lifetime income benefit rider fees	(34,707)	(29,127)	(64,645)	(51,067)
Surrenders, withdrawals, deaths, etc.	<u>(597,459)</u>	<u>(499,212)</u>	<u>(1,189,954)</u>	<u>(998,099)</u>
Account balances at end of period	<u>\$ 46,934,736</u>	<u>\$ 43,640,978</u>	<u>\$ 46,934,736</u>	<u>\$ 43,640,978</u>

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Annuity Deposits by Product Type

Product Type	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2017	2016	2017	2016	2016
(Dollars in thousands)					
American Equity:					
Fixed index annuities	\$ 953,560	\$ 1,335,798	\$ 1,894,727	\$ 2,836,519	\$ 5,114,178
Annual reset fixed rate annuities	20,870	15,866	35,713	32,571	64,317
Multi-year fixed rate annuities	7,541	250,644	13,934	407,154	450,474
Single premium immediate annuities	4,981	8,313	10,532	13,627	35,851
	986,952	1,610,621	1,954,906	3,289,871	5,664,820
Eagle Life:					
Fixed index annuities	167,632	189,748	255,304	377,029	610,580
Multi-year fixed rate annuities	19,994	299,914	43,502	528,436	852,799
	187,626	489,662	298,806	905,465	1,463,379
Consolidated:					
Fixed index annuities	1,121,192	1,525,546	2,150,031	3,213,548	5,724,758
Annual reset fixed rate annuities	20,870	15,866	35,713	32,571	64,317
Multi-year fixed rate annuities	27,535	550,558	57,436	935,590	1,303,273
Single premium immediate annuities	4,981	8,313	10,532	13,627	35,851
Total before coinsurance ceded	1,174,578	2,100,283	2,253,712	4,195,336	7,128,199
Coinsurance ceded	108,959	594,269	180,033	1,055,255	1,736,054
Net after coinsurance ceded	\$ 1,065,619	\$ 1,506,014	\$ 2,073,679	\$ 3,140,081	\$ 5,392,145

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at June 30, 2017:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	13.7	8.6	13.7%	\$ 44,862,666	95.6%
Annual Reset Fixed Rate Annuities	10.8	4.5	7.6%	1,413,840	3.0%
Multi-Year Fixed Rate Annuities	6.6	2.8	5.6%	658,230	1.4%
Total	13.5	8.4	13.4%	\$ 46,934,736	100.0%

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
(Dollars in thousands)		
<u>SURRENDER CHARGE PERCENTAGES:</u>		
No surrender charge	\$ 776,306	\$ 1,997,472
0.0% < 2.0%	15,634	439,160
2.0% < 3.0%	22,479	148,351
3.0% < 4.0%	48,427	238,727
4.0% < 5.0%	25,665	307,734
5.0% < 6.0%	41,615	548,771
6.0% < 7.0%	77,665	509,963
7.0% < 8.0%	61,227	798,906
8.0% < 9.0%	294,237	2,022,918
9.0% < 10.0%	111,133	2,018,539
10.0% or greater	597,682	35,832,125
	<u>\$ 2,072,070</u>	<u>\$ 44,862,666</u>

	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
(Dollars in thousands)		
<u>SURRENDER CHARGE EXPIRATION BY YEAR:</u>		
Out of Surrender Charge	\$ 2,773,778	0.00%
2017	345,326	1.70%
2018	685,196	3.12%
2019	519,387	4.67%
2020	869,827	6.73%
2021	1,370,402	8.24%
2022	1,995,361	9.71%
2023	4,768,348	11.49%
2024	5,272,350	12.83%
2025	5,948,642	13.12%
2026	4,971,546	14.27%
2027	3,539,309	15.94%
2028	2,383,133	17.77%
2029	2,991,504	18.35%
2030	2,746,139	18.74%
2031	3,109,518	19.24%
2032	1,936,793	19.72%
2033	681,377	19.98%
2034	26,800	20.00%
	<u>\$ 46,934,736</u>	13.43%

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
(Dollars in thousands)		
<u>CREDITED RATE VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL:</u>		
No differential	\$ 943,929	\$ 1,660,924
› 0.0% - 0.25%	122,405	227,611
› 0.25% - 0.5%	240,327	37,818
› 0.5% - 1.0%	82,476	94,374
› 1.0% - 1.5%	12,364	1,166
› 1.5% - 2.0%	1,020	—
1.00% ultimate guarantee - 2.68% wtd avg interest rate (a)	414,297	145,018
1.50% ultimate guarantee - 1.25% wtd avg interest rate (a)	161,187	4,994,407
2.00% ultimate guarantee - 2.01% wtd avg interest rate (a)	94,065	—
2.25% ultimate guarantee - 2.06% wtd avg interest rate (a)	—	1,185,009
3.00% ultimate guarantee - 2.23% wtd avg interest rate (a)	—	2,261,240
Allocated to index strategies (see tables that follow)	—	34,255,099
	<u>\$ 2,072,070</u>	<u>\$ 44,862,666</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 June 30, 2017 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.21%.

