Annual Report

2011

American Savings Life Insurance Company

Founded 1954

Dear Fellow Shareholders,

March 1, 2012

The year 2011 was another eventful year for American Savings Life Insurance Company, with many positive improvements. Although our end of year net income of $1,069,000 was only slightly higher than the prior year's, the above-the-line activity that yielded these results were what made the year so interesting. In this letter we provide only the highlights but we discuss these in much greater detail in the "Management's Discussion and Analysis" section following this letter.

In one sentence, gains made on loans made in recent years plus profitability of our new annuity business have offset foreclosure related losses on loans made in the real estate bubble years of 2005 through 2007. We also have seen significant improvements in our mortgage loan delinquencies and the sale or leasing of our real estate owned (REO) properties.

2012 Semi-Annual Dividend Declared & Your Stock's Performance in 2011

We are pleased to report that the Board of Directors has **declared a 9 cent per share semi-annual dividend** to be paid on April 10, 2012 to shareholders of record as of March 31, 2012. This is an increase from the most recent 8 cent per share dividend paid in October 2011.

The total dividends per share paid out in 2011 were 17 cents per share, which equals a **5.2% dividend yield** on your 2010 year end book value of $3.29 per share. When you add to the dividends the increase in book value of 9 cents per share, your total return as a shareholder was 26 cents per share, **which equals an 8.0% total annual return** on your year ago book value of $3.29 per share.

Looking Ahead

We have several reasons to be optimistic of our Company's future. 1) There are many indications that the major declines in real estate values are now behind us, 2) Our mortgage loan portfolio has fewer delinquent loans than it has since 2008, 3) We have more of our Real Estate Owned assets generating income, 4) Most of our annuity and insurance assets are now invested profitably, and 5) Continuing annuity sales will also fuel increased future profitable growth. All of these factors should add up to improving future results.

It is indeed a privilege to be a part of this great Company and we look forward to sharing our bright future with you, our fellow shareholders.

