

2002 ANNUAL REPORT

AMERICAN EQUITY

Investment Life Holding Company

PEOPLE:

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

SERVICE:

2002 ANNUAL REPORT

FUTURE:

PEOPLE

Synergy may be defined as individuals working together to achieve a common goal. The synergy among our employees creates a unified organization that can achieve efficiencies greater than those of our competitors, ultimately benefiting our shareholders, policyholders, and producers. By emphasizing productivity at every level of our operation, we will remain an efficient, flexible leader in our industry, operating at competitive levels with distinctive products and services. Recognizing that the whole is only as great as the sum of its parts, we encourage—and expect—all associates to challenge themselves to grow and reach their maximum professional potential.

SERVICE

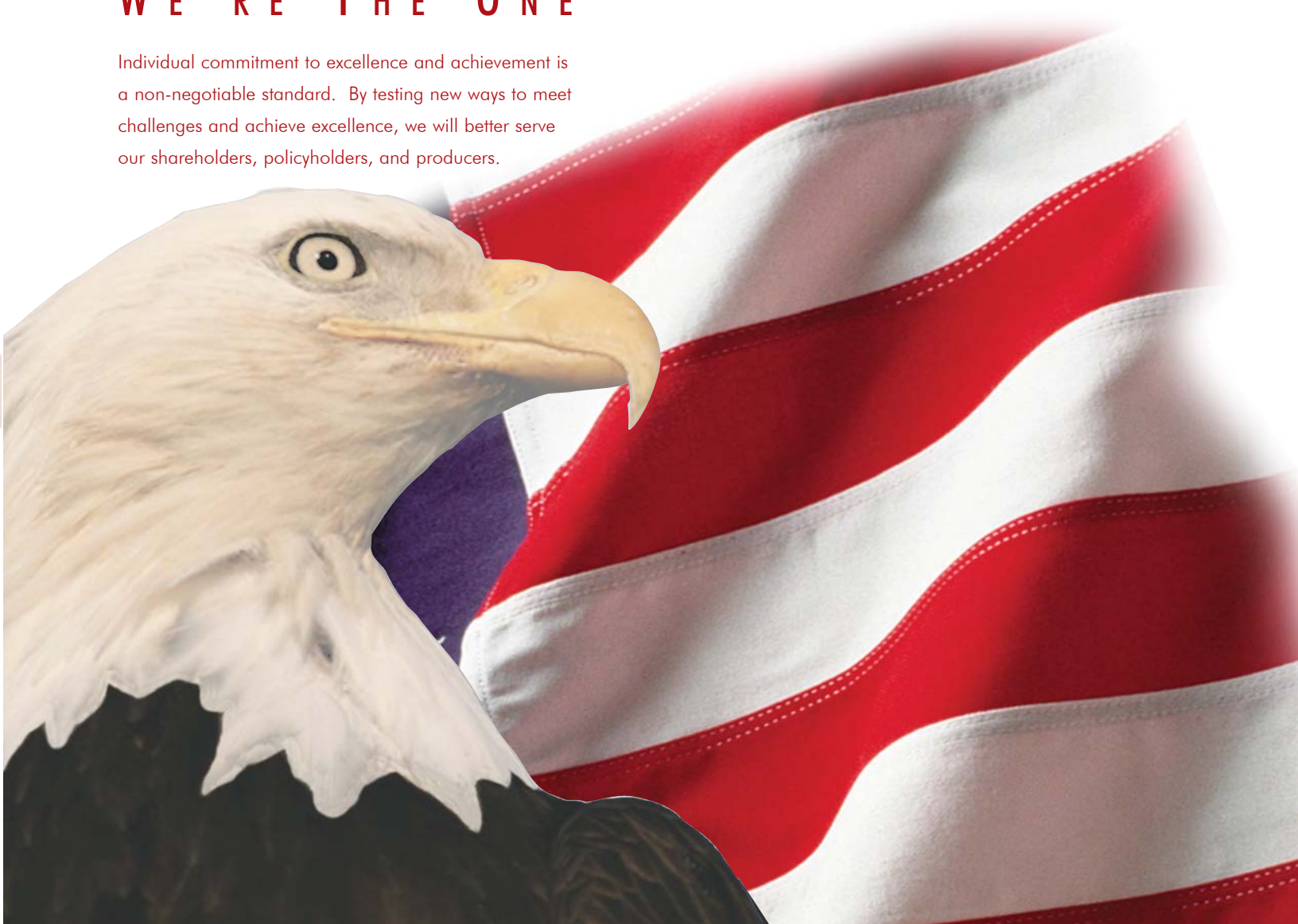
In the face of technological challenges, changing family structures and an evolving social and economic environment, we must remain thoroughly responsive to the needs of our customers. Each employee is an integral component in the delivery of superior personal service, and contributes to our overall success in achieving this important goal. Our excellent service record can only be attributed to the knowledge, experience, and professionalism of our people.

