

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

12 Months Ended			4Q	3Q	2Q	1Q	4Q
12/13	12/12		2013	2013	2013	2013	2012
		UNDERWRITING INCOME					
		Life:					
\$1,885,332	\$1,808,524	Premium	\$468,473	\$470,936	\$475,110	\$470,813	\$451,997
-719,621	-688,128	Net Policy Obligations	-176,863	-178,124	-184,509	-180,125	-169,265
-573,546	-554,589	Non-deferred Commissions and Amortization	-143,767	-142,993	-144,022	-142,764	-139,554
-47,106	-56,331	Non-deferred Acquisition Expense	-10,629	-10,814	-10,849	-14,814	-14,291
545,059	509,476	Underwriting Margin	137,214	139,005	135,730	133,110	128,887
		Health:					
863,818	730,019	Premium	214,900	209,167	218,224	221,527	203,005
-499,124	-432,025	Net Policy Obligations	-123,475	-121,169	-125,504	-128,976	-119,689
-152,182	-122,737	Non-deferred Commissions and Amortization	-37,981	-37,155	-38,451	-38,595	-35,394
-16,005	-11,273	Non-deferred Acquisition Expense	-4,036	-3,868	-4,016	-4,085	-3,421
196,507	163,984	Underwriting Margin	49,408	46,975	50,253	49,871	44,501
35,300	33,357	Health - Part D Underwriting Margin	9,980	9,084	8,165	8,071	9,983
3,939	3,465	Annuity Underwriting Margin	933	1,010	1,024	972	759
780,805	710,282	Total Underwriting Margin	197,535	196,074	195,172	192,024	184,130
2,208	1,898	Other Income	238	743	683	544	397
-178,898	-165,405	Admin. Expenses	-45,818	-45,018	-44,127	-43,935	-44,463
604,115	546,775	Underwriting Income	151,955	151,799	151,728	148,633	140,064
		EXCESS INVESTMENT INCOME					
734,650	715,918	Net Investment Income	184,635	182,811	184,164	183,040	180,593
-435,363	-398,976	Required Interest on Net Policy Liabilities	-110,801	-109,532	-108,458	-106,572	-103,474
-80,461	-80,298	Interest on Debt	-19,080	-19,676	-20,828	-20,877	-21,333
218,826	236,644	Total Excess Investment Income	54,754	53,603	54,878	55,591	55,786
-8,495	-8,222	Parent Company Expenses	-1,761	-1,807	-2,807	-2,120	-2,019
814,446	775,197	Pre-Tax Operating Income	204,948	203,595	203,799	202,104	193,831
-267,112	-254,507	Income Tax	-67,221	-66,724	-66,769	-66,398	-63,916
\$547,334	\$520,690	Net Operating Income Before Stock Compensation Expense	\$137,727	\$136,871	\$137,030	\$135,706	\$129,915
-16,667	-14,043	Stock Compensation Expense, Net of Tax	-4,073	-4,173	-4,357	-4,064	-3,287
\$530,667	\$506,647	Net Operating Income	\$133,654	\$132,698	\$132,673	\$131,642	\$126,628
\$5.70	\$5.18	Per Share	\$1.46	\$1.43	\$1.42	\$1.39	\$1.33
93,043	97,898	Average Diluted Shares Outstanding	91,563	92,673	93,297	94,570	95,523
		Reconciling items, net of tax:					
\$3,965	\$24,591	Capital Gain (Loss) - Investments	\$991	\$2,898	\$3,844	-\$3,768	\$13,574
0	0	Part D Adjustment	8,172	1,610	-1,540	-8,242	12,299
-751	0	New York Guaranty Fund Assessment	0	0	-751	0	0
522	-1,914	FHL Acquisition Adjustments	0	522	0	0	-1,514
-5,931	0	Legal Settlements	0	-5,606	-325	0	0
\$528,472	\$529,324	Net Income	\$142,817	\$132,122	\$133,901	\$119,632	\$150,987

