

AMERICAN SAVINGS
LIFE INSURANCE COMPANY



Founded 1954

2023

Annual

Report

We Are

AMERICAN SAVINGS

Our Vision

We Are Becoming

**The preferred life insurance company
commercial bridge loan provider.**

Our Core Values

We Live These Values

Integrity	<i>We are honest and we do the right things for the right reasons - always.</i>
Partnership	<i>We seek win-win solutions in all our relationships, believing that how we win is important. We strive to be the kind of company with whom we would want to do business.</i>
Stewardship	<i>We are careful with the resources that have been entrusted to our care. We take the long view of opportunities and challenges; building for tomorrow's stakeholders while taking care of today's.</i>
Consideration	<i>We treat others as we want to be treated and show compassionate concern for those we serve. We are true to our legacy of being a family company designed to help families.</i>
Professionalism	<i>We are professional in our words, appearance and actions. We take responsibility for who we are and the image we project in our community.</i>
Growth Mindset	<i>We embrace new challenges and seek opportunities to learn, develop and continuously improve. We believe the pursuit of growth gives vitality to individuals and companies.</i>

LIFE INSURANCE CO.

Our Purpose

Why We Exist

We help BUILD and PROTECT LEGACIES

We provide for the financial well-being of our customers and shareholders through competitive products and sound investments.

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*

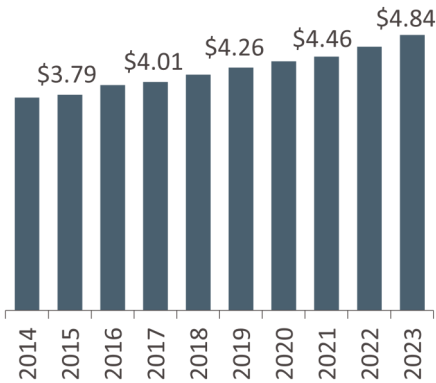
Prudent Growth

Pursuing new growth should not jeopardize ongoing earnings.

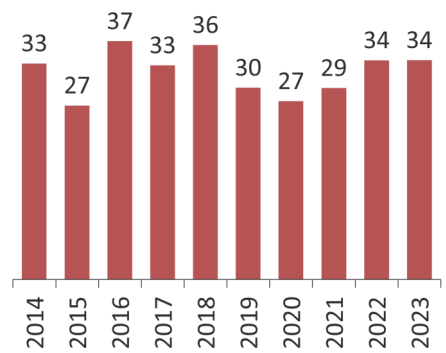
Availability of Funds

Customer funds are available when requested per contractual terms.

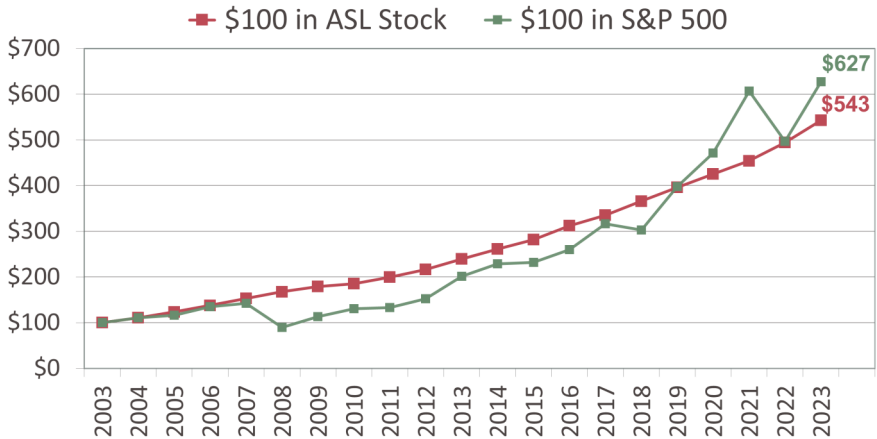
Stockholders Equity per Share



Annual Net Inc per Share
(Cents per share)



\$100 invested on 12/31/2003 (20 years)



Over the last 20 years, ASL's stock has increased 543% vs. 627% 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.

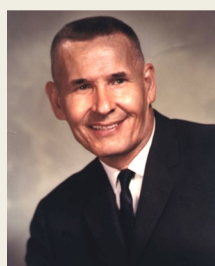
Dear Fellow

SHAREHOLDERS,

I have been writing these annual letters to our shareholders for nearly 20 years now, and I can honestly say that I am more excited today about the future of our Company than I have ever been. That is saying something because I have always been confident and optimistic about the Company's future. To understand why, let's look together at what has transpired to bring us to where we are today.

A Firm Foundation

When **Frihoff N. Allen** founded American Savings Life Insurance Co in 1954, most of the initial capital consisted of mortgage loans. Literally, from day one of the Company's history, **mortgage loans have been our core investment.**



Frihoff built the company with a culture of conservative investments, frugal operations, and an unwavering sense of loyalty to the Company shareholders. See "Our Founder's Principles" on page 2 for further details of the principles on which the Company was built.



From 1977 through 2005, **David K. Allen** successfully led American Savings Life by continuing the Company's proven investment and op-

erational practices. Under his leadership, the Company not only successfully emerged from state receivership in 1988, but steadily grew the Company's financial strength while consistently paying healthy dividends.

