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Presented for your review are the financial results of the GCU for the third quarter of 2007. Our third quarter resulted in a net loss of \$1,069 million. The nine months ended, September 30, 2007, our net loss was \$1,168 million. The loss is primarily the result of the 2006 Loyalty Dividend Program third quarter distribution to participants totaling approximately \$937,000.

- ✱ **Assets** totaled \$588.6 million for the first nine months of 2007 compared to \$571.0 million for the same period in 2006. During the first nine months of 2007, management continued to review and revise the investment portfolio which resulted in common stocks increasing by \$15.2 million, preferred stocks increasing by \$17.7 million and a reduction of bonds and other invested assets along with a reduction of cash and short term assets of \$4 million.
- ✱ **Surplus** decreased \$3.8 million during the first nine months of 2007. Negative impacts upon surplus included the following; GCU and GCU Holding Company, Inc. recorded losses of approximately \$1.1 million and \$1 million respectively and a \$234,000 net increase in unrealized capital gains. In addition, asset valuation reserves increased by \$2 million due to additional exposure to common stocks
- ✱ **Gross Income** of \$16.2 million was recorded for the third quarter of 2007 compared to \$17.1 million for the same period of 2007. Both 2007 and 2006 gross income excluded annuity premium from the 2007 Five Year Advantage and 2006 Loyalty Conversion Program. The 2007 nine months total gross income excluding conversions was \$53.6 million, an increase of \$4.9 million over 2006 which totaled \$48.8 million excluding conversions.
- ✱ **Net Investment Income** was \$7.4 million and \$7.2 million for the third quarter of 2007 and 2006. The average quality of the bond portfolio remains at AA with 96% being investment grade.

Summary of Financial Statistics

| (000's omitted) | <u>9/30/07</u> | <u>9/30/06</u> | <u>Change</u> |
|---|----------------|----------------|---------------|
| Assets | 588,603 | 570,986 | 17,617 |
| Total Income | 58,562 | 104,718 | (46,156) |
| Total Operating Exp. | 61,552 | 99,792 | (38,240) |
| Net Income (Loss) | (1,168) | 3,718 | (4,886) |
| Surplus (Net Worth) | 25,228 | 30,232 | (5,004) |
| Asset Valuation Reserve | 6,791 | 4,154 | 2,637 |
| Interest Maint. Reserve | 8,569 | 8,441 | 128 |
| Surplus & Spec. Reserves | 40,588 | 42,827 | (2,239) |
| Normal Solvency Ratio | 107.4% | 108.1% | (0.7) |
| Solvency Ratio Including Special Reserves | 104.5% | 105.6% | (1.1) |

- ✱ **Life Premiums** increased slightly by \$15,000 during the third quarter of 2007. Life premiums totaled \$436,000 in 2007 compared to \$421,000 in 2006. This increase was due to the continuing effects of the 2007 Guaranteed Life Issue Program.
- ✱ **Annuity Premiums** for the third quarter of 2007 and 2006 totaled \$8.2 million and \$9.1 million, a decrease of 935,000. This decrease is a result of the ongoing competition in the marketplace, between GCU (fraternal benefit society) and other financial (for profit) institutions.
- ✱ **Total Expenses** for the third quarter excluding conversions totaled \$18 million for 2007 compared to \$17.4 million for 2006. Expenditures increased by \$600,000 in 2007 primarily due to a reserve adjustment based upon premium and our claims experience.
- ✱ **Net changes in life and annuity reserves** were \$16.2 million for the nine months ended September 30, 2007 and (\$9.2) million in 2006. During 2006 the GCU initiated a conversion program for the regular, flex 5 and flex 10 annuity products. Because of surrender charges in these products, statutory accounting rules do not require 100% reserve of the annuity contract value which reduced reserves in 2006. The 2006 Loyalty Dividend

