



Mutual Trust Financial Group

2012 Annual Report

Mutual Trust Financial Group: 2012 Annual Report

Message from the President & CEO

With a continued emphasis on participating whole life products provided by MTL Insurance Company, the Mutual Trust Financial Group[®] achieved its third consecutive year of record sales. As “The Whole Life Company,”[®] MTL has demonstrated a commitment to products that provide multiple benefits and financial flexibility. The guaranteed cash values and non-guaranteed dividends inherent in participating whole life insurance provide policyholders with a steady growth in value that has remained relevant throughout the long history of the life insurance industry, and especially our company’s 108 years.

Our sales growth has been driven by a licensed field force of 5,500 professional representatives who understand the unique characteristics of participating whole life insurance. Our product portfolio is specifically designed to appeal to financial professionals who share our product philosophy, and this has allowed us to more than double our distribution network over the past four years.

Sales growth allows us to improve our economies of scale and diversify risk. However, our primary focus is always on the long-term financial strength of Mutual Trust. We maintain substantial policyholder reserves and additional surplus in order to ensure our ability to provide the future contractual benefits we’ve promised. We invest these reserves in a diversified portfolio of assets that meet our stringent risk management standards, and we continually monitor the performance of these assets in an effort to maximize our investment returns while maintaining a conservative risk profile.

As a mutual organization, the policyholders of MTL are our most important priority. We strive to demonstrate this commitment by combining high value products with excellent service. Financial planning for a family or business is a complex process that requires substantial effort, and on behalf of everyone at Mutual Trust, I thank you for giving us the opportunity to help you meet your financial security needs.

2012 was another excellent year for Mutual Trust, and I sincerely appreciate the many individuals who contributed to that success. I extend my thanks to our Board of Directors for their thoughtful insights, guidance and support; to our distribution partners for their dedication to their clients and their enthusiastic support of Mutual Trust; and to our employees for their continuous drive to exceed the expectations of our customers. Our continued success relies on the trust our policyholders have put in Mutual Trust...a trust that we continually aspire to earn.



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

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Mutual Trust Holding Companies & Subsidiaries

Consolidated Balance Sheets as of December 31 (in thousands)

Assets	2011	2012
Bonds and Short Term Investments	\$1,213,590	\$1,352,956
Common Stocks	6,033	7,419
Mortgage Loans on Real Estate	212,478	188,485
Policy Loans	217,136	236,298
Other Invested Assets	5,423	14,697
Total Invested Assets	\$1,654,660	\$1,799,855
Deferred Policy Acquisition Costs	99,966	94,830
Reinsurance Recoverables	38,660	46,353
Other Assets	48,314	61,496
Total Assets	\$1,841,600	\$2,002,534
Liabilities & Policyholder Surplus		
Future Policy Benefits and Claims	\$1,472,243	\$1,602,134
Other General Account Liabilities	124,530	127,990
Total Liabilities	\$1,596,773	\$1,730,124
Policyholder Surplus		
Unassigned Policyholder Surplus	\$222,062	\$237,100
Accumulated Other Comprehensive Income	22,765	35,310
Total Policyholder Surplus	\$244,827	\$272,410
Total Liabilities and Policyholder Surplus	\$1,841,600	\$2,002,534

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

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

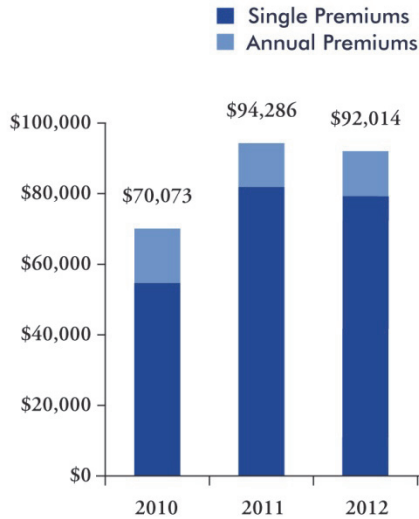
Revenues	2011	2012
Premiums	\$213,595	\$207,497
Net Investment Income	77,581	81,432
Net Realized Gains on Investments	8,515	14,565
Other Income	10,651	10,175
Total Revenues	\$310,342	\$313,669
Benefits & Expenses		
Policyholder Benefits	\$225,651	\$220,635
Commissions and Expenses	51,298	57,086
Total Benefits and Expenses	\$276,949	\$277,721
Gain Before Dividends & Taxes	\$33,393	\$35,948
Policyholder Dividends	14,644	13,020
Gain Before Taxes	\$18,749	\$22,928
Federal Income Tax Expense	5,964	7,890
Net Income	\$12,785	\$15,038

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Financial Achievements

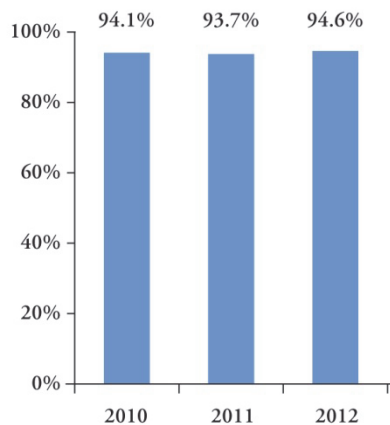
Life Insurance Sales (in thousands)

Mutual Trust's life insurance sales have remained relatively consistent over the last two years after increasing by a record 35% in 2011.