When the Board of Directors appointed Byron F. Allen to be the President in 2006, the Company was exceptionally strong financially. It had grown to \$20.4 million in assets, of which \$15.6 million was stockholders equity.

Byron was trained by David in "the American Savings way" since he first began working for the Company in 1989. David continued working alongside Byron as the Chairman of the Board for several years, creating a complementary combination of experience, wisdom, enthusiasm, and ambition.

Growth Initiatives

Although not all of the current management's growth initiatives have been successful, there have been a few key developments that have brought us to where we are today, and are the reasons behind my bullish expectations for our future.

In 2009, we began selling **deferred annuities**, which have proven to be our most successful source of capital for growing our investments for nearly 15 years. Annuity Reserves have now grown to \$53 million.

Another significant growth initiative was selling **participation in our mortgage loans** to other life insurance companies. Participants purchase a percentage interest in specific mortgage loan assets of ours.

2023 Loan Portfolio by State

Beginning in 2009, we slowly **grew our lending area** from one state (AZ) to two states (adding TX), then to six states, then to twelve states, then nationwide in 2022. We also shifted our marketing efforts to national commercial mortgage and capital markets firms. We currently have loans in 17 states. (See page 11 for more details by state.)



Putting it all together

Total Mortgage Loan Portfolio
(\$ Millions)



Usually, only larger life insurance companies have the ability to invest in direct commercial mortgages. By

participating in mortgages with us, smaller insurance companies can now invest in direct mortgages, which provide them with higher investment yields than their typical investments of corporate bonds.

The combination of (1) being able to sell annuities to grow the Company's portion of our mortgage loan portfolio and **(2) being able to sell participation in our mortgage loans** to other insurance carriers affords us a couple distinct advantages. Annuities provide us with low cost capital and loan participations increase our income from origination fees on the larger loans and the servicing fees we earn on the participation part of the loans.

Additionally, **the quality of our loans**, the financial wherewithal of our borrowers, and the quality of the properties securing our loans, have all increased as **our loan sizes have grown**. In 2023, our average loan size was \$2.8 million, nearly a 300% increase over our average loan size of \$1 million in 2021.

Speed Bumps Ahead?

A favorite Yogi Berra quote of mine, "the future ain't what it used to be," is as true as it ever was. Once again, **the commercial real estate market** is going through the second half of its market cycle—the less friendly, although still opportunistic downturn or "correction" part. With 80% of our investments secured by commercial real estate, we will certainly be affected by this situation—but perhaps not in the way one might think.

We recognize, after 70 years in this business, that some of our loans will default, some will become foreclosures, and the Company will lose money on some of these loans. However, we are confident that the **losses**

from our expected defaulted loans will be manageable in light of the income we will continue to make on the rest of our portfolio.

Our Opportunity

The opportunistic aspect of the current market downturn is that **market downturns also create opportunities** for those willing to follow the advice of Warren Buffet and "be fearful when others are greedy and be greedy when others are fearful." Although we have to filter through more loans than ever to find the ones that are good enough for us to make, there are always great loans to be made; it just takes more work to find them in today's environment.

With so many banks and other lenders not currently able (or willing) to lend, we have less competition than in a normal market. As such, we are able to lend on properties and to borrowers who otherwise would qualify for the most competitive bank financing. **There are still strong, well secured loans to be made.**

We are also benefiting from the expectation of most investors that interest rates will decline in the future. As such, **many investors currently prefer short-term bridge financing**, which happens to be just what we offer.

Furthermore, with a **record amount of commercial real estate mortgages coming due** over the next few years, we anticipate there will be even greater demand for our bridge loan product. And **we are lending on today's and tomorrow's lower property values**, making our loans increasingly more secure.

Finally, as life insurance companies (both us and our participants), we are able to offer lower interest

rate loans than typical bridge lenders in exchange for more secure loans. This has been our niche that has proven successful for nearly three quarters of a century.

Report on 2023 Results

The year 2023 was a successful year on several accounts:

- **Annuity Reserves** grew 46% from \$36.4 million to \$52.9 million. **+46%**
- **Mortgage Loans** grew 26% from \$61.6 million to \$77.3 million. **+26%**
- **Net Investment Income** excluding capital gains grew from \$5.4 million to \$7.0 million **+30%**
- **Investment Yield** grew from 8.3% to 9.2% **9.2%**
- **Total Shareholder Return** grew from 8.86% to 9.82%. **9.8%**

Life Insurance & Annuities

The most significant developments within our life insurance and annuity division are: (1) We have developed a **new MYGA (multi-year guaranteed annuity)**, which we expect to be easier to sell and also at a lower interest rate than our current product. (2) **We are applying to be admitted to sell insurance in up to 15 more states**, which will enable us to have more agents, which should lower our cost of annuity sales. Being admitted in more states increases the value of the Company and creates options for us to further grow our insurance and annuity business.

Mortgage Loan Investments

In 2023, we furthered our core business by **growing our total loan**

portfolio from \$80 million to \$116 million. This included growing the Company's mortgage investments to \$77 million and loan participations (the part that other insurance companies invest) to \$39 million.

