2006

Annual Report To the Shareholders

AMERICAN SAVINGS LIFE
INSURANCE COMPANY

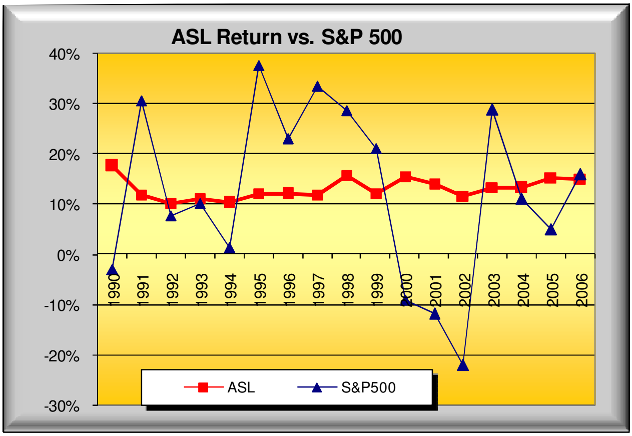
Founded 1954

Dear Fellow Shareholders,

In the book "Good To Great", a highly acclaimed business researcher and author, Jim Collins, teaches a principle he calls "preserve the core and stimulate progress." Inspired by both this principle and that of our Company founder's, Frihoff Allen (quoted further on in this letter), we have created our own guiding principle; "Fortify Our Foundation and Further Our Growth." The year 2006 was an exciting year in which we were successful in fortifying our foundation of consistent attractive annual returns, while making significant progress in furthering our growth.

Fortify Our Foundation: Consistent High Returns to Our Shareholders

Since 1990, our shareholders have enjoyed consistent returns that are quite unusual for equity investments in common stocks. In the chart below you can see how your shares in American Savings have performed compared to the S&P 500 index, which represents the 500 largest U.S. corporations.



Here you see that the stock market experiences extreme volatility, with annual returns wildly fluctuating from -22% to +38%. Comparatively, using the Company stock tender price as the market price, American Savings' annual returns (cash dividends plus increase in tender price) have maintained a range from +10% to +17% each year since 1990. This absence of volatility provides excellent security & stability to our shareholders that the general stock market does not.

Furthermore, the average annual return on the S&P 500 index since 1990 was 12.2%, while **the average annual return of American Savings stock has been 13.0%** over the same period. This annual return includes cash dividends paid (average of 8.5%) and increase in share tender price (average of 4.5%).

The year 2006 was even better than average for American Savings, with our shareholders enjoying a 10% cash dividend and a 4.9% increase in stock tender price, **totaling a 2006 annual return of 14.9%!**

Further Our Growth: Three Growth Initiatives

The three most notable steps we have taken toward growth are:

1. Creating a subsidiary mortgage company to grow our mortgage loan origination business.
2. Investing a portion of our assets in real estate, with the first purchase being a large assemblage of land near Holbrook, Arizona.
3. Dancing our first dance at the merger and acquisition ball. We came quite close to acquiring another small life insurance company, yet in the last weeks

before closing, it became evident the value did not justify the purchase price. So we left the dance and will look for a better suited dance partner elsewhere.

We go into greater detail of each of these growth initiatives in the next section of this report. We do hope you will "read all about it!"

As we continue to make strides into the above-noted areas of growth during the coming year, we are encouraged and inspired by the words with which our Company founder, Frihoff Allen, concluded his 1965 letter to the shareholders:

"The efforts of management are ever pledged to further growth and expansion based upon the firm foundation now established."

We thank you for your continued support of our efforts of fortifying our foundation of consistent attractive returns you have grown to expect, while making significant progress in furthering our growth. Combining these objectives is no easy matter – nothing of worth ever is – but to these goals we dedicate ourselves, and pledge all our efforts toward attaining them.

Byron Frihoff Allen, President

David K. Allen, Chairman

Your Board of Directors

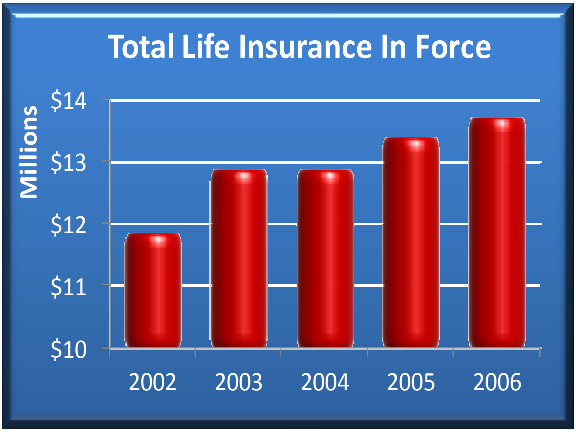
Front Row: David K. Allen, Chairman; Byron F. Allen, President; Clark E. Allen, Secretary
Back Row: Gerald E. Dunbar; Director; F. Grant Allen, Director; Steven L. Stapley, Director; Gove L. Allen, Chief Legal Counsel; Wilford R. Cardon, Director

Management's Discussion and Analysis of Operations

LIFE INSURANCE BUSINESS

For the most part, our life insurance business was on auto pilot during 2006. A few key indicators of our life insurance business for 2006 are:

