

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

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/13	6/12		2013	2013	2012	2012	2012
		UNDERWRITING INCOME					
		Life:					
\$945,923	\$902,828	Premium	\$475,110	\$470,813	\$451,997	\$453,699	\$450,950
-364,634	-344,816	Net Policy Obligations	-184,509	-180,125	-169,265	-174,047	-172,541
-286,786	-278,841	Non-deferred Commissions and Amortization	-144,022	-142,764	-139,554	-136,194	-140,056
-25,663	-28,876	Non-deferred Acquisition Expense	-10,849	-14,814	-14,291	-13,164	-14,193
268,840	250,295	Underwriting Margin	135,730	133,110	128,887	130,294	124,160
		Health:					
439,751	357,501	Premium	218,224	221,527	203,005	169,513	176,905
-254,480	-212,505	Net Policy Obligations	-125,504	-128,976	-119,689	-99,831	-104,282
-77,046	-59,285	Non-deferred Commissions and Amortization	-38,451	-38,595	-35,394	-28,058	-29,568
-8,101	-5,618	Non-deferred Acquisition Expense	-4,016	-4,085	-3,421	-2,234	-2,713
100,124	80,093	Underwriting Margin	50,253	49,871	44,501	39,390	40,342
16,236	16,121	Health - Part D Underwriting Margin	8,165	8,071	9,983	7,253	8,216
1,996	1,772	Annuity Underwriting Margin	1,024	972	759	934	900
387,196	348,281	Total Underwriting Margin	195,172	192,024	184,130	177,871	173,618
1,227	865	Other Income	683	544	397	636	456
-88,062	-80,427	Admin. Expenses	-44,127	-43,935	-44,463	-40,515	-39,857
300,361	268,719	Underwriting Income	151,728	148,633	140,064	137,992	134,217
		EXCESS INVESTMENT INCOME					
367,204	360,329	Net Investment Income	184,164	183,040	180,593	174,996	180,681
-215,030	-194,935	Required Interest on Net Policy Liabilities	-108,458	-106,572	-103,474	-100,567	-98,585
-41,705	-39,188	Interest on Debt	-20,828	-20,877	-21,333	-19,777	-19,583
110,469	126,206	Total Excess Investment Income	54,878	55,591	55,786	54,652	62,513
-4,927	-4,210	Parent Company Expenses	-2,807	-2,120	-2,019	-1,993	-2,289
405,903	390,715	Pre-Tax Operating Income	203,799	202,104	193,831	190,651	194,441
-133,167	-128,142	Income Tax	-66,769	-66,398	-63,916	-62,449	-63,835
\$272,736	\$262,573	Net Operating Income Before Stock Compensation Expense	\$137,030	\$135,706	\$129,915	\$128,202	\$130,606
-8,421	-7,304	Stock Compensation Expense, Net of Tax	-4,357	-4,064	-3,287	-3,452	-3,648
\$264,315	\$255,269	Net Operating Income	\$132,673	\$131,642	\$126,628	\$124,750	\$126,958
\$2.81	\$2.56	Per Share	\$1.42	\$1.39	\$1.33	\$1.29	\$1.30
94,044	99,683	Average Diluted Shares Outstanding	93,297	94,570	95,523	96,342	97,826
		Reconciling items, net of tax:					
\$76	\$6,284	Capital Gain (Loss) - Investments	\$3,844	-\$3,768	\$13,574	\$4,733	\$3,030
-9,782	-13,888	Part D Adjustment	-1,540	-8,242	12,299	1,589	-1,000
-751	0	New York Guaranty Fund Assessment	-751	0	0	0	0
0	0	FHL Acquisition Expense	0	0	-1,514	-400	0
-325	0	Litigation Expense	-325	0	0	0	0
\$253,533	\$247,665	Net Income	\$133,901	\$119,632	\$150,987	\$130,672	\$128,988

