

TORCHMARK CORPORATION

Operating Summary (Unaudited)

(In thousands, except per share amounts)

Prior Year Data Has Been Restated for ASU 2010-26

9 Months Ended			3Q	2Q	1Q	4Q	3Q
9/12	9/11		2012	2012	2012	2011	2011
		UNDERWRITING INCOME					
		Life:					
\$1,356,527	\$1,294,157	Premium	\$453,699	\$450,950	\$451,878	\$432,087	\$429,927
-518,863	-494,906	Net Policy Obligations	-174,047	-172,541	-172,275	-165,974	-164,875
-415,035	-396,128	Non-deferred Commissions and Amortization	-136,194	-140,056	-138,785	-131,406	-130,883
-42,040	-59,911	Non-deferred Acquisition Expense	-13,164	-14,193	-14,683	-16,956	-19,099
380,589	343,212	Underwriting Margin	130,294	124,160	126,135	117,751	115,070
		Health:					
527,014	554,566	Premium	169,513	176,905	180,596	179,217	177,401
-312,336	-327,637	Net Policy Obligations	-99,831	-104,282	-108,223	-106,535	-104,631
-87,343	-90,507	Non-deferred Commissions and Amortization	-28,058	-29,568	-29,717	-29,052	-28,987
-7,852	-11,877	Non-deferred Acquisition Expense	-2,234	-2,713	-2,905	-3,338	-4,505
119,483	124,545	Underwriting Margin	39,390	40,342	39,751	40,292	39,278
23,374	17,450	Health - Part D Underwriting Margin	7,253	8,216	7,905	6,703	6,720
2,706	1,865	Annuity Underwriting Margin	934	900	872	480	699
526,152	487,072	Total Underwriting Margin	177,871	173,618	174,663	165,226	161,767
1,501	1,953	Other Income	636	456	409	554	713
-120,942	-117,796	Admin. Expenses	-40,515	-39,857	-40,570	-41,313	-39,887
406,711	371,229	Underwriting Income	137,992	134,217	134,502	124,467	122,593
		EXCESS INVESTMENT INCOME					
535,325	528,902	Net Investment Income	174,996	180,681	179,648	178,139	176,842
-295,502	-275,537	Required Interest on Net Policy Liabilities	-100,567	-98,585	-96,350	-94,874	-93,488
-58,965	-58,183	Interest on Debt	-19,777	-19,583	-19,605	-19,461	-19,444
180,858	195,182	Total Excess Investment Income	54,652	62,513	63,693	63,804	63,910
-6,203	-6,162	Parent Company Expenses	-1,993	-2,289	-1,921	-1,531	-1,351
581,366	560,249	Pre-Tax Operating Income	190,651	194,441	196,274	186,740	185,152
-190,591	-183,718	Income Tax	-62,449	-63,835	-64,307	-59,851	-59,348
\$390,775	\$376,531	Net Operating Income Before Stock Compensation Expense	\$128,202	\$130,606	\$131,967	\$126,889	\$125,804
-10,756	-7,171	Stock Compensation Expense, Net of Tax	-3,452	-3,648	-3,656	-2,549	-2,620
\$380,019	\$369,360	Net Operating Income	\$124,750	\$126,958	\$128,311	\$124,340	\$123,184
\$3.85	\$3.29	Per Share	\$1.29	\$1.30	\$1.27	\$1.21	\$1.17
98,638	112,272	Average Diluted Shares Outstanding	96,342	97,826	101,260	102,369	105,312
		Reconciling items, net of tax:					
\$11,017	\$13,747	Capital Gain (Loss) - Investments	\$4,733	\$3,030	\$3,254	\$3,091	\$8,190
0	-455	Gain (Loss) on Disposal of Discontinued Operations	0	0	0	0	144
-12,299	-3,794	Part D Adjustment	1,589	-1,000	-12,888	3,794	-118
0	-3,900	State administrative settlement	0	0	0	-586	0
0	-636	Loss on Sale of Equipment	0	0	0	0	0
-400	0	FHL Acquisition Expense	-400	0	0	0	0
0	0	Litigation Expense	0	0	0	-7,800	0
\$378,337	\$374,322	Net Income	\$130,672	\$128,988	\$118,677	\$122,839	\$131,400