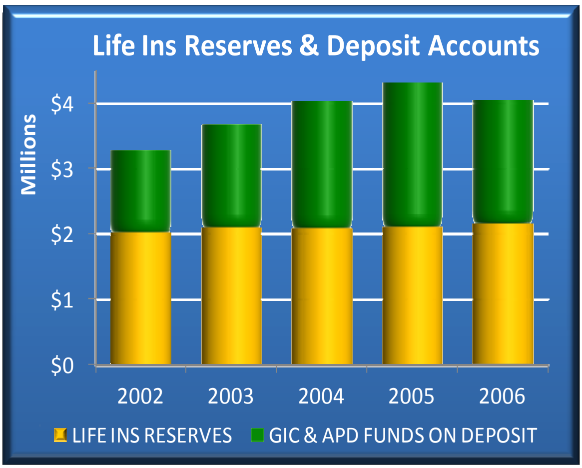
- Total life insurance in force is up 2.5%
- Premium income up 8.5%,
- Death claims & policy surrenders down 6.0%



Although these numbers are positive, they do not tell us if our life insurance business was actually profitable in 2006, since the return we earn on investing life insurance reserves and deposits is the single greatest factor of profitability for insurance businesses. So let's analyze the profitability of our insurance business together:

First, we determine the income we earned from insurance operation by:

1. Computing the interest we earned on our invested life insurance reserves and deposits. The Company's net earnings (investment revenue less general expenses) on all of its invested assets during 2006 was 8.9% of invested assets. This means we earned $370,650 from just the invested life insurance reserves and deposits.
2. Then we add to those earnings the $134,076 premiums received.
3. Thus, our total Insurance Income was $504,726.



Next, we deduct all of the Direct Insurance Expenses listed on the Statement of Operations, a total of $233,472.

Therefore, the portion of our Company's 2006 before tax profit derived from insurance operations is $271,254. Now that's a resounding "Yes!" to the question, "Is our life insurance business profitable?"

New life insurance products

During 2006 we determined it was actuarially sound to offer owners of our Youth Life Plan the opportunity to increase the amount of insurance on their policies by $10,000 at ages 25, 28 and 31. We will begin offering these benefits in 2007, and anticipate this to not only increase the policy's value to our policyholders, but also to be a profitable method of increasing our life insurance business.

Non-acquisition of a life insurance company

When we came across the opportunity to acquire another life insurance company that would increase our life insurance in force by 150%, double our annual premium income and triple our number of policies outstanding, we were interested. However, after months of negotiations and due diligence investigation, the final analysis was clear; the price required to purchase the company was greater than the intrinsic value the business would provide to our shareholders.

It has been the longstanding policy of American Savings to only consider acquisitions that will clearly increase the value of American Savings stock. Since it became evident that this acquisition did not pass this test, we had to make the tough decision to walk away from the deal. To quote Warren Buffet, Chairman of Berkshire Hathaway;

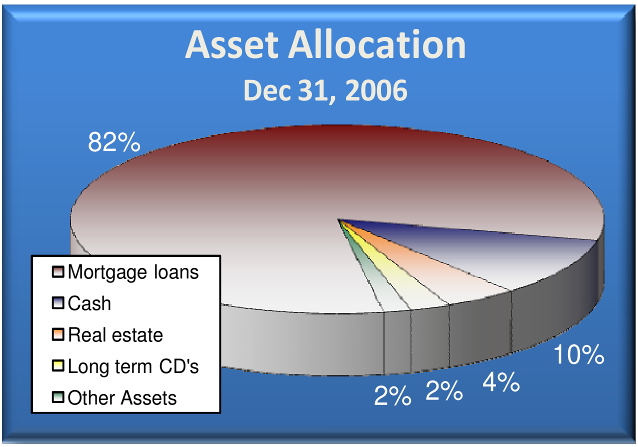
"The empire would have been larger,
But the citizenry would have been poorer."

So even though we were not successful in closing an acquisition in 2006, the experience we gained from the process make us much more experienced and ready to grow through acquisitions of other small life insurance companies in future years.

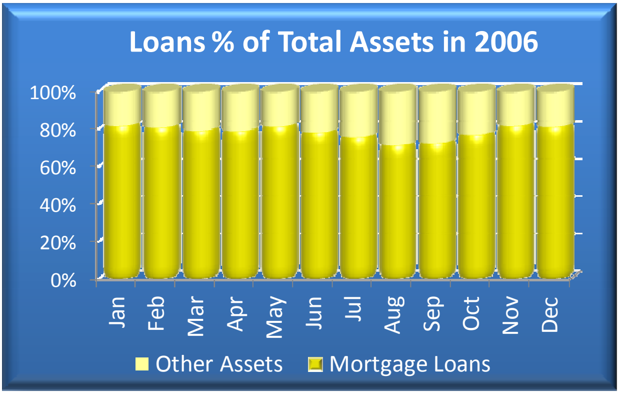
MORTGAGE LOAN BUSINESS

Investment Mix

The year 2006 was another successful year for the mortgage loan segment of our business. As the chart below shows, we maintained our optimal asset allocation of 75% or more of total assets invested in mortgage loans for 10 months of the year. Furthermore, it is noteworthy that our