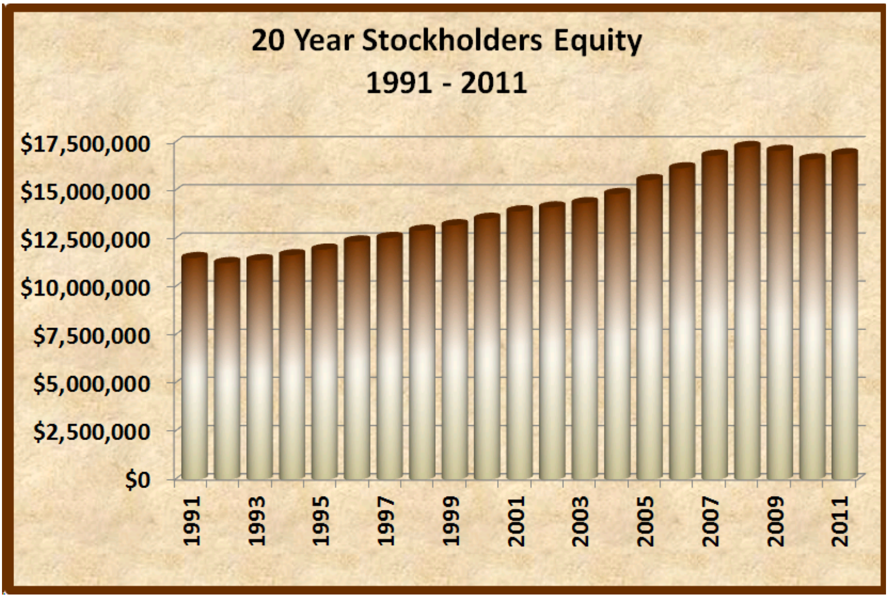
Byron Frihoff Allen, President

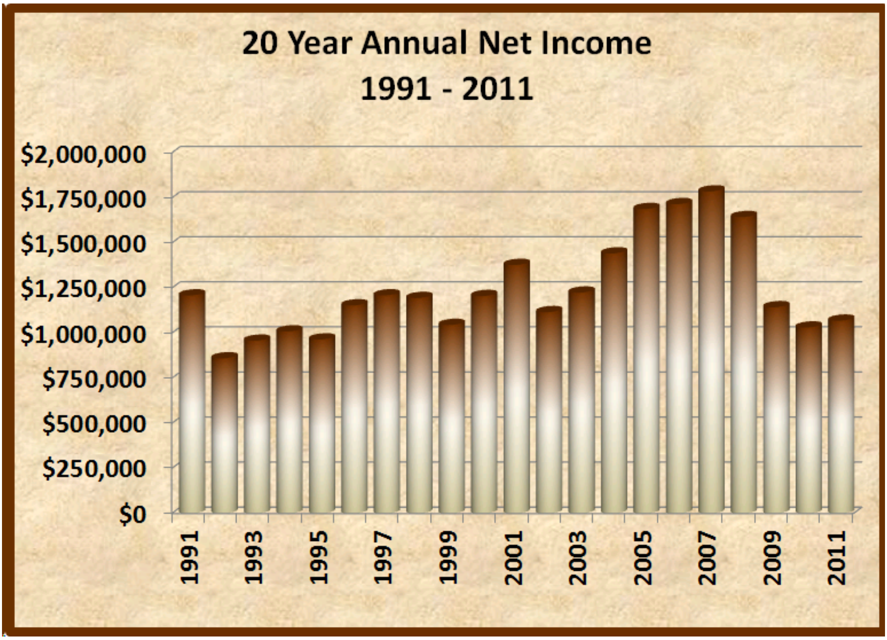
David K. Allen, Chairman

The Management Team

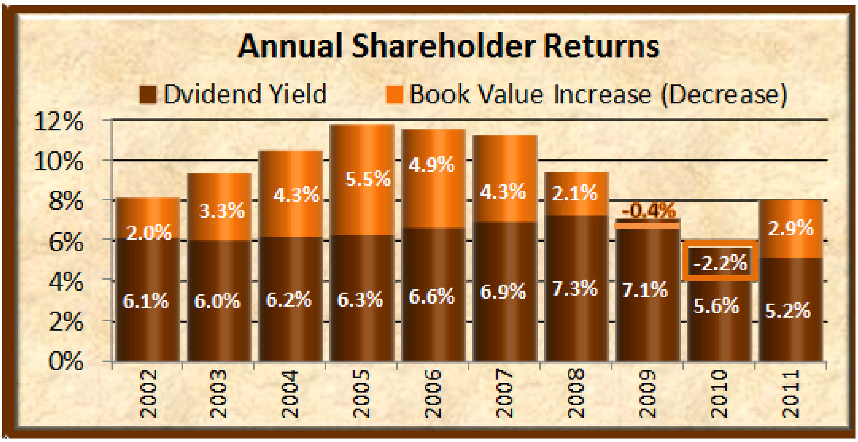
David K. Allen, Chairman; Robert E. Allen, Vice President; Clark E. Allen, Director; Byron F. Allen, President

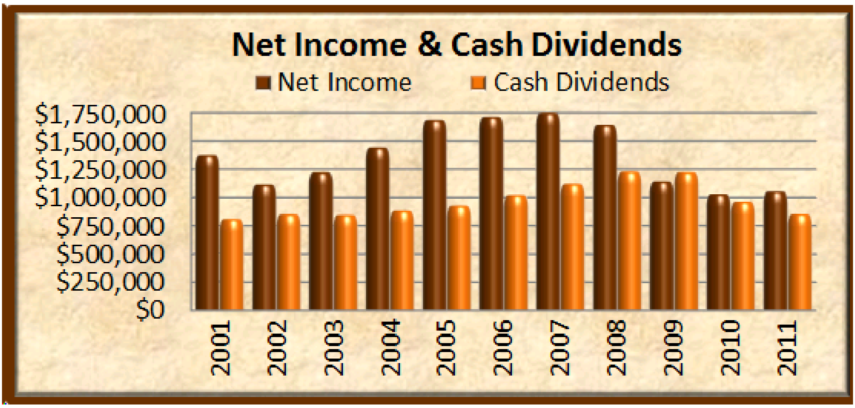
A Tradition of Financial Strength

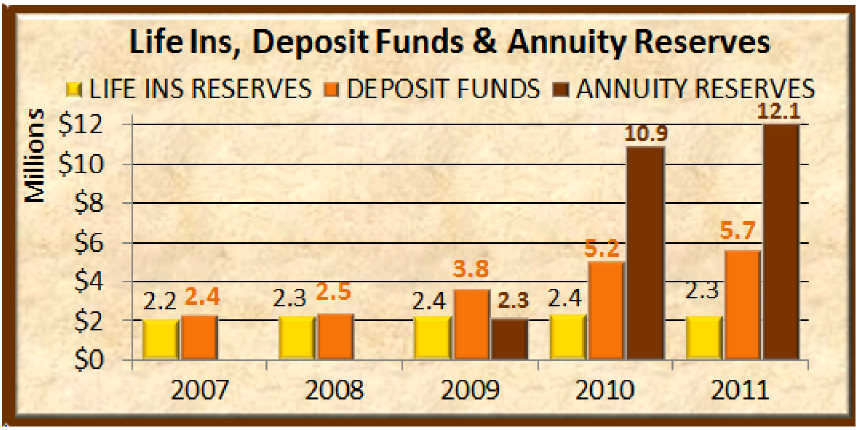




Financial Highlights

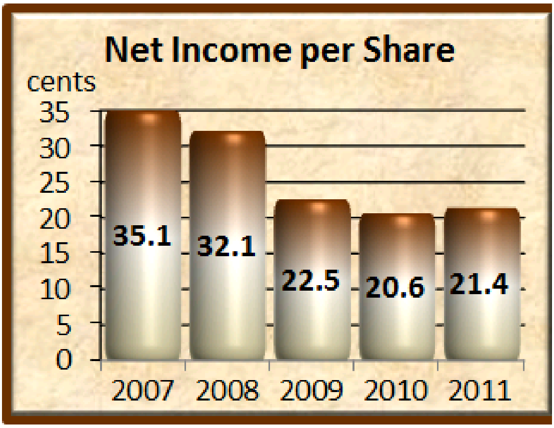


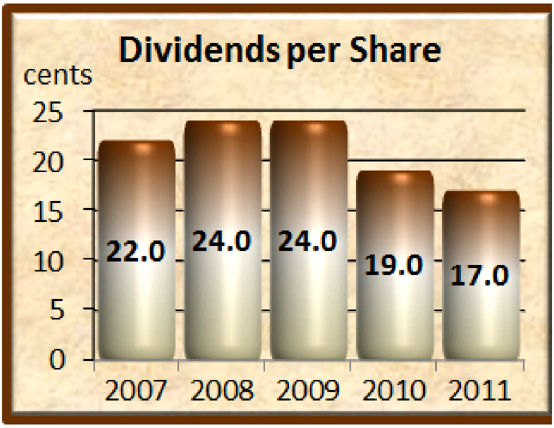




Per Share Financial Highlights

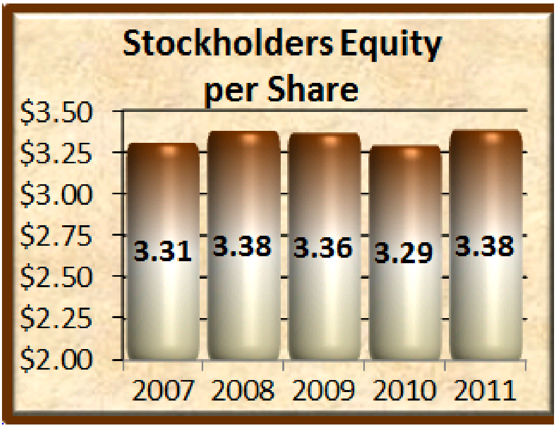
Net Income
per share
increased
0.8¢ (+3.9%)
to
21.4¢ per share