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	<u>LIFE</u>				<u>HEALTH</u>				<u>HEALTH - PART D</u>				<u>ANNUITY</u>	
	<u>3Q 2012</u>	<u>%</u>	<u>3Q 2011</u>	<u>%</u>	<u>3Q 2012</u>	<u>%</u>	<u>3Q 2011</u>	<u>%</u>	<u>3Q 2012</u>	<u>%</u>	<u>3Q 2011</u>	<u>%</u>	<u>3Q 2012</u>	<u>3Q 2011</u>
LNL Exclusive Agency														
Premium	\$70,111		\$71,891		\$63,848		\$69,733							
Net Policy Obligations	26,746	38	28,904	40	36,555	57	40,180	58						
Non Def Comm. & Amort.	21,006	30	20,704	29	12,483	20	12,470	18						
Non Def Acq. Expenses	<u>3,380</u>	5	<u>6,671</u>	9	<u>1,099</u>	2	<u>2,723</u>	4						
Underwriting Margin	18,979	27	15,612	22	13,711	21	14,360	21						
Direct Response														
Premium	157,934		145,268		14,458		14,061							
Net Policy Obligations	74,008	47	66,227	46	11,155	77	10,653	76						
Non Def Comm. & Amort.	42,270	27	39,940	27	710	5	749	5						
Non Def Acq. Expenses	<u>4,903</u>	3	<u>4,917</u>	3	<u>74</u>	1	<u>20</u>	0						
Underwriting Margin	36,753	23	34,184	24	2,519	17	2,639	19						
American Income Agency														
Premium	167,497		154,046		19,984		20,652							
Net Policy Obligations	52,074	31	47,510	31	6,829	34	8,053	39						
Non Def Comm. & Amort.	54,578	33	51,039	33	4,268	21	4,443	22						
Non Def Acq. Expenses	<u>4,514</u>	3	<u>7,406</u>	5	<u>118</u>	1	<u>652</u>	3						
Underwriting Margin	56,331	34	48,091	31	8,769	44	7,504	36						
Part D														
Premium								\$81,636		\$49,931				
Net Policy Obligations								70,350	86	40,695	82			
Net Amortization of DAC								766	1	715	1			
Non Def Acq. Expenses								25	0	0	0			
Fees to PBM								<u>3,242</u>	4	<u>1,801</u>	4			
Underwriting Margin								7,253	9	6,720	13			
Other Distribution														
Premium	58,157		58,722		71,223		72,955					\$161	\$140	
Net Policy Obligations	21,219	36	22,234	38	45,292	64	45,745	63				-3,780	-3,742	
Non Def Comm. & Amort.	18,340	32	19,200	33	10,597	15	11,325	16				3,007	3,183	
Non Def Acq. Expenses	<u>367</u>	1	<u>105</u>	0	<u>943</u>	1	<u>1,110</u>	2				0	0	
Underwriting Margin	18,231	31	17,183	29	14,391	20	14,775	20				934	699	
Totals:														
Premium	\$453,699		\$429,927		\$169,513		\$177,401		\$81,636		\$49,931		\$161	\$140
Net Policy Obligations	174,047	38	164,875	38	99,831	59	104,631	59	70,350	86	40,695	82	-3,780	-3,742
Non Def Comm. & Amort.	136,194	30	130,883	30	28,058	17	28,987	16	4,008	5	2,516	5	3,007	3,183
Non Def Acq. Expenses	<u>13,164</u>	3	<u>19,099</u>	4	<u>2,234</u>	1	<u>4,505</u>	3	<u>25</u>	0	<u>0</u>	0	0	0
Underwriting Margin	\$130,294	29	\$115,070	27	\$39,390	23	\$39,278	22	\$7,253	9	\$6,720	13	\$934	\$699
TOTAL UNDERWRITING MARGINS, ALL LINES					\$177,871		\$161,767							
Other Income					636		713							
Administrative & Other Expenses					<u>-40,515</u>		<u>-39,887</u>							
INSURANCE UNDERWRITING INCOME					<u>\$137,992</u>		<u>\$122,593</u>							

