AMERICAN SAVINGS LIFE INSURANCE COMPANY

ANNUAL REPORT

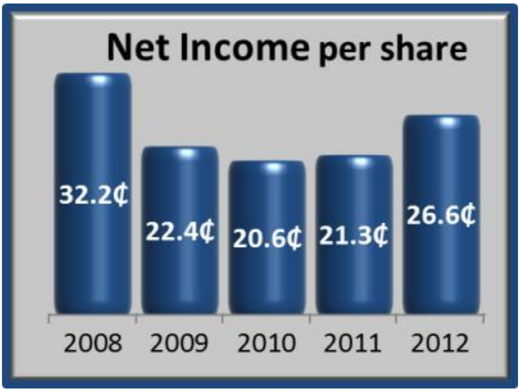
2012

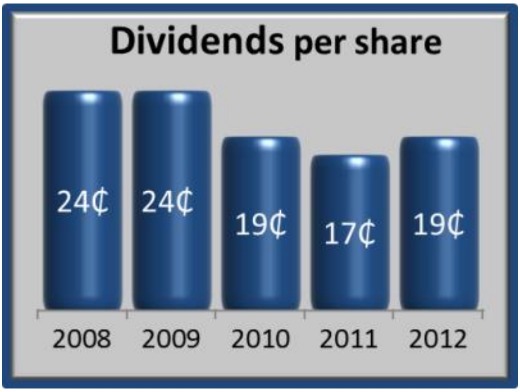
AMERICAN SAVINGS
LIFE INSURANCE COMPANY

Founded 1954

FINANCIAL HIGHLIGHTS

Net Income
per share
increased
5.3¢
(26% increase)





Dividends
per share
increased
2.0¢
(11.8% increase)

Book Value
per Share
increased
8.8¢
(2.7% Increase)

DEAR FELLOW SHAREHOLDERS,

March 2013

Our goal with this Annual Report is to provide you with as much of an understanding of the Company as possible in the limited space provided, considering the whole spectrum of readers. We have plenty of charts and graphs for those shareholders who prefer the "*a picture is worth a thousand words*" approach. The report also gets progressively more detailed with each section.

Each additional section you read is akin to a more advanced degree in the study of American Savings Life Insurance Company. So those readers that read the entire Annual Report (notes and all) will have earned a PhD in the business of American Savings; which is an elite and illustrious group indeed! Who dares take the challenge? We want to hear from you.

2012 Financial Results

We are delighted to report that the year 2012 was a successful year in terms of both profitability and growth. **Net profits increased 22% to $1.3 million and Total Assets grew 12% to $41.5 million.** The charts on the preceding page show the primary three measurements of stock performance: net income, dividends and book value. It is always nice to write these reports when the numbers are increasing!

Further Growth & Expansion

We are pleased with the growth that the Company has experienced since we began selling annuities in 2009. During this time we have grown Total Assets 86% and Mortgage Loan investments 64%.

Although this growth is profitable and contributing significantly to our bottom line, our net income over this same time has been hampered by the effects of the real estate market crash. Fortunately, each of the

A Quote from our Founder, Frihoff N. Allen:

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

- 1965 Letter to Shareholders

areas that have reduced profitability these last few years are now improving. Therefore we expect continued increases in profitability as the real estate market continues to recover. In the "Management's Discussion & Analysis" part of this report we discuss these factors in greater detail.

Our business model is to invest at least two-thirds of our assets in real estate mortgages which we call *Not So Hard Money*™ loans. We currently earn about 10% interest on new loans made, so even after deducting the overhead costs to sell and manage the annuities and loans, our annuity business is profitable. In fact, during 2012, we averaged $27,330,000 (70% of our invested assets) in mortgage loans which earned $3,086,000 in interest (11.3% average rate of interest earned).

2013 Semi-Annual Dividend Declared

The Board of Directors has **declared a 10 cent per share semi-annual dividend** to be paid on April 9, 2013, to shareholders of record as of March 31, 2013. This is an 11% increase from last April's 9 cent per share dividend. The Board expects to declare a second dividend in August to be paid in October.

Your Stock's Performance in 2012

The total dividends paid in 2012 were 19 cents per share, which equals a **5.6% dividend yield** on your 2012 beginning book value of $3.38 per share. When you add the 8.8 cents per share increase in book value, **your total return for 2012 equals 8.2%**.

Is the Future Half Full or Half Empty?

Yogi Berra once said; *"The future ain't what it used to be."* Although there are many legitimate causes for concern about the future of the U.S. economy, we believe American Savings has several positive aspects that will allow us to continue to perform well even under tougher economic conditions. We are exceptionally strong financially with a Solvency Ratio far stronger than industry norms (see page 8), our cost of capital and overhead are very low, and our assets are conservatively invested.

According to Abraham Lincoln; *"The best way to predict your future is to create it."* We are excited about the future we are creating for American Savings and its shareholders, policyholders and employees. As we grow we are able to profitably provide better retirement income to more people through our annuities that pay top of the market interest.

If you will permit one more quote, Yogi Berra was once asked by a reporter, *"What makes a good manager?"* He replied, *"Good players."* This insight certainly holds true with American Savings. We are blessed to have excellent employees that work diligently day in and day out to create the success we enjoy.

Finally, we thank each shareholder for the trust you have placed in management to operate the Company on your behalf. We take that trust very seriously and will continue to do everything possible to keep your investment in American Savings safe, profitable and growing.

