
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 5, 2018

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**
(Exact Name of Registrant as Specified in its Charter)

Iowa
(State or Other Jurisdiction
of Incorporation)

001-31911
(Commission File Number)

42-1447959
(IRS Employer
Identification No.)

6000 Westown Parkway, West Des Moines, Iowa
(Address of Principal Executive Offices)

50266
(Zip Code)

(515) 221-0002
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

On November 5, 2018, the registrant issued a press release announcing its financial results for the quarter ended September 30, 2018, a copy of which is attached as Exhibit 99.1 and is incorporated herein by reference. The registrant's financial supplement for the quarter ended September 30, 2018, is attached as Exhibit 99.2 and is incorporated herein by reference.

The information, including exhibits attached hereto, furnished under this Item 2.02 shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as otherwise expressly stated in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The following exhibits are being furnished with this Form 8-K.

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 99.1 | Press release dated November 5, 2018, announcing American Equity Investment Life Holding Company's financial results for the quarter ended September 30, 2018. |
| 99.2 | American Equity Investment Life Holding Company's Financial Supplement for the quarter ended September 30, 2018. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 5, 2018

**AMERICAN EQUITY
INVESTMENT LIFE HOLDING COMPANY**

By: /s/ John M. Matovina

John M. Matovina

Chief Executive Officer and President



For more information, contact:

Steven D. Schwartz, Vice President-Investor Relations
(515) 273-3763, sschwartz@american-equity.com

FOR IMMEDIATE RELEASE

November 5, 2018

American Equity Reports Third Quarter 2018 Results

Company Highlights

- **Third quarter 2018 net income of \$169.3 million or \$1.85 per diluted common share**
- **Third quarter 2018 non-GAAP operating income¹ of \$171.1 million or \$1.87 per diluted common share**
- **Third quarter 2018 annuity sales of \$1.0 billion**
- **Policyholder funds under management of \$50.6 billion**
- **Third quarter 2018 investment spread of 2.67%**
- **Estimated risk-based capital ratio of 386% compared to 378% at December 31, 2017**

WEST DES MOINES, Iowa (November 5, 2018) - American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities (FIAs), today reported third quarter 2018 net income of \$169.3 million, or \$1.85 per diluted common share, compared to net income of \$57.0 million, or \$0.63 per diluted common share, for third quarter 2017.

Non-GAAP operating income¹ for the third quarter of 2018 was \$171.1 million, or \$1.87 per diluted common share, compared to non-GAAP operating income¹ of \$87.2 million, or \$0.96 per diluted common share, for third quarter 2017. On a trailing twelve-month basis, non-GAAP operating return on average equity excluding average AOCI¹ was 18.1% based upon reported results and 14.8% excluding the impact of assumption revisions. Third quarter 2018 net income and non-GAAP operating income¹ were positively affected by \$82.8 million (\$0.91 per diluted common share) and \$80.6 million (\$0.88 per diluted common share), respectively, for revisions to assumptions utilized in the determination of deferred policy acquisition costs, deferred sales inducements and the liability for future benefits to be paid for lifetime income benefit riders. Net income and non-GAAP operating income¹ for the third quarter of 2017 were positively affected by \$39.2 million (\$0.44 per diluted common share) and \$34.4 million (\$0.38 per diluted common share), respectively, for assumption revisions.

POLICYHOLDER FUNDS UNDER MANAGEMENT UP 1.4% ON \$1.0 BILLION OF SALES

Policyholder funds under management at September 30, 2018 were \$50.6 billion, a \$677 million or 1.4% increase from June 30, 2018. Third quarter sales were \$1.0 billion before coinsurance ceded and \$0.9 billion after coinsurance ceded. Gross sales and net sales for the quarter increased 14% and 12%, respectively, from third quarter 2017 sales. On a sequential basis, both gross and net sales decreased 13%.

Total sales by independent agents for American Equity Investment Life Insurance Company (American Equity Life) decreased 13% sequentially while total sales by broker-dealers and banks for Eagle Life Insurance Company (Eagle Life) decreased by \$28 million or 12% sequentially. Sales of FIAs were down 12% sequentially to \$1.0 billion driven by the decline in sales for American Equity Life. FIA sales for Eagle Life of \$164 million were down \$9 million or 5% sequentially.

Commenting on sales, John Matovina, Chairman and Chief Executive Officer, said: "We experienced a sequential decrease in FIA sales in American Equity Life's independent agent channel as competition remains intense. Reflecting the attractiveness of accumulation products in the current market environment, the Choice Series continues to be our best-selling product line at American Equity Life with 35% of sales in the third quarter. In the guaranteed lifetime income space, the IncomeShield Series has gained wide acceptance with our independent agents. IncomeShield was the second-best selling product line accounting for 26% of American Equity Life's sales in the third quarter."

Commenting on the market environment and the outlook for FIA sales, Matovina added: "The market in each of our distribution channels continues to be competitive with a number of competitors raising caps, participation rates and guaranteed lifetime income. Our higher new money investment yields allowed us to take several actions late in the third quarter and early in the fourth quarter to enhance our competitiveness. In September, we raised S&P 500 participation rates on our American Equity Choice and Eagle Select FIAs. In early October, we improved the competitive position of the IncomeShield and our other guaranteed income products by increasing payout factors. IncomeShield now ranks #1, 2, or 3 in what we believe to be the most important age/deferral combinations."

Matovina continued: "We further enhanced our competitive position in accumulation products with the introduction of the AssetShield Series on October 9th. While it is similar to the Choice Series, AssetShield is for pure accumulation and a lifetime income benefit rider is not available. AssetShield 10 has the same 54% annual participation rate on the S&P 500 as the Choice 10. Plus, it has an annual participation rate of 120% on an S&P 500 Dividend Aristocrats volatility controlled index strategy and a 175% participation on that same index strategy if the policyholder chooses a two year strategy term. Our participation rates compete favorably with the most popular accumulation products in the independent agent channel. AssetShield also features better liquidity options than offered with Choice.

Matovina went on to say: "In the bank and broker-dealer channels, we added one of the 15 largest banks based on assets as a distributor. We have begun to see new applications from its representatives, and expect this to be a key account for Eagle Life in 2019. We are also in the process of hiring three additional employee wholesalers which will bring our total to six."

INVESTMENT SPREAD HOLDS FIRM AS INVESTMENT YIELD INCREASES; OUTLOOK FOR INVESTMENT SPREAD CONTINUES TO IMPROVE

American Equity's investment spread was 2.67% for the third quarter of 2018 compared to 2.64% for the second quarter of 2018 and 2.70% for the third quarter of 2017. On a sequential basis, the average yield on invested assets increased by seven basis points while the cost of money rose four basis points.

Average yield on invested assets was 4.54% in the third quarter of 2018 compared to 4.47% in the second quarter of 2018. This increase was primarily attributable to portfolio realignment actions taken throughout the year. Non-trendable investment items of 11 basis points compared to 10 basis points from such items in the second quarter of 2018. The average yield on fixed income securities purchased and commercial mortgage loans funded in the third quarter of 2018 was 4.97% compared to 4.77% and 4.43% in the second and first quarters of 2018.

The aggregate cost of money for annuity liabilities of 1.87% in the third quarter of 2018 was up four basis points from 1.83% in the second quarter of 2018. The benefit from over hedging index linked interest obligations was seven basis points in the third quarter of 2018 compared to six basis points in the second quarter of 2018.

Commenting on investment spread, Matovina said: "The sequential increase in investment spread in the third quarter primarily reflected a two basis point increase in the benefit from non-trendable investment income items and over-hedging. Our investment spread remained under pressure in the third quarter of 2018 due to the escalation of option costs for certain index strategies in the last several quarters that is recognized in the cost of money ratably over the twelve month option period. To counteract this impact, we initiated renewal rate adjustments on certain in-force policies in October in addition to the renewal rate actions we undertook in March. We have flexibility to reduce our crediting rates and could decrease our cost of money by approximately 0.65% through further reductions in renewal rates to guaranteed minimums should the cost of money not return to acceptable levels."

