

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-31911

American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

Iowa

(State or other jurisdiction of Incorporation)

42-1447959

(I.R.S. Employer Identification No.)

6000 Westown Parkway

West Des Moines, Iowa 50266

(Address of principal executive offices, including zip code)

(515) 221-0002

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$1	AEL	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A	AELPRA	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B	AELPRB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes ☐ No ☒

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$4,028,960,860 based on the closing price of \$52.11 per share, the closing price of the common stock on the New York Stock Exchange on June 30, 2023.

Shares of common stock outstanding as of February 22, 2024: 79,400,008

Documents incorporated by reference: Portions of the registrant's subsequent disclosure to be filed within 120 days after December 31, 2023, are incorporated by reference into Part III of this report.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2023
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PART I

Item 1. Business

Introduction

We are a leader in the development and sale of fixed index and fixed rate annuity products. We were incorporated in the state of Iowa on December 15, 1995. We issue fixed annuity products through our wholly-owned life insurance subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York") and Eagle Life Insurance Company ("Eagle Life"). We have one business segment which represents our core business comprised of the sale of fixed index and fixed rate annuities. We are licensed to sell our products in 50 states and the District of Columbia. Throughout this report, unless otherwise specified or the context otherwise requires, all references to "American Equity", the "Company", "we", "our" and similar references are to American Equity Investment Life Holding Company and its consolidated subsidiaries.

Investor related information, including periodic reports filed on Forms 10-K, 10-Q and 8-K and any amendments may be found on our website at www.american-equity.com as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission ("SEC"). In addition, we have available on our website our: (i) code of business conduct and ethics; (ii) audit and risk committee charter; (iii) compensation and talent management committee charter; (iv) nominating and corporate governance committee charter and (v) corporate governance guidelines. The information incorporated herein by reference is also electronically accessible from the SEC's website at www.sec.gov.

Annuity Market Overview

Our target market includes individuals, typically ages 40 or older, who are seeking to accumulate tax-deferred savings or create guaranteed lifetime income. We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were approximately 55.8 million Americans age 65 and older in 2020, representing approximately 16.8% of the U.S. population, up from 16.5% in 2019. This group is expected to continue to grow and is expected to be over 20% of the total U.S. population during the next decade. We expect our fixed index and fixed rate annuity products to be particularly attractive to this group due to their principal protection, competitive rates of credited interest, tax-deferred growth, guaranteed lifetime income and alternative payout options. We expect our competitive fixed index and fixed rate annuity products to enable us to enjoy favorable growth in client assets.

According to Secure Retirement Institute, with preliminary data for 4Q2023, total U.S. annuity sales in 2023 were \$385.0 billion, up 23.1% compared to \$312.8 billion in 2022. Fixed annuity sales totaled \$286.2 billion in 2023, up 36.4% compared to \$209.9 billion in 2022. This market is directly comparable to the target market for our products. Fixed index annuity sales totaled \$95.6 billion in 2023, up 20.4% compared to \$79.4 billion in 2022. Fixed rate deferred annuity sales were \$164.9 billion in 2023, up 47.1% compared to \$112.1 billion in 2022. Outside of fixed annuities, the other growing part of the U.S. annuity market was the registered index-linked annuity market. Sales in this market were \$47.4 billion in 2023, up 15.9% compared to \$40.9 billion in 2022.

Strategy

While the business looks considerably different today than it did when it was started back in 1995, the themes have been consistent. We offer our customers simple fixed and fixed index annuity products, which we primarily sell through independent insurance agents in the independent marketing organization ("IMO") distribution channel. We have consistently been a leader in the IMO market. Additionally, we have continued to expand our sales in the bank and broker dealer channel. We will benefit from two secular trends: the demographic trends of people retiring or getting close to retirement who want to accumulate wealth through index based investing while protecting their principal and the need of retirees and pre-retirees to have a way to deaccumulate their wealth into income for life. A traditional brokerage based equity bond portfolio can't really meet these unique needs, but a fixed index annuity can as part of holistic financial plan. Finally, there is a scarcity value to what we do: that is originating billions of dollars of annuity funding each year at scale from the IMO channel and bank and broker dealer channel.

We began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. AEL 2.0 is designed to capitalize on the scarcity value of our annuity origination and couple it with an "open architecture" investment management platform for investing the annuity assets. Our approach to investment management is to partner with best in class investment management firms across a wide array of asset classes and capture part of the asset management value chain economics for our shareholders. This enables us to operate at the intersection of both asset management and insurance. Our strategy focuses on four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities.

The Go-to-Market pillar focuses on how we generate long-term client assets, referred to as policyholder funds under management, through annuity product sales. We consider our marketing capabilities and franchise to be one of our core competitive strengths. The liabilities we originate can result in stable, long-term attractive funding, which is invested to earn a spread and return over the prudent level of risk capital. American Equity Life has become one of the leading insurance companies in the IMO distribution channel over our 25-year history and can tap into a core set of loyal independent producers to originate new annuity product sales. We are focused on growing our loyal producers with one million dollars or greater of annuity product sales each year and to otherwise build our partnerships with key IMOs. We plan to increase our share of annuity product sales generated by IMOs and accelerate our expansion into bank, broker dealer and registered investment advisor distribution through our subsidiary, Eagle Life. Our strategy is to improve sales execution and enhance producer loyalty

with product solutions, focused marketing campaigns, distribution analytics to enhance both sales productivity and producer engagement and new client engagement models that complement traditional physical face-to-face interactions.

The Investment Management pillar is focused on generating a strong return on assets which, in turn, will generate adequate spread income to support our liabilities, operations, and profitability. Our investment strategy is to supplement our core fixed income investment portfolio with opportunistic investments in alpha-producing specialty sub-sectors like middle market credit and sectors with contractually strong cash flows like real estate and infrastructure, including private equity assets.

The Capital Structure pillar is focused on greater use of reinsurance structuring to both optimize asset allocation for our balance sheet and enable American Equity Life to free up capital and become a capital-light company over time. The use of reinsurance will enable us to free up capital to potentially return to shareholders and redeploy capital into higher yielding alpha generating assets to grow investment income relative to new money yields in a traditional core fixed income portfolio. This will enable us to convert from an investment spread business with our own capital at risk into a combination spread based and fee based business with externally sourced risk capital. In combination, these outcomes are likely to generate sustained, deployable capital for shareholders and significant accretion in return on equity ("ROE") over time.

The Foundational Capabilities pillar is focused on upgrading our operating platform to enhance the digital customer experience, create differentiation through data analytics to support the first three pillars, enhance core technology and align talent. We have maintained high quality personal service as one of our highest priorities since our inception and continue to strive for an unprecedented level of timely and accurate service to both our agents and policyholders. Examples of our high quality service include a live person answering phone calls and issuing policies within 24 hours of receiving the application if the paperwork is in good order. We believe high quality service is one of our strongest competitive advantages and the foundational capabilities pillar will look to continue to enhance our high quality service.

The combination of differentiated investment strategies and increased capital efficiency improves annuity product competitiveness, thereby enhancing new business growth potential and further strengthening the operating platform. This completes the virtuous cycle of the AEL 2.0 business model, having started with a strong, at scale annuity originator, that is even further strengthened by the power of the investments and capital structure pillars.

During 2023, we continued to advance our AEL 2.0 strategy as we executed against the four key pillars. Key areas of advancement included the following:

- In our Go-To-Market pillar, we had record sales of \$7.6 billion in 2023 which was an increase of 128% from \$3.3 billion in 2022. Fixed index annuities represented \$7.0 billion of the total sales in 2023 compared to \$3.2 billion in 2022.
- In our Investment Management pillar, we continued to originate privately sourced assets which now comprise 25.8% of the total investment portfolio at December 31, 2023. This is an increase from 22.0% at December 31, 2022. In addition, we increased our cash and cash equivalent holdings to \$7.4 billion at December 31, 2023 compared to \$0.6 billion December 31, 2022 with a focus on raising additional liquidity.
- In our Capital Structure pillar, we achieved \$11.5 billion of fee generating reinsured balances and generated \$100 million in revenues in 2023 (on a non-GAAP operating income basis). Effective October 1, 2023, we executed a second Vermont-domiciled redundant reserve financing facility. The new facility reinsured approximately \$550 million of in-force statutory reserves for lifetime income benefit rider guarantees. This resulted in approximately \$450 million of additional reserve credit for American Equity Life. See *Note 9 - Reinsurance and Policy Provisions* for more information.
- In our Foundational Capabilities pillar, we continued to invest in enhancing our foundational capabilities by implementing a new general ledger system and a new investment accounting and management system during 2023.

On July 5, 2023, Brookfield Reinsurance and American Equity announced that they had entered into a definitive agreement whereby Brookfield Reinsurance will acquire all of the outstanding shares of common stock of American Equity it does not already own in a cash and stock transaction that values American Equity at approximately \$4.3 billion. The transaction was approved by American Equity shareholders at the special meeting held on November 10, 2023. American Equity expects the merger to close in the first half of 2024. Closing remains subject to the satisfaction of certain closing conditions customary for a transaction of this type, including receipt of insurance regulatory approvals in relevant jurisdictions. See *Note 1 - Significant Accounting Policies* for more information.

Products

Annuities offer our policyholders a tax-deferred means of accumulating retirement savings, as well as a reliable source of income during the payout period. When our policyholders deposit cash for an annuity, we account for these receipts as policy benefit reserves in the liability section of our consolidated balance sheet. The annuity deposits collected, by product type, during the three most recent fiscal years are as follows:

Product Type	Year Ended December 31,					
	2023		2022		2021	
	Deposits Collected	Deposits as a % of Total	Deposits Collected	Deposits as a % of Total	Deposits Collected	Deposits as a % of Total
(Dollars in thousands)						
Fixed index annuities	\$ 7,034,426	93 %	\$ 3,171,420	95 %	\$ 3,450,547	58 %
Annual reset fixed rate annuities	5,092	— %	5,709	— %	6,483	— %
Multi-year fixed rate annuities	565,788	7 %	139,092	4 %	2,452,994	41 %
Single premium immediate annuities	1,224	— %	18,935	1 %	59,816	1 %
	<u>\$ 7,606,530</u>	<u>100 %</u>	<u>\$ 3,335,156</u>	<u>100 %</u>	<u>\$ 5,969,840</u>	<u>100 %</u>

Fixed Index Annuities

Fixed index annuities allow policyholders to earn index credits based on the performance of a particular index without the risk of loss of their account value. Most of these products allow policyholders to transfer funds once a year among several different crediting strategies, including one or more index based strategies and a traditional fixed rate strategy. Bonus products represented 64%, 63% and 65% of our net annuity account values at December 31, 2023, 2022 and 2021, respectively. The initial annuity deposit on these policies is increased at issuance by a specified premium bonus ranging from 8% to 10%. Generally, the surrender charge and bonus vesting provisions of our policies are structured such that we have comparable protection from early termination between bonus and non-bonus products.

The annuity contract value is equal to the sum of premiums paid, premium bonuses and interest credited ("index credits" for funds allocated to an index based strategy), which is based upon an overall limit (or "cap") or a percentage (the "participation rate") of the appreciation (based in certain situations on monthly averages or monthly point-to-point calculations) in a recognized index or benchmark. Caps and participation rates limit the amount of interest the policyholder may earn in any one contract year and may be adjusted by us annually subject to stated minimums. Caps generally range from 1% to 14% and participation rates range from 10% to 295%. In addition, some products have a spread or "asset fee" generally ranging from 1% to 5.25%, which is deducted from interest to be credited. For products with asset fees, if the appreciation in the index does not exceed the asset fee, the policyholder's index credit is zero. The minimum guaranteed surrender values are equal to no less than 87.5% of the premium collected plus interest credited at an annual rate ranging from 0.5% to 3%.

The initial caps and participation rates are largely a function of the cost of the call options we purchase to fund the index credits, the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to caps and participation rates, we take into account the cost of the call options we purchase to fund the index credits, yield on our investment portfolio, annuity surrender and withdrawal assumptions and crediting rate history for particular groups of annuity policies with similar characteristics.

Fixed Rate Annuities

Fixed rate deferred annuities include annual, multi-year rate guaranteed products ("MYGAs") and single premium deferred annuities ("SPDAs"). Our annual reset fixed rate annuities have an annual interest rate (the "crediting rate") that is guaranteed for the first policy year. After the first policy year, we have the discretionary ability to change the crediting rate once annually to any rate at or above a guaranteed minimum rate. Our MYGAs and SPDAs are similar to our annual reset products except that the initial crediting rate on MYGAs is guaranteed for up to five years before it may be changed at our discretion while the initial crediting rate on SPDAs is guaranteed for either three or five years. The minimum guaranteed rate on our annual reset fixed rate deferred annuities ranges from 1.00% to 4.00%, the initial guaranteed rate on our multi-year rate guaranteed deferred annuities and SPDAs range from 1.20% to 5.65%.

The initial crediting rate is largely a function of the interest rate we can earn on invested assets acquired with new annuity deposits and the rates offered on similar products by our competitors. For subsequent adjustments to crediting rates, we take into account the yield on our investment portfolio, experience factors and crediting rate history for particular groups of annuity policies with similar characteristics. As of December 31, 2023, crediting rates on our outstanding fixed rate deferred annuities generally ranged from 1.0% to 5.65%. The average crediting rates on our outstanding annual reset and multi-year rate guaranteed fixed rate deferred annuities at December 31, 2023 were 1.64% and 2.71%, respectively.

We also sell single premium immediate annuities ("SPIAs"). Our SPIAs provide a series of periodic payments for a fixed period of time or for life, according to the policyholder's choice at the time of issue. The amounts, frequency and length of time of the payments are fixed at the outset of the annuity contract. SPIAs are often purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years.

Withdrawal Options - Fixed Index and Fixed Rate Annuities

Policyholders are typically permitted penalty-free withdrawals up to 10% of the contract value in each year after the first year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which ranges from 5 to 17 years for fixed index annuities and 3 to 15 years for fixed rate annuities from the date the policy is issued. This surrender charge initially ranges from 5% to 20% for fixed index annuities and 8% to 20% for fixed rate annuities of the contract value and generally decreases by approximately one-half to two percentage points per year during the surrender charge period. For certain policies, the premium bonus is considered in the establishment of the surrender charge percentages. For other policies, there is a vesting schedule ranging from 9 to 14 years that applies to the premium bonus and any interest earned on that premium bonus. Surrender charges and bonus vesting are set at levels aimed at protecting us from loss on early terminations and reducing the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice enhances our ability to maintain profitability on such policies. Policyholders may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years or a combination of these payment options.

Information on surrender charge protection and net account values are as follows:

	December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Annuity Surrender Charges:			
Average years at issue	11.2	11.6	11.8
Average years remaining	4.6	4.6	5.5
Average surrender charge percentage remaining	7.9 %	7.9 %	9.1 %
Annuity Account Value (net of coinsurance)	\$ 47,558,490	\$ 47,504,615	\$ 53,191,277

A significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities have been issued with a lifetime income benefit rider. This rider provides an additional liquidity option to policyholders. With the lifetime income benefit rider, a policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value. The amount of the lifetime income benefit available is determined by the growth in the policy's income account value and the policyholder's age at the time the policyholder elects to begin receiving lifetime income benefit payments. The growth in the policy's income account value is based on the growth rate specified in the policy which ranges from 3.0% to 9.25% and the time period over which that growth rate is applied which ranges from 5 to 20 years for the majority of these policies. Generally, the time period consists of an initial period of up to 10 years and the policyholder has the option to elect to continue the time period for an additional period of up to 10 years. We have the option to either increase the rider fee or decrease the specified growth rate, depending on the specifics of the policy, at the time the policyholder elects to continue the time period. Lifetime income benefit payments may be stopped and restarted at the election of the policyholder. Policyholders have the choice of selecting a rider with a base level of benefit for no explicit fee or paying a fee for a rider that has a higher level of benefits, and since 2013 we have issued products where the addition of a rider to the policy is completely optional. Rider fees range from 0.15% to 1.60% of either the policy's account value or the policy's income account value. The additional value to the policyholder provided by these riders through the lifetime income benefit base is not transferable to other contracts, and we believe the riders will improve the persistency of the contract.

Investments/Spread Management

Investment activities are an integral part of our business, and net investment income is a significant component of our total revenues. Profitability of our annuity products is significantly affected by spreads between interest yields on investments, the cost of options to fund the index credits on our fixed index annuities and rates credited on our fixed rate annuities and the fixed rate strategy in our fixed index annuities. We manage the index-based risk component of our fixed index annuities by purchasing call options on the applicable indices to fund the index credits on these annuities and by adjusting the caps, participation rates and asset fees on policy anniversary dates to reflect the change in the cost of such options which varies based on market conditions. All options are purchased on the respective policy anniversary dates, and new options are purchased on each of the anniversary dates to fund the next index credits. All credited rates on annual reset fixed rate deferred annuities and the fixed rate strategy in fixed index annuities may be changed annually, subject to minimum guarantees. Changes in caps, participation rates and asset fees on fixed index annuities and crediting rates on fixed rate and fixed index annuities may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the potential for increases in surrenders and withdrawals, may limit our ability to adjust or to maintain caps, participation rates, asset fees and crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

For additional information regarding the composition of our investment portfolio and our interest rate risk management, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Investments, Quantitative and Qualitative Disclosures About Market Risk and *Note 3 - Investments* to our audited consolidated financial statements.

Marketing/Distribution

We market our products through a variable cost distribution network, including independent agents through IMOs, broker/dealers, banks and registered investment advisors. We emphasize high quality service to our agents, distribution partners and policyholders along with the prompt payment of commissions to our agents and distribution partners. We believe this has been significant in building excellent relationships with our distribution network.

Our independent agents and agencies range in profile from national sales organizations to personal producing general agents. A value proposition that we emphasize with agents is they have direct access to our senior leadership, giving us an edge over larger and foreign-owned competitors. We also emphasize our products, service and our focused fixed annuity expertise. We also have favorable relationships with our IMOs, which have enabled us to efficiently sell through an expanded number of independent agents.

The independent agent distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the efficiency of our independent agent distribution network by strengthening our relationships with key IMOs and are alert for opportunities to establish relationships with organizations not presently associated with us. These organizations typically recruit agents for us by advertising our products and our commission structure through direct mail advertising or seminars for insurance agents and brokers. We monitor agent activity and will terminate those who have not produced business for us in recent periods and are unlikely to sell our products in the future. The IMOs bear most of the cost incurred in marketing our products. We compensate marketing organizations by paying them a percentage of the commissions earned on new annuity policy sales generated by the agents recruited by such organizations. American Equity Life has relationships with 47 national marketing organizations, through which nearly 34,277 independent agents are under contract. We generally do not enter into exclusive arrangements with these marketing organizations.

Agents contracted with us through four national marketing organizations accounted for approximately 52% of the annuity deposits and insurance premiums collected during 2023, and we expect these organizations to continue as marketers for American Equity Life with a focus on selling our products. The states with the largest share of direct premium collected during 2023 were: Florida (10.0%), Texas (9.3%), California (7.2%), Pennsylvania (4.9%), and Ohio (4.4%).

Eagle Life's fixed index and fixed rate annuities are distributed pursuant to selling agreements with broker/dealers, banks and registered investment advisors. Eagle Life has 107 broker-dealer/firm selling agreements, through which nearly 13,992 representatives are appointed. Twenty-five of these agreements are with broker/dealers affiliated with banks. Relationships with certain of these firms are facilitated by third party wholesalers who promote Eagle Life and are compensated based upon the sales of the firms they have contracted with Eagle Life. We have been developing our employee wholesaling force, which will be a key to our success at Eagle Life. Beginning in 2020, the majority of our third-party wholesaling partners no longer market Eagle Life products to new accounts as new account acquisition is handled almost entirely on an internal basis. American Equity Life to a lesser extent also sells through broker/dealers and we have introduced products specifically for this distribution channel.

Competition and Ratings

We operate in a highly competitive industry. Our annuity products compete with fixed index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank products and other investment and retirement funding alternatives offered by asset managers, banks, and broker/dealers. Our insurance products compete with products of other insurance companies, financial intermediaries and other institutions based on a number of features, including crediting rates, index options, policy terms and conditions, service provided to distribution channels and policyholders, ratings, reputation and distributor compensation.

The sales agents for our products use the ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market. The degree to which ratings adjustments have affected and will affect our sales and persistency is unknown. Following is a summary of American Equity Life's financial strength ratings:

	Financial Strength Rating	Outlook Statement
A.M. Best Company, Inc.		
August 2023 - current	A-	Watch
January 2011 - July 2023	A-	Stable
S&P Global		
July 2023 - current	A-	Watch
August 2020 - July 2023	A-	Stable
March 2020 - August 2020	A-	Negative
August 2015 - March 2020	A-	Stable
June 2013 - August 2015	BBB+	Positive
October 2011 - June 2013	BBB+	Stable
Fitch Ratings Ltd.		
April 2021 - current	A-	Stable
April 2020 - April 2021	A-	Negative
August 2019 - April 2020	A-	Stable
September 2018 - August 2019	BBB+	Positive
May 2013 - September 2018	BBB+	Stable

Financial strength ratings generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. Generally, rating agencies base their ratings upon information furnished to them by the insurer and upon their own investigations, studies and assumptions. Ratings are based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors and are not recommendations to buy, sell or hold securities.

In addition to the financial strength ratings, rating agencies use an "outlook statement" to indicate a medium or long-term trend which, if continued, may lead to a rating change. A positive outlook indicates a rating may be raised and a negative outlook indicates a rating may be lowered. A stable outlook is assigned when ratings are not likely to be changed. Outlook statements should not be confused with expected stability of the insurer's financial or economic performance. A rating may have a "stable" outlook to indicate that the rating is not expected to change, but a "stable" outlook does not preclude a rating agency from changing a rating at any time without notice.

In November 2023, A.M. Best maintained its rating outlook on the U.S. life/annuity sector as 'stable', noting its strong liquidity and capital positions, robust annuity sales and slightly improved new money yields in a benign credit environment. In November 2023, Fitch revised its rating outlook on the North American life insurance sector from 'neutral' to 'improving', reflecting its expectation of the benefit from a higher interest rate environment in 2024 which will facilitate top-line growth and enhance margins. In January 2024, S&P affirmed its rating outlook on the U.S. life insurance sector as 'stable', reflecting its expectation of a benefit to investment income amid high interest rates in 2024 although it was noted investors will likely still be watching for potential issues related to commercial real estate portfolios.

A.M. Best financial strength ratings currently range from "A++" (superior) to "F" (in liquidation), and include 16 separate ratings categories. Within these categories, "A++" (superior) and "A+" (superior) are the highest, followed by "A" (excellent) and "A-" (excellent) then followed by "B++" (good) and "B+" (good). Publications of A.M. Best indicate that the "A-" rating is assigned to those companies that, in A.M. Best's opinion, have demonstrated an excellent ability to meet their ongoing obligations to policyholders.

S&P financial strength ratings currently range from "AAA" (extremely strong) to "R" (under regulatory supervision), and include 21 separate ratings categories, while "NR" indicates that S&P has no opinion about the insurer's financial strength. Within these categories, "AAA" and "AA" are the highest, followed by "A" and "BBB". Publications of S&P indicate that an insurer rated "A-" is regarded as having strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are higher rated insurers.

Fitch financial strength ratings currently range from "AAA" (exceptionally strong) to "C" (distressed). Ratings of "BBB-" and higher are considered to be "secure," and those of "BB+" and lower are considered to be "vulnerable."

A.M. Best, S&P and Fitch review their ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in their judgment, circumstances so warrant. If our ratings were to be negatively adjusted for any reason, we could experience a material decline in the sales of our products and the persistency of our existing business, as well as an increase in the cost of debt or equity financing.

Reinsurance

We follow the industry practice of reinsuring a portion of our annuity risks with third party reinsurers. Our reinsurance agreements play a part in managing our regulatory capital, risk and returns.

Coinurance

American Equity Life has three coinurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has coinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. Athene has received a financial strength rating of "A" (Excellent) with a stable outlook from A.M. Best.

American Equity Life has two coinurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has coinsured. EquiTrust has received a financial strength rating of "B++" (Good) with a stable outlook from A.M. Best.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (Cayman) SPC (the "North End Re reinsurance treaty"), a wholly owned subsidiary of Brookfield Reinsurance to reinsure certain in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinurance ("modco") basis and 30% on a coinurance basis. The liabilities reinsured on a coinurance basis are secured by assets held in trusts with American Equity Life as the beneficiary. The liabilities reinsured on a modco basis are secured by assets held by American Equity Life in a segregated modco account. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six to seven years.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinurance basis to North End Re. Effective July 1, 2022, the North End Re reinsurance treaty was amended to include additional fixed index annuity products. As part of this amendment, 75% of an additional block of in-force fixed indexed annuity product liabilities issued after July 1, 2021 was ceded, 70% on a modco basis and 30% on a coinurance basis. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six to seven years.

Effective as of October 1, 2023, North End Re and American Equity Life agreed to reduce the quota share of all newly issued flow policies to zero. North End Re and American Equity Life may agree to reinstate the flow arrangement by increasing the quota share back to 75% at any time in the future.

Although American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re, should North End Re fail to meet the obligations it has assets in a statutory trust and a modco account. The assets in the trust and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trust and modco account are subject to investment management agreements between American Equity Life and Brookfield Asset Management Reinsurance Advisor LLC, a Delaware Corporation, which is North End Re's affiliate.

Effective October 1, 2022 American Equity Life entered into a reinsurance agreement with an unaffiliated reinsurer AeBe ISA LTD ("AeBe"), a Bermuda exempted company affiliated with 26North Holdings LP ("26North"), that is an incorporated segregated account licensed as a Class E reinsurer. Under the agreement, American Equity Life ceded certain in-force fixed indexed and fixed rate annuity product liabilities and has the option in the future to cede liabilities of certain single premium fixed deferred annuities, or policies as otherwise agreed to by parties issued after the treaty effective date, at risk adjusted pricing terms that may be acceptable to American Equity Life at that time. Under the agreement, these liabilities will be ceded 75% on a funds withheld coinurance basis and 25% on a coinurance basis. The liabilities reinsured on a coinurance basis are secured by assets held in a statutory trust. The liabilities reinsured on a funds withheld basis

are secured by a segregated funds withheld account in which the assets are maintained by American Equity Life. For flow business ceded, American Equity Life will receive an annual ceding commission over the term of the policy of up to 0.50% of the premium received.

Effective February 8, 2023, AeBe and American Equity Life commenced reinsuring flow business of certain single premium fixed deferred annuities, subject to an annual limit. American Equity Life will receive an annual ceding commission of up to 35 basis points for the life of the policies and the Company will receive an annual management services fee on a per policy basis that increases annually.

Although American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to AeBe, should AeBe fail to meet the obligations it has assets in a statutory trust and funds withheld account. The assets in the trust and funds withheld account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trust and funds withheld account are subject to investment management agreements between American Equity Life and 26North.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Vermont Inc., its wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values and additional collateral contributed by American Equity Life on a funds withheld basis (the "AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss reinsurance agreement (the "Hannover XOL treaty") with Hannover, to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement upon exhaustion of the funds withheld account balance under the AEL Re Vermont Agreement, subject to a limit.

AEL Re Vermont is permitted to carry the Hannover XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The Hannover XOL treaty does not satisfy risk transfer and is treated as a financing agreement. The associated charges are recorded as risk charges that are included in Other operating costs and expenses in the Consolidated Statements of Operations.

Effective December 31, 2021, American Equity Life entered into a coinsurance agreement with AEL Re Bermuda Ltd, an affiliated Bermuda reinsurer wholly owned by the Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007 on a funds withheld basis.

Effective October 1, 2023, American Equity Life entered into a reinsurance agreement with AEL Re Vermont II, its wholly-owned captive reinsurance company, to cede both in-force (since October 1, 2021) and ongoing flow of lifetime income benefit rider payments in excess of policy fund values and additional collateral contributed by American Equity Life on a funds withheld basis (the "VT II Agreement"). In connection with the agreement, AEL Re Vermont II entered into an excess of loss reinsurance agreement (the "Canada Life XOL treaty") with The Canada Life Assurance Company, operating through its Barbados branch ("Canada Life"), to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the VT II Agreement after the funds withheld account balance is exhausted, subject to a limit.

AEL Re Vermont II is permitted to carry the Canada Life XOL treaty as an admitted asset on the AEL Re Vermont II statutory balance sheet. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP. The risk charges are included in Other operating costs and expenses in the Consolidated Statements of Operations.

The impact of all intercompany reinsurance agreements and related intercompany balances have been eliminated in the preparation of the accompanying consolidated financial statements.

For more information regarding reinsurance, see *Note 9 - Reinsurance and Policy Provisions* to our audited consolidated financial statements. For risks involving reinsurance see "Item 1A. Risk Factors."

Regulation

General Scope of Insurance Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to:

- grant and revoke licenses to transact business;
- regulate and supervise trade practices and market conduct;
- establish guaranty associations;
- license agents;
- approve policy forms;
- approve premium rates for some lines of business;
- establish reserve requirements;
- prescribe the form and content of required financial statements and reports;
- determine the reasonableness and adequacy of statutory capital and surplus;
- perform financial, market conduct and other examinations;
- define acceptable accounting principles for statutory reporting;
- regulate the type and amount of permitted investments;
- establish requirements for reinsurance credit;

- prescribe the terms of agreements between or among affiliates;
- approve changes in direct or indirect ownership above certain thresholds;
- review corporate governance practices; and
- limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

Our life insurance company subsidiaries are subject to periodic examinations by state regulatory authorities. In 2020, the Iowa Insurance Division completed financial examinations of American Equity Life and Eagle Life for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life's or Eagle Life's statutory financial statements as a result of these examinations. In 2020, the New York State Department of Financial Services completed its financial examination of American Equity Life of New York for the five-year period ending December 31, 2018. There were no adjustments to American Equity Life of New York's statutory financial statements as a result of this examination. On February 1, 2023, we acquired Entrada Life Insurance Company, an Arizona domestic insurance company ("Entrada"). Entrada has not been subject to financial examination by the Arizona Department of Insurance and Financial Institution since the completion of our acquisition of Entrada.

We established captive reinsurers in Vermont and in Bermuda in 2021, and established a second captive reinsurer in Vermont in 2023, which required the approval of regulators in those jurisdictions. The Iowa Insurance Division also approved the related reinsurance arrangements.

Dividends, Distributions, and Transactions Among Affiliates; Insurance Holding Company Regulation

The payment of dividends or distributions, including surplus note payments, by our life insurance company subsidiaries is subject to regulation by each subsidiary's state of domicile's insurance department. Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's statutory net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory surplus at the prior year-end. For 2024, up to \$373.1 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. American Equity Life had \$2.1 billion of statutory earned surplus at December 31, 2023.

State insurance regulators also review matters related to our life insurance company subsidiaries in connection with requests for regulatory approval of certain transactions with affiliates. In the past, we have obtained approvals from the insurance regulators of certain of our life insurance subsidiaries' domiciliary states for transactions including a variety of reinsurance arrangements and certain transactions related to provision of intra-enterprise services and allocation of tax costs.

All states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of affiliate transactions, enterprise risk management, and other matters. Our life insurance company subsidiaries are registered pursuant to such legislation in Iowa, New York and Arizona.

Acquisition of Control

All states, including Iowa, New York and Arizona where our life insurance company subsidiaries are domiciled, have enacted legislation and/or adopted administrative regulations governing the acquisition of control of insurance companies. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require regulatory approval of the direct or indirect acquisition of 10% or more of the issued and outstanding voting securities of an insurance company domiciled in the state. Such acquisition is generally deemed to be the acquisition of "control" for the purpose of the insurance holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also approval from the state's insurance regulator prior to the acquisition. In 2021, Brookfield Reinsurance received Iowa and New York regulatory approval to increase its ownership of our common stock, and chose to increase its ownership to approximately 16%. At the end of the reporting period, the Brookfield Reinsurance ownership was 20.1%. In 2023, following our execution of the Merger Agreement with Brookfield Reinsurance, Brookfield Reinsurance submitted applications to obtain approvals from the Iowa, New York, Arizona, Bermuda and Vermont insurance regulators with respect to its proposed acquisition of control of our life insurance company subsidiaries and reinsurer subsidiaries domiciled in such jurisdictions. See *Footnote 1 - Significant Accounting Policies* for further discussion.

Risk-Based Capital Requirements

The National Association of Insurance Commissioners ("NAIC") risk-based capital ("RBC") requirements are intended as an early warning tool for regulators to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. The RBC formula is utilized to calculate an RBC ratio for each insurance company, and RBC reports setting forth calculations of these RBC ratios are generally submitted to each insurance company's domiciliary insurance regulator on an annual basis. RBC ratio calculations supplement generally lower fixed minimum capital and surplus requirements for licensed insurance companies implemented on a state-by-state basis. RBC requirements are not designed as a ranking mechanism for adequately capitalized companies.

During the third quarter of 2023, the NAIC adopted a new principles-based statutory accounting definition of a "bond", which will be used to determine which assets are "bonds" for RBC purposes, effective January 1, 2025. We will review our investment portfolio to determine the effect these changes may have on our RBC and make adjustments as we determine appropriate.

The NAIC's RBC requirements provide for four action levels depending on the insurance company's RBC ratio. State insurance laws provide to insurance regulators the authority to require various actions by, or take various actions against, an insurer that has an RBC ratio which does

not meet or exceed these respective action levels. Calculations using the NAIC formula at December 31, 2023 indicated that American Equity Life's RBC ratio was in excess of each of those RBC action levels.

Reserves Adequacy

Our life insurance company subsidiaries, and our affiliated captive reinsurers, must annually analyze their statutory reserves adequacy. In each case, a qualified actuary must submit an opinion that states that the statutory reserves make adequate provision, according to accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the subsidiary. The actuary considers the adequacy of the statutory reserves in light of the assets held by the insurer with respect to such reserves and related actuarial items, such as the investment earnings on such assets and the consideration the insurer anticipates receiving and retaining under the related policies and contracts. We may increase reserves in order to submit such an opinion without qualification. Our subsidiaries that must provide these opinions did so in 2023 without qualifications.

Investments Regulation

State laws and regulations limit the amount of investments that our U.S. insurance subsidiaries may have in certain asset categories, such as below investment grade fixed income securities, real estate equity, other equity investments, and derivatives, and require diversification of investment portfolios. Investments exceeding regulatory limitations may potentially be excluded from admitted assets for purposes of measuring policyholders' surplus. Effective as of July 1, 2023, the Iowa statute governing permitted investments by Iowa domestic insurance companies, such as American Equity Life and Eagle Life, was amended to conform Iowa law more closely to NAIC models in some respects. Under this new Iowa law, investment limits are measured as a percentage of the insurance company's overall admitted assets. In addition, the new law eliminates the requirement for reserve deposits with the Iowa Insurance Division. Certain aggregate limits and single issuer limits have also been adjusted and provide greater flexibility for the investment portfolio.

Derivatives Regulation

We use derivatives, primarily call options, to provide the income needed to fund the annual index credits on our fixed index annuity products. We may also use derivatives to hedge interest rate, foreign currency and additional equity market exposure. As such, we and our counterparties are subject to Dodd-Frank Act regulation of collateral posting, clearing, and reporting of over-the-counter derivatives transactions.

Financial Strength Ratings

Financial strength ratings issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's") are measures of an insurance company's ability to meet policyholder obligations and generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. While not enforced by law, ratings are based upon factors of concern to agents, policyholders and intermediaries and strongly influence an insurer's competitiveness. Factors that could negatively influence financial strength ratings include:

- Sustained reductions in new sales of insurance products;
- Unfavorable operational and/or financial trends;
- Significant losses and/or ratings deterioration in our investment portfolio;
- Changes in equity market levels, interest rates, and market volatility;
- Inability to access capital markets to provide reserve relief;
- Changes in statutory accounting or reserve requirements applicable to our insurance subsidiaries;
- Inability to sustain senior management or other key personnel;
- Rapid or excessive growth; and
- Ineffective enterprise risk management.

Long-Duration Targeted Improvements

The Financial Accounting Standards Board ("FASB") has revised aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value and simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this revised guidance was effective for us on January 1, 2023, the transition date (the remeasurement date) was January 1, 2021. We have filed supplements to our financial statements to reflect modifications made for these requirements. See *Note 1 - Significant Accounting Policies* for further discussion on the impact of this guidance.

Privacy and Cybersecurity

Various U.S. states have enacted laws and various federal and state government agencies have issued regulations designed to protect the privacy and security of personal information. These laws and rules vary significantly from jurisdiction to jurisdiction. Insurance and other regulators are also focused on cybersecurity. The NAIC's Insurance Data Security Model Law (the "Cybersecurity Model Law"), which has been adopted in twenty-three states, establishes standards for data security intended to protect the confidentiality, integrity, and availability of information systems and for the investigation of and notification to insurance commissioners of cybersecurity events involving unauthorized

access to, or the misuse of, certain nonpublic information. Other regulations with a significant impact on our operations include the New York State Department of Financial Services cybersecurity requirements for financial services companies (the “Cybersecurity Regulation”) and the California Consumer Privacy Act (the “CCPA”). The Cybersecurity Regulation was recently updated to impose additional requirements on covered financial institutions with respect to cybersecurity governance, incident response and breach notification. The CCPA contains protections for individuals, such as the right to request access to or deletion of personal information. Since the CCPA became effective, several other U.S. states have enacted comprehensive privacy laws including Iowa, whose law becomes effective on January 1, 2025. On June 30, 2023 the SEC adopted new cybersecurity disclosure rules for public companies. Under the rule, registrants must disclose information about material cybersecurity incidents on a Current Report on Form 8-K within four days of concluding that the incident is material. Registrants must also disclose aspects of their cybersecurity risk management. See *Item 1C - Cybersecurity* for disclosure of our cybersecurity risk management.

ERISA

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act (“ERISA”) and the Internal Revenue Code of 1986, as amended (the “Code”). ERISA and the Code impose restrictions, including fiduciary duties to perform solely in the interests of ERISA plan participants and beneficiaries, and to avoid certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the U.S. Department of Labor (“DOL”), the Internal Revenue Service (“IRS”) and the Pension Benefit Guaranty Corporation.

The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to an individual advisor, the firm that employs the advisor or their affiliates that vary according to the investment recommendation chosen, unless an exemption or exception is available. Similarly, without an exemption or exception, fiduciary advisors are prohibited from receiving compensation from third parties in connection with their advice. ERISA also affects certain of our in-force insurance policies and annuity contracts, as well as insurance policies and annuity contracts we may sell in the future.

Heightened standards of conduct as a result of a fiduciary or best interest standard or other similar rules or regulations could increase the compliance and regulatory burdens on our sales representatives.

On November 2, 2023, DOL published another proposed amendment to the rules determining when a person who makes a recommendation to someone responsible for the investment of the assets of an employee benefit plan or individual retirement account (“IRAs”) (each, a “Retirement Investor”) is deemed to be a fiduciary for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the prohibited transaction provisions of section 4975 of the Internal Revenue Code of 1986 (“PTE”). If adopted, the proposed rule would significantly expand the instances when a person will be a fiduciary. The proposed rule would affect all financial services companies that sell products to retirement plans and IRAs by rendering someone an ERISA fiduciary for a one-time recommendation to rollover assets from an employee benefit plan to an IRA. We are tracking the development of the proposal and have established internal working groups to prepare our business practices accordingly.

Broker-Dealer and Securities Product Regulation

One of our subsidiaries is registered with the SEC as a broker-dealer under the Exchange Act and a member of, and subject to regulation by, FINRA. In addition, we may offer products regulated as securities. In each case, we will be subject to scrutiny from federal and state securities regulatory authorities and FINRA. Any of these may, from time to time, make inquiries and conduct examinations regarding compliance with securities and other laws and regulations.

Pandemic and Public Health Related Conditions and Regulation

In the case of pandemics or public health crises, government, regulatory, business, and social reactions may have significant effects on our business and the conditions in which we operate. Actions taken by governments for disease control may disrupt distribution channels through which we sell our products, including independent agents and their clients, and depress economic activity that affects demands for our products. They may also materially affect our investment portfolio.

Guaranty Laws

Our life insurance company subsidiaries also may be required, under the solvency or guaranty laws of most states in which they do business, to pay assessments up to certain prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength and, in certain instances, may be offset against future premium taxes.

Environmental Laws and Regulations

We are subject to environmental laws and regulations as an owner and operator of real property, which can include liabilities and costs in connection with any required remediation of such properties. In addition, we hold equity interests in companies that could potentially be subject to environmental liabilities. We assess real estate we acquire for environmental exposure, but unexpected environmental liabilities may arise.

Side Car Related Regulation

As we continue to develop and implement third-party capital reinsurance, such as “side cars,” we expect to manage additional related regulatory requirements in areas such as employment and labor, governance, reinsurance, securities, investment advising, and tax. We expect the scope of these requirements and our management strategies to be clearer as our planning and execution continue to progress.

Other State and NAIC Regulatory Developments

State insurance regulators and the NAIC are continually reexamining, and state legislatures are continually developing new legislation that may impact, existing insurance laws and regulations. Proposed laws and regulations or those still under development pertaining to insurer solvency and market conduct and in recent years have focused on:

- insurance company investments;
- RBC guidelines, which consist of regulatory targeted surplus levels based on the relationship of statutory capital and surplus, with prescribed adjustments, to the sum of stated percentages of each element of a specified list of company risk exposures;
- suitability/best interest standard;
- the implementation of non-statutory guidelines and the circumstances under which dividends may be paid;
- principles-based reserving;
- own-risk solvency and enterprise risk management assessment;
- cybersecurity assessments;
- product approvals;
- agent licensing;
- sales practices; and
- use of artificial intelligence and algorithmic underwriting.

In addition, the NAIC is reviewing how insurers’ investments in structured securities, certain types of affiliate agreements, holding company structures, and forms of public or private ownership may affect insurers’ financial stability.

Other U.S. Federal Initiatives

Historically, the federal government has not directly regulated the business of insurance. However, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation can significantly affect the insurance business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) generally provides for enhanced federal supervision of financial institutions, including insurance companies in certain circumstances, and financial activities that it deems represent a systemic risk to financial stability or the U.S. economy. The Federal Insurance Office, established under the Dodd-Frank Act, monitors aspects of the insurance industry and its authority may extend to our business, although it does not have general regulatory authority over insurers.

The Inflation Reduction Act added a new corporate alternative minimum tax (“CAMT”) to the Internal Revenue Code of 1986 beginning in tax year 2023. The CAMT imposes a 15% “corporate alternative minimum tax” based on net income, subject to certain adjustments. Based on guidance issued by the U.S. Department of Treasury and Internal Revenue Services to date, the Company was not subject to the CAMT for the year ended December 31, 2023. However, the Company will assess the applicability of the CAMT on an annual basis and may be subject to the CAMT in future years. The Inflation Reduction Act also imposes a 1% excise tax on stock repurchases made by publicly traded U.S. corporations.

The SEC has proposed new climate-related disclosure rules for public companies. Among other things, the proposed rules would require registrant disclosure on (1) governance of climate-related risks; (2) climate-related impacts on strategy, business model and outlook; (3) climate-related risk management; (4) greenhouse gas (“GHG”) emissions; and (5) any internal carbon price or climate-related targets and goals. Large accelerated filers, such as us, would also have to obtain attestation by an independent third party of certain of their GHG emissions metrics. The proposed rules would also require registrants to include climate-related financial statement metrics (which would consist of disaggregated climate-related impacts on existing financial statement line items) and related disclosures in a note to audited financial statements, subject to adequate internal controls and to audit by an independent registered public accounting firm. Depending on the ultimate rules the SEC adopts, the cost and other impacts of such a rule on us may be significant.

Bermuda Regulation

The Bermuda Monetary Authority regulates Bermuda's financial services sector, supervising, regulating and inspecting financial institutions operating in its jurisdiction. Bermuda’s regulations address matters such as fitness and adequate knowledge and expertise to engage in insurance, and impose solvency, auditing, reporting, and governance requirements.

On December 27, 2023, Bermuda enacted a 15% corporate income tax (“CIT”) based on book income. The CIT is intended to align with Organisation for Economic Co-operation and Development’s global anti-base erosion (“GloBE”) rules. The CIT will be effective for tax years beginning on January 1, 2025. The CIT is not expected to have a material impact to the Company.

Federal Income Tax

Generally, U.S. federal tax law permits tax deferral on the inside build-up of investment value of certain retirement savings, including annuity products, until a contract distribution has occurred. In general, death benefits paid under a life insurance contract are excluded from taxation. Attractiveness of the Company's products for some individuals may depend on the enacted tax rates and the impact on the value of the deferral. Congress from time to time may enact other changes to the tax law that could make our products less attractive to consumers, including legislation that would modify the tax favored treatment of retirement savings, life insurance and annuity products.

Human Capital

Our Team Members

American Equity's growth and innovation strategy relies on our employees' capabilities and expertise. Our human capital management is crucial to our delivery on our decades- and often life-long promises to policyholders, and as we continue to transform into an at-scale origination, spread and capital light fee-based business, and to manage capital to grow as well as produce returns for shareholders. As of December 31, 2023, American Equity employed approximately 995 full-time team members. All of our employees are located in the United States, and none were covered by a collective bargaining agreement. American Equity engaged less than 50 temporary or part-time workers.

Engagement

Our culture is the foundation for our efforts to provide the best products and exemplary customer service, as well as to build an engaged and valued team. We seek to cultivate a culture of growth, innovation, and purposeful teamwork that builds off of our foundation of customer service, stewardship, product integrity, and financial strength. Our cultural beliefs focus on:

- Performing as **One Team** to foster a trusting and transparent environment to work toward common objectives.
- **Inspiring Innovation** by leaving our comfort zones daily to advance the company's goals.
- **Taking Action** to seek the best available information and deliver results.
- **Owning It** by taking responsibility for our actions and growing from our experiences.
- **Breaking Boundaries** to engage in respectful conversations that invite diverse perspectives and experiences.

Health and Safety

Our employee benefits programs support our growing workforce's evolving needs. Healthcare options for benefit-eligible employees aim to maintain affordable team member contribution and proactively promote physical and mental well-being. One measure of the caliber of our benefits in 2023 was that over 85% of our employees chose coverage through our medical plan, and similarly high levels chose dental and/or vision coverage. During 2023, the company paid an average of 84% of participating employees' monthly medical premiums. We also offered out team members a free robust virtual holistic wellness program, in which hundreds took part.

Retirement Benefits

American Equity team members are eligible to participate in our 401(k) plan after thirty days of employment and age 18. We match 100% of team member contributions to the 401(k) plan up to 3% of the employee's total eligible compensation and match 50% of employee contributions up to the next 2% of the employee's total eligible compensation, subject to the Internal Revenue Code (the "Code") limitations.

We also have historically aligned employee and shareholder interests and promote team members' ownership mindset through our long-standing Employee Stock Ownership Plan ("ESOP"). We make semi-annual discretionary contributions for all employees after a minimum of six months of service, and their interests vest after two years of service.

In early 2024, we converted these two retirement programs into a KSOP. Semi-annual contributions will continue under this plan as well as the ongoing 401(K) match.

Training

At American Equity, we encourage and invest in a wide variety of professional development opportunities and in-role stretch assignments. Our employees expanded their skills and expertise through thousands of hours of training in our internally led development focused on business acumen and LinkedIn Learning in 2023. We also engaged employees through a wide variety of internal and external leadership and subject-matter seminars, degree, and certificate programs. In 2023, we introduced a Leadership Competency Framework to facilitate growth in key areas of leadership throughout a manager's career. Additionally, we began a semi-annual Managerial Bootcamp for new people leaders.

Community Action

We support and partner with a diverse range of organizations to make a positive difference where our team members live and work. In 2023, we sponsored the LGBTQ Legacy Leader Awards, Financial Literacy Center at Drake University and Women Lead Change organization and we offered our team members paid time to volunteer in community-building efforts. We also made a significant commitment to Greater Des Moines Habitat for Humanity, specifically supporting their Center for Homeownership. This pledge aligns with our commitment as the Financial Dignity Company and investing in the community where our headquarters are located.

Compensation

For more information on our executive compensation programs and how they align with our business strategy and results, see our subsequent disclosure to be filed within 120 days after December 31, 2023.

Item 1A. Risk Factors

Any or each of the events described below may (or may continue to) adversely affect our reputation, our regulatory, customer, or other relationships, our business, our net income and results of operations, our expenses, our profitability, our liquidity or cash flows, our statutory capital position, our book value and book value per share, our ability to meet our obligations, our credit and financial strength ratings, our risk-based capital ratios, our financial condition, our cost of capital, or the market price of our common stock. The effects may vary widely from time to time, product to product, market to market, region to region, or segment to segment. Many of these risks are interrelated and could occur under similar business and economic conditions, and the occurrence of any of them may cause others to emerge or worsen. Such combinations could materially increase the severity of the cumulative or separate impact of these risks.

These risk factors are not a complete set of all potential risks that could affect us. You should carefully consider the risk factors together with other information contained in this Annual Report on Form 10-K, including “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and accompanying notes in “Financial Statements and Supplementary Data”, as well as in other reports and materials we submit to the SEC.

Risks Related to the Brookfield Reinsurance Acquisition

A-1. The consummation of the Merger is subject to a number of conditions, many of which are largely outside the parties’ control, and, if these conditions are not satisfied or waived on a timely basis, the Merger may not be completed within the expected timeframe or at all.

On July 4, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Brookfield Reinsurance Ltd. (“Brookfield Reinsurance”), Arches Merger Sub, Inc. (“Merger Sub”), a wholly owned subsidiary of Brookfield Reinsurance, and solely for the purposes set forth in the Merger Agreement, Brookfield Asset Management Ltd. (“BAM”), pursuant to which Merger Sub will merge with and into the Company (the “Merger”) with the Company surviving the Merger and becoming a wholly-owned subsidiary of Brookfield Reinsurance. The completion of the Merger remains subject to the satisfaction of certain customary closing conditions, including among others (i) the receipt of required regulatory approvals from certain insurance regulators, (ii) approvals from the New York Stock Exchange and Toronto Stock Exchange for listing of the BAM Class A Stock to be issued as stock consideration in the Merger, (iii) the absence of any injunction or restraint otherwise preventing consummation of the Merger, (iv) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) and (v) the absence of the imposition of a Burdensome Condition (as defined in the Merger Agreement) by any regulator as part of the regulatory approval process. The obligation of each party to consummate the Merger is also conditioned on the accuracy of the other party’s representations and warranties (subject to certain materiality exceptions) and the other party’s compliance, in all material respects, with its covenants and agreements under the Merger Agreement. Therefore, the Merger may not be completed or may not be completed as timely as expected.

A-2. The failure to satisfy all of the required conditions could delay the completion of the Merger by a significant period of time or prevent it from occurring, which could result in adverse consequences to the Company.

The failure to complete the Merger in a timely manner or the termination of the Merger Agreement could adversely affect the Company’s business, and the Company will be subject to a variety of risks, possible consequences and business uncertainties, including among others: (i) the market price of the Company’s common stock may decline to the extent that the current market price reflects an assumption that the Merger will be consummated; (ii) the Company will have incurred, and will continue to incur, significant expenses for professional services in connection with the Merger for which it will have received little or no benefit if the Merger is not consummated; and (iii) failure to complete the Merger may result in negative publicity or result in a negative impression of the Company in the investment community and with its policyholders and other stakeholders.

A-3. Efforts to complete the Merger could disrupt the Company’s relationships with third parties and employees, divert management’s attention, or result in negative publicity or legal proceedings, any of which could negatively impact the Company’s operating results and ongoing business.

The Company has expended, and continues to expend, significant management time and resources in an effort to complete the Merger, which may have a negative impact on its ongoing business and operations. Uncertainty regarding the outcome of the Merger and the Company’s future could disrupt its business relationships with existing and potential policyholders, suppliers, vendors, landlords and other business partners, who may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than the Company. Uncertainty regarding the outcome of the Merger has also had adverse effects on our ability to recruit and retain key personnel and other employees. The pendency of the Merger may also lead to additional litigation against the Company and its directors and officers. Such litigation would be distracting to management and may require the Company to incur significant costs. Such litigation could result in the Merger being delayed and/or enjoined by a court of competent jurisdiction, which could prevent the Merger from becoming effective. The occurrence of any of these events individually or in combination could have a material and adverse effect on our business, financial condition and results of operations.

A-4. The termination of the Merger Agreement could negatively impact the Company.

Should the Merger fail to be completed for any reason, the ongoing businesses of the Company and its relationships with its shareholders and other stakeholders may be adversely affected and, without realizing any of the anticipated benefits of having completed the Merger, the Company would be subject to a number of risks, including:

- The Company may experience negative reactions from the financial markets, including a decline of the price of the shares of our common stock (which may reflect a market assumption that the Merger will be completed);
- The Company may experience negative reactions from the investment community, regulators, employees and its customers or other partners in the business community;
- Brookfield or others may change their reinsurance or investment management relationships with the Company;
- Brookfield may exercise any rights it retains under its Investment Agreement with the Company;
- Brookfield or other shareholders may sell shares of our common stock, and this or other activity may cause opportunistic or coercive behavior on the part of private equity or other firms to compel a takeover of the Company on terms not to the advantage of all of our shareholders or stakeholders, causing stock price volatility or hindering management's efforts to maximize long-term shareholder or stakeholder value;
- The Company may be required to pay certain costs relating to the Merger, whether or not the Merger is completed;
- The restrictions in the Merger Agreement on the conduct of the Company's business during the pendency of the Merger have resulted in the Company not taking certain actions and not pursuing certain business opportunities during the pendency of the Merger that the Company may have taken or pursued if these restrictions were not in place;
- Matters relating to the Merger have required substantial commitments of time and resources by management, which time and resources would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to the Company had the Merger not been contemplated; and
- If the Company determines to seek another transaction, the Company may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

A-5. While the Merger Agreement is in effect, the Company is subject to restrictions on its business activities.

The Merger Agreement contains certain restrictions on the Company's business activities prior to the completion of the Merger, including restrictions on making certain investments or acquisitions, selling assets, engaging in capital expenditures in excess of certain agreed limits, incurring indebtedness, taking certain actions with respect to Investment Assets (as defined in the Merger Agreement) or making changes to AEL's business prior to the completion of the Merger or termination of the Merger Agreement. These restrictions could prevent the Company from pursuing attractive business opportunities that may arise prior to the consummation of the Merger. Although the Company may be able to pursue such activities with Brookfield Reinsurance's consent, Brookfield Reinsurance may not be willing to provide its consent for the Company to do so. These restrictions could have an adverse effect on the Company's business, financial results, financial condition or share price.

A-6. Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the Merger can be completed, various approvals must be obtained from certain insurance regulators. In deciding whether to grant these approvals, the relevant regulatory agencies will consider a variety of factors, and an adverse fact or development with respect to such factors could result in an inability to obtain one or more of the required regulatory approvals or delay receipt of required approvals. The terms of the approvals that are granted may impose restrictions or conditions on the parties or related entities beyond those that the parties are required to accept under the terms of the Merger Agreement, or may require changes to the terms of the Merger. There can be no assurance that regulators will not impose any such restrictions, conditions or changes or that such restrictions, conditions or changes will not delay the completion or result in the abandonment of the Merger.

Risks Relating to Our Business and Economic Conditions

1. Our results may differ from our management assumptions, estimates, and models.

Our financial results are based on assumptions and estimates that depend on many factors, none of which are certain. Our actual results may differ significantly from our expectations. As a result, our decisions on products and pricing, calculation of account balances within our financial statements, and the amounts of regulatory and rating agency capital we expect to need to hold may be wrong. Our estimates are based on complex analysis and interpretation of large quantities of data, involve sophisticated judgment and expertise, and are imprecise. We may change our assumptions and estimates from time to time as a result of engaging more sophisticated methods, obtaining additional information, or due to discovery of errors. Our expected pricing expenses and benefits are based on assumptions about how long a policy will remain in force and about mortality and longevity. Our actual experience may differ from our pricing assumptions. We may have to change our actuarial estimates, accelerate amortization of deferred acquisition expenses, increase our policy benefit reserves, or pay higher benefits than we projected. For example, persistency lower than our assumptions may require us to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy.

