

People Helping People

a shared mission with our owners

2017 ANNUAL REPORT



MEMBERS TRUST COMPANY

Owned by America's Credit Unions

*Members Trust Company
a Trust and Investment Firm
Aligned More with American
Families than Wall Street*

TABLE OF CONTENTS

<i>A Message From Our Chairman.....</i>	<i>2</i>
<i>Trust Services for Over 30 Years - Tom Walker, CEO.....</i>	<i>4</i>
<i>Our Board of Directors.....</i>	<i>6-7</i>
<i>Trust & Administration Team.....</i>	<i>8</i>
<i>Investment Team.....</i>	<i>9</i>
<i>Baby Boomers - \$30 Trillion Transfer.....</i>	<i>10-11</i>
<i>Moms & Dads with a Special Needs Child.....</i>	<i>12-13</i>
<i>Operating Results.....</i>	<i>15-19</i>

A MESSAGE FROM OUR CHAIRMAN



I am pleased to report that in 2017 Members Trust Company again attained new heights in assets under management, net income, and corporate assets.

The company's growth has always had a purpose: to give financial security and stability to our trust and investment clients, our business partners, and our owners.

Thus, growth and financial strength have served our mission, rather than the other way around. And that mission is straightforward: to provide superior trust and investment management services for moderate fees to the members of credit unions. The most important way we serve the mission is through our outstanding officers, trust advisers and employees, all of whom have committed themselves to first-rate, personalized fiduciary administration and investment management for credit union members.

Our efforts to fulfill our mission have been rewarded. In three decades, we have risen from inception to our present status as the preeminent provider of trust and investment services to America's credit unions. During that time, our model, our products, and our methods have been proven successful. We are proud that the credit unions we serve range from the largest to the smallest. We are equally pleased that they are geographically diverse, distributed over the length and breadth of the nation. Our footprint is truly nationwide, as befits the foremost trust company serving America's credit unions.

As your Chairman, I am grateful for the opportunity to work with the Board of Directors and management to promote Members Trust Company's growth and its dedication to excellence in service.

I hope you enjoy this 2017 annual report. Thank you for your confidence in our company.

A handwritten signature in black ink that reads "Jonathan D. Rich".

Jonathan D. Rich
Chairman

“to provide superior trust and investment management services for moderate fees to the members of credit unions”



TRUST SERVICES FOR OVER 30 YEARS



In 1987 Members Trust Company was chartered by Suncoast Credit Union. Over the last 30 years, credit unions have collaborated and converted Members Trust Company into a national trust company serving members in almost every state. As CEO during this time, I have seen the “Greatest Generation” come to us for trust services to provide financial management and protection for their families. During this time I’ve watched the Great Recession create fear and sink many firms. I have been amazed at the exponential change spawned by technology. Now, an upcoming wave of Baby Boomers are approaching retirement with questions about their estate plans and financial security. Yes, over time, generations pass, unforeseen events occur, and changes disrupt. This cycle will continue and we are here to help.

Members Trust Company as a corporation and the people dedicated to its mission are mindful of its past, present, and future. From the past, we know the legacy of service and values set by our owners; in the present, we understand nothing can substitute for fulfilling our current responsibilities; and for the future, we will continue to anticipate and adapt to change. As a corporate trustee, we must have this strategy to meet the intergenerational needs of credit union members. Members who have asked us to serve because of a child with special needs or a grandchild with a drug problem or a parent with cognitive impairment are relying on us to be there when their loved ones need us. We will be there because our values, commitment, and principles shall remain steadfast.

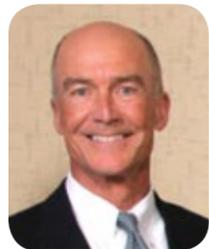
Tom Walker

Tom E. Walker
President/CEO

*“we will be there because
our values, commitment, and
principles shall remain steadfast”*



OUR BOARD OF DIRECTORS



Jonathan D. Rich, Attorney, Chairman

Jonathan D. Rich, an attorney, is a retired partner of Holland & Knight, where he devoted a substantial part of his practice to advising banks and trust companies in a broad range of matters. Mr. Rich is a past member of the Board of Directors and Chairman of the Audit Committee of STI Capital Management, N.A., a trust company affiliated with SunTrust Banks, Inc. Since 1986, he has held the highest rating assigned by the Martindale-Hubbell Law Directory, relied upon by clients and referring attorneys for its peer review ratings of attorneys. Mr. Rich received his B.A. from Hampshire College and his J.D., with honors, from Stetson University College of Law, where he was an editor of the Stetson Law Review, a Dana Scholar, received the college's Victor O. Wehle Award in Trial Practice, and won the Best Brief Award in the statewide moot court competition sponsored by The Florida Bar.



