

TORCHMARK CORPORATION
Operating Summary
(Unaudited)
(Amounts in thousands, except per share data)

3 Months Ended			1Q	4Q	3Q	2Q	1Q
3/17	3/16		2017	2016	2016	2016	2016
		UNDERWRITING INCOME					
		Life:					
\$575,837	\$544,151	Premium	\$575,837	\$550,177	\$546,415	\$548,590	\$544,151
(242,254)	(220,849)	Net Policy Obligations	(242,254)	(226,833)	(224,251)	(225,717)	(220,849)
(172,985)	(163,807)	Non-deferred Commissions and Amortization	(172,985)	(164,637)	(164,571)	(163,854)	(163,807)
(16,494)	(15,195)	Non-deferred Acquisition Expenses	(16,494)	(15,990)	(14,452)	(15,415)	(15,195)
144,104	144,300	Underwriting Margin	144,104	142,717	143,141	143,604	144,300
		Health:					
244,791	235,697	Premium	244,791	237,727	236,987	237,252	235,697
(138,776)	(134,699)	Net Policy Obligations	(138,776)	(134,759)	(134,875)	(135,010)	(134,699)
(47,104)	(44,043)	Non-deferred Commissions and Amortization	(47,104)	(44,713)	(44,051)	(43,978)	(44,043)
(5,534)	(5,440)	Non-deferred Acquisition Expenses	(5,534)	(5,411)	(4,985)	(5,643)	(5,440)
53,377	51,515	Underwriting Margin	53,377	52,844	53,076	52,621	51,515
2,610	1,631	Annuity Underwriting Margin	2,610	3,192	2,630	1,941	1,631
200,091	197,446	Total Underwriting Margin	200,091	198,753	198,847	198,166	197,446
451	465	Other Income	451	448	199	422	465
(51,913)	(48,468)	Admin. Expenses	(51,913)	(50,469)	(49,248)	(48,413)	(48,468)
148,629	149,443	Underwriting Income	148,629	148,732	149,798	150,175	149,443
		EXCESS INVESTMENT INCOME					
208,282	197,053	Net Investment Income	208,282	205,488	202,720	201,642	197,053
(128,295)	(123,011)	Required Interest on Net Policy Liabilities	(128,295)	(126,980)	(125,601)	(123,935)	(123,011)
(20,699)	(19,369)	Interest on Debt	(20,699)	(20,485)	(20,381)	(23,110)	(19,369)
59,288	54,673	Total Excess Investment Income	59,288	58,023	56,738	54,597	54,673
(2,233)	(2,026)	Parent Company Expenses	(2,233)	(2,227)	(1,955)	(2,379)	(2,026)
205,684	202,090	Pre-Tax Operating Income	205,684	204,528	204,581	202,393	202,090
(67,107)	(66,170)	Income Tax	(67,107)	(67,040)	(67,250)	(65,313)	(66,170)
\$138,577	\$135,920	Net Operating Income Before Stock Compensation Expense	\$138,577	\$137,488	\$137,331	\$137,080	\$135,920
94	(2,536)	Stock Compensation Expense, Net of Tax	94	1,984	2,483	(390)	(2,536)
\$138,671	\$133,384	Net Operating Income from Continuing Operations	\$138,671	\$139,472	\$139,814	\$136,690	\$133,384
\$1.15	\$1.08	Per Share	\$1.15	\$1.15	\$1.15	\$1.11	\$1.08
0	1,976	Discontinued Operations - Part D, Net of Tax	0	793	4,206	2,058	1,976
\$138,671	\$135,360	Net Operating Income	\$138,671	\$140,265	\$144,020	\$138,748	\$135,360
\$1.15	\$1.10	Per Share	\$1.15	\$1.16	\$1.18	\$1.13	\$1.10
120,430	123,313	Average Diluted Shares Outstanding	120,430	121,237	121,911	122,748	123,313
		Reconciling items, net of tax:					
(\$1,493)	\$190	Capital Gain (Loss) - Investments	(\$1,493)	(\$12,001)	\$2,263	\$2,604	\$190
(3,637)	(11,517)	Part D Adjustments - Discontinued Operations	(3,637)	9,843	5,753	(2,923)	(11,517)
0	0	Administrative Settlements	0	(2,467)	0	0	0
0	0	Non-Operating Fees	0	(192)	(167)	0	0
\$133,541	\$124,033	Net Income	\$133,541	\$135,448	\$151,869	\$138,429	\$124,033
\$1.11	\$1.01	Per Share	\$1.11	\$1.12	\$1.25	\$1.13	\$1.01

