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**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): **April 30, 2014**

**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))
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**Item 2.02 Results of Operations and Financial Condition**

On April 30, 2014, the registrant issued a press release announcing its financial results for the quarter ended March 31, 2014, 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, 2014, 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 April 30, 2014, announcing American Equity Investment Life Holding Company's financial results for the quarter ended March 31, 2014.
99.2	American Equity Investment Life Holding Company's Financial Supplement for the quarter ended March 31, 2014.

## **SIGNATURES**

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

Date: April 30, 2014

**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:***

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**FOR IMMEDIATE RELEASE**

**April 30, 2014**

## **American Equity Reports First Quarter 2014 Results**

**WEST DES MOINES, Iowa (April 30, 2014)** - American Equity Investment Life Holding Company (NYSE: AEL), a leading underwriter of index and fixed rate annuities, today reported a first quarter 2014 net loss of \$9.8 million, or \$0.13 per diluted common share, compared to first quarter 2013 net income of \$26.0 million, or \$0.38 per diluted common share.

Non-GAAP operating income<sup>1</sup> for the first quarter of 2014 was \$37.5 million, or \$0.47 per diluted common share, compared to first quarter 2013 non-GAAP operating income<sup>1</sup> of \$33.5 million, or \$0.49 per diluted common share.

Highlights for the first quarter of 2014 include:

- Annuity sales (before coinsurance) were \$921 million compared to first quarter 2013 annuity sales of \$930 million.
- Total invested assets were \$32.0 billion (amortized cost basis = \$30.4 billion).
- Investment spread was 2.77% compared to 2.73% for the fourth quarter of 2013 and 2.68% for the first quarter of 2013.
- Estimated risk-based capital (RBC) ratio at March 31, 2014 remained above A. M. Best's rating threshold at 351% compared to 344% at December 31, 2013.

<sup>1</sup> In addition to net income (loss), we have consistently utilized operating income and 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. See accompanying tables for reconciliations of net income (loss) to operating income and descriptions of reconciling items. See Company's Quarterly Report on Form 10-Q for a more complete discussion of the reconciling items and their impact on net income (loss) for the periods presented. Because these items fluctuate from period to period in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income (loss), provides information that may enhance an investor's understanding of our underlying results and profitability.

- Book value per share (excluding accumulated other comprehensive income) was \$18.15 at March 31, 2014 compared to \$18.75 at December 31, 2013.

The diluted share count for first quarter 2014 was 79.6 million shares compared to 68.7 million shares for the first quarter of 2013. This increase was attributable to (i) shares issued for retirement of convertible notes and the exercise of stock options and (ii) greater dilution from convertible notes, warrants and stock options because the Company's common stock price was substantially higher in the first quarter of 2014 compared to the first quarter of 2013.

### **SATISFYING START TO YEAR WITH SOLID PERFORMANCE ON KEY METRICS**

Commenting on first quarter results, founder and Executive Chairman David J. Noble said: "Our year is off to a satisfying start with solid performance on the key metrics that define our business. First quarter sales of \$921 million contributed to a 2.5% increase in our policyholder liabilities under management which puts us on track to achieve our goal of at least 10% growth in policyholder liabilities under management for the year. We continued to generate attractive profitability with our operating return on average equity for the trailing 12 months, excluding the third quarter 2013 unlocking benefit, at 12.13% and maintained a high quality investment portfolio with minimal credit loss in the quarter. In addition, we continued to improve our capital structure and financial profile by retiring more convertible notes and reducing our debt leverage. And finally, we achieved a modest increase in our regulatory capital ratio which remains comfortably above the threshold for our A. M. Best rating."

### **SPREAD WIDENS IN ADVANCE OF FURTHER RENEWAL RATE ADJUSTMENTS**

American Equity's investment spread of 2.77% for the first quarter of 2014 increased slightly compared to 2.73% for the fourth quarter of 2013. Spread performance was impacted by the average yield on invested assets, which declined 0.02% to 4.95% for the first quarter of 2014 from 4.97% for the fourth quarter of 2013, due to 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 first quarter of 2014 was 4.39%, compared to an average yield of 4.48% and 4.37% in the fourth and third quarters of 2013, respectively.

The aggregate cost of money for annuity liabilities was 2.18% in the first quarter of 2014 compared to 2.24% in the fourth quarter of 2013. This decrease reflected continued reductions in crediting rates. In addition, the Company eliminated the 0.03% under hedging cost incurred in the fourth quarter of 2013.

Commenting on investment spread, John Matovina, Chief Executive Officer and President said: "Most of the 0.04% improvement in investment spread for the quarter was due to improvement in our hedging results. But, we also saw crediting rates decrease by 0.01% more than the decrease in investment yield. Much of the decrease in crediting rates was attributable to policies issued in 2011 which were adjusted for the first time since their issue date."

Matovina continued, "We remain committed to our objective of restoring our investment spread to the 3.00% target rate. Earlier this quarter we initiated additional renewal crediting rate reductions for policies issued prior to July 20, 2010. These rate reductions will occur on policy anniversary dates over a fifteen month period that began on April 14, 2014 with the majority of the rate reductions completed by May 15, 2015. When fully implemented, we estimate that the cost of money for approximately \$15 billion of policyholder funds will be reduced by 0.20%. With our portfolio yield still under pressure from lower reinvestment rates, further adjustments to renewal crediting rates will be considered."

#### **LONG-TERM BENEFIT FROM RETIREMENT OF CONVERTIBLE DEBT**

During the quarter, the Company continued to improve its capital structure and financial profile by reducing its debt leverage and eliminating potential additional dilution from further increases in the Company's stock price through the retirement of additional convertible notes. After retiring \$156 million of aggregate principal amount of its two outstanding convertible debt instruments in the fourth quarter of 2013, the Company retired \$31 million aggregate principal amount of one of the issues in the first quarter of 2014. The total consideration paid by the Company in the first quarter included \$55 million of cash and 946,793 shares of the Company's common stock. The first quarter retirements reduced book value per share by \$0.50 and the net loss for the first quarter included \$0.03 from the loss on extinguishment of debt.