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	2Q 2013	%	2Q 2012	%	2Q 2013	%	2Q 2012	%	2Q 2013	%	2Q 2012	%	2Q 2013	2Q 2012
LNL Exclusive Agency														
Premium	\$69,433		\$70,912		\$61,475		\$66,661							
Net Policy Obligations	27,792	40	28,691	40	33,541	55	37,885	57						
Non Def Comm. & Amort.	20,734	30	20,863	29	12,523	20	13,303	20						
Non Def Acq. Expenses	3,484	5	3,830	5	1,077	2	1,203	2						
Underwriting Margin	17,423	25	17,528	25	14,334	23	14,270	21						
Direct Response														
Premium	169,191		157,672		13,273		14,637							
Net Policy Obligations	78,575	46	72,711	46	10,293	78	11,222	77						
Non Def Comm. & Amort.	45,630	27	44,628	28	739	6	733	5						
Non Def Acq. Expenses	1,618	1	5,261	3	0	0	17	0						
Underwriting Margin	43,368	26	35,072	22	2,241	17	2,665	18						
American Income Agency														
Premium	178,377		164,379		19,644		19,796							
Net Policy Obligations	57,222	32	50,005	30	5,565	28	6,694	34						
Non Def Comm. & Amort.	59,230	33	55,620	34	4,116	21	4,308	22						
Non Def Acq. Expenses	5,252	3	4,693	3	273	1	308	2						
Underwriting Margin	56,673	32	54,061	33	9,690	49	8,486	43						
Family Heritage Life														
Premium	246		0		47,517		0							
Net Policy Obligations	153	62	0		27,537	58	0							
Non Def Comm. & Amort.	53	22	0		9,663	20	0							
Non Def Acq. Expenses	7	3	0		1,276	3	0							
Underwriting Margin	33	13	0		9,041	19	0							
Part D														
Premium									\$73,089		\$78,114			
Net Policy Obligations									60,884	83	66,317	85		
Net Amortization of DAC									877	1	379	0		
Non Def Acq. Expenses									37	0	77	0		
Fees to PBM									3,126	4	3,125	4		
Underwriting Margin									8,165	11	8,216	11		
Other Distribution														
Premium	57,863		57,987		76,315		75,811						\$157	\$126
Net Policy Obligations	20,767	36	21,134	36	48,568	64	48,481	64					-3,857	-4,088
Non Def Comm. & Amort.	18,375	32	18,945	33	11,410	15	11,224	15					2,990	3,314
Non Def Acq. Expenses	488	1	409	1	1,390	2	1,185	2					0	0
Underwriting Margin	18,233	32	17,499	30	14,947	20	14,921	20					1,024	900
Totals:														
Premium	\$475,110		\$450,950		\$218,224		\$176,905		\$73,089		\$78,114		\$157	\$126
Net Policy Obligations	184,509	39	172,541	38	125,504	58	104,282	59	60,884	83	66,317	85	-3,857	-4,088
Non Def Comm. & Amort.	144,022	30	140,056	31	38,451	18	29,568	17	4,003	5	3,504	4	2,990	3,314
Non Def Acq. Expenses	10,849	2	14,193	3	4,016	2	2,713	2	37	0	77	0	0	0
Underwriting Margin	\$135,730	29	\$124,160	28	\$50,253	23	\$40,342	23	\$8,165	11	\$8,216	11	\$1,024	\$900
TOTAL UNDERWRITING MARGINS, ALL LINES					\$195,172		\$173,618							
Other Income					683		456							
Administrative & Other Expenses					-44,127		-39,857							
INSURANCE UNDERWRITING INCOME					<u>\$151,728</u>		<u>\$134,217</u>							