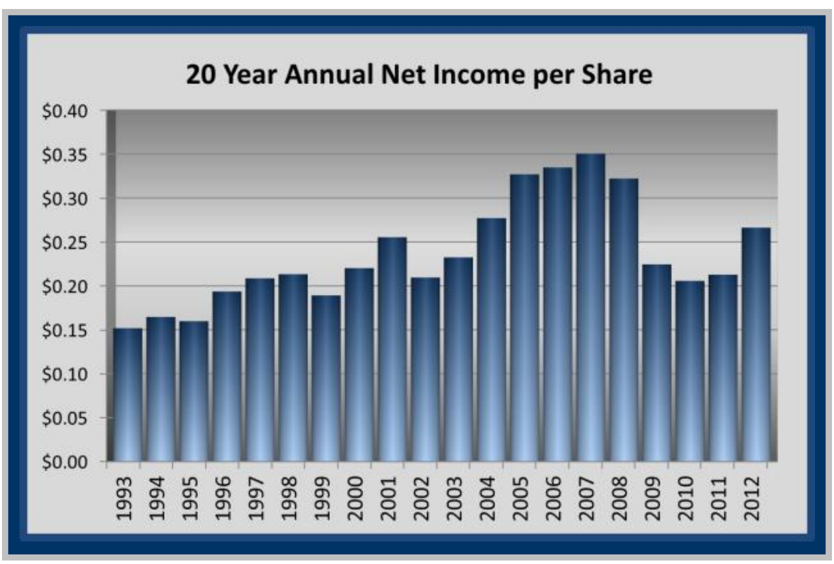
Byron Frihoff Allen, President

David K. Allen, Chairman

Board of Directors

Back row (L-to-R): Gerald E. Dunbar, F. Grant Allen, David K. Allen, Clark E. Allen, Gove L. Allen (legal counsel)
Front row: Heber E. Allen, Byron F. Allen, Wilford R. Cardon

A Tradition of
FINANCIAL STRENGTH

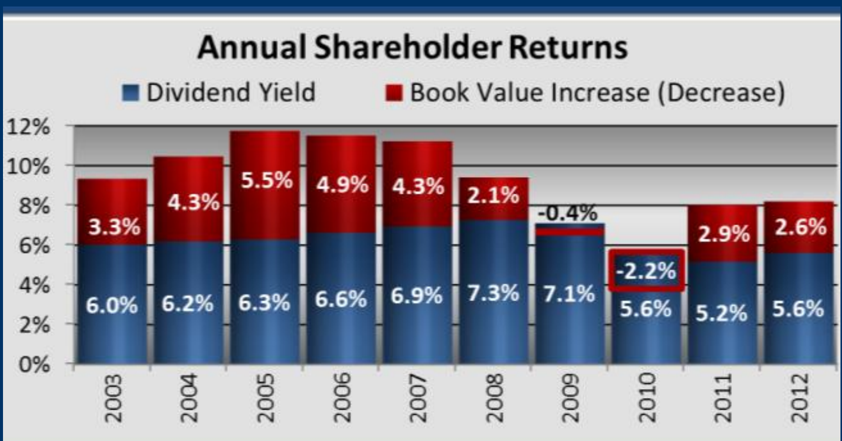


SHAREHOLDER RETURNS

Your $100 book value of American Savings stock 20 years ago has grown to $601 today (including dividends paid and increase in per share book value).

The same $100 investment in the S&P 500 general stock market index would have grown to $478 today.

In 2012, shareholders received a 5.6% dividend plus a 2.6% increase in book value, for a total return of 8.2%.



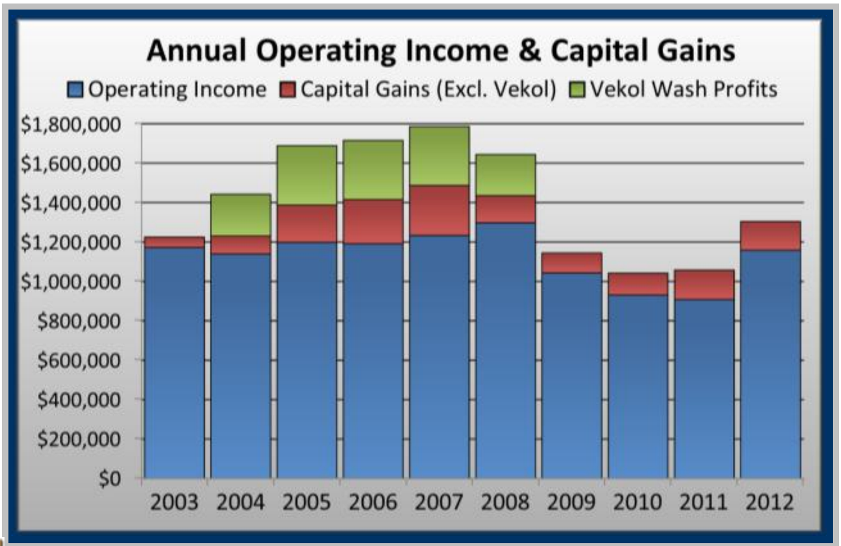
MANAGEMENT'S DISCUSSION & ANALYSIS OF OPERATIONS

REVIEW OF FINANCIAL STATEMENTS

Statement of Operations for the year ended 12-31-2012:

Net income increased $240,000 (22%) to $1,309,000. The most significant items affecting our results include:

- Interest on Mortgage Loans and other investment income increased $433,000.
- Insurance related expenses increased $273,000 due to the $2,730,000 increase in life insurance and annuity premiums in 2012.
- Foreclosure-related legal fees were $177,000. $152,000 of this was from one foreclosure, which has now been sold and our loan paid off. Therefore, we expect 2013 legal fees to be much lower.
- Net Gain From Operations increased $300,000 (26%). The chart below shows the after tax Net Operating Income (the blue) is similar to levels attained prior to the real estate market crash. Net income, however, is lower since capital gains (red and green) are less. As the real estate market improves we expect these to increase.



