

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

12 Months Ended			4Q	3Q	2Q	1Q	4Q
12/17	12/16		2017	2017	2017	2017	2016
		UNDERWRITING INCOME					
		Life:					
\$2,306,547	\$2,189,333	Premium	\$580,651	\$576,223	\$573,836	\$575,837	\$550,177
(942,595)	(897,650)	Net Policy Obligations	(228,645)	(233,583)	(238,113)	(242,254)	(226,833)
(693,693)	(656,869)	Non-deferred Commissions and Amortization	(175,525)	(173,056)	(172,127)	(172,985)	(164,637)
(65,922)	(61,052)	Non-deferred Acquisition Expenses	(16,308)	(16,853)	(16,267)	(16,494)	(15,990)
604,337	573,762	Underwriting Margin	160,173	152,731	147,329	144,104	142,717
		Health:					
976,373	947,663	Premium	245,816	242,991	242,775	244,791	237,727
(550,848)	(539,343)	Net Policy Obligations	(138,603)	(136,157)	(137,312)	(138,776)	(134,759)
(183,787)	(176,785)	Non-deferred Commissions and Amortization	(46,701)	(45,129)	(44,853)	(47,104)	(44,713)
(22,230)	(21,479)	Non-deferred Acquisition Expenses	(5,386)	(5,956)	(5,354)	(5,534)	(5,411)
219,508	210,056	Underwriting Margin	55,126	55,749	55,256	53,377	52,844
10,562	9,394	Annuity Underwriting Margin	2,696	2,649	2,607	2,610	3,192
834,407	793,212	Total Underwriting Margin	217,995	211,129	205,192	200,091	198,753
1,270	1,534	Other Income	31	361	427	451	448
(210,590)	(196,598)	Admin. Expenses	(54,839)	(52,426)	(51,412)	(51,913)	(50,469)
625,087	598,148	Underwriting Income	163,187	159,064	154,207	148,629	148,732
		EXCESS INVESTMENT INCOME					
847,885	806,903	Net Investment Income	212,955	213,872	212,776	208,282	205,488
(523,990)	(499,527)	Required Interest on Net Policy Liabilities	(133,643)	(131,966)	(130,086)	(128,295)	(126,980)
(84,532)	(83,345)	Interest on Debt	(21,707)	(20,970)	(21,156)	(20,699)	(20,485)
239,363	224,031	Total Excess Investment Income	57,605	60,936	61,534	59,288	58,023
(9,631)	(8,587)	Parent Company Expenses	(2,403)	(2,330)	(2,665)	(2,233)	(2,227)
854,819	813,592	Pre-Tax Operating Income	218,389	217,670	213,076	205,684	204,528
(278,812)	(265,773)	Income Tax	(70,913)	(71,308)	(69,484)	(67,107)	(67,040)
\$576,007	\$547,819	Net Operating Income Before Stock Compensation Expense	\$147,476	\$146,362	\$143,592	\$138,577	\$137,488
(2,326)	1,541	Stock Compensation Expense, Net of Tax	(713)	(297)	(1,410)	94	1,984
\$573,681	\$549,360	Net Operating Income from Continuing Operations	\$146,763	\$146,065	\$142,182	\$138,671	\$139,472
\$4.82	\$4.49	Per Share	\$1.24	\$1.23	\$1.19	\$1.15	\$1.15
0	9,033	Discontinued Operations - Part D, Net of Tax	0	0	0	0	793
\$573,681	\$558,393	Net Operating Income	\$146,763	\$146,065	\$142,182	\$138,671	\$140,265
\$4.82	\$4.56	Per Share	\$1.24	\$1.23	\$1.19	\$1.15	\$1.16
118,983	122,368	Average Diluted Shares Outstanding	117,964	118,443	119,097	120,430	121,237
		Reconciling items, net of tax:					
\$17,590	(\$6,944)	Capital Gain (Loss) - Investments	\$11,355	\$8,186	(\$458)	(\$1,493)	(\$12,001)
(3,769)	1,156	Part D Adjustments - Discontinued Operations	(30)	(12)	(90)	(3,637)	9,843
(5,628)	(2,467)	Administrative Settlements	(4,267)	0	(1,361)	0	(2,467)
(187)	(359)	Non-Operating Fees	(187)	0	0	0	(192)
(1,171)	0	Guaranty Fund Assessment	(266)	(905)	0	0	0
873,978	0	Tax Reform Adjustment	873,978	0	0	0	0
\$1,454,494	\$549,779	Net Income	\$1,027,346	\$153,334	\$140,273	\$133,541	\$135,448
\$12.22	\$4.49	Per Share	\$8.71	\$1.29	\$1.18	\$1.11	\$1.12