Matovina went on to say: "Our investment spread should benefit from the higher yields we have been obtaining on investment securities purchases and commercial mortgage loan fundings, increases in yields on our floating rate investments and changes in renewal rates. We are also looking to improve our investment yield through the opportunistic replacement of lower yielding securities with higher yielding securities. In early October, we sold \$384 million in book value of securities with an average yield of 3.00%. Since we had declared our intent to sell these securities, we recognized other than temporary impairments of \$12 million in the third quarter. Including the October transactions, we have sold \$2 billion of book value of lower yielding securities this year and reinvested the proceeds into higher yielding securities. The prospect for higher investment yields is quite good, and we expect our portfolio yield, excluding non-trendable items, to increase in future quarters."

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 2018 earnings on Tuesday, November 6, 2018 at 9:00 a.m. CT. 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.

The call may also be accessed by telephone at 855-865-0606, passcode 2779888 (international callers, please dial 704-859-4382). An audio replay will be available shortly after the call on AEL's website. An audio replay will also be available via telephone through November 13, 2018 at 855-859-2056, passcode 2779888 (international callers will need to dial 404-537-3406).

ABOUT AMERICAN EQUITY

American Equity Investment Life Holding Company, through its wholly-owned operating subsidiaries, issues fixed annuity and life insurance products, with a primary emphasis on the sale of fixed index and fixed rate annuities. American Equity Investment Life Holding Company, a New York Stock Exchange Listed company (NYSE: AEL), is headquartered in West Des Moines, Iowa. For more information, please visit www.american-equity.com.

1 Use of non-GAAP financial measures is discussed in this release in the tables that follow the text of the release.

###

Consolidated Statements of Operations

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Premiums and other considerations | \$ 7,240 | \$ 8,569 | \$ 22,050 | \$ 25,691 |
| Annuity product charges | 58,365 | 51,931 | 164,094 | 144,106 |
| Net investment income | 549,391 | 500,202 | 1,593,457 | 1,479,288 |
| Change in fair value of derivatives | 595,311 | 362,525 | 276,433 | 1,015,878 |
| Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses | (2,196) | 1,579 | (40,275) | 7,790 |
| OTTI losses on investments: | | | | |
| Total OTTI losses | (14,373) | (273) | (16,025) | (273) |
| Portion of OTTI losses recognized in (from) other comprehensive income | — | (191) | (1,651) | (1,281) |
| Net OTTI losses recognized in operations | (14,373) | (464) | (17,676) | (1,554) |
| Loss on extinguishment of debt | — | (18,389) | — | (18,817) |
| Total revenues | 1,193,738 | 905,953 | 1,998,083 | 2,652,382 |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 10,721 | 10,823 | 32,091 | 32,684 |
| Interest sensitive and index product benefits | 413,089 | 501,028 | 1,355,135 | 1,392,763 |
| Amortization of deferred sales inducements | 55,244 | 14,707 | 233,779 | 110,727 |
| Change in fair value of embedded derivatives | 383,716 | 229,702 | (585,465) | 628,845 |
| Interest expense on notes and loan payable | 6,376 | 7,597 | 19,122 | 23,997 |
| Interest expense on subordinated debentures | 3,942 | 3,502 | 11,450 | 10,260 |
| Amortization of deferred policy acquisition costs | 81,053 | 23,023 | 336,741 | 162,248 |
| Other operating costs and expenses | 31,924 | 28,782 | 95,704 | 82,325 |
| Total benefits and expenses | 986,065 | 819,164 | 1,498,557 | 2,443,849 |
| Income before income taxes | 207,673 | 86,789 | 499,526 | 208,533 |
| Income tax expense | 38,345 | 29,832 | 95,333 | 70,691 |
| Net income | \$ 169,328 | \$ 56,957 | \$ 404,193 | \$ 137,842 |
| Earnings per common share | | | | |
| Earnings per common share | \$ 1.87 | \$ 0.64 | \$ 4.48 | \$ 1.55 |
| Earnings per common share - assuming dilution | \$ 1.85 | \$ 0.63 | \$ 4.42 | \$ 1.53 |
| Weighted average common shares outstanding (in thousands): | | | | |
| Earnings per common share | 90,486 | 89,069 | 90,278 | 88,873 |
| Earnings per common share - assuming dilution | 91,651 | 90,421 | 91,355 | 90,171 |

NON-GAAP FINANCIAL MEASURES

In addition to net income, the Company has consistently utilized non-GAAP operating income and non-GAAP operating income per common share - assuming dilution, non-GAAP financial measures commonly used in the life insurance industry, as economic measures to evaluate its financial performance. Non-GAAP operating income equals net income adjusted to eliminate the impact of items that fluctuate from quarter to quarter in a manner unrelated to core operations, and the Company believes measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income eliminate the impact of fair value accounting for the Company's fixed index annuity business. These adjustments are not economic in nature but rather impact the timing of reported results. The Company believes the combined presentation and evaluation of non-GAAP operating income together with net income provides information that may enhance an investor's understanding of its underlying results and profitability.

Reconciliation from Net Income to Non-GAAP Operating Income

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 169,328 | \$ 56,957 | \$ 404,193 | \$ 137,842 |
| Adjustments to arrive at non-GAAP operating income: (a) | | | | |
| Net realized investment (gains) losses, including OTTI | 10,278 | (916) | 35,925 | (4,417) |
| Change in fair value of derivatives and embedded derivatives - fixed index annuities | 545 | 47,835 | (108,367) | 116,383 |
| Change in fair value of derivatives - debt | (597) | (357) | (3,168) | (139) |
| Income taxes | (8,491) | (16,281) | 6,822 | (39,127) |
| Non-GAAP operating income | <u>\$ 171,063</u> | <u>\$ 87,238</u> | <u>\$ 335,405</u> | <u>\$ 210,542</u> |
| Per common share - assuming dilution: | | | | |
| Net income | \$ 1.85 | \$ 0.63 | \$ 4.42 | \$ 1.53 |
| Adjustments to arrive at non-GAAP operating income: | | | | |
| Net realized investment (gains) losses, including OTTI | 0.11 | (0.01) | 0.39 | (0.05) |
| Change in fair value of derivatives and embedded derivatives - fixed index annuities | 0.01 | 0.52 | (1.19) | 1.29 |
| Change in fair value of derivatives - debt | (0.01) | — | (0.03) | — |
| Income taxes | (0.09) | (0.18) | 0.08 | (0.44) |
| Non-GAAP operating income | <u>\$ 1.87</u> | <u>\$ 0.96</u> | <u>\$ 3.67</u> | <u>\$ 2.33</u> |

(a) Adjustments to net income to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) where applicable.

