

The cover features a geometric design with a light gray triangle on the left and a dark blue triangle on the right, meeting at a diagonal line. A white rectangular box with a thin gold border is centered over the gray area. Inside the box, the text 'ANNUAL REPORT' is in a large, black, serif font, followed by a horizontal gold line, and then '2018' in a slightly smaller, black, serif font. At the bottom, a green horizontal bar contains the company name in white serif font, flanked by two thin white horizontal lines.

ANNUAL REPORT

2018

AMERICAN SAVINGS
LIFE INSURANCE COMPANY

Dear Fellow SHAREHOLDERS,

The year 2018 was in part a preparation year for some exciting developments which should begin to bear fruit this year and continue to evolve American Savings Life Insurance Company (“the Company”)—hopefully for the better! The year was, of course, not without its challenges as well. (What fun would it be if it was ever easy?)

Let’s get the bad news out of the way first. **The two biggest challenges** that adversely affected 2018’s results were: First, we had the largest foreclosure in Company history (not a record to be proud of). It was a \$2.8 million loan secured by 15 rental luxury condos in Houston, TX. This foreclosure reduced 2018’s investment income by over \$200,000. Second, despite achieving a record year of \$17.8 million in loans originated, we were unsuccessful in achieving our ambitious goal of \$24 million, also affecting the year’s earnings.

Now for the good news! We began laying the **groundwork for future growth** that will enhance our core business while reducing risk by further diversifying both our lending and our insurance lines of business. These included three significant developments: two with our lending business and one with our insurance business.

First, to better leverage the strengths and abilities within American Life Financial (ALF), the Company’s lending arm, **Anthony Turdó** assumed the position of Chief Loan Underwriter so he could focus his considerable talents on the critical responsibilities of evaluating, underwriting and closing loans.



Anthony Turdó
Chief Loan Underwriter



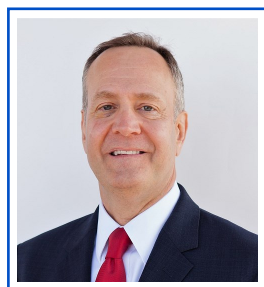
Paul Whetten
ALF Managing Executive

Paul Whetten who has extensive management experience in the financial services industry, accepted management responsibilities for ALF. Paul has a rare talent for both managing a team and leading strategically. We are very pleased with the effectiveness of both of these talented men!

The second development with our lending business is the **expansion of our lending area** (see page 11 for a map). Just 5 years ago we lent

almost exclusively in Arizona. Over the next few years we gradually expanded to six southwestern states. Toward the end of 2018, the board of directors approved extending our lending area to include [all 12 western states](#), from Washington to Texas. As we develop our presence in this expanded market we expect to achieve our goals of growing our lending business. Additionally, having our mortgage loans more geographically diversified is an intentional strategy to reduce our lending risks.

On the insurance side, we are excited to announce that [Michael Frahm](#) joined our team at the end of 2018 as Vice-President of Insurance and Annuities. Michael brings extensive industry and product development experience and elevates our Company's competence and professionalism. He oversees our annuity business while developing a single premium whole life insurance policy, a valuable tool for passing tax-free monies to one's heirs. It will be an effective complement to our annuity business and a diversified source of premium income for the Company. We anticipate commencing sales this summer with additional new life insurance products to follow.



Michael Frahm
V.P. Insurance & Annuities

In Memoriam—Frihoff Grant Allen (1937—2018)

In the history of American Savings Life, few people have provided more years of service and greater contributions to the Company than Frihoff Grant Allen. Grant was instrumental in overseeing our computer programming and systems from practically the dawn of the computer age. Since the days of IBM mainframe computers, we have leveraged technology as a competitive advantage, and Grant led our continual technology evolution for most of our 65-year history.



Frihoff Grant Allen

Grant was also the Company Vice-President from 1988 until he retired in 2004. He continued to serve as a Director for another 14 years, including being Chairman of the Board for the past 4 years.

Thank you, Grant, for the legacy of dedication you have left and for the countless contributions you provided. We miss you.

The Upside & Downside of Recent Tax Law Changes

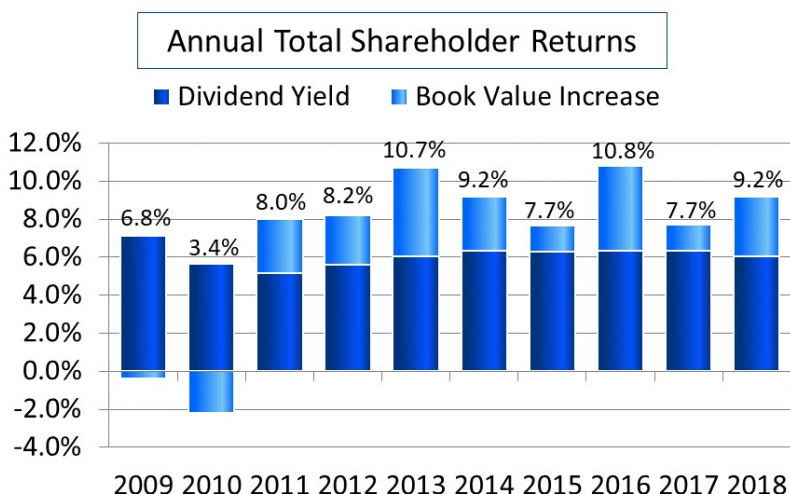
The 2018 tax reform provided a major immediate upside in 2018 but will result in higher taxes in future years, so only time will tell whether or not it ends up as a net benefit to the Company. The largest immediate impact to us was the elimination of the Alternative Minimum Tax (AMT). This allowed us to recognize as an asset the \$470,000 deferred tax asset we had accumulated from AMT and apply that asset toward the next \$470,000 of federal income tax owed. This saved approximately \$350,000 of income tax in 2018.

The downside includes a higher tax on our life insurance and annuity reserves as well as a higher effective federal tax rate, which increases from approximately 18% to 21%. Based on current income levels, these higher taxes will be approximately \$50,000 per year.

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 value at the beginning of the year. 2018 resulted in a Dividend Yield of 6.0% plus an additional 3.2% increase in your stock's book value for a **Total Shareholder Return of 9.2%**.

Over the last decade (which includes the aftermath of the Great Recession of 2008), the Company's Total Shareholder Return has been consistently positive with an average return of 8.14% for our shareholders.



First 2019 Semi-Annual Dividend Declared

The Board of Directors has declared a **12¢ per share semi-annual dividend** to be paid on April 5, 2019 to shareholders of record as of March 31, 2019. This is equivalent to an annualized **dividend yield of 5.8%**. The Board intends to declare the second semi-annual dividend in August, to be paid in October. This will be the 37th consecutive year that we have paid cash dividends.

Rolling Forward to an Even Brighter Future!

As the picture of our executive leadership team humorously portrays, we are rolling forward to an even brighter future with the new developments described above. We welcome the challenges that are sure to come along and are confident in the abilities of our talented and dedicated staff to navigate the Company to ever greater success. We look forward to sharing the ride with you!