Statement of Financial Position at 12-31-2012

Assets

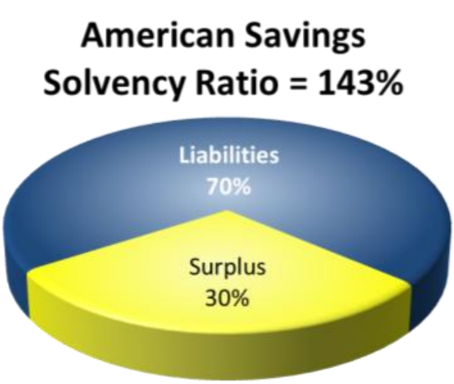
- We have invested $1,950,000 of our cash in bond funds with 81% of their holdings in investment grade bonds. The primary purpose we are investing in bonds is our annuity business provides the need for long-term liquid assets. We select bonds that we expect will earn better returns over the long run than bank interest rates with a minimum risk of principal loss.
- Mortgage loans increased $4,067,000 to $28,611,000. This increase is from investing the majority of our annuity premiums in our niche real estate loans we call *Not So Hard Money*™ loans.

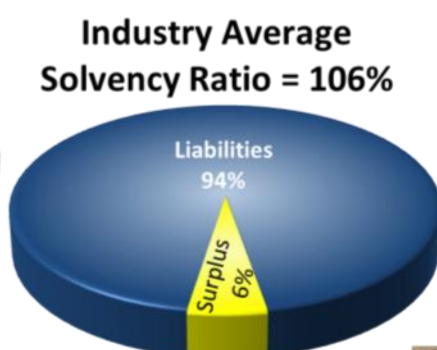
Liabilities & Shareholders Equity

- Reserves for annuities increased $3,677,000 and Policyholder & GIC funds on deposit increased $727,000. As of 12/31/2012 these funds had an average interest cost to the Company of 4.2%.
- Treasury Stock increased $486,000. The Company bought back (tendered) 157,639 shares of stock from shareholders during 2012 at 90% of their book value. Since we buy the shares back at a 10% discount, the increase in book value per share increased from 2.3% (what it would have been without any stock tenders) to 2.6%.

Solvency Ratio

The Statement of Financial Position on page 16 shows a Solvency Ratio of 166% (calculated by dividing Total Assets by Total Liabilities), which is prepared according to GAAP (Generally Accepted Accounting Principles). However, to compare our Solvency Ratio with the industry, we use the "Statutory" financial statements, which use more con-





servative rules than GAAP. Using the statutory financial statement figures, **our Solvency Ratio is 143%, which is notably stronger than the industry average ratio of 106%.**

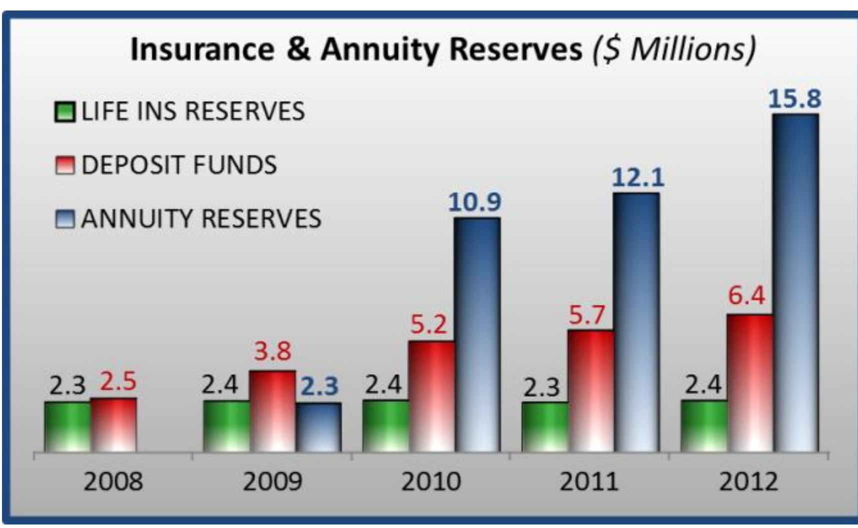
REVIEW OF BUSINESS OPERATIONS

Profitable Annuity Business

We have 3.5 years of annuity business behind us now and this business is a growing contributor to our earnings. We received $3.6 million of deferred annuity premiums last year, for which we pay an average interest rate of 3.8%. This brings our total annuity reserves to $15.7 million with an overall average interest rate expense of 4.25%.

The increase in assets from annuity sales has provided the capital to grow our loan portfolio from $17.4 million prior to when we began selling annuities in 2009 to $28.6 million at the end of 2012. We anticipate the profitability from annuities will further increase as we continue to sell more annuities and profitably invest these premiums. The success we are enjoying with our annuity sales is in large part due to the talents of Don Ayers, our Director of Annuity Sales. We are thrilled with the growth he is creating with both annuity and life insurance sales.

This chart shows the growth in the three types of reserves we hold; life insurance reserves, funds on deposit reserves (primarily Guaranteed Interest Contracts), and annuity reserves over the past 5 years.