At March 31, 2014, the Company had approximately \$151 million of net proceeds from its \$400 million 6.625% Senior Notes due 2021 offering. These funds are available for future retirement of the convertible notes, and the Company intends to use these remaining net proceeds to tender for, redeem or repurchase the \$129 million aggregate principal amount of convertible notes that were outstanding at March 31, 2014. The form and timing of any such activity will be dependent upon market conditions and other factors and there can be no assurance that any such transactions can be completed prior to the December 2014 call date for the 5.25% convertible notes or the September 2015 maturity date for the 3.50% convertible notes. Subsequent to the end of the first quarter, the Company retired an additional \$34 million aggregate principal amount of the convertible notes in exchange for \$38 million of cash and 1,225,845 shares of its common stock. The impact of these transactions on the Company's capitalization and book value per share is disclosed in the Company's March 31, 2014 Financial Supplement.

## **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 2014 earnings on Thursday, May 1, 2014, at 10:00 a.m. CDT. The conference call will be webcast live on the Internet. Investors and interested parties who wish to listen to the call on the Internet may do so at [www.american-equity.com](http://www.american-equity.com).

The call may also be accessed by telephone at 866-515-2909, passcode 15834723 (international callers, please dial 617-399-5123). 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 22, 2014 at 1-888-286-8010, passcode 43428446 (international callers will need to dial 617-801-6888).

## **ABOUT AMERICAN EQUITY**

American Equity Investment Life Holding Company, through its wholly-owned operating subsidiaries, is a full service underwriter of fixed annuity and life insurance products, with a primary emphasis on the sale of 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](http://www.american-equity.com).

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**Consolidated Statements of Operations (Unaudited)**

	Three Months Ended March 31,	
	2014	2013
	(Dollars in thousands, except per share data)	
<b>Revenues:</b>		
Premiums and other considerations (a)	\$ 7,331	\$ 13,084
Annuity product charges	25,272	21,481
Net investment income	370,005	329,690
Change in fair value of derivatives	48,493	373,962
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	(714)	10,585
OTTI losses on investments:		
Total OTTI losses	—	(2,189)
Portion of OTTI losses recognized from other comprehensive income	(905)	(1,048)
Net OTTI losses recognized in operations	(905)	(3,237)
Loss on extinguishment of debt	(3,977)	—
Total revenues	445,505	745,565
<b>Benefits and expenses:</b>		
Insurance policy benefits and change in future policy benefits (a)	10,095	14,760
Interest sensitive and index product benefits (a)	317,192	223,170
Amortization of deferred sales inducements	666	28,831
Change in fair value of embedded derivatives	92,619	363,272
Interest expense on notes payable	10,264	7,248
Interest expense on subordinated debentures	3,008	3,009
Amortization of deferred policy acquisition costs	7,194	46,230
Other operating costs and expenses	19,085	19,520
Total benefits and expenses	460,123	706,040
Income (loss) before income taxes	(14,618)	39,525
Income tax expense (benefit)	(4,865)	13,494
Net income (loss)	\$ (9,753)	\$ 26,031
Earnings (loss) per common share	\$ (0.13)	\$ 0.41
Earnings (loss) per common share - assuming dilution	\$ (0.13)	\$ 0.38
Weighted average common shares outstanding (in thousands):		
Earnings (loss) per common share	72,519	63,314
Earnings (loss) per common share - assuming dilution	79,616	68,706

(a) The Company made an immaterial correction in the presentation of premiums, insurance policy benefits and change in future policy benefits and interest sensitive and index product benefits related to life contingent immediate annuities. We have revised the 2013 consolidated statement of operations above to be consistent with the 2014 presentation. These changes had no impact on the Company's consolidated balance sheets, net income (loss) or stockholders' equity.

**NON-GAAP FINANCIAL MEASURES**

In addition to net income (loss), we have consistently utilized operating income and 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. Operating income equals net income (loss) adjusted to eliminate the impact of net realized gains and losses on investments including net OTTI losses recognized in operations, fair value changes in derivatives and embedded derivatives, loss on extinguishment of debt and changes in litigation reserves. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of 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 Operating Income (Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Dollars in thousands, except per share data)</b>	
Net income (loss)	\$ (9,753)	\$ 26,031
Adjustments to arrive at operating income:		
Net realized investment (gains) losses, including OTTI (a)	564	(2,804)
Change in fair value of derivatives and embedded derivatives - index annuities (a)	43,708	10,973
Change in fair value of derivatives and embedded derivatives - debt (a)	1,509	(736)
Litigation reserve (a)	(916)	—
Extinguishment of debt (a)	2,394	—
Operating income (a non-GAAP financial measure)	<u>\$ 37,506</u>	<u>\$ 33,464</u>
Per common share - assuming dilution:		
Net income (loss)	\$ (0.13)	\$ 0.38
Adjustments to arrive at operating income:		
Anti-dilutive effect of net loss	0.01	—
Net realized investment (gains) losses, including OTTI	—	(0.04)
Change in fair value of derivatives and embedded derivatives - index annuities	0.55	0.16
Change in fair value of derivatives and embedded derivatives - debt	0.02	(0.01)
Litigation reserve	(0.01)	—
Extinguishment of debt	0.03	—
Operating income (a non-GAAP financial measure)	<u>\$ 0.47</u>	<u>\$ 0.49</u>

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

NON-GAAP FINANCIAL MEASURES

Average Stockholders' Equity and Return on Average Equity

Return on equity measures how efficiently we generate profits from the resources provided by our net assets. Return on equity is calculated by dividing net income and operating income for the trailing twelve months by average equity excluding average accumulated other comprehensive income ("AOCI").

