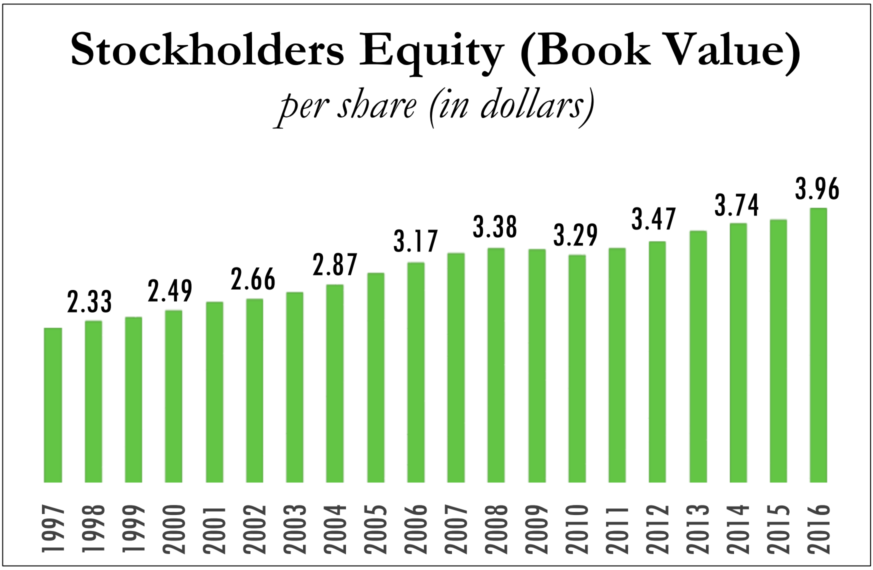
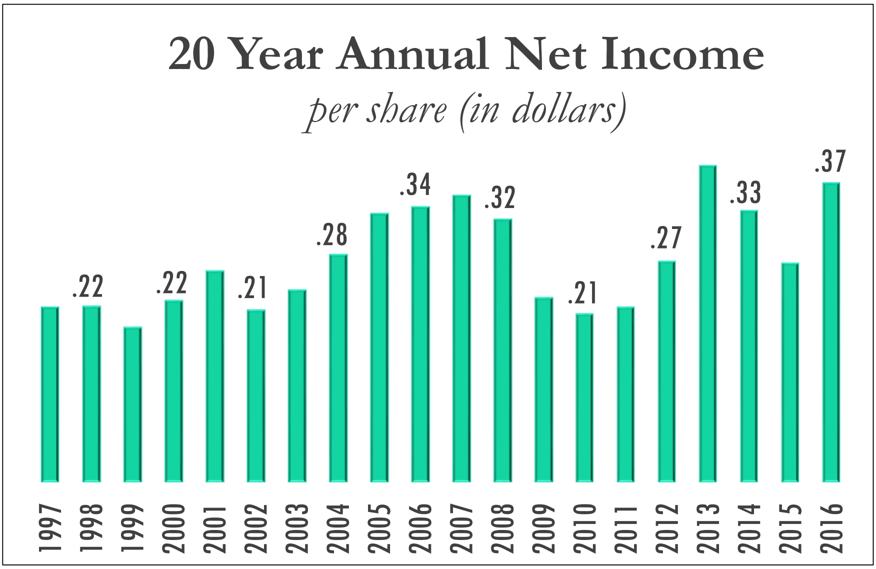
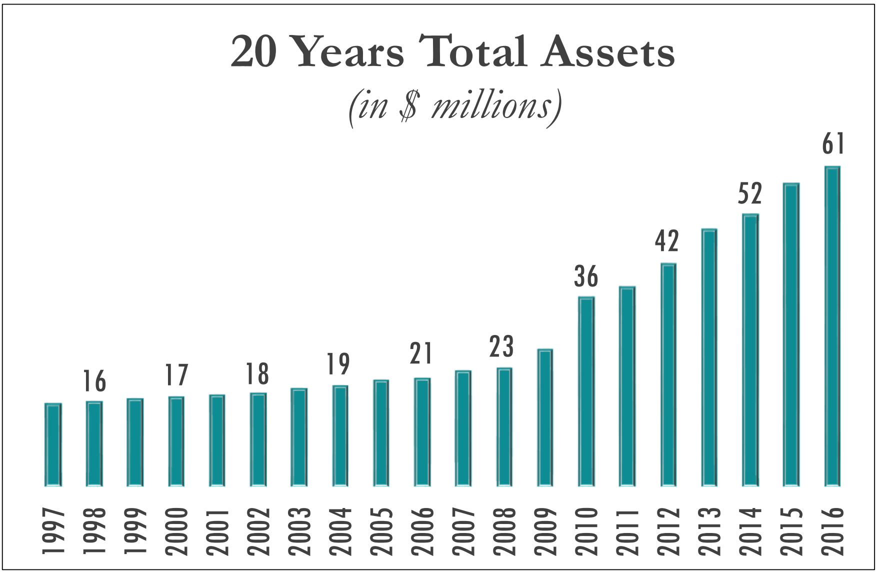
2016
Annual Report