Stephen L. Appel

Steve is a retired partner of KPMG, LLP. During his 34 year career he served clients, primarily in the financial services practice, in the Des Moines, New York, Mexico City and Orlando offices. He was the managing partner of the Orlando office and the Audit Partner-In-Charge of KPMG's 10 office Coastal Business Unit with offices in Florida, the Carolinas and Puerto Rico. He is an adjunct professor of accounting at the Rollins College Crummer Graduate School of Business and a Board Governance Fellow of the National Association of Corporate Directors. Steve has an accounting degree and MBA from Drake University in Des Moines, Iowa.



Melva McKay-Bass, Senior Vice President of Business Development

With more than 20 years of credit union, financial and business experience, Melva McKay-Bass is the Senior Vice President of Business Development of Suncoast Credit Union. She earned a degree in accounting from Florida A&M University and began her career at SunTrust Bank. Her current areas of responsibilities at Suncoast include: Business deposits and lending, leading the trust and investments team as well as overseeing the property and casualty insurance agency, title agency and real estate agency.



Rob Comfort

Rob Comfort is President of CUNA Brokerage Services, Inc. (CBSI) and leads the business development, sales and growth strategies for the broker-dealer. He is also responsible for overseeing the recruitment of CBSI's financial advisors and ensuring they are equipped with the technology, training and resources to break down barriers and help credit union members achieve financial security.

Comfort has more than 25 years of experience in leadership, client acquisition and retention, and organizational development within the financial services industry. Prior to joining CBSI, Comfort was executive vice president at LPL Financial where he guided strategic direction for the company's business consulting team, and managed partnerships with bank and credit union clients.

Comfort also served as managing director at Huntington Wealth Advisors where he oversaw the entirety of their wealth management business including the broker-dealer, personal trust, private banking, retail insurance and registered investment advisors. His experience with Huntington Bank also includes serving as president of their investment company and growing their firm into one of the ten largest bank broker-dealers in the country.

Comfort earned a Bachelor of Science in finance from Miami University in Ohio and is FINRA registered.



Barbara O'Donnell

Barbara brings significant trust, estate planning and wealth management experience to the board, having served as President of Sun Trust's multi-family office subsidiary, Asset Management Advisors, as well as President of Sun Trust Delaware Trust Company. She is the author of numerous articles on estate planning and fiduciary topics. She obtained her J.D. from the University of Michigan School of Law and had a private tax and estate planning practice at the law firm of Sutherland, Asbill & Brennan in Atlanta, Georgia. She also was the first woman Law Professor at the University of Georgia Law School and the first tenured woman Law Professor at the Emory University School of Law.



Blaine Rieke

Blaine, retired Chairman and CEO of Firststar Trust Company, Milwaukee, Wisconsin, brings extensive experience and skills in trust administration and investments. He is a former Chair of the Trust Division of the American Bankers Association. He graduated from Nebraska Wesleyan University, holds a law degree from the University of Nebraska and a Masters of Business Administration from the University of Chicago, Booth Graduate School of Business. He is licensed to practice law in Illinois and Nebraska. Mr. Rieke is a former Chair of the Board at the Medical College of Wisconsin and served on the Board of Directors at the Greater Milwaukee Foundation. He currently is a partner in Huntington Management (an investment firm) and serves on the Board of Directors of the Supporting Organization of the Indian Community School of Milwaukee which is responsible for the school's Endowment Fund.



Scott Strand

Scott Strand is a Senior Vice President and Chief Lending Officer for BECU in Seattle, Washington. He is responsible for BECU's wealth management and mortgage, commercial and consumer lending businesses, as well as the credit union's credit risk and portfolio management functions.