The growth of loan participations creates additional income from the loan fees earned when the loan is made plus a stream of additional income (loan servicing fees) for the life of the loans. **It is our long-term plan to grow our loan participations to become many times greater than our Company loan portfolio.** This will create substantial recurring income.

2024 Goals

- Grow our total (combined) mortgage loan portfolio from \$116 million to \$150 million or more.
- Originate at least \$75 million in new loans.
- Increase the number of states where we are admitted to sell insurance from three to 12 or more.
- Pre-Tax Income (EBITDA) = 11.6% or more.
- Total Shareholder Return = 9.2% or more.

Leadership

Having the right leadership team is critical to any company's success. In 2023, **we hired John Shirts as our CFO**, a role we did not previously have. John brings tremendous financial capabilities and is already improving our financial reporting, budgeting, fiscal discipline, and leading cost reduction initiatives.

Our **EVP & COO, E. Paul Whetten**, excels at managing our day-to-day operations and personnel, making

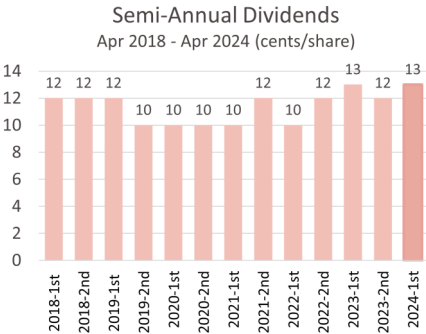
American Savings a place where our team members love to work, while also increasing accountability across the organization.

Our SVP over Insurance & Annuities, Michael Frahm, is expanding our state insurance license footprint and agent sales force to enable us to sell more annuities at a lower cost. And **James Gilbert, our I.T. Director**, is leading our use of technology to enable us to grow our business more efficiently and profitably.

Together, this amazing management team allows me to focus on the Company’s strategies, the profitable growth of the Company, and our strategic relationships within all aspects of our business.

I also want to acknowledge and thank our **Board of Directors** for their leadership. They provide invaluable business experience, counsel, and direction. Both management and

the Company as a whole are much better because of their efforts and leadership.



2023 and 2024 Cash Dividends

Shareholders received two cash dividends in 2023 for a total of 25¢ per share. Together, these dividends equal a 5.4% yield on the 12/31/2022 stock book value.

In addition to the 5.4% cash dividends, your stock’s 2023 book value

2023 Executive Management Team



*Pictured from left to right: **E. Paul Whetten** (EVP & COO), **John Shirts** (CFO), **Byron F. Allen** (President & CEO), **Michael Frahm** (SVP-Ins & Annuities), **James Gilbert** (I.T. Director)*

also increased 4.4%, for a combined **Total Shareholder Return of 9.8%**.

The Board of Directors has declared **the first semi-annual 2024 dividend to be 13¢ per share**, to be paid on April 10, 2024 to shareholders of record as of March 31st. The Board intends to declare a second dividend in August, to be paid in October. The year 2024 will be **the 42nd consecutive year** we have paid cash dividends.

Annual Shareholders Meeting

All shareholders are invited to attend the 2023 Annual Shareholders Meeting at **9:00 AM on Tuesday, April 23, 2024** at the Company's home office located at **935 E. Main St., Mesa, AZ**. Come join us!

APRIL 2024						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	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				

Opportunity Amidst Trepidation

As I stated in the beginning of this letter, I am more excited and optimistic now than ever before about the future of American Savings.

Over the past 70 years we have laid the foundation on which we have begun to build an even more successful business. By combining our two core competencies of commercial mortgage lending and annuity sales, and then leveraging them with loan participations, we have developed a formula for even greater success from doing what we do best.

While most of the world views the commercial real estate market with trepidation, we see tremendous opportunity. There is a real need for our bridge loans and there are still many great loans to be made.

We expect that the commercial real estate market will get worse before it gets better, and we expect the Company will experience some level of loan defaults and foreclosures. This does not, however, worry us. We have weathered difficult economic times, and our investment model has proven time and again that it works well in both good and bad times.

I am thankful for the privilege I have to work with such a talented and dedicated team. Our entire staff are professionals who work hard every day to provide exceptional service to our customers and to our shareholders. Next time you talk with one, please thank them for the amazing work they do. As shareholders, we have been richly blessed by their efforts.

