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FORM 10-Q

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

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to _____________

Commission File Number : 0-25985

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
(Exact name of registrant as specified in its charter)

IOWA	42-1447959
(State of Incorporation)	(I.R.S. Employer Identification No.)

5000 WESTOWN PARKWAY, SUITE 440
WEST DES MOINES, IOWA 50266
(Address of principal executive offices)

(515) 221-0002
(Telephone)

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE TO CORPORATE ISSUERS:

Shares of common stock outstanding at July 31, 2001: 14,529,794

PART I.
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

American Equity Investment Life Holding Company

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except per share data)

JUNE 30, DECEMBER
31, 2001 2000 ----
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--------------- ASSETS Cash and investments: Fixed maturity securities: Available-for-sale, at market (amortized cost: 2001 - $2,734,991; 2000 - $1,523,376) $ 2,711,865 $ 1,474,560 Held for investment, at amortized cost (market: 2001 - $416,962; 2000 - $365,023) 441,658 429,280 Equity securities, at market (cost: 2001 - $18,791; 2000 - $7,435) 16,925 6,671 Mortgage loans 17,625 - Derivative instruments 28,738 34,707 Policy loans 295 264 Cash and cash equivalents 176,685 175,724 -- ----------------- ----------------- Total cash and investments 3,393,791 2,121,206 Receivable from other insurance companies 318 375 Premiums due and uncollected 1,269 1,256 Accrued investment income 29,185 21,398 Receivables from related parties 39,632 47,242 Property, furniture and equipment, less accumulated depreciation: 2001 - $2,731; 2000 - $2,370 1,409 1,032 Value of insurance in force acquired 362 520 Deferred policy acquisition costs 358,110 289,609 Intangibles, less accumulated amortization: 2001 - $892; 2000 - $797 2,243 2,338 Deferred income tax asset 35,843 36,052 Other assets 6,134 2,913 Assets held in separate account 4,001 4,185 ------ ------------- ---- ------------- Total assets $ 3,872,297 $ 2,528,126 =================== =================

SEE ACCOMPANYING NOTES.

(Continued on next page)

American Equity Investment Life Holding Company

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except per share data)

	JUNE 30, 2001	DECEMBER 31, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Policy benefit reserves:		
Traditional life and accident and health insurance products	$ 23,432	$ 20,354
Annuity and single premium universal life products	3,131,565	2,079,561
Other policy funds and contract claims	18,834	16,669
Provision for experience rating refunds	-	336
Amounts due to related party under General Agency Commission and Servicing Agreement	67,151	76,028
Other amounts due to related parties	-	4,000
Notes payable	44,000	44,000
Amounts due to reinsurers	14,875	-
Amounts due under repurchase agreements	-	110,000
Amounts due on securities purchased	365,326	-
Federal income taxes payable	540	50
Other liabilities	32,256	14,788
Liabilities related to separate account	4,001	4,185
Total liabilities	3,701,980	2,369,971
Commitments and contingencies		
Minority interest		

in subsidiaries: company-obligated mandatorily redeemable preferred securities of subsidiary trusts 99,764 99,503 Stockholders' equity: Series Preferred Stock, par value $1 per share, 2,000,000 shares authorized; 625,000 shares of 1998 Series A Participating Preferred Stock issued and outstanding 625 625 Common Stock, par value $1 per share - 75,000,000 shares authorized; issued and outstanding: 2001 - 14,534,794 shares; and 2000 - 14,530,242 shares 14,535 14,530 Additional paid-in capital 57,606 57,577 Accumulated other comprehensive loss (7,777) (16,876) Retained earnings 5,564 2,796 ------------------ ------------------ Total stockholders' equity 70,553 58,652 ------------------ ----------------- Total liabilities and stockholders' equity $ 3,872,297 $ 2,528,126
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SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