TORCHMARK CORPORATION

Insurance Operations
(Unaudited)
(Dollar amounts in thousands)

	LIFE				HEALTH				ANNUITY	
	4Q 2017	%	4Q 2016	%	4Q 2017	%	4Q 2016	%	4Q 2017	4Q 2016
LNL Exclusive Agency										
Premium	\$68,860		\$67,436		\$48,134		\$49,375			
Net Policy Obligations	25,623	37	24,608	36	24,880	52	26,360	53		
Non Def Comm. & Amort.	21,654	31	20,275	30	10,735	22	10,761	22		
Non Def Acq. Expenses	3,596	5	3,968	6	1,071	2	1,271	3		
Underwriting Margin	<u>17,987</u>	26	<u>18,585</u>	28	<u>11,448</u>	24	<u>10,983</u>	22		
Direct Response										
Premium	199,339		191,681		18,199		17,445			
Net Policy Obligations	107,097	54	110,127	57	14,405	79	13,649	78		
Non Def Comm. & Amort.	51,379	26	48,587	25	800	4	771	4		
Non Def Acq. Expenses	4,127	2	3,990	2	2	0	6	0		
Underwriting Margin	<u>36,736</u>	18	<u>28,977</u>	15	<u>2,992</u>	16	<u>3,019</u>	17		
American Income Agency										
Premium	257,887		235,653		22,761		21,664			
Net Policy Obligations	78,335	30	74,030	31	6,158	27	6,601	30		
Non Def Comm. & Amort.	85,318	33	78,494	33	4,528	20	4,362	20		
Non Def Acq. Expenses	8,264	3	7,697	3	443	2	487	2		
Underwriting Margin	<u>85,970</u>	33	<u>75,432</u>	32	<u>11,632</u>	51	<u>10,214</u>	47		
Family Heritage Life										
Premium	815		755		65,184		60,537			
Net Policy Obligations	453	56	459	61	33,205	51	31,013	51		
Non Def Comm. & Amort.	186	23	161	21	15,085	23	14,096	23		
Non Def Acq. Expenses	21	3	18	2	1,684	3	1,493	2		
Underwriting Margin	<u>155</u>	19	<u>117</u>	15	<u>15,210</u>	23	<u>13,935</u>	23		
Other Distribution										
Premium	53,750		54,652		91,538		88,706		\$6	\$4
Net Policy Obligations	17,137	32	17,609	32	59,955	65	57,136	64	(3,413)	(3,496)
Non Def Comm. & Amort.	16,988	32	17,120	31	15,553	17	14,723	17	723	308
Non Def Acq. Expenses	300	1	317	1	2,186	2	2,154	2	0	0
Underwriting Margin	<u>19,325</u>	36	<u>19,606</u>	36	<u>13,844</u>	15	<u>14,693</u>	17	<u>2,696</u>	<u>3,192</u>
Totals:										
Premium	\$580,651		\$550,177		\$245,816		\$237,727		\$6	\$4
Net Policy Obligations	228,645	39	226,833	41	138,603	56	134,759	57	(3,413)	(3,496)
Non Def Comm. & Amort.	175,525	30	164,637	30	46,701	19	44,713	19	723	308
Non Def Acq. Expenses	16,308	3	15,990	3	5,386	2	5,411	2	0	0
Underwriting Margin	<u>\$160,173</u>	28	<u>\$142,717</u>	26	<u>\$55,126</u>	22	<u>\$52,844</u>	22	<u>\$2,696</u>	<u>\$3,192</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					\$217,995		\$198,753			
Other Income					31		448			
Administrative & Other Expenses					<u>(54,839)</u>		<u>(50,469)</u>			
INSURANCE UNDERWRITING INCOME					<u>\$163,187</u>		<u>\$148,732</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					(\$47)		\$1,220			

TORCHMARK CORPORATION

Insurance Operations
(Unaudited)