TORCHMARK CORPORATION

Insurance Operations
(Unaudited)
(Dollar amounts in thousands)

	LIFE				HEALTH				ANNUITY	
	1Q 2017	%	1Q 2016	%	1Q 2017	%	1Q 2016	%	1Q 2017	1Q 2016
LNL Exclusive Agency										
Premium	\$68,732		\$67,892		\$50,704		\$51,872			
Net Policy Obligations	25,472	37	25,575	38	26,670	53	27,829	54		
Non Def Comm. & Amort.	21,003	31	20,123	30	11,219	22	11,370	22		
Non Def Acq. Expenses	3,590	5	3,721	5	1,103	2	1,157	2		
Underwriting Margin	<u>18,667</u>	27	<u>18,473</u>	27	<u>11,712</u>	23	<u>11,516</u>	22		
Direct Response										
Premium	210,417		200,001		18,831		18,224			
Net Policy Obligations	122,425	58	106,690	53	14,751	78	14,192	78		
Non Def Comm. & Amort.	54,315	26	52,118	26	892	5	914	5		
Non Def Acq. Expenses	4,283	2	3,988	2	4	0	52	0		
Underwriting Margin	<u>29,394</u>	14	<u>37,205</u>	19	<u>3,184</u>	17	<u>3,066</u>	17		
American Income Agency										
Premium	241,160		220,402		21,424		20,234			
Net Policy Obligations	76,990	32	70,572	32	6,042	28	6,117	30		
Non Def Comm. & Amort.	80,061	33	73,584	33	4,426	21	4,339	21		
Non Def Acq. Expenses	8,106	3	7,067	3	488	2	453	2		
Underwriting Margin	<u>76,003</u>	32	<u>69,179</u>	31	<u>10,468</u>	49	<u>9,325</u>	46		
Family Heritage Life										
Premium	769		657		61,576		57,317			
Net Policy Obligations	453	59	411	63	31,892	52	30,154	53		
Non Def Comm. & Amort.	170	22	131	20	15,003	24	13,257	23		
Non Def Acq. Expenses	19	2	21	3	1,800	3	1,850	3		
Underwriting Margin	<u>127</u>	17	<u>94</u>	14	<u>12,881</u>	21	<u>12,056</u>	21		
Other Distribution										
Premium	54,759		55,199		92,256		88,050		\$3	\$12
Net Policy Obligations	16,914	31	17,601	32	59,421	64	56,407	64	(3,472)	(3,754)
Non Def Comm. & Amort.	17,436	32	17,851	32	15,564	17	14,163	16	865	2,135
Non Def Acq. Expenses	496	1	398	1	2,139	2	1,928	2	0	0
Underwriting Margin	<u>19,913</u>	36	<u>19,349</u>	35	<u>15,132</u>	16	<u>15,552</u>	18	<u>2,610</u>	<u>1,631</u>
Totals:										
Premium	\$575,837		\$544,151		\$244,791		\$235,697		\$3	\$12
Net Policy Obligations	242,254	42	220,849	41	138,776	57	134,699	57	(3,472)	(3,754)
Non Def Comm. & Amort.	172,985	30	163,807	30	47,104	19	44,043	19	865	2,135
Non Def Acq. Expenses	16,494	3	15,195	3	5,534	2	5,440	2	0	0
Underwriting Margin	<u>\$144,104</u>	25	<u>\$144,300</u>	27	<u>\$53,377</u>	22	<u>\$51,515</u>	22	<u>\$2,610</u>	<u>\$1,631</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					\$200,091		\$197,446			
Other Income					451		465			
Administrative & Other Expenses					<u>(51,913)</u>		<u>(48,468)</u>			
INSURANCE UNDERWRITING INCOME					<u>\$148,629</u>		<u>\$149,443</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					(\$5,595)		\$2,792			

TORCHMARK CORPORATION
Net Sales and First-Year Collected Premium
(Unaudited)
(Dollar amounts in thousands)