With warmest regards,



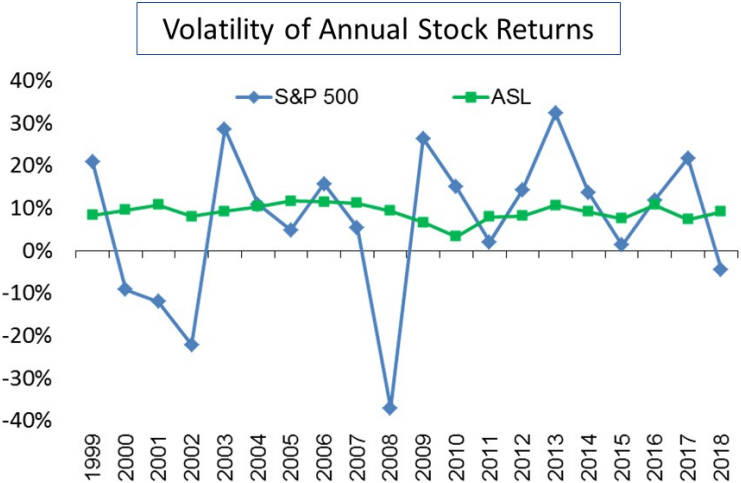
Byron Frihoff Allen, President

Executive Leadership Team

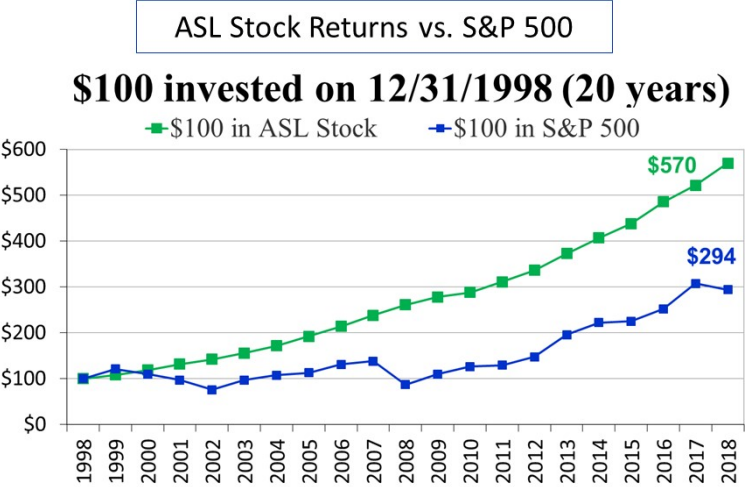


(L-to-R): Gove Allen, *Legal Counsel*; Robert Allen, *V.P.-Operations*; Byron Allen, *President*; Brandi Murobayashi, *Controller*; Richard Unangst, *Chief Compliance Officer*; Paul Whetten, *Mortgage Operations Managing Executive*; Michael Frahm, *V.P.-Life Insurance & Annuities*

Slow and Steady WINS THE RACE



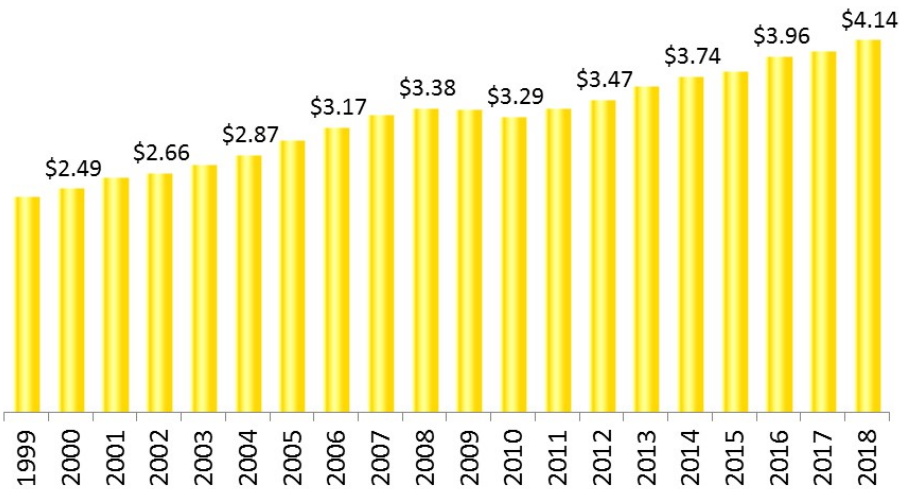
As the above chart illustrates, ASL’s stock performance has not included years of negative returns as compared to the stock market (S&P 500 Index) over the last two decades. Therefore, over this time **ASL’s stock has increased at a compounded annual rate of 9.1% vs. 5.6% for the S&P 500**. (Compound interest assumes reinvestment of dividends.)



Historical performance is no guarantee of future results and is not intended to forecast future performance. The same analysis performed over different time periods will produce different results.

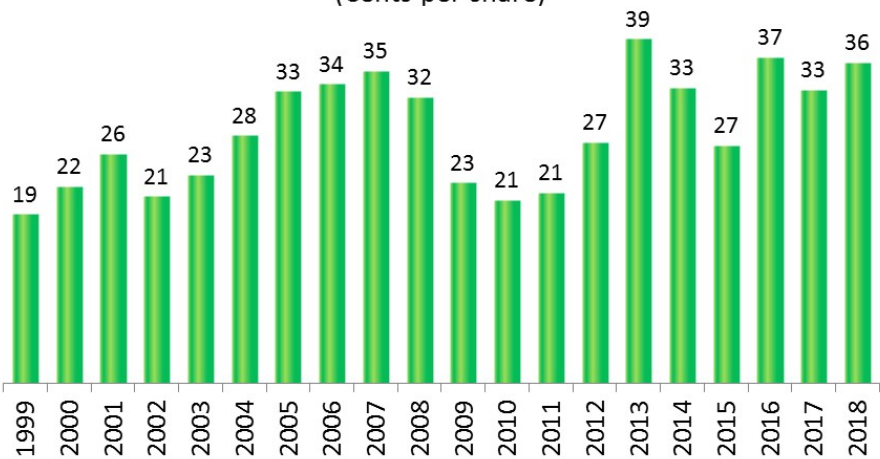
20-Year PERFORMANCE

Stockholders Equity per Share



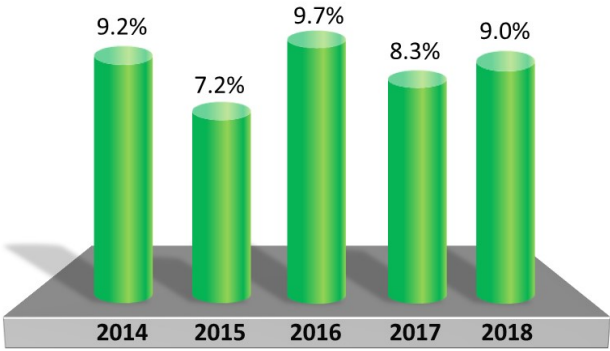
Annual Net Income per Share

(Cents per share)



5-Year FINANCIAL HIGHLIGHTS

Return On Equity



2018
Return On
Equity
9.0%

Net Income per share

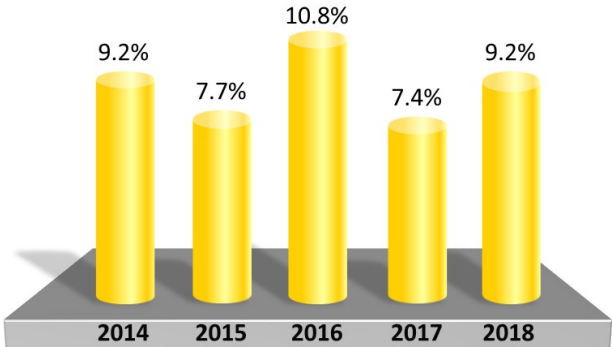
*Beginning of Year
Book Value per share*

