



# **Alfa Corporation**

## **Investor Supplement**

### **First Quarter 2007**

This Investor Supplement is for informational purposes only. The consolidated financial statements and financial exhibits included herein are unaudited. These consolidated financial statements and exhibits should be read in conjunction with the consolidated financial statements and notes thereto included in Form 10-K.

Measures used in these financial statements and exhibits that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (\*) the first time they appear. These measures are defined on the page "Definitions of Non-GAAP, GAAP and Operating Measures" and are reconciled to the most directly comparable GAAP measure herein.

**ALFA CORPORATION**  
**PROPERTY/CASUALTY SEGMENT (UNAUDITED)**  
(in thousands, except ratios and per share data)

	Three Months Ended			Ratios	
	March 31,			2007	2006
	2007	2006	% Change		
<b>INCOME STATEMENT</b>					
<b>Revenues</b>					
Automobile Premiums	\$ 96,989	\$ 92,499	4.9		
Homeowner Premiums	54,150	51,509	5.1		
Other Premiums	4,240	3,408	24.4		
<b>Total Premiums - Property and Casualty Insurance</b>	<b>155,379</b>	<b>147,416</b>	<b>5.4</b>	<b>100.0%</b>	<b>100.0%</b>
Net Investment Income	11,561	9,679	19.4		
Other Income	4,844	3,414	41.9		
<b>Total Revenues</b>	<b>171,784</b>	<b>160,509</b>	<b>7.0</b>		
<b>Benefits, Losses and Expenses</b>					
Incurred Losses (Non-storm)	89,787	82,009	9.5	57.8%	55.6%
Incurred Losses (Storm)	13,915	9,912	40.4	9.0%	6.7%
Loss Adjustment Expense	7,930	7,044	12.6	5.1%	4.8%
<b>Total Benefits, Claims, Losses and Settlement Expenses</b>	<b>111,632</b>	<b>98,965</b>	<b>12.8</b>	<b>71.9%</b>	<b>67.1%</b>
Amortization of Deferred Policy Acquisition Costs	31,379	27,780	13.0	20.2%	18.8%
Other Operating Expenses	15,032	13,767	9.2	9.7%	9.3%
<b>Total Operating Expenses</b>	<b>46,411</b>	<b>41,547</b>	<b>11.7</b>	<b>29.9%</b>	<b>28.1%</b>
<b>Total Benefits, Losses and Expenses</b>	<b>158,043</b>	<b>140,512</b>	<b>12.5</b>	<b>101.8%</b>	<b>95.2%</b>
Income Before Income Tax Expense	13,741	19,997	(31.3)		
Income Tax Expense	3,330	5,134	(35.1)		
Operating Income *	10,411	14,863	(30.0)		
Realized Investment Gains (Losses), Net of Tax	(1,400)	(689)	(103.2)		
<b>Net Income</b>	<b>\$ 9,011</b>	<b>\$ 14,174</b>	<b>(36.4)</b>		
<b>Operating Income Per Share - Diluted *</b>	<b>\$ 0.13</b>	<b>\$ 0.18</b>	<b>(30.3)</b>		
<b>Net Income Per Share - Diluted</b>	<b>\$ 0.11</b>	<b>\$ 0.17</b>	<b>(36.8)</b>		
<b>Operating Return on Equity*</b>	<b>16.8%</b>	<b>17.9%</b>			
<b>Return on Equity*</b>	<b>16.0%</b>	<b>17.2%</b>			
<b>Other Key Information</b>					
<i>Earned Premium by Market</i>					
Alabama	\$ 111,689	\$ 109,417	2.1	71.9%	74.2%
Georgia	7,913	7,904	0.1	5.1%	5.4%
Mississippi	10,616	9,848	7.8	6.8%	6.7%
Alliance/VA Mutual	5,666	5,329	6.3	3.7%	3.6%
Nonstandard	19,495	14,918	30.7	12.6%	10.1%
<b>Total Earned Premium</b>	<b>\$ 155,379</b>	<b>\$ 147,416</b>	<b>5.4</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Incurred Losses by Market (Non-storm)</i>					
Alabama	\$ 63,002	\$ 59,984	5.0	56.4%	54.8%
Georgia	5,261	5,118	2.8	66.5%	64.8%
Mississippi	6,048	4,736	27.7	57.0%	48.1%
Alliance/VA Mutual	1,520	2,494	(39.1)	26.8%	46.8%
Nonstandard	13,956	9,677	44.2	71.6%	64.9%
<b>Total Incurred Losses</b>	<b>\$ 89,787</b>	<b>\$ 82,009</b>	<b>9.5</b>	<b>57.8%</b>	<b>55.6%</b>
<i>Lapse Ratio: Preferred and Standard Classes *</i>	3.17%	3.43%			
<i>Net Written Premium by LOB</i>					
Automobile	\$ 105,400	\$ 108,589	(2.9)		
Homeowner	53,822	50,855	5.8		
Other	4,891	4,535	7.9		
<b>Total Net Written Premium</b>	<b>\$ 164,113</b>	<b>\$ 163,979</b>	<b>0.1</b>		
<i>Net Written Premium by Market</i>					
Alabama	\$ 114,072	\$ 111,715	2.1		
Georgia	8,208	8,218	(0.1)		
Mississippi	10,446	10,576	(1.2)		
Alliance/VA Mutual	6,264	4,425	41.6		
Nonstandard	25,123	29,045	(13.5)		
<b>Total Net Written Premium</b>	<b>\$ 164,113</b>	<b>\$ 163,979</b>	<b>0.1</b>		