Certain financial statement balances depend on estimates and assumptions including the calculations of policyholder benefit reserves, market risk benefits, derivatives and embedded derivatives, deferred policy acquisition costs and deferred sales inducements, the fair value of investments and valuation allowances. The calculations we use to estimate these balances are complex. We make significant assumptions such as expected index credits, the age when a policyholder may begin to utilize the lifetime income benefit rider, the number of policyholders that may not utilize the lifetime income benefit rider, expected policyholder behavior including expected lapse rates, discount rates and the expected cost of annual call options, any of which may change over time and may be inaccurate. We use judgement in making estimates and assumptions, and our accuracy depends on multiple factors, including market conditions, interest rates, credit conditions, spreads, liquidity, and observable market data. Our investment returns or cash flows may also differ from our expectations.

In addition, our risk management policies, procedures, and models may be imperfect or may not be sufficiently comprehensive. As a result, they may not identify or adequately protect us from every risk to which we are exposed.

2. Interest rate and equity market conditions could change.

Interest rate increases or decreases could harm our investment spread, or the difference between yields on our invested assets and our cost of money, the fair value of our investments and the reported value of stockholders' equity and the unrealized gain or loss position of our investment portfolio.

Rising interest rates may lead customers to surrender their policies, increasing our net cash outflows, requiring us to sell assets at a disadvantaged price and accelerating our amortization of deferred policy acquisition costs and deferred sales inducements. Our sales may decline during such times, or we may increase annuity crediting rates but be unable to generate the investment returns or spreads we desire. At other times, low interest rates may harm our ability to offer attractive rates and benefits to customers while maintaining profitability; this may reduce our fixed index annuity sales, as consumers seek potentially higher returns.

A decrease in the equity markets, a decrease in interest rates, or an increase in volatility in either, may require us to increase our reserves related to benefit guarantees. Our hedge program designed to mitigate these risks may not be entirely effective to offset the changes in the carrying value of the guarantees due to, among other things, the time lag between changes in their values and corresponding changes in the hedge positions, high levels of volatility in the equity markets and derivatives markets, extreme swings in interest rates, contract holder behavior different than expected, a strategic decision to adjust the hedging strategy in reaction to extreme market conditions or inconsistencies between economic and statutory reserving guidelines and divergence between the performance of the underlying funds and hedging indices.

3. Our investments may lose value or fail to grow as quickly as we expect due to market, credit, liquidity, concentration, default, and other risks.

Our investments and their performance, including our derivative financial instruments, are subject to credit defaults, market value volatility and changes to credit spreads. The impact of these items can be exacerbated by financial and credit market volatility. We may fail to adjust to market conditions, producing investment portfolio losses. Our portfolio diversification management by asset class, creditor, industry, and other limitations may be inadequate.

We may have to sell investments that are not publicly traded or that otherwise lack liquidity (such as privately placed fixed maturity securities, below investment grade securities, investments in mortgage loans and alternative investments) below fair market values and could incur losses. We may be unable to liquidate positions quickly to meet unexpected policyholder withdrawal obligations.

Our mortgage loans may fail to perform and borrowers may default on their obligations. Declining debt service coverage ratios and increasing loan to value ratios, poor loan performance, borrower or tenant financial difficulties, catastrophes, and other events may harm mortgage carrying values, which could lead to investment losses.

Derivatives margin requirements may increase, and we may be required to post collateral. In addition, our costs may increase due to counterparties' higher capital requirements for derivatives. We may need to liquidate higher yielding assets for cash to cover some or all of these costs.

4. Our option costs could increase.

Our cost of call options, which we use to manage the index-based risk component of our fixed index annuities, may increase due to higher equity market volatility, higher interest rates, or other market factors. We may be unable to effectively mitigate this risk by adjusting caps, participation rates, and asset fees on policy anniversary dates to reflect these increases.

5. We are exposed to counterparty credit risk.

We have counterparty credit risk with other insurance companies through reinsurance, including as that term is defined for U.S. statutory purposes.

Our efforts to mitigate these risks, such as by securing assets in trusts and requiring the reinsurer to establish a letter of credit or deposit securities in the trusts for any shortfall, may be inadequate to protect us. Where the annuity deposits we ceded are unsecured, our claims would be subordinated to those of the reinsurer's policyholders. Should our reinsurers fail to meet their obligations to us, we remain liable for the ceded policy liabilities. If we were forced to recapture reinsured business, we may have inadequate capital to do so.

We may be unable to use reinsurance to the extent and on the terms we want. As a result, we would have to accept an increase in our net liability exposure or a decrease in our statutory surplus, reduce the amount of business we write, or develop other alternatives.

We also have exposure to many other counterparties, including in the financial services industry. Many of these transactions expose us to credit risk in the event of default of our counterparty, either with respect to insufficient collateral that cannot be realized or is liquidated at prices not sufficient to recover the full amount of the related loan or derivative exposure, or in the case of default of unsecured debt instruments or derivative transactions. Our derivative counterparties may fail to perform. Our efforts to maintain quality and credit exposure concentration limits may be inadequate to mitigate this risk. Counterparties' failure to deliver on their derivative instrument obligations may impose costs on us to fund index credits on our fixed index annuities. We may be unable to enforce our counterparties' obligations to post collateral to secure their obligations to us. Among other things, a downturn in the U.S. or other economies could increase any or all of these risks.

6. The third parties on whom we rely for services may fail to perform or to comply with legal or regulatory requirements.

The third parties who perform various services for us, including sales agents, marketing organizations, investment managers, side car-related services, reinsurers, and information technologists, may fail to meet our performance expectations. Our controls to monitor their service levels and compliance with our rules and legal and regulatory standards may be inadequate.

7. Our competitors have greater resources, a broader array of products, and higher ratings, which may limit our ability to attract and retain customers or distributors.

We may be unable to compete successfully with larger companies who enjoy larger financial resources, broader and more diversified product lines, higher ratings, and more widespread agency relationships. Customers may choose fixed index, fixed rate, or variable annuities sold by other insurance companies, or choose mutual fund products, traditional bank products, and other retirement funding alternatives offered by asset managers, banks and broker/dealers. Competitors' products may have competitive or other advantages based on design, participation rates and crediting rates, policy terms and conditions, services provided to distributors and policyholders, ratings by rating agencies, reputation and distributor compensation.

We may be unable to compete successfully for product distribution sources (such as IMOs, other marketers, agents, broker/dealers, banks and registered investment advisors) based on innovative and timely products, financial strength, services provided to and the relationships developed with distributors, or competitive commission structures and timely payments. Our distributors may choose to sell others' products, and are generally free to do so. Consolidation among IMOs may increase these risks and our costs.

8. Our information technology and communication systems may fail or suffer a security breach.

We may lose access to or use of our information technology (IT) systems to accurately perform necessary business functions such as issuing new policies, providing customer support, maintaining existing policies, paying claims, managing our investment portfolios, and producing financial statements. Our efforts, policies, and processes to avoid or mitigate systems failures, fraud, cyberattacks, processing errors, and regulatory breaches may fail or prove inadequate. Our disclosure obligations or regulatory requirements related to cybersecurity could make us more vulnerable to such events.

We may be unable to keep the confidential information within our IT infrastructure secure or maintain adherence to privacy standards or expectations. Our complex information security controls framework that leverages multiple leading industry control standards, as well as extensive commercial control technologies we use to maintain the security of those systems, is imperfect and may fail. An attacker who circumvents our comprehensive information security controls infrastructure could access, view, misappropriate, alter, or delete information contained within the accessed systems, including personally identifiable policyholder information and proprietary business information.

Our efforts and expenses to maintain and enhance our existing systems to keep pace with changing security requirements, industry standards, and evolving customer preferences may be insufficient or misguided, impairing our ability to rely on information for product design, product pricing, and risk management decisions. Our extensive backup and recovery systems and contingency plans may not prevent system interruptions, failures, or allow us to promptly remediate those that do occur.

In addition, our systems, policies, and procedures for capturing electronic communications related to our business may fail to record and store all the information regulators require us to, or may fail to do so in the required format.

9. We may suffer a credit or financial strength downgrade.

We may fail to maintain or improve our financial strength or credit ratings, whether due to the results of operations of our subsidiaries or our financial condition.

A ratings downgrade, or the potential for a ratings downgrade, could cause distributors and sales agents to stop or reduce our product sales in favor of our competitors, could increase our policy or contract surrenders, and harm our ability to obtain reinsurance or to do so at competitive prices. A change in risk ratings of assets in our investment portfolio, such as private equity or structured assets, may require us to hold more capital.

10. We may be unable to raise additional capital to support our business and sustain our growth on favorable terms.

We may need to increase or maintain the statutory capital and surplus of our life insurance subsidiaries, or the capital of our holding company, through debt, equity, and/or other transactions. We may be unable to do so because of adverse market conditions or high cost of capital, or be able to do so only on unfavorable terms. As a result, we may have to limit sales of new annuity products. We may also agree to restrictions on other activities, transactions, or financial arrangements in order to obtain necessary capital.

11. U.S. and global capital markets and economies could deteriorate due to inflation or major public health issues, including pandemics, and political or social developments, or otherwise.

Economic and capital markets could suffer downturns, uncertainties, or market disruptions. For example, inflation or an economic recession, and governmental efforts to combat or avoid them, armed conflict in Europe, Middle East or elsewhere and sanctions intended to address those conflicts or achieve other ends, pandemics (including COVID-19), major epidemics or other public health crises and government and business efforts in reaction to them, may continue to create economic and financial turmoil, decreased economic output, unemployment, market dislocations, political uncertainties, stagnated economic growth, and other effects. These may reduce the performance, and increase the risks, of our investment portfolio. They may also prevent us from continuing normal business operations, and our measures to mitigate their effects - such as remote working and workplace safety measures - may be inadequate to limit the strain on our business continuity plans and contain operational risk, such as information technology and third-party service provider risks.

12. We may fail to authorize and pay dividends on our preferred stock.

We may fail to authorize and pay dividends on our preferred stock. Unpaid dividends would not accrue, and could result in our inability to pay or declare a dividend on our common stock or repurchase, redeem or otherwise acquire for consideration our common stock. Any such failure would also prevent us from making certain distributions to common shareholders. They may also give preferred shareholders the right to elect members of our Board of Directors or other corporate governance rights that could weaken the rights and interests of common shareholders and other stakeholders.

13. Our subsidiaries may be unable to pay dividends or make other payments to us.

Our future cash flows may be limited, as they depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our insurance subsidiaries, such as payments under our investment advisory agreements and tax allocation agreements with our subsidiaries. Without such cash flow, we may be unable to service debt we incur from time to time (including senior notes, term loans, subordinated debentures issued to a subsidiary trust, and others), pay operating expenses and pay dividends to common and preferred stockholders.

14. We may fail at reinsurance, investment management, or third-party capital arrangements.

We may be unable to source, negotiate, obtain timely regulatory approval for, and execute the reinsurance, investment management, or third-party-capital arrangements for our strategy to succeed. Our reinsurance or investment management counterparties may fail to optimally perform or to meet their obligations under our agreements with them. As a result, we may not realize our anticipated economic, strategic or other benefits of any such transaction and may incur unforeseen expenses or liabilities. Any reorganization or consolidation of the legal entities through which we conduct business may raise similar risks.

15. We may fail to prevent excessive risk-taking.

Our employees, including executives and others who manage sales, investments, products, wholesaling, underwriting, and others, may take excessive risks. Our compensation programs and practices, and our other controls, may not effectively deter excessive risk-taking or misconduct.

16. Our policies and procedures may fail to protect us from operational risks.

We may make errors or fail to detect incorrect or incomplete information in any of the large number of transactions we process through our complex customer application, suitability review, administrative, financial reporting, and accounting systems. Our controls and procedures to prevent such errors may not be effective. For example, we may fail to escheat property timely and completely, or fail to detect, deter or mitigate fraud against us or our customers. We may fail to maintain service standards or to operate efficiently or control costs. We may also suffer internal control deficiencies or disclosure control deficiencies that result in significant deficiencies or material weaknesses. In addition, we may fail to attract, motivate and retain employees, develop talent, or adequately plan for management succession.

17. We may be unable to protect our intellectual property and may face infringement claims.

We may be unable to prevent third parties from infringing on or misappropriating our intellectual property. We may incur litigation costs to enforce and protect it or to determine its scope or validity, and we may not be successful. In addition, we may be subject to claims by third parties for infringement of intellectual property, breach of license usage rights, or misappropriation of trade secrets. We may incur significant expenses for any such claims. If we are found to have infringed or misappropriated a third-party intellectual property right, we may be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain intellectual property. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly alternative.

Risks Relating to Legal, Regulatory, Environment, Social, or Governance Matters

18. We may be subject to increased litigation, regulatory examinations, and tax audits.

We may become involved in increased litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. State regulatory bodies, such as state insurance departments, the SEC and the DOL may investigate our compliance with, among other things, insurance laws, securities laws and ERISA. In addition, U.S. and state authorities have and may continue to audit our compliance with tax laws.

19. Laws, regulations, accounting, and benchmarking standards may change.

Any of the myriad of insurance statutes and regulations in the various states in which our life insurance subsidiaries transact business, including those related to insurance holding companies, may change at any time with or without warning. Laws affecting our investments or how much capital we must retain, such as insurance rules on admitted assets, rules on enforcing mortgage rights, or others, may change. Accounting standards such as those issued by the FASB, statutory accounting standards, or others may change. Changes to interest rate benchmarking standards, such as LIBOR's replacements, may change, evolve, or be replaced. U.S. federal laws and rules, such as those related to securities or ERISA, may also change. For example, the DOL has proposed changes to its ERISA investment advice fiduciary rules that would require insurers and insurance agents to implement new processes for selling annuities funded with qualified plan or IRA assets. In addition, those with authority or influence may change their interpretation of such laws or accounting standards, or may disagree with our interpretation of them. We may be unable to adapt to any such changes or disagreements in a timely or effective manner. Tax law changes may also harm us. For example, changes to tax rules or securities regulation on stock repurchases may inhibit our return of capital to shareholders. In addition, should individual income tax rates decrease, some of the income tax advantages of our products would likewise decrease. Moreover, tax law may change or eliminate any of the income tax advantages of our products. Further, changes to the basis of U.S. income taxation (e.g., taxation of unearned gains), corporate tax rates, capital gains tax rates, and other changes, may affect us. We may also be subject to new regulatory requirements as a result of our side car activities or new product offerings, or we may face increased scrutiny in new regulatory areas as a result of such activity, such as with respect to FINRA or investment advisor rules. Our efforts to manage such requirements and scrutiny may increase our costs or put us at a competitive disadvantage.

20. Iowa or other applicable law, or our corporate governance documents or change-in-control agreements, may delay or deter takeovers or combinations.

State laws, our certificate of incorporation and by-laws, and agreements into which we have entered concerning changes in control may delay, deter or prevent a takeover attempt that stockholders might consider favorable.

21. Climate changes, or responses to it, may affect us.

Climate change may increase the frequency and severity of near- or long-term weather-related disasters, public health incidents, and pandemics, and their effects may increase over time. Climate change regulation may harm the value of investments we hold or harm our counterparties, including reinsurers. Our regulators may also increasingly focus their examinations on climate-related risks. Augmented climate-related disclosure requirements, include those related to GAAP or other financial statements or corporate governance, may increase our costs or absorb director or management attention.

22. Our efforts to meet environmental, social, and governance standards and to enhance our sustainability may not meet expectations.

Our investors or others may evaluate our business practices by continually evolving and unclear environmental, social, and governance ("ESG") criteria that may reflect contrasting or conflicting values or agendas. Our practices may also not change in the particulars or at the rate all parties expect, and may involve management trade-offs. To the extent we establish specific commitments or targets, we may fail to meet them. We may also face criticism and scrutiny for any efforts we make with respect to ESG, including allegations that such efforts are inconsistent with duties we owe to shareholders or others.

23. We face a variety of risks in connection with our operations outside the United States.

We currently have business operations in Bermuda and may pursue other opportunities outside the United States. In connection with our existing and potential international operations, we may face a wide range of political, legal, operational, economic and other risks, including but not limited to: nationalization or expropriation of assets; imposition of limits on foreign ownership of local companies; changes in laws, their application or interpretation; political instability; economic or trade sanctions; sanctions on cross-border exchange listing, investment or other securities transactions; dividend limitations; price controls; currency exchange controls or other transfer or exchange restrictions; heightened cybersecurity risks, or labor relations risks.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy; Governance

American Equity maintains a documented Information Security Risk Management Program (“Program”) that includes risk assessments regularly conducted by American Equity and third-party experts, assessors and auditors to evaluate potential security threats that may have a negative impact on the organization, detect potential vulnerabilities and mitigate any identified security risks. The Program is integrated into the Company’s overall risk management system. The Program is informed by industry standards and frameworks and is evaluated on an ongoing basis to address the evolving cyber threat landscape and seek alignment with industry standards such as applicable legal and regulatory guidance and mandates. In addition, the Company regularly self-assesses the Program against its internal policies.

As part of the Program, the Company: deploys technical and organizational safeguards designed to protect the Company’s networks, systems, and data from cybersecurity threats; maintains a threat management program that continuously monitors evolving cybersecurity risks; has established and maintains incident response plans that address the Company’s response to a cybersecurity incident; maintains a third-party risk management program that includes a due diligence and ongoing assessment process for service providers based on the risk they present and the adequacy of their safeguards; and provides ongoing education and training to employees regarding information security threats. The Company also conducts periodic penetration testing and tabletop exercises.

The American Equity Chief Information Security Officer provides oversight and direction for the Program and communicates the information security risk posture and the prevention, detection, mitigation, and remediation of cybersecurity incidents to the American Equity executive team and American Equity’s Board of Directors. The Board oversees the Program and management of risks from cybersecurity threats and reviews and monitors American Equity’s business and technology strategy.

As of the reporting date, no risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations or financial condition.

Item 2. Properties

Not applicable.

Item 3. Legal Proceedings

See *Note 15 - Commitments and Contingencies* to our audited consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol AEL. The following table sets forth the high and low sales prices of our common stock for each quarterly period within the two most recent fiscal years as quoted on the NYSE.

	High	Low
2023		
First Quarter	\$48.37	\$31.57
Second Quarter	\$53.68	\$35.22
Third Quarter	\$54.44	\$51.73
Fourth Quarter	\$56.09	\$52.70
2022		
First Quarter	\$44.49	\$35.05
Second Quarter	\$42.18	\$32.65
Third Quarter	\$43.55	\$33.22
Fourth Quarter	\$46.76	\$28.05

As of February 15, 2024, to the best of our knowledge, there were approximately 545 shareholders of record of our common stock. In 2023 and 2022, we paid an annual cash dividend of \$0.00 and \$0.36, respectively, per share on our common stock. Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including the status of the Merger with Brookfield Reinsurance, our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

Since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Iowa insurance laws restrict the amount of distributions American Equity Life and Eagle Life can pay to us without the approval of the Iowa Insurance Commissioner. See Management's Discussion and Analysis of Financial Condition and Results of Operations and *Note 14 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements, which are incorporated by reference in this Item 5.

For disclosure on securities authorized for issuance under equity compensation plans, see our subsequent disclosure to be filed within 120 days after December 31, 2023.

Issuer Purchases of Equity Securities

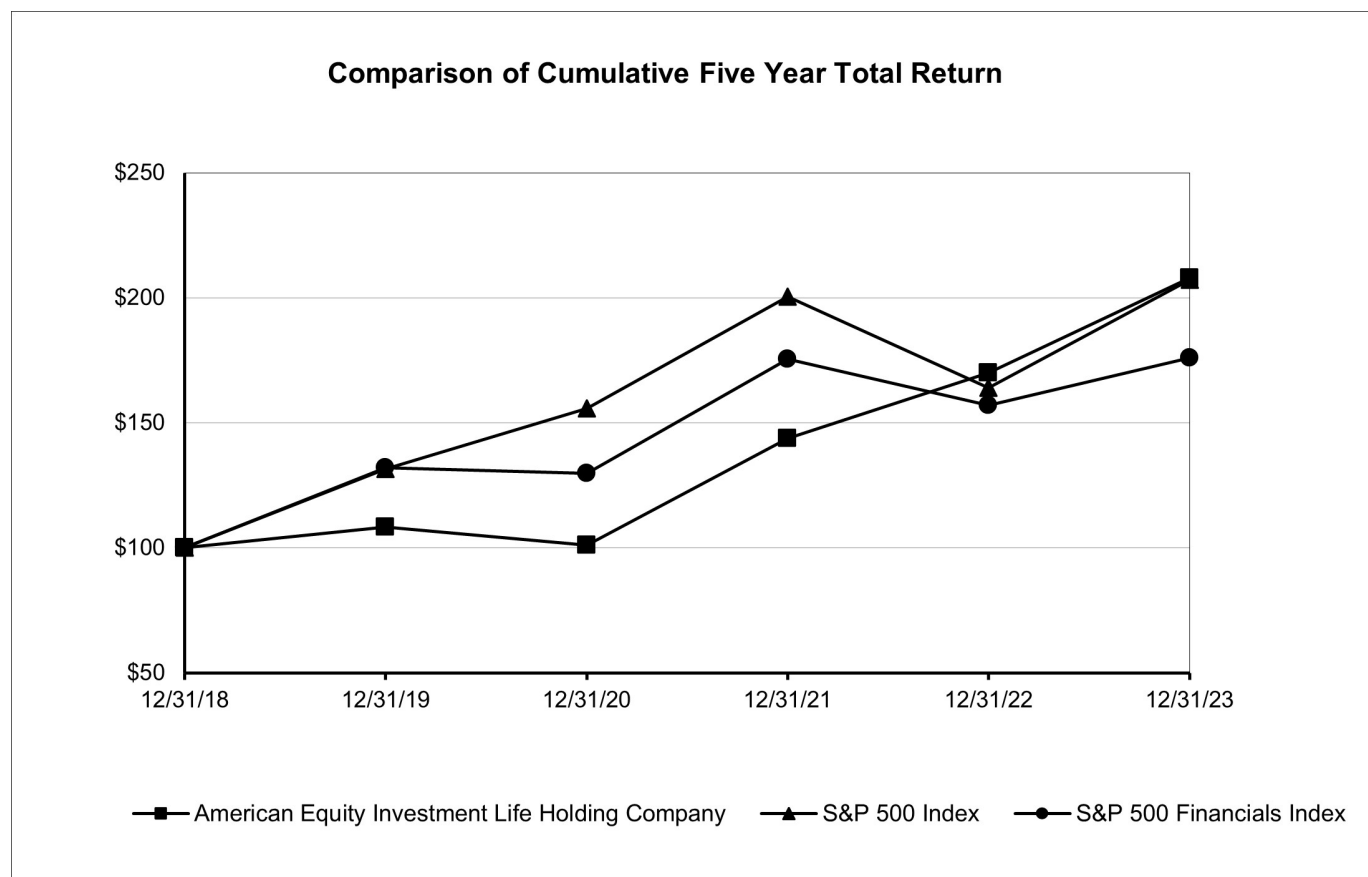
The following table presents the amount of our share purchase activity for the three months ended December 31, 2023:

Period	Total Number of Shares Purchased (shares)	Average Price Paid Per Share (dollars)	Total Number of Shares Purchased as Part of Publicly Announced Program (a) (shares)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Program (dollars in thousands)
October 1, 2023 - October 31, 2023	—	\$ —	—	\$ 275,825
November 1, 2023 - November 30, 2023	—	\$ —	—	\$ 275,825
December 1, 2023 - December 31, 2023	—	\$ —	—	\$ 275,825
Total	—		—	

- (a) On November 19, 2021, the Company's Board of Directors authorized the repurchase of an additional \$500 million of Company common stock. On November 11, 2022, the Company's Board of Directors authorized the repurchase of an additional \$400 million of Company common stock. On March 17, 2023, the Company entered into an accelerated share repurchase (ASR) agreement to repurchases an aggregate of \$200 million of Company common stock, and 4.8 million shares were delivered under this agreement. The Company has terminated the ASR agreement.

Common Stock Performance Graph

The graph and table below compare the total return on our common shares with the total return on the S&P Global Ratings (“S&P”) 500 and S&P 500 Financials indices for the five-year period ended on December 31, 2023. The graph and table show the total return on a hypothetical \$100 investment in our common shares and in each index on December 31, 2018 including the reinvestment of all dividends. The graph and table below shall not be deemed to be “soliciting material” or to be “filed,” or to be incorporated by reference in future filings with the SEC, or to be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
American Equity Investment Life Holding Co.	100.00	108.21	101.17	143.70	169.99	207.92
S&P 500 Index	100.00	131.49	155.68	200.37	164.08	207.21
S&P 500 Financials Index	100.00	132.13	129.89	175.40	156.92	175.99

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our consolidated financial position at December 31, 2023 compared with December 31, 2022, and our consolidated results of operations for the years ended December 31, 2023 and 2022, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with our audited consolidated financial statements, notes thereto and selected consolidated financial data appearing elsewhere in this report.

Effective January 1, 2023, we adopted Accounting Standards Update 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts ("ASU 2018-12" or "LDTI accounting guidance") which was applied with a transition date of January 1, 2021. As a result, the prior period amounts for the year ended December 31, 2021 and the year ended December 31, 2022 have been adjusted to reflect the new guidance.

For information and analysis relating to our financial condition and consolidated results of operations as of and for the year ended December 31, 2022, as well as for the year ended December 31, 2022 compared with the year ended December 31, 2021, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Exhibit 99.1 (Recast of certain information in the Company's Annual Report for the year ended December 31, 2022 on Form 10-K for adoption of ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts) filed on Form 8-K on August 9, 2023.

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this report and elsewhere (such as in filings by us with the SEC, press releases, presentations by us or management or oral statements) may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. Forward-looking statements give expectations or forecasts of future events and do not relate strictly to historical or current facts. They may relate to markets for our products, trends in our operations or financial results, strategic alternatives, future operations, strategies, plans, partnerships, investments, share buybacks and other financial developments. They use words and terms such as anticipate, assume, believe, can, continue, could, enable, estimate, expect, foreseeable, goal, improve, intend, likely, may, model, objective, opportunity, outlook, plan, potential, project, remain, risk seek, should, strategy, target, will, would, and other words and terms of similar meaning or that are otherwise tied to future periods or future performance, in each case in all forms of speech and derivative forms, or similar words, as well as any projections of future events or results. Forward-looking statements, by their nature, are subject to a variety of assumptions, risks, and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by the Company. Factors that may cause our actual decisions or results to differ materially from those contemplated by these forward-looking statements include, among other things:

- delay in completing, or failure to complete, the Merger with Brookfield Reinsurance.
- disruption of relationships with third parties and employees, diversion of management's attention, negative publicity, or legal proceedings from efforts to complete the Merger with Brookfield Reinsurance.
- limits on the ability to pursue alternatives to the Merger with Brookfield Reinsurance.
- restrictions on business activities while the Merger Agreement is in effect.
- results differing from assumptions, estimates, and models.
- interest rate condition changes.
- investments losses or failures to grow as quickly as expected due to market, credit, liquidity, concentration, default, and other risks.
- option costs increases.
- counterparty credit risks.
- third parties service-provider failures to perform or to comply with legal or regulatory requirements.
- poor attraction and retention of customers or distributors due to competitors' greater resources, broader array of products, and higher ratings.
- information technology and communication systems failures or security breaches.
- credit or financial strength downgrades.
- inability to raise additional capital to support our business and sustain our growth on favorable terms.
- U.S. and global capital market and economic deterioration due to major public health issues, including the COVID-19 pandemic, political or social developments, or otherwise.
- failure to authorize and pay dividends on our preferred stock.
- subsidiaries' inability to pay dividends or make other payments to us.
- failure at reinsurance, investment management, or third-party capital arrangements.
- failure to prevent excessive risk-taking.
- failure of policies and procedures to protect from operational risks.
- increased litigation, regulatory examinations, and tax audits.
- changes to laws, regulations, accounting, and benchmarking standards.
- takeover or combination delays or deterrence by laws, corporate governance documents, or change-in-control agreements.
- effects of climate change, or responses to it.
- failure of efforts to meet environmental, social, and governance standards and to enhance sustainability.
- strained shareholder relationships or disadvantageous takeover proposals.

For a detailed discussion of these and other factors that might affect our performance, see Item 1A of this report.

Executive Summary

As previously noted, we began to implement an updated strategy, referred to as AEL 2.0, after having undertaken a thorough review of our business in 2020. During 2023, we continued to make significant progress in the execution of the AEL 2.0 strategy in all four key pillars: Go-to-Market, Investment Management, Capital Structure and Foundational Capabilities. See **Item 1. Business - Strategy** for more information on the AEL 2.0 strategy and progress made during 2023.

Excellent customer service teamed with our ability to offer innovative insurance products that provide principal protection and lifetime income resulted in record sales of \$7.6 billion during 2023, an increase of 128% from \$3.3 billion in 2022. Fixed index annuities represented \$7.0 billion of total sales. Fixed index annuity sales increased 122% during 2023 driven by income product sales, which benefited from a higher demand for guaranteed income solutions as a result of high volatility in the markets.

We continued to originate privately sourced assets which now comprise 25.8% of the total investment portfolio at December 31, 2023. This is an increase from 22.0% at December 31, 2022. Investment yield was 4.55% in 2023, which is an increase of 23 basis points compared to 2022 and 92 basis points compared to 2021.

We increased our cash and cash equivalent holdings to \$7.4 billion at December 31, 2023, which will provide us with substantial dry powder to take advantage of opportunities that may emerge in the private asset sector while helping to protect the Company if macro-economic trends were to deteriorate or surrenders increase to greater than expected levels.

We achieved \$11.5 billion of fee generating reinsured balances and generated \$100 million in related revenues in 2023 (on a non-GAAP operating income basis). Effective October 1, 2023, we executed a second Vermont-domiciled redundant reserve financing facility. The new facility reinsured approximately \$550 million of in-force statutory reserves for lifetime income benefit rider guarantees. This resulted in approximately \$450 million of additional reserve credit for American Equity Life.

We repurchased 7.3 million shares of Company common stock, of which 2.5 million shares were repurchased in the open market at an average price of \$38.24 and 4.8 million shares were delivered under an accelerated stock repurchase program (ASR) at an average price of \$33.12. The ASR was executed on March 17, 2023 with 80% of the shares delivered upon execution. The ASR was terminated on July 13, 2023, and a payment of \$14 million was made to settle for the final volume-weighted average price associated with the initial share delivery.

We specialize in the sale of individual annuities (primarily fixed and fixed index deferred annuities) through IMOs, agents, banks and broker-dealers. Fixed and fixed index annuities are an important product for Americans looking to fund their retirement needs as annuities have the ability to provide retirees a paycheck for life. We have one business segment which represents our core business comprised of the sale of fixed index and fixed rate annuities.

Under U.S. GAAP, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Similarly, cash payments to policyholders are reported as decreases in the liabilities for policyholder account balances and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders, net realized gains (losses) on investments and changes in fair value of derivatives. Components of expenses for products accounted for as deposit liabilities are interest sensitive and index product benefits (primarily interest credited to account balances), changes in fair value of embedded derivatives, changes in market risk benefits, amortization of deferred sales inducements and deferred policy acquisition costs, other operating costs and expenses and income taxes.

Our profitability depends in large part upon:

- the amount of assets under our management,
- investment spreads we earn on our policyholder account balances,
- our ability to manage our investment portfolio to maximize returns and minimize risks such as interest rate changes and defaults or credit losses,
- our ability to appropriately price for lifetime income benefit riders offered on certain of our fixed rate and fixed index annuity policies,
- our ability to manage interest rates credited to policyholders and costs of the options purchased to fund the annual index credits on our fixed index annuities,
- our ability to manage the costs of acquiring new business (principally commissions paid to agents and distribution partners and bonuses credited to policyholders),
- our ability to maintain and continue to generate fee based revenue,
- our ability to manage our operating expenses, and
- income taxes.

Life insurance companies are subject to NAIC RBC requirements and rating agencies utilize a form of RBC to partially determine capital strength of insurance companies. The American Equity Life RBC ratio at December 31, 2023 and 2022 was 380% and 415%, respectively.

On August 30, 2023, S&P affirmed its "A-" financial strength rating on American Equity Life and its "BBB-" long-term issuer credit rating on American Equity Investment Life Holding Company. Following the announcement of the merger agreement with Brookfield Reinsurance, S&P placed these credit ratings on credit watch with negative implications as the expected impact of the announced agreement was evaluated.

On July 6, 2023, Fitch affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its life insurance subsidiaries, its "BBB" issuer default rating on American Equity Investment Life Holding Company and its "BBB-" senior unsecured debt ratings, and revised its outlook to "stable" from "negative" on its financial strength, issuer default and senior unsecured debt ratings.

On September 9, 2022, A.M. Best affirmed its "A-" financial strength rating on American Equity Investment Life Insurance Company and its subsidiaries, American Equity Investment Life Insurance Company of New York and Eagle Life Insurance Company, its "bbb-" long-term issuer credit rating of American Equity Investment Life Holding Company, its "bbb-" senior unsecured debt ratings, and its "bb" perpetual, non-cumulative preferred stock ratings. The outlook for these credit ratings of "stable" was also affirmed by A.M. Best on September 9, 2022. Following the announcement of the merger agreement with Brookfield Reinsurance, A.M. Best placed these credit ratings on watch, noting the ratings will likely remain under review pending completion of the merger.

Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholder, or the "investment spread." Our investment spread is summarized as follows:

	Year Ended December 31,		
	2023	2022	2021
Average yield on invested assets	4.55%	4.34%	3.73%
Aggregate cost of money	1.90%	1.71%	1.55%
Aggregate investment spread	2.65%	2.63%	2.18%
Impact of:			
Investment yield - additional prepayment income	0.01%	0.03%	0.11%
Cost of money benefit from over hedging	0.04%	0.01%	0.07%

The cost of money for fixed index annuities and average crediting rates for fixed rate annuities are computed based upon policyholder account balances and do not include the impact of amortization of deferred sales inducements. See Critical Accounting Policies and Estimates—Deferred Policy Acquisition Costs and Deferred Sales Inducements. With respect to our fixed index annuities, the cost of money includes the average crediting rate on amounts allocated to the fixed rate strategy and expenses we incur to fund the annual index credits. Proceeds received upon expiration of call options purchased to fund annual index credits are recorded as part of the change in fair value of derivatives and are largely offset by an expense for interest credited to annuity policyholder account balances. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities and Financial Condition - Derivative Instruments.

Average yield on invested assets increased primarily as a result of new money yields and the benefit of higher short-term interest rates on our floating rate portfolio partially offset by lower returns on our private assets and partnerships, lower prepayment income and an increase in investment expenses. See **Net investment income**. The aggregate cost of money increased primarily due to increases in options costs slightly offset by an increase in the benefit from over hedging as compared to the prior year. We have the flexibility to reduce our crediting rates if necessary and could decrease our cost of money by approximately 123 basis points if we reduce current rates to guaranteed minimums.

Results of Operations for the Three Years Ended December 31, 2023

Annuity deposits by product type collected during 2023, 2022 and 2021, were as follows:

Product Type	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
American Equity Life:			
Fixed index annuities	\$ 5,470,434	\$ 2,692,141	\$ 2,753,479
Annual reset fixed rate annuities	2,053	5,329	6,133
Multi-year fixed rate annuities	216,172	56,511	855,702
Single premium immediate annuities	1,224	18,935	59,816
	5,689,883	2,772,916	3,675,130
Eagle Life:			
Fixed index annuities	1,563,992	479,279	697,068
Annual reset fixed rate annuities	3,039	380	350
Multi-year fixed rate annuities	349,616	82,581	1,597,292
	1,916,647	562,240	2,294,710
Consolidated:			
Fixed index annuities	7,034,426	3,171,420	3,450,547
Annual reset fixed rate annuities	5,092	5,709	6,483
Multi-year fixed rate annuities	565,788	139,092	2,452,994
Single premium immediate annuities	1,224	18,935	59,816
Total before coinsurance ceded	7,606,530	3,335,156	5,969,840
Coinsurance ceded	2,382,012	968,906	424,819
Net after coinsurance ceded	\$ 5,224,518	\$ 2,366,250	\$ 5,545,021

Annuity deposits before coinsurance ceded increased 128% during 2023 compared to 2022. Annuity deposits after coinsurance ceded increased 121% during 2023 compared to 2022. The increase in sales in 2023 compared to 2022 was primarily driven by increases in fixed index annuity sales as a result of our income product sales, which benefited from a higher demand for guaranteed income solutions as a result of high volatility in the markets. In addition, annuity deposits for 2023 benefited from an increase in multi-year fixed rate annuities (MYGA) which reflects pricing support from the execution of the amendment to our reinsurance agreement with AeBe ISA LTD ("AeBe") to cede new MYGA flow business beginning in the first quarter of 2023.

We began ceding certain fixed rate annuities issued after February 8, 2023 to AeBe, and we have continued to increase the amount of business ceded to North End Re under the reinsurance agreement executed in 2021, both of which contributed to the increase in coinsurance ceded annuity deposits in 2023 compared to 2022.

Net income available to common stockholders decreased 91% to \$166.9 million in 2023 and increased 268% to \$1.9 billion in 2022 from \$509.3 million in 2021. The decrease in net income available to common stockholders for the year ended December 31, 2023 was driven by an increase in the change in fair value of embedded derivatives, a decrease in net investment income, an increase in net realized losses on investments and an increase in other operating costs and expenses partially offset by an increase in the change in fair value of derivatives, an increase in annuity product charges and an increase in other revenue.

Net income, in general, is impacted by the volume of business in force and the investment spread earned on this business. The average amount of annuity account balances outstanding (net of annuity liabilities ceded under coinsurance agreements) decreased 8% to \$47.3 billion for the year ended December 31, 2023 compared to \$51.6 billion in 2022 and decreased 4% for the year ended December 31, 2022 compared to \$53.7 billion in 2021. Our investment spread measured in dollars was \$1.3 billion, \$1.4 billion, and \$1.2 billion for the years ended December 31, 2023, 2022 and 2021, respectively. Investment income for the year ended December 31, 2023 was negatively impacted by lower volumes of business in force as a result of in-force reinsurance transactions executed in 2022 as well as lower returns on private assets and partnerships, lower prepayment income and an increase in investment expenses which were partially offset by the benefits to net investment income from higher short-term interest rates on our floating rate portfolio and attractive new money rates (see **Net investment income**).

Net income was also impacted by the change in fair value of derivatives and embedded derivatives, which fluctuates from period to period based upon changes in fair values of call options purchased to fund the annual index credits for fixed index annuities and changes in interest rates used to discount the embedded derivative liability. Net income for the year ended December 31, 2023 was negatively impacted by an increase in the change in fair value of embedded derivatives and positively impacted by an increase in the change in fair value of derivatives. See **Change in fair value of derivatives**, and **Change in fair value of embedded derivatives**.

We periodically update the key assumptions used in the calculation of market risk benefits gains (losses), policy benefit reserves and the embedded derivative component of our fixed index annuity policy benefit reserves as experience develops that is different from our assumptions.

Net income available to common stockholders for 2023, 2022 and 2021 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Increase (decrease) in market risk benefit (gain) loss	\$ (63,294)	\$ 229,439	\$ 398,759
Increase (decrease) in policy benefit reserves (1)	(2,296)	3,051	801
Increase (decrease) in change in fair value of embedded derivatives	84,381	(94,770)	(122,294)
Effect on net income available to common stockholders	(14,750)	(106,905)	(219,100)

- (1) The effect on policy benefit reserves from updates to assumptions is related to changes in the liability for future policy benefits and the deferred profit liability.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions during each year. The most significant assumption updates made in 2023 were to the crediting rates on policies, policyholder decrement assumptions including lapse, partial withdrawal and mortality rates, and lifetime income benefit rider utilization assumptions.

We increased the near term crediting/discount rate assumption which grades to the long-term assumption over the eight year reversion period. The long-term assumption did not change in total but was disaggregated by product type. There were no changes to the grading period. The near term assumption increased 20 basis points to 1.85% from 1.65% for fixed index annuities while the long term assumption was lowered 5 basis points to 2.35% from 2.40% for fixed index annuities. These changes resulted in an increase in the fair value of the embedded derivative and an increase in the market risk benefit liability.

We updated lapse, partial withdrawal and mortality assumptions based on actual historical experience. We updated shock lapse rates resulting in increases to the assumption for accumulation products with a shorter surrender charge period and decreases to the assumption for policies with a non-utilized, no fee lifetime income benefit rider. In addition, we increased the dynamic lapse factor based on the lifetime income benefit rider profitability. The partial withdrawal assumption was updated to reflect more granular assumptions by product categories which led to an overall decrease in the partial withdrawal rates. The mortality assumption was updated to reflect higher mortality for older ages and lower mortality for younger ages resulting in an overall increase in mortality rates. The net impact of these changes resulted in an increase in the fair value of the embedded derivative, a decrease in the market risk benefit liability and a decrease in the liability for future policy benefits.

We updated our lifetime income benefit rider utilization assumption structure to reflect utilization rates by issue age and duration resulting in higher utilization rates for older business and lower utilization rates for newer business. In addition, the lifetime income benefit rider reset assumption was updated to assume 100% reset for policies with a no fee rider. These changes resulted in an increase in the market risk benefit liability and an increase in the fair value of the embedded derivative.

The most significant assumption updates made in 2022 were to the crediting rates on policies, lapse rate and partial withdrawal assumptions and lifetime income benefit rider utilization assumptions.

We increased the long-term crediting/discount rate assumption by 30 basis points to 1.65% in the near term increasing to 2.40% over the eight year reversion period. In addition, we adjusted the grading of the discount rate assumption in the embedded derivative calculation. These changes resulted in a decrease in the fair value of the embedded derivative due to the grading of the crediting rate assumption and a decrease in the market risk benefit liability due to a higher discount rate.

We updated lapse rate and partial withdrawal assumptions based on actual historical experience. We refreshed lapse tables based on five years of lapse experience and implemented a 1% lapse floor. For policies with a lifetime income benefit rider that do not charge a fee, we increased the lapse rates. For policies with a lifetime income benefit rider that has been utilized, we decreased the lapse rates. We expanded our partial withdrawal assumptions to include scalars in our assumptions during the surrender charge period, shock period, and post-shock period. This resulted in partial withdrawals extending beyond the surrender charge period. The net impact of these changes resulted in a decrease in the market risk benefit liability due to a decrease in the present value of expected claims as a result of higher overall lapses and increased the fair value of the embedded derivative due to higher overall lapses and partial withdrawals.

We updated our lifetime income benefit rider utilization assumption structure to capture policyholder characteristics at a more granular level. This resulted in an increase in the number of policies utilizing the benefit and increased the excess claims. The impact of this change resulted in an increase in the market risk benefit liability and an increase in the fair value of the embedded derivative.

Non-GAAP operating income (loss) available to common stockholders, a non-GAAP financial measure increased to \$607.1 million in 2023 and \$391.3 million in 2022 from \$(21.9) million in 2021. The increase in non-GAAP operating income available to common stockholders for the year ended December 31, 2023 was primarily due to the favorable impact of assumption updates made during 2023 compared to the unfavorable impact of assumption updates made during 2022. Additionally, non-GAAP operating income (loss) available to common stockholders was positively impacted by increases in annuity product charges and other revenues and negatively impacted by decreases in net investment income and increases in interest expense on notes and loan payable and other operating costs and expenses.

In addition to net income available to common stockholders, we have consistently utilized non-GAAP operating income (loss) available to common stockholders, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate our financial performance. Non-GAAP operating income (loss) available to common stockholders equals net income available to common stockholders adjusted to eliminate the impact of items that fluctuate from year to year 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 (loss) available to common stockholders eliminate the impact of fair value accounting for our fixed index annuity business and 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 (loss) available to common stockholders together with net income available to common stockholders provides information that may enhance an investor's understanding of our underlying results and profitability.

Non-GAAP operating income (loss) available to common stockholders is not a substitute for net income available to common stockholders determined in accordance with GAAP. The adjustments made to derive non-GAAP operating income (loss) available to common stockholders are important to understand our overall results from operations and, if evaluated without proper context, non-GAAP operating income (loss) available to common stockholders possesses material limitations. As an example, we could produce a low level of net income available to common stockholders or a net loss available to common stockholders in a given period, despite strong operating performance, if in that period we experience significant net realized losses from our investment portfolio. We could also produce a high level of net income available to common stockholders in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. As an example of another limitation of non-GAAP operating income (loss) available to common stockholders, it does not include the decrease in cash flows expected to be collected as a result of credit losses on financial assets. Therefore, our management reviews net realized investment gains (losses) and analyses of our net investment income, including impacts related to credit losses, in connection with their review of our investment portfolio. In addition, our management examines net income available to common stockholders as part of their review of our overall financial results.

The adjustments made to net income available to common stockholders to arrive at non-GAAP operating income (loss) available to common stockholders and non-GAAP operating income available to common stockholders for 2023, 2022 and 2021 are set forth in the table that follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Reconciliation from net income available to common stockholders to non-GAAP operating income (loss) available to common stockholders:			
Net income available to American Equity Investment Life Holding Company common stockholders	\$ 166,855	\$ 1,876,544	\$ 509,348
Adjustments to arrive at non-GAAP operating income (loss) available to common stockholders:			
Net realized losses on financial assets, including credit losses	91,615	48,264	13,618
Change in fair value of derivatives and embedded derivatives	549,600	(1,549,205)	(316,765)
Capital markets impact on the change in fair value of market risk benefits	(122,094)	(393,617)	(371,935)
Net investment income	(1,137)	1,476	—
Other revenue	23,876	5,969	—
Expenses incurred related to acquisition	13,464	—	—
Income taxes	(115,116)	401,838	143,806
Non-GAAP operating income (loss) available to common stockholders	<u>\$ 607,063</u>	<u>\$ 391,269</u>	<u>\$ (21,928)</u>
Impact of excluding notable items	\$ 10,755	\$ 181,890	\$ 317,425
Per common share - assuming dilution:			
Non-GAAP operating income (loss) available to common stockholders	\$ 7.50	\$ 4.27	\$ (0.23)
Impact of excluding notable items	0.13	1.99	3.36
Notable items impacting non-GAAP operating income available to common stockholders:			
Expense associated with strategic incentive award	\$ 38,323	\$ —	\$ —
Impact of actuarial assumption updates	(27,568)	181,890	317,425
Total notable items	<u>\$ 10,755</u>	<u>\$ 181,890</u>	<u>\$ 317,425</u>

Notable items reflect the after-tax impact to non-GAAP operating income (loss) available to common stockholders for certain matters where more detail may help investors better understand, evaluate and forecast results.

Non-GAAP operating income (loss) available to common stockholders for 2023, 2022 and 2021 includes effects from updates to assumptions as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Increase (decrease) in market risk benefit (gain) loss	\$ (32,822)	\$ 230,832	\$ 398,753
Increase (decrease) in policy benefit reserves (1)	(2,296)	3,051	3,051
Effect on non-GAAP operating income (loss) available to common stockholders	27,568	(181,890)	317,425

- (1) The effect on policy benefit reserves from updates to assumptions is related to changes in the liability for future policy benefits and the deferred profit liability.

The impact to net income available to common stockholders and non-GAAP operating income (loss) available to common stockholders from assumption updates varies due to the impact of fair value accounting for our fixed index annuity business as non-GAAP operating income (loss) available to common stockholders eliminates the impact of fair value accounting for our fixed index annuity business. While the assumption updates made during 2023 and 2022 were consistently applied, the impact to net income available to common stockholders and non-GAAP operating income (loss) available to common stockholders varies due to the impact of eliminating the fair value accounting for our fixed index annuity business.

Annuity product charges (surrender charges assessed against policy withdrawals and fees deducted from policyholder account balances for lifetime income benefit riders) increased 37% to \$315.5 million in 2023 and decreased 5% to \$230.4 million in 2022 from \$242.6 million in 2021. The components of annuity product charges are set forth in the table that follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Surrender charges	\$ 163,745	\$ 72,699	\$ 67,657
Lifetime income benefit riders (LIBR) fees	151,751	157,655	174,974
	<u>\$ 315,496</u>	<u>\$ 230,354</u>	<u>\$ 242,631</u>
Withdrawals from annuity policies subject to surrender charges	\$ 2,557,323	\$ 1,145,415	\$ 1,099,098
Average surrender charge collected on withdrawals subject to surrender charges	6.4 %	6.3 %	6.2 %
Fund values on policies subject to LIBR fees	\$ 16,981,924	\$ 19,473,279	\$ 22,183,623
Weighted average per policy LIBR fee	0.89 %	0.81 %	0.79 %

The increase in annuity product charges during 2023 was attributable to an increase in withdrawals from annuity policies subject to surrender charges partially offset by decreases in fees assessed for lifetime income benefit riders due to a smaller volume of business in force subject to the fee. The smaller volume of business subject to the fees is primarily due to the execution of the AeBe reinsurance treaty which was effective October 3, 2022.

Net investment income decreased 2% to \$2.27 billion in 2023 and increased 13% to \$2.31 billion in 2022 from \$2.0 billion in 2021. The decrease for 2023 compared to 2022 was primarily attributable to decreases in the average invested asset balance partially offset by increases in the average yield earned on average invested assets. Average invested assets excluding derivative instruments (on an amortized cost basis) decreased 7% to \$49.5 billion in 2023 and decreased 3% to \$53.2 billion in 2022 compared to \$54.8 billion in 2021.

The average yield earned on average invested assets was 4.55%, 4.34% and 3.73% for 2023, 2022 and 2021, respectively. The increase in yield earned on average invested assets in 2023 was primarily due to higher short-term interest rates on our floating rate portfolio and attractive new money rates partially offset by lower returns on private assets and partnerships, lower prepayment income and an increase in investment expenses.

The expected return on investments purchased during 2023 was 7.19%, net of third-party investment management expenses. Purchases for 2023 included \$2.2 billion of fixed maturity securities with an expected return of 6.18% and \$3.5 billion of privately sourced assets with an expected return of 7.82%. The privately sourced assets include investments in infrastructure, middle market credit, residential mortgage loans and residential real estate equity. The expected return on investments purchased during 2022 and 2021 was 5.01% and 3.92%, respectively.

Change in fair value of derivatives primarily consists of call options purchased to fund annual index credits on fixed index annuities. The components of change in fair value of derivatives are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Call options:			
Proceeds received at option expiration	\$ 344,876	\$ 312,133	\$ 2,019,477
Pro rata amortization of option cost	(682,918)	(647,132)	(630,015)
Change in unrealized gains/losses	586,786	(783,769)	(41,537)
Warrants	1,206	264	810
Interest rate swaps	9,096	(19,624)	—
	<u>\$ 259,046</u>	<u>\$ (1,138,128)</u>	<u>\$ 1,348,735</u>

The differences between the change in fair value of derivatives between years for call options are primarily due to the performance of the indices upon which our call options are based which impacts the level of gains on call option expirations, the fair values of those call options and changes in the fair values of those call options between years. The changes in gain (loss) on option expiration and in unrealized gains/losses on call options for the year ended December 31, 2023 as compared to 2022 are due to equity market performance in 2023 compared to 2022. A substantial portion of our call options are based upon the S&P 500 Index with the remainder based upon other equity and bond market indices. The range of index appreciation (after applicable caps, participation rates and asset fees) for options expiring during these years is as follows:

	Year Ended December 31,		
	2023	2022	2021
S&P 500 Index			
Point-to-point strategy	0.0% - 14.0%	0.0% - 12.5%	0.0% - 42.6%
Monthly average strategy	0.0% - 8.7%	0.0% - 8.6%	0.0% - 29.4%
Monthly point-to-point strategy	0.0% - 14.2%	0.0% - 12.9%	0.0% - 21.7%
Volatility control index point-to-point strategy	0.0% - 5.6%	0.0% - 7.3%	0.0% - 9.7%
Fixed income (bond index) strategies	0.0% - 6.0%	0.0% - 6.5%	0.0% - 10.0%

The change in fair value of derivatives is also influenced by the aggregate cost of options purchased. During 2023, the aggregate cost of options were higher than in 2022 as option costs generally increased during 2023. The aggregate cost of options is also influenced by the amount of policyholder funds allocated to the various indices and market volatility which affects option pricing. See Critical Accounting Policies and Estimates - Policy Liabilities for Fixed Index Annuities.

Net realized gains (losses) on investments include gains and losses on the sale of securities and other investments and changes in allowances for credit losses on our securities and mortgage loans on real estate. Net realized gains (losses) on investments fluctuate from year to year primarily due to changes in the interest rate and economic environments and the timing of the sale of investments. See *Note 3 - Investments* and *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements and Financial Condition - Credit Losses for a detailed presentation of the types of investments that generated the gains (losses) as well as discussion of credit losses on our securities recognized during the periods presented and Financial Condition - Investments and *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements for discussion of credit losses recognized on mortgage loans on real estate.

Securities sold at losses are generally due to our long-term fundamental concern with the issuers' ability to meet their future financial obligations or to improve our risk or duration profiles as they pertain to our asset liability management.

Other revenue increased 80% to \$75.9 million in 2023 and increased 161% to \$42.2 million in 2022 from \$16.2 million in 2021. The components of other revenue are summarized as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Asset liability management fees	\$ 22,448	\$ 12,686	\$ 5,470
Amortization of deferred gain	53,418	29,559	10,690
	<u>\$ 75,866</u>	<u>\$ 42,245</u>	<u>\$ 16,160</u>

The increase for 2023 compared to 2022 was primarily attributable to the increase in business ceded under the North End Re reinsurance treaty which was effective July 1, 2021 and the execution of a new in-force reinsurance transaction with AeBe which was effective October 3, 2022. In addition, an amendment to the AeBe treaty was executed on February 8, 2023 under which \$384 million of flow multi-year guarantee annuity business was ceded during 2023. See *Note 9 - Reinsurance and Policy Provisions* to our audited consolidated financial statements for more information.

Interest sensitive and index product benefits increased 2% to \$567.4 million in 2023 and decreased 75% to \$554.9 million in 2022 from \$2.2 billion in 2021. The components of interest sensitive and index product benefits are summarized as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Index credits on index policies	\$ 326,471	\$ 305,292	\$ 1,977,888
Interest credited (including changes in minimum guaranteed interest for fixed index annuities)	240,952	249,579	253,679
	<u>\$ 567,423</u>	<u>\$ 554,871</u>	<u>\$ 2,231,567</u>

The changes in index credits were attributable to changes in the level of appreciation of the underlying indices (see discussion above under **Change in fair value of derivatives**) and the amount of funds allocated by policyholders to the respective index options. Total proceeds received upon expiration of the call options purchased to fund the annual index credits were \$344.9 million, \$312.1 million and \$2.0 billion for the years ended December 31, 2023, 2022 and 2021, respectively. The decrease in interest credited in 2023 was due to a decrease in the average balance of funds earning a fixed rate of interest including funds allocated to the fixed option strategy within our fixed index annuities partially offset by an increase in the average fixed rate being earned on funds earning a fixed rate of interest.

Market risk benefits (gains) losses decreased to \$(14.5) million in 2023 and decreased to \$3.7 million in 2022 compared to \$269.0 million in 2021. The decrease in market risk benefits (gains) losses for 2023 compared to 2022 was primarily due to the impact of assumption updates made during 2023 compared to the impact of assumption updates made during 2022 and the impact of policyholder behavior in 2023 as compared to 2022, partially offset by the impact of the change in interest rates and equity markets in 2023 compared to 2022. See Net income available to common stockholders and Non-GAAP operating income available to common stockholders, a non-GAAP financial measure above for discussion of the impact of assumption updates for 2023 and 2022 and *Note 8 - Policyholder Liabilities* to our consolidated financial statements for further discussion on market risk benefits.

Amortization of deferred sales inducements increased 6% to \$192.3 million in 2023 and decreased 5% to \$182.0 million in 2022 from \$191.9 million in 2021. Amortization of deferred sales inducements is calculated on a constant-level basis over the expected term of the related contracts. The increase in amortization for 2023 compared to 2022 was primarily due to an increase in deferred sales inducements capitalized in 2023 related to increased annuity deposits received in 2023. Bonus products represented 64%, 63% and 65% of our net annuity account values at December 31, 2023, 2022 and 2021, respectively. See *Note 7 - Deferred Policy Acquisition Costs and Deferred Sales Inducements* to our consolidated financial statements for further discussion on deferred sales inducements.

