

AMERICAN SAVINGS
LIFE INSURANCE COMPANY



Founded 1954

2021 ANNUAL REPORT

We Are American Savings

American Savings Life

We Are...

**A financial services company
offering unique life insurance,
annuity, and commercial real
estate lending solutions
since 1954.**

Our Purpose

Why We Exist

**To Improve Your
Financial Well-Being**

*"Your" includes all of our stakeholders.
We do this by offering superior products
and service in all of our lines of business.*

Our Vision

What We Are Becoming

**To be a secure financial services
company through the growth of
unique and diversified products,
services, and investments.**

*"Secure" includes a strong balance sheet and
minimal business risk. Diversification is for the
purpose of decreasing business risk.*

Life Insurance Company

Our Core Values

We Live These Values

Integrity

We are honest and we do the right things for the right reasons – always.

Consideration

*We are helpful, friendly, courteous, and kind.
We seek win-win in everything we do.*

Dedication

We honor our commitments and go the extra mile to exceed expectations.

Professionalism

We are professional in our words, our appearance, and our actions.

Continuous Improvement

We are always improving, both personally and professionally; both individually and as an organization.

Our Founder's Principles

We Were Built on These Principles

Safe Investments

Safety of principal is primary, and profitable returns are secondary.

Mutual Respect

Respecting differing perspectives is more important than expediency.

Stewardship of Stockholder Funds

"Stockholder money is more precious than any personal funds." – Frihoff N. Allen

Debt Avoidance

Debt is to be avoided other than short-term debt for cashflow management purposes.

Dependable Dividends

Setting dividends based on sustainable profitability to minimize volatility.

High Ethical Standards

*We strive to "work in a way that is eligible for the blessings of Heaven."
– Frihoff N. Allen*

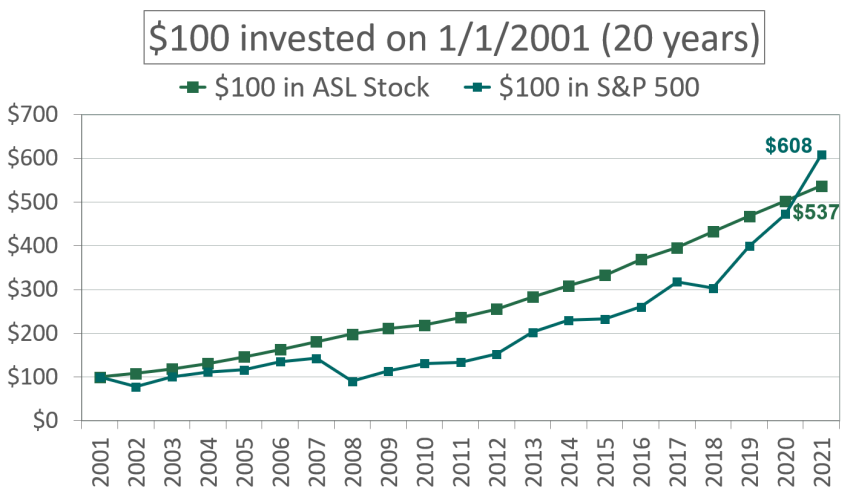
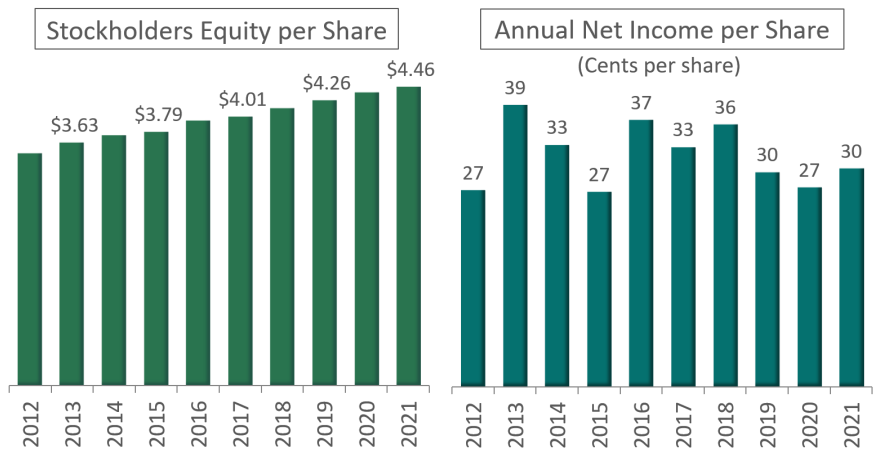
Prudent Growth

Pursuing new growth should not jeopardize ongoing earnings.

Availability of Funds

Customer funds are available when requested per contractual terms.

Long-Term PERFORMANCE



Over the last 20 years, ASL's stock has increased 437% vs. 508% for the overall stock market (S&P 500 index).
*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.*

Dear Fellow SHAREHOLDERS,

Although the pandemic has been tragic and disruptive, I am grateful that as I write this letter in March 2022, the worst of it appears to be behind us. We mourn with those who have lost loved ones while expressing our thanks to God that it was not worse. What a blessing modern medicine is, that effective vaccines were developed and distributed so quickly. My sincere gratitude goes out to all of the healthcare workers who risked their personal safety to help so many others. Thank you!

A new world of remote working

Like so many other companies, American Savings Life Insurance Company will never be the same as it was prior to March 2020 (sometimes referred to as “BC” - *Before COVID*).

After two years, about two-thirds of our staff are still working from home. We had never considered that our team would be just as effective working from home, but we have found that in some ways they have become even more productive.

For sure there are trade-offs, but on the whole we believe that the positives outweigh the negatives, and we have no immediate plans to bring the rest of the team back to the office to work every day. It appears that this “work from home” phenomenon is here to stay.

A related reality is the growing willingness of companies to hire remote employees from anywhere in the country. This is a mixed blessing. On the one hand, it has increased the competition for quality employees. But on the other hand, by being willing to look outside of Arizona for new employees, we also have access to a much larger talent pool.