THREE MONTHS ENDED JUNE 30, SIX MONTHS ENDED JUNE 30, ------- ---------- --------- - ----------

	2001	2000	2001	2000
REVENUES:				
Traditional life and accident and health insurance premiums	$ 3,333	$ 2,741	$ 6,615	$ 6,184
Annuity and single premium universal life product charges	3,185	1,883	5,847	3,288
Net investment income	33,426	24,490	58,446	33,749
Realized gains (losses) on sale of investments	583	(18)	739	6,196
Unrealized gains (losses) on derivatives	12,365	-	3,127	-
Total revenues	52,892	29,096	74,774	49,417
BENEFITS AND EXPENSES:				
Insurance policy benefits and change in future policy benefits	2,395	2,148	4,592	4,103
Interest credited to account balances	21,667	12,698	35,515	24,589
Change in market value of embedded derivatives				

10,677 -
6,487 -
Interest
expense on
notes
payable 756
556 1,651
847
Interest
expense on
General
Agency
Commission
and
Servicing
Agreement
1,479 1,454
3,062 2,800
Interest
expense on
amounts due
under
repurchase
agreements
- 1,050 951
1,718
Amortization
of deferred
policy
acquisition
costs and
value of
insurance
in force
acquired
5,437 3,972
5,876 2,832
Other
operating
costs and
expenses
3,705 3,975
7,568 7,405
-------- --
------ ----
---- ------
-- Total
benefits
and
expenses
46,116
25,853
65,702
44,294 ----
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SEE ACCOMPANYING NOTES.

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American Equity Investment Life Holding Company

Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

THREE MONTHS
ENDED JUNE
30, SIX
MONTHS ENDED

	JUNE 30,			
	2001	2000	2001	2000
Income before income taxes, minority interest in earnings of subsidiaries and cumulative effect adjustment	$ 6,776	$ 3,243	$ 9,072	$ 5,123
Income tax expense (benefit):				
Current	3,344	1,554	6,041	(53)
Deferred	(1,681)	(1,116)	(4,260)	496
	1,663	438	1,780	444
Income before minority interest in earnings of subsidiaries and cumulative effect adjustment	5,113	2,805	7,292	4,679
Minority interest in earnings of subsidiaries:				
Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	(1,862)	(1,862)	(3,724)	(3,724)
Income before cumulative effect of change in accounting principle				

3,251 943
3,567 955
Cumulative effect of change in accounting for derivatives - - (799) -
------- ------- ------- -------
Net income $ 3,251 $ 943 $ 2,768 $ 955
======= ======= ======= =======
Basic earnings (loss) per common share:
Income before accounting change $ 0.22 $ 0.07 $ 0.25 $ 0.07
Cumulative effect of change in accounting for derivatives - - (0.06) -
------- ------- ------- -------
Earnings per common share $ 0.22 $ 0.07 $ 0.19 $ 0.07
======= ======= ======= =======
Diluted earnings (loss) per common share:
Income before accounting change $ 0.17 $ 0.05 $ 0.19 $ 0.05
Cumulative effect of change in accounting for derivatives - - (0.04) -
------- ------- ------- -------
Earnings per common share $ 0.17 $ 0.05 $ 0.15 $ 0.05
======= ======= ======= =======

SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

SIX MONTHS ENDED JUNE 30, --

2001 2000 ------------------- -------------------

OPERATING ACTIVITIES Net income $ 2,768 $ 955 Adjustments to reconcile net income to net cash used in operating activities: Adjustments related to interest sensitive products: Interest credited to account balances 35,515 24,589 Annuity and single premium universal life product charges (5,847) (3,288) Change in market value of embedded equity-indexed annuity derivatives 6,487 - Increase in traditional life and accident and health insurance reserves 3,077 2,682 Policy acquisition costs deferred (74,244) (47,978) Amortization of deferred policy acquisition costs 5,718 2,673 Provision for depreciation and other amortization 615 655 Amortization of discount and premiums on fixed maturity securities and derivative instruments 9,669 4,996 Realized gains on investments (739) (6,196) Unrealized (gains) losses on derivatives (3,127) - Deferred income taxes (4,260) 496 Reduction of amounts due to related party under General Agency Commission and Servicing Agreement (8,797) (3,549) Changes in other operating assets and liabilities: Accrued investment income (7,787) (5,352) Receivables from related parties 7,611 (16,188) Federal income taxes recoverable/payable 491 (2,152) Other policy funds and contract claims 2,165 2,478 Amounts due to reinsurers 14,875 - Other amounts due to related parties (4,000) 2,073 Other liabilities 3,645 (139) Pending policyholder applications 13,822 (1,225) Other (2,687) (982) -------------------- --------- ----------- Net cash used in operating activities (5,030) (45,452)

SEE ACCOMPANYING NOTES.

(Continued on next page)

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

SIX MONTHS ENDED JUNE 30, --- 2001 2000 -------------------- -------------- ----- INVESTING ACTIVITIES Sales, maturities or repayments of investments: Fixed maturity securities - available for sale $ 143,833 $ 594,481 Equity securities 3,403 - Derivative instruments - 7,177 -- 147,236 601,658

Acquisition of
investments: Fixed
maturity securities
- available for sale
(975,893) (927,145)
Fixed maturity
securities - held
for investment -
(7,246) Equity
securities (14,334)
(1,337) Mortgage
loans (17,625) -
Derivative
instruments (41,141)
(34,949) Policy
loans (31) (9) -----
--------------- ----

(1,049,024)
(970,686) Purchases
of property,
furniture and
equipment (739)
(121) --------------
------ -------------
------- Net cash
used in investing
activities (902,527)
(369,149) FINANCING
ACTIVITIES Receipts
credited to annuity
and single premium
universal life
policyholder account
balances 1,120,697
471,746 Return of
annuity and single
premium universal
life policyholder
account balances
(102,213) (55,663)
Financing fees
incurred and
deferred - (183)
Proceeds from notes
payable - 11,500
Increase in amounts
due under repurchase
agreements (110,000)
2,988 Re-acquisition
of common stock -
(600) Net proceeds
from issuance of
common stock 34
1,510 --------------
------ -------------
------- Net cash
provided by
financing activities
908,518 431,298 ----
---------------- ---

Increase (decrease)
in cash and cash
equivalents 961
16,697 Cash and cash
equivalents at
beginning of period
175,724 5,882 ------
-------------- -----
--------------- Cash
and cash equivalents
at end of period $
176,685 $ 22,579
====================
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SEE ACCOMPANYING NOTES.

(Continued on next page)

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during period for:		
Interest on notes payable and repurchase agreements	$ 2,506	$ 2,565
Income taxes - life subsidiary	5,550	2,100
Non-cash financing and investing activities:		
Bonus interest deferred as policy acquisition costs	8,993	4,378
Advances to related party under General Agency Commission and Servicing Agreement deferred as policy acquisition costs	-	15,900

SEE ACCOMPANYING NOTES.

American Equity Investment Life Holding Company

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(Dollars in thousands, except per share data)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
Balance at January 1, 2001	$ 625	$ 14,530	$ 57,577	$ (16,876)	$ 2,796	$ 58,652
Comprehensive income (loss):						
Net income for period	-	-	-	-	2,768	2,768
Change in net unrealized investment gains/losses	-	-	-	9,099	-	9,099
Total comprehensive income						11,867
Issuance of 4,552 shares of common stock	-	5	29	-	-	34
Balance at June 30, 2001	$ 625	$ 14,535	$ 57,606	$ (7,777)	$ 5,564	$ 70,553

Total comprehensive loss for the six months ended June 30, 2000 was $12,306, and was comprised of net income of $955 and an increase in net unrealized depreciation of available-for-sale fixed maturity securities of $13,261.

Total comprehensive loss for the second quarter of 2000 was $25,526, and was comprised of net income of $943 and an increase in net unrealized depreciation of available-for-sale fixed maturity securities of $26,469.