Data may differ from actual due to rounding.

**ALFA CORPORATION**  
**LIFE SEGMENT (UNAUDITED)**  
(in thousands, except ratios and per share data)

	Three Months Ended			Ratios	
	2007	2006	% Change	2007	2006
<b>INCOME STATEMENT</b>					
<b>Revenues</b>					
Traditional Life Insurance Premiums	\$ 12,167	\$ 11,255	8.1		
Universal Life Policy Charges	5,573	5,392	3.4		
Universal Life Policy Charges - COLI	1,673	1,699	(1.5)		
Interest-sensitive Life Policy Charges	2,825	2,741	3.1		
Annuity Policy Charges	-	-	0.0		
Group Life Insurance Premiums	536	491	9.2		
Total Premiums and Policy Charges - Life Insurance	22,774	21,578	5.5	100.0%	100.0%
Net Investment Income	14,638	13,590	7.7		
Other Income	-	-	0.0		
Total Revenues	37,412	35,168	6.4		
Benefits, Claims, Losses and Settlement Expenses	22,590	19,981	13.1	99.2%	92.6%
Dividends to Policyholders	1,144	1,115	2.6	5.0%	5.2%
Amortization of Deferred Policy Acquisition Costs	4,575	2,945	55.3	20.1%	13.6%
Other Operating Expenses	4,417	4,015	10.0	19.4%	18.6%
Total Benefits, Losses and Expenses	32,726	28,056	16.6	143.7%	130.0%
Income Before Income Tax Expense	4,686	7,112	(34.1)		
Income Tax Expense	1,483	2,234	(33.6)		
Operating Income	3,203	4,878	(34.3)		
Realized Investment Gains, Net of Tax	2,215	771	187.3		
<b>Net Income</b>	<b>\$ 5,418</b>	<b>\$ 5,649</b>	<b>(4.1)</b>		
Operating Income Per Share - Diluted	\$ 0.04	\$ 0.06	(34.7)		
Net Income Per Share - Diluted	\$ 0.07	\$ 0.07	(4.6)		
<u>Operating Return on Equity</u>	<u>6.8%</u>	<u>7.4%</u>			
<u>Return on Equity</u>	<u>8.9%</u>	<u>9.1%</u>			
<u>Other Key Information (all information presented on a STAT-basis)</u>					
<i>Annualized New Business Premium by LOB</i>					
Traditional Life	\$ 3,566	\$ 4,231	(15.7)		
Universal Life	1,127	1,106	1.9		
Interest-sensitive Life	631	597	5.7		
Total Issued New Business Premium by LOB	\$ 5,324	\$ 5,934	(10.3)		
<i>Annualized New Business Premium by Region</i>					
Alabama	\$ 4,605	\$ 5,195	(11.4)		
Georgia	361	406	(11.1)		
Mississippi	358	333	7.5		
Total Issued New Business Premium by Region	\$ 5,324	\$ 5,934	(10.3)		
<i>Actual vs. Expected Mortality Ratio *</i>	102%	99%			
<u><i>Persistency Ratio *</i></u>	<u>90.6%</u>	<u>91.4%</u>			

