

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

3 Months Ended			1Q	4Q	3Q	2Q	1Q
3/18	3/17		2018	2017	2017	2017	2017
UNDERWRITING INCOME							
Life:							
\$ 598,303	\$ 575,837	Premium	\$ 598,303	\$ 580,651	\$ 576,223	\$ 573,836	\$ 575,837
(244,367)	(242,254)	Net Policy Obligations	(244,367)	(228,645)	(233,583)	(238,113)	(242,254)
(181,025)	(172,985)	Non-deferred Commissions and Amortization	(181,025)	(175,525)	(173,056)	(172,127)	(172,985)
(18,090)	(16,494)	Non-deferred Acquisition Expense	(18,090)	(16,308)	(16,853)	(16,267)	(16,494)
154,821	144,104	Underwriting Margin	154,821	160,173	152,731	147,329	144,104
Health:							
251,798	244,791	Premium	251,798	245,816	242,991	242,775	244,791
(140,215)	(138,776)	Net Policy Obligations	(140,215)	(138,603)	(136,157)	(137,312)	(138,776)
(47,681)	(47,104)	Non-deferred Commissions and Amortization	(47,681)	(46,701)	(45,129)	(44,853)	(47,104)
(5,854)	(5,534)	Non-deferred Acquisition Expense	(5,854)	(5,386)	(5,956)	(5,354)	(5,534)
58,048	53,377	Underwriting Margin	58,048	55,126	55,749	55,256	53,377
2,586	2,610	Annuity Underwriting Margin	2,586	2,696	2,649	2,607	2,610
215,455	200,091	Total Underwriting Margin	215,455	217,995	211,129	205,192	200,091
323	451	Other Income	323	31	361	427	451
(55,472)	(51,913)	Admin. Expenses	(55,472)	(54,839)	(52,426)	(51,412)	(51,913)
160,306	148,629	Underwriting Income	160,306	163,187	159,064	154,207	148,629
EXCESS INVESTMENT INCOME							
218,084	208,282	Net Investment Income	218,084	212,955	213,872	212,776	208,282
(134,525)	(128,295)	Required Interest on Net Policy Liabilities	(134,525)	(133,643)	(131,966)	(130,086)	(128,295)
(21,622)	(20,699)	Interest on Debt	(21,622)	(21,707)	(20,970)	(21,156)	(20,699)
61,937	59,288	Total Excess Investment Income	61,937	57,605	60,936	61,534	59,288
(2,292)	(2,233)	Parent Company Expenses	(2,292)	(2,403)	(2,330)	(2,665)	(2,233)
219,951	205,684	Pre-Tax Operating Income	219,951	218,389	217,670	213,076	205,684
(42,823)	(67,107)	Income Tax	(42,823)	(70,913)	(71,308)	(69,484)	(67,107)
\$ 177,128	\$ 138,577	Net Operating Income Before Stock Compensation Expense	\$ 177,128	\$ 147,476	\$ 146,362	\$ 143,592	\$ 138,577
(4,958)	94	Stock Compensation Expense, Net of Tax	(4,958)	(713)	(297)	(1,410)	94
\$ 172,170	\$ 138,671	Net Operating Income	\$ 172,170	\$ 146,763	\$ 146,065	\$ 142,182	\$ 138,671
\$ 1.47	\$ 1.15	Per Share	\$ 1.47	\$ 1.24	\$ 1.23	\$ 1.19	\$ 1.15
116,750	120,430	Average Diluted Shares Outstanding	116,750	117,964	118,443	119,097	120,430
Reconciling items, net of tax:							
\$ 1,541	\$ (1,493)	Capital Gain (Loss) - Investments	\$ 1,541	\$ 11,355	\$ 8,186	\$ (458)	\$ (1,493)
(111)	(3,637)	Part D Adjustments - Discontinued Operations	(111)	(30)	(12)	(90)	(3,637)
0	0	Administrative Settlements	0	(4,267)	0	(1,361)	0
0	0	Non-Operating Fees	0	(187)	0	0	0
0	0	Guaranty Fund Assessments	0	(266)	(905)	0	0
0	0	Tax reform adjustment	0	873,978	0	0	0
\$ 173,600	\$ 133,541	Net Income	\$ 173,600	\$ 1,027,346	\$ 153,334	\$ 140,273	\$ 133,541
\$ 1.49	\$ 1.11	Per Share	\$ 1.49	\$ 8.71	\$ 1.29	\$ 1.18	\$ 1.11