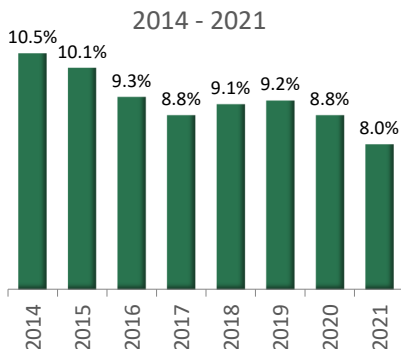
In such a competitive employment landscape it has become more important than ever to create a flexible and rewarding work environment so we can retain our most important assets (our employees). Remote work has now become a key part of our strategy to hire and keep great employees. It is indeed a brave new world!

Impact from Low Interest Rates

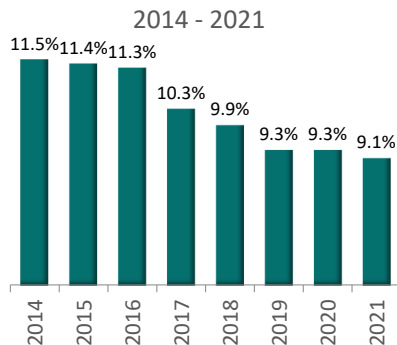
I am pleased to report that the pandemic has not resulted in higher death claims or increased loan foreclosures. What has impacted the Company, however, are the low interest rates, which put pressure on our mortgage loan earnings from two directions.



Avg. Interest Rates of New Loans Made



Total Yield on Loan Portfolio



The above charts illustrate how the combination of historically low interest rates have resulted in declining interest rates on new loans, which has pulled down our overall yield on our loan portfolio for several years now.

First, the **historically low interest rates** have created more competition within our lending niche, as investors seek higher yields on secure investments. Then, add to this a **red hot real estate market and robust economy** and the result has been an unusually high amount of early loan payoffs.

In fact, an unprecedented 50% of our \$48 million loan portfolio at the beginning of 2021 paid off during the year. (The positive perspective is that this is evidence that we are making good loans, since they are

being paid off instead of becoming foreclosures.)

The historically low interest rates have created a second pressure on our earnings — **lower reinvestment interest rates**. As loans pay off, we reinvest the funds in new loans at current (lower) interest rates. The result is an overall lower earning rate on our mortgage loan portfolio.

This is similar to someone having a reduction in their hourly pay rate. In order to earn the same amount, they have to work more hours.

This reality requires us to grow our loan portfolio if we are to grow our profitability. Read on for more about our goals and initiatives to accomplish this.

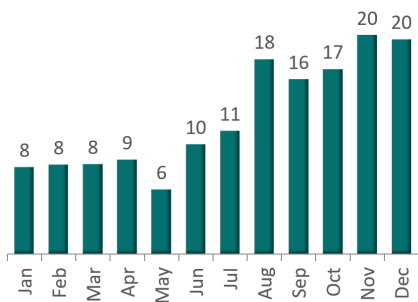
Success Amidst Adversity: Report on 2021 Initiatives

Despite these pressures, there are several areas where we have had



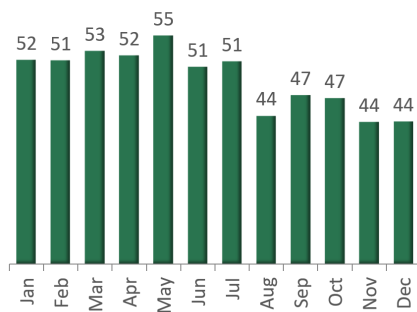
2021 Monthly Cash Assets

\$ Millions



2021 Monthly Mortgage Loans

\$ Millions



The above charts illustrate how our loan portfolio declined over the second half of the year as cash assets increased. This was the result of an unprecedented wave of loan payoffs. An increased velocity of loan turnover is typical in hot real estate markets and economies, which we have had.

success with our 2021 strategic initiatives.

We were intentionally conservative in marketing **our new Remembrance life insurance policy**. We did not want to take in a large amount of new premiums without having the ability to invest them in our core investment of mortgage loans in a timely manner. So we took advantage of this time to experiment with different methods of selling the new policy at low costs. We succeeded in selling only a small number of the new policies, and learned that if we want to sell significant amounts of insurance in the future, we need to pay more competitive commissions.

AMERICAN SAVINGS
LIFE INSURANCE COMPANY



Remembrance

Single Premium Whole Life Insurance

We are ready to actively recruit more independent financial advisors to sell our Remembrance life insurance policy as soon as we are able to timely invest the premiums.



We also successfully launched our “new and improved” **Youth Life Plan**, our juvenile life insurance policy. By incorporating new non-medical underwriting methods, we are able to insure children with medical conditions who we had to decline previously. The new policy also allows more funds to be held in the Guaranteed Interest Account that, as of March 2022, **pays 3.0% interest** and has a lifetime guaranteed minimum interest rate of 2.5%. You can learn more and even apply on our website:

www.youthplan.com

Early in the year we began working to create **an insurance agency** to sell other companies' insurance products. Although we still like the idea we realized that this one did not merit the time investment required when compared with competing priorities. Deciding what to *stop* doing is often as important as deciding what to *start* doing, so we put this project on the back burner for now to focus on higher impact initiatives.

On the lending side, our Director of Loan Originations, Scott Emrich, successfully obtained funding for four loans that came to us but did not fit our loan parameters. The **fee income from these outsourced loans** was relatively small (\$32,000 net to the Company), but this is an important start to a part of our business that has the potential to become a meaningful source of fee income. As a prior loan broker, Scott is uniquely qualified to successfully develop this part of our lending business.

We **funded a record \$19.5 million in new loans** in 2021. Unfortunately it was still not enough to keep up with the high number of loan payoffs we received during the second half of the year. We began the year with a loan portfolio of \$48 million in loans, grew it to \$55 million by May, then ended the year down to \$44 million.

New online marketing initiatives

We are developing two different online marketing strategies for our lending business.

Creating a new podcast

First, we are creating a podcast. **The podcast is called Funding Quest**, and its purpose is to share expertise and experience with business owners who want to learn about the best type of funding (financing) for their specific situation. We have already started interviewing experts and creating the episodes. We are on track to launch next month, April 2022.



