# *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.

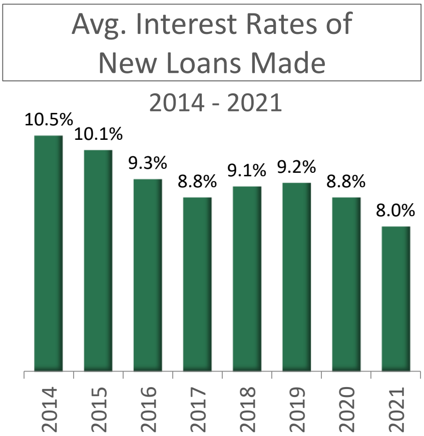
For sure there are trade-offs, but on the whole we believe that the positives outweigh the negatives, and we have no immediate plans to bring the rest of the team back to the office to work every day. It appears that this "work from home" phenomenon is here to stay.

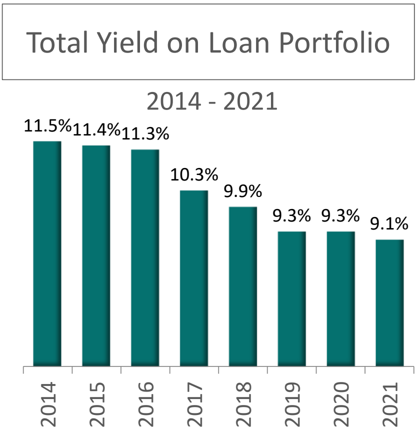
A related reality is the growing willingness of companies to hire remote employees from anywhere in the country. This is a mixed blessing. On the one hand, it has increased the competition for quality employees. But on the other hand, by being willing to look outside of Arizona for new employees, we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




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.)

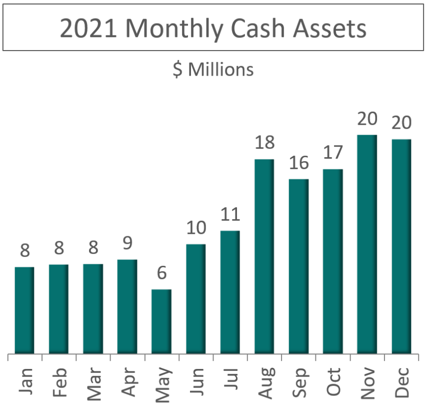

The historically low interest rates have created a second pressure on our earnings — **lower reinvestment interest rates**. As loans pay off, we reinvest the funds in new loans at current (lower) interest rates. The result is an overall lower earning rate on our mortgage loan portfolio.

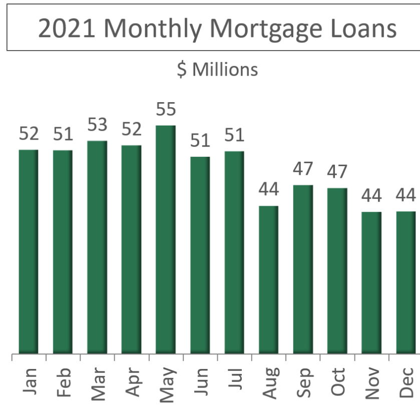
This is similar to someone having a reduction in their hourly pay rate. In order to earn the same amount, they have to work more hours.

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




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.

The Youth Life Insurance Plan

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.

FundingQuest

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 Lit 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

NSH NOT SO HARD MONEY™
AMERICAN LIFE FINANCIAL

information to our audience.

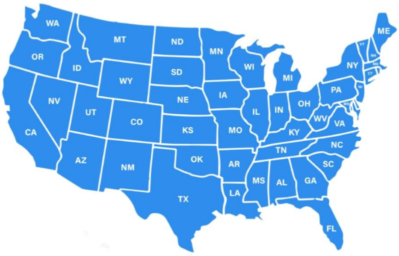
By building their trust in us we expect that some visitors to our website and some listeners to our podcast will turn to us for help finding the right financing for them or their clients.

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**


- **Net Income = $1,268,000**


- **Comprehensive Income = $1,448,000**


- **Dividend Yield = 5%**


- **Total Shareholder Return = 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 we be on Tuesday, April 26, 2022 and will be held <u>in-person</u> 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**

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## 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, President