

AMERICAN SAVINGS
LIFE INSURANCE COMPANY



Founded 1954

**2008
Annual
Shareholders
Meeting**

Presentation Outline

1. **Our report card for 2007**
 - Core business performance
 - Performance of 3-Pronged Growth Plan
2. **Report on 1st quarter 2008** and our expectations for the rest of the year
 - Challenges and opportunities
3. **The real estate market & the economy**
 - How these conditions may affect us

Report Card for 2007

A. Overall Performance

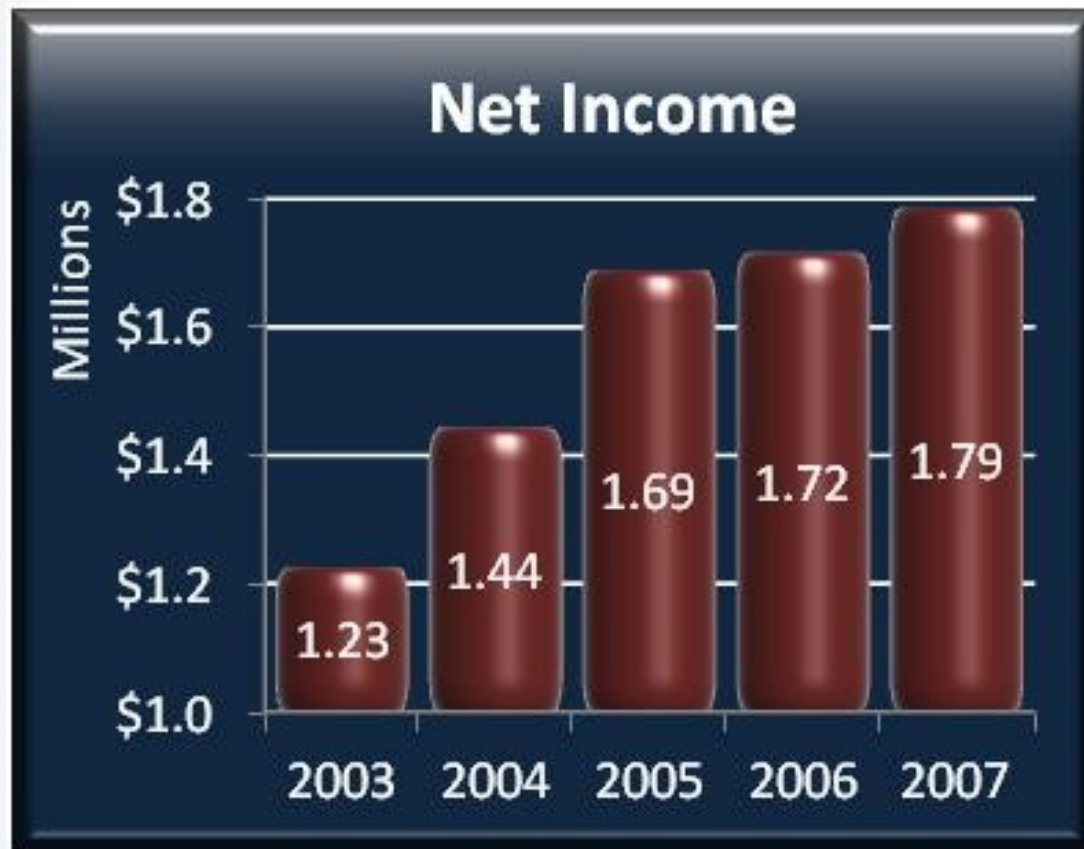
B. Performance of Business Segments

C. Performance of Growth Initiatives

Report Card for 2007

Overall Performance

- **Net Income** increased 4.1%



Report Card for 2007

Overall Performance

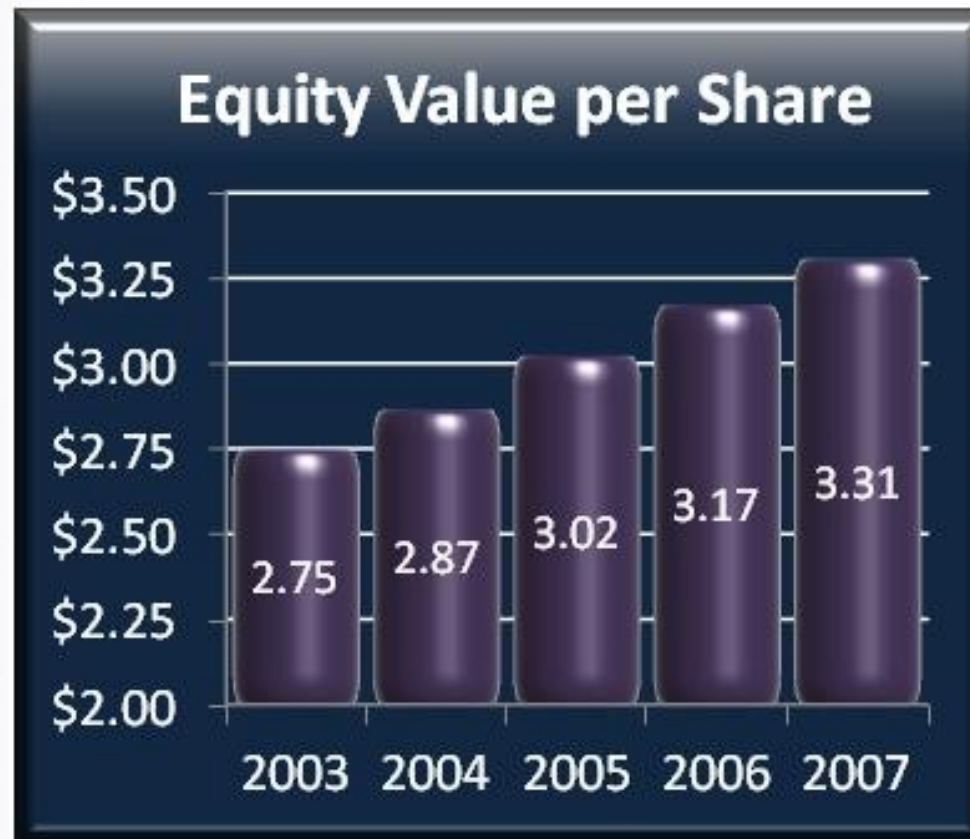
- **Total Assets** increased 6.5%



Report Card for 2007

Overall Performance

- **Shareholders Equity** increased 4.3%



Report Card for 2007

Overall Performance

- **Dividends** increased 6.5%



Report Card for 2007

A. Overall Performance

B. Performance of Business Segments

C. Performance of Growth Initiatives

Report Card for 2007

Performance of Business Segments

i. LIFE INSURANCE

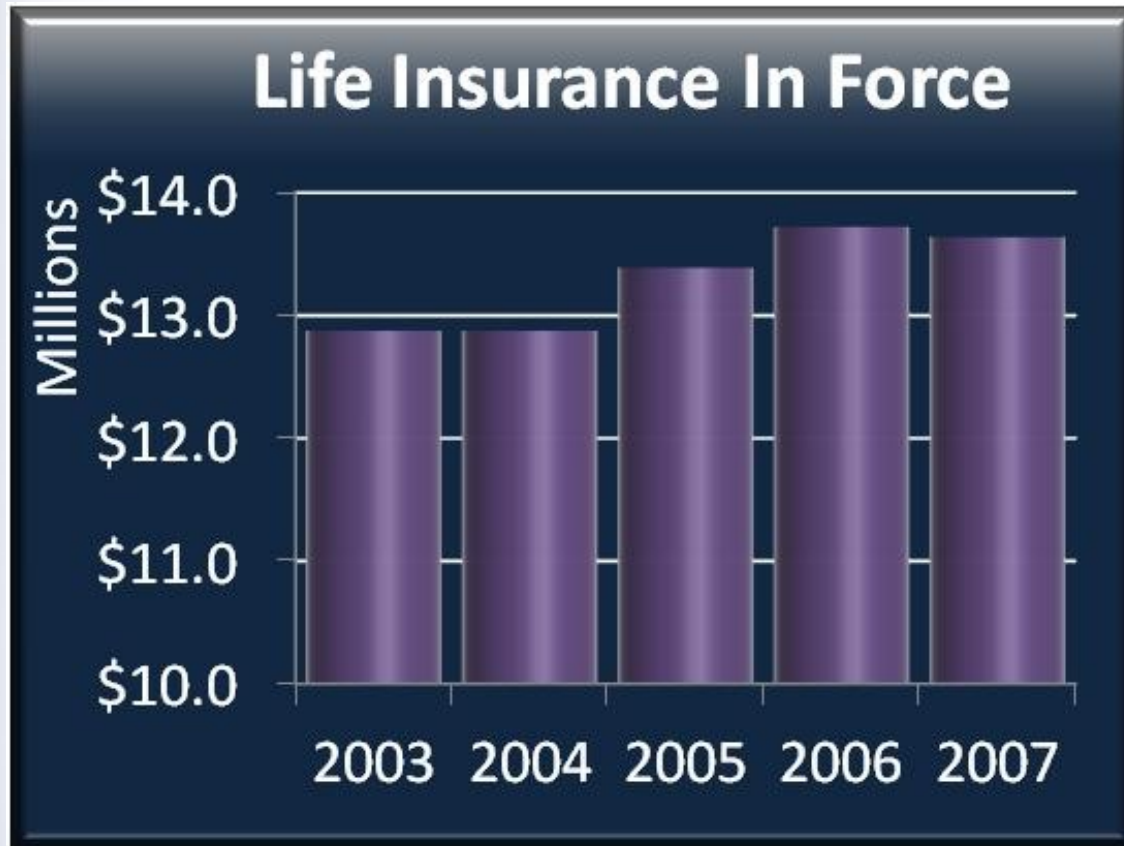
ii. INVESTMENT PERFORMANCE

- Investments in Mortgage Loans
- Investments in Real Estate

Report Card for 2007

Performance of Business Segments LIFE INSURANCE

- **Life Insurance In Force** down 0.6%



Report Card for 2007

Performance of Business Segments LIFE INSURANCE

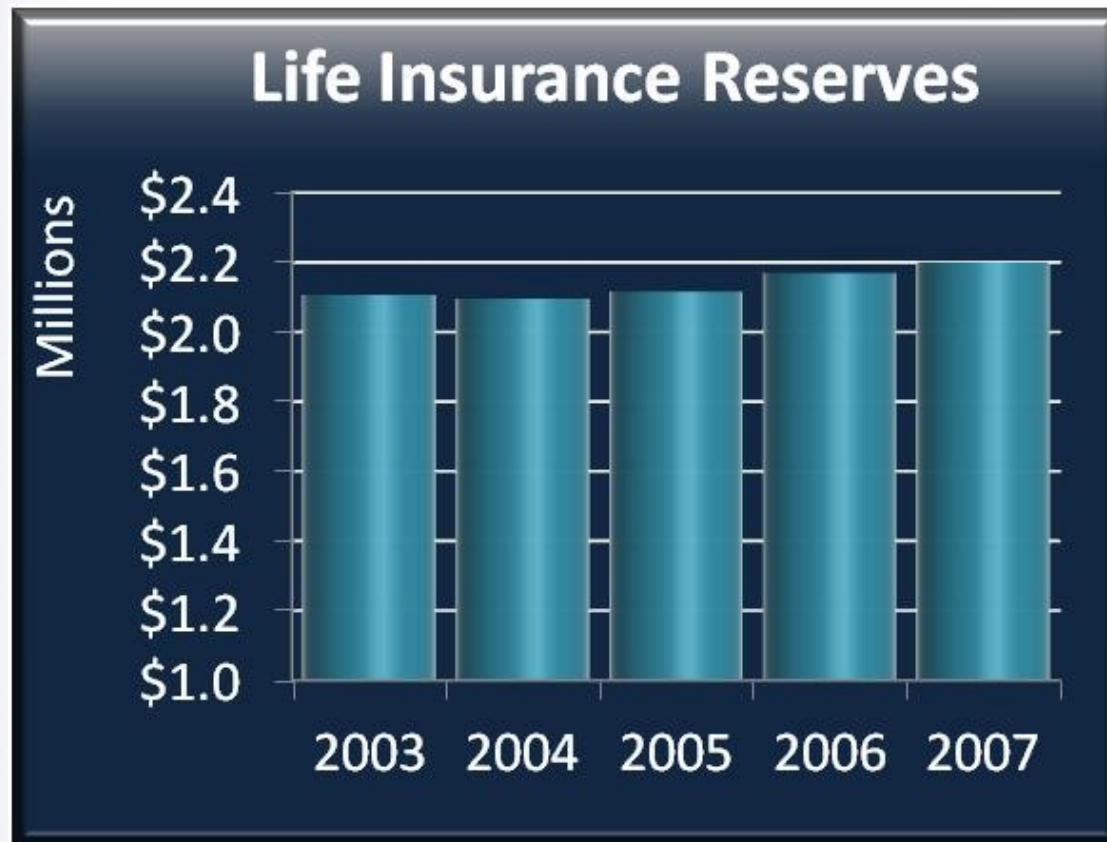
- Insurance Issued vs. Cancelled



Report Card for 2007

Performance of Business Segments LIFE INSURANCE

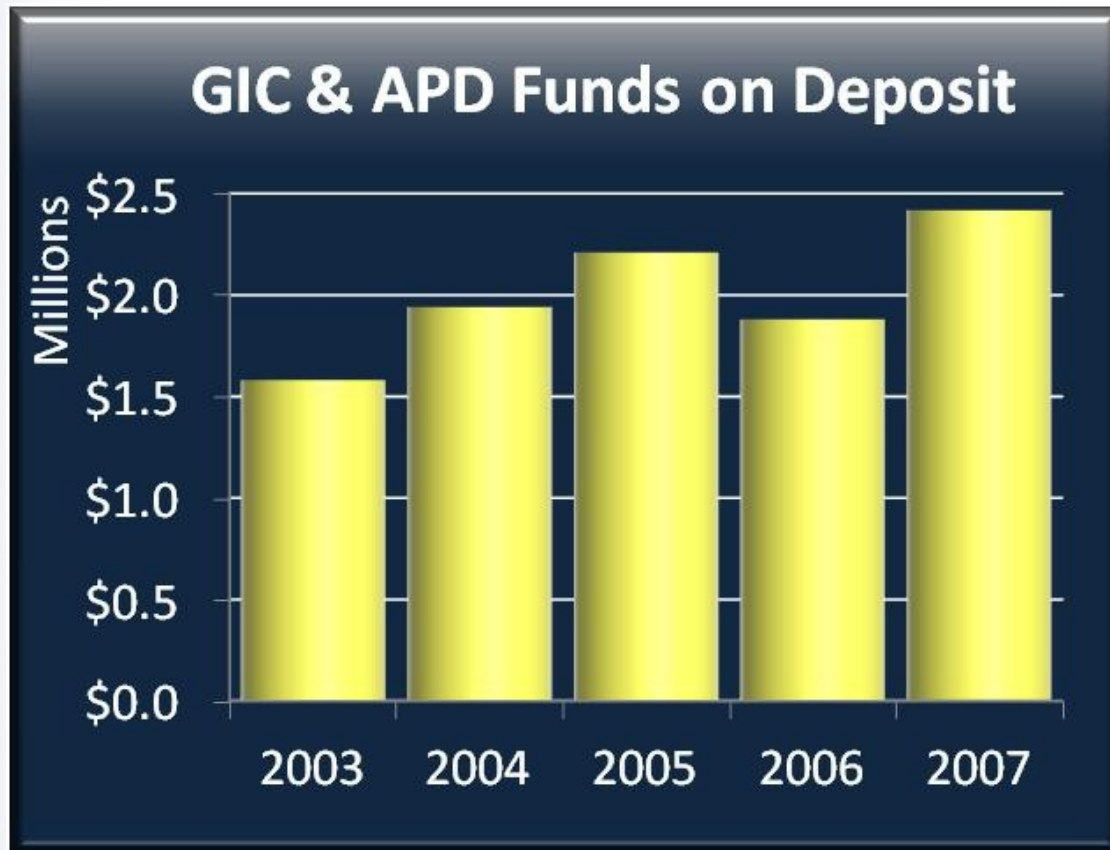
- **Life Insurance Reserves** up 1.5%



Report Card for 2007

Performance of Business Segments LIFE INSURANCE

- **GIC's and APD's** up 28.6%



Report Card for 2007

Performance of Business Segments **LIFE INSURANCE**