Scott has over 25 years of experience in the financial services industry, beginning his career at Seafirst Bank, the NW subsidiary of Bank of America. Prior to joining BECU in 2008, he worked at WaMu for five years. At Bank of America and WaMu Scott held regional and national leadership roles across multiple functions and lending businesses. Scott received his Bachelor of Arts in Finance from Western Washington University, and graduated with honors with an Executive MBA from the Foster School of Business at the University of Washington. Scott has completed several executive development programs, including the Pacific Coast Banking School, and the Credit Union Executive Society's CEO Institute, held at the Wharton, Darden and Johnson Schools of Business. Economic Alliance of Snohomish County, Members Trust, and Landau Associates.



Patricia P. Wood

Patricia P. Wood is Chief Operating Officer of Navy Federal Financial Group (NFFG), Credit Union Service Organization (CUSO) of Navy Federal Credit Union, the nation's largest credit union.

Ms. Wood has over twenty years experience and has held executive level positions in the financial services industry. She began her career in the operations area of a major warehouse. Prior to joining NFFG, Ms. Wood was the Member/Owner of Bank Broker/Dealer Solutions, a consulting firm supporting the needs of both bank and credit union investment and insurance programs.

Ms. Wood is a graduate of Trinity College of Vermont with an A.S. in Business Management. She holds her Certified Trust and Financial Advisor (CTFA) certification, her Accredited Investment Fiduciary Analyst (AIFA®) designation and various securities licenses. She has also authored numerous scholarly articles.



Bill Umphlett

Bill, a 40 year employee of State Employees' Credit Union, currently serves as EVP of Financial Advisory Services, an SECU group including IRA, Investment, Trust, Insurance, and Tax Preparation Services. He also serves as President of SECU's wholly owned RIA and Broker Dealer CUSOs. Bill holds a Masters of Business Administration from the University of North Carolina, and a Masters in Trust and Investment Management from Campbell University. He has earned the Certified Financial Planner™ designation, and is an active Series 7/24 principal with SECU Brokerage Services.

TRUST & ADMINISTRATION TEAM

KNOW THE FIDUCIARY DIFFERENCE

“Know the Fiduciary Difference” has been our mantra. In a nutshell it means we listen to and learn about our member credit unions and their members’ needs and we respond with tailored solutions for varied circumstances. Whether a member has a lot or not as much, we bring to bear our understanding of estate planning, our legal backgrounds, and our mission to provide quality trust services.

Today, we serve thousands of clients across the country by listening to and learning about members’ needs. This approach and a focus on what is most impactful to members has led to unique solutions and our firm commitment to improve members’ lives. Our Trusteed IRA is emblematic of our approach and focus to meet special circumstances of member clients.

In recognition of the fact that a majority of members’ wealth is comprised of retirement assets, Members Trust Company reimagined the IRA and combined it with the functionality of a trust to create its own version of the Trusteed IRA to meet the planning and life needs of members. With the Trusteed IRA, members now have built-in estate planning-level options that provide varied choices in passing on what is often a member’s single largest asset in a way that complements their unique life situations.

In short, “Know the Fiduciary Difference” means we listen, we learn, and we advise members across a broad spectrum of needs from settling an estate, to distributing inheritances, to complex administration, to special needs administration.

INVESTMENT TEAM

KNOW THE FIDUCIARY DIFFERENCE

Members Trust Company continues to implement our mission to “Know the Fiduciary Difference” by utilizing our ETF Portfolio Advantage® approach. Our low cost, highly diversified and tax efficient ETF portfolios are designed to meet your unique risk tolerance and goals.

What are Exchange Traded Funds (ETFs)?

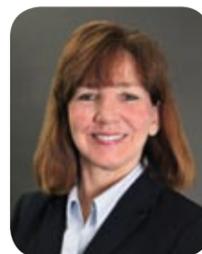
You have probably heard of publicly traded stocks and even mutual funds but some people are unfamiliar with the term Exchange Traded Funds (ETFs). It’s really quite simple; an ETF is a pool of securities which tracks the performance of a target index or market segment. Investors may purchase and sell ETFs at market prices on major exchanges throughout the day just like individual stocks. ETFs give the investor the advantage of owning a group of securities like a mutual fund but offer the investor the flexibility to trade that basket of securities anytime during daily trading hours.

Fiduciary process to manage investment risk

When we design a customized portfolio, our goal is to manage risk as we meet your long-term investment objectives. We understand our clients have unique circumstances and issues that will determine their risk tolerance, liquidity needs, investment time horizon, and tax sensitivity. Our Investment Team uses these factors to develop an investment strategy for your ETF Portfolio Advantage®.