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 9/12	%	YTD 9/11	%	YTD 9/12	%	YTD 9/11	%	YTD 9/12	%	YTD 9/11	%	YTD 9/12	YTD 9/11
LNL Exclusive Agency														
Premium	\$212,552		\$217,560		\$200,080		\$221,039							
Net Policy Obligations	84,703	40	86,972	40	115,059	58	127,780	58						
Non Def Comm. & Amort.	62,762	30	62,691	29	39,285	20	39,670	18						
Non Def Acq. Expenses	11,039	5	23,334	11	3,620	2	7,020	3						
Underwriting Margin	54,048	25	44,563	20	42,116	21	46,569	21						
Direct Response														
Premium	476,888		447,500		43,684		42,882							
Net Policy Obligations	219,464	46	204,588	46	33,738	77	32,896	77						
Non Def Comm. & Amort.	131,553	28	123,805	28	2,180	5	2,256	5						
Non Def Acq. Expenses	15,586	3	14,593	3	112	0	31	0						
Underwriting Margin	110,285	23	104,514	23	7,654	18	7,699	18						
American Income Agency														
Premium	492,381		451,054		59,663		59,943							
Net Policy Obligations	151,408	31	137,415	30	20,986	35	20,904	35						
Non Def Comm. & Amort.	164,087	33	150,486	33	12,935	22	13,366	22						
Non Def Acq. Expenses	14,340	3	21,572	5	764	1	1,910	3						
Underwriting Margin	162,546	33	141,581	31	24,978	42	23,763	40						
Part D														
Premium									\$233,811		\$148,241			
Net Policy Obligations									198,634	85	123,234	83		
Net Amortization of DAC									2,202	1	2,117	1		
Non Def Acq. Expenses									272	0	0	0		
Fees to PBM									9,329	4	5,440	4		
Underwriting Margin									23,374	10	17,450	12		
Other Distribution														
Premium	174,706		178,043		223,587		230,702						\$440	\$438
Net Policy Obligations	63,288	36	65,931	37	142,553	64	146,057	63					-11,693	-10,505
Non Def Comm. & Amort.	56,633	32	59,146	33	32,943	15	35,215	15					9,427	9,078
Non Def Acq. Expenses	1,075	1	412	0	3,356	2	2,916	1					0	0
Underwriting Margin	53,710	31	52,554	30	44,735	20	46,514	20					2,706	1,865
Totals:														
Premium	\$1,356,527		\$1,294,157		\$527,014		\$554,566		\$233,811		\$148,241		\$440	\$438
Net Policy Obligations	518,863	38	494,906	38	312,336	59	327,637	59	198,634	85	123,234	83	-11,693	-10,505
Non Def Comm. & Amort.	415,035	31	396,128	31	87,343	17	90,507	16	11,531	5	7,557	5	9,427	9,078
Non Def Acq. Expenses	42,040	3	59,911	5	7,852	1	11,877	2	272	0	0	0	0	0
Underwriting Margin	\$380,589	28	\$343,212	27	\$119,483	23	\$124,545	22	\$23,374	10	\$17,450	12	\$2,706	\$1,865
TOTAL UNDERWRITING MARGINS, ALL LINES					\$526,152		\$487,072							
Other Income					1,501		1,953							
Administrative & Other Expenses					-120,942		-117,796							
INSURANCE UNDERWRITING INCOME					<u>\$406,711</u>		<u>\$371,229</u>							

TORCHMARK CORPORATION

Net Sales and First Year Collected Premium (Unaudited)

(In thousands)