While there are many expected business benefits from creating this podcast (or we wouldn't be doing it) the underlying motivation is that with American Savings Life I have observed firsthand how many people can be blessed through a successful family business. I want to help other family businesses grow successfully so they too can bless their families for generations to come. One of the most important decisions business owners must make time and again is how to fund their growth; and the answers change as their business changes.

Although our *Not-So-Hard Money*® loans are often a valuable option for business owners, it is in fact a very specific niche loan product and is not the right solution for everyone. As a result, we are not able to lend to many of the businesses that come to us for financing.

With almost 100 years of combined lending experience, including time spent in industry leadership roles, our lending team has developed relationships with some of the best and brightest financing experts in the business. We are **leveraging these relationships and sharing their knowledge** to help more businesses than we can through our own products alone.

So, when a business owner asks us what type of loan would be best for their situation and the answer is not a *Not-So-Hard Money*® loan, we can introduce them to the best lender for their specific situation. In this way we can help many more businesses and their families.

Of course, altruism is not the only reason for the podcast. We also expect it to generate referral fee income and more loan leads for our *Not-So-Hard Money*® loans.

The website for Funding Quest is: www.FundingQuest.com. It is still in its infancy but is being further developed and will be fully ready when we launch our podcast in April. Please find the podcast on your favorite podcast app and listen in on the insightful conversations we'll be having!

New sales funnel website

The second online marketing strategy we are implementing is a revamped loan website:

www.NotSoHardMoney.com

We are utilizing “sales funnels” designed to attract both mortgage brokers and business owners looking for financing. We are creating a

couple of “challenge courses” that will offer free training on relevant topics, which will provide valuable



information to our audience.

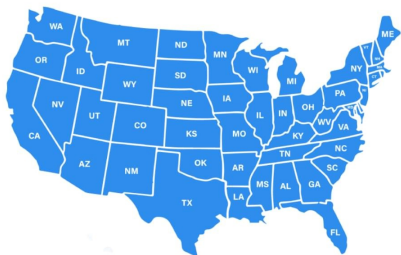
By building their trust in us we expect that some visitors to our website and some listeners to our podcast will turn to us for help finding the right financing for them or their clients.

We are optimistic that both of these new online marketing strategies will be successful in making more people aware of us and ultimately generate additional business by providing greater value to more people.

New Initiatives for 2022

Besides the continued development of the initiatives described above, there are some additional changes we have made recently that we expect will help us achieve our ambitious **goal of more than doubling our loan fundings in 2022 to \$40 million in new loans.**

First, we have **increased our maximum loan size** to \$10 million plus. For loans above \$4 million, we will syndicate (co-fund) them with other life insurance companies as participants in the loans with us. We are presently working on several of these larger loans.



We have also partnered with a law firm that specializes in nationwide lending laws to help us **expand our lending area to include more states**. Leveraging their expertise and knowledge of each state's lending and real estate laws will allow us to offer our *Not-So-Hard Money®* loans to many more businesses and investors.

We expect that these new changes, together with the initiatives we are continuing from last year, will enable us to reach our bold lending goal, which will grow our loan portfolio and our profitability.

Your Stock's 2021 Performance

- **Net Taxable Income**
= \$1,599,000 **-7%**
- **Net Income**
= \$1,268,000 **+4%**
- **Comprehensive Income**
= \$1,448,000 **+10%**
- **Dividend Yield**
= 5% **5.0%**
- **Total Shareholder Return** = 6.9% **6.9%**

2021 and 2022 Cash Dividends

Shareholders received two cash dividends in 2021 for a total of 22¢ per share. Together, these dividends equal a 5.0% yield on the 12/31/2020 stock book value.

In addition to the cash dividends, your stock's 2021 book value also increased 1.9%, for a combined Total Shareholder Return of 6.9%.

The Board of Directors has declared **the first semi-annual 2022 dividend to be 10¢ per share**, to be paid on April 13, 2022 to all shareholders of record as of March 31st. The Board intends to declare a second semi-annual dividend in August, to be paid in October. The year 2022 will be **the 40th consecutive year** that we have paid cash dividends.

Annual Shareholders Meeting

All shareholders are invited to attend the 2022 Annual Shareholders Meeting. It will be on Tuesday, April 26, 2022 and will be held in-person this year at the Company's home office building located at **935 E. Main St., Mesa, AZ**. It will begin at **9:00 AM**. Come join us!

9:00 AM

Tuesday, April 26, 2022

April 2022						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Looking Forward & Upward!

The Company is continuing to execute its time-tested business model and investment strategy. This strategy has proven successful over many decades and economic cycles and we are confident that this will continue.

I trust in our Company's long-term future. We have a unique and profitable niche within our industry; one that we believe will continue to benefit all of the Company stakeholders through economic ups and downs.

We are making further progress with our long-term strategy to grow and diversify income sources from both our life insurance business

and our lending business. Our ultimate objective in this growth is to provide greater long-term shareholder value while also lowering our exposure to risk.

On behalf of our dedicated board of directors and the hard-working and talented staff, I thank you for your trust and support. I look forward to sharing this great Company's continued success with you!