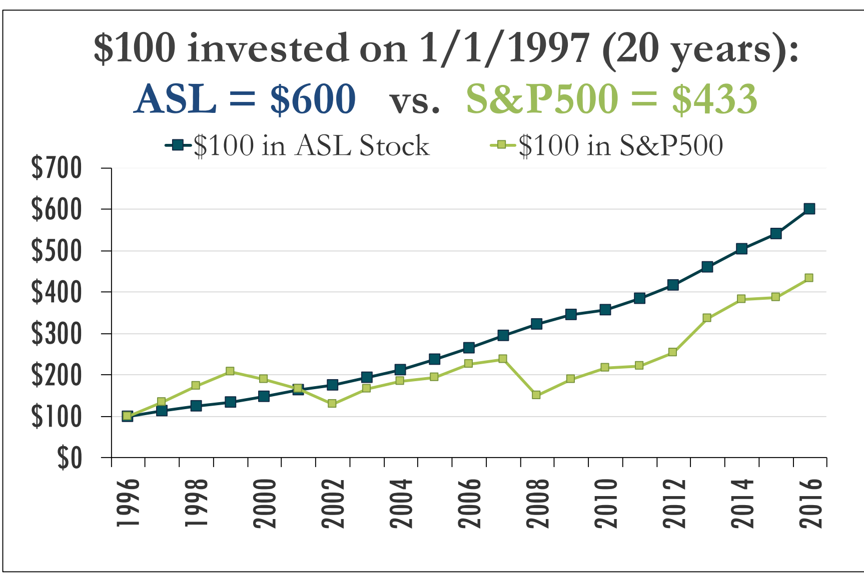
American Savings Life Insurance Company

20-YEAR PERFORMANCE





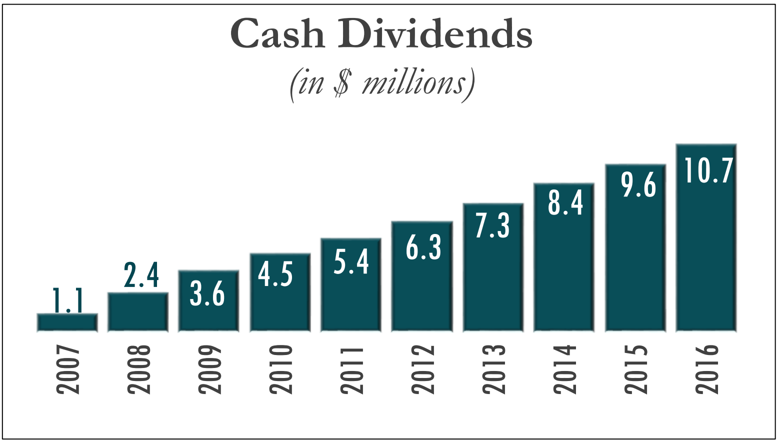




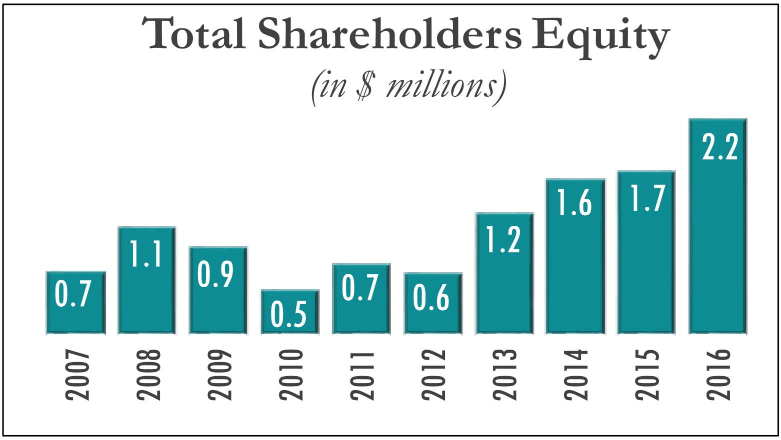
An investment of $100 in book value 20 years ago in ASL stock would have grown to $600 today while $100 in the stock market (S&P 500 index) would have only grown to $433 today.

10-YEAR PERFORMANCE

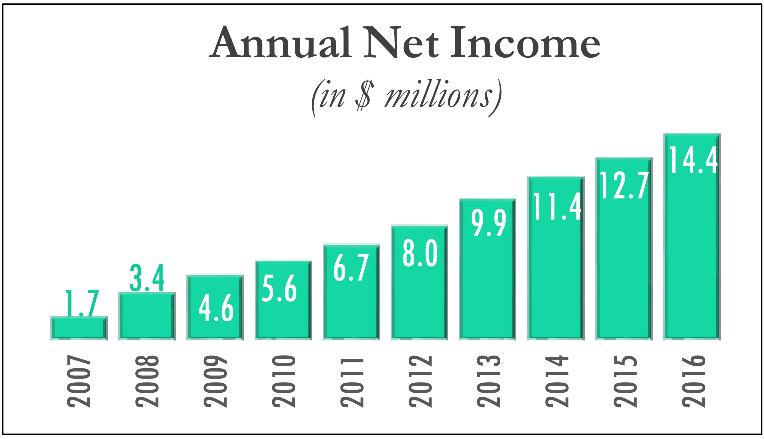
Cash Dividends paid to shareholders since 2007: **$10,667,933**



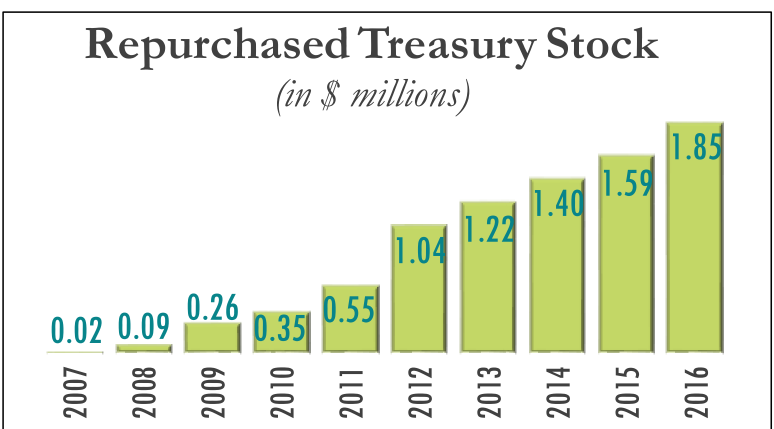
Increase in Shareholders Equity since 2007: **$2,207,467**



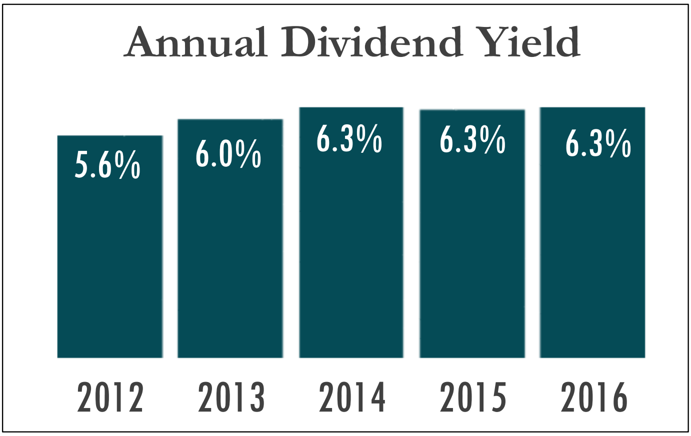
After-Tax Net Income earned since 2007: **$14,392,380**



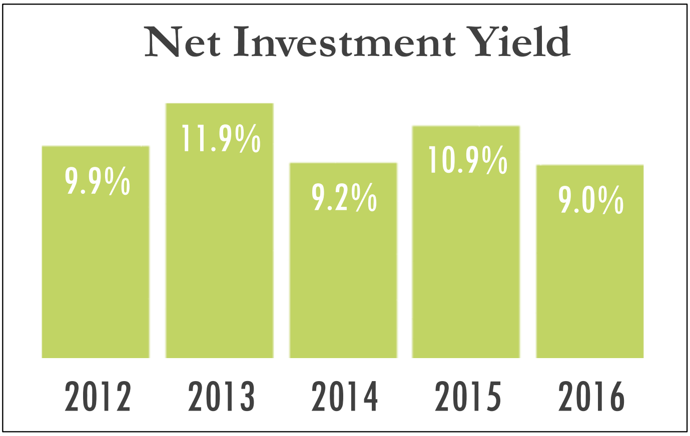
Stock repurchased from shareholders since 2007: **$1,849,776**



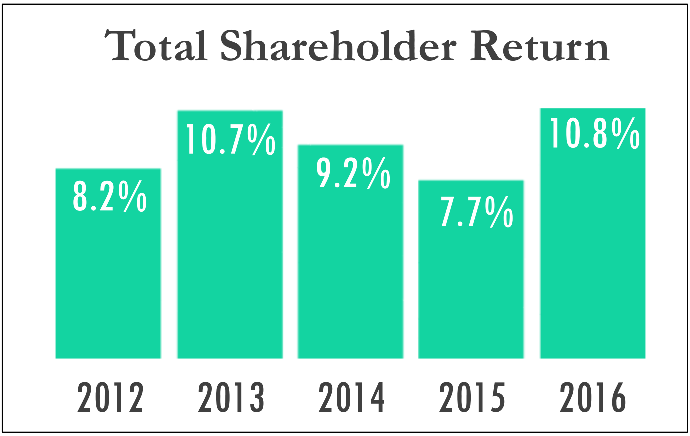
5-YEAR PERFORMANCE



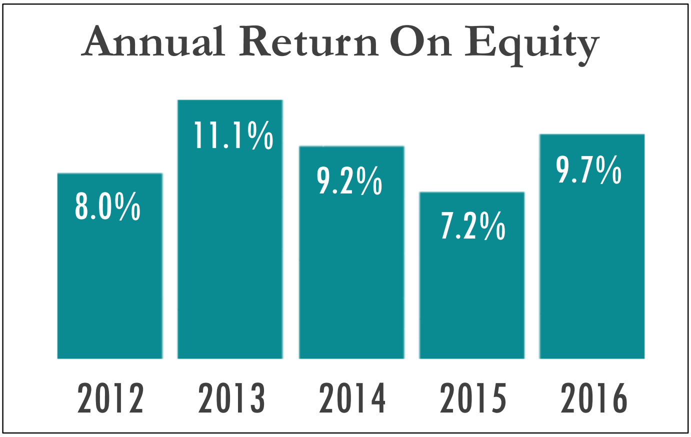
Dividends per share /
Beginning of year Book Value per share



