

TORCHMARK CORPORATION
Operating Summary (Unaudited)
(In thousands, except per share amounts)
Prior Year Data Has Been Restated for ASU 2010-26

12 Months Ended			4Q	3Q	2Q	1Q	4Q
12/12	12/11		2012	2012	2012	2012	2011
		UNDERWRITING INCOME					
		Life:					
\$1,808,524	\$1,726,244	Premium	\$451,997	\$453,699	\$450,950	\$451,878	\$432,087
-688,128	-660,880	Net Policy Obligations	-169,265	-174,047	-172,541	-172,275	-165,974
-554,589	-527,534	Non-deferred Commissions and Amortization	-139,554	-136,194	-140,056	-138,785	-131,406
-56,331	-76,867	Non-deferred Acquisition Expense	-14,291	-13,164	-14,193	-14,683	-16,956
509,476	460,963	Underwriting Margin	128,887	130,294	124,160	126,135	117,751
		Health:					
730,019	733,783	Premium	203,005	169,513	176,905	180,596	179,217
-432,025	-434,172	Net Policy Obligations	-119,689	-99,831	-104,282	-108,223	-106,535
-122,737	-119,559	Non-deferred Commissions and Amortization	-35,394	-28,058	-29,568	-29,717	-29,052
-11,273	-15,215	Non-deferred Acquisition Expense	-3,421	-2,234	-2,713	-2,905	-3,338
163,984	164,837	Underwriting Margin	44,501	39,390	40,342	39,751	40,292
33,357	24,153	Health - Part D Underwriting Margin	9,983	7,253	8,216	7,905	6,703
3,465	2,345	Annuity Underwriting Margin	759	934	900	872	480
710,282	652,298	Total Underwriting Margin	184,130	177,871	173,618	174,663	165,226
1,898	2,507	Other Income	397	636	456	409	554
-165,405	-159,109	Admin. Expenses	-44,463	-40,515	-39,857	-40,570	-41,313
546,775	495,696	Underwriting Income	140,064	137,992	134,217	134,502	124,467
		EXCESS INVESTMENT INCOME					
715,918	707,041	Net Investment Income	180,593	174,996	180,681	179,648	178,139
-398,976	-370,411	Required Interest on Net Policy Liabilities	-103,474	-100,567	-98,585	-96,350	-94,874
-80,298	-77,644	Interest on Debt	-21,333	-19,777	-19,583	-19,605	-19,461
236,644	258,986	Total Excess Investment Income	55,786	54,652	62,513	63,693	63,804
-8,222	-7,693	Parent Company Expenses	-2,019	-1,993	-2,289	-1,921	-1,531
775,197	746,989	Pre-Tax Operating Income	193,831	190,651	194,441	196,274	186,740
-254,507	-243,569	Income Tax	-63,916	-62,449	-63,835	-64,307	-59,851
\$520,690	\$503,420	Net Operating Income Before Stock Compensation Expense	\$129,915	\$128,202	\$130,606	\$131,967	\$126,889
-14,043	-9,720	Stock Compensation Expense, Net of Tax	-3,287	-3,452	-3,648	-3,656	-2,549
\$506,647	\$493,700	Net Operating Income	\$126,628	\$124,750	\$126,958	\$128,311	\$124,340
\$5.18	\$4.50	Per Share	\$1.33	\$1.29	\$1.30	\$1.27	\$1.21
97,898	109,815	Average Diluted Shares Outstanding	95,523	96,342	97,826	101,260	102,369
		Reconciling items, net of tax:					
\$24,591	\$16,838	Capital Gain (Loss) - Investments	\$13,574	\$4,733	\$3,030	\$3,254	\$3,091
0	-455	Gain (Loss) on Disposal of Discontinued Operations	0	0	0	0	0
0	0	Part D Adjustment	12,299	1,589	-1,000	-12,888	3,794
0	-4,486	State administrative settlement	0	0	0	0	-586
0	-636	Loss on Sale of Equipment	0	0	0	0	0
-1,914	0	FHL Acquisition Expense	-1,514	-400	0	0	0
0	-7,800	Litigation Expense	0	0	0	0	-7,800
\$529,324	\$497,161	Net Income	\$150,987	\$130,672	\$128,988	\$118,677	\$122,839

