

# TORCHMARK CORPORATION

## Operating Summary (Unaudited) (In thousands, except per share amounts)

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/16	6/15		2016	2016	2015	2015	2015
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$1,092,741	\$1,033,380	Premium	\$548,590	\$544,151	\$520,756	\$518,929	\$520,038
(446,566)	(413,450)	Net Policy Obligations	(225,717)	(220,849)	(205,313)	(203,547)	(209,934)
(327,661)	(309,554)	Non-deferred Commissions and Amortization	(163,854)	(163,807)	(155,932)	(156,097)	(155,858)
(30,610)	(29,596)	Non-deferred Acquisition Expenses	(15,415)	(15,195)	(14,989)	(15,185)	(14,869)
<u>287,904</u>	<u>280,780</u>	Underwriting Margin	<u>143,604</u>	<u>144,300</u>	<u>144,522</u>	<u>144,100</u>	<u>139,377</u>
		Health:					
472,949	461,082	Premium	237,252	235,697	235,299	229,139	232,409
(269,709)	(265,193)	Net Policy Obligations	(135,010)	(134,699)	(136,464)	(131,896)	(134,047)
(88,021)	(82,716)	Non-deferred Commissions and Amortization	(43,978)	(44,043)	(42,858)	(42,050)	(41,488)
(11,083)	(9,984)	Non-deferred Acquisition Expenses	(5,643)	(5,440)	(4,996)	(4,986)	(5,262)
<u>104,136</u>	<u>103,189</u>	Underwriting Margin	<u>52,621</u>	<u>51,515</u>	<u>50,981</u>	<u>50,207</u>	<u>51,612</u>
<u>3,572</u>	<u>2,196</u>	Annuity Underwriting Margin	<u>1,941</u>	<u>1,631</u>	<u>1,271</u>	<u>1,101</u>	<u>1,103</u>
395,612	386,165	Total Underwriting Margin	198,166	197,446	196,774	195,408	192,092
887	1,464	Other Income	422	465	178	737	742
(96,881)	(91,425)	Admin. Expenses	(48,413)	(48,468)	(47,597)	(47,169)	(45,474)
299,618	296,204	Underwriting Income	150,175	149,443	149,355	148,976	147,360
		<b>EXCESS INVESTMENT INCOME</b>					
398,695	386,419	Net Investment Income	201,642	197,053	194,319	193,213	194,823
(246,946)	(236,455)	Required Interest on Net Policy Liabilities	(123,935)	(123,011)	(121,289)	(120,061)	(118,845)
(42,479)	(38,174)	Interest on Debt	(23,110)	(19,369)	(19,222)	(19,246)	(19,114)
109,270	111,790	Total Excess Investment Income	54,597	54,673	53,808	53,906	56,864
(4,405)	(4,485)	Parent Company Expenses	(2,379)	(2,026)	(2,341)	(2,177)	(2,312)
404,483	403,509	Pre-Tax Operating Income	202,393	202,090	200,822	200,705	201,912
(131,483)	(132,203)	Income Tax	(65,313)	(66,170)	(65,543)	(65,745)	(66,012)
\$273,000	\$271,306	Net Operating Income Before Stock Compensation Expense	\$137,080	\$135,920	\$135,279	\$134,960	\$135,900
(2,926)	(9,777)	Stock Compensation Expense, Net of Tax	(390)	(2,536)	(4,412)	(4,443)	(5,072)
<b>\$270,074</b>	<b>\$261,529</b>	<b>Net Operating Income from Continuing Operations</b>	<b>\$136,690</b>	<b>\$133,384</b>	<b>\$130,867</b>	<b>\$130,517</b>	<b>\$130,828</b>
<b>\$2.20</b>	<b>\$2.04</b>	<b>Per Share</b>	<b>\$1.11</b>	<b>\$1.08</b>	<b>\$1.05</b>	<b>\$1.03</b>	<b>\$1.03</b>
4,034	5,515	Discontinued Operations - Part D	2,058	1,976	195	5,097	2,630
<b>\$274,108</b>	<b>\$267,044</b>	<b>Net Operating Income from All Operations</b>	<b>\$138,748</b>	<b>\$135,360</b>	<b>\$131,062</b>	<b>\$135,614</b>	<b>\$133,458</b>
<b>\$2.23</b>	<b>\$2.09</b>	<b>Per Share</b>	<b>\$1.13</b>	<b>\$1.10</b>	<b>\$1.05</b>	<b>\$1.08</b>	<b>\$1.05</b>
