

# Dear Fellow SHAREHOLDERS,

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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

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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.

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## The Upside & Downside of Recent Tax Law Changes

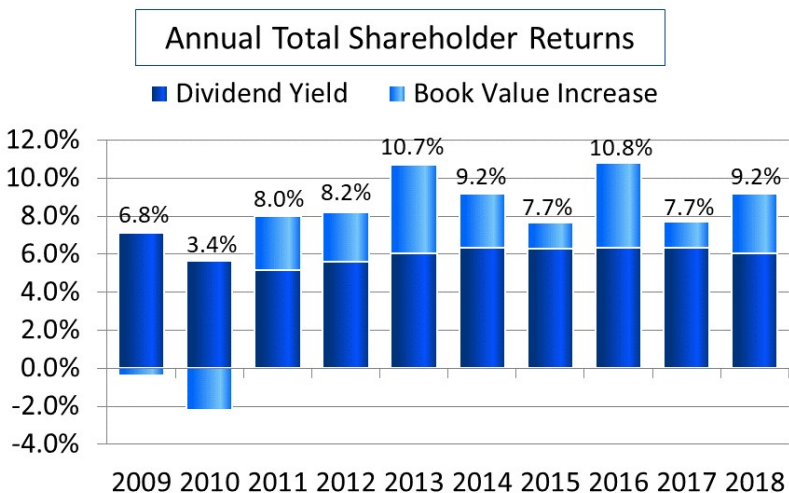
The 2018 tax reform provided a major immediate upside in 2018 but will result in higher taxes in future years, so only time will tell whether or not it ends up as a net benefit to the Company. The largest immediate impact to us was the elimination of the Alternative Minimum Tax (AMT). This allowed us 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.



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## 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*