NET SALES ⁽¹⁾

	<u>YTD</u> <u>3/17</u>	<u>YTD</u> <u>3/16</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>			
Globe Life Direct Response	\$38,731	\$41,155	(6)
American Income Agency	53,397	50,240	6
LNL Exclusive Agency	10,946	9,451	16
Other Distribution	2,583	3,000	(14)
Total Life	<u>105,657</u>	<u>103,846</u>	<u>2</u>
<u>HEALTH</u>			
Direct Response	1,536	1,572	(2)
American Income Agency	3,123	2,821	11
LNL Exclusive Agency	4,468	4,847	(8)
UA Independent	11,424	12,059	(5)
Family Heritage	13,413	10,629	26
Total Health	<u>33,964</u>	<u>31,928</u>	<u>6</u>
TOTAL NET SALES	\$139,621	\$135,774	3
Discontinued Operations - Part D	\$0	\$1,445	

FIRST-YEAR COLLECTED PREMIUM ⁽²⁾

	<u>YTD</u> <u>3/17</u>	<u>YTD</u> <u>3/16</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>			
Globe Life Direct Response	\$25,169	\$26,959	(7)
American Income Agency	44,255	41,955	5
LNL Exclusive Agency	7,934	7,050	13
Other Distribution	2,619	2,967	(12)
Total Life	<u>79,977</u>	<u>78,931</u>	<u>1</u>
<u>HEALTH</u>			
Direct Response	1,327	1,074	24
American Income Agency	3,310	3,100	7
LNL Exclusive Agency	4,315	3,832	13
UA Independent	12,428	15,720	(21)
Family Heritage	10,867	9,873	10
Total Health	<u>32,247</u>	<u>33,599</u>	<u>(4)</u>
TOTAL FIRST-YEAR COLLECTED PREMIUM	\$112,224	\$112,530	0
Discontinued Operations - Part D	\$0	\$5,400	

Net sales and first-year collected premium are statistical measures utilized as indicators of future premium growth. Below are definitions:

- ⁽¹⁾ Net sales is defined as annualized premium issued, net of cancellations in the first thirty days after issue, except for 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. Net sales is a useful indicator of the rate of acceleration of premium growth.
- ⁽²⁾ First-year collected premium is the premium collected during the reporting period for all policies in their first policy year. First-year collected premium takes lapses into account in the first policy year when lapses are more likely to occur, and thus is a useful indicator of how much new premium is expected to be added to premium income in the future.

TORCHMARK CORPORATION
CONSOLIDATED BALANCE SHEET
(UNAUDITED)
(Amounts in thousands, except per share data)

	At March 31,	
	2017	2016
Assets		
Investments:		
Fixed maturities available for sale, at fair value ⁽¹⁾	\$15,874,131	\$14,459,605
Policy loans	510,574	496,840
Other long-term investments	53,741	38,847
Short-term investments	120,990	144,671
Total investments	16,559,436	15,139,963
Cash	61,754	12,758
Accrued investment income	235,120	221,186
Other receivables	370,306	349,652
Deferred acquisition costs	3,821,718	3,656,449
Property and equipment	98,650	85,150
Goodwill	441,591	441,591
Other assets	415,056	426,506
Assets related to discontinued operations	83,345	287,766
Total assets	\$22,086,976	\$20,621,021
Liabilities and Shareholders' Equity		
Liabilities:		
Future policy benefits	\$12,972,517	\$12,394,378
Unearned and advance premium	70,022	71,537
Policy claims and other benefits payable	301,944	269,198
Other policyholders' funds	97,015	95,532
Current and deferred income taxes payable	1,864,015	1,665,136
Short-term debt	327,019	557,163
Long-term debt	1,132,791	743,953
Other liabilities	563,102	382,821
Liabilities related to discontinued operations	13,724	49,560
Total liabilities	17,342,149	16,229,278
Shareholders' equity:		
Preferred stock	0	0
Common stock	127,218	130,218
Additional paid-in-capital	491,772	482,672
Unrealized investment gains (losses), net of tax	722,865	535,475
Retained earnings	3,994,665	3,715,179
Treasury stock, at cost	(591,693)	(471,801)
Total shareholders' equity	4,744,827	4,391,743
Total liabilities and shareholders' equity	\$22,086,976	\$20,621,021
Diluted Basis:		
Shares outstanding	119,788	122,954
Book value per common share	\$39.61	\$35.72
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$32.77	\$30.65

⁽¹⁾ Fixed maturities at amortized cost \$14,602,250 \$13,489,492

⁽²⁾ ASC 320 includes guidance for treatment of unrealized gains and losses on available-for-sale fixed maturities previously included in FAS 115. This is a non-GAAP measure.

