AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

TOGETHER WE SOAR

ANNUAL REPORT 2003

AMERICAN EQUITY *succeeds by adhering to three guiding principles that distinguish us in the industry. Summed up in the words People, Service and Future, these principles serve as a constant reminder of why we're here and how we work together in fulfilling our common goals.*

AMERICAN EQUITY TOGETHER WE SOAR

PEOPLE

People remain the most important asset we have. It's our people who support the production force and serve the client. We could not grow and succeed without their belief in the vision, commitment to service and tireless efforts to achieve our business goals.

SERVICE

Good service is a tough attribute to define. You know it when you see it and even more when you receive it. At American Equity, we believe good service results from understanding that our customers and our agents have many options when choosing an annuity company. We want them to choose us, so we go the extra mile to respond to their questions and needs. We provide them with relevant products that accomplish their goals. And, above all, we treat them the way we want to be treated.
It's our culture.

FUTURE

Our business is about the future—specifically helping our customers protect and preserve their assets for tomorrow. In focusing on the future, we prepare for a long journey that will undoubtedly bring challenges, test us with difficult decisions and reward our skill, commitment and determination.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

	2003	2002	2001	2000	1999
	Year ended December 31,				
	(Dollars in thousands, except per share data)				
Consolidated Statements of Income Data:					
Revenues					
Traditional life and accident and health insurance premiums	$13,686	$13,664	$13,141	$11,034	$10,294
Annuity and single premium universal life product charges	20,452	15,376	12,520	8,338	3,452
Net investment income	358,529	308,548	209,086	100,060	66,679
Realized gains (losses) on investments	6,946	(122)	787	(1,411)	(87)
Change in fair value of derivatives (a)	52,525	(57,753)	(55,158)	(3,406)	(528)
Total revenues	452,138	279,713	180,376	114,615	79,810
Benefits and expenses					
Insurance policy benefits and change in future policy benefits	11,824	9,317	9,762	8,728	7,232
Interest credited to account balances	242,543	177,633	97,923	56,529	41,727
Change in fair value of embedded derivatives (a)	66,801	(5,027)	12,921	—	—
Interest expense on General Agency Commission and Servicing Agreement	3,000	3,596	5,716	5,958	3,861
Interest expense on notes payable	1,486	1,901	2,881	2,339	896
Interest expense on subordinated debentures (b)	7,661	—	—	—	—
Interest expense on amounts due under repurchase agreements	1,140	734	1,123	3,267	3,491
Other interest expense	138	1,043	381	—	—
Amortization of deferred policy acquisition costs	52,982	39,930	23,040	8,574	7,063
Other operating costs and expenses	25,618	21,635	17,176	14,602	12,445
Total benefits and expenses	413,193	250,762	170,923	99,997	76,715
Income before income taxes, minority interests and cumulative effect of change in accounting principle	38,945	28,951	9,453	14,618	3,095
Income tax expense (benefit)	13,505	7,299	333	2,385	(1,370)
Income before minority interests and cumulative effect of change in accounting principle	25,440	21,652	9,120	12,233	4,465
Minority interests in subsidiaries:					
Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts (b)	—	7,445	7,449	7,449	2,022
Income before cumulative effect of change in accounting principle	25,440	14,207	1,671	4,784	2,443
Cumulative effect of change in accounting for derivatives (a)	—	—	(799)	—	—
Net income (c)	$25,440	$14,207	$872	$4,784	$2,443
Per Share Data:					
Earnings per common share:					
Income before cumulative effect of change in accounting principle	$1.45	$0.87	$0.10	$0.29	$0.15
Cumulative effect of change in accounting for derivatives (a)	—	—	(0.05)	—	—
Earnings per common share	$1.45	$0.87	$0.05	$0.29	$0.15
Earnings per common share – assuming dilution:					
Income before cumulative effect of change in accounting principle	$1.21	$0.76	$0.09	$0.26	$0.14
Cumulative effect of change in accounting for derivatives (a)	—	—	(0.04)	—	—
Earnings per common share – assuming dilution	$1.21	$0.76	$0.05	$0.26	$0.14
Dividends declared per common share	$0.01	$0.01	$0.01	$0.01	$0.01