Neil P. Archibald, J.D.
General Counsel/
Chief Fiduciary Officer



Anne Baldy, J.D.
Trust Administration
Officer



Tamara Pataky Kidd, J.D.
VP, Senior Trust Officer



David Carlson, J.D.
VP, Senior Trust Officer



Kate Braddock, CFA
Vice President,
Co-Chief Investment Officer



John M. Largent, CFA, CFP®, CAP®
Chief Investment Strategist



Jason Ritzenthaler, CFA, CTFA
Co-Chief Investment Officer



Sheldon Reynolds, CFA
Vice President Trust & Investments



*“ it is more than just
managing the money,
it’s People Helping People ”*

BABY BOOMERS - \$30 TRILLION TRANSFER

Most members accumulate assets one work day at a time. Then suddenly at age 60 they realize they have built a family net worth more than ever anticipated.

Estate planning and trust services give members hope and assurance that the fruits of their labor will provide security to them in the last cycle of their lives and then be given in love to the next generation.

America’s Credit Unions that partner with Members Trust Company meet members at this important juncture of life and say to them, “we understand your sacrifice and your hopes for your family and want to partner with you.” With us, it is more than just managing the money, it’s People Helping People.

MOMS & DADS WITH A *SPECIAL NEEDS CHILD*

“Who can we trust to provide financial protection and care for our child after we are gone?”

This is a concern that weighs heavily on moms and dads with a special needs child. More than anything, they want to have an assurance and hope that the assets left to their child will provide a safety net to meet life’s needs. Should making a profit be the overwhelming motive for a person or company who assumes this responsibility?

Our roots are with America’s Credit Unions, not for profit institutions. While profitability is a corporate responsibility for Members Trust Company, People Helping People also motivates us as individuals and guides our strategy. This allows Members Trust Company to serve as trustee of Special Needs Trusts while many corporate trustees will refuse these trusts because the profit margin is too low.

These moms and dads have hope with us and America’s Credit Unions. We will not disappoint.



*“ People Helping People
also motivates us as
individuals & guides
our strategy ”*

ASSETS UNDER MANAGEMENT *(In Millions)*



FINANCIAL REPORTS

Members Trust Company's consolidated financial statements were audited by Warren Averett, CPAs and Advisors, 316 South Baylen Street, Pensacola, FL. A complete set of audited financial statements and related footnotes will be provided upon request. For all such requests, please contact Diana Begley.

Tom Walker, President/CEO
Members Trust Company
14025 Riveredge Drive, Suite 280
Tampa, FL 33637
813.631.9191

FINANCIALS

Statements Of Financial Condition - December 31, 2016 & 2017

	ASSETS	
	2017	2016
Cash and cash equivalents	\$ 6,322,511	\$ 5,540,769
Investments		
Available-for-sale	26,102,945	24,399,961
Other	-	215,171
Goodwill	483,209	483,209
Accrued interest receivable	52,217	39,329
Other accrued income	1,471,037	1,185,809
Furniture and equipment, net	98,298	100,596
Intangible assets	577,500	682,500
Deferred tax asset	457,073	761,111
Other assets	213,606	293,481
TOTAL ASSETS	\$ 35,778,396	\$ 33,701,936
	LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities		
Customer deposits	\$ 500,000	\$ 500,000
Accrued expenses	1,977,157	1,369,286
Accrued interest payable	592	271
Deferred income	-	2,667
Total Liabilities	<u>2,477,749</u>	<u>1,872,224</u>
Commitments	-	-
Stockholders' equity		
Preferred stock, \$60 par – 3,000 authorized, 1,301 outstanding	78,060	78,060
Common stock, \$80 par – 37,000 authorized, 14,765 outstanding	1,181,200	1,181,200
Additional paid-in capital	33,437,955	33,437,955
Accumulated other comprehensive loss	(75,512)	(216,164)
Retained deficit	(1,321,056)	(2,651,339)
Total stockholders' equity	<u>33,300,647</u>	<u>31,829,712</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 35,778,396	\$ 33,701,936