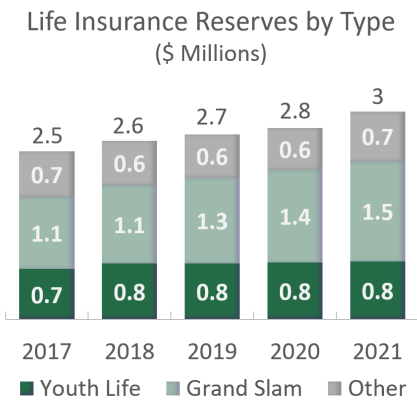
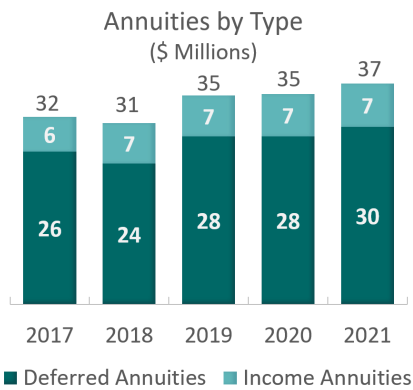
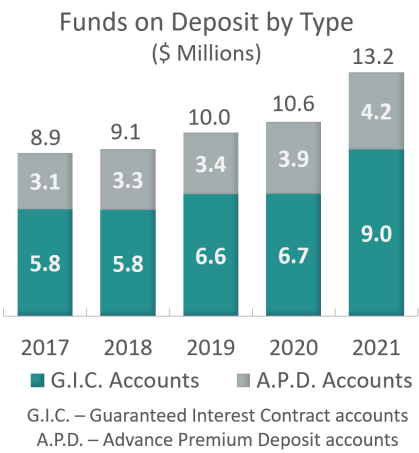
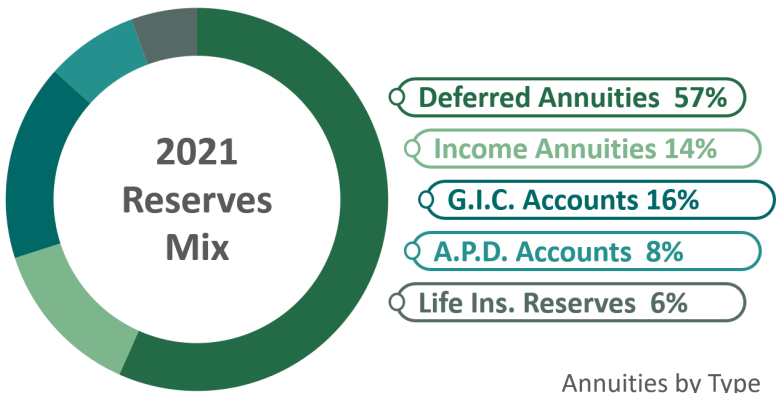
Sincerely yours,
Byron Frihoff Allen

Byron Frihoff Allen, President



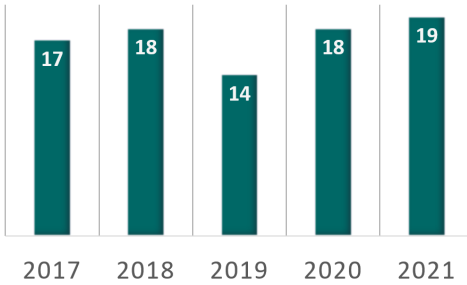
A Graphical Perspective of Our LINES OF BUSINESS

Life Insurance and Annuities

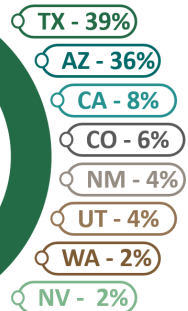
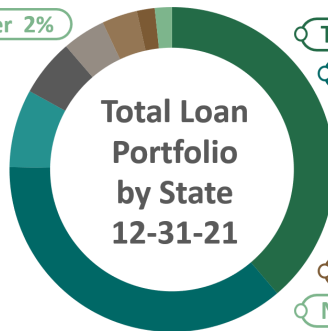
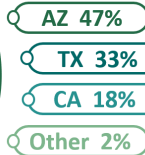
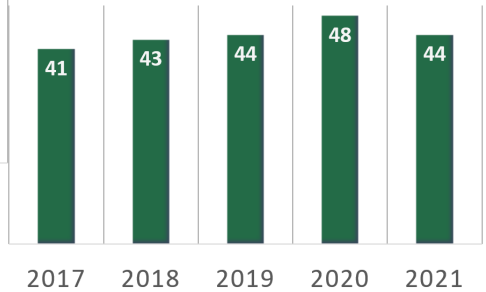


Mortgage Lending

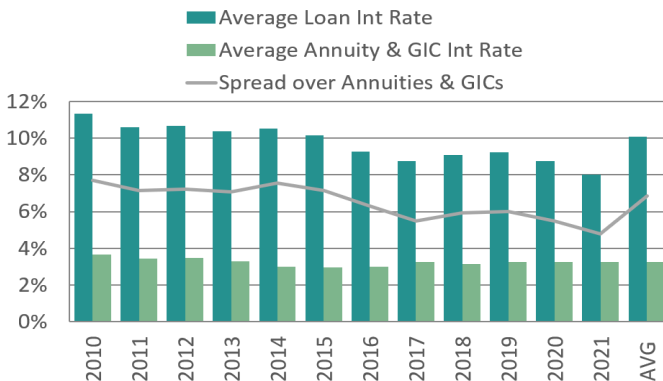
Annual Loan Originations
(\$ Millions)