123,036	128,019	Average Diluted Shares Outstanding	122,748	123,313	124,725	126,140	127,440
		Reconciling items, net of tax:					
\$2,794	\$1,776	Capital Gain (Loss) - Investments	\$2,604	\$190	(\$10,831)	\$3,341	\$1,699
(14,440)	(20,062)	Part D Adjustment - Discontinued Operations	(2,923)	(11,517)	13,631	6,431	(8,047)
0	0	Administrative Settlements	0	0	(906)	0	0
<u>\$262,462</u>	<u>\$248,758</u>	Net Income	<u>\$138,429</u>	<u>\$124,033</u>	<u>\$132,956</u>	<u>\$145,386</u>	<u>\$127,110</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	2Q 2016	%	2Q 2015	%	2Q 2016	%	2Q 2015	%	2Q 2016	2Q 2015
<b>LNL Exclusive Agency</b>										
Premium	\$67,708		\$68,255		\$50,536		\$52,690			
Net Policy Obligations	24,783	37	26,583	39	26,461	52	27,312	52		
Non Def Comm. & Amort.	20,174	30	19,816	29	10,964	22	11,330	22		
Non Def Acq. Expenses	3,759	6	3,876	6	1,201	2	1,152	2		
Underwriting Margin	<u>18,992</u>	28	<u>17,980</u>	26	<u>11,910</u>	24	<u>12,896</u>	24		
<b>Direct Response</b>										
Premium	198,607		188,484		17,360		17,293			
Net Policy Obligations	110,576	56	98,098	52	13,509	78	13,617	79		
Non Def Comm. & Amort.	50,743	26	49,080	26	1,060	6	932	5		
Non Def Acq. Expenses	3,861	2	4,138	2	4	0	10	0		
Underwriting Margin	<u>33,427</u>	17	<u>37,168</u>	20	<u>2,787</u>	16	<u>2,734</u>	16		
<b>American Income Agency</b>										
Premium	226,241		207,006		20,951		19,841			
Net Policy Obligations	72,020	32	67,570	33	6,531	31	6,395	32		
Non Def Comm. & Amort.	74,824	33	69,286	33	4,271	20	4,156	21		
Non Def Acq. Expenses	7,358	3	6,346	3	470	2	329	2		
Underwriting Margin	<u>72,039</u>	32	<u>63,804</u>	31	<u>9,679</u>	46	<u>8,961</u>	45		
<b>Family Heritage Life</b>										
Premium	709		572		58,611		54,880			
Net Policy Obligations	460	65	405	71	30,980	53	30,746	56		
Non Def Comm. & Amort.	123	17	77	13	13,252	23	11,722	21		
Non Def Acq. Expenses	23	3	18	3	1,900	3	1,678	3		
Underwriting Margin	<u>103</u>	15	<u>72</u>	13	<u>12,479</u>	21	<u>10,734</u>	20		
<b>Other Distribution</b>										
Premium	55,325		55,721		89,794		87,705		\$13	\$37
Net Policy Obligations	17,878	32	17,278	31	57,529	64	55,977	64	(3,624)	(3,633)
Non Def Comm. & Amort.	17,990	33	17,599	32	14,431	16	13,348	15	1,696	2,567
Non Def Acq. Expenses	414	1	491	1	2,068	2	2,093	2	0	0
Underwriting Margin	<u>19,043</u>	34	<u>20,353</u>	37	<u>15,766</u>	18	<u>16,287</u>	19	<u>1,941</u>	<u>1,103</u>
<b>Totals:</b>										
Premium	\$548,590		\$520,038		\$237,252		\$232,409		\$13	\$37
Net Policy Obligations	225,717	41	209,934	40	135,010	57	134,047	58	(3,624)	(3,633)
Non Def Comm. & Amort.	163,854	30	155,858	30	43,978	19	41,488	18	1,696	2,567
Non Def Acq. Expenses	15,415	3	14,869	3	5,643	2	5,262	2	0	0
Underwriting Margin	<u>\$143,604</u>	26	<u>\$139,377</u>	27	<u>\$52,621</u>	22	<u>\$51,612</u>	22	<u>\$1,941</u>	<u>\$1,103</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					\$198,166		\$192,092			
Other Income					422		742			
Administrative & Other Expenses					<u>(48,413)</u>		<u>(45,474)</u>			
INSURANCE UNDERWRITING INCOME					<u>\$150,175</u>		<u>\$147,360</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					\$2,923		\$3,814			

