

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

Six Months Ended June 30,			Q2	Q1	Q4	Q3	Q2
2018	2017		2018	2018	2017	2017	2017
UNDERWRITING INCOME							
Life:							
\$ 1,200,837	\$ 1,149,673	Premium	\$ 602,534	\$ 598,303	\$ 580,651	\$ 576,223	\$ 573,836
(485,600)	(480,367)	Net Policy Obligations	(241,233)	(244,367)	(228,645)	(233,583)	(238,113)
(363,133)	(345,112)	Non-deferred Commissions and Amortization	(182,108)	(181,025)	(175,525)	(173,056)	(172,127)
(36,106)	(32,761)	Non-deferred Acquisition Expense	(18,016)	(18,090)	(16,308)	(16,853)	(16,267)
315,998	291,433	Underwriting Margin	161,177	154,821	160,173	152,731	147,329
Health:							
503,238	487,566	Premium	251,440	251,798	245,816	242,991	242,775
(279,950)	(276,088)	Net Policy Obligations	(139,735)	(140,215)	(138,603)	(136,157)	(137,312)
(93,832)	(91,957)	Non-deferred Commissions and Amortization	(46,151)	(47,681)	(46,701)	(45,129)	(44,853)
(11,870)	(10,888)	Non-deferred Acquisition Expense	(6,016)	(5,854)	(5,386)	(5,956)	(5,354)
117,586	108,633	Underwriting Margin	59,538	58,048	55,126	55,749	55,256
5,152	5,217	Annuity Underwriting Margin	2,566	2,586	2,696	2,649	2,607
438,736	405,283	Total Underwriting Margin	223,281	215,455	217,995	211,129	205,192
764	878	Other Income	441	323	31	361	427
(110,748)	(103,325)	Admin. Expenses	(55,276)	(55,472)	(54,839)	(52,426)	(51,412)
328,752	302,836	Underwriting Income	168,446	160,306	163,187	159,064	154,207
EXCESS INVESTMENT INCOME							
436,652	421,058	Net Investment Income	218,568	218,084	212,955	213,872	212,776
(270,733)	(258,381)	Required Interest on Net Policy Liabilities	(136,208)	(134,525)	(133,643)	(131,966)	(130,086)
(44,033)	(41,855)	Interest on Debt	(22,411)	(21,622)	(21,707)	(20,970)	(21,156)
121,886	120,822	Total Excess Investment Income	59,949	61,937	57,605	60,936	61,534
(5,139)	(4,898)	Parent Company Expenses	(2,847)	(2,292)	(2,403)	(2,330)	(2,665)
445,499	418,760	Pre-Tax Operating Income	225,548	219,951	218,389	217,670	213,076
(87,074)	(136,591)	Income Tax	(44,251)	(42,823)	(70,913)	(71,308)	(69,484)
358,425	282,169	Net Operating Income Before Stock Compensation Expense	181,297	177,128	147,476	146,362	143,592
(11,195)	(1,316)	Stock Compensation Expense, Net of Tax	(6,237)	(4,958)	(713)	(297)	(1,410)
\$ 347,230	\$ 280,853	Net Operating Income	\$ 175,060	\$ 172,170	\$ 146,763	\$ 146,065	\$ 142,182
\$ 2.99	\$ 2.35	Per Share	\$ 1.51	\$ 1.47	\$ 1.24	\$ 1.23	\$ 1.19
116,197	119,760	Average Diluted Shares Outstanding	115,651	116,750	117,964	118,443	119,097
Reconciling items, net of tax:							
\$ 10,874	\$ (1,951)	Capital Gain (Loss) - Investments	\$ 9,333	\$ 1,541	\$ 11,355	\$ 8,186	\$ (458)
(79)	(3,727)	Part D Adjustments - Discontinued Operations	32	(111)	(30)	(12)	(90)
—	(1,361)	Administrative Settlements	—	—	(4,267)	—	(1,361)
—	—	Non-Operating Fees	—	—	(187)	—	—
—	—	Guaranty Fund Assessments	—	—	(266)	(905)	—
—	—	Tax reform adjustment	—	—	873,978	—	—
\$ 358,025	\$ 273,814	Net Income	\$ 184,425	\$ 173,600	\$ 1,027,346	\$ 153,334	\$ 140,273
\$ 3.08	\$ 2.29	Per Share	\$ 1.59	\$ 1.49	\$ 8.71	\$ 1.29	\$ 1.18

