

March 2013

Our goal with this Annual Report is to provide you with as much of an understanding of the Company as possible in the limited space provided, considering the whole spectrum of readers. We have plenty of charts and graphs for those shareholders who prefer the “*a picture is worth a thousand words*” approach. The report also gets progressively more detailed with each section.

Each additional section you read is akin to a more advanced degree in the study of American Savings Life Insurance Company. So those readers that read the entire Annual Report (notes and all) will have earned a PhD in the business of American Savings; which is an elite and illustrious group indeed! Who dares take the challenge? We want to hear from you.

## 2012 Financial Results

We are delighted to report that the year 2012 was a successful year in terms of both profitability and growth. Net profits increased 22% to \$1.3 million and Total Assets grew 12% to \$41.5 million. The charts on the preceding page show the primary three measurements of stock performance: net income, dividends and book value. It is always nice to write these reports when the numbers are increasing!

## Further Growth & Expansion

We are pleased with the growth that the Company has experienced since we began selling annuities in 2009. During this time we have grown Total Assets 86% and Mortgage Loan investments 64%.

Although this growth is profitable and contributing significantly to our bottom line, our net income over this same time has been hampered by the effects of the real estate market crash. Fortunately, each of the

### *A Quote from our Founder, Frihoff N. Allen:*

*“The efforts of management are ever pledged to further growth and expansion based upon the firm foundation now established.”*

- 1965 Letter to Shareholders



areas that have reduced profitability these last few years are now improving. Therefore we expect continued increases in profitability as the real estate market continues to recover. In the “Management’s Discussion & Analysis” part of this report we discuss these factors in greater detail.

Our business model is to invest at least two-thirds of our assets in real estate mortgages which we call *Not So Hard Money*<sup>TM</sup> loans. We currently earn about 10% interest on new loans made, so even after deducting the overhead costs to sell and manage the annuities and loans, our annuity business is profitable. In fact, during 2012, we averaged \$27,330,000 (70% of our invested assets) in mortgage loans which earned \$3,086,000 in interest (11.3% average rate of interest earned).

### 2013 Semi-Annual Dividend Declared

The Board of Directors has declared a 10 cent per share semi-annual dividend to be paid on April 9, 2013, to shareholders of record as of March 31, 2013. This is an 11% increase from last April’s 9 cent per share dividend. The Board expects to declare a second dividend in August to be paid in October.

### Your Stock’s Performance in 2012

The total dividends paid in 2012 were 19 cents per share, which equals a 5.6% dividend yield on your 2012 beginning book value of \$3.38 per share. When you add the 8.8 cents per share increase in book value, your total return for 2012 equals 8.2%.

### Is the Future Half Full or Half Empty?

Yogi Berra once said; *“The future ain’t what it used to be.”* Although there are many legitimate causes for concern about the future of the U.S. economy, we believe American Savings has several positive aspects that will allow us to continue to perform well even under tougher economic conditions. We are exceptionally strong financially with a Solvency Ratio far stronger than industry norms (see page 8), our cost of capital and overhead are very low, and our assets are conservatively invested.

According to Abraham Lincoln; *“The best way to predict your future is to create it.”* We are excited about the future we are creating for American Savings and its shareholders, policyholders and employees. As we grow we are able to profitably provide better retirement income to more people through our annuities that pay top of the market interest.

## Letter to Our Shareholders

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If you will permit one more quote, Yogi Berra was once asked by a reporter, “*What makes a good manager?*” He replied, “*Good players.*” This insight certainly holds true with American Savings. We are blessed to have excellent employees that work diligently day in and day out to create the success we enjoy.

Finally, we thank each shareholder for the trust you have placed in management to operate the Company on your behalf. We take that trust very seriously and will continue to do everything possible to keep your investment in American Savings safe, profitable and growing.



Byron Frihoff Allen, President



David K. Allen, Chairman

### Board of Directors



**Back row (L-to-R):** Gerald E. Dunbar, F. Grant Allen, David K. Allen, Clark E. Allen, Gove L. Allen (legal counsel)

**Front row:** Heber E. Allen, Byron F. Allen, Wilford R. Cardon