

# *Dear Fellow* **SHAREHOLDERS,**

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March 13, 2020

Dear Fellow Shareholders,

The year 2019 was the Company's 13th quinquennial (every 5 years) celebration of when Frihoff Allen founded American Savings Life Insurance Company on April 6, 1954. This wonderful company he started has blessed countless lives over these many years. It truly is an honor and a trusted responsibility to further the life's work of both my grandfather, Frihoff Allen, and that of my father, David K. Allen, who is retiring from the Board of Directors this year after over 55 years of dedicated service to the Company. Both of these men leave legacies that have provided incalculable value to all those associated with the Company these past 65 years.

Unfortunately, however, the celebration of our 65th anniversary is at present overshadowed by the coronavirus (COVID-19) pandemic that is building momentum as it spreads throughout the world. As I write this letter the world around us seems to be getting crazier and scarier by the day. Although the ultimate impact it will have on the world population and the world economy is unknown, it is sure to be serious. I hope and pray that none of our shareholders, policyholders, customers, employees, agents, or brokers become seriously ill from this virus.

Because we recognize the potential risks related to this pandemic, our staff is preparing in every way we can to be able to continue operating the business effectively under any situation that may develop. As we take measures to minimize the spreading of germs in the office, we are simultaneously preparing for the possibility of our staff needing to work from home if necessary to protect the safety of our staff and our customers, which is of paramount priority.

## **Your Stock's Performance and Dividends**

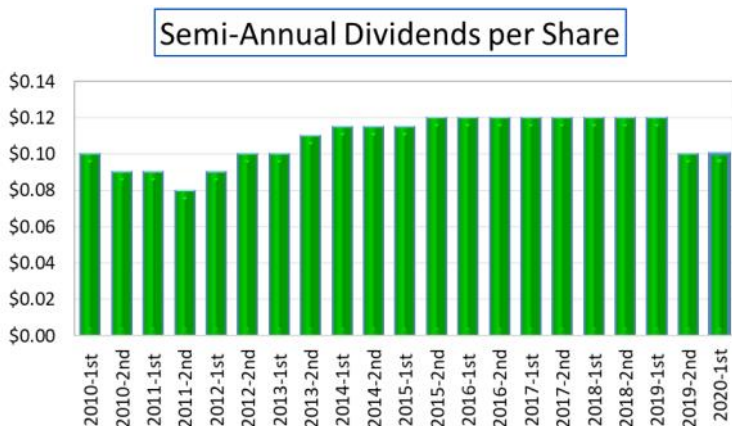
Now, back to the purpose of this letter: to report on 2019's performance. The bottom line performance was: Net Taxable Income was down 9% and After Tax Net Income was down 19%. Return On Equity decreased from 8.99% to 7.12%, and Total Shareholder Return decreased from 9.22% to 8.21%.

Perhaps most noticeable to our shareholders was the decrease in the second semi-annual dividend from 12¢ to 10¢ per share. This



lowered the annual dividend 8% from 24¢ to 22¢ per share. The Board of Directors lowered the October dividend in response to the year’s lower earnings. Since our earnings thus far in 2020 have not yet improved beyond 2019’s level, the Board decided to leave the April dividend at 10¢ per share.

Therefore, the first semi-annual 2020 dividend will be 10¢ per share, to be paid on April 10, 2020. The Board intends to declare a second semi-annual dividend in August, to be paid in October. 2020 will be the 38th consecutive year that we have paid cash dividends.



### Significant Contributors to 2019’s Results

As always, there are various positive results and negative results that

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together bring about our overall performance. The most significant contributors included:

- Our average mortgage loan portfolio increased 13%, from \$39,700,000 in 2018 to \$44,800,000 in 2019. This generated an additional \$256,000 of mortgage loan interest income.
- This increase in our mortgage loan portfolio mostly came from the growth in annuities and deposit funds, which averaged \$43,100,000 during 2019, compared to \$39,800,000 during 2018. The resulting \$110,000 increase in interest expense on annuities and deposit funds was in large part the cost of capital for these additional mortgages.
- We were successful in selling off more of our real estate owned (REO) properties, which provided an additional \$1,700,000 on average in cash throughout 2019. This also helped reduce the net investment loss from REO's by \$68,000 in 2019.
- An additional cost of our growth was an 8% (\$115,000) increase in new employee salaries, benefits, and professional fees.
- Although mortgage loan interest income increased by \$256,000, the fee income we earn from making new loans was down \$102,000 in 2019. This was because our annual loan originations were \$3,500,000 less in 2019. Other mortgage loan fee income was down another \$55,000 and our underwriting and advertising expenses were up \$48,000.
- Finally, our Federal income tax expense was \$173,000 higher than 2018. This is because the tax credit we received from the elimination of the Alternative Minimum Tax offset all taxes owed in 2018, but only \$147,000 was left to apply toward 2019's taxes. In 2020 we will begin paying essentially the full corporate tax rate of 21%.

### Building on our Firm Foundation of 65 Years

The Company's first 65 years have provided valuable life insurance coverage and real estate loans to thousands of customers and delivered substantial value to our many shareholders. It now provides a firm financial foundation for the Company's future growth and development.

We look forward to continuing the Company's long tradition of creating attractive and dependable shareholder returns while continuing our prudent growth in diversified life insurance, annuity, and real estate lending solutions.

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Our overarching objective in our growth is to improve the value we provide to **all** of our stakeholders and to expand the number of stakeholders our Company benefits.

- We aim to provide better retirement income and life insurance benefits to more retirees and their families.
- We aim to provide our unique *Not So Hard Money*<sup>TM</sup> real estate loans to more business owners or real estate investors.
- We aim to provide increased opportunities for growth and success for our employees, brokers, and agents.
- As we succeed in achieving the above objectives, they will lead us to our ultimate aim of increasing returns to our shareholders.

### Looking Ahead to 2020 and Beyond

Despite the current situation with the coronavirus COVID-19 pandemic and any short-term effects it may have on our performance, we are quite confident about our Company's long-term future. There will assuredly be near-term challenges ahead, but our investment model graphically described on pages 12-13 has proven for many decades to be a successful one. We have a unique and rewarding niche within our industry; one that we are confident will continue to benefit all stakeholders in our Company's success.

We are continuing to further the growth and diversification of our lending business as well as our life insurance and annuity business. We believe as we are successful in these objectives, they will provide greater long-term income while also lowering our risks.

On behalf of the board of directors and the management team, I want to thank you for your trust and support. I am confident we will get through the wake of the current challenges we face with the pandemic, both individually and as a company. Stay safe and healthy and we will together look forward to an even brighter future built on the firm foundation created over the past 65 years.

Sincerely yours,



Byron Frihoff Allen, President

