

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

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/17	6/16		2017	2017	2016	2016	2016
		UNDERWRITING INCOME					
		Life:					
\$1,149,673	\$1,092,741	Premium	\$573,836	\$575,837	\$550,177	\$546,415	\$548,590
(480,367)	(446,566)	Net Policy Obligations	(238,113)	(242,254)	(226,833)	(224,251)	(225,717)
(345,112)	(327,661)	Non-deferred Commissions and Amortization	(172,127)	(172,985)	(164,637)	(164,571)	(163,854)
(32,761)	(30,610)	Non-deferred Acquisition Expenses	(16,267)	(16,494)	(15,990)	(14,452)	(15,415)
291,433	287,904	Underwriting Margin	147,329	144,104	142,717	143,141	143,604
		Health:					
487,566	472,949	Premium	242,775	244,791	237,727	236,987	237,252
(276,088)	(269,709)	Net Policy Obligations	(137,312)	(138,776)	(134,759)	(134,875)	(135,010)
(91,957)	(88,021)	Non-deferred Commissions and Amortization	(44,853)	(47,104)	(44,713)	(44,051)	(43,978)
(10,888)	(11,083)	Non-deferred Acquisition Expenses	(5,354)	(5,534)	(5,411)	(4,985)	(5,643)
108,633	104,136	Underwriting Margin	55,256	53,377	52,844	53,076	52,621
5,217	3,572	Annuity Underwriting Margin	2,607	2,610	3,192	2,630	1,941
405,283	395,612	Total Underwriting Margin	205,192	200,091	198,753	198,847	198,166
878	887	Other Income	427	451	448	199	422
(103,325)	(96,881)	Admin. Expenses	(51,412)	(51,913)	(50,469)	(49,248)	(48,413)
302,836	299,618	Underwriting Income	154,207	148,629	148,732	149,798	150,175
		EXCESS INVESTMENT INCOME					
421,058	398,695	Net Investment Income	212,776	208,282	205,488	202,720	201,642
(258,381)	(246,946)	Required Interest on Net Policy Liabilities	(130,086)	(128,295)	(126,980)	(125,601)	(123,935)
(41,855)	(42,479)	Interest on Debt	(21,156)	(20,699)	(20,485)	(20,381)	(23,110)
120,822	109,270	Total Excess Investment Income	61,534	59,288	58,023	56,738	54,597
(4,898)	(4,405)	Parent Company Expenses	(2,665)	(2,233)	(2,227)	(1,955)	(2,379)
418,760	404,483	Pre-Tax Operating Income	213,076	205,684	204,528	204,581	202,393
(136,591)	(131,483)	Income Tax	(69,484)	(67,107)	(67,040)	(67,250)	(65,313)
\$282,169	\$273,000	Net Operating Income Before Stock Compensation Expense	\$143,592	\$138,577	\$137,488	\$137,331	\$137,080
(1,316)	(2,926)	Stock Compensation Expense, Net of Tax	(1,410)	94	1,984	2,483	(390)
\$280,853	\$270,074	Net Operating Income from Continuing Operations	\$142,182	\$138,671	\$139,472	\$139,814	\$136,690
\$2.35	\$2.20	Per Share	\$1.19	\$1.15	\$1.15	\$1.15	\$1.11
0	4,034	Discontinued Operations - Part D, Net of Tax	0	0	793	4,206	2,058
\$280,853	\$274,108	Net Operating Income	\$142,182	\$138,671	\$140,265	\$144,020	\$138,748
\$2.35	\$2.23	Per Share	\$1.19	\$1.15	\$1.16	\$1.18	\$1.13
119,760	123,036	Average Diluted Shares Outstanding	119,097	120,430	121,237	121,911	122,748
		Reconciling items, net of tax:					
(\$1,951)	\$2,794	Capital Gain (Loss) - Investments	(\$458)	(\$1,493)	(\$12,001)	\$2,263	\$2,604
(3,727)	(14,440)	Part D Adjustments - Discontinued Operations	(90)	(3,637)	9,843	5,753	(2,923)
(1,361)	0	Administrative Settlements	(1,361)	0	(2,467)	0	0
0	0	Non-Operating Fees	0	0	(192)	(167)	0
\$273,814	\$262,462	Net Income	\$140,273	\$133,541	\$135,448	\$151,869	\$138,429
\$2.29	\$2.13	Per Share	\$1.18	\$1.11	\$1.12	\$1.25	\$1.13