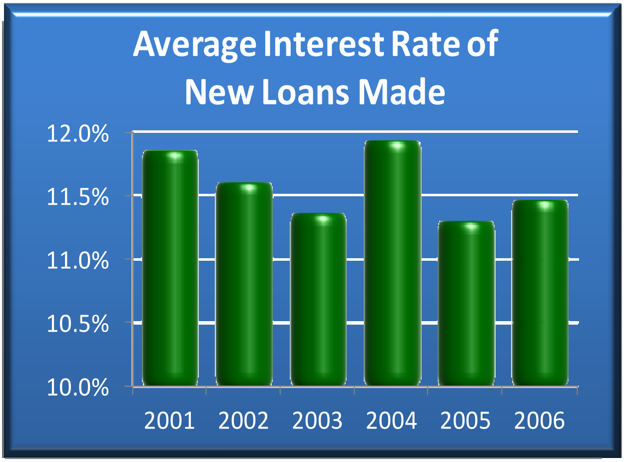


lowest point in the year for mortgage loans was still 72% of total assets. We try to maximize our allocation of investment funds in this asset category is decades of experience investing in these loans has proven both secure and profitable.



Conservative Loan-To-Values (LTV's)

In September 2005 when the real estate market was at its peak (which at the time, of course, we did not know it was the peak), we lowered our maximum loan-to-value (LTV) as a result of two reasons. First, since residential property values had increased so much so fast, we were no longer comfortable loaning the prevailing LTV in the non-conforming loan industry of 65 percent. Second, we had been so successful in investing our available capital in mortgage loans, we were invested in loans to the maximum extent our liquidity requirements permitted. With the combination of these factors, we lowered our maximum LTV ratio from 65% to 50%. We are pleased to report that even at these very conservative LTV's, we have still been successful at maintaining an excellent level of investment in loans..



Mortgage Bank Subsidiary Company

As a result of being fully invested in mortgage loans for most of the last 18 months, we have had to pass up dozens of excellent loan opportunities simply because we did not have the capital to invest in these loans. Similarly, we receive loan requests on a daily basis that are outside our very conservative parameters, but most likely fit within the lending parameters of other lenders. Because we are licensed only to receive income on our own mortgage loans, we miss out on a potentially considerable amount of income from commissions on loans we could originate for other lenders.

For a couple of years, we have been considering the possibility of forming a licensed mortgage company to take advantage of these missed opportunities. In 2006, we intensified our investigation and determined the potential for additional income outweighed the additional expenses required to generate this income, so we organized a new mortgage company. This wholly-owned subsidiary company will assume that part of our current business that originates loans, plus originate loans for other lenders as well. This new company is called American Life Financial Corporation. We will further discuss this company in the "Company Restructuring" section below.

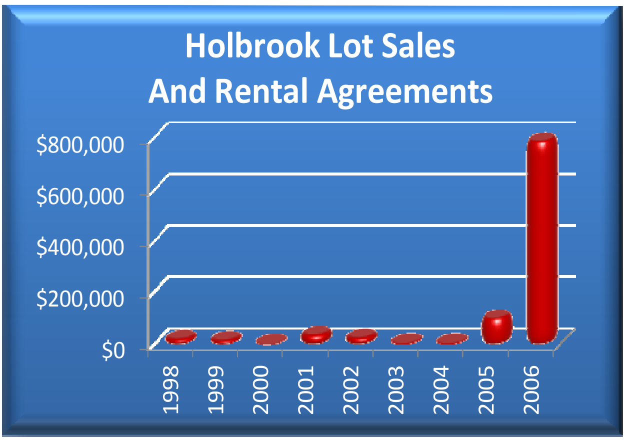
REAL ESTATE BUSINESS

Our Real Estate Department, under the leadership of Clark Allen, has operated at one speed—fast forward! It has provided sizable gains for the shareholders through the successful management and sale of Company real estate. We also are participating in the acquisition of a very attractive tract of land which we believe has excellent profit potential. Here is a brief summary of the fruits of their labors.

Holbrook Lot Sales

The names "Vein of Gold" and "Sun Valley Highlands" are familiar to just about every employee that has worked for American Savings since 1974. Back in 1973, the Company was asked to finance two subdivisions totaling 500 lots in Northern Arizona near the town of Holbrook. We made the loan because the property owners provided us with an appraisal showing the property worth roughly ten times the amount of the loan. Well, it turned out that the appraisal was bogus, the borrowers never made a single payment and we acquired both subdivisions through foreclosure in 1974.

