

# TORCHMARK CORPORATION

## Operating Summary (Unaudited) (In thousands, except per share amounts)

12 Months Ended			4Q	3Q	2Q	1Q	4Q
12/03	12/02		2003	2003	2003	2003	2002
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$1,310,460	\$1,220,743	Premium	\$333,596	\$329,540	\$326,764	\$320,560	\$308,545
-566,567	-534,507	Net Policy Obligations	-141,980	-142,580	-142,503	-139,504	-135,112
-418,342	-387,015	Commissions and Acquisition Expenses	-107,795	-105,290	-103,504	-101,753	-96,465
<u>325,551</u>	<u>299,221</u>	Underwriting Margin	<u>83,821</u>	<u>81,670</u>	<u>80,757</u>	<u>79,303</u>	<u>76,968</u>
		Health:					
1,034,031	1,019,120	Premium	259,725	255,324	256,576	262,406	250,977
-671,998	-658,560	Net Policy Obligations	-168,913	-164,259	-168,806	-170,020	-163,287
-197,669	-193,073	Commissions and Acquisition Expenses	-49,781	-49,590	-48,472	-49,826	-47,539
<u>164,364</u>	<u>167,487</u>	Underwriting Margin	<u>41,031</u>	<u>41,475</u>	<u>39,298</u>	<u>42,560</u>	<u>40,151</u>
<u>10,607</u>	<u>13,421</u>	Annuity Underwriting Margin	<u>2,801</u>	<u>2,969</u>	<u>2,629</u>	<u>2,208</u>	<u>2,790</u>
500,522	480,129	Total Underwriting Margin	127,653	126,114	122,684	124,071	119,909
2,582	3,906	Other Income	320	403	826	1,033	805
-131,314	-124,605	Admin. Expenses	-33,842	-32,721	-31,239	-33,512	-31,572
371,790	359,430	Underwriting Income	94,131	93,796	92,271	91,592	89,142
		<b>EXCESS INVESTMENT INCOME</b>					
556,647	522,319	Net Investment Income	143,353	139,280	137,673	136,341	132,636
		Required Interest:					
-205,898	-192,807	Net Policy Liabilities	-53,223	-51,524	-51,375	-49,776	-49,074
		Financing Costs:					
-44,128	-45,948	Interest on Debt	-10,941	-10,985	-11,065	-11,137	-11,248
-11,647	-11,651	Trust Preferred Dividend	-2,912	-2,911	-2,913	-2,911	-2,913
<u>26,306</u>	<u>23,086</u>	Interest Rate Swaps	<u>6,681</u>	<u>6,706</u>	<u>6,481</u>	<u>6,438</u>	<u>5,920</u>
321,280	294,999	Total Excess Investment Income	82,958	80,566	78,801	78,955	75,321
		<b>OTHER</b>					
-10,234	-10,523	Parent Companies	-2,510	-2,343	-2,820	-2,561	-2,468
-3,674	-3,701	Tax Equivalent Adjustment	-859	-1,008	-902	-905	-877
<u>-13,908</u>	<u>-14,224</u>		<u>-3,369</u>	<u>-3,351</u>	<u>-3,722</u>	<u>-3,466</u>	<u>-3,345</u>
679,162	640,205	Pre-Tax Operating Income	173,720	171,011	167,350	167,081	161,118
-232,779	-216,596	Income Tax	-59,750	-58,719	-57,231	-57,079	-54,780
<b>\$446,383</b>	<b>\$423,609</b>	<b>Net Operating Income</b>	<b>\$113,970</b>	<b>\$112,292</b>	<b>\$110,119</b>	<b>\$110,002</b>	<b>\$106,338</b>
<b>\$3.87</b>	<b>\$3.51</b>	<b>EPS on a Diluted Basis</b>	<b>\$1.00</b>	<b>\$0.98</b>	<b>\$0.95</b>	<b>\$0.93</b>	<b>\$0.90</b>
115,377	120,669	Average Diluted Shares Outstanding	113,866	114,254	115,763	117,784	118,719
-9,106	-\$51,730	Capital Gain (Loss), Net of Tax	-\$497	\$1,488	-\$2,019	-\$8,078	-\$349
-10,122	11,554	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	-4,425	-5,898	1,492	-1,291	-797