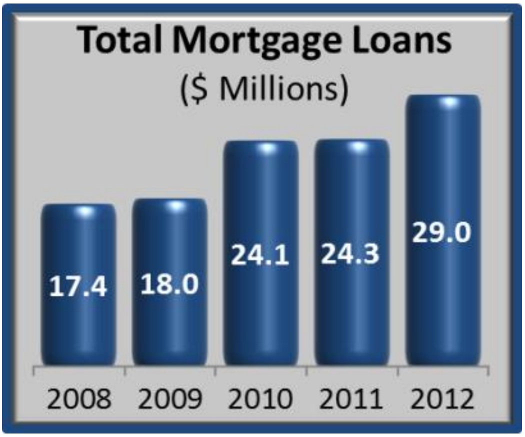
New Annuity Product

In the fourth quarter of 2012 we completed the development of our newest annuity product; a Single Premium Immediate Annuity we call **The B.E.S.T. Income Annuity**. It provides retirees with a **guaranteed income for the rest of their life** (the owner or their spouse, whichever lives longer). It pays top of the market payout rates that vary depending on the age of the annuitant.

It is our goal to have the majority of future annuity premiums be from immediate annuities since this is long-term capital which allows us to invest more of it in longer term, more profitable investments.

Mortgage Lending

Through our subsidiary mortgage company, **American Life Financial Corporation**, and under the direction of Anthony Turdó, we originated $9.2 million of Company loans in 2012.

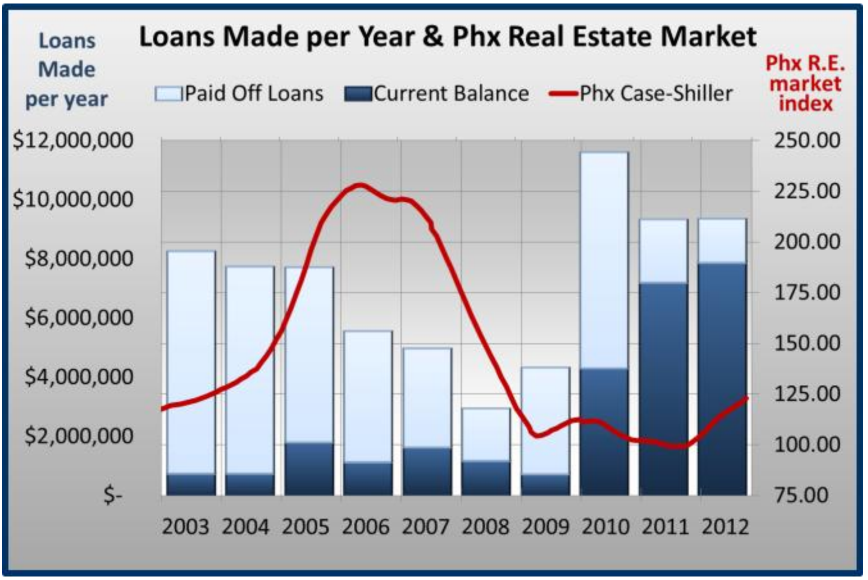


Our mortgage loan portfolio increased 19% from $24.3 million a year ago to $29.0 million at year end, 2012. The average interest rate on our entire mortgage loan portfolio is 11.3%.

Loans Originated and Real Estate Prices

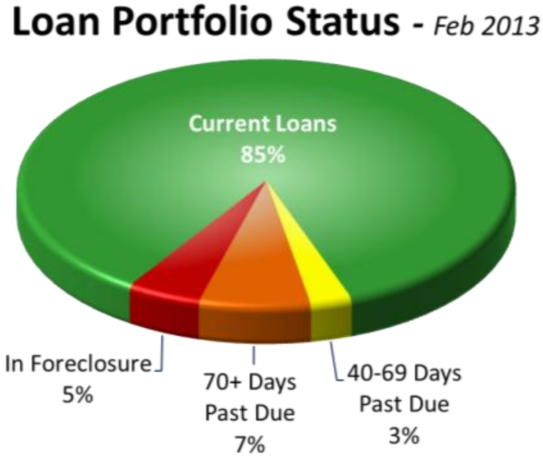
The following chart shows the amount of loans originated each year since 2003, compared to the Phoenix, AZ real estate market (Case-Shiller Index). The total bar height represents total loans made each year, with the light blue representing the part paid off (or foreclosed) and the dark blue representing the part of that year's loans that remained outstanding as of 12-31-2012.

You may notice that over 70% of the Company's loan portfolio at 12-31-2012 consists of loans originated after the real estate market has corrected. Furthermore, only 16% of our loan portfolio are loans made in the bubble years of 2005—2007. For these reasons we do not anticipate significant future loan write-downs.



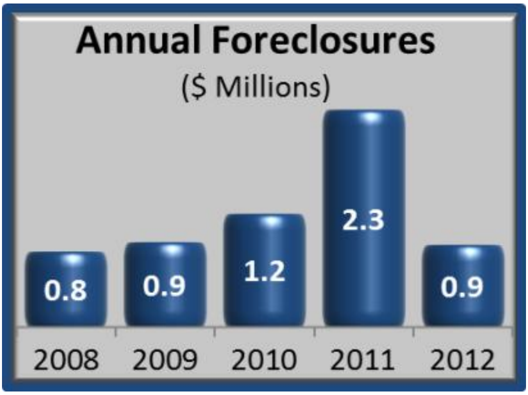
Improved Mortgage Loan Delinquencies

The percent of our loan portfolio that was current on their loan payments averaged 85% throughout 2012 . Furthermore, of the 15% of our loans that were delinquent, on average 75% of those have been making payments to prevent foreclosure action and to catch up their back payments and working to become current again. Much of our success in collecting loan payments and working with borrowers if they get behind is a result of the hard work of our Account Servicing Department, which is managed very effectively by Camryn Broderick.



