

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

3 Months Ended			1Q	4Q	3Q	2Q	1Q
3/14	3/13		2014	2013	2013	2013	2013
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$489,058	\$470,813	Premium	\$489,058	\$468,473	\$470,936	\$475,110	\$470,813
-189,665	-180,125	Net Policy Obligations	-189,665	-176,863	-178,124	-184,509	-180,125
-146,769	-142,764	Non-deferred Commissions and Amortization	-146,769	-143,767	-142,993	-144,022	-142,764
-12,005	-14,814	Non-deferred Acquisition Expense	-12,005	-10,629	-10,814	-10,849	-14,814
140,619	133,110	Underwriting Margin	140,619	137,214	139,005	135,730	133,110
		Health:					
219,435	221,527	Premium	219,435	214,900	209,167	218,224	221,527
-126,154	-128,976	Net Policy Obligations	-126,154	-123,475	-121,169	-125,504	-128,976
-39,790	-38,595	Non-deferred Commissions and Amortization	-39,790	-37,981	-37,155	-38,451	-38,595
-4,034	-4,085	Non-deferred Acquisition Expense	-4,034	-4,036	-3,868	-4,016	-4,085
49,457	49,871	Underwriting Margin	49,457	49,408	46,975	50,253	49,871
9,566	8,071	Health - Part D Underwriting Margin	9,566	9,980	9,084	8,165	8,071
1,045	972	Annuity Underwriting Margin	1,045	933	1,010	1,024	972
200,687	192,024	Total Underwriting Margin	200,687	197,535	196,074	195,172	192,024
544	544	Other Income	544	238	743	683	544
-44,211	-43,935	Admin. Expenses	-44,211	-45,818	-45,018	-44,127	-43,935
157,020	148,633	Underwriting Income	157,020	151,955	151,799	151,728	148,633
		<b>EXCESS INVESTMENT INCOME</b>					
188,051	183,040	Net Investment Income	188,051	184,635	182,811	184,164	183,040
-112,082	-106,572	Required Interest on Net Policy Liabilities	-112,082	-110,801	-109,532	-108,458	-106,572
-19,049	-20,877	Interest on Debt	-19,049	-19,080	-19,676	-20,828	-20,877
56,920	55,591	Total Excess Investment Income	56,920	54,754	53,603	54,878	55,591
-1,743	-2,120	Parent Company Expenses	-1,743	-1,761	-1,807	-2,807	-2,120
212,197	202,104	Pre-Tax Operating Income	212,197	204,948	203,595	203,799	202,104
-69,813	-66,398	Income Tax	-69,813	-67,221	-66,724	-66,769	-66,398
\$142,384	\$135,706	Net Operating Income Before Stock Compensation Expense	\$142,384	\$137,727	\$136,871	\$137,030	\$135,706
-5,531	-4,064	Stock Compensation Expense, Net of Tax	-5,531	-4,073	-4,173	-4,357	-4,064
<b>\$136,853</b>	<b>\$131,642</b>	<b>Net Operating Income</b>	<b>\$136,853</b>	<b>\$133,654</b>	<b>\$132,698</b>	<b>\$132,673</b>	<b>\$131,642</b>
<b>\$1.52</b>	<b>\$1.39</b>	<b>Per Share</b>	<b>\$1.52</b>	<b>\$1.46</b>	<b>\$1.43</b>	<b>\$1.42</b>	<b>\$1.39</b>
90,024	94,570	Average Diluted Shares Outstanding	90,024	91,563	92,673	93,297	94,570
		Reconciling items, net of tax:					
\$10,802	-\$3,768	Capital Gain (Loss) - Investments	\$10,802	\$991	\$2,898	\$3,844	-\$3,768
-13,179	-8,242	Part D Adjustment	-13,179	8,172	1,610	-1,540	-8,242
0	0	New York Guaranty Fund Assessment	0	0	0	-751	0
0	0	FHL Acquisition Adjustments	0	0	522	0	0
-1,620	0	Legal Settlement Expense	-1,620	0	-5,606	-325	0
