



Tim Demetres
Chief Financial Officer
CFO

2017 Third Quarter Financial Results

GCU is committed to serving its members and certificate holders. It is my pleasure to present the 2017 nine month results of GCU's financial achievements.

Our financial strength continues to grow and surplus reached a new high at \$124.6 million at September 30, 2017. Income before realized gains (loss) increased \$1.2 million to \$19.8 million. Net Income decreased \$1.2 million to \$17.0 million compared to \$18.2 million in 2016 due to impairing certain energy related securities that may not be fully recoverable at maturity.

Assets totaled \$1.675 billion, an increase of \$125.1 million or 8% 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 \$124 million from \$1.527 at year end 2016 to \$1.651 billion at September 30, 2017.

Total Liabilities increased \$109 million to \$1.550 billion from \$1.441 billion as of December 31, 2016. This increase is due primarily to higher life and annuity reserves of \$107 million from sales; \$0.6 million increase in the Asset Valuation Reserve, and \$3.1 million Interest Maintenance Reserve increase from deferring realized capital gains on bond sales; reduced by a \$1.5 million decrease in payable for securities purchased not yet settled.

Total Income for the nine months ended September 30, 2017 period increased \$3.9 million or 1.5% to \$262.7 million compared to \$258.9 million in 2016. The increase is primarily due to continued growth in investment income of \$5.3

million and \$1.1 million increase commission allowances from ceded reinsurance reduced by \$2.6 million in overall life and annuity sales.

Operating expenses before the increase in reserves increased \$24.9 million or 22.4% for the nine months of 2017 and totaled \$136.5 million compared to \$111.6 million in 2016. The increase is primarily due to higher annuity benefits paid of \$18.1 million, exchanges to other annuity products of \$5.1 million, and higher producer commissions of \$2.3 million. We continue to control the growth in general insurance expenses which were \$4.9 million in 2017, \$0.4 million less than 2016 expenses of \$5.3 million.

The increase in life and annuity reserves decreased by \$22.2 million for the nine months to \$106.5 million compared to \$128.7 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 \$124.6 million compared to \$108.5 million at year-end 2016. The \$16.1 million increase in surplus is primarily attributable to net income of \$17.0 million reduced by a \$1.1 million change in unrealized loss in the net equity of subsidiary.

Total surplus is the amount we set aside for unexpected losses from operations and financial protection against business volatility. The solvency ratio at September 30, 2017 is 108.0%. The solvency ratio adjusted for the Asset Valuation Reserve (AVR) is 109.3%. These ratios reflect a strong and stable balance sheet.

The chill in the autumn breeze brings the joyous Christmas season to our doorstep. Happy holidays and Merry Christmas! Tim

Summary of Financial Statistics

(000's omitted)	9/30/17	9/30/16	Change
Assets	\$1,675,011	\$1,509,610	\$165,400
Total Income	262,742	258,852	3,890
Total Expense	245,739	240,669	5,070
Net Income	17,002	18,183	(1,181)
Surplus (Net Worth)	124,627	105,678	18,949
Asset Valuation Reserve	18,177	16,003	2,174
Total Adjusted Capital	142,804	121,681	21,123
Normal Solvency Ratio	108.0%	107.5%	0.51%
Solv. Ratio-Total Adj. Liab.	109.3%	108.8%	0.55%

Reconciliation of Changes in Surplus

(000's omitted)	9/30/17
Surplus Previous Year 12/31/16	\$108,532
Net Income	17,002
Change in Unrealized Gain/(Loss)	853
GCU Holding Company & Other	(1,168)
Change in Non-Admitted Assets	28
Change in Asset Valuation Reserve	(620)
Net Change in Surplus	16,095
Ending Surplus 9-30-2017	\$124,627

GCU Balance Sheet Comparison

Assets

(000's omitted)	9/30/17	9/30/16	12/31/16
Bonds	\$1,556,724	\$1,386,980	\$1,430,407
Preferred Stocks	46,157	37,684	44,259
Common Stocks	11,975	11,954	11,797
Alt. Investments	14,106	11,342	11,945
Cash/Short Inv.	18,446	36,662	26,262
Mortgages	2,505	1,572	1,552
Certificate Loans	649	593	626
Real Estate-Home Office	544	611	591
Inv. Inc. Due & Acc.	23,425	21,203	21,432
Other	480	1,009	1,090
Total Assets	\$1,675,011	\$1,509,610	\$1,549,961

Liabilities

Life Reserves	\$ 69,017	\$ 64,830	\$ 65,078
Annuity Reserves	1,430,640	1,288,801	1,327,609
Acc. & Health Reserves	160	85	134
Emp. Pension Liability	7,009	6,999	7,068
Convention Reserve	254	154	179
Adv.Prem. + Fut. Ref. Rsrvs.	368	330	345
Pending Inv. Trades	267	5,758	1,799
Accounts Payable	501	527	650
Refund Accum.	1,720	1,822	1,803
Overfunded Pension	1,148	893	1,148
Asset Valuation Rsrv.-AVR	18,177	16,003	17,557
Int. Maint. Rsrv.-IMR	21,124	17,730	18,059
Total Liabilities	\$1,550,384	\$1,403,932	\$1,441,429
Surplus Fund	\$124,627	\$105,678	\$108,532
Total Liab.+Surp.	\$ 1,675,011	\$1,509,610	\$1,549,961
Normal Solvency	108.0%	107.5%	107.5%
Solv. Ratio-Total Adj. Liab.	109.3%	108.8%	108.9%

GCU Income Sheet Comparison

Nine Months 2017 vs. 2016 Results

Income

(000's omitted)	9/30/17	9/30/16	Change
Life Premium	\$ 4,452	\$ 1,508	\$ 2,944
Annuity Premium	167,601	178,417	(10,816)
Annuity Exchanges	23,515	18,452	5,063
Accident & Health	407	180	227 Sub
Sub-Total	195,976	198,557	(2,581)
Net Investment Income	62,431	57,123	5,308
Amort. Int. Maint. Reserve	2,030	1,842	188
Comm. Allowance Reinsure.	1,879	807	1,072
Other Income	425	523	(98)
Total Income	\$262,742	\$258,852	\$3,890

Expenses

Death Benefits	\$ 1,761	\$ 2,011	\$ (250)
Annuity Benefits Paid	96,026	77,893	18,133
Annuity Exchanges	23,515	18,452	5,063
Life Ins. Surrender Benefits	621	681	(60)
Acc. & Health Benefits Paid	321	102	219
Commissions	8,702	6,426	2,276
General Operating Exp.	4,873	5,287	(414)
Ins., Taxes, Bank & Audit Fees	246	419	(173)
Pension Benefits Paid	404	261	143
Interest on Accounts	52	51	1
Sub-Total	\$136,522	\$111,583	\$24,939
Increase in Reserves	106,465	128,666	(22,201)
Total Expenses	\$242,987	\$240,249	\$2,738
Net Gain Before Refunds	19,755	18,603	1,152
Refunds to Members	197	194	3
Net Gain After Refunds	19,557	18,409	1,148
Net Capital Gains (Losses)	(2,555)	(226)	(2,329)
Net Income	\$17,002	\$18,183	\$(1,181)