2007 Annual Report

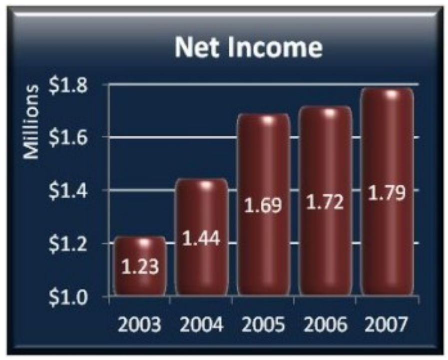
AMERICAN SAVINGS LIFE
INSURANCE COMPANY

Founded 1954

2007 Financial Highlights

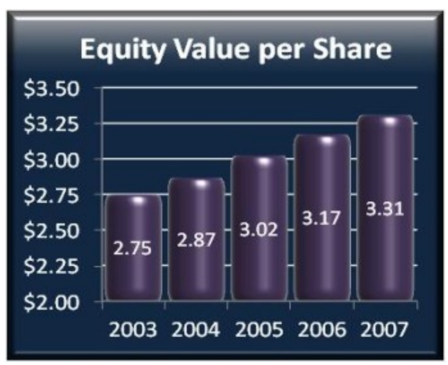
Total Assets
increased
$1,353,000 (6.5%)
to
$22,070,000

Net Income
increased
$70,000 (4.1%)
to
$1,786,000



Dividends per Share
increased
2¢ (9.1%)
to
24¢ per share

Equity Value per Share
increased
13.6¢ (4.3%)
to
$3.306 per share



Fellow Shareholders,

With all of this year's "mortgage meltdown" and "credit crunch" chaos that the economy (and even more so the financial services sector) has suffered, American Savings Life (ASL) has remained a strong performer. While multiple other companies have lost value this last year, ASL has enjoyed another year of record profits.

So how is it that we have fared so well, when over two hundred large national lending institutions have either closed their doors, filed for bankruptcy or drastically scaled back their business? And what about the *thousands* of small mortgage companies that have gone out of business as well? How do we enjoy record profits when financial giants like Merrill Lynch and Citigroup are having to write off *Billions* of dollars in losses?

The answer is in our business model. As a life insurance company first and foremost, we maintain a very conservative investment philosophy. So even though we have over eighty percent of our total assets invested in real estate mortgage loans, our loan portfolio is more conservative and "recession proof" than most others. This is primarily a result of two investment guidelines we follow. First, we make every effort to determine a conservative economic value for a property, often valuing it less than the appraised value. Second, we only loan a modest percentage of our determined property value, usually about fifty percent.

So while banks and other lenders are often forced to sell their foreclosure properties for a loss because they are owed more than the property is worth, we have not had that problem. Property values would have to continue to drop all the way to nearly *half* their recent values before we would be in that situation. As a result, we have not experienced an increase in loan defaults and have not had to take a property back through foreclosure for over two years.

Of course, there is certainly no guarantee this will not change. If the housing market continues to worsen and/or the commercial real estate market loses significant value, we most likely will experience some (and perhaps even many) foreclosures — like we did in the wake of the "S&L crisis" from 1988 through 1992.

In fact, just today as we are writing this letter, Dr. Ben Bernanke, the Chairman of the Federal Reserve Board, made the following statement to the U.S. Senate in his report on the state of the U.S. economy:

"The business sector has also displayed signs of being af-

fected by the difficulties in the housing and credit markets. Likewise, after growing robustly through much of 2007, ***nonresidential construction is likely to decelerate sharply*** *in coming quarters as business activity slows and funding becomes harder to obtain, especially for more speculative projects."*

- Fed Chairman Ben S. Bernanke, Feb 27, 2008

It is our expectation that both the residential and commercial real estate markets will get worse (perhaps much worse) before they get better, and that it could be a much longer road to recovery than most economists are willing to project.

This does not worry us, however. We have weathered difficult economic times in the past and we have proven that our investment practices serve us well in times such as these. Indeed, we are pleased to "be able to sleep when the wind blows."