Total Shareholder Return

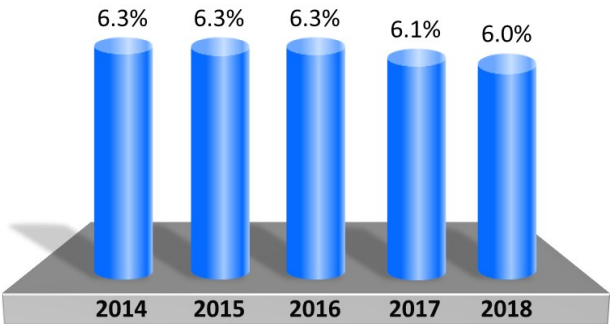
2018 Total
Shareholder
Return
9.2%

*Dividends + Incr. in
Book Value per share*

*Beginning of Year
Book Value per share*



Dividend Yield



2018
Dividend
Yield
6.0%

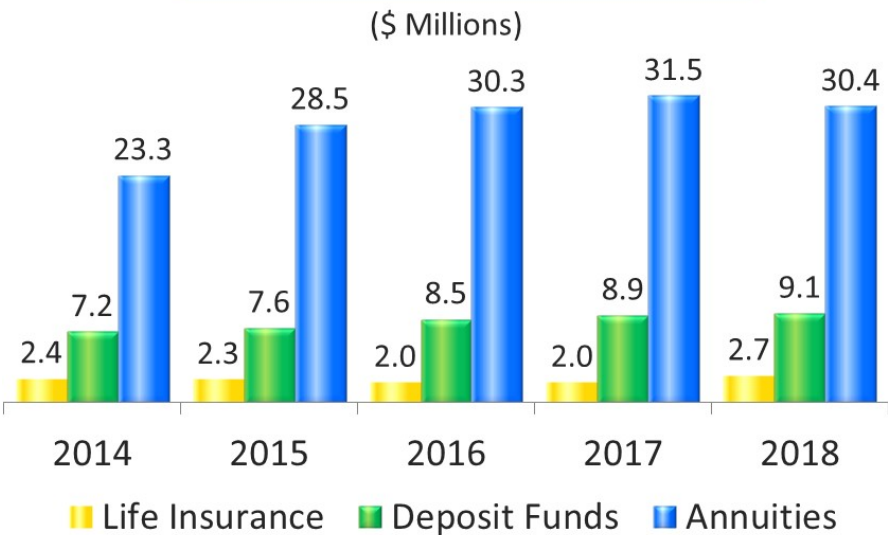
Dividends per share

*Beginning of Year
Book Value per share*

A Graphical Perspective of Our LINES OF BUSINESS

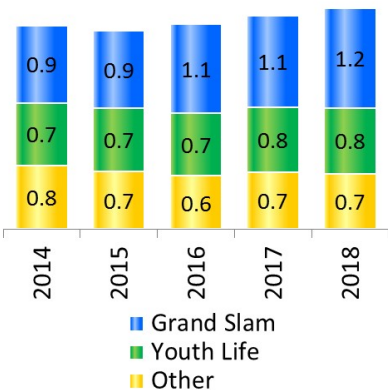
Life Insurance and Annuities

Insurance & Annuity Reserves



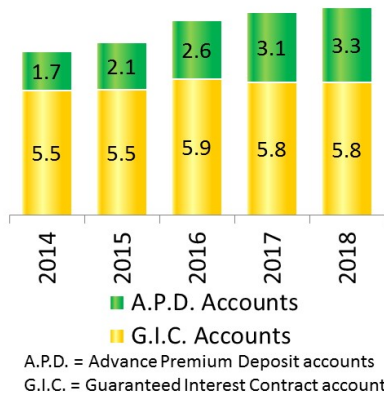
Life Insurance Reserves by Type

(\$ Millions)



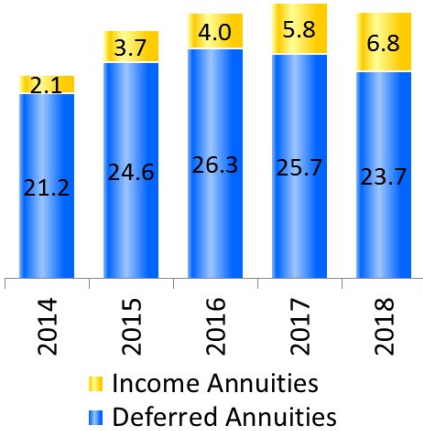
Funds on Deposit by Type

(\$ Millions)



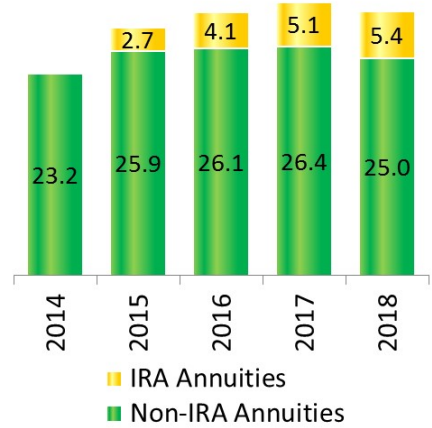
Annuities by Type – Chart 1

(\$ Millions)



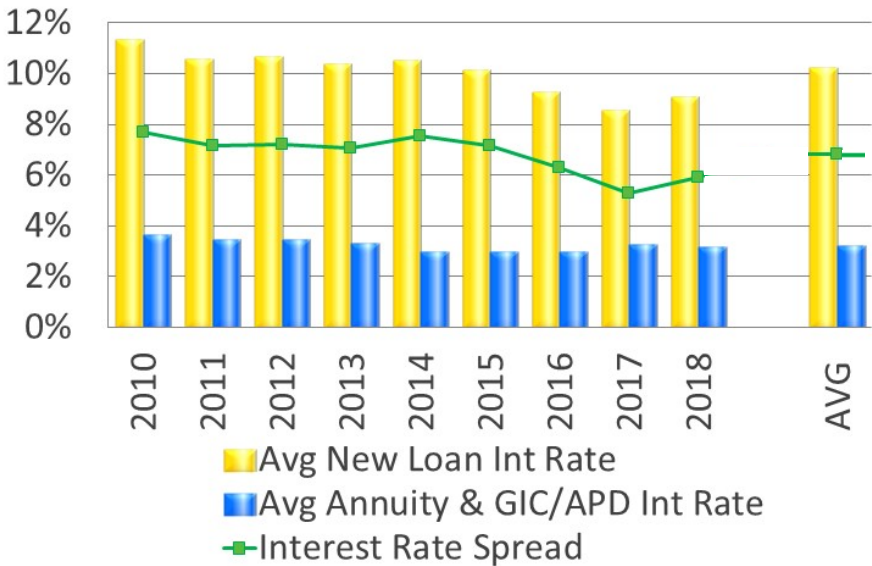
Annuities by Type – Chart 2

(\$ Millions)



Interest Earnings vs. Interest Expense

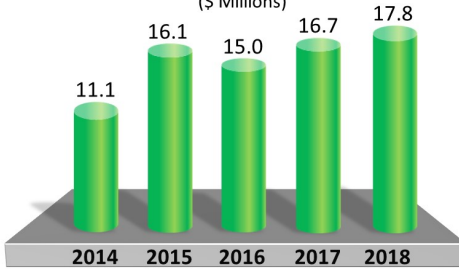
Interest Rate Spreads



Mortgage Lending

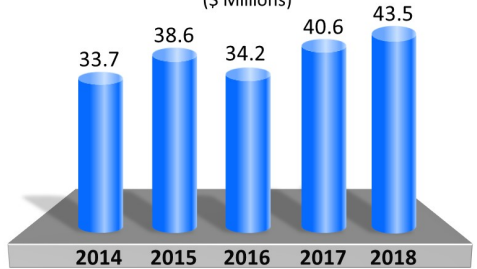
Annual Loan Originations

(\$ Millions)

