

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

9 Months Ended			3Q	2Q	1Q	4Q	3Q
9/14	9/13		2014	2014	2014	2013	2013
		UNDERWRITING INCOME					
		Life:					
\$1,472,734	\$1,416,859	Premium	\$491,724	\$491,952	\$489,058	\$468,473	\$470,936
-568,710	-542,758	Net Policy Obligations	-189,727	-189,318	-189,665	-176,863	-178,124
-443,087	-429,779	Non-deferred Commissions and Amortization	-148,195	-148,123	-146,769	-143,767	-142,993
-40,349	-36,477	Non-deferred Acquisition Expense	-14,549	-13,795	-12,005	-10,629	-10,814
<u>420,588</u>	<u>407,845</u>	Underwriting Margin	<u>139,253</u>	<u>140,716</u>	<u>140,619</u>	<u>137,214</u>	<u>139,005</u>
		Health:					
644,758	648,918	Premium	210,225	215,098	219,435	214,900	209,167
-366,589	-375,649	Net Policy Obligations	-118,207	-122,228	-126,154	-123,475	-121,169
-115,800	-114,201	Non-deferred Commissions and Amortization	-37,623	-38,387	-39,790	-37,981	-37,155
-13,898	-11,969	Non-deferred Acquisition Expense	-5,169	-4,695	-4,034	-4,036	-3,868
<u>148,471</u>	<u>147,099</u>	Underwriting Margin	<u>49,226</u>	<u>49,788</u>	<u>49,457</u>	<u>49,408</u>	<u>46,975</u>
22,734	25,320	Health - Part D Underwriting Margin	4,523	8,645	9,566	9,980	9,084
<u>3,195</u>	<u>3,006</u>	Annuity Underwriting Margin	<u>1,085</u>	<u>1,065</u>	<u>1,045</u>	<u>933</u>	<u>1,010</u>
594,988	583,270	Total Underwriting Margin	194,087	200,214	200,687	197,535	196,074
1,990	1,970	Other Income	724	722	544	238	743
<u>-134,918</u>	<u>-133,080</u>	Admin. Expenses	<u>-45,345</u>	<u>-45,362</u>	<u>-44,211</u>	<u>-45,818</u>	<u>-45,018</u>
462,060	452,160	Underwriting Income	149,466	155,574	157,020	151,955	151,799
		EXCESS INVESTMENT INCOME					
567,569	550,015	Net Investment Income	189,588	189,930	188,051	184,635	182,811
-340,954	-324,562	Required Interest on Net Policy Liabilities	-115,226	-113,646	-112,082	-110,801	-109,532
<u>-57,119</u>	<u>-61,381</u>	Interest on Debt	<u>-19,033</u>	<u>-19,037</u>	<u>-19,049</u>	<u>-19,080</u>	<u>-19,676</u>
169,496	164,072	Total Excess Investment Income	55,329	57,247	56,920	54,754	53,603
<u>-6,284</u>	<u>-6,734</u>	Parent Company Expenses	<u>-2,239</u>	<u>-2,302</u>	<u>-1,743</u>	<u>-1,761</u>	<u>-1,807</u>
625,272	609,498	Pre-Tax Operating Income	202,556	210,519	212,197	204,948	203,595
<u>-205,115</u>	<u>-199,891</u>	Income Tax	<u>-66,567</u>	<u>-68,735</u>	<u>-69,813</u>	<u>-67,221</u>	<u>-66,724</u>
\$420,157	\$409,607	Net Operating Income Before Stock Compensation Expense	\$135,989	\$141,784	\$142,384	\$137,727	\$136,871
<u>-16,392</u>	<u>-12,594</u>	Stock Compensation Expense, Net of Tax	<u>-5,081</u>	<u>-5,780</u>	<u>-5,531</u>	<u>-4,073</u>	<u>-4,173</u>
\$403,765	\$397,013	Net Operating Income	\$130,908	\$136,004	\$136,853	\$133,654	\$132,698
\$3.03	\$2.83	Per Share	\$0.99	\$1.02	\$1.01	\$0.97	\$0.95
133,431	140,488	Average Diluted Shares Outstanding	131,877	133,315	135,036	137,344	139,010
		Reconciling items, net of tax:					
\$10,213	\$2,974	Capital Gain (Loss) - Investments	-\$964	\$375	\$10,802	\$991	\$2,898
-10,952	-8,172	Part D Adjustment	5,797	-3,570	-13,179	8,172	1,610
0	-751	New York Guaranty Fund Assessment	0	0	0	0	0
-5,316	0	Administrative Settlements	-3,329	-1,987	0	0	0
0	522	FHL Acquisition Adjustments	0	0	0	0	522
<u>-1,519</u>	<u>-5,931</u>	Legal Settlement Expense	<u>0</u>	<u>101</u>	<u>-1,620</u>	<u>0</u>	<u>-5,606</u>
<u>\$396,191</u>	<u>\$385,655</u>	Net Income	<u>\$132,412</u>	<u>\$130,923</u>	<u>\$132,856</u>	<u>\$142,817</u>	<u>\$132,122</u>