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

	December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands, except per share data)				
Consolidated Balance Sheet Data:					
Total assets (g)	$8,989,177	$7,328,789	$4,819,220	$2,528,126	$1,717,619
Policy benefit reserves (g)	8,315,874	6,737,888	4,420,720	2,099,915	1,358,876
Amounts due to related party under General Agency Commission and Servicing Agreement	40,601	40,345	46,607	76,028	62,119
Notes Payable	31,833	43,333	46,667	44,000	20,600
Subordinated debentures (b)	116,425	—	—	—	—
Company-obligated mandatorily redeemable preferred securities issued by subsidiary trusts (b)	—	100,486	100,155	99,503	98,982
Total stockholders' equity	263,716	77,478	42,567	58,652	34,324

	Year ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands, except per share data)				
Other Data:					
Book value per share (d)	$7.19	$4.67	$2.24	$3.35	$1.72
Return on equity (e)	28.30%	23.70%	1.70%	10.30%	4.90%
Number of agents	42,239	41,396	33,894	21,908	17,855
Life subsidiaries' statutory capital and surplus	$374,587	$227,199	$177,868	$145,048	$139,855
Life subsidiaries' statutory net gain (loss) from operations before income taxes and realized capital gains (losses)	45,822	53,535	(5,675)	9,190	30,498
Life subsidiaries' statutory net income (loss) (c)(f)	25,404	26,010	(17,187)	10,420	17,837

(a) The accounting change resulted from the adoption of Statement of Financial Accounting Standards No.133, Accounting for Derivative Instruments and Hedging Activities, which became effective on January 1, 2001.

(b) Effective December 31, 2003, we adopted Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51. See note 1 to our audited consolidated financial statements.

(c) Our GAAP net income and statutory net loss in 2001, were affected by a decision to maintain a significant liquid investment position after the September 11, 2001 terrorist attacks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations."

(d) Book value per share is calculated as total stockholders' equity less the liquidation preference of our series preferred stock divided by the total number of shares of common stock outstanding.

(e) We define return on equity as net income divided by average total stockholders' equity. Average total stockholders' equity is determined based upon the total stockholders' equity at the beginning and end of the year. The computation of average stockholders' equity for 2003 has been modified to recognize the significant increase in stockholders' equity that resulted from the receipt of the net proceeds from our initial public offering in December 2003.

(f) Our statutory net loss in 2001, was also affected by (i) an increase in reserves related to sales of certain multi-year rate guaranteed products, which have reserve requirements that are higher in earlier years and (ii) income tax expense of $6.0 million caused by a difference between statutory and tax basis reserves and other timing differences.

(g) See note 1 to our audited consolidated financial statements for a discussion of a change in balance sheet presentation in 2003.

2003 HIGHLIGHTS

- Reported record net income of $25.4 million, up 79 percent.
- Completed IPO to raise $193.5 million in additional capital for growth.
- Listed on the New York Stock Exchange under the symbol “AEL.”
- Reached record numbers of producers with 42,239 agents selling American Equity products.
- Grew total assets to $9 billion.
- Refreshed product line with the release of the Integrity Gold Series.
- Earned top marks for service from producers in an independent survey of index annuity companies.

To Our Shareholders

Reflecting on the achievements and challenges of 2003, American Equity's success can be articulated in one simple sentence.

We performed true to our word.

In what could only be described as the most demanding, exciting and rewarding year in our history, we kept our promises and delivered on our commitments.

When we founded American Equity in 1995, we assured our stakeholders—investors, producers, policyholders and employees—that they could count on us to have the integrity to work hard, the insight to work smart and the fortitude to implement our business plan. Above all, they could count on us to help them to succeed…to help them soar. And soar we did, as we increased profitability, completed an initial public offering, improved distribution and experienced growth in assets.

During 2003, we focused primarily on raising the capital essential for growth. We considered several options, but early in the year, conditions in the equities market did not favor new equity offerings. Undaunted, we resolved to continue with our "hunker down" strategy, which called for building our capital base internally by restricting production, decreasing costs and increasing profitability from our existing operations. The plan worked perfectly, with earnings trending nearly 79 percent ahead of the record profitability of 2002.