<u>\$132,856</u>	<u>\$119,632</u>	Net Income	<u>\$132,856</u>	<u>\$142,817</u>	<u>\$132,122</u>	<u>\$133,901</u>	<u>\$119,632</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	1Q 2014	%	1Q 2013	%	1Q 2014	%	1Q 2013	%	1Q 2014	%	1Q 2013	%	1Q 2014	1Q 2013
<b>LNL Exclusive Agency</b>														
Premium	\$68,778		\$70,003		\$58,617		\$63,452							
Net Policy Obligations	27,245	40	26,441	38	32,089	55	35,180	55						
Non Def Comm. & Amort.	20,478	30	20,795	30	12,577	21	12,641	20						
Non Def Acq. Expenses	3,650	5	3,451	5	1,159	2	1,194	2						
Underwriting Margin	17,405	25	19,316	28	12,792	22	14,437	23						
<b>Direct Response</b>														
Premium	177,872		168,137		13,907		14,406							
Net Policy Obligations	83,415	47	77,591	46	10,806	78	11,171	78						
Non Def Comm. & Amort.	47,222	27	45,812	27	739	5	724	5						
Non Def Acq. Expenses	2,622	1	5,848	3	0	0	3	0						
Underwriting Margin	44,613	25	38,886	23	2,362	17	2,508	17						
<b>American Income Agency</b>														
Premium	185,891		174,257		19,287		19,966							
Net Policy Obligations	59,311	32	55,297	32	6,452	33	6,951	35						
Non Def Comm. & Amort.	61,152	33	57,842	33	4,028	21	4,159	21						
Non Def Acq. Expenses	5,375	3	5,100	3	259	1	263	1						
Underwriting Margin	60,053	32	56,018	32	8,548	44	8,593	43						
<b>Family Heritage Life</b>														
Premium	303		222		49,468		46,163							
Net Policy Obligations	198	65	126	57	27,125	55	26,033	56						
Non Def Comm. & Amort.	59	19	61	27	10,556	21	9,738	21						
Non Def Acq. Expenses	8	3	6	3	1,214	2	1,241	3						
Underwriting Margin	38	13	29	13	10,573	21	9,151	20						
<b>Part D</b>														
Premium									\$83,033		\$76,720			
Net Policy Obligations									66,261	80	64,307	84		
Net Amortization of DAC									880	1	715	1		
Non Def Acq. Expenses									99	0	229	0		
Fees to PBM									6,227	7	3,398	4		
Underwriting Margin									9,566	12	8,071	11		
<b>Other Distribution</b>														
Premium	56,214		58,194		78,156		77,540						\$99	\$130
Net Policy Obligations	19,496	35	20,670	36	49,682	64	49,641	64					-3,168	-3,724
Non Def Comm. & Amort.	17,858	32	18,254	31	11,890	15	11,333	15					2,222	2,882
Non Def Acq. Expenses	350	1	409	1	1,402	2	1,384	2					0	0
Underwriting Margin	18,510	33	18,861	32	15,182	19	15,182	20					1,045	972
<b>Totals:</b>														
Premium	\$489,058		\$470,813		\$219,435		\$221,527		\$83,033		\$76,720		\$99	\$130
Net Policy Obligations	189,665	39	180,125	38	126,154	57	128,976	58	66,261	80	64,307	84	-3,168	-3,724
Non Def Comm. & Amort.	146,769	30	142,764	30	39,790	18	38,595	17	7,107	9	4,113	5	2,222	2,882
Non Def Acq. Expenses	12,005	2	14,814	3	4,034	2	4,085	2	99	0	229	0	0	0
Underwriting Margin	\$140,619	29	\$133,110	28	\$49,457	23	\$49,871	23	\$9,566	12	\$8,071	11	\$1,045	\$972
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$200,687		\$192,024							
Other Income					544		544							
Administrative & Other Expenses					-44,211		-43,935							
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$157,020</u>		<u>\$148,633</u>							