TORCHMARK CORPORATION

Insurance Operations

(Unaudited)

(Dollar amounts in thousands)

	LIFE				HEALTH				ANNUITY	
	2Q 2017	%	2Q 2016	%	2Q 2017	%	2Q 2016	%	2Q 2017	2Q 2016
LNL Exclusive Agency										
Premium	\$68,344		\$67,708		\$48,834		\$50,536			
Net Policy Obligations	25,006	37	24,783	37	24,673	51	26,461	52		
Non Def Comm. & Amort.	21,207	31	20,174	30	10,773	22	10,964	22		
Non Def Acq. Expenses	3,755	5	3,759	6	1,109	2	1,201	2		
Underwriting Margin	<u>18,376</u>	27	<u>18,992</u>	28	<u>12,279</u>	25	<u>11,910</u>	24		
Direct Response										
Premium	203,365		198,607		18,110		17,360			
Net Policy Obligations	117,342	58	110,576	56	14,242	79	13,509	78		
Non Def Comm. & Amort.	52,259	26	50,743	26	815	5	1,060	6		
Non Def Acq. Expenses	4,224	2	3,861	2	2	0	4	0		
Underwriting Margin	<u>29,540</u>	15	<u>33,427</u>	17	<u>3,051</u>	17	<u>2,787</u>	16		
American Income Agency										
Premium	247,309		226,241		22,017		20,951			
Net Policy Obligations	78,017	32	72,020	32	6,132	28	6,531	31		
Non Def Comm. & Amort.	81,452	33	74,824	33	4,345	20	4,271	20		
Non Def Acq. Expenses	7,951	3	7,358	3	534	2	470	2		
Underwriting Margin	<u>79,889</u>	32	<u>72,039</u>	32	<u>11,006</u>	50	<u>9,679</u>	46		
Family Heritage Life										
Premium	793		709		62,857		58,611			
Net Policy Obligations	483	61	460	65	33,944	54	30,980	53		
Non Def Comm. & Amort.	151	19	123	17	13,700	22	13,252	23		
Non Def Acq. Expenses	21	3	23	3	1,404	2	1,900	3		
Underwriting Margin	<u>138</u>	17	<u>103</u>	15	<u>13,809</u>	22	<u>12,479</u>	21		
Other Distribution										
Premium	54,025		55,325		90,957		89,794		\$3	\$13
Net Policy Obligations	17,265	32	17,878	32	58,321	64	57,529	64	(3,417)	(3,624)
Non Def Comm. & Amort.	17,058	32	17,990	33	15,220	17	14,431	16	813	1,696
Non Def Acq. Expenses	316	1	414	1	2,305	3	2,068	2	0	0
Underwriting Margin	<u>19,386</u>	36	<u>19,043</u>	34	<u>15,111</u>	17	<u>15,766</u>	18	<u>2,607</u>	<u>1,941</u>
Totals:										
Premium	\$573,836		\$548,590		\$242,775		\$237,252		\$3	\$13
Net Policy Obligations	238,113	41	225,717	41	137,312	57	135,010	57	(3,417)	(3,624)
Non Def Comm. & Amort.	172,127	30	163,854	30	44,853	18	43,978	19	813	1,696
Non Def Acq. Expenses	16,267	3	15,415	3	5,354	2	5,643	2	0	0
Underwriting Margin	<u>\$147,329</u>	26	<u>\$143,604</u>	26	<u>\$55,256</u>	23	<u>\$52,621</u>	22	<u>\$2,607</u>	<u>\$1,941</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					\$205,192		\$198,166			
Other Income					427		422			
Administrative & Other Expenses					<u>(51,412)</u>		<u>(48,413)</u>			
INSURANCE UNDERWRITING INCOME					<u>\$154,207</u>		<u>\$150,175</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					(\$139)		\$2,923			

TORCHMARK CORPORATION

Insurance Operations
(Unaudited)