Dividends
per share
decreased
2.0¢ (-10.5%)
to
17.0¢ per share

Stockholders Equity
per Share
increased
9.4¢ (+2.9%)
to
$3.38 per share



Management's Discussion & Analysis of Operations

REPORT ON SIGNIFICANT EVENTS

Overall Results from Operations

Overall results from operations netted a 2.7% increase in net income from 2010 to 2011. The most notable changes in operations between 2010 and 2011 include:

- Mortgage interest & other investment income increased $474,000
- Insurance related expenses (mostly interest paid on annuities) increased $246,000
- Professional Service Fees (foreclosure related attorney expenses) increased $102,000
- Federal income tax increased $104,000 primarily from our increased annuity business triggering the Alternative Minimum Tax.

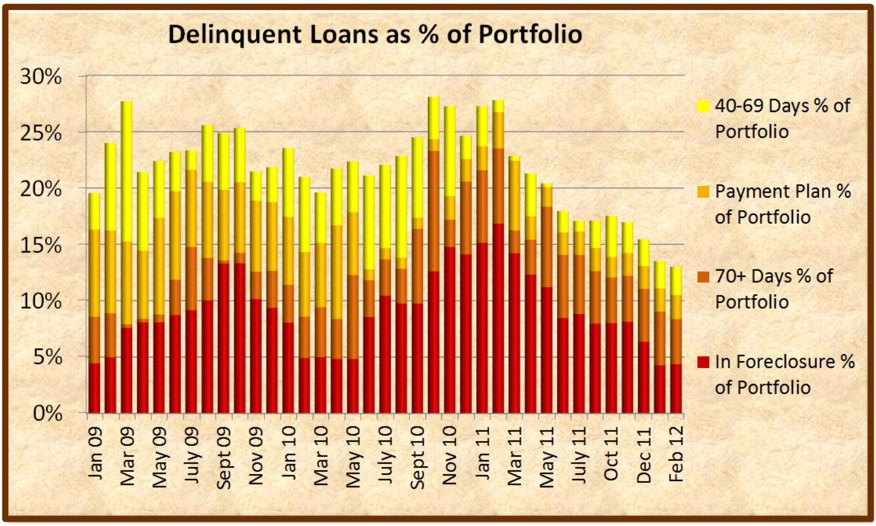
Profitable Annuity Business

We have two years of annuity business behind us now and we are pleased to report that this business was a positive contributor to our 2011 earnings. We do not realize profits when we sell annuities, but rather only after we have invested most of the annuity premiums in real estate loans, which usually takes three to six months. Therefore, the first year of an annuity is usually not profitable. Since we sold $10.6 million of annuities in the tail end of 2009 and in 2010, this last year was the first profitable year with those annuity premiums invested.

The increase in Company assets primarily resulting from annuity sales has provided the capital to grow our loan portfolio from $17.4 million prior to when we began selling annuities to $24.5 million at end of year, 2011. We calculate that after deducting all related expenses, the interest earned on these additional mortgage loans netted the Company over $150,000 in 2011. We anticipate the profitability from annuities will increase as we continue to invest more annuity premiums in profitable, safe mortgage loans.

Improving Mortgage Loan Delinquencies

We are pleased to report that during 2011, delinquent mortgage loans have decreased from $6.8 million this time last year to $3.2 million currently. Presently 87% of our loan portfolio is current and 96% of all loans have made a payment in the last 30 days. This is the best our loan portfolio has performed since 2008.



Improving Real Estate Sales & Leases

Last year was an excellent year for the sale and/or lease of our Real Estate Owned (REO). Under the direction of Trent Allen, we were successful in selling over $2 million of real estate as well as increasing rental income on real estate $59,000 over the prior year. Since the second half of 2011 and continuing into 2012, there has been a marked increase in interest in our REO properties, both for lease and for purchase. We look forward to 2012 being another great year for our Real Estate Department.

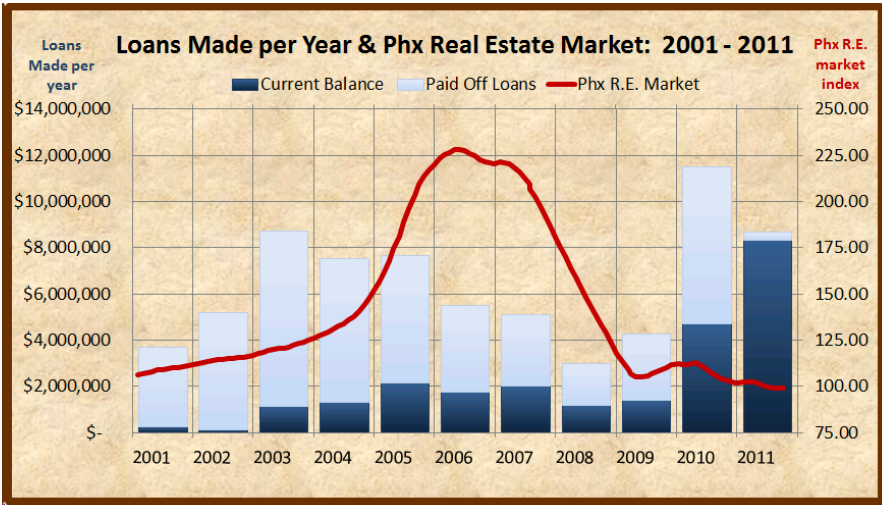
The Impact on Earnings from Foreclosures