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	4Q 2012	%	4Q 2011	%	4Q 2012	%	4Q 2011	%	4Q 2012	%	4Q 2011	%	4Q 2012	4Q 2011
LNL Exclusive Agency														
Premium	\$69,171		\$70,748		\$63,455		\$69,068							
Net Policy Obligations	23,926	35	27,823	39	35,738	56	39,676	57						
Non Def Comm. & Amort.	21,780	31	20,623	29	13,353	21	12,592	18						
Non Def Acq. Expenses	<u>3,389</u>	5	<u>4,618</u>	7	<u>1,189</u>	2	<u>1,813</u>	3						
Underwriting Margin	20,076	29	17,684	25	13,175	21	14,987	22						
Direct Response														
Premium	153,223		146,150		14,282		14,185							
Net Policy Obligations	72,065	47	66,736	46	11,167	78	10,883	77						
Non Def Comm. & Amort.	41,352	27	41,164	28	699	5	724	5						
Non Def Acq. Expenses	<u>5,357</u>	3	<u>5,766</u>	4	<u>-56</u>	0	<u>5</u>	0						
Underwriting Margin	34,449	22	32,484	22	2,472	17	2,573	18						
American Income Agency														
Premium	171,315		156,860		19,977		20,176							
Net Policy Obligations	51,666	30	49,681	32	6,925	35	8,559	42						
Non Def Comm. & Amort.	57,820	34	51,925	33	4,201	21	4,319	21						
Non Def Acq. Expenses	<u>5,045</u>	3	<u>6,455</u>	4	<u>256</u>	1	<u>266</u>	1						
Underwriting Margin	56,784	33	48,799	31	8,595	43	7,032	35						
Family Heritage Life														
Premium	130		0		30,119		0							
Net Policy Obligations	69	53	0		17,910	59	0							
Non Def Comm. & Amort.	39	30	0		5,936	20	0							
Non Def Acq. Expenses	<u>3</u>	2	<u>0</u>		<u>824</u>	3	<u>0</u>							
Underwriting Margin	19	15	0		5,449	18	0							
Part D														
Premium								\$83,953				\$48,469		
Net Policy Obligations								68,323	81			38,712	80	
Net Amortization of DAC								750	1			696	1	
Non Def Acq. Expenses								153	0			0	0	
Fees to PBM								<u>4,744</u>	6			<u>2,358</u>	5	
Underwriting Margin								9,983	12			6,703	14	
Other Distribution														
Premium	58,158		58,329		75,172		75,788						\$119	\$170
Net Policy Obligations	21,539	37	21,734	37	47,949	64	47,417	63					-3,479	-3,988
Non Def Comm. & Amort.	18,563	32	17,694	30	11,205	15	11,417	15					2,839	3,678
Non Def Acq. Expenses	<u>497</u>	1	<u>117</u>	0	<u>1,208</u>	2	<u>1,254</u>	2					<u>0</u>	<u>0</u>
Underwriting Margin	17,559	30	18,784	32	14,810	20	15,700	21					759	480
Totals:														
Premium	\$451,997		\$432,087		\$203,005		\$179,217		\$83,953		\$48,469		\$119	\$170
Net Policy Obligations	169,265	37	165,974	38	119,689	59	106,535	59	68,323	81	38,712	80	-3,479	-3,988
Non Def Comm. & Amort.	139,554	31	131,406	30	35,394	17	29,052	16	5,494	7	3,054	6	2,839	3,678
Non Def Acq. Expenses	<u>14,291</u>	3	<u>16,956</u>	4	<u>3,421</u>	2	<u>3,338</u>	2	<u>153</u>	0	<u>0</u>	0	<u>0</u>	<u>0</u>
Underwriting Margin	\$128,887	29	\$117,751	27	\$44,501	22	\$40,292	22	\$9,983	12	\$6,703	14	\$759	\$480
TOTAL UNDERWRITING MARGINS, ALL LINES					\$184,130		\$165,226							
Other Income					397		554							
Administrative & Other Expenses					<u>-44,463</u>		<u>-41,313</u>							
INSURANCE UNDERWRITING INCOME					<u>\$140,064</u>		<u>\$124,467</u>							