Total comprehensive income for the second quarter of 2001 was $5,775, and was comprised of net income of $3,251 and a decrease in net unrealized depreciation of available-for-sale fixed maturity securities of $2,524.

NOTE A- BASIS OF PRESENTATION

The unaudited consolidated financial statements as of June 30, 2001 and for the periods ended June 30, 2001 and 2000, as well as the audited consolidated balance sheet as of December 31, 2000, include the accounts of the Company and its wholly-owned subsidiaries: American Equity Investment Life Insurance Company, American Equity Investment Life Insurance Company of New York (formed in 2001), American Equity Investment Capital, Inc., American Equity Capital Trust I, American Equity Capital Trust II, and American Equity Investment Properties, L.C. All significant intercompany accounts and transactions have been eliminated.

The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly our financial position and results of operations on a basis consistent with the prior audited financial statements. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

The Company operates solely in the life insurance business.

NOTE B - CHANGES IN AMOUNTS DUE UNDER REPURCHASE AGREEMENTS

As part of its investment strategy, the Company has entered into securities lending programs to increase its return on investments and improve its liquidity. These transactions are accounted for as amounts due under repurchase agreements (short-term collateralized borrowings). There were no borrowings during the 2nd quarter of 2001. For the six months ended June 30, 2000, such borrowings averaged approximately $53,403,000, and were collateralized by investment securities with fair market values approximately equal to the amount due. The weighted average interest rate on amounts due under repurchase agreements was 6.62% for the three months ended March 31, 2001, and 6.43% for the six months ended June 30, 2000.

NOTE C - EARNINGS PER SHARE

The following table sets forth the computation of basic earnings per common share and diluted earnings per common share:

THREE MONTHS
ENDED JUNE 30,
SIX MONTHS ENDED
JUNE 30, 2001

2000 2001 2000 --

(Dollars in thousands, except per share data) NUMERATOR: Income before cumulative effect of 955 change in accounting principle $ 3,251 $ 943 $ 3,567 $ Cumulative effect of change in accounting for derivative instruments - - (799) - ---------
--------- -------
---------- ------
----------- -----
---------- Net income $ 3,251 $ 943 $ 2,768 $ 955
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===============
DENOMINATOR: Weighted average shares outstanding 14,534,745 14,359,905 14,533,302 14,275,305 Effect of dilutive securities: Preferred stock 1,875,000 1,875,000 1,875,000 1,875,000 Warrants 20,004 20,004 20,004 20,004 Stock options and subscription rights 1,681,049 2,117,499 1,681,452 2,117,499 Deferred compensation agreements 753,364 758,268 753,364 758,268 -
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Adjusted weighted average shares outstanding 18,864,162 19,130,676 18,863,122 19,046,076
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Earnings (loss) per common share: Income before accounting change $ 0.22 $ 0.07 $ 0.25 $ 0.07

Cumulative effect of change in accounting for derivative instruments - - (0.06) - -------- --------- ------- --------- ------- --------- ------- -------- Earnings per common share $ 0.22 $ 0.07 $ 0.19 $ 0.07 ================= ================ ================ ===============
Earnings (loss) per common share - assuming dilution: Income before accounting change $ 0.17 $ 0.05 $ 0.19 $ 0.05 Cumulative effect of change in accounting for derivative instruments - - (0.04) - -------- --------- ------- --------- ------- --------- ------- -------- Diluted earnings per common share $ 0.17 $ 0.05 $ 0.15 $ 0.05 ================= ================ ================ ===============

The effect of the convertible stock of the subsidiary trusts has not been included in the computation of dilutive earnings per share as the effect is antidilutive.

NOTE D - ACCOUNTING CHANGE

The Financial Accounting Standards Board issued, then subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which became effective for the Company on January 1, 2001. Under SFAS No. 133, as amended, all derivative instruments (including certain derivative instruments embedded in other contracts) are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any "ineffective" portion of a hedge is reported in earnings as it occurs.