In summary:

Another profitable but stagnant year
for our life insurance business

Report Card for 2007

Performance of Business Segments

i. LIFE INSURANCE

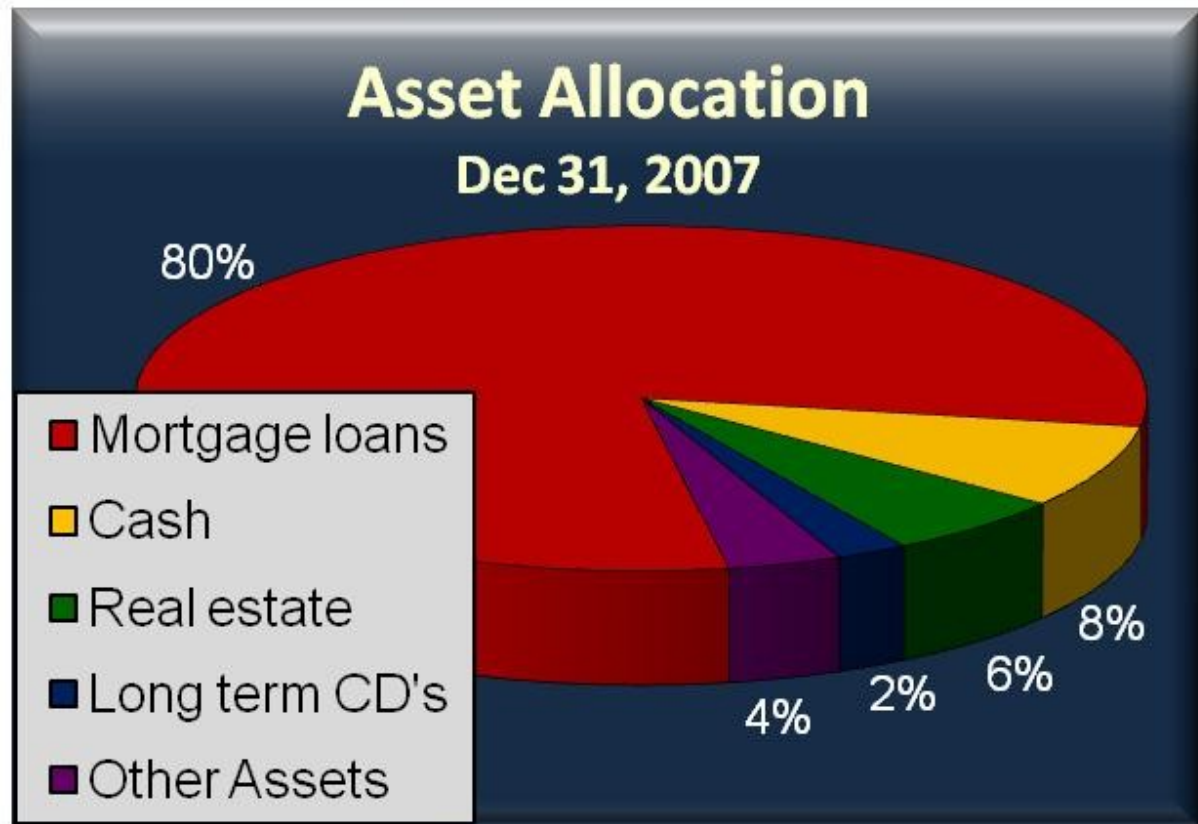
ii. INVESTMENT PERFORMANCE

- Investments in Mortgage Loans
- Investments in Real Estate

Report Card for 2007

Performance of Business Segments INVESTMENT PERFORMANCE

- **Investment Mix (Asset Allocation)**



Report Card for 2007

Performance of Business Segments INVESTMENT PERFORMANCE

- **Assets Invested in Mortgage Loans**



Report Card for 2007

Performance of Business Segments INVESTMENT PERFORMANCE

- **Realized Gains From Real Estate = \$320K**



Report Card for 2007

A. Overall Performance

B. Performance of Business Segments

C. Performance of Growth Initiatives

Report Card for 2007

Performance of Growth Initiatives

i. LIFE INSURANCE SALES

ii. MORTGAGE COMPANY

iii. REAL ESTATE INVESTMENTS

Report Card for 2007

Performance of Growth Initiatives

▪ **LIFE INSURANCE SALES**

- Not successful in growing our life ins. sales during 2007.
- Did not acquire a life ins co
- Did not roll-out the optional guaranteed increases for the Youth Life Plan
- Did not create annuity – expected marketing plan not viable

Report Card for 2007

Performance of Growth Initiatives

■ LIFE INSURANCE SALES

- We are committed to growing
- Learning Opportunity
- Applying this understanding
- Looking forward to our future hard-fought success

Report Card for 2007

Performance of Growth Initiatives

i. LIFE INSURANCE SALES

ii. MORTGAGE COMPANY

iii. REAL ESTATE INVESTMENTS

Report Card for 2007

Performance of Growth Initiatives

MORTGAGE COMPANY

- Received AZ Mortgage Bankers license in June 2007
- Expanded into new office space (Suite 102) in Feb 2008
- Have earned \$20,000 in commissions