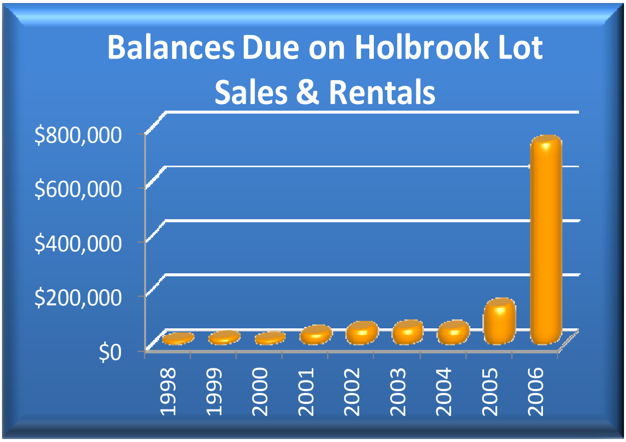
It was not until the mid-1990's that we began to sell lots, but we were only able to sell a handful or so each year. Then, about half way through 2005, a man named James Beach purchased one of our lots. Mr. Beach began helping the Company by showing the property to prospective buyers whenever they would call us asking about the lots for sale. Having a man on the property that could show prospective buyers the property at the time they



were most interested in it, coupled with Mr. Beach's natural talent as a dynamite salesman proved to be a winning formula. Within less than a year's time we sold every remaining lot.

To put things in perspective, during the 5 years from 2000 through 2004, our total lot sales were $72,500. Then in 2005, sales and rental contracts with options to buy totaled $98,000, most of which were during the last quarter. In 2006, we doubled the selling price and still sold out, with sales and rental contracts with options to buy totaling $785,500.

Most of these sales were financed by the Company over a 5 year term. In fact, if the Buyer does not have a 20% cash down payment, we allow them to rent the lot from us with an option to apply their rental payments as a down payment as soon as they have totaled the 20% down payment. At that time the rental contract is converted to a sales contract. At year end 2006, we had $750,000 in balances owed to us on both sales and rental contracts that will be paid off over the next 4 to 5 years. During 2006, we received more than $150,000 in payments over and above all expenses. Since our cost basis in these lots is only approximately 12%, almost all of these payments were profit. We expect to continue receiving similar amounts over the next 4 to 5 years from payments received on the financed sales.



Land Investment

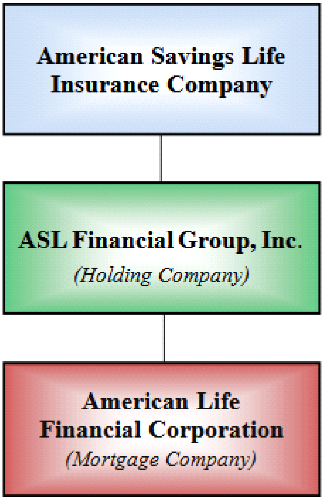
In May 2006, we contracted to purchase, in partnership with another real estate investment company, a large section (about 4,750 acres, which is approx. 7.5 square miles) of land adjacent to the city limits of Holbrook, Arizona. Our share of the investment is $1 million (approximately 5% of our total assets) and close of escrow is scheduled for March 2007. We anticipate reporting great things in the coming years' annual reports as a result of this investment.

COMPANY RESTRUCTURING

So whatever happened to the maxim "if it ain't broke, don't fix it"? Although American Savings has proven to be consistently profitable, we recognize the opportunity exists for us to increase our profitability without unduly increasing our risk. This restructuring is an important part of our strategy to increase our profitability.

We have created two wholly-owned subsidiary companies. The following organizational chart illustrates the Company's new corporate structure.

2007 Organizational Chart



The purpose of the holding company, ASL Financial Group, Inc. is to give us the opportunity to reorganize the Company at some future date where the holding company will be the parent company, with the life insurance company and the mortgage company being "sister" operating companies. Since the IRS has strict limitations on life insurance companies, we can not organize our company in this fashion for at least 5 more years.

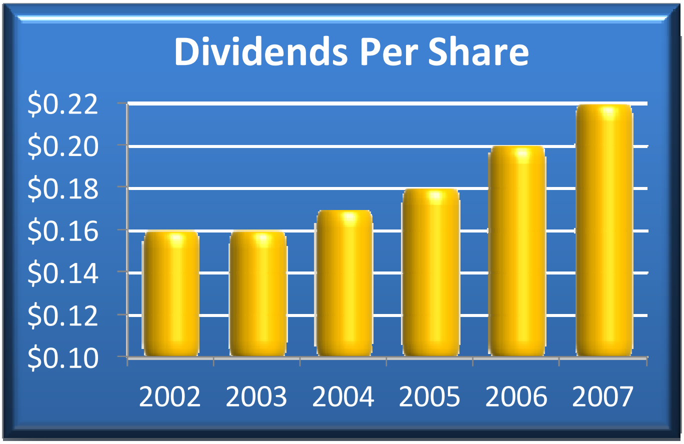
The purpose of the mortgage company, American Life Financial Corporation, was described previously in the section "Mortgage Loan Business".

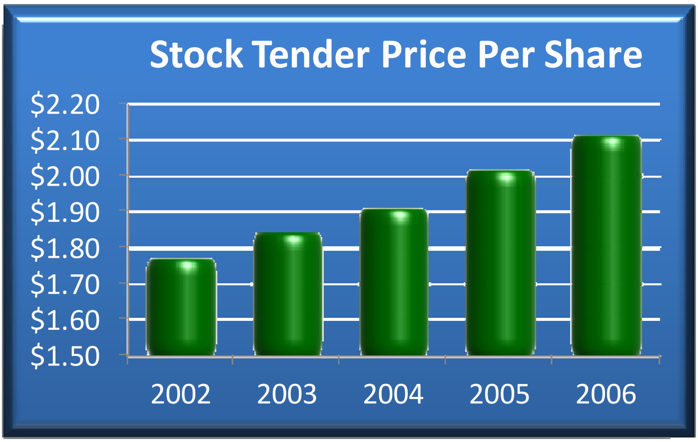
We will discuss the entire reorganization in more detail at the annual shareholders meeting on April 10, 2007. We hope you will be able to attend.