(Dollar amounts in thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 6/17	%	YTD 6/16	%	YTD 6/17	%	YTD 6/16	%	YTD 6/17	YTD 6/16
LNL Exclusive Agency										
Premium	\$137,076		\$135,600		\$99,538		\$102,408			
Net Policy Obligations	50,478	37	50,358	37	51,343	52	54,290	53		
Non Def Comm. & Amort.	42,210	31	40,297	30	21,992	22	22,334	22		
Non Def Acq. Expenses	7,345	5	7,480	6	2,212	2	2,358	2		
Underwriting Margin	<u>37,043</u>	27	<u>37,465</u>	28	<u>23,991</u>	24	<u>23,426</u>	23		
Direct Response										
Premium	413,782		398,608		36,941		35,584			
Net Policy Obligations	239,767	58	217,266	55	28,993	78	27,701	78		
Non Def Comm. & Amort.	106,574	26	102,861	26	1,707	5	1,974	6		
Non Def Acq. Expenses	8,507	2	7,849	2	6	0	56	0		
Underwriting Margin	<u>58,934</u>	14	<u>70,632</u>	18	<u>6,235</u>	17	<u>5,853</u>	16		
American Income Agency										
Premium	488,469		446,643		43,441		41,185			
Net Policy Obligations	155,007	32	142,592	32	12,174	28	12,648	31		
Non Def Comm. & Amort.	161,513	33	148,408	33	8,771	20	8,610	21		
Non Def Acq. Expenses	16,057	3	14,425	3	1,022	2	923	2		
Underwriting Margin	<u>155,892</u>	32	<u>141,218</u>	32	<u>21,474</u>	49	<u>19,004</u>	46		
Family Heritage Life										
Premium	1,562		1,366		124,433		115,928			
Net Policy Obligations	936	60	871	64	65,836	53	61,134	53		
Non Def Comm. & Amort.	321	21	254	19	28,703	23	26,509	23		
Non Def Acq. Expenses	40	3	44	3	3,204	3	3,750	3		
Underwriting Margin	<u>265</u>	17	<u>197</u>	14	<u>26,690</u>	21	<u>24,535</u>	21		
Other Distribution										
Premium	108,784		110,524		183,213		177,844		\$6	\$25
Net Policy Obligations	34,179	31	35,479	32	117,742	64	113,936	64	(6,889)	(7,378)
Non Def Comm. & Amort.	34,494	32	35,841	32	30,784	17	28,594	16	1,678	3,831
Non Def Acq. Expenses	812	1	812	1	4,444	2	3,996	2	0	0
Underwriting Margin	<u>39,299</u>	36	<u>38,392</u>	35	<u>30,243</u>	17	<u>31,318</u>	18	<u>5,217</u>	<u>3,572</u>
Totals:										
Premium	\$1,149,673		\$1,092,741		\$487,566		\$472,949		\$6	\$25
Net Policy Obligations	480,367	42	446,566	41	276,088	57	269,709	57	(6,889)	(7,378)
Non Def Comm. & Amort.	345,112	30	327,661	30	91,957	19	88,021	19	1,678	3,831
Non Def Acq. Expenses	32,761	3	30,610	3	10,888	2	11,083	2	0	0
Underwriting Margin	<u>\$291,433</u>	25	<u>\$287,904</u>	26	<u>\$108,633</u>	22	<u>\$104,136</u>	22	<u>\$5,217</u>	<u>\$3,572</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					\$405,283		\$395,612			
Other Income					878		887			
Administrative & Other Expenses					<u>(103,325)</u>		<u>(96,881)</u>			
INSURANCE UNDERWRITING INCOME					<u>\$302,836</u>		<u>\$299,618</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					(\$5,734)		\$5,715			

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

NET SALES ⁽¹⁾

	<u>YTD</u> <u>6/17</u>	<u>YTD</u> <u>6/16</u>	<u>% Incr</u> <u>(Decr)</u>	<u>2nd Qtr.</u> <u>2017</u>	<u>2nd Qtr.</u> <u>2016</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Globe Life Direct Response	\$75,725	\$81,611	(7)	\$36,994	\$40,456	(9)
American Income Agency	110,151	105,601	4	56,754	55,361	3
LNL Exclusive Agency	22,713	19,872	14	11,767	10,421	13
Other Distribution	5,149	6,415	(20)	2,566	3,415	(25)
Total Life	<u>213,738</u>	<u>213,499</u>	<u>0</u>	<u>108,081</u>	<u>109,653</u>	<u>(1)</u>
<u>HEALTH</u>						
Direct Response	2,585	2,456	5	1,049	884	19
American Income Agency	6,572	6,187	6	3,449	3,366	2
LNL Exclusive Agency	9,302	9,845	(6)	4,834	4,998	(3)
UA Independent	24,418	22,393	9	12,994	10,334	26
Family Heritage	27,528	24,176	14	14,115	13,547	4
Total Health	<u>70,405</u>	<u>65,057</u>	<u>8</u>	<u>36,441</u>	<u>33,129</u>	<u>10</u>
TOTAL NET SALES	\$284,143	\$278,556	2	\$144,522	\$142,782	1
Discontinued Operations - Part D	\$0	\$5,512		\$0	\$4,067	