- **2008 Goals:** \$120,000 in commissions and \$55,000 net income

Report Card for 2007

Performance of Growth Initiatives

- **MORTGAGE COMPANY**

- Learning Opportunity:
 - **Conventional Residential Loans**
- *Lesson Learned:*
 - *Focus on core competencies and competitive advantages*
 - *Partner with others to leverage their core competencies and competitive advantages*

Report Card for 2007

Performance of Growth Initiatives

i. LIFE INSURANCE SALES

ii. MORTGAGE COMPANY

iii. REAL ESTATE INVESTMENTS

– Clark Allen will give report

Presentation Outline

1. Our report card for 2007
 - Core business performance
 - Performance of 3-Pronged Growth Plan
2. **Report on 1st quarter 2008** and our expectations for the rest of the year
 - Challenges and opportunities
3. The real estate market & the economy
 - How these conditions may affect us

Report Card for Q1 2008

Performance of Q1 2008

- Net Income = \$495,000
 - Compared to \$504,000 last year
 - Excluding one-time accounting change of \$64,000 interest recognition in 2006, our **net income is 12% greater than Q1 2007.**

Report Card for Q1 2008

Projections for rest of year

- Net Income may be affected by:
 - ↓ – Lower interest rates on cash investments
 - ↓ – Potential loss of income from increase in foreclosures **if** R/E market and economy worsen.
 - ↑ – Additional income from mortgage company (goal of \$55,000 net income)
 - ↑ – Potential additional income from sale of part or all of Holbrook Legacy property

Report Card for Q1 2008

Projections for rest of year

- For the first time in a long time, it is difficult to project our net income
 - The potential decreases in Net Income are small compared to the potential increases.
 - So this uncertainty is more of a positive than a negative.
 - If none of the potential changes to N.I. occur, we're on track for nearly \$2Mil.

