

TORCHMARK CORPORATION
Consolidated Statement of Operations
(Unaudited)
(Amounts in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Revenues:				
Life premium	\$ 600,171	\$ 580,651	\$ 2,406,555	\$ 2,306,547
Health premium	256,900	245,816	1,015,339	976,373
Other premium	—	6	12	15
Total premium	<u>857,071</u>	<u>826,473</u>	<u>3,421,906</u>	<u>3,282,935</u>
Net investment income	224,233	212,955	882,512	847,885
Realized gains (losses)	(16,600)	17,469	(1,804)	23,611
Other income	33	2	1,137	1,142
Total revenue	<u>1,064,737</u>	<u>1,056,899</u>	<u>4,303,751</u>	<u>4,155,573</u>
Benefits and expenses:				
Life policyholder benefits	395,174	389,878	1,591,790	1,558,261
Health policyholder benefits	165,534	163,674	649,188	633,778
Other policyholder benefits	8,412	8,913	34,264	35,836
Total policyholder benefits	<u>569,120</u>	<u>562,465</u>	<u>2,275,242</u>	<u>2,227,875</u>
Amortization of deferred acquisition costs	128,501	120,040	516,690	490,403
Commissions, premium taxes, non-deferred acquisition expenses	69,789	66,849	278,487	264,860
Insurance G&A	57,381	54,839	227,531	210,590
Parent expense	2,878	2,403	12,262	9,631
Stock compensation expense	9,823	12,225	39,792	37,034
Interest expense	23,610	21,707	90,076	84,532
Total benefits and expenses	<u>861,102</u>	<u>840,528</u>	<u>3,440,080</u>	<u>3,324,925</u>
Income before income taxes	203,635	216,371	863,671	830,648
Income taxes	(38,929)	811,005	(162,161)	627,615
Discontinued Operations - Part D, net of tax	11	(30)	(44)	(3,769)
Net income	<u>\$ 164,717</u>	<u>\$ 1,027,346</u>	<u>\$ 701,466</u>	<u>\$ 1,454,494</u>
Basic net income per share	<u>\$ 1.48</u>	<u>\$ 8.93</u>	<u>\$ 6.22</u>	<u>\$ 12.50</u>
Diluted net income per share	<u>\$ 1.45</u>	<u>\$ 8.71</u>	<u>\$ 6.09</u>	<u>\$ 12.22</u>
Average shares outstanding	111,407	115,066	112,873	116,343
Diluted average shares outstanding	113,667	117,964	115,249	118,983
Reconciliation of Net Income to Net Operating Income:				
Net income	\$ 164,717	\$ 1,027,346	\$ 701,466	\$ 1,454,494
Realized gains/losses - investments, net of tax	4,362	(13,982)	(7,327)	(20,217)
Realized loss - redemption of debt, net of tax	8,752	2,627	8,752	2,627
Discontinued operations - Part D adjustment, net of tax	(11)	30	44	3,769
Non operating fees, net of tax	—	187	1,247	187
Administrative settlements, net of tax	—	4,267	3,590	5,628
Guaranty fund assessment, net of tax	—	266	—	1,171
Tax reform adjustment	(798)	(873,978)	(798)	(873,978)
Net operating income	<u>\$ 177,022</u>	<u>\$ 146,763</u>	<u>\$ 706,974</u>	<u>\$ 573,681</u>
Basic net operating income per share	<u>\$ 1.59</u>	<u>\$ 1.28</u>	<u>\$ 6.26</u>	<u>\$ 4.93</u>
Diluted net operating income per share	<u>\$ 1.56</u>	<u>\$ 1.24</u>	<u>\$ 6.13</u>	<u>\$ 4.82</u>