

ANNUAL REPORT
2013

BUILDING A SOLID FOUNDATION



MESSAGE FROM THE PRESIDENT & CEO



Throughout the history of life insurance in the United States, Participating Whole Life insurance has been an important financial planning tool for millions of people. The death benefit and cash value guarantees inherent in Whole Life products provide a unique range of benefits throughout an individual's lifetime, and those guarantees have remained steadfast during an extraordinary range of economic environments. With over a century of experience, Whole Life has proven to be the strong foundation in many long-term financial plans.

In order for our products to provide a strong financial foundation for each of our policyholders, we must first be financially strong ourselves. By vigilantly managing risks, maintaining a high quality investment portfolio, and steadily increasing policyholder surplus, we have continually strengthened our financial position. Our capital and surplus, along with the reserves we have established for future benefit payments, provide us with ample resources that help ensure our ability to keep our financial promises for many years to come.

2013 was an exceptional year for the Mutual Trust Financial Group, highlighted by strong revenue and an increasing base of assets. Our year-end risk-based capital ratio, a measure used by regulators to determine financial strength, increased from 391% to 572%, which roughly means that we have almost six times the minimum level of

capital required by our regulators. This capital level is testament to our risk management strategies, and it provides us with the ability to invest in new products, new technology and other initiatives which will allow us to better serve our customers.

Building a strong foundation requires commitment, time and attention to detail. With 109 years of experience, Mutual Trust has provided its customers with life insurance and annuity products whose financial guarantees provide the bedrock for a sound financial plan.

At the end of 2013 we bid a fond farewell to Matt Howard, who is now retired after 15 years of dedicated service on our Board of Directors. I sincerely thank Matt for his expertise and guidance, and I wish Matt and his family all the best. I am also pleased to announce that Dan Mulheran joined our Board in early 2014, bringing with him many years of life insurance experience.

My thanks go out to our entire Board of Directors for their support, to our employees for their dedication to our customers, to our agents for their partnerships, and most importantly, to our policyholders for giving Mutual Trust the opportunity to help build strong financial foundations.



Stephen M. Batza

Stephen M. Batza
FSA, MAAA, CLU, ChFC
President & Chief Executive Officer

MUTUAL TRUST HOLDING COMPANIES & SUBSIDIARIES:

Consolidated Balance Sheets as of December 31, 2013 (in thousands)

Assets	2012	2013
Bonds and Short Term Investments	\$1,352,956	\$1,380,973
Common Stocks	7,419	8,424
Mortgage Loans on Real Estate	188,485	158,423
Policy Loans	236,298	252,623
Other Invested Assets	14,697	25,501
Total Invested Assets	\$1,799,855	\$1,825,944
Deferred Policy Acquisition Costs	94,830	157,735
Reinsurance Recoverables	46,353	63,476
Other Assets	61,496	57,032
Total Assets	\$2,002,534	\$2,104,187
Liabilities		
Future Policy Benefits and Claims	\$1,602,134	\$1,703,267
Other General Account Liabilities	127,990	143,286
Total Liabilities	\$1,730,124	\$1,846,553
Policyholder Surplus		
Unassigned Policyholder Surplus	\$237,100	\$246,639
Accumulated Other Comprehensive Income	35,310	10,995
Total Policyholder Surplus	\$272,410	\$257,634
Total Liabilities and Policyholder Surplus	\$2,002,534	\$2,104,187

Consolidated Statements of Income for the Year Ended December 31, 2013 (in thousands)

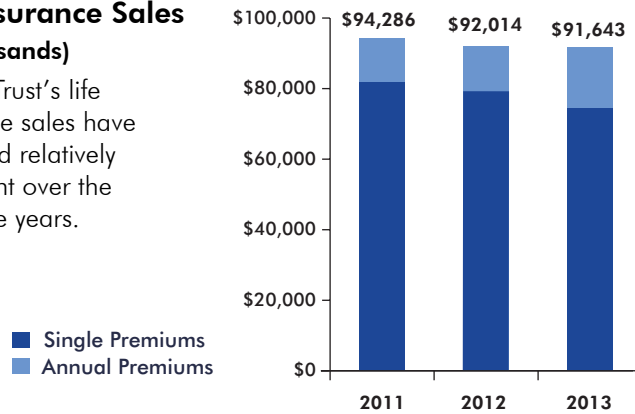
Revenues	2012	2013
Premiums	\$207,497	\$190,650
Net Investment Income	81,432	82,297
Net Realized Gains on Investments	14,565	3,198
Other Income	10,175	9,014
Total Revenues	\$313,669	\$285,159
Benefits & Expenses		
Policyholder Benefits	\$220,635	\$204,693
Commissions and Expenses	57,086	55,607
Total Benefits and Expenses	\$277,721	\$260,300
Gain Before Dividends & Taxes	\$35,948	\$24,859
Policyholder Dividends	13,020	9,720
Gain Before Taxes	\$22,928	\$15,139
Federal Income Tax Expense	7,890	5,600
Net Income	\$15,038	\$9,539

GAAP Accounting: These summary financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). For audit information, see p. 6.