	Twelve Months Ended	
	March 31, 2014	
	(Dollars in thousands)	
Average Stockholders' Equity <sup>1</sup>		
Average equity including average AOCI	\$	1,692,589
Average AOCI		(497,049)
Average equity excluding average AOCI	\$	1,195,540
Net income	\$	217,499
Operating income		167,462
Return on Average Equity Excluding Average AOCI		
Net income		18.19%
Operating income		14.01%

1 - simple average based on stockholders' equity at beginning and end of the twelve month period.

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
**Financial Supplement**

**March 31, 2014**

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

	March 31, 2014	December 31, 2013
	(Unaudited)	
<b>Assets</b>		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value	\$ 28,315,473	\$ 26,610,447
Held for investment, at amortized cost	76,298	76,255
Equity securities, available for sale, at fair value	7,767	7,778
Mortgage loans on real estate	2,584,583	2,581,082
Derivative instruments	790,396	856,050
Other investments	213,706	215,042
Total investments	31,988,223	30,346,654
Cash and cash equivalents	679,172	897,529
Coinsurance deposits	3,028,367	2,999,618
Accrued investment income	322,818	301,641
Deferred policy acquisition costs	2,210,694	2,426,652
Deferred sales inducements	1,713,246	1,875,880
Deferred income taxes	189,956	301,856
Other assets	412,020	471,669
Total assets	\$ 40,544,496	\$ 39,621,499
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Policy benefit reserves	\$ 36,731,438	\$ 35,789,655
Other policy funds and contract claims	402,895	418,033
Notes payable	521,758	549,958
Subordinated debentures	246,097	246,050
Income taxes payable	18,062	10,153
Other liabilities	969,297	1,222,963
Total liabilities	38,889,547	38,236,812
Stockholders' equity:		
Common stock	72,390	70,535
Additional paid-in capital	542,003	550,400
Unallocated common stock held by ESOP	(313)	(631)
Accumulated other comprehensive income	332,435	46,196
Retained earnings	708,434	718,187
Total stockholders' equity	1,654,949	1,384,687
Total liabilities and stockholders' equity	\$ 40,544,496	\$ 39,621,499

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

	Three Months Ended March 31,	
	2014	2013
<b>Revenues:</b>		
Premiums and other considerations (a)	\$ 7,331	\$ 13,084
Annuity product charges	25,272	21,481
Net investment income	370,005	329,690
Change in fair value of derivatives	48,493	373,962
Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses	(714)	10,585
OTTI losses on investments:		
Total OTTI losses	—	(2,189)
Portion of OTTI losses recognized from other comprehensive income	(905)	(1,048)
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Amortization of deferred sales inducements	666	28,831
Change in fair value of embedded derivatives	92,619	363,272
Interest expense on notes payable	10,264	7,248
Interest expense on subordinated debentures	3,008	3,009
Amortization of deferred policy acquisition costs	7,194	46,230
Other operating costs and expenses	19,085	19,520
Total benefits and expenses	460,123	706,040
Income (loss) before income taxes	(14,618)	39,525
Income tax expense (benefit)	(4,865)	13,494
Net income (loss)	\$ (9,753)	\$ 26,031
Earnings (loss) per common share	\$ (0.13)	\$ 0.41
Earnings (loss) per common share - assuming dilution	\$ (0.13)	\$ 0.38
Weighted average common shares outstanding (in thousands):		
Earnings (loss) per common share	72,519	63,314
Earnings (loss) per common share - assuming dilution	79,616	68,706

(a) We made an immaterial correction in the presentation of premiums, insurance policy benefits and change in future policy benefits and interest sensitive and index product benefits related to life contingent immediate annuities. We have revised the 2013 consolidated statement of operations above to be consistent with the 2014 presentation. These changes had no impact on our consolidated balance sheets, net income (loss) or stockholders' equity.

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
**Financial Supplement - March 31, 2014**

**Quarterly Summary - Most Recent 5 Quarters (Unaudited)**

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
(Dollars in thousands, except per share data)					
<b>Revenues:</b>					
Traditional life insurance premiums	\$ 2,804	\$ 2,452	\$ 2,493	\$ 2,913	\$ 2,698
Life contingent immediate annuity considerations	4,527	8,386	7,381	8,638	10,386
Surrender charges (a)	12,423	15,239	11,160	11,292	11,502
Lifetime income benefit rider fees	12,849	16,909	15,291	12,219	9,979
Net investment income	370,005	363,947	354,147	336,143	329,690
Change in fair value of derivatives	48,493	444,985	193,028	64,040	373,962
Net realized gains (losses) on investments, excluding OTTI	(714)	16,364	(2,077)	15,689	10,585
Net OTTI losses recognized in operations	(905)	—	(222)	(2,775)	(3,237)
Loss on extinguishment of debt	(3,977)	(30,988)	(938)	(589)	—
<b>Total revenues</b>	<b>445,505</b>	<b>837,294</b>	<b>580,263</b>	<b>447,570</b>	<b>745,565</b>
<b>Benefits and expenses:</b>					
Traditional life insurance policy benefits and change in future policy benefits	2,261	1,452	1,647	2,106	1,735
Life contingent immediate annuity benefits and change in future policy benefits	7,834	11,827	9,617	11,662	13,025
Interest sensitive and index product benefits (b)	317,192	390,956	325,740	333,001	223,170
Amortization of deferred sales inducements (c)	666	69,121	34,625	120,536	28,831
Change in fair value of embedded derivatives	92,619	142,881	36,224	(408,409)	363,272
Interest expense on notes payable	10,264	11,885	12,957	6,780	7,248
Interest expense on subordinated debentures	3,008	3,027	3,034	3,018	3,009
Amortization of deferred policy acquisition costs (c)	7,194	99,934	50,034	169,270	46,230
Other operating costs and expenses (d)(e)(f)	19,085	26,886	20,658	24,851	19,520
<b>Total benefits and expenses</b>	<b>460,123</b>	<b>757,969</b>	<b>494,536</b>	<b>262,815</b>	<b>706,040</b>
Income (loss) before income taxes	(14,618)	79,325	85,727	184,755	39,525
Income tax expense (benefit)	(4,865)	28,367	29,546	64,642	13,494
<b>Net income (loss) (a)(b)(c)(d)(e)(f)</b>	<b>\$ (9,753)</b>	<b>\$ 50,958</b>	<b>\$ 56,181</b>	<b>\$ 120,113</b>	<b>\$ 26,031</b>
<b>Earnings (loss) per common share</b>					
Earnings (loss) per common share	\$ (0.13)	\$ 0.73	\$ 0.86	\$ 1.87	\$ 0.41
Earnings (loss) per common share - assuming dilution (a)(b)(c)(d)(e)(f)	\$ (0.13)	\$ 0.64	\$ 0.75	\$ 1.71	\$ 0.38
<b>Weighted average common shares outstanding (in thousands):</b>					
Earnings (loss) per common share	72,519	69,416	65,129	64,254	63,314
Earnings (loss) per common share - assuming dilution	79,616	79,041	74,560	70,382	68,706