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	4Q 2013	%	4Q 2012	%	4Q 2013	%	4Q 2012	%	4Q 2013	%	4Q 2012	%	4Q 2013	4Q 2012
LNL Exclusive Agency														
Premium	\$67,611		\$69,171		\$58,300		\$63,455							
Net Policy Obligations	25,087	37	23,926	35	32,534	56	35,738	56						
Non Def Comm. & Amort.	20,423	30	21,780	31	11,834	20	13,353	21						
Non Def Acq. Expenses	3,321	5	3,389	5	1,107	2	1,189	2						
Underwriting Margin	18,780	28	20,076	29	12,825	22	13,175	21						
Direct Response														
Premium	162,211		153,223		13,032		14,282							
Net Policy Obligations	75,016	46	72,065	47	10,192	78	11,167	78						
Non Def Comm. & Amort.	44,405	27	41,352	27	704	5	699	5						
Non Def Acq. Expenses	1,629	1	5,357	3	3	0	-56	0						
Underwriting Margin	41,161	25	34,449	22	2,133	16	2,472	17						
American Income Agency														
Premium	182,018		171,315		19,642		19,977							
Net Policy Obligations	57,117	31	51,666	30	5,399	27	6,925	35						
Non Def Comm. & Amort.	60,652	33	57,820	34	4,072	21	4,201	21						
Non Def Acq. Expenses	5,364	3	5,045	3	268	1	256	1						
Underwriting Margin	58,885	32	56,784	33	9,903	50	8,595	43						
Family Heritage Life														
Premium	281		130		49,115		30,119							
Net Policy Obligations	189	67	69	53	27,849	57	17,910	59						
Non Def Comm. & Amort.	53	19	39	30	10,457	21	5,936	20						
Non Def Acq. Expenses	7	2	3	2	1,178	2	824	3						
Underwriting Margin	32	11	19	15	9,631	20	5,449	18						
Part D														
Premium									\$73,229		\$83,953			
Net Policy Obligations									58,680	80	68,323	81		
Net Amortization of DAC									776	1	750	1		
Non Def Acq. Expenses									192	0	153	0		
Fees to PBM									3,601	5	4,744	6		
Underwriting Margin									9,980	14	9,983	12		
Other Distribution														
Premium	56,352		58,158		74,811		75,172						\$131	\$119
Net Policy Obligations	19,454	35	21,539	37	47,501	63	47,949	64					-3,087	-3,479
Non Def Comm. & Amort.	18,234	32	18,563	32	10,914	15	11,205	15					2,285	2,839
Non Def Acq. Expenses	308	1	497	1	1,480	2	1,208	2					0	0
Underwriting Margin	18,356	33	17,559	30	14,916	20	14,810	20					933	759
Totals:														
Premium	\$468,473		\$451,997		\$214,900		\$203,005		\$73,229		\$83,953		\$131	\$119
Net Policy Obligations	176,863	38	169,265	37	123,475	57	119,689	59	58,680	80	68,323	81	-3,087	-3,479
Non Def Comm. & Amort.	143,767	31	139,554	31	37,981	18	35,394	17	4,377	6	5,494	7	2,285	2,839
Non Def Acq. Expenses	10,629	2	14,291	3	4,036	2	3,421	2	192	0	153	0	0	0
Underwriting Margin	\$137,214	29	\$128,887	29	\$49,408	23	\$44,501	22	\$9,980	14	\$9,983	12	\$933	\$759
TOTAL UNDERWRITING MARGINS, ALL LINES					\$197,535		\$184,130							
Other Income					238		397							
Administrative & Other Expenses					-45,818		-44,463							
INSURANCE UNDERWRITING INCOME					<u>\$151,955</u>		<u>\$140,064</u>							