FUTURE

The keys to our continued growth and profitability are the shared values that form the common link for our people. We must run as a cohesive whole in order to achieve the service levels set forth. We will continue to create key marketing alliances and establish precision marketing initiatives. We intend to build the highest value for our shareholders via sound long term investment strategies and consistent delivery of innovative products—ultimately fulfilling our responsibility to you and positioning us well for the future.

WE'RE THE ONE

Individual commitment to excellence and achievement is a non-negotiable standard. By testing new ways to meet challenges and achieve excellence, we will better serve our shareholders, policyholders, and producers.



FINANCIAL HIGHLIGHTS

As of or for the year ended December 31, (dollars in thousands, except per share data)

	<u>2002</u>	<u>2001</u>	<u>2000</u>
For the Year			
Total revenues	\$ 279,713	\$ 180,376	\$ 114,615
Total benefits and expenses	250,762	170,923	99,997
Income before income taxes, minority interests and cumulative effect of change in accounting principle	28,951	9,453	14,618
Net income	14,207	872	4,784
At Year-End			
Total assets	\$ 6,042,266	\$ 4,392,445	\$ 2,528,126
Policy benefit reserves	5,452,365	3,993,945	2,099,915
Notes payable	43,333	46,667	44,000
Amounts due to related party under General Agency Commission and Servicing Agreement	40,345	46,607	76,028
Trust preferred securities issued by subsidiary trusts	100,486	100,155	99,503
Stockholders' equity	77,478	42,567	58,652
Stockholders' equity excluding net unrealized investment gains and losses on available for sale securities	89,422	76,098	75,528
Per common share data			
Earnings per common share	\$ 0.87	\$ 0.05	\$ 0.29
Earnings per common share - assuming dilution	0.80	0.05	0.26
Dividends declared per common share	0.01	0.01	0.01
Other Financial Data			
Life subsidiaries' total assets	\$ 5,430,919	\$ 3,949,357	\$ 2,146,938
Life subsidiaries' statutory capital and surplus	227,199	177,868	145,048
Life subsidiaries' net gains (losses) from operations before income taxes and realized capital gains (losses)	53,535	(5,675)	9,190
Life subsidiaries' statutory net income (loss)	26,010	(17,187)	10,420

WE WERE
THE ONE!



2002 HIGHLIGHTS

- Exceeded \$14 million in net income
- Surpassed \$6.0 billion in assets
- Exceeded \$2.4 billion in new annuity deposits
- Expanded our agency force to over 41,000 licensed agents
- Continued to provide superior service to all of our customers
- Developed an internal program to align our production to projected 2003 capital requirements



2002

“Our insurance operations for the year 2002 continued to produce solid and satisfactory results.”

- D.J. Noble

TO OUR SHAREHOLDERS

In our business, the difference between winners and losers is the level of service and integrity delivered to customers. American Equity’s quality service and high integrity continue to strengthen and maintain our current relationships with policyholders and agents. These solid relationships helped develop new opportunities for us and have led us to improved retention of business, faster growth and a more competitive position in our industry.

In 2002, public discussions surrounding misdeeds of certain major corporations in the United States have drawn a great deal of attention and, as a result, new regulations were proposed or adopted as part of the Sarbanes-Oxley Act. Some of the major components included in the Sarbanes-Oxley Act are:

- Management certification of reports
- Independence of the majority of the Board of Directors
- Independence and financial experience of audit committees
- Independence of outside auditors
- Focus on insider transactions
- Full disclosure of off-balance sheet transactions
- Accelerated filings of required reports
- Maintaining effective internal and disclosure controls

We at American Equity have thoroughly examined these newly implemented regulations. I am proud to report that the implementations of these regulations DID NOT require any major changes in American Equity’s business culture or practices. We will remain, as we always have been, an efficient and honorable leader in our industry.



- D.J. NOBLE

Chairman and Chief Executive Officer



CORPORATE PLAN

American Equity's strategic Business Plan was developed on a simple principle - we will aggressively increase our market share, sustain operating efficiencies and execute sound financial investing. While the last 12 months were a challenging period in the financial markets with a dampened view in the marketplace towards the insurance industry, we were successful in completing several transactions to provide adequate capital to support the business issued by us. We fully intend to aggressively pursue potential capital-raising ventures during 2003. The successful completion of a capital transaction would result in our review and enhancement of our Business Plan and production goals.

