



**FOR IMMEDIATE RELEASE**  
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## **American Equity's Third Quarter 2008 Operating Income Increases 41% to \$23.1 Million**

**WEST DES MOINES, Iowa (November 5, 2008) – American Equity Investment Life Holding Company (NYSE: AEL)**, a leading underwriter of fixed-rate and index annuities, today reported 2008 third quarter operating income<sup>1</sup> of \$23.1 million, or \$0.42 per diluted common share, an increase of 41% over third quarter 2007 operating income of \$16.4 million, or \$0.28 per diluted common share. Performance results for the third quarter of 2008 include:

- Book value per common share outstanding of \$9.92 including Accumulated Other Comprehensive Loss
- Annuity sales of \$571.8 million, an increase of 5% over third quarter 2007 annuity sales of \$543.8 million
- Investment earnings of \$210.0 million, an increase of 14% over third quarter 2007 investment earnings of \$183.7 million
- Aggregate gross spread on annuity reserves of 2.83%, an increase of 11% over third quarter 2007 aggregate gross spread of 2.55%

The net loss for the third quarter of 2008 was \$11.0 million or \$0.19 per diluted common share compared to net income of \$3.4 million or \$0.06 per diluted common share for the same period in 2007. The net loss for the third quarter of 2008 included \$39.2 million of realized

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<sup>1</sup> In addition to net income (loss), American Equity has consistently utilized operating income, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate its financial performance. Operating income equals net income (loss) adjusted to eliminate the impact of (i) net realized gains and losses on investments including related deferred tax valuation allowance; and (ii) the impact of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives. Because these items fluctuate from quarter to quarter in a manner unrelated to core operations, American Equity believes a measure excluding their impact is useful in analyzing operating trends. American Equity believes the combined presentation and evaluation of operating income together with net income (loss), provides information that may enhance an investor's understanding of American Equity's underlying results and profitability. A reconciliation of net income (loss) to operating income is provided in the accompanying tables.

losses, net of taxes and adjustments to the amortization of deferred acquisition costs and deferred sales inducements, on investments due principally to “other than temporary impairments”. This amount also includes a \$22.5 million increase in income tax expense for the establishment of a valuation allowance on deferred tax assets. The 2008 and 2007 quarters were also impacted by the effects of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives. The net effect of SFAS 133 was a decrease in the third quarter 2008 net loss of \$5.1 million compared to a \$13.2 million reduction in third quarter 2007 net income.

### **MORE THAN ADEQUATE RISK-ADJUSTED CAPITAL**

On October 30, 2008 A.M. Best announced that it has affirmed AEL’s A- (Excellent) financial strength rating while revising the outlook on the rating from stable to negative in light of present market uncertainties. In affirming the A- (Excellent) rating A.M. Best cited the company’s “more than adequate level of risk-adjusted capitalization” for this rating. The statutory capital and surplus of AEL’s primary operating subsidiary was \$898 million at September 30, 2008 compared to \$991 million at December 31, 2007 reflecting the statutory accounting impacts of year-to-date net realized losses on invested assets and accelerated recognition of expense associated with options purchased to fund index credits on index annuities due to the decline in fair value of such options.

Commented David J. Noble, Chairman, Chief Executive Officer and President of AEL: “At \$898 million of statutory capital and surplus, American Equity is adequately capitalized to support continued growth in sales at the present pace of approximately \$200 million per month. By focusing on credit quality in our invested assets, we have been able to absorb the impact of falling asset values with very little problem. In my 50 years in the insurance industry I’ve survived many market cycles, and I’m confident that American Equity is well-postured to navigate through the present turmoil.” AEL’s management has no plans at present to raise additional capital through the issuance of debt or equity securities.

## **STRONG LIQUIDITY**

AEL continues to have strong liquidity with deposits from new sales exceeding surrenders, withdrawals and death claims by approximately \$890 million (including coinsurance receipts) for the first nine months of 2008. As a percentage of annuity contract values, outflows from surrenders, withdrawals and death claims for the third quarter of 2008 were at or below the average of each of the last 11 quarters beginning January 1, 2006. In addition, approximately \$150 million of cash was provided by operating activities for the first nine months of 2008. At October 31, 2008, the company had drawn \$75 million under its line of credit to fund repurchases of common stock and convertible senior debt, and may draw an additional \$75 million under this line of credit prior to its maturity in October 2011, which is the earliest any of AEL's outstanding debt becomes due. Because the line of credit has been used in part to repurchase outstanding debt, AEL's ratio of adjusted debt to total capitalization has not increased during 2008 and in fact declined slightly to 29.9% at September 30, 2008 compared to 30.2% at December 31, 2007.

## **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 third quarter 2008 earnings on Thursday, November 6, 2008, at 10 a.m. CST. 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 1-866-713-8307, passcode 22461740 (international callers, please dial 1-617-597-5307). An audio replay will be available shortly after the call on AEL's web site. An audio replay will also be available via telephone through November 27, 2008 by calling 1-888-286-8010, passcode 27418323 (international callers will need to dial 1-617-801-6888).

### **ABOUT AMERICAN EQUITY**

American Equity Investment Life Holding Company, through its wholly-owned operating subsidiaries, is a full-service underwriter of a broad line of annuity and insurance products with a primary emphasis on the sale of index and fixed-rate annuities. The company's headquarters are located at 5000 Westown Parkway, West Des Moines, Iowa, 50266. The mailing address of the company is: P.O. Box 71216, Des Moines, Iowa, 50325. For more information, visit our website [www.american-equity.com](http://www.american-equity.com).

