



Tim Demetres
Chief Financial Officer
CFO

2017 Second Quarter Financial Results

GCU is committed to serving its members and certificate holders. It is my pleasure to present the 2017 mid-year report on GCU's financial achievements.

Our financial strength continues to grow and surplus reached an all-time high at \$119.7 million at June 30, 2017. Net Income increased by \$2.5 million to \$14.1 million compared to \$11.6 million in 2016.

Assets totaled \$1.643 billion, an increase of \$93.2 million or 6% from year end 2016 that totaled \$1.550 billion. This increase can be attributed to continued positive cash flow from strong life and annuity sales, growth in investment earnings, and expense management. Our investment portfolio, consisting primarily of investment grade corporate bonds, increased \$96.1 million from \$1.526 at year end 2016.

Total Liabilities increased \$82 million to \$1.523 billion for the first half of 2017 compared to \$1.441 billion as of December 31, 2016. This increase is due primarily to higher life and annuity reserves of \$72.5 million from increased sales; \$5.9 million payable for securities purchased not yet settled; \$2.6 million increase in the Asset Valuation Reserve, and \$1.4 million Interest Maintenance Reserve.

Total Income for the period increased \$7.3 million or 4.3% to \$175.9 million compared to \$168.6 million in 2016. The increase is primarily due to continued growth in life and annuity sales increasing by \$3 million and net investment income by \$3.4 million.

Operating expenses before the change in reserves increased \$17.9 million or 24.4% for the first half of 2017 and totaled \$91.2 million compared to \$73.3 million in 2016. The increase is primarily due to higher annuity benefits paid of \$11.9 million, exchanges to other annuity products of \$4.3 million, and higher commissions paid to producers of \$1.9 million. We continue to control the growth in general insurance expenses which were \$3.3 million in 2017, slightly less than 2016 expenses of \$3.5 million.

The Reserves for Life and Annuities decreased by \$11.8 million for the six months to \$71.6 million compared to \$83.4 million in 2016. Reserves are established on new premiums and the emergence of claims.

Financial strength and stability is a foundational pillar of GCU. Surplus now stands at \$119.7 million compared to \$108.5 million at year-end 2016. The \$11.7 million increase in surplus is primarily attributable to net income of \$14.1 million reduced by a \$2.6 million increase in the Asset Valuation Reserve.

Total Surplus is the amount we set aside for unexpected losses from operations and financial protection against business volatility. Safety Funds that includes Surplus of \$119.7 million, Interest Maintenance Reserves of \$19.5 million, and Asset Valuation Reserve of \$20.1 million totaled \$159.3 million at June 30, 2017. This is an increase of \$27.0 million compared to \$132.3 million of Safety Funds reported as of June 30, 2016. The solvency ratio for the six months of 2017 is 107.9%. The solvency ratio including Special Reserves; the Asset Valuation Reserves (AVR) and Interest Maintenance Reserves (IMR) is 110.7%. These ratios reflect a strong and stable balance sheet.

The warmth of summer gives way to the brilliant colors of autumn!

Summary of Financial Statistics

(000's omitted)	6/30/17	6/30/16	Change
Admitted Assets	\$1,673,179	\$1,451,037	\$222,142
Total Income	178,886	168,596	10,290
Total Operating Expense	164,813	156,988	7,825
Net Income	14,073	11,608	2,465
Surplus (Net Worth)	119,718	100,766	18,952
Asset Valuation Reserve	20,144	14,348	5,796
Interest Maint. Reserve	19,483	17,211	2,272
Surplus & Special Reserves	159,345	132,325	27,020
Normal Solvency Ratio	107.9%	107.5%	0.4%
Solv. Ratio Inc. Spec. Rsrvs.	110.7%	110.0%	0.7%