Decreasing Foreclosures

Our foreclosures in 2012 decreased considerably from the prior year. In 2011, we foreclosed on 7 loans totaling $2,296,000. In 2012 we foreclosed on 3 loans totaling $872,000 but two of these loans were purchased by a third party at the trustee or bankruptcy sale, so we actually only acquired one property ($173,000) through foreclosure last year.



A major factor in the success of our low foreclosures is the hard work of our Vice President of Operations, Robert Allen. One of Robert's many responsibilities is overseeing all loans in foreclosure. He works very effectively with borrowers that get behind to help them avoid foreclosure if at all possible. This provides a true win-win when the borrower is able to keep their property and we are able to receive regular loan payments.

Improving Real Estate Sales & Leases

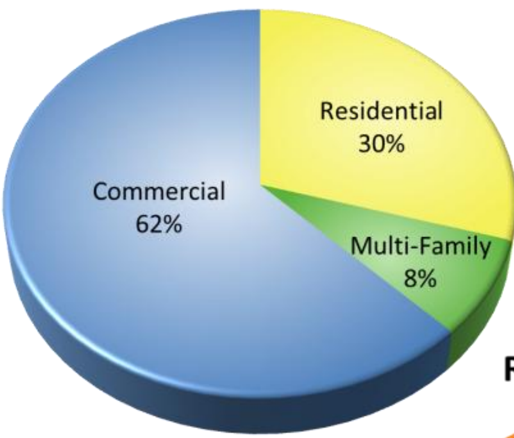
Last year was another successful year for the sale and/or lease of our Real Estate Owned (REO). As a result of the hard work of our REO Manager, Trent Allen, we sold over $500,000 of real estate in 2012. We also increased the profitability of our Real Estate Owned by $27,000 over 2011 and $77,000 better than 2010. The year 2013 is already looking promising with another property under contract at the time of this report.

Nearly two-thirds (62%) of our Real Estate Owned is land. Because land prices dropped so much (up to 80% in some cases), we believe it will be more profitable in the long run to hold most of these properties for appreciation rather than sell the properties at today's low prices. Although recent market sales indicate land values are rising, only time will tell if our decision proves to be the most profitable approach.

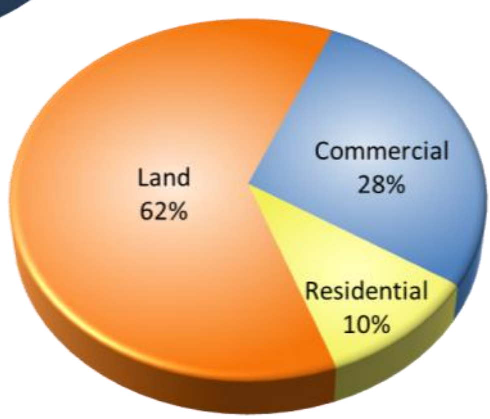
A Look at
How Our Assets are Invested

Asset Mix

Loan Portfolio by Property Type



Real Estate Owned



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011, 2010, 2009 & 2008 (UNAUDITED)

	2012	2011	2010	2009	2008
Statement of Operations Data					
Revenues					
Life Insurance Premiums	$ 176,845	$ 140,376	$ 141,088	$ 138,955	$ 267,240
Interest & Other Investment Income	3,579,522	3,171,313	2,697,718	2,282,160	2,726,795
Total Revenues	3,756,367	3,311,689	2,838,806	2,421,115	2,994,035
Expenses					
Total Insurance Benefits/Expenses	1,099,430	979,160	733,146	237,024	355,743
Total General Expenses	1,209,774	1,185,213	1,033,782	977,094	922,306
Total Expenses	2,309,204	2,164,373	1,766,928	1,214,118	1,278,049
Net Gain From Operations	1,447,163	1,147,315	1,071,877	1,206,997	1,715,986
Net Income	1,309,646	1,069,334	1,041,605	1,144,004	1,643,999
Statement of Financial Position Data					
Total Assets	$ 42,387,711	$ 37,939,125	$ 35,940,253	$ 26,184,273	$ 22,682,582
Total Reserves for Life Ins, Annuities & Deposits	24,600,659	20,118,120	18,528,453	8,486,521	4,619,276
Total Liabilities	25,573,359	21,032,914	19,302,223	9,097,468	5,405,498
Total Shareholders Equity	16,814,352	16,906,211	16,638,030	17,086,805	17,277,083
Per Share Data					
Total shares outstanding	4,843,189	4,995,265	5,056,348	5,077,881	5,116,137
Net Income per share	$ 0.270	$ 0.214	$ 0.206	$ 0.225	$ 0.321
Dividends per share	$ 0.190	$ 0.170	$ 0.190	$ 0.240	$ 0.240
Shareholder Equity per share	$ 3.472	$ 3.384	$ 3.291	$ 3.365	$ 3.377

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

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC 31, 2012, 2011 & 2010 *(UNAUDITED)*