Presentation Outline

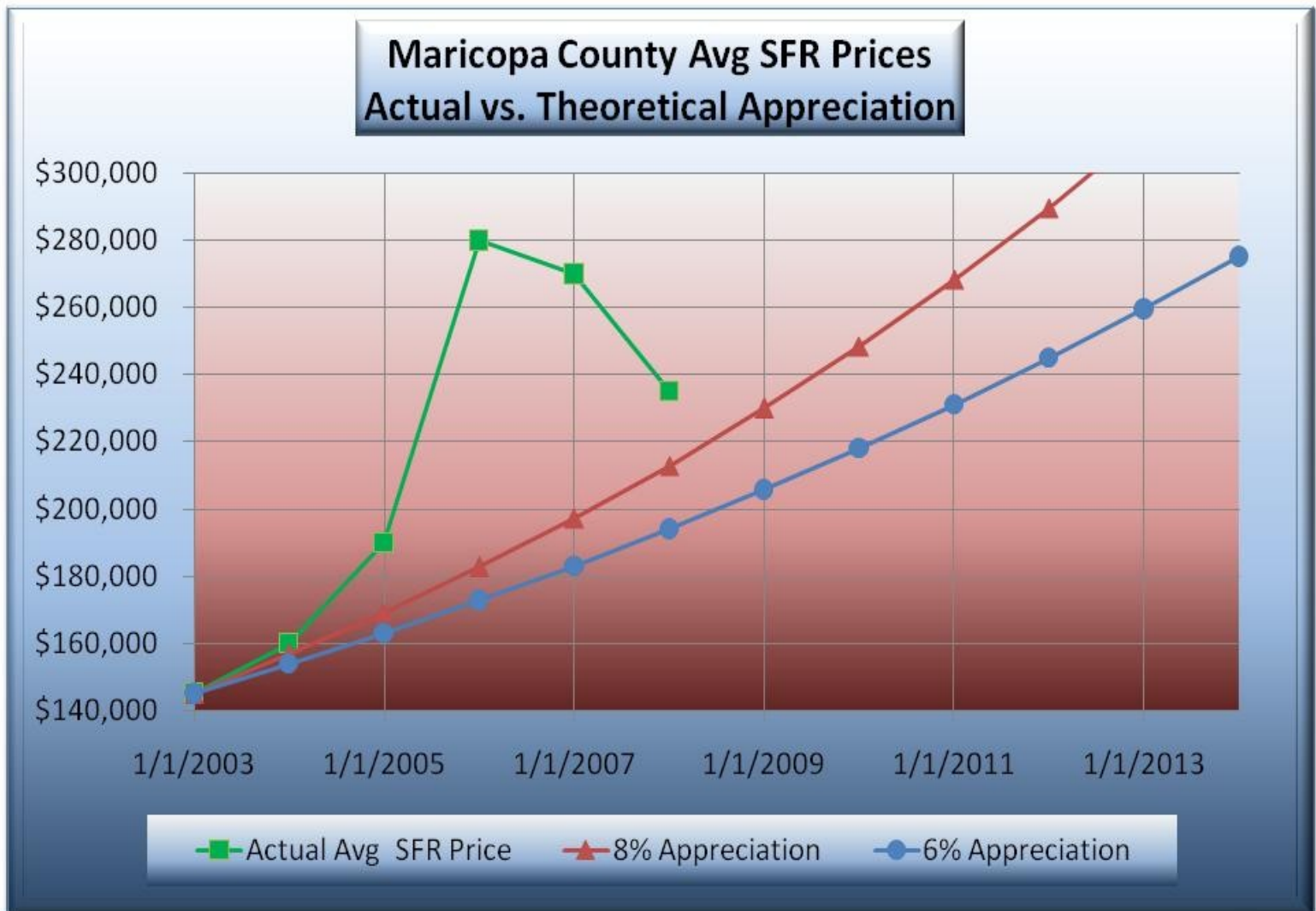
1. Our report card for 2007
 - Core business performance
 - Performance of 3-Pronged Growth Plan
2. Report on 1st quarter 2008 and our expectations for the rest of the year
 - Challenges and opportunities
3. **The real estate market & the economy**
 - How these conditions may affect us