Change in fair value of embedded derivatives includes changes in the fair value of our fixed index annuity embedded derivatives (see *Note 6 - Derivative Instruments* to our audited consolidated financial statements). The components of change in fair value of embedded derivatives are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Fixed index annuities - embedded derivatives	\$ 958,488	\$ (1,913,096)	\$ (355,940)
Reinsurance related embedded derivative	185,088	(439,502)	(2,362)
	<u>\$ 1,143,576</u>	<u>\$ (2,352,598)</u>	<u>\$ (358,302)</u>

The change in fair value of the fixed index annuity embedded derivatives resulted from (i) changes in the expected index credits on the next policy anniversary dates, which are related to the change in fair value of the call options acquired to fund those index credits discussed above in **Change in fair value of derivatives**; (ii) changes in the expected annual cost of options we will purchase in the future to fund index credits beyond the next policy anniversary; (iii) changes in the discount rates used in estimating our embedded derivative liabilities; and (iv) the growth in the host component of the policy liability.

The primary reasons for the increase in the change in fair value of the fixed index annuity embedded derivatives during 2023 compared to 2022 were smaller increases in the net discount rates used in the calculation during 2023 compared to 2022 and an increase in the fair value of the call options acquired to fund the index credits during 2023 compared to a decrease in the fair value of the call options during 2022. The discount rates used in estimating our embedded derivative liabilities fluctuate based on the changes in the general level of risk free interest rates and our own credit spread. In addition, 2023 was negatively affected by the impact of assumption updates made during 2023 while 2022 was positively affected by the impact of assumption updates made during 2022. See **Net income available to common stockholders** above for discussion of the impact of assumption updates for 2023 and 2022.

The reinsurance agreements executed in 2022 with AeBe and 2021 with North End Re to cede certain fixed index annuity product liabilities on a coinsurance funds withheld and modified coinsurance basis contain embedded derivatives. The fair value of these embedded derivatives are based on the unrealized gains and losses of the underlying assets held in the funds withheld and modified coinsurance portfolios. The fair value of the underlying assets increased during 2023 and decreased during 2022. The magnitude of the changes in the fair value of the underlying assets are primarily a result of changes in the general level of interest rates from period to period. See *Note 6 - Derivative Instruments* for discussion on this embedded derivative.

Amortization of deferred policy acquisition costs decreased 2% to \$279.7 million in 2023 and decreased 7% to \$284.0 million in 2022 from \$306.4 million in 2021. Amortization of deferred policy acquisition costs is calculated on a constant-level basis over the expected term of the related contracts. The decrease in amortization for 2023 compared to 2022 is due to a write-off of deferred policy acquisition costs associated with in-force reinsurance transactions executed in the third and fourth quarters of 2022 partially offset by amortization of amounts deferred in 2023 related to annuity deposits received in 2023. See *Note 7 - Deferred Policy Acquisition Costs and Deferred Sales Inducements* to our consolidated financial statements for further discussion on deferred policy acquisition costs.

Other operating costs and expenses increased 26% to \$301.6 million in 2023 and decreased 1% to \$239.5 million in 2022 from \$241.9 million in 2021 and are summarized as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Salary and benefits	\$ 207,469	\$ 162,061	\$ 139,155
Other	94,112	77,465	102,727
Total other operating costs and expenses	<u>\$ 301,581</u>	<u>\$ 239,526</u>	<u>\$ 241,882</u>

Salary and benefits increased \$45.4 million for the year ended December 31, 2023 compared to 2022. The increase in salary and benefits was primarily due to expense associated with a strategic incentive award granted in November 2022 as well as an increase in expense associated with our equity and cash incentive compensation programs ("incentive compensation programs"). The increase in expenses related to our incentive compensation programs was primarily due to new compensation programs and increases in the expected payouts due to a larger number of employees participating in the programs.

Other expenses increased for the year ended December 31, 2023 compared to 2022 primarily due to expenses associated with the Agreement and Plan of Merger with Brookfield Reinsurance Ltd.

Income tax expense decreased in 2023 primarily due to a decrease in income before income taxes. The effective income tax rates were 28.7% and 21.0% for 2023 and 2022, respectively. The increase in the effective income tax rate for the year ended December 31, 2023 compared to 2022 is primarily due to an increase in non-deductible compensation, a majority of which is associated with a strategic incentive award granted in November 2022.

Income tax expense and the resulting effective tax rate are based upon two components of income (loss) before income taxes ("pretax income") that are taxed at different tax rates. Life insurance income is generally taxed at a statutory rate of approximately 21.5% reflecting the absence of state income taxes for substantially all of the states that the life insurance subsidiaries do business in. The income (loss) for the parent company and other non-life insurance subsidiaries (the "non-life insurance group") is generally taxed at a statutory tax rate of 28.7% reflecting the combined federal and state income tax rates. The effective income tax rates resulting from the combination of the income tax provisions for the life and non-life sources of income (loss) vary from year to year based primarily on the relative size of pretax income from the two sources.

We did not provide for a valuation allowance for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. Management expects that the passage of time will result in the reversal of the unrealized losses on available for sale fixed maturity securities due to the fair value increasing as these securities near maturity. We have the intent and ability to hold these securities to maturity and do not believe it would be necessary to liquidate these securities at a loss. In addition, we have the ability to sell fixed maturity securities in unrealized gain positions to offset realized deferred income tax assets attributable to unrealized losses on available for sale fixed maturity securities. To the extent future changes in facts and circumstances impact our intent and ability to hold these assets to recovery, this could impact the realization of the deferred tax asset.

Financial Condition

Investments

Our investment strategy is to maximize current income and total investment return through active management while maintaining a responsible asset allocation strategy containing high credit quality investments and providing adequate liquidity to meet our cash obligations to policyholders and others. Our investment strategy is also reflective of insurance statutes, which regulate the type of investments that our life subsidiaries are permitted to make and which limit the amount of funds that may be used for any one type of investment.

As previously noted, as part of our AEL 2.0 investment pillar, we have increased our allocation to private assets in part by partnering with proven asset managers in our focus expansion sectors of commercial real estate, residential real estate including mortgages and single family rental homes, infrastructure debt and equity, middle market lending and lending to revenue, technology and software sector companies.

The composition of our investment portfolio is summarized as follows:

	December 31,			
	2023		2022	
	Carrying Amount	Percent	Carrying Amount	Percent
	(Dollars in thousands)			
Fixed maturity securities:				
U.S. Government and agencies	\$ 171,141	0.4 %	\$ 169,071	0.4 %
States, municipalities and territories	3,075,024	7.7 %	3,822,943	8.5 %
Foreign corporate securities and foreign governments	408,936	1.0 %	616,938	1.4 %
Corporate securities	16,076,506	40.0 %	20,201,774	44.8 %
Residential mortgage backed securities	1,208,317	3.0 %	1,366,927	3.0 %
Commercial mortgage backed securities	2,624,123	6.5 %	3,447,075	7.6 %
Other asset backed securities	5,202,395	12.9 %	5,155,254	11.4 %
Total fixed maturity securities	28,766,442	71.5 %	34,779,982	77.1 %
Mortgage loans on real estate	7,231,667	18.0 %	6,778,977	15.0 %
Real estate investments	1,334,247	3.3 %	1,056,063	2.3 %
Limited partnerships and limited liability companies	1,089,591	2.7 %	1,266,779	2.8 %
Derivative instruments	1,207,288	3.0 %	431,727	1.0 %
Other investments	590,271	1.5 %	829,900	1.8 %
	40,219,506	100.0 %	45,143,428	100.0 %
Coinsurance investments (1)	8,007,518		6,181,870	
	<u>\$ 48,227,024</u>		<u>\$ 51,325,298</u>	

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Fixed Maturity Securities

Our fixed maturity security portfolio is managed to minimize risks such as interest rate changes and defaults or credit losses while earning a sufficient and stable return on our investments. The largest portion of our fixed maturity securities are in investment grade (typically NAIC designation 1 or 2) publicly traded or privately placed corporate securities.

A summary of our fixed maturity securities by NRSRO ratings is as follows:

Rating Agency Rating (2)	December 31,					
	2023			2022		
	Amortized Cost	Carrying Amount	Percent of Fixed Maturity Securities	Amortized Cost	Carrying Amount	Percent of Fixed Maturity Securities
(Dollars in thousands)						
Aaa/Aa/A	\$ 19,237,683	\$ 17,030,736	59.8 %	\$ 24,462,459	\$ 21,723,282	62.5 %
Baa	12,036,591	10,801,336	37.9 %	14,228,490	12,434,302	35.7 %
Total investment grade	31,274,274	27,832,072	97.7 %	38,690,949	34,157,584	98.2 %
Ba	539,417	489,286	1.7 %	554,605	485,166	1.4 %
B	144,657	128,150	0.4 %	94,185	79,058	0.2 %
Caa	21,295	18,497	0.1 %	20,020	18,540	0.1 %
Ca and lower	30,504	31,383	0.1 %	40,664	39,634	0.1 %
Total below investment grade	735,873	667,316	2.3 %	709,474	622,398	1.8 %
	32,010,147	28,499,388	100.0 %	39,400,423	34,779,982	100.0 %
Coinurance investments (1)	6,277,105	6,014,040		5,465,596	5,024,635	
	<u>\$ 38,287,252</u>	<u>\$ 34,513,428</u>		<u>\$ 44,866,019</u>	<u>\$ 39,804,617</u>	

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.
- (2) The table excludes residual tranche securities that are not rated with an amortized cost of \$250,210 and carrying amount of \$267,054 as of December 31, 2023.

The NAIC's Securities Valuation Office ("SVO") is responsible for the day-to-day credit quality assessment of securities owned by state regulated insurance companies. The purpose of such assessment and valuation is for determining regulatory capital requirements and regulatory reporting. Insurance companies report ownership to the SVO when such securities are eligible for regulatory filings. The SVO conducts credit analysis on these securities for the purpose of assigning a NAIC designation and/or unit price. Typically, if a security has been rated by an NRSRO, the SVO utilizes that rating and assigns a NAIC designation based upon the following system:

NAIC Designation	NRSRO Equivalent Rating
1	Aaa/Aa/A
2	Baa
3	Ba
4	B
5	Caa
6	Ca and lower

There are 20 NAIC designation modifiers that are applied to each NAIC designation to determine a security's NAIC designation category.

For most of the bonds held in our portfolio the NAIC designation matches the NRSRO equivalent rating. However, for certain loan-backed and structured securities, as defined by the NAIC, the NAIC rating is not always equivalent to the NRSRO rating presented in the previous table. The NAIC has adopted revised rating methodologies for certain loan-backed and structured securities comprised of non-agency residential mortgage backed securities ("RMBS") and commercial mortgage backed securities ("CMBS"). The NAIC's objective with the revised rating methodologies for these structured securities is to increase the accuracy in assessing expected losses and use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities.

The use of this process by the SVO may result in certain non-agency RMBS and CMBS being assigned an NAIC designation that is different than the equivalent NRSRO rating. The NAIC designations for non-agency RMBS and CMBS are based on security level expected losses as modeled by an independent third party (engaged by the NAIC) and the statutory carrying value of the security, including any purchase discounts or impairment charges previously recognized. Evaluation of non-agency RMBS and CMBS held by insurers using the NAIC rating methodologies is performed on an annual basis.

Our fixed maturity security portfolio is managed to minimize risks such as defaults or impairments while earning a sufficient and stable return on our investments. Our strategy with respect to our fixed maturity securities portfolio has been to invest primarily in investment grade securities. Investment grade is NAIC 1 and 2 securities and Baa3/BBB- and better securities on the NRSRO scale. We expect this strategy to meet the objective of minimizing risk while also managing asset capital charges on a regulatory capital basis.

A summary of our fixed maturity securities by NAIC designation is as follows:

NAIC Designation (2)	December 31, 2023				December 31, 2022			
	Amortized Cost	Fair Value	Carrying Amount	Percentage of Total Carrying Amount	Amortized Cost	Fair Value	Carrying Amount	Percentage of Total Carrying Amount
	(Dollars in thousands)				(Dollars in thousands)			
1	\$ 19,330,614	\$ 17,116,519	\$ 17,116,519	60.1 %	\$ 24,466,961	\$ 21,752,775	\$ 21,752,775	62.5 %
2	11,895,433	10,680,088	10,680,088	37.5 %	14,185,506	12,398,001	12,398,001	35.6 %
3	517,425	476,419	476,419	1.7 %	562,190	490,198	490,198	1.5 %
4	168,694	147,692	147,692	0.5 %	109,409	91,495	91,495	0.3 %
5	88,581	68,538	68,538	0.2 %	61,721	36,738	36,738	0.1 %
6	9,400	10,132	10,132	— %	14,636	10,775	10,775	— %
	<u>32,010,147</u>	<u>28,499,388</u>	<u>28,499,388</u>	<u>100.0 %</u>	<u>39,400,423</u>	<u>34,779,982</u>	<u>34,779,982</u>	<u>100.0 %</u>
Coinsurance investments (1)	6,277,105	6,014,040	6,014,040		5,465,596	5,024,635	5,024,635	
	<u>\$ 38,287,252</u>	<u>\$ 34,513,428</u>	<u>\$ 34,513,428</u>		<u>\$ 44,866,019</u>	<u>\$ 39,804,617</u>	<u>\$ 39,804,617</u>	

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.
- (2) The table excludes residual tranche securities that are not rated with an amortized cost of \$250,210 and fair value and carrying amount of \$267,054 as of December 31, 2023.

The amortized cost and fair value of fixed maturity securities at December 31, 2023, by contractual maturity are presented in *Note 3 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Unrealized Losses

The amortized cost and fair value of fixed maturity securities that were in an unrealized loss position were as follows:

	Number of Securities	Amortized Cost	Unrealized Losses, Net of Allowance	Allowance for Credit Losses	Fair Value
(Dollars in thousands)					
December 31, 2023					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	20	\$ 104,874	\$ (2,148)	\$ —	\$ 102,726
States, municipalities and territories	489	3,276,193	(558,314)	—	2,717,879
Foreign corporate securities and foreign governments	35	468,184	(62,535)	—	405,649
Corporate securities	1,575	17,198,639	(2,266,287)	(3,412)	14,928,940
Residential mortgage backed securities	209	1,091,278	(112,553)	—	978,725
Commercial mortgage backed securities	275	3,024,365	(412,925)	—	2,611,440
Other asset backed securities	446	3,996,185	(163,133)	(618)	3,832,434
	3,049	29,159,718	(3,577,895)	(4,030)	25,577,793
Coinsurance investments (1)	590	2,887,194	(412,944)	—	2,474,250
	3,639	\$ 32,046,912	\$ (3,990,839)	\$ (4,030)	\$ 28,052,043
December 31, 2022					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	27	\$ 165,746	\$ (4,637)	\$ —	\$ 161,109
States, municipalities and territories	514	3,265,080	(574,814)	—	2,690,266
Foreign corporate securities and foreign governments	43	590,944	(74,151)	—	516,793
Corporate securities	2,103	21,393,656	(3,224,609)	(3,214)	18,165,833
Residential mortgage backed securities	219	1,235,672	(126,368)	(133)	1,109,171
Commercial mortgage backed securities	339	3,750,331	(391,966)	—	3,358,365
Other asset backed securities	567	4,579,149	(382,563)	—	4,196,586
	3,812	34,980,578	(4,779,108)	(3,347)	30,198,123
Coinsurance investments (1)	698	3,085,834	(504,739)	—	2,581,095
	4,510	\$ 38,066,412	\$ (5,283,847)	\$ (3,347)	\$ 32,779,218

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The unrealized losses at December 31, 2023 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2023. Approximately 98% and 98% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2023 and 2022, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

The decrease in unrealized losses from December 31, 2022 to December 31, 2023 was primarily due to changes in credit spreads during the twelve months ended December 31, 2023. To a lesser extent, the change in unrealized losses at December 31, 2023 compared to December 31, 2022 was impacted by changes in treasury yields and investment sale activity during the year. The 10-year U.S. Treasury yields at December 31, 2023 and December 31, 2022 were 3.88% and 3.88%, respectively. The 30-year U.S. Treasury yields at December 31, 2023 and December 31, 2022 were 4.03% and 3.97%, respectively.

The following table sets forth the composition by credit quality (NAIC designation) of fixed maturity securities with gross unrealized losses:

NAIC Designation (2)	Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses (1)	Percent of Total
(Dollars in thousands)				
December 31, 2023				
1	\$ 15,299,508	59.8 %	\$ (2,254,792)	63.0 %
2	9,631,686	37.7 %	(1,240,985)	34.7 %
3	412,128	1.6 %	(40,770)	1.1 %
4	145,172	0.6 %	(21,005)	0.6 %
5	66,883	0.3 %	(20,174)	0.6 %
6	1,838	— %	(148)	— %
	25,557,215	100.0 %	(3,577,874)	100.0 %
Coinsurance investments (3)	2,474,250		(412,944)	
	<u>\$ 28,031,465</u>		<u>\$ (3,990,818)</u>	
December 31, 2022				
1	\$ 18,396,691	60.9 %	\$ (2,836,027)	59.4 %
2	11,207,008	37.1 %	(1,825,520)	38.2 %
3	465,867	1.6 %	(72,976)	1.5 %
4	89,686	0.3 %	(17,922)	0.4 %
5	29,075	0.1 %	(25,037)	0.5 %
6	9,796	— %	(1,626)	— %
	30,198,123	100.0 %	(4,779,108)	100.0 %
Coinsurance investments (3)	2,581,095		(504,739)	
	<u>\$ 32,779,218</u>		<u>\$ (5,283,847)</u>	

- (1) Gross unrealized losses have been adjusted to reflect the allowance for credit loss of \$4.0 million and \$3.3 million as of December 31, 2023 and 2022, respectively.
- (2) The table excludes residual tranche securities that are not rated with a carrying value of \$20,578 and gross unrealized losses of \$21 as of December 31, 2023.
- (3) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022, along with a description of the factors causing the unrealized losses is presented in *Note 3 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

The amortized cost and fair value of fixed maturity securities in an unrealized loss position and the number of months in a continuous unrealized loss position (fixed maturity securities that carry an NRSRO rating of BBB/Baa or higher are considered investment grade) were as follows:

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
(Dollars in thousands)				
December 31, 2023				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	267	\$ 3,672,980	\$ 3,356,334	\$ (316,646)
Six months or more and less than twelve months	153	1,408,827	1,353,478	(55,349)
Twelve months or greater	2,529	23,345,164	20,221,382	(3,123,782)
Total investment grade	2,949	28,426,971	24,931,194	(3,495,777)
Below investment grade:				
Less than six months	4	11,946	10,165	(1,781)
Six months or more and less than twelve months	9	55,147	46,680	(8,467)
Twelve months or greater	85	641,025	569,176	(71,849)
Total below investment grade (2)	98	708,118	626,021	(82,097)
	3,047	29,135,089	25,557,215	(3,577,874)
Coinsurance investments (3)	590	2,887,194	2,474,250	(412,944)
	3,637	\$ 32,022,283	\$ 28,031,465	\$ (3,990,818)
December 31, 2022				
Fixed maturity securities, available for sale:				
Investment grade:				
Less than six months	984	\$ 6,296,895	\$ 5,968,793	\$ (328,102)
Six months or more and less than twelve months	2,308	24,207,057	20,481,666	(3,725,391)
Twelve months or greater	427	3,761,294	3,153,240	(608,054)
Total investment grade	3,719	34,265,246	29,603,699	(4,661,547)
Below investment grade:				
Less than six months	12	51,711	47,494	(4,217)
Six months or more and less than twelve months	34	319,964	265,726	(54,238)
Twelve months or greater	47	340,310	281,204	(59,106)
Total below investment grade	93	711,985	594,424	(117,561)
	3,812	34,977,231	30,198,123	(4,779,108)
Coinsurance investments (3)	698	3,085,834	2,581,095	(504,739)
	4,510	\$ 38,063,065	\$ 32,779,218	\$ (5,283,847)

- (1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of \$4.0 million and \$3.3 million as of December 31, 2023 and 2022, respectively.
- (2) The table excludes 2 residual tranche securities that are not rated with an amortized cost of \$20,599, a fair value of \$20,578 and gross unrealized losses of \$21 as of December 31, 2023.
- (3) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The amortized cost and fair value of fixed maturity securities (excluding U.S. Government and agencies) segregated by investment grade (NRSRO rating of BBB/Baa or higher) and below investment grade that had unrealized losses greater than 20%, when comparing fair value to amortized cost, and the number of months in a continuous unrealized loss position were as follows:

	Number of Securities	Amortized Cost, Net of Allowance (1)	Fair Value	Gross Unrealized Losses, Net of Allowance (1)
(Dollars in thousands)				
December 31, 2023				
Investment grade:				
Less than six months	30	\$ 209,705	\$ 162,277	\$ (47,428)
Six months or more and less than twelve months	88	709,471	549,468	(160,003)
Twelve months or greater	321	4,777,499	3,524,402	(1,253,097)
Total investment grade	439	5,696,675	4,236,147	(1,460,528)
Below investment grade:				
Less than six months	4	5,853	4,359	(1,494)
Six months or more and less than twelve months	6	61,424	46,059	(15,365)
Twelve months or greater	6	81,192	61,306	(19,886)
Total below investment grade	16	148,469	111,724	(36,745)
	455	5,845,144	4,347,871	(1,497,273)
Coinsurance investments (2)	285	1,180,716	857,195	(323,521)
	740	\$ 7,025,860	\$ 5,205,066	\$ (1,820,794)
December 31, 2022				
Investment grade:				
Less than six months	333	\$ 3,955,378	\$ 3,062,075	\$ (893,303)
Six months or more and less than twelve months	299	4,496,559	3,146,868	(1,349,691)
Twelve months or greater	1	40,351	26,854	(13,497)
Total investment grade	633	8,492,288	6,235,797	(2,256,491)
Below investment grade:				
Less than six months	8	61,481	47,057	(14,424)
Six months or more and less than twelve months	7	111,990	71,271	(40,719)
Twelve months or greater	—	—	—	—
Total below investment grade	15	173,471	118,328	(55,143)
	648	8,665,759	6,354,125	(2,311,634)
Coinsurance investments (2)	423	1,250,509	859,395	(391,114)
	1,071	\$ 9,916,268	\$ 7,213,520	\$ (2,702,748)

- (1) Amortized cost and gross unrealized losses have been adjusted to reflect the allowance for credit loss of \$4.0 million and \$3.3 million as of December 31, 2023 and 2022, respectively.
- (2) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

The amortized cost and fair value of fixed maturity securities, by contractual maturity, that were in an unrealized loss position are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

	Available for sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
December 31, 2023		
Due in one year or less	\$ 586,768	\$ 580,734
Due after one year through five years	2,649,827	2,512,087
Due after five years through ten years	3,865,169	3,492,857
Due after ten years through twenty years	6,152,389	5,298,397
Due after twenty years	7,793,737	6,271,119
	21,047,890	18,155,194
Residential mortgage backed securities	1,091,278	978,725
Commercial mortgage backed securities	3,024,365	2,611,440
Other asset backed securities	3,996,185	3,832,434
	29,159,718	25,577,793
Coinsurance investments (1)	2,887,194	2,474,250
	\$ 32,046,912	\$ 28,052,043
December 31, 2022		
Due in one year or less	\$ 567,599	\$ 563,298
Due after one year through five years	3,591,040	3,377,197
Due after five years through ten years	4,844,271	4,280,762
Due after ten years through twenty years	7,443,657	6,377,081
Due after twenty years	8,968,858	6,935,663
	25,415,425	21,534,001
Residential mortgage backed securities	1,235,672	1,109,171
Commercial mortgage backed securities	3,750,331	3,358,365
Other asset backed securities	4,579,149	4,196,586
	34,980,577	30,198,123
Coinsurance investments (1)	3,085,834	2,581,095
	\$ 38,066,411	\$ 32,779,218

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

International Exposure

We hold fixed maturity securities with international exposure. As of December 31, 2023, 14.1% of the carrying value of our fixed maturity securities was comprised of corporate debt securities of issuers based outside of the United States and debt securities of foreign governments. Our fixed maturity securities with international exposure are primarily denominated in U.S. dollars. Our investment professionals analyze each holding for credit risk by economic and other factors of each country and industry. The following table presents our international exposure in our fixed maturity portfolio by country or region:

	December 31, 2023		
	Amortized Cost	Carrying Amount/ Fair Value	Percent of Total Carrying Amount
	(Dollars in thousands)		
Europe	\$ 1,717,322	\$ 1,522,081	5.3 %
Asia/Pacific	360,431	312,647	1.1 %
Latin America	246,595	215,761	0.7 %
Non-U.S. North America	896,988	798,238	2.8 %
Australia & New Zealand	775,941	704,702	2.5 %
Other	558,352	478,771	1.7 %
	4,555,629	4,032,200	14.1 %
Coinurance investments (1)	1,818,083	1,732,235	
	<u>\$ 6,373,712</u>	<u>\$ 5,764,435</u>	

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

All of the securities presented in the table above are investment grade (NAIC designation of either 1 or 2), except for the following:

	December 31, 2023	
	Amortized Cost	Carrying Amount/ Fair Value
	(Dollars in thousands)	
Europe	\$ 102,432	\$ 94,390
Asia/Pacific	33	30
Latin America	40,275	39,664
Non-U.S. North America	22,305	20,027
Australia & New Zealand	219	196
Other	81,779	67,166
	247,043	221,473
Coinurance investments (1)	67,934	49,472
	<u>\$ 314,977</u>	<u>\$ 270,945</u>

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Watch List

At each balance sheet date, we identify invested assets which have characteristics (i.e., significant unrealized losses compared to amortized cost and industry trends) creating uncertainty as to our future assessment of credit losses. As part of this assessment, we review not only a change in current price relative to amortized cost but the issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength. For corporate issuers, we evaluate the financial stability and quality of asset coverage for the securities relative to the term to maturity for the issues we own. For structured securities, we evaluate changes in factors such as collateral performance, default rates, loss severity and expected cash flows. At December 31, 2023, the amortized cost and fair value of securities on the watch list (all fixed maturity securities) are as follows:

General Description	Number of Securities	Amortized Cost	Allowance for Credit Losses	Amortized Cost, Net of Allowance	Net Unrealized Gains (Losses), Net of Allowance	Fair Value
(Dollars in thousands)						
States, municipalities and territories	2	\$ 22,715	\$ —	\$ 22,715	\$ (5,491)	\$ 17,224
Corporate securities - Public securities	5	31,502	—	31,502	(768)	30,734
Corporate securities - Private placement securities	1	5,180	(3,412)	1,768	(58)	1,710
Residential mortgage backed securities	42	55,054	—	55,054	(8,050)	47,004
Commercial mortgage backed securities	16	139,961	—	139,961	(27,340)	112,621
Other asset backed securities	1	1,524	—	1,524	131	1,655
Collateralized loan obligations	23	159,600	(618)	158,982	(19,980)	139,002
	<u>90</u>	<u>\$ 415,536</u>	<u>\$ (4,030)</u>	<u>\$ 411,506</u>	<u>\$ (61,556)</u>	<u>\$ 349,950</u>

We expect to recover the unrealized losses, net of allowances, as we did not have the intent to sell and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost basis, net of allowances. Our analysis of these securities and their credit performance at December 31, 2023 is as follows:

States municipalities and territories: The decline in value of the largest security in this category is primarily due to the security being recently restructured as part of bankruptcy proceedings and uncertainty around the impact of the restructure.

Corporate securities: The corporate securities included on the watch list primarily represent securities in the utilities industry that have potential exposure related to the wildfires in Maui and a security in the utilities industry that is under financial stress due to the impact of power outages.

Structured securities: The structured securities included on the watch list have generally experienced higher levels of stress due to current economic conditions.

Credit Losses

We have a policy and process to identify securities in our investment portfolio for which we recognize credit loss. See Critical Accounting Policies and Estimates—Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios and *Note 3 - Investments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

During 2023, we recognized credit losses of \$47.5 million primarily due to losses realized on securities in the regional banking sector.

During 2022, we recognized \$15.0 million of credit losses which includes \$10.0 million of credit losses on structured securities primarily due to our intent to sell such securities and \$7.1 million of credit losses on corporate securities due to a \$3.3 million credit loss on a security and \$3.8 million of credit losses on securities due to our intent to sell such securities which were partially offset by a \$2.1 million reduction in credit losses primarily due to revised financial outlook on securities related to senior living facilities in the Southeastern region of the United States driven in part by a restructuring of its debt facilities.

Mortgage Loans on Real Estate

Our financing receivables consist of three mortgage loan portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our commercial mortgage loan portfolio consists of loans with an outstanding principal balance of \$3.6 billion as of both December 31, 2023 and 2022. This portfolio consists of mortgage loans collateralized by the related properties and is diversified as to property type, location and loan size. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of \$581.3 million and \$567.6 million as of December 31, 2023 and 2022, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of \$3.4 billion and \$2.8 billion as of December 31, 2023 and 2022, respectively. These loans are collateralized by the related properties and are diversified as to location within the United States. Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances.

At December 31, 2023 and 2022, the largest principal amount outstanding for any single commercial mortgage loan was \$79.2 million and \$83.3 million, respectively, and the average loan size was \$6.0 million and \$5.8 million, respectively. In addition, the average loan-to-value ratio for commercial and agricultural mortgage loans combined was 50.5% and 51.4% at December 31, 2023 and 2022, respectively, based upon the underwriting and appraisal at the time the loan was made. This loan-to-value ratio is indicative of our conservative underwriting policies and practices for originating mortgage loans and may not be indicative of collateral values at the current reporting date. Our current practice is to only obtain market value appraisals of the underlying collateral at the inception of the loan unless we identify indicators of impairment in our ongoing analysis of the portfolio, in which case, we either calculate a value of the collateral using a capitalization method or obtain a third party appraisal of the underlying collateral. The commercial mortgage loan portfolio is summarized by geographic region and property type in *Note 4 - Mortgage Loans on Real Estate* of our audited consolidated financial statements of this Form 10-K, which is incorporated by reference in this Item 7.

In the normal course of business, we commit to fund mortgage loans up to 90 days in advance. At December 31, 2023, we had commitments to fund commercial mortgage loans totaling \$223.4 million, with interest rates ranging from 7.5% to 10.5%. For the year ended December 31, 2023, we received \$169.1 million in cash for loans being paid in full compared to \$403.6 million for the year ended December 31, 2022. Some of the loans being paid off have either reached their maturity or are nearing maturity. At December 31, 2023, we had commitments to fund agricultural mortgage loans totaling \$20.7 million with interest rates ranging from 3.8% to 10.8%, and had commitments to fund residential mortgage loans totaling \$542.3 million with interest rates ranging from 7.00% to 12.0%.

See *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a presentation of our valuation allowance and foreclosure activity. We have a process by which we evaluate the credit quality of each of our mortgage loans. This process utilizes each loan's loan-to-value and debt service coverage ratios as primary metrics. See *Note 4 - Mortgage Loans on Real Estate* to our audited consolidated financial statements, incorporated by reference, for a summary of our portfolio by loan-to-value and debt service coverage ratios.

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Commercial, agricultural and residential loans are considered nonperforming when they are 90 days or more past due. Aging of financing receivables is summarized in the following table:

	Current	30-59 days past due	60-89 days past due	Over 90 days past due	Total
As of December 31, 2023:					
	(Dollars in thousands)				
Commercial mortgage loans	\$ 3,544,999	\$ —	\$ —	\$ —	\$ 3,544,999
Agricultural mortgage loans	567,038	—	—	12,595	579,633
Residential mortgage loans	3,226,991	100,759	33,246	90,101	3,451,097
Total mortgage loans	<u>\$ 7,339,028</u>	<u>\$ 100,759</u>	<u>\$ 33,246</u>	<u>\$ 102,696</u>	<u>\$ 7,575,729</u>
As of December 31, 2022:					
Commercial mortgage loans	\$ 3,554,558	\$ —	\$ —	\$ —	\$ 3,554,558
Agricultural mortgage loans	562,828	—	—	3,135	565,963
Residential mortgage loans	2,751,261	62,450	16,924	34,843	2,865,478
Total mortgage loans	<u>\$ 6,868,647</u>	<u>\$ 62,450</u>	<u>\$ 16,924</u>	<u>\$ 37,978</u>	<u>\$ 6,985,999</u>

Private Assets

The following table is a breakout of our private asset investments as of December 31, 2023 and 2022.

Private Asset Class	December 31, 2023		December 31, 2022	
	Amount	Percent	Amount	Percent
(Dollars in thousands)				
Real estate loans				
Commercial	\$ 3,237,657	6.5 %	\$ 3,384,240	6.8 %
Residential	3,582,533	7.2 %	3,002,099	6.0 %
Agricultural	579,633	1.2 %	565,963	1.2 %
Total real estate loans	7,399,823	14.9 %	6,952,302	14.0 %
Private credit				
Middle market	2,141,365	4.3 %	1,492,727	3.0 %
Specialty finance	661,800	1.3 %	442,555	0.9 %
Infrastructure debt	757,631	1.5 %	554,812	1.1 %
Total private credit	3,560,796	7.1 %	2,490,094	5.0 %
Equity				
Residential real estate	1,223,814	2.5 %	961,263	1.9 %
Commercial real estate	97,233	0.2 %	116,779	0.2 %
Infrastructure	193,700	0.4 %	91,485	0.2 %
Core private equity	335,162	0.7 %	363,892	0.7 %
Total equity	1,849,909	3.8 %	1,533,419	3.0 %
Total private assets	\$ 12,810,528	25.8 %	\$ 10,975,815	22.0 %

The investment balances within the table above include fixed maturity securities and mortgage loans at amortized cost and real estate and other investments at carrying values as reflected in the consolidated balance sheets.

Derivative Instruments

Our derivative instruments consist of call options purchased to provide the income needed to fund the annual index credits on our fixed index annuity products and interest rate swaps used to hedge against changes in fair value due to changes in interest rates. The interest rate swaps were fully disposed of as of December 31, 2023. The fair value of the call options is based upon the amount of cash that would be required to settle the call options obtained from the counterparties adjusted for the nonperformance risk of the counterparty. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options. The fair value of the pay fixed/receive float interest rate swaps were determined using internal valuation models that generate discounted expected future cash flows by constructing a projected Secure Overnight Financing Rate (SOFR) curve over the term of the swap.

Our interest rate swaps qualified for hedge accounting and our call options do not qualify for hedge accounting. Any change in the fair value of the derivatives is recognized immediately in the consolidated statements of operations. A presentation of our derivative instruments along with a discussion of the business strategy involved with our derivatives for both our derivatives designated as hedging instruments and our derivatives not designated as hedging instruments is included in *Note 6 - Derivative Instruments* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7.

Liabilities

Our liability for policy benefit reserves increased to \$60.9 billion at December 31, 2023 compared to \$58.8 billion at December 31, 2022. The increase in policy benefit reserves is primarily due to increased reserves related to 2023 annuity deposits, an increase in the value of the fixed index annuity embedded derivative and interest and index credits credited to policyholders during 2023 partially offset by funds returned to policyholders. Substantially all of our annuity products have a surrender charge feature designed to reduce the risk of early withdrawal or surrender of the policies and to compensate us for our costs if policies are withdrawn early. Our lifetime income benefit rider also reduces the risk of early withdrawal or surrender of the policies as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates and other factors.

See *Note 11 - Notes and Loan Payable* to our audited consolidated financial statements in this Form 10-K, which is incorporated by reference in this Item 7 for discussion of our notes and loan payable.

See *Note 12 - Subordinated Debentures* to our audited consolidated financial statements for additional information concerning our subordinated debentures payable to, and the preferred securities issued by, our subsidiary trusts.

Liquidity and Capital Resources

Liquidity for Insurance Operations

Our insurance subsidiaries' primary sources of cash flow are annuity deposits, investment income, and proceeds from the sale, maturity and calls of investments. The primary uses of funds are investment purchases, payments to policyholders in connection with surrenders and withdrawals, policy acquisition costs and other operating expenses.

Liquidity requirements are met primarily by funds provided from operations. Our life subsidiaries generally receive adequate cash flow from annuity deposits and investment income to meet their obligations. Annuity liabilities are generally long-term in nature. However, a primary liquidity concern is the risk of an extraordinary level of early policyholder withdrawals. We include provisions within our annuity policies, such as surrender charges and bonus vesting, which help limit and discourage early withdrawals. Our lifetime income benefit rider also limits the risk of early withdrawals as it provides an additional liquidity option to policyholders as the policyholder can elect to receive guaranteed payments for life from their contract without requiring them to annuitize their contract value and the rider is not transferable to other contracts. At December 31, 2023, approximately 86% or \$41.1 billion of our annuity liabilities were subject to penalty upon surrender, with a weighted average remaining surrender charge period of 4.6 years and a weighted average surrender charge percentage of 7.9%.

Our insurance subsidiaries generally have adequate cash flows from annuity deposits and investment income to meet their policyholder and other obligations. Net cash flows from annuity deposits and funds returned to policyholders as surrenders, withdrawals and death claims were \$(0.6) billion for the year ended December 31, 2023 compared to \$(1.9) billion for the year ended December 31, 2022 with the increase attributable to a \$2.9 billion increase in net annuity deposits after coinsurance partially offset by a \$1.6 billion (after coinsurance) increase in funds returned to policyholders. We continue to invest the net proceeds from policyholder transactions and investment activities in high quality fixed maturity securities, mortgage loans, and other high quality private assets. We have a highly liquid investment portfolio that can be used to meet policyholder and other obligations as needed. Scheduled principal repayments, calls and tenders of available for sale fixed maturity securities and net investment income were \$2.1 billion and \$2.3 billion, respectively, during the year ended December 31, 2023.

Liquidity of Parent Company

We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt (senior notes, term loan and subordinated debentures issued to a subsidiary trust), pay operating expenses and pay dividends to common and preferred stockholders. Our assets consist primarily of the capital stock and surplus notes of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends, surplus note interest payments and other statutorily permissible payments from our subsidiaries, such as payments under our investment advisory agreements and tax allocation agreement with our subsidiaries. These sources provide adequate cash flow for us to meet our current and reasonably foreseeable future obligations and we expect they will be adequate to fund our parent company cash flow requirements in 2024.

The ability of our life insurance subsidiaries to pay dividends or distributions, including surplus note payments, will be limited by applicable laws and regulations of the states in which our life insurance subsidiaries are domiciled, which subject our life insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Currently, American Equity Life may pay dividends or make other distributions without the prior approval of the Iowa Insurance Commissioner, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) American Equity Life's net gain from operations for the preceding calendar year, or (2) 10% of American Equity Life's statutory capital and surplus at the preceding December 31. For 2024, up to \$373.1 million can be distributed as dividends by American Equity Life without prior approval of the Iowa Insurance Commissioner. In January 2024, a \$320 million dividend was paid and approved by American Equity Life to the Company. In addition, dividends and surplus note payments may be made only out of statutory earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities in the life subsidiary's state of domicile. American Equity Life had \$2.1 billion of statutory earned surplus at December 31, 2023.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our life subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for their financial needs. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from rating agencies. Both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect the cash available to us from insurance subsidiaries. As of December 31, 2023, we estimate American Equity Life has sufficient statutory capital and surplus, combined with capital available to the holding company, to maintain its insurer financial strength rating objective. However, this capital may not be sufficient if significant future losses are incurred or a rating agency modifies its rating criteria and access to additional capital could be limited.

Cash and cash equivalents of the parent holding company at December 31, 2023, were \$557.7 million. We also have the ability to issue equity, debt or other types of securities through one or more methods of distribution. The terms of any offering would be established at the time of the offering, subject to market conditions. On February 15, 2022, we established a new five-year credit agreement for \$300 million in unsecured delayed draw term loan commitments. On July 6, 2022, we borrowed \$300 million under this agreement which matures on February 15, 2027.

In January 2022, American Equity Life became a member of the Federal Home Loan Bank of Des Moines ("FHLB") which provides access to collateralized borrowings and other FHLB products. We may also issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements require us to pledge qualified assets as collateral. Obligations arising from funding agreements, which totaled \$0.0 million as of December 31, 2023 are used in investment spread activities.

Statutory accounting practices prescribed or permitted for our life subsidiaries differ in many respects from those governing the preparation of financial statements under GAAP. Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income (loss) for our life subsidiaries as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 is included in *Note 14 - Statutory Financial Information and Dividend Restrictions* to our audited consolidated financial statements.

In the normal course of business, we enter into financing transactions, lease agreements, or other commitments. These commitments may obligate us to certain cash flows during future periods. The following table summarizes such obligations as of December 31, 2023.

	Payments Due by Period				
	Total	Less Than 1 year	1–3 Years	4–5 Years	After 5 Years
(Dollars in thousands)					
Annuity and single premium universal life products (1)	\$ 65,585,615	\$ 5,480,859	\$ 13,022,973	\$ 7,350,000	\$ 39,731,783
Notes and loan payable, including interest payments (2)	935,549	52,878	115,158	767,513	—
Subordinated debentures, including interest payments (3)	210,975	4,850	9,700	9,700	186,725
Operating leases	24,809	4,155	7,627	4,139	8,888
Mortgage loan funding and other investments	2,511,537	2,511,537	—	—	—
Total	<u>\$ 69,268,485</u>	<u>\$ 8,054,279</u>	<u>\$ 13,155,458</u>	<u>\$ 8,131,352</u>	<u>\$ 39,927,396</u>

- (1) Amounts shown in this table are projected payments through the year 2073 which we are contractually obligated to pay to our annuity policyholders. The payments are derived from actuarial models which assume a level interest rate scenario and incorporate assumptions regarding mortality and persistency, when applicable. These assumptions are based on our historical experience.
- (2) Period that principal amounts are due is determined by the earliest of the call/put date or the maturity date of each note payable.
- (3) Amount shown is net of equity investments in the capital trusts due to the contractual right of offset upon repayment of the notes.

Critical Accounting Policies & Estimates

The increasing complexity of the business environment and applicable authoritative accounting guidance require us to closely monitor our accounting policies. We have identified six critical accounting policies and estimates that are complex and require significant judgment. The following summary of our critical accounting policies and estimates is intended to enhance your ability to assess our financial condition and results of operations and the potential volatility due to changes in estimates.

Valuation of Investments

Our fixed maturity securities classified as available for sale are reported at fair value. Unrealized gains and losses, if any, on these securities are included directly in stockholders' equity as a component of accumulated other comprehensive income (loss), net of income taxes. Unrealized gains and losses represent the difference between the amortized cost or cost basis and the fair value of these investments. We use significant judgment within the process used to determine fair value of these investments.

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

We categorize financial instruments recorded at fair value in the consolidated balance sheets as follows:

- Level 1 - Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.
- Level 2 - Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.
- Level 3 - Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

The following table presents the fair value of fixed maturity securities, available for sale, by pricing source and hierarchy level as of December 31, 2023 and 2022, respectively:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(Dollars in thousands)				
December 31, 2023				
Priced via third party pricing services	\$ 27,593	\$ 22,887,293	\$ —	\$ 22,914,886
Priced via independent broker quotations	—	—	—	—
Priced via other methods	—	3,812,066	2,039,490	5,851,556
	<u>\$ 27,593</u>	<u>\$ 26,699,359</u>	<u>\$ 2,039,490</u>	<u>\$ 28,766,442</u>
% of Total	<u>0.1 %</u>	<u>92.8 %</u>	<u>7.1 %</u>	<u>100.0 %</u>
Coinurance investments (1)	—	5,984,902	29,138	6,014,040
	<u>\$ 27,593</u>	<u>\$ 32,684,261</u>	<u>\$ 2,068,628</u>	<u>\$ 34,780,482</u>
December 31, 2022				
Priced via third party pricing services	\$ 26,184	\$ 30,061,381	\$ —	\$ 30,087,565
Priced via independent broker quotations	—	—	—	—
Priced via other methods	—	4,034,863	657,554	4,692,417
	<u>\$ 26,184</u>	<u>\$ 34,096,244</u>	<u>\$ 657,554</u>	<u>\$ 34,779,982</u>
% of Total	<u>0.1 %</u>	<u>98.0 %</u>	<u>1.9 %</u>	<u>100.0 %</u>
Coinurance investments (1)	—	4,836,923	187,712	5,024,635
	<u>\$ 26,184</u>	<u>\$ 38,933,167</u>	<u>\$ 845,266</u>	<u>\$ 39,804,617</u>

- (1) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinurance with funds withheld and modified coinurance reinsurance agreements.

Management's assessment of all available data when determining fair value of our investments is necessary to appropriately apply fair value accounting.

We utilize independent pricing services in estimating the fair values of investment securities. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain quotes or prices from additional parties as needed. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2023 and 2022.

Evaluation of Allowance for Credit Losses on Available for Sale Fixed Maturity Securities and Mortgage Loan Portfolios

The process to identify available for sale fixed maturity securities that could potentially require an allowance for credit loss involves significant judgment and estimates by management. We review and analyze all fixed maturity securities on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost or cost basis of each fixed maturity security that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of fixed maturity securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process to identify fixed maturity securities that could potentially have a credit loss. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the extent to which fair value is less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for fixed maturity securities by assessing all facts and circumstances surrounding each security. Where the decline in fair value of fixed maturity securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these securities to have credit loss because we do not intend to sell these securities and it is not more likely than not we will be required to sell these securities before a recovery of amortized cost, which may be maturity.

If we intend to sell a fixed maturity security or if it is more likely than not that we will be required to sell a security before recovery of its amortized cost basis, credit loss has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the fixed maturity security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations in the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the unrealized loss on the security.

The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize the models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use our "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as credit loss.

The cash flow modeling is performed on a security-by-security basis and incorporates actual cash flows on the residential mortgage backed securities through the current period, as well as the projection of remaining cash flows using a number of assumptions including default rates, prepayment rates and loss severity rates. The default curves we use are tailored to the Prime or Alt-A residential mortgage backed securities that we own, which assume lower default rates and loss severity for Prime securities versus Alt-A securities. These default curves are scaled higher or lower depending on factors such as current underlying mortgage loan performance, rating agency loss projections, loan to value ratios, geographic diversity, as well as other appropriate considerations.

The determination of the credit loss component of a corporate bond is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

For fixed maturity securities which we do not intend to sell and it is not more likely than not we will be required to sell, but our intent changes due to changes or events that could not have been reasonably anticipated, a credit loss may be recognized in operations. Unrealized losses may be recognized in future periods in operations should we later conclude that the decline in fair value below amortized cost represents a credit loss pursuant to our accounting policy described above. The use of different methodologies and assumptions to determine the fair value of investments and the timing and amount of impairments may have a material effect on the amounts presented in our consolidated financial statements.

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses.

The valuation allowances for each of our mortgage loan portfolios are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in each portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics impacting the estimate for our commercial mortgage loan portfolio include the current state of the borrower's credit quality, which considers factors such as loan-to-value ("LTV") and debt service coverage ("DSC") ratios, loan performance, underlying collateral type, delinquency status, time to maturity, and original credit scores. Key loan characteristics impacting the estimate for our agricultural and residential mortgage loan portfolios include the current state of the borrowers' credit quality, delinquency status, time to maturity and original credit scores.

Policy Liabilities for Fixed Index Annuities

We offer a variety of fixed index annuities with crediting strategies linked to the S&P 500 Index and other equity and bond market indices. We purchase call options on the applicable indices as an investment to provide the income needed to fund the annual index credits on the index products. See Financial Condition—Derivative Instruments. Certain derivative instruments embedded in the fixed index annuity contracts are recognized in the consolidated balance sheets at their fair values and changes in fair value are recognized immediately in our consolidated statements of operations in accordance with accounting standards for derivative instruments and hedging activities.

Accounting for derivatives prescribes that the contractual obligations for future annual index credits are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. Policy liabilities for fixed index annuities are equal to the sum of the "host" (or guaranteed) component and the embedded derivative component for each fixed index annuity policy. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. We estimate the fair value of the embedded derivative component at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements including lapse, partial withdrawal and mortality rates. Our best estimate assumptions for future policy growth include assumptions for the expected index credits on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. The amounts reported in the consolidated statements of operations as "Interest sensitive and index product benefits" represent amounts credited to policy liabilities pursuant to accounting by insurance companies for certain long-duration contracts which include index credits through the most recent policy anniversary. The amounts reported in the consolidated statements of operations as "Change in fair value of embedded derivatives" equal the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

In general, the change in the fair value of the embedded derivatives will not correspond to the change in fair value of the purchased call options because the purchased call options are generally one year options while the options valued in the embedded derivatives represent the rights of the contract holder to receive index credits over the entire period the fixed index annuities are expected to be in force, which typically exceeds 10 years.

The most sensitive assumptions in determining policy liabilities for fixed index annuities are 1) the rates used to discount the excess projected contract values, 2) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary date and 3) our best estimate for future policy decrements specific to lapse rates.

As indicated above, the discount rates used to discount excess projected contract value are based on applicable risk-free interest rates adjusted for our nonperformance risk related to those liabilities. If the discount rates used to discount the excess projected contract values at December 31, 2023 were to increase by 100 basis points, our reserves for fixed index annuities would decrease by \$364.7 million. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase our reserves for fixed index annuities by \$419.7 million.

As of December 31, 2023, we utilized an estimate of 2.35% for the expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual options costs. If the expected cost of annual call options we purchase in the future to fund index credits beyond the next policy anniversary date were to increase by 25 basis points, our reserves for fixed index annuities would increase by \$364.7 million. A decrease of 25 basis points in the expected cost of annual call options would decrease our reserves for fixed index annuities by \$361.6 million.

Our lapse rate assumptions are based on actual experience and our outlook as to future expectations for lapse rates. If lapse rates were to increase 10%, our reserves for fixed index annuities would decrease by \$12.0 million. A decrease in lapse rates of 10% would increase our reserves for fixed index annuities by \$11.7 million.

Market Risk Benefits

Market risk benefits (MRBs) are contracts or contract features that both provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. We issue certain fixed indexed annuity and fixed rate annuity contracts that provide minimum guarantees to policyholders including guaranteed minimum withdrawal benefits (GMWB) and guaranteed minimum death benefits (GMDB) that are MRBs.

MRBs are measured at fair value, at the individual contract level, and can be either an asset or a liability. Contracts which contain more than one MRB feature are combined into one single MRB. The fair value is calculated using stochastic models that include a risk margin and incorporate a spread for our nonperformance risk. At contract inception, an attributed fee ratio is calculated based on the present value of the fees and assessments collectible from the policyholder relative to the present value of expected benefits paid attributable to the MRB. The attributed fees remain static over the life of the MRB and is used to calculate the fair value of the MRB using a risk neutral valuation method. The attributed fees cannot be negative and cannot exceed the total explicit fees collectible from the policyholder.

The inputs and best estimate assumptions used in the calculation of the market risk benefits include actual policy values, actual income account values, actual payout factors, actual roll-up rates and our best estimate assumptions for option budget, risk-free interest rates, expected utilization of lifetime income benefit riders, which includes the ages at which policyholders are expected to elect to begin to receive lifetime income benefit payments and the percentage of policyholders who elect to receive lifetime income benefit payments, the type of income benefit payments selected upon election and future assumptions for lapse, partial withdrawal and mortality rates. The assumptions are reviewed quarterly and updates to the assumptions are made based on historical results and our best estimates of future experience. See **Results of Operations for the Three Years Ended** December 31, 2023 in this Item 7 for a discussion and presentation of the effects of assumption revisions for 2023 and 2022. See Item 7 in Exhibit 99.1 (Recast of certain information in the Company's Annual Report for the year ended December 31, 2022 on Form 10-K for adoption of ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts) filed on Form 8-K on August 9, 2023 for discussion and presentation of the effects of assumption revisions for 2021.

The most sensitive assumptions in the calculation of the market risk benefits are 1) utilization, 2) option budget, 3) risk-free interest rates, 4) nonperformance risk, and 5) our best estimate for future policy decrements specific to mortality and lapse rates.

The utilization assumption represents the percentage of policyholders who will elect to receive lifetime income benefit payments in a given year. If the utilization assumption were to increase by 30%, our market risk benefits would increase by \$257.9 million. A decrease of 30% in the utilization assumption would decrease our market risk benefits by \$328.9 million. The option budget assumption represents the expected cost of annual call options we will purchase in the future. If the option budget assumption were to increase by 25 basis points, our market risk benefits liability would decrease by \$101.9 million. A decrease of 25 basis points in the option budget assumption would increase our market risk benefits liability by \$94.7 million.

The risk-free interest rate assumption impacts the discount rate used to discount future cash flows in the valuation. If the risk-free interest rate assumption were to increase by 100 basis points, our market risk benefits liability would decrease by \$434.4 million. A decrease of 100 basis points in the risk-free interest rate assumption would increase our market risk benefits liability by \$534.7 million.

The nonperformance risk assumption impacts the discount rate used in the discounted future cash flow valuation and includes our own credit risk based on the current market credit spreads for debt-like instruments we have issued and are available in the market. Additionally, the nonperformance risk assumption includes the counterparty credit risk used in the fair value measurement of ceded market risk benefits which is determined using the current market credit spreads based on the counterparty credit rating. If the rating used to derive the nonperformance risk assumption were to increase by one ratings notch, our ceded market risk benefits liability would increase by \$26.2 million. A decrease of one ratings notch used to derive the nonperformance risk assumption would decrease our ceded market risk benefits liability by \$69.8 million.

Mortality rate assumptions are set based on a combination of company and industry experience, adjusted for improvement factors. If the mortality rate assumption were to increase by 10%, our market risk benefits liability would decrease by \$189.4 million. A decrease in the mortality rate assumption of 10% would increase our market risk benefits liability by \$215.2 million.

Lapse rate assumptions represent the expected rate of full surrenders which are set based on product type or feature and whether a policy is subject to surrender charges. If the lapse rate assumption were to increase by 10%, our market risk benefits liability would decrease by \$31.4 million. A decrease in the lapse rate assumption of 10% would increase our market risk benefits liability by \$29.4 million.

Deferred Policy Acquisition Costs and Deferred Sales Inducements

Costs which are incremental and directly related to the successful production of new business are not expensed when incurred but instead are capitalized as deferred policy acquisition costs or deferred sales inducements. Deferred policy acquisition costs consist principally of commissions and certain costs of policy issuance. Deferred sales inducements consist of premium and interest bonuses credited to policyholder account balances.

For annuity products, these costs are being amortized on a constant level basis over the expected term of the underlying contracts. The inputs and best estimate assumptions used in the calculation of the amortization of deferred policy acquisition costs and deferred sales inducements include full surrenders, partial withdrawals, mortality, utilization and reset assumptions associated with lifetime income benefit riders, and the option budget assumption. If actual experience differs from expected experience, the pattern of amortization is adjusted on a prospective basis.

The most sensitive assumption used to calculate amortization of deferred policy acquisition costs and deferred sales inducements is our best estimate for future policy decrements specific to lapse rates. Any updates to assumptions are applied prospectively.

Deferred Income Taxes

We account for income taxes using the liability method. This method provides for the tax effects of transactions reported in the audited consolidated financial statements for both taxes currently due and deferred. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. A temporary difference is a transaction, or amount of a transaction, that is recognized currently for financial reporting purposes but will not be recognized for tax purposes until a future tax period, or is recognized currently for tax purposes but will not be recognized for financial reporting purposes until a future reporting period. Deferred income taxes are measured by applying enacted tax rates for the years in which the temporary differences are expected to be recovered or settled to the amount of each temporary difference.

The realization of deferred income tax assets is primarily based upon management's estimates of future taxable income. Valuation allowances are established when management estimates, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income of the necessary character exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable capital income in prior carryback years; and
- tax planning strategies.

Actual realization of deferred income tax assets and liabilities may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances.

The realization of deferred income tax assets related to unrealized losses on our available for sale fixed maturity securities is also based upon our intent to hold these securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss.

