

TORCHMARK CORPORATION

Operating Summary (Unaudited)

(In thousands, except per share amounts)

Prior Year Data Has Been Restated for ASU 2010-26

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/12	6/11		2012	2012	2011	2011	2011
		UNDERWRITING INCOME					
		Life:					
\$902,828	\$864,230	Premium	\$450,950	\$451,878	\$432,087	\$429,927	\$433,573
-344,816	-330,031	Net Policy Obligations	-172,541	-172,275	-165,974	-164,875	-164,006
-278,841	-265,245	Non-deferred Commissions and Amortization	-140,056	-138,785	-131,406	-130,883	-132,294
-28,876	-40,812	Non-deferred Acquisition Expense	-14,193	-14,683	-16,956	-19,099	-20,851
<u>250,295</u>	<u>228,142</u>	Underwriting Margin	<u>124,160</u>	<u>126,135</u>	<u>117,751</u>	<u>115,070</u>	<u>116,422</u>
		Health:					
357,501	377,165	Premium	176,905	180,596	179,217	177,401	185,381
-212,505	-223,006	Net Policy Obligations	-104,282	-108,223	-106,535	-104,631	-110,180
-59,285	-61,520	Non-deferred Commissions and Amortization	-29,568	-29,717	-29,052	-28,987	-30,434
-5,618	-7,372	Non-deferred Acquisition Expense	-2,713	-2,905	-3,338	-4,505	-3,713
<u>80,093</u>	<u>85,267</u>	Underwriting Margin	<u>40,342</u>	<u>39,751</u>	<u>40,292</u>	<u>39,278</u>	<u>41,054</u>
16,121	10,730	Health - Part D Underwriting Margin	8,216	7,905	6,703	6,720	5,602
<u>1,772</u>	<u>1,166</u>	Annuity Underwriting Margin	<u>900</u>	<u>872</u>	<u>480</u>	<u>699</u>	<u>608</u>
348,281	325,305	Total Underwriting Margin	173,618	174,663	165,226	161,767	163,686
865	1,240	Other Income	456	409	554	713	697
-80,427	-77,909	Admin. Expenses	-39,857	-40,570	-41,313	-39,887	-40,170
268,719	248,636	Underwriting Income	134,217	134,502	124,467	122,593	124,213
		EXCESS INVESTMENT INCOME					
360,329	352,060	Net Investment Income	180,681	179,648	178,139	176,842	176,758
-194,935	-182,049	Required Interest on Net Policy Liabilities	-98,585	-96,350	-94,874	-93,488	-91,917
-39,188	-38,739	Interest on Debt	-19,583	-19,605	-19,461	-19,444	-19,345
126,206	131,272	Total Excess Investment Income	62,513	63,693	63,804	63,910	65,496
-4,210	-4,811	Parent Company Expenses	-2,289	-1,921	-1,531	-1,351	-2,386
390,715	375,097	Pre-Tax Operating Income	194,441	196,274	186,740	185,152	187,323
-128,142	-124,370	Income Tax	-63,835	-64,307	-59,851	-59,348	-61,985
\$262,573	\$250,727	Net Operating Income Before Stock Compensation Expense	\$130,606	\$131,967	\$126,889	\$125,804	\$125,338
-7,304	-4,551	Stock Compensation Expense, Net of Tax	-3,648	-3,656	-2,549	-2,620	-2,572
\$255,269	\$246,176	Net Operating Income	\$126,958	\$128,311	\$124,340	\$123,184	\$122,766
\$2.56	\$2.13	Per Share	\$1.30	\$1.27	\$1.21	\$1.17	\$1.09
99,683	115,722	Average Diluted Shares Outstanding	97,826	101,260	102,369	105,312	112,831
		Reconciling items, net of tax:					
\$6,284	\$5,557	Capital Gain (Loss) - Investments	\$3,030	\$3,254	\$3,091	\$8,190	\$21,016
0	-599	Loss on Disposal of Discontinued Operations	0	0	0	144	0
-13,888	-3,676	Part D Adjustment	-1,000	-12,888	3,794	-118	-1,213
0	-3,900	State administrative settlement	0	0	-586	0	182
0	-636	Loss on Sale of Equipment	0	0	0	0	30
0	0	Litigation Expense	0	0	-7,800	0	0
<u>\$247,665</u>	<u>\$242,922</u>	Net Income	<u>\$128,988</u>	<u>\$118,677</u>	<u>\$122,839</u>	<u>\$131,400</u>	<u>\$142,781</u>