7th Inning Stretch

Everyone stand up, stretch
and greet the person next
to you

The Real Estate Market

- **Residential Real Estate Prices**



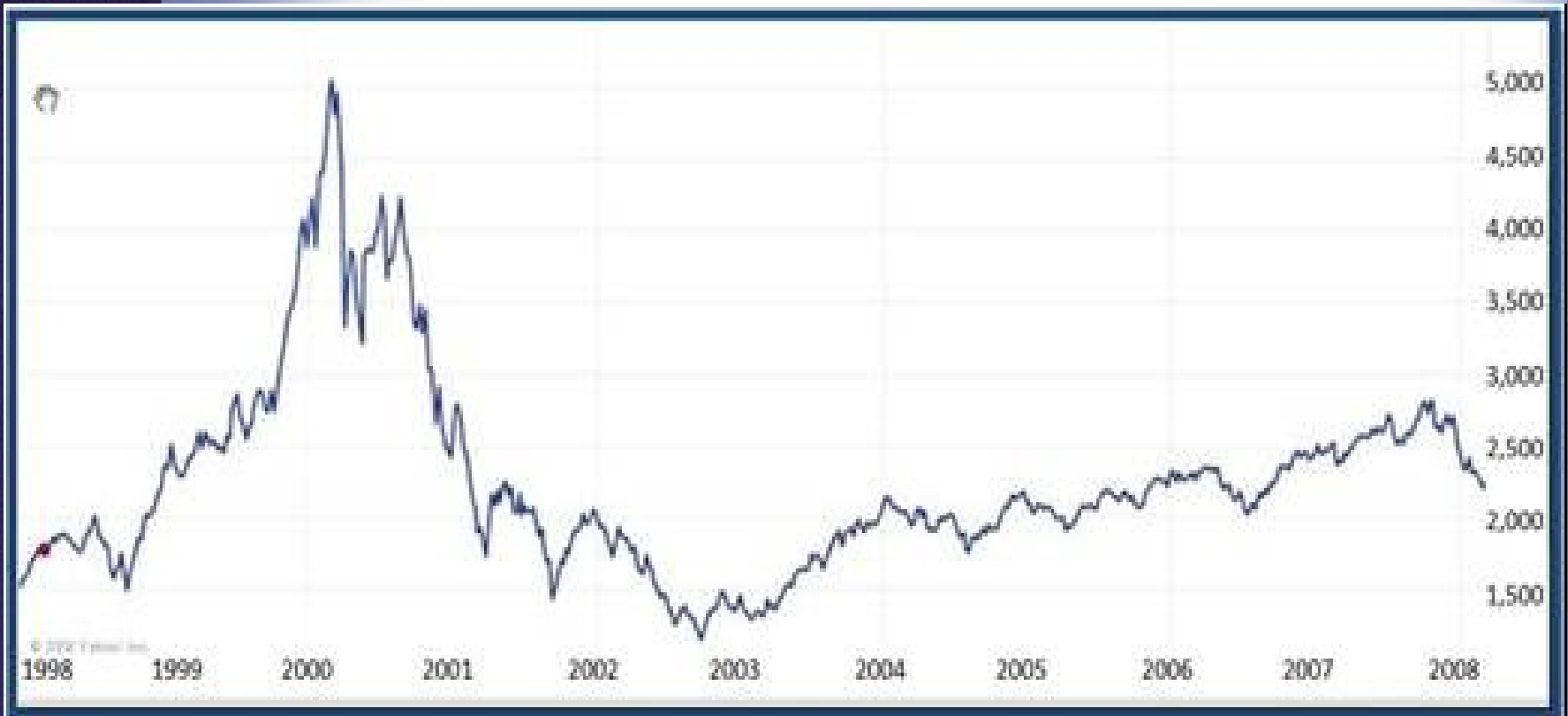
The Real Estate Market

- **Residential Real Estate Prices**
 - The last housing decline took **eight years** for the prices to go from their peak in 1989 back to that peak price in 1997.

The Real Estate Market

- **We all remember the last big bubble**

Tech Stocks (NASDAQ)



The Real Estate Market

- **Arizona Housing Market**
 - Feb 2008 compared to Feb 2007
- **Existing Home Resales** down 37%
- **New Home Sales** down 39%

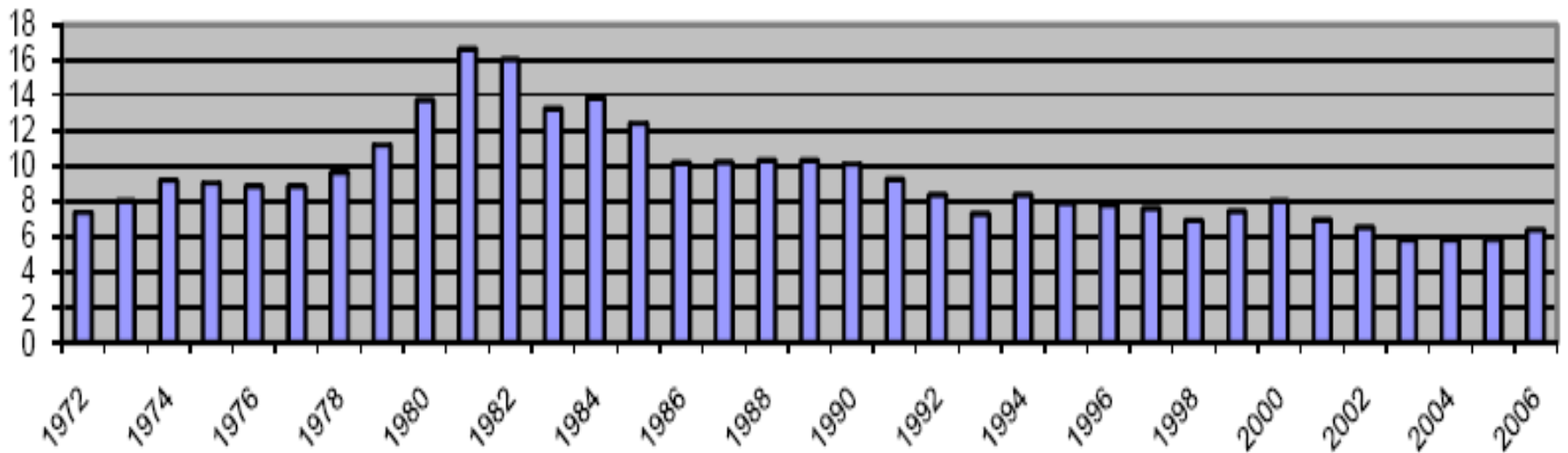
The Real Estate Market

- **The Good News**
- **Interest Rates** at near historic lows
- **Housing Affordability** getting better
- **Building Permits** down 64%
- **New Home Construction** at historic lows