New Accounting Pronouncements

See *Note 1 - Significant Accounting Policies* to our audited consolidated financial statements in this Form 10-K beginning on page F-12, which is incorporated by reference in this Item 7, for new accounting pronouncement disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist substantially of investment grade fixed maturity securities, (ii) have projected returns which satisfy our spread targets, and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features, including lifetime income benefit riders, to encourage persistency.

We seek to maximize the total return on our fixed maturity securities through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates, (ii) changes in relative values of individual securities and asset sectors, (iii) changes in prepayment risks, (iv) changes in credit quality outlook for certain securities, (v) liquidity needs, and (vi) other factors.

Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the fair value of our investments. The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (caps, participation rates or asset fee rates for fixed index annuities) on substantially all of our annuity liabilities at least annually (subject to minimum guaranteed values). Substantially all of our annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. In addition, a significant amount of our fixed index annuity policies and many of our annual reset fixed rate deferred annuities were issued with a lifetime income benefit rider which we believe improves the persistency of such annuity products. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates. When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities.

If interest rates were to increase 10% (40 basis points) from levels at December 31, 2023, we estimate that the fair value of our fixed maturity securities would decrease by approximately \$1.1 billion. The impact on stockholders' equity of such decrease (net of income taxes) would be a decrease of \$831.8 million in accumulated other comprehensive income and a decrease in stockholders' equity. The models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of our financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, our net exposure to interest rates can vary over time. However, any such decreases in the fair value of our fixed maturity securities (unless related to credit concerns of the issuer requiring recognition of a credit loss) would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet our liquidity needs, which we manage using the surrender and withdrawal provisions of our annuity contracts and through other means. See Financial Condition—Liquidity for Insurance Operations for a further discussion of the liquidity risk.

The amortized cost of fixed maturity securities that are callable at the option of the issuer, excluding securities with a make-whole provision, was \$1.7 billion as of December 31, 2023. During the years ended December 31, 2023 and 2022, we received \$0.2 billion and \$0.9 billion, respectively, in net redemption proceeds related to the exercise of such call provisions. We have reinvestment risk related to these redemptions to the extent we cannot reinvest the net proceeds in assets with credit quality and yield characteristics similar to the redeemed bonds. Such reinvestment risk typically occurs in a declining rate environment. In addition, we have \$5.2 billion of floating rate investments as of December 31, 2023. The majority of these investments are based on the 3 month SOFR rate and are reset quarterly. Should rates decline to levels which tighten the spread between our average portfolio yield and average cost of interest credited on annuity liabilities, we have the ability to reduce crediting rates (caps, participation rates or asset fees for fixed index annuities) on most of our annuity liabilities to maintain the spread at our targeted level. At December 31, 2023, approximately 93% of our annuity liabilities were subject to annual adjustment of the applicable crediting rates at our discretion, limited by minimum guaranteed crediting rates specified in the policies. At December 31, 2023, approximately 15% of our annuity liabilities were at minimum guaranteed crediting rates.

We purchase call options on the applicable indices to fund the annual index credits on our fixed index annuities. These options are primarily one-year instruments purchased to match the funding requirements of the underlying policies. Fair value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for fixed index products. The difference between proceeds received at expiration of these options and index credits, as shown in the following table, is primarily due to under or over-hedging as a result of policyholder behavior being different than our expectations.

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Proceeds received at expiration of options related to such credits	\$ 344,876	\$ 312,133	\$ 2,019,477
Annual index credits to policyholders on their anniversaries	326,471	305,292	1,977,888

On the anniversary dates of the index policies, we purchase new one-year call options to fund the next annual index credits. The risk associated with these prospective purchases is the uncertainty of the cost, which will determine whether we are able to earn our spread on our fixed index business. We manage this risk through the terms of our fixed index annuities, which permit us to change caps, participation rates and asset fees, subject to contractual features. By modifying caps, participation rates or asset fees, we can limit option costs to budgeted amounts, except in cases where the contractual features would prevent further modifications. Based upon actuarial testing which we conduct as a part of the design of our fixed index products and on an ongoing basis, we believe the risk that contractual features would prevent us from controlling option costs is not material.

Item 8. Consolidated Financial Statements and Supplementary Data

The audited consolidated financial statements are included as a part of this report on Form 10-K on pages F-1 through F-69.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

In accordance with the Securities Exchange Act Rules 13a-15(e) and 15d-15(e), our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2023 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

(b) Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023 based upon criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management has determined that we maintained effective internal control over financial reporting as of December 31, 2023.

The Company's independent registered public accounting firm, Ernst & Young LLP, who audited the consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of management's internal control over financial reporting as of December 31, 2023. This report appears on page F-2 of this annual report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On February 29, 2024, in accordance with the terms of the previously announced Merger Agreement with Brookfield Reinsurance, the Compensation and Talent Management Committee of the Board of Directors of the Company approved cash awards (each, a “**Transaction Incentive**”) to certain employees of the Company, including the following named executive officers, to incentive efforts to consummate the merger contemplated by the Merger Agreement (the “**Merger**”): (1) Axel André (\$2,000,000) and (2) Jim Hamalainen (\$2,000,000). Payment of a Transaction Incentive to each of Messrs. André and Hamalainen is subject to and contingent upon the occurrence of the Merger and the applicable named executive officer’s continued employment with the Company through the closing of the Merger as set forth in a Letter Agreement from the Company to the applicable named executive officer (the “**Letter Agreement**”).

The forgoing summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Letter Agreement, a copy of which is attached hereto Exhibit 10.49.

On February 29, 2024, in accordance with the terms of the previously announced Merger Agreement with Brookfield Reinsurance, the Company and Jeff Lorenzen entered into an agreement (the “Retention Agreement”) to provide that Mr. Lorenzen will be eligible to receive the value of his existing cash severance amount (\$2,591,000) under his Change in Control Agreement with the Company as a retention award payable 50% upon the closing of the Merger and 50% upon the first anniversary of the closing of the Merger, subject in each case to continued service through the applicable date. However, if Mr. Lorenzen’s employment is terminated by AEL other than for Cause or by Mr. Lorenzen for Good Reason (each as defined in the Retention Agreement and, in the case of Good Reason, after giving effect to Mr. Lorenzen’s waiver in the Retention Agreement of any right to terminate employment for Good Reason solely in connection with the occurrence of the Merger) prior to a vesting date, any of the unvested portion of Mr. Lorenzen’s retention award will vest and be paid, subject to Mr. Lorenzen’s execution and non-revocation of a release of claims.

The forgoing summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Retention Agreement, a copy of which is attached hereto Exhibit 10.50.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

The information required by Part III is incorporated by reference from our subsequent disclosure to be filed within 120 days after December 31, 2023.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and Financial Statement Schedules. See Index to Consolidated Financial Statements and Schedules on page F-1 for a list of financial statements and financial statement schedules included in this report.

All other schedules to the audited consolidated financial statements required by Article 7 of Regulation S-X are omitted because they are not applicable, not required, or because the information is included elsewhere in the audited consolidated financial statements or notes thereto.

Exhibit Index

Note Regarding Reliance on Statements in Our Contracts and Other Exhibits: We include agreements and other exhibits to this Annual Report on Form 10-K to provide information regarding their terms and not to provide any other factual or disclosure information about us, our subsidiaries or affiliates, or the other parties to the agreements, or for any other purpose. The agreements and other exhibits contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement or other arrangement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have in many cases been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or other exhibit, or such other date or dates as may be specified in the document and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Description
3.1	Articles of Incorporation, including Articles of Amendment (Incorporated by reference to Exhibit 3.1 to Post-Effective Amendment No. 1 to the Registration Statement on Form 10, filed on July 22, 1999, File No. 000-25985)
3.2	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to Form 10-Q for the period ended June 30, 2000 filed on August 14, 2000, File No. 000-25985)
3.3	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed on October 20, 2003, File No. 333-108794)
3.4	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-3 filed on January 15, 2008, File No. 333-148681)
3.5	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.5 to Form 10-Q for the period ended June 30, 2011 filed on August 5, 2011, File No. 001-31911)
3.6	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Form 8-A12B filed on November 20, 2019, File No. 001-31911)
3.7	Articles of Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.7 to Form 8-A12B filed on June 16, 2020, File No. 001-31911)
3.8	Fourth Amended and Restated Bylaws, redlined for amendments effective November 17, 2022 (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 23, 2022)
3.9	Fourth Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.2 to Form 8-K filed on November 23, 2022)
4.1	Indenture dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)

Exhibit No.	Description
4.2	Trust Preferred Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and Wilmington Trust Company (as successor in interest to West Des Moines State Bank), as trustee (Incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.3	Trust Common Securities Guarantee Agreement dated October 29, 1999 between American Equity Investment Life Holding Company and West Des Moines State Bank, as trustee (Incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-1, File No. 333-108794, including all pre-effective amendments thereto)
4.4	Instruments of Resignation, Appointment and Acceptance, effective September 12, 2006, among American Equity Investment Life Holding Company, Wilmington Trust Company, West Des Moines State Bank and Delaware Trust Company, National Association (formerly known as First Union Trust Company, National Association) (Incorporated by reference to Exhibit 4.10A to Form 10-K for the year ended December 31, 2008 filed on March 16, 2009)
4.5	Senior Amended and Restated Indenture, dated as of April 22, 2004, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to Amendment No.1 to Form S-3 filed on April 22, 2004).
4.6	Third Supplemental Indenture, dated as of June 16, 2017, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to Form 8-K filed on June 16, 2017)
4.7	Deposit Agreement, dated November 21, 2019, among American Equity Investment Life Holding Company, Computershare Inc. and Computershare Trust Company, N.A., collectively, as depository, Computershare Inc., as registrar and transfer agent, and the holders from time to time of the depository receipts (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on November 21, 2019)
4.8	Form of Depository Receipt (included in Exhibit 4.7)
4.9	Deposit Agreement, dated as of June 17, 2020, among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively as Depository, the other parties thereto and the holders from time to time of depository receipts issued thereunder (Incorporated by reference to Exhibit 4.1 to Form 8-K filed on June 17, 2020)
4.10	Form of Depository Receipt (included in Exhibit 4.9)
4.11	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.11 to Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)
4.12	Subordinated Amended and Restated Indenture, dated as of April 22, 2004, between American Equity Investment Life Holding Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to Amendment No. 1 to Form S-3 filed on April 22, 2004)
4.13	Form of Certificate for the common stock of American Equity Investment Life Holding Company, par value \$1 per share (Incorporated by reference to Exhibit 4.11 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-108794), filed on November 12, 2003)
10.1 *	American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 18, 2016)
10.2 *	First Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 99.2 to Form S-8 filed on September 8, 2016)
10.3 *	Second Amendment to American Equity Investment Life Holding Company 2016 Employee Incentive Plan (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended March 31, 2019 filed on May 8, 2019)
10.4 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2019 filed on February 25, 2020)
10.5 *	Offer Letter dated January 2, 2020 by and between American Equity Investment Life Holding Company and Anant Bhalla (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 9, 2020)
10.6 *	American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to the Appendix A to the Company's proxy statement on Form DEF 14A filed on April 24, 2020)
10.7 *	Form of Director Restricted Stock Award Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 4, 2020)
10.8 *	Form of Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.9 *	Form of Performance Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.10 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended June 30, 2020 filed on August 10, 2020)
10.11	Investment Agreement, dated as of October 17, 2020, by and among American Equity Investment Life Holding Company, Brookfield Asset Management Inc. and Burgundy Acquisitions I Ltd. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 19, 2020)
10.12 *	Form of Employee Stock Option Agreement with Respect to Common Stock of American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on November 25, 2020)
10.13 *	American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.32 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.14 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.33 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.15 *	First Amendment to American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.34 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.16 *	Form of Employee Stock Option Agreement (Incorporated by reference to Exhibit 10.36 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.17	Assignment Agreement, Consent and Waiver in Anticipation of Regulatory Form A Filing dated February 28, 2021 by and among Brookfield Asset Management, Inc., Burgundy Acquisitions I Ltd., Brookfield Asset Management Reinsurance Partners Ltd., North End Re (Cayman) SPC and American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.37 to Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.18 *	Form of Employee Restricted Stock Unit Award Agreement - Performance Based Award, effective April 2021 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended March 31, 2021 filed on May 10, 2021)

Exhibit No.	Description
10.19	Amendment to Investment Agreement, dated June 10, 2021, by and among American Equity Investment Life Holding Company, Brookfield Asset Management, Inc., Brookfield Asset Management Reinsurance Partners Ltd. and North End Re (Cayman) SPC (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 10, 2021)
10.20 *	Offer Letter Agreement dated August 25, 2021 between American Equity Investment Life Insurance Company and Axel Andre (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.21 *	American Equity Transition Benefit Plan, dated as of August 6, 2021 (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.22 *	Form of Separation Agreement under American Equity Transition Benefit Plan, effective August 6, 2021 (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended September 30, 2021 filed on November 9, 2021)
10.23 *	Form of 2022-2024 Performance-Based Employee Restricted Stock Unit Award Agreement under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.24 *	Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Two- or Three-Year Cliff) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.25 *	Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Two-Year Ratable) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.26 *	Second Amendment to the American Equity Investment Life Holding Company Amended and Restated Short-Term Incentive Plan, effective January 1, 2022 (Incorporated by reference to Exhibit 10.4 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.27 *	Deferred Long-Term Incentive Cash Plan, effective January 1, 2022 (Incorporated by reference to Exhibit 10.5 to Form 10-Q for the period ended March 31, 2022 filed on May 9, 2022)
10.28 *	American Equity Life Employee Indemnification Plan, dated as of September 8, 2022 (Incorporated by reference to Exhibit 10.1 to Form 10-Q for the period ended September 30, 2022 filed on November 8, 2022)
10.29 *	Form of 2022 Time-Based Employee Restricted Stock Unit Award Agreement (Three-Year Ratable) under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to Form 10-Q for the period ended September 30, 2022 filed on November 8, 2022)
10.30 *	Offer Letter effective August 2, 2022 between American Equity Investment Life Insurance Company and Nicholas Volpe (Incorporated by reference to Exhibit 10.3 to Form 10-Q for the period ended September 30, 2022 filed on November 8, 2022)
10.31	Credit Agreement, dated as of February 15, 2022, among American Equity Investment Life Holding Company, the lenders party thereto and Citizens Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 17, 2022)
10.32 *	Separation Agreement between American Equity Investment Life Holding Company and American Equity Investment Life Insurance Company and Phyllis Zanghi executed December 31, 2022 (Incorporated by reference to Exhibit 10.36 to Form 10-K for the period ended December 31, 2022 filed on February 28, 2023)
10.33 *	Employee Strategic Incentive Restricted Stock Unit Award Agreement between American Equity Investment Life Holding Company and Anant Bhalla, dated November 29, 2022 (Incorporated by reference to Exhibit 10.37 to Form 10-K for the period ended December 31, 2022 filed on February 28, 2023)
10.34 *	First Amendment to American Equity Transition Benefit Plan, effective October 1, 2022 (Incorporated by reference to Exhibit 10.38 to Form 10-K for the period ended December 31, 2022 filed on February 28, 2023)
10.35 *	Amendment to Phyllis Zanghi Separation Agreement dated February 24, 2023 (Incorporated by reference to Exhibit 10.2 to Form 10-Q for period ended March 31, 2023 filed on May 10, 2023)
10.36 *	Separation Agreement between American Equity Investment Life Holding Company and Phyllis Zanghi – Second Execution executed March 10, 2023 (Incorporated by reference to Exhibit 10.1 to Form 10-Q for period ended March 31, 2023 filed on May 10, 2023)
10.37 *	American Equity Investment Life Holding Company 2023 Equity Incentive Plan (Incorporated by reference to the Appendix B to the Company's proxy statement on Form DEF 14A filed on April 28, 2023)
10.38	Agreement and Plan of Merger, dated July 4, 2023, by and among the Company, the Parent and Merger Sub and, solely for the purposes set forth therein, BAM* (Incorporated by reference to Exhibit 2.1 to Form 8-K filed July 5, 2023) (*Schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedules or exhibits so furnished.)
10.39 *	Amended and Restated Change in Control Agreement, dated as of July 4, 2023, by and between the Company and Axel André (Incorporated by reference to Exhibit 10.1 to Form 8-K filed July 5, 2023)
10.40	Voting Agreement, dated July 4, 2023, by and among the Company, Freestone Re Ltd. and North End RE SPC (Incorporated by reference to Exhibit 10.2 to Form 8-K filed July 5, 2023)
10.41 *	Assignment, Assumption and Consent Agreement, dated as of December 21, 2023, by and among Brookfield Corporation, Brookfield Reinsurance Ltd., North End Re (Cayman) SPC, Freestone Re Ltd., BAM Re Holdings Ltd., American National Group, LLC and American Equity Investment Life Holding Company (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 21, 2023)
10.42 *	Form of 2023 Time-Based Employee Restricted Stock Unit Award Agreement (Two- or Three-Year Ratable) under the American Equity Investment Life Holding Company Amended and Restated equity Incentive Plan
10.43 *	Form of 2023-2025 Performance-Based Employee Restricted Stock Unit Award Agreement under the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan
10.44 *	Form of 280G Mitigation and Repayment Agreement between American Equity Investment Life Holding Company and each of André, Bhalla, Etinger, Hamalainen, Lorenzen, Reilly and Volpe
10.45 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and each of Bhalla and Lorenzen
10.46 *	Form of Change in Control Agreement between American Equity Investment Life Holding Company and each of Etinger, Hamalainen, Reilly and Volpe
10.47 *	Offer Letter effective January 2, 2024 between American Equity Investment Life Insurance Company and Erik Askelsen

Exhibit No.	Description
10.48 *	Form of 2024 Time-Based Employee Restricted Stock Unit Award Agreement (Three-Year Ratable) under the American Equity Investment Life Holding Company 2023 Equity Incentive Plan
10.49 *	Form of Transaction Incentive Letter between American Equity Investment Life Holding Company and certain employees
10.50 *	Form of Retention Agreement between American Equity Investment Life Holding Company and certain employees
21.2	Subsidiaries of American Equity Investment Life Holding Company
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97 *	American Equity Investment Life Holding Company Incentive-Based Compensation Recovery Policy Effective October 2, 2023
101	The following materials from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements, (vii) Schedule I - Summary of Investments - Other Than Investments in Related Parties, (viii) Schedule II — Condensed Financial Information of Registrant, (ix) Schedule III - Supplementary Insurance Information and (x) Schedule IV — Reinsurance.
104	The cover page from American Equity Investment Life Holding Company's Annual Report on Form 10-K for the year ended December 31, 2023 formatted in iXBRL and contained in Exhibit 101.

* Denotes management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 29th day of February 2024.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ ANANT BHALLA

Anant Bhalla,
Chief Executive Officer & President

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title (Capacity)	Date
<div>/s/ ANANT BHALLA</div> <div>Anant Bhalla</div>	Chief Executive Officer, President and Director (Principal Executive Officer)	February 29, 2024
<div>/s/ AXEL ANDRE</div> <div>Axel Andre</div>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2024
<div>/s/ AARON BOUSHEK</div> <div>Aaron Boushek</div>	Controller (Principal Accounting Officer)	February 29, 2024
<div>/s/ DAVID S. MULCAHY</div> <div>David S. Mulcahy</div>	Non-Executive Chairman and Director	February 29, 2024
<div>/s/ JOYCE A. CHAPMAN</div> <div>Joyce A. Chapman</div>	Director	February 29, 2024
<div>/s/ BRENDA J. CUSHING</div> <div>Brenda J. Cushing</div>	Director	February 29, 2024
<div>/s/ MICHAEL E. HAYES</div> <div>Michael E. Hayes</div>	Director	February 29, 2024
<div>/s/ DOUGLAS T. HEALY</div> <div>Douglas T. Healy</div>	Director	February 29, 2024
<div>/s/ ROBERT L. HOWE</div> <div>Robert L. Howe</div>	Director	February 29, 2024
<div>/s/ WILLIAM R. KUNKEL</div> <div>William R. Kunkel</div>	Director	February 29, 2024
<div>/s/ ALAN D. MATULA</div> <div>Alan D. Matula</div>	Director	February 29, 2024
<div>/s/ GERARD D. NEUGENT</div> <div>Gerard D. Neugent</div>	Director	February 29, 2024

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

YEARS ENDED DECEMBER 31, 2023, 2022 and 2021

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on Internal Control over Financial Reporting

We have audited American Equity Investment Life Holding Company and subsidiaries' internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, American Equity Investment Life Holding Company and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company, as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedules I to IV, and our report dated February 29, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Des Moines, Iowa
February 29, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
American Equity Investment Life Holding Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Equity Investment Life Holding Company and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedules I to IV (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 29, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fixed Index Annuity Embedded Derivative Liability and Market Risk Benefits

Description of the Matter

At December 31, 2023, the fair value of the Company's fixed index annuity embedded derivative liability totaled \$5.2 billion, net of coinsurance ceded. The Company's fixed index annuity contracts contain crediting features, where amounts credited to the contract's account value are linked to the performance of certain market indices. The index crediting feature is accounted for as an embedded derivative liability and reported at fair value as discussed in Notes 1 and 2 to the consolidated financial statements. A subset of fixed index annuity and fixed rate annuity contracts include guaranteed minimum withdrawal benefits and guaranteed minimum death benefit features that are market risk benefits (MRB) measured at fair value as discussed in Notes 1, 2, and 8 to the consolidated financial statements. The Company's MRB assets and MRB liabilities totaled \$479.7 million and \$3,146.6 million, respectively, as of December 31, 2023.

Auditing the valuation of the Company's fixed index annuity embedded derivative and MRBs was complex because of the highly judgmental nature of the determination of the assumptions required to determine the fair value of the embedded derivative and MRBs. In particular, the fair value was sensitive to the significant assumptions including the expected cost of annual call options, nonperformance risk, and those used to determine future policy growth including lapse, lifetime income benefit rider (LIBR) reset, and LIBR utilization. Mortality and partial withdrawal are additional significant assumptions used in the valuation of the MRBs.

*How We Addressed
the Matter in Our
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over management's process for the development of the significant assumptions used in measuring the fair value of the embedded derivative for fixed index annuities and MRBs. These controls included, among others, the review and approval process management has in place for the development of the significant assumptions.

To evaluate the judgment used by management in determining the assumptions used in measuring the fair value of the fixed index annuity embedded derivative and MRBs, among other procedures, we involved actuarial specialists and evaluated the methodology applied by management in determining the fair value with those used in the prior period and in the industry. To evaluate the significant assumptions used by management in the methodology applied, we compared as applicable the significant assumptions noted above to historical experience, observable market data, and management's estimates of prospective changes in these assumptions. We also performed an independent recalculation of the embedded derivative and MRB for a sample of policies for comparison with the actuarial models used by management.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

Des Moines, Iowa
February 29, 2024

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	December 31,	
	2023	2022 (a)
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of \$38,537,462 as of 2023 and \$44,866,019 as of 2022; allowance for credit losses of \$4,030 as of 2023 and \$3,347 as of 2021)	\$ 34,780,482	\$ 39,804,617
Mortgage loans on real estate (net of allowance for credit losses of \$38,135 as of 2023 and \$36,972 as of 2022)	7,537,594	6,949,027
Real estate investments (2023 and 2022 include \$1,327,704 and \$1,056,063 related to consolidated variable interest entities)	1,334,247	1,056,063
Limited partnerships and limited liability companies (2023 and 2022 include \$506,685 and \$684,834 related to consolidated variable interest entities)	1,089,591	1,266,779
Derivative instruments	1,207,288	431,727
Other investments	2,277,822	1,817,085
Total investments	48,227,024	51,325,298
Cash and cash equivalents (2023 and 2022 include \$35,745 and \$27,235 related to consolidated variable interest entities)	9,772,586	1,919,669
Coinsurance deposits (net of allowance for credit losses of \$1,149 as of 2023 and \$8,737 as of 2022)	14,582,728	13,254,956
Market risk benefits	479,694	229,871
Accrued investment income (2023 and 2022 include \$2,862 and \$3,444 related to consolidated variable interest entities)	459,332	497,851
Deferred policy acquisition costs	3,070,280	2,773,643
Deferred sales inducements	2,367,224	2,045,683
Deferred income taxes	152,652	438,434
Income taxes recoverable	37,854	55,498
Other assets (2023 and 2022 include \$18,681 and \$10,690 related to consolidated variable interest entities)	768,928	642,696
Total assets	<u>\$ 79,918,302</u>	<u>\$ 73,183,599</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	December 31,	
	2023	2022 (a)
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 60,901,641	\$ 58,781,836
Market risk benefits	3,146,554	2,455,492
Other policy funds and contract claims	188,856	512,790
Notes and loan payable	785,443	792,073
Subordinated debentures	79,107	78,753
Funds withheld for reinsurance liabilities	8,596,373	6,577,426
Other liabilities (2023 and 2022 include \$93,520 and \$78,644 related to consolidated variable interest entities)	3,172,554	1,614,479
Total liabilities	76,870,528	70,812,849
Stockholders' equity:		
Preferred stock, Series A; par value \$1 per share; \$400,000 aggregate liquidation preference; 20,000 shares authorized; issued and outstanding: 2023 and 2022 - 16,000 shares	16	16
Preferred stock, Series B; par value \$1 per share; \$300,000 aggregate liquidation preference; 12,000 shares authorized; issued and outstanding: 2023 and 2022 - 12,000 shares	12	12
Common stock; par value \$1 per share; 200,000,000 shares authorized; issued and outstanding: 2023 - 79,337,818 shares (excluding 30,765,023 treasury shares); 2022 - 84,810,255 shares (excluding 24,590,353 treasury shares)	79,338	84,810
Additional paid-in capital	1,071,103	1,325,316
Accumulated other comprehensive loss	(2,979,657)	(3,746,230)
Retained earnings	4,852,448	4,685,593
Total stockholders' equity attributable to American Equity Investment Life Holding Company	3,023,260	2,349,517
Noncontrolling interests	24,514	21,233
Total stockholders' equity	3,047,774	2,370,750
Total liabilities and stockholders' equity	\$ 79,918,302	\$ 73,183,599

(a) Certain prior period amounts have been recast. See *Note 1 - Significant Accounting Policies* for more information.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	Year Ended December 31,		
	2023	2022 (a)	2021 (a)
Revenues:			
Premiums and other considerations	\$ 11,967	\$ 19,739	\$ 58,202
Annuity product charges	315,496	230,354	242,631
Net investment income	2,272,798	2,307,463	2,037,475
Change in fair value of derivatives	259,046	(1,138,128)	1,348,735
Net realized losses on investments	(99,203)	(47,848)	(13,242)
Other revenue	75,866	42,245	16,160
Total revenues	2,835,970	1,413,825	3,689,961
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits (remeasurement gains (losses) of future policy benefit reserves of \$(2,013), \$(1,959), and \$(1,907) for years ended 2023, 2022, 2021, respectively)	17,687	33,220	73,896
Interest sensitive and index product benefits	567,423	554,871	2,231,567
Market risk benefits (gains) losses	(14,546)	3,684	268,973
Amortization of deferred sales inducements	192,252	181,970	191,884
Change in fair value of embedded derivatives	1,143,576	(2,352,598)	(358,302)
Interest expense on notes and loan payable	45,890	32,098	25,581
Interest expense on subordinated debentures	5,355	5,331	5,324
Amortization of deferred policy acquisition costs	279,700	284,011	306,370
Other operating costs and expenses	301,581	239,526	241,882
Total benefits and expenses	2,538,918	(1,017,887)	2,987,175
Income before income taxes	297,052	2,431,712	702,786
Income tax expense	85,133	511,135	149,763
Net income	211,919	1,920,577	553,023
Less: Net income available to noncontrolling interests	1,389	358	—
Net income available to American Equity Investment Life Holding Company stockholders	210,530	1,920,219	553,023
Less: Preferred stock dividends	43,675	43,675	43,675
Net income available to American Equity Investment Life Holding Company common stockholders	\$ 166,855	\$ 1,876,544	\$ 509,348
Earnings per common share	\$ 2.10	\$ 20.72	\$ 5.43
Earnings per common share - assuming dilution	\$ 2.06	\$ 20.50	\$ 5.39
Weighted average common shares outstanding (in thousands):			
Earnings per common share	79,476	90,558	93,860
Earnings per common share - assuming dilution	80,952	91,538	94,491

(a) Certain prior period amounts have been recast. See *Note 1 - Significant Accounting Policies* for more information.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	Year Ended December 31,		
	2023	2022 (a)	2021 (a)
Net income	\$ 211,919	\$ 1,920,577	\$ 553,023
Other comprehensive income (loss):			
Change in net unrealized investment gains/losses	1,351,311	(9,361,135)	(978,461)
Change in current discount rate for liability for future policy benefits	(9,269)	73,091	19,065
Changes in instrument-specific credit risk for market risk benefits	(330,250)	519,525	(18,514)
Reclassification of unrealized investment gains/losses to net income	(41,578)	(13,893)	(8,973)
Other comprehensive income (loss) before income tax	970,214	(8,782,412)	(986,883)
Income tax effect related to other comprehensive income (loss)	(203,641)	1,843,635	207,353
Other comprehensive income (loss)	766,573	(6,938,777)	(779,530)
Comprehensive income (loss)	<u>\$ 978,492</u>	<u>\$ (5,018,200)</u>	<u>\$ (226,507)</u>

(a) Certain prior period amounts have been recast. See *Note 1 - Significant Accounting Policies* for more information.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 31, 2020 (a)	\$ 28	\$ 95,721	\$ 1,681,127	\$ 2,203,557	\$ 2,368,555	\$ —	\$ 6,348,988
Cumulative effect of change in accounting principle	—	—	—	1,768,520	(7,199)	—	1,761,321
Net income for the year	—	—	—	—	553,023	—	553,023
Other comprehensive loss	—	—	—	(779,530)	—	—	(779,530)
Share-based compensation	—	—	24,601	—	—	—	24,601
Issuance of common stock	—	460	4,394	—	—	—	4,854
Treasury stock acquired, common	—	(3,667)	(95,748)	—	—	—	(99,415)
Dividends on preferred stock	—	—	—	—	(43,675)	—	(43,675)
Dividends on common stock (\$0.34 per share)	—	—	—	—	(31,450)	—	(31,450)
Balance at December 31, 2021 (a)	28	92,514	1,614,374	3,192,547	2,839,254	—	7,738,717
Net income for the year	—	—	—	—	1,920,219	358	1,920,577
Other comprehensive loss	—	—	—	(6,938,777)	—	—	(6,938,777)
Share-based compensation	—	—	15,827	—	—	—	15,827
Issuance of common stock	—	7,112	246,866	—	—	—	253,978
Treasury stock acquired, common	—	(14,816)	(551,751)	—	—	—	(566,567)
Dividends on preferred stock	—	—	—	—	(43,675)	—	(43,675)
Dividends on common stock (\$0.36 per share)	—	—	—	—	(30,205)	—	(30,205)
Contributions from noncontrolling interests	—	—	—	—	—	20,875	20,875
Balance at December 31, 2022 (a)	28	84,810	1,325,316	(3,746,230)	4,685,593	21,233	2,370,750
Net income for the year	—	—	—	—	210,530	1,389	211,919
Other comprehensive income	—	—	—	766,573	—	—	766,573
Share-based compensation	—	—	29,296	—	—	—	29,296
Issuance of common stock	—	1,796	18,624	—	—	—	20,420
Treasury stock acquired, common	—	(7,268)	(302,133)	—	—	—	(309,401)
Dividends on preferred stock	—	—	—	—	(43,675)	—	(43,675)
Contributions from noncontrolling interests	—	—	—	—	—	1,892	1,892
Balance at December 31, 2023	\$ 28	\$ 79,338	\$ 1,071,103	\$ (2,979,657)	\$ 4,852,448	\$ 24,514	\$ 3,047,774

(a) Certain prior period amounts have been recast. See *Note 1 - Significant Accounting Policies* for more information.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended December 31,		
	2023	2022 (a)	2021 (a)
Operating activities			
Net income	\$ 211,919	\$ 1,920,577	\$ 553,023
Adjustments to reconcile net income to net cash provided by operating activities:			
Interest sensitive and index product benefits	567,423	554,871	2,231,567
Amortization of deferred sales inducements	192,252	181,970	191,884
Annuity product charges	(315,496)	(230,354)	(242,631)
Change in fair value of embedded derivatives	1,143,576	(2,352,598)	(358,302)
Change in traditional life and accident and health insurance reserves	(10,206)	(83,456)	83,734
Policy acquisition costs deferred	(576,337)	(199,075)	(309,683)
Amortization of deferred policy acquisition costs	279,700	284,011	306,370
Provision for depreciation and other amortization	8,653	14,185	5,527
Amortization of discounts and premiums on investments	3,473	2,640	19,861
Realized gains/losses on investments	135,203	47,848	13,242
Change in fair value of derivatives	(259,046)	1,138,127	(1,348,704)
Distributions from equity method investments	148,388	4,090	12,409
Deferred income taxes	68,135	490,926	149,431
Share-based compensation	29,296	15,827	24,601
Change in accrued investment income	38,519	(52,754)	(47,015)
Change in income taxes recoverable/payable	31,651	111,088	(165,724)
Change in other assets	(154,726)	2,852	(5,085)
Change in other policy funds and contract claims	(329,126)	279,936	(19,809)
Change in market risk benefits, net	(16,867)	(22,915)	208,257
Change in collateral held for derivatives	786,836	(851,971)	17,423
Change in funds withheld from reinsurers	1,833,859	931,600	3,124,740
Change in other liabilities	132,743	9,033	(224,171)
Other	(10,013)	(152,639)	12,219
Net cash provided by operating activities	3,939,809	2,043,819	4,233,164
Investing activities			
Sales, maturities, or repayments of investments:			
Fixed maturity securities, available for sale	11,399,711	9,691,210	4,490,736
Mortgage loans on real estate	1,534,845	1,916,328	862,666
Real estate investments sold	4,973	—	—
Derivative instruments	491,475	584,055	2,260,959
Other investments	2,465,942	739,027	368,837
Acquisitions of investments:			
Fixed maturity securities, available for sale	(4,753,743)	(8,894,629)	(9,206,733)
Mortgage loans on real estate	(2,233,026)	(3,092,385)	(2,386,712)
Real estate investments acquired	(317,570)	(724,484)	(335,767)
Derivative instruments	(950,811)	(790,229)	(748,061)
Other investments	(3,097,084)	(1,842,843)	(1,512,123)
Purchases of property, furniture and equipment	(50,084)	(40,961)	(18,109)
Net cash provided by (used in) investing activities	4,494,628	(2,454,911)	(6,224,307)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in thousands)

	Year Ended December 31,		
	2023	2022 (a)	2021 (a)
Financing activities			
Receipts credited to annuity policyholder account balances	\$ 7,605,306	\$ 3,316,221	\$ 5,910,024
Coinsurance deposits	(448,828)	(186,637)	(3,187,332)
Return of annuity policyholder account balances	(7,573,944)	(5,257,487)	(5,145,193)
Repayment of loan payable	(7,500)	(3,750)	—
Proceeds from issuance of loan payable	—	300,000	—
Proceeds from issuance of common stock, net	20,420	253,978	4,854
Acquisition of treasury stock	(309,401)	(566,567)	(99,415)
Change in checks in excess of cash balance	176,102	39,901	(3,210)
Dividends paid on common stock	—	(30,205)	(31,450)
Dividends paid on preferred stock	(43,675)	(43,675)	(43,675)
Net cash used in financing activities	(581,520)	(2,178,221)	(2,595,397)
Increase (decrease) in cash and cash equivalents	7,852,917	(2,589,313)	(4,586,540)
Cash and cash equivalents at beginning of year	1,919,669	4,508,982	9,095,522
Cash and cash equivalents at end of year	<u>\$ 9,772,586</u>	<u>\$ 1,919,669</u>	<u>\$ 4,508,982</u>
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest expense	\$ 50,020	\$ 36,289	\$ 30,000
Income taxes	7,002	4,873	165,537
Income tax refunds received	20,052	98,644	—
Non-cash operating activity:			
Deferral of sales inducements	513,793	107,691	95,161

(a) Certain prior period amounts have been recast. See *Note 1 - Significant Accounting Policies* for more information.

See accompanying notes to consolidated financial statements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Nature of Operations

American Equity Investment Life Holding Company ("we", "us", "our" or "parent company"), through its wholly-owned subsidiaries, American Equity Investment Life Insurance Company ("American Equity Life"), American Equity Investment Life Insurance Company of New York ("American Equity Life of New York"), Eagle Life Insurance Company ("Eagle Life") and Entrada Life Insurance Company ("Entrada"), is licensed to sell insurance products in 50 states and the District of Columbia at December 31, 2023. We operate solely in the insurance business.

We market fixed index and fixed rate annuities. Annuity deposits (net of coinsurance) collected in 2023, 2022 and 2021, by product type were as follows:

Product Type	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Fixed index annuities	\$ 5,041,981	\$ 2,202,688	\$ 3,026,211
Annual reset fixed rate annuities	4,898	5,535	6,000
Multi-year fixed rate annuities	176,415	139,092	2,452,994
Single premium immediate annuities (SPIA)	1,224	18,935	59,816
	<u>\$ 5,224,518</u>	<u>\$ 2,366,250</u>	<u>\$ 5,545,021</u>

Agents contracted with us through four national marketing organizations accounted for more than 10% of annuity deposits we collected during 2023 representing 16%, 13%, 12%, and 11% individually, of the annuity deposits collected. Agents contracted with us through four national marketing organization accounted for more than 10% of annuity deposits we collected during 2022 representing 22%, 16%, 10%, and 10% individually, of the annuity deposits collected. Agents contracted with us through two national marketing organization accounted for more than 10% of annuity deposits we collected during 2021 representing 14% and 11%, individually, of the annuity deposits collected.

Consolidation and Basis of Presentation

The consolidated financial statements include our accounts and our wholly-owned subsidiaries: American Equity Life, American Equity Life of New York, Eagle Life, Entrada Life Insurance Company, AERL, L.C., AE Capital, LLC., American Equity Investment Properties, L.C., High Trestle Investment Management, LLC., AEL RE Vermont, Inc., AEL Re Vermont II, Inc., AEL Re Bermuda, Ltd, NC Securities Holdco, LLC, AEL Financial Services, LLC, and North Wolf Bay Holdings, LLC. All significant intercompany accounts and transactions have been eliminated.

In addition, our consolidated financial statements include variable interest entities ("VIE"s) in which we are the primary beneficiary. We have relationships with various special purpose entities and other legal entities that must be evaluated to determine if the entities meet the criteria of a VIE. This assessment is performed by reviewing contractual, ownership and other rights and requires use of judgment. First, we determine if we hold a variable interest in an entity by assessing if we have the right to receive expected losses and expected residual returns of the entity. If we hold a variable interest, then the entity is assessed to determine if it is a VIE. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. In addition to the previous criteria, if the entity is a limited partnership or similar entity, it is a VIE if the limited partners do not have the power to direct the entity's most significant activities through substantive kick-out rights or participating rights. A VIE is evaluated to determine the primary beneficiary. The primary beneficiary of a VIE is the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. We reassess our involvement with VIEs on a quarterly basis. For further information about VIEs, refer to *Note 5 - Variable Interest Entities*.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are utilized in the calculation of deferred policy acquisition costs, deferred sales inducements, policy benefit reserves, including the fair value of embedded derivatives in fixed index annuity contracts, market risk benefits, valuation of derivatives, valuation of investments, valuation of real estate, allowances for credit losses on available for sale fixed maturity securities, allowances for loan losses on mortgage loans and valuation allowances on deferred tax assets. A description of each critical estimate is incorporated within the discussion of the related accounting policies which follow. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized.

Investments

Fixed maturity securities (bonds maturing more than one year after issuance) that may be sold prior to maturity are classified as available for sale. Available for sale securities are reported at fair value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of income taxes. Fair values, as reported herein, of fixed maturity securities are based on quoted market prices in active markets when available, or for those fixed maturity securities not actively traded, yield data and other factors relating to instruments or securities with similar characteristics are used. See *Note 2 - Fair Values of Financial Instruments* for more information on the determination of fair value. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives. Amortization/accrual of premiums and discounts on residential and commercial mortgage backed securities incorporate prepayment assumptions to estimate the securities' expected lives. Interest income is recognized as earned.

Available for sale fixed maturity securities are subject to an allowance for credit loss and changes in the allowance are reported in net income as a component of net realized losses on investments. See *Note 3 - Investments* for further discussion of the allowance for credit losses on available for sale fixed maturity securities.

Mortgage loans on real estate are reported at cost adjusted for amortization of premiums and accrual of discounts and net of valuation allowances. Interest income is recorded when earned; however, interest ceases to accrue for loans on which interest is more than 90 days past due based upon contractual terms and/or when the collection of interest is not considered probable. Interest income on impaired loans is recorded on a cash basis. Any changes in the loan valuation allowances are reported in net realized losses on investments. See *Note 4 - Mortgage Loans on Real Estate* for further discussion of the valuation allowance on the mortgage loan portfolios.

We hold residential real estate investments through consolidation of an investment company VIE. As this is an investment company VIE, the residential real estate investments are reported at fair value and the change in fair value on these investments is reported in net income as a component of net investment income. Fair values of residential real estate investments are initially based on the cost to purchase the properties and subsequently determined using broker price opinions for the year ended December 31, 2023 and discounted cash flows for the years ended December 31, 2022 and 2021. See *Note 2 - Fair Values of Financial Instruments* for more information on the determination of fair value. The residential real estate investments are leased to renters through operating lease arrangements. Rental income is recognized on a straight-line basis over the term of the respective leases.

Beginning in 2022, we held a commercial real estate investment in the ultra-luxury hospitality sector through consolidation of a VIE that is not an investment company. The commercial real estate investment is held at depreciated cost and was initially held at the cost to purchase the property. The property is depreciated on a straight-line basis over its estimated useful life.

Other real estate properties acquired when ownership is taken to satisfy a loan is initially recorded at the lower of the loan's carrying value or the property's fair value less estimated costs to sell. These properties are held with the intent to sell and therefore we do not recognize depreciation expense.

Our limited partnerships and limited liability companies are accounted for either using the equity method of accounting, NAV as a practical expedient, or fair value. For our equity method investments, we record our share of earnings and losses of the limited partnership or limited liability company as a component of net investment income. Our consolidated limited partnerships are measured using NAV as a practical expedient, as the investments do not have a readily determinable fair value and the investments are in an investment company within scope of Topic 946. Our consolidated real estate limited liability companies and consolidated infrastructure limited liability company are fair valued on a recurring basis using the methods described in *Note 2 - Fair Values of Financial Instruments*. For all of our limited partnerships and limited liability company investments, recognition of income is reported on a quarter lag due to the availability of the related financial statements of the limited partnerships and limited liability companies.

Other invested assets include company owned life insurance, equity securities, collateral loans and short-term debt securities and loans with maturities of greater than three months but less than twelve months when purchased. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the end of the reporting period, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Dividends are recognized when declared.

Realized gains and losses on sales of investments are determined on the basis of specific identification based on the trade date.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Federal Home Loan Bank

During the first quarter of 2022, American Equity Life became a member of the Federal Home Loan Bank (“FHLB”) which provides access to collateralized borrowings and other FHLB products. We may also issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements require us to pledge qualified assets as collateral. Obligations arising from funding agreements are used in investment spread activities and reported in Other policy funds and contract claims on the Consolidated Balance Sheets. See *Note 15 - Commitments and Contingencies* for more information on the funding agreements issued. Entering into FHLB membership, borrowings and funding agreements requires the ownership of FHLB stock and the pledge of assets as collateral. See *Note 2 - Fair Values of Financial Instruments* and *Note 15 - Commitments and Contingencies* for more information on the common stock purchased and assets pledged as collateral.

Derivative Instruments

Our derivative instruments include call options used to fund fixed index annuity credits and interest rate swaps which were designated as fair value hedges. Our call option derivative instruments are recognized in the balance sheet at fair value and changes in fair value are recognized immediately in operations.

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that are attributable to a particular risk. The accounting for a fair value hedge is determined at hedge inception. Hedge accounting can be applied if, at inception, and throughout the hedging period, the changes in the fair value of the derivative are highly effective at offsetting the changes in fair value of the hedged asset, liability or unrecognized firm commitment that are attributable to the risk being hedged. When hedge accounting is applied, the change in fair value of the hedged asset, liability or unrecognized firm commitment attributable to the hedged risk are reported in the same line item in the Consolidated Statements of Operations as the changes in fair value of the derivative instrument. For fair value hedges of fixed maturity securities, the change in fair value attributable to the risk being hedged is recognized in the Change in fair value of derivatives line item of the Consolidated Statements of Operations. For any change in fair value of our interest rate swaps that are excluded from hedge effectiveness, we have elected to recognize the change immediately in earnings rather than amortizing over the life of the hedge.

At hedge inception, we formally document our risk management objective and strategy for entering into hedging relationships for any fair value hedge. We also quantitatively test for hedge effectiveness using statistical regression analysis on both a prospective and retrospective basis. The results of the testing determine whether we have a highly effective hedging relationship and can apply hedge accounting.

See *Note 6 - Derivative Instruments* for more information on derivative instruments.

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Book Overdrafts

Under our cash management system, checks issued but not yet presented to banks frequently result in overdraft balances for accounting purposes and are classified as Other liabilities on our consolidated balance sheets. We report the changes in the amount of the overdraft balance as a financing activity in our consolidated statement of cash flows as Change in checks in excess of cash balance.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The effect on deferred income tax assets and liabilities resulting from a change in the enacted marginal tax rate is recognized in income in the period that includes the enactment date. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will more likely than not be realized. The realization of deferred income tax assets primarily depends on generating future taxable income during the periods in which temporary differences become deductible. Deferred income tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations, is considered. The realization of deferred income tax assets related to unrealized losses on available for sale fixed maturity securities is also based upon our intent and ability to hold those securities for a period of time sufficient to allow for a recovery in fair value and not realize the unrealized loss. See *Note 10 - Income Taxes* for more information on deferred income taxes.

Market Risk Benefits

Market risk benefits (MRBs) are contracts or contract features that both provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. We issue certain fixed indexed annuity and fixed rate annuity contracts that provide minimum guarantees to policyholders including guaranteed minimum withdrawal benefits (GMWB) and guaranteed minimum death benefits (GMDB) that are MRBs.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

MRBs are measured at fair value, at the individual contract level, and can be either an asset or a liability. Contracts which contain more than one MRB feature are combined into one single MRB. The fair value is calculated using stochastic models that include a risk margin and incorporate a spread for our instrument specific credit risk. At contract inception, attributed fees are calculated based on the present value of the fees and assessments collectible from the policyholder relative to the present value of expected benefits paid attributable to the MRB. The attributed fees remain static over the life of the MRB and is used to calculate the fair value of the MRB using a risk neutral valuation method. The attributed fees cannot be negative and cannot exceed the total explicit fees collectible from the policyholder.

The MRB assets and liabilities are presented separately on the Consolidated Balance Sheets. The ceded MRB assets are presented in coinsurance deposits on the Consolidated Balance Sheets. Changes in fair value of the MRB are recognized in market risk benefits (gains) losses on the Consolidated Statements of Operations each period with the exception of the portion of the change in fair value related to a changes in our nonperformance risk, which is recognized in other comprehensive income (OCI). See *Note 8 - Policyholder Liabilities* for more information on MRBs.

Deferred Policy Acquisition Costs (DAC) and Deferred Sales Inducements (DSI)

The Company incurs costs in connection with acquiring new and renewal business. The portion of these costs which are incremental and direct to the acquisition of a new or renewal policy are deferred as they are incurred. DAC and DSI are amortized on a constant level basis over the expected term of the contracts based on projected policy counts. Contracts are grouped consistent with the grouping used in the estimating of the liability. The assumptions used in the calculation of DAC and DSI include full surrenders, partial withdrawals, mortality, utilization and reset assumptions associated with lifetime income benefit riders, and the option budget assumption. If the actual experience is different from our expectations, the amortization pattern is adjusted prospectively. See *Note 7 - Deferred Policy Acquisition Costs and Deferred Sales Inducements* for more information on DAC and DSI.

Policy Benefit Reserves

Policy benefit reserves for fixed index annuities with returns linked to the performance of a specified market index are equal to the sum of the fair value of the embedded derivatives and the host (or guaranteed) component of the contracts. The host value is established at inception of the contract and accreted over the policy's life at a constant rate of interest. Future policy benefit reserves for fixed index annuities earning a fixed rate of interest and other deferred annuity products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. For the years ended December 31, 2023, 2022 and 2021, interest crediting rates for these products ranged from 1.45% to 5.65%.

A liability for future policy benefits is recorded for our traditional limited-payment insurance contracts and is generally equal to the present value of expected future policy benefit payments. The present value calculation uses assumptions for mortality, morbidity, termination, and expense. The contracts are grouped into cohorts based on issue year and product type.

The liability for future policy benefits is discounted using an upper-medium grade fixed-income instrument yield that reflects the duration characteristics of the liabilities and maximizes the use of observable data. The discount rate is updated each reporting period and any changes in the liability resulting from changes in the upper-medium grade fixed income instrument yield are recognized in AOCI. Any changes to the liability as a result of assumption changes will be recognized as remeasurement gains (losses) in insurance policy benefits and change in future policy benefits in the Consolidated Statement of Operations. See *Note 8 - Policyholder Liabilities* for more information on the liability for future policy benefits.

ASU 2018-12 also requires disaggregated roll forwards for the liability for future policy benefits, MRBs, DAC and DSI. We disaggregated the roll forwards by product type consistent with how we internally view our business.

Recognition of Premium Revenues and Costs

Revenues for annuity products include surrender and living income benefit rider charges assessed against policyholder account balances during the period. Interest sensitive and index product benefits related to annuity products include interest credited or index credits to policyholder account balances pursuant to accounting by insurance companies for certain long-duration contracts. The change in fair value of the embedded derivatives for fixed index annuities equals the change in the difference between policy benefit reserves for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard at each balance sheet date.

Considerations from immediate annuities and supplemental contract annuities with life contingencies are recognized as revenue when the policy is issued.

All insurance-related revenues, including the change in the fair value of derivatives for call options related to the business ceded under coinsurance agreements (see *Note 9 - Reinsurance and Policy Provisions*), benefits, losses and expenses are reported net of reinsurance ceded. Revenue and fees associated with reinsurance agreements (see *Note 9 - Reinsurance and Policy Provisions*) are recognized in Other revenue when earned over the life of the reinsured policies or when service is performed.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders. Other comprehensive income (loss) excludes net realized investment gains (losses) included in net income which represents transfers from unrealized to realized gains and losses.

Adopted Accounting Pronouncements

Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") on troubled debt restructurings ("TDR") and vintage disclosures related to current period gross write-offs and recoveries. This guidance eliminates the accounting guidance for TDRs by creditors and enhances disclosure requirements for certain refinancing and restructuring of loans by creditors when a borrower is experiencing financial difficulty. The guidance also requires companies to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. This ASU was adopted on January 1, 2023 and will be applied prospectively. This guidance did not have a material impact on our consolidated financial statements.

Targeted Improvements to the Accounting for Long-Duration Insurance Contracts

In August 2018, the FASB issued an ASU that revises certain aspects of the measurement models and disclosure requirements for long duration insurance and investment contracts. The FASB's objective in issuing this ASU is to improve, simplify, and enhance the accounting for long-duration contracts. The revisions include updating cash flow assumptions in the calculation of the liability for traditional life products, introducing the term 'market risk benefit' ("MRB") and requiring all contract features meeting the definition of an MRB to be measured at fair value with the change in fair value recognized in net income excluding the change in fair value related to our own-credit risk which is recognized in AOCI and simplifying the method used to amortize deferred policy acquisition costs and deferred sales inducements to a constant level basis over the expected term of the related contracts rather than based on actual and estimated gross profits and enhancing disclosure requirements. While this ASU was effective for us January 1, 2023, the transition date (the remeasurement date) was January 1, 2021. We adopted the guidance for the liability for future policyholder benefits, deferred acquisition costs, and deferred sales inducements on a modified retrospective basis such that those balances were adjusted to conform to ASU 2018-12 on January 1, 2021. The guidance for market risk benefits was applied retrospectively. Below are the transition date impacts for each of these items.

		Liability for Future Policy Benefits for Payout Annuity With Life Contingency
		(Dollars in thousands)
Pre-adoption 1/1/2021 balance	\$	337,467
Adjustment to opening retained earnings for expected future policy benefits		2,566
Adjustment for the effect of remeasurement of liability at current single A rate		68,717
Post adoption 1/1/2021 balance	\$	408,750
		Market Risk Benefit Liability
		(Dollars in thousands)
Pre-adoption 1/1/2021 carrying amount for features now classified as MRBs	\$	2,547,231
Adjustment for the removal of shadow adjustments		(584,636)
Adjustment for the cumulative effect of the changes in the instrument-specific credit risk between the original contract issuance date and the transition date		229,108
Adjustment for the remaining difference between previous carrying amount and fair value measurement for the MRB, exclusive of the instrument specific credit risk		33,781
Post adoption 1/1/2021 MRB balance	\$	2,225,484
		Ceded Market Risk Benefit (a)
		(Dollars in thousands)
Pre-adoption 1/1/2021 carrying amount for features now classified as MRBs	\$	62,108
Adjustment for the difference between previous carrying amount and fair value measurement for the MRB, exclusive of the instrument specific credit risk		27,230
Post adoption 1/1/2021 ceded MRB balance	\$	89,338

(a) The ceded market risk benefit is recognized in coinsurance deposits on the Consolidated Balance Sheets.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Deferred Policy Acquisition Costs	
	Fixed Index Annuities and Fixed Rate Annuities	
	(Dollars in thousands)	
Pre-adoption 1/1/2021 balance	\$	2,225,199
Adjustments for the removal of shadow adjustments		1,183,306
Post adoption 1/1/2021 balance	\$	3,408,505

	Deferred Sales Inducements	
	Fixed Index Annuities and Fixed Rate Annuities	
	(Dollars in thousands)	
Pre-adoption 1/1/2021 balance	\$	1,448,375
Adjustments for the removal of shadow adjustments		768,310
Post adoption 1/1/2021 balance	\$	2,216,685

For deferred acquisition costs, the Company removed shadow adjustments previously recorded in accumulated other comprehensive income for the impact of unrealized gains and losses that were included in the pre-ASU 2018-12 expected gross profits amortization calculation as of the transition date.

As a result of the adoption of ASU 2018-12, the Company decreased beginning retained earnings by \$7.2 million and increased accumulated other comprehensive income by \$1.8 billion as of January 1, 2021.

Certain amounts in the 2022 and 2021 consolidated financial statements and related footnotes thereto have been recast, to the extent impacted by ASU 2018-12, to conform to the new guidance.

Agreement and Plan of Merger

On July 4, 2023, American Equity Investment Life Holding Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Brookfield Reinsurance Ltd ("Brookfield Reinsurance"), Arches Merger Sub, Inc. ("Merger Sub") a wholly owned subsidiary of Brookfield Reinsurance, and solely for the purposes set forth in the Merger Agreement, Brookfield Asset Management Ltd. ("BAM"). The Merger Agreement provides that each issued and outstanding share of AEL common stock (other than certain excluded common shares) will be converted into the right to receive \$38.85 per share in cash and a number of fully-paid and nonassessable share of class A limited voting shares of Brookfield Asset Management Ltd equal to the Exchange Ratio as defined in the Merger Agreement. The Exchange Ratio is subject to adjustment based on the 10-day volume-weighted average share price of BAM Class A Stock such that the total value of the aggregate consideration delivered for each share of AEL common stock will be between \$54.00 and \$56.50 per share. The Merger Agreement does not provide for the payment of any consideration with respect to the issued and outstanding shares of AEL Series A and Series B preferred stock. These shares of preferred stock will be unaffected by the merger and will remain outstanding following the closing of the transactions contemplated by the Merger Agreement.