NON-GAAP FINANCIAL MEASURES

Average Stockholders' Equity and Return on Average Equity

Return on average equity measures how efficiently the Company generates profits from the resources provided by its net assets. Return on average equity is calculated by dividing net income and non-GAAP operating income for the trailing twelve months by average equity excluding average accumulated other comprehensive income ("AOCI"). The Company excludes AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments.

| | Twelve Months Ended | |
|--|---------------------|-----------|
| | September 30, 2018 | |
| Average Stockholders' Equity | | |
| Average equity including average AOCI | \$ | 2,625,982 |
| Average AOCI | | (364,890) |
| Average equity excluding average AOCI | \$ | 2,261,092 |
| | | |
| Net income | \$ | 440,996 |
| Non-GAAP operating income | | 409,913 |
| | | |
| Return on Average Equity Excluding Average AOCI | | |
| Net income | | 19.50% |
| Non-GAAP operating income | | 18.13% |

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

September 30, 2018

| | | |
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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - September 30, 2018
Unaudited (Dollars in thousands)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Assets | | |
| Investments: | | |
| Fixed maturity securities: | | |
| Available for sale, at fair value | \$ 45,822,017 | \$ 45,372,989 |
| Held for investment, at amortized cost | 77,213 | 77,041 |
| Mortgage loans on real estate | 2,892,155 | 2,665,531 |
| Derivative instruments | 1,290,387 | 1,568,380 |
| Other investments | 536,594 | 616,764 |
| Total investments | 50,618,366 | 50,300,705 |
| Cash and cash equivalents | 1,129,242 | 1,434,045 |
| Coinsurance deposits | 5,017,255 | 4,858,289 |
| Accrued investment income | 481,999 | 429,008 |
| Deferred policy acquisition costs | 3,318,733 | 2,714,523 |
| Deferred sales inducements | 2,384,161 | 2,001,892 |
| Deferred income taxes | 250,734 | 38,147 |
| Income taxes recoverable | 13,712 | — |
| Other assets | 234,796 | 254,127 |
| Total assets | <u>\$ 63,448,998</u> | <u>\$ 62,030,736</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Policy benefit reserves | \$ 57,992,164 | \$ 56,142,673 |
| Other policy funds and contract claims | 271,765 | 282,884 |
| Notes payable | 494,464 | 494,093 |
| Subordinated debentures | 242,875 | 242,565 |
| Amounts due under repurchase agreements | 116,399 | — |
| Income taxes payable | — | 34,285 |
| Other liabilities | 1,842,035 | 1,984,079 |
| Total liabilities | 60,959,702 | 59,180,579 |
| Stockholders' equity: | | |
| Common stock | 90,278 | 89,331 |
| Additional paid-in capital | 807,310 | 791,446 |
| Accumulated other comprehensive income | 70,288 | 724,599 |
| Retained earnings | 1,521,420 | 1,244,781 |
| Total stockholders' equity | 2,489,296 | 2,850,157 |
| Total liabilities and stockholders' equity | <u>\$ 63,448,998</u> | <u>\$ 62,030,736</u> |

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - September 30, 2018
Unaudited (Dollars in thousands, except per share data)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Premiums and other considerations | \$ 7,240 | \$ 8,569 | \$ 22,050 | \$ 25,691 |
| Annuity product charges | 58,365 | 51,931 | 164,094 | 144,106 |
| Net investment income | 549,391 | 500,202 | 1,593,457 | 1,479,288 |
| Change in fair value of derivatives | 595,311 | 362,525 | 276,433 | 1,015,878 |
| Net realized gains (losses) on investments, excluding other than temporary impairment ("OTTI") losses | (2,196) | 1,579 | (40,275) | 7,790 |
| OTTI losses on investments: | | | | |
| Total OTTI losses | (14,373) | (273) | (16,025) | (273) |
| Portion of OTTI losses recognized in (from) other comprehensive income | — | (191) | (1,651) | (1,281) |
| Net OTTI losses recognized in operations | (14,373) | (464) | (17,676) | (1,554) |
| Loss on extinguishment of debt | — | (18,389) | — | (18,817) |
| Total revenues | 1,193,738 | 905,953 | 1,998,083 | 2,652,382 |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 10,721 | 10,823 | 32,091 | 32,684 |
| Interest sensitive and index product benefits | 413,089 | 501,028 | 1,355,135 | 1,392,763 |
| Amortization of deferred sales inducements | 55,244 | 14,707 | 233,779 | 110,727 |
| Change in fair value of embedded derivatives | 383,716 | 229,702 | (585,465) | 628,845 |
| Interest expense on notes and loan payable | 6,376 | 7,597 | 19,122 | 23,997 |
| Interest expense on subordinated debentures | 3,942 | 3,502 | 11,450 | 10,260 |
| Amortization of deferred policy acquisition costs | 81,053 | 23,023 | 336,741 | 162,248 |
| Other operating costs and expenses | 31,924 | 28,782 | 95,704 | 82,325 |
| Total benefits and expenses | 986,065 | 819,164 | 1,498,557 | 2,443,849 |
| Income before income taxes | 207,673 | 86,789 | 499,526 | 208,533 |
| Income tax expense | 38,345 | 29,832 | 95,333 | 70,691 |
| Net income | \$ 169,328 | \$ 56,957 | \$ 404,193 | \$ 137,842 |
| Earnings per common share | | | | |
| Earnings per common share | \$ 1.87 | \$ 0.64 | \$ 4.48 | \$ 1.55 |
| Earnings per common share - assuming dilution | \$ 1.85 | \$ 0.63 | \$ 4.42 | \$ 1.53 |
| Weighted average common shares outstanding (in thousands): | | | | |
| Earnings per common share | 90,486 | 89,069 | 90,278 | 88,873 |
| Earnings per common share - assuming dilution | 91,651 | 90,421 | 91,355 | 90,171 |

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - September 30, 2018
Unaudited (Dollars in thousands, except per share data)

Quarterly Summary - Most Recent 5 Quarters

| | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|---|-------------------|------------------|-------------------|------------------|------------------|
| Revenues: | | | | | |
| Traditional life insurance premiums | \$ 807 | \$ 910 | \$ 972 | \$ 2,989 | \$ 2,832 |
| Life contingent immediate annuity considerations | 6,433 | 4,847 | 8,081 | 5,548 | 5,737 |
| Surrender charges | 17,132 | 16,520 | 16,282 | 13,573 | 13,521 |
| Lifetime income benefit rider fees | 41,233 | 38,486 | 34,441 | 42,815 | 38,410 |
| Net investment income | 549,391 | 533,282 | 510,784 | 512,709 | 500,202 |
| Change in fair value of derivatives | 595,311 | 132,205 | (451,083) | 661,993 | 362,525 |
| Net realized gains (losses) on investments, excluding OTTI | (2,196) | (38,381) | 302 | 2,719 | 1,579 |
| Net OTTI losses recognized in operations | (14,373) | (2,396) | (907) | (3,076) | (464) |
| Loss on extinguishment of debt (a) | — | — | — | — | (18,389) |
| Total revenues | 1,193,738 | 685,473 | 118,872 | 1,239,270 | 905,953 |
| Benefits and expenses: | | | | | |
| Traditional life insurance policy benefits and change in future policy benefits | 838 | 981 | 821 | 1,528 | 1,898 |
| Life contingent immediate annuity benefits and change in future policy benefits | 9,883 | 8,295 | 11,273 | 9,007 | 8,925 |
| Interest sensitive and index product benefits (b) | 413,089 | 427,951 | 514,095 | 630,905 | 501,028 |
| Amortization of deferred sales inducements (c) | 55,244 | 78,112 | 100,423 | 65,885 | 14,707 |
| Change in fair value of embedded derivatives | 383,716 | (101,949) | (867,232) | 290,890 | 229,702 |
| Interest expense on notes and loan payable | 6,376 | 6,374 | 6,372 | 6,371 | 7,597 |
| Interest expense on subordinated debentures | 3,942 | 3,878 | 3,630 | 3,864 | 3,502 |
| Amortization of deferred policy acquisition costs (c) | 81,053 | 115,049 | 140,639 | 93,716 | 23,023 |
| Other operating costs and expenses | 31,924 | 32,540 | 31,240 | 29,366 | 28,782 |
| Total benefits and expenses | 986,065 | 571,231 | (58,739) | 1,131,532 | 819,164 |
| Income before income taxes | 207,673 | 114,242 | 177,611 | 107,738 | 86,789 |
| Income tax expense (d)(e) | 38,345 | 20,339 | 36,649 | 70,935 | 29,832 |
| Net income (a)(b)(c)(d)(e) | \$ 169,328 | \$ 93,903 | \$ 140,962 | \$ 36,803 | \$ 56,957 |
| Earnings per common share | | | | | |
| Earnings per common share | \$ 1.87 | \$ 1.04 | \$ 1.57 | \$ 0.41 | \$ 0.64 |
| Earnings per common share - assuming dilution (a)(b)(c)(d)(e) | \$ 1.85 | \$ 1.03 | \$ 1.55 | \$ 0.41 | \$ 0.63 |
| Weighted average common shares outstanding (thousands): | | | | | |
| Earnings per common share | 90,486 | 90,327 | 90,017 | 89,308 | 89,069 |
| Earnings per common share - assuming dilution | 91,651 | 91,271 | 91,139 | 90,727 | 90,421 |