Net Investment Income + Capital Gains /
Beginning of year Total Assets



Dividends + Increase in Book Value per share /
Beginning of year Book Value per share



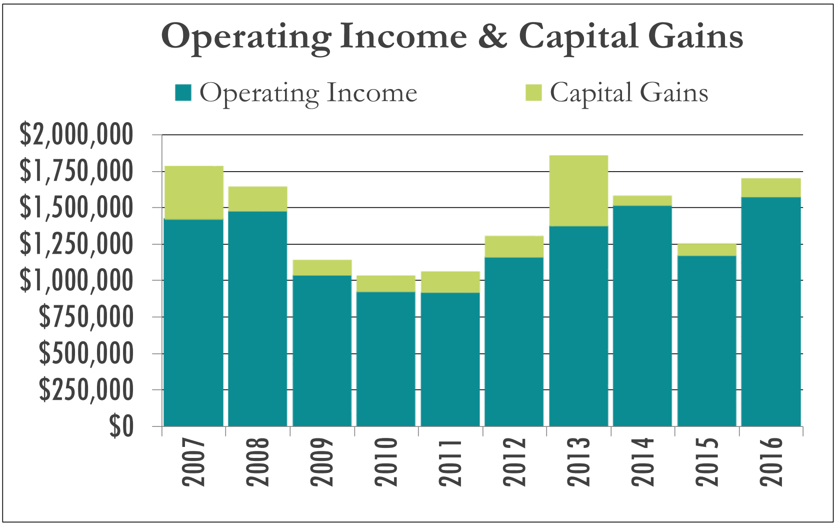
Net Income per share /
Beginning of year Book Value per share

DEAR FELLOW SHAREHOLDERS,

Dear fellow shareholders,

I am pleased to report that we passed some exciting milestones in 2016!

- Total Assets exceeded **$60,000,000**. This is a 274% increase over the last 10 years.
- Total Shareholders Equity (Book Value) surpassed **$18,000,000**. This is an increase of $2.2 million over the past decade. Furthermore, this increase is after paying out $10.7 million in cash dividends during this time.
- Record-breaking Net Operating Income of **$1,573,000**. This is our core after-tax recurring earnings measurement, which does not include non-recurring capital gains.

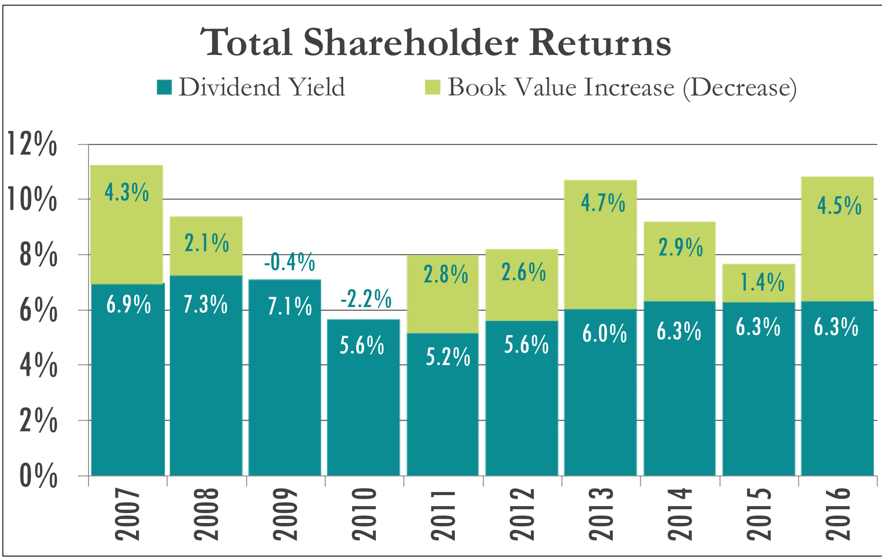


Your Stock's Performance

We believe the best way to measure your stock's performance is a calculation called **Total Shareholder Return.** This shows what percentage return the dividends plus increased book value yielded on your stock's book value at the beginning of the year.

2016 provided our shareholders with a Total Shareholder Return of **10.8%**, exceeding the last ten years average return of 8.5%.

Over the last decade, our shareholders have earned **$12.9 million** in combined dividends and increased shareholders equity (book value).



Focus on Our Core Business

"He who would be great anywhere must first be great in his own Philadelphia." (Russell H. Conwell, author of *Acres of Diamonds*).

As you know, growth usually comes with its struggles. We have struggled for the last two years to timely invest our available capital in our *Not-So-Hard Money*™ mortgage loans. Therefore, we have made it our top priority to grow our core business of timely investing our available assets in our niche real estate lending program.

As a result of our increased focus on this priority, we have been making great progress by:

(a) Increasing our lending personnel to handle higher loan volumes;
(b) Increasing marketing throughout our six-state lending area; and

(c) Developing a first-class loan management system (computer program) to improve our efficiencies and ability to process higher volumes.

Once we have developed our lending business to the degree that we are consistently able to timely invest our desired capital in our mortgage loans, we will then resume our efforts to further diversify our business through life insurance sales.

Success in Diversifying

Last year's report emphasized our efforts to diversify our business for the purpose of improving the Company's long-term stability as we continue to grow. I am pleased to report that we are succeeding in diversifying where we invest in mortgage loans. Just 3 years ago, only 4% of all our loans were secured by real estate outside of Arizona. As of year-end 2016, 42% of our loans are now in states other than Arizona (see the chart on page 14).

First 2017 Semi-Annual Dividend Declared

The Board of Directors has declared a **12¢ per share** semi-annual dividend to be paid on April 7, 2017 to shareholders of record as of March 31, 2017. This is equivalent to an annualized **dividend yield of 6.3%**. The Board intends to declare the second semi-annual dividend in August, to be paid in October. This is the 35th consecutive year that we have paid cash dividends.

Opportunities in Overalls

Thomas A. Edison once said, *"Opportunity is missed by most people because it is dressed in overalls and looks like work."*

We have a wonderful opportunity to continue to grow our business and further our success. The most immediate opportunities we are working on this year are:

1) Growing loan originations: Our goal for 2017 is to originate at least $20 million in new loans (a 33% increase over 2016).

2) Growing loan participations with other life insurance companies

who have an interest in co-investing in our *Not-So-Hard Money* loans. This should allow us to make more loans than we could make with just our own capital.

We are blessed to have a dedicated staff that works hard every day to develop these growth opportunities while providing superior service to our customers and agents, which results in attractive returns to our shareholders.

On behalf of the Board of Directors and the Management Team, I extend my warmest and most sincere “thank you!” to all of our devoted employees and agents, our loyal customers and our supportive shareholders.

Byron Frihoff Allen, President

Executive Management Team

Back row: (L-to-R): Gove L. Allen, *Legal Counsel*; Brandi Murobayashi, *Controller*; Anthony Turdó, *Mortgage Operations Managing Executive*
Front row: Byron F. Allen, *President*; Robert E. Allen, *Vice-President*

FURTHER REVIEW AND ANALYSIS

RESERVES:
Life Insurance, Funds on Deposit and Annuities

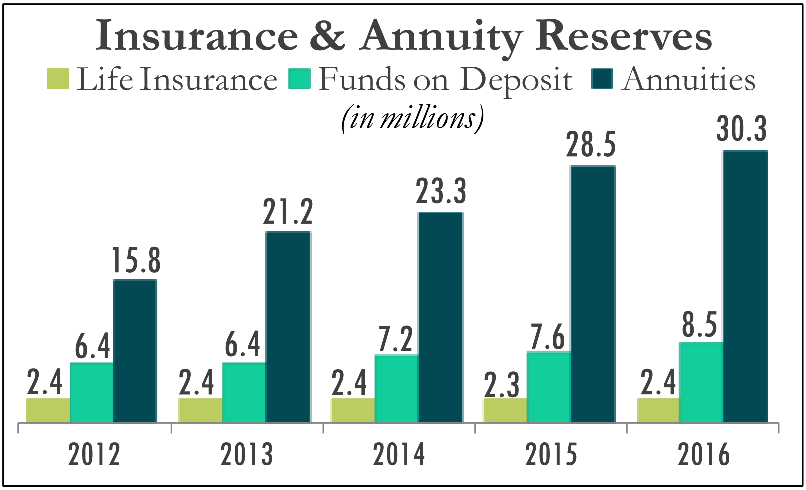
The chart below shows the reserves as of Dec 31, 2016 for our three types of reserves. Total Reserves passed the $40 million mark in 2016.