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 6/16	%	YTD 6/15	%	YTD 6/16	%	YTD 6/15	%	YTD 6/16	YTD 6/15
<b>LNL Exclusive Agency</b>										
Premium	\$135,600		\$136,058		\$102,408		\$106,670			
Net Policy Obligations	50,358	37	53,129	39	54,290	53	56,078	53		
Non Def Comm. & Amort.	40,297	30	39,890	29	22,334	22	23,171	22		
Non Def Acq. Expenses	7,480	6	7,576	6	2,358	2	2,303	2		
Underwriting Margin	<u>37,465</u>	28	<u>35,463</u>	26	<u>23,426</u>	23	<u>25,118</u>	24		
<b>Direct Response</b>										
Premium	398,608		375,891		35,584		35,353			
Net Policy Obligations	217,266	55	190,177	51	27,701	78	27,868	79		
Non Def Comm. & Amort.	102,861	26	97,990	26	1,974	6	1,771	5		
Non Def Acq. Expenses	7,849	2	8,029	2	56	0	21	0		
Underwriting Margin	<u>70,632</u>	18	<u>79,695</u>	21	<u>5,853</u>	16	<u>5,693</u>	16		
<b>American Income Agency</b>										
Premium	446,643		409,047		41,185		39,753			
Net Policy Obligations	142,592	32	133,715	33	12,648	31	12,464	31		
Non Def Comm. & Amort.	148,408	33	136,292	33	8,610	21	8,275	21		
Non Def Acq. Expenses	14,425	3	12,963	3	923	2	670	2		
Underwriting Margin	<u>141,218</u>	32	<u>126,077</u>	31	<u>19,004</u>	46	<u>18,344</u>	46		
<b>Family Heritage Life</b>										
Premium	1,366		1,084		115,928		108,429			
Net Policy Obligations	871	64	775	71	61,134	53	60,127	55		
Non Def Comm. & Amort.	254	19	141	13	26,509	23	23,270	21		
Non Def Acq. Expenses	44	3	31	3	3,750	3	3,084	3		
Underwriting Margin	<u>197</u>	14	<u>137</u>	13	<u>24,535</u>	21	<u>21,948</u>	20		
<b>Other Distribution</b>										
Premium	110,524		111,300		177,844		170,877		\$25	\$78
Net Policy Obligations	35,479	32	35,654	32	113,936	64	108,656	64	(7,378)	(6,957)
Non Def Comm. & Amort.	35,841	32	35,241	32	28,594	16	26,229	15	3,831	4,839
Non Def Acq. Expenses	812	1	997	1	3,996	2	3,906	2	0	0
Underwriting Margin	<u>38,392</u>	35	<u>39,408</u>	35	<u>31,318</u>	18	<u>32,086</u>	19	<u>3,572</u>	<u>2,196</u>
<b>Totals:</b>										
Premium	\$1,092,741		\$1,033,380		\$472,949		\$461,082		\$25	\$78
Net Policy Obligations	446,566	41	413,450	40	269,709	57	265,193	58	(7,378)	(6,957)
Non Def Comm. & Amort.	327,661	30	309,554	30	88,021	19	82,716	18	3,831	4,839
Non Def Acq. Expenses	30,610	3	29,596	3	11,083	2	9,984	2	0	0
Underwriting Margin	<u>\$287,904</u>	26	<u>\$280,780</u>	27	<u>\$104,136</u>	22	<u>\$103,189</u>	22	<u>\$3,572</u>	<u>\$2,196</u>
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$395,612		\$386,165			
Other Income					887		1,464			
Administrative & Other Expenses					<u>(96,881)</u>		<u>(91,425)</u>			
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$299,618</u>		<u>\$296,204</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					\$5,715		\$8,039			