3,511	0	Tax Settlements, Net of Tax	3,511	0	0	0	0
<u>-525</u>	<u>0</u>	Capital Gain (Loss), Net of Tax - Sale of Airplane	<u>-525</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$430,141</u>	<u>\$383,433</u>	<b>Net Income</b>	<u>\$112,034</u>	<u>\$107,882</u>	<u>\$109,592</u>	<u>\$100,633</u>	<u>\$105,192</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	4Q 2003	%	4Q 2002	%	4Q 2003	%	4Q 2002	%	4Q 2003	4Q 2002
<b>LNL Exclusive Agency</b>										
Premium	75,535		75,198		41,558		40,128			
Net Policy Obligations	34,431	46	34,343	46	31,433	76	30,543	76		
Comm. & Acq. Exp.	<u>23,609</u>	31	<u>23,021</u>	31	<u>7,571</u>	18	<u>7,143</u>	18		
Underwriting Margin	17,495	23	17,834	24	2,554	6	2,442	6		
<b>UA Independent</b>										
Premium	13,133		12,833		117,135		114,494			
Net Policy Obligations	6,513	50	6,002	47	74,181	63	72,090	63		
Comm. & Acq. Exp.	<u>5,492</u>	42	<u>5,405</u>	42	<u>21,749</u>	19	<u>21,216</u>	19		
Underwriting Margin	1,128	9	1,426	11	21,205	18	21,188	19		
<b>UA Branch Office Agency</b>										
Premium	4,537		4,805		78,736		77,620			
Net Policy Obligations	2,230	49	2,358	49	51,349	65	50,764	65		
Comm. & Acq. Exp.	<u>1,516</u>	33	<u>1,720</u>	36	<u>15,895</u>	20	<u>15,524</u>	20		
Underwriting Margin	791	17	727	15	11,492	15	11,332	15		
<b>Direct Response</b>										
Premium	88,401		78,211		7,985		5,450			
Net Policy Obligations	41,282	47	40,014	51	5,936	74	4,354	80		
Comm. & Acq. Exp.	<u>25,038</u>	28	<u>19,138</u>	24	<u>941</u>	12	<u>392</u>	7		
Underwriting Margin	22,081	25	19,059	24	1,108	14	704	13		
<b>American Income Agency</b>										
Premium	83,064		72,120		14,311		13,285			
Net Policy Obligations	28,145	34	25,308	35	6,014	42	5,536	42		
Comm. & Acq. Exp.	<u>30,221</u>	36	<u>25,942</u>	36	<u>3,625</u>	25	<u>3,264</u>	25		
Underwriting Margin	24,698	30	20,870	29	4,672	33	4,485	34		
<b>Military</b>										
Premium	43,278		38,633							
Net Policy Obligations	19,959	46	17,682	46						
Comm. & Acq. Exp.	<u>13,395</u>	31	<u>12,012</u>	31						
Underwriting Margin	9,924	23	8,939	23						
<b>Other Distribution</b>										
Premium	25,648		26,745						8,325	9,092
Net Policy Obligations	9,420	37	9,405	35					197	541
Comm. & Acq. Exp.	<u>8,524</u>	33	<u>9,227</u>	34					<u>5,327</u>	<u>5,761</u>
Underwriting Margin	7,704	30	8,113	30					2,801	2,790
<b>Totals:</b>										
Premium	333,596		308,545		259,725		250,977		8,325	9,092
Net Policy Obligations	141,980	43	135,112	44	168,913	65	163,287	65	197	541
Comm. & Acq. Exp.	<u>107,795</u>	32	<u>96,465</u>	31	<u>49,781</u>	19	<u>47,539</u>	19	<u>5,327</u>	<u>5,761</u>
Underwriting Margin	83,821	25	76,968	25	41,031	16	40,151	16	2,801	2,790
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					127,653		119,909			
Other Income					320		805			
Administrative & Other Expenses					<u>-33,842</u>		<u>-31,572</u>			
Insurance Underwriting Income					<u>94,131</u>		<u>89,142</u>			