The Company has equity-indexed annuity products that guarantee the return of principal to the customer and credits interest based on a percentage of the gain in a specified equity market index. A portion of the premium from each customer is invested in investment grade fixed income securities to cover the minimum guaranteed value due the customer at the end of the contract term. A portion of the premiums is used to purchase derivatives consisting of call options on the applicable equity market indexes to fund the index credits due to equity index annuity holders. Substantially all of such call options are one year options which are closely matched to the annual crediting liabilities on such policies. The equity index used to compute such annual crediting liabilities is reset at the beginning of each policy year, and the Company has the ability to modify annually, within limits, policy terms such as participation rates, asset fees and income caps.

Under SFAS No. 133, the annual crediting liabilities on the Company's equity index annuities is treated as a "series of embedded derivatives" over the life of the applicable contract. The Company does not purchase call options to fund the equity index liabilities which may arise after the policy anniversary date. The Company must value both the call options and the related forward embedded options in the policies at fair value. The change in fair value for the call options is included in unrealized gains (losses) on investments and the change in fair value adjustment of the embedded options is included in policyholder benefits in the Consolidated Statements of Income.

During the six months ended June 30, 2001, unrealized gains (losses) on investments included a net unrealized gain of $3,127,000 from the change in fair value on call options used as a hedge for the next-year income credit to the equity index annuities. Policyholder benefits included a net offsetting adjustment from fair value changes in options embedded within the equity index products (including the forward options) of $6,487,000.

At January 1, 2001, the Company's financial statements were adjusted to record a cumulative effect of adopting this accounting change, as follows (in thousands):

Fair value adjustment related to:	
Call options	$ (14,537)
Equity index annuity liabilities	11,736
Adjustments for assumed changes in amortization of deferred policy acquisition costs	1,571
Deferred income tax benefit	431
Total	$ (799)

Excluding the effect of SFAS No. 133, the Company's net income for the six months ended June 30, 2001 would have been $3,556,000.

NOTE E - GENERAL AGENCY COMMISSION AND SERVICING AGREEMENT

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly-owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. This Agreement is more fully described in Note 8 to the Audited Financial Statements included in the Company's Form 10-K for December 31, 2000.

During the six months ended June 30, 2001 and 2000, the Company paid renewal commissions to the Service Company of $11,859,000 and $10,446,000, respectively, which were used to reduce the amount due under the General Agency Commission and Servicing Agreement, and amounts attributable to imputed interest.

During 1999, the Company agreed to loan to the Service Company up to $50,000,000 pursuant to a promissory note bearing interest at the "reference rate" of the financial institution which is the Company's principal lender. Principal and interest are payable quarterly over five years from the date of the advance. At June 30, 2001 and December 31, 2000, the net amount advanced to the Service Company totaled $37,999,000 and $41,565,000, respectively.

NOTE F - RECLASSIFICATIONS

Certain amounts in the unaudited consolidated financial statements for the period ended June 30, 2000 have been reclassified to conform to the financial statement presentation for June 30, 2001 and December 31, 2000. As discussed in Note E, the Company has established a liability for future amounts due to a related party under the General Agency Commission and Servicing Agreement and revised prior financial statements to reflect such handling. The revisions have been handled as a reclassification and increased liabilities and deferred policy acquisition costs by $60,370,000 at June 30, 2000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis reviews our consolidated financial position at June 30, 2001, and the consolidated results of operations for the periods ended June 30, 2001 and 2000, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q, and the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by us with the Securities and Exchange Commission, press releases, presentations by us or our management or oral statements) relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things:

- general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) our ability to sell our products, our ability to access capital resources and the costs associated therewith, the market value of our investments and the lapse rate and profitability of policies

- customer response to new products and marketing initiatives

- mortality and other factors which may affect the profitability of our products

- changes in Federal income tax laws and regulations which may affect the relative income tax advantages of our products