- (a) Q4 2013 includes a benefit of \$4.7 million from surrender charges deducted from California policyholders surrendering their policies as a condition of receiving certain benefits in a national class action lawsuit settlement, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, increased net income and earnings per common share - assuming dilution by \$1.9 million and \$0.02 per share, respectively.
- (b) Q3 2013 includes a benefit from the revision of assumptions used in determining reserves held for living income benefit riders consistent with unlocking for deferred policy acquisition costs and deferred sales inducements. The impact decreased interest sensitive and index product benefits by \$1.8 million and increased net income and earnings per common share - assuming dilution by \$1.1 million and \$0.01 per share, respectively.
- (c) Q3 2013 includes benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$11.1 million and \$18.5 million, respectively, and increased net income and earnings per common share- assuming dilution by \$19.1 million and \$0.26 per share, respectively.
- (d) Q1 2014 includes a net benefit of \$2.2 million from recognizing a decrease in an estimated class action litigation reserve based upon developments in the claim process for settlement of the class action and third party costs incurred during the quarter associated with administration of the settlement, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, decreased net loss and loss per common share - assuming dilution by \$0.9 million and \$0.01 per share, respectively.

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(e) Q4 2013 includes expense of \$4.2 million from recognizing an increase in an estimated class action litigation reserve based upon developments in the claim process for settlement of the class action litigation and third party costs incurred during the quarter associated with administration of the settlement, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, decreased net income and earnings per common share - assuming dilution by \$1.9 million and \$0.02 per share, respectively.

(f) Q2 2013 includes expense of \$8.5 million related to assessments received and future estimates of assessments from state guaranty fund associations related to the insolvency of Executive Life Insurance Company of New York, which after income taxes decreased net income and earnings per common share - assuming dilution by \$5.5 million and \$0.08 per share, respectively.

Q2 2013 includes a benefit of \$3.2 million related to the final settlement of a litigation liability established in 2010, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes increased net income and earnings per common share - assuming dilution by \$2.0 million and \$0.03 per share, respectively.

**NON-GAAP FINANCIAL MEASURES**

In addition to net income (loss), we have consistently utilized operating income and 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. Operating income equals net income (loss) adjusted to eliminate the impact of net realized gains and losses on investments including net OTTI losses recognized in operations, fair value changes in derivatives and embedded derivatives, loss on extinguishment of debt and changes in litigation reserves. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and evaluation of 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 Operating Income (Unaudited)**

	Three Months Ended March 31,	
	2014	2013
	(Dollars in thousands, except per share data)	
Net income (loss)	\$ (9,753)	\$ 26,031
Adjustments to arrive at operating income:		
Net realized investment (gains) losses, including OTTI (a)	564	(2,804)
Change in fair value of derivatives and embedded derivatives - index annuities (a)	43,708	10,973
Change in fair value of derivatives and embedded derivatives - debt (a)	1,509	(736)
Litigation reserve (a)	(916)	—
Extinguishment of debt (a)	2,394	—
Operating income (a non-GAAP financial measure)	<u>\$ 37,506</u>	<u>\$ 33,464</u>
Per common share - assuming dilution:		
Net income (loss)	\$ (0.13)	\$ 0.38
Adjustments to arrive at operating income:		
Anti-dilutive effect of net loss	0.01	—
Net realized investment (gains) losses, including OTTI	—	(0.04)
Change in fair value of derivatives and embedded derivatives - index annuities	0.55	0.16
Change in fair value of derivatives and embedded derivatives - debt	0.02	(0.01)
Litigation reserve	(0.01)	—
Extinguishment of debt	0.03	—
Operating income (a non-GAAP financial measure)	<u>\$ 0.47</u>	<u>\$ 0.49</u>

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



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**NON-GAAP FINANCIAL MEASURES**

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

	Three Months Ended March 31,	
	2014	2013
(Dollars in thousands)		
Net realized investment gains and losses, including OTTI:		
Net realized (gains) losses on investments, including OTTI	\$ 1,619	\$ (7,348)
Amortization of DAC and DSI	(746)	3,093
Income taxes	(309)	1,451
	<u>\$ 564</u>	<u>\$ (2,804)</u>
Change in fair value of derivatives and embedded derivatives:		
Index annuities	\$ 167,481	\$ 36,890
Interest rate caps and swap	2,579	(1,210)
Amortization of DAC and DSI	(101,803)	(20,240)
Income taxes	(23,040)	(5,203)
	<u>\$ 45,217</u>	<u>\$ 10,237</u>
Litigation reserve:		
Change in litigation reserve recorded in other operating costs	\$ (2,212)	\$ —
Amortization of DAC and DSI	795	—
Income taxes	501	—
	<u>\$ (916)</u>	<u>\$ —</u>
Extinguishment of debt:		
Loss on extinguishment of debt	\$ 3,977	\$ —
Income taxes	(1,583)	—
	<u>\$ 2,394</u>	<u>\$ —</u>