We foreclosed on $2.4 million of real estate in 2011. $1.1 million of these were loans that were made during the real estate bubble years of 2005-2007, which resulted in writing down the value of the loans to the properties' lower current market values. These foreclosures of loans made in the bubble years required their values be written down $339,000 to their current appraised values. We also incurred $100,000 of foreclosure related attorneys fees.

Fortunately, $1.3 million of the 2011 foreclosures were loans made in the post - bubble years of 2009-2010, after real estate values had significantly dropped.

We sold the properties securing these loans in 2011, netting capital gains of $338,000. Amazingly, these capital gains offset almost exactly the losses incurred from the write-down of the “bubble loans” (excluding the $100,000 of legal fees).

The following chart shows the amount of loans originated each year since 2001 compared to the Phoenix, AZ real estate market. The total bar height represents total loans made that year, with the light blue representing the part paid off (or foreclosed) and the dark blue representing the part of that year’s loans that remain outstanding.



The purpose of this chart is to illustrate that 75% of the Company’s loan portfolio consists of loans originated after the real estate market has corrected. This is a good indication that our exposure to loan write-downs from foreclosures of loans made during the real estate bubble is much less than prior years.

Balancing Financial Strength With Our Growing Insurance Business

As we continue to grow our annuity and other life insurance business in the coming years, the resulting increase in reserves will decrease our ratio of Shareholders Equity to Liabilities. We believe adding prudent amounts of leverage through increasing annuity and other life insurance related reserves optimizes our strong surplus position. We are, nevertheless, committed to continue our tradition of superior financial strength by always maintaining a level of financial solvency much greater than the industry average.

REPORT ON LINES OF BUSINESS

Life Insurance & Annuity Operations

Annuities

Annuity premiums received in 2011 totaled $929,000 compared to $8.2 million in 2010. This is because we intentionally limited annuity sales since we had excess cash available to invest all year. During 2011 we received an unusually high volume of over $8 million of loan payoffs, which precluded us from needing to bring in additional funds through annuity sales.

As we write this report (March 1st) we expect to soon begin marketing our annuity again, now that our loan originations are exceeding our loan payoffs. We do not foresee annuity sales at their 2010 levels, but we do expect to sell several times the 2011 level. The demand for lending capital will be the primary dictator of how much we sell in annuities during 2012.

Guaranteed Interest Contracts (GICs)

Guaranteed Interest Contracts (GICs) increased by $500,000 last year to a record level of $5.7 million in total. We do not advertise these accounts to anyone other than shareholders, and we pay no sales commissions on them, yet word still has a way of spreading about these accounts that pay a minimum interest rate of 4.0%. If we were to create a new GIC product today, it certainly would not pay this high of an interest rate, but we have had this minimum interest rate for both our Advance Premium Deposit (APD) accounts and GICs for so many years that we are making every effort to continue this rate. Fortunately, given our profitable investments, we are still able to maintain paying the 4.0% interest on these accounts. It is important to understand that GICs are <u>not</u> covered by the Arizona Life & Disability Insurance Guaranty Fund and are only secured by the financial strength of the Company.

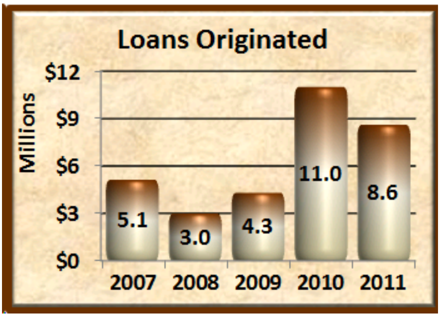
Life Insurance

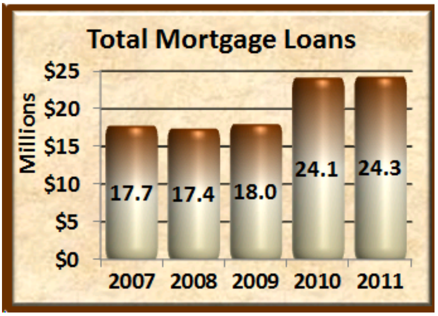
Life Insurance Sales & Reserves remained basically flat. We have not made the sale of life insurance a priority yet, choosing instead to focus our efforts on annuities and investing in safe mortgage loans. In the 2010 Annual Report we discussed how the sale of life insurance will most likely become an important part of the Company’s future, particularly in light of expected inflation in the years to come for two primary reasons. First, life insurance is not as interest rate sensitive as deferred annuities. Second, life insurance products are an excellent inflation hedge. Presently we plan to increase our marketing of life insurance policies in 2014.

Investments

Investment in Mortgage Loans

Through our subsidiary mortgage company, American Life Financial Corporation, and under the management of Anthony Turdó, we originated $8.6 million in loans last year. However, since we received $8.4 million in payoffs and principal payments, our total mortgage loan portfolio at year end only slightly increased from $24.1 million a year ago to $24.3 million at year end, 2011.