In the meantime, we will continue to manage your assets conservatively — minimizing risks while maintaining attractive returns. Plus, as we continue to grow the other areas of our business, we will further increase and diversify our sources of income.

This Annual Report is our means of reporting to you on how we measured up to our mission to **"Fortify Our Foundation and Further Our Growth."** This mission statement was inspired by our Company Founder, Frihoff Allen, in the conclusion of his 1965 letter to the Company shareholders:

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

We report in detail on how we measured up to this commitment in the following "Management Discussion and Analysis" section.

Increased Stock Buy-Back Price

The Board of Directors has increased the Company's stock buy-back price (for up to one million shares of Company stock) from 67% to **80%** of the most recent stock equity value. This increase in the Company's stock buy-back price is to provide increased liquidity to those shareholders who desire (or in most cases need) to sell their shares. It is *not* intended to encourage you to sell your shares.

Indeed, the Board of Directors approved this increase in the buy-back price because we believe the future value of your shares will continue to increase and provide attractive increasing cash dividends, including unrealized gains that are not reflected in the current equity value. We encourage you to read the "Effect of Real Estate Items Not Included" in Note #3 of the last section of this report (page 16).

We are pleased with our 2007 accomplishments. We generated solid financial results and delivered greater earnings to shareholders. The real excitement, however, lies in the coming years as our growth strategies that complement our existing business begin to contribute even greater shareholder returns. It is this challenge and opportunity that allows us to wake up each morning with excitement toward an even brighter future of this great Company.

We thank our outstanding employees for their diligent efforts in creating the success that we shareholders enjoy. We also thank you, our loyal shareholders, for your continued confidence in our leadership.

Byron Frihoff Allen, President

David K. Allen, Chairman

Executive Management Committee

David K. Allen	Byron F. Allen	Robert E. Allen	Clark E. Allen
Chairman	President	V.P., Operations	V.P., Real Estate

Management's Discussion and Analysis of Operations & Financial Position

REPORT ON HOW WE MEASURED UP TO OUR MISSION TO:

"Fortify Our Foundation and Further Our Growth."

Fortifying Our Foundation - Maintaining a strong balance sheet while consistently increasing dividends:

- **Strong Balance Sheet:**
  - As you can see on page one, our financial strength improved during 2007 as we increased total assets by over $1.3 million (6.5%) and shareholder equity by over $650,000 (4.1%).
  - Throughout the year we maintained an asset mix with an average 80% of our total assets invested in mortgage loans, which provide us with exceptional risk-adjusted returns. We discuss this in greater depth on page 7.
  - Our returns are achieved without the use of debt. The only material liabilities we have are reserves required for our life insurance products, impound funds for the mortgage loans we service and funds on deposit with the Company (APD/GIC accounts).
- **Consistently Increasing Dividends:** We have increased dividends eighteen of the last twenty years and maintained our dividend the two years they did not increase. The Board of Directors have declared a 24¢ per share dividend for 2008, with 12¢ per share paid on April 8th and 12¢ per share paid on October 14th. This is a 9.1% increase from last year and will total approximately $1.2 million.

Furthering Our Growth - Report on Three Growth Initiatives:

We are particularly pleased with this year's performance when we consider that we have also made considerable strides in our growth initiatives that are not reflected in this year's financial performance. Here is a brief report on what has transpired during 2007 and what we anticipate for 2008:

- **Subsidiary mortgage company**: **American Life Financial Corporation** (ALF), received its Arizona mortgage bankers license in June 2007. We have expanded our office space to make room for additional employees as we grow our loan origination business in 2008. Our goal for ALF is to add an additional 3% growth in ASL's consolidated net earnings for 2008.

- **Real Estate Investments**: Together with a real estate investment group, In March 2007 we closed on the purchase of a large assemblage of land in Northern Arizona adjacent to the town of Holbrook. We have sold 12 of the 15 billboards on our nearly 5,000 acre property and we are working diligently to enable the property to be sold off in smaller pieces to expanding businesses or developers. Even though investor demand for land in today's real estate market has deteriorated, we are confident that we "bought it right" and will be able to sell it for an attractive gain.
- **Growth of our life insurance business:** In 2007 we worked on developing a new annuity product, but have not yet established a satisfactory marketing method. We also made an unsuccessful attempt to acquire a small life insurance company (that's 0-for-2 in the last 2 years). To re-establish growth in our life insurance sales organically, we have begun to seek additional life insurance/annuity product development and marketing expertise. We will also continue to look for other life insurance companies to acquire at an appropriate price.