TORCHMARK CORPORATION

Insurance Operations

(Unaudited)

(Dollar amounts in thousands)

	LIFE				HEALTH				ANNUITY	
	Q1 2018	%	Q1 2017	%	Q1 2018	%	Q1 2017	%	Q1 2018	Q1 2017
LNL Exclusive Agency										
Premium	\$ 69,561		\$ 68,732		\$ 49,158		\$ 50,704			
Net Policy Obligations	26,907	39	25,472	37	25,038	51	26,670	53		
Non Def Comm. & Amort.	22,075	32	21,003	31	10,934	22	11,219	22		
Non Def Acq. Expenses	4,192	6	3,590	5	1,164	2	1,103	2		
Underwriting Margin	16,387	24	18,667	27	12,022	24	11,712	23		
Direct Response										
Premium	211,811		210,417		19,388		18,831			
Net Policy Obligations	118,703	56	122,425	58	15,326	79	14,751	78		
Non Def Comm. & Amort.	55,116	26	54,315	26	842	4	892	5		
Non Def Acq. Expenses	4,478	2	4,283	2	2	0	4	0		
Underwriting Margin	33,514	16	29,394	14	3,218	17	3,184	17		
American Income Agency										
Premium	262,530		241,160		22,702		21,424			
Net Policy Obligations	81,786	31	76,990	32	5,611	25	6,042	28		
Non Def Comm. & Amort.	86,823	33	80,061	33	4,668	21	4,426	21		
Non Def Acq. Expenses	9,044	3	8,106	3	574	3	488	2		
Underwriting Margin	84,877	32	76,003	32	11,849	52	10,468	49		
Family Heritage Life										
Premium	838		769		66,219		61,576			
Net Policy Obligations	485	58	453	59	33,718	51	31,892	52		
Non Def Comm. & Amort.	169	20	170	22	15,032	23	15,003	24		
Non Def Acq. Expenses	23	3	19	2	1,946	3	1,800	3		
Underwriting Margin	161	19	127	17	15,523	23	12,881	21		
Other Distribution										
Premium	53,563		54,759		94,331		92,256		5	3
Net Policy Obligations	16,486	31	16,914	31	60,522	64	59,421	64	(3,328)	(3,472)
Non Def Comm. & Amort.	16,842	31	17,436	32	16,205	17	15,564	17	747	865
Non Def Acq. Expenses	353	1	496	1	2,168	2	2,139	2	0	0
Underwriting Margin	19,882	37	19,913	36	15,436	16	15,132	16	2,586	2,610
Totals:										
Premium	\$ 598,303		\$ 575,837		\$ 251,798		\$ 244,791		\$ 5	\$ 3
Net Policy Obligations	244,367	41	242,254	42	140,215	56	138,776	57	(3,328)	(3,472)
Non Def Comm. & Amort.	181,025	30	172,985	30	47,681	19	47,104	19	747	865
Non Def Acq. Expenses	18,090	3	16,494	3	5,854	2	5,534	2	0	0
Underwriting Margin	\$ 154,821	26	\$ 144,104	25	\$ 58,048	23	\$ 53,377	22	\$ 2,586	\$ 2,610
TOTAL UNDERWRITING MARGINS, ALL LINES					\$ 215,455		\$ 200,091			
Other Income					323		451			
Administrative & Other Expenses					(55,472)		(51,913)			
INSURANCE UNDERWRITING INCOME					<u>\$ 160,306</u>		<u>\$ 148,629</u>			
Insurance Underwriting Income - Discontinued Operations - Part D					\$ (140)		\$ (5,595)			

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

NET SALES⁽¹⁾

	YTD 3/18	YTD 3/17	% Incr (Decr)
<u>LIFE</u>			
Globe Life Direct Response	\$ 32,183	\$ 38,731	(17)
American Income Agency	55,101	53,397	3
LNL Exclusive Agency	11,361	10,946	4
Other Distribution	2,658	2,583	3
Total Life	<u>101,303</u>	<u>105,657</u>	(4)
<u>HEALTH</u>			
Direct Response	1,575	1,536	3
American Income Agency	3,386	3,123	8
LNL Exclusive Agency	4,977	4,468	11
UA Independent	14,183	11,424	24
Family Heritage	13,484	13,413	1
Total Health	<u>37,605</u>	<u>33,964</u>	11
TOTAL NET SALES	\$ 138,908	\$ 139,621	(1)