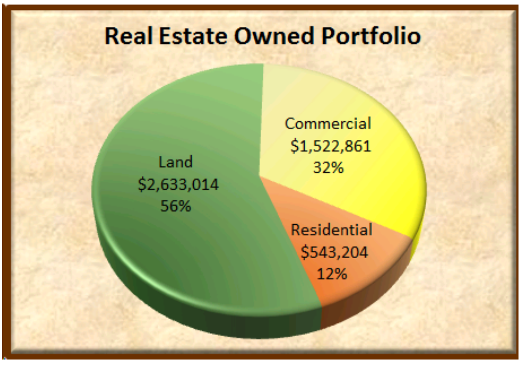


We reported earlier in this report on the 2011 foreclosures and improvement in the mortgage loan delinquencies. Although we do expect to continue to experience foreclosures, it appears that the magnitude of the foreclosures is trending down so we anticipate fewer foreclosures in 2012.

Real Estate Owned

As reported above, our Real Estate Department had a successful year selling $2 million of foreclosed properties (Real Estate Owned or REOs) with $420,000 of realized capital gains and $113,000 of deferred gain (to be recognized as buyers payoff the loan we provided for part of their purchase price). We also were successful in leasing several REO properties. Nevertheless, with $2.4 million of foreclosures in 2011, our total investment in real estate increased $714,000 to $4.7 million, which is 12.4% of Total Assets.

As this chart shows, of the $4.7 million in REOs, 56% are land, 32% are commercial and 12% are residential properties. Of the $2 million of commercial and residential properties, 75% are currently leased and producing income.



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 & 2007 (UNAUDITED)

	2011	2010	2009	2008	2007
Statement of Operations Data					
Revenues					
Life Insurance Premiums	$ 140,376	$ 141,088	$ 138,955	$ 267,240	$ 138,356
Interest & Other Investment Income	3,171,313	2,697,718	2,282,160	2,726,795	2,616,257
Total Revenues	3,311,689	2,838,806	2,421,115	2,994,035	2,754,613
Expenses					
Total Insurance Benefits/Expenses	979,160	733,146	237,024	355,743	278,601
Total General Expenses	1,185,213	1,033,782	977,094	922,306	829,855
Total Expenses	2,164,373	1,766,928	1,214,118	1,278,049	1,108,456
Net Gain From Operations	1,147,315	1,071,877	1,206,997	1,715,986	1,646,157
Net Income	1,069,334	1,041,605	1,144,004	1,643,999	1,786,020
Statement of Financial Position Data					
Total Assets	$ 37,939,125	$ 35,940,253	$ 26,184,273	$ 22,682,582	$ 22,069,686
Total Reserves for Life Ins, Annuities & Deposits	20,118,120	18,528,453	8,486,521	4,619,276	4,049,350
Total Liabilities	21,032,914	19,302,223	9,097,468	5,405,498	5,238,194
Total Shareholders Equity	16,906,211	16,638,030	17,086,805	17,277,083	16,831,483
Per Share Data					
Total shares outstanding	4,995,265	5,056,348	5,077,881	5,116,137	5,091,530
Net Income per share	$0.214	$0.206	$0.225	$0.321	$0.351
Dividends per share	$0.170	$0.190	$0.240	$0.240	$0.220
Shareholder Equity per share	$3.384	$3.291	$3.365	$3.377	$3.306

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

Consolidated Statement of Operations

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 & 2009
(UNAUDITED)

	2011	2010	2009
REVENUES			
Life insurance premiums	**$ 140,376**	$ 141,088	$ 138,955
Interest Income			
Interest on cash & cash equivalents	**74,742**	79,830	64,339
Interest on policy loans	**5,809**	5,382	5,876
Interest on mortgage loans	**2,784,071**	2,165,504	1,963,744
Investment Income Net of Expenses			
Net income on real estate owned	**(5,715)**	(55,652)	(69,583)
Mortgage Fees	**294,893**	483,745	295,674
Other investment income	**17,512**	18,910	22,111
TOTAL REVENUES	**$ 3,311,689**	$ 2,838,806	$ 2,421,115
EXPENSES			
Death benefits	**$ 47,795**	$ 40,320	$ 46,605
Other policyholder benefits	**189,770**	75,522	37,058
Policyholder dividends	**33,270**	36,047	34,322
Incr/decr in life reserves and loading	**(92,875)**	35,278	51,006
Policy acquisition costs (deferred)	**19,217**	(209,443)	(101,757)
Commissions and Advertising	**29,286**	114,640	30,482
Interest on insurance and annuities	**752,697**	640,782	139,308
General Expenses			
Salaries and wages	**721,482**	677,745	647,106
Welfare Plan	**55,162**	51,168	47,786
Profit Sharing Plan	**72,283**	67,850	64,906
Professional Service fees	**191,584**	89,639	75,563
Other expenses	**58,287**	64,087	76,131
Taxes Licences and Fees	**86,416**	83,293	65,601
TOTAL EXPENSES	**$ 2,164,373**	$ 1,766,928	$ 1,214,118
NET GAIN FROM OPERATIONS	**$ 1,147,315**	$ 1,071,877	$ 1,206,997
Realized Gain on Real Estate & Securities	**186,551**	130,327	118,801
Federal Income Tax Paid	**(264,532)**	(160,599)	(181,794)
NET INCOME	**$ 1,069,334**	**$ 1,041,605**	**$ 1,144,004**
Total shares outstanding	**4,995,265**	5,056,348	5,077,881
Net Income per share	**$ 0.214**	$ 0.206	$ 0.225

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

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, & 2009

(UNAUDITED)