Sincerely,



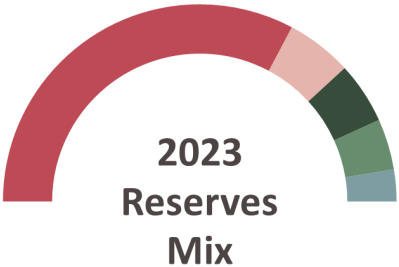
Byron Frihoff Allen,
President & CEO



A Graphical Perspective of Our

LINES OF BUSINESS

Life Insurance and Annuities



Deferred Annuities 65%

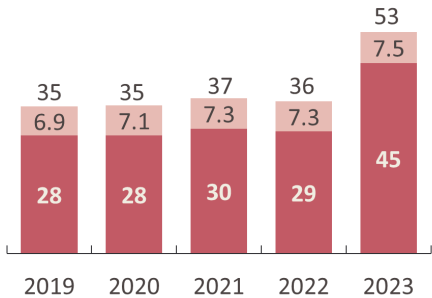
Income Annuities 11%

G.I.C. Accounts 10%

Life Ins. Reserves 8%

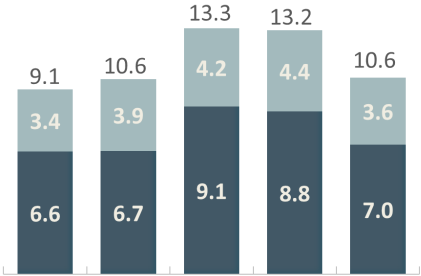
A.P.D. Accounts 5%

Annuities by Type
(\$ Millions)



■ Deferred Annuities ■ Income Annuities

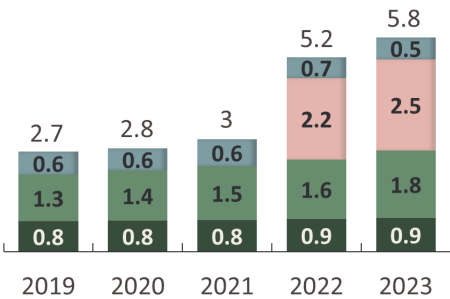
Funds on Deposit by Type
(\$ Millions)



■ G.I.C. Accounts ■ A.P.D. Accounts

G.I.C. – Guaranteed Interest Contract accounts
A.P.D. – Advance Premium Deposit accounts

Life Insurance Reserves by Type
(\$ Millions)

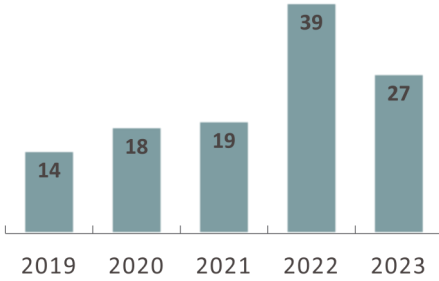


■ Youth Life ■ Grand Slam
■ Remembrance SPWL ■ Other

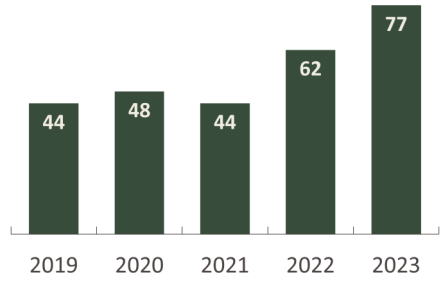
Mortgage Lending

*Company Assets Only
Excluding Loan Participations*

Annual Loan Originations
(\$ Millions)



Mortgage Loan Portfolio
(\$ Millions)



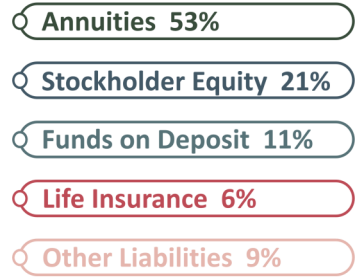
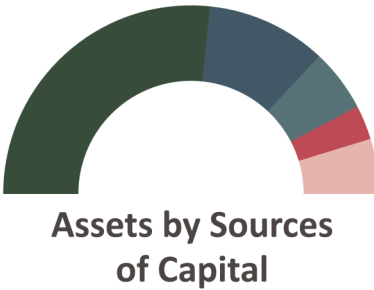
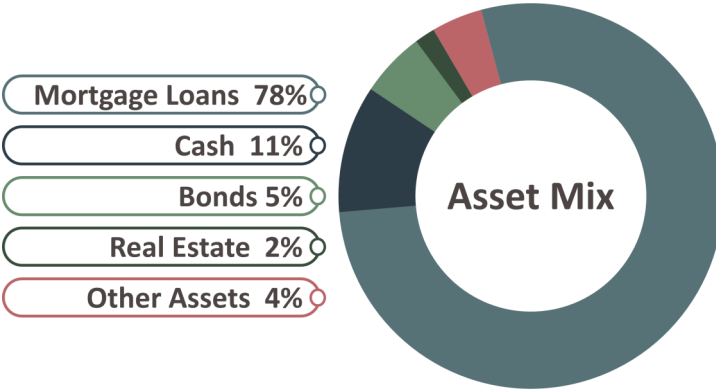
- Retail/Mixed Use 29%
- Office 24%
- Industrial/Warehouse 20%
- Multifamily/MHP 8.6%
- Residential 3.5%
- Land 1.9%
- Other Commercial 13%



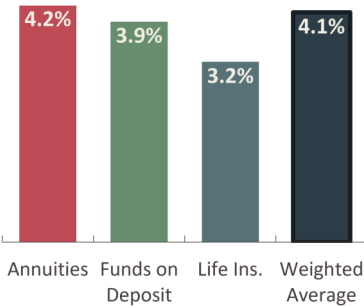
- AZ 35%
- TX 17%
- CA 12%
- FL 5%
- CO 5%
- NJ 4%
- IL 4%
- WA 3%
- GA 3%
- MO 3%
- NM 2.6%
- KY 1.6%
- OK 1.0%
- PA 0.9%
- NY 0.6%
- MI 0.4%
- UT 0.3%