As we reviewed and enhanced our Business Plan, we contemplated and planned a reduction in the production of new annuity deposits, particularly for the year 2003, which is consistent with our long-term forecast. We have entered into a reinsurance agreement that will result in American Equity's net asset growth either remaining level or experiencing a controlled annual increase of up to 10%.

FINANCIALS

Consolidated GAAP assets are approximately \$6.0 billion. GAAP income, before tax and minority interests, was approximately \$29.0 million compared to \$9.5 million for the year 2001. The Life Company's assets grew to over \$5.4 billion, based on statutory accounting principles. Statutory income, before federal income tax and excluding capital gains and losses, was \$53.5 million. General insurance expenses were favorable on both a GAAP and

statutory basis resulting in satisfactory ratios compared to gross revenues and total assets. Statutory capital and surplus for the Life Company exceeded \$227.0 million at December 31, 2002.

MARKETING CULTURE



MARKETING DEPARTMENT

David V. Rinehart, James Jones, Carl Davis, Dave Roepsch, Kevin R. Wingert, Ronald J. Grensteiner, James M. Gerlach.

Our 2003 marketing plan continues to focus on our core "Principles of Excellence".

- Long term growth potential for our shareholders
- Wise investment strategies
- Sound business philosophies
- Innovative production with outstanding value to our consumers, agents and shareholders
- Superior levels of service

American Equity continues its aggressive marketing campaign, targeting existing and new National Marketing Organizations and agents while focusing on a diversified product line. We are convinced that our "relationship driven" versus "transaction oriented" culture produces superior results. The implementation of our marketing plan will continue to require significant efforts by us.



PRODUCT PORTFOLIO

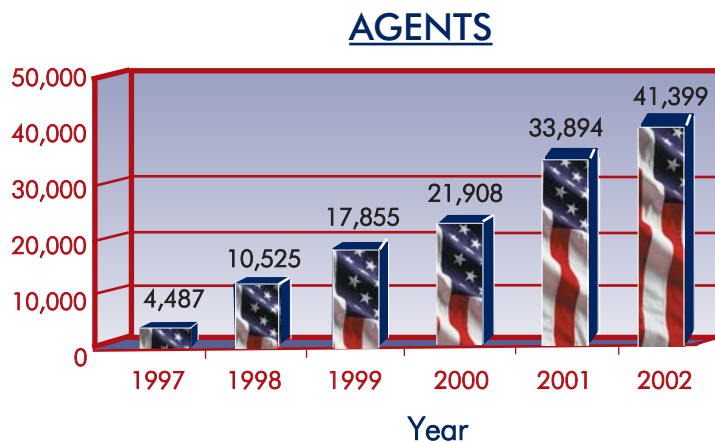
The fixed annuity marketplace is currently undergoing dynamic changes as a result of record low interest rates and unprecedented and extended equity and bond market volatility. American Equity has prided itself on product innovation and being responsive to changes in the marketplace. We differentiate our products by focusing on guarantees, choices and flexibility. In the immediate future, the focus will be on modifications to our current portfolio of traditional and equity-indexed products. In regards to the next 3-5 years, our average policyholder age is expected to be approximately 67 years. Many of these consumers will be very wary of equity markets regardless of their performance, or lack thereof, given the losses over the past three years. When public interest in the equity markets does return, we expect to use the inherent flexibility in our product design to keep our products competitive.

PRODUCT APPROVALS

In 2002, our Compliance Department gained approval of 368 separate forms in 47 jurisdictions. The Compliance Department's objective has always been to support the corporate Business Plan by obtaining product approvals quickly and providing information and methods to keep our company in line with the regulatory environment. But not only must our products meet regulatory standards, they must also deliver the profitability we expect for our shareholders.

LICENSED AGENTS

Our success in recruiting and retaining a highly motivated, professional sales force represents a vital key to our company's achievements. At the end of 2002, American Equity had licensed approximately 41,000 agents. American Equity enjoys one of the highest agent productivity levels in the industry. We believe this is a result of our commitment to provide superior levels of services, competitive compensation and strong product integrity.



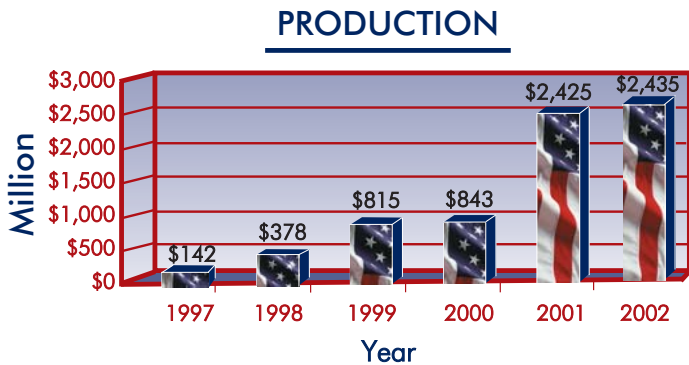
STATE LICENSING

We are licensed to conduct business in 46 states and the District of Columbia.