ASSETS	2011	2010	2009
Cash and cash equivalents	$ 7,237,435	$ 6,292,430	$ 4,065,369
Long term certificates of deposit	497,000	500,000	500,000
Common & preferred stock	44,195	42,636	38,874
Policy loans	114,004	111,413	116,003
Mortgage loans	24,544,004	24,119,999	17,952,892
Real estate investments & receivables	4,708,836	3,994,546	2,958,586
TOTAL CASH & INVESTED ASSETS	37,145,474	35,061,024	25,631,725
Accured interest & deposits	270,623	347,694	295,106
Deferred policy acqusition asset	286,447	305,664	0
Land and building	194,583	194,494	193,870
Office equipment	40,227	31,377	34,917
Income tax refundable	1,771	0	28,655
TOTAL ASSETS	$ 37,939,125	$ 35,940,253	$ 26,184,273
LIABILITIES			
Reserves for life policies	2,335,725	2,425,721	2,396,887
Reserves for annuities	12,089,644	10,925,431	2,293,971
Insurance policy claims pending	14,050	15,370	24,901
Policy holder & GIC funds on deposit	5,692,751	5,177,301	3,795,663
Other policy holder liabilities	39,371	42,116	41,382
Taxes & expenses due & accrued	176,633	152,382	138,216
Unearned investment income	4,405	4,594	85,256
Amounts held by ASLIC for others	589,415	556,355	320,891
Income tax payable	90,920	2,954	301
TOTAL LIABILITIES	$ 21,032,914	$ 19,302,223	$ 9,097,468
SHAREHOLDERS EQUITY			
Capital stock	923,283	922,607	921,841
Capital stock in excess of par	2,440,882	2,419,363	2,394,578
Stock notes & Employee receivables	(21,123)	(26,433)	(14,336)
Retained earnings	19,054,220	18,872,553	18,804,234
Unrealized gain (loss) on securities	(156,327)	(415,869)	26,100
Less treasury stock	(5,334,724)	(5,134,191)	(5,045,612)
TOTAL SHAREHOLDERS EQUITY	$ 16,906,211	$ 16,638,030	$ 17,086,805
TOTAL LIABILITIES AND SHARE-HOLDERS EQUITY	$ 37,939,125	$ 35,940,253	$ 26,184,273
Shares Outstanding	4,995,265	5,056,348	5,077,881
Equity Value Per Share	$ 3.384	$ 3.291	$ 3.365

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

Consolidated Statement of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 & 2009
(UNAUDITED)

	2011	2010	2009
OPERATING ACTIVITIES			
Funds provided from operations			
Premiums received and annuity increases	$ 1,068,326	$ 8,116,149	$ 2,537,362
Net investment inc. (excl. realized gains)	3,608,602	2,578,614	2,096,384
Total funds provided from operations	4,676,928	10,694,763	4,633,746
Funds used in operations			
Benefits and loss related payments	(990,262)	(756,626)	(226,633)
Commissions and other expenses and taxes paid *(excluding federal income taxes)*	(645,489)	(398,516)	(611,955)
Dividends paid to policyholders	(33,270)	(36,047)	(31,838)
Federal inc. taxes paid *(excl. capital gains)*	(151,448)	(108,819)	(181,772)
Total funds (used) in operations	(1,820,469)	(1,300,008)	(1,052,198)
Net Cash Provided from Operations	$2,856,459	$ 9,394,755	$ 3,581,549
INVESTING ACTIVITIES			
Funds provided from investments sold, matured or repaid			
Bonds	500,000	0	0
Stocks	0	0	0
Mortgage Loans	7,036,596	4,069,704	4,156,649
Real Estate	1,514,954	292,695	30,085
Other invested assets	0	0	128
Total investment proceeds before capital gains tax	9,051,550	4,362,399	4,186,862
Cost of investments acquired			
Class one mutual funds & long term CD's	(497,000)		
Mortgage Loans	(9,565,100)	(11,677,968)	(4,331,057)
Real Estate	0		(1,034,477)
Other invested assets	(52,247)	(32,396)	(21,499)
Total cost of investments acquired	(10,114,347)	(11,710,364)	(5,387,032)
(Increase) Decrease in policy loans	(2,592)	4,590	(10,353)
Net Cash Provided by Investment Activities	$ (1,065,389)	$ (7,343,375)	$ (1,210,523)
FINANCING ACTIVITIES			
Funds provided from (used for) financing activities			
Capital and paid in surplus	22,195	25,551	65,129
Net deposits on deposit-type contracts	187,471	1,201,848	1,139,037
Cash dividends paid	(855,197)	(963,137)	(1,225,581)
Treasury stock purchased	(200,533)	(88,580)	(174,875)
Net cash provided from (used for) financing activities	$ (846,064)	$ 175,682	$ (196,291)
Incr. (Decr.) in cash &short-term investments	$ 945,006	$ 2,227,062	$ 2,174,734
Cash and short-term investments, begin of year	6,292,430	4,065,368	1,890,635
Cash and short-term investments, end of year	7,237,435	6,292,430	4,065,368

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

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010 (UNAUDITED)

