

**TORCHMARK CORPORATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(UNAUDITED)**

(Amounts in thousands, except per share data)

	3 Months Ended December 31,		12 Months Ended December 31,	
	2017	2016	2017	2016
<b>Revenues:</b>				
Life premium	\$580,651	\$550,177	\$2,306,547	\$2,189,333
Health premium	245,816	237,727	976,373	947,663
Other premium	6	4	15	38
<b>Total premium</b>	<b>826,473</b>	<b>787,908</b>	<b>3,282,935</b>	<b>3,137,034</b>
Net investment income	212,955	205,488	847,885	806,903
Realized investment gains (losses)	17,469	(18,463)	23,611	(10,683)
Other income	2	412	1,142	1,375
<b>Total revenue</b>	<b>1,056,899</b>	<b>975,345</b>	<b>4,155,573</b>	<b>3,934,629</b>
<b>Benefits and expenses:</b>				
Life policyholder benefits	389,878	377,524	1,558,261	1,479,272
Health policyholder benefits	163,674	153,338	633,778	612,725
Other policyholder benefits	8,913	9,276	35,836	36,751
<b>Total policyholder benefits</b>	<b>562,465</b>	<b>540,138</b>	<b>2,227,875</b>	<b>2,128,748</b>
Amortization of deferred acquisition costs	120,040	116,191	490,403	469,063
Commissions, premium taxes, non-deferred acquisition expenses	66,849	63,565	264,860	249,174
Insurance G&A	54,839	50,765	210,590	197,151
Parent expense	2,403	2,227	9,631	8,587
Stock compensation expense	12,225	5,992	37,034	26,326
Interest expense	21,707	20,485	84,532	83,345
<b>Total benefits and expenses</b>	<b>840,528</b>	<b>799,363</b>	<b>3,324,925</b>	<b>3,162,394</b>
Income before income taxes	216,371	175,982	830,648	772,235
Income taxes	811,005	(51,170)	627,615	(232,645)
Discontinued Operations - Part D, net of tax	(30)	10,636	(3,769)	10,189
<b>Net income</b>	<b>\$1,027,346</b>	<b>\$135,448</b>	<b>\$1,454,494</b>	<b>\$549,779</b>
<b>Basic net income per share</b>	<b>\$8.93</b>	<b>\$1.14</b>	<b>\$12.50</b>	<b>\$4.58</b>
<b>Diluted net income per share</b>	<b>\$8.71</b>	<b>\$1.12</b>	<b>\$12.22</b>	<b>\$4.49</b>
Average shares outstanding	115,066	118,585	116,343	120,001
Diluted average shares outstanding	117,964	121,237	118,983	122,368
<b>Reconciliation of Net Income to Net Operating Income:</b>				
Net income	\$1,027,346	\$135,448	\$1,454,494	\$549,779
Realized gain/loss, net of tax	(11,355)	12,001	(17,590)	6,944
Discontinued Operations - Part D adjustment, net of tax	30	(9,843)	3,769	(1,156)
Administrative settlements, net of tax	4,267	2,467	5,628	2,467
Non-operating fees, net of tax	187	192	187	359
Guaranty fund assessment, net of tax	266	0	1,171	0
Tax reform adjustment, net of tax	(873,978)	0	(873,978)	0
<b>Net operating income</b>	<b>\$146,763</b>	<b>\$140,265</b>	<b>\$573,681</b>	<b>\$558,393</b>
<b>Basic net operating income per share</b>	<b>\$1.28</b>	<b>\$1.18</b>	<b>\$4.93</b>	<b>\$4.65</b>
<b>Diluted net operating income per share</b>	<b>\$1.24</b>	<b>\$1.16</b>	<b>\$4.82</b>	<b>\$4.56</b>