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 6/13	%	YTD 6/12	%	YTD 6/13	%	YTD 6/12	%	YTD 6/13	%	YTD 6/12	%	YTD 6/13	YTD 6/12
LNL Exclusive Agency														
Premium	\$139,436		\$142,441		\$124,927		\$136,232							
Net Policy Obligations	54,233	39	57,957	41	68,721	55	78,504	58						
Non Def Comm. & Amort.	41,529	30	41,756	29	25,164	20	26,802	20						
Non Def Acq. Expenses	6,935	5	7,659	5	2,271	2	2,521	2						
Underwriting Margin	36,739	26	35,069	25	28,771	23	28,405	21						
Direct Response														
Premium	337,328		318,954		27,679		29,226							
Net Policy Obligations	156,166	46	145,456	46	21,464	78	22,583	77						
Non Def Comm. & Amort.	91,442	27	89,283	28	1,463	5	1,470	5						
Non Def Acq. Expenses	7,466	2	10,683	3	3	0	38	0						
Underwriting Margin	82,254	24	73,532	23	4,749	17	5,135	18						
American Income Agency														
Premium	352,634		324,884		39,610		39,679							
Net Policy Obligations	112,519	32	99,334	31	12,516	32	14,157	36						
Non Def Comm. & Amort.	117,072	33	109,509	34	8,275	21	8,667	22						
Non Def Acq. Expenses	10,352	3	9,826	3	536	1	646	2						
Underwriting Margin	112,691	32	106,215	33	18,283	46	16,209	41						
Family Heritage Life														
Premium	468		0		93,680		0							
Net Policy Obligations	279	60	0		53,570	57	0							
Non Def Comm. & Amort.	114	24	0		19,401	21	0							
Non Def Acq. Expenses	13	3	0		2,517	3	0							
Underwriting Margin	62	13	0		18,192	19	0							
Part D														
Premium									\$149,809		\$152,175			
Net Policy Obligations									125,191	84	128,284	84		
Net Amortization of DAC									1,592	1	1,436	1		
Non Def Acq. Expenses									266	0	247	0		
Fees to PBM									6,524	4	6,087	4		
Underwriting Margin									16,236	11	16,121	11		
Other Distribution														
Premium	116,057		116,549		153,855		152,364						\$287	\$279
Net Policy Obligations	41,437	36	42,069	36	98,209	64	97,261	64					-7,581	-7,913
Non Def Comm. & Amort.	36,629	32	38,293	33	22,743	15	22,346	15					5,872	6,420
Non Def Acq. Expenses	897	1	708	1	2,774	2	2,413	2					0	0
Underwriting Margin	37,094	32	35,479	30	30,129	20	30,344	20					1,996	1,772
Totals:														
Premium	\$945,923		\$902,828		\$439,751		\$357,501		\$149,809		\$152,175		\$287	\$279
Net Policy Obligations	364,634	39	344,816	38	254,480	58	212,505	59	125,191	84	128,284	84	-7,581	-7,913
Non Def Comm. & Amort.	286,786	30	278,841	31	77,046	18	59,285	17	8,116	5	7,523	5	5,872	6,420
Non Def Acq. Expenses	25,663	3	28,876	3	8,101	2	5,618	2	266	0	247	0	0	0
Underwriting Margin	\$268,840	28	\$250,295	28	\$100,124	23	\$80,093	22	\$16,236	11	\$16,121	11	\$1,996	\$1,772
TOTAL UNDERWRITING MARGINS, ALL LINES					\$387,196		\$348,281							
Other Income					1,227		865							
Administrative & Other Expenses					-88,062		-80,427							
INSURANCE UNDERWRITING INCOME					<u>\$300,361</u>		<u>\$268,719</u>							

TORCHMARK CORPORATION

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

NET SALES *

	YTD 6/13	YTD 6/12	% Incr (Decr)	2nd Qtr. 2013	2nd Qtr. 2012	% Incr (Decr)
<u>LIFE</u>						
Direct Response	\$76,781	\$77,623	-1	\$39,527	\$38,255	3
American Income Agency	78,380	78,467	0	40,773	39,878	2
LNL Exclusive Agency **	15,314	15,446	-1	8,187	8,045	2
Other Distribution	5,596	5,546	1	2,659	2,776	-4
Total Life	<u>176,071</u>	<u>177,082</u>	<u>-1</u>	<u>91,146</u>	<u>88,954</u>	<u>2</u>
<u>HEALTH</u>						
Direct Response	2,513	2,827	-11	998	1,243	-20
American Income Agency	3,463	4,432	-22	1,749	2,247	-22
LNL Exclusive Agency **	6,515	7,131	-9	3,495	3,674	-5
UA Independent	13,180	13,428	-2	6,545	5,591	17
Family Heritage	21,939	0	-	11,216	0	-
Total Health	<u>47,610</u>	<u>27,818</u>	<u>71</u>	<u>24,003</u>	<u>12,755</u>	<u>88</u>
Part D	16,940	47,255	-64	8,137	22,179	-63
TOTAL NET SALES	\$240,621	\$252,155	-5	\$123,286	\$123,888	0