Income Statement
Nine Months 2007 vs. 2006 Results

| (000's) Omitted | <u>9/30/07</u> | <u>9/30/06</u> | <u>Change</u> |
|---------------------------|-------------------|------------------|-------------------|
| Income | | | |
| Life Premium | \$1,518 | \$1,154 | \$364 |
| Annuity Premium | 28,279 | 24,977 | 3,302 |
| Annuity Exchanges | <u>5,921</u> | <u>55,941</u> | <u>(50,020)</u> |
| Sub Total | \$35,718 | \$82,072 | \$(46,354) |
| Net Investment Income | 22,123 | 21,769 | 354 |
| Other (See Detail Report) | <u>721</u> | <u>878</u> | <u>(157)</u> |
| Total Income | <u>\$58,562</u> | <u>\$104,719</u> | <u>\$(46,157)</u> |
| Expenses | | | |
| Death Benefits | \$1,109 | \$1,059 | \$50 |
| Annuity Benefits Paid | 32,345 | 46,225 | (13,880) |
| Annuity Exchanges | 5,921 | 55,941 | (50,020) |
| Surrender Benefits | 427 | 421 | 6 |
| Commissions | 1,149 | 1,437 | (288) |
| General Insurance Exp | 4,322 | 3,892 | 430 |
| Other | <u>33</u> | <u>24</u> | <u>9</u> |
| Sub-Total | <u>\$ 45,306</u> | <u>\$108,999</u> | <u>\$(63,693)</u> |
| Reserves-Life & Anu. | <u>16,246</u> | <u>(9,207)</u> | <u>25,453</u> |
| Total Expenses | <u>\$ 61,552</u> | <u>\$ 99,792</u> | <u>\$(38,240)</u> |
| Net Gain/Loss bef. Ref. | <u>\$ (2,990)</u> | <u>\$ 4,927</u> | <u>\$ (7,917)</u> |
| Refunds to Members | <u>(285)</u> | <u>(273)</u> | <u>(12)</u> |
| Net Gain/Loss aft. Ref. | <u>\$ (3,275)</u> | <u>\$ 4,654</u> | <u>\$ (7,929)</u> |
| Net Cap. Gains /Losses | <u>2,107</u> | <u>(935)</u> | <u>3,042</u> |
| Net Income/Loss | <u>\$ (1,168)</u> | <u>\$ 3,719</u> | <u>\$ (4,887)</u> |

Note: Financial results are unaudited but consistent with proper accounting procedure.

BUYING A HOME..... THE GCU HAS GREAT RATES !!!

| | | | |
|-------------------|-------------------|-------------------|-------------------|
| <u>15 Yr.</u> | <u>20 Yr.</u> | <u>25 Yr.</u> | <u>30 Yr.</u> |
| <u>Fixed Rate</u> | <u>Fixed Rate</u> | <u>Fixed Rate</u> | <u>Fixed Rate</u> |
| *5.875% | *6.0% | *6.125% | *6.25% |

* Includes 1/8% discount for Direct Debit

Additional Discounts Available for First Time Home Buyers.

The mortgage must be with the GCU for five years or we will charge back the reimbursement.

Call for Information Regarding Various Terms.

Program distribution of \$937,000 increased the value of the participants' annuities thus increasing reserves.

✱ Net Loss for the third quarter of 2007 was \$1.1 million which is net of the recorded gain from the sale common stocks of \$737,000

We provide our members with sound financial management in a very competitive and ever changing marketplace. Our portfolio continues to reflect our commitment to in-

Income Statement

Third Quarter 2007 vs. 2006 Results

| (000's) Omitted | <u>9/30/07</u> | <u>9/30/06</u> | <u>Change</u> |
|---------------------------|-------------------------|------------------------|-------------------------|
| Income | | | |
| Life Premium | \$436 | \$421 | \$15 |
| Annuity Premium | 8,209 | 9,144 | (935) |
| Annuity Exchanges | <u>5,358</u> | <u>1,192</u> | <u>4,166</u> |
| Sub Total | <u>\$14,003</u> | <u>\$10,757</u> | <u>\$3,246</u> |
| Net Investment Income | 7,350 | 7,236 | 114 |
| Other (See Detail Report) | <u>270</u> | <u>312</u> | <u>(42)</u> |
| Total Income | <u>\$21,623</u> | <u>\$18,305</u> | <u>\$ 3,318</u> |
| Expenses | | | |
| Death Benefits | 377 | 456 | (79) |
| Annuity Benefits Paid | 12,894 | 18,280 | (5,386) |
| Annuity Exchanges | 5,358 | 1,192 | 4,166 |
| Surrender Benefits | 162 | 143 | 19 |
| Commissions | 171 | 223 | (52) |
| General Insurance Exp | 1,459 | 1,540 | (81) |
| Other | <u>11</u> | <u>8</u> | <u>3</u> |
| Sub-Total | <u>\$ 20,432</u> | <u>\$21,842</u> | <u>\$(1,410)</u> |
| Reserves-Life & Anu. | <u>2,907</u> | <u>(3,255)</u> | <u>6,162</u> |
| Total Expenses | <u>\$ 23,339</u> | <u>\$18,587</u> | <u>\$ 4,752</u> |
| Net Gain Oper. bef. Ref. | <u>\$(1,716)</u> | <u>\$ (282)</u> | <u>\$(1,434)</u> |
| Refunds to Members | <u>(90)</u> | <u>(89)</u> | <u>(1)</u> |
| Net Gain Oper after Ref. | <u>\$(1,806)</u> | <u>\$ (371)</u> | <u>\$(1,435)</u> |
| Net Cap. Gains (Losses) | <u>737</u> | <u>44</u> | <u>693</u> |
| Net Income/Loss | <u>\$(1,069)</u> | <u>\$ (327)</u> | <u>\$ (742)</u> |