## TORCHMARK CORPORATION

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

### NET SALES \*

	<u>YTD</u> <u>3/14</u>	<u>YTD</u> <u>3/13</u>	<u>% Incr</u> <u>(Decr)</u>
<b><u>LIFE</u></b>			
Direct Response	\$40,439	\$37,254	9
American Income Agency	38,125	37,607	1
LNL Exclusive Agency	7,380	7,127	4
Other Distribution	2,835	2,937	-3
Total Life	<u>88,779</u>	<u>84,925</u>	<u>5</u>
<b><u>HEALTH</u></b>			
Direct Response	2,018	1,515	33
American Income Agency	1,764	1,714	3
LNL Exclusive Agency	3,785	3,020	25
UA Independent	14,311	6,635	116
Family Heritage	9,865	10,723	-8
Total Health	<u>31,743</u>	<u>23,607</u>	<u>34</u>
<b>Part D</b>	31,144	8,803	254
<b>TOTAL NET SALES</b>	\$151,666	\$117,335	29

\* 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>3/14</u>	<u>YTD</u> <u>3/13</u>	<u>% Incr</u> <u>(Decr)</u>
<b><u>LIFE</u></b>			
Direct Response	\$25,303	\$23,898	6
American Income Agency	31,528	32,032	-2
LNL Exclusive Agency	6,353	6,619	-4
Other Distribution	2,330	2,637	-12
Total Life	<u>65,514</u>	<u>65,186</u>	<u>1</u>
<b><u>HEALTH</u></b>			
Direct Response	982	1,018	-4
American Income Agency	1,927	2,214	-13
LNL Exclusive Agency	3,185	3,356	-5
UA Independent	9,956	8,175	22
Family Heritage	8,629	9,157	-6
Total Health	<u>24,679</u>	<u>23,920</u>	<u>3</u>
<b>Part D</b>	18,946	20,680	-8
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	\$109,139	\$109,786	-1

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

	At March 31,	
	2014	2013
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$13,618,451	\$13,571,021
Equity securities available for sale	1,309	1,404
Mortgage loans	0	505
Real estate	203	403
Policy loans	451,972	428,011
Other long-term investments	12,438	14,600
Short-term investments	109,065	176,250
Total investments	14,193,438	14,192,194
Cash	40,016	25,256
Accrued investment income	209,801	205,266
Other receivables	372,617	393,870
Deferred acquisition costs **	3,363,952	3,229,000
Property and equipment	54,752	45,969
Goodwill	441,591	441,591
Other assets	387,810	345,556
Total assets	\$19,063,977	\$18,878,702
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$11,376,058	\$10,839,599
Unearned and advance premium	77,911	80,221
Policy claims and other benefits payable	231,269	226,946
Other policy liabilities	95,906	93,902
Current and deferred income taxes	1,528,582	1,603,569
Short-term debt	264,918	368,903
Long-term debt	991,176	989,976
Other liabilities	309,436	370,988
Total liabilities	14,875,256	14,574,104
Shareholders' equity:		
Preferred stock	0	0
Common stock	100,812	105,812
Additional paid-in-capital	473,961	450,243
Unrealized investment gains (losses), net of tax	606,058	850,030
Retained earnings	3,659,477	3,498,727
Treasury stock, at cost	-651,587	-600,214
Total shareholders' equity	4,188,721	4,304,598
Total liabilities and shareholders' equity	\$19,063,977	\$18,878,702
Diluted Basis:		
Shares outstanding	89,410	93,822
Book value per common share	\$46.85	\$45.88
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$39.68	\$35.98
* Amortized cost of fixed maturities	\$12,618,368	\$12,119,833

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

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

March 31, 2014

<b>Investment Portfolio at 3/31/14</b>	<u>Amort. Cost</u>	<u>% of Total</u>	<u>Industry *</u>
Fixed maturities	\$12,618	96%	77%
Equities	1	0%	2%
Mortgage loans	0	0%	10%
Policy loans	452	3%	4%
Other long-term investments	12	0%	4%
Short-term investments	<u>109</u>	<u>1%</u>	<u>3%</u>
 Total	 \$13,193	 100%	

\* Data available from the American Council of Life Insurance

**Fixed Maturities at 3/31/14**

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	\$12,066	\$13,083	\$1,017	A-	96%
Below Investment Grade	<u>552</u>	<u>535</u>	<u>-17</u>	B+	4%
 Total	 \$12,618	 \$13,618	 \$1,000	 A-	

