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AMERICAN EQUITY

INVESTMENT LIFE HOLDING COMPANY®

2022

**CEO Letter to
Shareholders**

“

We are turbo-charged for **growth**
to generate **fee-like earnings**
and become **the leader**
in asset management-focused insurance.

”



Anant Bhalla,
Chief Executive Officer



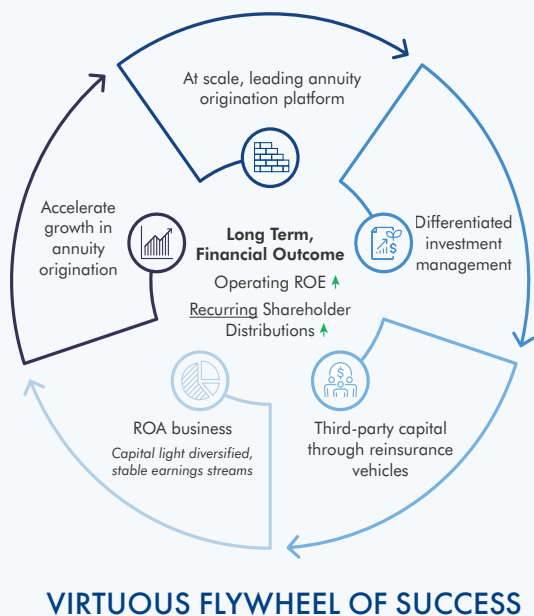
As I enter my third year as CEO, I wanted to start my annual letter to you by reflecting on the past two years, and how we are approaching strategy and organizational culture at American Equity, the latter being the secret ingredient for sustained success of any organization over the long term. Over the past two years, the world around us has changed dramatically, including COVID-19 transitioning from a global pandemic to an endemic that will likely be an ongoing part

of our daily lives, heightened geopolitical risks not seen since the Second World War, potential de-globalization of world trade with on-shoring or near-shoring of supply chains, and macro-economic environments both in the United States and globally seemingly at inflection points with the path for financial markets becoming increasingly uncertain.

*American Equity provides guaranteed promises
to **over 500,000** individuals and their families –
helping our policyholders to live their lives
or pass on a legacy with financial dignity.*

The past two years have made it abundantly clear that a volatile and complex world is serving up change at an accelerating pace. Both individuals and organizations need to determine how they will thrive in such an environment. At our company, we started by re-imagining ourselves from being a U.S. focused fixed index annuity (FIA) originator for the first twenty-four years of our existence, to a more customer-focused purpose-driven company that has a high degree of vertical integration into our value chain creating a sustainable franchise across economic cycles. In essence, operate as a more global, asset management-focused insurance provider. We first outlined this new business model, dubbed as “American Equity 2.0”, in the second half of 2020, and 2021 was the transition year towards this strategy.

Let me start with our re-imagination of American Equity’s purpose. In an increasingly uncertain world, American Equity provides guaranteed promises to over 500,000 individuals and their families – helping our policyholders to live their lives, or pass along a legacy with financial dignity. The sense of fulfillment, joy and the peace of mind visible in the daily lives of our customers and their financial advisors from having promises or guarantees from American Equity is what drives our employees. Numerous research studies bear out that financially confident and happier people live longer and have a greater chance of being positive contributors to society.



In order to deliver on our purpose-driven promises to clients, American Equity has to deliver world-class performance in a number of areas, which constitute the building blocks of the virtuous fly-wheel of our new business strategy. However, even before having and executing on a robust, future forward business strategy, it is essential for an organization to have the talent and culture that is future forward. I am proud to share with you that your company has made tremendous progress in this area and has evolved into being a more adaptable, learning organization. This was abundantly visible in 2021 as we demonstrated the meta-skill of learning how to learn new things, continued to add new talent across our ranks of management in various geographies in the U.S., began to refresh the Board of Directors and embarked on a multi-year effort to re-skill our existing talent and re-engineer our business processes.