The Real Estate Market

- **Interest Rates**

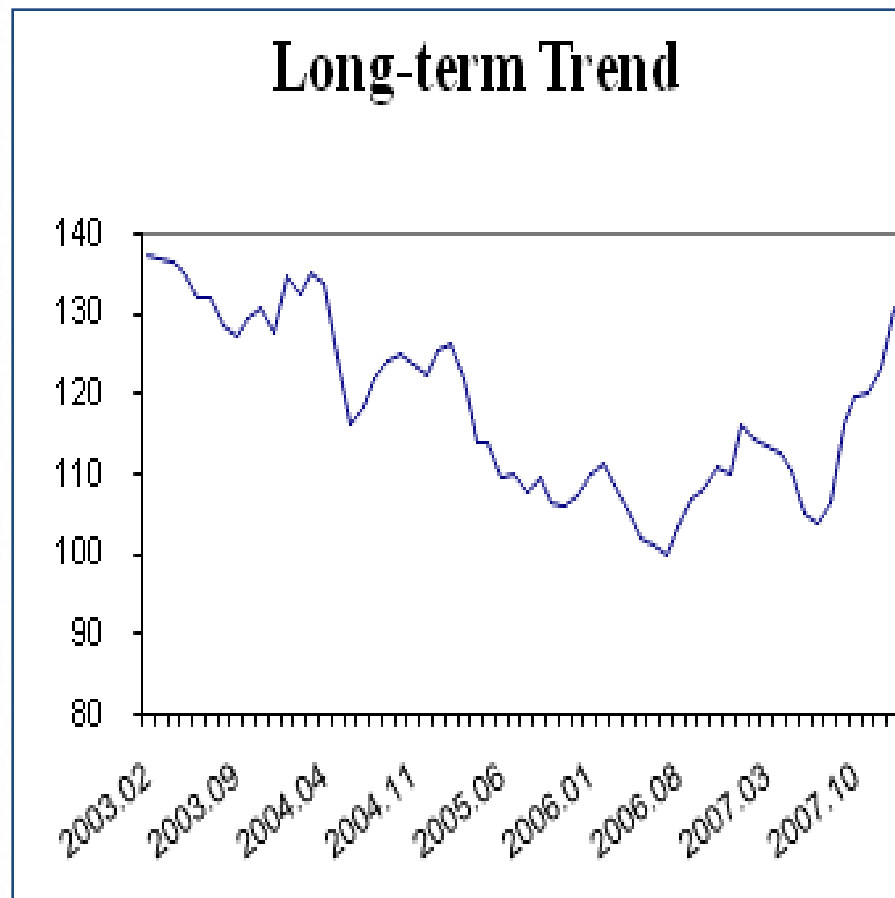
30 Year Fixed Interest Rates Since 1972



The Real Estate Market

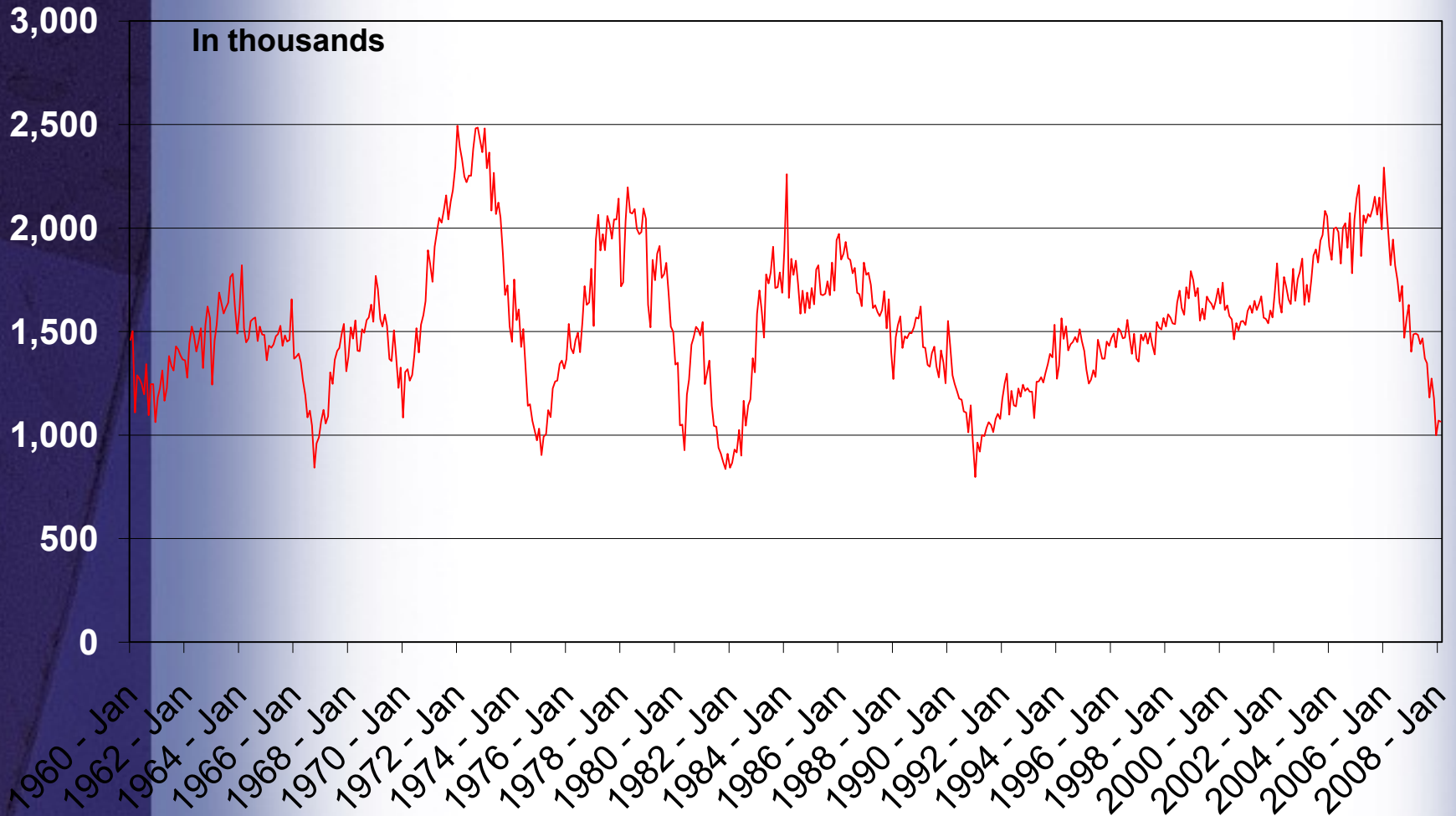
- **Housing Affordability**

Factors: Home prices and interest rates



The Real Estate Market

- **U.S. Housing Starts Since 1960**
– (# of new homes being built)



The Real Estate Market

- **Leading indicators to turnaround**

 – Foreclosures & Short Sales

 – Availability of credit

- Secondary market for loans
- Lender easing of terms

 – Inventory of homes for sale

The Real Estate Market

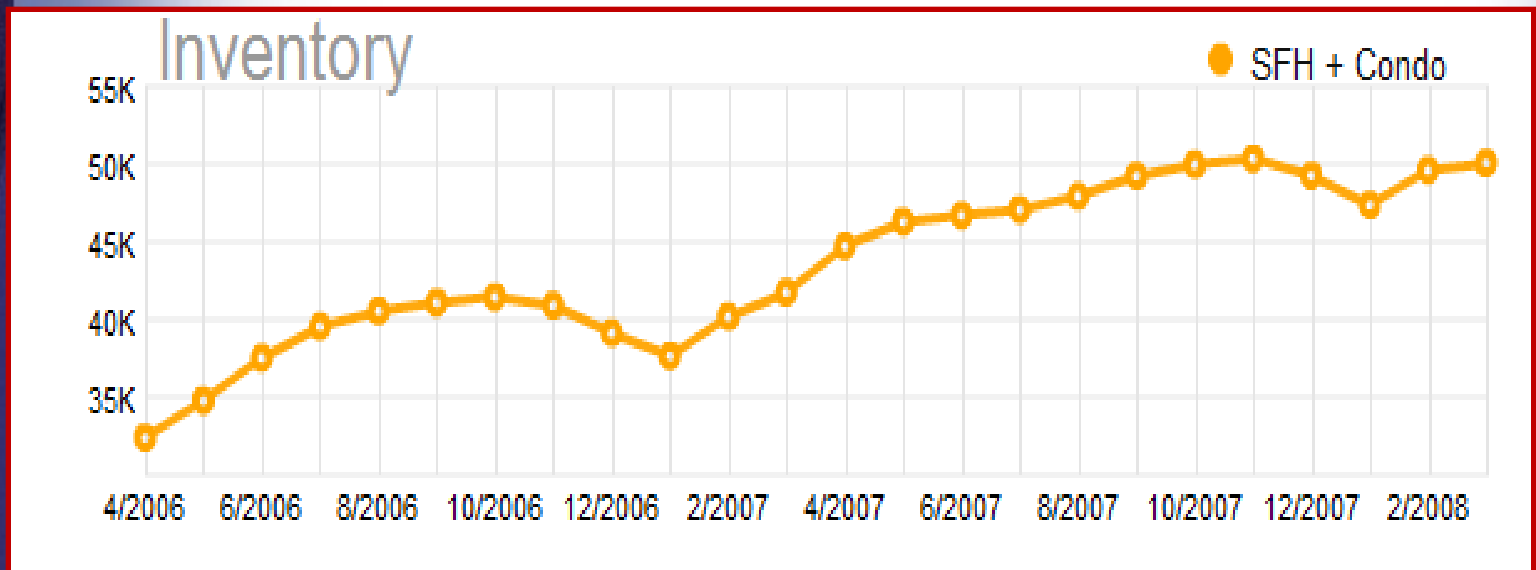
- **Leading indicators to turnaround**
- **Foreclosures**
- In 2007, approximately **10,000** homeowners across metro Phoenix lost their homes in foreclosure.
 - Compare this to 2006, when there were fewer than **2,000** foreclosures
- In February 2008, **2,250** homes were sold in foreclosure.
 - The highest monthly rate since 1990.
- Nationally, there are currently almost **ONE MILLION** homes in foreclosure.

The Real Estate Market

- **Leading indicators to turnaround**
- **Foreclosures & Short Sales**
- “Foreclosures & short sales are an important bellwether of the health in housing and **until there is a slow-down in this area**, we can put to rest any notion that we are approaching any bottom.”