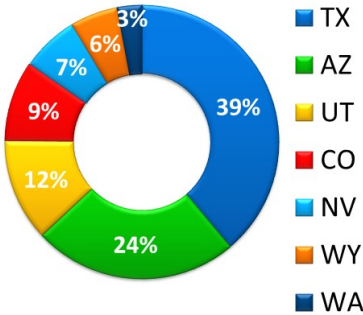


Total Loan Portfolio

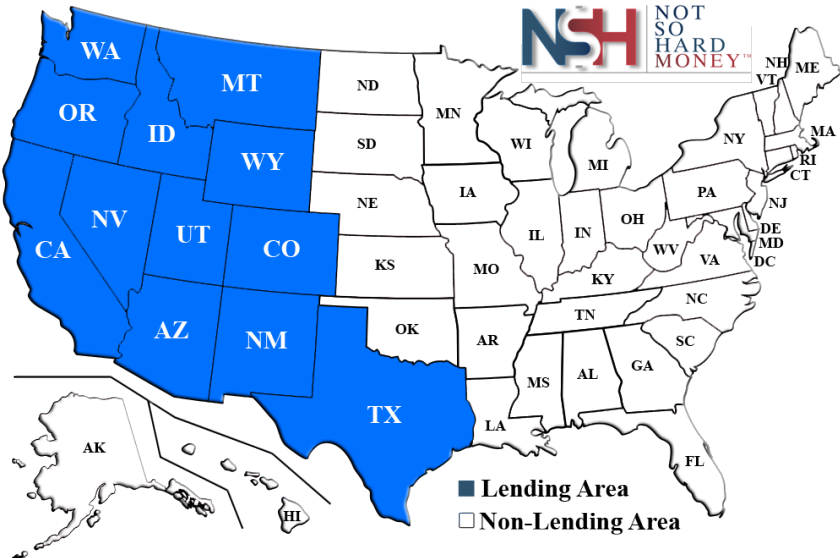
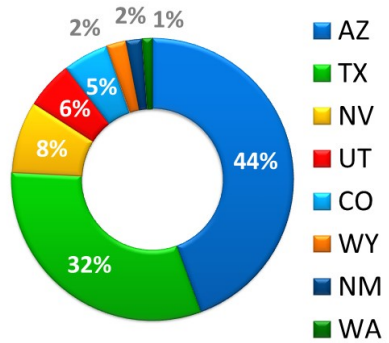
(\$ Millions)



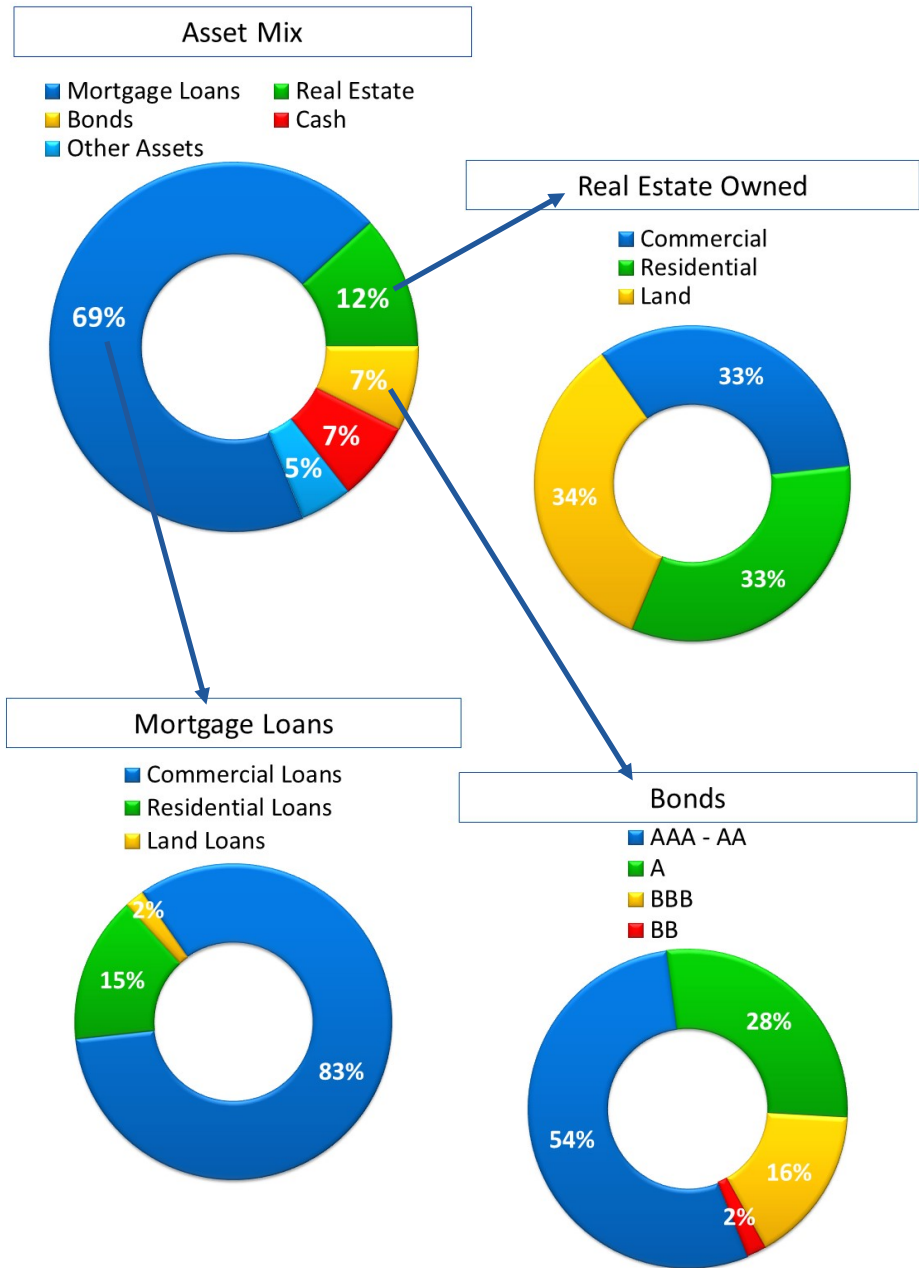
Loans Originated by State in 2018



Total Loan Portfolio by State

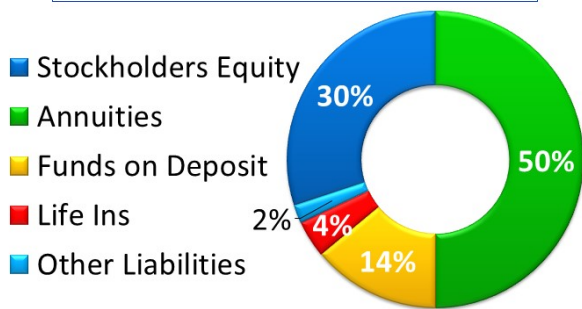


A Graphical Perspective of Our INVESTED ASSETS



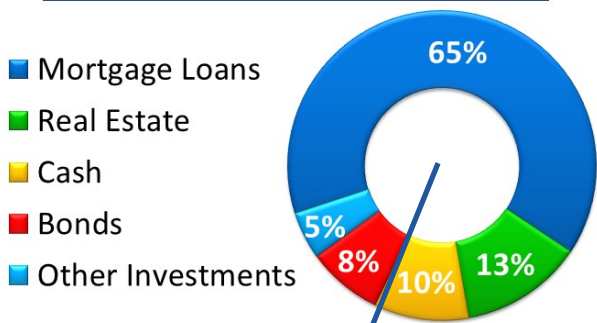
Cost of Capital vs. INVESTMENT YIELDS

Assets by Sources of Capital

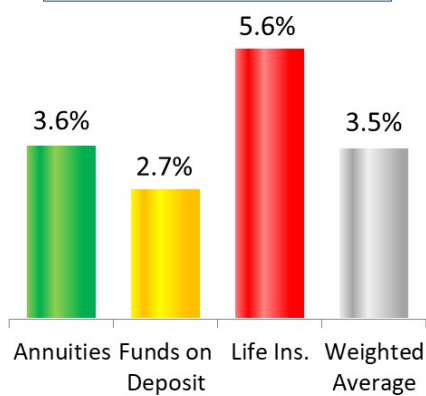


68% of our Assets are Reserves for Policyholders

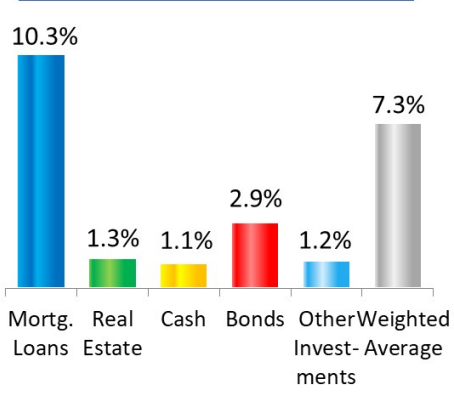
Invested Assets by Type



Avg. Cost of Capital (Policyholder Reserves)



