

AMERICAN SAVINGS LIFE INSURANCE COMPANY



Founded 1954

October 9, 2020

Dear Shareholders,

I am pleased to report that enclosed with this letter is the **second semi-annual dividend for 2020** in the amount of **ten cents per share**. Together with the 10-cent per share dividend paid in April, **this equals a 4.7% annual dividend yield**. In addition to the dividend yield, your shares have also increased in value 3.7% over the past 12 months. Therefore, **your stock's total return over the last year has been 8.4%**.

Financial Performance and Business Update as of 9/30/2020

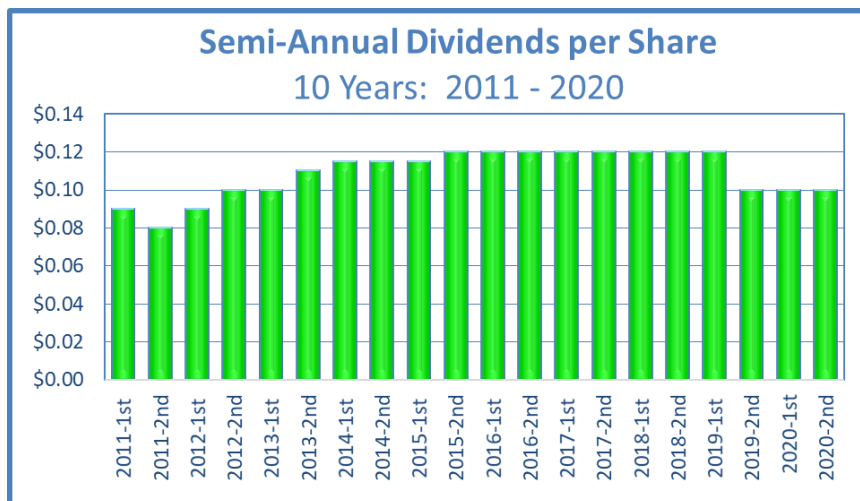
Net Income: For the first 9 months of 2020, net income stands at \$910,000, which is a 15% increase over the net income of \$791,000 at this time last year. The most significant factors affecting our net income **thus far this year** include:

- 1) **Total Net Investment Income** = \$3,760,000, which is \$450,000 (14%) higher than this time last year. The main contributors are:
 - a. **Real Estate Owned:** This year we have sold several previously foreclosed properties for a gain of \$590,000. This is a direct benefit of our conservative lending at low loan-to-values.
 - b. **Mortgage Loan Interest Income** is \$127,000 (4%) lower than this time last year. This is the result of greater loan payoffs than new loans made so far this year. I explain this in greater detail below.
 - c. Our **Partnership Investment** generated a \$165,000 loss due to the write-off of the remaining balance of a real estate partnership investment made in 2013.

Three other factors negatively impacting our net income this year include (1) higher than average life insurance death benefits (not COVID-related); (2) higher annuity interest expense due to higher annuity balances; and (3) higher net employee expenses during the first part of the year. Two additional positive factors are (1) realized gains on common stocks; and (2) lower general expenses.

Impact of the COVID-19 pandemic: You may naturally be wondering how the COVID-19 pandemic has affected the Company. It has thus far impacted us in a different way than I would have expected.

- **How the pandemic has NOT affected us (at least not yet):**
 - It has not resulted in an increase in death claims associated with COVID.



- It has not caused an increase in delinquent loans or foreclosures.
- It has not resulted in increased annuity or deposit account withdrawals.

- **How the pandemic HAS affected us:**

- Like just about every business, we have had to adjust our operations with **most employees working from home**. Fortunately this has worked surprisingly well and we anticipate continuing to work this way until the pandemic risk has significantly lessened.
- When the country nearly shut down in March and tens of millions of people became unemployed in a matter of weeks, we anticipated that a major economic recession must be the result. As such, we **tightened our lending parameters and cut back expenses** wherever possible. We expected to begin seeing what we have seen with every other recession; increased loan delinquencies, increased foreclosures, decreased loan payoffs, reduction in real estate transactions and prices, etc.
- So far (nearly 7 months later), **none of these expected recession effects have materialized**. Instead, we have actually had unusually large amounts of loan payoffs. This has resulted in our cash steadily increasing over this time because (a) more loan payoffs have come in than anticipated, and (b) our tightened lending parameters have slowed down our lending volume.
- Recognizing that we cannot be profitable if we do not keep our assets invested, we have chosen to **be more competitive by offering lower interest rates rather than loosening our loan underwriting**. This strategy appears to be working well as our lending increased nicely in September and October and November appear to likely be even greater lending months.
- We feel very good about how the last quarter of 2020 will likely look, with a sizable increase in our loan portfolio, but importantly, with even safer loans than pre-COVID.

- **How do we anticipate it will affect us in the future:** It is anyone's guess how the pandemic will ultimately affect the economy and American Savings Life Insurance Company. It is certainly like no other recession we have experienced.

- It still seems likely that we will see economic fallout from the businesses shut down and the millions of jobs lost. These must result in evictions, foreclosures, and bankruptcies. The question is: How bad will these be and how much will they impact real estate prices and the performance of our loan portfolio and our profitability?
- The wonderful thing about our business model is the vast majority of our assets are invested in loans secured by income-producing real estate. Furthermore, our average loan is only 55% of the property's value. Therefore, we have significant downside protection in the event that real estate prices decline or we have higher foreclosures. Our lending model has proven to be profitable during good times as well as bad times and we expect this to continue.

In conclusion: While we certainly have been affected by the pandemic, our business model is again proving to be sound. And even though the greatest impact from the pandemic is likely yet to come, I have great confidence in our future and our ability to succeed, whatever the future may bring. If you have any questions about the Company, I welcome you to call me personally at 480-835-5000. I always welcome the opportunity to talk with our shareholders. Thank you for your continued support!

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, 2020 and September 30, 2019
(unaudited)*

	Sep 30, 2020	Sep 30, 2019
Key Balance Sheet Data		
Total Assets	\$ 71,429,000	\$ 68,039,000
Total Loan Portfolio	\$ 42,850,000	\$ 46,771,000
Reserves for Life Ins, Annuities, \$ On Deposit	\$ 48,291,000	\$ 47,007,000
Total Shareholders Equity*	\$ 18,954,000	\$ 18,673,000
<i>*Note: Excluding the \$391,000 of stock bought back (tendered) over the past 12 months, Total Shareholders Equity has increased \$672,000 (15 cents per share) since 9/30/2019. This is in addition to the \$888,000 (20 cents per share) in dividends paid out during this time period.</i>		
Key Income Statement Data		
	Jan-Sep, 2020	Jan-Sep, 2019
Net Investment Income	\$ 3,760,000	\$ 3,310,000
Earnings Before Tax & Depreciation	\$ 1,221,000	\$ 959,000
Net Income	\$ 910,000	\$ 791,000
Key Per Share Data		
	Jan-Sep, 2020	Jan-Sep, 2019
Shareholders Equity per share	\$4.27	\$4.12
Year-to-date Net Income per share	\$0.21	\$0.18
Dividends per share (annual)	\$0.20	\$0.22

You can always stay informed of our current financial condition by going to the stockholders page on the Company website:

www.AmericanSavingsLife.com/stock

It is updated monthly with current (unaudited) financial figures.