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Annuity Liability Characteristics

FIXED INDEX ANNUITIES ACCOUNT VALUE - INDEX STRATEGIES

Annual Monthly Average and Point-to-Point with Caps

	Minimum Guaranteed Cap				
	1%	3%	4%	7%	8% +
Current Cap	(Dollars in thousands)				
At minimum	\$ 1,984	\$ 87,938	\$ 2,506,123	\$ 72,984	\$ 212,806
1.75% - 3%	6,266,298	—	—	—	—
3% - 4%	1,712,766	30,942	—	—	—
4% - 5%	330,768	199,750	4,287,878	—	—
5% - 6%	412,295	147,708	447,860	—	—
6% - 7%	—	—	139	—	—
>= 7%	—	12,197	1,563	28,612	4,874

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

	Minimum Guaranteed Participation Rate			
	10%	20% - 25%	35%	50% +
Current Participation Rate	(Dollars in thousands)			
At minimum	\$ 499	\$ 420,160	\$ 127,856	\$ 146,441
< 20%	509,839	—	—	—
20% - 40%	872,298	195,579	—	—
40% - 60%	694,264	116,847	82,808	—
>= 60%	9,957	—	—	—

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

(Dollars in thousands)

Current Cap	
At minimum	\$ 17,986
1.20% - 1.40%	6,225,844
1.45% - 1.70%	2,186,227
1.80% - 2.00%	2,674,906
>= 2.10%	375,494

Volatility Control Index

(Dollars in thousands)

Current Asset Fee	
At Maximum	\$ —
0.75% - 1.75%	182,314
2.25% - 2.75%	954,485
3.00% - 4.00%	1,342,300

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 0.55% based upon prices of options for the week ended July 18, 2017.

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Summary of Invested Assets

	June 30, 2017		December 31, 2016	
	Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)				
Fixed maturity securities:				
United States Government full faith and credit	\$ 12,174	—%	\$ 11,805	—%
United States Government sponsored agencies	1,340,839	2.8%	1,344,787	3.0%
United States municipalities, states and territories	4,137,714	8.6%	3,926,950	8.8%
Foreign government obligations	238,869	0.5%	236,341	0.5%
Corporate securities	29,364,002	61.3%	27,191,243	60.8%
Residential mortgage backed securities	1,181,850	2.5%	1,254,835	2.8%
Commercial mortgage backed securities	5,540,383	11.6%	5,365,235	12.0%
Other asset backed securities	2,154,885	4.5%	1,806,123	4.0%
Total fixed maturity securities	43,970,716	91.8%	41,137,319	91.9%
Mortgage loans on real estate	2,553,391	5.3%	2,480,956	5.5%
Derivative instruments	1,086,624	2.3%	830,519	1.9%
Other investments	314,421	0.6%	308,774	0.7%
	<u>\$ 47,925,152</u>	<u>100.0%</u>	<u>\$ 44,757,568</u>	<u>100.0%</u>

Credit Quality of Fixed Maturity Securities - June 30, 2017

NAIC Designation	Carrying Amount	Percent	Rating Agency Rating	Carrying Amount	Percent
	(Dollars in thousands)			(Dollars in thousands)	
1	\$ 28,144,706	64.0%	Aaa/Aa/A	\$ 27,599,755	62.8%
2	14,499,548	33.0%	Baa	14,852,167	33.8%
3	1,207,810	2.7%	Ba	1,056,659	2.4%
4	89,144	0.2%	B	104,835	0.2%
5	20,698	0.1%	Caa	264,733	0.6%
6	8,810	—%	Ca and lower	92,567	0.2%
	<u>\$ 43,970,716</u>	<u>100.0%</u>		<u>\$ 43,970,716</u>	<u>100.0%</u>

Watch List Securities - June 30, 2017

General Description	Amortized Cost	Unrealized Gains (Losses)	Fair Value	Months Below Amortized Cost
(Dollars in thousands)				
Below investment grade				
Corporate securities:				
Energy	\$ 29,058	\$ (6,217)	\$ 22,841	1 - 50
Industrials	4,984	(2,640)	2,344	32
Materials	3,990	(17)	3,973	1
Telecommunications	2,100	(15)	2,085	36
Other asset backed securities:				
Financials	6,347	(3,601)	2,746	49 - 75
	<u>\$ 46,479</u>	<u>\$ (12,490)</u>	<u>\$ 33,989</u>	

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Fixed Maturity Securities by Sector