Data may differ from actual due to rounding.

**ALFA CORPORATION**  
**NONINSURANCE SEGMENT (UNAUDITED)**  
(in thousands, except ratios and per share data)

	Three Months Ended		
	March 31,		
	2007	2006	% Change
<b>INCOME STATEMENT</b>			
<b>Revenues</b>			
Equity Interest in MidCountry Financial (net of expense)	\$ 465	\$ 514	(9.5)
Loan Income (net of expense)	1,996	1,155	72.8
Other Net Investment Income	339	162	109.3
<b>Total Net Investment Income</b>	<b>2,800</b>	<b>1,831</b>	<b>52.9</b>
Fee/Commission Income - Agency Operations	10,014	10,810	(7.4)
Other Income	273	345	(20.9)
<b>Total Other Income</b>	<b>10,287</b>	<b>11,155</b>	<b>(7.8)</b>
<b>Total Revenues</b>	<b>13,087</b>	<b>12,986</b>	<b>0.8</b>
<b>Benefits, Losses and Expenses</b>			
Claims and Settlement Expenses - Agency Operations	1,097	733	49.7
Other Operating Expenses - Loan/Lease Operations	1,162	1,274	(8.8)
Other Operating Expenses - Agency Operations	7,652	9,044	(15.4)
Other Operating Expenses - Other Operations	306	345	(11.3)
<b>Total Benefits, Losses and Expenses</b>	<b>10,217</b>	<b>11,396</b>	<b>(10.3)</b>
Income Before Income Tax Expense	2,870	1,590	80.5
Income Tax Expense	1,066	589	81.0
Operating Income (Loss)	1,804	1,001	80.2
Realized Investment Gains (Losses), Net of Tax	-	-	0.0
<b>Net Income (Loss)</b>	<b>\$ 1,804</b>	<b>\$ 1,001</b>	<b>80.2</b>
<b>Operating Income (Loss) Per Share - Diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>79.3</b>
<b>Net Income (Loss) Per Share - Diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>79.3</b>
<b>Operating Return on Equity</b>	<b>1.3%</b>	<b>0.4%</b>	
<b>Return on Equity</b>	<b>1.3%</b>	<b>0.3%</b>	
<b>Other Key Information</b>			
	3/31/07	3/31/06	% Change
<i>Alfa Financial Corporation:</i>			
Loan Portfolio	\$ 125,061	\$ 127,210	(1.7)
Loan Portfolio Yield *	7.96%	7.51%	
Loan Gross Charge-offs	\$ (732)	\$ 172	
Loan Net Charge-offs	\$ (752)	\$ 134	
Loan Delinquency Ratio *	1.59%	1.12%	
<i>MidCountry Financial Corporation:</i>			
Carrying Value (42% and 43% ownership at 3/31/07 and 3/31/06, respectively)	\$ 58,129	\$ 53,910	7.8
Equity in Net Earnings	\$ 465	\$ 514	(9.5)
Return on Carried Value *	3.2%	3.8%	

Data may differ from actual due to rounding.