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 12/03	%	YTD 12/02	%	YTD 12/03	%	YTD 12/02	%	YTD 12/03	YTD 12/02
<b>LNL Exclusive Agency</b>										
Premium	304,406		301,770		163,921		159,720			
Net Policy Obligations	143,864	47	141,017	47	124,836	76	117,519	74		
Comm. & Acq. Exp.	<u>92,846</u>	31	<u>90,285</u>	30	<u>29,549</u>	18	<u>28,392</u>	18		
Underwriting Margin	67,696	22	70,468	23	9,536	6	13,809	9		
<b>UA Independent</b>										
Premium	52,645		50,424		469,939		467,017			
Net Policy Obligations	24,686	47	23,803	47	296,860	63	295,589	63		
Comm. & Acq. Exp.	<u>22,370</u>	42	<u>21,106</u>	42	<u>87,022</u>	19	<u>86,458</u>	19		
Underwriting Margin	5,589	11	5,515	11	86,057	18	84,970	18		
<b>UA Branch Office Agency</b>										
Premium	18,674		19,515		316,017		318,508			
Net Policy Obligations	9,282	50	10,165	52	205,430	65	207,959	65		
Comm. & Acq. Exp.	<u>6,445</u>	35	<u>6,637</u>	34	<u>64,451</u>	20	<u>63,702</u>	20		
Underwriting Margin	2,947	16	2,713	14	46,136	15	46,847	15		
<b>Direct Response</b>										
Premium	350,317		315,651		28,385		21,795			
Net Policy Obligations	165,270	47	154,590	49	22,281	78	17,507	80		
Comm. & Acq. Exp.	<u>98,563</u>	28	<u>85,079</u>	27	<u>2,618</u>	9	<u>1,562</u>	7		
Underwriting Margin	86,484	25	75,982	24	3,486	12	2,726	13		
<b>American Income Agency</b>										
Premium	314,849		277,181		55,769		52,080			
Net Policy Obligations	107,145	34	94,494	34	22,591	41	19,986	38		
Comm. & Acq. Exp.	<u>114,433</u>	36	<u>100,175</u>	36	<u>14,029</u>	25	<u>12,959</u>	25		
Underwriting Margin	93,271	30	82,512	30	19,149	34	19,135	37		
<b>Military</b>										
Premium	166,299		148,709							
Net Policy Obligations	76,963	46	69,067	46						
Comm. & Acq. Exp.	<u>50,035</u>	30	<u>44,906</u>	30						
Underwriting Margin	39,301	24	34,736	23						
<b>Other Distribution</b>										
Premium	103,270		107,493						31,292	39,170
Net Policy Obligations	39,357	38	41,371	38					330	-751
Comm. & Acq. Exp.	<u>33,650</u>	33	<u>38,827</u>	36					<u>20,355</u>	<u>26,500</u>
Underwriting Margin	30,263	29	27,295	25					10,607	13,421
<b>Totals:</b>										
Premium	1,310,460		1,220,743		1,034,031		1,019,120		31,292	39,170
Net Policy Obligations	566,567	43	534,507	44	671,998	65	658,560	65	330	-751
Comm. & Acq. Exp.	<u>418,342</u>	32	<u>387,015</u>	32	<u>197,669</u>	19	<u>193,073</u>	19	<u>20,355</u>	<u>26,500</u>
Underwriting Margin	325,551	25	299,221	25	164,364	16	167,487	16	10,607	13,421
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					500,522		480,129			
Other Income					2,582		3,906			
Administrative & Other Expenses					<u>-131,314</u>		<u>-124,605</u>			
Insurance Underwriting Income					<u>371,790</u>		<u>359,430</u>			

## TORCHMARK CORPORATION

Insurance Sales and First Year Collected Premium (Unaudited)  
(In thousands)