REVENUES	2012	2011	2010
Life insurance premiums	$ 176,845	$ 140,376	$ 141,088
Interest Income			
Interest on cash & equivalents	50,687	74,742	79,830
Interest on policy loans	5,170	5,809	5,382
Interest on mortgage loans	3,086,081	2,784,071	2,165,504
Investment Income net of expenses			
Mortgage loan fees	341,111	294,893	483,745
Income on Real Estate Owned	21,552	(5,715)	(55,652)
Other investment income	74,921	17,512	18,910
TOTAL REVENUES	3,756,368	3,311,688	2,838,806
EXPENSES			
Death benefits	49,356	47,795	40,320
Policyholder benefits & dividends	74,525	223,040	111,569
Incr/decr in life reserves & loading	79,848	(92,875)	35,278
Policy acquisition costs (deferred)	187	19,217	(209,443)
Commissions and advertising	68,868	29,286	114,640
Interest on insurance & annuities	826,646	752,697	640,782
General Expenses			
Salaries and wages	715,467	721,482	677,745
Welfare plan	66,132	55,162	51,168
Profit sharing plan	66,153	72,283	67,850
Professional service fees	202,037	191,584	89,639
Other expenses	82,008	58,287	64,087
Taxes, Licenses and Fees	77,977	86,416	83,293
TOTAL EXPENSES	2,309,204	2,164,374	1,766,928
NET GAIN FROM OPERATIONS	1,447,163	1,147,315	1,071,878
Realized gain on real estate & securities	183,010	186,551	130,327
Federal income tax paid	(320,527)	(264,532)	(160,599)
NET INCOME	$ 1,309,646	$ 1,069,333	$ 1,041,606
Total shares outstanding	4,843,189	4,995,265	5,056,348
Net Income per share	$ 0.270	$ 0.214	$ 0.206

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

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31, 2012, 2011, & 2010 *(UNAUDITED)*

ASSETS	2012	2011	2010
Cash and cash equivalents	$ 5,528,605	$ 7,237,435	$ 6,292,430
Long-term certificates of deposit	249,000	497,000	500,000
Bonds & bond mutual funds owned	1,950,556	0	0
Common & preferred stock	43,721	44,195	42,636
Policy loans	102,989	114,004	111,413
Mortgage loans	29,031,151	24,544,004	24,119,999
Real estate investments & receivables	4,640,296	4,708,836	3,994,546
TOTAL CASH & INVESTED ASSETS	41,546,318	37,145,474	35,061,024
Accrued interest & deposits	319,569	270,623	347,694
Deferred policy acquisition asset	286,260	286,447	305,664
Land and building	194,583	194,583	194,494
Office equipment	35,411	40,227	31,377
Income tax refundable	5,571	1,771	0
TOTAL ASSETS	42,387,711	37,939,125	35,940,253
LIABILITIES			
Reserves for life policies	2,413,524	2,335,725	2,425,721
Reserves for annuities	15,766,809	12,089,644	10,925,431
Insurance policy claims pending	9,050	14,050	15,370
Policyholder & GIC funds on deposit	6,420,326	5,692,751	5,177,301
Other policyholder liabilities	42,976	39,371	42,116
Taxes & expenses due & accrued	156,081	176,633	152,382
Unearned investment income	4,464	4,405	4,594
Amounts held by ASLIC for others	656,151	589,415	556,355
Income tax payable	103,978	90,920	2,954
TOTAL LIABILITIES	25,573,359	21,032,914	19,302,223
SHAREHOLDERS EQUITY			
Capital stock	923,839	923,283	922,607
Capital stock in excess of par	2,458,823	2,440,882	2,419,363
Stock notes & employee receivables	(11,597)	(21,123)	(26,433)
Retained earnings	19,369,171	19,054,220	18,872,553
Unrealized gain (loss) on securities	(104,808)	(156,327)	(415,869)
Less treasury stock	(5,821,076)	(5,334,724)	(5,134,191)
TOTAL SHAREHOLDERS EQUITY	16,814,352	16,906,211	16,638,030
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	42,387,711	37,939,125	35,940,253
Shares outstanding	4,843,189	4,995,265	5,056,348
Equity value (book value) per share	$ 3.472	$ 3.384	$ 3.291

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

Consolidated Statement of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 & 2010 *(UNAUDITED)*

	2012	2011	2010
OPERATING ACTIVITIES			
Funds provided from operations			
Premiums received and annuity increases	$ 3,801,030	$ 1,068,326	$ 8,116,149
Net investment income (excl. realized gains)	3,515,637	3,608,602	2,578,614
Total funds provided from operations	7,316,667	4,676,928	10,694,763
Funds used in operations			
Benefits and loss related payments	(913,419)	(990,262)	(756,626)
Commissions & other expenses & taxes paid *(excluding federal income taxes)*	(630,503)	(645,489)	(398,516)
Dividends paid to policyholders	(37,109)	(33,270)	(36,047)
Federal income taxes paid *(excl. capital gains tax)*	(277,637)	(151,448)	(108,819)
Total funds (used) in operations	(1,858,668)	(1,820,469)	(1,300,008)
NET CASH PROVIDED FROM OPERATIONS	5,457,999	2,856,459	9,394,755
INVESTING ACTIVITIES			
Funds provided from investments sold, matured or repaid			
Bonds	500,848	500,000	0
Stocks	6,911	0	0
Mortgage Loans	4,018,396	7,036,596	4,069,704
Real Estate	441,784	1,514,954	292,695
Other invested assets	830,383	0	0
Total investment proceeds before capital gains tax	5,798,322	9,051,550	4,362,399
Cost of investments acquired			
Bonds, Mutual funds & long term CD's	(2,185,554)	(497,000)	0
Mortgage Loans	(8,038,367)	(9,565,100)	(11,677,968)
Real Estate	0	0	0
Other invested assets	(1,464,943)	(52,247)	(32,396)
Total cost of investments acquired	(11,688,864)	(10,114,347)	(11,710,364)
(Increase) Decrease in policy loans	11,016	(2,592)	4,590
NET CASH PROVIDED BY INVESTING ACTIVITIES	(5,879,526)	(1,065,389)	(7,343,375)
FINANCING ACTIVITIES			
Funds provided from (used for) financing activities			
Capital and paid in surplus	18,497	22,195	25,551
Net deposits on deposit-type contracts	121,761	187,471	1,201,848
Cash dividends paid	(941,209)	(855,197)	(963,137)
Treasury stock purchased	(486,352)	(200,533)	(88,580)
Net cash provided from (used for) financing activities	(1,287,303)	(846,064)	175,682
Increase (Decr.) in cash & short-term investments	(1,708,830)	945,006	2,227,062
Cash & short-term investments, beg. of year	7,237,435	6,292,430	4,065,368
Cash & short-term investments, end of year	5,528,605	7,237,435	6,292,430