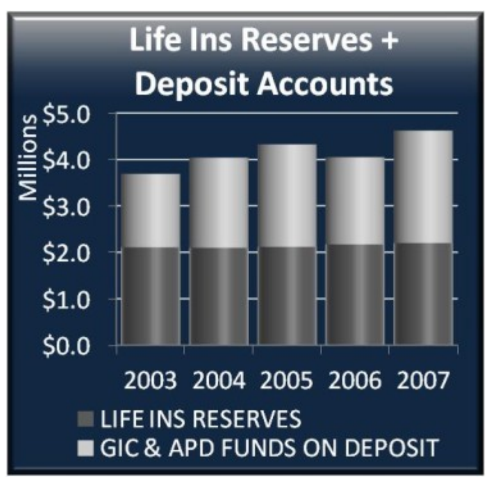
ANALYSIS OF OPERATIONS & FINANCIAL POSITION

LIFE INSURANCE BUSINESS

Our life insurance business had modest growth, with most growth from an increase in funds in deposit accounts. Here are the highlights of our life insurance business for 2007:

- Total funds deposited with the Company in our deposit accounts increased $538,000 (29%). These accounts are our Advance Premium Deposit (APD) accounts and Guaranteed Interest Contracts (GIC) accounts. These accounts pay very attractive interest rates with a guaranteed minimum interest rate of 4.0%.

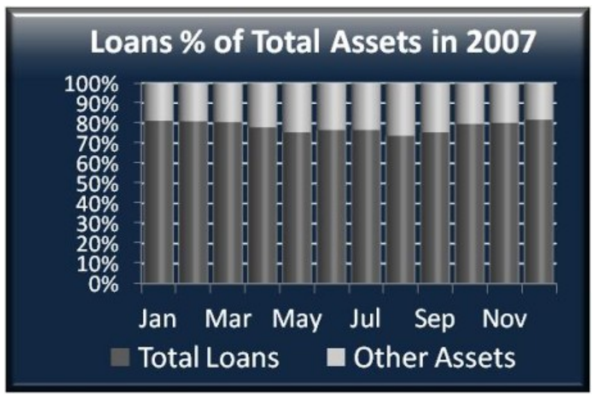
  Even though 4.0% is actually higher than the interest rate we are earning today on our cash accounts, these products are still profitable to the Company because we are able to have a large part of these funds invested in our conservative mortgage loans earning an average of 11.5% interest.



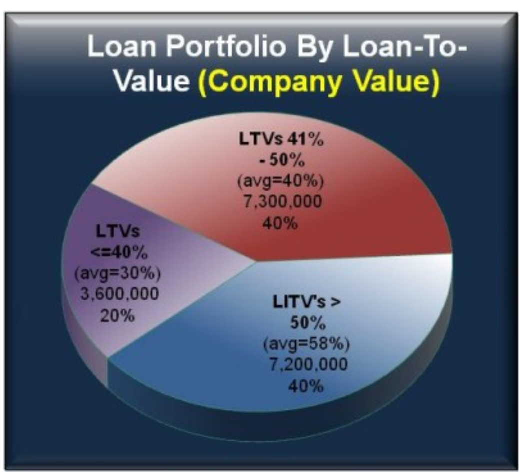
- Although our total policyholder benefits paid out (death claims plus surrender "living" benefits plus policy dividends) for 2007 were $48,000 more than the previous year's, this year's total of $139,000 is approximately equal to the average we have paid out over the last five years.
- We know that insurance benefits paid can fluctuate widely from year to year, but what is important is that overall, our life insurance business is profitable. In last year's Annual Report, we explained in fairly good detail how our life insurance business generates hundreds of thousands of net income each year.