* 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

	YTD 6/13	YTD 6/12	% Incr (Decr)	2nd Qtr. 2013	2nd Qtr. 2012	% Incr (Decr)
<u>LIFE</u>						
Direct Response	\$47,892	\$48,749	-2	\$23,994	\$23,794	1
American Income Agency	64,654	62,068	4	32,622	31,627	3
LNL Exclusive Agency **	13,134	13,694	-4	6,515	6,749	-3
Other Distribution	5,258	4,749	11	2,621	2,353	11
Total Life	<u>130,938</u>	<u>129,260</u>	<u>1</u>	<u>65,752</u>	<u>64,523</u>	<u>2</u>
<u>HEALTH</u>						
Direct Response	1,966	2,212	-11	948	1,089	-13
American Income Agency	4,371	4,990	-12	2,157	2,508	-14
LNL Exclusive Agency **	6,526	7,488	-13	3,170	3,818	-17
UA Independent	18,258	14,869	23	10,083	8,052	25
Family Heritage	18,384	0	-	9,227	0	-
Total Health	<u>49,505</u>	<u>29,559</u>	<u>67</u>	<u>25,585</u>	<u>15,467</u>	<u>65</u>
Part D	38,178	66,902	-43	17,498	35,392	-51
TOTAL FIRST YEAR COLLECTED PREMIUM	\$218,621	\$225,721	-3	\$108,835	\$115,382	-6

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

TORCHMARK CORPORATION
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In thousands, except per share amounts)

	At June 30,	
	2013	2012
Assets		
Investments:		
Fixed maturities available for sale *	\$12,862,567	\$12,308,684
Equity securities available for sale	1,587	16,820
Mortgage loans	495	533
Real estate	403	3,165
Policy loans	433,331	410,801
Other long-term investments	14,413	21,812
Short-term investments	103,012	109,541
Total investments	13,415,808	12,871,356
Cash	44,937	70,666
Accrued investment income	196,521	193,445
Other receivables	388,745	308,585
Deferred acquisition costs	3,060,961	2,931,075
Value of insurance purchased	201,982	35,197
Property and equipment	45,794	47,054
Goodwill	441,591	396,891
Other assets	344,934	330,734
Total assets	\$18,141,273	\$17,185,003
Liabilities and Shareholders' Equity		
Liabilities:		
Future policy benefits	\$10,967,788	\$9,820,893
Unearned and advance premium	79,333	71,734
Policy claims and other benefits payable	228,545	221,652
Other policy liabilities	94,269	92,984
Current and deferred income taxes	1,300,023	1,460,827
Short-term debt	348,910	319,829
Long-term debt	990,270	914,777
Other liabilities	309,849	284,646
Total liabilities	14,318,987	13,187,342
Shareholders' equity:		
Preferred stock	0	0
Common stock	105,812	112,312
Additional paid-in-capital	460,235	443,630
Unrealized investment gains (losses), net of tax	333,900	734,379
Retained earnings	3,613,315	3,462,272
Treasury stock, at cost	-690,976	-754,932
Total shareholders' equity	3,822,286	3,997,661
Total liabilities and shareholders' equity	\$18,141,273	\$17,185,003
Diluted Basis:		
Shares outstanding	92,801	96,597
Book value per common share	\$41.19	\$41.38
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$36.73	\$33.26
 * Amortized cost of fixed maturities	 \$12,210,939	 \$11,075,086

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

June 30, 2013

Investment Portfolio at 6/30/13	<u>Amort. Cost</u>	<u>% of Total</u>	<u>Industry *</u>
Fixed maturities	\$12,211	96%	77%
Equities	1	0%	2%
Mortgage loans	0	0%	10%
Policy loans	433	3%	4%
Other long-term investments	14	0%	4%
Short-term investments	<u>103</u>	<u>1%</u>	<u>3%</u>
 Total	 \$12,763	 100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 6/30/13