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

March 31, 2017

Investment Portfolio at 3/31/17

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$14,602	96%	74%
Policy loans	511	3%	4%
Equities	0	0%	3%
Mortgage loans	0	0%	10%
Investment real estate	0	0%	1%
Other long-term investments	53	0%	5%
Short-term investments	121	1%	3%
Total	\$15,287	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 3/31/17

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$13,892	\$15,197	\$1,305	A-	95%
Below Investment Grade	711	677	(33)	B+	5%
Total	\$14,602	\$15,874	\$1,272	BBB+	

By Type

Corporates	\$12,448	\$13,552	\$1,105	BBB+	85%
Redeemable preferred stock:					
U.S.	345	385	40	BBB-	2%
Foreign	55	58	3	BBB-	0%
Municipals	1,184	1,303	119	AA	8%
Government-sponsored enterprises	307	303	(4)	AAA	2%
Government & Agencies	98	98	1	AAA	1%
Residential mortgage-backed securities	4	4	0	AAA	0%
Collateralized Debt Obligations	60	68	8	CC	0%
Other asset-backed securities	102	103	1	BBB	1%
Total	\$14,602	\$15,874	\$1,272	BBB+	

TORCHMARK CORPORATION

Invested Assets
(Unaudited)
(Dollar amounts in millions)
March 31, 2017

<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	\$2,070	\$2,318	\$248	BBB+	14%
Financial - Bank	722	791	69	A-	5%
Financial - Financial Guarantor	16	18	1	BBB+	0%
Financial - Insurance Brokers	67	76	9	BBB	0%
Financial - Other	655	667	13	BBB+	4%
Utilities	1,925	2,185	260	A-	13%
Energy	1,590	1,704	114	BBB	11%
Consumer, Non-cyclical	1,697	1,789	92	BBB+	12%
Consumer, Cyclical	562	594	31	BBB	4%
Communications	677	722	46	BBB+	5%
Basic Materials	1,027	1,112	85	BBB	7%
Transportation	537	594	58	BBB+	4%
Technology	81	87	6	A-	1%
Other Industrials	1,324	1,441	117	BBB+	9%
Collateralized Debt Obligations	60	68	8	CC	0%
Mortgage-backed Securities	4	4	0	AAA	0%
Government	1,589	1,704	116	AA+	11%
Total	\$14,602	\$15,874	\$1,272	BBB+	

<u>By Sector by Rating: Amortized Cost</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BIG</u>	<u>Total</u>
Financial - Life/Health/PC Insurance		\$241	\$486	\$1,285	\$58	\$2,070
Financial - Bank		108	257	315	42	722
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers			5	62		67
Financial - Other		4	148	428	75	655
Utilities		25	1,153	726	21	1,925
Energy		5	211	1,211	163	1,590
Consumer, Non-cyclical	\$11	49	475	1,162		1,697
Consumer, Cyclical			90	405	67	562
Communications			122	505	49	677
Basic Materials		17	160	782	68	1,027
Transportation			203	308	27	537
Technology			33	48		81
Other Industrials		109	303	832	80	1,324
Collateralized Debt Obligations					60	60
Mortgage-backed Securities	4					4
Government	652	730	206		1	1,589
Total	\$667	\$1,287	\$3,851	\$8,087	\$711	\$14,602
% of Total	5%	9%	26%	55%	5%	100%

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

March 31, 2017

<u>Below Investment Grade Bonds by Sector</u>	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$58	\$58	\$0
Financial - Bank	42	42	0
Financial - Financial Guarantor	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	75	75	0
Utilities	21	21	0
Energy	163	163	0
Consumer, Non-cyclical	0	0	0
Consumer, Cyclical	67	67	0
Communications	49	49	0
Basic Materials	68	107	(39)
Transportation	27	27	0
Technology	0	0	0
Other Industrials	80	80	0
Collateralized Debt Obligations	60	61	(1)
Mortgage-backed Securities	0	0	0
Government	1	1	0
	<hr/>	<hr/>	
Total	\$711	\$751	(\$40)

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$671	\$601	\$70
Asset Class 4	174	252	(78)
Asset Class 5	142	135	7
Asset Class 6 (at market value)	58	54	4
	<hr/>	<hr/>	
	\$1,045	\$1,042	\$3

Fixed Maturity Acquisitions:

	<u>1Q'17</u>	<u>1Q'16</u>
Amount	\$522	\$287
Yield	4.9%	5.0%
Ratings	BBB+	BBB+
Average Life (in years) to:		
Next Call	22.2	25.6
Maturity	23.2	25.9