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	2Q 2012	%	2Q 2011	%	2Q 2012	%	2Q 2011	%	2Q 2012	%	2Q 2011	%	2Q 2012	2Q 2011
LNL Exclusive Agency														
Premium	\$70,912		\$72,526		\$66,661		\$73,828							
Net Policy Obligations	28,691	40	28,135	39	37,885	57	42,535	58						
Non Def Comm. & Amort.	20,863	29	20,956	29	13,303	20	13,487	18						
Non Def Acq. Expenses	3,830	5	8,977	12	1,203	2	2,235	3						
Underwriting Margin	17,528	25	14,458	20	14,270	21	15,571	21						
Direct Response														
Premium	157,672		150,655		14,637		14,159							
Net Policy Obligations	72,711	46	69,237	46	11,222	77	11,034	78						
Non Def Comm. & Amort.	44,628	28	41,441	28	733	5	743	5						
Non Def Acq. Expenses	5,261	3	4,558	3	17	0	6	0						
Underwriting Margin	35,072	22	35,419	24	2,665	18	2,376	17						
American Income Agency														
Premium	164,379		150,893		19,796		19,784							
Net Policy Obligations	50,005	30	45,109	30	6,694	34	6,588	33						
Non Def Comm. & Amort.	55,620	34	50,140	33	4,308	22	4,484	23						
Non Def Acq. Expenses	4,693	3	7,173	5	308	2	553	3						
Underwriting Margin	54,061	33	48,471	32	8,486	43	8,159	41						
Part D														
Premium									\$78,114		\$48,859			
Net Policy Obligations									66,317	85	40,773	83		
Net Amortization of DAC									379	0	774	2		
Non Def Acq. Expenses									77	0	0	0		
Fees to PBM									3,125	4	1,710	3		
Underwriting Margin									8,216	11	5,602	11		
Other Distribution														
Premium	57,987		59,499		75,811		77,610						\$126	\$160
Net Policy Obligations	21,134	36	21,525	36	48,481	64	50,023	64					-4,088	-3,553
Non Def Comm. & Amort.	18,945	33	19,757	33	11,224	15	11,720	15					3,314	3,105
Non Def Acq. Expenses	409	1	143	0	1,185	2	919	1					0	0
Underwriting Margin	17,499	30	18,074	30	14,921	20	14,948	19					900	608
Totals:														
Premium	\$450,950		\$433,573		\$176,905		\$185,381		\$78,114		\$48,859		\$126	\$160
Net Policy Obligations	172,541	38	164,006	38	104,282	59	110,180	59	66,317	85	40,773	83	-4,088	-3,553
Non Def Comm. & Amort.	140,056	31	132,294	31	29,568	17	30,434	16	3,504	4	2,484	5	3,314	3,105
Non Def Acq. Expenses	14,193	3	20,851	5	2,713	2	3,713	2	77	0	0	0	0	0
Underwriting Margin	\$124,160	28	\$116,422	27	\$40,342	23	\$41,054	22	\$8,216	11	\$5,602	11	\$900	\$608
TOTAL UNDERWRITING MARGINS, ALL LINES					\$173,618		\$163,686							
Other Income					456		697							
Administrative & Other Expenses					-39,857		-40,170							
INSURANCE UNDERWRITING INCOME					\$134,217		\$124,213							