Asset Mix & Sources of Capital

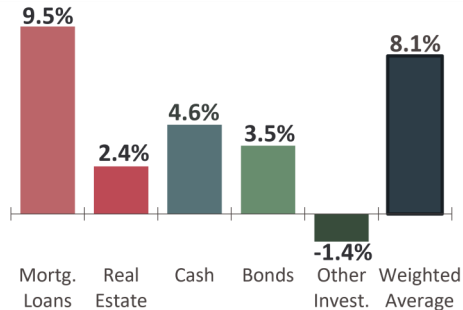
Cost of Capital & Investment Yields



Avg. Cost of Capital
(Policyholder Reserves)



Yields on Investment by Type



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31: 2023, 2022, 2021, 2020 &, 2019 (UNAUDITED)

	2023	2022	2021	2020	2019
Statement of Operations Data					
Total Revenues	8,265,524	8,971,031	5,560,885	5,643,935	4,997,472
Total Expenses	6,659,977	6,938,325	3,961,535	4,000,937	3,507,247
Net Taxable Income	1,605,547	2,032,706	1,599,349	1,642,997	1,490,225
Net Income	1,433,104	1,441,645	1,268,349	1,215,727	1,338,621
Statement of Financial Position Data					
Total Assets	99,364,790	77,321,255	75,039,776	71,765,999	68,624,827
Total Reserves for Life Ins, Annuities & Deposits	69,440,624	54,983,313	53,505,777	48,930,214	47,855,379
Total Liabilities	78,820,945	57,519,516	55,844,632	52,356,881	49,378,790
Total Shareholders Equity	20,543,845	19,801,739	19,195,144	19,409,118	19,246,036
Per Share Data					
Total Shares Outstanding	4,247,085	4,274,693	4,306,360	4,433,984	4,513,595
Earnings Per Share (EPS)	0.337	0.337	0.295	0.274	0.297
Dividends Per Share (DPS)	0.250	0.220	0.220	0.200	0.220
Book Value (Shareholder Equity) Per Share (BVPS)	4.837	4.632	4.457	4.377	4.264
Key Performance Measurements					
Dividend Yield (DPS / prior-yr. BVPS)	5.40%	4.94%	5.03%	4.69%	5.31%
Investment Yield (net inv. inc. + cap. gains / prior-yr. assets)	9.19%	8.28%	7.17%	7.51%	7.46%
Return on Equity (net income / prior-yr. BVPS)	7.28%	7.57%	6.73%	6.43%	7.16%
Total Shareholder Return (DPS + BVPS incr. / prior-yr. BVPS)	9.82%	8.86%	6.85%	7.35%	8.21%

The Notes on pages 20-26 are an integral part of these financial statements.

Consolidated Statement of Operations

FOR THE YEARS ENDED DEC. 31: 2023, 2022, & 2021 (UNAUDITED)

REVENUES	2023	2022	2021
Premiums - Life insurance	539,103	2,495,738	290,766
Premiums - Annuities w/ mortality risk	623,994	259,283	125,000
<u>Investment income net of expenses</u>			
Cash & cash equivalents	585,954	180,886	44,740
Mortgage loans	6,261,907	5,199,722	4,842,888
Real estate owned	(69,937)	-131,156	7,073
Marketable securities	196,307	152,484	133,712
Other investment income	25,198	-5,653	9,102
Realized Capital Gains/(Losses)	102,997	819,727	107,604
TOTAL NET INVESTMENT INCOME	7,102,426	6,216,010	5,145,119
TOTAL REVENUES	8,265,524	8,971,031	5,560,885
EXPENSES			
Policyholder benefits	355,810	252,740	114,614
Increase in life reserves & loading	1,252,290	2,949,148	690,731
Policy acquisition costs	207,961	292,435	66,076
Interest on insurance and annuities	2,352,692	1,320,391	1,270,498
<u>General expenses</u>			
Salaries and wages	1,657,660	1,371,036	1,288,724
Employee Benefits & Taxes	302,683	250,927	233,224
Professional fees	276,860	238,692	159,592
Other expenses	254,021	262,957	138,077
TOTAL EXPENSES	6,659,977	6,938,325	3,961,536
NET TAXABLE INCOME	1,605,547	2,032,706	1,599,349
Federal Income Tax	(172,443)	-591,061	-331,000
NET INCOME	1,433,104	1,441,645	1,268,349
Net Income per share	\$0.337	\$0.337	\$0.295
COMPREHENSIVE INCOME			
Unrealized gain/(loss) on common stocks	376,867	-381,533	227,448
Federal Income Tax	(79,142)	80,122	-47,764
Other Comprehensive Income, net of tax	297,725	-301,411	179,684
COMPREHENSIVE INCOME	1,730,829	1,140,234	1,448,033
Total shares outstanding	4,247,085	4,274,693	4,306,360
Comprehensive Income per share	\$ 0.408	\$ 0.267	\$ 0.336

The Notes on pages 20-26 are an integral part of these financial statements.