LIFE INSURANCE: 36% of our life insurance reserves are Grand Slam Insurance Plan policies, 31% are Youth Life Plan policies, and 33% are other life insurance policies.

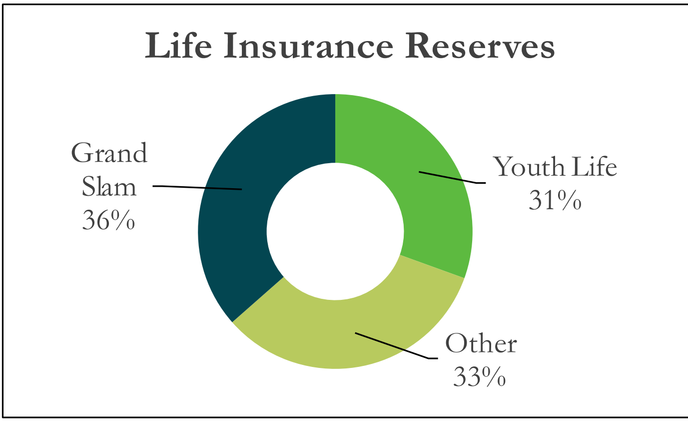
FUNDS ON DEPOSIT: 70% of the Funds on Deposit with the Company are Guaranteed Interest Contracts ("GICs", which currently pay 2.0% interest) and 30% are Advance Premium Deposit accounts ("APDs" which currently pay 4.0% interest).

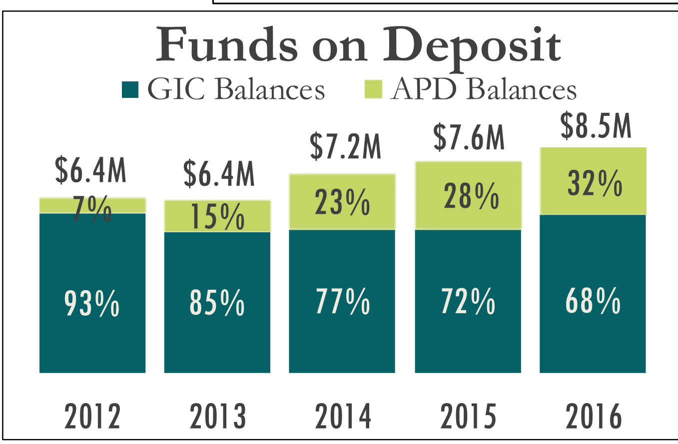
ANNUITIES: Two ways we can analyze our annuity reserves are:

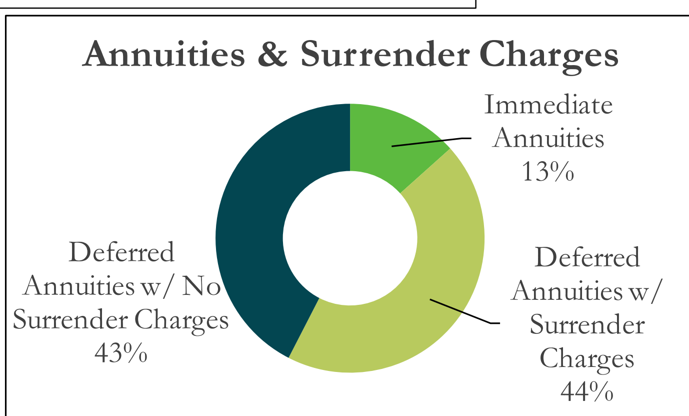
1) **Deferred vs. Immediate:** 86% of the Annuity Reserves are Deferred Annuities and 14% are Immediate/Income Annuities. Since Deferred Annuities are able to be withdrawn, we want to diversify our annuity business by also having Immediate/Income Annuities, which guarantee life-long payments instead of being able to be withdrawn.
2) **With or without surrender charges:** 51% of the Annuity Reserves have surrender charges and 49% no longer have surrender charges. Although surrender charges are the typical method insurers use to minimize annuity outflows, we have found that paying an attractive interest rate is equally as effective in keeping annuity funds with us.



A Broader Review of Our Business & Performance

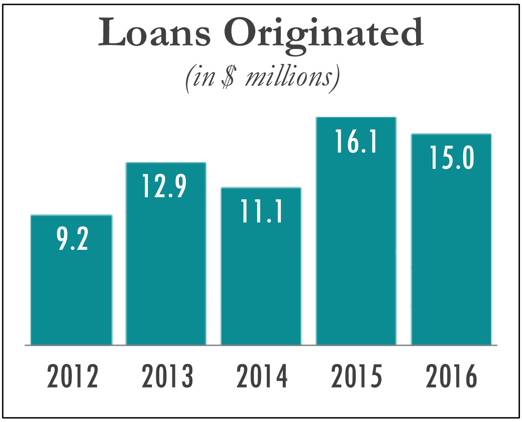






INVESTMENTS:
Mortgage Loans

Since mortgage loans are by far our most important investment, let's together analyze our loan portfolio and its performance.



LOAN ORIGINATIONS:

Total loan originations (new loans funded) in 2016 were $15,000,000, down 7% from 2015's record year. This was the end result of not getting as much capital invested in mortgage loans as we wanted to.

The primary reasons for this were:

1) We had a record amount of loan payoffs, totaling over $15 million. This was equal to 42% of our average loan portfolio, which is much higher than our historical average of between 25% and 33% of our loan portfolio paying off each year.

2) Despite our expansion into the six southwest states shown on page 14, we were still challenged much of the year to find loans that met the conservative parameters of our *Not-So-Hard Money*™ loan program.

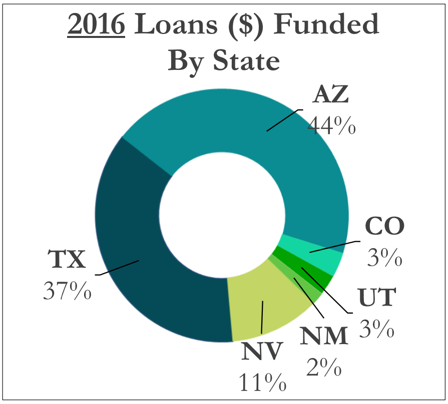
We are starting out 2017 quite strong, already having funded over $5.8 million of new loans in just the first two months. Our goal is to originate at least $20 million in 2017 and we are thus far well on our way.