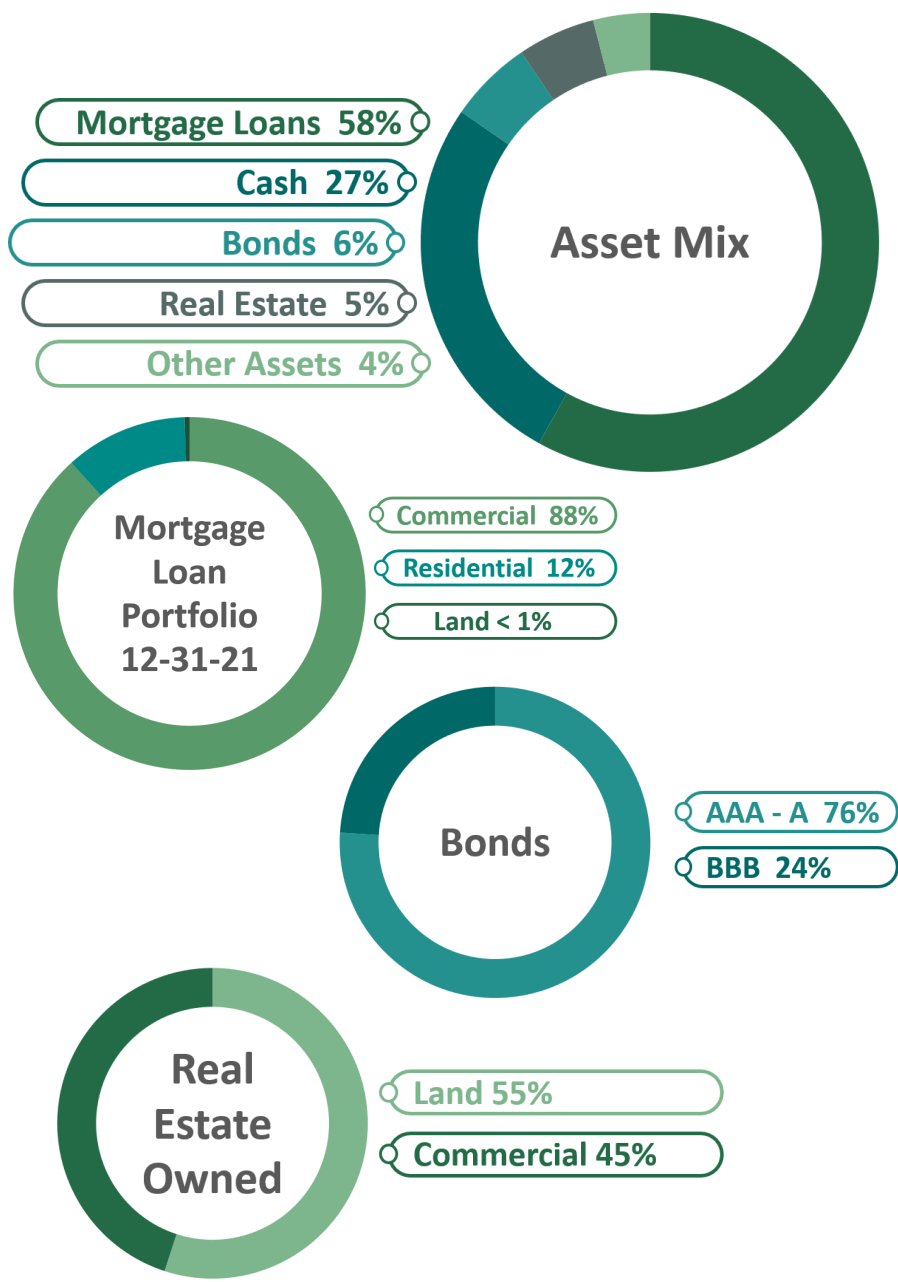
Total Loan Portfolio
(\$ Millions)



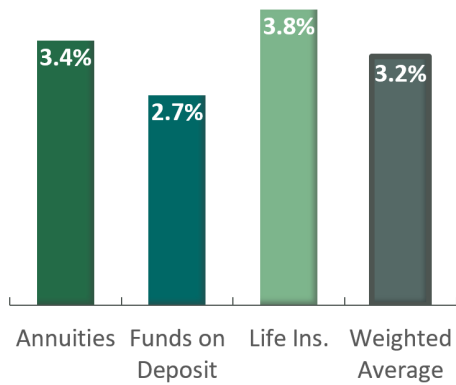
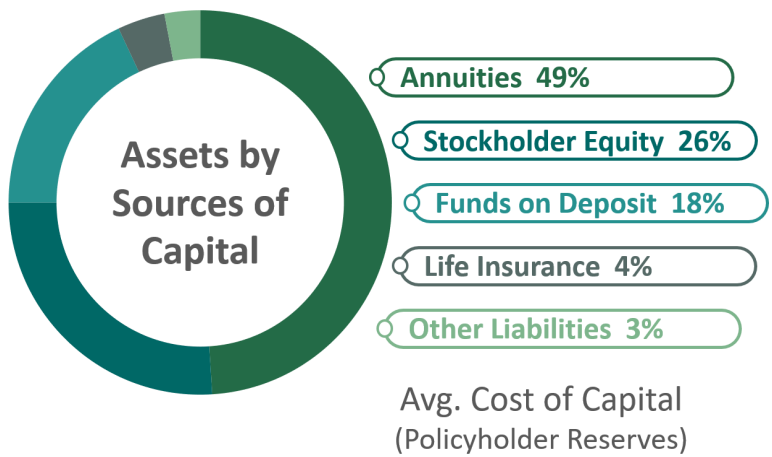
Interest Rates Spreads



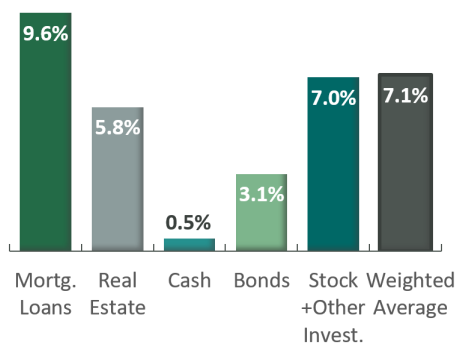
A Graphical Perspective of Our INVESTED ASSETS



Cost of Capital vs. INVESTMENT YIELDS



Yields on Investment by Type



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31: 2021, 2020, 2019, 2018 & 2017 (UNAUDITED)

	2021	2020	2019	2018	2017
Statement of Operations Data					
Total Revenues	5,560,885	5,643,935	4,997,472	5,975,460	6,516,213
Total Expenses	3,961,535	4,000,937	3,507,247	4,348,324	4,687,578
Net Taxable Income	1,599,349	1,642,997	1,490,225	1,627,136	1,828,635
Net Income	1,268,349	1,215,727	1,338,621	1,650,422	1,521,325
Statement of Financial Position Data					
Total Assets	75,039,776	71,765,999	68,624,827	62,927,817	62,825,904
Total Reserves for Life Ins, Annuities & Deposits	53,505,777	48,930,214	47,855,379	42,219,819	42,972,890
Total Liabilities	55,844,632	52,356,881	49,378,790	43,970,280	44,291,443
Total Shareholders Equity	19,195,144	19,409,118	19,246,036	18,957,537	18,534,460
Per Share Data					
Total Shares Outstanding	4,306,360	4,433,984	4,513,595	4,574,859	4,617,649
Earnings Per Share (EPS)	0.295	0.274	0.297	0.361	0.329
Dividends Per Share (DPS)	0.220	0.200	0.220	0.240	0.240
Book Value (Shareholder Equity) Per Share (BVPS)	4.457	4.377	4.264	4.144	4.014
Key Performance Measurements					
Dividend Yield (DPS / prior-yr. BVPS)	5.03%	4.69%	5.31%	5.98%	6.06%
Investment Yield (net inv. inc. + cap. gains / prior-yr. assets)	7.17%	7.51%	7.46%	7.35%	7.85%
Return on Equity (net income / prior-yr. BVPS)	6.73%	6.43%	7.16%	8.99%	8.32%
Total Shareholder Return (DPS + BVPS incr. / prior-yr. BVPS)	6.85%	7.35%	8.21%	9.22%	7.42%

The Notes on pages 20-29 are an integral part of these financial statements.