Mortgage Loan Investments

We were successful again in 2007 at keeping our investment mix maximized for the highest yield possible by averaging 80% of our total assets invested in real estate mortgage loans throughout the year.



If our loan portfolio were a typical bank or mortgage company loan portfolio, consisting of high loan-to-value loans (particularly if most of them were residential loans), this concentration of assets in mortgage loans might be a very risky position.



Our total $18 million loan portfolio, however, equals a mere 45% of our original valuation of the properties securing the loans and only equals 35% of the appraised value of these loans.

For these reasons, we feel confident continuing to invest as much of our assets in these mortgage loans as possible, while maintaining adequate cash reserves.

REAL ESTATE INVESTMENTS

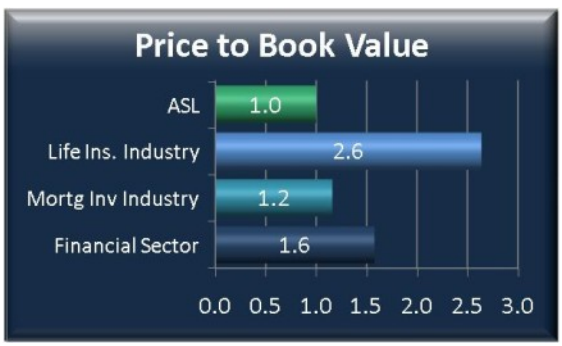
Our Real Estate Department had an extremely productive year in 2007. Here are the highlights:

- We closed on the purchase of the 4,700 acre property in Northern Arizona near the town of Holbrook and they are working toward adding value to the property by preparing it to be sold to investors in smaller pieces at much higher prices than our purchase price.
- We sold the Desert Oasis Mobile Home Park for $400,000 in June. This netted us a capital gain of $65,000.
- We earned $424,000 in capital gains. The chart below shows the largest contributors to these capital gains. $320,000 or 75% of all capital gains are from the sale of real estate.
- Capital gains earned from real estate sales contributed 15.4% to our taxable income.
- We received $227,000 in interest and $125,000 in recognized capital gains as we continued to receive payments from the 2004 sale of the 550 acres called "Vekol Wash" off of I-8 in Southern Arizona. We are should continue to receive payments through 2011, at which time a balloon payment of approximately $1.7 million will be due.
- In last year's report we reported selling out of our residential lots in Sun Valley, just outside of Holbrook, Arizona. These loans and contracts for sale have performed very well overall. The sale of these lots has contributed $130,000 to our 2007 pre-tax earnings. We still have $485,000 in outstanding principal due, which we are scheduled to receive over the next four years.

How We Compare With Our Peers

Some of our shareholders have wondered how their American Savings Life Ins Co (ASL) shares compare with the industry, in terms of price and performance. We have selected the Life Insurance Industry, the Mortgage Investment Industry and the overall Financial Sector (excluding foreign banks) as our peers. *(Since ASL stock is not traded on a public stock exchange, we used the Company's per share book value as the stock price, which was $3.31 as of Dec 31, 2007).*

The **P/E Ratio** (Price-to-Earnings ratio) is a common measurement used to compare how expensive a company's stock is compared to the company's earnings. Generally, a lower P/E Ratio indicates a better value.



The **Price-to-Book Value** ratio is another common measurement used to compare how expensive a company's stock is compared to the company's book value. Generally, a lower price-to-book ratio indicates a better value.

The **Dividend Yield** is computed by dividing total annual dividends by a stock's price. The higher the number, the higher cash return from dividends one receives for the price of the stock.