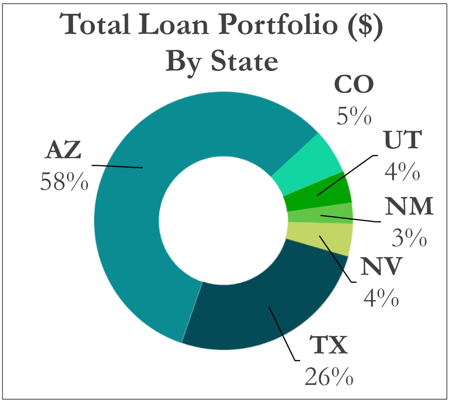
INTEREST RATE SPREADS:

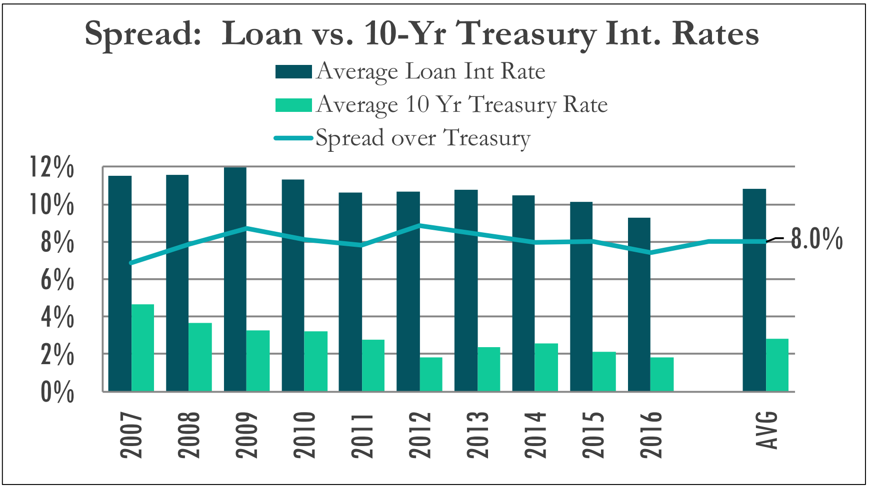
The two bar charts on the right compare the "spread" (difference) between the average interest rates of the Company's new loans originated each year compared to two other sources of interest rates:

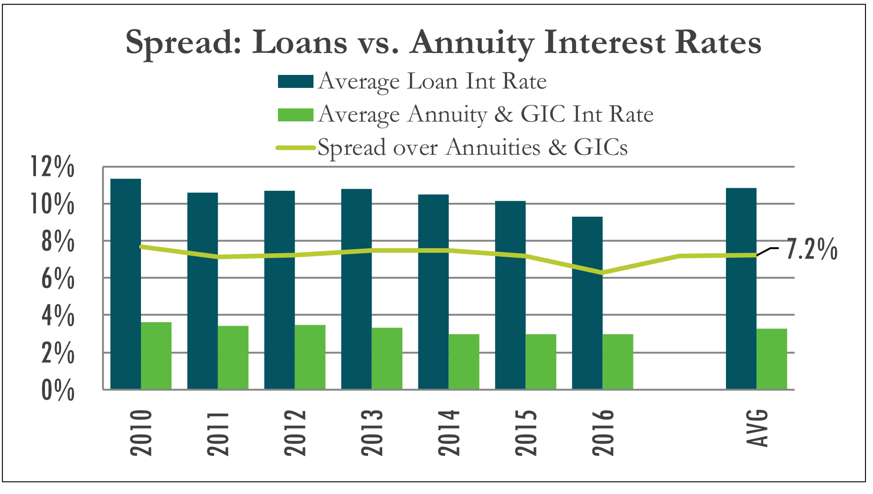
1) The first bar chart compares each year's average loan interest rate to that year's average 10-year Treasury rates. Over this time, our loans have averaged an **8% spread** over the 10-year Treasury rates.

2) The bottom chart illustrates that since we began selling annuities seven years ago, our loans' interest rates have averaged **7.2% higher** than our Company's average annuity interest rates for each year.

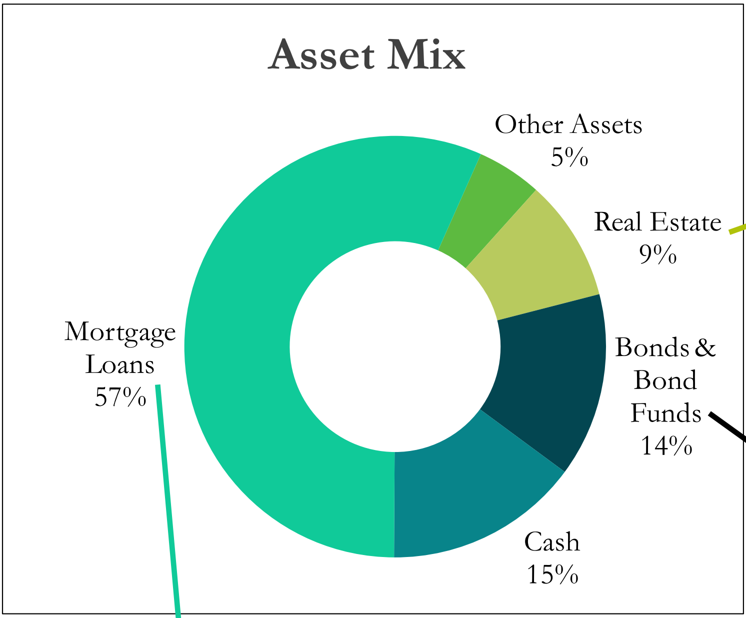

2016 Loans ($) Funded
By State
AZ
44%
CO
3%
UT
3%
NM
2%
NV
11%
TX
37%

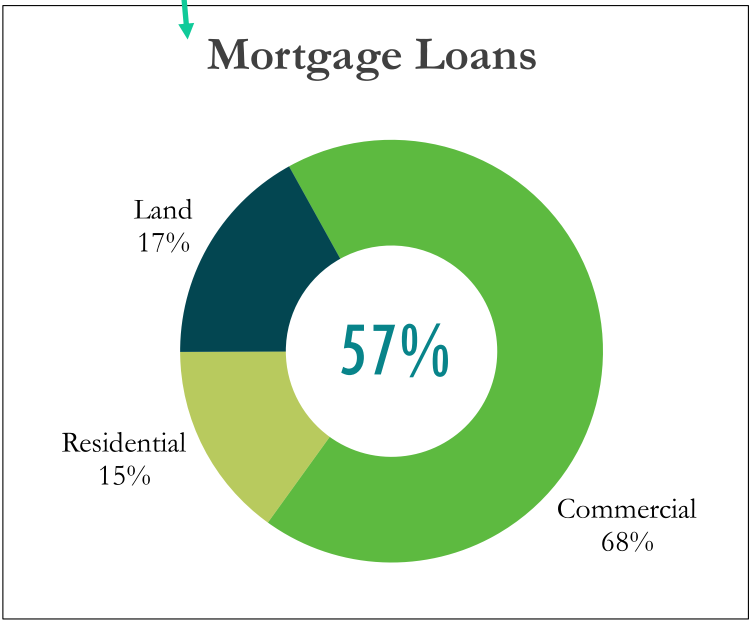

Total Loan Portfolio ($)
By State
CO
5%
UT
4%
NM
3%
NV
4%
TX
26%
AZ
58%


Spread: Loan vs. 10-Yr Treasury Int. Rates
Average Loan Int Rate
Average 10 Yr Treasury Rate
Spread over Treasury
12%
10%
8%
6%
4%
2%
0%
8.0%
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
AVG

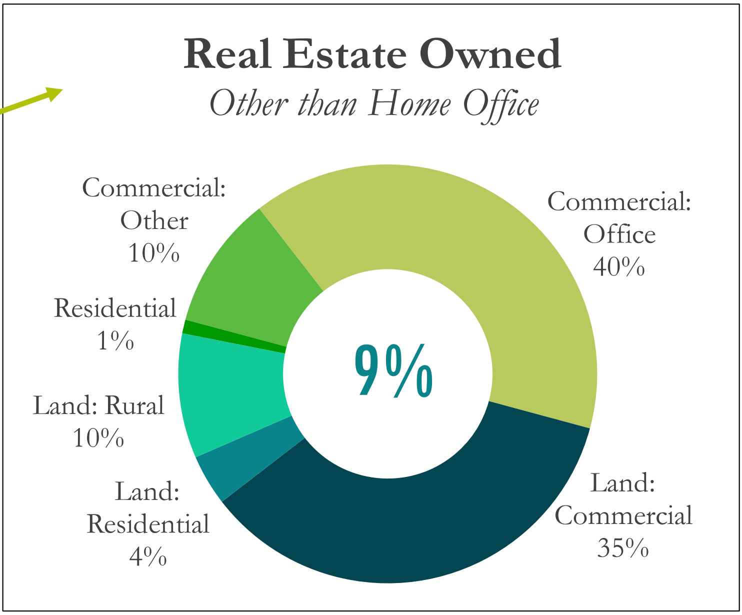

Spread: Loans vs. Annuity Interest Rates
Average Loan Int Rate
Average Annuity & GIC Int Rate
Spread over Annuities & GICs
12%
10%
8%
6%
4%
2%
0%
7.2%
2010
2011
2012
2013
2014
2015
2016
AVG