D.J. NOBLE
Chairman, President and Chief Executive Officer

CAPITAL FOR FUTURE GROWTH

While we knew restricting production would augment our capital position, the strategy required time, patience and the buy-in of our production force, investors, employees and board of directors. We pledged that in tandem with this plan, we would continue to examine other possibilities for raising capital. In September 2003, after detecting signs of life in the IPO markets, we filed a registration statement with the Securities and Exchange

Commission (SEC) to proceed with an initial public offering. We completed the offering on December 9, 2003, and were listed on the New York Stock Exchange (NYSE) under the symbol "AEL."

Driven in part by the help of our key constituents, the offering yielded $193.5 million in new equity capital. In addition, we completed a private placement of approximately $12.0 million in 30-year floating rate trust preferred securities in December 2003. With this added financial strength and capital, American Equity is well positioned for future growth.

FINANCIAL RESULTS

Even as we reined in production in 2003, American Equity realized growth in assets, reporting $9.0 billion at year end, compared with $7.3 billion at the end of 2002. By controlling expenses, net income totaled $25.4 million for 2003 compared with $14.2 million for 2002. Earnings per common share increased to $1.45 compared with $0.87 per share for 2002.

PRODUCTION

Just as we planned, we did not increase our annual production in 2003. As a result, total production before reinsurance amounted to $1.7 billion, down from $2.4 billion in 2002. Now, with a strong capital base in place, we will return to our original plan calling for aggressive, well-managed growth.

MARKETING CULTURE

American Equity remains dedicated to distribution. We built this company on distribution and production, and that remains our strong focus for future growth.

From day one, our strategy centered on building an agent force by leveraging the power of

1996

Commences first year of operation with four employees and a business plan for building a premier life insurance and annuity company.

1999

American Equity becomes the first company to develop and market an index annuity tied to the Dow. The company receives a six-month exclusive on the product.

2000

The production force breaks the 20,000 mark for agents selling American Equity products.

National Marketing Organizations (NMOs). With approximately 60 NMOs representing more than 42,000 agents, we keep our sales force motivated and engaged with relationship-driven service. The most productive of these firms have an ownership stake in our company through our deferred stock compensation program and the outright purchase of American Equity stock. In order to vest in the stock ownership program, NMOs must achieve certain sales targets for four out of five years. As a result, we can count on strong, sustained production from our sales force.

In 2003, we continued to review our agent base to ensure that we work with the best of the best, and that our producers understand our products and market them with the utmost integrity and honesty. As of year-end 2003, our selling force numbered 42,239 agents, up from 41,396 in 2002. During the next year, we will work to increase distribution and expand our production force to more than 50,000 agents.

In 2003, we also expanded geographically by adding Vermont as one of our licensed states. We now sell our products in 47 states and the District of Columbia.

UNDERSTANDING OUR CUSTOMERS

Simply put, we sell "sleep insurance" to a target market consisting of people 65 years and older. Our typical policyholder is 67 years old with an average fund value of approximately $46,000. American Equity reaches out to this growing market segment by offering a conservative, tax-deferred vehicle for preserving principal and securing a predictable return. While we sell the complete range of annuity products, we specialize in index annuities, which allow policyholders to receive annual income credits based on the performance of an index without risking principal.

2001

Production reaches $2.4 billion, increasing an unprecedented 189 percent in one year. The Company prepares for an IPO, but plans are scrapped after terrorist attacks throw markets into disarray.

2002

Assets reach $7 billion; the Company announces a plan to increase capital through internal operations by restricting production and increasing profitability.

2003

The best year to date with record earnings, asset growth to $9 billion, agent numbers top 42,000, and the crowning achievement of completing an IPO and listing on the NYSE as "AEL".

With the IPO completed, American Equity returns its focus to growth through increased production. Pictured here (l to r) are James M. Gerlach, Executive Vice President; Debra J. Richardson, Senior Vice President; David J. Noble, Chairman and CEO; and Kevin Wingert, President of the Life Company.

In this arena, American Equity has proven to be bold and innovative. We were the first company to design and sell a Dow-index annuity. We also led the way with development of multi-strategy index annuities, which provide policyholders with the ability to allocate funds among several different income crediting strategies, including several linked to participation in the equity and bond markets.