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 12/12	%	YTD 12/11	%	YTD 12/12	%	YTD 12/11	%	YTD 12/12	%	YTD 12/11	%	YTD 12/12	YTD 12/11
LNL Exclusive Agency														
Premium	\$281,723		\$288,308		\$263,535		\$290,107							
Net Policy Obligations	108,629	39	114,795	40	150,797	57	167,456	58						
Non Def Comm. & Amort.	84,542	30	83,314	29	52,638	20	52,262	18						
Non Def Acq. Expenses	14,428	5	27,952	10	4,809	2	8,833	3						
Underwriting Margin	74,124	26	62,247	22	55,291	21	61,556	21						
Direct Response														
Premium	630,111		593,650		57,966		57,067							
Net Policy Obligations	291,529	46	271,324	46	44,905	77	43,779	77						
Non Def Comm. & Amort.	172,905	27	164,969	28	2,879	5	2,980	5						
Non Def Acq. Expenses	20,943	3	20,359	3	56	0	36	0						
Underwriting Margin	144,734	23	136,998	23	10,126	17	10,272	18						
American Income Agency														
Premium	663,696		607,914		79,640		80,119							
Net Policy Obligations	203,074	31	187,096	31	27,911	35	29,463	37						
Non Def Comm. & Amort.	221,907	33	202,411	33	17,136	22	17,685	22						
Non Def Acq. Expenses	19,385	3	28,027	5	1,020	1	2,176	3						
Underwriting Margin	219,330	33	190,380	31	33,573	42	30,795	38						
Family Heritage Life														
Premium	130		0		30,119		0							
Net Policy Obligations	69	53	0		17,910	59	0							
Non Def Comm. & Amort.	39	30	0		5,936	20	0							
Non Def Acq. Expenses	3	2	0		824	3	0							
Underwriting Margin	19	15	0		5,449	18	0							
Part D														
Premium									\$317,764		\$196,710			
Net Policy Obligations									266,957	84	161,946	82		
Net Amortization of DAC									2,952	1	2,813	1		
Non Def Acq. Expenses									425	0	0	0		
Fees to PBM									14,073	4	7,798	4		
Underwriting Margin									33,357	10	24,153	12		
Other Distribution														
Premium	232,864		236,372		298,759		306,490						\$559	\$608
Net Policy Obligations	84,827	36	87,665	37	190,502	64	193,474	63					-15,172	-14,493
Non Def Comm. & Amort.	75,196	32	76,840	33	44,148	15	46,632	15					12,266	12,756
Non Def Acq. Expenses	1,572	1	529	0	4,564	2	4,170	1					0	0
Underwriting Margin	71,269	31	71,338	30	59,545	20	62,214	20					3,465	2,345
Totals:														
Premium	\$1,808,524		\$1,726,244		\$730,019		\$733,783		\$317,764		\$196,710		\$559	\$608
Net Policy Obligations	688,128	38	660,880	38	432,025	59	434,172	59	266,957	84	161,946	82	-15,172	-14,493
Non Def Comm. & Amort.	554,589	31	527,534	31	122,737	17	119,559	16	17,025	5	10,611	5	12,266	12,756
Non Def Acq. Expenses	56,331	3	76,867	4	11,273	2	15,215	2	425	0	0	0	0	0
Underwriting Margin	\$509,476	28	\$460,963	27	\$163,984	22	\$164,837	22	\$33,357	10	\$24,153	12	\$3,465	\$2,345
TOTAL UNDERWRITING MARGINS, ALL LINES					\$710,282		\$652,298							
Other Income					1,898		2,507							
Administrative & Other Expenses					-165,405		-159,109							
INSURANCE UNDERWRITING INCOME					<u>\$546,775</u>		<u>\$495,696</u>							

TORCHMARK CORPORATION

Net Sales and First Year Collected Premium (Unaudited)

(In thousands)