	Capital Stock	Capital In Excess Of Par	Accumulated Other Comprehensive Income (Loss)	Unassigned Surplus	Receivables From Sale of Capital Stock	Treasury Stock	Total
BALANCES, December 31, 2009	**921,841**	**2,394,578**	**26,101**	**18,804,233**	**(14,336)**	**(5,045,612)**	**17,086,805**
COMPREHENSIVE INCOME:							
Net Income				$1,041,605			1,041,605
Change in unrealized investment gain or (loss)			($441,969)				(441,969)
Comprehensive income			(441,969)	1,041,605			599,637
Dividends declared & accrued				($963,137)			(963,137)
Issue employee compensation in stock	$766	$24,785					25,551
Repurchase Capital Stock (Treasury)						($88,579)	(88,579)
Change in Nonadmitted Assets				($10,150)	($12,096)		(22,246)
BALANCES, December 31, 2010	**922,607**	**2,419,363**	**(415,868)**	**18,872,552**	**(26,433)**	**(5,134,191)**	**16,638,030**
COMPREHENSIVE INCOME:							
Net Income				$1,069,334			1,069,334
Change in unrealized investment gain or (loss)			$259,541				259,541
Comprehensive income			259,541	1,069,334			1,328,875
Dividends declared & accrued				($855,197)			(855,197)
Issue employee compensation in stock	$676	$21,519					22,195
Repurchase Capital Stock (Treasury)						($200,534)	(200,534)
Change Unrealized Gain on Securities							
Change in Nonadmitted Assets				($32,468)	$5,309		(27,158)
BALANCES, December 31, 2011	**923,283**	**2,440,882**	**(156,327)**	**19,054,221**	**(21,123)**	**(5,334,725)**	**16,906,211**

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

Notes to the Consolidated Financial Statements

(1) ORGANIZATION

American Savings Life Insurance Company ("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 investing opportunities 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.

ACCOUNTING CHANGE: Annuity policies - Deferred annuities in the accumulation phase are accounted for in a manner consistent with accounting for interest bearing financial instruments. Premium receipts are not reported as revenue, rather as deposit liabilities to annuity contracts. The annuity products issued do not include fees or other such charges. In the 2009 and 2010 annual reports, annuity premiums were shown as premium income and withdrawals were shown as policy holder benefits. Prior year annuity values in this report have been revised to reflect this accounting change.

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 2011 and 2010 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, 2011 and December 31, 2010 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,	**2011**	2010
Certificate of Deposits	**1,246,322**	1,716,961
Money market funds	**26,182**	44,786
Demand deposits	**5,964,931**	4,530,683
Total cash & short term investments	**$7,237,435**	$6,292,430

The Company has maintained various accounts at several banks with amounts not exceeding $250,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000 with unlimited coverage on checking accounts. Cash in demand deposits exceeding FDIC insurance limits amounts of $3,094 and $274,157 at December 31, 2011 and 2010, 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 has a concentration of mortgage loans in central Arizona. The Company's lending policies allow for commercial and consumer loans up to 65% of appraised values at interest rates ranging from 9.0% to 15.99% 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.

The Company has a valuation allowance for loans where it is probable that not all amounts due will be collectable. This allowance is comprised of the recorded value of the loan minus the fair market of the collateral and consideration of high risk loans. The valuation allowance was $121,120 and $418,523 as of December 31, 2011 and 2010, respectively. Recognizing that mortgage loans with loan to value rate greater than 50% poise a higher risk of loss on default, the Company created an allowance based on the additional interest paid by these loans. This allowance was $66,629 and $27,207 as of December 31, 2011 and 2010, respectively. Both allowances reduce the mortgage loans and increase unrealized losses.

December 31,	2011	2010
Commercial & consumer loans	**$24,137,999**	$24,072,180
Purchase Money Loans	**406,005**	47,819
Remaining Deferred Gain	**149,586**	84,262
Annual Realized Deferred Gain	**114,531**	201,007

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, Arizona. The Company's current cost of this investment is $986,035. In November 2007, the Company acquired 40 acres near Salome, Arizona for a total cost of $105,282. During 2009, the Company purchased two condos in Phoenix and one in Mesa as investments for a total cost of $69,868. The Company acquired nine properties through foreclosure during 2011 for $2,255,932, which were subsequently written down to reflect current appraisals. During 2011, the Company sold four properties acquired through foreclosure, reporting a gain on the disposal of $72,809.

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:

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. Although real estate market values have decreased significantly since the date of the appraisal, the current market value still exceeds the statement value of this property.

December 31,	2011	2010
Building cost	**$434,605**	$434,605
Improvements	**131,149**	131,149
Land cost	**75,450**	75,450
	$641,204	$641,204
Less deferred gain on 1031 exchange	**-446,621**	-446,621
Statement value of land and building	**$194,583**	$194,583

(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. During the second half of 2009 the Company began to offer fixed rate deferred annuities. The Company had annuity contracts with reserves of $12,089,644 and $10,925,431 at December 31, 2011 and 2010 respectively.

(5) GUARANTEED INTEREST CONTRACTS

Guaranteed Interest Contracts are amounts held on behalf of outside parties. Interest is paid yearly at a rate set by the Company, which is currently equal to the average 6-month CD rate as reported by the Federal Reserve. It is updated each month with a minimum rate of 4.00%. Guaranteed Interest Contracts are held primarily by stockholders of the Company. Contracts owned by stockholders represent 78% and 81% of all contracts at December 31, 2011 and 2010 respectively. GICs are renewed annually at the option of the Company.

(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, 2011 and December 31, 2010 the Company had a capital amount of $923,283 and $922,607, respectively and a free surplus of $15,982,928 and $15,715,403, respectively. Free surplus was reduced by the $5,334,724 and $5,134,191 cost of treasury stock for years 2011 & 2010 respectively.

In March 2001, the Board of Directors authorized an open-ended offer to purchase shares of Company 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. On January 13, 2009 the Board increased this offer to 90% of the most recent equity value. The equity value is prepared monthly using GAAP standards and adjusted for any accrued dividends payable. During 2011, treasury stock increased by the purchase of 67,843 shares of capital stock at prices ranging from $2.90 to $3.01 per share. During 2010 a total of 29,192 shares were purchased at prices of $3.02 to $3.08 per share. Stockholder equity per share was $3.38 at year end 2011 and $3.29 at year end 2010.