The Real Estate Market

- **Leading indicators to turnaround**
 - **Inventory of homes for sale**
 - Greater Phoenix



- An increase of 20,000 homes in last 2 years

The Real Estate Market

- **AZ Housing Market Summary**
 - **"The bottom of the housing market may occur in 2008 or 2009, but a full recovery will probably take three to five years."**

- Elliott Pollack

The Economy

- Prior recessions recovered from “consumer spending”
- Not this time
- Lack of debt available
 - No more home equity “ATM’s”
 - Credit card crunch

The Economy

Economic Indicators:

- Financial Markets ↓ we want it ↑
- Consumer Spending ↓ we want it ↑
- Consumer Confidence ↓ we want it ↑
- Credit Card Defaults ↑ we want it ↓
- Inflation ↑ we want it ↓

The Real Estate Market & The Economy

- **How they may affect ASL**

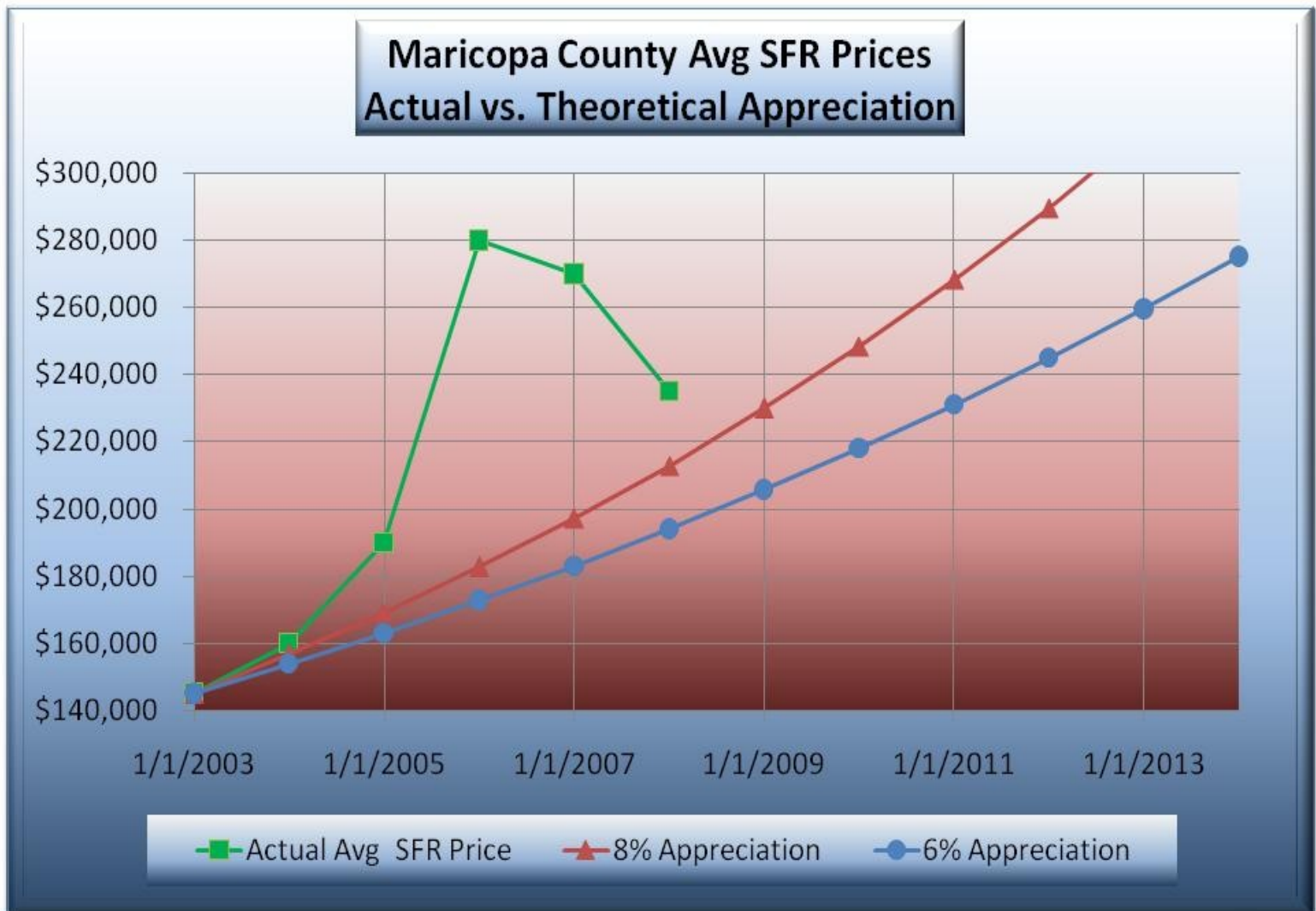
Depends on severity

The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **WORST CASE:**
- The current **Recession** turns into a **long-term** Depression
- The current **residential R/E correction** continues to slide for next **2-3 years** to Jan 2004 levels (down another **45%**).
- The **commercial R/E market** turns south and values fall as much as **35%**

The Real Estate Market

- **Residential Real Estate Prices**



The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **WORST CASE:**
- The current **Recession** turns into a **long-term** Depression
- The current **residential R/E correction** continues to slide for next **2-3 years** to Jan 2004 levels (down another **45%**).
- The **commercial R/E market** turns south and values fall as much as **35%**

The Real Estate Market & The Economy

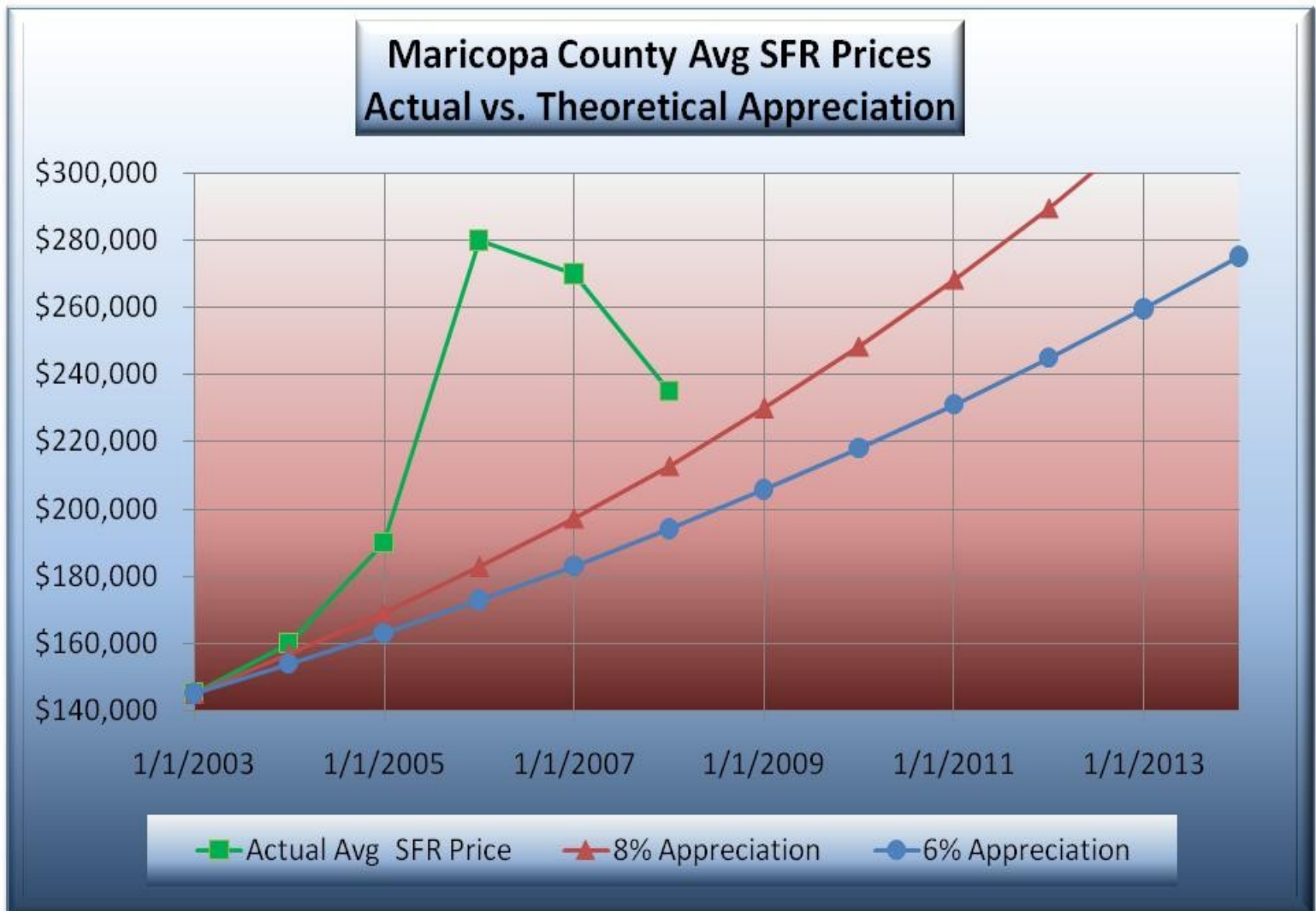
- **How they may affect ASL (depending on severity)**
- **WORST CASE:**
Possible Results:
 - Our cash flow from loan payments would likely decrease substantially
 - Our foreclosures would likely greatly increase