Summary

	<u>Amort. Cost</u>	<u>Market Value</u>	<u>Net Unreal. Gain (Loss)</u>	<u>Average Rating</u>	<u>% of Total Amort. Cost</u>
Investment Grade	\$11,626	\$12,331	\$705	A-	95%
Below Investment Grade	<u>585</u>	<u>532</u>	<u>-53</u>	B+	5%
 Total	 \$12,211	 \$12,863	 \$652	 A-	

By Type

Corporates	\$9,787	\$10,364	\$577	BBB+	80%
Redeemable preferred stock:					
U.S.	488	506	18	BBB-	4%
Foreign	80	84	4	BBB-	1%
Municipals	1,273	1,379	107	AA	10%
Government-sponsored enterprises	352	312	-39	AAA	3%
Government & Agencies	124	121	-3	AAA	1%
Residential mortgage-backed securities	9	9	0	AAA	0%
CDO's	67	52	-15	C+	1%
Other asset-backed securities	<u>32</u>	<u>34</u>	<u>3</u>	A-	0%
 Total	 \$12,211	 \$12,863	 \$652	 A-	

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

June 30, 2013

<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	\$1,778	\$1,920	\$141	BBB+	15%
Financial - Bank	690	716	26	A-	6%
Financial - Financial Guarantor	16	16	-1	BBB+	0%
Financial - Insurance Brokers	46	52	6	BBB-	0%
Financial - Other	506	537	31	BBB+	4%
Utilities	2,199	2,360	161	BBB+	18%
Energy	1,339	1,433	94	BBB+	11%
Consumer, Non-cyclical	761	804	43	BBB+	6%
Consumer, Cyclical	376	395	18	BBB	3%
Communications	478	511	33	BBB+	4%
Basic Materials	858	880	22	BBB+	7%
Transportation	551	568	17	BBB+	5%
Technology	44	50	6	BBB+	0%
Other Industrials	744	747	3	BBB+	6%
ABS - CDO	67	52	-15	C+	1%
MBS	9	9	0	AAA	0%
Government	1,748	1,812	65	AA+	14%
Total	\$12,211	\$12,863	\$652	A-	

By Sector by Rating: Amortized Cost

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BIG</u>	<u>Total</u>
Financial - Life/Health/PC Insurance		\$123	\$495	\$1,102	\$59	\$1,778
Financial - Bank		138	257	182	113	690
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers				46		46
Financial - Other		113	81	234	78	506
Utilities		17	993	1,156	32	2,199
Energy		45	197	1,098		1,339
Consumer, Non-cyclical	11	32	251	435	34	761
Consumer, Cyclical			71	231	75	376
Communications			300	133	45	478
Basic Materials		17	200	613	29	858
Transportation		6	53	491		551
Technology			9	32	3	44
Other Industrials			287	406	51	744
ABS - CDO					67	67
MBS	9					9
Government	793	769	185	1		1,748
Total \$	\$813	\$1,260	\$3,375	\$6,177	\$585	\$12,211
% of Total	7%	10%	28%	50%	5%	100%

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

June 30, 2013

<u>Below Investment Grade Bonds by Sector</u>	<u>6/30/13</u>	<u>3/31/13</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$59	\$59	\$0
Financial - Bank	113	158	-45
Financial - Financial Guarantor	0	0	0
Financial - Mortgage Insurer	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	78	3	75
Utilities	32	32	0
Energy	0	0	0
Consumer, Non-cyclical	34	14	19
Consumer, Cyclical	75	75	0
Communications	45	45	0
Basic Materials	29	67	-38
Transportation	0	0	0
Technology	3	3	0
Other Industrials	51	51	0
ABS - CDO	67	65	2
MBS	0	0	0
Government	0	0	0
Total	\$585	\$573	\$13

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>6/30/13</u>	<u>3/31/13</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$431	\$425	\$6
Asset Class 4	168	168	0
Asset Class 5	150	150	0
Asset Class 6 (at market value)	52	50	2
	\$801	\$793	\$8

Fixed Maturity Acquisitions:

	<u>2Q'13</u>	<u>2Q'12</u>
Amount	\$305	\$197
Yield	4.1%	4.5%
Ratings	A-	BBB+
Average Life To:		
First Call	26.1	26.7
Maturity	26.3	26.9