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	3Q 2014	%	3Q 2013	%	3Q 2014	%	3Q 2013	%	3Q 2014	%	3Q 2013	%	3Q 2014	3Q 2013
LNL Exclusive Agency														
Premium	\$67,884		\$68,933		\$53,587		\$58,037							
Net Policy Obligations	25,686	38	25,108	36	27,798	52	32,922	57						
Non Def Comm. & Amort.	19,841	29	20,883	30	11,411	21	11,835	20						
Non Def Acq. Expenses	4,165	6	3,461	5	1,269	2	1,070	2						
Underwriting Margin	18,192	27	19,481	28	13,109	24	12,210	21						
Direct Response														
Premium	173,791		164,005		14,175		13,187							
Net Policy Obligations	83,890	48	76,697	47	10,991	78	10,145	77						
Non Def Comm. & Amort.	45,883	26	44,156	27	739	5	739	6						
Non Def Acq. Expenses	3,403	2	1,558	1	8	0	3	0						
Underwriting Margin	40,615	23	41,594	25	2,437	17	2,300	17						
American Income Agency														
Premium	193,901		180,714		20,120		20,183							
Net Policy Obligations	62,379	32	57,266	32	6,614	33	6,422	32						
Non Def Comm. & Amort.	64,672	33	59,542	33	4,027	20	4,082	20						
Non Def Acq. Expenses	6,402	3	5,168	3	331	2	264	1						
Underwriting Margin	60,448	31	58,738	33	9,148	45	9,415	47						
Family Heritage Life														
Premium	424		257		51,620		48,128							
Net Policy Obligations	296	70	172	67	28,245	55	27,840	58						
Non Def Comm. & Amort.	63	15	45	18	10,792	21	9,958	21						
Non Def Acq. Expenses	12	3	6	2	1,513	3	1,136	2						
Underwriting Margin	53	13	34	13	11,070	21	9,194	19						
Part D														
Premium									\$90,253		\$76,970			
Net Policy Obligations									77,951	86	63,625	83		
Net Amortization of DAC									930	1	817	1		
Non Def Acq. Expenses									51	0	46	0		
Fees to PBM									6,798	8	3,398	4		
Underwriting Margin									4,523	5	9,084	12		
Other Distribution														
Premium	55,724		57,027		70,723		69,632						\$112	\$114
Net Policy Obligations	17,476	31	18,881	33	44,559	63	43,840	63					-3,445	-3,324
Non Def Comm. & Amort.	17,736	32	18,367	32	10,654	15	10,541	15					2,472	2,428
Non Def Acq. Expenses	567	1	621	1	2,048	3	1,395	2					0	0
Underwriting Margin	19,945	36	19,158	34	13,462	19	13,856	20					1,085	1,010
Totals:														
Premium	\$491,724		\$470,936		\$210,225		\$209,167		\$90,253		\$76,970		\$112	\$114
Net Policy Obligations	189,727	39	178,124	38	118,207	56	121,169	58	77,951	86	63,625	83	-3,445	-3,324
Non Def Comm. & Amort.	148,195	30	142,993	30	37,623	18	37,155	18	7,728	9	4,215	5	2,472	2,428
Non Def Acq. Expenses	14,549	3	10,814	2	5,169	2	3,868	2	51	0	46	0	0	0
Underwriting Margin	\$139,253	28	\$139,005	30	\$49,226	23	\$46,975	22	\$4,523	5	\$9,084	12	\$1,085	\$1,010
TOTAL UNDERWRITING MARGINS, ALL LINES					\$194,087		\$196,074							
Other Income					724		743							
Administrative & Other Expenses					-45,345		-45,018							
INSURANCE UNDERWRITING INCOME					<u>\$149,466</u>		<u>\$151,799</u>							