- (a) Q3 2017 includes a loss on the extinguishment of our 6.625% Notes due in 2021. The loss decreased net income and earnings per common share - assuming dilution by \$10.8 million and \$0.12 per share, respectively.
- (b) Q3 2018 includes a benefit from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact decreased interest sensitive and index product benefits by \$53.6 million and increased net income and earnings per common share - assuming dilution by \$42.0 million and \$0.46 per share, respectively.
Q3 2017 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index product benefits by \$21.6 million and decreased net income and earnings per common share - assuming dilution by \$13.9 million and \$0.15 per share, respectively.
- (c) Q3 2018 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$21.5 million and \$30.6 million, respectively, and increased net income and earnings per common share - assuming dilution by \$40.8 million and \$0.45 per share, respectively.
Q3 2017 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$34.3 million and \$48.2 million, respectively, and increased net income and earnings per common share - assuming dilution by \$53.1 million and \$0.59 per share, respectively.
- (d) Q3 2018 includes an income tax benefit from a worthless stock deduction related to a wholly-owned subsidiary which increased net income and earnings per common share - assuming dilution by \$7.4 million and \$0.08 per share, respectively.
- (e) Q4 2017 includes income tax expense related to the revaluation of our deferred tax assets and liabilities using the newly enacted federal tax rate resulting from the Tax Cuts and Jobs Act of 2017. The change in the federal income tax rate decreased net income and earnings per common share - assuming dilution by \$35.9 million and \$0.40 per share, respectively.

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In addition to net income, we have consistently utilized non-GAAP operating income and non-GAAP 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. Non-GAAP operating income equals net income adjusted to eliminate the impact of items that fluctuate from quarter to quarter in a manner unrelated to core operations, and we believe measures excluding their impact are useful in analyzing operating trends. The most significant adjustments to arrive at non-GAAP operating income eliminate the impact of fair value accounting for our fixed index annuity business. These adjustments are not economic in nature but rather impact the timing of reported results. We believe the combined presentation and evaluation of non-GAAP operating income together with net income provides information that may enhance an investor's understanding of our underlying results and profitability.

Reconciliation from Net Income to Non-GAAP Operating Income

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 169,328 | \$ 56,957 | \$ 404,193 | \$ 137,842 |
| Adjustments to arrive at non-GAAP operating income: (a) | | | | |
| Net realized investment (gains) losses, including OTTI | 10,278 | (916) | 35,925 | (4,417) |
| Change in fair value of derivatives and embedded derivatives - fixed index annuities | 545 | 47,835 | (108,367) | 116,383 |
| Change in fair value of derivatives - debt | (597) | (357) | (3,168) | (139) |
| Income taxes | (8,491) | (16,281) | 6,822 | (39,127) |
| Non-GAAP operating income | <u>\$ 171,063</u> | <u>\$ 87,238</u> | <u>\$ 335,405</u> | <u>\$ 210,542</u> |
| Per common share - assuming dilution: | | | | |
| Net income | \$ 1.85 | \$ 0.63 | \$ 4.42 | \$ 1.53 |
| Adjustments to arrive at non-GAAP operating income: | | | | |
| Net realized investment (gains) losses, including OTTI | 0.11 | (0.01) | 0.39 | (0.05) |
| Change in fair value of derivatives and embedded derivatives - fixed index annuities | 0.01 | 0.52 | (1.19) | 1.29 |
| Change in fair value of derivatives - debt | (0.01) | — | (0.03) | — |
| Income taxes | (0.09) | (0.18) | 0.08 | (0.44) |
| Non-GAAP operating income | <u>\$ 1.87</u> | <u>\$ 0.96</u> | <u>\$ 3.67</u> | <u>\$ 2.33</u> |

(a) Adjustments to net income to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) where applicable.

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Summary of Adjustments to Arrive at Non-GAAP Operating Income

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net realized investment gains and losses, including OTTI: | | | | |
| Net realized (gains) losses on investments, including OTTI | \$ 16,569 | \$ (1,115) | \$ 57,951 | \$ (6,236) |
| Amortization of DAC and DSI | (6,291) | 199 | (22,026) | 1,819 |
| Income taxes | (1,187) | 326 | (9,908) | 1,572 |
| | <u>\$ 9,091</u> | <u>\$ (590)</u> | <u>\$ 26,017</u> | <u>\$ (2,845)</u> |
| Change in fair value of derivatives and embedded derivatives: | | | | |
| Index annuities | \$ (24,367) | \$ 99,909 | \$ (254,647) | \$ 262,635 |
| Interest rate caps and swap | (597) | (357) | (3,168) | (139) |
| Amortization of DAC and DSI | 24,912 | (52,074) | 146,280 | (146,252) |
| Income taxes | 144 | (16,607) | 24,178 | (40,699) |
| | <u>\$ 92</u> | <u>\$ 30,871</u> | <u>\$ (87,357)</u> | <u>\$ 75,545</u> |
| Worthless stock deduction: | | | | |
| Income taxes | <u>\$ (7,448)</u> | <u>\$ —</u> | <u>\$ (7,448)</u> | <u>\$ —</u> |

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NON-GAAP FINANCIAL MEASURES

Quarterly Summary - Most Recent 5 Quarters

Reconciliation from Net Income to Non-GAAP Operating Income

| | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|--|-------------------|------------------|------------------|------------------|------------------|
| Net income (a) | \$ 169,328 | \$ 93,903 | \$ 140,962 | \$ 36,803 | \$ 56,957 |
| Adjustments to arrive at non-GAAP operating income: (b) | | | | | |
| Net realized investment (gains) losses, including OTTI | 10,278 | 25,624 | 23 | (676) | (916) |
| Change in fair value of derivatives and embedded derivatives - fixed index annuities | 545 | (30,094) | (78,818) | 5,463 | 47,835 |
| Change in fair value of derivatives - debt | (597) | (739) | (1,832) | (1,085) | (357) |
| Income taxes (a) | (8,491) | (2,046) | 17,359 | 34,003 | (16,281) |
| Non-GAAP operating income (c)(d)(e) | <u>\$ 171,063</u> | <u>\$ 86,648</u> | <u>\$ 77,694</u> | <u>\$ 74,508</u> | <u>\$ 87,238</u> |

Per common share - assuming dilution:

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Net income (a) | \$ 1.85 | \$ 1.03 | \$ 1.55 | \$ 0.41 | \$ 0.63 |
| Adjustments to arrive at non-GAAP operating income: (b) | | | | | |
| Net realized investment (gains) losses, including OTTI | 0.11 | 0.28 | — | (0.01) | (0.01) |
| Change in fair value of derivatives and embedded derivatives - fixed index annuities | 0.01 | (0.33) | (0.87) | 0.06 | 0.52 |
| Change in fair value of derivatives - debt | (0.01) | (0.01) | (0.02) | (0.01) | — |
| Income taxes (a) | (0.09) | (0.02) | 0.19 | 0.37 | (0.18) |
| Non-GAAP operating income (c)(d)(e) | <u>\$ 1.87</u> | <u>\$ 0.95</u> | <u>\$ 0.85</u> | <u>\$ 0.82</u> | <u>\$ 0.96</u> |

(a) Q4 2017 includes income tax expense related to the revaluation of our deferred tax assets and liabilities using the newly enacted federal tax rate resulting from the Tax Cuts and Jobs Act of 2017 ("Tax Reform"). The change in the federal income tax rate decreased net income and earnings per common share - assuming dilution by \$35.9 million and \$0.40 per share, respectively. The impact of Tax Reform has been excluded from non-GAAP operating income.