The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **BEST CASE:**
- The current **recession** is like the last couple and only lasts **3-4 months**
- The current **residential R/E correction** bottoms out in the next **6 months** and values immediately **begin increasing.**
- The **commercial R/E market** only **slows** to inflation-level growth.

The Real Estate Market

- **Residential Real Estate Prices**



The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **BEST CASE:**
- The current **recession** is like the last couple and only lasts **3-4 months**
- The current **residential R/E correction** bottoms out in the next **6 months** and values immediately **begin increasing**.
- The **commercial R/E market** only **slows** to inflation-level growth.

The Real Estate Market & The Economy

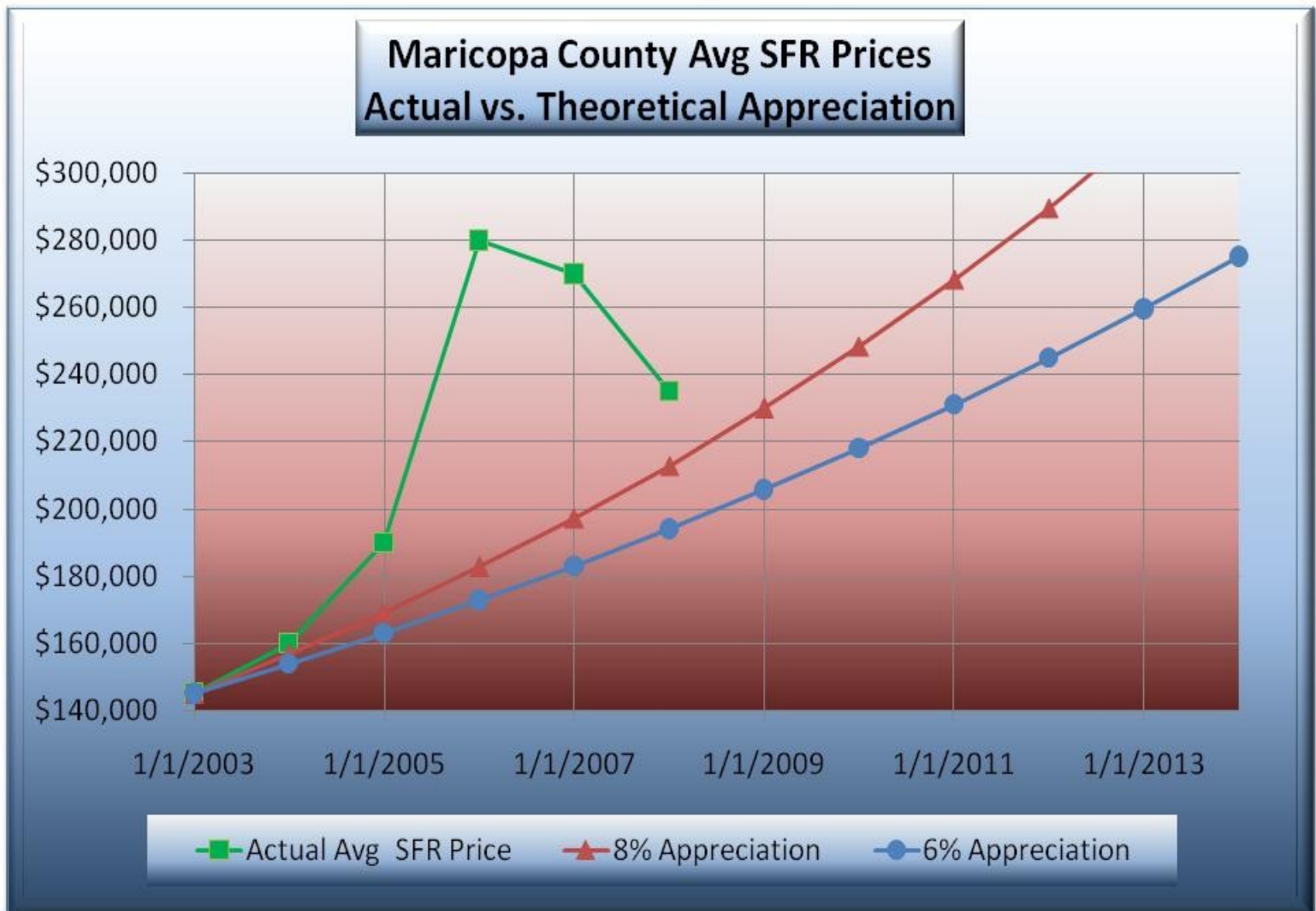
- **How they may affect ASL (depending on severity)**
- **BEST CASE:**
Possible Results:
 - We will see no significant decrease in loan payments
 - No great increase in foreclosures
 - Will continue to increase dividends

The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **MIDDLE-OF-ROAD SCENARIO:**
- The current **recession** lasts **6-12 mos**
- The current **residential R/E** correction bottoms out in **9-12 months** at about Mar 2005 values (another **15%**) and then begin increasing moderately.
- The **commercial R/E market** has moderate price declines of **5% to 15%** over next **1-2 years** & slow appreciation the following 2-3 years

The Real Estate Market

- **Residential Real Estate Prices**



The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **MIDDLE-OF-ROAD SCENARIO:**
- The current **recession** lasts **6-12 mos**
- The current **residential R/E** correction bottoms out in **9-12 months** at about Mar 2005 values (another **15%**) and then begin increasing moderately.
- The **commercial R/E market** has moderate price declines of **5% to 15%** over next **1-2 years** & slow appreciation the following 2-3 years

The Real Estate Market & The Economy

- **How they may affect ASL (depending on severity)**
- **MIDDLE-OF-ROAD SCENARIO:**
Possible Results:
- We will have higher than normal loan delinquencies and foreclosures for 2008 and 2009
- Will likely adversely affect profitability, perhaps by 10%, but will either only slow the increase in dividends or cause us to maintain same dividends

Our Commitment to Our Shareholders

1. Continue paying dividends equal to or greater than last year's.
2. Grow the dividends & value of Co. shares by growing the Co. in a prudent, profitable manner.

Any Questions?

