

AMERICAN SAVINGS LIFE INSURANCE COMPANY



Founded 1954

October 8, 2019

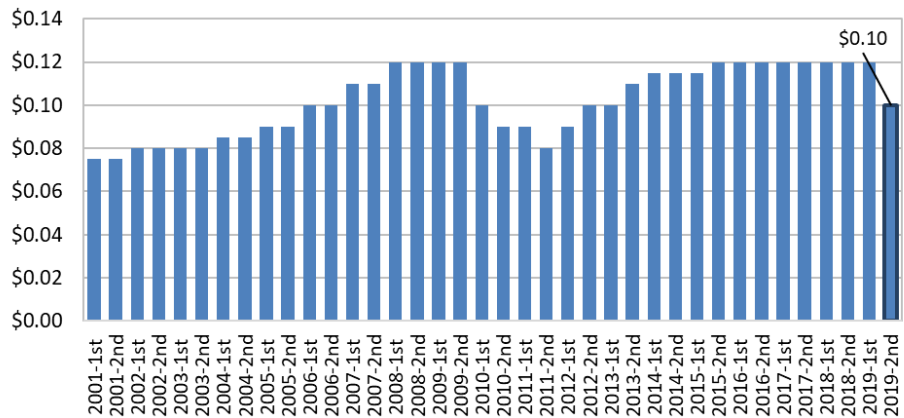
Dear Shareholders,

Together with this letter you will find your **second semi-annual dividend for 2019** in the amount of **ten cents per share**. Together with the 12-cent per share dividend paid in April, **this equals a 5.3% annual dividend yield** on your stock's 12/31/2018 book value of \$4.14 per share.

This semi-annual dividend payment is lower than the dividends you have been receiving the last several years.

The board of directors set the lower dividend payment in response to the Company's lower earnings this year. There are several reasons for this, which will be explained in the balance of this letter.

Semi-Annual Dividends per Share



Financial Performance and Business Update as of 9/30/2019

Net Income: For the first 9 months of 2019, net income stands at \$795,886. During this time period last year, net income was 30% greater at \$1,134,670. The two largest causes for the lower income this year are:

- 1) Net Investment Income from Real Estate Owned (REOs) as of Sep. 30th is down \$248,000 compared to the same period last year. We wrote-down the value of two of our foreclosure properties for a total of \$260,000 and have not realized any offsetting gains from the sale of REOs so far this year.
- 2) Income tax expenses year-to-date are \$106,000 higher. The largest reason is the 2018 Tax Reform's elimination of the Alternative Minimum Tax (AMT), which allowed us to apply our accumulated AMT of \$469,000 to offset income taxes in 2018 and 2019. We used \$367,000 in 2018, leaving only \$102,000 to apply toward our 2019 federal income taxes.

Additional factors impacting our net income this year include (1) lower loan originations, (2) increased expenditures in staff and marketing efforts to grow our lending portfolio, (3) the upfront costs of developing a new life insurance policy, and (4) non-performing REOs.

Lending: For some time now, we have struggled to grow our annual loan originations. As of Sep 30th, we have originated a total of \$10.7 million, compared to \$13 million this time last year. One reason is that the competition has grown substantially in our specific lending niche (the space between bank loans and traditional hard money loans) as other investment groups are finding the yields on these secured real estate loans attractive, particularly in the current low interest rate environment.

Despite the increased competition, we are unwilling to compromise our conservative underwriting standards. Instead, we have enlarged our lending area to include the 12 western and southwestern states, from Washington to Texas. The market for our Not So Hard Money® loans in these states is plenty large and we believe this will help overcome the increased competition and provide adequate growth opportunities.

Therefore, this summer we took important steps to increase our brand recognition and improve our customer service. We hired a very talented Marketing Director, Al Jimenez, to grow awareness of our loan product, and we have hired an experienced Loan Underwriter, Jeremy Lewis, to increase our ability to quickly research, underwrite and close loans. We have also increased our loan advertising budget to expand the reach of our marketing efforts. I am proud of our very capable team and I am excited about the momentum they are generating and the success we are beginning to see.