Note: The GCU quarterly report is unaudited but consistent with proper accounting procedure.

vestment grade fixed income positions and in sound equities. We offer superior products to our members and encourage everyone to share their GCU experience with friends, relatives and business associates.

I wish to extend to all of our GCU members, family and friends a blessed Christmas and a healthy and prosperous New Year.

As always my thanks to you for your continued support and please contact me if you should have any questions.

Balance Sheet

Nine Months 2007 vs. 2006 Results

| (000's omitted) | <u>9/30/07</u> | <u>9/30/06</u> | <u>Difference</u> |
|----------------------------------|-------------------------|-------------------------|------------------------|
| Assets | | | |
| Bonds | 506,760 | 518,120 | (11,360) |
| Preferred Stocks | 20,051 | 2,320 | 17,731 |
| Common Stocks | 32,468 | 17,294 | 15,174 |
| Cash//Short Term Inv. | 13,009 | 17,785 | (4,776) |
| Motgages | 3,256 | 2,905 | 351 |
| Real Estate | | | |
| Beaver Home Office | 864 | 920 | (56) |
| Chapel | 737 | 772 | (35) |
| Certificate Loans | 621 | 611 | 10 |
| Inv. Income Due & Acc. | 7,012 | 7,078 | (66) |
| Other | <u>3,825</u> | <u>3,180</u> | <u>645</u> |
| Total Assets | <u>\$588,603</u> | <u>\$570,985</u> | <u>\$17,618</u> |
| Liabilities | | | |
| Life Reserve Fund | \$48,539 | \$47,327 | \$1,212 |
| Annuity Reserve Fund | 492,571 | 473,692 | 18,879 |
| Employee Pension Fund | 4,537 | 4,402 | 135 |
| Convention Reserve | 330 | 210 | 120 |
| Future Refund Reserves | 463 | 447 | 16 |
| Accounts Payable | 135 | 219 | (84) |
| Refund Accumulations | 908 | 868 | 40 |
| Other | <u>532</u> | <u>994</u> | <u>(462)</u> |
| Sub-Total Liabilities | <u>\$548,015</u> | <u>\$528,159</u> | <u>\$19,856</u> |
| Asset Valu. Resv.-AVR | 6,791 | 4,154 | 2,637 |
| Int. Maint. Resv.-IMR | <u>8,569</u> | <u>8,441</u> | <u>128</u> |
| Total Liabilities | <u>\$563,375</u> | <u>\$540,754</u> | <u>\$54,510</u> |
| Surplus Fund | <u>25,228</u> | <u>30,232</u> | <u>(5,004)</u> |
| Total Liab. & Surplus | <u>\$588,603</u> | <u>\$570,986</u> | <u>\$17,617</u> |

Reconciliation of Change in Surplus

| (000's omitted) | <u>9/30/07</u> |
|--|------------------|
| Surplus Previous Year 12/31/06 | \$29,058 |
| Net Income/(loss) | (1,168) |
| Change in Unrealized Gain/(Loss) | 233 |
| GCU Holding Company & Other | (938) |
| Changes in Non-Admitted Assets | 9 |
| Changes in Asset Valuation Reserve | (1,966) |
| Net Change in Surplus | \$(3,830) |
| Ending 09/30/07 Surplus | \$25,228 |

Note: Small dollar differences throughout this report is due to rounding.