Highlights of 1st Quarter 2003

May 9, 2003

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To: Directors, Shareholders, Staff and AE Supporters

Re: First Quarter of 2003 Highlights

The insurance operations for the First Quarter of 2003 continued to produce solid results.

Highlights of First Quarter of 2003

- $6.1 Billion in assets on a GAAP basis;
- Production exceeded $319 Million of new annuity deposits before reinsurance;
- Total licensed agents over 40,000;
- Continued to provide superior service to all of our customers;
- Almost all of new investments were U.S. Agency bonds and all investments were of investment grade;
- Maintained our internal and external programs to align our production to 2003 and 2004 capital requirements;
- First Quarter 2003 GAAP earnings of $.25 per common share.*

*See March 31, 2003 10-Q for details of calculation.

Consistent with our long-term strategic plan, we contemplated a reduction in the production of new premiums, particularly for the year 2003. As discussed in previous letters, we have reinsurance agreements intended to limit the growth in our net assets by up to 10% this year.

Financials. The assets of our Life Company grew to $5.5 BILLION at March 31, 2003, based on statutory accounting. Statutory income, before federal income taxes and excluding capital losses was $586,000 for the three months ended March 31, 2003. General insurance expenses continue to be acceptable on both a GAAP and statutory basis resulting in ongoing satisfactory ratios compared to gross revenues and total assets. Statutory capital and surplus for the Life Company was $221 Million at March 31, 2003. The ratio of statutory capital and surplus to annuity reserves ratio is approximately 4.5%. Consolidated GAAP assets are approximately $6.1 Billion at March 31, 2003. GAAP income, before income taxes and minority interests, was approximately $8.7 Million for the First Quarter of 2003 compared with $6.7 Million for the First Quarter of 2002. Earnings per common share, assuming dilution, increased 39% to $.25 per share from $.18 per share in the First Quarter of 2002.

Capital Raising. The First Quarter of 2003 continued to be an unfriendly environment for raising capital, especially for financial services companies. However, we have positioned American Equity to take advantage of future opportunities. We continue to aggressively explore capital raising alternatives and opportunities.

Marketing Culture. Our 2003 marketing plan continues to focus on our core *“Principles of Excellence”* . These marketing programs include strengthening and maintaining productive relationships with our National Marketing Organizations (“NMOs”). This requires extensive travel; however, we are convinced that American Equity's “relationship driven” culture produces a competitive advantage in a market place dominated by transaction-oriented companies. Changes to commission rates on several products and the reduction of crediting rates have been satisfactorily implemented without measurable impact from either customers or agents. Our present intention to return to our original $125 Million in new production per month will require constant effort.

A.M. Best/Standard & Poor's. We continue to work closely with these rating agencies to present our business plan, strong operating results and high quality asset base in an open and positive manner. Current financial events, including highly volatile bond and stock markets, distressed assets and tight capital markets have caused stressful and continued challenging situations in this area throughout corporate America, particularly in the financial services sector. Our financial strength rating from A.M. Best is

B++ (Very Good). A.M. Best uses 15 rating categories ranging from A++ to F. Our Standard & Poor's rating is BBB+. Standard & Poor's uses 21 categories of insurer financial strength ratings, which range from “AAA” to “NR”.

Management and Personnel. We employ approximately 195 employees, compared with approximately 185 one year ago. This is an excellent employee ratio to either policies in force, new production or assets administered. The staffing level is satisfactory for our current goals. During the first four years of our operations, we focused on recruiting experienced management talent from our previous company. In recent years, we have enhanced our management team with the addition of several quality executives who had held leadership positions with other Des Moines-based companies that were subsequently acquired by out-of-state organizations. The result is an experienced yet dynamic management team with an average age of less than 45 and an average length of experience in insurance management of more than 15 years. In my judgment, these individuals come together to form one of the most cohesive and certainly one of the premier management teams in the life insurance industry in the United States.

We are pleased to have added two experienced and talented actuaries at the holding company level. Their initial projects have included increasing our internal forecasting capabilities, supporting more robust business plan development and enhancing our prospects during capital raising efforts. They will also work on our diligent efforts to achieve optimal asset/liability matching programs particularly related to equity-index products.

Technology/Systems. We continue to add features to our agency business-to-business web site. The most recent Report to Shareholders, December 31, 2002 10-K, March 31, 2003 10-Q and other information are also available on the web site. Enhancement of our superior paper free facilities is pointed towards service for our clients at affordable costs.