(Dollar amounts in thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 12/17	%	YTD 12/16	%	YTD 12/17	%	YTD 12/16	%	YTD 12/17	YTD 12/16
LNL Exclusive Agency										
Premium	\$274,635		\$270,476		\$196,207		\$201,798			
Net Policy Obligations	100,617	37	98,646	36	101,272	52	107,349	53		
Non Def Comm. & Amort.	85,407	31	81,340	30	43,402	22	44,007	22		
Non Def Acq. Expenses	14,961	5	14,639	5	4,504	2	4,650	2		
Underwriting Margin	<u>73,650</u>	27	<u>75,851</u>	28	<u>47,029</u>	24	<u>45,792</u>	23		
Direct Response										
Premium	812,907		782,765		73,468		70,393			
Net Policy Obligations	460,319	57	437,533	56	57,847	79	54,892	78		
Non Def Comm. & Amort.	208,901	26	200,873	26	3,299	4	3,541	5		
Non Def Acq. Expenses	16,889	2	15,584	2	12	0	72	0		
Underwriting Margin	<u>126,798</u>	16	<u>128,775</u>	16	<u>12,310</u>	17	<u>11,888</u>	17		
American Income Agency										
Premium	999,279		913,355		89,036		84,382			
Net Policy Obligations	311,206	31	290,248	32	24,664	28	26,006	31		
Non Def Comm. & Amort.	330,286	33	303,522	33	17,710	20	17,309	21		
Non Def Acq. Expenses	32,518	3	29,223	3	2,067	2	1,863	2		
Underwriting Margin	<u>325,269</u>	33	<u>290,362</u>	32	<u>44,595</u>	50	<u>39,204</u>	46		
Family Heritage Life										
Premium	3,193		2,866		253,534		236,075			
Net Policy Obligations	1,863	58	1,807	63	132,276	52	123,241	52		
Non Def Comm. & Amort.	680	21	549	19	58,043	23	54,079	23		
Non Def Acq. Expenses	82	3	85	3	6,594	3	7,019	3		
Underwriting Margin	<u>568</u>	18	<u>425</u>	15	<u>56,621</u>	22	<u>51,736</u>	22		
Other Distribution										
Premium	216,533		219,871		364,128		355,015		\$15	\$38
Net Policy Obligations	68,590	32	69,416	32	234,789	64	227,855	64	(13,735)	(14,380)
Non Def Comm. & Amort.	68,419	32	70,585	32	61,333	17	57,849	16	3,188	5,024
Non Def Acq. Expenses	1,472	1	1,521	1	9,053	2	7,875	2	0	0
Underwriting Margin	<u>78,052</u>	36	<u>78,349</u>	36	<u>58,953</u>	16	<u>61,436</u>	17	<u>10,562</u>	<u>9,394</u>
Totals:										
Premium	\$2,306,547		\$2,189,333		\$976,373		\$947,663		\$15	\$38
Net Policy Obligations	942,595	41	897,650	41	550,848	56	539,343	57	(13,735)	(14,380)
Non Def Comm. & Amort.	693,693	30	656,869	30	183,787	19	176,785	19	3,188	5,024
Non Def Acq. Expenses	65,922	3	61,052	3	22,230	2	21,479	2	0	0
Underwriting Margin	<u>\$604,337</u>	26	<u>\$573,762</u>	26	<u>\$219,508</u>	22	<u>\$210,056</u>	22	<u>\$10,562</u>	<u>\$9,394</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					\$834,407		\$793,212			
Other Income					1,270		1,534			
Administrative & Other Expenses					<u>(210,590)</u>		<u>(196,598)</u>			
INSURANCE UNDERWRITING INCOME					<u>\$625,087</u>		<u>\$598,148</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					(\$5,799)		\$13,162			

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

NET SALES ⁽¹⁾

	<u>YTD</u> <u>12/17</u>	<u>YTD</u> <u>12/16</u>	<u>% Incr</u> <u>(Decr)</u>	<u>4th Qtr.</u> <u>2017</u>	<u>4th Qtr.</u> <u>2016</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Globe Life Direct Response	\$135,704	\$150,267	(10)	\$29,052	\$34,043	(15)
American Income Agency	223,259	209,856	6	55,781	51,907	7
LNL Exclusive Agency	46,886	40,159	17	12,277	10,303	19
Other Distribution	10,233	11,673	(12)	2,732	2,610	5
Total Life	<u>416,082</u>	<u>411,955</u>	<u>1</u>	<u>99,842</u>	<u>98,863</u>	<u>1</u>
<u>HEALTH</u>						
Direct Response	5,582	5,560	0	1,792	1,953	(8)
American Income Agency	13,943	12,666	10	3,574	3,203	12
LNL Exclusive Agency	20,407	19,522	5	5,849	4,849	21
UA Independent	61,170	56,009	9	27,730	23,782	17
Family Heritage	56,534	51,349	10	14,779	13,205	12
Total Health	<u>157,636</u>	<u>145,106</u>	<u>9</u>	<u>53,724</u>	<u>46,992</u>	<u>14</u>
TOTAL NET SALES	\$573,718	\$557,061	3	\$153,566	\$145,855	5
Discontinued Operations - Part D	\$0	\$12,160		\$0	\$849	