(b) Adjustments to net income to arrive at non-GAAP operating income are presented net of related adjustments to amortization of deferred sales inducements and deferred policy acquisition costs where applicable.

(c) Q3 2018 includes a benefit from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact decreased interest sensitive and index product benefits by \$53.6 million and increased non-GAAP operating income and non-GAAP operating income per common share - assuming dilution by \$42.0 million and \$0.46 per share, respectively.

Q3 2017 includes expense from the revision of assumptions used in determining reserves held for lifetime income benefit riders. The impact increased interest sensitive and index product benefits by \$21.6 million and decreased non-GAAP operating income and non-GAAP operating income per common share - assuming dilution by \$13.9 million and \$0.15 per share, respectively.

(d) Q3 2018 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$20.5 million and \$28.7 million, respectively, and increased non-GAAP operating income and non-GAAP operating income per common share- assuming dilution by \$38.5 million and \$0.42 per share, respectively.

Q3 2017 includes a benefit from unlocking which reduced amortization of deferred sales inducements and deferred policy acquisition costs by \$31.3 million and \$43.7 million, respectively, and increased non-GAAP operating income and non-GAAP operating income per common share- assuming dilution by \$48.3 million and \$0.53 per share, respectively.

(e) Q3 2017 includes a loss on the extinguishment of our 6.625% Notes due in 2021. The loss decreased non-GAAP operating income and non-GAAP operating income per common share - assuming dilution by \$10.8 million and \$0.12 per share, respectively.

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NON-GAAP FINANCIAL MEASURES

Summary of Adjustments to Arrive at Non-GAAP Operating Income

| | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|--|-----------------|-------------------|--------------------|------------------|------------------|
| Net realized (gains) losses on investments | \$ 2,196 | \$ 38,381 | \$ (302) | \$ (2,719) | \$ (1,579) |
| Net OTTI losses recognized in operations | 14,373 | 2,396 | 907 | 3,076 | 464 |
| Change in fair value of derivatives | (408,680) | 28,741 | 707,589 | (283,801) | (130,150) |
| Increase (decrease) in total revenues | (392,111) | 69,518 | 708,194 | (283,444) | (131,265) |
| | | | | | |
| Amortization of deferred sales inducements | (7,219) | (9,888) | (33,212) | 1,499 | 22,442 |
| Change in fair value of embedded derivatives | (383,716) | 101,949 | 867,232 | (290,890) | (229,702) |
| Amortization of deferred policy acquisition costs | (11,402) | (17,334) | (45,199) | 2,245 | 29,433 |
| Increase (decrease) in total benefits and expenses | (402,337) | 74,727 | 788,821 | (287,146) | (177,827) |
| Increase (decrease) in income before income taxes | 10,226 | (5,209) | (80,627) | 3,702 | 46,562 |
| Increase (decrease) in income tax expense | 8,491 | 2,046 | (17,359) | (34,003) | 16,281 |
| Increase (decrease) in net income | <u>\$ 1,735</u> | <u>\$ (7,255)</u> | <u>\$ (63,268)</u> | <u>\$ 37,705</u> | <u>\$ 30,281</u> |

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Capitalization/Book Value per Share

| | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Capitalization: | | | | | |
| Notes and loan payable | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Subordinated debentures payable to subsidiary trusts | 247,096 | 247,032 | 246,969 | 246,908 | 246,847 |
| Total debt | 747,096 | 747,032 | 746,969 | 746,908 | 746,847 |
| Total stockholders' equity | 2,489,296 | 2,426,825 | 2,546,990 | 2,850,157 | 2,762,667 |
| Total capitalization | 3,236,392 | 3,173,857 | 3,293,959 | 3,597,065 | 3,509,514 |
| Accumulated other comprehensive income (AOCI) | (70,288) | (180,406) | (399,982) | (724,599) | (659,491) |
| Total capitalization excluding AOCI (a) | <u>\$ 3,166,104</u> | <u>\$ 2,993,451</u> | <u>\$ 2,893,977</u> | <u>\$ 2,872,466</u> | <u>\$ 2,850,023</u> |
| | | | | | |
| Total stockholders' equity | \$ 2,489,296 | \$ 2,426,825 | \$ 2,546,990 | \$ 2,850,157 | \$ 2,762,667 |
| Accumulated other comprehensive income | (70,288) | (180,406) | (399,982) | (724,599) | (659,491) |
| Total stockholders' equity excluding AOCI (a) | <u>\$ 2,419,008</u> | <u>\$ 2,246,419</u> | <u>\$ 2,147,008</u> | <u>\$ 2,125,558</u> | <u>\$ 2,103,176</u> |
| | | | | | |
| Common shares outstanding | 90,277,626 | 90,233,346 | 89,983,823 | 89,331,087 | 88,948,986 |
| | | | | | |
| Book Value per Share: (b) | | | | | |
| Book value per share including AOCI | \$ 27.57 | \$ 26.89 | \$ 28.30 | \$ 31.91 | \$ 31.06 |
| Book value per share excluding AOCI (a) | \$ 26.80 | \$ 24.90 | \$ 23.86 | \$ 23.79 | \$ 23.64 |
| | | | | | |
| Debt-to-Capital Ratios: (c) | | | | | |
| Senior debt / Total capitalization | 15.8% | 16.7% | 17.3% | 17.4% | 17.5% |
| Adjusted debt / Total capitalization | 15.8% | 16.7% | 17.3% | 17.4% | 17.5% |

(a) Total capitalization, total stockholders' equity and book value per share excluding AOCI, non-GAAP financial measures, are based on stockholders' equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments, we believe these non-GAAP financial measures provide useful supplemental information.

(b) Book value per share including and excluding AOCI is calculated as total stockholders' equity and total stockholders' equity excluding AOCI divided by the total number of shares of common stock outstanding.

(c) Debt-to-capital ratios are computed using total capitalization excluding AOCI. Adjusted debt includes notes and loan payable and the portion of the total subordinated debentures payable to subsidiary trusts outstanding (qualifying trust preferred securities) that exceeds 15% of total capitalization excluding AOCI.

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Spread Results

| Nine Months Ended September 30, | | | | | | | |
|------------------------------------|--------------|---|--------------|--------------|--------------|--------------|--------------|
| 2018 | 2017 | | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
| 4.46% | 4.45% | Average yield on invested assets | 4.54% | 4.47% | 4.36% | 4.47% | 4.43% |
| 1.84% | 1.75% | Aggregate cost of money | 1.87% | 1.83% | 1.82% | 1.72% | 1.73% |
| 2.62% | 2.70% | Aggregate investment spread | 2.67% | 2.64% | 2.54% | 2.75% | 2.70% |
| Impact of: | | | | | | | |
| 0.08% | 0.06% | Investment yield - additional prepayment income | 0.11% | 0.07% | 0.03% | 0.11% | 0.05% |
| 0.05% | 0.06% | Cost of money effect of over hedging | 0.07% | 0.06% | 0.02% | 0.08% | 0.06% |
| | | | | | | | |
| \$47,720,190 | \$44,386,981 | Weighted average investments | \$48,466,817 | \$47,795,388 | \$46,898,365 | \$46,031,966 | \$45,228,136 |

Weighted average investments include fixed maturity securities at amortized cost and equity securities at cost. The numerator for average yield on invested assets includes net investment income and the tax effect of investment income that is exempt from income taxes.