- increasing competition in the sale of annuities

- regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products and regulation of the sale, underwriting and pricing of products

- the risk factors or uncertainties listed from time to time in our private placement memorandums or filings with the Securities and Exchange Commission

RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000

Our business has continued to grow rapidly, with reserves for annuities and single premium universal life policies increasing from $1,343,816,000 at December 31, 1999 to $2,079,561,000 at December 31, 2000 and $3,131,565,000 at June 30, 2001. Deposits from sales of annuities and single premium universal life policies during the six months ended June 30, 2001 increased 138% to $1,120,697,000 compared to $471,746,000 for the same period in 2000. The increased production is a result of: (i) the introduction of multi-year rate guarantee products and (ii) the growth in our agency force which increased from 18,000 agents at December 31, 1999 to 22,000 agents at December 31, 2000 and 28,000 agents at June 30, 2001.

Our net income increased 245% to $3,251,000 for the second quarter of 2001, and 190% to $2,768,000 for the six months ended June 30, 2001 compared to $943,000 and $955,000, respectively, for the same periods in 2000. These increases are primarily attributable to an increase in net investment income during the first quarter of 2001, the effect of which is magnified by the decline in net investment income experienced during the first quarter of 2000 caused by the total return swap agreement disclosed below.

Traditional life and accident and health insurance premiums increased 22% to $3,333,000 for the second quarter of 2001, and increased 7% to $6,615,000 for the six months ended June 30, 2001 compared to $2,741,000 and $6,184,000, respectively, for the same periods in 2000. These changes are principally attributable to corresponding changes in direct sales of life products.

Annuity and single premium universal life product charges (surrender charges assessed against policy withdrawals and mortality and expense charges assessed against single premium universal life policyholder account balances) increased 69% to $3,185,000 for the second quarter of 2001, and 78% to $5,847,000 for the six months ended June 30, 2001 compared to $1,883,000 and $3,288,000, respectively, for the same periods in 2000. These increases are principally attributable to the growth in our annuity business and correspondingly, an increase in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies were $102,213,000 for the six months ended June 30, 2001 compared to $55,663,000 for the same period in 2000.

Net investment income increased 36% to $33,426,000 in the second quarter of 2001, and 73% to $58,446,000 for the six months ended June 30, 2001 compared to $24,490,000 and $33,749,000, respectively, for the same periods in 2000. Invested assets (amortized cost basis) increased 74% to $3,245,882,000 at June 30, 2001 compared to $1,870,510,000 at June 30, 2000, while the annualized effective yield earned on invested assets was 7.46% at June 30, 2001 compared to 7.58% at June 30, 2000.

Realized gains (losses) on the sale of investments consisted of an increase in realized gains to $583,000 in the second quarter of 2001 compared to realized losses of $18,000 for the same period in 2000. For the six months ended June 30, 2001, the Company had realized gains of $739,000 compared to $6,196,000 for the same period in 2000. In the first six months of 2000, net realized gains of $6,196,000 included: (i) realized gains of $7,177,000 attributable to gains on the termination of total return swap agreements for which there was an offsetting impact on net investment income and (ii) realized losses of $981,000 on the sale of certain corporate fixed maturity securities. The investment program involving the total return swap agreements was terminated in February, 2000.

Unrealized gains (losses) on derivatives consisted of an increase in unrealized gains of $12,365,000 in the second quarter of 2001, and $3,127,000 for the six months ended June 20, 2001. These amounts arise from the adoption of SFAS No. 133 as of January 1, 2001, which requires the recognition of unrealized gains from the change in fair value of derivative securities. See Note D of the Notes to Consolidated Financial Statements.

Traditional life and accident and health insurance benefits decreased 11% to $2,395,000 in the second quarter of 2001, and increased 12% to $4,592,000 for the six months ended June 30, 2001 compared to $2,148,000 and $4,103,000, respectively, for the same periods in 2000. These changes are principally attributable to corresponding changes in reserves related to the changes in direct life insurance premiums.