**ALFA CORPORATION**  
**CORPORATE SEGMENT AND ELIMINATIONS (UNAUDITED)**  
(in thousands, except ratios and per share data)

	Three Months Ended		
	March 31,		
	2007	2006	% Change
<b>INCOME STATEMENT</b>			
<b>Revenues</b>			
Premiums - Life Insurance	\$ (146)	\$ -	(100.0)
Investment Loss	(191)	(201)	5.0
Interest Expense	(1,362)	(923)	(47.6)
Total Net Investment Loss	(1,553)	(1,124)	(38.2)
Other Income	(6,517)	(7,199)	9.5
Total Revenues	(8,216)	(8,323)	1.3
<b>Benefits, Losses and Expenses</b>			
Claims and Settlement Expenses	(1,302)	(859)	(51.6)
Amortization of Deferred Policy Acquisition Costs	-	-	0.0
Other Operating Expenses	(3,984)	(6,408)	37.8
Total Benefits, Claims, Losses and Settlement Expenses	(5,286)	(7,267)	27.3
Loss Before Income Tax Expense (Benefit)	(2,930)	(1,056)	(177.5)
Income Tax Expense (Benefit)	(1,025)	(370)	(177.0)
Operating Income (Loss)	(1,905)	(686)	(177.7)
Realized Investment Gains (Losses), Net of Tax	-	-	0.0
Net Income (Loss)	\$ (1,905)	\$ (686)	(177.7)
Operating Income (Loss) Per Share - Diluted	\$ (0.02)	\$ (0.01)	(176.3)
Net Income (Loss) Per Share - Diluted	\$ (0.02)	\$ (0.01)	(176.3)

Data may differ from actual due to rounding.

**ALFA CORPORATION**  
**INVESTMENT PORTFOLIO**  
(in thousands, except ratios and per share data)

	Three Months Ended			Yields	
	March 31,			2007	2006
	2007	2006	% Change		
<b>Alfa Corporation Consolidated Investment Portfolio - Other Key Information</b>					
<i>Net Investment Income and Pre-tax Yield:</i>					
Fixed Income Securities	\$ 21,276	\$ 19,458	9.3	5.8%	5.6% <sup>1</sup>
Equity Securities	989	964	2.6	3.4%	3.6%
Collateral Loans	2,527	2,343	7.9		
Commercial Leases	23	48	(52.1)		
Other Investment Income	7,284	5,846	24.6		
Interest Expense	(3,918)	(3,422)	(14.5)		
Investment Expenses	(733)	(1,261)	41.9		
<b>Total Net Investment Income</b>	<b>\$ 27,448</b>	<b>\$ 23,976</b>	<b>14.5</b>		
<i>Investment Portfolio Composition:</i>					
	3/31/07	12/31/06			
<i>Fixed Income Securities, by Rating:</i> <sup>2</sup>					
<i>NAIC Rated</i>		<i>Moody's Rated</i>			
1		Aaa/Aa/A	\$ 1,443,734	\$ 1,353,897	6.6
2		Baa	79,219	83,338	(4.9)
3		Ba	2,065	2,060	0.2
4		B	1,972	4,454	(55.7)
5		Caa	-	-	0.0
6		In or near default	-	-	0.0
Not Rated			3,000	3,000	0.0
Total Fixed Income Securities	1,529,990	1,446,749			5.8
Equity Securities	116,735	111,427			4.8
Collateral Loans	125,426	128,685			(2.5)
Other Invested Assets	305,677	319,457			(4.3)
<b>Total Investments</b>	<b>2,077,828</b>	<b>2,006,318</b>			<b>3.6</b>
Investment In Affiliates	117,397	120,819			(2.8)
<b>Total</b>	<b>\$ 2,195,225</b>	<b>\$ 2,127,137</b>			<b>3.2</b>

<sup>1</sup> Yield on Fixed Income Securities is calculated as annualized income divided by the average of the beginning and end of period amortized investment balances for the same 12-month period, which exclude unrealized investment gains and losses.