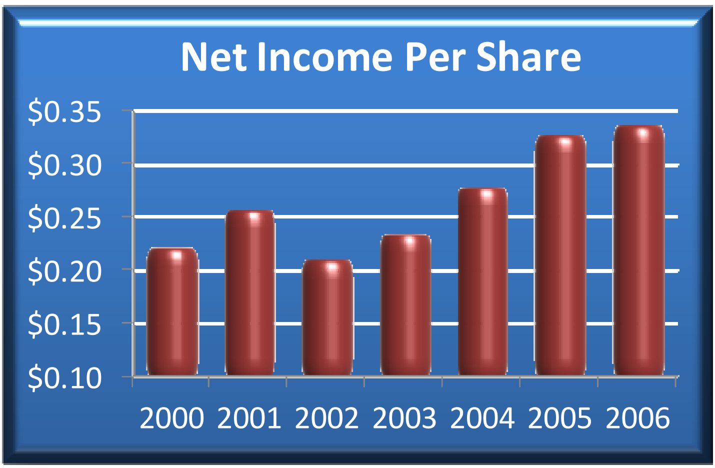
FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are forward-looking statements. All statements other than statements of historical facts that address activities that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements involve risk and uncertainties, which may cause actual results to differ materially from those in such statements. Any number of reasons may cause management to change its strategy or may cause these expectations to not be realized. Therefore, you should not place undue reliance on these forward-looking statements.

Financial Highlights Per Share







Statement of Operations

(UNAUDITED)

REVENUES	Year Ended December 31, 2006	2005	2004
Life insurance premiums	137,058	126,282	128,569
Interest Income			
Interest on cash & cash equivalents	149,854	134,766	81,848
Interest on policy loans	5,092	5,703	6,698
Interest on mortgage loans	2,129,525	2,022,908	1,774,309
Investment Income Net of Expenses			
Home Office Rental Income	13,680	(12,342)	12,358
Real Estate Rental Income	16,500	(7,930)	(16,885)
Mortgage Fees	166,783	223,892	202,275
Other investment income	23,897	19,142	14,684
TOTAL REVENUES	2,642,389	2,512,421	2,203,856
EXPENSES			
Insurance Expenses			
Death benefits	26,810	25,960	139,801
Other policyholder benefits	41,369	46,538	56,655
Policyholder dividends	23,411	21,273	20,443
Incr/decr in reserves and loading	54,616	19,591	(11,483)
Interest on insurance	87,195	85,997	65,830
General Expenses			
Salaries and wages	526,902	474,858	439,531
Welfare Plan	43,964	41,284	35,761
Profit Sharing Plan	52,703	47,439	43,930
Actuarial and accounting	38,368	30,321	27,730
Attorney and Directors fees	18,164	7,141	12,152
Telephone, postage, printing	22,899	16,057	15,996
Other expenses	23,415	20,111	11,366
Taxes Licences and Fees			
FICA and FUTA tax on salaries	38,096	34,052	31,790
Other taxes and fees	24,779	11,936	5,546
TOTAL EXPENSES	1,022,691	882,558	895,048
Net Gain From Operations	1,619,698	1,629,863	1,308,808
Realized Gain on Real Estate & Securities	377,941	326,453	357,160
Federal Income Tax Paid	(281,961)	(267,784)	(223,859)
NET INCOME	1,715,678	1,688,532	1,442,109

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

(UNAUDITED)

ASSETS	Dec 31, 2006	Dec 31, 2005
Cash and cash equivalents	2,091,645	1,613,534
Long term certificates of deposit	500,000	500,000
Mutual Funds owned	0	0
Common & preferred stock	46,350	36,790
Policy loans	97,599	117,464
Mortgage loans	16,871,229	17,089,295
Employee notes	583	1,174
Real estate investments & receivables	741,976	537,619
Property tax CP's	0	34,181
TOTAL CASH & CASH EQUIVALENTS	20,349,382	19,930,057
Accured interest & deposits	163,764	257,278
Land and building	166,062	164,362
Office equipment	37,476	30,998
TOTAL ASSETS	20,716,684	20,382,695

LIABILITIES		
Reserves for life policies	2,168,940	2,116,455
Insurance policy claims pending	9,050	9,050
Policy holder & GIC funds on deposit	1,880,410	2,210,460
Other policy holder liabilities	29,087	28,161
Taxes & expenses due & accrued	83,112	91,222
Unearned investment income	2,052	4,684
Amounts held by ASLIC for others	365,504	335,238
Income tax payable	4,360	25,798
TOTAL LIABILITIES	4,542,515	4,821,068