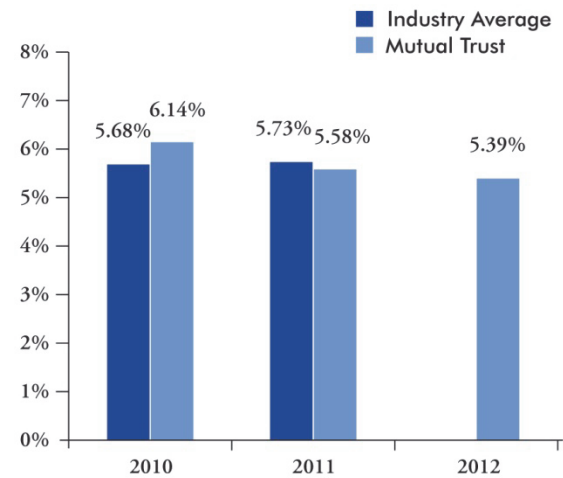
Life Insurance Persistency Rate for Whole & Universal Life Products

An important goal for us is customer satisfaction. High persistency rates, we believe, indicate high customer satisfaction. In 2012, the organization experienced a persistency rate of 94.6%.



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 *2012 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. In 2012, net income continued to increase, augmenting this strength.



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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 Premiums (in thousands)

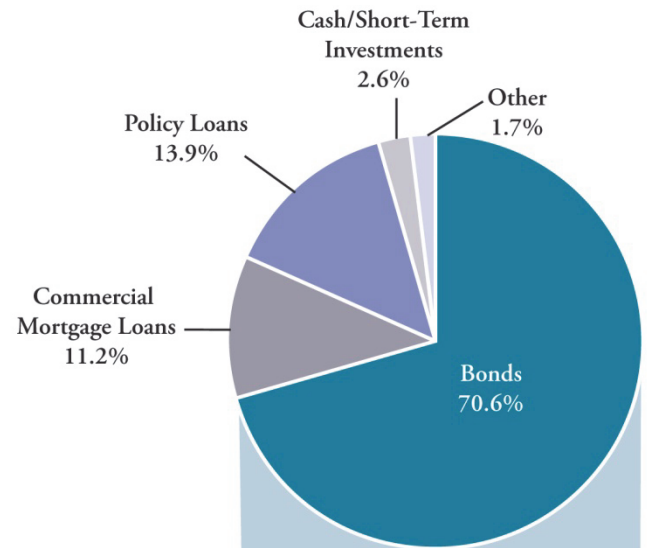
In 2012, total life insurance premiums remained strong. This consistent growth reflects the value consumers place on the security life insurance provides.



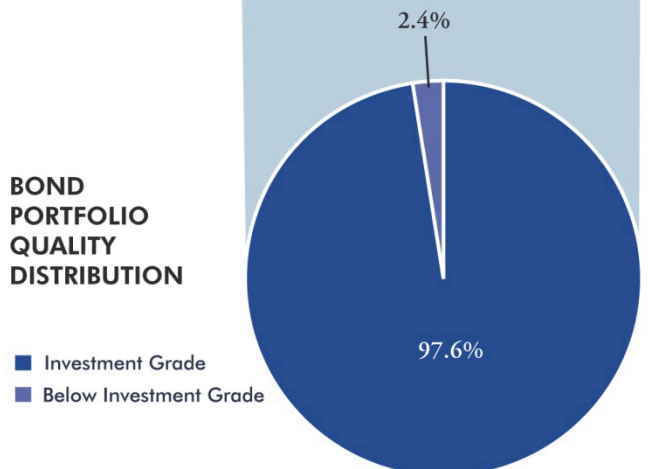
Invested Assets by Categories (Statutory Value Basis)

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



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

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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 20, 2014**, in our home office in Oak Brook, Illinois.

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.
Attorneys at Law

Thomas J. Skelly
Retired Managing Partner
Accenture

Bruce W. Taylor
Chairman and Director
Cole Taylor Bank

Gary A. Thalhuber
Retired Partner
PricewaterhouseCoopers, LLP

Senior Officers

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

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

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

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

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Regional Sales Offices

Home Office

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Regional Vice President

Northeast Region
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Larry Quinn, CLU, ChFC

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North Central Region
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Gene Stewart, CLU

Regional Vice President

South Central Region
Carrollton, TX
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John Uttz, CLU, ChFC, FLMI

Regional Vice President

Western Region
Bonsall, CA
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