**TORCHMARK CORPORATION**  
Net Sales and First Year Collected Premium (Unaudited)  
(In thousands)

**NET SALES \***

	<u>YTD 6/16</u>	<u>YTD 6/15</u>	<u>% Incr (Decr)</u>	<u>2nd Qtr. 2016</u>	<u>2nd Qtr. 2015</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>						
Globe Life Direct Response	\$81,611	\$89,443	(9)	\$40,456	\$44,630	(9)
American Income Agency	105,601	97,356	8	55,361	50,212	10
LNL Exclusive Agency	19,872	17,821	12	10,421	9,275	12
Other Distribution	6,415	7,179	(11)	3,415	3,787	(10)
Total Life	<u>213,499</u>	<u>211,799</u>	<u>1</u>	<u>109,653</u>	<u>107,904</u>	<u>2</u>
<b><u>HEALTH</u></b>						
Direct Response	2,456	2,633	(7)	884	824	7
American Income Agency	6,187	5,490	13	3,366	2,923	15
LNL Exclusive Agency	9,845	8,514	16	4,998	4,438	13
UA Independent	22,393	22,043	2	10,334	9,773	6
Family Heritage	24,176	25,077	(4)	13,547	13,402	1
Total Health	<u>65,057</u>	<u>63,757</u>	<u>2</u>	<u>33,129</u>	<u>31,360</u>	<u>6</u>
TOTAL NET SALES	\$278,556	\$275,556	1	\$142,782	\$139,264	3
Discontinued Operations - Part D	5,512	32,461		4,067	11,117	

\* Net sales is defined as annualized premium issued, net of cancellations in the first 30 days after issue, except at Direct Response where net sales is annualized premium issued at the time the first full premium is paid after any introductory offer period has expired.

**FIRST YEAR COLLECTED PREMIUM**

	<u>YTD 6/16</u>	<u>YTD 6/15</u>	<u>% Incr (Decr)</u>	<u>2nd Qtr. 2016</u>	<u>2nd Qtr. 2015</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>						
Globe Life Direct Response	\$52,345	\$54,266	(4)	\$25,386	\$27,186	(7)
American Income Agency	85,866	76,028	13	43,911	38,979	13
LNL Exclusive Agency	14,350	13,696	5	7,300	7,146	2
Other Distribution	5,956	5,993	(1)	2,989	3,060	(2)
Total Life	<u>158,517</u>	<u>149,983</u>	<u>6</u>	<u>79,586</u>	<u>76,371</u>	<u>4</u>
<b><u>HEALTH</u></b>						
Direct Response	2,099	10,324	(80)	1,025	5,156	(80)
American Income Agency	6,416	5,437	18	3,316	2,821	18
LNL Exclusive Agency	7,851	7,454	5	4,019	3,952	2
UA Independent	32,315	35,642	(9)	16,595	20,475	(19)
Family Heritage	20,091	19,286	4	10,218	9,779	4
Total Health	<u>68,772</u>	<u>78,143</u>	<u>(12)</u>	<u>35,173</u>	<u>42,183</u>	<u>(17)</u>
TOTAL FIRST YEAR COLLECTED PREMIUM	\$227,289	\$228,126	0	\$114,759	\$118,554	(3)
Discontinued Operations - Part D	8,349	69,180		2,949	35,166	