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC. 31: 2021, 2020 & 2019 (UNAUDITED)

REVENUES	2021	2020	2019
Premiums - Life insurance	290,766	168,206	165,932
Premiums - Annuities w/ mortality risk	125,000	323,505	139,940
Investment income net of expenses			
Cash & cash equivalents	44,740	71,890	92,404
Mortgage loans	4,842,888	4,537,965	4,447,591
Real estate owned	7,073	-173,140	-120,248
Marketable securities	133,712	120,818	139,809
Other investment income	9,102	13,081	16,690
Realized Capital Gains/(Losses)	107,604	581,609	115,355
TOTAL REVENUES	5,560,885	5,643,935	4,997,472
EXPENSES			
Policyholder benefits	114,614	201,134	127,000
Increase in life reserves & loading	690,731	836,398	488,219
Policy acquisition costs	66,076	75,123	73,553
Interest on insurance and annuities	1,270,498	1,197,948	1,150,078
General expenses			
Salaries and wages	1,288,724	1,181,589	1,138,283
Employee Benefits & Taxes	233,224	244,415	248,528
Professional fees	159,592	175,044	168,005
Other expenses	100,130	64,377	93,766
Taxes licenses and fees	37,947	24,910	19,815
TOTAL EXPENSES	3,961,536	4,000,937	3,507,247
NET TAXABLE INCOME	1,599,349	1,642,997	1,490,225
Federal Income Tax	-331,000	-427,270	-151,604
NET INCOME	1,268,349	1,215,727	1,338,621
Net Income per share	\$0.295	\$0.274	\$0.297
OTHER COMPREHENSIVE INCOME (OCI)			
Unrealized gain/(loss) on common stocks	227,448	130,371	239,799
Unrealized gain/(loss) on partnerships	0	0	-175,631
Federal Income Tax on OCI Items	-47,764	-27,378	-13,475
OCI, net of tax	179,684	102,993	50,692
COMPREHENSIVE INCOME	1,448,033	1,318,720	1,389,313
Total shares outstanding	4,306,360	4,433,984	4,513,595
Comprehensive Income per share	\$ 0.336	\$ 0.297	\$ 0.308

The Notes on pages 20-29 are an integral part of these financial statements.

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2021, 2020, & 2019 (UNAUDITED)

ASSETS	2021	2020	2019
Cash and cash equivalents	19,956,455	11,085,503	12,150,989
Bonds	4,431,894	4,946,497	4,763,976
Common & preferred stock	1,788,785	1,512,649	1,295,498
Policy loans	92,818	93,590	110,617
Mortgage loans	43,545,683	48,388,016	43,803,381
Investments in partnerships	0	0	165,354
Real estate investments	4,111,903	4,431,559	4,976,731
TOTAL CASH & INVESTED ASSETS	73,927,539	70,457,815	67,266,545
Accrued interest & deposits	413,107	445,036	435,985
Deferred policy acquisition asset	337,180	361,692	392,844
Land, building & office equipment	269,101	244,307	234,697
Deferred tax asset	92,849	257,149	294,756
TOTAL ASSETS	75,039,776	71,765,999	68,624,827
LIABILITIES			
Reserve for life policies	3,112,504	2,891,375	2,769,118
Reserve for annuities	37,091,460	35,477,955	35,086,940
Funds on deposit (APD/GIC)	13,301,814	10,560,884	9,999,321
Expenses due & accrued and other	250,309	265,805	281,555
Amounts held by ASLIC for others	2,088,545	3,160,862	1,241,857
TOTAL LIABILITIES	55,844,632	52,356,881	49,378,790
SHAREHOLDERS EQUITY			
Capital stock	931,690	931,061	930,495
Capital stock in excess of par	2,750,311	2,723,745	2,700,769
Retained earnings	23,558,248	23,274,614	22,808,061
Other comprehensive income/(loss)	0	0	0
Less treasury stock	-8,045,104	-7,520,301	-7,193,288
TOTAL SHAREHOLDERS EQUITY	19,195,144	19,409,118	19,246,036
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	75,039,776	71,765,999	68,624,827
Shares Outstanding	4,306,360	4,433,984	4,513,595
Equity Value Per Share	\$4.46	\$4.38	\$4.26

Consolidated Statement of Cash Flow

FOR THE YEARS ENDED DEC 31: 2021, 2020, & 2019 (UNAUDITED)

OPERATING ACTIVITIES	2021	2020	2019
<i><u>Funds provided from operations</u></i>			
Premiums received and annuity increases	2,596,480	2,343,101	\$6,524,362
Net investment income (excl. realized gains)	4,524,358	4,204,223	4,097,505
<i>Total funds provided from operations</i>	7,120,838	6,547,323	10,621,868
<i><u>Funds used in operations</u></i>			
Benefits and loss related payments	-2,486,175	-3,684,603	-3,370,442
Commissions & other expenses & taxes paid (excluding federal income taxes)	-1,447,834	-1,288,879	-1,511,794
Dividends paid to policyholders	-56,741	-52,670	-50,204
Federal income taxes paid (excl. capital gains tax)	-300,000	-435,901	-53,981
<i>Total funds (used) in operations</i>	-4,290,750	-5,462,054	-4,986,421
<i>Net cash provided from operations</i>	2,830,088	1,085,269	5,635,447
INVESTING ACTIVITIES			
<i><u>Funds provided from investments sold, matured or repaid</u></i>			
Bonds	896,691	715,535	436,449
Stocks	354,236	408,931	389,822
Mortgage Loans	24,072,917	12,840,615	12,374,058
Real Estate	974,012	2,357,337	3,852,756
Other invested assets	0	0	143,553
<i>Total investment proceeds before capital gains tax</i>	26,297,856	16,322,418	17,196,638
<i><u>Cost of investments acquired</u></i>			
Bonds, Mutual Funds & long term CD's	-475,112	-983,864	-633,106
Stocks	-311,861	-432,025	-376,609
Mortgage Loans	-19,644,197	-18,398,600	-13,878,700
Real Estate and other invested assets	-206,731	-140,629	-152,196
<i>Total cost of investments acquired</i>	-20,637,901	-19,955,119	-15,040,610
(Increase) Decrease in policy loans	234	17,026	-47,607
<i>Net cash provided by investment activities</i>	5,660,189	-3,615,675	2,108,421
FINANCING ACTIVITIES			
<i><u>Funds provided from (used for) financing activities</u></i>			
Capital and paid in surplus net of treasury stock	-497,607	-303,472	-226,909
Net deposits on deposit-type contracts	2,864,247	728,531	1,075,185
Cash dividends paid	-961,738	-887,962	-999,476
Other cash provided (applied)	-1,032,387	1,913,057	-12,343
<i>Net cash from (used for) financing activities</i>	372,515	1,450,155	-163,543
Increase (Decr.) in cash & short-term investments	8,862,792	-1,080,251	7,580,324
Cash & short-term investments, beg. of year	11,096,154	12,176,404	4,596,080
Cash & short-term investments, end of year	19,958,945	11,096,154	12,176,404