PRODUCT ENHANCEMENTS — THE GOLD EDITION

As a matter of practice, we frequently query our customers and agents about our products. What do they like? What would they change? This exercise keeps our product line fresh and further underscores our belief that if our agents and customers are to succeed, we must provide them with a diversified line of competitive, relevant products.

In December, we unveiled the Integrity Series Gold Edition. The Gold Edition enhances our existing product line with improved results for everyone—our producers, our customers and our company. Producers are finding attractive changes to commissions, and customers benefit from enhanced crediting rates. As the production force embraces the refinements made in the Gold Edition, we expect to see production increase.

EARNING THE TOP GRADE FOR SERVICE

While most companies in our business talk about service, American Equity "walks the talk." In September 2003, the Advantage Group, an independent research firm, released its Report Card for companies selling index annuities.

The Advantage Group, which neither markets nor endorses any financial product, surveyed annuity producers and asked them to grade the top 10 index annuity carriers. American Equity finished at the top of the class in every category in a field that included the biggest names in the business. The categories were:

- Providing accurate information
- Ease of doing business with
- Resolving problems
- Handling 1035 exchanges/transfers

- Marketing materials
- Returning phone calls
- Overall grade

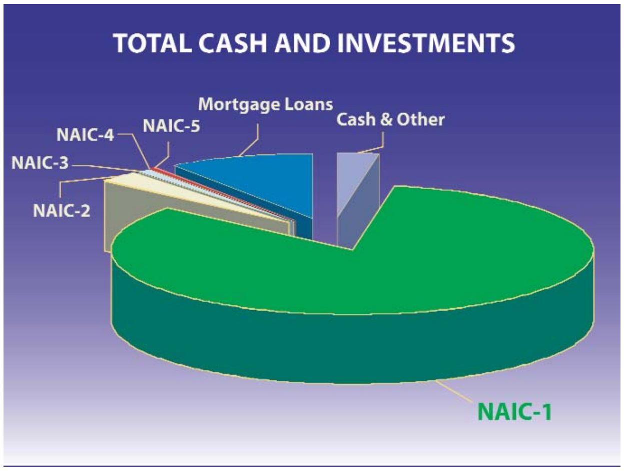
The Report Card provided us with tremendous validation for our employees and our producers. We played no role in commissioning the study, selecting the companies or choosing participating producers. But we love the results. And this level of service absolutely could not have been achieved without the tenacity of our people. They are the ones who make sure our agents are paid promptly; that we respond in a timely manner to requests and questions; and that we take care of our customers.

The American Equity Executive Team participated in the NYSE s ceremonial Closing Bell on January 13, 2004.

INVESTMENT OPERATIONS

Our business plan calls for us to manage our traditional fixed and indexed annuity portfolios (excluding multi-year guaranteed-interest products) to a target gross spread of 2.5 percent. During 2003, our cost of funds ranged from 3.05 percent to 7.0 percent for both new money and renewals on our policies that reprice and reset annually. These costs compared quite favorably with a weighted average investment yield on average invested assets of 6.43 percent.

Although the equity markets started rebounding in mid-2003, record low interest rates persisted. The cost of minimum guarantees on indexed and traditional fixed annuities must now be considered more than ever before in all rate-setting, and asset-liability and liability management activities. We continue to closely monitor the immediate impact of rates on new money, as well as the delayed impact of renewal rate changes on future policy anniversary dates. To ensure results, we have added actuarial and investment staff to analyze and manage product spread opportunities. Keeping true to our business plan, more than 98 percent of our fixed-maturity securities are investment grade. Approximately 73 percent of our total invested assets were in United States Government and agency fixed-maturity securities at December 31, 2003. Corporate securities represented only 7 percent of our total invested assets, and we have no significant concentrations in the total portfolio by type of security or industry.



FIXED-MATURITY SECURITIES

NAIC Designation	Rating Agency Equivalent	Percent
1	Aaa/Aa/A	95.3%
2	Baa	3.2%
3	Ba	0.9%
4	B	0.4%
5	Caa and lower	0.2%
6	In or near default	–

COMMERCIAL MORTGAGE OPERATION GROWS

With an eye on diversifying the investment portfolio, American Equity launched a commercial mortgage loan program in mid-2001. We entered this market only after identifying proven management talent in this area. As a result of continued consolidation in the insurance industry, the right mix of individuals became available. Staffed with a well-respected and experienced team with contacts throughout the nation, the mortgage operation now holds $608.7 million in loans, up from $334.3 million in 2002, an increase of 82 percent. In managing risk, we diversify the portfolio by property type, location and loan size. The weighted average yield is approximately 6.82 percent, and the average term was 11.5 years at year-end 2003.