NET SALES *

	<u>YTD</u> <u>12/12</u>	<u>YTD</u> <u>12/11</u>	<u>% Incr</u> <u>(Decr)</u>	<u>4th Qtr.</u> <u>2012</u>	<u>4th Qtr.</u> <u>2011</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Direct Response	\$140,928	\$136,663	3	\$31,873	\$33,166	-4
American Income Agency	158,609	141,793	12	39,560	36,520	8
LNL Exclusive Agency **	32,296	36,338	-11	8,553	8,333	3
Other Distribution	11,331	10,404	9	2,976	2,620	14
Total Life	<u>343,164</u>	<u>325,198</u>	<u>6</u>	<u>82,962</u>	<u>80,639</u>	<u>3</u>
<u>HEALTH</u>						
Direct Response	4,603	4,991	-8	702	968	-27
American Income Agency	8,695	9,572	-9	2,128	2,202	-3
LNL Exclusive Agency **	15,092	16,847	-10	4,205	4,774	-12
UA Independent	42,207	32,649	29	20,851	13,209	58
Family Heritage	7,441	0	-	7,441	0	-
Total Health	<u>78,038</u>	<u>64,059</u>	<u>22</u>	<u>35,327</u>	<u>21,153</u>	<u>67</u>
Part D	114,489	115,122	-1	45,564	97,151	-53
TOTAL NET SALES	\$535,691	\$504,379	6	\$163,853	\$198,943	-18

* 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>12/12</u>	<u>YTD</u> <u>12/11</u>	<u>% Incr</u> <u>(Decr)</u>	<u>4th Qtr.</u> <u>2012</u>	<u>4th Qtr.</u> <u>2011</u>	<u>% Incr</u> <u>(Decr)</u>
<u>LIFE</u>						
Direct Response	\$93,374	\$88,962	5	\$21,619	\$21,467	1
American Income Agency	126,223	113,151	12	32,192	29,179	10
LNL Exclusive Agency **	26,533	31,296	-15	6,379	7,210	-12
Other Distribution	9,660	9,413	3	2,524	2,260	12
Total Life	<u>255,790</u>	<u>242,822</u>	<u>5</u>	<u>62,714</u>	<u>60,116</u>	<u>4</u>
<u>HEALTH</u>						
Direct Response	4,337	4,781	-9	1,058	1,095	-3
American Income Agency	10,364	11,652	-11	2,551	2,742	-7
LNL Exclusive Agency **	14,232	12,576	13	3,382	3,712	-9
UA Independent	34,014	29,575	15	10,415	8,475	23
Family Heritage	5,710	0	-	5,710	0	-
Total Health	<u>68,657</u>	<u>58,584</u>	<u>17</u>	<u>23,116</u>	<u>16,024</u>	<u>44</u>
Part D	153,509	26,823	472	44,248	6,783	552
TOTAL FIRST YEAR COLLECTED PREMIUM	\$477,956	\$328,229	46	\$130,078	\$82,923	57

** 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 December 31,	
	2012	2011
Assets		
Investments:		
Fixed maturities available for sale *	\$13,541,193	\$11,888,205
Equity securities available for sale	15,567	17,056
Mortgage loans	514	551
Real estate	2,816	3,165
Policy loans	424,050	400,914
Other long-term investments	15,209	22,451
Short-term investments	94,860	21,244
Total investments	14,094,209	12,353,586
Cash	61,710	84,113
Accrued investment income	195,497	192,325
Other receivables	383,709	253,549
Deferred acquisition costs	2,991,465	2,878,897
Value of insurance purchased	206,966	37,835
Property and equipment	46,710	47,845
Goodwill	441,591	396,891
Other assets	355,053	343,231
Total assets	\$18,776,910	\$16,588,272
Liabilities and Shareholders' Equity		
Liabilities:		
Future policy benefits	\$10,706,219	\$9,572,257
Unearned and advance premium	76,088	69,539
Policy claims and other benefits payable	228,470	222,254
Other policy liabilities	93,288	92,487
Current and deferred income taxes	1,609,828	1,319,853
Short-term debt	319,043	224,842
Long-term debt	989,686	914,282
Other liabilities	392,502	313,127
Total liabilities	14,415,124	12,728,641
Shareholders' equity:		
Preferred stock	0	0
Common stock	105,812	112,312
Additional paid-in-capital	439,782	425,331
Unrealized investment gains (losses), net of tax	925,275	549,916
Retained earnings	3,403,338	3,264,711
Treasury stock, at cost	-512,421	-492,639
Total shareholders' equity	4,361,786	3,859,631
Total liabilities and shareholders' equity	\$18,776,910	\$16,588,272
Diluted Basis:		
Shares outstanding	95,138	101,808
Book value per common share	\$45.85	\$37.91
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$35.24	\$31.96
* Amortized cost of fixed maturities	\$11,963,406	\$10,924,244