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 12/13	%	YTD 12/12	%	YTD 12/13	%	YTD 12/12	%	YTD 12/13	%	YTD 12/12	%	YTD 12/13	YTD 12/12
LNL Exclusive Agency														
Premium	\$275,980		\$281,723		\$241,264		\$263,535							
Net Policy Obligations	104,428	38	108,629	39	134,177	56	150,797	57						
Non Def Comm. & Amort.	82,835	30	84,542	30	48,833	20	52,638	20						
Non Def Acq. Expenses	13,717	5	14,428	5	4,448	2	4,809	2						
Underwriting Margin	75,000	27	74,124	26	53,806	22	55,291	21						
Direct Response														
Premium	663,544		630,111		53,898		57,966							
Net Policy Obligations	307,879	46	291,529	46	41,801	78	44,905	77						
Non Def Comm. & Amort.	180,003	27	172,905	27	2,906	5	2,879	5						
Non Def Acq. Expenses	10,653	2	20,943	3	9	0	56	0						
Underwriting Margin	165,009	25	144,734	23	9,182	17	10,126	17						
American Income Agency														
Premium	715,366		663,696		79,435		79,640							
Net Policy Obligations	226,902	32	203,074	31	24,337	31	27,911	35						
Non Def Comm. & Amort.	237,266	33	221,907	33	16,429	21	17,136	22						
Non Def Acq. Expenses	20,884	3	19,385	3	1,068	1	1,020	1						
Underwriting Margin	230,314	32	219,330	33	37,601	47	33,573	42						
Family Heritage Life														
Premium	1,006		130		190,923		30,119							
Net Policy Obligations	640	64	69	53	109,259	57	17,910	59						
Non Def Comm. & Amort.	212	21	39	30	39,816	21	5,936	20						
Non Def Acq. Expenses	26	3	3	2	4,831	3	824	3						
Underwriting Margin	128	13	19	15	37,017	19	5,449	18						
Part D														
Premium									\$300,008		\$317,764			
Net Policy Obligations									247,496	82	266,957	84		
Net Amortization of DAC									3,185	1	2,952	1		
Non Def Acq. Expenses									504	0	425	0		
Fees to PBM									13,523	5	14,073	4		
Underwriting Margin									35,300	12	33,357	10		
Other Distribution														
Premium	229,436		232,864		298,298		298,759						\$532	\$559
Net Policy Obligations	79,772	35	84,827	36	189,550	64	190,502	64					-13,992	-15,172
Non Def Comm. & Amort.	73,230	32	75,196	32	44,198	15	44,148	15					10,585	12,266
Non Def Acq. Expenses	1,826	1	1,572	1	5,649	2	4,564	2					0	0
Underwriting Margin	74,608	33	71,269	31	58,901	20	59,545	20					3,939	3,465
Totals:														
Premium	\$1,885,332		\$1,808,524		\$863,818		\$730,019		\$300,008		\$317,764		\$532	\$559
Net Policy Obligations	719,621	38	688,128	38	499,124	58	432,025	59	247,496	82	266,957	84	-13,992	-15,172
Non Def Comm. & Amort.	573,546	30	554,589	31	152,182	18	122,737	17	16,708	6	17,025	5	10,585	12,266
Non Def Acq. Expenses	47,106	2	56,331	3	16,005	2	11,273	2	504	0	425	0	0	0
Underwriting Margin	\$545,059	29	\$509,476	28	\$196,507	23	\$163,984	22	\$35,300	12	\$33,357	10	\$3,939	\$3,465
TOTAL UNDERWRITING MARGINS, ALL LINES					\$780,805		\$710,282							
Other Income					2,208		1,898							
Administrative & Other Expenses					-178,898		-165,405							
INSURANCE UNDERWRITING INCOME					<u>\$604,115</u>		<u>\$546,775</u>							

TORCHMARK CORPORATION

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

NET SALES *

	YTD 12/13	YTD 12/12	% Incr (Decr)	4th Qtr. 2013	4th Qtr. 2012	% Incr (Decr)
<u>LIFE</u>						
Direct Response	\$144,363	\$140,928	2	\$34,373	\$31,873	8
American Income Agency	152,646	158,609	-4	37,624	39,560	-5
LNL Exclusive Agency **	31,050	32,296	-4	8,194	8,553	-4
Other Distribution	11,000	11,331	-3	2,909	2,976	-2
Total Life	<u>339,059</u>	<u>343,164</u>	<u>-1</u>	<u>83,100</u>	<u>82,962</u>	<u>0</u>
<u>HEALTH</u>						
Direct Response	4,276	4,603	-7	746	702	6
American Income Agency	6,985	8,695	-20	1,928	2,128	-9
LNL Exclusive Agency **	14,300	15,092	-5	4,270	4,205	2
UA Independent	41,428	42,207	-2	21,966	20,851	5
Family Heritage	43,520	7,441	485	11,044	7,441	48
Total Health	<u>110,509</u>	<u>78,038</u>	<u>42</u>	<u>39,954</u>	<u>35,327</u>	<u>13</u>
Part D	78,698	114,489	-31	52,583	45,564	15
TOTAL NET SALES	\$528,266	\$535,691	-1	\$175,637	\$163,853	7