TORCHMARK CORPORATION

Insurance Operations

(Unaudited)

(Dollar amounts in thousands)

Three Months Ended June 30,

	LIFE		HEALTH				ANNUITY			
	2018	%	2017	%	2018	%	2017	%	2018	2017
LNL Exclusive Agency										
Premium	\$ 69,456		\$ 68,344		\$ 47,879		\$ 48,834			
Net Policy Obligations	25,177	36	25,006	37	23,710	50	24,673	51		
Non Def Comm. & Amort.	22,790	33	21,207	31	10,553	22	10,773	22		
Non Def Acq. Expenses.....	4,444	6	3,755	5	1,245	3	1,109	2		
Underwriting Margin	17,045	25	18,376	27	12,371	26	12,279	25		
Direct Response										
Premium	209,021		203,365		18,999		18,110			
Net Policy Obligations	114,635	55	117,342	58	15,071	79	14,242	79		
Non Def Comm. & Amort.	54,061	26	52,259	26	789	4	815	5		
Non Def Acq. Expenses.....	4,590	2	4,224	2	3	—	2	—		
Underwriting Margin	35,735	17	29,540	15	3,136	17	3,051	17		
American Income Agency										
Premium	269,658		247,309		23,372		22,017			
Net Policy Obligations	84,180	31	78,017	32	5,662	24	6,132	28		
Non Def Comm. & Amort.	88,184	33	81,452	33	4,472	19	4,345	20		
Non Def Acq. Expenses.....	8,678	3	7,951	3	556	2	534	2		
Underwriting Margin	88,616	33	79,889	32	12,682	54	11,006	50		
Family Heritage Life										
Premium	868		793		67,635		62,857			
Net Policy Obligations	511	59	483	61	35,341	52	33,944	54		
Non Def Comm. & Amort.	163	19	151	19	14,621	22	13,700	22		
Non Def Acq. Expenses.....	26	3	21	3	1,902	3	1,404	2		
Underwriting Margin	168	19	138	17	15,771	23	13,809	22		
Other Distribution										
Premium	53,531		54,025		93,555		90,957		\$ 5	\$ 3
Net Policy Obligations	16,730	31	17,265	32	59,951	64	58,321	64	(3,303)	(3,417)
Non Def Comm. & Amort.	16,910	32	17,058	32	15,716	17	15,220	17	742	813
Non Def Acq. Expenses.....	278	1	316	1	2,310	2	2,305	3	—	—
Underwriting Margin	19,613	37	19,386	36	15,578	17	15,111	17	2,566	2,607
Totals:										
Premium	602,534		573,836		251,440		242,775		5	3
Net Policy Obligations	241,233	40	238,113	41	139,735	56	137,312	57	(3,303)	(3,417)
Non Def Comm. & Amort.	182,108	30	172,127	30	46,151	18	44,853	18	742	813
Non Def Acq. Expenses.....	18,016	3	16,267	3	6,016	2	5,354	2	—	—
Underwriting Margin	<u>\$ 161,177</u>	27	<u>\$ 147,329</u>	26	<u>\$ 59,538</u>	24	<u>\$ 55,256</u>	23	<u>\$ 2,566</u>	<u>\$ 2,607</u>
TOTAL UNDERWRITING MARGINS					\$ 223,281		\$ 205,192			
Other Income					441		427			
Administrative & Other Expenses					(55,276)		(51,412)			
Insurance Underwriting Income					<u>\$ 168,446</u>		<u>\$ 154,207</u>			

TORCHMARK CORPORATION
Insurance Operations
(Unaudited)
(Dollar amounts in thousands)