**TORCHMARK CORPORATION**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
(In thousands, except per share amounts)

	At June 30,	
	2016	2015
<b><u>Assets</u></b>		
Investments:		
Fixed maturities available for sale *	\$15,440,090	\$14,121,462
Equity securities available for sale	927	1,545
Real estate	906	203
Policy loans	501,555	479,953
Other long-term investments	56,544	10,836
Short-term investments	48,581	28,695
Total investments	16,048,603	14,642,694
Cash	49,678	62,849
Accrued investment income	216,443	206,653
Other receivables	358,686	332,523
Deferred acquisition costs **	3,698,449	3,535,277
Property and equipment	85,697	65,181
Goodwill	441,591	441,591
Other assets	424,093	423,446
Assets related to discontinued operations	250,800	351,546
Total assets	\$21,574,040	\$20,061,760
<b><u>Liabilities and Shareholders' Equity</u></b>		
Liabilities:		
Future policy benefits	\$12,544,683	\$12,004,366
Unearned and advance premium	72,649	73,163
Policy claims and other benefits payable	265,712	249,946
Other policy liabilities	96,184	95,468
Current and deferred income taxes	1,887,091	1,569,962
Short-term debt	286,011	636,862
Long-term debt	1,133,928	743,306
Other liabilities	349,631	354,819
Liabilities related to discontinued operations	60,393	27,812
Total liabilities	16,696,282	15,755,704
Shareholders' equity:		
Preferred stock	0	0
Common stock	130,218	134,218
Additional paid-in-capital	489,726	476,791
Unrealized investment gains (losses), net of tax	989,157	555,319
Retained earnings	3,817,666	3,568,715
Treasury stock, at cost	(549,009)	(428,987)
Total shareholders' equity	4,877,758	4,306,056
Total liabilities and shareholders' equity	\$21,574,040	\$20,061,760
Diluted Basis:		
Shares outstanding	122,347	126,878
Book value per common share	\$39.87	\$33.94
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$31.11	\$28.91
* Amortized cost of fixed maturities	\$13,778,254	\$13,126,918

\*\* Includes Value of insurance purchased which was previously shown as a separate line item.

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

June 30, 2016

**Investment Portfolio at 6/30/16**

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$13,778	96%	74%
Equities	0	0%	3%
Mortgage loans	0	0%	10%
Investment real estate	1	0%	1%
Policy loans	502	3%	4%
Other long-term investments	57	0%	5%
Short-term investments	49	0%	3%
<b>Total</b>	<b>\$14,386</b>	<b>100%</b>	

\* Data available from the American Council of Life Insurance

**Fixed Maturities at 6/30/16**

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$13,015	\$14,787	\$1,772	A-	94%
Below Investment Grade	763	653	(110)	B+	6%
<b>Total</b>	<b>\$13,778</b>	<b>\$15,440</b>	<b>\$1,662</b>	<b>A-</b>	

By Type

Corporates	\$11,568	\$12,956	\$1,388	BBB+	84%
Redeemable preferred stock:					
U.S.	356	400	44	BBB-	3%
Foreign	55	61	6	BBB-	0%
Municipals	1,277	1,461	184	AA	9%
Government-sponsored enterprises	300	330	31	AAA	2%
Government & Agencies	102	106	5	AAA	1%
Residential mortgage-backed securities	4	5	0	AAA	0%
CDO's	62	64	2	CC	0%
Other asset-backed securities	54	56	2	BBB	0%
<b>Total</b>	<b>\$13,778</b>	<b>\$15,440</b>	<b>\$1,662</b>	<b>A-</b>	