Consolidated Statement of Operations

(UNAUDITED)

REVENUES	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Life insurance premiums	**138,356**	137,058	126,282
Interest Income			
Interest on cash & cash equivalents	**144,576**	149,854	134,766
Interest on policy loans	**5,481**	5,092	5,703
Interest on mortgage loans	**2,258,899**	2,129,525	2,022,908
Investment Income Net of Expenses			
Real Estate Rental Income	**13,596**	30,180	(20,272)
Mortgage Fees	**178,686**	166,783	223,892
Other investment income	**15,020**	23,897	19,142
TOTAL REVENUES	**2,754,613**	2,642,389	2,512,421
EXPENSES			
Death benefits	**86,887**	26,810	25,960
Other policyholder benefits	**27,022**	41,369	46,538
Policyholder dividends	**25,287**	23,411	21,273
Incr/decr in reserves and loading	**30,586**	54,616	19,591
Interest on insurance	**108,819**	87,195	85,997
General Expenses			
Salaries and wages	**565,590**	526,902	474,858
Welfare Plan	**42,298**	43,964	41,284
Profit Sharing Plan	**56,598**	52,703	47,439
Professional Service fees	**54,891**	56,532	37,462
Other expenses	**51,386**	46,314	36,168
Taxes Licenses and Fees	**59,092**	62,875	45,988
TOTAL EXPENSES	**1,108,456**	1,022,691	882,558
Net Gain From Operations	**1,646,157**	1,619,698	1,629,863
Realized Gain on Real Estate & Securities	**423,974**	377,941	326,453
Federal Income Tax Paid	**(284,110)**	(281,961)	(267,784)
NET INCOME	**1,786,020**	1,715,678	1,688,532
Total shares outstanding	**5,091,530**	5,102,640	5,148,760
Net Income per share	**0.351**	0.336	0.328

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

Consolidated Statement of Financial Position

(UNAUDITED)

ASSETS	Dec 31, 2007	Dec 31, 2006
Cash and cash equivalents	**1,804,554**	2,091,645
Long term certificates of deposit	**500,000**	500,000
Common & preferred stock	**56,471**	46,350
Policy loans	**105,253**	97,599
Mortgage loans	**18,027,850**	16,871,229
Employee notes	**0**	583
Real estate investments & receivables	**1,132,091**	741,976
TOTAL CASH & CASH EQUIVALENTS	**21,626,220**	20,349,382
Accrued interest & deposits	**240,985**	163,764
Land and building	**167,880**	166,062
Office equipment	**34,602**	37,476
TOTAL ASSETS	**22,069,686**	20,716,684
LIABILITIES		
Reserves for life policies	**2,200,562**	2,168,940
Insurance policy claims pending	**36,437**	9,050
Policy holder & GIC funds on deposit	**2,418,714**	1,880,410
Other policy holder liabilities	**32,015**	29,087
Taxes & expenses due & accrued	**114,588**	83,112
Unearned investment income	**314**	2,052
Amounts held by ASLIC for others	**423,363**	365,504
Income tax payable	**12,200**	4,360
TOTAL LIABILITIES	**5,238,194**	4,542,515
SHAREHOLDERS EQUITY		
Capital stock	**914,933**	914,933
Capital stock in excess of par	**2,205,412**	2,205,412
Stock notes & Employee receivables	**(284)**	(6,884)
Retained earnings	**18,472,444**	17,807,905
Unrealized gain on securities	**43,697**	33,576
Less treasury stock	**(4,804,710)**	(4,780,773)
TOTAL SHAREHOLDERS EQUITY	**16,831,493**	16,174,169
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**22,069,686**	20,716,684
Shares Outstanding	**5,091,530**	5,102,640
Equity Value Per Share	**3.306**	3.170

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

Consolidated Statement of Cash Flows

(UNAUDITED)