**NON-GAAP FINANCIAL MEASURES**

**Quarterly Summary - Most Recent 5 Quarters (Unaudited)**

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

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
	<b>(Dollars in thousands, except per share data)</b>				
Net income (loss)	\$ (9,753)	\$ 50,958	\$ 56,181	\$ 120,113	\$ 26,031
Adjustments to arrive at operating income:					
Net realized investment (gains) losses, including OTTI (a)	564	(6,214)	890	(3,574)	(2,804)
Change in fair value of derivatives and embedded derivatives - index annuities (a)	43,708	(23,419)	(4,907)	(81,351)	10,973
Change in fair value of derivatives and embedded derivatives - debt (a)	1,509	(4,290)	7,136	(3,302)	(736)
Litigation reserve (a)	(916)	1,988	—	(1,969)	—
Extinguishment of debt (a)	2,394	20,823	548	345	—
Operating income (a non-GAAP financial measure) (b)(c)(d)(e)	<u>\$ 37,506</u>	<u>\$ 39,846</u>	<u>\$ 59,848</u>	<u>\$ 30,262</u>	<u>\$ 33,464</u>
Operating income per common share - assuming dilution (b)(c)(d)(e)	\$ 0.47	\$ 0.50	\$ 0.80	\$ 0.43	\$ 0.49

- (a) Adjustments to net income (loss) to arrive at operating income are presented net of income taxes and where applicable, are net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs.
- (b) Q4 2013 includes a benefit of \$4.7 million from surrender charges deducted from California policyholders surrendering their policies as a condition of receiving certain benefits in a national class action lawsuit settlement, which after related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs and income taxes, increased operating income and operating income per common share - assuming dilution by \$2.0 million and \$0.02 per share, respectively.
- (c) Q3 2013 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$12.6 million and \$20.4 million, respectively, and increased operating income and operating income per common share- assuming dilution by \$21.3 million and \$0.29 per share, respectively.
- (d) Q3 2013 includes a benefit from the revision of assumptions used in determining reserves held for living income benefit riders consistent with unlocking for deferred policy acquisition costs and deferred sales inducements. The impact decreased interest sensitive and index product benefits by \$1.8 million and increased operating income and operating income per common share - assuming dilution by \$1.1 million and \$0.01 per share, respectively.
- (e) Q2 2013 includes expense of \$8.5 million related to assessments received and future estimates of assessments from state guaranty fund associations related to the insolvency of Executive Life Insurance Company of New York, which after income taxes decreased operating income and operating income per common share - assuming dilution by \$5.5 million and \$0.08 per share, respectively.

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**NON-GAAP FINANCIAL MEASURES**

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

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
(Dollars in thousands)					
Net realized (gains) losses on investments	\$ 714	\$ (16,364)	\$ 2,077	\$ (15,689)	\$ (10,585)
Net OTTI losses recognized in operations	905	—	222	2,775	3,237
Change in fair value of derivatives	57,039	(209,083)	25,448	91,374	(299,494)
Loss on extinguishment of debt	3,977	30,988	938	589	—
Increase (decrease) in total revenues	62,635	(194,459)	28,685	79,049	(306,842)
Amortization of deferred sales inducements	43,435	(27,797)	(6,765)	(82,583)	7,447
Change in fair value of embedded derivatives	(113,021)	(104,953)	39,526	408,606	(335,174)
Amortization of deferred policy acquisition costs	58,319	(38,189)	(9,849)	(111,570)	9,700
Other operating costs and expenses	2,212	(4,248)	—	3,212	—
Increase (decrease) in total benefits and expenses	(9,055)	(175,187)	22,912	217,665	(318,027)
Increase (decrease) in income (loss) before income taxes	71,690	(19,272)	5,773	(138,616)	11,185
Increase (decrease) in income tax expense	24,431	(8,160)	2,106	(48,765)	3,752
Increase (decrease) in net income (loss)	<u>\$ 47,259</u>	<u>\$ (11,112)</u>	<u>\$ 3,667</u>	<u>\$ (89,851)</u>	<u>\$ 7,433</u>

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Capitalization/Book Value per Share

	(a) Pro-forma March 31, 2014	March 31, 2014	December 31, 2013
(Dollars in thousands, except per share data)			
<b>Capitalization:</b>			
Notes payable:			
September 2015 Notes	\$ 55,757	\$ 86,239	\$ 85,328
December 2029 Notes	33,706	35,519	64,630
July 2021 Notes	400,000	400,000	400,000
Subordinated debentures payable to subsidiary trusts	246,097	246,097	246,050
<b>Total debt</b>	<b>735,560</b>	<b>767,855</b>	<b>796,008</b>
<b>Total stockholders' equity</b>	<b>1,657,654</b>	<b>1,654,949</b>	<b>1,384,687</b>
<b>Total capitalization</b>	<b>2,393,214</b>	<b>2,422,804</b>	<b>2,180,695</b>
Accumulated other comprehensive income (AOCI)	(332,435)	(332,435)	(46,196)
<b>Total capitalization excluding AOCI (b)</b>	<b>\$ 2,060,779</b>	<b>\$ 2,090,369</b>	<b>\$ 2,134,499</b>
<b>Total stockholders' equity</b>			
	\$ 1,657,654	\$ 1,654,949	\$ 1,384,687
Accumulated other comprehensive income	(332,435)	(332,435)	(46,196)
<b>Total stockholders' equity excluding AOCI (b)</b>	<b>\$ 1,325,219</b>	<b>\$ 1,322,514</b>	<b>\$ 1,338,491</b>
<b>Common shares outstanding (c)</b>			
	74,100,576	72,874,731	71,369,474
<b>Book Value per Share: (d)</b>			
Book value per share including AOCI	\$ 22.37	\$ 22.71	\$ 19.40
Book value per share excluding AOCI (b)	\$ 17.88	\$ 18.15	\$ 18.75
<b>Debt-to-Capital Ratios: (e)</b>			
Senior debt / Total capitalization	23.8%	25.0%	25.8%
Adjusted debt / Total capitalization	23.8%	25.0%	25.8%