NET SALES *

	<u>YTD</u> <u>9/12</u>	<u>YTD</u> <u>9/11</u>	<u>% Incr</u> <u>(Decr)</u>	<u>3rd Qtr.</u> <u>2012</u>	<u>3rd Qtr.</u> <u>2011</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Direct Response	\$109,055	\$103,497	5	\$31,432	\$30,590	3
American Income Agency	119,049	105,273	13	40,582	36,248	12
LNL Exclusive Agency **	23,743	28,005	-15	8,297	8,790	-6
Other Distribution	8,355	7,784	7	2,809	2,302	22
Total Life	<u>260,202</u>	<u>244,559</u>	<u>6</u>	<u>83,120</u>	<u>77,930</u>	<u>7</u>
<u>HEALTH</u>						
Direct Response	3,901	4,023	-3	1,074	997	8
American Income Agency	6,567	7,370	-11	2,135	2,286	-7
LNL Exclusive Agency **	10,887	12,073	-10	3,756	4,934	-24
UA Independent	21,356	19,440	10	7,928	7,611	4
Total Health	<u>42,711</u>	<u>42,906</u>	<u>0</u>	<u>14,893</u>	<u>15,828</u>	<u>-6</u>
Part D	68,925	17,971	284	21,670	8,294	161
TOTAL NET SALES	\$371,838	\$305,436	22	\$119,683	\$102,052	17

* 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>9/12</u>	<u>YTD</u> <u>9/11</u>	<u>% Incr</u> <u>(Decr)</u>	<u>3rd Qtr.</u> <u>2012</u>	<u>3rd Qtr.</u> <u>2011</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Direct Response	\$71,755	\$67,495	6	\$23,006	\$21,157	9
American Income Agency	94,031	83,972	12	31,963	28,431	12
LNL Exclusive Agency **	20,154	24,086	-16	6,460	7,658	-16
Other Distribution	7,136	7,153	0	2,387	2,331	2
Total Life	<u>193,076</u>	<u>182,706</u>	<u>6</u>	<u>63,816</u>	<u>59,577</u>	<u>7</u>
<u>HEALTH</u>						
Direct Response	3,279	3,686	-11	1,067	1,065	0
American Income Agency	7,813	8,910	-12	2,823	3,083	-8
LNL Exclusive Agency **	10,850	8,864	22	3,362	3,050	10
UA Independent	23,599	21,100	12	8,730	6,928	26
Total Health	<u>45,541</u>	<u>42,560</u>	<u>7</u>	<u>15,982</u>	<u>14,126</u>	<u>13</u>
Part D	109,261	20,040	445	42,359	6,137	590
TOTAL FIRST YEAR COLLECTED PREMIUM	\$347,878	\$245,306	42	\$122,157	\$79,840	53

** 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 September 30,	
	2012	2011
Assets		
Investments:		
Fixed maturities available for sale *	\$12,503,376	\$11,657,513
Equity securities available for sale	16,659	17,308
Mortgage loans	524	560
Real estate	3,471	1,519
Policy loans	417,211	395,391
Other long-term investments	21,268	23,036
Short-term investments	386,025	48,535
Total investments	13,348,534	12,143,862
Cash	298,831	175,960
Accrued investment income	196,190	193,790
Other receivables	334,599	232,354
Deferred acquisition costs	2,960,896	2,846,481
Value of insurance purchased	33,848	38,798
Property and equipment	46,444	48,849
Goodwill	396,891	396,891
Other assets	323,631	331,799
Total assets	\$17,939,864	\$16,408,784
Liabilities and Shareholders' Equity		
Liabilities:		
Future policy benefits	\$9,958,274	\$9,470,005
Unearned and advance premium	70,145	73,202
Policy claims and other benefits payable	236,185	227,165
Other policy liabilities	93,148	92,424
Current and deferred income taxes	1,612,052	1,304,324
Short-term debt	319,710	225,672
Long-term debt	1,089,006	914,046
Other liabilities	252,451	284,580
Total liabilities	13,630,971	12,591,418
Shareholders' equity:		
Preferred stock	0	0
Common stock	112,312	119,812
Additional paid-in-capital	453,337	445,238
Unrealized investment gains (losses), net of tax	960,890	546,167
Retained earnings	3,568,655	3,447,707
Treasury stock, at cost	-786,301	-741,558
Total shareholders' equity	4,308,893	3,817,366
Total liabilities and shareholders' equity	\$17,939,864	\$16,408,784
Diluted Basis:		
Shares outstanding	96,058	102,233
Book value per common share	\$44.86	\$37.34
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$34.39	\$31.62
* Amortized cost of fixed maturities	\$10,929,229	\$10,715,972