The Notes on pages 20-29 are an integral part of these financial statements.

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DEC 31: 2021 AND 2020 (UNAUDITED)

	Capital Stock	Capital In Excess of Par	Accumulated Other Com- prehensive Income (Loss)	Unassigned Surplus	Treasury Stock	Total
BALANCES, December 31, 2019	930,495	2,700,769	0	22,808,061	(7,193,288)	19,246,036
COMPREHENSIVE INCOME:						
Net Income				1,215,727		1,215,727
Change in unrealized investment gain/(loss)				102,993		102,993
Comprehensive income				1,318,720		1,318,720
Dividends declared & accrued				(887,962)		(887,962)
Issue employee compensation in stock	566	22,976				23,542
Repurchase Capital Stock (Treasury)					(327,013)	(327,013)
Change in Nonadmitted Assets				35,795		35,795
BALANCES, December 31, 2020	931,061	2,723,745	0	23,274,614	(7,520,301)	19,409,118
COMPREHENSIVE INCOME:						
Net Income				1,268,349		1,268,349
Change in unrealized investment gain/(loss)			0			0
Comprehensive income			0	1,268,349		1,268,349
Dividends declared & accrued				(961,738)		(961,738)
Issue employee compensation in stock	629	26,566				27,196
Repurchase Capital Stock (Treasury)					(524,803)	(524,803)
Change in Nonadmitted Assets				(22,978)		(22,978)
BALANCES, December 31, 2021	931,690	2,750,311	0	23,558,248	(8,045,104))	19,195,144

The Notes on pages 20-29 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 (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 \$561,625 at year end 2021 and \$568,251 at year end 2020.

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, 2021 and December 31, 2020, 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 annuities 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 \$6,497 and \$54,797 at December 31, 2021 and 2020, respectively. The money market funds utilized by the Company invest in short-term U.S. government and agency securities.

Bonds: The amortized cost of bonds as of December 31, 2021 and 2020, by investment grade are as follows:

	2021		2020	
	Amortized Cost	% of Total	Amortized Cost	% of Total
Bonds:				
AAA - A	\$ 3,362,499	76%	\$ 3,780,812	76%
BBB	1,069,395	24%	964,609	20%
BB	0	0%	201,076	4%
B	0	0%	0	0%
Total bonds	\$ 4,431,894	100%	\$ 4,946,497	100%

Mortgage Loans consist of commercial, consumer and purchase money loans collateralized by real estate. The Company’s lending policies allow for loans up to 70% of appraised values at interest rates from 6.50% or more and terms ranging from one to 15 years. The weighted average lending rates for mortgage loans during 2021 and 2020 were 7.7% and 8.5%, respectively. At December 31, 2021 and 2020, the distribution of the mortgage loan portfolio by property type and state are as follows:

Property type	2021		2020	
	Amount	% of Total	Amount	% of Total
Commercial	\$ 38,539,807	88%	\$ 42,587,290	88%
Residential	4,964,601	12%	5,754,699	12%
Land	41,274	0%	46,026	0%
Total mortgage loans	\$ 43,545,683	100%	\$ 48,388,016	100%

State	2021		2020	
	Amount	% of Total	Amount	% of Total
Texas	\$ 16,765,799	39%	\$ 19,221,417	40%
Arizona	15,894,499	37%	17,174,485	35%
California	3,419,407	8%	1,597,884	3%
Colorado	2,501,218	6%	2,527,227	5%
New Mexico	1,888,676	4%	3,417,323	7%
Utah	1,547,962	4%	2,193,045	5%
Washington	775,212	2%	524,177	1%
Nevada	752,909	2%	1,732,458	4%
Total mortgage loans	\$ 43,545,683	100%	\$ 48,388,016	100%

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 a given mortgage loan. 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 90 days delinquent). No loans required a specific valuation allowance as of December 31, 2021 and 2020.

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

Mortgages:	2021		2020	
	Amount	Value of Land and Buildings	Amount	Value of Land and Buildings
In good standing	\$ 39,651,927	\$ 101,351,000	\$ 47,450,630	\$ 115,622,000
Greater than 90 days past due	3,140,846	6,590,000	60,809	295,000
In foreclosure, interest accruing	752,909	1,500,000	876,576	2,080,000
Total mortgage loans	\$ 43,545,683	\$ 109,441,000	\$ 48,388,016	\$ 117,997,000

Investments in Partnerships:

In 2020, the company disposed of a 7% interest in Window Rock Residential Recovery Fund, LP (WRRRF). The net loss recognized in 2020 on the disposal of WRRRF was \$165,354. WRRRF was a mortgage loan joint ventures managed by the Cardon Group. This joint venture invested in distressed mortgage loans at discounted prices. Investments in partnerships are summarized as follows:

	2020				
	Total Contributed	Distributions		Realized Gain/(Loss)	Unrealized Gain/(Loss)
		Income	Rtn of Cap		
Window Rock	\$ 880,000	24,526	334,664	-545,336	0
					Book Value 0

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:

December 31,	2021	2020
Number of foreclosures	1	2
Book value of foreclosures	\$ 675,415	\$ 1,205,477
Number of properties sold	3	8
Book value of properties sold	\$ 943,888	\$ 1,710,995
Net gains/(losses) from sale of real estate	\$ 30,124	\$ 646,342
Write-downs (OTTI) on real estate	\$ 28,738	\$ 0
	2021	2020
Property acquired in satisfaction of debt	\$ 3,020,584	\$ 3,340,240
Investments in real estate	1,091,319	1,091,319
Total real estate investments:	\$ 4,111,903	\$ 4,431,559

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.**

Notes to the Consolidated Financial Statements

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, 2021.