- (a) Pro-forma March 31, 2014 amounts include the impact of convertible debt retirements completed in April 2014. The convertible debt retirements resulted in a net decrease in notes payable of \$32,295 and a net increase in stockholders' equity of \$2,705.
- (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: 2014 - 543,120 shares; 2013 - 892,688 shares and excludes unallocated shares held by the ESOP: 2014 - 58,618 shares; 2013 - 58,618 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 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 March 31,	
	2014	2013
Average yield on invested assets	4.95%	5.01%
Aggregate cost of money	2.18%	2.33%
Aggregate investment spread	2.77%	2.68%
Impact of:		
Investment yield - additional prepayment income	0.05%	0.08%
Cost of money effect of (under) over hedging	—%	0.03%
Weighted average investments (in thousands)	\$30,002,658	\$26,382,116

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 March 31,	
	2014	2013
(Dollars in thousands)		
Included in interest sensitive and index product benefits:		
Index credits	\$ 230,378	\$ 135,341
Interest credited	69,827	74,417
Included in change in fair value of derivatives:		
Proceeds received at option expiration	(227,958)	(135,225)
Pro rata amortization of option cost	102,024	88,855
Cost of money for deferred annuities	<u>\$ 174,271</u>	<u>\$ 163,388</u>
Weighted average liability balance outstanding (in thousands)	\$ 31,928,538	\$ 28,060,075

Annuity Account Balance Rollforward

	Three Months Ended March 31,	
	2014	2013
(Dollars in thousands)		
Account balances at beginning of period	\$ 31,535,846	\$ 27,669,669
Net deposits	865,405	872,329
Premium and interest bonuses	72,687	73,898
Fixed interest credited and index credits	300,205	209,758
Surrender charges	(12,423)	(11,502)
Lifetime income benefit rider fees	(12,849)	(9,979)
Surrenders, withdrawals, deaths, etc.	(427,639)	(353,695)
Account balances at end of period	<u>\$ 32,321,232</u>	<u>\$ 28,450,478</u>

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Annuity Deposits by Product Type

Product Type	Three Months Ended March 31,		Year Ended December 31,
	2014	2013	2013
(Dollars in thousands)			
Fixed Index Annuities:			
Index Strategies	\$ 642,266	\$ 604,641	\$ 2,861,977
Fixed Strategy	203,538	243,129	1,020,447
	845,804	847,770	3,882,424
Fixed Rate Annuities:			
Single-Year Rate Guaranteed	15,240	19,910	71,944
Multi-Year Rate Guaranteed	54,587	47,256	205,978
Single premium immediate annuities	5,286	14,980	52,142
	75,113	82,146	330,064
Total before coinsurance ceded	920,917	929,916	4,212,488
Coinsurance ceded	50,226	42,607	182,616
Net after coinsurance ceded	\$ 870,691	\$ 887,309	\$ 4,029,872

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of coinsurance) Account Values at March 31, 2014:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	14.1	9.9	15.6%	\$ 30,342,038	93.9%
Single-Year Fixed Rate Guaranteed Annuities	11.1	4.3	8.0%	1,431,842	4.4%
Multi-Year Fixed Rate Guaranteed Annuities (a)	6.3	1.7	4.4%	547,352	1.7%
Total	13.9	9.5	15.1%	\$ 32,321,232	100.0%

(a) 40% of Net Account Value is no longer in multi-year guarantee period and can be adjusted annually.

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
(Dollars in thousands)		
<b><u>SURRENDER CHARGE PERCENTAGES:</u></b>		
No surrender charge	\$ 661,371	\$ 901,447
0.0% < 2.0%	28,358	321,533
2.0% < 3.0%	32,859	87,365
3.0% < 4.0%	28,091	345,218
4.0% < 5.0%	116,931	257,746
5.0% < 6.0%	59,308	492,375
6.0% < 7.0%	181,175	215,568
7.0% < 8.0%	169,938	638,822
8.0% < 9.0%	61,738	438,489
9.0% < 10.0%	80,283	508,580
10.0% or greater	559,142	26,134,895
	<u>\$ 1,979,194</u>	<u>\$ 30,342,038</u>

	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
(Dollars in thousands)		
<b><u>SURRENDER CHARGE EXPIRATION BY YEAR:</u></b>		
Out of Surrender Charge	\$ 1,562,818	0.00%
2014	336,812	1.73%
2015	530,464	3.25%
2016	778,827	4.74%
2017	938,531	6.20%
2018	838,778	8.29%
2019	602,401	9.22%
2020	917,481	10.79%
2021	1,205,534	12.45%
2022	2,054,001	14.59%
2023	5,044,448	16.43%
2024	4,402,810	17.52%
2025	3,188,735	18.29%
2026	2,749,481	18.45%
2027	2,863,871	18.87%
2028	1,922,243	19.34%
2029	1,932,360	19.88%
2030	444,809	19.98%
2031	6,828	20.00%
	<u>\$ 32,321,232</u>	15.07%

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Annuity Liability Characteristics

	Fixed Annuities Account Value	Fixed Index Annuities Account Value
(Dollars in thousands)		
<b><u>CREDITED RATE (INCLUDING BONUS INTEREST) VS. ULTIMATE MINIMUM GUARANTEED RATE DIFFERENTIAL:</u></b>		
No differential	\$ 758,786	\$ 771,761
> 0.0% - 0.25%	293,015	523,321
> 0.25% - 0.5%	165,955	33,657
> 0.5% - 1.0% (a)	286,201	971,422
> 1.0% - 1.5% (a)	92,721	21,590
> 1.5% - 2.0%	94,769	1,981
> 2.0% - 2.5%	73	—
> 2.5% - 3.0%	1,329	—
1.00% ultimate guarantee - 2.49% wtd avg interest rate (b)	76,857	—
1.50% ultimate guarantee - 1.63% wtd avg interest rate (b)	104,587	2,911,985
2.00% ultimate guarantee - 2.58% wtd avg interest rate (b)	104,901	—
2.25% ultimate guarantee - 2.65% wtd avg interest rate (b)	—	1,397,438
3.00% ultimate guarantee - 2.87% wtd avg interest rate (b)	—	2,780,802
Allocated to index strategies (see tables that follow)	—	20,928,081
	<u>\$ 1,979,194</u>	<u>\$ 30,342,038</u>

(a) \$42,484 of Fixed Annuities Account Value have a guarantee of 2.25% for the first 10 years and 3.00% thereafter. They began increasing in 2014. \$530,157 of Index Annuities Account Value is in fixed rate strategies that have a guarantee of 2.25% for the first 10 years and 3.00% thereafter. They began increasing in 2014.