FIRST-YEAR COLLECTED PREMIUM ⁽²⁾

	<u>YTD</u> <u>6/17</u>	<u>YTD</u> <u>6/16</u>	<u>% Incr</u> <u>(Decr)</u>	<u>2nd Qtr.</u> <u>2017</u>	<u>2nd Qtr.</u> <u>2016</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Globe Life Direct Response	\$48,838	\$52,345	(7)	\$23,669	\$25,386	(7)
American Income Agency	89,723	85,866	4	45,468	43,911	4
LNL Exclusive Agency	16,163	14,350	13	8,229	7,300	13
Other Distribution	5,016	5,956	(16)	2,397	2,989	(20)
Total Life	<u>159,740</u>	<u>158,517</u>	<u>1</u>	<u>79,763</u>	<u>79,586</u>	<u>0</u>
<u>HEALTH</u>						
Direct Response	2,689	2,099	28	1,362	1,025	33
American Income Agency	6,842	6,416	7	3,532	3,316	7
LNL Exclusive Agency	8,245	7,851	5	3,930	4,019	(2)
UA Independent	26,040	32,315	(19)	13,612	16,595	(18)
Family Heritage	21,912	20,091	9	11,045	10,218	8
Total Health	<u>65,728</u>	<u>68,772</u>	<u>(4)</u>	<u>33,481</u>	<u>35,173</u>	<u>(5)</u>
TOTAL FIRST-YEAR COLLECTED PREMIUM	\$225,468	\$227,289	(1)	\$113,244	\$114,759	(1)
Discontinued Operations - Part D	\$0	\$8,349		\$0	\$2,949	

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 June 30,	
	2017	2016
<u>Assets</u>		
Investments:		
Fixed maturities available for sale, at fair value ⁽¹⁾	\$16,318,286	\$15,440,090
Policy loans	516,064	501,555
Other long-term investments	55,532	58,377
Short-term investments	94,387	48,581
Total investments	16,984,269	16,048,603
Cash	97,652	49,678
Accrued investment income	228,347	216,443
Other receivables	380,028	358,686
Deferred acquisition costs	3,862,418	3,698,449
Property and equipment	100,141	85,697
Goodwill	441,591	441,591
Other assets	414,871	424,093
Assets related to discontinued operations	68,623	250,800
Total assets	\$22,577,940	\$21,574,040
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Future policy benefits	\$13,127,651	\$12,544,683
Unearned and advance premium	69,106	72,649
Policy claims and other benefits payable	307,384	265,712
Other policyholders' funds	97,237	96,184
Current and deferred income taxes payable	2,009,825	1,887,091
Short-term debt	306,271	286,011
Long-term debt	1,131,796	1,133,928
Other liabilities	436,105	349,631
Liabilities related to discontinued operations	39,149	60,393
Total liabilities	17,524,524	16,696,282
Shareholders' equity:		
Preferred stock	0	0
Common stock	127,218	130,218
Additional paid-in-capital	500,123	489,726
Unrealized investment gains (losses), net of tax	984,560	989,157
Retained earnings	4,112,757	3,817,666
Treasury stock, at cost	(671,242)	(549,009)
Total shareholders' equity	5,053,416	4,877,758
Total liabilities and shareholders' equity	\$22,577,940	\$21,574,040
Diluted Basis:		
Shares outstanding	118,764	122,347
Book value per common share	\$42.55	\$39.87
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$33.49	\$31.11

⁽¹⁾ Fixed maturities at amortized cost \$14,651,551 \$13,778,254

⁽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)