Yields on Investment by Type



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31: 2018, 2017, 2016, 2015 & 2014 (UNAUDITED)

	2018	2017	2016	2015	2014
Statement of Operations Data					
Total Revenues	5,975,460	6,516,213	5,248,331	5,735,130	4,588,938
Total Expenses	4,348,324	4,687,578	3,187,516	4,179,350	2,830,032
Net Taxable Income	1,627,136	1,828,635	2,060,815	1,555,780	1,758,907
Net Income	1,650,422	1,521,325	1,701,812	1,259,722	1,581,471
Statement of Financial Position Data					
Total Assets	62,927,817	62,825,904	60,583,811	57,454,701	51,594,041
Total Reserves for Life Ins, Annuities & Deposits	42,219,819	42,972,890	41,289,410	38,511,402	32,921,946
Total Liabilities	43,970,280	44,291,443	42,201,448	39,615,111	33,816,058
Total Shareholders Equity	18,957,537	18,534,460	18,382,363	17,839,590	17,777,982
Per Share Data					
Total Shares Outstanding	4,574,859	4,617,649	4,642,202	4,707,114	4,755,107
Earnings Per Share (EPS)	0.361	0.329	0.367	0.268	0.333
Dividends Per Share (DPS)	0.240	0.240	0.240	0.235	0.230
Book Value of Equity Per Share (BVPS)	4.144	4.014	3.960	3.790	3.739
Key Performance Measurements					
Dividend Yield (DPS / prior-yr. BVPS)	5.98%	6.06%	6.33%	6.29%	6.33%
Investment Yield (net inv. inc. + cap. gains / prior yr. assets)	7.35%	7.85%	8.39%	8.43%	8.49%
Return on Equity (net income / prior yr. BVPS)	8.99%	8.32%	9.67%	7.16%	9.15%
Total Shareholder Return (DPS + BVPS incr. / prior yr. BVPS)	9.22%	7.42%	10.82%	7.66%	9.21%

The Notes on pages 18-29 are an integral part of these financial statements.

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC 31: 2018, 2017 & 2016 (UNAUDITED)

REVENUES	2018	2017	2016
Premiums - Life insurance	161,898	160,261	145,601
Premiums - Annuities w/ mortality risk	1,195,632	1,599,257	283,445
Investment income net of expenses <i>See Note 10 on pages 27-28</i>			
Cash & cash equivalents	72,414	86,411	88,522
Mortgage loans	4,419,956	4,631,953	4,573,927
Real estate owned	(188,099)	(152,227)	(153,009)
Marketable securities	133,711	122,917	98,682
Other investment income	20,489	37,212	105,478
Realized Capital Gains/(Losses)	159,460	30,429	105,686
TOTAL REVENUES	5,975,460	6,516,213	5,248,331
EXPENSES			
Policyholder benefits	123,785	103,192	101,340
Increase in life reserves & loading	1,538,938	1,874,778	510,595
Policy acquisition costs	87,359	73,046	(577)
Interest on insurance and annuities	1,039,492	1,098,363	1,135,619
General expenses			
Salaries and wages	1,061,143	1,045,840	999,625
Employee Benefits & Taxes	265,807	263,429	229,853
Professional fees	113,213	120,987	119,395
Other expenses	97,969	79,719	80,379
Taxes licenses and fees	20,619	28,225	11,286
TOTAL EXPENSES	4,348,324	4,687,578	3,187,516
NET TAXABLE INCOME	1,627,136	1,828,635	2,060,815
Federal Income Tax	23,286	(307,309)	(359,003)
NET INCOME	1,650,422	1,521,325	1,701,812
Total shares outstanding	4,574,859	4,617,649	4,642,202
Net Income per share	\$ 0.361	\$ 0.329	\$ 0.367

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2018, 2017, & 2016 (UNAUDITED)

ASSETS	2018	2017	2016
Cash and cash equivalents	4,617,717	6,591,709	9,062,109
Bond Mutual funds	0	2,699,169	5,717,127
Bonds	4,637,981	4,733,878	2,854,130
Common Stocks	1,059,918	1,105,732	625,435
Policy loans	63,010	79,511	73,717
Mortgage loans	43,479,155	40,580,656	34,280,588
Investments in partnerships	484,538	678,763	1,240,143
Real estate investments	7,334,309	5,151,078	5,658,534
TOTAL CASH & INVESTED ASSETS	61,676,629	61,620,495	59,511,784
Accrued interest & deposits	394,281	471,702	371,215
Deferred policy acquisition asset	315,835	335,715	350,056
Land, building & office equipment	209,457	203,896	205,658
Deferred tax asset	331,615	194,096	145,097
TOTAL ASSETS	62,927,817	62,825,904	60,583,811
LIABILITIES			
Reserve for life policies	2,675,854	2,592,828	2,480,149
Reserve for annuities	30,446,273	31,483,234	30,278,716
Funds on deposit (APD/GIC)	9,097,692	8,896,829	8,530,546
Expenses due & accrued and other	460,720	217,155	283,391
Amounts held by ASLIC for others	1,289,741	1,101,399	628,646
TOTAL LIABILITIES	43,970,280	44,291,443	42,201,448
SHAREHOLDERS EQUITY			
Capital stock	929,841	928,961	928,093
Capital stock in excess of par	2,674,503	2,640,296	2,607,542
Retained earnings	22,575,259	21,869,583	21,537,638
Other comprehensive income/(loss)	(282,607)	(155,571)	(60,361)
Less treasury stock	(6,939,460)	(6,748,810)	(6,630,549)
TOTAL SHAREHOLDERS EQUITY	18,957,537	18,534,460	18,382,363
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	62,927,817	62,825,904	60,583,811
Shares Outstanding	4,574,859	4,617,649	4,642,202
Equity Value Per Share	\$ 4.144	\$ 4.014	\$ 3.960

The Notes on pages 18-29 are an integral part of these financial statements.

Consolidated Statement of Cash Flow

FOR THE YEARS ENDED DEC 31: 2018, 2017, & 2016 (UNAUDITED)