The closing of the transactions contemplated by the Merger Agreement remains subject to the satisfaction of certain customary closing conditions, including among others (i) the receipt of required regulatory approvals from certain insurance regulators, (ii) approvals from the New York Stock Exchange and Toronto Stock Exchange for listing of the BAM Class A Stock to be issued as stock consideration in the Merger, (iii) the absence of any injunction or restraint otherwise preventing consummation of the merger, (iv) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) and (v) the absence of the imposition of a Burdensome Condition (as defined in the Merger Agreement) by any regulator as part of the regulatory approval process. The Merger Agreement contains customary Company representations and warranties and provides for customary pre-closing covenants, including covenants relating to the conduct of business by the Company in the ordinary course that also place certain restrictions on the Company's business activities prior to the completion of the merger.

The Merger Agreement provides termination rights for each of the Company and Brookfield Reinsurance Ltd., including, among others, in the event the closing of the merger does not occur on or before April 4, 2024, subject to extension in specified circumstances where all conditions to the merger are satisfied or validly waived other than with respect to conditions relating to regulatory approvals. A special meeting of shareholders of American Equity Investment Life Holding Company was held on November 10, 2023 in order to vote upon the approval of the Merger Agreement. The Merger Agreement was approved, having received "For" votes from a majority of the votes cast by shareholders who were present and voting together as a single class at the special meeting.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair Values of Financial Instruments

The following sets forth a comparison of the carrying amounts and fair values of our financial instruments:

	December 31,			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Assets				
Fixed maturity securities, available for sale	\$ 34,780,482	\$ 34,780,482	\$ 39,804,617	\$ 39,804,617
Mortgage loans on real estate	7,537,594	7,047,993	6,949,027	6,502,463
Real estate investments	1,334,247	1,336,247	1,056,063	1,056,063
Limited partnerships and limited liability companies	506,685	506,685	684,835	684,835
Derivative instruments	1,207,288	1,207,288	431,727	431,727
Other investments	2,277,822	2,277,822	1,817,085	1,817,085
Cash and cash equivalents	9,772,586	9,772,586	1,919,669	1,919,669
Coinurance deposits	14,582,728	13,570,942	13,254,956	12,640,797
Market risk benefits	479,694	479,694	229,871	229,871
Liabilities				
Policy benefit reserves	60,549,922	56,366,631	58,419,911	55,572,896
Market risk benefits	3,146,554	3,146,554	2,455,492	2,455,492
Single premium immediate annuity (SPIA) benefit reserves	188,301	196,720	212,119	221,130
Other policy funds - FHLB	—	—	300,000	300,000
Notes and loan payable	785,443	770,570	792,073	774,220
Subordinated debentures	79,107	86,254	78,753	87,293

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The objective of a fair value measurement is to determine that price for each financial instrument at each measurement date. We meet this objective using various methods of valuation that include market, income and cost approaches.

We categorize our financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. We categorize financial assets and liabilities recorded at fair value in the consolidated balance sheets as follows:

- Level 1 – Quoted prices are available in active markets for identical financial instruments as of the reporting date. We do not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.
- Level 2 – Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.
- Level 3 – Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.
- NAV – Our consolidated limited partnership funds are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. Our carrying value reflects our pro rata ownership percentage as indicated by NAV in the investment fund financial statements and is recorded on a quarter lag due to the timing of when financial statements are available.

Transfers of securities among the levels occur at times and depend on the type of inputs used to determine fair value of each security. We record transfers between levels as of the beginning of the reporting period.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our assets and liabilities which are measured at fair value on a recurring basis as of December 31, 2023 and 2022 are presented below based on the fair value hierarchy levels:

	Total Fair Value	NAV	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)					
December 31, 2023					
Assets					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	\$ 171,141	\$ —	\$ 27,593	\$ 143,548	\$ —
States, municipalities and territories	3,098,940	—	—	2,876,723	222,217
Foreign corporate securities and foreign governments	493,739	—	—	493,739	—
Corporate securities	20,603,416	—	—	20,347,979	255,437
Residential mortgage backed securities	1,402,501	—	—	1,402,501	—
Commercial mortgage backed securities	2,952,547	—	—	2,952,547	—
Other asset backed securities	6,058,198	—	—	4,467,224	1,590,974
Other investments	1,795,511	—	875,596	919,915	—
Real estate investments	1,217,271	—	—	—	1,217,271
Limited partnerships and limited liability companies	506,685	353,554	—	—	153,131
Derivative instruments	1,207,288	—	—	1,207,288	—
Cash and cash equivalents	9,772,586	—	9,772,586	—	—
Market risk benefits (a)	479,694	—	—	—	479,694
	<u>\$ 49,759,517</u>	<u>\$ 353,554</u>	<u>\$ 10,675,775</u>	<u>\$ 34,811,464</u>	<u>\$ 3,918,724</u>
Liabilities					
Funds withheld liability - embedded derivative	\$ (256,776)	\$ —	\$ —	\$ —	\$ (256,776)
Fixed index annuities - embedded derivatives	5,181,894	—	—	—	5,181,894
Market risk benefits (a)	3,146,554	—	—	—	3,146,554
	<u>\$ 8,071,672</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,071,672</u>
December 31, 2022					
Assets					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	\$ 169,071	\$ —	\$ 26,184	\$ 142,887	\$ —
States, municipalities and territories	3,822,982	—	—	3,822,982	—
Foreign corporate securities and foreign governments	676,852	—	—	676,852	—
Corporate securities	24,161,921	—	—	23,759,573	402,348
Residential mortgage backed securities	1,377,611	—	—	1,377,611	—
Commercial mortgage backed securities	3,687,478	—	—	3,687,478	—
Other asset backed securities	5,908,702	—	—	5,465,784	442,918
Other investments	1,013,297	—	398,280	615,017	—
Real estate investments	940,559	—	—	—	940,559
Limited partnerships and limited liability companies	684,835	620,626	—	—	64,209
Derivative instruments	431,727	—	—	431,727	—
Cash and cash equivalents	1,919,669	—	1,919,669	—	—
Market risk benefits (a)	229,871	—	—	—	229,871
	<u>\$ 45,024,575</u>	<u>\$ 620,626</u>	<u>\$ 2,344,133</u>	<u>\$ 39,979,911</u>	<u>\$ 2,079,905</u>
Liabilities					
Funds withheld liability - embedded derivative	\$ (441,864)	\$ —	\$ —	\$ —	\$ (441,864)
Fixed index annuities - embedded derivatives	4,820,845	—	—	—	4,820,845
Market risk benefits (a)	2,455,492	—	—	—	2,455,492
	<u>\$ 6,834,473</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,834,473</u>

- (a) See *Note 8 - Policyholder Liabilities* for additional information related to market risk benefits, including the balances of and changes in market risk benefits as well as significant inputs and assumptions used in the fair value measurements of market risk benefits.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a reconciliation of the beginning and ending balances for our Level 3 assets and liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	(Dollars in thousands)	
Fixed maturity securities, available for sale - States, municipalities and territories		
Beginning balance	\$ —	\$ —
Purchases and sales, net	—	—
Transfers in	203,757	—
Transfers out	(2,001)	—
Total realized/unrealized gains (losses)		
Included in net income	—	—
Included in other comprehensive income (loss)	20,461	—
Ending balance	<u>\$ 222,217</u>	<u>\$ —</u>
Fixed maturity securities, available for sale - Corporate securities		
Beginning balance	\$ 402,348	\$ —
Purchases and sales, net	(45,187)	2,233
Transfers in	82,866	391,702
Transfers out	(172,174)	—
Total realized/unrealized gains (losses):		
Included in net income	—	—
Included in other comprehensive income (loss)	(12,416)	8,413
Ending balance	<u>\$ 255,437</u>	<u>\$ 402,348</u>
Fixed maturity securities, available for sale - Other asset backed securities		
Beginning balance	\$ 442,918	\$ —
Purchases and sales, net	1,071,824	296,800
Transfers in	160,160	153,669
Transfers out	(20,817)	—
Total realized/unrealized gains (losses):		
Included in net income	—	—
Included in other comprehensive income (loss)	(63,111)	(7,551)
Ending balance	<u>\$ 1,590,974</u>	<u>\$ 442,918</u>
Other investments		
Beginning balance	\$ —	\$ 6,349
Transfers in	9,821	—
Transfers out	(23,244)	(3,867)
Total realized/unrealized gains (losses):		
Included in net income	—	(2,482)
Included in other comprehensive income (loss)	13,423	—
Ending balance	<u>\$ —</u>	<u>\$ —</u>
Real estate investments		
Beginning balance	\$ 940,559	\$ 337,939
Purchases and sales, net	313,235	602,298
Change in fair value	(36,523)	322
Ending balance	<u>\$ 1,217,271</u>	<u>\$ 940,559</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31,	
	2023	2022
	(Dollars in thousands)	
Limited partnerships and limited liability companies		
Beginning balance	\$ 64,209	\$ —
Purchases and sales, net	99,963	57,574
Change in fair value	(11,041)	6,635
Ending balance	<u>\$ 153,131</u>	<u>\$ 64,209</u>
Funds withheld liability - embedded derivative		
Beginning balance	\$ (441,864)	\$ —
Transfers in	—	(441,864)
Change in fair value	185,088	—
Ending balance	<u>\$ (256,776)</u>	<u>\$ (441,864)</u>
Fixed index annuities - embedded derivatives		
Beginning balance	\$ 4,820,845	\$ 7,964,961
Premiums less benefits	(177,559)	(125,940)
Change in fair value, net	538,608	(2,561,676)
Reserve release related to in-force ceded reinsurance	—	(456,500)
Ending balance	<u>\$ 5,181,894</u>	<u>\$ 4,820,845</u>

Transfers into and out of Level 3 during the years ended December 31, 2023 and 2022 were primarily the result of changes in observable pricing information.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs used for recurring fair value measurements categorized within Level 3, excluding investments where third party valuation inputs were not reasonably available. The market risk benefits are also excluded from the table. See *Note 8 - Policyholder Liabilities* for information on the unobservable inputs used in the fair value measurements of market risk benefits. See discussion of the valuation technique and significant unobservable inputs used for the embedded derivative component of our fixed index annuities in the *Fixed index annuities-embedded derivatives* paragraph below.

	December 31, 2023					
	Assets / (Liabilities) Measured at Fair Value	Valuation Techniques(s)	Unobservable Input Description	Input / Range of Inputs		Weighted Average
Assets:	(in thousands)					
Fixed maturity securities:						
Corporate securities	\$ 83,666	Discounted cash flow	Liquidity premium	20 basis points		
Other asset backed securities	591,992	Discounted cash flow	Discount rate	5.26%	25.00%	6.92%
			Weighted average lives	1.14 years	12.09 years	5.69 years
Real estate investments	1,217,271	Broker price opinion (a)				
Limited partnerships and limited liability companies - real estate	46,705	Discounted cash flow	Residual capitalization rate	5.25%	5.25%	5.25%
			Discount rate	6.50%	6.75%	6.61%
Limited partnerships and limited liability companies - infrastructure	106,426	Discounted cash flow	Discount rate	11.00%	11.00%	11.00%

	December 31, 2022					
	Assets / (Liabilities) Measured at Fair Value	Valuation Techniques(s)	Unobservable Input Description	Input / Range of Inputs		Weighted Average
Assets:	(in thousands)					
Fixed maturity securities:						
Corporate securities	\$ 84,674	Discounted cash flow	Liquidity premium	20 basis points		
Other asset backed securities	296,800	Discounted cash flow	Discount rate	4.04%	28.58%	4.36%
			Weighted average lives	8.79 years	12.48 years	9.29 years
Real estate investments	940,559	Discounted cash flow	Residual capitalization rate	4.75%	6.50%	5.44%
			Discount rate	6.00%	8.00%	6.91%
Limited partnerships and limited liability companies - real estate	64,209	Discounted cash flow	Residual capitalization rate	4.25%	4.75%	4.46%
			Discount rate	5.75%	6.00%	5.86%

- (a) At December 31, 2023, we updated our valuation technique for real estate investments. See description of valuation technique, inputs and reason for update in the *Real estate investments* paragraph below.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following methods and assumptions were used in estimating the fair values of financial instruments during the periods presented in these consolidated financial statements.

Fixed maturity securities

The fair values of fixed maturity securities in an active and orderly market are determined by utilizing independent pricing services. The independent pricing services incorporate a variety of observable market data in their valuation techniques, including:

- reported trading prices,
- benchmark yields,
- broker-dealer quotes,
- benchmark securities,
- bids and offers,
- credit ratings,
- relative credit information, and
- other reference data.

The independent pricing services also take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary.

The independent pricing services provide quoted market prices when available. Quoted prices are not always available due to market inactivity. When quoted market prices are not available, the third parties use yield data and other factors relating to instruments or securities with similar characteristics to determine fair value for securities that are not actively traded. We generally obtain one value from our primary external pricing service. In situations where a price is not available from this service, we may obtain quotes or prices from additional parties as needed. Market indices of similar rated asset class spreads are considered for valuations and broker indications of similar securities are compared. Inputs used by the broker include market information, such as yield data and other factors relating to instruments or securities with similar characteristics. Valuations and quotes obtained from third party commercial pricing services are non-binding and do not represent quotes on which one may execute the disposition of the assets.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparison of the prices to a secondary pricing source, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. Additionally, as needed we utilize discounted cash flow models or perform independent valuations on a case-by-case basis using inputs and assumptions similar to those used by the pricing services. Although we do identify differences from time to time as a result of these validation procedures, we did not make any significant adjustments as of December 31, 2023 and 2022.

Fixed maturity security valuations that include at least one significant unobservable input are reflected in Level 3 in the fair value hierarchy and can include fixed maturity securities across all asset classes.

Mortgage loans on real estate

Mortgage loans on real estate are not measured at fair value on a recurring basis. The fair values of mortgage loans on real estate are calculated using discounted expected cash flows using competitive market interest rates currently being offered for similar loans. The fair values of impaired mortgage loans on real estate that we have considered to be collateral dependent are based on the fair value of the real estate collateral (based on appraised values) less estimated costs to sell. The inputs utilized to determine fair value of all mortgage loans are unobservable market data (competitive market interest rates); therefore, fair value of mortgage loans falls into Level 3 in the fair value hierarchy.

Real estate investments

The fair values of residential real estate investments held through consolidation of investment company VIEs are initially recorded based on the cost to purchase the properties and subsequently recorded at fair value on a recurring basis and falls within Level 3 of the fair value hierarchy.

At December 31, 2023, the fair value of the residential real estate properties was determined using broker price opinions (BPOs). A BPO is an appraisal methodology commonly used in the industry to estimate net proceeds from the sale of a home. The significant inputs into the valuation include market comparable home sales, age and size of the home, location and property conditions. We moved from a discounted cash flow methodology to a BPO appraisal methodology during 2023 to better align property values with current market conditions.

At December 31, 2022, the fair value of the residential real estate properties was determined using a discounted cash flow method. Under the discounted cash flow method, net operating income is forecasted assuming a 10-year hold period commencing as of the valuation date. An additional year is forecasted in order to determine the residual sale price at the end of the hold period, using a residual (terminal) capitalization rate.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Limited partnerships and limited liability companies

Two of our consolidated variable interest entities, which are fair valued on a recurring basis, invest in limited liability companies that invest in operating entities which hold multifamily real estate properties. The fair value of the limited liability companies was obtained from a third party and is based on the fair value of the underlying real estate held by the various operating entities. The real estate is initially calculated based on the cost to purchase the properties and subsequently calculated based on a discounted cash flow methodology.

During 2023, we purchased an investment in an infrastructure limited liability company through a consolidated VIE that is measured at fair value on a recurring basis. We initially recorded the investment at the cost to purchase the investment and subsequently recorded based on a discounted cash flow methodology.

At December 31, 2023, we held one consolidated limited partnership fund, which is measured using NAV as a practical expedient. This investment is a closed-end fund that invests in infrastructure credit assets. Redemptions are not allowed until the funds' termination date and liquidations begin. At December 31, 2022, we held two consolidated limited partnership funds measured using NAV as a practical expedient, that were both closed-end funds that did not allow redemptions until termination date. During 2023, one of the consolidated limited partnership funds went through a restructure, resulting in the termination and liquidation of the fund. As of December 31, 2023 and December 31, 2022, our unfunded commitments for our consolidated limited partnership funds were \$180.9 million and \$926.3 million, respectively.

Derivative instruments

The fair values of our call options are based upon the amount of cash that we will receive to settle each derivative instrument on the reporting date. These amounts are determined by our investment team using industry accepted valuation models and are adjusted for the nonperformance risk of each counterparty net of any collateral held. Inputs include market volatility and risk free interest rates and are used in income valuation techniques in arriving at a fair value for each option contract. The nonperformance risk for each counterparty is based upon its credit default swap rate. We have no performance obligations related to the call options purchased to fund our fixed index annuity policy liabilities.

The fair values of our pay fixed/receive float interest rate swaps are determined using internal valuation models that generate discounted expected future cash flows by constructing a projected Secured Overnight Financing Rate (SOFR) curve over the term of the swap.

Other investments

Certain financial instruments included in other investments are measured at fair value on a recurring basis. The fair value for these investments are determined using the same methods discussed above for fixed maturity securities.

The following table presents financial instruments included in Other investments which are not measured at fair value on a recurring basis and fall within Level 2 of the fair value hierarchy.

	December 31,	
	2023	2022
	(Dollars in thousands)	
FHLB common stock (1)	\$ 10,000	\$ 22,000
Short-term loans (2)	—	316,417
Collateral loans (3)	64,594	64,594
Company owned life insurance ("COLI") (4)	404,598	397,683

- (1) FHLB common stock is carried at cost which approximates fair value.
- (2) Due to the short-term nature of the investments, the fair value of a portion of our short-term loans approximates the carrying value.
- (3) For certain of our collateral loans, we have concluded the carrying value approximates fair value.
- (4) The fair value of our COLI approximates the cash surrender value of the policies.

Cash and cash equivalents

Amounts reported in the consolidated balance sheets for these instruments are reported at their historical cost which approximates fair value due to the nature of the assets assigned to this category.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Policy benefit reserves, coinsurance deposits and SPIA benefit reserves

The fair values of the liabilities under contracts not involving significant mortality or morbidity risks (principally deferred annuities), are stated at the cost we would incur to extinguish the liability (i.e., the cash surrender value) as these contracts are generally issued without an annuitization date. The coinsurance deposits related to the annuity benefit reserves have fair values determined in a similar fashion. For period-certain annuity benefit contracts, the fair value is determined by discounting the benefits at the interest rates currently in effect for newly issued immediate annuity contracts. We are not required to and have not estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts that are exceptions from financial instruments that require disclosures of fair value. Policy benefit reserves, coinsurance deposits and SPIA benefit reserves without life contingencies are not measured at fair value on a recurring basis. SPIA benefit reserves without life contingencies are recognized in other policy funds and contract claims on the Consolidated Balance Sheets. All of the fair values presented within these categories fall within Level 3 of the fair value hierarchy as most of the inputs are unobservable market data.

Other policy funds - FHLB

The fair values of the Company's funding agreements with the FHLB are estimated using discounted cash flow calculations based on interest rates currently being offered for similar agreements with similar maturities.

Notes and loan payable

The fair value of our senior unsecured notes is based upon quoted market price. The carrying value of the term loan approximates fair value as the interest rate is reset on a quarterly basis utilizing SOFR adjusted for a credit spread. Both of these are categorized as Level 2 within the fair value hierarchy and are not remeasured at fair value on a recurring basis.

Subordinated debentures

Fair values for subordinated debentures are estimated using discounted cash flow calculations based principally on observable inputs including our incremental borrowing rates, which reflect our credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued. These fair values are categorized as Level 2 within the fair value hierarchy. Subordinated debentures are not measured at fair value on a recurring basis.

Funds withheld liability - embedded derivative

We estimate the fair value of the embedded derivative based on the fair value of the assets supporting the funds withheld payable under modified coinsurance and funds withheld coinsurance reinsurance agreements. The fair value of the embedded derivative is classified as Level 3 based on valuation methods used for the assets held supporting the reinsurance agreements.

Fixed index annuities - embedded derivatives

We estimate the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each valuation date by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk free interest rates adjusted for our nonperformance risk related to those liabilities. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements. Our best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

Within this determination we have the following significant unobservable inputs: 1) the expected cost of annual call options we will purchase in the future to fund index credits beyond the next policy anniversary and 2) our best estimates for future policy decrements, primarily lapse rates. As of December 31, 2023 and 2022, we utilized an estimate of 2.35% and 2.40%, respectively, for the long-term expected cost of annual call options, which is based on estimated long-term account value growth and a historical review of our actual option costs.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our best estimate assumptions for lapse rates are based on our actual experience and our outlook as to future expectations for such assumptions. These assumptions are reviewed on a quarterly basis and are updated as our experience develops and/or as future expectations change. The following table presents average lapse rate assumptions, by contract duration, used in estimating the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves at each reporting date:

Contract Duration (Years)	Average Lapse Rates	
	December 31, 2023	December 31, 2022
1 - 5	1.96%	2.17%
6 - 10	3.71%	3.28%
11 - 15	3.71%	3.63%
16 - 20	8.97%	8.55%
20+	4.91%	4.90%

Lapse rates are generally expected to increase as surrender charge percentages decrease for policies without a lifetime income benefit rider. Lapse expectations reflect a significant increase in the year in which the surrender charge period on a contract ends.

The fair value of our fixed index annuities embedded derivatives is net of coinsurance ceded of \$1,182.6 million and \$1,173.4 million as of December 31, 2023 and 2022, respectively. Change in fair value, net for each period in our embedded derivatives is included in Change in fair value of embedded derivatives in the Consolidated Statements of Operations.

Certain derivatives embedded in our fixed index annuity contracts are our most significant financial instrument measured at fair value that are categorized as Level 3 in the fair value hierarchy. The contractual obligations for future annual index credits within our fixed index annuity contracts are treated as a "series of embedded derivatives" over the expected life of the applicable contracts. We estimate the fair value of these embedded derivatives at each valuation date by the method described above under **fixed index annuities - embedded derivatives**. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

The most sensitive assumption in determining policy liabilities for fixed index annuities is the rates used to discount the excess projected contract values. As indicated above, the discount rate reflects our nonperformance risk. If the discount rates used to discount the excess projected contract values at December 31, 2023, were to increase by 100 basis points, the fair value of the embedded derivatives would decrease by \$364.7 million recorded through operations as a decrease in the change in fair value of embedded derivatives. A decrease by 100 basis points in the discount rates used to discount the excess projected contract values would increase the fair value of the embedded derivatives by \$419.7 million recorded through operations as an increase in the change in fair value of embedded derivatives.

We review these assumptions quarterly and as a result of these reviews, we made updates to assumptions in 2023, 2022 and 2021.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2023 was the change in the discount rate. The long term discount rate assumption was lowered. This resulted in an increase in the fair value of the embedded derivative. In addition, changes in lapse rate assumptions based on actual historical experience resulted in an increase in the fair value of the embedded derivative. We updated shock lapse rates resulting in increases to the assumption for accumulation products with a shorter surrender charge period and decreases to the assumption for policies with a non-utilized, no fee lifetime income benefit rider. In addition, we increased the dynamic lapse factor based on the lifetime income benefit rider profitability.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity policy benefit reserves in 2022 was the change in the discount rate. The discount rate assumption was increased, and the period over which the discount rate assumption grades to an ultimate assumption was adjusted. This resulted in a decrease in the fair value of the embedded derivative.

The most significant assumption update to the calculation of the fair value of the embedded derivative component of our fixed index annuity benefit policy reserves in 2021 was changes in lapse rate assumptions. For certain annuity products without a lifetime income benefit rider, the lapse rate assumption was increased in more recent cohorts to reflect higher lapses on policies with a market value adjustment ("MVA") feature. For other annuity products with a lifetime income benefit rider, the population was bifurcated based on whether policies had utilized the rider. For those policies which had utilized the rider, the lapse rate assumption was decreased in later durations. The net impact of the updates to the lapse rate assumption resulted in a decrease in the embedded derivative component of our fixed index annuity policy benefit reserves as less funds ultimately qualify for excess benefits.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Investments

At December 31, 2023 and 2022, the amortized cost and fair value of fixed maturity securities were as follows:

	<u>Amortized Cost (1)</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses (2)</u>	<u>Allowance for Credit Losses</u>	<u>Fair Value</u>
(Dollars in thousands)					
December 31, 2023					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	\$ 172,683	\$ 606	\$ (2,148)	\$ —	\$ 171,141
States, municipalities and territories	3,654,571	17,477	(573,108)	—	3,098,940
Foreign corporate securities and foreign governments	563,890	1,669	(71,820)	—	493,739
Corporate securities	23,036,862	175,014	(2,605,048)	(3,412)	20,603,416
Residential mortgage backed securities	1,503,639	11,598	(112,736)	—	1,402,501
Commercial mortgage backed securities	3,405,647	995	(454,095)	—	2,952,547
Other asset backed securities	6,200,170	30,530	(171,884)	(618)	6,058,198
	<u>\$ 38,537,462</u>	<u>\$ 237,889</u>	<u>\$ (3,990,839)</u>	<u>\$ (4,030)</u>	<u>\$ 34,780,482</u>
December 31, 2022					
Fixed maturity securities, available for sale:					
U.S. Government and agencies	\$ 173,638	\$ 70	\$ (4,637)	\$ —	\$ 169,071
States, municipalities and territories	4,356,251	41,565	(574,834)	—	3,822,982
Foreign corporate securities and foreign governments	748,770	11,661	(83,579)	—	676,852
Corporate securities	27,706,440	146,065	(3,687,370)	(3,214)	24,161,921
Residential mortgage backed securities	1,492,242	11,870	(126,368)	(133)	1,377,611
Commercial mortgage backed securities	4,098,755	493	(411,770)	—	3,687,478
Other asset backed securities	6,289,923	14,068	(395,289)	—	5,908,702
	<u>\$ 44,866,019</u>	<u>\$ 225,792</u>	<u>\$ (5,283,847)</u>	<u>\$ (3,347)</u>	<u>\$ 39,804,617</u>

- (1) Amortized cost excludes accrued interest receivable of \$360.9 million and \$425.4 million as of December 31, 2023 and 2022, respectively.
- (2) Gross unrealized losses are net of allowance for credit losses.

The amortized cost and fair value of fixed maturity securities at December 31, 2023, by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of our mortgage and other asset backed securities provide for periodic payments throughout their lives and are shown below as separate lines.

	<u>Available for sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
(Dollars in thousands)		
Due in one year or less	\$ 1,371,424	\$ 1,368,322
Due after one year through five years	4,924,030	4,787,802
Due after five years through ten years	4,686,405	4,325,294
Due after ten years through twenty years	7,569,350	6,754,603
Due after twenty years	8,876,797	7,131,215
	<u>27,428,006</u>	<u>24,367,236</u>
Residential mortgage backed securities	1,503,639	1,402,501
Commercial mortgage backed securities	3,405,647	2,952,547
Other asset backed securities	6,200,170	6,058,198
	<u>\$ 38,537,462</u>	<u>\$ 34,780,482</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net unrealized losses on investments reported as a separate component of stockholders' equity were comprised of the following:

	December 31,	
	2023	2022
	(Dollars in thousands)	
Net unrealized losses on investments	\$ (3,755,689)	\$ (5,065,422)
Deferred income tax valuation allowance reversal	22,534	22,534
Deferred income tax expense	788,236	1,063,441
Net unrealized losses reported as accumulated other comprehensive loss	<u>\$ (2,944,919)</u>	<u>\$ (3,979,447)</u>

The National Association of Insurance Commissioners ("NAIC") assigns designations to fixed maturity securities. These designations range from Class 1 (highest quality) to Class 6 (lowest quality). In general, securities are assigned a designation based upon the ratings they are given by the Nationally Recognized Statistical Rating Organizations ("NRSRO's"). The NAIC designations are utilized by insurers in preparing their annual statutory statements. NAIC Class 1 and 2 designations are considered "investment grade" while NAIC Class 3 through 6 designations are considered "non-investment grade." Based on the NAIC designations, we had 98% of our fixed maturity portfolio rated investment grade at both December 31, 2023 and 2022, respectively.

The following table summarizes the credit quality, as determined by NAIC designation, of our fixed maturity portfolio as of the dates indicated:

NAIC Designation (1)	December 31,			
	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
1	\$ 22,493,843	\$ 20,209,842	\$ 27,061,903	\$ 24,211,086
2	14,910,687	13,529,169	17,023,157	14,944,131
3	583,131	527,556	595,193	510,392
4	201,610	168,191	109,409	91,495
5	88,581	68,538	61,721	36,738
6	9,400	10,132	14,636	10,775
	<u>\$ 38,287,252</u>	<u>\$ 34,513,428</u>	<u>\$ 44,866,019</u>	<u>\$ 39,804,617</u>

- (1) The table excludes residual tranche securities that are not rated with an amortized cost of \$250,210 and fair value of \$267,054 as of December 31, 2023.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities (consisting of 3,639 and 4,510 securities, respectively) have been in a continuous unrealized loss position, as of December 31, 2023 and 2022:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)
	(Dollars in thousands)					
December 31, 2023						
Fixed maturity securities, available for sale:						
U.S. Government and agencies	\$ 55,087	\$ (279)	\$ 47,639	\$ (1,869)	\$ 102,726	\$ (2,148)
States, municipalities and territories	451,091	(44,832)	2,290,704	(528,276)	2,741,795	(573,108)
Foreign corporate securities and foreign governments	1,555	(195)	427,021	(71,625)	428,576	(71,820)
Corporate securities	3,275,031	(237,744)	13,625,542	(2,367,304)	16,900,573	(2,605,048)
Residential mortgage backed securities	145,093	(7,614)	858,821	(105,122)	1,003,914	(112,736)
Commercial mortgage backed securities	431,947	(69,007)	2,416,868	(385,088)	2,848,815	(454,095)
Other asset backed securities	968,026	(29,606)	3,057,618	(142,278)	4,025,644	(171,884)
	<u>\$ 5,327,830</u>	<u>\$ (389,277)</u>	<u>\$ 22,724,213</u>	<u>\$ (3,601,562)</u>	<u>\$ 28,052,043</u>	<u>\$ (3,990,839)</u>
December 31, 2022						
Fixed maturity securities, available for sale:						
U.S. Government and agencies	\$ 160,201	\$ (4,512)	\$ 908	\$ (125)	\$ 161,109	\$ (4,637)
States, municipalities and territories	2,595,122	(537,313)	95,184	(37,521)	2,690,306	(574,834)
Foreign corporate securities and foreign governments	522,826	(76,957)	21,816	(6,622)	544,642	(83,579)
Corporate securities	18,784,181	(3,218,323)	1,411,177	(469,047)	20,195,358	(3,687,370)
Residential mortgage backed securities	992,783	(101,100)	116,388	(25,268)	1,109,171	(126,368)
Commercial mortgage backed securities	2,941,293	(302,513)	651,923	(109,257)	3,593,216	(411,770)
Other asset backed securities	2,561,390	(162,821)	1,924,026	(232,468)	4,485,416	(395,289)
	<u>\$ 28,557,796</u>	<u>\$ (4,403,539)</u>	<u>\$ 4,221,422</u>	<u>\$ (880,308)</u>	<u>\$ 32,779,218</u>	<u>\$ (5,283,847)</u>

- (1) Unrealized losses have been reduced to reflect the allowance for credit losses of \$4.0 million and \$3.3 million as of December 31, 2023 and 2022, respectively.

The unrealized losses at December 31, 2023 are principally related to the timing of the purchases of certain securities, which carry less yield than those available at December 31, 2023. Approximately 97% and 98% of the unrealized losses on fixed maturity securities shown in the above table for December 31, 2023 and 2022, respectively, are on securities that are rated investment grade, defined as being the highest two NAIC designations.

We expect to recover our amortized cost on all securities except for those securities on which we recognized an allowance for credit loss. In addition, because we did not have the intent to sell fixed maturity securities with unrealized losses and it was not more likely than not that we would be required to sell these securities prior to recovery of the amortized cost, which may be maturity, we did not write down these investments to fair value through the consolidated statements of operations.

Changes in net unrealized gains/losses on investments for the years ended December 31, 2023, 2022 and 2021 are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Fixed maturity securities available for sale carried at fair value	\$ 1,309,733	\$ (9,375,028)	\$ (987,434)
Adjustment for effect on other balance sheet accounts:			
Deferred income tax asset/liability	(275,205)	1,968,488	207,361
	<u>(275,205)</u>	<u>1,968,488</u>	<u>207,361</u>
Change in net unrealized gains/losses on investments carried at fair value	<u>\$ 1,034,528</u>	<u>\$ (7,406,540)</u>	<u>\$ (780,073)</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of net investment income are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Fixed maturity securities	\$ 1,653,897	\$ 1,849,915	\$ 1,772,675
Real estate investments	(7,303)	40,243	14,138
Mortgage loans on real estate	404,303	301,118	215,138
Cash and cash equivalents	208,923	24,985	3,385
Limited partnerships and limited liability companies	112,612	188,131	67,157
Other investments	43,510	49,537	29,399
	<u>2,415,942</u>	<u>2,453,929</u>	<u>2,101,892</u>
Less: investment expenses	(143,144)	(146,466)	(64,417)
Net investment income	<u>\$ 2,272,798</u>	<u>\$ 2,307,463</u>	<u>\$ 2,037,475</u>

Proceeds from sales of available for sale fixed maturity securities for the years ended December 31, 2023, 2022 and 2021 were \$9.3 billion, \$7.8 billion and \$0.8 billion, respectively. Scheduled principal repayments, calls and tenders for available for sale fixed maturity securities for the years ended December 31, 2023, 2022 and 2021 were \$2.1 billion, \$2.8 billion and \$3.7 billion, respectively.

Net realized losses on investments for the years ended December 31, 2023, 2022 and 2021 are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Available for sale fixed maturity securities:			
Gross realized gains	\$ 137,901	\$ 139,819	\$ 10,167
Gross realized losses	(179,479)	(153,712)	(19,140)
Net credit loss (provision)	(47,471)	(15,536)	(6,241)
	<u>(89,049)</u>	<u>(29,429)</u>	<u>(15,214)</u>
Other investments:			
Gross realized gains	2,210	—	—
Gross realized losses	(5,199)	—	—
	<u>(2,989)</u>	<u>—</u>	<u>—</u>
Mortgage loans on real estate:			
Decrease (increase) in allowance for credit losses	252	(15,126)	7,005
Recovery of specific allowance	—	1,677	—
Loss on sale of mortgage loans	(7,417)	(4,970)	(5,033)
	<u>(7,165)</u>	<u>(18,419)</u>	<u>1,972</u>
Total net realized losses	<u>\$ (99,203)</u>	<u>\$ (47,848)</u>	<u>\$ (13,242)</u>

Realized losses on available for sale fixed maturity securities in 2023, 2022 and 2021 were realized primarily due to strategies to reposition the fixed maturity security portfolio that result in improved net investment income, credit risk or duration profiles as they pertain to our asset liability management. Realized gains and losses on sales are determined on the basis of specific identification of investments based on the trade date.

The following table summarizes the carrying value of our investments that have been non-income producing for 12 consecutive months:

	December 31,	
	2023	2022
	(Dollars in thousands)	
Fixed maturity securities, available for sale	\$ 1,711	\$ 10,708
Mortgage loans on real estate	14,479	1,483
Real estate owned	3,629	—
	<u>\$ 19,819</u>	<u>\$ 12,191</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We review and analyze all investments on an ongoing basis for changes in market interest rates and credit deterioration. This review process includes analyzing our ability to recover the amortized cost basis of each investment that has a fair value that is materially lower than its amortized cost and requires a high degree of management judgment and involves uncertainty. The evaluation of securities for credit loss is a quantitative and qualitative process, which is subject to risks and uncertainties.

We have a policy and process to identify securities that could potentially have credit loss. This process involves monitoring market events and other items that could impact issuers. The evaluation includes but is not limited to such factors as:

- the extent to which the fair value has been less than amortized cost or cost;
- whether the issuer is current on all payments and all contractual payments have been made as agreed;
- the remaining payment terms and the financial condition and near-term prospects of the issuer;
- the lack of ability to refinance due to liquidity problems in the credit market;
- the fair value of any underlying collateral;
- the existence of any credit protection available;
- our intent to sell and whether it is more likely than not we would be required to sell prior to recovery for debt securities;
- consideration of rating agency actions; and
- changes in estimated cash flows of mortgage and asset backed securities.

We determine whether an allowance for credit loss should be established for debt securities by assessing pertinent facts and circumstances surrounding each security. Where the decline in fair value of debt securities is attributable to changes in market interest rates or to factors such as market volatility, liquidity and spread widening, and we anticipate recovery of all contractual or expected cash flows, we do not consider these investments to have credit loss because we do not intend to sell these investments and it is not more likely than not we will be required to sell these investments before a recovery of amortized cost, which may be maturity.

If we intend to sell a debt security or if it is more likely than not that we will be required to sell a debt security before recovery of its amortized cost basis, credit loss has occurred and the difference between amortized cost and fair value will be recognized as a loss in operations.

If we do not intend to sell and it is not more likely than not we will be required to sell the debt security but also do not expect to recover the entire amortized cost basis of the security, a credit loss would be recognized in operations for the amount of the expected credit loss. We determine the amount of expected credit loss by calculating the present value of the cash flows expected to be collected discounted at each security's acquisition yield based on our consideration of whether the security was of high credit quality at the time of acquisition. The difference between the present value of expected future cash flows and the amortized cost basis of the security is the amount of credit loss recognized in operations. The recognized credit loss is limited to the total unrealized loss on the security (i.e., the fair value floor).

The determination of the credit loss component of a mortgage backed security is based on a number of factors. The primary consideration in this evaluation process is the issuer's ability to meet current and future interest and principal payments as contractually stated at time of purchase. Our review of these securities includes an analysis of the cash flow modeling under various default scenarios considering independent third party benchmarks, the seniority of the specific tranche within the structure of the security, the composition of the collateral and the actual default, loss severity and prepayment experience exhibited. With the input of third party assumptions for default projections, loss severity and prepayment expectations, we evaluate the cash flow projections to determine whether the security is performing in accordance with its contractual obligation.

We utilize models from a leading structured product software specialist serving institutional investors. These models incorporate each security's seniority and cash flow structure. In circumstances where the analysis implies a potential for principal loss at some point in the future, we use the "best estimate" cash flow projection discounted at the security's effective yield at acquisition to determine the amount of our potential credit loss associated with this security. The discounted expected future cash flows equates to our expected recovery value. Any shortfall of the expected recovery when compared to the amortized cost of the security will be recorded as credit loss.

The determination of the credit loss component of a corporate bond is based on the underlying financial performance of the issuer and their ability to meet their contractual obligations. Considerations in our evaluation include, but are not limited to, credit rating changes, financial statement and ratio analysis, changes in management, significant changes in credit spreads, breaches of financial covenants and a review of the economic outlook for the industry and markets in which they trade. In circumstances where an issuer appears unlikely to meet its future obligation, an estimate of credit loss is determined. Credit loss is calculated using default probabilities as derived from the credit default swaps markets in conjunction with recovery rates derived from independent third party analysis or a best estimate of credit loss. This credit loss rate is then incorporated into a present value calculation based on an expected principal loss in the future discounted at the yield at the date of purchase and compared to amortized cost to determine the amount of credit loss associated with the security.

We do not measure a credit loss allowance on accrued interest receivable as we write off any accrued interest receivable balance to net investment income in a timely manner when we have concerns regarding collectability.

Amounts on available for sale fixed maturities that are deemed to be uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if we intend to sell a security or when it is more likely than not we will be required to sell the security before the recovery of its amortized cost.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a rollforward of the allowance for credit loss:

Year Ended December 31, 2023					
	States, Municipalities and Territories	Corporate Securities	Residential Mortgage Backed Securities	Other Asset Backed Securities	Total
(Dollars in thousands)					
Beginning balance	\$ —	\$ 3,214	\$ 133	\$ —	\$ 3,347
Additions for credit losses not previously recorded	—	—	97	947	1,044
Change in allowance on securities with previous allowance	—	198	(230)	(329)	(361)
Reduction for securities sold during the period	—	—	—	—	—
Ending balance	<u>\$ —</u>	<u>\$ 3,412</u>	<u>\$ —</u>	<u>\$ 618</u>	<u>\$ 4,030</u>

Year Ended December 31, 2022					
	States, Municipalities and Territories	Corporate Securities	Residential Mortgage Backed Securities	Other Asset Backed Securities	Total
(Dollars in thousands)					
Beginning balance	\$ 2,776	\$ —	\$ 70	\$ —	\$ 2,846
Additions for credit losses not previously recorded	—	3,825	1,070	—	4,895
Change in allowance on securities with previous allowance	(2,776)	(611)	(579)	—	(3,966)
Reduction for securities sold during the period	—	—	(428)	—	(428)
Ending balance	<u>\$ —</u>	<u>\$ 3,214</u>	<u>\$ 133</u>	<u>\$ —</u>	<u>\$ 3,347</u>

At December 31, 2023 and 2022, cash and invested assets of \$52.4 billion and \$51.0 billion, respectively, were on deposit with state agencies to meet regulatory requirements including deposits for the benefit of all policyholders. There are no restrictions on these assets.

At December 31, 2023 and 2022, we had no investment in any person or its affiliates, other than U.S. Government and its agencies, that exceeded 10% of stockholders' equity.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Mortgage Loans on Real Estate

Our financing receivables consist of the following three portfolio segments: commercial mortgage loans, agricultural mortgage loans and residential mortgage loans. Our mortgage loan portfolios are summarized in the following table. There were commitments outstanding of \$786.4 million at December 31, 2023.

	December 31,	
	2023	2022
	(Dollars in thousands)	
Commercial mortgage loans:		
Principal outstanding	\$ 3,550,204	\$ 3,560,903
Deferred fees and costs, net	(2,494)	(6,345)
Unamortized discounts and premiums, net	(2,711)	—
Amortized cost	3,544,999	3,554,558
Valuation allowance	(17,902)	(22,428)
Commercial mortgage loans, carrying value	3,527,097	3,532,130
Agricultural mortgage loans:		
Principal outstanding	581,287	567,630
Deferred fees and costs, net	(1,654)	(1,667)
Amortized cost	579,633	565,963
Valuation allowance	(2,590)	(1,021)
Agricultural mortgage loans, carrying value	577,043	564,942
Residential mortgage loans:		
Principal outstanding	3,384,737	2,807,652
Deferred fees and costs, net	558	1,909
Unamortized discounts and premiums, net	65,802	55,917
Amortized cost	3,451,097	2,865,478
Valuation allowance	(17,643)	(13,523)
Residential mortgage loans, carrying value	3,433,454	2,851,955
Mortgage loans, carrying value	\$ 7,537,594	\$ 6,949,027

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our commercial mortgage loan portfolio consists of loans collateralized by the related properties and diversified as to property type, location and loan size. Our lending policies establish limits on the amount that can be loaned to one borrower and other criteria to attempt to reduce the risk of default. The commercial mortgage loan portfolio is summarized by geographic region and property type as follows:

	December 31,					
	2023		2022			
	Principal	Percent	Principal	Percent		
	(Dollars in thousands)					
Geographic distribution						
East	\$	471,707	13.3 %	\$	502,659	14.1 %
Middle Atlantic		274,017	7.7 %		280,993	7.9 %
Mountain		404,143	11.4 %		416,307	11.7 %
New England		87,041	2.4 %		73,631	2.1 %
Pacific		835,085	23.5 %		858,812	24.1 %
South Atlantic		927,547	26.1 %		934,007	26.2 %
West North Central		183,856	5.2 %		205,568	5.8 %
West South Central		328,918	9.3 %		288,926	8.1 %
International		37,890	1.1 %		—	— %
	\$	3,550,204	100.0 %	\$	3,560,903	100.0 %
Property type distribution						
Office	\$	360,328	10.1 %	\$	388,978	10.9 %
Retail		801,977	22.6 %		896,351	25.2 %
Industrial/Warehouse		940,546	26.5 %		866,623	24.3 %
Apartment		1,047,740	29.5 %		912,984	25.6 %
Hotel		319,733	9.0 %		285,271	8.0 %
Mixed Use/Other		79,880	2.3 %		210,696	6.0 %
	\$	3,550,204	100.0 %	\$	3,560,903	100.0 %

Our agricultural mortgage loan portfolio consists of loans with an outstanding principal balance of \$581.3 million and \$567.6 million as of December 31, 2023 and 2022, respectively. These loans are collateralized by agricultural land and are diversified as to location within the United States. Our residential mortgage loan portfolio consists of loans with an outstanding principal balance of \$3.4 billion and \$2.8 billion as of December 31, 2023 and 2022, respectively. These loans are collateralized by the related properties and diversified as to location within the United States.

Mortgage loans on real estate are generally reported at cost adjusted for amortization of premiums and accrual of discounts, computed using the interest method and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Interest income is included in Net investment income on our Consolidated Statements of Operations. Accrued interest receivable, which was \$69.5 million and \$58.2 million as of December 31, 2023 and 2022, respectively, is included in Accrued investment income on our Consolidated Balance Sheets.

Loan Valuation Allowance

We establish a valuation allowance to provide for the risk of credit losses inherent in our mortgage loan portfolios. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses. The valuation allowance is based on amortized cost, which excludes accrued interest receivable. We do not measure a credit loss allowance on accrued interest receivable as we write off any uncollectible accrued interest receivable balances to net investment income in a timely manner. We did not charge off any uncollectible accrued interest receivable on our commercial, agricultural or residential mortgage loan portfolios for the years ended December 31, 2023 or 2022, respectively.

The valuation allowances for each of our mortgage loan portfolios are estimated by deriving probability of default and recovery rate assumptions based on the characteristics of the loans in each portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics impacting the estimate for our commercial mortgage loan portfolio include the current state of the borrower's credit quality, which considers factors such as loan-to-value ("LTV") and debt service coverage ("DSC") ratios, loan performance, underlying collateral type, delinquency status, time to maturity, and original credit scores. Key loan characteristics impacting the estimate for our agricultural and residential mortgage loan portfolios include the current state of the borrowers' credit quality, delinquency status, time to maturity and original credit scores.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table represents a rollforward of the valuation allowance on our mortgage loan portfolios:

	Year Ended December 31, 2023			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance	\$ (22,428)	\$ (1,021)	\$ (13,523)	\$ (36,972)
Charge-offs	—	—	11	11
Recoveries	—	—	—	—
Change in provision for credit losses	4,526	(1,569)	(4,131)	(1,174)
Ending allowance balance	<u>\$ (17,902)</u>	<u>\$ (2,590)</u>	<u>\$ (17,643)</u>	<u>\$ (38,135)</u>

	Year Ended December 31, 2022			
	Commercial	Agricultural	Residential	Total
	(Dollars in thousands)			
Beginning allowance balance	\$ (17,926)	\$ (519)	\$ (5,579)	\$ (24,024)
Charge-offs	501	—	—	501
Recoveries	1,677	—	—	1,677
Change in provision for credit losses	(6,680)	(502)	(7,944)	(15,126)
Ending allowance balance	<u>\$ (22,428)</u>	<u>\$ (1,021)</u>	<u>\$ (13,523)</u>	<u>\$ (36,972)</u>

Charge-offs include allowances that have been established on loans that were satisfied either by taking ownership of the collateral or by some other means such as discounted pay-off or loan sale. When ownership of the property is taken it is recorded at the lower of the loan's carrying value or the property's fair value (based on appraised values) less estimated costs to sell. The real estate owned is recorded as a component of Real estate investments and the loan is recorded as fully paid, with any allowance for credit loss that has been established charged off. Fair value of the real estate is determined by third party appraisal. There were twelve real estate properties totaling \$6.5 million at December 31, 2023 and no real estate properties at December 31, 2022 in which ownership of the property was taken to satisfy an outstanding loan. Recoveries are situations where we have received a payment from the borrower in an amount greater than the carrying value of the loan (principal outstanding less specific allowance).

Credit Quality Indicators

We evaluate the credit quality of our commercial and agricultural mortgage loans by analyzing LTV and DSC ratios and loan performance. We evaluate the credit quality of our residential mortgage loans by analyzing loan performance.

LTV and DSC ratios for our commercial mortgage loans are originally calculated at the time of loan origination and are updated annually for each loan using information such as rent rolls, assessment of lease maturity dates and property operating statements, which are reviewed in the context of current leasing and in place rents compared to market leasing and market rents. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our commercial mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2023 and 2022.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amortized cost of our commercial mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2023 and 2022 (by year of origination):

	2023		2022		2021		2020		2019		Prior		Total	
	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
As of December 31, 2023:														
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	\$ 3,444	46 %	\$ 285,481	62 %	\$ 272,661	57 %	\$ 370,299	51 %	\$ 449,973	55 %	\$ 1,056,159	44 %	\$ 2,438,017	50 %
Greater than or equal to 1.2 and less than 1.5	—	— %	76,122	49 %	4,500	55 %	36,534	57 %	108,232	64 %	177,489	57 %	402,877	58 %
Greater than or equal to 1.0 and less than 1.2	40,727	38 %	105,578	32 %	328,722	45 %	28,935	54 %	—	— %	63,972	71 %	567,934	46 %
Less than 1.0	—	— %	53,470	54 %	26,960	52 %	—	— %	2,545	80 %	53,196	52 %	136,171	53 %
Total	\$ 44,171	39 %	\$ 520,651	53 %	\$ 632,843	51 %	\$ 435,768	52 %	\$ 560,750	57 %	\$ 1,350,816	47 %	\$ 3,544,999	51 %

	2022		2021		2020		2019		2018		Prior		Total	
	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
As of December 31, 2022:														
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	\$ 249,328	63 %	\$ 257,746	61 %	\$ 421,391	57 %	\$ 429,596	58 %	\$ 325,117	53 %	\$ 813,319	44 %	\$ 2,496,497	53 %
Greater than or equal to 1.2 and less than 1.5	6,488	70 %	123,038	55 %	46,804	58 %	115,977	66 %	67,642	67 %	145,703	60 %	505,652	62 %
Greater than or equal to 1.0 and less than 1.2	170,059	52 %	211,684	43 %	18,144	79 %	39,396	73 %	10,348	76 %	58,021	47 %	507,652	51 %
Less than 1.0	—	— %	—	— %	—	— %	6,107	64 %	13,025	70 %	25,625	65 %	44,757	66 %
Total	\$ 425,875	59 %	\$ 592,468	53 %	\$ 486,339	58 %	\$ 591,076	61 %	\$ 416,132	57 %	\$ 1,042,668	47 %	\$ 3,554,558	54 %

LTV and DSC ratios for our agricultural mortgage loans are calculated at the time of loan origination and are evaluated annually for each loan using land value averages. A DSC ratio of less than 1.0 indicates that a property's operations do not generate sufficient income to cover debt payments. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. All of our agricultural mortgage loans that have a debt service coverage ratio of less than 1.0 are performing under the original contractual loan terms at December 31, 2023 and 2022.

The amortized cost of our agricultural mortgage loan portfolio by LTV and DSC ratios based on the most recent information collected was as follows at December 31, 2023 and 2022 (by year of origination):

	2023		2022		2021		2020		2019		Prior		Total	
	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
As of December 31, 2023:														
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	\$ 26,890	59 %	\$ 61,374	54 %	\$ 46,060	57 %	\$ 91,060	46 %	\$ —	— %	\$ 34,000	42 %	\$ 259,384	50 %
Greater than or equal to 1.2 and less than 1.5	17,798	59 %	89,548	54 %	51,819	52 %	27,433	32 %	—	— %	—	— %	186,598	51 %
Greater than or equal to 1.0 and less than 1.2	3,988	43 %	3,080	55 %	9,246	57 %	902	59 %	—	— %	—	— %	17,216	53 %
Less than 1.0	—	— %	38,675	37 %	26,514	51 %	49,105	48 %	2,141	33 %	—	— %	116,435	45 %
Total	\$ 48,676	58 %	\$ 192,677	51 %	\$ 133,639	54 %	\$ 168,500	44 %	\$ 2,141	33 %	\$ 34,000	42 %	\$ 579,633	49 %

	2022		2021		2020		2019		2018		Prior		Total	
	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV	Amortized Cost	Average LTV
As of December 31, 2022:														
Debt Service Coverage Ratio:	(Dollars in thousands)													
Greater than or equal to 1.5	\$ 85,367	47 %	\$ 84,186	46 %	\$ 97,143	41 %	\$ —	— %	\$ —	— %	\$ —	— %	\$ 266,696	45 %
Greater than or equal to 1.2 and less than 1.5	107,856	54 %	67,630	52 %	61,103	32 %	—	— %	—	— %	—	— %	236,589	48 %
Greater than or equal to 1.0 and less than 1.2	3,124	56 %	8,825	38 %	3,125	25 %	—	— %	—	— %	—	— %	15,074	39 %
Less than 1.0	—	— %	—	— %	7,975	35 %	5,629	41 %	34,000	31 %	—	— %	47,604	33 %
Total	\$ 196,347	51 %	\$ 160,641	48 %	\$ 169,346	37 %	\$ 5,629	41 %	\$ 34,000	31 %	\$ —	— %	\$ 565,963	45 %

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We closely monitor loan performance for our commercial, agricultural and residential mortgage loan portfolios. Aging of financing receivables is summarized in the following table (by year of origination):

	2023	2022	2021	2020	2019	Prior	Total
As of December 31, 2023:	(Dollars in thousands)						
Commercial mortgage loans							
Current	\$ 44,171	\$ 520,651	\$ 632,843	\$ 435,768	\$ 560,750	\$ 1,350,816	\$ 3,544,999
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	<u>\$ 44,171</u>	<u>\$ 520,651</u>	<u>\$ 632,843</u>	<u>\$ 435,768</u>	<u>\$ 560,750</u>	<u>\$ 1,350,816</u>	<u>\$ 3,544,999</u>
Agricultural mortgage loans							
Current	\$ 48,676	\$ 182,273	\$ 131,448	\$ 168,500	\$ 2,141	\$ 34,000	\$ 567,038
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	10,404	2,191	—	—	—	12,595
Total agricultural mortgage loans	<u>\$ 48,676</u>	<u>\$ 192,677</u>	<u>\$ 133,639</u>	<u>\$ 168,500</u>	<u>\$ 2,141</u>	<u>\$ 34,000</u>	<u>\$ 579,633</u>
Residential mortgage loans							
Current	\$ 1,183,248	\$ 1,493,165	\$ 365,704	\$ 161,426	\$ 22,654	\$ 794	\$ 3,226,991
30 - 59 days past due	21,367	58,420	10,253	5,731	4,988	—	100,759
60 - 89 days past due	5,017	22,383	3,908	1,839	99	—	33,246
Over 90 days past due	18,558	38,255	23,707	5,275	3,398	908	90,101
Total residential mortgage loans	<u>\$ 1,228,190</u>	<u>\$ 1,612,223</u>	<u>\$ 403,572</u>	<u>\$ 174,271</u>	<u>\$ 31,139</u>	<u>\$ 1,702</u>	<u>\$ 3,451,097</u>
	2022	2021	2020	2019	2018	Prior	Total
As of December 31, 2022:	(Dollars in thousands)						
Commercial mortgage loans							
Current	\$ 425,875	\$ 592,468	\$ 486,339	\$ 591,076	\$ 416,132	\$ 1,042,668	\$ 3,554,558
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	<u>\$ 425,875</u>	<u>\$ 592,468</u>	<u>\$ 486,339</u>	<u>\$ 591,076</u>	<u>\$ 416,132</u>	<u>\$ 1,042,668</u>	<u>\$ 3,554,558</u>
Agricultural mortgage loans							
Current	\$ 196,347	\$ 160,641	\$ 166,211	\$ 5,629	\$ 34,000	\$ —	\$ 562,828
30 - 59 days past due	—	—	—	—	—	—	—
60 - 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	3,135	—	—	—	3,135
Total agricultural mortgage loans	<u>\$ 196,347</u>	<u>\$ 160,641</u>	<u>\$ 169,346</u>	<u>\$ 5,629</u>	<u>\$ 34,000</u>	<u>\$ —</u>	<u>\$ 565,963</u>
Residential mortgage loans							
Current	\$ 1,915,169	\$ 595,363	\$ 211,119	\$ 27,483	\$ 1,710	\$ 417	\$ 2,751,261
30 - 59 days past due	39,179	8,238	13,073	1,960	—	—	62,450
60 - 89 days past due	6,668	7,165	3,034	57	—	—	16,924
Over 90 days past due	9,702	14,068	6,515	1,762	2,796	—	34,843
Total residential mortgage loans	<u>\$ 1,970,718</u>	<u>\$ 624,834</u>	<u>\$ 233,741</u>	<u>\$ 31,262</u>	<u>\$ 4,506</u>	<u>\$ 417</u>	<u>\$ 2,865,478</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Commercial, agricultural and residential mortgage loans are considered nonperforming when they become 90 days or more past due. When loans become nonperforming, we place them on non-accrual status and discontinue recognizing interest income. If payments are received on a nonperforming loan, interest income is recognized to the extent it would have been recognized if normal principal and interest would have been received timely. If payments are received to bring a nonperforming loan back to less than 90 days past due, we will resume accruing interest income on that loan. There were 155 loans in non-accrual status at December 31, 2023 and 59 loans in non-accrual status at December 31, 2022. During the years ended December 31, 2023, 2022, and 2021 we recognized interest income of \$3.0 million, \$670 thousand, and \$36 thousand respectively, on loans which were in non-accrual status at the respective period end.