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

June 30, 2016

<u>By Sector</u>	<u>Amort. Cost</u>	<u>Market Value</u>	<u>Net Unreal. Gain (Loss)</u>	<u>Average Rating</u>	<u>% of Total Amort. Cost</u>
Financial - Life/Health/PC Insurance	\$1,992	\$2,261	\$269	BBB+	14%
Financial - Bank	647	732	85	A-	5%
Financial - Financial Guarantor	16	17	1	BBB+	0%
Financial - Insurance Brokers	67	77	10	BBB	0%
Financial - Other	467	491	24	BBB	3%
Utilities	1,979	2,351	372	A-	14%
Energy	1,567	1,599	32	BBB	11%
Consumer, Non-cyclical	1,328	1,517	190	BBB+	10%
Consumer, Cyclical	568	634	65	BBB	4%
Communications	562	635	73	BBB+	4%
Basic Materials	1,049	1,106	56	BBB	8%
Transportation	575	661	87	BBB+	4%
Technology	73	82	9	A-	1%
Other Industrials	1,143	1,311	168	BBB+	8%
ABS - CDO	62	64	2	CC	0%
MBS	4	5	0	AAA	0%
Government	1,679	1,898	219	AA+	12%
<b>Total</b>	<b>\$13,778</b>	<b>\$15,440</b>	<b>\$1,662</b>	<b>A-</b>	

By Sector by Rating: Amortized Cost

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BIG</u>	<u>Total</u>
Financial - Life/Health/PC Insurance		\$229	\$492	\$1,212	\$58	\$1,992
Financial - Bank		107	283	216	42	647
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers			5	62		67
Financial - Other		4	118	271	75	467
Utilities		25	1,172	772	10	1,979
Energy		5	281	1,121	159	1,567
Consumer, Non-cyclical	11	49	467	787	13	1,328
Consumer, Cyclical			72	417	79	568
Communications			68	445	49	562
Basic Materials		17	168	758	107	1,049
Transportation			177	371	27	575
Technology			25	48		73
Other Industrials		109	339	614	80	1,143
ABS - CDO					62	62
MBS	4					4
Government	661	803	213		1	1,679
<b>Total \$</b>	<b>\$677</b>	<b>\$1,348</b>	<b>\$3,881</b>	<b>\$7,110</b>	<b>\$763</b>	<b>\$13,778</b>
<b>% of Total</b>	<b>5%</b>	<b>10%</b>	<b>28%</b>	<b>52%</b>	<b>6%</b>	<b>100%</b>

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

June 30, 2016

<u>Below Investment Grade Bonds by Sector</u>	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$58	\$59	\$0
Financial - Bank	42	42	0
Financial - Financial Guarantor	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	75	75	0
Utilities	10	10	0
Energy	159	172	(13)
Consumer, Non-cyclical	13	13	0
Consumer, Cyclical	79	79	0
Communications	49	45	5
Basic Materials	107	107	0
Transportation	27	27	0
Technology	0	0	0
Other Industrials	80	81	0
ABS - CDO	62	62	0
MBS	0	0	0
Government	1	1	0
	<hr/>	<hr/>	<hr/>
Total	\$763	\$771	(\$8)

<u>Below Investment Grade Bonds By SVO Class (Statutory)</u>	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$627	\$672	(\$45)
Asset Class 4	252	218	34
Asset Class 5	115	115	0
Asset Class 6 (at market value)	56	57	(1)
	<hr/>	<hr/>	<hr/>
	\$1,050	\$1,062	(\$12)

**Fixed Maturity Acquisitions:**

	<u>2Q'16</u>	<u>2Q'15</u>
Amount	\$364	\$250
Yield	4.7%	4.7%
Ratings	BBB+	A-
Average Life To:		
Next Call	23.4	28.8
Maturity	23.7	30.5