On February 14, 2012, the Board of Directors declared a cash dividend of 9¢ per share. The payment will be on April 10, 2012 to stockholders of record on March 31, 2012. A second semi-annual dividend is expected to be declared by the Board in August and paid in October.

(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 23% of total life insurance in force at December 31, 2011 and 24% at December 31, 2010.

(8) RELATED PARTIES

There is a significant inter-relationship between policyholders who are also stockholders and members of Company management. Nevertheless, no related party transactions involving this group have occurred during the years ended December 31, 2011 and 2010, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

1. A management education loan described in third paragraph of note 10 below.
2. Life Insurance premiums paid by Company officers and directors totaled 24.8% and 25.3% of total premiums paid in 2011 and 2010, respectively. Company offic-

ers and directors also owned 10.9% and 10.5% of total policy face value in 2011 and 2010, respectively.

3. Wilford R. Cardon is a Company director and also a principal in Boa Sorte, LLC which has entered into an investment joint venture with the Company as detailed in note 3, Real Estate.

(9) CASH FLOW RECONCILIATION

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

December 31,	**2011**	2010
Net income	**$1,069,334**	$1,041,605
Adjustments to reconcile net income to net cash provided from operations		
Amortization of mortgage interest	**-134**	-119
Unrealized gain on marketable securitites	**257,983**	-442,521
Bad debt expense related to mortgage loan receivables	**-137,907**	445,730
(Increase) decrease in investment income due and accrued	**75,294**	-49,020
(Increase) decrease in premiums deferred and uncollected	**2,506**	-967
Decrease in other assets	**19**	28,631
Decrease in reserves for policy and contract claims	**-1,320**	-9,531
Increase in accounts payable, accrued expenses and other	**43,018**	170,361
Increase (decrease) in policyholder funds	**-2,745**	734
Increase in income tax payable	**87,671**	2,981
Increase in life insurance and annuity reserve	**1,145,893**	8,295,938
Increase in deposit type accounts	**515,451**	1,381,638
Increase in deposits to deposit type accounts	**-187,471**	-1,201,848
(Increase) decrease in deferred gains on installment sales	**61,676**	-217,529
Net realized capital gains	**-72,809**	-51,328
Net cash from operations	**$2,856,459**	$9,394,755

(10) EMPLOYEE BENEFITS

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. Plan contributions were $72,283 for 2011 and $67,850 for 2010.

Stock Benefit Plan - In October 2007 the Company began an employee compensation in stock benefit plan available to full-time employees and directors. The terms of the plan allows employees or directors to specify up to 50% of the their total compensation to be taken as shares of company stock. The allocation price of the stock is 100% of the (non-audited) GAAP book value for the month preceding enrollment. During 2011, 6,760 shares of Company common stock were purchased under the plan for a total of $22,195. The October 2011 enrollment stock price was $3.281 and as of December 31, 2011, $7,380 of employee and directors compensation had been set aside for stock purchase.

Employee Education Loan - A loan for employee educational expenses of $30,000 was authorized by the Board of Directors in September 2008. As of December 31, 2011 and 2010, the balance net of fringe benefit payments was $20,060 and $26,325, respectively. The balance of the loan is subject to future fringe benefit payments, and is therefore not included as an asset in this statement.

(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) UNCERTAIN TAX POSITIONS

During 2010, the Company adopted the provisions of FASB Interpretation No. 48, as codified by the Financial Accounting Standards Board. This Interpretation requires entities, including nonprofit organizations, to evaluate uncertain tax provisions and record a liability for those positions in which it is more-likely-than-not that the position would result in an additional tax liability pursuant to an examination by the Internal Revenue Service. Management evaluates annually its tax positions related to unrelated business income, and if applicable adjusts its income tax provision accordingly. As of December 31, 2011, no uncertain tax positions have been identified and accordingly, no provision has been made.

(13) SPECIAL NOTE - Statutory Financial Statements

Each year, the Company files its financial statements with the Arizona Department of Insurance and the National Association of Insurance Commissioners (NAIC). They are prepared according to Statutory Accounting Practices (SAP) 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 differences include reserves for asset adequacy ($1 million), asset valuation ($1.6 million) and interest maintenance ($147,000). The stockholders financial statements, although unaudited, are prepared in a manner primarily consistent with Generally Accepted Accounting Principles. The following table shows a comparison of the financial highlights of the stockholders financial statements with the statutory financial statements:

	2011 ***Stockholders*** Financial Statements	2011 ***Statutory*** Financial Statements
Total Assets	**$37,939,125**	$36,403,921
Total Liabilities	**$21,032,194**	$23,853,533
Total Stockholders Equity	**$16,906,211**	$12,550,388
Equity per Share	**$3.38**	$2.41
Annual Net Income	**$1,069,334**	$1,844,476
Net Income per Share	**$0.21**	$0.37

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

(14) SUBSEQUENT EVENTS

Management evaluated subsequent events through March 2, 2012 the date the financial statements were available to be issued. Events or transactions occurring after

December 31, 2011 but prior to March 2, 2012, that provided additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2011.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are forward-looking statements. Examples of forward-looking statements include (i) projections of revenues, income or lost earnings or loss per share and other financial items, (ii) statements of plans and objectives of the Company or its management, and (iii) statements of future economic performance. Words such as “believe”, “anticipates”, “expects”, “intends”, “may”, “will” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying these statements. In addition, 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.

STOCKHOLDER CONTACT INFORMATION:

American Savings Life Insurance Company
935 East Main Street, Suite 100
Mesa, Arizona 85203-8849
480.835.5000 | 1.800.880.2112
M-F 7:30 am — 4:30 pm (AZ time)
www..AmericanSavingsLife.com