

TORCHMARK CORPORATION
Condensed Consolidated Statement of Operations

(Unaudited)

(Amounts in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Life premium	\$ 631,201	\$ 602,534	\$1,255,490	\$1,200,837
Health premium	266,282	251,440	532,966	503,238
Other premium	1	5	1	10
Total premium	897,484	853,979	1,788,457	1,704,085
Net investment income	227,425	218,568	454,098	436,652
Realized gains (losses)	5,154	11,813	6,483	13,764
Other income	398	416	639	711
Total revenues	1,130,461	1,084,776	2,249,677	2,155,212
Benefits and expenses:				
Life benefits	410,961	399,334	820,653	799,915
Health benefits	170,511	160,461	340,528	321,080
Other policy benefits	7,890	8,582	15,938	17,271
Total policy benefits	589,362	568,377	1,177,119	1,138,266
Amortization of deferred acquisition costs	138,165	129,077	273,987	258,697
Commissions and premium taxes	73,698	69,427	147,163	139,066
Insurance G&A	64,916	55,276	124,507	110,748
Parent expenses	2,872	2,847	5,515	5,139
Stock option expense	11,256	10,497	21,815	19,557
Interest expense	21,432	22,411	42,710	44,033
Total benefits and expenses	901,701	857,912	1,792,816	1,715,506
Income before income tax	228,760	226,864	456,861	439,706
Income tax	(42,151)	(42,471)	(84,858)	(81,602)
Discontinued operations, net of tax	(43)	32	(92)	(79)
Net income	<u>\$ 186,566</u>	<u>\$ 184,425</u>	<u>\$ 371,911</u>	<u>\$ 358,025</u>
Basic net income per share	<u>\$ 1.70</u>	<u>\$ 1.63</u>	<u>\$ 3.38</u>	<u>\$ 3.15</u>
Diluted net income per share	<u>\$ 1.67</u>	<u>\$ 1.59</u>	<u>\$ 3.32</u>	<u>\$ 3.08</u>
Average shares outstanding	109,650	113,350	109,974	113,762
Diluted average shares outstanding	111,586	115,651	111,949	116,197
Reconciliation of Net Income to Net Operating Income:				
Net Income	\$ 186,566	\$ 184,425	\$ 371,911	\$ 358,025
Realized gains/(losses)—investments, net of tax	(4,072)	(9,333)	(5,122)	(10,874)
Discontinued operations—Part D adjustment, net of tax	43	(32)	92	79
Administrative settlements	—	—	400	—
Legal proceedings, net of tax	4,345	—	4,345	—
Net operating income	<u>\$ 186,882</u>	<u>\$ 175,060</u>	<u>\$ 371,626</u>	<u>\$ 347,230</u>
Basic net operating income per share	<u>\$ 1.70</u>	<u>\$ 1.54</u>	<u>\$ 3.38</u>	<u>\$ 3.05</u>
Diluted net operating income per share	<u>\$ 1.67</u>	<u>\$ 1.51</u>	<u>\$ 3.32</u>	<u>\$ 2.99</u>