OPERATING ACTIVITIES	2018	2017	2016
<i>Funds provided from operations</i>			
Premiums received and annuity increases	\$2,475,960	\$1,761,716	\$2,448,693
Net investment income (excl. realized gains)	4,656,580	4,552,455	4,618,992
<i>Total funds provided from operations</i>	<i>7,132,540</i>	<i>6,314,171</i>	<i>9,734,428</i>
<i>Funds used in operations</i>			
Benefits and loss related payments	(4,653,359)	(1,989,136)	(1,880,396)
Commissions & other expenses & taxes paid (excluding federal income taxes)	(1,312,702)	(1,419,188)	(1,329,949)
Dividends paid to policyholders	(46,253)	(42,526)	(39,333)
Federal income taxes paid (excl. capital gains tax)	462	(525,435)	(324,078)
<i>Total funds (used) in operations</i>	<i>(6,011,853)</i>	<i>(3,976,285)</i>	<i>(3,573,757)</i>
<i>Net cash provided from operations</i>	<i>1,120,687</i>	<i>2,337,886</i>	<i>3,493,928</i>
INVESTING ACTIVITIES			
<i>Funds provided from investments sold, matured or repaid</i>			
Bonds	1,549,548	697,639	175,580
Stocks	2,755,837	3,546,722	69,593
Mortgage Loans	11,874,169	12,255,972	16,218,858
Real Estate	1,913,326	537,181	1,308,239
Other invested assets	73,128	377,033	70,902
<i>Total investment proceeds before capital gains tax</i>	<i>18,166,008</i>	<i>17,414,547</i>	<i>17,843,172</i>
<i>Cost of investments acquired</i>			
Bonds, Mutual Funds & long term CD's	(1,535,188)	(2,725,764)	(365,037)
Stocks	(90,207)	(921,057)	(5,741,054)
Mortgage Loans	(18,397,217)	(18,333,880)	(14,365,604)
Real Estate and other invested assets	0	(146,376)	(247,920)
<i>Total cost of investments acquired</i>	<i>(20,022,611)</i>	<i>(22,127,077)</i>	<i>(20,719,615)</i>
(Increase) Decrease in policy loans	16,501	(5,794)	(2,523)
<i>Net cash provided by investment activities</i>	<i>(1,840,102)</i>	<i>(4,718,324)</i>	<i>(2,878,966)</i>
FINANCING ACTIVITIES			
<i>Funds provided from (used for) financing activities</i>			
Capital and paid in surplus net of treasury stock	(155,563)	(84,638)	(220,572)
Net deposits on deposit-type contracts	(147,533)	659,105	950,889
Cash dividends paid	(1,103,594)	(1,110,011)	(1,118,357)
Other cash provided (applied)	152,113	445,583	(170,898)
<i>Net cash from (used for) financing activities</i>	<i>(1,254,578)</i>	<i>(89,962)</i>	<i>(558,938)</i>
Increase (Decr.) in cash & short-term investments	(1,973,992)	(2,470,400)	56,025
Cash & short-term investments, beg. of year	6,591,709	9,062,109	9,006,084
Cash & short-term investments, end of year	4,617,717	6,591,709	9,062,109

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED
DEC 31: 2018 AND 2017 (UNAUDITED)

	Capital Stock	Capital In Excess of Par	Accumulated Other Com- prehensive Income (Loss)	Unassigned Surplus	Treasury Stock	Total
BALANCES, December 31, 2016	928,093	2,607,542	(60,361)	21,537,638	(6,630,549)	18,382,363
COMPREHENSIVE INCOME:						
Net Income				1,521,325		1,521,325
Change in unrealized investment gain/(loss)			(95,209)			(95,209)
Comprehensive income			(95,209)	1,521,325		1,426,116
Dividends declared & accrued				(1,110,011)		(1,110,011)
Issue employee compensation in stock	868	32,755				33,622
Repurchase Capital Stock (Treasury)					(118,261)	(118,261)
Change in Nonadmitted Assets				(79,369)		(79,369)
BALANCES, December 31, 2017	928,961	2,640,296	(155,571)	21,869,583	(6,748,810)	18,534,460
COMPREHENSIVE INCOME:						
Net Income				1,650,422		1,650,422
Change in unrealized investment gain/(loss)			(127,036)			(127,036)
Comprehensive income			(127,036)	1,650,422		1,523,387
Dividends declared & accrued				(1,103,594)		(1,103,594)
Issue employee compensation in stock	881	34,207				35,087
Repurchase Capital Stock (Treasury)					(190,651)	(190,651)
Change in Nonadmitted Assets				158,848		158,848
BALANCES, December 31, 2018	929,841	2,674,503	(282,607)	22,575,259	(6,939,460)	18,957,537

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

Notes to the Consolidated 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, a 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.

Subsidiaries - American Savings Life Insurance Company owns 100% of ASL Financial Group, Inc., a holding company which owns 100% of American Life Financial Corporation, a licensed Arizona mortgage banker. 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:

Bonds are stated at amortized cost, since they are expected to be held until maturity.

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).

Policy loans are reported at their outstanding principal balance.

Mortgage loans are reported at outstanding principal balance or amortized cost.

Receivables secured by real estate are reported at their outstanding principal balance, less deferred gains, which are recognized under the installment method.

Real estate investments are reported at lower of cost or fair market value with the related charge to realized loss if applicable.

Investment gains and (losses) are determined on a specific identification basis. Realized gains (losses) are credited (charged) to operations; unrealized gains (losses) are credited (charged) to Other Comprehensive Income (Loss) (OCI).

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 \$535,226 at year end 2018 and \$522,719 at year end 2017.

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, 2018 and December 31, 2017, respectively.

Reinsurance - The Company had no agreements with nonaffiliated reinsurers or

reinsured policies during the period covered by this report.

Annuity policies - **Deferred annuities and fixed-period immediate annuities** are accounted for in a manner consistent with accounting for interest bearing financial instruments. These annuity 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. These annuity premium receipts are reported as revenue when received from the policy holder. The annuity products issued do not include fees or other such charges.

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, thus affecting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS

Cash and Cash Equivalents: 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 \$290,842 and \$1,505,734 at December 31, 2018 and 2017, respectively. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities.

Cash and cash equivalents consist of the following:

December 31,	2018	2017
Certificate of Deposits	\$ 496,000	\$ 995,000
Money Market Funds	1,354,840	113,626
Demand Deposits	2,766,877	5,483,083
Total cash & cash equivalents	\$ 4,617,717	\$ 6,591,709

Bond Mutual Funds consist of Vanguard funds which invest in investment grade bonds with short-term maturities typically ranging from one to five years. These funds offer a low-cost, diversified approach to bond investing, providing broad exposure to corporate bonds, pooled consumer loans, and U.S. government bonds. Although short-term bond funds tend to have a higher yield than money market funds, the tradeoff has been that share price fluctuates. As a result of increases in interest rates, which caused the prices of the bonds in the portfolio to decrease and thus the fund's share price to decrease, **we liquidated our bond mutual funds in 2018.**

Bond mutual funds consist of the following:

December 31,	2018	2017
Vanguard ST Bond Index Fund	\$ 0	\$ 896,960
Vanguard ST Investment-Grade Fund	0	901,293
Vanguard ST Corporate Bond Index Fund	0	900,916
Total bond mutual funds	\$ 0	\$ 2,699,169

Notes to the Consolidated Financial Statements

Bonds: In 2017, the Company invested in Government National Mortgage Association (GNMA or Ginne Mae) bonds. GNMA guarantees principal and interest on mortgage-backed securities (MBS) backed by loans insured by the Federal Housing Administration and the Department of Veterans Affairs. GNMA securities, like U.S. Treasuries, are guaranteed and backed by the full faith and credit of the U.S. government and generally are considered to be of the highest credit quality.