Reconciliation of Changes in Surplus

(000's omitted)	6/30/17
Surplus Previous Year 12/31/16	\$108,532
Net Income	14,073
Change in Unrealized Gain/(Loss)	617
GCU Holding Company & Other	(932)
Change in Non-Admitted Assets	15
Change in Asset Valuation Reserve	(2,587)
Net Change in Surplus	11,186
Ending Surplus 6-30-2017	\$119,718

GCU Balance Sheet Comparison

Assets

(000's omitted)	6/30/17	6/30/16	12/31/16
Bonds	\$1,526,487	\$1,339,606	\$1,430,407
Preferred Stocks	41,987	32,188	44,259
Common Stocks	11,428	12,139	11,797
Alt. Investments	13,868	10,354	11,945
Cash/Short Inv.	22,117	33,174	26,262
Mortgages	2,520	1,091	1,552
Certificate Loans	622	593	626
Real Estate-Home Office	560	503	591
Invest. Income Due & Acc.	22,349	20,501	21,432
Other	1,241	888	1,090
Total Assets	\$1,643,179	\$1,451,037	\$1,549,961

Percentage Total Change Period to Period 6.0%

Liabilities

Life Reserve Fund	\$ 67,415	\$ 64,301	\$ 65,078
Annuity Reserve Fund	1,397,763	1,243,868	1,327,609
Acc. & Health Rsrv. Fund	116	33	134
Employee Pension Fnd.	6,936	6,846	7,068
Convention Reserve	229	424	179
Adv. Prem. + Fut. Rfnd. Rsrvs.	368	326	345
Pending Inv. Trades	7,686	—	1,799
Accounts Payable	492	146	650
Refund Accum.	1,681	1,875	1,803
Overfunded Pension	1,148	893	1,148
Asset Valuation Rsrv.-AVR	20,144	14,348	17,557
Int. Maint. Reserve-IMR	19,483	17,211	18,059
Total Liabilities	\$1,523,461	\$1,350,271	\$1,441,429
Surplus Fund	\$119,718	\$100,766	\$108,532
Total Liab.+Surp.	\$ 1,643,179	\$1,451,037	\$1,549,961
Normal Solvency	107.9%	107.5%	107.5%
New Solv. Ratio*	110.7%	110.0%	110.0%

*Adds IMR & AVR to surplus.

Financial information is unaudited and is presented on the statutory basis of accounting.

GCU Income Sheet Comparison

Six Months 2017 vs. 2016 Results

Income

(000's omitted)	6/30/17	6/30/16	Change
Life Premium	\$ 2,543	\$ 1,030	\$ 1,513
Annuity Premium	114,355	117,206	(2,851)
Annuity Exchanges	15,086	10,759	4,327
Accident & Health	257	99	158
Sub Total	132,241	129,094	3,147
Net Investment Income	40,916	37,498	3,418
Amort. Int. Maint. Reserve	1,244	1,212	32
Comm. Allowance Reinsure.	1,228	441	787
Other Income	257	351	(94)
Total Income	\$175,886	\$168,596	\$ 7,290

Expenses

Death Benefits	\$ 1,294	\$ 1,423	\$ (129)
Annuity Benefits Paid	64,486	52,626	11,860
Annuity Exchanges	15,086	10,759	4,327
Surrender Benefits	412	497	(85)
Acc. & Health Benefits Pd.	207	76	131
Commissions	5,748	3,864	1,884
General Insurance Exp.	3,327	3,495	(168)
Ins., Taxes, Lic. & Fees	197	293	(96)
Pension Benefits Paid	383	219	164
Interest on Accounts	35	34	1
Subtotal	\$ 91,175	\$73,286	\$17,889
Increase in Reserves	71,582	83,428	(11,846)
Total Expenses	\$162,757	\$156,714	\$6,043
Net Gain Before Refunds	13,129	11,882	1,247
Refunds to Members	(134)	(131)	(3)
Net Gain After Refunds	12,995	11,751	1,244
Net Capital Gains (Losses)	1,078	(143)	1,221
Net Income	\$14,073	\$11,608	\$2,465