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## American Equity Investment Life Holding Company

### Net Income/Operating Income (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(Dollars in thousands, except per share data)			
Revenues:				
Traditional life and accident and health insurance premiums	\$ 3,223	\$ 3,344	\$ 9,419	\$ 9,591
Annuity product charges	13,328	12,576	37,271	33,023
Net investment income	209,978	183,732	607,546	528,809
Realized gains (losses) on investments	(58,974)	325	(91,412)	921
Change in fair value of derivatives	(83,753)	(10,709)	(314,431)	79,755
Total revenues	83,802	189,268	248,393	652,099
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	2,126	2,360	7,056	6,390
Interest credited to account balances	50,387	165,821	154,032	449,915
Amortization of deferred sales inducements	6,760	565	34,193	16,528
Change in fair value of embedded derivatives	(37,100)	(19,829)	(237,969)	(11,476)
Interest expense on notes payable	3,881	4,039	11,732	12,178
Interest expense on subordinated debentures	4,669	5,673	14,549	16,876
Interest expense on amounts due under repurchase agreements	2,698	4,764	7,694	11,842
Amortization of deferred policy acquisition costs	19,285	9,013	118,595	60,948
Other operating costs and expenses	13,490	11,582	38,308	37,076
Total benefits and expenses	66,196	183,988	148,190	600,277
Income before income taxes	17,606	5,280	100,203	51,822
Income tax expense	28,608	1,837	57,286	17,848
<b>Net income (loss)</b>	<b>(11,002)</b>	<b>3,443</b>	<b>42,917</b>	<b>33,974</b>
Realized (gains) losses on investments, net of offsets	39,222	(210)	49,140	(595)
Net effect of SFAS 133, net of offsets	(5,105)	13,189	(32,531)	14,503
<b>Operating income (a)</b>	<b>\$ 23,115</b>	<b>\$ 16,422</b>	<b>\$ 59,526</b>	<b>\$ 47,882</b>
<b>Earnings (loss) per common share</b>	<b>\$ (0.21)</b>	<b>\$ 0.06</b>	<b>\$ 0.79</b>	<b>\$ 0.60</b>
<b>Earnings (loss) per common share - assuming dilution</b>	<b>\$ (0.19)</b>	<b>\$ 0.06</b>	<b>\$ 0.77</b>	<b>\$ 0.58</b>
<b>Operating income per common share (a)</b>	<b>\$ 0.44</b>	<b>\$ 0.29</b>	<b>\$ 1.10</b>	<b>\$ 0.84</b>
<b>Operating income per common share - assuming dilution (a)</b>	<b>\$ 0.42</b>	<b>\$ 0.28</b>	<b>\$ 1.06</b>	<b>\$ 0.81</b>
<b>Weighted average common shares outstanding (in thousands):</b>				
Earnings per common share	52,916	56,878	54,075	56,899
Earnings per common share - assuming dilution	55,835	59,774	56,953	60,081

## American Equity Investment Life Holding Company

### Operating Income

Three months ended September 30, 2008 (Unaudited)

	As Reported	Adjustments		Operating Income (a)
		Realized Losses	SFAS 133	
(Dollars in thousands, except per share data)				
Reserves:				
Traditional life and accident and health insurance premiums	\$ 3,223	\$ -	\$ -	\$ 3,223
Annuity product charges	13,328	-	-	13,328
Net investment income	209,978	-	-	209,978
Realized losses on investments	(58,974)	58,974	-	-
Change in fair value of derivatives	(83,753)	-	16,813	(66,940)
Total revenues	83,802	58,974	16,813	159,589
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	2,126	-	-	2,126
Interest credited to account balances	50,387	-	720	51,107
Amortization of deferred sales inducements	6,760	13,496	(6,859)	13,397
Change in fair value of embedded derivatives	(37,100)	-	37,100	-
Interest expense on notes payable	3,881	-	(243)	3,638
Interest expense on subordinated debentures	4,669	-	-	4,669
Interest expense on amounts due under repurchase agreements	2,698	-	-	2,698
Amortization of deferred policy acquisition costs	19,285	19,566	(5,743)	33,108
Other operating costs and expenses	13,490	-	60	13,550
Total benefits and expenses	66,196	33,062	25,035	124,293
Income before income taxes	17,606	25,912	(8,222)	35,296
Income tax expense	28,608	(13,310)	(3,117)	12,181
<b>Net income (loss)</b>	<b>\$ (11,002)</b>	<b>\$ 39,222</b>	<b>\$ (5,105)</b>	<b>\$ 23,115</b>
<b>Earnings (loss) per common share</b>	<b>\$ (0.21)</b>			<b>\$ 0.44</b>
<b>Earnings (loss) per common share - assuming dilution</b>	<b>\$ (0.19)</b>			<b>\$ 0.42</b>

(a) In addition to net income, we have consistently utilized operating income, operating income per common share 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 adjusted to eliminate the impact of net realized gains and losses on investments, and the impact of SFAS 133, dealing with fair value changes in derivatives and embedded derivatives. 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, provides information that may enhance an investor's understanding of our underlying results and profitability.