OPERATING ACTIVITIES	Dec 31, 2007	Dec 31, 2006
Funds provided from operations		
Premiums received	**140,276**	134,076
Net investment income (excluding realized gains)	**2,614,452**	2,717,203
Total funds provided from operations	**2,754,728**	2,851,279
Funds used in operations		
Benefits and loss related payments	**(192,335)**	(153,931)
Commissions and other expenses and taxes paid (excluding federal income taxes)	**(745,380)**	(807,360)
Dividends paid to policyholders	**(23,242)**	(21,635)
Federal income taxes paid (excluding capital gains tax)	**(220,144)**	(250,766)
Total funds (used) in operations	**(1,181,101)**	(1,233,692)
NET CASH PROVIDED FROM OPERATIONS	**1,573,627**	1,617,588
INVESTING ACTIVITIES		
Funds provided from investments sold, matured or repaid		
Bonds	**400,000**	0
Stocks	**0**	0
Mortgage Loans	**4,354,134**	6,144,825
Real Estate	**542,622**	99,094
Other invested assets	**7,183**	45,138
Total investment proceeds before capital gains tax	**5,303,939**	6,289,057
Cost of investments acquired		
Class one mutual funds & long term CD's	**(400,000)**	0
Mortgage Loans	**(5,147,471)**	(5,601,453)
Real Estate	**(893,594)**	(310,211)
Other invested assets	**(5)**	0
Total cost of investments acquired	**(6,441,070)**	(5,911,664)
(Increase) Decrease in policy loans	**(7,654)**	19,865
NET CASH PROVIDED BY INVESTING ACTIVITIES	**(1,144,785)**	397,258
FINANCING ACTIVITIES		
Funds provided from (used for) financing activities		
Net deposits on deposit-type contracts	**429,485**	(417,245)
Cash dividends paid	**(1,121,481)**	(1,024,399)
Treasury stock purchased	**(23,937)**	(95,091)
Net cash provided from (used for) financing activities	**(715,933)**	(1,536,735)
Increase (Decrease) in cash and short-term investments	**(287,091)**	478,111
Cash and short-term investments, beginning of year	**2,091,645**	1,613,534
Cash and short-term investments, end of year	**1,804,554**	2,091,645

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

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006
(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, 2005	914,933	2,205,412	24,016	17,116,626	(13,679)	(4,685,682)	15,561,627
Net Income				1,715,678			1,715,678
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 Nonadmitted Assets					6,795		6,795
BALANCES, December 31, 2006	914,933	2,205,412	33,576	17,807,904	(6,884)	(4,780,773)	16,174,169
Net Income				1,786,020			1,786,020
Dividends declared & accrued				(1,121,481)			(1,121,481)
Repurchase Capital Stock (Treasury)						(23,937)	(23,937)
Change Unrealized Gain on Securities			10,121				10,121
Change in Nonadmitted Assets					6,600		6,600
BALANCES, December 31, 2007	**914,933**	**2,205,412**	**43,697**	**18,472,443**	**(284)**	**(4,804,710)**	**16,831,493**

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

(UNAUDITED)

(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 is an Arizona licensed mortgage banker for the purpose of increasing the Company's mortgage investing opportunities. 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, as they are expected to be held to 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 2007 and 2006 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, 2007 and December 31, 2006 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,	**2007**	2006
Certificates of deposit	**$ 0**	$ 396,000
Money market funds	**1,466,387**	1,168,093
Demand deposits	**338,167**	527,552
Total cash & short term investments	**$ 1,804,554**	$ 2,091,645

The Company holds 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 $298 and $241,897 at December 31, 2007 and 2006, 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% 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,	**2007**	2006
Commercial & consumer loans	**$ 17,621,695**	$ 16,446,360
Purchase Money Loans	**$ 406,155**	$ 424,868
Remaining Deferred Gain	**$ 2,396,379**	$ 2,435,139
Annual Realized Deferred Gain	**$ 258,219**	$ 278,324

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

During 2007 the company began to amortize interest on two mortgages. The company had included the amortization of principal payments with realized gain but had made no provision for a $250,000 balloon payment. Prior years amortization of the balloon payment included in mortgage interest in 2007 is $63,857. In addition $31,023 was amortized for 2007 interest, for a total of $94,880.

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.

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,	2007	2006
Building cost	**$ 434,605**	$ 434,605
Improvements	**104,263**	02,445
Land cost	**75,633**	75,633
	614,501	**612,683**
Less deferred gain on 1031 exchange	**-446,621**	-446,621
Statement value of land and building	**$ 167,880**	**$ 166,062**

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.

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 2007, 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 $3.306 shown in this statement to $3.937.