Life Insurance and Annuities: Toward the end of last year, we hired Michael Frahm as our Vice President of Life Insurance and Annuities. He brings a wealth of experience and talent in the life insurance industry and I am exceptionally pleased to have him on our team. Under his leadership we are developing an exciting new life insurance policy that will complement our annuity products and diversify our premium income and reserves. It has required some upfront investment (expenses) to develop this new policy, but this is a short-term cost for a product that will provide long-term profits. We will also soon be introducing two new variations of our annuity products, which will make our portfolio of products even more competitive.

Non-performing REOs: Foreclosures are an inevitable reality of being in the lending business. Fortunately, we have foreclosed on a relatively small percentage of our loans over time. Of the 272 loans we have made during the last ten years (2009 – 2018), we have had to foreclose on only 14 of them (5%). Unfortunately, however, two of these were particularly notable (and not in a good way). Having these funds tied up in non-performing REOs prevents us from earning interest income on these assets.

The first was a \$1,137,000 loan we made in 2015 on an office building in Houston, TX. This is one of the very few loans in company history where we have had to file a claim against the title insurance policy and we are in the midst of a lawsuit to enforce our rights to the collateral. We anticipate reaching a resolution before the end of the year, but the timing of legal proceedings is anything but certain. Fortunately, these situations are few and far between (only the second I can think of during the 27 years I have worked here).

The second notable foreclosure was our largest ever; a \$2.8 million loan on 15 luxury condos in Houston, Texas (also made in 2015). After the 8th unit sells later this week, our remaining investment will be down to approximately \$1.1 million. We expect to sell the remaining condos over the next 6 to 9 months. Each unit we sell provides us with approximately \$200,000 that can be reinvested to begin earning income again.

In conclusion: Although we are experiencing several challenges that are adversely affecting our profitability, and thereby our dividends, most of these are short-term situations. Our business model is sound, and we are investing in our growth and diversification to improve our long-term profitability while also mitigating our exposure to future risks.

If you have any questions about the Company, please feel free to call me at 480-835-5000. I always welcome the opportunity to talk with our shareholders.

Sincerely,



Byron Frihoff Allen, President

FORWARD-LOOKING STATEMENTS: Certain statements contained in this letter are forward-looking statements. 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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Key Financial Data

*For the 9 months ending September 30, 2019 and September 30, 2018
(unaudited)*

	Sep 30, 2019	Sep 30, 2018
Key Balance Sheet Data		
Total Assets	\$ 68,041,000	\$ 63,318,000
Total Loan Portfolio	\$ 46,771,000	\$ 37,565,000
Reserves for Life Ins + Annuities + GICs	\$ 47,007,000	\$ 42,403,000
Total Shareholders Equity*	\$ 18,678,000	\$ 18,779,000
<i>*Note: Excluding the \$216,000 of stock bought back (tendered) over the past 12 months, Total Shareholders Equity has increased \$115,000 since 9/30/2018. This is in addition to the \$1,100,000 in dividends paid out during this time period.</i>		
Key Income Statement Data		
Total Revenues	\$ 3,572,000	\$ 4,490,000
Net Investment Income	\$ 3,317,000	\$ 3,447,000
Earnings Before Tax & Depreciation	\$ 964,000	\$ 1,218,000
Net Income	\$ 796,000	\$ 1,135,000
Key Per Share Data		
Shareholders Equity per share	\$4.12	\$4.10
Year-to-date Net Income per share	\$0.18	\$0.25
Dividends per share (annual)	\$0.22	\$0.24

You can always stay informed of our current financial condition by going to the stockholders page on the Company website:
www.AmericanSavingsLife.com/stockholders
 It is updated monthly with current (unaudited) financial figures.