SHAREHOLDERS EQUITY		
Capital stock	914,933	914,933
Capital stock in excess of par	2,205,412	2,205,412
Stock notes & Employee receivables	(6,884)	(13,679)
Retained earnings	17,807,905	17,116,627
Unrealized gain on securities	33,576	24,016
Less treasury stock	(4,780,773)	(4,685,682)
TOTAL SHAREHOLDERS EQUITY	16,174,169	15,561,627
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	20,716,684	20,382,695
Shares outstanding	5,102,640	5,148,760
Stockholders equity per share	3.17	3.02

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

(UNAUDITED)

	Year Ended December 31, 2006	2005
OPERATING ACTIVITIES		
Funds provided from operations		
Premiums received	134,076	127,121
Net investment income (excluding realized gains)	2,717,203	2,468,007
Total funds provided from operations	2,851,279	2,595,128
Funds used in operations		
Benefits and loss related payments	(153,931)	(167,060)
Commissions and other expenses and taxes paid (excluding federal income taxes)	(807,360)	(680,194)
Dividends paid to policyholders	(21,635)	(20,150)
Federal income taxes paid (excluding capital gains tax)	(250,766)	(213,442)
Total funds (used) in operations	(1,233,692)	(1,080,846)
NET CASH PROVIDED FROM OPERATIONS	1,617,588	1,514,282
INVESTING ACTIVITIES		
Funds provided from investments sold, matured or repaid		
Bonds	0	859,637
Stocks	0	1,757
Mortgage Loans	6,144,825	4,742,679
Real Estate	99,094	309,530
Other invested assets	45,138	46,475
Total investment proceeds before capital gains tax	6,289,057	5,960,078
Cost of investments acquired		
Class one mutual funds & long term CD's	0	(11,720)
Mortgage Loans	(5,601,453)	(7,678,040)
Real Estate	(310,211)	(398,221)
Other invested assets	0	(5,419)
Total cost of investments acquired	(5,911,664)	(8,093,400)
(Increase) Decrease in policy loans	19,865	1,429
NET CASH PROVIDED BY INVESTING ACTIVITIES	397,258	(2,131,893)
FINANCING ACTIVITIES		
Funds provided from (used for) financing activities		
Net deposits on deposit-type contracts	(417,245)	183,630
Cash dividends paid	(1,024,399)	(928,639)
Treasury stock purchased	(95,091)	(63,169)
Net cash provided from (used for) financing activities	(1,536,735)	(808,178)
Increase (Decrease) in cash and short-term investments	478,111	(1,425,789)
Cash and short-term investments, beginning of year	1,613,534	3,039,323
Cash and short-term investments, end of year	2,091,645	1,613,534

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005
(UNAUDITED)

	Capital Stock	Capital in Excess of Par	Unrealized Net Gain on Marketable Securities	Unassigned Surplus	Receivables from the Sale of Capital Stock	Treasury Stock	Total
BALANCES, December 31, 2004	914,933	2,205,412	13,937	16,356,733	(21,698)	(4,622,514)	14,846,803
Net Income				1,688,533			1,688,533
Dividends declared & accrued				(928,639)			(928,639)
Repurchase Capital Stock (Treasury)						(63,168)	(63,168)
Change Unrealized Gain on Securities			10,079				10,079
Change in Non-admitted Assets					8,019		8,019
BALANCES, December 31, 2005	914,933	2,205,412	24,016	17,116,627	(13,679)	(4,685,682)	15,561,627
Net Income				1,715,673			1,715,673
Dividends declared & accrued				(1,024,399)			(1,024,399)
Repurchase Capital Stock (Treasury)						(95,091)	(95,091)
Change Unrealized Gain on Securities			9,560				9,560
Change in Non-admitted Assets					6,795		6,795
BALANCES, December 31, 2006	914,933	2,205,412	33,576	17,807,901	(6,884)	(4,780,773)	16,174,165

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

(1) ORGANIZATION

American Savings Life Insurance Company (the Company) is a registered capital stock life, health and accident insurance company authorized to conduct business in the states of Arizona and Utah. The Company is currently engaged in the life and disability insurance business. It is customary in the insurance industry for a portion of income to be derived from mortgage loans; however, a majority of the Company's income is attributed to mortgage loans.

Company Reorganization - On February 15, 2007, American Savings Life Insurance Company purchased 325,000 shares as 100% ownership of the newly formed ASL Financial Group, Inc. for $325.000 in cash and real estate mortgage loans. ASL Financial Group then purchased 300,000 shares as 100% ownership in the newly formed American Life Financial Corporation for $300,000 in cash and real estate mortgage loans. American Life Financial Corporation has been formed to increase the Company's mortgage loan origination business and ASL Financial Group is a holding company, which at some future date could serve as a holding company for both American Saving Life Insurance Company and American Life Financial Corporation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments - The following Company investments are recorded in accordance with the Statement of Financial Accounting Standards No. 60, Accounting and Reporting by Insurance Enterprises:

A. Mortgage loans are reported at outstanding principal balance or amortized cost.

B. Receivables secured by real estate including property tax certificates of purchase are reported at their outstanding principal balance, less deferred gains, which are recognized under the installment method.

C. Real estate investments are reported at lower of cost or fair market value with the related charge to realized loss if applicable.

D. Common stock and mutual funds are reported at market and temporary changes in the market value of those securities are recognized as an unrealized gain (loss). Non-redeemable preferred stock is reported at cost.