PRODUCTION

Annuity deposits for 2002, before reinsurance, exceeded \$2.4 billion, matching our production in 2001. FBL Financial Group, Inc., through one of its life insurance subsidiaries, has reinsured \$838 million of our 2002 production. I am of the firm opinion that American Equity's unique position in the marketplace is causing agents to continue to seek our company as their carrier.



During 2002, we made several crediting rate adjustments along with adjustments to our sales costs to reflect current market conditions.

NATIONAL GUARD INSURANCE PROGRAM

One of our long-term successes is our relationships with state National Guard Associations. American Equity remains the largest life insurance carrier for members of the National Guard offering a program of group term life insurance. We currently service 25 state National Guard Associations. We anticipate the addition of two major state associations in 2003.

TECHNOLOGY

www.american-equity.com

We consider technology to be a strategic asset shaping the way we do business. Our most visible use of technology to facilitate the working relationship

between agents and the company is our “public” website and “interactive agent” website.

The public website contains financial and investor information, as well as general product descriptions to help educate web-visitors about our company. The website also provides information promoting the



advantages of owning an annuity. The website also allows individuals to contact us directly via e-mail.

We feel this helps decrease expenses and enhances service to our policyholders by providing 24-hour access to the company.

Our interactive agent website contains much more specific information available only by secured login to our licensed agents. It provides commission schedules, product forms, service forms, illustration software, company videos and sales brochures. Agents can also order supplies online. By making this information available over the Internet, we reduce shipping, handling, storage and printing costs, all while providing 24-hour a day, 7-day a week access to this information.

We are currently in the process of enhancing our interactive agent website to allow access to other very important information that will continue to improve the agent's ability to conduct business.



INVESTMENT PORTFOLIO



INVESTMENT DEPARTMENT

Front Row - L to R: Angel Thomason; Joyana Pilquist; Pam Reinert; Joshua Lohmeier.
Back Row - L to R: James M. Gerlach; Alex S. Travis; Bob Kunnen; Bryan Borchert.

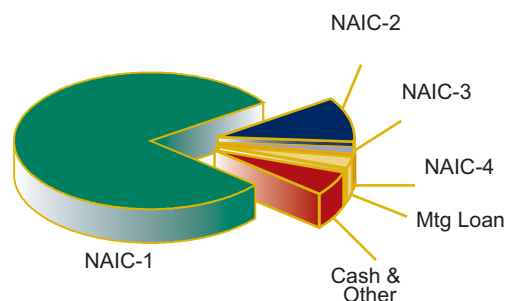
Approximately 80% and 69% of our total invested assets were in United States Government and agency fixed maturity securities including government guaranteed mortgage-backed securities at December 31, 2002 and 2001, respectively. Corporate securities represented 7.8% at December 31, 2002, compared to 14.5% at December 31, 2001 of our total invested assets, respectively. There are no other significant concentrations in the portfolio by type of security or by industry.

Press and rating agencies have been very vocal regarding the asset quality of companies designated as “insurance industry”. I ask you to seriously remember that 99% of our fixed maturity securities are investment grade with over 80% of that percentage in government related issues. Approximately 95% of our investment purchases during 2002, other than our commercial mortgage loan program, were government agency paper, which carried a yield allowing us to meet our Business Plan targeted spreads. We intend to follow this part of our Business Plan that contemplates our assets to intentionally have very little credit risk with a yield

profile that is in conformity with the Business Plan’s profit projections.

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

TOTAL CASH AND INVESTMENTS



FIXED MATURITY SECURITIES		
NAIC Designation	Rating Agency Equivalent	Percent
1	Aaa/Aa/A	94.3%
2	Baa	4.7%
3	Ba	0.8%
4	B	0.2%
5	Caa and lower	-
6	In or near default	-

In 2001, American Equity developed a commercial mortgage loan program. This program has been very successful since its inception. At December 31, 2002, we held \$334 million of mortgage loans. The mortgage loans are diversified as to property type, geographical location and loan size.

OUR PEOPLE

Professional, responsible, motivated...these are words that I use to describe the American Equity family. These individuals work together to make our vision a reality.

“We encourage our people to constantly improve our products, our delivery, our technology and, of course, our customer service. Each year, we build on our past successes.”