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

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED
DEC 31, 2012 AND 2011 (UNAUDITED)

	Capital Stock	Capital In Excess Of Par	Accumulated Other Comprehensive Income (Loss)	Unassigned Surplus	Receivables From the Sale of Capital Stock	Treasury Stock	Total
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
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 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**
COMPREHENSIVE INCOME:							
Net Income				1,309,646			1,309,646
Unrealized investment gain or (loss)			51,519				51,519
Comprehensive income			51,519	1,309,646			1,361,165
Dividends declared & accrued				(941,209)			(941,209)
Issue employee compensation in stock	556	17,941					18,497
Repurchase Capital Stock (Treasury)						(486,352)	(486,352)
Change in Nonadmitted Assets				(53,487)	9,527		(43,960)
BALANCES, December 31, 2012	**923,839**	**2,458,823**	**(104,808)**	**19,369,171**	**(11,596)**	**(5,821,077)**	**16,814,352**

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.

<u>Company reorganization</u> - 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

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

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.

<u>Annuity policies</u> - 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.

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, Arizona municipal bonds were on deposit with the Arizona State Treasurer with an aggregate value of $550,710 at year end 2012 and long term certificates of deposit with an aggregate value of $500,000 at year end 2011.

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, 2012 and December 31, 2011, 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

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 and unlimited coverage on checking accounts until the end of 2012. Beginning in 2013 the FDIC no longer provides unlimited coverage on checking accounts. Total cash in demand deposits exceeding FDIC insurance limits were $435 and $3,094 at December 31, 2012 and 2011, respectively. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities.

Cash and short-term investments consist of the following:

December 31,	2012	2011
Certificate of Deposits	743,733	1,246,322
Money market funds	1,211,236	26,182
Demand deposits	3,573,636	5,964,931
Total cash & short term investments	$5,528,605	$7,237,435

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 value of the collateral of high risk loans (more than 30 days delinquent). The valuation allowance was $68,324 and $121,120 as of December 31, 2012 and 2011, respectively. Recognizing that mortgage loans with loan to value rate greater than 50% pose a higher risk of loss on default, the Company created an allowance based on the additional interest paid by these loans. This allowance was $92,193 and $66,629 as of December 31, 2012 and 2011, respectively. Both allowances reduce Mortgage Loans and increase Unrealized Losses in the Statement of Financial Position.

On December 28, 2012, the Company purchased for $420,000 a 13% interest in Sugarloaf VII, LLC, a mortgage loan investment joint venture. The LLC has invested in a pool of 154 distressed residential mortgage loans with an unpaid principal balance of approximately $16,000,000. The favorable acquisition basis of these loans allows substantial flexibility to modify loans, conduct short sales, or otherwise liquidate the portfolio of assets profitably.

December 31,	2012	2011
Commercial & consumer loans	$28,061,094	$24,137,999
Purchase Money Loans	550,057	406,005
Sugarloaf VII, LLC	420,000	0
Total mortgage loans	29,031,151	24,544,004
Remaining Deferred Gain	152,388	149,586
Annual Realized Deferred Gain	26,492	114,531

Real Estate

In May 2006, the Company entered into a real estate investment joint venture with Boa Sorte, LLC (managed by 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 as investments for a total cost of $38,520. The Company acquired one property through foreclosure during 2012 for $172,976, which was subsequently written down to $116,000 to reflect the estimated current market value. During 2012, the Company sold three properties acquired through foreclosure and one investment property, realizing gains of $69,960 and $6,154, respectively.

On June 11, 2012, the Company purchased for $1,000,000 a 17.5% interest in Superstition Office, LLC, a commercial office property investment joint venture. The LLC purchased 42 commercial office properties in the Phoenix metropolitan area. By 12-31-2012, the LLC had sold 26 of the properties returning $830,838 of the Company's original investment along with $21,996 of investment income. At December 31, 2012 the Company maintains a 17.5% interest in the remaining 16 properties with a book value of $169,616.

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 2013 and it was appraised at a fair market value of $660,000. The current market value exceeds the statement value of this property.

December 31,	2012	2011
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

Fair Value Measurement

Investments are being disclosed utilizing an established framework for measuring fair value, and an established fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels: ***Level 1 investments*** use quoted prices in active markets for identical assets the entity has the ability to access. ***Level 2 investments*** use inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no such investments in this level. ***Level 3 investments*** have no observable value for the assets and rely on managements own assumptions that market participants would use in pricing the asset. The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2012:

Investments	**Balance 12/31/2011**	**Additions**	**Retirements**	**Balance 12/31/2012**
Level 1 investments:				
Long term certificate of deposits	497,000	249,000	(497,000)	249,000
Unaffiliated common stock	37,283	6,438		43,721
Short-term investments	26,183	1,185,053		1,211,236
Certificates of deposit	1,246,321	744,691	(1,247,279)	743,733
Preferred stock	6,911		(6,911)	0
Mutual Funds	0	1,399,846		1,399,846
Total Level 1	1,813,698	3,585,028	(1,751,190)	3,647,536
Level 3 Investments:				
Mortgage loans	24,625,322	8,038,367	(4,052,538)	28,611,151
Properties held for sale	4,708,836	116,075	(354,232)	4,470,679
Policy contract loans	114,005	325	(11,341)	102,989
Total level 3	29,448,163	8,154,767	(4,418,111)	33,184,819
Total Investments	31,261,861	11,739,795	(6,169,301)	36,832,355
Money market and checking accounts				3,573,636
Bonds carried at amortized cost				550,710
Partnership interests carried at cost less distributions				589,617
Total cash and investments				41,546,318

Management uses a market approach to determine the fair value of mortgage loans and properties held for sale. Loans are adjusted for changes in the market value of the property collateralized based on local market indices. Property held for sale is adjusted to the most recent appraisal preformed. The cost approach is used to determine the fair value of properties occupied by the Company and the policy contract loans.