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 9/14	%	YTD 9/13	%	YTD 9/14	%	YTD 9/13	%	YTD 9/14	%	YTD 9/13	%	YTD 9/14	YTD 9/13
LNL Exclusive Agency														
Premium	\$204,932		\$208,369		\$167,889		\$182,964							
Net Policy Obligations	79,170	39	79,341	38	89,717	53	101,643	56						
Non Def Comm. & Amort.	59,980	29	62,412	30	35,689	21	36,999	20						
Non Def Acq. Expenses	11,701	6	10,396	5	3,575	2	3,341	2						
Underwriting Margin	54,081	26	56,220	27	38,908	23	40,981	22						
Direct Response														
Premium	528,501		501,333		41,281		40,866							
Net Policy Obligations	249,252	47	232,863	46	31,995	78	31,609	77						
Non Def Comm. & Amort.	140,265	27	135,598	27	2,190	5	2,202	5						
Non Def Acq. Expenses	9,519	2	9,024	2	18	0	6	0						
Underwriting Margin	129,465	24	123,848	25	7,078	17	7,049	17						
American Income Agency														
Premium	570,122		533,348		59,048		59,793							
Net Policy Obligations	182,998	32	169,785	32	18,879	32	18,938	32						
Non Def Comm. & Amort.	188,851	33	176,614	33	12,081	20	12,357	21						
Non Def Acq. Expenses	17,590	3	15,520	3	902	2	800	1						
Underwriting Margin	180,683	32	171,429	32	27,186	46	27,698	46						
Family Heritage Life														
Premium	1,123		725		151,882		141,808							
Net Policy Obligations	765	68	451	62	83,874	55	81,410	57						
Non Def Comm. & Amort.	187	17	159	22	31,904	21	29,359	21						
Non Def Acq. Expenses	31	3	19	3	4,222	3	3,653	3						
Underwriting Margin	140	12	96	13	31,882	21	27,386	19						
Part D														
Premium									\$258,243		\$226,779			
Net Policy Obligations									213,184	83	188,816	83		
Net Amortization of DAC									2,661	1	2,409	1		
Non Def Acq. Expenses									211	0	312	0		
Fees to PBM									19,453	8	9,922	4		
Underwriting Margin									22,734	9	25,320	11		
Other Distribution														
Premium	168,056		173,084		224,658		223,487						\$334	\$401
Net Policy Obligations	56,525	34	60,318	35	142,124	63	142,049	64					-9,977	-10,905
Non Def Comm. & Amort.	53,804	32	54,996	32	33,936	15	33,284	15					7,116	8,300
Non Def Acq. Expenses	1,508	1	1,518	1	5,181	2	4,169	2					0	0
Underwriting Margin	56,219	33	56,252	32	43,417	19	43,985	20					3,195	3,006
Totals:														
Premium	\$1,472,734		\$1,416,859		\$644,758		\$648,918		\$258,243		\$226,779		\$334	\$401
Net Policy Obligations	568,710	39	542,758	38	366,589	57	375,649	58	213,184	83	188,816	83	-9,977	-10,905
Non Def Comm. & Amort.	443,087	30	429,779	30	115,800	18	114,201	18	22,114	9	12,331	5	7,116	8,300
Non Def Acq. Expenses	40,349	3	36,477	3	13,898	2	11,969	2	211	0	312	0	0	0
Underwriting Margin	\$420,588	29	\$407,845	29	\$148,471	23	\$147,099	23	\$22,734	9	\$25,320	11	\$3,195	\$3,006
TOTAL UNDERWRITING MARGINS, ALL LINES					\$594,988		\$583,270							
Other Income					1,990		1,970							
Administrative & Other Expenses					-134,918		-133,080							
INSURANCE UNDERWRITING INCOME					\$462,060		\$452,160							