<sup>2</sup> Investment Portfolio Composition values for Fixed Income Securities are based on fair value for available for sale securities and amortized value for held for investment securities.

Data may differ from actual due to rounding.

**ALFA CORPORATION**  
**QUARTERLY FINANCIAL SUPPLEMENT**  
**March 31, 2007**  
**(Unaudited)**

**Additional Information**

	03:1Q	03:2Q	03:3Q	03:4Q	2003
Pretax P&C Net Investment Income	6,910,185	7,653,547	7,423,546	6,516,131	28,503,409
Pretax P&C Operating Income	20,276,043	16,813,874	16,415,815	16,120,258	69,625,990
P&C Statutory Invested Assets	619,015,221	626,103,044	640,677,141	643,775,395	
P&C Statutory Surplus	300,514,053	308,384,829	314,946,117	323,362,342	
P&C Loss & LAE Reserves (1)	144,689,722	145,691,012	147,585,697	139,589,753	
Pretax Life Net Investment Income	11,534,769	10,948,305	10,843,170	11,408,366	44,734,610
Pretax Life Operating Income	5,630,299	6,071,633	5,514,256	9,528,981	26,745,169
Life Statutory Invested Assets	771,143,631	809,472,299	808,833,684	823,345,514	
Life Statutory Surplus	127,075,494	130,374,293	133,237,013	144,834,065	
	04:1Q	04:2Q	04:3Q	04:4Q	2004
Pretax P&C Net Investment Income	7,422,200	7,529,905	8,148,041	11,646,118	34,746,264
Pretax P&C Operating Income	26,792,114	19,926,490	21,346,862	22,743,798	90,809,264
P&C Statutory Invested Assets (2)	663,386,315	668,080,084	722,795,981	716,630,234	
P&C Statutory Surplus	335,394,591	343,130,340	340,815,304	369,838,232	
P&C Loss & LAE Reserves (1)	144,839,184	144,417,593	151,118,973	150,856,684	
Pretax Life Net Investment Income	11,464,207	12,070,627	13,044,596	12,549,202	49,128,632
Pretax Life Operating Income	6,101,031	4,881,196	5,704,300	8,778,931	25,465,458
Life Statutory Invested Assets	850,439,601	865,246,778	876,301,256	890,441,591	
Life Statutory Surplus	147,078,186	149,627,085	151,079,986	161,992,039	
	05:1Q	05:2Q	05:3Q	05:4Q	2005
Pretax P&C Net Investment Income	9,310,764	8,926,932	11,232,799	10,729,178	40,199,673
Pretax P&C Operating Income	19,002,266	33,255,773	29,255,953	24,178,448	105,692,440
P&C Statutory Invested Assets (2)	705,855,331	715,563,873	720,574,977	733,114,630	
P&C Statutory Surplus	372,285,887	385,401,304	398,052,284	407,475,146	
P&C Loss & LAE Reserves (1)	145,569,327	141,926,723	149,282,527	157,988,560	
Pretax Life Net Investment Income	12,226,938	13,061,800	12,661,842	13,012,004	50,962,584
Pretax Life Operating Income	7,722,260	7,001,604	6,004,445	9,749,301	30,477,610
Life Statutory Invested Assets	923,042,022	932,889,527	957,943,993	957,658,384	
Life Statutory Surplus	163,786,697	167,102,347	171,890,971	177,189,239	
	06:1Q	06:2Q	06:3Q	06:4Q	2006
Pretax P&C Net Investment Income	9,678,917	8,867,842	10,230,689	10,639,827	39,417,275
Pretax P&C Operating Income	19,996,255	32,528,491	27,338,061	29,125,239	108,988,046
P&C Statutory Invested Assets (2)	781,525,886	792,053,522	789,965,735	815,633,254	
P&C Statutory Surplus	410,789,564	430,367,018	424,266,223	450,690,007	
P&C Loss & LAE Reserves (1)	163,390,031	161,008,518	164,960,736	170,675,884	
Pretax Life Net Investment Income	13,590,101	13,716,250	14,296,140	14,924,804	56,527,295
Pretax Life Operating Income	7,113,633	6,783,319	8,585,952	11,599,737	34,082,641
Life Statutory Invested Assets	1,002,957,159	999,648,875	1,017,945,275	1,031,591,536	
Life Statutory Surplus	182,409,009	179,808,669	184,518,325	202,198,338	
	07:1Q	07:2Q	07:3Q	07:4Q	2007
Pretax P&C Net Investment Income	11,561,426				11,561,426
Pretax P&C Operating Income	13,742,157				13,742,157
P&C Statutory Invested Assets (2)	858,199,394				
P&C Statutory Surplus	458,720,955				
P&C Loss & LAE Reserves (1)	186,168,206				
Pretax Life Net Investment Income	14,638,077				14,638,077
Pretax Life Operating Income	4,685,844				4,685,844
Life Statutory Invested Assets	1,066,821,010				
Life Statutory Surplus	206,159,735				