* 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 12/13	YTD 12/12	% Incr (Decr)	4th Qtr. 2013	4th Qtr. 2012	% Incr (Decr)
<u>LIFE</u>						
Direct Response	\$93,089	\$93,374	0	\$22,558	\$21,619	4
American Income Agency	127,978	126,223	1	31,449	32,192	-2
LNL Exclusive Agency **	25,580	26,533	-4	6,095	6,379	-4
Other Distribution	9,962	9,660	3	2,354	2,524	-7
Total Life	<u>256,609</u>	<u>255,790</u>	<u>0</u>	<u>62,456</u>	<u>62,714</u>	<u>0</u>
<u>HEALTH</u>						
Direct Response	3,854	4,337	-11	954	1,058	-10
American Income Agency	8,957	10,364	-14	2,029	2,551	-20
LNL Exclusive Agency **	12,568	14,232	-12	2,981	3,382	-12
UA Independent	39,194	34,014	15	10,872	10,415	4
Family Heritage	36,340	5,710	536	8,931	5,710	56
Total Health	<u>100,913</u>	<u>68,657</u>	<u>47</u>	<u>25,767</u>	<u>23,116</u>	<u>11</u>
Part D	66,209	153,509	-57	12,159	44,248	-73
TOTAL FIRST YEAR COLLECTED PREMIUM	\$423,731	\$477,956	-11	\$100,382	\$130,078	-23

** 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 December 31,	
	2013	2012
Assets		
Investments:		
Fixed maturities available for sale *	\$12,879,133	\$13,541,193
Equity securities available for sale	1,884	15,567
Mortgage loans	0	514
Real estate	203	2,816
Policy loans	448,887	424,050
Other long-term investments	13,004	15,209
Short-term investments	76,890	94,860
Total investments	13,420,001	14,094,209
Cash	36,943	61,710
Accrued investment income	200,038	195,497
Other receivables	331,103	383,709
Deferred acquisition costs **	3,337,649	3,198,431
Property and equipment	51,318	46,710
Goodwill	441,591	441,591
Other assets	373,101	355,053
Total assets	\$18,191,744	\$18,776,910
Liabilities and Shareholders' Equity		
Liabilities:		
Future policy benefits	\$11,256,155	\$10,706,219
Unearned and advance premium	74,174	76,088
Policy claims and other benefits payable	223,380	228,470
Other policy liabilities	94,286	93,288
Current and deferred income taxes	1,285,574	1,609,828
Short-term debt	229,070	319,043
Long-term debt	990,865	989,686
Other liabilities	261,898	392,502
Total liabilities	14,415,402	14,415,124
Shareholders' equity:		
Preferred stock	0	0
Common stock	100,812	105,812
Additional paid-in-capital	462,058	439,782
Unrealized investment gains (losses), net of tax	210,981	925,275
Retained earnings	3,545,939	3,403,338
Treasury stock, at cost	-543,448	-512,421
Total shareholders' equity	3,776,342	4,361,786
Total liabilities and shareholders' equity	\$18,191,744	\$18,776,910
Diluted Basis:		
Shares outstanding	91,025	95,138
Book value per common share	\$41.49	\$45.85
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$38.77	\$35.24
* Amortized cost of fixed maturities	\$12,488,875	\$11,963,406

** Includes Value of insurance purchased which was previously shown as a separate line item.

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
December 31, 2013

Investment Portfolio at 12/31/13	<u>Amort. Cost</u>	<u>% of Total</u>	<u>Industry *</u>
Fixed maturities	\$12,489	96%	77%
Equities	1	0%	2%
Mortgage loans	0	0%	10%
Policy loans	449	3%	4%
Other long-term investments	13	0%	4%
Short-term investments	<u>77</u>	<u>1%</u>	<u>3%</u>
 Total	 \$13,029	 100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 12/31/13			Net		%
<u>Summary</u>	<u>Amort. Cost</u>	<u>Market Value</u>	<u>Unreal. Gain (Loss)</u>	<u>Average Rating</u>	<u>Total Amort. Cost</u>
Investment Grade	\$11,923	\$12,356	\$433	A-	95%
Below Investment Grade	<u>566</u>	<u>523</u>	<u>-43</u>	B+	5%
 Total	 \$12,489	 \$12,879	 \$390	 A-	