FINANCIAL ACHIEVEMENTS (Page 1 of 2)

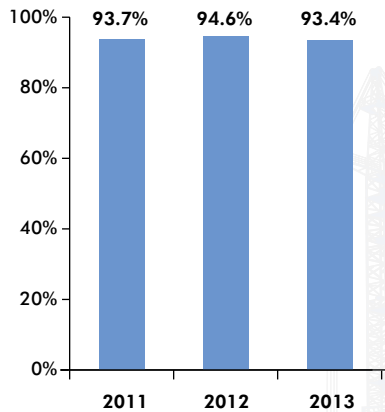
Life Insurance Sales (in thousands)

Mutual Trust's life insurance sales have remained relatively consistent over the last three years.



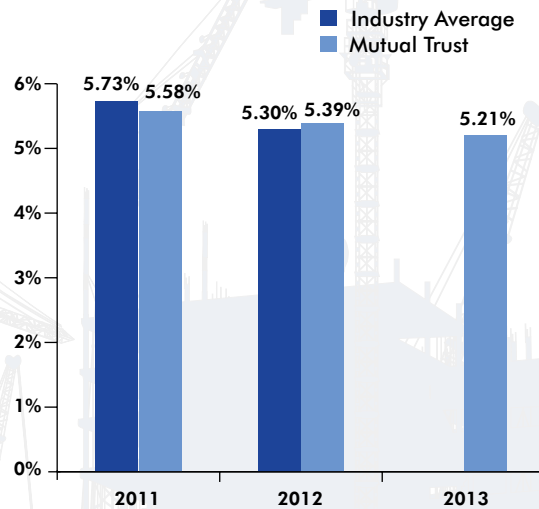
Life Insurance Persistency Rate for Whole Products

An important goal for us is customer satisfaction. High persistency rates, we believe, indicate high customer satisfaction. In 2013, the organization experienced a persistency rate of 93.4%.



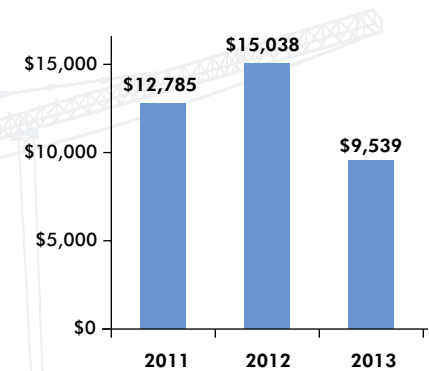
Average Gross Rate of Return: Life Insurance Industry vs. Mutual Trust

A major component in setting dividend scales is the interest rate environment. This chart compares the average rates of return for the life insurance industry, as tabulated and published in the 2013 Life Insurers Fact Book, and Mutual Trust's rates of return. Paying competitive policyholder dividends is important to us.



Net Income (in thousands)

Mutual Trust's very strong financial base provides stability, even during challenging economic conditions.

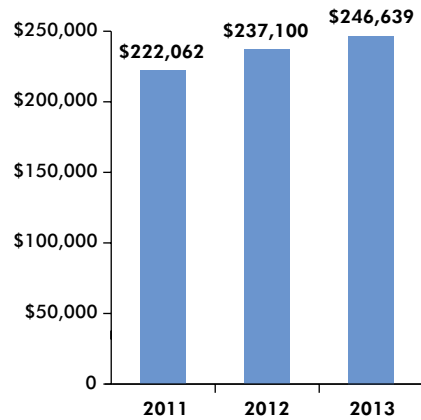


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FINANCIAL ACHIEVEMENTS (Page 2 of 2)

Unassigned Policyholder Surplus (in thousands)

Mutual Trust's growing unassigned policyholder surplus, measured according to Generally Accepted Accounting Principles (GAAP), indicates the organization's strong and stable financial position.