By Type

Corporates	\$10,265	\$11,183	\$918	BBB+	81%
Redeemable preferred stock:					
U.S.	443	468	25	BBB-	4%
Foreign	60	64	4	BBB-	0%
Municipals	1,278	1,379	101	AA	10%
Government-sponsored enterprises	350	302	-48	AAA	3%
Government & Agencies	122	119	-3	AAA	1%
Residential mortgage-backed securities	6	7	0	AAA	0%
CDO's	65	64	-1	CC-	1%
Other asset-backed securities	<u>29</u>	<u>32</u>	<u>3</u>	A-	0%
 Total	 \$12,618	 \$13,618	 \$1,000	 A-	

**TORCHMARK CORPORATION**

Invested Assets  
(Millions of \$)  
March 31, 2014

<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	\$1,768	\$1,959	\$192	BBB+	14%
Financial - Bank	715	768	53	A-	6%
Financial - Financial Guarantor	16	16	0	BBB+	0%
Financial - Insurance Brokers	46	52	6	BBB-	0%
Financial - Other	510	560	50	BBB+	4%
Utilities	2,238	2,453	216	A-	18%
Energy	1,442	1,601	158	BBB+	11%
Consumer, Non-cyclical	803	871	67	BBB+	6%
Consumer, Cyclical	384	415	30	BBB	3%
Communications	531	576	45	BBB+	4%
Basic Materials	962	1,017	55	BBB+	8%
Transportation	561	593	32	BBB+	4%
Technology	41	49	8	A-	0%
Other Industrials	779	817	38	BBB+	6%
ABS - CDO	65	64	-1	CC-	1%
MBS	6	7	-1	AAA	0%
Government	1,750	1,800	51	AA+	14%
<b>Total</b>	<b>\$12,618</b>	<b>\$13,618</b>	<b>\$1,000</b>	<b>A-</b>	

<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	\$445	\$1,141	\$59	\$1,768
Financial - Bank		141	280	182	113	715
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers				46		46
Financial - Other		113	81	238	78	510
Utilities		25	1,264	940	10	2,238
Energy		45	197	1,196	5	1,442
Consumer, Non-cyclical	11	32	275	453	33	803
Consumer, Cyclical			70	247	67	384
Communications			209	277	45	531
Basic Materials		17	257	689		962
Transportation		6	134	421		561
Technology			35	6		41
Other Industrials			285	416	78	779
ABS - CDO					65	65
MBS	6					6
Government	748	816	185	1		1,750
<b>Total \$</b>	<b>\$765</b>	<b>\$1,316</b>	<b>\$3,716</b>	<b>\$6,269</b>	<b>\$552</b>	<b>\$12,618</b>
<b>% of Total</b>	<b>6%</b>	<b>10%</b>	<b>29%</b>	<b>50%</b>	<b>4%</b>	<b>100%</b>

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

March 31, 2014

<u>Below Investment Grade Bonds by Sector</u>	<u>3/31/14</u>	<u>12/31/13</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	10	27	-17
Energy	5	0	5
Consumer, Non-cyclical	33	34	-1
Consumer, Cyclical	67	67	0
Communications	45	45	0
Basic Materials	0	29	-29
Transportation	0	0	0
Technology	0	0	0
Other Industrials	78	49	29
ABS - CDO	65	66	-1
MBS	0	0	0
Government	0	0	0
<b>Total</b>	<b>\$552</b>	<b>\$566</b>	<b>-\$14</b>

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>3/31/14</u>	<u>12/31/13</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$397	\$403	-\$6
Asset Class 4	209	209	0
Asset Class 5	103	105	-2
Asset Class 6 (at market value)	50	42	8
	<b>\$759</b>	<b>\$759</b>	<b>\$0</b>

**Fixed Maturity Acquisitions:**

	<u>1Q'14</u>	<u>1Q'13</u>
Amount	\$158	\$387
Yield	5.4%	4.3%
Ratings	BBB+	BBB+
Average Life To:		
First Call	25.2	26.4
Maturity	25.3	26.7