TORCHMARK CORPORATION

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

NET SALES *

	YTD 9/14	YTD 9/13	% Incr (Decr)	3rd Qtr. 2014	3rd Qtr. 2013	% Incr (Decr)
<u>LIFE</u>						
Direct Response	\$120,321	\$109,990	9	\$35,464	\$33,209	7
American Income Agency	126,115	115,022	10	43,362	36,642	18
LNL Exclusive Agency	24,988	22,856	9	8,876	7,542	18
Other Distribution	9,821	8,091	21	3,251	2,495	30
Total Life	<u>281,245</u>	<u>255,959</u>	<u>10</u>	<u>90,953</u>	<u>79,888</u>	<u>14</u>
<u>HEALTH</u>						
Direct Response	21,929	3,530	521	19,018	1,017	1,770
American Income Agency	6,445	5,057	27	2,448	1,594	54
LNL Exclusive Agency	12,323	10,030	23	4,274	3,515	22
UA Independent	32,933	19,462	69	9,863	6,282	57
Family Heritage	35,134	32,476	8	12,390	10,537	18
Total Health	<u>108,764</u>	<u>70,555</u>	<u>54</u>	<u>47,993</u>	<u>22,945</u>	<u>109</u>
Part D	76,955	26,115	195	25,343	9,175	176
TOTAL NET SALES	\$466,964	\$352,629	32	\$164,289	\$112,008	47

* 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 9/14	YTD 9/13	% Incr (Decr)	3rd Qtr. 2014	3rd Qtr. 2013	% Incr (Decr)
<u>LIFE</u>						
Direct Response	\$75,738	\$70,531	7	\$24,916	\$22,639	10
American Income Agency	98,868	96,529	2	34,198	31,875	7
LNL Exclusive Agency	19,156	19,485	-2	6,387	6,351	1
Other Distribution	7,580	7,608	0	2,676	2,350	14
Total Life	<u>201,342</u>	<u>194,153</u>	<u>4</u>	<u>68,177</u>	<u>63,215</u>	<u>8</u>
<u>HEALTH</u>						
Direct Response	4,084	2,900	41	2,081	934	123
American Income Agency	6,895	6,928	0	2,752	2,557	8
LNL Exclusive Agency	9,902	9,587	3	3,395	3,061	11
UA Independent	33,192	28,322	17	12,082	10,064	20
Family Heritage	26,987	27,409	-2	9,264	9,025	3
Total Health	<u>81,060</u>	<u>75,146</u>	<u>8</u>	<u>29,574</u>	<u>25,641</u>	<u>15</u>
Part D	67,423	54,050	25	26,089	15,872	64
TOTAL FIRST YEAR COLLECTED PREMIUM	\$349,825	\$323,349	8	\$123,840	\$104,728	18