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DEC 31: 2023, 2022, & 2021 (UNAUDITED)

ASSETS	2023	2022	2021
Cash and cash equivalents	10,644,161	4,787,183	19,956,455
Bonds	5,428,626	5,707,605	4,431,894
Common & preferred stock	1,772,624	1,385,829	1,788,785
Policy loans	100,207	99,221	92,818
Mortgage loans	77,326,691	61,571,796	43,545,683
Real estate investments	1,718,361	2,011,007	4,111,903
TOTAL CASH & INVESTED ASSETS	96,990,669	75,562,640	73,927,539
Accrued interest & deposits	576,958	532,939	413,107
Deferred policy acquisition asset	683,992	277,710	337,180
Land, building & office equipment	404,131	316,014	269,101
Deferred tax asset	709,039	631,952	92,849
TOTAL ASSETS	99,364,790	77,321,255	75,039,776
LIABILITIES			
Reserve for life policies	5,860,210	5,345,519	3,112,504
Reserve for annuities	52,944,386	36,375,156	37,091,460
Funds on deposit (APD/GIC)	10,636,028	13,262,638	13,301,814
Expenses due & accrued and other	479,654	416,318	250,309
Amounts held by ASLIC for others	5,900,667	2,119,885	2,088,545
Loans Payable	3,000,000	-	-
TOTAL LIABILITIES	78,820,945	57,519,516	55,844,632
SHAREHOLDERS EQUITY			
Capital stock	933,280	932,415	931,690
Capital stock in excess of par	2,820,590	2,781,625	2,750,311
Retained earnings	25,147,336	24,292,252	23,558,248
Less treasury stock	(8,357,361)	-8,204,554	-8,045,104
TOTAL SHAREHOLDERS EQUITY	20,543,845	19,801,739	19,195,144
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	99,364,790	77,321,255	75,039,776
Shares Outstanding	4,247,085	4,274,693	4,306,360
Equity Value Per Share	\$ 4.837	\$ 4.632	\$ 4.46

Consolidated Statement of Cash Flow

FOR THE YEARS ENDED DEC 31: 2023, 2022, & 2021 (UNAUDITED)

OPERATING ACTIVITIES	2023	2022	2021
<i>Funds provided from operations</i>			
Premiums received and annuity increases	28,226,763	5,629,416	2,596,480
Net investment income (excl. realized gains)	6,731,679	5,173,685	4,524,358
<i>Total funds provided from operations</i>	34,958,442	10,803,101	7,120,838
<i>Funds used in operations</i>			
Benefits and loss related payments	-13,845,374	-5,747,295	-2,486,175
Commissions & other expenses & taxes paid (excluding federal income taxes)	-2,778,788	-1,891,551	-1,447,834
Dividends paid to policyholders	-63,851	-59,963	-56,741
Federal income taxes paid (excl. capital gains tax)	-308,851	-633,476	-300,000
<i>Total funds (used) in operations</i>	-16,996,864	-8,332,285	-4,290,750
<i>Net cash provided from operations</i>	17,961,578	2,470,816	2,830,088
INVESTING ACTIVITIES			
<i>Funds provided from investments sold, matured or repaid</i>			
Bonds	683,756	282,954	896,691
Stocks	210,444	215,850	354,236
Mortgage Loans	11,046,234	20,072,984	24,072,917
Real Estate	370,610	2,827,902	974,012
<i>Total investment proceeds before capital gains tax</i>	12,311,044	23,399,690	26,297,856
<i>Cost of investments acquired</i>			
Bonds, Mutual Funds & long term CD's	-483,755	-1,616,334	-475,112
Stocks	-220,041	-213,428	-311,861
Mortgage Loans	-23,779,810	-38,090,618	-19,644,197
Real Estate and other invested assets	-59,409	-40,583	-206,731
<i>Total cost of investments acquired</i>	-24,543,015	-39,960,963	-20,637,901
(Increase) Decrease in policy loans	-987	198,310	234
<i>Net cash provided by investment activities</i>	-12,232,958	-16,362,963	5,660,189
FINANCING ACTIVITIES			
<i>Funds provided from (used for) financing activities</i>			
Capital and paid in surplus net of treasury stock	-112,977	-127,410	-497,607
Loans Payable	3,000,000	-	-
Net deposits on deposit-type contracts	-2,391,741	-104,667	2,864,247
Cash dividends paid	-1,064,903	-946,173	-961,738
Other cash provided (applied)	697,980	-98,875	-1,024,227
<i>Net cash from (used for) financing activities</i>	128,359	-1,277,125	380,675
Increase (Decr.) in cash & short-term investments	5,856,979	-15,169,272	8,870,952
Cash & short-term investments, beg. of year	4,787,183	19,956,455	11,085,503
Cash & short-term investments, end of year	10,644,161	4,787,183	19,956,455

The Notes on pages 20-26 are an integral part of these financial statements.