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

September 30, 2012

Investment Portfolio at 9/30/12

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$10,929	93%	76%
Equities	15	0%	2%
Mortgage loans	1	0%	10%
Investment real estate	3	0%	1%
Policy loans	417	4%	4%
Other long-term investments	21	0%	4%
Short-term investments	386	3%	3%
Total	\$11,773	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 9/30/12

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$10,244	\$11,887	\$1,644	A-	94%
Below Investment Grade	685	616	-69	B+	6%
Total	\$10,929	\$12,503	\$1,574	BBB+	

By Type

Corporates	\$8,785	\$10,189	\$1,405	BBB+	80%
Redeemable preferred stock:					
U.S.	729	746	17	BBB-	7%
Foreign	80	81	1	BBB-	1%
Municipals	1,177	1,348	171	AA	11%
Government-sponsored enterprises	12	12	1	AAA	0%
Government & Agencies	36	37	1	AA+	0%
Residential mortgage-backed securities	13	14	1	AAA	0%
CDO's	64	38	-26	C+	1%
Other asset-backed securities	35	38	2	A-	0%
Total	\$10,929	\$12,503	\$1,574	BBB+	

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
September 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	\$1,824	\$1,998	\$174	BBB+	17%
Financial - Bank	938	985	46	BBB+	9%
Financial - Financial Guarantor	16	16	0	A-	0%
Financial - Insurance Brokers	46	53	7	BBB-	0%
Financial - Other	516	584	68	BBB+	5%
Utilities	1,926	2,304	378	BBB+	18%
Energy	1,236	1,474	238	BBB+	11%
Consumer, Non-cyclical	558	675	117	BBB+	5%
Consumer, Cyclical	376	422	47	BBB	3%
Communications	463	545	82	BBB+	4%
Basic Materials	783	902	119	BBB	7%
Transportation	386	461	75	BBB	4%
Technology	66	82	16	BBB+	1%
Other Industrials	493	552	59	BBB	5%
ABS - CDO	64	38	-26	C+	1%
MBS	13	14	1	AAA	0%
Government	1,224	1,398	173	AA	11%
Total	\$10,929	\$12,503	\$1,574	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	\$474	\$1,169	\$59	\$1,824
Financial - Bank		168	324	226	221	938
Financial - Financial Guarantor			16			16
Financial - Insurance Brokers				46		46
Financial - Other		114	78	322	3	516
Utilities		38	808	1,034	47	1,926
Energy		12	225	988	12	1,236
Consumer, Non-cyclical	11	32	221	280	15	558
Consumer, Cyclical		15	51	235	75	376
Communications			255	155	53	463
Basic Materials		17	104	579	84	783
Transportation		7	47	333		386
Technology			37	26	3	66
Other Industrials			177	265	51	493
ABS - CDO					64	64
MBS	13					13
Government	350	722	152	0		1,224
Total \$	\$374	\$1,245	\$2,967	\$5,658	\$685	\$10,929
% of Total	3%	11%	27%	52%	6%	100%

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

September 30, 2012

<u>Below Investment Grade Bonds by Sector</u>	<u>9/30/12</u>	<u>6/30/12</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$59	\$59	\$0
Financial - Bank	221	311	-90
Financial - Financial Guarantor	0	0	0
Financial - Mortgage Insurer	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	3	3	0
Utilities	47	37	10
Energy	12	12	0
Consumer, Non-cyclical	15	15	0
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	64	62	1
MBS	0	0	0
Government	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
 Total	 \$685	 \$764	 -\$79

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>9/30/12</u>	<u>6/30/12</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$437	\$550	-\$113
Asset Class 4	265	323	-58
Asset Class 5	166	167	-1
Asset Class 6 (at market value)	38	30	8
	<u>38</u>	<u>30</u>	<u>8</u>
	\$906	\$1,070	-\$164

Fixed Maturity Acquisitions:

	<u>3Q'12</u>	<u>3Q'11</u>
Amount	\$326	\$134
Yield	4.4%	5.5%
Ratings	BBB+	BBB+
Average Life To:		
First Call	19.0	28.9
Maturity	22.7	29.1