(b) 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, 2014 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.56%.



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% +
<b>Current Cap</b>	<b>(Dollars in thousands)</b>				
At minimum	\$ 851	\$ 11,563	\$ 740,134	\$ 36,191	\$ 262,305
2.5% - 3%	1,061,268	—	—	—	—
3% - 4%	2,370,344	18,544	—	—	—
4% - 5%	20,008	103,496	1,660,988	—	—
5% - 6%	21,239	4,055	2,638,988	—	—
6% - 7%	—	—	2,783,224	—	—
>= 7%	—	11,182	39,819	117,584	68,365

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

	Minimum Guaranteed Participation Rate			
	10%	25%	35%	50% +
<b>Current Participation Rate</b>	<b>(Dollars in thousands)</b>			
At minimum	\$ 231	\$ 337,202	\$ 174,591	\$ 203,723
< 20%	248,285	—	—	—
20% - 40%	312,823	461,954	—	—
40% - 60%	221	164,894	124,768	1,317
>= 60%	1,018	—	—	—

S&P 500 Monthly Point-to-Point - Minimum Guaranteed Monthly Cap = 1%  
(Dollars in thousands)

<b>Current Cap</b>	
At minimum	\$ 15,297
1.45% - 1.8%	3,537,742
2.0% - 2.3%	2,588,433
>= 2.3%	775,663

If all caps and participation rates were reduced to minimum caps and participation rates, the cost of options would decrease by 0.64% based upon prices of options for the week ended April 15, 2014.

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Summary of Invested Assets

	March 31, 2014		December 31, 2013	
	Carrying Amount	Percent	Carrying Amount	Percent
(Dollars in thousands)				
Fixed maturity securities:				
United States Government full faith and credit	\$ 43,300	0.1%	\$ 42,925	0.2%
United States Government sponsored agencies	1,299,454	4.1%	1,194,289	3.9%
United States municipalities, states and territories	3,437,313	10.7%	3,306,743	10.9%
Foreign government obligations	144,023	0.4%	91,557	0.3%
Corporate securities	18,517,485	57.9%	17,309,292	57.1%
Residential mortgage backed securities	1,928,555	6.0%	1,971,960	6.5%
Commercial mortgage backed securities	1,976,589	6.2%	1,735,460	5.7%
Other asset backed securities	1,045,052	3.3%	1,034,476	3.4%
Total fixed maturity securities	28,391,771	88.7%	26,686,702	88.0%
Equity securities	7,767	—%	7,778	—%
Mortgage loans on real estate	2,584,583	8.1%	2,581,082	8.5%
Derivative instruments	790,396	2.5%	856,050	2.8%
Other investments	213,706	0.7%	215,042	0.7%
	<u>\$ 31,988,223</u>	<u>100.0%</u>	<u>\$ 30,346,654</u>	<u>100.0%</u>

Credit Quality of Fixed Maturity Securities - March 31, 2014

NAIC Designation	Carrying Amount	Percent	Rating Agency Rating	Carrying Amount	Percent
	(Dollars in thousands)			(Dollars in thousands)	
1	\$ 17,755,174	62.6%	Aaa/Aa/A	\$ 17,363,658	61.2%
2	10,059,679	35.4%	Baa	9,632,099	33.9%
3	516,812	1.8%	Ba	493,445	1.7%
4	58,988	0.2%	B	130,440	0.5%
5	—	—%	Caa and lower	580,719	2.0%
6	1,118	—%	In or near default	191,410	0.7%
	<u>\$ 28,391,771</u>	<u>100.0%</u>		<u>\$ 28,391,771</u>	<u>100.0%</u>

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Watch List Securities - March 31, 2014

General Description	Amortized Cost	Unrealized Gains (Losses)	Fair Value	Months Below Amortized Cost
(Dollars in thousands)				
Corporate bonds:				
Finance	\$ 20,000	\$ (4,945)	\$ 15,055	31
Industrial	49,459	(6,399)	43,060	17 - 43
Industrial	9,341	501	9,842	
	<u>\$ 78,800</u>	<u>\$ (10,843)</u>	<u>\$ 67,957</u>	

Summary of Residential Mortgage Backed Securities

Collateral Type	Principal Amount	Amortized Cost	Fair Value
(Dollars in thousands)			
OTTI has not been recognized			
Government agency	\$ 740,739	\$ 680,210	\$ 712,171
Prime	493,044	466,940	496,855
Alt-A	30,286	30,612	30,757
	<u>\$ 1,264,069</u>	<u>\$ 1,177,762</u>	<u>\$ 1,239,783</u>
OTTI has been recognized			
Prime	\$ 443,620	\$ 382,950	\$ 395,341
Alt-A	344,556	270,449	293,431
	<u>\$ 788,176</u>	<u>\$ 653,399</u>	<u>\$ 688,772</u>
Total by collateral type			
Government agency	\$ 740,739	\$ 680,210	\$ 712,171
Prime	936,664	849,890	892,196
Alt-A	374,842	301,061	324,188
	<u>\$ 2,052,245</u>	<u>\$ 1,831,161</u>	<u>\$ 1,928,555</u>
Total by NAIC designation			
1	\$ 1,926,031	\$ 1,715,122	\$ 1,810,443
2	81,762	76,931	78,690
3	42,101	37,448	38,342
4	—	—	—
6	2,351	1,660	1,080
	<u>\$ 2,052,245</u>	<u>\$ 1,831,161</u>	<u>\$ 1,928,555</u>