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DEC 31: 2023 AND 2022 (UNAUDITED)

	Capital Stock	Capital In Excess of Par	Unassigned Surplus	Treasury Stock	Total
BALANCES, December 31, 2021	931,690	2,750,311	23,558,397	-8,045,104	19,195,293
Comprehensive income			1,140,234		1,140,234
Dividends declared & accrued			-946,173		-946,173
Issue employee compensation in stock	725	31,315			32,040
Repurchase Capital Stock (Treasury)				-159,450	-159,450
Change in Nonadmitted Assets			539,795		539,795
BALANCES, December 31, 2022	932,415	2,781,625	24,292,252	-8,204,554	19,801,739
Comprehensive income			1,730,829		1,730,829
Dividends declared & accrued			-1,064,903		-1,064,903
Issue employee compensation in stock	866	38,965			39,830
Repurchase Capital Stock (Treasury)				-152,808	-152,808
Change in Nonadmitted Assets			189,158		189,158
BALANCES, December 31, 2023	933,280	2,820,590	25,147,336	-8,357,361	20,543,845

The Notes on pages 20-26 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, Oklahoma, 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 \$341,531 at year end 2023 and \$554,832 at year end 2022.

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, 2023 and December 31, 2022, 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) 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 2024 and it was appraised at a fair market value of \$1,270,000.

(4) 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 \$54,236 and \$0 at December 31, 2023 and 2022, 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, 2023 and 2022, by investment grade are as follows:

	2023		2022	
	Amortized Cost	% of Total	Amortized Cost	% of Total
Bonds:				
AAA - A	\$ 4,592,386	85%	\$ 4,525,062	79%
BBB	836,240	15%	1,182,543	21%
BB	0	0%	0	0%
B	0	0%	0	0%
Total bonds	\$ 5,428,626	100%	\$ 5,707,605	100%

The amortized cost, unrealized holding gain/ losses, and fair value for all fixed income securities owned as of December 31,2023 are as follows:

Notes to the Consolidated Financial Statements

December 31, 2023	Amortized Cost	Unrealized holding gains/losses	Fair Value
U.S. government - residential mortgage - backed securities	\$ 2,340,324	\$ -149,112	\$ 2,191,212
U.S. Special Revenue and Assessments	341,531	-43,802	297,729
Corporate & Miscellaneous Debt Securities	2,746,771	-307,697	2,439,074
Total	\$ 5,428,626	\$ -500,611	\$ 4,928,015

Mortgage Loans consist of non-consumer commercial mortgage loans collateralized by real estate. The Company's lending policies allow for loans up to 65% of appraised values (LTV). The weighted average LTVs for new loans in 2023 and 2022 were 47% and 55%, respectively. The loans terms usually range from 2 to 5 years. The weighted average loan interest rates for loans originated during 2023 and 2022 were 9.0% and 7.8%, respectively. At December 31, 2023 and 2022, the distribution of the mortgage loan portfolio by property type and state were as follows:

Property type	2023		2022	
	Amount	% of Total	Amount	% of Total
Commercial	\$ 73,117,817	95%	\$ 57,043,911	93%
Residential	1,452,820	2%	2,669,100	4%
Land	2,756,055	4%	1,858,785	3%
Total mortgage loans	\$ 77,326,691	100%	\$ 61,571,796	100%

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

	2023		2022	
	Amount	Value of Land and Buildings	Amount	Value of Land and Buildings
Mortgages:				
In good standing	\$ 75,890,652	\$ 163,575,000	\$ 61,331,744	\$ 130,540,000
Greater than 90 days past due	239,804	425,000	240,052	425,000
In foreclosure, interest accruing	1,196,235	2,075,000	0	0
Total mortgage loans	\$ 77,326,691	\$ 166,075,000	\$ 61,571,796	\$ 130,965,000

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, 2023 and 2022.

Participation: Mortgage loans are routinely financed through participation. Participants share in the cash flows of the loan *pari passu*, or by a portion equal to their investment. Participated loans represent a large and growing component of our mortgage loan portfolio and income. On a typical loan with participation, the Company earns on the participated portion of the loan 1) an origination fee at close and 2) a small servicing fee over the life of the loan. For the years ending December 31, 2023 and 2022, mortgage loan revenue from participation was \$403,870 and \$151,021, respectively.

Loan Portfolio Balance	2023	2022
Total mortgage loans (including participation)	\$ 116,129,383	\$ 80,186,720
Participated loans	(38,802,692)	(18,614,924)
Total mortgage loans	\$ 77,326,691	\$ 61,571,796

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 pay 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, 2023.

	Balance 12/31/22	Additions	Retirements	Balance 12/31/23
Investments:				
Level 1 investments:				
Unaffiliated common stock	\$ 1,385,829	\$ 220,041	\$ 166,754	\$ 1,772,624
Certificates of deposit	0	0		0
Total Level 1	1,385,828	220,041	166,754	1,772,623

Notes to the Consolidated Financial Statements

	Balance 12/31/22	Additions	Retirements	Balance 12/31/23
Investments:				
Level 3 Investments:				
Mortgage loans	61,571,796	26,837,500	-11,082,605	77,326,691
Real estate investments	2,011,007	59,406	-352,053	1,718,361
Partnership interests	0	0	0	0
Policy contract loans	99,221	13,351	-12,365	100,207
Total level 3	63,682,024	26,910,257	-11,447,022	79,145,259
Total Investments	\$ 65,067,853	\$ 27,130,298	\$ -11,280,269	\$ 80,917,882
Money market and checking accounts				10,644,161
Bonds carried at amortized cost				5,428,626
Total cash and investments				\$ 96,990,669

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.