SALES	YTD 12/03	YTD 12/02	% Incr (Decr)	4th Qtr. 2003	4th Qtr. 2002	% Incr (Decr)
<b>LIFE</b>						
Direct Response	\$164,201	\$123,260	33	\$46,746	\$31,824	47
LNL Exclusive Agency	53,525	56,341	-5	13,612	13,911	-2
American Income Agency	107,285	91,882	17	29,251	23,062	27
Military	26,886	23,479	15	7,059	5,858	21
UA Branch Office Agency	3,009	5,643	-47	773	878	-12
UA Independent	20,488	25,675	-20	3,796	5,840	-35
Other Distribution	6,910	7,766	-11	2,002	1,853	8
Total Life	382,304	334,046	14	103,239	83,226	24
<b>HEALTH</b>						
Direct Response	13,274	6,752	97	1,127	437	158
LNL Exclusive Agency	11,525	12,157	-5	3,022	2,909	4
American Income Agency	13,193	11,438	15	3,671	2,899	27
UA Branch Office Agency	84,610	75,383	12	25,330	20,184	25
UA Independent	105,512	96,052	10	29,057	25,384	14
Total Health *	228,114	201,782	13	62,207	51,813	20
TOTAL SALES	\$610,418	\$535,828	14	\$165,446	\$135,039	23
* Includes Med Supp Sales	\$76,899	\$99,429	-23	\$17,945	\$21,634	-17

### FIRST YEAR COLLECTED PREMIUM

	YTD 12/03	YTD 12/02	% Incr (Decr)	4th Qtr. 2003	4th Qtr. 2002	% Incr (Decr)
<b>LIFE</b>						
Direct Response	\$62,580	\$50,403	24	\$16,349	\$12,963	26
LNL Exclusive Agency	40,459	39,741	2	9,686	9,729	0
American Income Agency	72,803	61,058	19	19,438	16,651	17
Military	24,273	21,501	13	6,397	5,589	14
UA Branch Office Agency	2,278	3,208	-29	467	797	-41
UA Independent	12,045	12,466	-3	2,770	3,192	-13
Other Distribution	7,198	9,344	-23	1,886	2,015	-6
Total Life	221,636	197,721	12	56,993	50,936	12
<b>HEALTH</b>						
Direct Response	8,077	4,217	92	2,829	1,135	149
LNL Exclusive Agency	9,321	9,133	2	2,323	2,346	-1
American Income Agency	12,119	11,217	8	3,225	2,916	11
UA Branch Office Agency	54,300	63,348	-14	14,906	14,372	4
UA Independent	62,496	56,210	11	16,298	15,052	8
Total Health	146,313	144,125	2	39,581	35,821	10
TOTAL FIRST YEAR COLLECTED PREMIUM	\$367,949	\$341,846	8	\$96,574	\$86,757	11

## TORCHMARK CORPORATION

In Force (Unaudited)

(In thousands)

### IN FORCE AT END OF PERIOD

	<u>4Q 03</u>	<u>4Q 02</u>	<u>\$ Incr (Decr)</u>	<u>% Incr (Decr)</u>
<b>LIFE</b>				
Direct Response	\$404,963	\$357,393	\$47,570	13
LNL Exclusive Agency	321,176	318,613	2,563	1
American Income Agency	346,982	302,064	44,918	15
Military	179,027	158,840	20,187	13
UA Branch Office Agency	19,715	21,286	-1,571	-7
UA Independent	56,891	58,087	-1,196	-2
Other Distribution	120,536	126,873	-6,337	-5
Total Life	<u>1,449,290</u>	<u>1,343,156</u>	<u>106,134</u>	<u>8</u>
<b>HEALTH</b>				
Direct Response	33,256	23,932	9,324	39
LNL Exclusive Agency	172,106	165,394	6,712	4
American Income Agency	55,421	51,299	4,122	8
UA Branch Office Agency	322,428	316,337	6,091	2
UA Independent	481,217	473,520	7,697	2
Total Health **	<u>1,064,428</u>	<u>1,030,482</u>	<u>33,946</u>	<u>3</u>
<b>TOTAL IN FORCE</b>	<b>\$2,513,718</b>	<b>\$2,373,638</b>	<b>\$140,080</b>	<b>6</b>
** Includes Med Supp In Force	\$687,489	\$714,112	-\$26,623	-4