(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 Federal Reserve 6-month CD and 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 84% and 76% of all contracts at December 31, 2007 and 2006 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, 2007 and December 31, 2006 the Company had a capital amount of $914,933 and a free surplus of $15,916,559 and $15,259,236, respectively. Free surplus was reduced by the $4,804,710 and $4,780,773 cost of treasury stock for years 2007 and 2006 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. On January 8, 2008 the Board replaced this offer with an offer to purchase up to 1,000,000 share of Company stock at 80% of the most recent equity value. The equity value is prepared monthly using GAAP standards and adjusted for any accrued dividends payable. During 2007, treasury stock increased by the purchase of 11,110 shares of capital stock at prices ranging from $2.12 to $2.22 per share. During 2006 a total of 46,120 shares were purchased at prices of $2.03 to $2.12 per share. Stockholder equity per share was $3.31 at year end 2007 and $3.17 at year end 2006.

On January 8, 2008, the Board of Directors declared a cash dividend of 24¢ per share payable in two payments of 12¢ per share. The first payment will be on April 8, 2008 to stockholders of record on March 31, 2008, and the second on October 14, 2008 to stockholders of record on September 30, 2008.

(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), issue 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, 2007 and 21% at December 31, 2006.

(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, 2007 and 2006, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

A. A loan for employee educational expenses of $29,132 was authorized by the board in 2001. Educational fringe benefit amounts of $5,244 during 2007 and $5,244 during 2006 have been applied as payments on this loan. The loan was paid off during 2007.

B. Insurance premiums paid by Company officers and directors totaled 23.7% and 23.4% of total premiums paid in 2007 and 2006, respectively. Company officers and directors also owned 11.6% and 11.5% of total policy face value in 2007 and 2006, respectively.

C. 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, real estate.

(9) 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 $56,598 for 2007 and $52,703 for 2006.

Stock Benefit Plan - In October 2007 the Company began an employee compensation in stock benefit plan available to employees, officers and directors. The terms of the plan allows employees, officers or directors to specify up to 50% of the their total compensation to be taken as shares of Company stock. For the period from October 1, 2007 through March 31, 2008, the allocation price of the stock is 80% of the (non-audited) GAAP book value for the month preceding enrollment. The October 2007 enrollment stock price was $2.58 and $61,667 of employee and directors compensation had been set aside for stock purchase at December 31, 2007. Effective with enrollment beginning April 1, 2008 the allocation price has been raised to 100% of the (non-audited) GAAP book value.

(10) 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.

(11) CASH FLOW RECONCILIATION:

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

December 31,	2007	2006
Net income	$ 1,786,020	$ 1,715,678
Adjustments to reconcile net income to net cash provided from		
American Life Financial net cash from operations	30,504	0
Amortization of mortgage interest	-94,880	0
Non-cash realized gain (Holbrook Legacy)	18,664	0
(Increase) decrease in investment due & accrued	-62,413	90,191
(Incr.) decr. In income tax refundable	0	5,060
Incr. (decr.) in payables, accrued expense & other	80,713	19,524
Incr. (decr.) in reserves for policy & contract claims	27,387	0
Incr. (decr.) in other policyholder funds	2,928	926
Incr. (decr.) in income tax payable	7,840	-21,438
Incr. (decr.) in life insurance reserve	30,996	52,484
Incr. (decr.) in deposit to deposit type accts	538,304	-330,050
Incr. (decr.) in net deposits to deposit type accts	-429,485	417,245
Net realized capital gains	-367,848	-325,307
(Incr.) decr. In office equipment	3,870	-6,478
(Incr.) decr. In prepaid expenses	1,027	-247
Net cash from operations	$ 1,573,627	$ 1,617,588

(12) SPECIAL NOTE - 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:

	2007 ***Stockholders*** Financial Statements	2007 ***Statutory*** Financial Statements
Total Assets	$22,069,686	$21,418,250
Total Liabilities	5,238,194	6,759,470
Total Stockholders Equity	16,831,493	14,658,781
Equity per Share	$ 3.31	$ 2.89
Annual Net Income	1,786,020	1,798,212
Net Income per Share	$ 0.35	$ 0.35

The Company would be pleased to provide you with a copy of the audited statutory financial statements upon your request.

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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.