	Six Months Ended June 30,									
	LIFE				HEALTH				ANNUITY	
	2018	%	2017	%	2018	%	2017	%	2018	2017
LNL Exclusive Agency										
Premium	\$ 139,017		\$ 137,076		\$ 97,037		\$ 99,538			
Net Policy Obligations	52,084	37	50,478	37	48,748	50	51,343	52		
Non Def Comm. & Amort.	44,865	32	42,210	31	21,487	22	21,992	22		
Non Def Acq. Expenses.....	8,636	6	7,345	5	2,409	2	2,212	2		
Underwriting Margin	33,432	24	37,043	27	24,393	25	23,991	24		
Direct Response										
Premium	420,832		413,782		38,387		36,941			
Net Policy Obligations	233,338	55	239,767	58	30,397	79	28,993	78		
Non Def Comm. & Amort.	109,177	26	106,574	26	1,631	4	1,707	5		
Non Def Acq. Expenses.....	9,068	2	8,507	2	5	—	6	—		
Underwriting Margin	69,249	16	58,934	14	6,354	17	6,235	17		
American Income Agency										
Premium	532,188		488,469		46,074		43,441			
Net Policy Obligations	165,966	31	155,007	32	11,273	24	12,174	28		
Non Def Comm. & Amort.	175,007	33	161,513	33	9,140	20	8,771	20		
Non Def Acq. Expenses.....	17,722	3	16,057	3	1,130	2	1,022	2		
Underwriting Margin	173,493	33	155,892	32	24,531	53	21,474	49		
Family Heritage Life										
Premium	1,706		1,562		133,854		124,433			
Net Policy Obligations	996	58	936	60	69,059	52	65,836	53		
Non Def Comm. & Amort.	332	19	321	21	29,653	22	28,703	23		
Non Def Acq. Expenses.....	49	3	40	3	3,848	3	3,204	3		
Underwriting Margin	329	19	265	17	31,294	23	26,690	21		
Other Distribution										
Premium	107,094		108,784		187,886		183,213		10	6
Net Policy Obligations	33,216	31	34,179	31	120,473	64	117,742	64	(6,631)	(6,889)
Non Def Comm. & Amort.	33,752	32	34,494	32	31,921	17	30,784	17	1,489	1,678
Non Def Acq. Expenses.....	631	1	812	1	4,478	2	4,444	2	—	—
Underwriting Margin	39,495	37	39,299	36	31,014	17	30,243	17	5,152	5,217
Totals:										
Premium	1,200,837		1,149,673		503,238		487,566		10	6
Net Policy Obligations	485,600	40	480,367	42	279,950	56	276,088	57	(6,631)	(6,889)
Non Def Comm. & Amort.	363,133	30	345,112	30	93,832	19	91,957	19	1,489	1,678
Non Def Acq. Expenses.....	36,106	3	32,761	3	11,870	2	10,888	2	—	—
Underwriting Margin	\$ 315,998	26	\$ 291,433	25	\$ 117,586	23	\$ 108,633	22	\$ 5,152	\$ 5,217
TOTAL UNDERWRITING MARGINS					\$ 438,736		\$ 405,283			
Other Income					764		878			
Administrative & Other Expenses					(110,748)		(103,325)			
Insurance Underwriting Income					<u>\$ 328,752</u>		<u>\$ 302,836</u>			

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

NET SALES ⁽¹⁾	Six Months Ended June 30,		Increase (Decrease) %	Three Months Ended June 30,		Increase (Decrease) %
	2018	2017		2018	2017	
<u>LIFE</u>						
Globe Life Direct Response	\$ 67,223	\$ 75,725	(11)	\$ 35,040	\$ 36,994	(5)
American Income Agency	114,771	110,151	4	59,670	56,754	5
LNL Exclusive Agency	24,230	22,713	7	12,869	11,767	9
Other Distribution	6,336	5,149	23	3,678	2,566	43
Total Life	<u>212,560</u>	<u>213,738</u>	(1)	<u>111,257</u>	<u>108,081</u>	3
<u>HEALTH</u>						
Direct Response	2,561	2,585	(1)	986	1,049	(6)
American Income Agency	7,086	6,572	8	3,700	3,449	7
LNL Exclusive Agency	10,254	9,302	10	5,277	4,834	9
UA Independent	27,593	24,418	13	13,410	12,994	3
Family Heritage	29,021	27,528	5	15,537	14,115	10
Total Health	<u>76,515</u>	<u>70,405</u>	9	<u>38,910</u>	<u>36,441</u>	7
TOTAL NET SALES	<u>\$ 289,075</u>	<u>\$ 284,143</u>	2	<u>\$ 150,167</u>	<u>\$ 144,522</u>	4