E. Bonds are stated at amortized cost, since they are expected to be held until maturity.

F. Policy loans are reported at their outstanding principal balance.

G. Realized gains (losses) are determined on a specific identification basis and are credited (charged) to operations; unrealized gains (losses) are credited (charged) to the equity section.

Cash and cash equivalents - The company considers all highly liquid investments with a maturity of one year or less at the time of purchase to be cash equivalents.

Restricted Securities - In accordance with the State of Arizona Insurance Regulations, long term certificates of deposit with an aggregate value of $500,000 at year end in 2006 and 2005 were on deposit with the Arizona State Treasurer.

Policy Claims Pending - The liability for policy claims is based on the estimated cost of individual claims reported plus estimated claims incurred but unreported prior to December 31, 2006 and December 31, 2005 respectively.

Reinsurance - The Company had no agreements with nonaffiliated reinsurers or reinsured policies during the period covered by this report.

Estimates - The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS

Cash and short-term investments consist of the following:

December 31	2006	2005
Certificates of deposit	$ 396,000	$ 397,000
Money market funds	1,168,093	158,762
Demand deposits	527,552	1,057,772
Total cash & short term investments	$2,091,645	$1,613,534

The Company maintains certificates of deposit at several banks with amounts not exceeding $100,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. Cash in some bank demand deposits exceeded FDIC insurance limits in the amounts of $241,897 and $820,782 at December 31, 2006 and 2005, respectively. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities.

Mortgage Loans consist of commercial, consumer and purchase money loans collateralized by real estate. The Company's lending policies allow for commercial and consumer loans up to 65% of appraised values at interest rates ranging from 9.9% to 13.5% and terms ranging from 1 to 15 years. Purchase money mortgages were provided to purchasers of Company owned real estate at rates from 7% to 10%. Purchase money mortgages are shown at the Company's unamortized cost of the real estate sold. The balance of the remaining installments is unamortized deferred gain, and is excluded from the mortgage loan assets. The deferred gain will be recognized as income, only as the installment payments are received.

December 31,	2006	2005
Commercial & consumer loans	$ 16,446,360	$ 16,713,053
Purchase Money Loans	$ 424,868	$ 376,241
Remaining Deferred Gain	$ 2,434,648	$ 2,257,392
Annual Realized Deferred Gain	$ 278,324	$ 190,809

The Company has a concentration of mortgage loans in central Arizona.

Land and Building. The office occupied by the company is located at 935 E. Main Street, Mesa, AZ. The Company acquired the building through a section 1031 property exchange and is valued as shown in the following schedule:

December 31	2006	2005
Building cost	$434,605	$434,605
Improvements	102,445	100,745
Land cost	75,633	75,633
	612,683	610,983
Less deferred gain on 1031 exchange	-446,621	-446,621
Statement value of land and building	166,062	164,362

Since the book value of land and building does not exceed the estimate salvage value, no depreciation is taken on this property. An appraisal for this property was done in January 2007 and it was appraised at a fair market value of $1,625,000.

Real Estate in May 2006 the Company entered into a real estate investment joint venture with Boa Sorte, LLC (The Cardon Group) for the purchase of approximately 4,700 acres near Holbrook, AZ. The Company invested $250,000 in 2006 and an additional $750,000 in February 2007.

Effect of Real Estate Values Not Included Above Assuming all sales contracts were collected and the Company's home office was sold for full appraised value at year end 2006, the Company assets would be increased by $3,893,774 over that shown in this statement. Adjusted for estimated income taxes and sales costs, the Book Value of outstanding shares would increase from $3.169 shown in this statement to $3.778.

(4) RESERVE FOR POLICY AND CONTRACT CLAIMS

The reserve reflects the liability for aggregate reserve amounts which, with additions from premiums to be received and with interest compounded annually at a level 5% interest assumption, are calculated to be sufficient to meet policy obligations as they mature.

(5) GUARANTEED INTEREST CONTRACTS

Guaranteed Interest Contracts are amounts held on behalf of outside parties. Interest is paid yearly at a rate equal to the 6-month CD rates as reported by the Federal Reserve, and the rate is updated each month with a guaranteed minimum rate of 4.00%. Guaranteed interest contracts are held primarily by stockholders of the Company. Contracts owned by stockholders represent 76% and 85% of all contracts at December 31, 2006 and 2005 respectively.

(6) STOCKHOLDERS' EQUITY

State of Arizona insurance regulations require the Company to keep a minimum capital of $400,000 and a minimum free surplus of $100,000. At December 31, 2006 and December 31, 2005 the Company had a capital amount of $914,933 and a free surplus of $15,259,236 and $14,646,694, respectively. Free surplus was reduced by the $4,780,773 and $4,685,682 cost of treasury stock for years 2006 and 2005 respectively.

In March 2001, the Board of Directors authorized an open-ended offer to purchase shares of American Savings Life Insurance stock for 67% of the most recent equity value. The equity value is prepared monthly using GAAP standards and adjusted for any accrued dividends payable. During 2006, treasury stock increased by the purchase of 46,120 shares of capital stock at prices ranging from $2.03 to $2.12 per share. During 2005 a total of 32,538 shares were purchased at prices of $1.91 to $2.01 per share. Stockholder equity per share was $3.17 in 2006 and $3.02 in 2005.