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
December 31, 2012

Investment Portfolio at 12/31/12

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$11,963	96%	77%
Equities	15	0%	2%
Mortgage loans	1	0%	10%
Investment real estate	3	0%	0%
Policy loans	424	3%	4%
Other long-term investments	15	0%	4%
Short-term investments	95	1%	3%
Total	\$12,516	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 12/31/12

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$11,379	\$12,994	\$1,615	A-	95%
Below Investment Grade	585	547	-37	B+	5%
Total	\$11,963	\$13,541	\$1,578	A-	

By Type

Corporates	\$9,309	\$10,697	\$1,388	BBB+	78%
Redeemable preferred stock:					
U.S.	655	685	29	BBB-	5%
Foreign	80	84	4	BBB-	1%
Municipals	1,284	1,457	173	AA	11%
Government-sponsored enterprises	392	389	-3	AAA	3%
Government & Agencies	130	131	1	AAA	1%
Residential mortgage-backed securities	13	13	1	AAA	0%
CDO's	65	47	-18	C+	1%
Other asset-backed securities	35	38	3	A-	0%
Total	\$11,963	\$13,541	\$1,578	A-	

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
December 31, 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	\$1,831	\$2,030	\$199	BBB+	15%
Financial - Bank	841	904	63	BBB+	7%
Financial - Financial Guarantor	16	16	0	A-	0%
Financial - Insurance Brokers	46	54	7	BBB-	0%
Financial - Other	502	572	69	BBB+	4%
Utilities	2,031	2,371	340	BBB+	17%
Energy	1,305	1,540	235	BBB	11%
Consumer, Non-cyclical	680	796	116	BBB+	6%
Consumer, Cyclical	375	425	49	BBB	3%
Communications	479	558	78	BBB+	4%
Basic Materials	797	922	126	BBB+	7%
Transportation	473	543	70	BBB+	4%
Technology	66	80	14	BBB+	1%
Other Industrials	637	694	57	BBB	5%
ABS - CDO	65	47	-18	C+	1%
MBS	13	13	1	AAA	0%
Government	1,806	1,977	171	AA+	15%
Total	\$11,963	\$13,541	\$1,578	A-	

<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	\$491	\$1,159	\$59	\$1,831
Financial - Bank		167	302	214	158	841
Financial - Financial Guarantor			16			16
Financial - Insurance Brokers				46		46
Financial - Other		114	78	308	3	502
Utilities		37	874	1,079	40	2,031
Energy		12	198	1,094	0	1,305
Consumer, Non-cyclical	11	32	255	363	19	680
Consumer, Cyclical		15	58	228	75	375
Communications			279	155	45	479
Basic Materials		17	124	589	67	797
Transportation		7	47	420		473
Technology			31	32	3	66
Other Industrials			222	364	51	637
ABS - CDO					65	65
MBS	13					13
Government	844	803	157	2		1,806
Total \$	\$868	\$1,325	\$3,132	\$6,054	\$585	\$11,963
% of Total	7%	11%	26%	51%	5%	100%

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

December 31, 2012

<u>Below Investment Grade Bonds by Sector</u>	<u>12/31/12</u>	<u>9/30/12</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$59	\$59	\$0
Financial - Bank	158	221	-63
Financial - Financial Guarantor	0	0	0
Financial - Mortgage Insurer	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	3	3	0
Utilities	40	47	-7
Energy	0	12	-12
Consumer, Non-cyclical	19	15	4
Consumer, Cyclical	75	75	0
Communications	45	53	-8
Basic Materials	67	84	-17
Transportation	0	0	0
Technology	3	3	0
Other Industrials	51	51	0
ABS - CDO	65	64	1
MBS	0	0	0
Government	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
 Total	 \$585	 \$685	 -\$100

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>12/31/12</u>	<u>9/30/12</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$466	\$437	\$29
Asset Class 4	172	265	-93
Asset Class 5	166	166	0
Asset Class 6 (at market value)	47	38	9
	<u>47</u>	<u>38</u>	<u>9</u>
	\$851	\$906	-\$55

Fixed Maturity Acquisitions:

	<u>4Q'12</u>	<u>4Q'11</u>
Amount	\$729	\$273
Yield	4.0%	5.2%
Ratings	BBB+	A-
Average Life To:		
First Call	27.0	28.1
Maturity	27.4	28.3