Summary of Cost of Money for Deferred Annuities

| Nine Months Ended September 30, | | | | | | | |
|--|-------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2018 | 2017 | | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
| Included in interest sensitive and index product benefits: | | | | | | | |
| \$ 1,127,556 | \$ 1,068,522 | Index credits | \$ 369,011 | \$ 334,605 | \$ 423,940 | \$ 526,200 | \$ 375,019 |
| 160,607 | 190,833 | Interest credited | 52,618 | 52,922 | 55,067 | 59,065 | 62,725 |
| Included in change in fair value of derivatives: | | | | | | | |
| (1,145,322) | (1,088,018) | Proceeds received at option expiration | (378,149) | (341,616) | (425,557) | (535,328) | (382,949) |
| 540,559 | 437,208 | Pro rata amortization of option cost | 191,362 | 180,465 | 168,732 | 156,782 | 150,163 |
| <u>\$ 683,400</u> | <u>\$ 608,545</u> | Cost of money for deferred annuities | <u>\$ 234,842</u> | <u>\$ 226,376</u> | <u>\$ 222,182</u> | <u>\$ 206,719</u> | <u>\$ 204,958</u> |
| | | | | | | | |
| \$ 49,530,043 | \$ 46,457,851 | Weighted average liability balance outstanding | \$ 50,273,893 | \$ 49,541,746 | \$ 48,774,490 | \$ 48,014,427 | \$ 47,281,417 |

Annuity Account Balance Rollforward

| Nine Months Ended September 30, | | | | | | | |
|------------------------------------|----------------------|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2018 | 2017 | | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
| \$ 48,400,755 | \$ 45,204,015 | Account balances at beginning of period | \$ 49,935,266 | \$ 49,148,224 | \$ 48,400,755 | \$ 47,628,099 | \$ 46,934,736 |
| 2,927,071 | 2,890,032 | Net deposits | 929,480 | 1,066,857 | 930,734 | 874,952 | 826,885 |
| 135,015 | 175,074 | Premium bonuses | 41,878 | 49,467 | 43,670 | 41,098 | 46,982 |
| 1,288,163 | 1,259,355 | Fixed interest credited and index credits | 421,629 | 387,527 | 479,007 | 585,265 | 437,744 |
| (49,934) | (41,051) | Surrender charges | (17,132) | (16,520) | (16,282) | (13,573) | (13,521) |
| (114,160) | (103,055) | Lifetime income benefit rider fees | (41,233) | (38,486) | (34,441) | (42,815) | (38,410) |
| (1,974,391) | (1,756,271) | Surrenders, withdrawals, deaths, etc. | (657,369) | (661,803) | (655,219) | (672,271) | (566,317) |
| <u>\$ 50,612,519</u> | <u>\$ 47,628,099</u> | Account balances at end of period | <u>\$ 50,612,519</u> | <u>\$ 49,935,266</u> | <u>\$ 49,148,224</u> | <u>\$ 48,400,755</u> | <u>\$ 47,628,099</u> |

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Annuity Deposits by Product Type

| Nine Months Ended September 30, | | | | | | | | |
|------------------------------------|--------------|------------------------------------|------------|--------------|------------|------------|------------|--|
| 2018 | 2017 | | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | |
| American Equity: | | | | | | | | |
| \$ 2,616,784 | \$ 2,632,984 | Fixed index annuities | \$ 830,759 | \$ 952,675 | \$ 833,350 | \$ 757,160 | \$ 738,257 | |
| 40,062 | 55,855 | Annual reset fixed rate annuities | 8,390 | 15,455 | 16,217 | 18,974 | 20,142 | |
| 3,249 | 19,651 | Multi-year fixed rate annuities | 360 | 888 | 2,001 | 3,773 | 5,717 | |
| 20,920 | 17,037 | Single premium immediate annuities | 4,977 | 5,313 | 10,630 | 7,909 | 6,505 | |
| 2,681,015 | 2,725,527 | | 844,486 | 974,331 | 862,198 | 787,816 | 770,621 | |
| Eagle Life: | | | | | | | | |
| 497,554 | 388,807 | Fixed index annuities | 163,871 | 173,119 | 160,564 | 187,888 | 133,503 | |
| 1,071 | — | Annual reset fixed rate annuities | 450 | 348 | 273 | — | — | |
| 96,294 | 54,219 | Multi-year fixed rate annuities | 34,851 | 53,419 | 8,024 | 32,953 | 10,717 | |
| 594,919 | 443,026 | | 199,172 | 226,886 | 168,861 | 220,841 | 144,220 | |
| Consolidated: | | | | | | | | |
| 3,114,338 | 3,021,791 | Fixed index annuities | 994,630 | 1,125,794 | 993,914 | 945,048 | 871,760 | |
| 41,133 | 55,855 | Annual reset fixed rate annuities | 8,840 | 15,803 | 16,490 | 18,974 | 20,142 | |
| 99,543 | 73,870 | Multi-year fixed rate annuities | 35,211 | 54,307 | 10,025 | 36,726 | 16,434 | |
| 20,920 | 17,037 | Single premium immediate annuities | 4,977 | 5,313 | 10,630 | 7,909 | 6,505 | |
| 3,275,934 | 3,168,553 | Total before coinsurance ceded | 1,043,658 | 1,201,217 | 1,031,059 | 1,008,657 | 914,841 | |
| 327,943 | 261,484 | Coinsurance ceded | 109,201 | 129,047 | 89,695 | 125,796 | 81,451 | |
| \$ 2,947,991 | \$ 2,907,069 | Net after coinsurance ceded | \$ 934,457 | \$ 1,072,170 | \$ 941,364 | \$ 882,861 | \$ 833,390 | |

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at September 30, 2018:

| Product Type | Surrender Charge | | | Net Account Value | |
|-----------------------------------|---------------------------|----------------------------|------------------------|-------------------------|--------|
| | Avg. Years At Issue | Avg. Years Remaining | Avg. % Remaining | Dollars in Thousands | % |
| Fixed Index Annuities | 13.4 | 7.8 | 12.6% | \$ 48,490,245 | 95.8% |
| Annual Reset Fixed Rate Annuities | 10.0 | 3.9 | 6.9% | 1,491,269 | 2.9% |
| Multi-Year Fixed Rate Annuities | 6.2 | 2.0 | 4.6% | 631,005 | 1.3% |
| Total | 13.2 | 7.6 | 12.3% | \$ 50,612,519 | 100.0% |

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Annuity Liability Characteristics

| <u>Surrender Charge Percentages:</u> | Fixed Annuities Account Value | Fixed Index Annuities Account Value |
|---|--|--|
| No surrender charge | \$ 832,232 | \$ 2,469,659 |
| 0.0% < 2.0% | 29,664 | 171,994 |
| 2.0% < 3.0% | 11,370 | 245,336 |
| 3.0% < 4.0% | 19,453 | 164,670 |
| 4.0% < 5.0% | 23,303 | 622,584 |
| 5.0% < 6.0% | 58,566 | 790,108 |
| 6.0% < 7.0% | 87,390 | 1,172,890 |
| 7.0% < 8.0% | 308,662 | 2,604,862 |
| 8.0% < 9.0% | 92,143 | 3,131,476 |
| 9.0% < 10.0% | 45,591 | 3,116,656 |
| 10.0% or greater | 613,900 | 34,000,010 |
| | <u>\$ 2,122,274</u> | <u>\$ 48,490,245</u> |

| <u>Surrender Charge Expiration By Year:</u> | Fixed and Fixed Index Annuities Account Value | Weighted Average Surrender Charge |
|--|--|--|
| Out of Surrender Charge | \$ 3,301,891 | 0.00% |
| 2018 | 151,402 | 2.68% |
| 2019 | 483,778 | 2.78% |
| 2020 | 825,149 | 4.68% |
| 2021 | 1,321,631 | 6.43% |
| 2022 | 1,914,692 | 7.68% |
| 2023 | 4,708,963 | 9.04% |
| 2024 | 5,300,468 | 10.79% |
| 2025 | 6,056,362 | 11.32% |
| 2026 | 5,252,501 | 12.57% |
| 2027 | 4,385,201 | 14.10% |
| 2028 | 3,999,699 | 14.87% |
| 2029 | 2,953,157 | 17.55% |
| 2030 | 2,722,450 | 18.24% |
| 2031 | 3,306,680 | 18.64% |
| 2032 | 2,184,882 | 19.10% |
| 2033 | 1,159,510 | 19.57% |
| 2034 | 584,103 | 19.96% |
| | <u>\$ 50,612,519</u> | 12.31% |