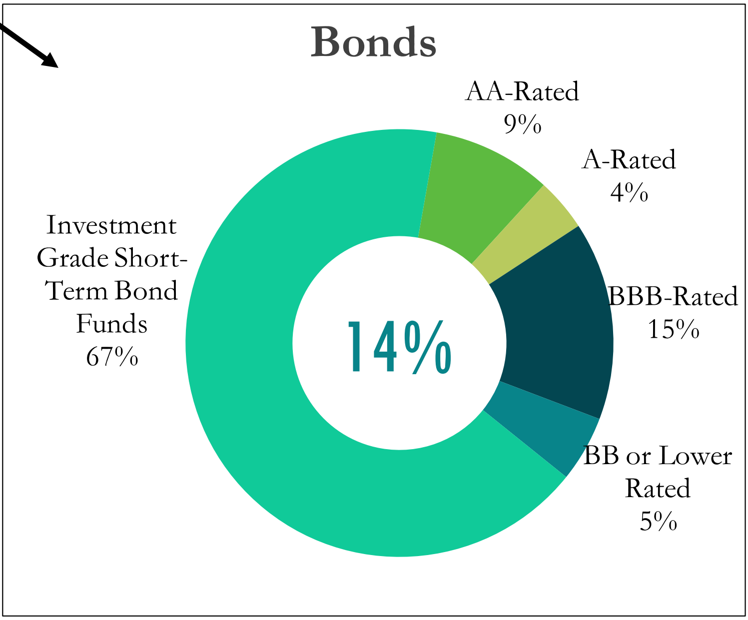
HOW OUR ASSETS ARE INVESTED





A Deeper Look Into Our Invested Assets





Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31: 2016, 2015, 2014, 2013 & 2012 (UNAUDITED)

	2016	2015	2014	2013	2012
Statement of Operations Data					
Total Revenues	**$ 5,179,985**	$ 5,677,443	$ 4,545,811	$ 4,611,003	$ 3,756,367
Total Expenses	**3,275,597**	4,226,695	2,854,902	2,934,820	2,309,204
Net Gain From Operations	**1,904,388**	1,450,748	1,690,909	1,676,183	1,447,163
Net Income	**1,701,532**	1,259,722	1,581,173	1,855,800	1,309,646
Statement of Financial Position Data					
Total Assets	**$ 60,583,774**	$ 57,454,700	$ 51,595,008	$ 48,791,770	$ 42,387,711
Total Reserves for Life Ins, Annuities & Deposits	**41,228,569**	38,448,595	32,866,624	29,923,137	24,600,659
Total Liabilities	**42,201,447**	39,615,111	33,820,044	31,369,246	25,573,359
Total Shareholders Equity	**18,382,327**	17,839,589	17,774,963	17,422,524	16,814,352
Per Share Data					
Total shares outstanding	**4,642,202**	4,707,114	4,755,107	4,794,973	4,843,189
Net Income per share	**$ 0.367**	$ 0.268	$ 0.333	$ 0.387	$ 0.270
Dividends per share	**$ 0.240**	$ 0.235	$ 0.230	$ 0.210	$ 0.190
Shareholder Equity per share	**$ 3.960**	$ 3.790	$ 3.738	$ 3.633	$ 3.472
Key Performance Measurements					
Dividend Yield *(dividends / prior yr. equity per share)*	**6.33%**	6.29%	6.33%	6.05%	5.61%
Investment Yield *(net inv.inc.+ cap. Gains / prior yr. assets)*	**9.03%**	10.91%	9.15%	11.92%	9.92%
Return on Equity *(net income / prior yr. equity per share)*	**9.67%**	7.16%	9.15%	11.15%	7.99%
Total Shareholder Return *(dividends + equity incr. / prior*	**10.82%**	7.67%	9.21%	10.71%	8.19%

The Notes on pages 22-29 are an integral part of these financial statements.

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC 31: 2016, 2015 & 2014 *(UNAUDITED)*

REVENUES	**2016**	2015	2014
Life insurance premiums	**$ 145,601**	$ 153,779	$ 149,894
SPIA Premiums with mortality risk	**283,445**	1,233,325	296,659
Interest income			
Interest on cash & cash equivalents	**42,265**	41,331	38,019
Interest on policy loans	**3,905**	3,542	3,722
Interest on mortgage loans	**4,126,152**	3,697,185	3,680,436
Investment income net of expenses			
Mortgage loan fees	**460,555**	427,703	394,179
Income on real estate owned	**(150,033)**	(49,775)	(125,159)
Other investment income	**268,095**	170,353	108,062
TOTAL REVENUES	**5,179,985**	5,677,443	4,545,811
EXPENSES			
Death benefits	**36,241**	181,000	52,390
Policyholder benefits & dividends	**65,099**	157,537	96,791
Increase in life reserves & loading	**282,093**	1,169,166	336,152
Policy acquisition costs (deferred)	**182,466**	158,216	105,738
Commissions and Advertising	**96,330**	159,237	53,145
Interest on insurance and annuities	**1,135,304**	1,020,999	912,784
General expenses			
Salaries and wages	**999,625**	924,635	837,857
Welfare Plan	**65,470**	24,997	65,943
Profit Sharing Plan	**81,461**	70,983	78,189
Professional fees	**125,545**	148,031	117,811
Other expenses	**111,704**	121,397	109,801
Taxes licenses and fees	**94,258**	90,498	88,301
TOTAL EXPENSES	**3,275,597**	4,226,695	2,854,902
NET GAIN FROM OPERATIONS	**1,904,388**	1,450,748	1,690,909
Realized gain on real estate & securities	**156,097**	104,981	70,644
Federal income tax paid	**(358,953)**	(296,007)	(180,380)
NET INCOME	**1,701,532**	1,259,722	1,581,173
Total shares outstanding	**4,642,202**	4,707,114	4,755,107
Net Income per share	**$ 0.367**	$ 0.268	$ 0.333

The Notes on pages 22-29 are an integral part of these financial statements.

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2016, 2015, & 2014 *(UNAUDITED)*