On January 9, 2007, the Board of Directors declared a cash dividend of 22¢ per share payable in two payments of 11¢ per share. The first payment will be on April 10, 2007 to stockholders of record on March 31, 2007, and the second on October 9, 2007 to stockholders of record on September 30, 2007.

(7) PARTICIPATING INSURANCE POLICIES

The allocation of dividends to participating policy owners is based on actuarial mortality rates with consideration for investment yields (which are subject to periodic review), issues ages, policy durations and premium charges. The mortality rates correspond with rates assumed in the calculation of the premium charges. Participating business comprised approximately 21% of total life insurance in force at December 31, 2006 and 20% at December 31, 2005.

(8) RELATED PARTIES

Although there is a significant inter-relationship between policyholders who are also stockholders and members of Company management, no related party transactions involving this group have occurred during the years ended December 31, 2006 and 2005, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

1. A loan for employee educational expenses of $29,132 was authorized by the board in 2001. Educational fringe benefit amounts of $5,244 during 2006 and $5,244 during 2005 have been applied as payments on this loan. The loan balance at December 31, 2006 is $5,826. Ninety percent of this balance is subject to future fringe benefit payments, and is therefore not included as an asset in this statement.
2. Insurance premiums paid by Company officers and directors totaled 23.4% and 17.7% of total premiums paid in 2006 and 2005, respectively. Company officers and directors also owned 11.5% and 10.2% of total policy face value in 2006 and 2005, respectively.
3. Wilford R. Cardon is a director for American Savings Life Insurance Company and also a principal in Boa Sorte, LLC, which has entered into an investment joint venture with American Savings Life Insurance Company as detailed in Note 3 under Real Estate.

(9) CASH FLOW RECONCILIATION

A reconciliation of net income to cash flows from operating activities is as follows:

December 31,	**2006**	2005
Net income	**$1,715,678**	$1,688,532
Adjustments to reconcile net income to net cash provided from operations:		
(Increase) decrease in investment due & accrued	**90,191**	-23,289
(Incr.) decr. In income tax refundable	**5,060**	5,372
Incr. (decr.) in payables, accrued expense & other	**19,524**	-33,207
Incr. (decr.) in reserves for policy & contract claims	**0**	-10,000
Incr. (decr.) in other policyholder funds	**926**	1,110
Incr. (decr.) in income tax payable	**-21,438**	3,048
Incr. (decr.) in life insurance reserve	**52,484**	20,442
Incr. (decr.) in deposit to deposit type accts	**-330,050**	269,627
Incr. (decr.) in net deposits to deposit type accts	**417,245**	-183,631
Net realized capital gains	**-325,307**	-275,159
(Incr.) decr. In office equipment	**-6,478**	-13,935
(Incr.) decr. In prepaid expenses	**-247**	-1,042
Net cash from operations	**1,617,588**	1,514,282

(10) EMPLOYEE PROFIT SHARING PLAN

In 1993, the Company began to sponsor a qualified profit sharing plan available to full-time employees who meet the plan's eligibility requirements. The terms of the plan call for annual discretionary contributions by the Company as determined by the Board of Directors. The plan contribution was $52,703 for 2006 and $47,439 for 2005.

(11) CLAIMS AND CONTINGENCIES

The Company has various legal proceedings and claims pending that are common to its operations. While it is not possible to determine the ultimate outcome of these matters, it is the opinion of management that they will not result in monetary damages that in the aggregate would be material to the business or operations of the Company.

(12) AUDITED STATUTORY FINANCIAL STATEMENTS

Each year, the Company files another set of financial statements with the Arizona Department of Insurance and the National Association of Insurance Commissioners (NAIC). They are prepared according to statutory (state law) requirements, and are used by state regulators to review our Company's strength. We refer to these as the "statutory" financial statements, and they are audited each year by a qualified Certified Public Accounting firm.

The statutory financial statements differ in several respects with the financial statements provided herein (referred to as the Stockholders Financial Statements). The stockholders financial statements, although unaudited, are prepared using generally accepted accounting principles. The following table shows a comparison of the financial highlights of your stockholders financial statements with the statutory financial statements.

	2006 ***Stockholders*** Financial Statements	2006 ***Statutory*** Financial Statements
Total Assets	$20,716,684	$20,673,682
Total Liabilities	4,542,515	6,065,101
Total Stockholders Equity	16,174,169	14,608,581
Equity per Share	$ 3.17	$ 2.86
Annual Net Income	1,715,678	1,710,884
Net Income per Share	$ 0.34	$ 0.34

At the time of printing, the audit of the statutory financial statements had not been completed. Therefore, the above Statutory Financial Statement numbers are not audited numbers. A copy of the audited financial statements will be available at the annual stockholder meeting in April for any stockholder interested, or you may call the home office and we will be happy to mail you a copy.

AMERICAN SAVINGS LIFE
INSURANCE COMPANY

935 East Main Street, Mesa, AZ 85203
(480) 835-5000 * 1-800-880-2112
www.AmericanSavingsLife.com