Bond Mutual Funds

On August 30, 2012, the Company invested $1,360,000 divided equally into two bond funds: the Federated Bond Fund and the Federated Intermediate Corporate Bond Fund. These funds are designated as liquidity reserves for the Company's annuities. The Company made this investment to increase the return over cash investments while retaining liquidity. An additional $21,996 of dividends have been reinvested in these funds.

(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 $15,766,809 and $12,089,644 at December 31, 2012 and 2011, 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, 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 67% and 78% of all contracts at December 31, 2012 and 2011, respectively. GICs are renewed annually at the option of the Company and the terms of the contract can be changed by the Company with 30-day notice.

(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, 2012 and December 31, 2011 the Company had a capital amount of $923,839 and $923,283, respectively and a free surplus of $15,890,513 and $15,982,928, respectively. Free surplus was reduced by the $5,821,076 and $5,334,724 cost of treasury stock for years 2012 & 2011, respectively.

In January 2013, the Board authorize the Company to purchase up to 300,000 shares of Company stock at 90% of the most recent available GAAP basis book value (adjusted for unpaid dividends), with this resolution to renew annually until revoked.

During 2012, treasury stock increased by the purchase of 157,639 shares of capital stock at prices ranging from $3.02 to $3.13 per share. During 2011, a total of 67,843 shares were purchased at prices of $2.90 to $3.01 per share. Stockholder equity per share was $3.47 at year end 2012 and $3.38 at year end 2011.

On February 19, 2013, the Board of Directors declared a cash dividend of 10 cents per share. The payment will be on April 09, 2013 to stockholders of record on March 31,

2013. 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 24% of total life insurance in force at December 31, 2012 and 23% at December 31, 2011.

(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, 2012 and 2011, 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 the third paragraph of note 10 below.
2. Life Insurance premiums paid by Company officers and directors totaled 20.9% and 24.8% of total premiums paid in 2012 and 2011, respectively. Company officers and directors also owned 11.9% and 10.9% of total policy face value in 2012 and 2011, respectively.
3. Wilford R. Cardon is a Company director and also a principal in Boa Sorte, LLC which entered into an investment joint venture with the Company in 2006. He is also a principal in Superstition Office, LLC as detailed in note 3, Real Estate. Additionally Mr. Cardon is a principal in Sugarloaf VII, LLC as detailed in note 3, Mortgages.

(9) 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 $66,153 for 2012 and $72,283 for 2011.

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 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 2012, 5,563 shares of Company common stock were purchased under the plan for a total of $18,497. The October 2012 enrollment stock price was $3.281 and as of December 31, 2012, $10,190 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, 2012 and 2011, the balance net of fringe benefit payments was $15,795 and $20,060, respectively.

The balance of the loan is subject to future fringe benefit payments, and is therefore not included as an asset in this statement.

(10) CASH FLOW RECONCILIATION

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

December 31,	2012	2011
Net income	$1,309,646	$1,069,334
Adjustments to reconcile net income to net cash provided from operations		
Unrealized gain on marketable securitites	33,669	257,983
Bad debt expense related to mortgage loan receivables	-147,306	-137,907
(Increase) decrease in investment income due and accrued	-50,319	75,294
(Increase) decrease in premiums deferred and uncollected	-1,664	2,506
Decrease in other assets	17	19
Decrease in reserves for policy and contract claims	-5,000	-1,320
Increase in accounts payable, accrued expenses and other	53,606	43,018
Increase (decrease) in policyholder funds	3,604	-2,745
Increase in income tax payable	13,148	87,671
Increase in life insurance and annuity reserve	3,722,453	1,145,759
Increase in deposit type accounts	727,574	515,451
Increase in deposits to deposit type accounts	-85,332	-187,471
(Increase) decrease in deferred gains on installment sales	2,802	61,676
Net realized capital gains	-118,899	-72,809
Net cash from operations	$5,457,999	$2,856,459

(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, 2012, 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 Standard Statutory Accounting Practices (SSAP) 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 ($1.9 million) and interest maintenance ($113,000). 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:

	2012 ***Stockholders*** Financial Statements	2012 ***Statutory*** Financial Statements
Total Assets	**$42,387,711**	40,852,059
Total Liabilities	**$25,573,359**	$28,633,138
Total Stockholders Equity	**$16,814,352**	$12,218,921
Equity per Share	**$3.47**	$2.52
Annual Net Income	**$1,309,646**	$1,333,874
Net Income per Share	**$0.27**	$0.28

The Company would be pleased to provide any shareholder with a copy of the audited statutory financial statements upon request. After April 10th they will also be available on our company's website: www.AmericanSavingsLife.com/stock.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 24, 2012, the date in which the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.

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.**

AMERICAN SAVINGS
LIFE INSURANCE COMPANY

935 East Main Street
Mesa, Arizona 85203-8849
480.835.5000 / 800.880.2112
www.AmericanSavingsLife.com