FIRST-YEAR COLLECTED PREMIUM ⁽²⁾	Six Months Ended June 30,		Increase (Decrease) %	Three Months Ended June 30,		Increase (Decrease) %
	2018	2017		2018	2017	
<u>LIFE</u>						
Globe Life Direct Response	\$ 42,573	\$ 48,838	(13)	\$ 20,987	\$ 23,669	(11)
American Income Agency	95,592	89,723	7	48,685	45,468	7
LNL Exclusive Agency	17,933	16,163	11	9,102	8,229	11
Other Distribution	4,713	5,016	(6)	2,463	2,397	3
Total Life	<u>160,811</u>	<u>159,740</u>	1	<u>81,237</u>	<u>79,763</u>	2
<u>HEALTH</u>						
Direct Response	2,620	2,689	(3)	1,340	1,362	(2)
American Income Agency	7,350	6,842	7	3,815	3,532	8
LNL Exclusive Agency	8,695	8,245	5	4,417	3,930	12
UA Independent	29,543	26,040	13	15,458	13,612	14
Family Heritage	23,087	21,912	5	11,718	11,045	6
Total Health	<u>71,295</u>	<u>65,728</u>	8	<u>36,748</u>	<u>33,481</u>	10
TOTAL FIRST-YEAR COLLECTED PREMIUM	<u>\$ 232,106</u>	<u>\$ 225,468</u>	3	<u>\$ 117,985</u>	<u>\$ 113,244</u>	4

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 (Gross premium that would be received during the policies' first year in force and assuming that none of the policies lapsed or terminated.), net of cancellations in the first thirty days after issue, except in the case of Globe Life 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.
- (2) First-year collected premium is defined as 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 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)

	June 30,	
	2018	2017
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value ⁽¹⁾	\$ 16,284,691	\$ 16,318,286
Policy loans	537,808	516,064
Other long-term investments	181,676	55,532
Short-term investments	68,544	94,387
Total investments	17,072,719	16,984,269
Cash	82,230	97,652
Accrued investment income	237,985	228,347
Other receivables	407,676	380,028
Deferred acquisition costs	4,045,890	3,862,418
Property and equipment	119,498	100,141
Goodwill	441,591	441,591
Other assets	402,544	414,871
Assets related to discontinued operations	68,568	68,623
Total assets	\$ 22,878,701	\$ 22,577,940
Liabilities:		
Future policy benefits	\$ 13,702,887	\$ 13,127,651
Unearned and advance premium	66,872	69,106
Policy claims and other benefits payable	329,469	307,384
Other policyholders' funds	96,575	97,237
Current and deferred income taxes payable	1,098,411	2,009,825
Short-term debt	671,666	306,271
Long-term debt	817,474	1,131,796
Other liabilities	474,264	436,105
Liabilities related to discontinued operations	49,474	39,149
Total liabilities	17,307,092	17,524,524
Shareholders' equity:		
Preferred stock	—	—
Common stock	124,218	127,218
Additional paid-in-capital	517,077	500,123
Unrealized investment gains (losses), net of tax	603,499	984,560
Retained earnings	5,115,071	4,112,757
Treasury stock, at cost	(788,256)	(671,242)
Total shareholders' equity	5,571,609	5,053,416
Total liabilities and shareholders' equity	\$ 22,878,701	\$ 22,577,940
Diluted Basis:		
Shares outstanding	115,026	118,764
Book value per common share	\$ 48.44	\$ 42.55
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$ 42.08	\$ 33.49

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

	\$ 15,350,152	\$ 14,651,551
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(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)

Investment Portfolio at June 30, 2018

	Amortized Cost	% of Total	Industry % ⁽¹⁾
Fixed maturities available for sale	\$ 15,350	95	74
Policy loans	538	3	4
Equities	—		3
Mortgage loans	67	—	10
Investment real estate	—		1
Other long-term investments	105	1	5
Short-term investments	69	—	3
Total	\$ 16,129	100	