Total Life Insurance Premium (in thousands)

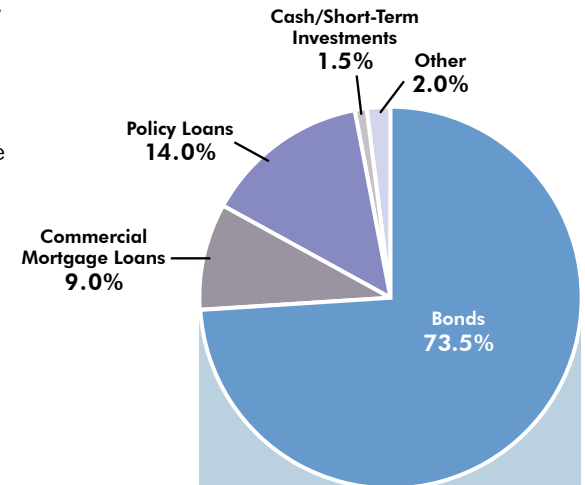
In 2013, total life insurance premiums remained strong. This consistent performance reflects the value consumers place on the security life insurance provides.



Invested Assets by Category (Statutory Value Basis)

Mutual Trust applies a conservative investment philosophy, reflected in its asset diversification and prudence in individual investment selection, emphasizing credit analysis.

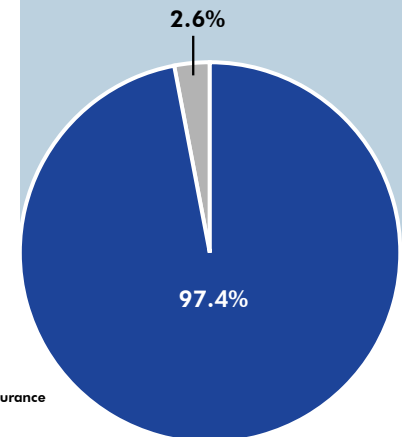
Mutual Trust invests primarily in investment-grade fixed income securities (bonds). The organization also has traditionally invested in commercial mortgage loans. Commercial mortgages have provided excellent returns for the organization and are a good investment to back its core traditional life products.



BOND PORTFOLIO QUALITY DISTRIBUTION

- Investment Grade
- Below Investment Grade

Industry average: 94% investment grade
Source: American Council of Life Insurance



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Board of Directors

Gary L. Eisenbarth
Chairman of the Board

Stephen M. Batza
*President & Chief
Executive Officer*
Mutual Trust
Financial Group

Barbara D. Colwell
Managing Director
The Colwell Group

Martha O. Hesse
*Private Investor,
Retired President*
Hesse Gas Company

Matthew A. Howard
*Retired Senior Vice
President*
Sears Roebuck &
Company

Peter I. Mason
Partner
Freeborn & Peters, LLP

Thomas J. Skelly
Retired Managing Partner
Accenture

Bruce W. Taylor
Chairman and Director
Cole Taylor Bank

Gary A. Thalhuber
Retired Partner
Pricewaterhouse-
Coopers, LLP

Senior Officers

Stephen M. Batza,
FSA, MAAA, CLU,
ChFC
*President & Chief
Executive Officer*

Geri Gaughan,
JD
*Senior Vice President,
General Counsel and
Secretary*

Senior Officers (continued)

G. Edward Hughes,
CLU
*Senior Vice President,
Chief Sales &
Marketing Officer*

Alfreda A. Jacob,
SPHR, HCS
*Senior Vice President,
Organization Development
& Human Resources*

John Rosenkranz,
CPA, FLMI
*Senior Vice President,
Chief Financial Officer
and Treasurer*

Narayan Shankar,
FSA, MAAA, CFA
*Senior Vice President,
Investments,
and Chief Actuary*

Company Officers

Roger L. Barth,
FSA, MAAA
*Vice President,
Product Development*

Delores J. Biegun,
FLMI
*Vice President,
Information Services*

Margaret M. Culkeen,
CFA
*Vice President,
Investment Operations*

Everett Kunzelman,
FLMI, ACS
*Vice President,
New Business and
Executive Underwriter*

Greg Thompson,
CPA, FLMI, CLU
*Vice President and
Controller*

Audit Information

Mutual Trust Financial Group's independent auditors are Ernst & Young LLP.

The financial information contained in this report is excerpted from financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States.

Policyholders' Meeting

The next Policyholders' Meeting will be held on February 19, 2015, in our home office in Oak Brook, Illinois.

REGIONAL SALES OFFICES

★ **Home Office**

Mutual Trust Financial Group
1200 Jorie Boulevard
Oak Brook, IL 60523-2269
(800) 323-7320