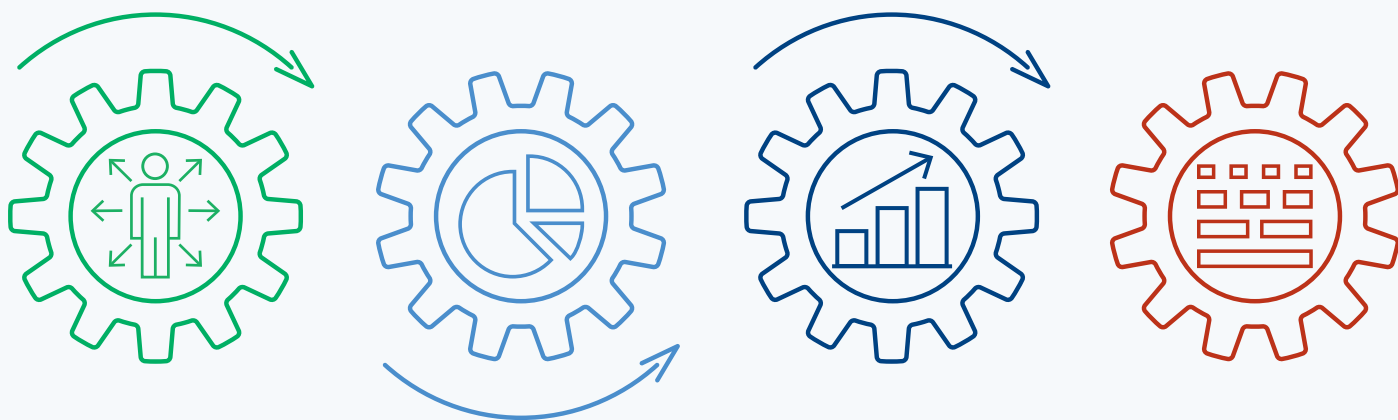
As we progress through 2022, I am most proud of the fact that American Equity's culture will become a high-performance learning organization that capitalizes on opportunities, navigates through turbulence, and shapes both the asset management and insurance industries in which we operate. It is with such a vibrant, refreshed organizational culture and the execution of our future-forward AEL 2.0 business strategy that we will continue to realize sustainable, long term shareholder value creation.



Now, moving onto specifics of our AEL 2.0 business model and strategy—we entered 2021 vigilantly focused on the realization of shareholder value. We expected this would be the execution year as we made demonstrable progress in each element of the AEL 2.0 business model. I am proud to say that by the end of the year, we completed the building blocks of the AEL 2.0 strategy setting the stage for us to scale in the coming years, thereby growing shareholder returns by migrating to a more capital efficient business model and to more predictable, fee-like earnings. We envision this as the New AEL.

With 2021 being a transition year from the AEL 1.0 to the AEL 2.0 business model, we delivered on strategy execution and de-risking at a faster pace than we had expected, with some moderate dislocation to financial results. For the full year 2021, we reported non-GAAP operating income available to common stockholder excluding the impact of notable items of \$368.5 million, or \$3.90 per diluted share, compared to \$379.2 million, or \$4.11 per diluted common share, for 2020. Lower operating income in 2021 primarily

reflected the high level of liquidity held in the insurance company investment portfolios as a result of de-risking in late 2020 in anticipation of reinsurance transactions prior to scaling into private assets and executing on the migration of core fixed income to outside managers in the fourth quarter of 2021. In addition, operating expenses increased as we added people to our team and increased our use of outside legal and consulting resources as we worked to implement AEL 2.0.



As I explained in last year's shareholder letter, execution of the AEL 2.0 business strategy has four main pillars: **Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities**. We had considerable success in the first three pillars while continuing to lay the groundwork for the latter.



The Investment Management pillar is now built to the point that it will deliver risk adjusted yields and results as expected and on schedule. During the year, we migrated our existing \$45 billion core income portfolio to BlackRock and adopted its investment technology platform. Since year-end, we have moved \$4 billion of these assets to Conning Asset Management which will be the core fixed income asset manager for our new Bermuda reinsurance subsidiary. Migrating our core public fixed income portfolio to BlackRock and Conning will allow us to obtain higher net yields in this area while allowing us to focus on areas where we have industry-leading expertise like private asset, derivative trading, differentiated strategic asset allocation and asset liability management.