(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, 2023 and 2022 are as follows:

Reserve for life policies:	2023	2022
Grand Slam policies	\$ 1,819,205	\$ 1,607,425
Youth Life policies	908,927	880,081
Remembrance policies	2,468,759	2,201,863
Other life insurance policies	581,228	580,407
Total reserve for life policies	5,778,119	5,269,777
Policy claims pending	11,000	6,000
Provision for policyholder's dividends	68,195	63,877
Premiums received in advance	2,896	5,865
Total net reserve for life policies	\$ 5,860,210	\$ 5,345,519

(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, 2023 and 2022 are as follows:

Notes to the Consolidated Financial Statements

Reserve for annuities	2023	2022
Life-contingent immediate annuities	\$ 4,852,871	\$ 4,723,657
Fixed period immediate annuities	2,655,638	2,532,546
Deferred annuities	45,435,877	29,118,953
Total reserve for annuities	\$ 52,944,386	\$ 36,375,156

(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, 2023 and 2022 are as follows:

	2023		2022	
Funds on deposit		Avg Interest		Avg Interest
Advance Premium Deposits	Amount	Rate	Amount	Rate
Guaranteed Interest Contracts	\$ 3,623,541	4.5%	\$ 4,376,410	4%
Guaranteed Interest Accounts	6,861,170	3.9%	8,795,394	2%
Dividends on Deposit	139,078	4.7%	79,196	3%
Total Funds on deposit	12,239	4.0%	11,639	4%
	\$ 10,636,028		\$ 13,262,638	

(8) LINE OF CREDIT

The Company has an unsecured line-of-credit agreement with a bank. The Board of Directors has approved the use of a line of credit up to \$10,000,000 for emergency liquidity and for short-term funding of investments. Borrowings under the line-of-credit agreement as of December 31, 2023 and 2022 amounted to \$3,000,000 and \$0, respectively.

(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, 2023 and 2022:

	2023	2022
Capital	\$ 933,280	\$ 932,415
Free surplus	\$ 19,610,565	\$ 18,869,324

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 2023 and 2022:

	2023	2022
# of shares purchased	36,264	38,910
Low price	\$ 4.18	\$ 4.01
High price	\$ 4.27	\$ 4.16

On February 27, 2024, the Board of Directors declared a cash dividend of 13.0 cents per share. The distribution will be made on April 10, 2024 to stockholders of record on March 31, 2024. 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 \$114,407 for 2023 and \$98,327 for 2022.

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 2023, 8,656 shares of Company common stock were purchased under the plan for a total of \$39,830. The October 2023 enrollment stock price was \$4.698 and as of December 31, 2023, \$22,790 of employee and directors compensation had been set aside for stock purchase.

The components of employee benefits and taxes at December 31, 2023 and 2022 are as follows:

Employee benefits & taxes	2023	2022
Profit sharing plan	\$ 114,407	\$ 98,327
Employee welfare	59,918	45,989
Payroll taxes	128,358	106,611
Total employee benefits & taxes	\$ 302,683	\$ 250,927

(11) RELATED PARTIES

No related party transactions involving members of Company management and the Board of Directors have occurred during the years ended December 31, 2023 and 2022, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

- a) Byron F. Allen is the President of the Company and also the Administrator and Co-Trustee of the Company's Profit Sharing Plan.
- b) E. Paul Whetten is the Executive Vice President of the Company and also the Co-Trustee of the Company's Profit Sharing Plan.
- c) The following members of the Board of Directors have provided additional consulting services for the Company during the year, for which they receive additional compensation: Heber E. Allen and Christopher S. Stapley.

There is an insignificant relationship between policyholders who are also stockholders and members of Company management and the Board of Directors. Life insurance premiums paid by Company officers and directors totaled 0.31% and 0.06% of total premiums paid in 2023 and 2022, respectively. Company officers and directors also owned 0.23% and 0.41% of total policy face value in 2023 and 2022, respectively.

(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, 2023, 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). One significant additional reserves required in the Statutory Financial Statements include Asset Valuation Reserves (\$1.7 million). 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:

	2023 <u>Stockholders</u> Financial Statements	2023 <u>Statutory</u> Financial Statements
Total Assets	\$ 99,364,790	\$ 97,083,399
Total Liabilities	\$ 78,820,945	\$ 81,484,940
Total Stockholders' Equity	\$ 20,543,845	\$ 15,598,459
Equity per Share	\$ 4.84	\$ 3.67
Annual Net Income	\$ 1,433,104	\$ 179,335
Net Income per Share	\$ 0.34	\$ 0.04

After May 31, 2024, the 2023 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, 2023, 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.

AMERICAN SAVINGS
LIFE INSURANCE COMPANY

935 E. Main St., Mesa, AZ 85203

480-835-5000 | 888-880-2112