ASSETS	**2016**	**2015**	**2014**
Cash and cash equivalents	**$ 9,062,110**	$ 9,006,084	$ 6,807,909
Bonds	**2,854,130**	2,707,099	2,544,930
Bond mutual funds	**5,717,127**	35,472	0
Common & preferred stock	**625,438**	584,644	557,846
Policy loans	**73,717**	71,194	68,011
Mortgage loans	**34,280,588**	38,834,108	33,877,599
Investments in partnerships	**1,240,143**	1,235,276	1,250,115
Real estate investments & receivables	**5,658,534**	3,951,410	5,136,765
TOTAL CASH & INVESTED ASSETS	**59,511,787**	**56,425,287**	**50,492,175**
Accrued interest & deposits	**371,175**	405,512	409,333
Deferred policy acquisition asset	**350,056**	303,980	288,926
Land and building	**194,501**	194,501	194,583
Office equipment	**11,157**	12,493	27,632
Deferred tax asset	**112,927**	112,927	105,102
Income tax refundable	**32,170**	0	77,257
TOTAL ASSETS	**60,583,774**	**57,454,700**	**51,595,008**
LIABILITIES			
Reserves for life policies	**2,419,307**	2,339,271	2,404,210
Reserves for annuities	**30,278,716**	28,531,808	23,280,196
Insurance policy claims pending	**14,050**	19,050	9,050
Funds on deposit (APD/GIC/DOD)	**8,530,546**	7,577,516	7,182,218
Other policy holder liabilities	**46,791**	100,961	46,272
Taxes & expenses due & accrued	**152,597**	205,706	197,751
Unearned investment income	**10,611**	3,981	4,812
Amounts held by ASLIC for others	**628,646**	783,728	695,485
Income tax payable	**120,183**	53,088	50
TOTAL LIABILITIES	**42,201,447**	**39,615,111**	**33,820,044**
SHAREHOLDERS EQUITY			
Capital stock	**928,093**	927,173	926,230
Capital stock in excess of par	**2,607,542**	2,574,241	2,540,611
Stock notes & employee receivables	**(231)**	(167)	(5,265)
Retained earnings	**21,537,830**	20,827,235	20,743,256
Unrealized gain (loss) on securities/loans	**(60,359)**	(113,137)	(246,367)
Less treasury stock	**(6,630,549)**	(6,375,756)	(6,183,502)
TOTAL SHAREHOLDERS EQUITY	**18,382,327**	**17,839,589**	**17,774,963**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**60,583,774**	**57,454,700**	**51,595,008**
Shares Outstanding	**4,642,202**	**4,707,114**	**4,755,107**
Equity Value Per Share	**$ 3.960**	**$ 3.790**	**$ 3.738**

The Notes on pages 22-29 are an integral part of these financial statements.

Consolidated Statement of Cash Flow

FOR THE YEARS ENDED DEC 31: 2016, 2015, & 2014 *(UNAUDITED)*

OPERATING ACTIVITIES	**2016**	2015	2014
Funds provided from operations			
Premiums received and annuity increases	**$ 2,448,693**	$ 5,745,060	$ 2,356,030
Net investment income (excl. realized gains)	**4,618,992**	3,989,368	3,925,195
Total funds provided from operations	**7,067,685**	9,734,428	6,281,225
Funds used in operations			
Benefits and loss related payments	**(1,880,396)**	(1,644,011)	(1,189,092)
Commissions & other expenses & taxes paid *(excluding federal income taxes)*	**(1,329,949)**	(1,142,613)	(1,055,084)
Dividends paid to policyholders	**(39,333)**	(39,157)	(36,893)
Federal income taxes paid *(excl. capital gains tax)*	**(324,078)**	(165,712)	(502,740)
Total funds (used) in operations	**(3,573,757)**	(2,991,493)	(2,783,810)
NET CASH PROVIDED FROM OPERATIONS	**3,493,928**	6,742,936	3,497,416
INVESTING ACTIVITIES			
Funds provided from investments sold, matured or repaid			
Bonds	**175,580**	362,295	695,500
Stocks	**69,593**	4,103,259	50,640
Mortgage Loans	**16,218,858**	11,217,226	8,878,870
Real Estate	**1,308,239**	1,235,475	166,087
Other invested assets	**70,902**	14,839	11,407
Total investment proceeds before capital gains tax	**17,843,172**	16,933,094	9,802,504
Cost of investments acquired			
Bonds, Mutual Funds & long term CD's	**(365,037)**	(274,825)	(473,160)
Stocks	**(5,741,054)**	(4,195,088)	(48,521)
Mortgage Loans	**(14,365,604)**	(16,000,382)	(10,694,500)
Real Estate and other invested assets	**(247,920)**	(39,238)	(1,087)
Total cost of investments acquired	**(20,719,615)**	(20,509,533)	(11,217,268)
(Increase) Decrease in policy loans	**(2,523)**	(3,182)	13,861
NET CASH PROVIDED BY INVESTING ACTIVITIES	**(2,878,966)**	(3,579,621)	(1,400,904)
FINANCING ACTIVITIES			
Funds provided from (used for) financing activities			
Capital and paid in surplus net of treasury stock	**(220,572)**	(157,680)	(127,432)
Net deposits on deposit-type contracts	**950,889**	213,646	666,288
Cash dividends paid	**(1,118,357)**	(1,109,676)	(1,100,157)
Other cash provided (applied)	**(170,898)**	88,570	(221,722)
Net cash provided from (used for) financing activities	**(558,938)**	(965,140)	(783,024)
Increase (Decr.) in cash & short-term investments	**56,025**	2,198,175	1,313,488
Cash & short-term investments, beg. of year	**9,006,084**	6,807,909	5,493,481
Cash & short-term investments, end of year	**9,062,110**	9,006,084	6,806,969

The Notes on pages 22-29 are an integral part of these financial statements.

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED
DEC 31: 2016 AND 2015 (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, 2014	**926,230**	**2,540,611**	**(246,367)**	**20,743,256**	**(5,265)**	**(6,183,502)**	**17,774,963**
COMPREHENSIVE INCOME:							
Net Income				1,259,722			1,259,722
Change in unrealized investment gain or (loss)			133,229				133,229
Comprehensive income			133,229	1,259,722			1,392,952
Dividends declared & accrued				(1,109,676)			(1,109,676)
Issue employee compensation in stock	944	33,630					34,574
Repurchase Capital Stock (Treasury)						(192,254)	(192,254)
Change in Nonadmitted Assets				(66,068)	5,098		(60,970)
BALANCES, December 31, 2015	**927,173**	**2,574,241**	**(113,137)**	**20,827,235**	**(167)**	**(6,375,756)**	**17,839,589**
COMPREHENSIVE INCOME:							
Net Income				1,701,532			1,701,532
Change in unrealized investment gain or (loss)			52,779				52,779
Comprehensive income			52,779	1,701,532			1,754,311
Dividends declared & accrued				(1,118,357)			(1,118,357)
Issue employee compensation in stock	920	33,301					34,220
Repurchase Capital Stock (Treasury)						(254,793)	(254,793)
Change in Nonadmitted Assets				127,421	(65)		127,356
BALANCES, December 31, 2016	**928,093**	**2,607,542**	**(60,359)**	**21,537,830**	**(231)**	**(6,630,549)**	**18,382,327**

The Notes on pages 22-29 are an integral part of these financial statements.

(1) ORGANIZATION

American Savings Life Insurance Company ("Company"), founded in 1954, is a registered capital stock life, health and accident insurance company licensed to conduct business in the states of Arizona and Utah. The Company is currently engaged in the life insurance and annuity business. Although it is customary in the insurance industry for a portion of income to be derived from mortgage loans, an unusually large percentage of the Company's income is attributed to mortgage loans. Since the Company's inception, mortgage loans have been its primary asset class.

Affiliates - American Savings Life Insurance Company owns 100% of ASL Financial Group, Inc., a holding company which owns 100% of American Life Financial Corporation. American Life Financial exists primarily to market and originate mortgage loans for the Company's investment portfolio.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments - The following Company investments are recorded in accordance with FASB Accounting Standards Codification Topic 944, Financial Services—Insurance:

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 equity.

Annuity policies - Deferred annuities and fixed-period immediate annuities 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 for annuity contracts. Immediate annuities that contain mortality risk are accounted for in a manner consistent with insurance contracts. Premium receipts are reported as revenue when received from the policy holder. 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 reporting 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 $531,579 at year end 2016 and $540,318 at year end 2015.

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, 2016 and December 31, 2015, 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: 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. Total cash in demand deposits exceeding FDIC insurance limits were $2,224,490 and $1,652,250 at December 31, 2016 and 2015, 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,	**2016**	2015
Certificate of Deposits	**$ 1,495,759**	$ 1,493,723
Money Market Funds	**140,337**	474,997
Demand Deposits	**7,426,014**	7,037,364
Total cash & short term investments	**$9,062,110**	9,006,084

Mortgage Loans consist of commercial, consumer and purchase money loans collateralized by real estate. The Company has a concentration of mortgage loans in Arizona and Texas. The Company's lending policies allow for loans up to 65% of appraised values at interest rates ranging from 6.99% or more and terms ranging from one to 15 years. Purchase money mortgages were provided to purchasers of Company owned real estate at rates from 7% to 9.99%. 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). No loans required a valuation allowance as of December 31, 2016 and 2015, 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 $177,501 and $173,664 as of December 31, 2016 and 2015, respectively. Both allowances reduce Mortgage Loans and increase Unrealized Losses in the Statement of Financial Position.