As we look to ultimately allocate up to 40% of the investment portfolio to privately sourced assets, we took substantial strides in our capabilities and acquired \$3.4 billion of investments during the year to drive our allocation to privately sourced assets from approximately 8% at the end of 2020 to 15% at the end of 2021. We now have seven sleeves of private asset sectors in which we have conviction – single family rental and multifamily apartment ownership, residential home loans for both individuals and professional investors, infrastructure debt, infrastructure equity, middle market loans to private companies and annual recurring revenue-based lending to companies in the software and technology or STARR sector – compared to just two sleeves at the end of 2020.

We are particularly proud of the financing role we played to help our residential real estate manager – Pretium Partners – close its acquisition of short-term mortgage loan specialist Anchor Loans. As part of the transactions, we acquired \$1.1 billion of short-term mortgage loans in 2021 made to experienced residential real estate sponsors. With this transaction, we have demonstrated our ability to move quickly for the right opportunities, leveraging our capabilities to offer flexible capital solutions for opportunities that have the potential for attractive risk-adjusted returns.

Over \$1 billion committed for single family homes and residential mortgage loans.





We achieved all our stated goals for 2021 in the Capital Structure pillar. First, we finalized our reinsurance agreement with Brookfield Asset Management Re. We ceded approximately \$4 billion of policyholder funds under management and agreed to cede an additional \$6 billion of certain new deposits over the following six years. This agreement will provide us capital support going forward to grow new business and will transform the associated earnings stream from one based on investment spread, to a stable, predictable, multi-year fee-based earnings stream. Our goal is to trade at a higher multiple for investors than traditional insurance. Over the second half of 2021, we recognized \$16 million of reinsurance fee revenue; this will grow over time as we cede additional business to Brookfield Reinsurance.

NOW FUTURE TOTAL
\$4B + **\$6B** = **\$10B** Reserves

Second, we completed the build out of our off shore captive reinsurance platform AEL Re Bermuda and the transfer of \$4 billion of in-force business. This was a significant accomplishment - the first time American Equity has established an offshore reinsurer, placing us on a level playing field with many of our largest competitors.



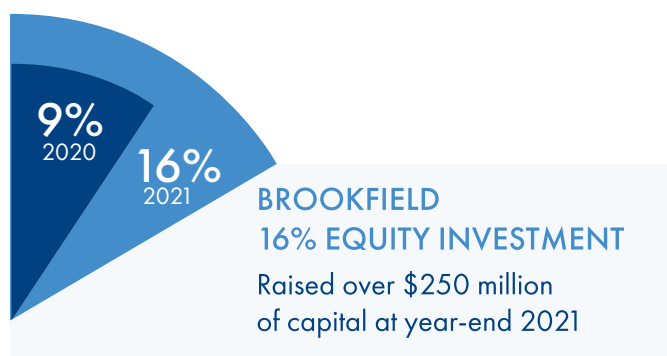
The creation of AEL Bermuda Re gives our company three important benefits:

1. A presence in a highly credible off-shore regulatory jurisdiction for flexible asset liability matching, which will allow us to optimize our investment portfolio through a higher allocation to privately sourced assets;
2. Allows us to free up capital on a domestic regulatory basis with a well-recognized principles-based regulatory regime; and
3. Enables us to develop the infrastructure we can leverage to create new, similar entities with which we can attract third party capital.

We expect to set up off-shore reinsurance entities, commonly referred to as side-cars, to invite third party capital to partner with us. American Equity will manage these vehicles and earn fee-based revenues, while controlling the risks involved versus traditional third-party reinsurance that is prevalent in the industry. Through the creation of side-cars, we will customize the asset allocation and liability mix to match the risk-return appetite of reinsurer equity investors thereby connecting long-term equity capital with long-term insurance liabilities further powered by the differentiating elements of American Equity's strategic pillars.

We intend to remain an active buyer of our common stock in 2022, especially during periods of increased market volatility. We continue to believe in the long-term intrinsic value of this business franchise as a capital-efficient, asset management-focused business model.

Third, we re-financed redundant statutory reserves on our fee-based Lifetime Income Benefit Riders. With the closing of the re-financing, we realized positive capital impacts of \$250 million and save \$8-\$9 million per quarter, pre-tax, compared to the prior financing arrangement.