June 30, 2017

Investment Portfolio at 6/30/17

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$14,652	96%	74%
Policy loans	516	3%	4%
Equities	0	0%	3%
Mortgage loans	0	0%	10%
Investment real estate	0	0%	1%
Other long-term investments	54	0%	5%
Short-term investments	94	1%	3%
Total	\$15,317	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 6/30/17

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$13,979	\$15,682	\$1,703	A-	95%
Below Investment Grade	672	636	(36)	B+	5%
Total	\$14,652	\$16,318	\$1,667	BBB+	

By Type

Corporates	\$12,499	\$13,964	\$1,465	BBB+	85%
Redeemable preferred stock:					
U.S.	345	395	50	BBB-	2%
Foreign	31	36	5	BBB-	0%
Municipals	1,183	1,311	128	AA	8%
Government-sponsored enterprises	310	317	7	AAA	2%
Government & Agencies	97	99	1	AAA	1%
Residential mortgage-backed securities	2	2	0	AAA	0%
Collateralized Debt Obligations	60	66	6	CC+	0%
Other asset-backed securities	125	129	4	BBB	1%
Total	\$14,652	\$16,318	\$1,667	BBB+	

TORCHMARK CORPORATION

Invested Assets
(Unaudited)
(Dollar amounts in millions)
June 30, 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	\$2,000	\$2,310	\$311	BBB+	14%
Financial - Bank	755	850	95	BBB+	5%
Financial - Financial Guarantor	16	18	2	BBB+	0%
Financial - Insurance Brokers	83	95	12	BBB	1%
Financial - Other	667	689	22	BBB+	5%
Utilities	1,938	2,251	313	A-	13%
Energy	1,590	1,724	135	BBB	11%
Consumer, Non-cyclical	1,694	1,849	155	BBB+	12%
Consumer, Cyclical	587	631	44	BBB	4%
Communications	683	753	70	BBB+	5%
Basic Materials	1,029	1,150	120	BBB	7%
Transportation	540	615	75	BBB+	4%
Technology	72	80	8	A-	0%
Other Industrials	1,347	1,509	163	BBB+	9%
Collateralized Debt Obligations	60	66	6	CC+	0%
Mortgage-backed Securities	2	2	0	AAA	0%
Government	1,590	1,726	136	AA+	11%
Total	\$14,652	\$16,318	\$1,667	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	\$462	\$1,238	\$58	\$2,000
Financial - Bank		108	262	343	42	755
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers			5	78		83
Financial - Other		4	152	436	75	667
Utilities		25	1,124	768	21	1,938
Energy		5	211	1,215	158	1,590
Consumer, Non-cyclical	\$11	49	515	1,119		1,694
Consumer, Cyclical			95	425	67	587
Communications			129	505	49	683
Basic Materials		17	138	806	68	1,029
Transportation			203	311	27	540
Technology			24	48		72
Other Industrials		109	353	837	47	1,347
Collateralized Debt Obligations					60	60
Mortgage-backed Securities	2					2
Government	654	728	207		0	1,590
Total	\$667	\$1,285	\$3,881	\$8,147	\$672	\$14,652
% of Total	5%	9%	26%	56%	5%	100%

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

June 30, 2017

<u>Below Investment Grade Bonds by Sector</u>	<u>6/30/2017</u>	<u>3/31/2017</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	158	163	(5)
Consumer, Non-cyclical	0	0	0
Consumer, Cyclical	67	67	0
Communications	49	49	0
Basic Materials	68	68	0
Transportation	27	27	0
Technology	0	0	0
Other Industrials	47	80	(33)
Collateralized Debt Obligations	60	60	0
Mortgage-backed Securities	0	0	0
Government	0	1	(1)
	<hr/>	<hr/>	<hr/>
Total	\$672	\$711	(\$39)

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$659	\$671	(\$12)
Asset Class 4	147	174	(27)
Asset Class 5	138	142	(4)
Asset Class 6 (at market value)	57	58	(1)
	<hr/>	<hr/>	<hr/>
	\$1,001	\$1,045	(\$44)

Fixed Maturity Acquisitions:

	<u>2Q'17</u>	<u>2Q'16</u>
Amount	\$154	\$364
Yield	4.9%	4.7%
Ratings	BBB+	BBB+
Average Life (in years) to:		
Next Call	19.7	23.4
Maturity	19.9	23.7