FIRST YEAR COLLECTED PREMIUM⁽²⁾

	YTD 3/18	YTD 3/17	% Incr (Decr)
<u>LIFE</u>			
Globe Life Direct Response	\$ 21,586	\$ 25,169	(14)
American Income Agency	46,907	44,255	6
LNL Exclusive Agency	8,831	7,934	11
Other Distribution	2,250	2,619	(14)
Total Life	<u>79,574</u>	<u>79,977</u>	(1)
<u>HEALTH</u>			
Direct Response	1,280	1,327	(4)
American Income Agency	3,535	3,310	7
LNL Exclusive Agency	4,278	4,315	(1)
UA Independent	14,085	12,428	13
Family Heritage	11,369	10,867	5
Total Health	<u>34,547</u>	<u>32,247</u>	7
TOTAL FIRST-YEAR COLLECTED PREMIUM	\$ 114,121	\$ 112,224	2

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 30 days after issue, except at Direct Response where net sales is annualized premium issued at the time full premium is paid after any introductory offer period has expired.
- (2) First-year collected premium is the premium collected during the reporting period for all policies in their first policy year. It 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,	
	2018	2017
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value ⁽¹⁾	\$ 16,635,885	\$ 15,874,131
Policy loans	532,383	510,574
Other long-term investments	168,621	53,741
Short-term investments	80,023	120,990
Total investments	17,416,912	16,559,436
Cash	88,615	61,754
Accrued investment income	240,817	235,120
Other receivables	396,379	370,306
Deferred acquisition costs	4,002,181	3,821,718
Property and equipment	116,161	98,650
Goodwill	441,591	441,591
Other assets	411,097	415,056
Assets related to discontinued operations	68,590	83,345
Total assets	\$ 23,182,343	\$ 22,086,976
Liabilities:		
Future policy benefits	\$ 13,571,585	\$ 12,972,517
Unearned and advance premium	67,058	70,022
Policy claims and other benefits payable	333,760	301,944
Other policyholders' funds	97,468	97,015
Current and deferred income taxes payable	1,216,687	1,864,015
Short-term debt	365,156	327,019
Long-term debt	1,131,215	1,132,791
Other liabilities	528,877	563,102
Liabilities related to discontinued operations	50,236	13,724
Total liabilities	17,362,042	17,342,149
Shareholders' equity:		
Preferred stock	—	—
Common stock	124,218	127,218
Additional paid-in-capital	508,941	491,772
Unrealized investment gains (losses), net of tax	940,199	722,865
Retained earnings	4,955,608	3,994,665
Treasury stock, at cost	(708,665)	(591,693)
Total shareholders' equity	5,820,301	4,744,827
Total liabilities and shareholders' equity	\$ 23,182,343	\$ 22,086,976
Diluted Basis:		
Shares outstanding	116,098	119,788
Book value per common share	\$ 50.13	\$ 39.61
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$ 40.94	\$ 32.77

(1) Fixed maturities available for sale, at amortized cost

	\$ 15,274,490	\$ 14,602,250
--	---------------	---------------

(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 considered a non-GAAP measure.

TORCHMARK CORPORATION

Invested Assets

(UNAUDITED)

(Dollar amounts in millions)

March 31, 2018

Investment Portfolio at 3/31/18

	Amortized Cost	% of Total	Industry⁽¹⁾
Fixed maturities available for sale	\$ 15,274	95%	74%
Policy loans	532	3%	4%
Equities	0	0%	3%
Mortgage loans	57	0%	10%
Investment real estate	0	0%	1%
Other long-term investments	104	1%	5%
Short-term investments	80	0%	3%
Total	\$ 16,049	100%	

⁽¹⁾ Data available from the American Council of Life Insurance.