FIRST-YEAR COLLECTED PREMIUM ⁽²⁾

	<u>YTD</u> <u>12/17</u>	<u>YTD</u> <u>12/16</u>	<u>% Incr</u> <u>(Decr)</u>	<u>4th Qtr.</u> <u>2017</u>	<u>4th Qtr.</u> <u>2016</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Globe Life Direct Response	\$92,057	\$98,496	(7)	\$21,068	\$22,712	(7)
American Income Agency	182,538	173,573	5	46,603	43,695	7
LNL Exclusive Agency	33,191	29,103	14	8,604	7,396	16
Other Distribution	9,633	11,458	(16)	2,308	2,657	(13)
Total Life	<u>317,419</u>	<u>312,630</u>	<u>2</u>	<u>78,583</u>	<u>76,460</u>	<u>3</u>
<u>HEALTH</u>						
Direct Response	5,657	4,457	27	1,549	1,296	20
American Income Agency	14,673	13,710	7	3,833	3,522	9
LNL Exclusive Agency	16,427	16,109	2	4,169	4,161	0
UA Independent	54,851	65,395	(16)	15,201	17,309	(12)
Family Heritage	44,535	40,822	9	11,419	10,511	9
Total Health	<u>136,143</u>	<u>140,493</u>	<u>(3)</u>	<u>36,171</u>	<u>36,799</u>	<u>(2)</u>
TOTAL FIRST-YEAR COLLECTED PREMIUM	\$453,562	\$453,123	0	\$114,754	\$113,259	1
Discontinued Operations - Part D	\$0	\$13,638		\$0	\$2,810	

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)

	<u>At December 31,</u>	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Investments:		
Fixed maturities available for sale, at fair value ⁽¹⁾	\$16,969,325	\$15,245,861
Policy loans	529,529	507,975
Other long-term investments	108,559	53,852
Short-term investments	127,071	72,040
Total investments	<u>17,734,484</u>	<u>15,879,728</u>
Cash	118,563	76,163
Accrued investment income	233,453	223,148
Other receivables	391,775	384,454
Deferred acquisition costs	3,958,063	3,783,158
Property and equipment	107,080	97,349
Goodwill	441,591	441,591
Other assets	421,456	422,964
Assets related to discontinued operations	68,520	127,532
Total assets	<u>\$23,474,985</u>	<u>\$21,436,087</u>
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Future policy benefits	\$13,439,472	\$12,825,837
Unearned and advance premium	61,430	64,017
Policy claims and other benefits payable	333,294	299,565
Other policyholders' funds	97,635	96,993
Current and deferred income taxes payable	1,312,002	1,743,990
Short-term debt	328,067	264,475
Long-term debt	1,132,201	1,133,165
Other liabilities	489,609	413,760
Liabilities related to discontinued operations	49,854	27,424
Total liabilities	<u>17,243,564</u>	<u>16,869,226</u>
Shareholders' equity:		
Preferred stock	0	0
Common stock	124,218	127,218
Additional paid-in-capital	508,476	490,421
Unrealized investment gains (losses), net of tax	1,424,274	577,574
Retained earnings	4,806,208	3,890,798
Treasury stock, at cost	(631,755)	(519,150)
Total shareholders' equity	<u>6,231,421</u>	<u>4,566,861</u>
Total liabilities and shareholders' equity	<u>\$23,474,985</u>	<u>\$21,436,087</u>
Diluted Basis:		
Shares outstanding	117,696	120,958
Book value per common share	\$52.95	\$37.76
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$39.77	\$32.13

⁽¹⁾ Fixed maturities at amortized cost \$14,995,101 \$14,188,050

⁽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)

December 31, 2017

Investment Portfolio at 12/31/17

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$14,995	95%	74%
Policy loans	530	3%	4%
Equities	0	0%	3%
Mortgage loans	39	0%	10%
Investment real estate	0	0%	1%
Other long-term investments	68	0%	5%
Short-term investments	127	1%	3%
Total	\$15,760	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 12/31/17