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

Fixed Maturities at June 30, 2018

Summary	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amort. Cost
Investment Grade	\$ 14,662	\$ 15,630	\$ 968	A-	96
Below Investment Grade	688	654	(34)	B+	4
Total	\$ 15,350	\$ 16,285	\$ 935	BBB+	
By Type					
Corporates	\$ 13,123	\$ 13,894	\$ 770	BBB+	85
Redeemable preferred stock:					
U.S.	345	382	37	BBB-	2
Foreign	31	36	5	BBB-	—
Municipals	1,232	1,335	103	AA	8
Government-sponsored enterprises	320	319	(1)	AAA	2
Government & Agencies	89	89	—	AAA	1
Residential mortgage-backed securities	1	1	—	AAA	—
Collateralized debt obligations (CDOs)	59	76	18	CC+	—
Other asset-backed securities	150	152	2	BBB	1
Total	\$ 15,350	\$ 16,285	\$ 935	BBB+	

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

June 30, 2018

By Sector	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amort. Cost
Financial - life/health/PC insurance	\$ 1,966	\$ 2,170	\$ 205	BBB+	13
Financial - bank	784	828	44	A-	5
Financial - financial guarantor	16	18	1	BBB+	—
Financial - insurance brokers	88	95	7	BBB	1
Financial - other	865	867	2	BBB+	6
Utilities	1,976	2,221	244	A-	13
Energy	1,620	1,713	93	BBB	11
Consumer, Non-cyclical	1,960	1,993	33	BBB+	13
Consumer, cyclical	464	462	(2)	BBB-	3
Communications	711	718	7	BBB+	5
Basic materials	1,053	1,112	59	BBB	7
Transportation	560	607	46	BBB+	4
Technology	81	85	4	A-	1
Other industrials	1,354	1,423	69	BBB+	9
Other asset-backed securities	150	152	2	BBB	1
Collateralized debt obligations	59	76	18	CC+	—
Mortgage-backed securities	1	1	—	AAA	—
Government	1,641	1,744	103	AA+	11
Total	\$ 15,350	\$ 16,285	\$ 935	BBB+	

By Sector by Rating: Amortized Cost	AAA	AA	A	BBB	BIG	Total
Financial - life/health/PC insurance.....		\$ 253	\$ 563	\$ 1,083	\$ 66	\$ 1,966
Financial - bank		104	317	336	27	784
Financial - financial guarantor				16		16
Financial - insurance brokers			5	83		88
Financial - other			229	561	75	865
Utilities		26	1,119	811	20	1,976
Energy		12	242	1,213	152	1,620
Consumer, Non-cyclical	\$ 11	49	535	1,344	21	1,960
Consumer, cyclical			97	267	100	464
Communications			156	519	36	711
Basic materials		17	138	841	57	1,053
Transportation			147	387	26	560
Technology			43	38		81
Other industrials			404	903	47	1,354
Other asset-backed securities			10	141		150
Collateralized debt obligations					59	59
Mortgage-backed securities	1					1
Government	689	686	264	1	—	1,641
Total	\$ 701	\$ 1,147	\$ 4,269	\$ 8,544	\$ 688	\$ 15,350
% of Total	5%	7%	28%	56%	4%	100%

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

<u>Below Investment Grade Bonds by Sector</u>	June 30, 2018	March 31, 2018	Increase (Decrease) Amount
Financial - life/health/PC insurance	\$ 66	\$ 66	\$ —
Financial - bank	27	27	—
Financial - financial guarantor		—	—
Financial - insurance brokers		—	—
Financial - other	75	75	—
Utilities	20	20	—
Energy	152	152	—
Consumer, Non-cyclical	21	21	—
Consumer, cyclical	100	100	—
Communications	36	36	—
Basic materials	57	57	—
Transportation	26	26	—
Technology		—	—
Other industrials	47	47	—
Other asset-backed securities		—	—
Collateralized debt obligations	59	58	—
Mortgage-backed securities		—	—
Government	—	—	—
Total	\$ 688	\$ 688	\$ —

<u>Below Investment Grade Bonds By SVO Class (Statutory)</u>	June 30, 2018	March 31, 2018	Increase (Decrease) Amount
Asset Class 3	\$ 519	\$ 517	\$ 2
Asset Class 4	225	191	34
Asset Class 5	54	87	(33)
Asset Class 6 (at market value)	62	62	0
	\$ 860	\$ 858	\$ 2

	Three Months Ended June 30,	
	2018	2017
<u>Fixed Maturity Acquisitions:</u>		
Amount	\$ 182	\$ 154
Yield	5.2%	4.9%
Ratings	BBB+	BBB+
Average Life (in years) to:		
Next Call	16.0	19.7
Maturity	18.4	19.9