Finally, our strategic cornerstone relationship with Brookfield Reinsurance continues to grow stronger. Following regulatory approval late in 2021, we executed the second tranche of Brookfield Reinsurance's equity investment in American Equity in early January. We issued 6.775 million shares of common stock at \$37.33,

bringing Brookfield Reinsurance's ownership to 16% as of the time of the purchase. With the necessary regulatory approvals completed for Brookfield Reinsurance, we restarted our share repurchase program in early 2022. We intend to remain an active buyer of our common stock in 2022, especially during periods of increased market volatility. We continue to believe in the long-term intrinsic value of this business franchise as a capital-efficient, asset management-focused business model.

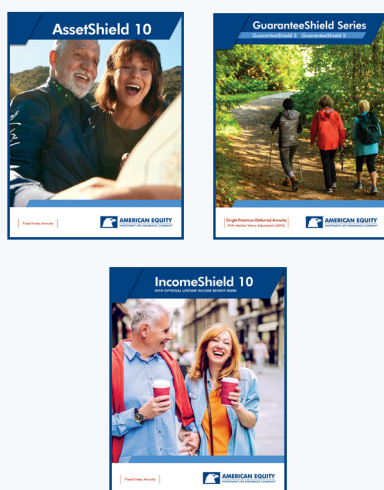
We have a strong capital position, generated by our reinsurance strategies and business model evolution, with substantial cash at the holding company and access to available capital if desired. This will allow us to further scale our allocation into higher-returning private assets to grow earnings. We can also opportunistically explore inorganic opportunities to accelerate asset origination and return capital to shareholders.

SHIELD SUITE

NEW 2021

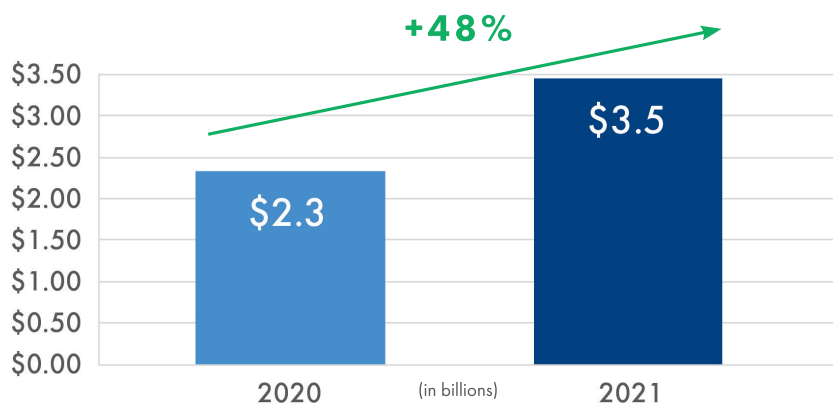


OTHER SUITE PRODUCTS



For Go-To-Market, we delivered a complete refresh of our general account product suite, regained relevance and growth in our independent marketing organization (IMO) distribution channel, and expanded further into banks and broker-dealers through Eagle Life. We also grew our talent to enhance product innovation and economics. We added two new proprietary indices to our refreshed AssetShield product and introduced two brand-new products to our line-up – EstateShield and FlexShield – at American Equity Life. At Eagle Life, we added new client crediting strategies and completely refreshed Select Income Focus. As Eagle Life grows income product sales in the independent broker dealer channel, Select Income Focus will help us accelerate the growth in new business by transferring it to reinsurance vehicles to fuel growth of “fee-like” capital efficient earnings in the coming years.

FIXED INDEX ANNUITY (FIA) SALES



Going forward, we will mark three measures of our success:



Ramping up private asset allocation from 15% to 30-40% through origination of \$3-4bn of private assets annually across diversified sectors and opportunistic asset block transactions of \$250M-\$1bn in financing across American Equity's private asset partnership eco-system.



Growing our reinsured liabilities resulting in recurring fee revenues through existing reinsurance relationships and new relationships, including side-car vehicles backed by third party capital.