We stay focused, we take care of business and we take care of our policyholders, agents and shareholders. That has been our goal from the beginning and it will continue to be our goal in the future.

On behalf of our Board of Directors and our employees, thank you for your confidence and support.

Sincerely,



D.J. Noble

Chairman and Chief Executive Officer



“Our business philosophy is simple...Through sound financial management, prudent investment and development of innovative products and services, we will position ourselves as one of the leaders within the insurance and financial services industry.”



THE BEST Insurance Management Team LEADING THE WAY



LIFE COMPANY MANAGEMENT TEAM

Front Row - L to R: Judith K. Karcher; Brent Mardis; Terry A. Reimer; Debra J. Richardson; Kevin R. Wingert; James M. Gerlach; Ronald J. Grensteiner; Chad A Padgett.

Second Row - L to R: Tami Schafroth; David Psotka; Maria Connett; Lesa Glendenning; Gay Colyn; Jamie Moher; Camille Rasmussen; Jean Burt; Joyana Pilquist; Jill Oxberger; Nelda Lamp; Paulette Philpott; Christy Olson; Linda Bennett; Cheri White; Bev Wignall; Nia Vassilonikolidakis; Joshua Lohmeier.

Back Row - L to R: Marlys Van Manen; Lisa McQuerrey; Joe Wanzek; Pam Knight; David V. Rinehart; David Lowe; Dave Roepsch; Lloyd Hill; Alex S. Travis; Bryan Borchert; Carl Davis; Bruce Norton; Aaron Cottrell; James P. Jones; Kevin L. Pevestorf.

*Not pictured: D.J. Noble, Harley Whitfield, Jerry Holtz, Libby Clark, Ted Johnson, Wendy L. Carlson.

“We will speak as one voice, act as one being, put one and only one face forward for all to see. That face will be developed to bring maximum impact and favorable response in the marketplace.”



OUR PEOPLE Deliver

“We value the ongoing leadership of our distinguished Board of Directors, who provide American Equity with sound counsel, personal integrity and solid judgment drawing from extensive experience.”

THE BOARD of Directors LIFE COMPANY

[LEFT TO RIGHT, FRONT TO BACK]

Jack W. Schroeder, 77, Vice Chairman. Over 50 years' experience in the insurance industry.

D. J. Noble, 71, Chairman of the Board, Chief Executive Officer. Over 50 years' experience in the insurance industry.

William J. Oddy, 59, Chief Executive Officer, Farm Bureau Life Insurance Company. Over 30 years' experience in the insurance industry.

James M. Gerlach, 60, Executive Vice President and Chief Marketing Officer. Over 35 years' financial and management experience.

Debra J. Richardson, 46, Senior Vice President and Secretary. Over 20 years' experience in the insurance industry.

Terry A. Reimer, 57, Executive Vice President, Treasurer and Chief Operating Officer. Over 30 years' accounting and management experience.

David S. Mulcahy, 50, Principal, MABSCO Capital, Inc. and Chairman, Monarch Manufacturing Company. Over 20 years' experience in the accounting industry.

Kevin R. Wingert, 45, President. Over 20 years' marketing experience. [inset]

THE BOARD of Directors

HOLDING COMPANY

D.J. Noble, 71, Chairman of the Board, President and Treasurer. Over 50 years' experience in the insurance industry.

John C. Anderson, 39, Doctor of Chiropractic Medicine

James M. Gerlach, 60, Executive Vice President. Over 35 years' financial and management experience.

Robert L. Hilton, 74, Insurance Consultant

John M. Matovina, 48, Private Investor

Ben T. Morris, 57, President, CEO and Director, Sanders Morris Harris, Inc.

David S. Mulcahy, 50, Principal, MABSCO Capital, Inc. and Chairman, Monarch Manufacturing Company. Over 20 years' experience in the accounting industry.

A.J. Strickland, III, 61, Professor of Strategic Management at the University of Alabama.

Harley A. Whitfield, 72, Of Counsel, Whitfield & Eddy, P.L.C.

Kevin R. Wingert, 45, President of Life Company. Over 20 years' marketing experience.





TRANSFER AGENT

American Equity welcomes your comments and interest.
For change of name or address, to replace lost stock certificates or any other questions contact:

Debra J. Richardson, Senior Vice President & Secretary
American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266

(515) 457-1704 or 1-888-221-1234 ext. 1704

Cusip Numbers: 025676 10 7 Common Stock



AMERICAN EQUITY GROUP OF COMPANIES

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY
AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY OF NEW YORK, INC.



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WEB SITE

www.american-equity.com



For Financial Information,
please see
December 31, 2002
Form 10-K





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