We strategically target our program to the middle market—loans in the $1 million to $5 million range—and our average outstanding individual loan balance is approximately $2.83 million.

As in other aspects of our business, our relationships drive our success in commercial mortgage lending. We work with 23 correspondent lenders across the United States, and we've gained their loyalty by providing them a high level of service and prompt response.

A BRIGHT OUTLOOK

During the past three years, American Equity avoided the credit losses suffered by other insurers with an investment strategy based on investment-grade fixed-maturity securities. We possess two salient advantages over many of our peers: First, 99 percent of our annuity portfolio is in the surrender charge period, which protects the company from disintermediation risks should interest rates jump sharply. Second, we do not have large amounts of high-interest contracts on the books, squeezing our rates.

These advantages bode well as we look to the future. Clearly, the economy showed signs of revival by the end of 2003, even though interest rates remain at their lowest levels in more than 40 years. In this environment, American Equity is positioned to compete and perform. We lead the way in the development and marketing of index annuities. Our products reach out to a fast-growing market, and we have the production force to increase sales.

Ultimately, the successful execution of American Equity's business plan reflects three guiding themes—People, Service and Future. Our people working together get results. The service they provide distinguishes us from other companies because we don't just talk about it, we do it. And the future is our focus.

Whether you are a new investor in American Equity or an old friend, we thank you for joining us on the journey, and we look forward to working with you in the future.

Cordially,

David J. Noble
Chairman, President and CEO

ourLEADERSHIP

HOLDING COMPANY DIRECTORS

D. J. Noble, 72, Chairman of the Board, President and Treasurer. More than 50 years of experience in the insurance industry.

John C. Anderson, 40, Doctor of Chiropractic Medicine.

James M. Gerlach, 61, Executive Vice President. More than 40 years of financial and management experience.

Robert L. Hilton, 75, Insurance Consultant.

John M. Matovina, 49, Vice Chairman. More than 25 years of experience in the accounting and insurance industries.

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

David S. Mulcahy, 51, Private Investor and Chairman and Owner, Monarch Holdings, Inc. More than 30 years of experience in accounting and financial business.

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

Harley A. Whitfield, Sr., 73, Of Counsel, Whitfield & Eddy, P.L.C.

Kevin R. Wingert, 46, President of Life Company. More than 20 years of life insurance marketing experience.

LIFE COMPANY DIRECTORS

D. J. Noble, 72, Chairman of the Board and Chief Executive Officer. More than 50 years of experience in the insurance industry.

Jack W. Schroeder, 78, Vice Chairman. More than 50 years of experience in the insurance industry.

William J. Oddy, 59, Chief Executive Officer, Farm Bureau Life Insurance Company. More than 35 years of experience in the insurance industry.

James M. Gerlach, 61, Executive Vice President. More than 40 years of financial and management experience.

Debra J. Richardson, 47, Senior Vice President and Corporate Secretary. More than 25 years of experience in the insurance industry.

Terry A. Reimer, 58, Executive Vice President, Treasurer and Chief Operating Officer. More than 35 years of accounting and management experience.

David S. Mulcahy, 51, Private Investor and Chairman and Owner, Monarch Holdings, Inc. More than 30 years experience in accounting and finance.

Kevin R. Wingert, 46, President. More than 20 years of life insurance marketing experience.

Shareholder Information

To learn more about American Equity Investment Life Holding Company you can request news releases, annual reports, financial supplements and Forms 10-K and 10-Q by contacting:

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Web Site

American Equity's web site, www.american-equity.com, is continuously updated and includes news releases, conference calls, stock price information, quarterly reports, SEC filings, management presentations and more.

Corporate Headquarters

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Annual Meeting of Shareholders

Thursday, June 10, 2004
3:30 p.m. Central Time
American Equity Investment Life Holding
Company Headquarters

Stock Transfer and Registrar

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