Bonds consist of the following:

	December 31, 2018	2017
GNMA bonds	\$ 1,554,425	\$ 1,760,005
Municipal bonds	535,226	522,719
Corporate bonds	2,548,330	2,451,154
Total bonds	\$ 4,637,981	\$ 4,733,878

The amortized cost of bonds as of December 31, 2018 and 2017, by investment grade are as follows:

	2018		2017	
Bonds:	Amortized Cost	% of Total	Amortized Cost	% of Total
AAA to A	\$ 3,809,559	82%	\$ 3,282,412	69%
BBB	730,421	16%	923,374	20%
BB	95,984	2%	426,936	9%
B	2,017	0%	101,156	2%
Total bonds	\$ 4,637,981	100%	\$ 4,733,878	100%

Common Stock: The distribution of unrealized gains and losses on common stock as of December 31, 2018 and 2017, by investment strategy are as follows:

	2018		
Common stocks:	Cost	Unrealized Gain/(Loss)	Fair Value
Dividend stocks strategy	\$ 219,957	\$ 20,834	\$ 240,791
Growth stocks strategy	245,580	27,218	272,798
Non-US stocks mutual fund	249,337	-27,403	221,934
Berkshire Hathaway	256,685	49,315	306,000
Other	20,209	-1,814	18,395
Total common stocks	\$ 991,768	\$ 68,150	\$ 1,059,918

	2017		
Common stocks:	Cost	Unrealized Gain/(Loss)	Fair Value
Dividend stocks strategy	\$ 222,958	\$ 42,005	\$ 264,963
Growth stocks strategy	243,146	13,411	256,557
Non-US stocks mutual fund	249,337	17,670	267,007
Berkshire Hathaway	256,685	40,915	297,600
Other	20,075	-470	19,605
Total common stocks	\$ 992,202	\$ 113,530	\$ 1,105,732

Notes to the Consolidated Financial Statements

Mortgage Loans consist of commercial, consumer and purchase money loans collateralized by real estate. 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. The weighted average lending rates for mortgage loans during 2018 and 2017 were 9.08% and 8.57%, respectively. At December 31 2018 and 2017, the distribution of the mortgage loan portfolio by property type and state are as follows:

	2018		2017	
	Amount	% of Total	Amount	% of Total
Property type				
Commercial	\$ 36,076,078	83%	\$ 20,500,526	50%
Residential	6,615,068	15%	14,212,627	35%
Land	934,415	2%	5,972,902	15%
Total mortgage loans	\$ 43,625,561	100%	\$ 40,686,055	100%
Valuation allowance	-146,406		-105,399	
Total net mortgage loans	\$ 43,479,155		\$ 40,580,656	

	2018		2017	
	Amount	% of Total	Amount	% of Total
State				
Arizona	\$ 19,366,142	44%	\$ 21,422,540	53%
Texas	13,697,031	31%	13,712,859	34%
Nevada	3,585,457	8%	3,534,522	9%
Utah	2,382,924	5%	451,595	1%
Colorado	2,280,799	5%	752,761	2%
Wyoming	1,000,000	2%	0	0%
New Mexico	788,208	2%	811,778	2%
Washington	525,000	1%	0	0%
Total mortgage loans	\$ 43,625,561	100%	\$ 40,686,055	100%
Valuation allowance	-146,406		-105,399	
Total net mortgage loans	\$ 43,479,155		\$ 40,580,656	

The Company establishes a specific valuation allowance when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the agreement. The specific valuation 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 specific valuation allowance as of December 31, 2018 and 2017.

Recognizing that mortgage loans with loan-to-value rate greater than 50% pose a higher risk of loss on default, the Company created a non-specific valuation allowance based on the additional interest paid by these loans. This allowance was \$146,406 and \$105,399 as of December 31, 2018 and 2017, respectively. Both allowances reduce Mortgage Loans and increase unrealized losses in the Statement of Financial Position.

Notes to the Consolidated Financial Statements

The following is the composition of the mortgage receivable aging at year-end:

	2018		2017	
	Amount	Value of Land and Buildings	Amount	Value of Land and Buildings
Mortgages:				
In good standing	\$ 43,259,629	\$ 110,572,200	\$ 35,877,349	\$ 104,886,500
Greater than 90 days past due	43,338	120,000	43,338	120,000
In foreclosure, interest accruing	322,594	990,000	4,765,368	10,429,000
Total mortgage loans	\$ 43,625,561	\$ 111,682,200	\$ 40,686,055	\$ 115,435,500
Valuation allowance	-146,406		-105,399	
Total net mortgage loans	\$ 43,479,155		\$ 40,580,656	

Investments in Partnerships:

The Company holds a 7% interest in Window Rock Residential Recovery Fund, LP and in 2018, disposed of a 13% interest in Sugarloaf VII, LLC. Both investments are mortgage loan joint ventures managed by the Cardon Group. These joint ventures invest in distressed mortgage loans at discounted prices which allow substantial flexibility to modify loans, conduct short sales, or otherwise liquidate the portfolio of assets profitably. Investments in partnerships are summarized as follows:

	2018					
	Total	Distributions		Realized	Unrealized	Book
	Contributed	Income	Rtn of Cap	Gain/(Loss)	Gain/(Loss)	Value
Sugarloaf ①	\$ 420,000	\$ 136,892	\$ 328,257	\$ -91,743	\$ 0	\$ 0
Window Rock ②	880,000	24,526	191,111	0	-204,351	484,538
Total	\$ 1,300,000	\$ 161,418	\$ 519,368	\$ -91,743	\$ -204,351	\$ 484,538

	2017					
	Total	Distributions		Realized	Unrealized	Book
	Contributed	Income	Rtn of Cap	Gain/(Loss)	Gain/(Loss)	Value
Sugarloaf	\$ 420,000	\$ 133,733	\$ 299,409	\$ -57,000	\$ 0	\$ 63,591
Window Rock	880,000	24,526	146,830	0	-117,998	615,172
Total	\$ 1,300,000	\$ 158,259	\$ 446,239	\$ -57,000	\$ -117,998	\$ 678,763

- ① In 2018, a realized loss of \$35K was recognized upon dissolution of Sugarloaf. In 2017, an other-than-temporary impairment of \$57K was recognized on Sugarloaf based on management's June 30, 2017 estimated liquidation value of \$73K.
- ② Unrealized loss was our prorated share of Window Rock's September, 30, 2018 and 2017 inception-to-date net losses of \$2.6M and \$1.4M, respectively.

Real Estate consists of properties acquired in satisfaction of debt and real estate investments (excluding home office property). The following is a summary of real estate investments at year end:

Real estate investments:	2018	2017
	Amount	Amount
Property acquired in satisfaction of debt	\$ 6,242,990	\$ 4,059,759
Investments in real estate	1,091,319	1,091,319
Total real estate investments	\$ 7,334,309	\$ 5,151,078

Real estate investments:	December 31,	Amount	Amount
		2018	2017
Number of foreclosures		4	1
Book value of foreclosures		\$ 3,971,102	\$ 146,376
Number of properties sold		7	4
Book value of properties sold		\$ 1,630,664	\$ 586,171
Net gains/(losses) from sale of real estate		\$ 282,662	\$ -48,990
Write-downs (OTTI) on real estate		\$ 18,822	\$ 10,765

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 Level 2 Investments.** **Level 3 Investments** have no observable value for the assets and rely on Management's 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, 2018.

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.

(4) LAND, BUILDING AND OFFICE EQUIPMENT

The office occupied by the company is located at 935 E. Main Street, Mesa, AZ.

Investments:	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
Level 1 investments:				
Bond mutual funds	\$ 2,699,169	\$ 17,891	\$ -2,717,060	\$ 0
Unaffiliated common stock	1,105,732	71,380	-117,194	1,059,918
Certificates of deposit	995,000	496,494	-995,494	496,000
Total Level 1	4,799,901	585,765	-3,829,748	1,555,918

Notes to the Consolidated Financial Statements

	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
Investments:				
Level 3 Investments:				
Mortgage loans	40,580,656	18,601,485	-15,702,986	43,479,155
Real estate investments	5,151,078	3,971,102	-1,787,871	7,334,309
Partnership interests	678,763	0	-194,225	484,538
Policy contract loans	79,511	6,896	-23,397	63,010
Total level 3	46,490,008	22,579,483	-17,708,479	51,361,012
Total Investments	\$ 51,289,909	\$ 23,165,248	\$ -21,538,226	\$ 52,916,931
Money market and checking accounts				4,121,717
Bonds carried at amortized cost				4,637,981
Total cash and investments				\$ 61,676,629

The Company acquired the building through a section 1031 property exchange. Since book value of the office occupied by the company was lower than the estimated salvage value at the time of the property exchange, depreciation was taken on this property. An appraisal for this property was done in February 2019 and it was appraised at a fair market value of \$980,000. The following is a summary of the depreciated book value of our home office land, building and office equipment at year end:

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
Home office - land	\$ 71,622	\$ 0	\$ 0	\$ 71,622
Home office - building	122,879	0	0	122,879
Office equipment	9,395	12,026	-6,465	14,956
Total	\$ 203,896	\$ 12,026	\$ -6,465	\$ 209,457

(5) DEFERRED TAX ASSET (LIABILITY)

The components of the net deferred tax asset / (liability) at December 31, 2018 and 2017 are as follows:

	2018	2017
Gross deferred tax assets	\$ 675,844	\$ 1,256,816
Statutory valuation allowance adjustments	-146,845	-845,412
Adjusted gross deferred tax assets	528,999	411,404
Deferred tax assets non-admitted	-239,978	-253,576
Net admitted deferred tax asset	289,021	157,828
Deferred tax liabilities	-46,618	-93,844
Net admitted deferred tax assets / (liabilities)	242,403	63,984
Current income tax recoverable/(payable)	89,212	130,112
Total deferred tax asset	\$ 331,615	\$ 194,096

(6) LIFE INSURANCE POLICIES

Reserve for life policies 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 2.75% and 5.5%, are calculated to be sufficient to meet policy obligations as they mature. The components of the reserve for life policies by policy type at December 31, 2018 and 2017 are as follows:

Reserve for life policies:	2018	2017
Grand slam policies	\$ 1,147,889	\$ 1,051,581
Youth life policies	815,754	807,203
Other life insurance policies	646,331	660,576
Total reserve for life policies	2,609,974	2,519,359
Policy claims pending	10,000	20,000
Provision for policyholder dividends	50,298	46,503
Premiums received in advance	5,582	6,966
Total net reserve for life policies	\$ 2,675,854	\$ 2,592,828

Participating life 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 21% of total life insurance in force at December 31, 2018 and 22% at December 31, 2017. Policy dividends are determined annually by the Board.

(7) ANNUITIES

Reserve for Annuities consists of fixed-period immediate, life-contingent immediate, and deferred annuities. The components of the reserve for annuities at December 31, 2018 and 2017 are as follows:

Reserve for annuities	2018	2017
Life-contingent immediate annuities	\$ 4,659,739	\$ 3,619,550
Fixed-period immediate annuities	2,134,194	2,187,524
Deferred annuities	23,652,340	25,676,159
Total reserve for annuities	\$ 30,446,273	\$ 31,483,234

Annuity Premiums: As discussed in Note 2, deferred annuity and fixed-period immediate annuity premiums are not reported as revenue, rather as deposit liabilities for annuity contracts. The following is a summary of annuity premiums at year end:

Annuity premiums	2018	2017
Life-contingent immediate annuities	\$ 1,195,632	\$ 1,599,257
Fixed-period immediate annuities	291,364	602,543
Deferred annuities	1,119,499	0
Total annuity premiums	\$ 2,606,495	\$ 2,201,800

(8) FUNDS ON DEPOSIT

Funds on deposit with the Company consists of Advance Premium Deposits (APDs), Guaranteed Interest Contracts (GICs) and Dividends on Deposit (DODs). Funds on deposit are amounts held on behalf of outside parties. Interest is paid yearly at a rate set by the Company. Funds on deposit are renewed annually at the option of the Company and the terms of the contract can be changed by the Company with a 30-day notice. The components of funds on deposit at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Amount	Interest Rate	Amount	Interest Rate
Funds on deposit				
Advance Premium Deposits	\$ 3,306,029	4%	\$ 3,072,382	4%
Guaranteed Interest Contracts	5,782,170	3%	5,806,347	2%
Dividends on Deposit	9,493	4%	18,100	4%
Total Funds on deposit	\$ 9,097,692		\$ 8,896,829	

(9) 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. The following is a summary of capital and free surplus at December 31, 2018 and 2017:

	2018	2017
Capital	\$ 929,841	\$ 928,961
Free surplus	\$ 18,027,696	\$ 17,605,499

In January 2017, 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. The following is a summary of stock purchases for 2018 and 2017:

	2018	2017
# of shares purchased	51,595	33,232
Low price	\$ 3.61	\$ 3.49
High price	\$ 3.76	\$ 3.60

On February 26, 2019, the Board of Directors declared a cash dividend of 12.0 cents per share. The distribution will be made on April 05, 2019 to stockholders of record on March 31, 2019. A second semi-annual dividend is expected to be declared by the Board in August and paid in October.

(10) INVESTMENT INCOME NET OF EXPENSES

The components of investment income net of expenses at December 31, 2018 and 2017 are as follows:

Cash & cash equivalents			Marketable securities		
	2018	2017		2018	2017
Income	\$ 81,266	\$ 94,787	Income	\$ 155,088	\$ 142,613
Expenses	-8,852	-8,376	Expenses	-21,377	-19,697
Total	\$ 72,414	\$ 86,411	Total	\$ 133,711	\$ 122,917
Mortgage loans			Other investment income		
	2018	2017		2018	2017
Income	\$ 4,527,204	\$ 4,765,962	Income	\$ 30,927	\$ 47,228
Expenses	-107,248	-134,010	Expenses	-10,438	-10,017
Total	\$ 4,419,956	\$ 4,631,953	Total	\$ 20,489	\$ 37,212
Real estate owned					
	2018	2017			
Income	\$ 696,522	\$ 422,331			
Expenses	-884,621	-574,558			
Total	\$ -188,099	\$ -152,227			

(11) EMPLOYEE BENEFITS & TAXES

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 \$98,740 for 2018 and \$98,148 for 2017.

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 100% 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 2018, 8,805 shares of Company common stock were purchased under the plan for a total of \$35,087. The October 2018 enrollment stock price was \$4.099 and as of December 31, 2018, \$5,330 of employee and directors compensation had been set aside for stock purchase.

The components of employee benefits and taxes at December 31, 2018 and 2017 are as follows:

Employee benefits & taxes	2018	2017
Profit sharing plan	\$ 98,740	\$ 98,148
Employee welfare	82,194	80,562
Payroll taxes	84,873	84,718
Total employee benefits & taxes	\$ 265,807	\$ 263,429

(12) 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, 2018 and 2017, 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 12.9% and 12.8% of total premiums paid in 2018 and 2017, respectively. Company officers and directors also owned 5.1% and 5.4% of total policy face value in 2018 and 2017, respectively.
- b) Robert E. Allen is the Vice President of the Company and also the Trustee of the Company's Profit Sharing Plan detailed in Note 11.
- c) Wayne Gardner is a Company director and also a partner of Buntrock, Harrison & Gardner Law, PLLC, which the company paid legal fees of \$2,979 and \$8,805 in 2018 and 2017, respectively.

(13) 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, except as follows:

- a) A title company has filed a lawsuit on behalf of the Company regarding a parking structure for one of its REOs. It is more likely than not that the title company will prevail, however, if the title company is unsuccessful in the lawsuit, the Company may have to recognize an other-than-temporary-impairment estimated to be approximately \$143,000.

(14) 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, 2018, no uncertain tax positions have been identified and accordingly, no provision has been made.

(15) 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

Notes to the Consolidated Financial Statements

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 (\$1.5 million) and Interest Maintenance Reserves (\$4,924). These 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:

	2018 <i><u>Stockholders</u></i> Financial Statements	2018 <i><u>Statutory</u></i> Financial Statements
Total Assets	\$ 62,927,817	\$ 61,423,638
Total Liabilities	\$ 43,970,280	\$ 45,556,844
Total Stockholders' Equity	\$ 18,957,537	\$ 15,866,794
Equity per Share	\$ 4.14	\$ 3.47
Annual Net Income	\$ 1,650,422	\$ 1,693,372
Net Income per Share	\$ 0.36	\$ 0.37

After April 30, 2019, the 2018 audited statutory financial statements will be available on the Company's website: www.AmericanSavingsLife.com/stock.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 1, 2019, 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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