Interest credited to annuity and single premium universal life policyholder account balances increased 71% to $21,667,000 in the second quarter of 2001, and 44% to $35,515,000 for the six months ended June 30, 2001 compared to $12,698,000 and $24,589,000, respectively, for the same periods in 2000. These increases are principally attributable to the increase in annuity liabilities. At June 30, 2001, the weighted average crediting rate for our fixed rate annuity liabilities, excluding interest rate and premium bonuses guaranteed for the first year of the annuity contract, was 5.65%, compared to 5.12% at June 30, 2000. The weighted average crediting rate including interest rate and premium bonuses guaranteed for the first year of the annuity contract was 6.19% at June 30, 2001 compared to 6.24% at June 30, 2000.

Change in market value of embedded derivatives consisted of an increase of $10,677,000 in the second quarter of 2001, and $6,487,000 for the six months ended June 30, 2001. These amounts arise from the adoption of SFAS No. 133 as of January 1, 2001, which requires recognition of the change in estimated fair value of equity index annuity reserves. See Note D of the Notes to Consolidated Financial Statements.

Interest expense on notes payable increased 36% to $756,000 for the second quarter of 2001, and 95% to $1,651,000 for the six months ended June 30, 2001 compared to $556,000 and $847,000, respectively, for the same periods in 2000. These increases are attributable to increases in the outstanding borrowings during 2000.

Interest expense on General Agency Commission and Servicing Agreement increased 2% to $1,479,000 for the second quarter of 2001, and 9% to $3,062,000 for the six months ended June 30, 2001, compared to $1,454,000 and $2,800,000, respectively, for the same periods in 2000. These increases are principally attributable to an increase in the amount of commissions paid by our life subsidiary under this Agreement. See Note E of the Notes to the Consolidated Financial Statements.

There was no interest expense on amounts due under repurchase agreements in the second quarter of 2001. Interest expense on amounts due under repurchase agreements decreased 45% to $951,000 for the six months ended June 30, 2001 compared to $1,050,000 and $1,718,000, respectively, for the same periods in 2000. This decrease is principally attributable to a decrease in the average balances outstanding. There were no borrowings under repurchase agreements during the 2nd quarter of 2001. See Note B of the Notes to Consolidated Financial Statements.

Amortization of deferred policy acquisition costs and value of insurance in force acquired increased 37% to $5,437,000 in the second quarter of 2001, and 107% to $5,876,000 for the six months ended June 30, 2001 compared to $3,972,000 and $2,832,000, respectively, for the same periods in 2000. These increases are primarily due to (i) the growth in our annuity business as discussed above; and (ii) the increase of $3,377,000 in our asset for deferred policy acquisition costs resulting from the adoption of SFAS No. 133. See Note D of the Notes to Consolidated Financial Statements.

Other operating costs and expenses decreased 7% to $3,705,000 in the second quarter of 2001, and increased 2% to $7,568,000 for the six months ended June 30, 2001 compared to $3,975,000 and $7,405,000, respectively, for the same periods in 2000. These changes are principally attributable to changes in marketing expenses, employees, and related salaries and costs of employment.

Income tax expense increased 280% to $1,663,000 in the second quarter of 2001 and increased 301% to $1,780,000 for the six months ended June 30, 2001 compared to $438,000 and $444,000, respectively, for the same periods in 2000. These increases are principally due to an increase in net income. The effective tax rate was 33% for 2001.

FINANCIAL CONDITION

Cash and investments increased 60% during the six months ended June 30, 2001 as a result of the growth in our annuity business discussed above. At June 30, 2001, the fair value of our available-for-sale fixed maturity securities and equity securities was $24,992,000 less than the amortized cost of those investments. At June 30, 2001, the amortized cost of our fixed maturity securities held for investment exceeded the market value by $24,696,000.