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Annuity Liability Characteristics

| <u>Credited Rate vs. Ultimate Minimum Guaranteed Rate Differential:</u> | Fixed Annuities Account Value | Fixed Index Annuities Account Value |
|--|--|--|
| No differential | \$ 1,023,034 | \$ 1,407,470 |
| > 0.0% - 0.25% | 56,792 | 226,398 |
| > 0.25% - 0.5% | 246,020 | 3,849 |
| > 0.5% - 1.0% | 62,387 | 17,542 |
| > 1.0% - 1.5% | 11,396 | — |
| 1.00% ultimate guarantee - 2.43% wtd avg interest rate (a) | 479,459 | 535,761 |
| 1.50% ultimate guarantee - 1.25% wtd avg interest rate (a) | 154,614 | 3,754,930 |
| 2.00% ultimate guarantee - 1.86% wtd avg interest rate (a) | 88,572 | — |
| 2.25% ultimate guarantee - 1.95% wtd avg interest rate (a) | — | 925,394 |
| 3.00% ultimate guarantee - 2.15% wtd avg interest rate (a) | — | 1,753,350 |
| Allocated to index strategies (see tables that follow) | — | 39,865,551 |
| | <u>\$ 2,122,274</u> | <u>\$ 48,490,245</u> |

(a) The minimum guaranteed interest rate for the fixed rate or the fixed rate strategy is 1.00%. The ultimate guaranteed rate is applied on less than 100% of the premium.

If all crediting rates were reduced to minimum guaranteed rates (subject to limitations imposed by ultimate minimum guaranteed rates where applicable) the weighted average crediting rate as of September 30, 2018 for fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.17%.

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Annuity Liability Characteristics

FIXED INDEX ANNUITIES ACCOUNT VALUE - INDEX STRATEGIES

Annual Monthly Average and Point-to-Point with Caps

| | Minimum Guaranteed Cap | | | | |
|--------------------|------------------------|-----------|--------------|-----------|------------|
| | 1% | 3% | 4% | 7% | 8% + |
| Current Cap | | | | | |
| At minimum | \$ 1,747 | \$ 91,932 | \$ 2,579,255 | \$ 80,081 | \$ 190,190 |
| 1.75% - 3% | 6,551,080 | — | — | — | — |
| 3% - 4% | 964,918 | 13,068 | — | — | — |
| 4% - 5% | 489,055 | 192,638 | 4,092,427 | — | — |
| 5% - 6% | 487,429 | 153,541 | 40,227 | — | — |
| 6% - 7% | — | — | 120 | — | — |
| >= 7% | 3,751 | 7,047 | 797 | 7,930 | 598 |

Annual Monthly Average and Point-to-Point with Participation Rates

| | Minimum Guaranteed Participation Rate | | | |
|-----------------------------------|---------------------------------------|------------|------------|------------|
| | 10% | 20% - 25% | 35% | 50% + |
| Current Participation Rate | | | | |
| At minimum | \$ 616 | \$ 405,675 | \$ 121,927 | \$ 138,637 |
| < 20% | 597,031 | — | — | — |
| 20% - 40% | 921,667 | 179,396 | — | — |
| 40% - 60% | 1,637,513 | 108,531 | 69,040 | — |
| >= 60% | 67,906 | — | — | — |

S&P 500 Monthly Point-to-Point - Minimum Guaranteed Monthly Cap = 1.0%

| | |
|--------------------|--------------|
| Current Cap | |
| At minimum | \$ 1,007,088 |
| 1.10% - 1.30% | 6,279,172 |
| 1.40% - 1.60% | 4,183,439 |
| 1.70% - 2.00% | 2,628,695 |
| >= 2.10% | 1,819 |

Volatility Control Index

| | |
|--------------------------|-----------|
| Current Asset Fee | |
| At Maximum | \$ — |
| 0.75% - 1.75% | 374,868 |
| 2.25% - 2.75% | 1,063,791 |
| 3.00% - 4.00% | 3,429,726 |

If all caps and participation rates were reduced to minimum caps and participation rates and current asset fees were increased to their maximums, the cost of options would decrease by 0.78% based upon prices of options for the week ended October 16, 2018.

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Summary of Invested Assets

| | September 30, 2018 | | December 31, 2017 | |
|--|----------------------|---------------|----------------------|---------------|
| | Carrying Amount | Percent | Carrying Amount | Percent |
| Fixed maturity securities: | | | | |
| United States Government full faith and credit | \$ 10,962 | —% | \$ 11,876 | —% |
| United States Government sponsored agencies | 1,224,587 | 2.4% | 1,305,017 | 2.6% |
| United States municipalities, states and territories | 4,142,257 | 8.2% | 4,166,812 | 8.3% |
| Foreign government obligations | 226,500 | 0.5% | 239,360 | 0.5% |
| Corporate securities | 28,556,816 | 56.4% | 29,956,012 | 59.6% |
| Residential mortgage backed securities | 1,181,682 | 2.3% | 1,105,567 | 2.2% |
| Commercial mortgage backed securities | 5,337,368 | 10.5% | 5,544,850 | 11.0% |
| Other asset backed securities | 5,219,058 | 10.3% | 3,120,536 | 6.2% |
| Total fixed maturity securities | 45,899,230 | 90.6% | 45,450,030 | 90.4% |
| Mortgage loans on real estate | 2,892,155 | 5.7% | 2,665,531 | 5.3% |
| Derivative instruments | 1,290,387 | 2.6% | 1,568,380 | 3.1% |
| Other investments | 536,594 | 1.1% | 616,764 | 1.2% |
| | <u>\$ 50,618,366</u> | <u>100.0%</u> | <u>\$ 50,300,705</u> | <u>100.0%</u> |

Credit Quality of Fixed Maturity Securities - September 30, 2018

| NAIC Designation | Carrying Amount | Percent | Rating Agency Rating | Carrying Amount | Percent |
|------------------|----------------------|---------------|----------------------|----------------------|---------------|
| 1 | \$ 27,478,961 | 59.9% | Aaa/Aa/A | \$ 27,405,387 | 59.7% |
| 2 | 16,868,800 | 36.8% | Baa | 16,773,927 | 36.6% |
| 3 | 1,371,247 | 3.0% | Ba | 1,293,678 | 2.8% |
| 4 | 156,449 | 0.3% | B | 152,999 | 0.3% |
| 5 | 16,898 | —% | Caa | 148,582 | 0.3% |
| 6 | 6,875 | —% | Ca and lower | 124,657 | 0.3% |
| | <u>\$ 45,899,230</u> | <u>100.0%</u> | | <u>\$ 45,899,230</u> | <u>100.0%</u> |