Production. Annuity deposits for the First Quarter of 2003, before reinsurance, exceeded $319 Million. An affiliate of Farm Bureau Group has reinsured $120 Million of the 2003 production. I am of the firm opinion that American Equity's unique position in the marketplace and relationship based selling strategy entices agents and keeps them loyal to our Company as a carrier of choice.

The graph illustrates production from 1997 through 1st Quarter 2003.

**Before Reinsurance*

Licensed Agents. Recruiting additional agents is vital to the growth of American Equity and has always been an integral part of our business plan. As of March 31, 2003, American Equity has over 40,000 licensed agents. Effective selling of our products require committed productive agents. While American Equity regularly adds new agents, the Company also believes in maintaining a selling force of only the best. Those who don't produce aren't asked to stay.

The graph illustrates agent growth from 1997 through 1st Quarter 2003.

We expected a slight decline in 2003 in certain agency relationships based on our current business plan. We intend to maintain very strong relationships with the majority of the NMO groups who have participated successfully in the American Equity philosophy and culture. We will continue to support this group with products and service.

Products. American Equity intends to put forth major efforts in product development and product modification during 2003. The constant monitoring of current investment income, along with traditional fixed and equity-index annuity costs, leads to the need to refine product benefits and features to meet the goals of our business plan in current and potential future market conditions.

We continue to manage our traditional fixed and equity-index annuity portfolios (excluding multi-year guaranteed interest products) to a gross spread of approximately 2.5%. Current new money costs of 3.50% – 4.0%, along with renewal rate cost of money targets at 3.50%, (implemented March 1 and April 1, 2003, respectively) are favorable when compared to our investment yield of 6.82% on permanent assets. Due to the continued low equity market levels and record low interest rates, the cost of minimum guarantees on equity-index and traditional fixed annuities must now be considered more than ever before in all rate setting, asset management and liability management activities. We continue to closely monitor new and renewal interest rates with special consideration to the immediate impact of new money rate changes compared with the delayed impact of renewal rate changes on future policy anniversary dates. We have added actuarial and investment staff to analyze and act on, product spread management opportunities.

Variable Products. Variable products continue to be a challenging area of the financial services industry. We remain aware of the possibility that future market conditions may require a greater emphasis on variable products than is contemplated in our current business plan.

Investments. Estimated investment yield on all permanent investments as of March 31, 2003 is 6.82%. More than 99% of our fixed income assets are investment grade. Earned statutory investment income for First Quarter 2003 was $76 Million compared to $51 Million for the same period of 2002, a 49% increase. Approximately 77% and 80% of our total invested assets were in United States Government and agency fixed maturity securities including government guaranteed mortgage-backed securities at March 31, 2003, and December 31, 2002, respectively. Corporate securities represented approximately 7% and 8% at March 31, 2003, and December 31, 2002 of our total invested assets, respectively. There are no other significant concentrations in the portfolio by type of security or by industry.

The following table presents our fixed maturity securities by NAIC designations and the equivalent ratings of the nationally recognized securities rating organizations.

During 2001, we began a commercial mortgage loan program. At March 31, 2003, we held $397 Million of mortgage loans. These mortgage loans are diversified as to property type, location and loan size. The weighted average yield is approximately 7.00% and the average term is 11.5 years at March 31, 2003. Our average outstanding individual loan balance is approximately $3 Million. We are forecasting a December 31, 2003 aggregate direct mortgage loan balance of between $550 and $600 Million.

We intend to continue following a strategy of investing primarily in assets with little credit risk and a yield profile that is in conformity with our profit projections.

State Licensing. We remain licensed in 46 states and the District of Columbia.

We are licensed in all states except: Connecticut, North Carolina, Rhode Island and Vermont.

"OUR GOAL AT AMERICAN EQUITY IS TO CONTINUE PROVIDING CUSTOMER SERVICE THAT IS, WITHOUT QUESTION, SECOND TO NO ONE"

This goal could never have been considered, let alone accomplished, without the level of competence, experience and commitment that the American Equity staff dedicates to — SERVICE.

We, as always, thank each and every one of you for your confidence and support.

Sincerely,

D. J. Noble
Chairman and President

IMPORTANT P.S. TO READERS
Our December 31, 2002 10-K and March 31, 2003 10-Q, along with other filings, are on file with the Securities and Exchange Commission (www.sec.gov). These documents should be considered as sources of detailed financial and other information.