Loan Modifications

Our commercial, agricultural and residential mortgage loans may be subject to loan modifications. Loan modifications may be granted to borrowers experiencing financial difficulty and could include principal forgiveness, interest rate reduction, an other-than-significant delay or a term extension. We consider the following factors in determining whether or not a borrower is experiencing financial difficulty:

- borrower is in default,
- borrower has declared bankruptcy,
- there is growing concern about the borrower's ability to continue as a going concern,
- borrower has insufficient cash flows to service debt,
- borrower's inability to obtain funds from other sources, and
- there is a breach of financial covenants by the borrower.

A loan modification typically does not result in a change in valuation allowance as it is already incorporated into our allowance methodology. However, if we grant a borrower experiencing financial difficulty principal forgiveness, the amount of principal forgiven would be written off, which would reduce the amortized cost of the loan and result in an adjustment to the valuation allowance.

There were no significant mortgage loan modifications for the year ended December 31, 2023.

Prior to adoption of authoritative guidance on January 1, 2023, we evaluated whether a troubled debt restructuring (TDR) had occurred on our commercial, agricultural or residential mortgage loans. We did not have any significant loan modifications that resulted in a TDR for the year ended December 31, 2022.

5. Variable Interest Entities

We have relationships with various types of entities which may be VIEs. Certain VIEs are consolidated in our financial results. See *Note 1 - Significant Accounting Policies* for further details on our consolidation accounting policies.

Consolidated Variable Interest Entities

We are invested in multiple investment company real estate limited partnerships which own various limited liability companies that invest in residential real estate properties and one real estate limited liability company that invests in a commercial real estate property. These entities are VIE's as the legal entities equity investors have insufficient equity at risk and lack of power to direct the activities that most significantly impact the economic performance. We determined we are the primary beneficiary as a result of our power to control the entities through our significant ownership. Due to the nature of the investment company real estate investments, the investments balance will fluctuate based on changes in the fair value of the properties as well as when purchases and sales of properties are made. The investment balance in the commercial real estate property is held at depreciated cost, and is expected to decrease over time.

We are invested in two investment company limited liability companies that invest in operating entities which hold multifamily real estate properties. The entities are VIEs and we have determined we are the primary beneficiary as a result of our power to control the entities through our significant ownership. The investment balance, which represent equity interests in the investment company limited liability companies, fluctuate based on changes in the fair value of the properties and the performance of the operating entities.

We are invested in a limited partnership feeder fund which invests in a separate limited partnership fund, which holds infrastructure credit assets. The feeder fund limited partnership is a VIE, and we determined we are the primary beneficiary as a result of our significant ownership of the limited partnership and our obligation to absorb losses or receive benefits from the VIE. We have consolidated the assets and liabilities of the limited partnership, which primarily consists of equity interest in a limited partnership.

We are invested in one investment company limited liability company that invests in core infrastructure assets typically held through an interest in limited liability companies. The entity is a VIE and we have determined we are the primary beneficiary as a result of our power to control the entity through significant ownership and our obligation to absorb losses or receive benefits from the VIE. The VIE meets the definition of an investment company, which requires the investment balance to be held at fair value.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The carrying amounts of our consolidated VIE assets, which can only be used to settle obligations of the consolidated VIEs, and liabilities of consolidated VIEs for which creditors do not have recourse were as follows:

	December 31,			
	2023		2022	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(Dollars in thousands)			
Real estate investments	\$ 1,383,120	\$ 92,299	\$ 1,095,267	\$ 78,244
Real estate limited liability companies	47,005	149	66,258	287
Limited partnership funds	353,610	289	620,741	113
Infrastructure limited liability companies	107,942	783	—	—
	<u>\$ 1,891,677</u>	<u>\$ 93,520</u>	<u>\$ 1,782,266</u>	<u>\$ 78,644</u>

Unconsolidated Variable Interest Entities

We provided debt funding to various special purpose vehicles, which are used to acquire and hold various types of loans or receivables. These legal entities are deemed VIEs because there is insufficient equity at risk. We have determined we are not the primary beneficiary as we do not control the activities that most significantly impact the economic performance of the VIEs. Our investments in these VIEs are reported in Fixed maturity securities, available for sale in the Consolidated Balance Sheets.

The carrying value and maximum loss exposure for our unconsolidated VIEs were as follows:

	December 31,			
	2023		2022	
	Asset Carrying Value	Maximum Exposure to Loss	Asset Carrying Value	Maximum Exposure to Loss
	(Dollars in thousands)			
Fixed maturity securities, available for sale	\$ 2,438,074	\$ 2,438,074	\$ 1,178,110	\$ 1,178,110

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Derivative Instruments

We use derivative instruments to manage risks. We have derivatives that are designated as hedging instruments and others that are not designated as hedging instruments. Any change in the fair value of the derivatives is recognized immediately in the Consolidated Statements of Operations.

The notional and fair values of our derivative instruments, including derivative instruments embedded in fixed index annuity contracts, presented in the Consolidated Balance Sheets are as follows:

	December 31, 2023		December 31, 2022	
	Notional	Fair Value	Notional	Fair Value
	(Dollars in thousands)			
Derivatives designated as hedging instruments				
Assets				
Derivative instruments				
Interest rate swaps	\$ —	\$ —	\$ 408,369	\$ 32,769
Derivatives not designated as hedging instruments				
Assets				
Derivative instruments				
Call options	\$ 41,547,731	\$ 1,207,288	\$ 38,927,534	\$ 397,789
Warrants	—	—	2,020	1,169
	<u>\$ 41,547,731</u>	<u>\$ 1,207,288</u>	<u>\$ 38,929,554</u>	<u>\$ 398,958</u>
Liabilities				
Policy benefit reserves - annuity products				
Fixed index annuities - embedded derivatives, net		\$ 5,181,894		\$ 4,820,845
Funds withheld for reinsurance liabilities				
Reinsurance related embedded derivative		(256,776)		(441,864)
		<u>\$ 4,925,118</u>		<u>\$ 4,378,981</u>

Derivatives Designated as Hedging Instruments

We used interest rate swaps designated and accounted for as fair value hedges to protect a portfolio of fixed-rate fixed maturity securities against changes in fair value due to changes in interest rates. Our interest rate swap contracts allowed us to pay a fixed rate and receive a floating rate utilizing the Secured Overnight Financing Rate at specified intervals based on a notional amount. Interest rate swaps were carried at fair value and presented as Derivative instruments on the Consolidated Balance Sheets.

For derivative instruments that were designated and qualified as a fair value hedge, the gain or loss on the portion of the derivative instrument included in the assessment of hedge effectiveness and the offsetting gain or loss on the hedged item attributable to the hedged risk were recognized in the same line item in the Consolidated Statements of Operations. The change in unrealized gain or loss attributable to interest rate changes on the fixed maturity securities that were designated as part of the hedge are reclassified out of Accumulated other comprehensive income (loss) into Change in fair value of derivatives in the Consolidated Statements of Operations. The remaining change in unrealized gain or loss on the hedged item not associated with the risk being hedged was recognized as a component of Other comprehensive income.

The following represents the amortized cost and cumulative fair value hedging adjustments included in the hedged assets:

Line Item in the Consolidated Balance Sheets in Which Hedged Item is Included	Amortized Cost of Hedged Item		Cumulative Amount of Fair Value Basis Adjustment Gain (Loss)	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(Dollars in thousands)			
Fixed maturities, available for sale:				
Current hedging relationships	\$ —	\$ 389,060	\$ —	\$ (39,128)
Discontinued hedging relationships	1,261,509	1,594,736	(62,385)	(94,681)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following represents a summary of the gains (losses) related to the derivatives and hedged items that qualify for fair value hedge accounting:

	<u>Derivative</u>	<u>Hedged Item</u>	<u>Net</u>	<u>Amount Excluded: Recognized in Income Immediately</u>
	(Dollars in thousands)			
For the year ended December 31, 2023				
Interest rate swaps	\$ 5,856	\$ 3,240	\$ 9,096	\$ —
For the year ended December 31, 2022				
Interest rate swaps	\$ 215,587	\$ (249,168)	\$ (33,581)	\$ 13,957
For the year ended December 31, 2021				
Interest rate swaps	\$ —	\$ —	\$ —	\$ —

Derivatives Not Designated as Hedging Instruments

We have fixed index annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index. When fixed index annuity deposits are received, a portion of the deposit is used to purchase derivatives consisting of call options on the applicable market indices to fund the index credits due to fixed index annuity policyholders. Substantially all such call options are one year options purchased to match the funding requirements of the underlying policies. The call options are marked to fair value with the change in fair value included as a component of revenues. The change in fair value of derivatives includes the gains or losses recognized at the expiration of the option term and the changes in fair value for open positions. On the respective anniversary dates of the index policies, the index used to compute the index credit is reset and we purchase new call options to fund the next index credit. We manage the cost of these purchases through the terms of our fixed index annuities, which permit us to change caps, participation rates, and/or asset fees, subject to guaranteed minimums on each policy's anniversary date. By adjusting caps, participation rates, or asset fees, we can generally manage option costs except in cases where the contractual features would prevent further modifications.

The changes in fair value of derivatives not designated as hedging instruments included in the Consolidated Statements of Operations are as follows:

	Year Ended December 31,		
	2023	2022	2020
	(Dollars in thousands)		
Change in fair value of derivatives:			
Call options	\$ 248,744	\$ (1,118,768)	\$ 1,347,925
Warrants	1,206	264	810
Interest rate swaps	—	13,957	—
	<u>\$ 249,950</u>	<u>\$ (1,104,547)</u>	<u>\$ 1,348,735</u>
Change in fair value of embedded derivatives:			
Fixed index annuities - embedded derivatives	\$ 958,488	\$ (1,913,096)	\$ (355,940)
Reinsurance related embedded derivative	185,088	(439,502)	(2,362)
	<u>\$ 1,143,576</u>	<u>\$ (2,352,598)</u>	<u>\$ (358,302)</u>

Derivative Exposure

We attempt to mitigate potential risk of loss due to the nonperformance of the counterparties through a regular monitoring process which evaluates the program's effectiveness. We do not purchase derivative instruments that would require payment or collateral to another institution and our derivative instruments do not contain counterparty credit-risk-related contingent features. We are exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, we purchase our derivative instruments from multiple counterparties and evaluate the creditworthiness of all counterparties prior to purchase of the contracts. All non-exchange traded derivative instruments have been purchased from nationally recognized financial institutions with a Standard and Poor's credit rating of A- or higher at the time of purchase and the maximum credit exposure to any single counterparty is subject to concentration limits. Both our call options and interest rate swaps fall under the same credit support agreements with each counterparty that allow us to request the counterparty to provide collateral to us when the fair value of our exposure to the counterparty exceeds specified amounts.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The notional amount and fair value of our call options and interest rate swaps by counterparty and each counterparty's current credit rating are as follows:

Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	December 31,			
			2023		2022	
			Notional Amount	Fair Value	Notional Amount	Fair Value
			(Dollars in thousands)			
Bank of America	A+	Aa1	\$ 5,090,138	\$ 101,863	\$ 3,574,125	\$ 26,080
Barclays	A+	A1	1,787,748	60,495	3,686,896	39,657
Canadian Imperial Bank of Commerce	A+	Aa2	1,438,835	48,660	2,707,734	34,218
Citibank, N.A.	A+	Aa3	3,042,872	61,580	3,748,162	29,873
Credit Suisse	A+	A3	378,613	7,130	2,086,470	20,691
Goldman Sachs	A+	A1	250,609	2,958	—	—
J.P. Morgan	A+	Aa2	4,389,528	91,162	6,501,103	69,006
Mizuho	A	A1	10,450,652	358,820	—	—
Morgan Stanley	A+	Aa3	1,459,836	30,590	2,957,389	38,470
Royal Bank of Canada	AA-	A1	3,752,133	138,639	4,378,132	58,026
Societe Generale	A	A1	3,048,268	86,041	2,099,081	17,157
Truist	A	A2	1,500,167	50,502	1,960,787	32,885
UBS AG	A+	Aa3	1,954,997	51,108	—	—
Wells Fargo	A+	Aa2	2,998,787	117,626	5,436,824	61,840
Exchange traded			4,548	114	199,200	2,655
			\$ 41,547,731	\$ 1,207,288	\$ 39,335,903	\$ 430,558

As of December 31, 2023 and 2022, we held \$1.2 billion and \$0.4 billion, respectively, of cash and cash equivalents and other investments from counterparties for derivative collateral, which is included in Other liabilities on our Consolidated Balance Sheets. This derivative collateral limits the maximum amount of economic loss due to credit risk that we would incur if the counterparties failed completely to perform according to the terms of the contracts to \$3.5 million and \$3.3 million at December 31, 2023 and 2022, respectively.

The future index credits on our fixed index annuities are treated as a "series of embedded derivatives" over the expected life of the applicable contract. We do not purchase call options to fund the index liabilities which may arise after the next policy anniversary date. We must value both the call options and the related forward embedded options in the policies at fair value.

We cede certain fixed index annuity product liabilities to third party reinsurers on a modified coinsurance basis which results in an embedded derivative. The obligation to pay the total return on the assets supporting liabilities associated with this reinsurance agreement represents a total return swap. The fair value of the total return swap is based on the unrealized gains and losses of the underlying assets held in the modified coinsurance portfolio. The reinsurance related embedded derivative is reported in Funds withheld for reinsurance liabilities on the Consolidated Balance Sheets and the change in the fair value of the embedded derivative is reported in Change in fair value of embedded derivatives on the Consolidated Statements of Operations. See *Note 9 - Reinsurance and Policy Provisions* for further discussion on these reinsurance agreements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Deferred Policy Acquisition Costs and Deferred Sales Inducements

Deferred Policy Acquisition Costs

The following tables present the balances and changes in deferred policy acquisition costs:

December 31, 2023				
	Fixed Index Annuities	Fixed Rate Annuities	Single Premium Immediate Annuities	Total
(Dollars in thousands)				
Balance, beginning of year	\$ 2,649,322	\$ 120,105	\$ 4,216	\$ 2,773,643
Capitalizations	557,749	18,536	52	576,337
Amortization expense	(249,607)	(29,454)	(639)	(279,700)
Balance, end of year	<u>\$ 2,957,464</u>	<u>\$ 109,187</u>	<u>\$ 3,629</u>	<u>\$ 3,070,280</u>

December 31, 2022				
	Fixed Index Annuities	Fixed Rate Annuities	Single Premium Immediate Annuities	Total
(Dollars in thousands)				
Balance, beginning of year	\$ 2,906,684	\$ 151,322	\$ 4,198	\$ 3,062,204
Write-off related to in-force ceded reinsurance	(196,417)	(7,209)	—	(203,626)
Capitalizations	193,989	4,424	663	199,076
Amortization expense	(254,934)	(28,432)	(645)	(284,011)
Balance, end of year	<u>\$ 2,649,322</u>	<u>\$ 120,105</u>	<u>\$ 4,216</u>	<u>\$ 2,773,643</u>

Deferred Sales Inducements

The following tables present the balances and changes in deferred sales inducements:

December 31, 2023			
	Fixed Index Annuities	Fixed Rate Annuities	Total
(Dollars in thousands)			
Balance, beginning of year	\$ 2,017,960	\$ 27,723	\$ 2,045,683
Capitalizations	513,726	67	513,793
Amortization expense	(189,200)	(3,052)	(192,252)
Balance, end of year	<u>\$ 2,342,486</u>	<u>\$ 24,738</u>	<u>\$ 2,367,224</u>

December 31, 2022			
	Fixed Index Annuities	Fixed Rate Annuities	Total
(Dollars in thousands)			
Balance, beginning of year	\$ 2,088,591	\$ 31,371	\$ 2,119,962
Capitalizations	107,684	7	107,691
Amortization expense	(178,315)	(3,655)	(181,970)
Balance, end of year	<u>\$ 2,017,960</u>	<u>\$ 27,723</u>	<u>\$ 2,045,683</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Policyholder Liabilities

Liability for Future Policy Benefits

The liability for future policy benefits consists only of the liability associated with single premium immediate annuities (SPIA) with life contingencies. As this business has no future expected premiums, the rollforward presented below is the present value of expected future benefits. The balances of and changes in the liability for future policy benefits for the years ended December 31, 2023 and 2022 is as follows:

	Present Value of Expected Future Policy Benefits	
	December 31,	
	2023	2022
	(Dollars in thousands)	
Balance, beginning of year	\$ 318,677	\$ 402,305
Beginning balance at original discount rate	342,453	352,708
Effect of changes in cash flow assumptions	(4,607)	1,277
Effect of actual variances from expected experience	(1,887)	(1,941)
Adjusted beginning of year balance	335,959	352,044
Issuances	6,945	16,072
Interest accrual	13,710	14,664
Derecognition (lapses and benefit payments)	(38,980)	(40,327)
Ending balance at original discount rate	317,634	342,453
Effect of changes in discount rate assumptions	(14,434)	(23,776)
Balance, end of year	\$ 303,200	\$ 318,677

The reconciliation of the net liability for future policy benefits to the liability for future policy benefits included in policy benefit reserves in the Consolidated Balance Sheets is as follows:

	December 31,	
	2023	2022
	(Dollars in thousands)	
Liability for future policy benefits	\$ 303,200	\$ 318,677
Deferred profit liability	22,455	19,223
Liability for future policy benefits included in policy benefit reserves	325,655	337,900
Less: Reinsurance recoverable	(2,496)	(1,259)
Net liability for future policy benefits, after reinsurance recoverable	\$ 323,159	\$ 336,641

The weighted-average liability duration of the liability for future policy benefits is as follows:

	December 31,	
	2023	2022
SPIA With Life Contingency:		
Weighted-average liability duration of the liability for future policy benefits (years)	6.56	6.78

The following table presents the amount of undiscounted expected future benefit payments and expected gross premiums:

	December 31,	
	2023	2022
	(Dollars in thousands)	
SPIA With Life Contingency:		
Expected future benefit payments	\$ 447,669	\$ 467,627
Expected future gross premiums	—	—

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amount of revenue and interest associated with the liability for future policy benefits recognized in the Consolidated Statement of Operations for the years ended December 31, 2023 and 2022 is as follows:

	December 31, 2023		December 31, 2022	
	Gross Premiums or Assessments	Interest Expense	Gross Premiums or Assessments	Interest Expense
	(Dollars in thousands)			
SPIA With Life Contingency	\$ 7,608	\$ 13,626	\$ 16,994	\$ 14,613
Total	\$ 7,608	\$ 13,626	\$ 16,994	\$ 14,613

The weighted-average interest rate is as follows:

	December 31,	
	2023	2022
Interest accretion rate	4.26 %	4.25 %
Current discount rate	5.00 %	5.37 %

Market Risk Benefits

The balances of and changes in the net market risk benefit (MRB) assets and liabilities for the years ended December 31, 2023 and 2022 is as follows:

	December 31, 2023		December 31, 2022	
	Fixed Rate Annuities	Fixed Index Annuities	Fixed Rate Annuities	Fixed Index Annuities
	(Dollars in thousands)			
Balance, beginning of year	\$ 37,863	\$ 2,187,758	\$ 78,411	\$ 2,557,378
Balance, beginning of year, before effect of changes in the instrument-specific credit risk	44,355	2,453,169	77,731	2,310,437
Issuances	32	289,939	376	59,452
Interest accrual	3,139	155,512	1,349	72,551
Attributed fees collected	1,216	128,437	1,270	125,168
Benefits payments	—	—	—	—
Effect of changes in interest rates	(380)	(126,255)	(19,421)	(952,265)
Effect of changes in equity markets	—	(48,164)	—	186,618
Effect of changes in equity index volatility	—	(77,023)	—	241,563
Effect of changes in future expected policyholder behavior	(1,509)	(11,582)	602	46,567
Effect of changes in other future expected assumptions	16,720	(219,094)	(17,552)	363,078
Balance, end of year, before effect of changes in the instrument-specific credit	63,573	2,544,939	44,355	2,453,169
Effect of changes in the instrument-specific credit risk	(3,386)	61,734	(6,492)	(265,411)
Balance, end of year	60,187	2,606,673	37,863	2,187,758
Reinsured MRB, end of period	18,391	640,826	10,656	593,959
Balance, end of period, net of reinsurance	\$ 41,796	\$ 1,965,847	\$ 27,207	\$ 1,593,799
Net amount at risk (a)	\$ 266,438	\$ 11,721,734	\$ 258,826	\$ 10,987,198
Weighted average attained age of contract holders (years)	70	71	69	71

(a) Net amount at risk is defined as the current guarantee amount in excess of the current account balance.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of market risk benefits by amounts in an asset position and in a liability position to market risk benefit amounts included in Market risk benefit asset and Market risk benefit reserves, respectively, in the Consolidated Balance Sheets:

	December 31, 2023		
	Asset	Liability	Net Liability
	(Dollars in thousands)		
Fixed Index Annuities	\$ 477,306	\$ 3,083,979	\$ 2,606,673
Fixed Rate Annuities	2,388	62,575	60,187
Total	\$ 479,694	\$ 3,146,554	\$ 2,666,860

	December 31, 2022		
	Asset	Liability	Net Liability
	(Dollars in thousands)		
Fixed Index Annuities	\$ 226,294	\$ 2,414,052	\$ 2,187,758
Fixed Rate Annuities	3,577	41,440	37,863
Total	\$ 229,871	\$ 2,455,492	\$ 2,225,621

Reinsured Market Risk Benefits

The following table presents the balances and changes in reinsured market risk benefit assets and liabilities associated with fixed index annuities for the years ended December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Fixed Rate Annuities	Fixed Index Annuities	Fixed Rate Annuities	Fixed Index Annuities
	(Dollars in thousands)			
Balance, beginning of year	\$ 10,656	\$ 593,959	\$ —	\$ 156,931
Write-off related to in-force ceded reinsurance	—	—	10,091	334,835
Issuances	—	146,898	—	36,036
Interest accrual	775	33,503	104	7,598
Attributed fees collected	67	32,036	28	23,745
Benefits payments	—	—	—	—
Effect of changes in interest rates	1,407	14,700	135	(171,948)
Effect of changes in equity markets	—	(22,775)	118	43,799
Effect of changes in equity index volatility	—	(18,656)	—	34,278
Effect of changes in future expected policyholder behavior	(128)	5,855	180	12,598
Effect of changes in other future expected assumptions	5,614	(144,694)	—	116,087
Balance, end of year	\$ 18,391	\$ 640,826	\$ 10,656	\$ 593,959

Net amount at risk (a)	\$ 75,281	\$ 2,853,318	\$ 72,350	\$ 2,402,964
Weighted average attained age of contract holders (years)	70	70	70	71

(a) Net amount at risk is defined as the current guarantee amount in excess of the current account balance.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of reinsurance market risk benefits by amounts in an asset position and in liability position to market risk benefit amounts included in Coinsurance deposits and Other liabilities, respectively, in the Consolidated Balance Sheets:

	December 31, 2023		
	Asset	Liability	Net Asset
	(Dollars in thousands)		
Fixed Index Annuities	\$ 820,006	\$ 179,180	\$ 640,826
Fixed Rate Annuities	18,628	237	18,391
Total	\$ 838,634	\$ 179,417	\$ 659,217

	December 31, 2022		
	Asset	Liability	Net Asset
	(Dollars in thousands)		
Fixed Index Annuities	\$ 629,611	\$ 35,652	\$ 593,959
Fixed Rate Annuities	11,070	414	10,656
Total	\$ 640,681	\$ 36,066	\$ 604,615

Significant Inputs for Fair Value Measurement - Market Risk Benefits

The following tables provides a summary of the significant inputs and assumptions used in the fair value measurements of market risk benefits:

December 31, 2023					
Fair Value	Valuation Technique	Significant Inputs and Assumptions	Range	Weighted Average	
(in thousands)					
Market risk benefits	\$ 2,666,860	Discounted cash flow	Utilization (a)	0.04% - 47.37%	6.55%
Ceded market risk benefits	659,217		Option budget (b)	1.85% - 2.75%	2.29%
			Risk-free interest rate (c)	2.98% - 4.76%	3.35%
			Nonperformance risk (d)	0.53% - 2.66%	1.98%
			Mortality (e)	0.01% - 46.00%	3.97%
			Lapse (f)	0.25% - 40.00%	3.70%

December 31, 2022					
Fair Value	Valuation Technique	Significant Inputs and Assumptions	Range	Weighted Average	
(in thousands)					
Market risk benefits	\$ 2,225,621	Discounted cash flow	Utilization (a)	0.04% - 78.75%	4.24%
Ceded market risk benefits	604,615		Option budget (b)	1.65% - 2.50%	2.31%
			Risk-free interest rate (c)	2.51% - 4.90%	3.31%
			Nonperformance risk (d)	0.06% - 3.27%	2.59%
			Mortality (e)	0.01% - 44.00%	3.44%
			Lapse (f)	0.25% - 40.00%	3.65%

- (a) The utilization assumption represents the percentage of policyholders who will elect to receive lifetime income benefit payments in a given year. The range and weighted average of this assumption can vary from year to year depending on the characteristics of policies in a given cohort within the range. A decrease (increase) in the utilization assumption used in the fair value of market risk benefits could lead to favorable (unfavorable) changes in the market risk benefits.
- (b) The option budget assumption represents the expected cost of annual call options we will purchases in the future. An increase (decrease) in the option budget assumption used in the fair value of market risk benefits could lead to favorable (unfavorable) changes in the market risk benefits.
- (c) The risk-free interest rate assumption impacts the discount rate used in the discounted future cash flow valuation. An increase (decrease) in the risk-free interest rate assumption used in the fair value of market risk benefits could lead to favorable (unfavorable) changes in the market risk benefits.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (d) The nonperformance risk assumption impacts the discount rate used in the discounted future cash flow valuation and includes our own credit risk based on the current market credit spreads for debt-like instruments we have issued and are available in the market. Additionally, the nonperformance risk assumption includes the counterparty credit risk used in the fair value measurement of ceded market risk benefits which is determined using the current market credit spreads based on the counterparty credit rating. An increase (decrease) in the nonperformance risk assumption for own credit risk used in the fair value of market risk benefits could lead to favorable (unfavorable) changes in the market risk benefits. An decrease (increase) in the nonperformance risk assumption for counterparty credit risk used in the fair value of ceded market risk benefits could lead to favorable (unfavorable) changes in the ceded market risk benefits.
- (e) The mortality rate assumptions are set based on a combination of company and industry experience, adjusted for improvement factors. Mortality rates vary by age and by demographic characteristics such as gender. An increase (decrease) in the mortality rate assumptions used in the fair value of market risk benefits could lead to favorable (unfavorable) changes in the market risk benefits.
- (f) The lapse rate assumptions represent the expected rate of full surrenders which are set based on product type or feature and whether a policy is subject to surrender charges. An increase (decrease) in lapse rate assumptions used in the fair value of market risk benefits could lead to favorable (unfavorable) changes in the market risk benefits.

During the year ended December 31, 2023, the Company made the following notable changes to significant inputs and assumptions resulting in changes in the fair value measurement of market risk benefits:

- Utilization assumptions were increased resulting in an increase to the market risk benefits liability and a decrease to net income.
- Option budget assumptions were changed to increase the near term assumption and decrease the long-term assumption. There was no change to the grading of these assumptions. The net impact of these changes resulted in an increase in the market risk benefits and a decrease to net income.
- Mortality assumptions were increased resulting in a decrease to the market risk benefits liability and an increase to net income.
- Lapse assumptions were increased resulting in a decrease to the market risk benefits liability and an increase to net income.

During the year ended December 31, 2022, the Company made the following notable changes to significant inputs and assumptions resulting in changes in the fair value measurement and market risk benefits:

- Utilization assumptions were increased resulting in an increase to the market risk benefits liability and a decrease to net income.
- Option budget assumptions were increased resulting in a decrease to the market risk benefits liability and an increase to net income.
- Mortality assumptions were decreased resulting in an increase to the market risk benefits liability and a decrease to net income.
- Lapse assumptions were increased resulting in a decrease to the market risk benefits liability and an increase to net income.

Policyholder Account Balances

The following table presents the balances and changes in policyholders' account balances:

	December 31, 2023		December 31, 2022	
	Fixed Rate Annuities	Fixed Index Annuities	Fixed Rate Annuities	Fixed Index Annuities
	(Dollars in thousands)			
Balance, beginning of year	\$ 6,589,577	\$ 53,826,234	\$ 6,860,060	\$ 55,003,305
Issuances	840,022	7,555,709	159,570	3,001,738
Premiums received	12,472	152,532	4,811	170,493
Policy charges	(3,428)	(217,523)	(6,587)	(272,604)
Surrenders and withdrawals	(1,668,966)	(6,122,084)	(574,590)	(3,945,504)
Benefit payments	(13,085)	(836,507)	(11,328)	(727,847)
Interest credited	163,918	1,096,493	151,762	599,259
Other	(6,545)	(882)	5,879	(2,606)
Balance, end of year	<u>\$ 5,913,965</u>	<u>\$ 55,453,972</u>	<u>\$ 6,589,577</u>	<u>\$ 53,826,234</u>
Weighted-average crediting rate	2.66 %	2.03 %	2.28 %	1.11 %
Net amount at risk (a)	\$ 266,438	\$ 11,721,734	\$ 258,826	\$ 10,987,198
Cash surrender value	5,571,171	50,983,033	6,208,597	49,551,657

- (a) Net amount at risk is defined as the current guarantee amount in excess of the current account balance.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the reconciliation of policyholders' account balances to policy benefit reserves in the Consolidated Balance Sheets:

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Fixed index annuities policyholder account balances	\$ 55,453,972	\$ 53,826,234
Fixed rate annuities policyholder account balances	5,913,965	6,589,577
Embedded derivative adjustment (b)	(818,754)	(1,996,640)
Liability for future policy benefits	303,200	318,677
Deferred profit liability	22,455	19,223
Other	26,803	24,765
Total	\$ 60,901,641	\$ 58,781,836

(b) The embedded derivative adjustment reconciles the account balance to the gross GAAP liability and represents the combination of the host contract and the fair value of the embedded derivatives.

The following table presents the balance of account values by range of guaranteed minimum crediting rates and the related range of the difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums:

December 31, 2023						
	Range of guaranteed minimum crediting rate	At guaranteed minimum	1 to 50	51 to 150	Greater than 150 basis points above	Total
	(Dollars in thousands)					
Fixed Index Annuities	0.00% - 0.50%	\$ —	\$ 1,032,438	\$ 466,789	\$ 1,012,155	\$ 2,511,382
	0.50% - 1.00%	2,276,625	1,008,139	1,995,206	131,412	5,411,382
	1.00% - 1.50%	43,029	8,190	—	—	51,219
	1.50% - 2.00%	50	—	—	—	50
	2.00% - 2.50%	121,921	68,698	8	—	190,627
	2.50% - 3.00%	759,353	—	—	—	759,353
	Greater than 3.00%	—	—	—	—	—
	Allocated to index strategies					46,529,959
Total		\$ 3,200,978	\$ 2,117,465	\$ 2,462,003	\$ 1,143,567	\$ 55,453,972
Fixed Rate Annuities	0.00% - 0.50%	\$ 53	\$ —	\$ —	\$ —	\$ 53
	0.50% - 1.00%	51,581	172,470	2,813,380	1,417,915	4,455,346
	1.00% - 1.50%	430,052	237	—	—	430,289
	1.50% - 2.00%	352,184	29,378	224,846	217	606,625
	2.00% - 2.50%	18,714	23	—	—	18,737
	2.50% - 3.00%	349,890	6,783	—	—	356,673
	Greater than 3.00%	46,242	—	—	—	46,242
Total		\$ 1,248,716	\$ 208,891	\$ 3,038,226	\$ 1,418,132	\$ 5,913,965

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2022

	Range of guaranteed minimum crediting rate	At guaranteed minimum	1 to 50	51 to 150	Greater than 150 basis points above	Total
			(Dollars in thousands)			
Fixed Index Annuities	0.00% - 0.50%	\$ —	\$ 462,356	\$ 407,426	\$ 314,929	\$ 1,184,711
	0.50% - 1.00%	2,421,795	1,098,332	2,258,992	77,901	5,857,020
	1.00% - 1.50%	51,586	9,391	—	—	60,977
	1.50% - 2.00%	57	—	—	—	57
	2.00% - 2.50%	133,059	100,205	8	—	233,272
	2.50% - 3.00%	939,684	—	—	—	939,684
	Greater than 3.00%	—	—	—	—	—
	Allocated to index strategies					45,550,513
Total		\$ 3,546,181	\$ 1,670,284	\$ 2,666,426	\$ 392,830	\$ 53,826,234
Fixed Rate Annuities	0.00% - 0.50%	\$ 61	\$ —	\$ —	\$ —	\$ 61
	0.50% - 1.00%	55,458	203,523	4,000,203	701,836	4,961,020
	1.00% - 1.50%	454,728	231	—	—	454,959
	1.50% - 2.00%	281,694	96,767	277,053	189	655,703
	2.00% - 2.50%	21,887	22	—	—	21,909
	2.50% - 3.00%	434,042	7,417	—	—	441,459
	Greater than 3.00%	54,466	—	—	—	54,466
Total		\$ 1,302,336	\$ 307,960	\$ 4,277,256	\$ 702,025	\$ 6,589,577

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Reinsurance and Policy Provisions*Coinurance*

We have two coinsurance agreements with EquiTrust Life Insurance Company ("EquiTrust"), covering 70% of certain of American Equity Life's fixed index and fixed rate annuities issued from August 1, 2001 through December 31, 2001, 40% of those contracts issued during 2002 and 2003, and 20% of those contracts issued from January 1, 2004 to July 31, 2004. The business reinsured under these agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to EquiTrust under these agreements) were \$275.1 million and \$323.7 million at December 31, 2023 and 2022, respectively. We remain liable to policyholders with respect to the policy liabilities ceded to EquiTrust should EquiTrust fail to meet the obligations it has reinsured. The balance due from or due to EquiTrust under these agreements was a \$0.6 million receivable and \$0.8 million receivable at December 31, 2023 and 2022, respectively, and represents the net option activity (costs reimbursed less settlements passed through to reinsurer) held by us to fund index credits related to the ceded business net of cash due to or from EquiTrust related to monthly settlements of policy activity and other expenses.

We have three coinsurance agreements with Athene Life Re Ltd. ("Athene"), an unauthorized life reinsurer domiciled in Bermuda. One agreement ceded 20% of certain of American Equity Life's fixed index annuities issued from January 1, 2009 through March 31, 2010. The second agreement ceded 80% of American Equity Life's multi-year rate guaranteed annuities issued from July 1, 2009 through December 31, 2013 and 80% of Eagle Life's multi-year rate guaranteed annuities issued from November 20, 2013 through December 31, 2013. The third agreement ceded 80% of certain of American Equity Life's and Eagle Life's multi-year rate guaranteed annuities issued on or after January 1, 2014 through December 31, 2020, 80% of Eagle Life's fixed index annuities issued prior to January 1, 2017, 50% of certain of Eagle Life's fixed index annuities issued from January 1, 2017 through December 31, 2018, 20% of certain of Eagle Life's fixed index annuities issued on or after January 1, 2019 through December 31, 2020 and 80% of certain of American Equity Life's fixed index annuities issued from August 1, 2016 through December 31, 2016. Effective January 1, 2021, no new business is being ceded to Athene. The business reinsured under any of the Athene agreements may not be recaptured. Coinsurance deposits (aggregate policy benefit reserves transferred to Athene under these agreements) were \$2.2 billion and \$3.1 billion at December 31, 2023 and 2022, respectively. American Equity Life is an intermediary for reinsurance of Eagle Life's business ceded to Athene. American Equity Life and Eagle Life remain liable to policyholders with respect to the policy liabilities ceded to Athene should Athene fail to meet the obligations it has reinsured. The annuity deposits that have been ceded to Athene are secured by assets held in trusts and American Equity Life is the sole beneficiary of the trusts. The assets in the trusts are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the trust accounts would ever be less than the amount of the ceded policy benefit liabilities on a statutory basis, Athene is required to either establish a letter of credit or deposit securities in the trusts for the amount of any shortfall. The balance due under these agreements to Athene was \$3.7 million and \$16.9 million at December 31, 2023 and 2022, respectively, and represents the net option activity (costs reimbursed less settlements passed through to reinsurer) held by us to fund index credits related to the ceded business net of cash due from Athene related to monthly settlements of policy activity.

Effective July 1, 2021 American Equity Life entered into a reinsurance agreement with North End Re (the "North End Re reinsurance treaty"), a wholly-owned subsidiary of Brookfield Asset Management Reinsurance Partners Ltd. ("Brookfield Reinsurance" or "Brookfield") to reinsure approximately \$4.4 billion of in-force fixed indexed annuity product liabilities as of the effective date of the reinsurance agreement, 70% on a modified coinsurance ("modco") basis and 30% on a coinsurance basis. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the "trusts"). The liabilities reinsured on a modco basis are secured by a segregated modco account in which the assets are maintained by American Equity Life. American Equity Life transferred cash of \$2.6 billion to the segregated modco account and \$1.1 billion to the statutory trust at close of this reinsurance agreement on October 8, 2021. American Equity Life will receive an annual ceding commission equal to 49 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six to seven years. The initial net present value of the ceding commission related to the in-force business was \$114.1 million.

As part of the North End Re reinsurance treaty, American Equity Life is also ceding 75% of certain fixed index annuities issued after the effective date of the agreement, 70% on a modco basis and 30% on a coinsurance basis to North End Re. Effective July 1, 2022, the North End Re reinsurance treaty was amended to include additional fixed index annuity products. As part of this amendment, 75% of an additional block of in-force fixed indexed annuity product liabilities issued after July 1, 2021 was ceded, 70% on a modco basis and 30% on a coinsurance basis. On sales subsequent to the effective date of the North End Re reinsurance treaty, American Equity Life will receive an annual ceding commission equal to 140 basis points and the Company will receive an annual asset liability management fee equal to 30 basis points calculated based on the initial cash surrender value of liabilities ceded. Such fees are fixed and contractually guaranteed for six to seven years. The net present value of the ceding commission related to the flow business ceded in 2023, 2022, and 2021 was \$123.6 million, \$67.7 million and \$27.1 million, respectively. The asset liability management fee recognized in Other revenue in 2023, 2022, and 2021 was \$16.8 million, \$12.7 million and \$5.5 million, respectively.

In addition, American Equity Life will receive certain acquisition cost reimbursements and an on-going annual expense reimbursement on each policy subject to the reinsurance agreement for the entirety of the policy duration. Acquisition cost reimbursements will reduce policy acquisition costs deferred.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective as of October 1, 2023, North End Re and American Equity Life agreed to reduce the quota share of all newly issued flow policies to zero. North End Re and American Equity Life may agree to reinstate the flow arrangement by increasing the quota share back to 75% at any time in the future.

As a result of the North End Re reinsurance treaty, there is a deferred gain of \$776.3 million and \$480.5 million which is recorded in Other liabilities as of December 31, 2023 and 2022, respectively. This deferred gain represents the unamortized portion of the cost of reinsurance related to the in-force business and new business which will be amortized over the life of the underlying reinsured policies. The deferred gain consists primarily of the difference between liabilities ceded and assets transferred as part of the reinsurance agreement and the present value of the ceding commissions previously noted offset by a reduction in deferred policy acquisition costs associated with the the in-force business ceded. The amortization of the deferred gain recognized in Other revenue in 2023 and 2022 was \$38.5 million and \$24.2 million, respectively.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to North End Re should North End Re fail to meet the obligations it has reinsured.

The assets in the trusts and modco account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and modco account are subject to investment management agreements between American Equity Life and Brookfield Asset Management Reinsurance Advisor LLC, a Delaware Corporation, which is North End Re's affiliate. The assets in the modco account earned net investment income of \$259.5 million, \$95.4 million, and \$11.4 million during 2023, 2022, and 2021 respectively, which are reflected within the Net investment income line in the Consolidated Statements of Operations and presented net of amounts earned for the benefit of the reinsurer.

As of December 31, 2023 and 2022, coinsurance deposits (aggregate policy benefits reserves transferred to North End Re under these agreements) were \$7.5 billion and \$5.8 billion, respectively. The balance receivable under these agreements from North End Re was \$32.4 million at December 31, 2023 and balance due to North End Re was \$124.2 million at December 31, 2022 which are recorded in Other assets and Other liabilities, respectively.

Separate from the reinsurance transaction, Brookfield Reinsurance, has an approximate 20.1% interest in the Company's outstanding common stock as of December 31, 2023. See *Note 16 - Earnings Per Common Share and Stockholders' Equity* for further discussion of Brookfield's ownership.

Effective October 1, 2022 American Equity Life entered into a reinsurance agreement with an unaffiliated reinsurer AeBe ISA LTD ("AeBe"), a Bermuda exempted company affiliated with 26North Holdings LP ("26North"), that is an incorporated segregated account licensed as a Class E reinsurer. Under the agreement, American Equity Life ceded \$4.2 billion of certain in-force fixed indexed and fixed rate annuity product liabilities as of October 3, 2022, the effective date of the reinsurance agreement, 75% on a funds withheld coinsurance basis and 25% on a coinsurance basis. Effective February 8, 2023, AeBe and American Equity Life commenced reinsuring flow business of certain single premium fixed deferred annuities, subject to an annual limit. The liabilities reinsured on a coinsurance basis are secured by assets held in both a statutory and supplemental trust (collectively referred to as the "trusts"). The liabilities reinsured on a funds withheld basis are secured by a segregated funds withheld account in which the assets are maintained by American Equity Life. American Equity Life transferred cash and investments with a fair value of \$3.0 billion to the segregated funds withheld account and \$1.0 billion to the statutory trust at close of this reinsurance agreement on October 3, 2022. At the close of the reinsurance agreement, American Equity Life received a closing ceding commission of \$70.0 million. American Equity Life will also receive certain acquisition cost reimbursements and an on-going annual expense reimbursement on each policy subject to the reinsurance agreement for the entirety of the policy duration.

As a result of the AeBe reinsurance treaty, there is a deferred gain of \$61.1 million and \$51.6 million which is recorded in Other liabilities as of December 31, 2023 and 2022, respectively. This deferred gain represents the unamortized portion of the cost of reinsurance related to the in-force business which will be amortized over the life of the underlying reinsured policies. The deferred gain consists primarily of the difference between liabilities ceded and assets transferred as part of the reinsurance agreement and the closing ceding commission previously noted offset by a reduction in deferred policy acquisition costs associated with the in-force business ceded. The amortization of the deferred gain recognized in Other revenue in 2023 and 2022 were \$6.5 million and \$1.1 million, respectively.

American Equity Life remains liable to policyholders with respect to the policy liabilities ceded to AeBe should AeBe fail to meet the obligations it has reinsured.

The assets in the trusts and funds withheld account are required to remain at a value that is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. The assets in the trusts and funds withheld account are subject to investment management agreements between American Equity Life and 26North. The assets in the funds withheld account earned net investment income of \$176.2 million and \$42.3 million during 2023 and 2022, respectively which is reflected within the Net investment income line in the Consolidated Statements of Operations and presented net of amounts earned for the benefit of the reinsurer.

As of December 31, 2023 and 2022 coinsurance deposits (aggregate policy benefits reserves transferred to AeBe under these agreements) were \$3.7 billion and \$4.1 billion, respectively. The balance receivable under these agreements from AeBe was \$41.6 million at December 31, 2023 and balance due to AeBe was \$38.0 million at December 31, 2022 which is recorded in Other assets and Other liabilities, respectively.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

American Equity Life will receive an annual ceding commission of up to 35 basis points for the life of the policies and the Company will receive an annual management services fee on a per policy basis that increases annually. The net present value of the ceding commission related to the flow business ceded in 2023 was \$4.6 million. The total management services fee recognized in Other revenue for both in-force and flow business in 2023 and 2022 was \$4.5 million and \$1.2 million, respectively.

Amounts ceded to EquiTrust, Athene, North End Re and AeBe under these agreements are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Consolidated Statements of Operations			
Annuity product charges	\$ 82,554	\$ 49,093	\$ 20,351
Change in fair value of derivatives	71,566	(184,388)	140,641
	<u>\$ 154,120</u>	<u>\$ (135,295)</u>	<u>\$ 160,992</u>
Interest sensitive and index product benefits	\$ 178,803	\$ 103,542	\$ 303,035
Market risk benefits (gains) losses	36,450	406,141	28,884
Change in fair value of embedded derivatives	34,310	81,907	(76,915)
Other operating costs and expenses	16,653	18,318	16,440
	<u>\$ 266,216</u>	<u>\$ 609,908</u>	<u>\$ 271,444</u>
Consolidated Statements of Cash Flows			
Annuity deposits	\$ (2,204,329)	\$ (982,176)	\$ (424,819)
Cash payments to policyholders	1,752,951	1,029,667	984,260
	<u>\$ (451,378)</u>	<u>\$ 47,491</u>	<u>\$ 559,441</u>

We calculate estimated losses on reinsurance recoverable balances by determining an expected loss ratio. The expected loss ratio is based on industry historical loss experience and expected recovery timing adjusted for certain current and forecasted environmental factors management believes to be relevant. Estimated losses related to our reinsurance recoverable balances were \$1.1 million and \$8.7 million as of December 31, 2023 and 2022, respectively.

We monitor concentration of reinsurance risk with third party reinsurers as well as financial strength ratings of our reinsurers.

Financing Arrangements

Effective April 1, 2019, we entered into a reinsurance agreement with Hannover Life Reassurance Company of America ("Hannover"), which was treated as reinsurance under statutory accounting practices and as a financing arrangement under GAAP. The statutory surplus benefit under this agreement was eliminated under GAAP and the associated charges were recorded as risk charges and included in Other operating costs and expenses in the Consolidated Statements of Operations. The 2019 Hannover Agreement was a coinsurance funds withheld reinsurance agreement for statutory purposes covering 80% of lifetime income benefit rider payments in excess of policy fund values and waived surrender charges related to penalty free withdrawals on certain business.

We paid a quarterly risk charge based on the pretax statutory benefit as of the end of each calendar quarter. Risk charges attributable to our 2019 agreement with Hannover were \$33.1 million during 2021. Effective October 1, 2021, we recaptured the 2019 Hannover agreement.

Intercompany Reinsurance Agreements

Effective October 1, 2021, American Equity Life entered into a reinsurance agreement with AEL Re Vermont, its wholly-owned captive reinsurance company, to cede a portion of lifetime income benefit rider payments in excess of policy fund values and additional collateral contributed by American Equity Life on a funds withheld basis (the "AEL Re Vermont Agreement"). In connection with the agreement, AEL Re Vermont entered into an excess of loss ("XOL") reinsurance agreement with Hannover to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the AEL Re Vermont Agreement after the funds withheld account balance is exhausted, subject to a limit. AEL Re Vermont is permitted to carry the Hannover XOL treaty as an admitted asset on the AEL Re Vermont statutory balance sheet. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP. AEL Re Vermont incurred risk charges of \$11.4 million, \$11.7 million, and \$2.8 million during the years ended December 31, 2023, 2022, and 2021 respectively, in relation to this XOL agreement with Hannover. The risk charges are included in Other operating costs and expenses in the Consolidated Statements of Operations.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective December 31, 2021, American Equity Life executed a coinsurance agreement with AEL Re Bermuda Ltd, an affiliated Bermuda reinsurer, wholly-owned by the Company, to reinsure a quota share of fixed index annuities issued from January 1, 1997 through December 31, 2007. The treaty is maintained on a funds withheld basis.

Effective October 1, 2023, American Equity Life entered into a reinsurance agreement with AEL Re Vermont II, its wholly-owned captive reinsurance company, to cede both in-force and ongoing flow of lifetime income benefit rider payments in excess of policy fund values and additional collateral contributed by American Equity Life on a funds withheld basis (the "VT II Agreement"). In connection with the agreement, AEL Re Vermont II entered into an excess of loss reinsurance agreement (the "Canada Life XOL treaty") with Canada Life to retrocede the lifetime income benefit rider payments in excess of the policy fund values ceded under the Vermont II Agreement after the funds withheld account balance is exhausted, subject to a limit. AEL Re Vermont II is permitted to carry the XOL treaty as an admitted asset on the AEL Re Vermont II statutory balance sheet. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP. AEL Re Vermont II incurred risk charges of \$0.9 million during the year ended December 31, 2023, in relation to this XOL agreement with Canada Life Reinsurance. The risk charges are included in Other operating costs and expenses in the Consolidated Statements of Operations.

All intercompany balances have been eliminated in the preparation of the accompanying financial statements.

10. Income Taxes

We file consolidated federal income tax returns that include all of our wholly-owned subsidiaries. Our income tax expense as presented in the consolidated financial statements is summarized as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Consolidated statements of operations:			
Current income taxes	\$ 16,998	\$ 20,209	\$ 332
Deferred income taxes	68,135	490,926	149,431
Total income tax expense included in consolidated statements of operations	85,133	511,135	149,763
Stockholders' equity:			
Expense (benefit) relating to:			
Changes in other comprehensive income	203,640	(1,843,635)	207,353
Total income tax expense included in consolidated financial statements	\$ 288,773	\$ (1,332,500)	\$ 357,116

Income tax expense in the consolidated statements of operations differed from the amount computed at the applicable statutory federal income tax rates of 21% for the years ended December 31, 2023, 2022, and 2021 as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
Income before income taxes	\$ 297,052	\$ 2,431,712	\$ 702,786
Income tax expense on income before income taxes	\$ 62,381	\$ 510,660	\$ 147,585
Tax effect of:			
State income taxes	2,570	2,564	5,239
Tax exempt net investment income	(632)	(4,065)	(4,715)
Non-deductible compensation	20,393	1,182	1,062
Other	421	794	592
Income tax expense	\$ 85,133	\$ 511,135	\$ 149,763
Effective tax rate	28.7 %	21.0 %	21.3 %

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income tax assets or liabilities are established for temporary differences between the financial reporting amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively, in future years. The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2023 and 2022, are as follows:

	December 31,	
	2023	2022
	(Dollars in thousands)	
Deferred income tax assets:		
Net unrealized losses on available for sale fixed maturity securities	\$ 788,236	\$ 1,063,441
Investment income items	425,940	—
Amounts due reinsurer	1,208,471	1,030,759
Other policyholder funds	—	358
Deferred compensation	1,521	3,866
Share-based compensation	2,828	422
Net operating loss carryforwards	106,502	50,913
Capital loss carryforwards	38,916	—
Other	15,835	71,417
Gross deferred tax assets	<u>2,588,249</u>	<u>2,221,176</u>
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	(1,095,569)	(976,103)
Derivative instruments	(217,220)	(145,785)
Policy benefit reserves	(1,114,394)	(612,454)
Investment income items	—	(28,778)
Other	(8,414)	(19,622)
Gross deferred tax liabilities	<u>(2,435,597)</u>	<u>(1,782,742)</u>
Net deferred income tax asset	<u>\$ 152,652</u>	<u>\$ 438,434</u>

Included in deferred income taxes is the expected income tax benefit attributable to unrealized losses on available for sale fixed maturity securities. There is no valuation allowance provided for the deferred income tax asset attributable to unrealized losses on available for sale fixed maturity securities. We have the intent and ability to hold these securities to maturity or recovery of value, whichever is sooner. Realization of our deferred income tax assets is more likely than not based on expectations as to our future taxable income and considering all other available evidence, both positive and negative. Therefore, no valuation allowance against deferred income tax assets has been established as of December 31, 2023 and 2022.

There were no material income tax contingencies requiring recognition in our consolidated financial statements as of December 31, 2023. Our tax returns are subject to audit by various federal, state and local tax authorities. The Company's income tax returns are subject to examination by the IRS and state tax authorities, generally for three years after they are due or filed, whichever is later. Tax years ended before December 31, 2019 are no longer open to examination by the IRS.

At December 31, 2023 and 2022, we had federal net operating losses of \$506.8 million and \$170.5 million, respectively, primarily related to a reinsurance transaction that occurred in 2023. The federal net operating losses are carried forward indefinitely. Additionally, at December 31, 2023 and 2022, we had \$185.3 million and \$45.7 million, respectively, of capital loss carryforwards for federal income tax purposes that can be carried forward for five years.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Notes and Loan Payable

Notes and loan payable includes the following:

	December 31,	
	2023	2022
	(Dollars in thousands)	
Senior notes due 2027		
Principal	\$ 500,000	\$ 500,000
Unamortized debt issue costs	(2,353)	(2,960)
Unamortized discount	(142)	(178)
Term loan due 2027		
Original Principal	300,000	300,000
Principal paydown	(11,250)	(3,750)
Unamortized debt issue costs	(812)	(1,039)
	<u>\$ 785,443</u>	<u>\$ 792,073</u>

On June 16, 2017, we issued \$500 million aggregate principal amount of senior unsecured notes due 2027 which bear interest at 5.0% per year and will mature on June 15, 2027 (the "2027 Notes"). The 2027 Notes were issued at a \$0.3 million discount, which is being amortized over the term of the 2027 Notes using the effective interest method. Contractual interest is payable semi-annually in arrears each June 15th and December 15th. The initial transaction fees and costs totaling \$5.8 million were capitalized as deferred financing costs and are being amortized over the term of the 2027 Notes using the effective interest method.

On February 15, 2022, we entered into a five-year, \$300 million unsecured delayed draw term loan credit agreement. On July 6, 2022, we borrowed \$300 million under this agreement. We will pay a floating rate of interest on the term loan utilizing SOFR adjusted for a credit spread. The term loan matures on February 15, 2027 and is amortizing at 2.5% annually for the first three years and 5.0% for the last two years.

12. Subordinated Debentures

Our wholly-owned subsidiary trust (which is not consolidated) has issued fixed rate and floating rate trust preferred securities and has used the proceeds from these offerings to purchase subordinated debentures from us. We also issued subordinated debentures to the trust in exchange for all of the common securities of the trust. The sole assets of the trust are the subordinated debentures and any interest accrued thereon. The interest payment dates on the subordinated debentures correspond to the distribution dates on the trust preferred securities issued by the trust. The trust preferred securities mature simultaneously with the subordinated debentures. Our obligations under the subordinated debentures and related agreements provide a full and unconditional guarantee of payments due under the trust preferred securities.

