Highlights of First Six Months 2003

August 13, 2003

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TO: Directors, Shareholders, Staff and AE Supporters

RE: First Six Months 2003 Highlights

Highlights of First Six Months of 2003

- $6.3 Billion in assets on a GAAP basis;
- Production exceeded $787 Million of new annuity deposits before reinsurance;
- Total licensed agents over 41,000;
- Continued to provide superior service to all of our customers;
- All new investments were of investment grade;
- Maintained our internal and external programs to align our production to 2003 and 2004 capital requirements;
- Earnings of $.67 per common share, compared to $.46 for the same period of 2002.*

*See June 30, 2003 10-Q for details of calculation.

We contemplated a reduction in the production of new premiums for the year 2003 to align our production with our capital position. As discussed in previous letters, we have reinsurance agreements intended to limit the total net growth in our assets to 10% this year.

Financials. General insurance expenses continue to be acceptable when compared to gross revenues and total assets. Consolidated GAAP assets are approximately $6.3 Billion at June 30, 2003. GAAP income, before income taxes and minority interests, was approximately $20.3 Million for the first six months of 2003 compared with $15.0 Million for the first six months of 2002. Earnings per common share, assuming dilution, increased to $.61 per share in the first six months of 2003 from $.41 per share for the same period of 2002.

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 marketplace dominated by transaction-oriented companies. Changes to commission rates on a majority of our products and the reduction of crediting rates have been satisfactorily implemented without measurable impact from either customers or agents.

A.M. Best/Standard & Poor's. We continue to work closely with these rating agencies to present our business plan, operating results and 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 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".

Production. Annuity deposits for the first six months of 2003, before reinsurance, exceeded $787 Million. An affiliate of Farm Bureau has reinsured $295 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 attracts agents and encourages them to be loyal as a carrier of choice.

The graph illustrates production from 1999 through the first six months of 2003.

**Before Reinsurance*

Management and Personnel. We employ approximately 200 employees, compared with approximately 185 one year ago. 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 management teams in the life insurance industry in the United States.

Technology/Systems. We continue to add features to our agency business-to-business web site. Enhancement of our paper free facilities is pointed towards service for our clients at affordable costs. The most recent Report to Shareholders, December 31, 2002 10-K, June 30, 2003 10-Q and other information are also available on the web site.

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 June 30, 2003, American Equity has over 41,000 licensed agents. Effective selling of our products requires 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 1999 through the first six months of 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 3.25% – 4.0%, along with renewal rate cost of money targets at about 3.50%, (implemented March 1 and April 1, 2003, respectively) are favorable when compared to our weighted average investment yield on average invested assets of 6.72%. 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 based on cost as of June 30, 2003 is 6.47%. More than 99% of our fixed maturity securities are investment grade. Approximately 76% and 80% of our total invested assets were in United States Government and agency fixed maturity securities including government guaranteed mortgage-backed securities at June 30, 2003, and December 31, 2002, respectively. Corporate securities represented approximately 6% and 8% at June 30, 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 June 30, 2003, we held $465 Million of mortgage loans. These mortgage loans are diversified as to property type, location and loan size. The weighted average yield is approximately 7.0% and the average term is 11.5 years at June 30, 2003. Our average outstanding individual loan balance is approximately $2.65 Million. We are forecasting a December 31, 2003 aggregate direct mortgage loan balance of between $550 and $600 Million.

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 June 30, 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.