(1) P&C Loss & LAE Reserves for fourth quarter 2003, fourth quarter 2004 and periods beginning in 2005 include salvage and subrogation receivables.

(2) P&C Statutory Invested Assets for fourth quarter 2004 and periods beginning in 2005 reflect a reclassification of premium installment plan receivables into Accounts Receivable.

## Definitions of Non-GAAP, GAAP and Operating Measures

Management believes that disclosure of the following non-GAAP financial measures provides investors with meaningful tools to assess the Company's ongoing operations. Our methods of calculating these measures may differ from those used by other companies, thereby limiting comparability.

**Operating Income** is defined as net income excluding realized investment gains and losses, net of applicable taxes. Management uses operating income as a measure of the Company's ongoing profitability since it eliminates the effect of securities market volatility from earnings.

**Operating Income per Share** is defined as operating income divided by the weighted average shares outstanding for the reporting period. Management uses operating income per share as a measure of the Company's ongoing profitability since it eliminates the effect of securities market volatility from earnings.

**Operating Return on Equity (Current Period)** is defined as operating income for the trailing 12-month period divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

**Operating Return on Equity (Prior Period)** is defined as operating income for the prior year divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

**Return on Equity (Current Period)** is defined as net income for the trailing 12-month period divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

**Return on Equity (Prior Period)** is defined as net income for the prior year divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

Management uses the following GAAP ratios to measure the Company's ongoing operations. They are calculated as follows:

**Loss Ratio** is defined as incurred losses divided by earned premiums.

**Loss Adjustment Expense Ratio** is defined as loss adjustment expenses divided by earned premiums.

**Operating Expense Ratio** is defined as total operating expenses divided by earned premiums.

**Combined Ratio** is defined as the sum of the loss ratio, the loss adjustment expense ratio and the expense ratio or the sum of incurred losses, loss adjustment expenses and total operating expenses divided by earned premiums.

Management uses the following operating statistics to measure components of the Company's ongoing operations. They are calculated as follows:

**Lapse Ratio** is defined as the number of policies lapsing as a percentage of billings produced during a stated time period.

**Actual vs. Expected Mortality Ratio** is defined as benefit payments divided by the actuarially estimated benefit payments for the stated time period.

**Persistency Ratio** is defined as the annualized premium of policies in force at the end of the period as a percentage of the annualized premium paid at the end of the period.

**Loan Portfolio Yield** is defined as annualized interest income divided by the loan portfolio balance.

**Loan Delinquency Ratio** is defined as the amount of loans 30 or more days past due divided by the loan portfolio balance.

**Return on Carried Value** is defined as equity in net earnings divided by the simple average of beginning and end of period carrying value.

Certain amounts in prior periods have been reclassified to conform to the presentation adopted in the current period. Such reclassifications did not impact earnings.