Following is a summary of subordinated debt obligations to the trusts at December 31, 2023 and 2022:

	December 31,		Interest Rate	Due Date
	2023	2022		
	(Dollars in thousands)			
American Equity Capital Trust II	<u>\$ 79,107</u>	<u>\$ 78,753</u>	5%	June 1, 2047

The principal amount of the subordinated debentures issued by us to American Equity Capital Trust II ("Trust II") is \$100.0 million. These debentures were assigned a fair value of \$74.7 million at the date of issue (based upon an effective yield-to-maturity of 6.8%). The difference between the fair value at the date of issue and the principal amount is being accreted over the life of the debentures. The trust preferred securities issued by Trust II were issued to Iowa Farm Bureau Federation, which owns a majority of FBL Financial Group, Inc. ("FBL"). The consideration received by Trust II in connection with the issuance of its trust preferred securities consisted of fixed income securities of equal value which were issued by FBL.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Retirement and Share-based Compensation Plans

We have adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of our full-time employees subject to minimum eligibility requirements. Employees can contribute a percentage of their annual salary (up to a maximum annual contribution of \$22,500 in 2023, \$20,500 in 2022 and \$19,500 in 2021) to the plan. We contribute an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were \$4.0 million, \$3.3 million and \$2.7 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table summarizes compensation expense recognized for employees and directors as a result of share-based compensation:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
ESOP	\$ 5,438	\$ 4,152	\$ 3,377
Employee Incentive Plans	39,234	14,454	22,886
Director Equity Plans	1,231	1,053	1,262
	<u>\$ 45,903</u>	<u>\$ 19,659</u>	<u>\$ 27,525</u>

ESOP

The principal purpose of the American Equity Investment Employee Stock Ownership Plan ("ESOP") is to provide each eligible employee with an equity interest in us. Employees become eligible once they have completed a minimum of six months of service. Employees become 100% vested after two years of service. Our contribution to the ESOP is determined by the Board of Directors.

Employee Incentive Plans

During 2023, the 2023 Equity Incentive Plan ("2023 Plan") was approved which authorized the issuance of up to 3,000,000 shares of our Common stock in the form of grants of options, stock appreciation rights, restricted stock units and restricted stock awards. The 2023 Plan allows for awards to be granted to employees and members of the Board of Directors of the Company. At December 31, 2023, we had 2,961,678 shares of common stock available for future grant under the 2023 Plan.

During 2020, the 2016 Employee Incentive Plan ("2016 Plan") was amended and renamed the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan ("Amended Plan"). The Amended Plan increased the number of shares of Common stock reserved for issuance by 3,000,000 shares to 5,500,000 shares of our Common stock which may be issued in the form of grants of options, stock appreciation rights, restricted stock awards and restricted stock units. In addition, the Amended Plan allows for awards to be granted to members of the Board of Directors of the Company. At December 31, 2023, we had no shares of common stock available for future grant under the Amended Plan.

We have a long-term performance incentive plan under which certain members of our management team are granted performance-based restricted stock units pursuant to the Amended Plan. During 2023, 2022 and 2021, we granted 267,175, 229,880 and 186,091 restricted stock units under these plans, respectively. Vesting is tied to threshold, target and maximum performance goals for the three year periods ending December 31, 2025, December 31, 2024, and December 31, 2023, respectively. Fifty percent of the restricted stock units will vest if we meet threshold goals, 100% of the restricted stock units will vest if we meet target performance goals and 200% of the restricted stock units will vest if we meet maximum performance goals. Compensation expense is recognized over the three year vesting period based on the likelihood of meeting threshold, target and maximum goals. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant. In December 2023, the 2021 performance-based restricted stock units for certain employees were settled in cash. The cash settlement was based on the number of units earned based on actual level of performance for the three year period multiplied by the closing price of the Company's common stock on December 20, 2023. There were a total of 201,168 performance-based restricted stock units settled in cash. The amount paid in cash for these units was accounted for as a reduction to additional paid in capital.

During 2023, 2022 and 2021 we granted 169,196, 159,494 and 199,597, respectively, time-based restricted stock units to employees under the Amended Plan. These grants vest one to three years following the grant date provided the participant remains employed with us. Shares will vest early upon an employee reaching 65 years of age with 10 years of service with us. Compensation expense is recognized over the vesting period. Restricted stock units that ultimately vest are payable in an equal number of shares of our common stock. Restricted stock units are accounted for as equity awards and the estimated fair value of restricted stock units is based upon the closing price of our common stock on the date of grant.

During 2023 and 2022 we granted no options and during 2021 we granted 391,553 options to employees under the Amended Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These options vest over a period of one to five years and expire 10 years after the grant date. Compensation expense is recognized over the vesting period.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During 2022, a new incentive plan was approved under which certain members of management are awarded an initial cash grant that can accumulate additional value based on the performance of certain private asset investments during the vesting period. The cash grant cliff vests after three years. Plan participants must remain employed during the three-year vesting period to earn the award. The award may continue to grow in value subsequent to the three-year vesting period, assuming the plan participant remains employed by the Company. Plan participants can elect either a lump sum cash payout or annual cash installments over time (up to 15 years). There was \$4.0 million and \$6.7 million of compensation expense recognized for the year ended December 31, 2023 and 2022, respectively, for these awards.

During 2022, a strategic incentive award was approved under the Amended Plan in which the Chief Executive Officer has the opportunity to earn the value of up to 1.2 million shares of AEL common stock based upon attainment of specified significant sustained increases in AEL's common stock price on or before December 31, 2027. The award has four tranches with a share value objective for each tranche based on AEL's 30-day volume weighted average common stock price. Fifty percent of each tranche is paid in shares of AEL common stock, subject to a stay requirement up to two years, and fifty percent of each tranche is paid in cash upon attainment of the share value objective. The portion of the award payable in shares is accounted for as an equity award, and the portion of the award payable in cash is accounted for as a liability award. The fair value of both the equity award and liability award were calculated using a Monte Carlo simulation. Compensation expense is recognized over a service period which is the longer of the stay requirement, where applicable, or a derived service period calculated using a Monte Carlo simulation. There was \$40.2 million and \$4.2 million of compensation expense recognized for the years ended December 31, 2023 and 2022, respectively, for this award.

During 2021, we granted 855,052 performance-based options ("Performance Options") to employees under the Amended Plan at an exercise price equal to the fair market value of our common stock on the date of grant. These Performance Options vest based upon the timing of meeting the market condition of a 30-day volume weighted average common stock price of \$37.00 per common share. Fifty percent of the Performance Options granted vest upon the later of: (i) the market condition noted above being met; and (ii) the one year anniversary of the Grant Date. The remaining fifty percent of the Performance Options granted vest on the one year anniversary of the vesting of the initial fifty percent of the Performance Options. The market condition for these performance options was met on January 4, 2022. Compensation expense for the Performance Options is recognized over the requisite service period.

Director Equity Plans

During 2023, 2022 and 2021, we issued 30,419, 32,409 and 39,273 shares of common stock under the 2023 Plan or the Amended Plan to our Directors, all of which are restricted stock, and which vest on the earlier of the next annual meeting date or one year from the grant date provided the individual remains a Director during that time period.

Stock Options

Changes in the number of stock options granted to employees outstanding during the years ended December 31, 2023, 2022 and 2021 are as follows:

	Number of Shares	Weighted-Average Exercise Price per Share	Total Exercise Price
	(Dollars in thousands, except per share data)		
Outstanding at January 1, 2021	1,257,917	\$ 25.10	\$ 31,576
Granted	1,246,605	29.15	36,336
Canceled	(146,803)	25.44	(3,735)
Exercised	(295,000)	22.88	(6,749)
Outstanding at December 31, 2021	2,062,719	27.84	57,428
Granted	—	—	—
Canceled	(102,143)	27.49	(2,808)
Exercised	(173,782)	24.59	(4,273)
Outstanding at December 31, 2022	1,786,794	28.18	50,347
Granted	—	—	—
Canceled	(4,864)	28.37	(138)
Exercised	(1,090,419)	28.42	(30,990)
Outstanding at December 31, 2023	691,511	27.79	\$ 19,219

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes information about stock options outstanding at December 31, 2023:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Vested		
	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share	Number of Awards	Remaining Life (yrs)	Weighted-Average Exercise Price Per Share
\$21.89 - \$26.72	234,148	6.79	\$ 26.41	184,148	6.99	\$ 26.34
\$27.05 - \$32.35	457,363	7.14	28.50	355,736	7.12	28.61
\$21.89 - \$32.35	<u>691,511</u>	7.02	27.79	<u>539,884</u>	7.07	27.83

The aggregate intrinsic value for stock options outstanding and vested awards was \$19.4 million and \$15.1 million, respectively, at December 31, 2023. For the years ended December 31, 2023, 2022 and 2021, the total intrinsic value of options exercised by officers, directors and employees was \$29.9 million, \$3.7 million and \$1.2 million, respectively. Intrinsic value for stock options is calculated as the difference between the exercise price of the underlying awards and the price of our common stock as of the reporting date. Cash received from stock options exercised for the years ended December 31, 2023, 2022 and 2021 was \$31.0 million, \$4.3 million and \$6.7 million, respectively.

14. Statutory Financial Information and Dividend Restrictions

Statutory accounting practices prescribed or permitted by regulatory authorities for our life insurance subsidiaries differ from GAAP. Net income (loss) for our primary life insurance subsidiary as determined in accordance with statutory accounting practices was as follows:

	Year Ended December 31,		
	2023	2022	2021
	(Dollars in thousands)		
American Equity Life	\$ (93,007)	\$ 151,857	\$ (863,818)

Statutory capital and surplus for our primary life insurance subsidiary was as follows:

	December 31,	
	2023	2022
	(Dollars in thousands)	
American Equity Life	\$ 3,730,940	\$ 3,692,602

American Equity Life is domiciled in the State of Iowa and is regulated by the Iowa Insurance Division. In some instances, the Iowa Insurance Division has adopted prescribed or permitted statutory accounting practices that differ from the required accounting outlined in National Association of Insurance Commissioners ("NAIC") Statutory Accounting Principles ("SAP"). For the year ended December 31, 2023, American Equity Life's use of the prescribed statutory accounting practice related to its accounting for call option derivative instruments and fixed index annuity reserves resulted in lower statutory capital and surplus of \$140.0 million relative to NAIC SAP. For the year ended December 31, 2022, American Equity Life's use of the same prescribed statutory accounting practice resulted in higher statutory capital and surplus of \$83.0 million. We purchase call options to hedge the growth in interest credited on fixed index products. The Iowa Insurance Division allows an insurer to elect (1) to use an amortized cost method to account for such call options and (2) to use a fixed index annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero.

Prior approval of regulatory authorities is required for the payment of dividends to the parent company by American Equity Life which exceed an annual limitation. American Equity Life may pay dividends without prior approval, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) net gain from operations before net realized capital gains/losses for the preceding calendar year or, (2) 10% of the American Equity Life's surplus at the preceding year-end. The amount of dividends permitted to be paid by American Equity Life to its parent company without prior approval of regulatory authorities is \$373.1 million as of December 31, 2023. In January 2024, a \$320.0 million dividend was approved and paid by American Equity Life to the Company.

The Parent Company relies on its subsidiaries for cash flow, which has primarily been in the form of investment management fees and dividends. Retained earnings in our consolidated financial statements primarily represent undistributed earnings of American Equity Life. As such, our ability to pay dividends is limited by the regulatory restriction placed upon insurance companies as described above. In addition, American Equity Life retains funds to allow for sufficient capital for growth.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Commitments and Contingencies

We lease our office spaces and certain equipment under various operating leases. Rent expense for the years ended December 31, 2023, 2022 and 2021 totaled \$6.3 million, \$5.2 million and \$3.8 million, respectively. At December 31, 2023, the aggregate future minimum lease payments are \$24.8 million. The following represents payments due by period for operating lease obligations as of December 31, 2023 (dollars in thousands):

Year Ending December 31:		
2024	\$	4,155
2025		4,037
2026		3,590
2027		2,014
2028		2,125
2029 and thereafter		8,888

We are occasionally involved in litigation, both as a defendant and as a plaintiff. In addition, state and federal regulatory bodies, such as state insurance departments, the Securities and Exchange Commission ("SEC") and the Department of Labor, regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws and the Employee Retirement Income Security Act of 1974, as amended.

In accordance with applicable accounting guidelines, we establish an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. As a litigation or regulatory matter is developing we, in conjunction with outside counsel, evaluate on an ongoing basis whether the matter presents a loss contingency that meets conditions indicating the need for accrual and/or disclosure, and if not, the matter will continue to be monitored for further developments. If and when the loss contingency related to litigation or regulatory matters is deemed to be both probable and estimable, we will establish an accrued liability with respect to that matter and will continue to monitor the matter for further developments that may affect the amount of the accrued liability.

There can be no assurance that any pending or future litigation will not have a material adverse effect on our business, financial condition, or results of operations.

In addition to our commitments to fund mortgage loans, we have unfunded commitments at December 31, 2023 to limited partnerships of \$559.4 million and fixed maturity securities of \$1.2 billion.

Through our FHLB membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of December 31, 2023, we had no FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Earnings Per Common Share and Stockholders' Equity

Earnings Per Common Share

The following table sets forth the computation of earnings per common share and earnings per common share - assuming dilution:

	Year Ended December 31,		
	2023	2022	2021
(Dollars in thousands, except per share data)			
Numerator:			
Net income available to common stockholders - numerator for earnings per common share	\$ 166,855	\$ 1,876,544	\$ 509,348
Denominator:			
Weighted average common shares outstanding	79,476,080	90,558,121	93,860,378
Effect of dilutive securities:			
Stock options and deferred compensation agreements	546,204	523,248	271,422
Restricted stock and restricted stock units	929,986	456,759	359,359
Denominator for earnings per common share - assuming dilution	80,952,270	91,538,128	94,491,159
Earnings per common share	\$ 2.10	\$ 20.72	\$ 5.43
Earnings per common share - assuming dilution	\$ 2.06	\$ 20.50	\$ 5.39

There were no options to purchase shares of our common stock outstanding excluded from the computation of diluted earnings per common share during the years ended December 31, 2023, 2022 and 2021, as the exercise price of all options outstanding was less than the average market price of our common shares for those periods.

Stockholders' Equity

On June 10, 2020, we issued 12,000 shares of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B ("Series B") with a \$1.00 par value per share and a liquidation preference of \$25,000 per share, for aggregate net proceeds of \$290.3 million.

On November 21, 2019 we issued 16,000 shares of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A ("Series A") with a \$1.00 par value per share and a liquidation preference of \$25,000 per share, for aggregate net proceeds of \$388.9 million.

Dividends on the Series A and Series B preferred stock are payable on a non-cumulative basis only when, as and if declared, quarterly in arrears on the first day of March, June, September and December of each year, commencing on March 1, 2020 for Series A and on December 1, 2020 for Series B. For the years ended December 31, 2023, 2022, and 2021, we paid dividends totaling \$23.8 million, \$23.8 million, and \$23.8 million, respectively, for Series A preferred stock and \$19.9 million, \$19.9 million, and \$19.9 million, respectively, for Series B preferred stock. The Series A and Series B preferred stock rank senior to our common stock with respect to dividends, to the extent declared, and in liquidation, to the extent of the liquidation preference. The Series A and Series B preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions.

Brookfield Asset Management Equity Investment

On October 18, 2020, we announced an agreement with Brookfield Asset Management, Inc. and its affiliated entities (collectively, "Brookfield") under which Brookfield would acquire up to a 19.9% ownership interest of common stock in the Company. The equity investment by Brookfield took place in two stages: an initial purchase of a 9.9% equity interest at \$37.00 per share which closed on November 30, 2020 with Brookfield purchasing 9,106,042 shares, and a second purchase of an additional 6,775,000 shares which were issued to Brookfield at \$37.33 per share in January of 2022, resulting in total ownership of approximately 16%. Brookfield also received the right to nominate one candidate for the Company's Board of Directors following the initial equity investment.

Share Repurchase Program

As part of a share repurchase program, the Company's Board of Directors approved the repurchase of Company common stock of \$500 million on November 19, 2021, and an additional \$400 million on November 11, 2022. The share repurchase program has offset dilution from the issuance of shares to Brookfield, and its purpose remains to institute a regular cash return program for shareholders.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On March 17, 2023 we entered into an accelerated share repurchase (ASR) agreement with JPMorgan Chase Bank, National Association to repurchase an aggregate of \$200 million of our common stock. Under the ASR agreement, we received an initial share delivery of approximately 4.8 million shares representing approximately 80% of the number of shares initially underlying the ASR. The average price paid for the initial share delivery under the ASR was \$33.12 per common share. The ASR agreement was determined to be an equity contract. The ASR was terminated on July 13, 2023, and a payment of \$14 million was made to settle for the final volume-weighted average price associated with the initial share delivery.

From the 2020 inception of the share repurchase program through December 31, 2023, we have repurchased approximately 31.2 million shares of our common stock at an average price of \$35.21 per common share, including 2.4 million shares repurchased during the year ended December 31, 2023. As of December 31, 2023, we had \$276 million remaining under our share repurchase program.

Treasury Stock

As of December 31, 2023, we held 30,765,023 shares of treasury stock with a carrying value of \$1.0 billion. As of December 31, 2022, we held 24,590,353 shares of treasury stock with a carrying value of \$823.1 million.

**Schedule I—Summary of Investments—
Other Than Investments in Related Parties**

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

December 31, 2023

Column A	Column B	Column C	Column D
Type of Investment	Amortized Cost (1)	Fair Value	Amount at which shown in the balance sheet
(Dollars in thousands)			
Fixed maturity securities:			
Available for sale:			
U.S. Government and agencies	\$ 172,683	\$ 171,141	\$ 171,141
States, municipalities and territories	3,654,571	3,098,940	3,098,940
Foreign corporate securities and foreign governments	563,890	493,739	493,739
Corporate securities	23,036,862	20,603,416	20,603,416
Residential mortgage backed securities	1,503,639	1,402,501	1,402,501
Commercial mortgage backed securities	3,405,647	2,952,547	2,952,547
Other asset backed securities	6,200,170	6,058,198	6,058,198
Total fixed maturity securities	38,537,462	34,780,482	34,780,482
Mortgage loans on real estate	7,537,594	7,047,993	7,537,594
Real estate investments	1,368,275	1,334,247	1,334,247
Derivative instruments	522,387	1,207,288	1,207,288
Limited partnerships and limited liability companies	1,089,591		1,089,591
Other investments	2,275,221		2,277,822
Total investments	<u>\$ 51,330,530</u>		<u>\$ 48,227,024</u>

- (1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and short-term investments, unpaid principal balance less allowance for credit losses for mortgage loans, original cost reduced by impairments and/or depreciation for real estate investments, original cost reduced by pro rata amortization for derivative instruments and original cost adjusted for equity in earnings and distributions for limited partnerships and limited liability companies.

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Balance Sheets

(Dollars in thousands)

	December 31,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 557,731	\$ 531,347
Equity securities of subsidiary trusts	2,373	2,360
Receivable from subsidiaries	2,092	8,868
Notes receivable from subsidiaries	—	85,654
Federal income tax recoverable, including amount from subsidiaries	135,238	267,076
Other assets	47,585	33,990
	745,019	929,295
Investment in and advances to subsidiaries	3,558,395	2,617,873
Total assets	<u>\$ 4,303,414</u>	<u>\$ 3,547,168</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Notes and loan payable	\$ 785,443	\$ 792,073
Subordinated debentures payable to subsidiary trusts	79,107	78,753
Deferred income taxes	323,855	268,639
Intercompany payable	26,384	522
Other liabilities	65,365	57,664
Total liabilities	1,280,154	1,197,651
Stockholders' equity:		
Preferred stock, Series A	16	16
Preferred stock, Series B	12	12
Common stock	79,338	84,810
Additional paid-in capital	1,071,103	1,325,316
Accumulated other comprehensive loss	(2,979,657)	(3,746,230)
Retained earnings	4,852,448	4,685,593
Total stockholders' equity attributable to American Equity Investment Life Holding Company	<u>3,023,260</u>	<u>2,349,517</u>
Total liabilities and stockholders' equity	<u>\$ 4,303,414</u>	<u>\$ 3,547,168</u>

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Operations

(Dollars in thousands)

	Year Ended December 31,		
	2023	2022	2021
Revenues:			
Net investment income	\$ 24,469	\$ 6,733	\$ 114
Dividends from subsidiary trusts	165	155	159
Dividends from subsidiaries	—	325,000	250,000
Investment advisory fees	93,005	110,094	126,643
Surplus note interest from subsidiary	4,274	4,080	4,080
Other revenue	31,049	19,153	8,511
Total revenues	152,962	465,215	389,507
Expenses:			
Interest expense on notes and loan payable	45,890	32,098	25,581
Interest expense on subordinated debentures issued to subsidiary trusts	5,355	5,331	5,324
Other operating costs and expenses	133,831	114,792	72,435
Total expenses	185,076	152,221	103,340
Income (loss) before income taxes and equity in undistributed income of subsidiaries	(32,114)	312,994	286,167
Income tax expense (benefit)	(112,986)	(1,067)	11,565
Income before equity in undistributed income of subsidiaries	80,872	314,061	274,602
Equity in undistributed income of subsidiaries	129,658	1,606,158	278,421
Net income available to American Equity Investment Life Holding Company stockholders	210,530	1,920,219	553,023
Less: Preferred stock dividends	43,675	43,675	43,675
Net income available to American Equity Investment Life Holding Company common stockholders	<u>\$ 166,855</u>	<u>\$ 1,876,544</u>	<u>\$ 509,348</u>

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Condensed Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,		
	2023	2022	2021
Operating activities			
Net income available to American Equity Investment Life Holding Company stockholders	\$ 210,530	\$ 1,920,219	\$ 553,023
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for depreciation and amortization	2,655	4,925	1,232
Accrual of discount on equity security	(13)	(7)	(10)
Equity in undistributed income of subsidiaries	(129,658)	(1,606,158)	(278,421)
Non cash dividend from subsidiaries	—	—	(80,000)
Accrual of discount on debenture issued to subsidiary trust	354	332	309
Share-based compensation	6,425	6,023	10,235
Deferred income taxes	55,216	45,335	222,714
Changes in operating assets and liabilities:			
Receivable from subsidiaries	6,776	(6,085)	(365)
Federal income tax recoverable/payable	131,838	(49,902)	(222,569)
Other assets	(7,978)	(16,363)	(5,054)
Other liabilities and intercompany payable	33,563	21,687	21,819
Net cash provided by operating activities	309,708	320,006	222,913
Investing activities			
Change in notes receivable from subsidiaries	85,654	79,346	(165,000)
Contribution to subsidiaries	(21,420)	(137,002)	—
Purchases of property, plant and equipment	(7,402)	(1,432)	(12,642)
Net cash provided by (used in) investing activities	56,832	(59,088)	(177,642)
Financing activities			
Financing fees incurred and deferred	—	(1,235)	—
Repayment of loan payable	(7,500)	(3,750)	—
Proceeds from issuance of loan payable	—	300,000	—
Proceeds from issuance of common stock	20,420	253,978	4,844
Acquisition of treasury stock	(309,401)	(566,567)	(99,415)
Dividends paid on common stock	—	(30,567)	(31,450)
Dividends paid on preferred stock	(43,675)	(43,675)	(43,675)
Net cash used in financing activities	(340,156)	(91,816)	(169,696)
Increase (decrease) in cash and cash equivalents	26,384	169,102	(124,425)
Cash and cash equivalents at beginning of year	531,347	362,245	486,670
Cash and cash equivalents at end of year	\$ 557,731	\$ 531,347	\$ 362,245
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest on notes and loan payable	\$ 45,020	\$ 31,288	\$ 25,000
Interest on subordinated debentures	5,000	5,000	5,000

See accompanying note to condensed financial statements.
See accompanying Report of Independent Registered Public Accounting Firm.

Schedule II—Condensed Financial Information of Registrant (Continued)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (PARENT COMPANY)

Note to Condensed Financial Statements

December 31, 2023

1. Basis of Presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company (Parent Company).

In the Parent Company financial statements, its investment in and advances to subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' fixed maturity securities classified as "available for sale" and equity securities.

See *Note 11 - Notes and Loan Payable* and *Note 12 - Subordinated Debentures* to our audited consolidated financial statements in this Form 10-K for a description of the Parent Company's notes payable and subordinated debentures payable to subsidiary trusts.

Schedule III—Supplementary Insurance Information

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E
	Deferred policy acquisition costs	Future policy benefits, losses, claims and loss expenses	Unearned premiums	Other policy claims and benefits payable
	(Dollars in thousands)			
As of December 31, 2023: Life insurance	\$ 3,070,280	\$ 60,901,641	\$ —	\$ 188,856
As of December 31, 2022: Life insurance	\$ 2,773,643	\$ 58,781,836	\$ —	\$ 512,790
As of December 31, 2021: Life insurance	\$ 3,062,204	\$ 62,614,822	\$ —	\$ 226,844

Column A	Column F	Column G	Column H	Column I	Column J
	Premium revenue	Net investment income	Benefits, claims, losses and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses
	(Dollars in thousands)				
For the year ended December 31, 2023: Life insurance	\$ 327,463	\$ 2,272,798	\$ 1,920,938	\$ 279,700	\$ 352,826
For the year ended December 31, 2022: Life insurance	\$ 250,093	\$ 2,307,463	\$ (1,582,537)	\$ 284,011	\$ 276,955
For the year ended December 31, 2021: Life insurance	\$ 300,833	\$ 2,037,475	\$ 2,139,045	\$ 306,370	\$ 272,787

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule IV—Reinsurance

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Column A	Column B	Column C	Column D	Column E	Column F
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percent of amount assumed to net
(Dollars in thousands)					
Year ended December 31, 2023					
Life insurance in force, at end of year	\$ 40,943	\$ 4,462	\$ 40,848	\$ 77,329	52.82 %
Insurance premiums and other considerations:					
Annuity product charges	\$ 398,050	\$ 82,554	\$ —	\$ 315,496	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	11,868	44	143	11,967	1.19 %
	<u>\$ 409,918</u>	<u>\$ 82,598</u>	<u>\$ 143</u>	<u>\$ 327,463</u>	<u>0.04 %</u>
Year ended December 31, 2022					
Life insurance in force, at end of year	\$ 44,003	\$ 4,761	\$ 43,607	\$ 82,849	52.63 %
Insurance premiums and other considerations:					
Annuity product charges	\$ 279,447	\$ 49,093	\$ —	\$ 230,354	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	19,660	91	170	19,739	0.86 %
	<u>\$ 299,107</u>	<u>\$ 49,184</u>	<u>\$ 170</u>	<u>\$ 250,093</u>	<u>0.07 %</u>
Year ended December 31, 2021					
Life insurance in force, at end of year	\$ 48,943	\$ 5,131	\$ 46,119	\$ 89,931	51.28 %
Insurance premiums and other considerations:					
Annuity product charges	\$ 262,982	\$ 20,351	\$ —	\$ 242,631	—
Traditional life, accident and health insurance, and life contingent immediate annuity premiums	58,150	117	169	58,202	0.29 %
	<u>\$ 321,132</u>	<u>\$ 20,468</u>	<u>\$ 169</u>	<u>\$ 300,833</u>	<u>0.06 %</u>

See accompanying Report of Independent Registered Public Accounting Firm.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Subsidiaries of American Equity Investment Life Holding Company

	State of Organization
Insurance Subsidiaries:	
American Equity Investment Life Insurance Company	Iowa
American Equity Investment Life Insurance Company of New York	New York
Eagle Life Insurance Company	Iowa
AEL Re Vermont Inc.	Vermont
AEL Re Vermont II, Inc.	Vermont
AEL Re Bermuda Ltd.	Bermuda
Entrada Life Insurance Company	Arizona
Noninsurance Subsidiaries:	
Ace Fund Holdings, LLC	Delaware
AE Capital, LLC	Iowa
AEL Financial Services, LLC	North Carolina
AERL, L.C.	Iowa
American Equity Investment Properties, L.C.	Iowa
American Equity Capital Trust II	Delaware
BH JV (Berm FW) Multifamily Investors, LLC	Delaware
BH JV Multifamily Investors, LLC	Delaware
High Trestle Investment Management, LLC	Iowa
ISQ Ace Fund, LLC	Delaware
M-A LPI Holdings, LLC	Delaware
M-LPI Resort Holdings, LLC	Delaware
M-LPI Resort Owner, LLC	Delaware
NC Securities Holdco, LLC	North Carolina
North Wolf Bay Holdings, LLC	Delaware
PBH Stonecastle, LLC	Delaware
Residential Investment Trust	Delaware
Residential Investment Trust - Berm FW	Delaware
Residential Investment Trust II	Delaware
Residential Investment Trust III	Delaware
Residential Investment Trust III - Berm FW	Delaware
Residential Investment Trust III-E	Delaware
Residential Investment Trust III - Verm FW	Delaware
Residential Investment Trust IV	Delaware
Residential Investment Trust IV - Berm FW	Delaware
Residential Investment Trust V	Delaware
Stonecastle Apartments Holdings, LLC	Delaware
Vantage at Westover Owner, LLC	Delaware
Vantage at Westover Parent, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements:

- (1) Registration Statement (Form S-3 No.333-268611) of American Equity Investment Life Holding Company
- (2) Registration Statement (Form S-3 No. 333-267065) of American Equity Investment Life Holding Company
- (3) Registration Statement (Form S-3 No. 333-233544) of American Equity Investment Life Holding Company
- (4) Registration Statement (Form S-8 No. 333-274388) of American Equity Investment Life Holding Company 2023 Equity Incentive Plan
- (5) Registration Statement (Form S-8 No. 333-238940) pertaining to the American Equity Investment Life Holding Company Amended and Restated Equity Incentive Plan
- (6) Registration Statement (Form S-8 No. 333-214885) pertaining to the American Equity Investment Life Holding Company 2013 Director Equity and Incentive Plan
- (7) Registration Statement (Form S-8 No. 333-213545) pertaining to the American Equity Investment Life Holding Company 2016 Employee Incentive Plan
- (8) Registration Statement (Form S-8 No. 333-175355) pertaining to the American Equity Investment Life Holding Company 2011 Director Stock Option Plan
- (9) Registration Statement (Form S-8 No. 333-167755) pertaining to the American Equity Investment Life Holding Company 2009 Employee Incentive Plan, and
- (10) Registration Statement (Form S-8 No. 333-127001) pertaining to the 1996 Stock Option Plan, 2000 Employee Stock Option Plan, 2000 Director Stock Option Plan, 1997 Management Subscription Rights Plan, and Restated and Amended Stock Option and Warrant Agreement with David J. Noble of American Equity Investment Life Holding Company

of our reports dated February 29, 2024, with respect to the consolidated financial statements and schedules of American Equity Investment Life Holding Company and subsidiaries and the effectiveness of internal control over financial reporting of American Equity Investment Life Holding Company and subsidiaries included in this Annual Report (Form 10-K) of American Equity Investment Life Holding Company for the year ended December 31, 2023.

/s/ Ernst & Young LLP

Des Moines, Iowa
February 29, 2024

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anant Bhalla, certify that:

1. I have reviewed this annual report on Form 10-K of American Equity Investment Life Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2024

By: /s/ Anant Bhalla

Anant Bhalla

Chief Executive Officer and President

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Axel Andre, certify that:

1. I have reviewed this annual report on Form 10-K of American Equity Investment Life Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2024

By: /s/ Axel Andre

Axel Andre

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Anant Bhalla, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2024

By: /s/ Anant Bhalla
Anant Bhalla
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of American Equity Investment Life Holding Company (the "Company") on Form 10-K for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Axel Andre, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2024

By: /s/ Axel Andre
Axel Andre
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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): February 14, 2024

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, IA 50266
(Address of principal executive offices and 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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$1	AEL	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 5.95% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A	AELPRA	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of 6.625% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B	AELPRB	New York Stock Exchange

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

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 February 14, 2024, the registrant issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2023, a copy of which is attached as Exhibit 99.1 and is incorporated herein by reference. The registrant's financial supplement for the fourth quarter and year ended December 31, 2023, 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

<u>Exhibit Number</u>	<u>Description</u>
99.1	<u>Press release dated February 14, 2024, announcing American Equity Investment Life Holding Company's financial results for the fourth quarter and year ended December 31, 2023.</u>
99.2	<u>American Equity Investment Life Holding Company's Financial Supplement for the fourth quarter and year ended December 31, 2023.</u>
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

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: February 14, 2024

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: /s/ Axel Andre

Axel Andre

Executive Vice President and Chief Financial Officer



For more information, contact:

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FOR IMMEDIATE RELEASE

February 14, 2024

American Equity Reports Record \$7+ Billion Annual FIA Sales and Strong Financial Results to Cap a Historic 2023

Company Highlights

- Fourth quarter 2023 net loss available to common stockholders of \$(475.9) million, or \$(6.04) per diluted common share compared to net income of \$21.7 million, or \$0.25 per diluted common share for fourth quarter 2022 restated for the adoption of Accounting Standards Update 2018-12 — more commonly known as Long Duration Targeted Improvements (LDTI)
- Full year 2023 net income available to common stockholders of \$166.9 million, or \$2.06 per diluted common share compared to net income of \$1.9 billion, or \$20.50 per diluted common for full year 2022 restated for the adoption of LDTI
- Non-GAAP operating income available to common stockholders¹ for the fourth quarter and full year 2023 of \$159.6 million and \$607.1 million, respectively, or \$1.99 and \$7.50 per diluted common share, respectively; Notable items² negatively impacted per share results in the quarter and full year 2023 by \$0.17 and \$0.13, respectively
- For full year 2023, GAAP return on equity and non-GAAP operating return on equity¹ of 8.4% and 18.7%, respectively
- Total fourth quarter sales⁴ of \$2.0 billion, substantially all of which were in fixed index annuity (FIA) sales. Total FIA sales for 2023 were over \$7.0 billion - an all-time record for American Equity - compared to 2020 FIA sales of \$2.3 billion before the execution of the AEL 2.0 strategy
- Fourth quarter investment yield of 4.65%, up 35 basis points year-over-year, while the sequential change from the third quarter reflects lower-than-expected returns on market-to-market private assets
- Increase in private assets to 25.8% of the investment portfolio as of December 31, 2023, with an additional \$7 billion of liquidity - or 15% of the investment portfolio - at year-end; Expect to have \$10 billion of liquidity available to be redeployed opportunistically after the close of the planned merger with Brookfield Reinsurance (NYSE, TSX: BNRE) in the first half of 2024

WEST DES MOINES, Iowa (February 14, 2024) – American Equity Investment Life Holding Company (NYSE: AEL), a leading issuer of fixed index annuities, today reported strong fourth quarter 2023 results. Sales of fixed index annuities remained strong supported by the company's continued emphasis on its guaranteed retirement income product offerings.

American Equity's President and CEO, Anant Bhalla stated: "Supported by our strategy flywheel, American Equity had an outstanding 2023 capped off by our strong results in the fourth quarter. FIA sales for the year were a record \$7.0 billion as our shareholder value of new business-focused guaranteed income products – IncomeShield and Eagle Select Income Focus – accounted for roughly 62% of premium deposits. Our in-house expertise in tactical asset allocation and asset manager selection positioned us to achieve a 26% allocation to private assets. We delivered a 23-basis point increase in yield compared to full year 2022 and 92 basis points of yield improvement compared to full year 2021, excluding non-trendable items³, despite lower than modeled returns on mark-to-market private assets this past year. In our view, our agreement to merge with Brookfield Reinsurance was an important marker in our transformation of the American Equity business model, delivering both shareholder value creation from the AEL 2.0 strategy and validation of our capabilities in insurance liability origination asset management. In the latter, we have proven out the ability to both source robust returns on private assets and then restructure these investments to deliver a superior return on equity for the insurance balance sheet. This strategy has created a more than three-fold increase in value for American Equity shareholders based on the average volume-weighted stock price of \$17.86 in March 2020 while also returning approximately \$1.1 billion to shareholders over that period over the ten quarters from the fourth quarter of 2020 to the first quarter of 2023."

Non-GAAP operating income available to common stockholders¹ for the fourth quarter of 2023 was \$159.6 million, or \$1.99 per diluted common share, compared to non-GAAP operating income available to common stockholders¹ of \$195.5 million, or \$2.45 per diluted common share, for the third quarter of 2023 and \$141.7 million, or \$1.64 per diluted common share, for the fourth quarter of 2022, restated for the adoption of LDTI. For the fourth quarter of 2023, non-GAAP operating income available to common stockholders¹ was negatively affected by \$13.3 million, or \$0.17 per share, after taxes, from notable items². Results in the third quarter of 2023 included positive notable items² of \$21.0 million, or \$0.26 per share after taxes.

The year-over-year change in quarterly non-GAAP operating income available to common stockholders¹, excluding the impact of notable items², reflects higher net investment income and surrender charges, increased recurring fee revenue related to reinsurance, and a decrease in the quarterly change in the Market Risk Benefit liability.

Compared to the third quarter of 2023, quarterly non-GAAP operating income available to common stockholders¹, excluding the impact of notable items², decreased reflecting lower investment spread and increased other operating expenses. Notable items² in the fourth and third quarters of 2023 reflect the special incentive compensation plan put in place in November 2022. Notable items² in the third quarter also include the effect of actuarial assumption revisions.

For the fourth quarter of 2023, net investment income fell to \$581 million, when adjusted to reflect non-GAAP operating income available to common stockholders¹, from \$585 million for the third quarter of 2023. Notable items² totaled \$3 million and \$2 million in the fourth and third quarters of 2023, respectively, reflecting the allocation of quarterly expense associated with the strategic incentive compensation award made in November 2022. The \$3 million decline in net investment income relative to the third quarter of 2023, adjusted to reflect non-GAAP operating income available to common stockholders¹ and notable items², reflects a 4-basis point decrease in effective yield on the investment portfolio.

Compared to the third quarter of 2023, fourth quarter surrender charge income increased \$12 million to \$58 million, reflecting both increased lapse activity associated with higher interest rates as well as cohort changes in policies being surrendered.

Outflows in the fourth quarter of 2023, including surrenders, income utilization, death benefits and partial withdrawals, increased \$712 million from the third quarter of 2023 to \$2.1 billion. The increase in outflows primarily reflects a \$497 million increase in surrenders of multi-year guaranteed annuities (MYGA) driven by lapsation of such policies having three-year surrender charge periods that were sold in the fourth quarter of 2020. American Equity currently expects \$1.5 billion to \$2 billion of MYGA in-force to lapse in the first half of 2024, reflecting the corresponding scale of MYGA business with three-year surrender charge periods written by both American Equity Life and Eagle Life in late 2020 and early 2021.

As of December 31, 2023, account value of business ceded subject to fee income was \$11.5 billion, down slightly from \$11.6 billion three months earlier. This reflects a modification of the AEL 2.0 reinsurance strategy given the impending merger, as American Equity is now retaining all FIA new business on its balance sheet effective October 1, 2023, until the close of the merger. Flow reinsurance ceded subject to fee income in the fourth quarter of 2023 was just \$44 million of account value reflecting the relatively low level of MYGA sales. Revenue associated with recurring fees under reinsurance agreements for the fourth quarter of 2023 totaled \$28 million compared to \$27 million for the third quarter of 2023, each as adjusted to reflect non-GAAP operating income available to common stockholders¹.

Interest sensitive and index product benefits, as adjusted to reflect non-GAAP operating income available to common stockholders¹, for the fourth quarter of 2023 reflected an \$8 million increase in the cost of money for deferred annuities compared to the third quarter. Cost of money for deferred annuities in the fourth quarter benefited from \$9 million of hedging gains compared to \$6 million in the third quarter. In addition, interest sensitive and index product benefits adjusted to reflect non-GAAP operating income available to common stockholders¹ for the third quarter of 2023 includes a benefit from notable items² of \$2 million reflecting the annual actuarial assumption revision process.

Compared to the third quarter of 2023, the change in the MRB liability increased by \$31 million to \$26 million when adjusted to reflect non-GAAP operating income available to common stockholders¹. Third quarter change in MRB liability when adjusted to reflect non-GAAP operating income available to common stockholders¹ included a benefit from notable items² of \$33 million reflecting the annual actuarial assumption revision process. For the fourth quarter, the change in the MRB liability adjusted to reflect non-GAAP operating income available to common stockholders¹ was \$6 million less than expected, consisting of a \$12 million benefit from reserves released due to higher-than-expected surrenders and other policyholder behavior experience, offset by a \$6 million less-than-expected benefit from amortization of net deferred capital market impact due to unfavorable fourth quarter capital market changes – primarily a lower discount rate as interest rates fell during the quarter. The change in the modeled expectation for the MRB liability, adjusted to reflect non-GAAP operating income available to common stockholders¹, for the first quarter of 2024 is \$42 million, based on current in-force. First quarter 2024 expected change in the MRB liability includes an expected benefit from the amortization of capital market impacts on the fair value of market risk benefits of \$22 million.

Amortization of deferred policy acquisition and sales inducement cost was \$123 million for the fourth quarter of 2023, in-line with modeled expectations. For the first quarter of 2024, the modeled expectation for deferred acquisition cost and deferred sales inducement amortization is \$127 million before the effect of new sales and experience variances and excluding the potential application of purchase GAAP accounting.

Other operating costs and expenses adjusted to reflect non-GAAP operating income available to common stockholders¹ for the fourth quarter of 2023 increased to \$72 million, up \$5 million from the third quarter. Notable items² in the fourth and third of 2023 were \$4 million and \$7 million, pre-tax, respectively, both reflecting quarterly expense associated with the strategic incentive compensation award made in November 2022.

The effective tax rate on pre-tax operating income available for common stockholders¹ for the fourth quarter of 2023 was 26.6% compared to the third quarter of 2023 tax rate of 21.9%. The income tax rate in the fourth quarter reflected approximately \$12 million of additional expense primarily resulting from increased non-deductible compensation of which \$8 million is considered a notable item as it was related to the strategic incentive compensation award made in November 2022.

INVESTMENT SPREAD DECREASES FROM PRIOR SEQUENTIAL QUARTER ON LOWER MARK-TO-MARKET PRIVATE ASSET RETURNS

American Equity's investment spread was 2.64% for the fourth quarter of 2023 compared to 2.73% for the third quarter of 2023 and 2.54% for the fourth quarter of 2022. Excluding non-trendable items³, adjusted investment spread decreased to 2.56% in the fourth quarter of 2023 from 2.68% in the third quarter of 2023.

Average yield on invested assets was 4.65% in the fourth quarter of 2023 compared to 4.69% in the third quarter of 2023. The average adjusted yield on invested assets excluding non-trendable items³ was 4.64% in the fourth quarter of 2023 compared to 4.69% in the third quarter of 2023.

The return on mark-to-market private assets declined from the third quarter of 2023, and was \$24 million, or 20 basis points of yield, less than assumed rates of return used in our investment process due to fair value changes on real estate and lower partnership income. This compares to a contribution that was \$10 million, or 8 basis points of yield, less than assumed rates of return on such assets recognized in the third quarter. Fixed income investment yield increased 4 basis points from the third quarter to 4.65%.

During the fourth quarter of 2023, long-term investment asset purchases totaled \$696 million and were made at an average expected rate of 8.61%.

The point-in-time yield on the portfolio at December 31, 2023, was 4.86%.

The aggregate cost of money for annuity liabilities of 2.01% in the fourth quarter of 2023 was up 5 basis points compared to the third quarter of 2023. The cost of money in the fourth quarter of 2023 reflects a seven-basis point benefit from the over-hedging of index-linked credits compared to a 5-basis point benefit in the third quarter of 2023. The 7-basis point increase in the adjusted cost of money compared to the third quarter is in line with increased market costs.

Cost of options in the fourth quarter of 2023 averaged 1.70% compared to 2.02% in the third quarter of 2023, reflecting both market effects on the cost of options for renewals as well as lower option costs on new sales resulting from mix shift towards lower option cost guaranteed retirement income products following the October 1, 2023, pause of the flow reinsurance agreement with Brookfield Reinsurance.

Net account balance growth in the fourth quarter was a positive \$139 million, or 0.3% of account values. Index credits in the fourth quarter increased to \$137 million from \$121 million in the third quarter of 2023.

FIA SALES REMAIN STRONG BOLSTERED BY INCREASE IN GUARANTEED RETIREMENT INCOME PRODUCT SALES

Fourth quarter 2023 sales were \$2.0 billion, substantially all of which were in fixed index annuities. Total enterprise FIA sales decreased 11% from the third quarter of 2023 but were up 153% compared to the fourth quarter of 2022. Despite the sequential quarterly decrease, the level of quarterly FIA sales was still the third highest in the company's history.

Compared to the third quarter of 2023, FIA sales at American Equity Life in the Independent Marketing Organization (IMO) channel fell 10%, while Eagle Life FIA sales through banks and broker-dealers fell 14%. The decrease in FIA sales relative to the third quarter was driven by lower sales in the accumulation product space.

Bhalla noted, "We continued to record strong FIA sales in the fourth quarter of 2023, despite lowering S&P 500 caps on our accumulation products late in the third quarter, in line with our product profitability targets in light of lower interest rates. We were particularly pleased that sales of income products, which we believe is the most attractive sector in the FIA marketplace, were up 4% from the third quarter on a total enterprise basis to nearly \$1.5 billion. Income product sales are not as subject to churn as are accumulation products in a higher interest rate environment and have weighted average life duration characteristics that best match our at scale capabilities in originating and structuring private asset strategies."

Bhalla continued, "I could not be more proud of the efforts of my teammates in making 2023 a record sales year for FIAs with total deposits of just over \$7 billion compared with FIA sales of \$2.3 billion in 2020 – my first year as Chief Executive Officer. This was particularly gratifying as we celebrated our 28 years of existence and 20th anniversary as a public company."

CREDIT AND CAPITAL METRICS REMAIN STABLE

With regard to credit markets, Jim Hamalainen, Chief Investment Officer, added, "Credit metrics in the investment portfolio continued to be stable in the fourth quarter, and our core fixed income portfolio remains "A" rated. Net realized losses for the quarter totaled just \$2 million. We saw very little deterioration in the commercial mortgage loan portfolio and all loans are current. Average loan-to-value of the commercial mortgage loan portfolio remained steady at 51%, and 82% of the portfolio maintains a debt service coverage ratio of 1.2x or higher. Looking specifically at our direct office mortgage loan exposure, we are considerably underweight relative to our peers at just 7% of the commercial mortgage loan portfolio. The average debt service coverage ratio on the office mortgage loan portfolio is 1.86x with an average loan-to-value ratio of 62%. We have only \$2 million in principal amount of office mortgage loans maturing through the end of 2024 with just \$30 million set to mature in 2025."

Hamalainen continued, "At year-end, the cash position in the investment portfolio totaled \$7.4 billion and was over \$9 billion at the end of January funded primarily through sales of the core fixed income portfolio and new annuity sales. Our considerable cash holdings will provide the company with substantial dry powder to take advantage of opportunities that may emerge in the private asset sector while helping to protect the company if macro-economic trends were to deteriorate or surrenders increase to greater than expected levels."

Effective October 1, 2023, the company completed its second Vermont-domiciled redundant reserve financing facility. Backed by a new relationship with a leading international reinsurer, the new facility reinsured approximately \$550 million of in-force statutory reserves for lifetime income benefit guarantees resulting from sales of both American Equity Life's IncomeShield product and Eagles Life's Eagle Select Income Focus product freeing up approximately \$450 million, pre-tax, of capital at close. In addition, the financing facility allows future new business to automatically benefit from the financing of redundant reserves, thereby enabling the capital-efficient growth of our guaranteed retirement income products going forward.

As of December 31, 2023, total adjusted capital at American Equity Life totaled \$4.3 billion with estimated excess capital of approximately \$800 million above rating agency requirements and an estimated risk-based capital ratio of 370% to 390%. Cash and equivalents at the holding company level was \$560 million at year-end and \$875 million at January 31, 2024 after a \$320 million ordinary dividend paid by the life company to the holding company on January 16th.

PENDING MERGER WITH BROOKFIELD REINSURANCE

On July 5, 2023, Brookfield Reinsurance and American Equity announced that they had entered into a definitive agreement whereby Brookfield Reinsurance will acquire all outstanding shares of common stock of American Equity it does not already own in a cash and stock transaction that values AEL at approximately \$4.3 billion.

Following approval of the transaction by shareholders at the special meeting held November 10, 2023, American Equity continues to expect the merger to close in the first half of 2024. Closing remains subject to the satisfaction of certain closing conditions customary for a transaction of this type, including receipt of insurance regulatory approvals in relevant jurisdictions.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The forward-looking statements in this release such as believe, build, confident, continue, could, estimate, expect, exposure, future, grow, likely, maintain, may, might, model, opportunity, outlook, plan, potential, proposed, risk, scenario, should, trend, will, would, and their derivative forms and similar words, as well as any 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 and as described in the "Cautionary Notice Regarding Forward-Looking Statements" in AEL's July 5, 2023 news release. The Company's future results and events could differ, and it has no obligation to correct or update any of these statements.

ABOUT AMERICAN EQUITY

At American Equity Investment Life Holding Company, our policyholders work with over 40,000 independent agents and advisors affiliated with independent market organizations (IMOs), banks and broker-dealers through our wholly-owned operating subsidiaries. Advisors and agents choose one of our leading annuity products best suited for their clients' personal needs to create financial dignity in retirement. To deliver on its promises to policyholders, American Equity has re-framed its investment focus — building a stronger emphasis on insurance liability driven asset allocation and specializing in alternate, private asset management while partnering with world renowned, public fixed income asset managers. American Equity is headquartered in West Des Moines, Iowa with additional

offices in Charlotte, NC, New York, NY and Miami, FL. 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.
- 2 Notable items reflect the increase (decrease) to non-GAAP operating income (loss) available to common stockholders for certain matters where more detail may help investors better understand, evaluate, and forecast results. Notable items are further discussed in the tables that follow the text of the release.
- 3 Non-trendable items are the impact of investment yield – additional prepayment income and cost of money effect of over (under) hedging as shown in our December 31, 2023 financial supplement on page 10, “Spread Results”.
- 4 For the purposes of this document, all references to sales are on a gross basis. Gross sales is defined as sales before the use of reinsurance.

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American Equity Investment Life Holding Company
Unaudited (Dollars in thousands, except per share data)

Consolidated Statements of Operations

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues:				
Premiums and other considerations	\$ 2,657	\$ 2,991	\$ 11,967	\$ 19,739
Annuity product charges	96,947	61,666	315,496	230,354
Net investment income	582,176	537,995	2,272,798	2,307,463
Change in fair value of derivatives	353,443	22,243	259,046	(1,138,128)
Net realized gains (losses) on investments	(2,065)	14,411	(99,203)	(47,848)
Other revenue	21,973	13,032	75,866	42,245
Total revenues	1,055,131	652,338	2,835,970	1,413,825
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	3,161	5,948	17,687	33,220
Interest sensitive and index product benefits	193,439	57,626	567,423	554,871
Market risk benefits (gains) losses	241,998	33,490	(14,546)	3,684
Amortization of deferred sales inducements	50,346	45,966	192,252	181,970
Change in fair value of embedded derivatives	977,178	342,409	1,143,576	(2,352,598)
Interest expense on notes and loan payable	11,642	10,228	45,890	32,098
Interest expense on subordinated debentures	1,341	1,335	5,355	5,331
Amortization of deferred policy acquisition costs	72,428	66,831	279,700	284,011
Other operating costs and expenses	75,250	62,389	301,581	239,526
Total benefits and expenses	1,626,783	626,222	2,538,918	(1,017,887)
Income (loss) before income taxes	(571,652)	26,116	297,052	2,431,712
Income tax expense (benefit)	(108,202)	(6,817)	85,133	511,135
Net income (loss)	(463,450)	32,933	211,919	1,920,577
Less: Net income available to noncontrolling interests	1,545	361	1,389	358
Net income (loss) available to American Equity Investment Life Holding Company stockholders	(464,995)	32,572	210,530	1,920,219
Less: Preferred stock dividends	10,919	10,919	43,675	43,675
Net income (loss) available to American Equity Investment Life Holding Company common stockholders	<u>\$ (475,914)</u>	<u>\$ 21,653</u>	<u>\$ 166,855</u>	<u>\$ 1,876,544</u>
Earnings (loss) per common share	\$ (6.04)	\$ 0.25	\$ 2.10	\$ 20.72
Earnings (loss) per common share - assuming dilution	\$ (6.04)	\$ 0.25	\$ 2.06	\$ 20.50
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	78,754	85,274	79,476	90,558
Earnings (loss) per common share - assuming dilution	78,754	86,402	80,952	91,538

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.

Reconciliation from Net Income (Loss) Available to Common Stockholders to Non-GAAP Operating Income Available to Common Stockholders

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net income (loss) available to American Equity Investment Life Holding Company common stockholders	\$ (475,914)	\$ 21,653	\$ 166,855	\$ 1,876,544
Adjustments to arrive at non-GAAP operating income available to common stockholders:				
Net realized gains (losses) on financial assets, including credit losses	(2,277)	(19,460)	91,615	48,264
Change in fair value of derivatives and embedded derivatives	583,961	169,767	549,600	(1,549,205)
Capital markets impact on the change in fair value of market risk benefits	216,214	2,309	(122,094)	(393,617)
Net investment income	(1,509)	1,476	(1,137)	1,476
Other revenue	5,969	5,969	23,876	5,969
Expenses incurred related to acquisition	3,750	—	13,464	—
Income taxes	(170,603)	(39,998)	(115,116)	401,838
Non-GAAP operating income available to common stockholders	<u>\$ 159,591</u>	<u>\$ 141,716</u>	<u>\$ 607,063</u>	<u>\$ 391,269</u>
Impact of excluding notable items (a)	<u>\$ 13,255</u>	<u>\$ —</u>	<u>\$ 10,755</u>	<u>\$ 181,890</u>

Per common share - assuming dilution:

Net income (loss) available to American Equity Investment Life Holding Company common stockholders	\$ (6.04)	\$ 0.25	\$ 2.06	\$ 20.50
Adjustments to arrive at non-GAAP operating income available to common stockholders:				
Anti-dilutive impact for losses (b)	0.11	—	—	—
Net realized gains (losses) on financial assets, including credit losses	(0.03)	(0.23)	1.13	0.53
Change in fair value of derivatives and embedded derivatives	7.28	1.96	6.79	(16.92)
Capital markets impact on the change in fair value of market risk benefits	2.70	0.03	(1.51)	(4.30)
Net investment income	(0.02)	0.02	(0.01)	—
Other revenue	0.07	0.07	0.29	0.01
Expenses incurred related to acquisition	0.05	—	0.17	0.06
Income taxes	(2.13)	(0.46)	(1.42)	4.39
Non-GAAP operating income available to common stockholders	<u>\$ 1.99</u>	<u>\$ 1.64</u>	<u>\$ 7.50</u>	<u>\$ 4.27</u>
Impact of excluding notable items (a)	<u>\$ 0.17</u>	<u>\$ —</u>	<u>\$ 0.13</u>	<u>\$ 1.99</u>

American Equity Investment Life Holding Company
Unaudited (Dollars in thousands, except per share data)

Notable Items

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Notable items impacting non-GAAP operating income available to common stockholders:				
Expense associated with strategic incentive award	\$ 13,255	\$ —	\$ 38,323	\$ —
Impact of actuarial assumption updates	—	—	(27,568)	181,890
Total notable items (a)	<u>\$ 13,255</u>	<u>\$ —</u>	<u>\$ 10,755</u>	<u>\$ 181,890</u>

- (a) Notable items reflect the after-tax increase (decrease) to non-GAAP operating income available to common stockholders for certain matters where more detail may help investors better understand, evaluate, and forecast results.

For the three months ended December 31, 2023 and 2022, non-GAAP operating income (loss) available to common stockholders would increase \$13.3 million and \$0.0 million, respectively, if we were to exclude the impact of notable items.

For the year ended December 31, 2023 and 2022, non-GAAP operating income (loss) available to common stockholders would increase \$10.8 million and \$181.9 million, respectively, if we were to exclude the impact of notable items.

- (b) For periods with a loss, dilutive shares were not included in the calculation as inclusion of such shares would have an anti-dilutive effect.