Expanding our product set with more "ROA-able" products (long duration persistent cash flow characteristics that can be backed by private assets) and market expansion aligned with generating quality sales

If we accomplish these three measures, we believe this will ultimately lead to a consistent operating return on equity of 11% to 14%. As a result, we would be able to make recurring shareholder distributions as well as generate capital to support accelerated growth in asset balances to drive "fee-like" earnings power. More importantly, success in these three measures will help American Equity achieve its goal of becoming The Financial Dignity Company. Our purpose is to bring people financial dignity – fulfilling their lifelong desire to retire with peace of mind, quality of life and the independence to dream – by delivering a protected way to accumulate wealth and a guaranteed way to receive an income in retirement.

Thank you for your belief, and ownership, in American Equity.



Anant Bhalla,
Chief Executive Officer

YEAR ENDED DECEMBER 31	2021	2020
NON-GAAP FINANCIAL MEASURES^(a)		
Reconciliation of net income available to common stockholders to non-GAAP operating income available to common stockholders:		
Net income (loss) available to common stockholders	\$ 430,317	\$ 637,945
Adjustments to arrive at non-GAAP operating income available to common stockholders: (a)		
Net realized losses on financial assets, including credit losses	10,299	59,355
Change in fair value of derivatives and embedded derivatives	(187,290)	(784,005)
Income taxes	37,184	155,808
Non-GAAP operating income available to common stockholders:	290,510	69,103
Impact of notable items (b)	78,036	310,117
Non-GAAP operating income available to common stockholders, excluding notable items	\$ 368,546	\$ 379,220
PER COMMON SHARE - assuming dilution:		
Net income (loss) available to common stockholders	\$ 4.55	\$ 6.90
Adjustments to arrive at non-GAAP operating income available to common stockholders:		
Net realized losses on financial assets, including credit losses	0.11	0.64
Change in fair value of derivatives and embedded derivatives	(1.98)	(8.48)
Income taxes	0.39	1.69
Non-GAAP operating income available to common stockholders:	3.07	0.75
Impact of notable items	0.83	3.36
Non-GAAP operating income available to common stockholders, excluding notable items	\$ 3.90	\$ 4.11
NOTABLE ITEMS		
Notable items impacting non-GAAP operating income available to common stockholders:		
Impact of actuarial assumption updates	\$ 78,036	\$ 340,895
Tax benefit related to the CARES Act	—	(30,778)
Total notable items (b)	\$ 78,036	\$ 310,117

(a) Adjustments to net income (loss) available to common stockholders to arrive at non-GAAP operating income available to common stockholders are presented net of related adjustments to amortization of deferred sales inducements (DSI) and deferred policy acquisition costs (DAC) and accretion of lifetime income benefit rider (LIBR) reserves where applicable.

(b) Notable items reflect the after-tax impact to non-GAAP operating income available to common stockholders for certain items that do not reflect the company's expected ongoing operations. Notable items primarily include the impact from actuarial assumption updates. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

FORWARD-LOOKING STATEMENTS

The forward-looking statements in this letter, such as can, become, expect, goal, has to, intend, look to, plan, should, will, or similar words, as well as specific projections of future results, are based on assumptions and expectations that involve risks and uncertainties, including the "Risk Factors" the company describes in its U.S. Securities and Exchange Commission filings. The Company's future results could differ, and it has no obligation to correct or update any of these statements.

NON-GAAP FINANCIAL MEASURES

In addition to net income (loss) available to common stockholders, we have consistently utilized non-GAAP operating income available to common stockholders and non-GAAP operating income available to common stockholders 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 available to common stockholders equals net income (loss) available to common stockholders 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 available to common stockholders 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 available to common stockholders together with net income (loss) available to common stockholders provides information that may enhance an investor's understanding of our underlying results and profitability.

At American Equity Investment Life Holding Company, we think of ourselves as The Financial Dignity Company™ that offers solutions designed to create financial dignity in retirement. Our policyholders work with independent agents, banks and broker-dealers, through our wholly-owned operating subsidiaries, to choose one of our leading annuity products best suited for their personal needs. To deliver on our promises to policyholders, American Equity has reframed its investment focus, building a stronger emphasis on insurance liability driven asset allocation as well as the origination and management of private assets. Our company is headquartered in West Des Moines, Iowa with satellite offices slated to open in 2022 in Charlotte, NC and New York, NY. For more information, please visit www.american-equity.com.



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www.american-equity.com



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