December 31,	2016	2015
Commercial & consumer loans	$33,574,562	$38,218,944
Purchase Money Loans	706,026	615,164
Total mortgage loans	34,280,588	38,834,108
Remaining Deferred Gain	201,798	252,954
Annual Realized Deferred Gain	76,125	25,525

Investments in Partnerships:

On December 28, 2012, the Company purchased for $420,000 a 13% interest in Sugarloaf VII, LLC, a mortgage loan investment joint venture managed by The Cardon Group. The LLC has invested in a pool of 137 distressed residential mortgage loans with an unpaid principal balance of approximately $1,309,993. The favorable acquisition basis of these loans allows substantial flexibility to modify loans, conduct short sales, or otherwise liquidate the portfolio of assets profitably. In 2016 the Company received $46,376 of capital repayments.

In 2013 the Company invested $880,000 as a limited partner in the Window Rock Residential Recovery Fund, LP, a mortgage loan investment joint venture managed by The Cardon Group. The Limited Partnership investments include 2,642 mortgage loans and REO properties. The favorable acquisition basis of these loans allows substantial flexibility to modify loans, conduct short sales, or otherwise liquidate the portfolio of assets profitably. In 2016 the company received $24,526 of capital repayments.

Total Investments in Partnerships were $1,240,143 in 2016 and $1,235,276 in 2015.

December 31,	2016	2015
Sugarloaf VII, LLC	350,790	355,276
Window Rock Residential Recovery Fund LP	889,353	880,000
Total investments in partnerships	1,240,143	1,235,276

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 $105,285.

December 31,	2016	2015
Number of foreclosures	6	0
Book Value of foreclosures	2,982,257	0
Number of REO properties sold	6	6
Book Value of REO properties sold	1,209,613	1,155,832
Net gains (losses) from sale of REOs	123,200	85,149
Write-downs (OTTI) of REOs	74,900	52,157
Depreciation on REOs	46,204	31,143

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,	2016	2015
Building cost	$434,605	$434,605
Improvements	131,067	131,067
Land cost	75,450	75,450
	$641,122	$641,122
Less deferred gain on 1031 exchange	-446,621	-446,621
Statement value of land and building	$194,501	$194,501

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 book value of this property.

Fair Value Measurement: Investments are 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 Level 2 Investments. ***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 table below presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2016.

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 independently appraised value. The cost approach is used to determine the fair value of properties occupied by the Company and the policy contract loans.

Investments	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Level 1 investments:				
Mutual Funds	35,472	5,681,655	0	**5,717,127**
Unaffiliated common stock	584,644	106,662	-65,868	**625,438**
Short-term investments	474,997	351,237	-685,897	**140,337**
Certificates of deposit	1,493,723	1,246,759	-1,244,723	**1,495,759**
Total Level 1	2,588,836	7,386,313	-1,996,488	**7,978,661**
Level 3 Investments:				
Mortgage loans	38,834,108	14,976,106	-19,529,626	**34,280,588**
Properties held for sale	3,951,410	3,194,313	-1,487,188	**5,658,534**
Partnership interests	1,235,276	4,867	0	**1,240,143**
Policy contract loans	71,194	9,315	-6,792	**73,717**
Total level 3	44,091,988	18,184,602	-21,023,607	**41,252,982**
Total Investments	46,680,824	25,570,914	-23,020,095	**49,231,643**
Money market and checking accounts				**7,426,014**
Bonds carried at amortized cost				**2,854,130**
Total cash and investments				**59,511,787**

(4) DEFERRED TAX ASSET (LIABILITY)

The components of the net deferred tax asset / (liability) at December 31, 2016 are as follows:

Gross deferred tax assets	**$ 1,012,740**
Statutory valuation allowance adjustments	**(638,175)**
Adjusted gross deferred tax assets	**374,566**
Deferred tax assets non-admitted	**(224,009)**
Net admitted deferred tax asset	**150,556**
Deferred tax liabilities	**(37,630)**
Net admitted deferred tax assets / (liabilities)	**112,927**

(5) 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 interest assumption of between 3.5% and 5.0% are calculated to be sufficient to meet policy obligations as they mature. In 2009, the Company began to offer fixed interest rate deferred annuities and in February 2013 began to also issue single premium immediate annuities. The Company had annuity contracts with reserves of $30,278,716 and $28,531,808 at December 31, 2016 and 2015, respectively.

(6) GUARANTEED INTEREST CONTRACTS

Guaranteed Interest Contracts (GICs) 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 2.0%. GICs are held primarily by stockholders of the Company. Contracts owned by stockholders represent 80% and 82% of all contracts at December 31, 2016 and 2015, 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.

(7) STOCKHOLDERS' EQUITY

State of Arizona insurance regulations require the Company to keep a minimum capital of $300,000 and a minimum free surplus of $150,000. At December 31, 2016 and December 31, 2015, the Company had a capital amount of $928,093 and $927,173, respectively and free surplus of $17,454,234 and $16,912,416, respectively. Free surplus was reduced by the $6,630,549 and $6,375,756 cost of treasury stock for years 2016 & 2015, respectively.

In January 2015, the Board authorized 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 2016, treasury stock increased by the purchase of 74,110 shares of capital stock at prices ranging from $3.33 to $3.53 per share. During 2015, a total of 57,429 shares were purchased at prices ranging from $3.26 to $3.42 per share. Stockholder equity per share was $3.96 at year end 2016 and $3.79 at year end 2015.

On February 21, 2017, the Board of Directors declared a cash dividend of 12.0 cents per share. The distribution will be made on April 07, 2017 to stockholders of record on March 31, 2017. A second semi-annual dividend is expected to be declared by the Board in August and paid in October.

(8) 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 22% of total life insurance in force at December 31, 2016 and 22% at December 31, 2015.

(9) RELATED PARTIES

There is a significant inter-relationship between policyholders who are also stockholders and members of Company management and the Board of Directors. Nevertheless, no related party transactions involving this group have occurred during the years ended December 31, 2016 and 2015, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

a) Life Insurance premiums paid by Company officers and directors totaled 12.8% and 12.5% of total premiums paid in 2016 and 2015, respectively. Company officers and directors also owned 5.4% and 5.8% of total policy face value in 2016 and 2015, respectively.
b) Wilford R. Cardon is a Company director and also a principal in the investment partnerships detailed in Note 3, Investments in Partnerships.

(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 $86,558 for 2016 and $65,886 for 2015.

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 2016, 9,198 shares of Company common stock were purchased under the plan for a total of $34,220. The October 2016 enrollment stock price was $3.862 and as of December 31, 2016, $9,003 of employee and directors compensation had been set aside for stock purchase.

(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 the Company's legal counsel and 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, 2016, 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 solvency and claims paying ability. 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). Two significant additional reserves required in the Statutory Financial Statements include Asset Valuation Reserves ($1.4 million) and Interest Maintenance Reserves ($8,436). 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:

	2016 ***Stockholders*** Financial Statements	2016 ***Statutory*** Financial Statements
Total Assets	**$60,583,774**	$58,502,078
Total Liabilities	**$42,201,447**	$43,707,841
Total Stockholders Equity	**$18,382,327**	$14,794,237
Equity per Share	**$3.96**	$3.19
Annual Net Income	**$1,701,532**	$1,678,060
Net Income per Share	**$0.37**	$0.36

After April 30, 2017, the 2016 audited statutory financial statements will be available on the Company's website: www.AmericanSavingsLife.com/stock.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 1, 2017, 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.**

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