**TORCHMARK CORPORATION**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
**(Amounts in thousands)**

	At December 31,	
	2003	2002
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$8,102,810	\$7,194,392
Equity securities available for sale	57,364	24,457
Mortgage loans	115,411	121,805
Real estate	14,774	9,351
Policy loans	294,108	279,429
Other long-term investments	53,577	81,505
Short-term investments	51,648	72,812
Total investments	8,689,692	7,783,751
Cash	12,708	7,181
Accrued investment income	142,719	132,984
Other receivables	80,728	70,419
Deferred acquisition costs	2,330,010	2,184,134
Value of insurance purchased	89,849	102,091
Property and equipment	29,835	33,431
Goodwill	378,436	378,436
Other assets	13,009	11,500
Separate account assets	1,693,900	1,656,795
Total assets	\$13,460,886	\$12,360,722
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$6,204,226	\$5,709,623
Unearned and advance premium	96,628	95,243
Policy claims and other benefits payable	248,937	242,661
Other policy liabilities	86,878	83,427
Accrued income taxes	905,126	720,176
Short-term debt	182,448	201,479
Long-term debt **	693,403	551,564
Other liabilities	109,241	103,874
Separate account liabilities	1,693,900	1,656,795
Total liabilities	10,220,787	9,364,842
Trust preferred securities **	0	144,427
Shareholders' equity:		
Preferred stock	0	0
Common stock	113,784	126,801
Additional paid-in-capital	501,034	554,768
Unrealized investment gains (losses), net of tax	393,052	176,622
Retained earnings	2,273,448	2,316,868
Treasury stock, at cost	-41,219	-323,606
Total shareholders' equity	3,240,099	2,851,453
Total liabilities and shareholders' equity	\$13,460,886	\$12,360,722
Diluted Basis:		
Shares outstanding	113,887	118,598
Book value per common share	\$28.45	\$24.04
Book value per common share excluding FAS 115	\$25.06	\$22.46
* Amortized cost of fixed maturities	\$7,472,003	\$6,888,830

\*\* In accordance with FAS 150, effective 7-1-03, trust preferred securities are classified as long term debt.

**TORCHMARK CORPORATION**

Fixed Maturities  
(Millions of \$)  
December 31, 2003

**Total Fixed Maturities**

	<u>12/31/03</u>	<u>12/31/02</u>
Amortized Cost	\$7,472	\$6,889
Unrealized:		
Gains	670	482
Losses	<u>-39</u>	<u>-177</u>
Market	\$8,103	\$7,194

**Fixed Maturities at 12/31/03**

	Amort. Cost	Unrealized			Market	Ratings
		Gains	Losses	Net		
Investment Grade	\$6,759	617	-24	593	7,351	A3/A-
Below Investment Grade	<u>713</u>	<u>53</u>	<u>-14</u>	<u>38</u>	<u>752</u>	BB3/BB-
Total	\$7,472	670	-39	631	8,103	Baa1/BBB+

**Duration / Average Life:**

	<u>12/31/03</u>	<u>12/31/02</u>
Duration	6.5	5.9
Average Life to:		
Worst Call	11.3	9.6
Maturity	14.7	13.6

**Below Investment Grade Bonds**

	<u>4Q'03</u>	<u>3Q'03</u>	<u>2Q'03</u>	<u>1Q'03</u>	<u>2002</u>	<u>2001</u>
Beginning of Period	\$760	\$716	\$722	\$656	559	393
Purchases	0	0	2	0	33	100
Dispositions	-58	-17	-47	-16	-121	-124
Writedowns	0	0	0	-10	-89	-17
Net Downgrades	<u>11</u>	<u>61</u>	<u>38</u>	<u>92</u>	<u>274</u>	<u>207</u>
End of Period	\$713	\$760	\$716	\$722	656	559
% of Total Invested Assets (excluding FAS 115)	8.9%	9.6%	9.2%	9.4%	8.8%	7.9%