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 6/12	%	YTD 6/11	%	YTD 6/12	%	YTD 6/11	%	YTD 6/12	%	YTD 6/11	%	YTD 6/12	YTD 6/11
LNL Exclusive Agency														
Premium	\$142,441		\$145,669		\$136,232		\$151,306							
Net Policy Obligations	57,957	41	58,068	40	78,504	58	87,600	58						
Non Def Comm. & Amort.	41,756	29	41,987	29	26,802	20	27,200	18						
Non Def Acq. Expenses	7,659	5	16,663	11	2,521	2	4,297	3						
Underwriting Margin	35,069	25	28,951	20	28,405	21	32,209	21						
Direct Response														
Premium	318,954		302,232		29,226		28,821							
Net Policy Obligations	145,456	46	138,361	46	22,583	77	22,243	77						
Non Def Comm. & Amort.	89,283	28	83,865	28	1,470	5	1,507	5						
Non Def Acq. Expenses	10,683	3	9,676	3	38	0	11	0						
Underwriting Margin	73,532	23	70,330	23	5,135	18	5,060	18						
American Income Agency														
Premium	324,884		297,008		39,679		39,291							
Net Policy Obligations	99,334	31	89,905	30	14,157	36	12,851	33						
Non Def Comm. & Amort.	109,509	34	99,447	33	8,667	22	8,923	23						
Non Def Acq. Expenses	9,826	3	14,166	5	646	2	1,258	3						
Underwriting Margin	106,215	33	93,490	31	16,209	41	16,259	41						
Part D														
Premium									\$152,175		\$98,310			
Net Policy Obligations									128,284	84	82,539	84		
Net Amortization of DAC									1,436	1	1,402	1		
Non Def Acq. Expenses									247	0	0	0		
Fees to PBM									6,087	4	3,639	4		
Underwriting Margin									16,121	11	10,730	11		
Other Distribution														
Premium	116,549		119,321		152,364		157,747						\$279	\$298
Net Policy Obligations	42,069	36	43,697	37	97,261	64	100,312	64					-7,913	-6,763
Non Def Comm. & Amort.	38,293	33	39,946	33	22,346	15	23,890	15					6,420	5,895
Non Def Acq. Expenses	708	1	307	0	2,413	2	1,806	1					0	0
Underwriting Margin	35,479	30	35,371	30	30,344	20	31,739	20					1,772	1,166
Totals:														
Premium	\$902,828		\$864,230		\$357,501		\$377,165		\$152,175		\$98,310		\$279	\$298
Net Policy Obligations	344,816	38	330,031	38	212,505	59	223,006	59	128,284	84	82,539	84	-7,913	-6,763
Non Def Comm. & Amort.	278,841	31	265,245	31	59,285	17	61,520	16	7,523	5	5,041	5	6,420	5,895
Non Def Acq. Expenses	28,876	3	40,812	5	5,618	2	7,372	2	247	0	0	0	0	0
Underwriting Margin	\$250,295	28	\$228,142	26	\$80,093	22	\$85,267	23	\$16,121	11	\$10,730	11	\$1,772	\$1,166
TOTAL UNDERWRITING MARGINS, ALL LINES					\$348,281		\$325,305							
Other Income					865		1,240							
Administrative & Other Expenses					-80,427		-77,909							
INSURANCE UNDERWRITING INCOME					\$268,719		\$248,636							

TORCHMARK CORPORATION

Net Sales and First Year Collected Premium (Unaudited)

(In thousands)

NET SALES *

	<u>YTD</u> <u>6/12</u>	<u>YTD</u> <u>6/11</u>	<u>% Incr</u> <u>(Decr)</u>	<u>2nd Qtr.</u> <u>2012</u>	<u>2nd Qtr.</u> <u>2011</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Direct Response	\$77,623	\$72,907	6	\$38,255	\$36,741	4
American Income Agency	78,467	69,025	14	39,878	36,160	10
LNL Exclusive Agency **	15,446	19,215	-20	8,045	9,772	-18
Other Distribution	5,546	5,482	1	2,776	2,846	-2
Total Life	<u>177,082</u>	<u>166,629</u>	<u>6</u>	<u>88,954</u>	<u>85,519</u>	<u>4</u>
<u>HEALTH</u>						
Direct Response	2,827	3,026	-7	1,243	1,328	-6
American Income Agency	4,432	5,084	-13	2,247	2,585	-13
LNL Exclusive Agency **	7,131	7,139	0	3,674	4,168	-12
UA Independent	13,428	11,829	14	5,591	4,709	19
Total Health	<u>27,818</u>	<u>27,078</u>	<u>3</u>	<u>12,755</u>	<u>12,790</u>	<u>0</u>
Part D	47,255	9,677	388	22,179	2,186	915
TOTAL NET SALES	\$252,155	\$203,384	24	\$123,888	\$100,495	23

* 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 the first full premium is paid after any introductory offer period has expired.