By Type

Corporates	\$10,134	\$10,536	\$402	BBB+	81%
Redeemable preferred stock:					
U.S.	443	452	9	BBB-	4%
Foreign	60	62	2	BBB-	0%
Municipals	1,278	1,335	57	AA	10%
Government-sponsored enterprises	347	276	-71	AAA	3%
Government & Agencies	122	118	-4	AAA	1%
Residential mortgage-backed securities	8	8	0	AAA	0%
CDO's	66	58	-8	CC-	1%
Other asset-backed securities	<u>31</u>	<u>34</u>	<u>3</u>	A-	0%
 Total	 \$12,489	 \$12,879	 \$390	 A-	

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
December 31, 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	\$1,754	\$1,871	\$117	BBB+	14%
Financial - Bank	693	721	28	A-	6%
Financial - Financial Guarantor	16	15	-1	BBB+	0%
Financial - Insurance Brokers	46	51	5	BBB-	0%
Financial - Other	510	542	32	BBB+	4%
Utilities	2,217	2,305	88	A-	18%
Energy	1,428	1,509	81	BBB+	11%
Consumer, Non-cyclical	802	827	25	BBB+	6%
Consumer, Cyclical	383	393	11	BBB	3%
Communications	497	519	22	BBB+	4%
Basic Materials	986	995	9	BBB+	8%
Transportation	553	555	2	BBB+	4%
Technology	41	47	6	BBB+	0%
Other Industrials	742	734	-8	BBB+	6%
ABS - CDO	66	58	-8	CC-	1%
MBS	8	8	0	AAA	0%
Government	1,747	1,729	-18	AA+	14%
Total	\$12,489	\$12,879	\$390	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	\$437	\$1,136	\$59	\$1,754
Financial - Bank		138	260	182	113	693
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers				46		46
Financial - Other		113	81	238	78	510
Utilities		17	1,202	971	27	2,217
Energy		45	198	1,185		1,428
Consumer, Non-cyclical	11	32	273	453	34	802
Consumer, Cyclical			70	246	67	383
Communications			214	238	45	497
Basic Materials		17	236	704	29	986
Transportation		6	134	412		553
Technology			9	32		41
Other Industrials			285	407	49	742
ABS - CDO					66	66
MBS	8					8
Government	746	814	186	1		1,747
Total \$	\$764	\$1,305	\$3,585	\$6,268	\$566	\$12,489
% of Total	6%	10%	29%	50%	5%	100%

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
December 31, 2013

<u>Below Investment Grade Bonds by Sector</u>	<u>12/31/13</u>	<u>9/30/13</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$59	\$59	\$0
Financial - Bank	113	113	0
Financial - Financial Guarantor	0	0	0
Financial - Mortgage Insurer	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	78	78	0
Utilities	27	37	-10
Energy	0	0	0
Consumer, Non-cyclical	34	34	0
Consumer, Cyclical	67	75	-8
Communications	45	45	0
Basic Materials	29	29	0
Transportation	0	0	0
Technology	0	0	0
Other Industrials	49	49	0
ABS - CDO	66	68	-2
MBS	0	0	0
Government	0	0	0
Total	\$566	\$586	-\$20

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>12/31/13</u>	<u>9/30/13</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$403	\$416	-\$13
Asset Class 4	209	187	22
Asset Class 5	105	127	-22
Asset Class 6 (at market value)	42	53	-11
	\$759	\$783	-\$24

Fixed Maturity Acquisitions:

	<u>4Q'13</u>	<u>4Q'12</u>
Amount	\$319	\$729
Yield	5.4%	4.0%
Ratings	BBB+	BBB+
Average Life To:		
First Call	24.9	27.0
Maturity	25.2	27.4