FINANCIALS

Statements Of Comprehensive Income For Years Ended - December 31, 2016 & 2017

	2017	2016
REVENUES		
Fees for trust services	\$ 17,579,342	\$ 15,109,973
Investment income	590,895	497,487
Representative and agency office income	2,667	35,250
Total revenues	<u>18,172,904</u>	<u>15,642,710</u>
EXPENSES		
Interest – customer deposit	5,493	2,565
Compensation and benefits	4,868,845	3,852,443
Office occupancy	222,770	187,942
Revenue sharing	7,493,164	6,249,968
Data processing	1,789,421	1,756,888
Office operating expenses	333,072	282,541
Advertising	276,929	257,897
Insurance	154,220	133,357
Depreciation	45,013	46,590
Amortization	105,000	105,000
Regulatory fees	86,171	84,321
Travel and meeting expenses	253,564	257,459
Professional and outside services	320,247	327,081
Gain on sale of investments	-	(7,440)
Other operating loss	4,405	4,053
Total expenses	<u>15,958,314</u>	<u>13,540,665</u>
INCOME BEFORE INCOME TAXES	<u>2,214,590</u>	<u>2,102,045</u>
INCOME TAXES		
Deferred income tax expense (benefit)	336,536	68,086
Income taxes	46,085	34,553
Total tax expense (benefit)	<u>382,621</u>	<u>102,639</u>
NET INCOME	<u>1,831,969</u>	<u>1,999,406</u>
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized loss on securities available-for-sale	153,078	(27,578)
TOTAL COMPREHENSIVE INCOME	\$ 1,985,047	\$ 1,971,828

FINANCIALS

Statements Of Cash Flows For Years Ended - December 31, 2016 & 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and fees received	\$ 17,862,188	\$ 15,587,447
Interest paid	(5,172)	(2,452)
Cash paid to employees and suppliers	(15,163,814)	(13,488,032)
Net cash provided by operating activities	<u>2,693,202</u>	<u>2,096,963</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(5,514,774)	(7,874,101)
Maturities of investment securities	3,944,970	6,670,907
Purchase of other investments	-	(1,506)
Maturities of investment securities	215,171	-
Proceeds on sale of investments	-	994,500
Purchase of furniture and equipment	(42,715)	(28,337)
Proceeds on sale of fixed assets	-	719
Net cash used in investing activities	<u>(1,397,348)</u>	<u>(237,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(514,112)	(509,600)
Stock issuance	-	100,834
Net cash (used in) provided by financing activities	<u>(514,112)</u>	<u>(408,766)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	781,742	1,450,379
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,540,769</u>	<u>4,090,390</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,322,511</u>	<u>\$ 5,540,769</u>

FINANCIALS

Statements Of Cash Flows For Years Ended - December 31, 2016 & 2017

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 1,831,969	\$ 1,999,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,013	46,590
Amortization of premiums	6,377	8,779
Accretion of discounts	(18,977)	(24,504)
Gain on sale of investments	-	(7,440)
Amortization of intangible asset	105,000	105,000
Changes in -		
Accrued interest receivable	(298,116)	(39,538)
Other assets	79,875	(44,881)
Deferred income	(2,667)	(17,250)
Accrued interest payable	321	113
Deferred tax asset	336,536	68,086
Taxes payable	6,000	-
Accrued expenses	601,871	2,602
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,693,202</u>	<u>\$ 2,096,963</u>
SUPPLEMENTARY DISCLOSURES:		
Income taxes paid	<u>\$ 38,000</u>	<u>\$ 22,500</u>
Decrease (increase) in unrealized loss on AFS investments	<u>\$ 153,078</u>	<u>\$ (27,578)</u>

A photograph of a person's hands writing in a notebook with a pen. A glass of coffee and a pair of glasses are also visible on the desk. The image is overlaid with a semi-transparent blue and purple gradient.

Letter from a Mom & Client,

It is my intention to provide information on my daughter to help you provide care and protection after my passing. Please see my words as more than words, but as my personal voice speaking to you with gratitude as if I were there helping you - to provide care for her. My hope is that each person who has assumed responsibility - whether personal care, financial or spiritual will function as a family surrogate for my special loved one...

- Credit Union Member



MEMBERS TRUST COMPANY
Owned by America's Credit Unions

Corporate Office: 14025 Riveredge Drive, Suite 280 | Tampa, FL 33637 | (888) 727-9191 | Local: (813) 631-9191
Denver: 1009 Grant Street | Denver, CO 80203 | (720) 482-2501
Fairfax: 11350 Random Hills Road, Suite 800 | Fairfax, VA 22030 | (703) 766-3156