FIRST YEAR COLLECTED PREMIUM

	<u>YTD</u> <u>6/12</u>	<u>YTD</u> <u>6/11</u>	<u>% Incr</u> <u>(Decr)</u>	<u>2nd Qtr.</u> <u>2012</u>	<u>2nd Qtr.</u> <u>2011</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Direct Response	\$48,749	\$46,338	5	\$23,794	\$22,888	4
American Income Agency	62,068	55,541	12	31,627	28,243	12
LNL Exclusive Agency **	13,694	16,428	-17	6,749	8,130	-17
Other Distribution	4,749	4,822	-2	2,353	2,417	-3
Total Life	<u>129,260</u>	<u>123,129</u>	<u>5</u>	<u>64,523</u>	<u>61,678</u>	<u>5</u>
<u>HEALTH</u>						
Direct Response	2,212	2,621	-16	1,089	1,033	5
American Income Agency	4,990	5,827	-14	2,508	2,960	-15
LNL Exclusive Agency **	7,488	5,814	29	3,818	2,887	32
UA Independent	14,869	14,172	5	8,052	7,158	12
Total Health	<u>29,559</u>	<u>28,434</u>	<u>4</u>	<u>15,467</u>	<u>14,038</u>	<u>10</u>
Part D	66,902	13,903	381	35,392	6,713	427
TOTAL FIRST YEAR COLLECTED PREMIUM	\$225,721	\$165,466	36	\$115,382	\$82,429	40

** UA Branch Office sales and premiums are included in LNL Exclusive Agency

TORCHMARK CORPORATION
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In thousands, except per share amounts)
Prior Year Data Has Been Restated for ASU 2010-26

	At June 30,	
	2012	2011
<u>Assets</u>		
Investments:		
Fixed maturities available for sale *	\$12,308,684	\$11,025,120
Equity securities available for sale	16,820	17,240
Mortgage loans	533	569
Real estate	3,165	1,519
Policy loans	410,801	387,342
Other long-term investments	21,812	24,554
Short-term investments	109,541	20,405
Total investments	12,871,356	11,476,749
Cash	70,666	90,230
Accrued investment income	193,445	188,742
Other receivables	308,585	223,870
Deferred acquisition costs	2,931,075	2,859,924
Value of insurance purchased	35,197	40,152
Property and equipment	47,054	49,081
Goodwill	396,891	396,891
Other assets	330,734	337,991
Total assets	\$17,185,003	\$15,663,630
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Future policy benefits	\$9,820,893	\$9,375,248
Unearned and advance premium	71,734	76,603
Policy claims and other benefits payable	221,652	211,130
Other policy liabilities	92,984	92,052
Current and deferred income taxes	1,460,827	1,083,935
Short-term debt	319,829	199,855
Long-term debt	914,777	913,812
Other liabilities	284,646	291,376
Total liabilities	13,187,342	12,244,011
Shareholders' equity:		
Preferred stock	0	0
Common stock	112,312	119,812
Additional paid-in-capital	443,630	439,035
Unrealized investment gains (losses), net of tax	734,379	153,381
Retained earnings	3,462,272	3,332,716
Treasury stock, at cost	-754,932	-625,325
Total shareholders' equity	3,997,661	3,419,619
Total liabilities and shareholders' equity	\$17,185,003	\$15,663,630
Diluted Basis:		
Shares outstanding	96,597	106,769
Book value per common share	\$41.38	\$32.03
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$33.26	\$30.23
* Amortized cost of fixed maturities	\$11,075,086	\$10,719,320

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

June 30, 2012

Investment Portfolio at 6/30/12

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$11,075	95%	76%
Equities	15	0%	2%
Mortgage loans	1	0%	10%
Investment real estate	3	0%	1%
Policy loans	411	4%	4%
Other long-term investments	22	0%	4%
Short-term investments	110	1%	3%
Total	\$11,636	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 6/30/12

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$10,311	\$11,632	\$1,322	A-	93%
Below Investment Grade	764	676	-88	B+	7%
Total	\$11,075	\$12,309	\$1,234	BBB+	