Fixed Maturities at 3/31/18

Summary

	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amort. Cost
Investment Grade	\$ 14,586	\$ 15,975	\$ 1,389	A-	95%
Below Investment Grade	688	661	(28)	B+	5%
Total	\$ 15,274	\$ 16,636	\$ 1,361	BBB+	

By Type

Corporates	\$ 13,058	\$ 14,231	\$ 1,173	BBB+	85%
Redeemable preferred stock:					
U.S.	345	387	42	BBB-	2%
Foreign	31	38	7	BBB-	0%
Municipals	1,220	1,333	113	AA	8%
Government-sponsored enterprises	317	323	6	AAA	2%
Government & Agencies	97	97	0	AAA	1%
Residential mortgage-backed securities	1	1	0	AAA	0%
Collateralized debt obligations (CDOs)	58	76	17	CC+	0%
Other asset-backed securities	147	150	3	BBB	1%
Total	\$ 15,274	\$ 16,636	\$ 1,361	BBB+	

TORCHMARK CORPORATION

Invested Assets

(UNAUDITED)

(Dollar amounts in millions)

March 31, 2018

By Sector	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amort. Cost
Financial - Life/Health/PC Insurance	\$ 1,992	\$ 2,251	\$ 259	BBB+	13%
Financial - Bank	779	856	77	A-	5%
Financial - Financial Guarantor	16	18	2	BBB+	0%
Financial - Insurance Brokers	88	97	9	BBB	1%
Financial - Other	802	819	18	BBB+	5%
Utilities	1,992	2,283	291	A-	13%
Energy	1,615	1,755	140	BBB	11%
Consumer, Non-cyclical	1,952	2,045	93	BBB+	13%
Consumer, Cyclical	468	480	12	BBB-	3%
Communications	716	750	34	BBB+	5%
Basic Materials	1,044	1,153	108	BBB	7%
Transportation	553	616	63	BBB+	4%
Technology	81	87	6	A-	1%
Other Industrials	1,335	1,445	109	BBB+	9%
Other asset-backed securities	147	150	3	BBB	1%
Collateralized Debt Obligations	58	76	17	CC+	0%
Mortgage-backed Securities	1	1	0	AAA	0%
Government	1,634	1,754	120	AA+	11%
Total	\$ 15,274	\$ 16,636	\$ 1,361	BBB+	

By Sector by Rating:

Amortized Cost	AAA	AA	A	BBB	BIG	Total
Financial - Life/Health/PC		\$ 253	\$ 465	\$ 1,207	\$ 66	\$ 1,992
Financial - Bank		108	301	343	27	779
Financial - Financial				16	0	16
Financial - Insurance Brokers			5	83	0	88
Financial - Other			194	532	75	802
Utilities		26	1,137	808	20	1,992
Energy		5	250	1,208	152	1,615
Consumer, Non-cyclical	\$ 11	49	539	1,332	21	1,952
Consumer, Cyclical			97	271	100	468
Communications			155	525	36	716
Basic Materials		17	138	832	57	1,044
Transportation			209	318	26	553
Technology			43	38	0	81
Other Industrials			407	882	47	1,335
Other Asset-backed securities			10	137	0	147
Collateralized Debt Obligation					58	58
Mortgage-backed Securities	1				0	1
Government	689	711	233	1	0	1,634
Total	\$ 701	\$ 1,169	\$ 4,182	\$ 8,534	\$ 688	\$ 15,274
% of Total	5%	8%	27%	56%	5%	100%

TORCHMARK CORPORATION

Invested Assets

(UNAUDITED)

(Dollar amounts in millions)

March 31, 2018

Below Investment Grade Bonds by Sector	3/31/2018	12/31/2017	Increase/ (Decrease)
Financial - Life/Health/PC Insurance	\$ 66	\$ 66	\$ 0
Financial - Bank	27	27	0
Financial - Financial Guarantor	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	75	75	0
Utilities	20	21	(1)
Energy	152	157	(5)
Consumer, Non-cyclical	21	21	0
Consumer, Cyclical	100	100	0
Communications	36	44	(8)
Basic Materials	57	57	0
Transportation	26	26	0
Technology	0	0	0
Other Industrials	47	47	0
Other asset-backed securities	0	0	0
Collateralized Debt Obligations	58	59	(1)
Mortgage-backed Securities	0	0	0
Government	0	0	0
Total	\$ 688	\$ 702	\$ (14)

Below Investment Grade Bonds By SVO Class (Statutory)

	3/31/2018	12/31/2017	Increase/ (Decrease)
Asset Class 3	\$ 517	\$ 604	\$ (86)
Asset Class 4	191	162	28
Asset Class 5	87	100	(13)
Asset Class 6 (at market value)	62	59	3
	\$ 858	\$ 925	\$ (68)

Fixed Maturity Acquisitions:

	Q1 2018	Q1 2017
Amount	\$ 359	\$ 522
Yield	4.5%	4.9%
Ratings	A	BBB+
Average Life (in years) to:		
Next Call	14.8	22.2
Maturity	23.4	23.2