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$14,293	\$16,290	\$1,997	A-	95%
Below Investment Grade	702	679	(23)	B+	5%
Total	\$14,995	\$16,969	\$1,974	BBB+	

By Type

Corporates	\$12,923	\$14,672	\$1,748	BBB+	86%
Redeemable preferred stock:					
U.S.	334	389	55	BBB-	2%
Foreign	31	38	7	BBB-	0%
Municipals	1,092	1,220	128	AA	7%
Government-sponsored enterprises	315	332	18	AAA	2%
Government & Agencies	95	96	1	AAA	1%
Residential mortgage-backed securities	1	2	0	AAA	0%
Collateralized Debt Obligations	59	72	12	CC+	0%
Other asset-backed securities	144	149	5	BBB	1%
Total	\$14,995	\$16,969	\$1,974	BBB+	

TORCHMARK CORPORATION

Invested Assets
(Unaudited)
(Dollar amounts in millions)
December 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	\$2,018	\$2,360	\$342	BBB+	13%
Financial - Bank	747	862	115	A-	5%
Financial - Financial Guarantor	16	19	2	BBB+	0%
Financial - Insurance Brokers	88	102	14	BBB	1%
Financial - Other	749	789	40	BBB+	5%
Utilities	1,984	2,354	370	A-	13%
Energy	1,619	1,820	201	BBB	11%
Consumer, Non-cyclical	1,835	2,021	186	BBB+	12%
Consumer, Cyclical	520	556	37	BBB	3%
Communications	711	775	64	BBB+	5%
Basic Materials	1,041	1,202	161	BBB	7%
Transportation	553	643	90	BBB+	4%
Technology	80	90	10	A-	1%
Other Industrials	1,326	1,505	179	BBB+	9%
Other asset-backed securities *	144	149	5	BBB	1%
Collateralized Debt Obligations	59	72	12	CC+	0%
Mortgage-backed Securities	1	2	0	AAA	0%
Government	1,502	1,648	146	AA+	10%
Total	\$14,995	\$16,969	\$1,974	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		\$253	\$466	\$1,232	\$66	\$2,018
Financial - Bank		108	285	327	27	747
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers			5	83		88
Financial - Other			194	480	75	749
Utilities		25	1,138	801	21	1,984
Energy		5	250	1,207	157	1,619
Consumer, Non-cyclical	\$11	49	525	1,229	21	1,835
Consumer, Cyclical			92	328	100	520
Communications			176	490	44	711
Basic Materials		17	139	828	57	1,041
Transportation			209	318	26	553
Technology			24	56		80
Other Industrials			400	879	47	1,326
Other asset-backed securities *			10	134		144
Collateralized Debt Obligations					59	59
Mortgage-backed Securities	1					1
Government	637	638	226		0	1,502
Total	\$650	\$1,096	\$4,139	\$8,409	\$702	\$14,995
% of Total	4%	7%	28%	56%	5%	100%

* These bonds were previously included in the Financial, Consumer-Cyclical, and Transportation sectors.

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

December 31, 2017

<u>Below Investment Grade Bonds by Sector</u>	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$66	\$58	\$8
Financial - Bank	27	31	(4)
Financial - Financial Guarantor	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	75	75	0
Utilities	21	21	0
Energy	157	158	(1)
Consumer, Non-cyclical	21	0	21
Consumer, Cyclical	100	67	33
Communications	44	49	(5)
Basic Materials	57	68	(11)
Transportation	26	27	0
Technology	0	0	0
Other Industrials	47	47	0
Other asset-backed securities	0	0	0
Collateralized Debt Obligations	59	59	0
Mortgage-backed Securities	0	0	0
Government	0	0	0
	<hr/>	<hr/>	<hr/>
Total	\$702	\$661	\$41

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$604	\$693	(\$89)
Asset Class 4	162	157	5
Asset Class 5	100	138	(38)
Asset Class 6 (at market value)	59	59	0
	<hr/>	<hr/>	<hr/>
	\$925	\$1,047	(\$122)

Fixed Maturity Acquisitions:

	<u>4Q'17</u>	<u>4Q'16</u>
Amount	\$262	\$607
Yield	4.4%	4.6%
Ratings	BBB+	BBB+
Average Life (in years) to:		
Next Call	23.7	25.3
Maturity	25.0	26.1