Watch List Securities - September 30, 2018

| General Description | Amortized Cost | Unrealized Gains (Losses) | Fair Value | Months Below Amortized Cost |
|--------------------------------|------------------|---------------------------|------------------|-----------------------------|
| Below investment grade | | | | |
| Corporate securities: | | | | |
| Consumer discretionary | \$ 25,962 | \$ (5,287) | \$ 20,675 | 10 - 44 |
| Energy | 29,051 | (4,642) | 24,409 | 8 - 49 |
| Industrials | 2,766 | (479) | 2,287 | 47 |
| Materials | 3,990 | 823 | 4,813 | — |
| Other asset backed securities: | | | | |
| Financials | 3,838 | (1,783) | 2,055 | 64 - 90 |
| | <u>\$ 65,607</u> | <u>\$ (11,368)</u> | <u>\$ 54,239</u> | |

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Fixed Maturity Securities by Sector

| | September 30, 2018 | | December 31, 2017 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Available for sale: | | | | |
| United States Government full faith and credit and sponsored agencies | \$ 1,319,886 | \$ 1,235,549 | \$ 1,320,151 | \$ 1,316,893 |
| United States municipalities, states and territories | 3,949,293 | 4,142,257 | 3,804,360 | 4,166,812 |
| Foreign government obligations | 226,931 | 226,500 | 228,214 | 239,360 |
| Corporate securities: | | | | |
| Capital goods | 2,454,657 | 2,457,541 | 2,405,102 | 2,570,734 |
| Consumer discretionary | 5,736,614 | 5,716,133 | 5,889,227 | 6,232,728 |
| Energy | 2,617,622 | 2,610,019 | 2,554,199 | 2,666,172 |
| Financials | 6,019,984 | 6,038,048 | 6,004,618 | 6,369,575 |
| Industrials | 327,301 | 319,288 | 283,915 | 291,174 |
| Information technology | 1,809,891 | 1,822,730 | 1,829,396 | 1,932,131 |
| Materials | 1,741,922 | 1,747,918 | 1,801,312 | 1,901,090 |
| Other | 991,446 | 994,919 | 989,641 | 1,052,676 |
| Telecommunications | 1,501,847 | 1,500,789 | 1,461,536 | 1,539,840 |
| Transportation | 1,369,071 | 1,363,654 | 1,152,637 | 1,218,964 |
| Utilities | 3,835,827 | 3,908,564 | 3,756,070 | 4,103,887 |
| Residential mortgage backed securities: | | | | |
| Government agency | 611,933 | 628,584 | 628,320 | 668,641 |
| Prime | 403,931 | 415,976 | 269,407 | 282,360 |
| Alt-A | 113,312 | 137,122 | 130,757 | 154,566 |
| Commercial mortgage backed securities: | | | | |
| Government agency | 444,415 | 426,839 | 554,514 | 564,400 |
| Non-agency | 4,989,629 | 4,910,529 | 4,977,408 | 4,980,450 |
| Other asset backed securities: | | | | |
| Auto | 268,464 | 268,340 | 298,142 | 299,688 |
| Financials | 9,810 | 10,488 | 11,371 | 12,382 |
| Industrials | 219,747 | 220,297 | 243,859 | 251,321 |
| Collateralized loan obligations | 4,176,067 | 4,154,215 | 1,965,349 | 1,973,877 |
| Military housing | 434,299 | 452,592 | 433,840 | 461,452 |
| Other | 114,443 | 113,126 | 123,414 | 121,816 |
| | <u>\$ 45,688,342</u> | <u>\$ 45,822,017</u> | <u>\$ 43,116,759</u> | <u>\$ 45,372,989</u> |
| Held for investment: | | | | |
| Corporate security - financials | \$ 77,213 | \$ 71,113 | \$ 77,041 | \$ 76,460 |

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Mortgage Loans on Commercial Real Estate

| | September 30, 2018 | | December 31, 2017 | |
|--------------------------------|---------------------|---------------|---------------------|---------------|
| | Principal | Percent | Principal | Percent |
| Geographic distribution | | | | |
| East | \$ 598,239 | 20.6% | \$ 548,067 | 20.5% |
| Middle Atlantic | 170,836 | 5.9% | 163,485 | 6.1% |
| Mountain | 348,233 | 12.0% | 308,486 | 11.5% |
| New England | 9,482 | 0.3% | 12,265 | 0.5% |
| Pacific | 494,791 | 17.1% | 466,030 | 17.4% |
| South Atlantic | 667,043 | 23.0% | 609,736 | 22.8% |
| West North Central | 309,332 | 10.7% | 324,808 | 12.2% |
| West South Central | 302,502 | 10.4% | 241,438 | 9.0% |
| | <u>\$ 2,900,458</u> | <u>100.0%</u> | <u>\$ 2,674,315</u> | <u>100.0%</u> |

| | | | | |
|-----------------------------------|---------------------|---------------|---------------------|---------------|
| Property type distribution | | | | |
| Office | \$ 267,017 | 9.2% | \$ 283,926 | 10.6% |
| Medical office | 33,950 | 1.2% | 34,338 | 1.3% |
| Retail | 1,076,573 | 37.1% | 1,040,028 | 38.9% |
| Industrial/Warehouse | 743,787 | 25.7% | 677,770 | 25.3% |
| Apartment | 604,120 | 20.8% | 462,897 | 17.3% |
| Mixed use/other | 175,011 | 6.0% | 175,356 | 6.6% |
| | <u>\$ 2,900,458</u> | <u>100.0%</u> | <u>\$ 2,674,315</u> | <u>100.0%</u> |

| | September 30, 2018 | December 31, 2017 |
|--|---------------------|---------------------|
| Credit exposure - by payment activity | | |
| Performing | \$ 2,898,538 | \$ 2,670,657 |
| In workout | — | 1,436 |
| Delinquent | — | — |
| Collateral dependent | 1,920 | 2,222 |
| | <u>2,900,458</u> | <u>2,674,315</u> |
| Specific loan loss allowance | (1,484) | (1,418) |
| General loan loss allowance | (5,630) | (6,100) |
| Deferred prepayment fees | (1,189) | (1,266) |
| | <u>\$ 2,892,155</u> | <u>\$ 2,665,531</u> |

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Shareholder Information

Corporate Offices:

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 6000 Westown Parkway
 West Des Moines, IA 50266

Inquiries:

Steven Schwartz, Vice President-Investor Relations
 (515) 273-3763, sschwartz@american-equity.com

Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

| | <u>High</u> | <u>Low</u> | <u>Close</u> | <u>Dividend Declared</u> |
|----------------|-------------|------------|--------------|--------------------------|
| 2018 | | | | |
| First Quarter | \$35.79 | \$28.90 | \$29.36 | \$0.00 |
| Second Quarter | \$37.16 | \$27.06 | \$36.00 | \$0.00 |
| Third Quarter | \$38.57 | \$34.51 | \$35.36 | \$0.00 |
| | | | | |
| 2017 | | | | |
| First Quarter | \$28.00 | \$21.66 | \$23.63 | \$0.00 |
| Second Quarter | \$26.65 | \$22.23 | \$26.28 | \$0.00 |
| Third Quarter | \$29.43 | \$25.43 | \$29.08 | \$0.00 |
| Fourth Quarter | \$32.54 | \$28.06 | \$30.73 | \$0.26 |
| | | | | |
| 2016 | | | | |
| First Quarter | \$23.65 | \$12.65 | \$16.80 | \$0.00 |
| Second Quarter | \$16.96 | \$12.77 | \$14.25 | \$0.00 |
| Third Quarter | \$18.32 | \$13.07 | \$17.73 | \$0.00 |
| Fourth Quarter | \$23.41 | \$15.39 | \$22.54 | \$0.24 |

Transfer Agent:

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 P.O. Box 43010
 Providence, RI 02940-0310
 Phone: (877) 282-1169
 Fax: (781) 575-2723
www.computershare.com

Annual Report and Other Information:

Shareholders may receive when available, without charge, a copy of American Equity's Annual Report, SEC filings and/or press releases by calling Steven Schwartz, Vice President-Investor Relations, at (515) 273-3763 or by visiting our website at www.american-equity.com.

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