We did not issue any debt securities during the first six months of 2001. For information related to borrowings under the Company's variable rate revolving line of credit, see Note 7 of the Notes to Consolidated Financial Statements found in the Annual Report on Form 10-K.

The statutory capital and surplus of our life insurance subsidiary at June 30, 2001 was $180,865,000. The life insurance subsidiary made surplus note interest payments to us of $1,000,000 during the six months ended June 30, 2001. For the remainder of 2001, up to $13,505,000 can be distributed by the life insurance subsidiary as dividends without prior regulatory approval.

Dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. Our life insurance subsidiary had $21,390,000 of earned surplus at June 30, 2001.

The transfer of funds by our life insurance subsidiary is also restricted by certain covenants in our loan agreements, which, among other things, require the life insurance subsidiary to maintain statutory capital and surplus (including asset valuation and interest maintenance reserves) equal to a minimum of $140,000,000 plus 25% of statutory net income and 75% of capital contributions to the life insurance subsidiary for periods subsequent to December 31, 2000. Under the most restrictive of these limitations, $14,479,000 of the life insurance subsidiary's earned surplus at June 30, 2001 would be available for distribution by the life insurance subsidiary.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist predominately of investment grade fixed maturity securities of very high credit quality; (ii) have projected returns which satisfy our spread targets; and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency.

We seek to maximize the total return on our available for sale investments through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is

available to be sold in response to: (i) changes in market interest rates; (ii) changes in relative values of individual securities and asset sectors; (iii) changes in prepayment risks; (iv) changes in credit quality outlook for certain securities; (v) liquidity needs; and (vi) other factors.

We have a portfolio of held for investment securities which consists principally of zero coupon bonds issued by U.S. government agencies. These securities are purchased to secure long-term yields which meet our spread targets and support the underlying liabilities. Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments.

The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (participation or asset fee rates for equity-index annuities) on substantially all of our annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use computer models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. (The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates.) When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities. At June 30, 2001, the effective duration of our fixed maturity securities and short-term investments was approximately 6.46 years and the estimated duration of our insurance liabilities was approximately 6.78 years.

If interest rates were to increase 10% from levels at June 30, 2001, we estimate that the fair value of our fixed maturity securities, net of corresponding changes in the values of deferred policy acquisition costs and insurance in force acquired would decrease by approximately $119,353,000. The computer models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

Our investments in equity index call options are closely matched with our obligations to equity-indexed annuity holders. Market value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for equity-indexed products.

PART II.
OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) In February, 2001, one employee exercised options to purchase 1,500 shares of common stock at $5.33 per share, 1,500 shares of common stock at $7.33 per share, and 1,500 shares of common stock at $9.67 per share, resulting in proceeds of approximately $33,500.

In June, 2001, one employee purchased 52 shares of common stock at $9.67 per share, resulting in proceeds of approximately $500.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company's annual shareholders meeting was held on June 7, 2001.

(b) and (c) (i) Election of the following directors to the Company's

Board of Directors:

AGAINST OR
FOR
WITHHELD -

John C.
Anderson
12,210,896
0 Robert
L. Hilton
12,210,896
0 John M.
Matovina
12,210,896
0

(ii) Ratification of the appointment of Ernst & Young, LLP as Independent Auditors for 2001. There were 12,183,896 votes cast for the ratification; 27,000 cast against; and 0 abstentions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:
None

(b) No reports on Form 8-K were filed during the quarter ended June 30, 2001.

American Equity Investment Life Holding Company

SIGNATURES

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 thereunto duly authorized.

Date: August 10, 2001

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ David J. Noble
David J. Noble, Chief Executive Officer
(Principal Executive Officer)

By: /s/ Wendy L. Carlson
Wendy L. Carlson, Chief Financial Officer
(Principal Financial Officer)

By: /s/ Terry A. Reimer
Terry A. Reimer, Executive Vice President
(Principal Accounting Officer)