Book Value per Common Share

	Q4 2023
Total stockholders' equity attributable to American Equity Investment Life Holding Company	\$ 3,023,260
Equity available to preferred stockholders (a)	(700,000)
Total common stockholders' equity (b)	2,323,260
Accumulated other comprehensive (income) loss (AOCI)	2,979,657
Total common stockholders' equity excluding AOCI (b)	5,302,917
Net impact of fair value accounting for derivatives and embedded derivatives	(1,240,397)
Net capital markets impact on the fair value of market risk benefits	(698,808)
Total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities (b)	\$ 3,363,712
Common shares outstanding	79,337,818
Book Value per Common Share: (c)	
Book value per common share	\$ 29.28
Book value per common share excluding AOCI (b)	\$ 66.84
Book value per common share excluding AOCI and the net impact of fair value accounting for fixed index annuities (b)	\$ 42.40

- (a) Equity available to preferred stockholders is equal to the redemption value of outstanding preferred stock plus share dividends declared but not yet issued.
- (b) Total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities, non-GAAP financial measures, exclude equity available to preferred stockholders. Total common stockholders' equity and book value per common share excluding AOCI, non-GAAP financial measures, are based on common 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 securities, we believe these non-GAAP financial measures provide useful supplemental information. Total common stockholders' equity and book value per common share excluding AOCI and the net impact of fair value accounting for fixed index annuities, non-GAAP financial measures, are based on common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities. Since the net impact of fair value accounting for our fixed index annuity business is not economic in nature but rather impact the timing of reported results, we believe these non-GAAP financial measures provide useful supplemental information.
- (c) Book value per common share including and excluding AOCI and book value per common share excluding AOCI and the net impact of fair value accounting for fixed index annuities are calculated as total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities divided by the total number of shares of common stock outstanding.

NON-GAAP FINANCIAL MEASURES

Average Common Stockholders' Equity and Return on Average Common Stockholders' Equity

Return on average common stockholders' equity measures how efficiently we generate profits from the resources provided by our net assets. Return on average common stockholders' equity is calculated by dividing net income available to common stockholders, for the trailing twelve months, by average equity available to common stockholders. Non-GAAP operating return on average common stockholders' equity excluding average accumulated other comprehensive income (AOCI) and average net impact of fair value accounting for fixed index annuities is calculated by dividing non-GAAP operating income available to common stockholders, for the trailing twelve months, by average common stockholders' equity excluding average AOCI and average net impact of fair value accounting for fixed index annuities. We exclude AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments. We exclude the net impact of fair value accounting for fixed index annuities as the amounts are not economic in nature but rather impact the timing of reported results.

	Twelve Months Ended December 31, 2023
Average Common Stockholders' Equity Attributable to American Equity Investment Life Holding Company, Excluding Average AOCI and Average Net Impact of Fair Value Accounting for Fixed Index Annuities	
Average total stockholders' equity	\$ 2,686,389
Average equity available to preferred stockholders	(700,000)
Average equity available to common stockholders	1,986,389
Average AOCI	3,362,944
Average common stockholders' equity excluding average AOCI	5,349,333
Average net impact of fair value accounting for derivatives and embedded derivatives	(1,446,283)
Average net capital markets impact on the fair value of market risk benefits	(649,833)
Average common stockholders' equity excluding average AOCI and average net impact of fair value accounting for fixed index annuities	\$ 3,253,217
Net income available to American Equity Investment Life Holding Company common stockholders	\$ 166,855
Adjustments to arrive at non-GAAP operating income available to common stockholders:	
Net realized losses on financial assets, including credit losses	91,615
Change in fair value of derivatives and embedded derivatives	549,600
Capital markets impact on the change in fair value of market risk benefits	(122,094)
Net investment income	(1,137)
Other revenue	23,876
Expenses incurred related to acquisition	13,464
Income taxes	(115,116)
Non-GAAP operating income available to common stockholders	\$ 607,063
Impact of excluding notable items (a)	\$ 10,755
Return on Average Common Stockholders' Equity Attributable to American Equity Investment Life Holding Company	
Net income available to common stockholders	8.4 %
Return on Average Common Stockholders' Equity Attributable to American Equity Investment Life Holding Company, Excluding Average AOCI and Average Net Impact of Fair Value Accounting for Fixed Index Annuities	
Non-GAAP operating income available to common stockholders	18.7 %

Notable Items

	Twelve Months Ended December 31, 2023
Notable items impacting non-GAAP operating income available to common stockholders:	
Expense associated with strategic incentive award	\$ 38,323
Impact of actuarial assumption updates	(27,568)
Total notable items (a)	\$ 10,755

- (a) Notable items reflect the after-tax increase (decrease) to non-GAAP operating income available to common stockholders for certain matters where more detail may help investors better understand, evaluate, and forecast results.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement

December 31, 2023

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Effective January 1, 2023, American Equity Investment Life Holding Company (the “Company”) adopted Accounting Standards Update 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI). The Company applied this guidance as of the transition date of January 1, 2021, and retrospectively adjusted prior period amounts to reflect the new guidance. The prior period numbers within this financial supplement have been recast, to the extent impacted by LDTI, from the original financial supplements published by the Company.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023
Unaudited (Dollars in thousands)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
Assets		
Investments:		
Fixed maturity securities, available for sale, at fair value	\$ 34,780,482	\$ 39,804,617
Mortgage loans on real estate	7,537,594	6,949,027
Real estate investments	1,334,247	1,056,063
Limited partnerships and limited liability companies	1,089,591	1,266,779
Derivative instruments	1,207,288	431,727
Other investments	2,277,822	1,817,085
Total investments	48,227,024	51,325,298
Cash and cash equivalents	9,772,586	1,919,669
Coinurance deposits	14,582,728	13,254,956
Market risk benefits	479,694	229,871
Accrued investment income	459,332	497,851
Deferred policy acquisition costs	3,070,280	2,773,643
Deferred sales inducements	2,367,224	2,045,683
Deferred income taxes	152,652	438,434
Income taxes recoverable	37,854	55,498
Other assets	768,928	642,696
Total assets	\$ 79,918,302	\$ 73,183,599
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves	\$ 60,901,641	\$ 58,781,836
Market risk benefits	3,146,554	2,455,492
Other policy funds and contract claims	188,856	512,790
Notes and loan payable	785,443	792,073
Subordinated debentures	79,107	78,753
Funds withheld for reinsurance liabilities	8,596,373	6,577,426
Other liabilities	3,172,554	1,614,479
Total liabilities	76,870,528	70,812,849
Stockholders' equity:		
Preferred stock, Series A	16	16
Preferred stock, Series B	12	12
Common stock	79,338	84,810
Additional paid-in capital	1,071,103	1,325,316
Accumulated other comprehensive loss	(2,979,657)	(3,746,230)
Retained earnings	4,852,448	4,685,593
Total stockholders' equity attributable to American Equity Investment Life Holding Company	3,023,260	2,349,517
Noncontrolling interests	24,514	21,233
Total stockholders' equity	3,047,774	2,370,750
Total liabilities and stockholders' equity	\$ 79,918,302	\$ 73,183,599

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues:				
Premiums and other considerations	\$ 2,657	\$ 2,991	\$ 11,967	\$ 19,739
Annuity product charges	96,947	61,666	315,496	230,354
Net investment income	582,176	537,995	2,272,798	2,307,463
Change in fair value of derivatives	353,443	22,243	259,046	(1,138,128)
Net realized gains (losses) on investments	(2,065)	14,411	(99,203)	(47,848)
Other revenue	21,973	13,032	75,866	42,245
Total revenues	1,055,131	652,338	2,835,970	1,413,825
Benefits and expenses:				
Insurance policy benefits and change in future policy benefits	3,161	5,948	17,687	33,220
Interest sensitive and index product benefits	193,439	57,626	567,423	554,871
Market risk benefits (gains) losses	241,998	33,490	(14,546)	3,684
Amortization of deferred sales inducements	50,346	45,966	192,252	181,970
Change in fair value of embedded derivatives	977,178	342,409	1,143,576	(2,352,598)
Interest expense on notes and loan payable	11,642	10,228	45,890	32,098
Interest expense on subordinated debentures	1,341	1,335	5,355	5,331
Amortization of deferred policy acquisition costs	72,428	66,831	279,700	284,011
Other operating costs and expenses	75,250	62,389	301,581	239,526
Total benefits and expenses	1,626,783	626,222	2,538,918	(1,017,887)
Income (loss) before income taxes	(571,652)	26,116	297,052	2,431,712
Income tax expense (benefit)	(108,202)	(6,817)	85,133	511,135
Net income (loss)	(463,450)	32,933	211,919	1,920,577
Less: Net income available to noncontrolling interests	1,545	361	1,389	358
Net income (loss) available to American Equity Investment Life Holding Company stockholders	(464,995)	32,572	210,530	1,920,219
Less: Preferred stock dividends	10,919	10,919	43,675	43,675
Net income (loss) available to American Equity Investment Life Holding Company common stockholders	<u>\$ (475,914)</u>	<u>\$ 21,653</u>	<u>\$ 166,855</u>	<u>\$ 1,876,544</u>
Earnings (loss) per common share				
Earnings (loss) per common share	\$ (6.04)	\$ 0.25	\$ 2.10	\$ 20.72
Earnings (loss) per common share - assuming dilution	\$ (6.04)	\$ 0.25	\$ 2.06	\$ 20.50
Weighted average common shares outstanding (in thousands):				
Earnings (loss) per common share	78,754	85,274	79,476	90,558
Earnings (loss) per common share - assuming dilution	78,754	86,402	80,952	91,538

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
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Unaudited (Dollars in thousands, except per share data)
Quarterly Summary - Most Recent 5 Quarters

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenues:					
Traditional life insurance premiums	\$ 2,041	\$ 1,842	\$ 629	\$ 698	\$ 626
Life contingent immediate annuity considerations	616	815	1,887	3,439	2,365
Surrender charges	57,876	45,550	33,777	26,542	22,030
Lifetime income benefit rider fees	39,071	38,766	37,865	36,049	39,636
Net investment income	582,176	586,614	542,685	561,323	537,995
Change in fair value of derivatives	353,443	(383,026)	242,739	45,890	22,243
Net realized gains (losses) on investments	(2,065)	(44,672)	(24,679)	(27,787)	14,411
Other revenue (a)	21,973	20,763	16,736	16,394	13,032
Total revenues	1,055,131	266,652	851,639	662,548	652,338
Benefits and expenses:					
Traditional life insurance policy benefits and change in future policy benefits (b)	(118)	3,623	940	1,206	944
Life contingent immediate annuity benefits and change in future policy benefits (c)	3,279	(1,430)	4,185	6,002	5,004
Interest sensitive and index product benefits	193,439	193,686	122,387	57,911	57,626
Market risk benefits (gains) losses (d)	241,998	(296,114)	(144,124)	183,694	33,490
Amortization of deferred sales inducements	50,346	48,354	46,951	46,601	45,966
Change in fair value of embedded derivatives (e)	977,178	(451,806)	213,764	404,440	342,409
Interest expense on notes payable	11,642	12,003	11,227	11,018	10,228
Interest expense on subordinated debentures	1,341	1,340	1,338	1,336	1,335
Amortization of deferred policy acquisition costs	72,428	70,561	68,476	68,235	66,831
Other operating costs and expenses	75,250	76,630	75,697	74,004	62,389
Total benefits and expenses	1,626,783	(343,153)	400,841	854,447	626,222
Income (loss) before income taxes	(571,652)	609,805	450,798	(191,899)	26,116
Income tax expense (benefit)	(108,202)	133,691	95,652	(36,008)	(6,817)
Net income (loss) (b)(c)(d)(e)	(463,450)	476,114	355,146	(155,891)	32,933
Less: Net income (loss) available to noncontrolling interests	1,545	(42)	(217)	103	361
Net income (loss) available to American Equity Investment Life Holding Company stockholders (b)(c)(d)(e)	(464,995)	476,156	355,363	(155,994)	32,572
Less: Preferred stock dividends	10,919	10,918	10,919	10,919	10,919
Net income (loss) available to American Equity Investment Life Holding Company common stockholders (b)(c)(d)(e)	\$ (475,914)	\$ 465,238	\$ 344,444	\$ (166,913)	\$ 21,653
Earnings (loss) per common share	\$ (6.04)	\$ 5.96	\$ 4.43	\$ (2.00)	\$ 0.25
Earnings (loss) per common share - assuming dilution (b)(c)(d)(e)	\$ (6.04)	\$ 5.82	\$ 4.36	\$ (2.00)	\$ 0.25
Weighted average common shares outstanding (thousands):					
Earnings (loss) per common share	78,754	78,034	77,767	83,417	85,274
Earnings (loss) per common share - assuming dilution	78,754	79,952	78,928	83,417	86,402

- (a) Other revenue consists of reinsurance related fee revenue including asset liability management fees and amortization of the deferred gain associated with the cost of reinsurance.
- (b) Q3 2023 includes expense from the update of assumptions used in determining the deferred profit liability. The impact increased traditional life insurance policy benefits and change in future policy benefits by \$2.3 million and decreased both net income and net income available to common stockholders by \$1.8 million and decreased earnings per common share - assuming dilution by \$0.02 per share.
- (c) Q3 2023 includes benefit from the update of assumptions used in determining the liability for future policyholder benefits. The impact decreased life contingent immediate annuity benefits and change in future policy benefits by \$4.6 million and increased both net income and net income available to common stockholders by \$3.6 million and increased earnings per common share - assuming dilution by \$0.05 per share.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

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Unaudited (*Dollars in thousands, except per share data*)

- (d) Q3 2023 includes benefit from the update of assumptions used in determining the reserves held for market risk benefits. The impact decreased market risk benefits (gains) losses by \$63.3 million and increased both net income and net income available to common stockholders by \$49.7 million and increased earnings per common share - assuming dilution by \$0.62 per share.
- (e) Q3 2023 includes expense from the update of assumptions used in determining the embedded derivative component of our fixed index annuity policy benefit reserves. The impact increased change in fair value of embedded derivatives by \$84.4 million and decreased both net income and net income available to common stockholders by \$66.2 million and decreased earnings per common share - assuming dilution by \$0.83 per share.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
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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.

Reconciliation from Net Income (Loss) Available to Common Stockholders to Non-GAAP Operating Income Available to Common Stockholders

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net income (loss) available to American Equity Investment Life Holding Company common stockholders	\$ (475,914)	\$ 21,653	\$ 166,855	\$ 1,876,544
Adjustments to arrive at non-GAAP operating income available to common stockholders:				
Net realized gains (losses) on financial assets, including credit losses	(2,277)	(19,460)	91,615	48,264
Change in fair value of derivatives and embedded derivatives	583,961	169,767	549,600	(1,549,205)
Capital markets impact on the change in fair value of market risk benefits	216,214	2,309	(122,094)	(393,617)
Net investment income	(1,509)	1,476	(1,137)	1,476
Other revenue	5,969	5,969	23,876	5,969
Expenses incurred related to acquisition	3,750	—	13,464	—
Income taxes	(170,603)	(39,998)	(115,116)	401,838
Non-GAAP operating income available to common stockholders	<u>\$ 159,591</u>	<u>\$ 141,716</u>	<u>\$ 607,063</u>	<u>\$ 391,269</u>
Impact of excluding notable items (a)	<u>\$ 13,255</u>	<u>\$ —</u>	<u>\$ 10,755</u>	<u>\$ 181,890</u>
Per common share - assuming dilution:				
Net income (loss) available to American Equity Investment Life Holding Company common stockholders	\$ (6.04)	\$ 0.25	\$ 2.06	\$ 20.50
Adjustments to arrive at non-GAAP operating income available to common stockholders:				
Anti-dilutive impact for losses (b)	0.11	—	—	—
Net realized gains (losses) on financial assets, including credit losses	(0.03)	(0.23)	1.13	0.53
Change in fair value of derivatives and embedded derivatives	7.28	1.96	6.79	(16.92)
Capital markets impact on the change in fair value of market risk benefits	2.70	0.03	(1.51)	(4.30)
Net investment income	(0.02)	0.02	(0.01)	—
Other revenue	0.07	0.07	0.29	0.01
Expenses incurred related to acquisition	0.05	—	0.17	0.06
Income taxes	(2.13)	(0.46)	(1.42)	4.39
Non-GAAP operating income available to common stockholders	<u>\$ 1.99</u>	<u>\$ 1.64</u>	<u>\$ 7.50</u>	<u>\$ 4.27</u>
Impact of excluding notable items (a)	<u>\$ 0.17</u>	<u>\$ —</u>	<u>\$ 0.13</u>	<u>\$ 1.99</u>

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
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Unaudited (Dollars in thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Notable items impacting non-GAAP operating income available to common stockholders:				
Expense associated with strategic incentive award	\$ 13,255	\$ —	\$ 38,323	\$ —
Impact of actuarial assumption updates	—	—	(27,568)	181,890
Total notable items (a)	<u>\$ 13,255</u>	<u>\$ —</u>	<u>\$ 10,755</u>	<u>\$ 181,890</u>

- (a) Notable items reflect the after-tax increase (decrease) to non-GAAP operating income available to common stockholders for certain matters where more detail may help investors better understand, evaluate, and forecast results.

For the three months ended December 31, 2023 and 2022, non-GAAP operating income (loss) available to common stockholders would increase \$13.3 million and \$0.0 million, respectively, if we were to exclude the impact of notable items.

For the year ended December 31, 2023 and 2022, non-GAAP operating income (loss) available to common stockholders would increase \$10.8 million and \$181.9 million, respectively, if we were to exclude the impact of notable items.

- (b) For periods with a loss, dilutive shares were not included in the calculation as inclusion of such shares would have an anti-dilutive effect.

NON-GAAP FINANCIAL MEASURES
Summary of Adjustments to Arrive at Non-GAAP Operating Income Available to Common Stockholders

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net realized gains (losses) on financial assets, including credit losses:				
Net realized gains (losses) on financial assets, including credit losses	\$ (2,277)	\$ (19,460)	\$ 91,615	\$ 48,264
Income taxes	490	4,183	(19,697)	(10,377)
	<u>\$ (1,787)</u>	<u>\$ (15,277)</u>	<u>\$ 71,918</u>	<u>\$ 37,887</u>
Change in fair value of derivatives and embedded derivatives:				
Fixed index annuities	\$ 314,777	\$ 89,662	\$ 373,608	\$ (1,129,326)
Reinsurance contracts	269,184	78,594	185,088	(439,502)
Interest rate swaps	—	1,511	(9,096)	19,623
Income taxes	(122,841)	(42,083)	(113,885)	329,188
	<u>\$ 461,120</u>	<u>\$ 127,684</u>	<u>\$ 435,715</u>	<u>\$ (1,220,017)</u>
Capital market impact on the fair value of market risk benefits:				
Capital markets impact on the change in fair value of market risk benefits	\$ 194,164	\$ (16,236)	\$ (207,682)	\$ (449,887)
Amortization of capital markets impact on the fair value of market risk benefits	22,050	18,545	85,588	56,270
Income taxes	(46,486)	(498)	26,250	84,627
	<u>\$ 169,728</u>	<u>\$ 1,811</u>	<u>\$ (95,844)</u>	<u>\$ (308,990)</u>
Net investment income:				
Income associated with assets transferred under reinsurance treaty	\$ (1,509)	\$ 1,476	\$ (1,137)	\$ 1,476
Income taxes	324	(317)	244	(317)
	<u>\$ (1,185)</u>	<u>\$ 1,159</u>	<u>\$ (893)</u>	<u>\$ 1,159</u>
Other revenue:				
Amortization of deferred fees associated with reinsurance treaties	\$ 5,969	\$ 5,969	\$ 23,876	\$ 5,969
Income taxes	(1,283)	(1,283)	(5,133)	(1,283)
	<u>\$ 4,686</u>	<u>\$ 4,686</u>	<u>\$ 18,743</u>	<u>\$ 4,686</u>
Other operating costs and expenses:				
Expenses incurred related to acquisition	\$ 3,750	\$ —	\$ 13,464	\$ —
Income taxes	(807)	—	(2,895)	—
	<u>\$ 2,943</u>	<u>\$ —</u>	<u>\$ 10,569</u>	<u>\$ —</u>

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NON-GAAP FINANCIAL MEASURES
Quarterly Summary - Most Recent 5 Quarters
Reconciliation from Net Income (Loss) Available to Common Stockholders to Non-GAAP Operating Income Available to Common Stockholders

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net income (loss) available to American Equity Investment Life Holding Company common stockholders	\$ (475,914)	\$ 465,238	\$ 344,444	\$ (166,913)	\$ 21,653
Adjustments to arrive at non-GAAP operating income available to common stockholders:					
Net realized (gains) losses on financial assets, including credit losses	(2,277)	46,771	22,737	24,384	(19,460)
Change in fair value of derivatives and embedded derivatives	583,961	(115,747)	(124,816)	206,202	169,767
Capital markets impact on the change in fair value of market risk benefits	216,214	(290,558)	(184,700)	136,950	2,309
Net investment income	(1,509)	(1,746)	4,609	(2,491)	1,476
Other revenue	5,969	5,969	5,969	5,969	5,969
Expenses incurred related to acquisition	3,750	9,714	—	—	—
Income taxes	(170,603)	75,879	59,373	(79,765)	(39,998)
Non-GAAP operating income available to common stockholders (c)(d)(e)	<u>\$ 159,591</u>	<u>\$ 195,520</u>	<u>\$ 127,616</u>	<u>\$ 124,336</u>	<u>\$ 141,716</u>
Impact of excluding notable items (a)	<u>\$ 13,255</u>	<u>\$ (20,958)</u>	<u>\$ 8,892</u>	<u>\$ 9,566</u>	<u>\$ —</u>

Per common share - assuming dilution:

Net income (loss) available to American Equity Investment Life Holding Company common stockholders	\$ (6.04)	\$ 5.82	\$ 4.36	\$ (2.00)	\$ 0.25
Adjustments to arrive at non-GAAP operating income available to common stockholders:					
Anti-dilutive impact for losses (b)	0.11	—	—	0.03	—
Net realized (gains) losses on financial assets, including credit losses	(0.03)	0.58	0.29	0.29	(0.23)
Change in fair value of derivatives and embedded derivatives	7.28	(1.44)	(1.58)	2.43	1.96
Capital markets impact on the change in fair value of market risk benefits	2.70	(3.63)	(2.34)	1.62	0.03
Net investment income	(0.02)	(0.02)	0.06	(0.03)	0.02
Other revenue	0.07	0.07	0.08	0.07	0.07
Expenses incurred related to acquisition	0.05	0.12	—	—	—
Income taxes	(2.13)	0.95	0.75	(0.94)	(0.46)
Non-GAAP operating income available to common stockholders (c)(d)(e)	<u>\$ 1.99</u>	<u>\$ 2.45</u>	<u>\$ 1.62</u>	<u>\$ 1.47</u>	<u>\$ 1.64</u>
Impact of excluding notable items (a)	<u>\$ 0.17</u>	<u>\$ (0.26)</u>	<u>\$ 0.11</u>	<u>\$ 0.11</u>	<u>\$ —</u>

Notable Items

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Notable items impacting non-GAAP operating income available to common stockholders:					
Expense associated with strategic incentive award	\$ 13,255	\$ 6,610	\$ 8,892	\$ 9,566	\$ —
Impact of actuarial assumption updates	—	(27,568)	—	—	—
Total notable items (a)	<u>\$ 13,255</u>	<u>\$ (20,958)</u>	<u>\$ 8,892</u>	<u>\$ 9,566</u>	<u>\$ —</u>

- (a) Notable items reflect the after-tax increase (decrease) to non-GAAP operating income available to common stockholders for certain matters where more detail may help investors better understand, evaluate, and forecast results. For the three months ended December 31, 2023, September 30, 2023, June 30, 2023, March 31, 2023 and December 31, 2022, non-GAAP operating income available to common stockholders would increase \$13.3 million, decrease \$21.0 million, increase \$8.9 million and \$9.6 million, respectively, if we were to exclude the impact of notable items.
- (b) For periods with a loss, dilutive shares were not included in the calculation as inclusion of such shares would have an anti-dilutive effect.

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- (c) Q3 2023 includes expense from the update of assumptions used in determining the deferred profit liability. The impact increased traditional life insurance policy benefits and change in future policy benefits by \$2.3 million and decreased non-GAAP operating income available to common stockholders by \$1.8 million and decreased non-GAAP operating earnings per common share - assuming dilution by \$0.02 per share.
- (d) Q3 2023 includes benefit from the update of assumptions used in determining the liability for future policyholder benefits. The impact decreased life contingent immediate annuity benefits and change in future policy benefits by \$4.6 million and increased non-GAAP operating income available to common stockholders by \$3.6 million and increased non-GAAP operating earnings per common share - assuming dilution by \$0.05 per share.
- (e) Q3 2023 includes benefit from the update of assumptions used in determining the reserves held for market risk benefits. The impact decreased market risk benefits (gains) losses by \$32.8 million and increased non-GAAP operating income available to common stockholders by \$25.8 million and increased non-GAAP operating earnings per common share - assuming dilution by \$0.32 per share.

NON-GAAP FINANCIAL MEASURES
Summary of Adjustments to Arrive at Non-GAAP Operating Income Available to Common Stockholders

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net realized (gains) losses on investments	\$ 2,065	\$ 44,672	\$ 24,679	\$ 27,787	\$ (14,411)
Net investment income	(1,509)	(1,746)	4,609	(2,491)	1,476
Other revenue	5,969	5,969	5,969	5,969	5,969
Change in fair value of derivatives	(393,217)	336,059	(338,579)	(198,239)	(172,643)
Increase (decrease) in total revenues	(386,692)	384,954	(303,322)	(166,974)	(179,609)
Change in fair value of embedded derivatives	(977,178)	451,806	(213,764)	(404,440)	(342,409)
Market risk benefits (gains) losses	(216,214)	290,558	184,700	(136,950)	(2,309)
Interest sensitive and index product benefits (a)	4,342	(2,099)	1,943	3,402	5,048
Other operating costs and expenses	(3,750)	(9,714)	—	—	—
Increase (decrease) in total benefits and expenses	(1,192,800)	730,551	(27,121)	(537,988)	(339,670)
Increase (decrease) in income (loss) before income taxes	806,108	(345,597)	(276,201)	371,014	160,061
Increase (decrease) in income tax expense benefit	170,603	(75,879)	(59,373)	79,765	39,998
Increase (decrease) in net income (loss) available to common stockholders	<u>\$ 635,505</u>	<u>\$ (269,718)</u>	<u>\$ (216,828)</u>	<u>\$ 291,249</u>	<u>\$ 120,063</u>

- (a) Interest sensitive and index product benefits adjustment reflects the change in the allowance for credit losses on our reinsurance recoverable/coinsurance deposits. The change in this allowance is reflected in the net realized (gains) losses of financial assets, including credit losses line in the other Non-GAAP financial measures tables in this financial supplement.

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Capitalization/Book Value per Common Share

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Capitalization:					
Notes and loan payable	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Subordinated debentures payable to subsidiary trusts	79,107	79,017	78,927	78,839	78,753
Total debt	879,107	879,017	878,927	878,839	878,753
Total stockholders' equity attributable to American Equity Investment Life Holding Company	3,023,260	2,053,576	2,571,915	2,605,485	2,349,517
Total capitalization	3,902,367	2,932,593	3,450,842	3,484,324	3,228,270
Accumulated other comprehensive loss (AOCI)	2,979,657	4,425,695	3,425,248	3,036,429	3,746,230
Total capitalization excluding AOCI (a)	\$ 6,882,024	\$ 7,358,288	\$ 6,876,090	\$ 6,520,753	\$ 6,974,500
Total stockholders' equity attributable to American Equity Investment Life Holding Company	\$ 3,023,260	\$ 2,053,576	\$ 2,571,915	\$ 2,605,485	\$ 2,349,517
Equity available to preferred stockholders (b)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Total common stockholders' equity (c)	2,323,260	1,353,576	1,871,915	1,905,485	1,649,517
Accumulated other comprehensive loss	2,979,657	4,425,695	3,425,248	3,036,429	3,746,230
Total common stockholders' equity excluding AOCI (c)	5,302,917	5,779,271	5,297,163	4,941,914	5,395,747
Net impact of fair value accounting for derivatives and embedded derivatives	(1,240,397)	(1,689,153)	(1,587,599)	(1,490,297)	(1,652,169)
Net capital markets impact on the fair value of market risk benefits	(698,808)	(866,530)	(638,442)	(493,452)	(600,958)
Total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities (c)	\$ 3,363,712	\$ 3,223,588	\$ 3,071,122	\$ 2,958,165	\$ 3,142,620
Common shares outstanding	79,337,818	78,974,095	78,047,941	77,753,194	84,810,255
Book Value per Common Share: (d)					
Book value per common share	\$ 29.28	\$ 17.14	\$ 23.98	\$ 24.51	\$ 19.45
Book value per common share excluding AOCI (c)	\$ 66.84	\$ 73.18	\$ 67.87	\$ 63.56	\$ 63.62
Book value per common share excluding AOCI and the net impact of fair value accounting for fixed index annuities (c)	\$ 42.40	\$ 40.82	\$ 39.35	\$ 38.05	\$ 37.05
Debt-to-Capital Ratios: (e)					
Senior debt / Total capitalization	11.6 %	10.9 %	11.6 %	12.3 %	11.5 %
Total debt / Total capitalization	12.8 %	11.9 %	12.8 %	13.5 %	12.6 %

- (a) Total capitalization excluding AOCI, a non-GAAP financial measure, is based on stockholders' equity excluding the effect of AOCI.
- (b) Equity available to preferred stockholders is equal to the redemption value of outstanding preferred stock plus share dividends declared but not yet issued.
- (c) Total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities, non-GAAP financial measures, exclude equity available to preferred stockholders. Total common stockholders' equity and book value per common share excluding AOCI, non-GAAP financial measures, are based on common 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 securities, we believe these non-GAAP financial measures provide useful supplemental information. Total common stockholders' equity and book value per common share excluding AOCI and the net impact of fair value accounting for fixed index annuities, non-GAAP financial measures, are based on common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities. Since the net impact of fair value accounting for our fixed index annuity business is not economic in nature but rather impact the timing of reported results, we believe these non-GAAP financial measures provide useful supplemental information.
- (d) Book value per common share including and excluding AOCI and book value per common share excluding AOCI and the net impact of fair value accounting for fixed index annuities are calculated as total common stockholders' equity, total common stockholders' equity excluding AOCI and total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities divided by the total number of shares of common stock outstanding.
- (e) Debt-to-capital ratios are computed using total capitalization excluding AOCI.

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Spread Results

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
4.55%	4.34%	Average yield on invested assets	4.65%	4.69%	4.42%	4.48%	4.30%
1.90%	1.71%	Aggregate cost of money	2.01%	1.96%	1.85%	1.81%	1.76%
2.65%	2.63%	Aggregate investment spread	2.64%	2.73%	2.57%	2.67%	2.54%
Impact of:							
0.01%	0.03%	Investment yield - additional prepayment income	0.01%	—%	0.01%	—%	0.01%
0.04%	0.01%	Cost of money effect of over hedging	0.07%	0.05%	0.03%	—%	—%
\$ 49,485,288	\$ 53,225,871	Weighted average investments	\$ 49,682,210	\$ 49,528,255	\$ 49,125,197	\$ 49,304,219	\$ 50,040,228
49,705,986	49,811,623	Ending investments	49,705,986	49,658,435	49,398,076	48,852,319	49,811,623

Weighted average investments include fixed maturity securities at amortized cost and mortgage loans on real estate and other investments at carrying values as reflected in the consolidated balance sheets. 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.

Investment Yields

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
Investment income:							
\$ 2,150,881	\$ 2,108,088	Fixed income (a)	\$ 544,245	\$ 539,584	\$ 533,930	\$ 533,122	\$ 511,077
102,472	200,349	Mark-to-market private asset income (a)	32,910	40,900	9,035	19,627	26,816
\$ 2,253,353	\$ 2,308,437	Total non-GAAP investment income (b)	\$ 577,155	\$ 580,484	\$ 542,965	\$ 552,749	\$ 537,893
Investment yield:							
4.59%	4.08%	Fixed income investment yield	4.65%	4.61%	4.57%	4.52%	4.26%
3.97%	12.95%	Mark-to-market private asset yield	4.52%	6.12%	1.48%	3.61%	5.29%
4.55%	4.34%	Total investment yield	4.65%	4.69%	4.42%	4.48%	4.30%
Weighted average investments:							
\$ 46,901,060	\$ 51,678,469	Fixed income investments	\$ 46,766,942	\$ 46,853,771	\$ 46,684,803	\$ 47,129,120	\$ 48,012,311
2,584,228	1,547,402	Mark-to-market private assets	2,915,268	2,674,484	2,440,394	2,175,099	2,027,917
\$ 49,485,288	\$ 53,225,871	Total weighted average investments	\$ 49,682,210	\$ 49,528,255	\$ 49,125,197	\$ 49,304,219	\$ 50,040,228

(a) Net of investment expenses.

(b) Non-GAAP investment income is comprised of GAAP Net investment income adjusted to remove income associated with cash held by the Parent Company for corporate activities and to gross up income related to the tax benefit of tax exempt investment income, in addition to the adjustments shown in the reconciliation of Net Income (Loss) to Non-GAAP Operating Income on page 5. The net impact of these adjustments were \$3,512 thousand in Q4 2023, \$4,384 thousand in Q3 2023, \$4,329 thousand in Q2 2023, \$6,083 thousand in Q1 2023, and \$1,578 thousand in Q4 2022, respectively.

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Summary of Cost of Money for Deferred Annuities

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
		Included in interest sensitive and index product benefits:					
\$ 326,471	\$ 305,292	Index credits	\$ 136,537	\$ 120,894	\$ 65,507	\$ 3,533	\$ 3,861
236,403	240,889	Interest credited	61,306	61,546	57,235	56,316	56,402
		Included in change in fair value of derivatives:					
(344,876)	(312,133)	Proceeds received at option expiration	(145,076)	(126,750)	(69,449)	(3,601)	(4,061)
682,918	647,132	Pro rata amortization of option cost	186,052	175,603	163,992	157,271	154,463
<u>\$ 900,916</u>	<u>\$ 881,180</u>	Cost of money for deferred annuities	<u>\$ 238,819</u>	<u>\$ 231,293</u>	<u>\$ 217,285</u>	<u>\$ 213,519</u>	<u>\$ 210,665</u>
\$ 47,330,279	\$ 51,558,865	Weighted average liability balance outstanding	\$ 47,487,836	\$ 47,280,339	\$ 47,086,271	\$ 47,266,672	\$ 47,802,219

Annuity Account Balance Rollforward

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
\$ 47,504,615	\$ 53,191,277	Account balances at beginning of period	\$ 47,419,417	\$ 47,143,582	\$ 47,031,605	\$ 47,504,615	\$ 51,913,689
—	(4,068,761)	Reserves ceded - in-force	—	—	—	—	(3,810,982)
47,504,615	49,122,516	Account balance at beginning of period, net of reinsurance ceded	47,419,417	47,143,582	47,031,605	47,504,615	48,102,707
5,223,294	2,347,315	Net deposits	1,949,552	1,366,125	1,174,953	732,664	613,084
513,793	107,691	Premium bonuses	160,506	171,164	136,856	45,267	33,617
562,874	546,181	Fixed interest credited and index credits	197,843	182,440	122,742	59,849	60,263
(163,745)	(72,699)	Surrender charges	(57,876)	(45,550)	(33,777)	(26,542)	(22,030)
(151,751)	(157,655)	Lifetime income benefit rider fees	(39,071)	(38,766)	(37,865)	(36,049)	(39,636)
(5,930,590)	(4,388,734)	Surrenders, withdrawals, deaths, etc.	(2,071,881)	(1,359,578)	(1,250,932)	(1,248,199)	(1,243,390)
<u>\$ 47,558,490</u>	<u>\$ 47,504,615</u>	Account balances at end of period	<u>\$ 47,558,490</u>	<u>\$ 47,419,417</u>	<u>\$ 47,143,582</u>	<u>\$ 47,031,605</u>	<u>\$ 47,504,615</u>

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MRB Liability

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
\$ 1,521,954	\$ 2,362,947	MRB balance at beginning of period	\$ 1,468,271	\$ 1,587,694	\$ 1,632,918	\$ 1,521,954	\$ 1,762,629
—	(326,524)	Reserves ceded - in-force	—	—	—	—	(331,020)
8,572	7,429	Issuances	10,774	(3,052)	(2,071)	2,921	1,230
124,374	66,198	Interest accrual	29,086	32,355	33,374	29,559	23,910
117,185	117,486	Attributed fees collected	31,387	29,354	28,247	28,197	29,585
—	—	Benefits payments	—	—	—	—	—
(185,333)	(449,887)	Effect of changes in interest rates and equity markets	183,192	(284,238)	(202,709)	118,422	(16,236)
(82,111)	263,830	Effect of changes in assumptions and policyholder behavior	(12,463)	(70,544)	(974)	1,870	(5,023)
330,251	(519,525)	Effect of changes in instrument specific credit risk	124,645	176,702	98,909	(70,005)	56,879
1,834,892	1,521,954	MRB balance at end of period, net (a)	1,834,892	1,468,271	1,587,694	1,632,918	1,521,954
887,646	765,552	MRB net deferred capital markets impact, end of period	887,646	1,103,860	813,302	628,602	765,552
<u>\$ 2,722,538</u>	<u>\$ 2,287,506</u>	Non-GAAP MRB balance, end of period (b)	<u>\$ 2,722,538</u>	<u>\$ 2,572,131</u>	<u>\$ 2,400,996</u>	<u>\$ 2,261,520</u>	<u>\$ 2,287,506</u>

- (a) The MRB balance is the MRB liability net of the MRB asset and reinsurance recoverable asset associated with the ceded MRB. The reinsurance recoverable asset associated with the ceded MRB is included in coinsurance deposits on the Consolidated Balance Sheet.
- (b) Non-GAAP MRB balance is comprised of the GAAP MRB balance adjusted for the pre-tax cumulative effect of the deferral of capital markets impact on the fair value of MRB. See page 9 for the non-GAAP definition and reconciliation of total common stockholders' equity to total common stockholders' equity excluding AOCI and the net impact of fair value accounting for fixed index annuities which includes the adjustment for the after-tax cumulative effect of the deferral of capital markets impact on the fair value of MRB.

Account Values Subject to Recurring Fees Under Reinsurance Agreements

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
\$ 9,642,336	\$ 4,660,690	Account value of business ceded subject to fee income at beginning of period	\$ 11,592,667	\$ 10,863,738	\$ 10,155,767	\$ 9,642,336	\$ 5,612,098
—	4,068,761	In-force account value ceded subject to fee income	—	—	—	—	3,810,982
2,369,765	1,045,600	Premiums on business ceded subject to fee income	44,171	870,021	821,413	634,160	351,971
(523,974)	(132,715)	Disbursements on business ceded subject to fee income	(148,711)	(141,092)	(113,442)	(120,729)	(132,715)
<u>\$ 11,488,127</u>	<u>\$ 9,642,336</u>	Account value of business ceded subject to fee income at end of period	<u>\$ 11,488,127</u>	<u>\$ 11,592,667</u>	<u>\$ 10,863,738</u>	<u>\$ 10,155,767</u>	<u>\$ 9,642,336</u>
\$ 99,742	\$ 48,214	Non-GAAP operating revenue associated with recurring fees (a)	\$ 27,942	\$ 26,732	\$ 22,705	\$ 22,363	\$ 19,001

- (a) Non-GAAP operating revenue associated with recurring fees is comprised of GAAP Other Revenue adjusted for the amortization of gains on assets transferred under a reinsurance transaction. See page 7 for the reconciliation of Net Income (Loss) to Non-GAAP Operating Income and page 8 for the summary of adjustments to arrive at Non-GAAP Operating Income.

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Annuity Deposits by Product Type

Year Ended December 31,			Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
2023	2022						
		American Equity Life:					
\$ 5,470,434	\$ 2,692,141	Fixed index annuities	\$ 1,547,595	\$ 1,715,362	\$ 1,471,638	\$ 735,839	\$ 637,021
2,053	5,329	Annual reset fixed rate annuities	276	250	834	693	1,856
216,172	56,511	Multi-year fixed rate annuities	9,979	13,127	37,032	156,034	49,216
1,224	18,935	Single premium immediate annuities	309	210	278	427	494
5,689,883	2,772,916		1,558,159	1,728,949	1,509,782	892,993	688,587
		Eagle Life:					
1,563,992	479,279	Fixed index annuities	430,689	498,431	406,273	228,599	145,772
3,039	380	Annual reset fixed rate annuities	—	—	1,770	1,269	230
349,616	82,581	Multi-year fixed rate annuities	7,839	10,616	82,932	248,229	65,434
1,916,647	562,240		438,528	509,047	490,975	478,097	211,436
		Consolidated:					
7,034,426	3,171,420	Fixed index annuities	1,978,284	2,213,793	1,877,911	964,438	782,793
5,092	5,709	Annual reset fixed rate annuities	276	250	2,604	1,962	2,086
565,788	139,092	Multi-year fixed rate annuities	17,818	23,743	119,964	404,263	114,650
1,224	18,935	Single premium immediate annuities	309	210	278	427	494
7,606,530	3,335,156	Total before coinsurance ceded	1,996,687	2,237,996	2,000,757	1,371,090	900,023
2,382,012	968,906	Coinsurance ceded	46,826	871,661	825,526	637,999	286,445
<u>\$ 5,224,518</u>	<u>\$ 2,366,250</u>	Net after coinsurance ceded	<u>\$ 1,949,861</u>	<u>\$ 1,366,335</u>	<u>\$ 1,175,231</u>	<u>\$ 733,091</u>	<u>\$ 613,578</u>

Surrender Charge Protection and Account Values by Product Type

Annuity Surrender Charges and Net (of Coinsurance) Account Values at December 31, 2023:

Product Type	Surrender Charge			Net Account Value	
	Avg. Years At Issue	Avg. Years Remaining	Avg. % Remaining	Dollars in Thousands	%
Fixed Index Annuities	12.0	4.9	8.2%	\$ 42,708,093	89.8 %
Annual Reset Fixed Rate Annuities	7.2	1.4	3.0%	1,119,156	2.4 %
Multi-Year Fixed Rate Annuities	4.1	1.2	6.1%	3,731,241	7.8 %
Total	11.2	4.6	7.9%	<u>\$ 47,558,490</u>	<u>100.0 %</u>

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Annuity Liability Characteristics

<u>Surrender Charge Percentages:</u>	Fixed Annuities Account Value	Fixed Index Annuities Account Value
No surrender charge	\$ 1,201,886	\$ 5,291,934
0.0% < 2.0%	74,758	2,821,053
2.0% < 3.0%	13,799	2,747,252
3.0% < 4.0%	7,551	823,508
4.0% < 5.0%	6,799	2,787,498
5.0% < 6.0%	55,957	1,807,736
6.0% < 7.0%	370,963	2,240,692
7.0% < 8.0%	2,470,779	1,840,104
8.0% < 9.0%	331,773	4,252,724
9.0% < 10.0%	154,684	3,135,064
10.0% or greater	161,448	14,960,528
	<u>\$ 4,850,397</u>	<u>\$ 42,708,093</u>

<u>Surrender Charge Expiration By Year:</u>	Fixed and Fixed Index Annuities Account Value	Weighted Average Surrender Charge
Out of Surrender Charge	\$ 6,493,820	0.00 %
2024	3,569,836	4.42 %
2025	4,672,248	3.17 %
2026	4,340,338	5.01 %
2027	3,690,236	6.04 %
2028	3,811,466	7.59 %
2029	3,765,240	9.03 %
2030	3,956,253	10.46 %
2031	3,531,481	12.80 %
2032	3,278,755	13.57 %
2033	5,072,207	16.08 %
2034	629,134	17.39 %
2035	324,974	18.08 %
2036	187,883	18.50 %
2037	118,697	19.00 %
2038	99,474	19.50 %
2039	16,448	20.00 %
	<u>\$ 47,558,490</u>	7.88 %

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 December 31, 2023 for the \$11.8 billion of account value of fixed annuities and funds allocated to the fixed rate strategy for fixed index annuities would decrease by 0.25%.

If all caps and participation rates were reduced to minimum caps and participation rates and current asset fees were increased to their maximums on the \$35.8 billion of account value allocated to index strategies, the cost of options would decrease by 1.55% based upon prices of options for the week ended December 31, 2023.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023
Unaudited (Dollars in thousands)
Summary of Invested Assets

	December 31, 2023		December 31, 2022	
	Carrying Amount	Percent	Carrying Amount	Percent
Fixed maturity securities:				
U.S. Government and agencies	\$ 171,141	0.4 %	\$ 169,071	0.4 %
States, municipalities and territories	3,075,024	7.7 %	3,822,943	8.5 %
Foreign corporate securities and foreign governments	408,936	1.0 %	616,938	1.4 %
Corporate securities	16,076,506	40.0 %	20,201,774	44.8 %
Residential mortgage backed securities	1,208,317	3.0 %	1,366,927	3.0 %
Commercial mortgage backed securities	2,624,123	6.5 %	3,447,075	7.6 %
Other asset backed securities	5,202,395	12.9 %	5,155,254	11.4 %
Total fixed maturity securities	28,766,442	71.5 %	34,779,982	77.1 %
Mortgage loans on real estate	7,231,667	18.0 %	6,778,977	15.0 %
Real estate investments	1,334,247	3.3 %	1,056,063	2.3 %
Limited partnerships and limited liability companies	1,089,591	2.7 %	1,266,779	2.8 %
Derivative instruments	1,207,288	3.0 %	431,727	1.0 %
Other investments	590,271	1.5 %	829,900	1.8 %
Total investments, net of modified coinsurance investments	40,219,506	100.0 %	45,143,428	100.0 %
Coinsurance investments (a)	8,007,518		6,181,870	
Total investments	<u>\$ 48,227,024</u>		<u>\$ 51,325,298</u>	

(a) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Credit Quality of Fixed Maturity Securities - December 31, 2023

NAIC Designation (b)	Amortized Cost	Carrying Amount	Percent	Rating Agency Rating (b)	Amortized Cost	Carrying Amount	Percent
1	\$ 19,330,614	\$ 17,116,519	60.1 %	Aaa/Aa/A	\$ 19,237,683	\$ 17,030,736	59.8 %
2	11,895,433	10,680,088	37.5 %	Baa	12,036,591	10,801,336	37.9 %
3	517,425	476,419	1.7 %	Ba	539,417	489,286	1.7 %
4	168,694	147,692	0.5 %	B	144,657	128,150	0.4 %
5	88,581	68,538	0.2 %	Caa	21,295	18,497	0.1 %
6	9,400	10,132	— %	Ca and lower	30,504	31,383	0.1 %
	32,010,147	28,499,388	100.0 %		32,010,147	28,499,388	100.0 %
Coinsurance investments (a)	6,277,105	6,014,040		Coinsurance investments (a)	6,277,105	6,014,040	
	<u>\$ 38,287,252</u>	<u>\$ 34,513,428</u>			<u>\$ 38,287,252</u>	<u>\$ 34,513,428</u>	

(a) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

(b) The table excludes residual tranche securities that are not rated with an amortized cost of \$250,210 and carrying amount of \$267,054 as of December 31, 2023.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023
Unaudited (Dollars in thousands)
Watch List Securities - December 31, 2023

General Description (a)	Amortized Cost	Allowance for Credit Losses	Amortized Cost, Net of Allowance	Net Unrealized Gains (Losses), Net of Allowance	Fair Value
States, municipalities and territories	\$ 22,715	\$ —	\$ 22,715	\$ (5,491)	\$ 17,224
Corporate securities - Public securities	31,502	—	31,502	(768)	30,734
Corporate securities - Private placement securities	5,180	(3,412)	1,768	(58)	1,710
Residential mortgage backed securities	55,054	—	55,054	(8,050)	47,004
Commercial mortgage backed securities	139,961	—	139,961	(27,340)	112,621
Other asset backed securities	1,524	—	1,524	131	1,655
Collateralized loan obligations	159,600	(618)	158,982	(19,980)	139,002
	<u>\$ 415,536</u>	<u>\$ (4,030)</u>	<u>\$ 411,506</u>	<u>\$ (61,556)</u>	<u>\$ 349,950</u>

- (a) The watch list consists of all fixed maturity securities we have determined contain elevated credit risk, including those on which we have taken credit losses.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023
Unaudited (Dollars in thousands)
Fixed Maturity Securities by Sector

	December 31, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:				
U.S. Government and agencies	\$ 172,683	\$ 171,141	\$ 173,638	\$ 169,071
States, municipalities and territories	3,615,861	3,075,024	4,356,191	3,822,943
Foreign corporate securities and foreign governments	471,188	408,936	680,263	616,938
Corporate securities:				
Capital goods	1,180,367	1,036,451	1,601,113	1,395,595
Consumer discretionary	3,613,225	3,121,655	5,086,479	4,320,219
Energy	881,404	811,482	1,219,370	1,111,891
Financials	5,795,094	5,198,811	6,467,052	5,634,229
Government non-guaranteed	167,059	145,579	202,740	179,440
Industrials	16,966	16,206	166,061	138,999
Information technology	963,228	835,461	1,344,461	1,160,067
Materials	834,268	722,468	1,169,188	1,021,288
Telecommunications	1,047,936	882,396	1,306,495	1,090,868
Transportation	899,832	803,538	1,100,681	975,393
Utilities	2,838,788	2,437,216	3,620,946	3,115,520
Other	66,440	65,243	58,184	58,265
Residential mortgage backed securities:				
Government agency	732,557	689,920	806,999	754,349
Prime	352,524	299,353	387,838	334,613
Alt-A	52,923	52,493	54,910	58,091
Non-qualified mortgage	156,648	148,516	169,847	157,960
Other	17,759	18,035	62,235	61,914
Commercial mortgage backed securities:				
Government agency	144,372	134,737	170,307	157,903
Non-agency	2,892,601	2,489,386	3,668,300	3,289,172
Other asset backed securities:				
Auto	239,142	237,596	44,450	41,896
Consumer discretionary	544,455	520,327	122,068	118,843
Financials	307,150	285,018	283,238	252,493
Collateralized loan obligations	3,503,091	3,410,445	4,071,929	3,775,347
Other	752,796	749,009	1,005,440	966,675
	32,260,357	28,766,442	39,400,423	34,779,982
Coinurance investments (a)	6,277,105	6,014,040	5,465,596	5,024,635
	<u>\$ 38,537,462</u>	<u>\$ 34,780,482</u>	<u>\$ 44,866,019</u>	<u>\$ 39,804,617</u>

- (a) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023
Unaudited (Dollars in thousands)
Mortgage Loans on Real Estate

	December 31, 2023		December 31, 2022	
	Principal	Percent	Principal	Percent
Property type distribution				
Commercial mortgage loans:				
Office	\$ 239,086	3.3 %	\$ 277,767	4.1 %
Retail	784,047	10.9 %	878,352	13.0 %
Industrial/Warehouse	895,966	12.4 %	853,215	12.6 %
Apartment	965,474	13.4 %	893,910	13.2 %
Hotel	280,733	3.9 %	285,271	4.2 %
Mixed Use/Other	76,039	1.0 %	200,756	3.0 %
Agricultural mortgage loans	581,287	8.1 %	567,630	8.4 %
Residential mortgage loans	3,384,737	47.0 %	2,807,652	41.5 %
	7,207,369	100.0 %	6,764,553	100.0 %
Coinsurance investments (a)	308,859		171,633	
	<u>\$ 7,516,228</u>		<u>\$ 6,936,186</u>	

	Commercial		Agricultural	
	Amortized Cost	Average LTV	Amortized Cost	Average LTV
As of December 31, 2023:				
Debt Service Coverage Ratio:				
Greater than or equal to 1.5	\$ 2,256,505	50%	\$ 259,384	50%
Greater than or equal to 1.2 and less than 1.5	388,135	58%	186,598	51%
Greater than or equal to 1.0 and less than 1.2	456,845	47%	17,216	53%
Less than 1.0	136,172	53%	116,435	45%
	3,237,657	51%	579,633	49%
Coinsurance investments (a)	307,342	51%	—	—%
	<u>\$ 3,544,999</u>	<u>51%</u>	<u>\$ 579,633</u>	<u>49%</u>

As of December 31, 2022:				
Debt Service Coverage Ratio:				
Greater than or equal to 1.5	\$ 2,358,793	53%	\$ 266,695	45%
Greater than or equal to 1.2 and less than 1.5	505,644	61%	236,589	48%
Greater than or equal to 1.0 and less than 1.2	475,315	50%	15,075	39%
Less than 1.0	44,756	66%	47,604	33%
	3,384,508	54%	565,963	45%
Coinsurance investments (a)	170,050	61%	—	—%
	<u>\$ 3,554,558</u>	<u>54%</u>	<u>\$ 565,963</u>	<u>45%</u>

- (a) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023
Unaudited (Dollars in thousands)

	December 31, 2023			
	Commercial	Agricultural	Residential	Total
Credit exposure - by payment activity				
Performing	\$ 3,241,345	\$ 568,691	\$ 3,287,763	\$ 7,097,799
In workout	—	—	—	—
Delinquent	—	12,596	96,974	109,570
Principal outstanding	3,241,345	581,287	3,384,737	7,207,369
Unamortized discounts and premiums, net	(902)	—	65,802	64,900
Deferred fees and costs, net	(2,786)	(1,654)	558	(3,882)
Amortized cost	3,237,657	579,633	3,451,097	7,268,387
Valuation allowance	(16,487)	(2,590)	(17,643)	(36,720)
Carrying value	3,221,170	577,043	3,433,454	7,231,667
Coinurance investments (a)	305,927	—	—	305,927
	<u>\$ 3,527,097</u>	<u>\$ 577,043</u>	<u>\$ 3,433,454</u>	<u>\$ 7,537,594</u>
	December 31, 2022			
	Commercial	Agricultural	Residential	Total
Credit exposure - by payment activity				
Performing	\$ 3,389,271	\$ 564,495	\$ 2,773,251	\$ 6,727,017
In workout	—	—	—	—
Delinquent	—	3,135	34,401	37,536
Principal outstanding	3,389,271	567,630	2,807,652	6,764,553
Unamortized discounts and premiums, net	—	—	55,917	55,917
Deferred fees and costs, net	(4,763)	(1,667)	1,909	(4,521)
Amortized cost	3,384,508	565,963	2,865,478	6,815,949
Valuation allowance	(22,428)	(1,021)	(13,523)	(36,972)
Carrying value	3,362,080	564,942	2,851,955	6,778,977
Coinurance investments (a)	170,050	—	—	170,050
	<u>\$ 3,532,130</u>	<u>\$ 564,942</u>	<u>\$ 2,851,955</u>	<u>\$ 6,949,027</u>

- (a) Investments held by American Equity Life in a segregated account to support liabilities reinsured under both coinsurance with funds withheld and modified coinsurance reinsurance agreements.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023

Shareholder Information

	A.M. Best	S&P	Fitch
Financial Strength Ratings			
American Equity Investment Life Insurance Company	A- (watch)	A- (watch)	A- (stable)
American Equity Investment Life Insurance Company of New York	A- (watch)	A- (watch)	A- (stable)
Eagle Life Insurance Company	A- (watch)	A- (watch)	A- (stable)
Credit Ratings			
American Equity Investment Life Holding Company	bbb- (watch)	BBB- (watch)	BBB
Senior unsecured debt	bbb- (watch)	BBB-	BBB-
Perpetual, non-cumulative preferred stock	bb (watch)	BB	BB

Corporate Offices:

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Common Stock and Dividend Information:

New York Stock Exchange symbol: "AEL"

	High	Low	Close	Dividend Declared
2023				
First Quarter	\$48.37	\$31.57	\$36.49	\$0.00
Second Quarter	\$53.68	\$35.22	\$52.11	\$0.00
Third Quarter	\$54.44	\$51.73	\$53.64	\$0.00
Fourth Quarter	\$56.09	\$52.70	\$55.80	\$0.00
2022				
First Quarter	\$44.49	\$35.05	\$39.91	\$0.00
Second Quarter	\$42.18	\$32.65	\$36.57	\$0.00
Third Quarter	\$43.55	\$33.22	\$37.29	\$0.00
Fourth Quarter	\$46.76	\$28.05	\$45.62	\$0.36
2021				
First Quarter	\$32.54	\$26.21	\$31.53	\$0.00
Second Quarter	\$33.68	\$29.18	\$32.32	\$0.00
Third Quarter	\$33.79	\$27.12	\$29.57	\$0.00
Fourth Quarter	\$39.88	\$29.46	\$38.92	\$0.34

Transfer Agent:

Computershare Trust Company, N.A.
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, Head of Investor Relations, at (515) 273-3763 or by visiting our website at www.american-equity.com.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
Financial Supplement - December 31, 2023

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