	Balance 12/31/20	Additions	Retirements	Balance 12/31/21
Investments:				
Level 1 investments:				
Unaffiliated common stock	1,512,649	311,861	-35,725	1,788,785
Certificates of deposit	253,846	255,496	-253,846	255,496
Total Level 1	1,766,495	567,356	-289,570	2,044,281
Level 3 Investments:				
Mortgage loans	48,388,016	19,644,197	-24,486,529	43,545,683
Real estate investments	4,431,559	657,415	-977,071	4,111,903
Partnership interests	0	0	0	0
Policy contract loans	93,590	8,080	-8,852	92,818
Total level 3	52,913,166	20,309,692	-25,472,453	47,750,405
Total Investments	\$ 54,679,660	\$ 20,877,048	\$ -25,762,023	\$ 49,794,685
Money market and checking accounts				19,700,960
Bonds carried at amortized cost				4,431,894
Total cash and investments				\$ 73,927,539

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. 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 not 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.

(5) 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, 2021 and 2020 are as follows:

Reserve for life policies:	2021	2020
Grand Slam policies	\$ 1,466,184	\$ 1,352,788
Youth Life policies	846,890	836,903
Other life insurance policies	719,550	601,931
Total reserve for life policies	3,032,624	2,791,623
Policy claims pending	13,362	37,272
Provision for policyholder's dividends	61,088	56,761
Premiums received in advance	5,430	5,719
Total net reserve for life policies	\$ 3,112,504	\$ 2,891,375

(6) 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, 2021 and 2020 are as follows:

Reserve for annuities	2021	2020
Life-contingent immediate annuities	\$ 4,701,218	\$ 4,780,240
Fixed period immediate annuities	2,598,031	2,474,719
Deferred annuities	29,792,211	28,222,996
Total reserve for annuities	\$ 37,091,460	\$ 35,477,955

(7) FUNDS ON DEPOSIT

Funds on deposit with the Company consist 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, 2021 and 2020 are as follows:

	2021		2020	
	Amount	Interest Rate	Amount	Interest Rate
Funds on deposit				
Advance Premium Deposits	\$ 4,238,086	4%	\$ 3,889,482	4%
Guaranteed Interest Contracts	9,045,653	2%	6,660,891	2%
Guaranteed Interest Accounts	7,009	3%	0	0%
Dividends on Deposit	11,063	4%	10,511	4%
Total Funds on deposit	\$ 13,301,814		\$ 10,560,884	

(8) LINE OF CREDIT

The Company has an unsecured line-of-credit agreement with a bank, which enables the company to borrow up to \$3,000,000. Borrowings under the line-of-credit agreement as of December 31, 2021 and 2020 amounted to \$0. The interest rate is a variable interest rate which is 0.050 percentage points under the Wall Street Journal Prime Rate with an interest rate floor of 3.25%.

(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, 2021 and 2020:

	2021	2020
Capital	\$ 931,690	\$ 931,061
Free surplus	\$ 18,263,454	\$ 18,478,058

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 2021 and 2020:

	2021	2020
# of shares purchased	133,918	85,271
Low price	\$ 3.91	\$ 3.75
High price	\$ 4.07	\$ 3.85

On February 22, 2022, the Board of Directors declared a cash dividend of 10.0 cents per share. The distribution will be made on April 13, 2022 to stockholders of record on March 31, 2022. A second semi-annual dividend is expected to be declared by the Board in August and paid in October.

(10) 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 \$95,004 for 2021 and \$106,333 for 2020.

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 2021, 6,249 shares of Company common stock were purchased under the plan for a total of \$27,196. The October 2021 enrollment stock price was \$4.36 and as of December 31, 2021, \$11,297 of employee and directors compensation had been set aside for stock purchase.

The components of employee benefits and taxes at December 31, 2021 and 2020 are as follows:

Employee benefits & taxes	2021	2020
Profit sharing plan	\$ 95,004	\$ 106,333
Employee welfare	41,972	45,876
Payroll taxes	96,248	92,206
Total employee benefits & taxes	\$ 233,224	\$ 244,415

(11) 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, 2021 and 2020, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

- Life insurance premiums paid by Company officers and directors totaled 0.7% and 3.8% of total premiums paid in 2021 and 2020, respectively. Company officers and directors also owned 1.3% and 2.7% of total policy face value in 2021 and 2020, respectively.
- Byron F. Allen is the President of the Company and also the Administrator and Trustee of the Company's Profit Sharing Plan.
- E. Paul Whetten is the Executive Vice President of the Company and also the Trustee of the Company's Profit Sharing Plan.

(12) 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.

(13) UNCERTAIN TAX POSITIONS

Since 2010, the Company has 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, 2021, no uncertain tax positions have been identified and accordingly, no provision has been made.

(14) 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 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 (\$1.9 million) and Interest Maintenance Reserves (\$10). The 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:

	2021 <i><u>Stockholders</u></i> <i><u>Financial Statements</u></i>	2021 <i><u>Statutory</u></i> <i><u>Financial Statements</u></i>
Total Assets	\$ 75,039,776	\$ 73,264,445
Total Liabilities	\$ 55,844,632	\$ 57,770,354
Total Stockholders' Equity	\$ 19,195,144	\$ 15,494,091
Equity per Share	\$ 4.46	\$ 3.60
Annual Net Income	\$ 1,268,349	\$ 1,114,697
Net Income per Share	\$ 0.34	\$ 0.26

After May 31, 2022, the 2021 audited statutory financial statements will be available on the Company's website: www.AmericanSavingsLife.com/stock.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 1, 2022, 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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