By Type

Corporates	\$8,594	\$9,697	\$1,103	BBB+	78%
Redeemable preferred stock:					
U.S.	1,037	1,039	1	BBB-	9%
Foreign	80	78	-2	BBB-	1%
Municipals	1,213	1,373	160	AA	11%
Government-sponsored enterprises	12	12	1	AAA	0%
Government & Agencies	35	37	1	AA+	0%
Residential mortgage-backed securities	13	14	1	AAA	0%
CDO's	62	30	-33	C+	1%
Other asset-backed securities	28	29	1	A-	0%
Total	\$11,075	\$12,309	\$1,234	BBB+	

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

June 30, 2012

<u>By Sector</u>	<u>Amort. Cost</u>	<u>Market Value</u>	<u>Net Unreal. Gain (Loss)</u>	<u>Average Rating</u>	<u>% of Total Amort. Cost</u>
Financial - Life/Health/PC Insurance	\$1,826	\$1,933	\$108	BBB+	16%
Financial - Bank	1,261	1,275	14	BBB+	11%
Financial - Financial Guarantor	16	15	-1	A-	0%
Financial - Insurance Brokers	47	50	3	BBB-	0%
Financial - Other	474	516	42	BBB+	4%
Utilities	1,834	2,163	329	BBB+	17%
Energy	1,229	1,405	177	BBB+	11%
Consumer, Non-cyclical	553	658	105	A-	5%
Consumer, Cyclical	371	409	38	BBB	3%
Communications	473	538	65	BBB+	4%
Basic Materials	762	864	102	BBB+	7%
Transportation	356	414	58	BBB	3%
Technology	66	83	17	BBB+	1%
Other Industrials	473	521	48	BBB	4%
ABS - CDO	62	30	-33	C+	1%
MBS	13	14	1	AAA	0%
Government	1,260	1,421	162	AA	11%
Total	\$11,075	\$12,309	\$1,234	BBB+	

<u>By Sector by Rating: Amortized Cost</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BIG</u>	<u>Total</u>
Financial - Life/Health/PC Insurance		\$122	\$494	\$1,151	\$59	\$1,826
Financial - Bank		142	356	452	311	1,261
Financial - Financial Guarantor			16			16
Financial - Insurance Brokers				47		47
Financial - Other		114	85	272	3	474
Utilities		38	795	965	37	1,834
Energy		12	224	981	12	1,229
Consumer, Non-cyclical	11	32	235	260	15	553
Consumer, Cyclical		40	51	205	75	371
Communications			249	171	53	473
Basic Materials		17	151	510	84	762
Transportation		6	47	302		356
Technology			37	26	3	66
Other Industrials			151	271	51	473
ABS - CDO					62	62
MBS	13					13
Government	348	760	152	0		1,260
Total \$	\$373	\$1,282	\$3,043	\$5,614	\$764	\$11,075
% of Total	3%	12%	27%	51%	7%	100%

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

June 30, 2012

<u>Below Investment Grade Bonds by Sector</u>	<u>6/30/12</u>	<u>3/31/12</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$59	\$59	\$0
Financial - Bank	311	246	65
Financial - Financial Guarantor	0	0	0
Financial - Mortgage Insurer	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	3	3	0
Utilities	37	37	0
Energy	12	12	0
Consumer, Non-cyclical	15	40	-25
Consumer, Cyclical	75	75	0
Communications	53	53	0
Basic Materials	84	84	0
Transportation	0	0	0
Technology	3	3	0
Other Industrials	51	51	0
ABS - CDO	62	61	1
MBS	0	0	0
Government	0	0	0
Total	\$764	\$723	\$42

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>6/30/12</u>	<u>3/31/12</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$550	\$568	-\$18
Asset Class 4	323	323	0
Asset Class 5	167	158	9
Asset Class 6 (at market value)	30	29	1
	\$1,070	\$1,078	-\$8

Fixed Maturity Acquisitions:

	<u>2Q'12</u>	<u>2Q'11</u>
Amount	\$197	\$432
Yield	4.5%	5.7%
Ratings	BBB+	A-
Average Life To:		
First Call	26.7	26.8
Maturity	26.9	28.0