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**Fixed Maturity Securities by Sector**

	March 31, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(Dollars in thousands)				
<b>Available for sale:</b>				
United States Government full faith and credit and sponsored agencies	\$ 1,402,611	\$ 1,342,754	\$ 1,358,628	\$ 1,237,214
United States municipalities, states and territories	3,186,473	3,437,313	3,181,032	3,306,743
Foreign government obligations	136,116	144,023	86,112	91,557
Corporate securities:				
Consumer discretionary	1,551,557	1,611,005	1,533,993	1,532,694
Consumer staples	1,278,575	1,331,868	1,246,744	1,250,351
Energy	2,062,551	2,148,352	1,992,411	2,011,334
Financials	3,260,833	3,414,019	3,179,964	3,233,930
Health care	1,533,623	1,594,986	1,458,757	1,458,946
Industrials	2,183,057	2,282,092	2,045,490	2,039,544
Information technology	1,163,672	1,190,898	1,163,159	1,145,674
Materials	1,450,553	1,483,804	1,405,603	1,381,880
Telecommunications	510,463	527,096	472,250	473,517
Utilities	2,667,922	2,857,029	2,643,747	2,705,147
Residential mortgage backed securities:				
Government agency	680,210	712,171	677,394	679,518
Prime	849,890	892,196	907,881	964,443
Alt-A	301,061	324,188	310,638	327,999
Commercial mortgage backed securities:				
Government agency	301,383	297,821	302,063	288,495
Other	1,702,042	1,678,768	1,519,925	1,446,965
Other asset backed securities:				
Consumer discretionary	73,223	75,327	86,788	86,633
Energy	8,258	9,149	8,268	8,922
Financials	715,037	706,289	709,900	688,737
Industrials	215,374	228,912	215,873	225,212
Telecommunications	14,836	16,880	14,835	16,714
Utilities	6,305	8,495	6,275	8,258
Redeemable preferred stock - financials	—	38	1	20
	<u>\$ 27,255,625</u>	<u>\$ 28,315,473</u>	<u>\$ 26,527,731</u>	<u>\$ 26,610,447</u>
<b>Held for investment:</b>				
Corporate security - financials	\$ 76,298	\$ 64,920	\$ 76,255	\$ 60,840

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Mortgage Loans on Commercial Real Estate

	March 31, 2014		December 31, 2013	
	Principal	Percent	Principal	Percent
(Dollars in thousands)				
<b>Geographic distribution</b>				
East	\$ 793,717	30.4%	\$ 765,717	29.4%
Middle Atlantic	152,712	5.9%	156,489	6.0%
Mountain	343,166	13.1%	356,246	13.7%
New England	20,977	0.8%	21,324	0.8%
Pacific	313,896	12.0%	317,431	12.2%
South Atlantic	488,622	18.7%	483,852	18.5%
West North Central	343,660	13.2%	351,794	13.5%
West South Central	153,630	5.9%	154,845	5.9%
	<u>\$ 2,610,380</u>	<u>100.0%</u>	<u>\$ 2,607,698</u>	<u>100.0%</u>

<b>Property type distribution</b>				
Office	\$ 557,029	21.3%	\$ 590,414	22.6%
Medical Office	122,807	4.7%	125,703	4.8%
Retail	729,056	27.9%	711,364	27.3%
Industrial/Warehouse	690,442	26.5%	673,449	25.8%
Hotel	47,138	1.8%	61,574	2.4%
Apartment	313,330	12.0%	291,823	11.2%
Mixed use/other	150,578	5.8%	153,371	5.9%
	<u>\$ 2,610,380</u>	<u>100.0%</u>	<u>\$ 2,607,698</u>	<u>100.0%</u>

	March 31, 2014	December 31, 2013
<b>Credit Exposure - By Payment Activity</b>		
Performing	\$ 2,591,196	\$ 2,593,276
In workout	7,956	6,248
Delinquent	—	—
Collateral dependent	<u>11,228</u>	<u>8,174</u>
	2,610,380	2,607,698
Specific Loan Loss Allowance	(16,462)	(16,847)
General Loan Loss Allowance	(8,800)	(9,200)
Deferred prepayment fees	<u>(535)</u>	<u>(569)</u>
	<u>\$ 2,584,583</u>	<u>\$ 2,581,082</u>

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**  
**Financial Supplement - March 31, 2014**

**Shareholder Information**

**Corporate Offices:**

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**Common Stock and Dividend Information:**

New York Stock Exchange symbol: "AEL"

	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend Declared</u>
<b>2014</b>				
First Quarter	\$26.42	\$18.84	\$23.62	\$0.00
<b>2013</b>				
First Quarter	\$15.03	\$12.33	\$14.89	\$0.00
Second Quarter	\$16.60	\$14.03	\$15.70	\$0.00
Third Quarter	\$21.42	\$15.64	\$21.22	\$0.00
Fourth Quarter	\$26.46	\$20.01	\$26.38	\$0.18
<b>2012</b>				
First Quarter	\$13.09	\$10.13	\$12.77	\$0.00
Second Quarter	\$12.95	\$10.00	\$11.01	\$0.00
Third Quarter	\$12.41	\$10.62	\$11.63	\$0.00
Fourth Quarter	\$12.40	\$10.56	\$12.21	\$0.15

**Transfer Agent:**

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Providence, RI 02940-0310  
Phone: (877) 282-1169  
Fax: (781) 575-2723  
[www.computershare.com](http://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 Julie L. LaFollette, Investor Relations, at (515) 273-3602 or by visiting our web site at [www.american-equity.com](http://www.american-equity.com).

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