	June 30, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(Dollars in thousands)				
Available for sale:				
United States Government full faith and credit and sponsored agencies	\$ 1,360,505	\$ 1,353,013	\$ 1,380,204	\$ 1,356,592
United States municipalities, states and territories	3,777,760	4,137,714	3,626,395	3,926,950
Foreign government obligations	228,896	238,869	229,589	236,341
Corporate securities:				
Capital goods	2,415,687	2,563,870	2,248,219	2,332,625
Consumer discretionary	5,654,572	5,949,363	5,485,150	5,643,308
Energy	2,499,456	2,559,966	2,439,809	2,453,649
Financials	5,895,865	6,215,210	5,377,810	5,552,349
Industrials	259,284	266,161	186,684	187,191
Information technology	1,821,775	1,914,089	1,718,190	1,759,229
Materials	1,822,469	1,905,130	1,767,460	1,797,013
Other	1,085,630	1,142,760	1,009,390	1,037,307
Telecommunications	1,542,402	1,618,262	1,472,094	1,507,943
Transportation	1,148,038	1,202,780	1,105,324	1,133,087
Utilities	3,668,242	3,949,474	3,523,083	3,710,711
Residential mortgage backed securities:				
Government agency	613,757	662,314	648,752	693,805
Prime	283,687	295,209	323,878	338,761
Alt-A	149,300	177,927	166,557	193,018
Re-Remic	44,102	46,400	27,757	29,251
Commercial mortgage backed securities:				
Government agency	558,475	568,539	559,850	560,726
Non-agency	4,961,292	4,971,844	4,862,405	4,804,509
Other asset backed securities:				
Auto	291,922	293,553	240,297	237,678
Financials	981,966	988,740	865,235	866,203
Industrials	270,996	277,209	216,712	219,917
Military housing	442,840	468,240	339,186	351,903
Other	128,826	127,143	132,095	128,592
Utilities	—	—	1,830	1,830
Redeemable preferred stock - financials	—	6	—	6
	<u>\$ 41,907,744</u>	<u>\$ 43,893,785</u>	<u>\$ 39,953,955</u>	<u>\$ 41,060,494</u>
Held for investment:				
Corporate security - financials	\$ 76,931	\$ 76,702	\$ 76,825	\$ 68,766

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Mortgage Loans on Commercial Real Estate

	June 30, 2017		December 31, 2016	
	Principal	Percent	Principal	Percent
(Dollars in thousands)				
Geographic distribution				
East	\$ 596,587	23.3%	\$ 635,434	25.5%
Middle Atlantic	155,234	6.1%	151,640	6.1%
Mountain	302,764	11.8%	235,932	9.5%
New England	12,496	0.5%	12,724	0.5%
Pacific	423,086	16.5%	385,683	15.5%
South Atlantic	542,146	21.2%	519,065	20.8%
West North Central	311,126	12.1%	325,447	13.1%
West South Central	219,010	8.5%	224,694	9.0%
	<u>\$ 2,562,449</u>	<u>100.0%</u>	<u>\$ 2,490,619</u>	<u>100.0%</u>
Property type distribution				
Office	\$ 291,118	11.4%	\$ 308,578	12.4%
Medical office	35,248	1.4%	50,780	2.1%
Retail	989,810	38.6%	886,942	35.6%
Industrial/Warehouse	691,630	27.0%	700,644	28.1%
Apartment	377,170	14.7%	375,837	15.1%
Mixed use/other	177,473	6.9%	167,838	6.7%
	<u>\$ 2,562,449</u>	<u>100.0%</u>	<u>\$ 2,490,619</u>	<u>100.0%</u>

	June 30, 2017	December 31, 2016
Credit exposure - by payment activity		
Performing	\$ 2,558,711	\$ 2,489,028
In workout	1,516	1,591
Delinquent	—	—
Collateral dependent	2,222	—
	<u>2,562,449</u>	<u>2,490,619</u>
Specific loan loss allowance	(2,049)	(1,327)
General loan loss allowance	(5,800)	(7,100)
Deferred prepayment fees	(1,209)	(1,236)
	<u>\$ 2,553,391</u>	<u>\$ 2,480,956</u>

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Shareholder Information

Corporate Offices:

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

Inquiries:

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

Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

	High	Low	Close	Dividend Declared
2017				
First Quarter	\$28.00	\$21.66	\$23.63	\$0.00
Second Quarter	\$26.65	\$22.23	\$26.28	\$0.00
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
2015				
First Quarter	\$29.62	\$25.46	\$29.13	\$0.00
Second Quarter	\$29.90	\$25.06	\$26.98	\$0.00
Third Quarter	\$30.02	\$22.36	\$23.31	\$0.00
Fourth Quarter	\$28.30	\$22.55	\$24.03	\$0.22

Transfer Agent:

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

Annual Report and Other Information:

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

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Research Analyst Coverage

Erik Bass
Autonomous Research US LP
(646) 561-6248
ebass@autonomous.com

Suneet Kamath
Citi
(212) 816-3457
suneet.kamath@citi.com

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

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

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

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

Ryan Krueger
Keefe, Bruyette & Woods
(860) 722-5930
rkrueger@kbw.com

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

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

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

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