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

	At September 30,	
	2014	2013
<u>Assets</u>		
Investments:		
Fixed maturities available for sale *	\$14,153,044	\$12,756,917
Equity securities available for sale	1,417	1,654
Mortgage loans	0	485
Real estate	203	203
Policy loans	464,999	441,867
Other long-term investments	11,410	13,851
Short-term investments	79,097	135,988
Total investments	14,710,170	13,350,965
Cash	66,998	38,792
Accrued investment income	211,250	203,473
Other receivables	499,876	412,972
Deferred acquisition costs **	3,433,890	3,306,417
Property and equipment	60,509	46,153
Goodwill	441,591	441,591
Other assets	446,223	337,351
Total assets	\$19,870,507	\$18,137,714
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Future policy benefits	\$11,638,992	\$11,118,833
Unearned and advance premium	74,202	78,098
Policy claims and other benefits payable	227,421	248,821
Other policy liabilities	96,558	94,348
Current and deferred income taxes	1,695,854	1,272,175
Short-term debt	290,422	227,927
Long-term debt	991,808	990,566
Other liabilities	325,458	330,070
Total liabilities	15,340,715	14,360,838
Shareholders' equity:		
Preferred stock	0	0
Common stock	139,218	158,718
Additional paid-in-capital	460,022	471,566
Unrealized investment gains (losses), net of tax	882,827	237,143
Retained earnings	3,443,803	3,671,240
Treasury stock, at cost	-396,078	-761,791
Total shareholders' equity	4,529,792	3,776,876
Total liabilities and shareholders' equity	\$19,870,507	\$18,137,714
Diluted Basis:		
Shares outstanding	131,106	138,293
Book value per common share	\$34.55	\$27.31
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$27.57	\$25.07

* Amortized cost of fixed maturities \$12,728,196 \$12,267,490

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

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

September 30, 2014

Investment Portfolio at 9/30/14

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$12,728	96%	77%
Equities	1	0%	2%
Mortgage loans	0	0%	10%
Policy loans	465	4%	4%
Other long-term investments	11	0%	4%
Short-term investments	79	1%	3%
Total	\$13,285	100%	

* Data available from the American Council of Life Insurance

Fixed Maturities at 9/30/14

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$12,158	\$13,594	\$1,436	A-	96%
Below Investment Grade	570	559	-11	B+	4%
Total	\$12,728	\$14,153	\$1,425	A-	

By Type

Corporates	\$10,456	\$11,707	\$1,252	BBB+	82%
Redeemable preferred stock:					
U.S.	442	485	43	BBB-	3%
Foreign	55	60	5	BBB-	0%
Municipals	1,278	1,424	146	AA	10%
Government-sponsored enterprises	288	270	-19	AAA	2%
Government & Agencies	109	107	-1	AAA	1%
Residential mortgage-backed securities	6	6	0	AAA	0%
CDO's	67	63	-4	CC-	1%
Other asset-backed securities	28	31	3	A-	0%
Total	\$12,728	\$14,153	\$1,425	A-	

TORCHMARK CORPORATION

Invested Assets
(Millions of \$)
September 30, 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	\$1,790	\$2,040	\$250	BBB+	14%
Financial - Bank	683	756	73	BBB+	5%
Financial - Financial Guarantor	16	17	1	BBB+	0%
Financial - Insurance Brokers	61	70	9	BBB-	0%
Financial - Other	544	602	58	BBB+	4%
Utilities	2,244	2,548	304	A-	18%
Energy	1,459	1,656	196	BBB+	11%
Consumer, Non-cyclical	802	892	90	BBB+	6%
Consumer, Cyclical	404	448	44	BBB	3%
Communications	541	603	62	BBB+	4%
Basic Materials	1,005	1,090	85	BBB+	8%
Transportation	579	637	58	BBB+	5%
Technology	60	71	11	BBB+	0%
Other Industrials	792	855	63	BBB+	6%
ABS - CDO	67	63	-4	CC-	1%
MBS	6	6	0	AAA	0%
Government	1,675	1,801	126	AA+	13%
Total	\$12,728	\$14,153	\$1,425	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		\$158	\$447	\$1,126	\$59	\$1,790
Financial - Bank		130	264	176	113	683
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers				61		61
Financial - Other		113	81	275	75	544
Utilities		25	1,295	914	10	2,244
Energy		45	255	1,144	16	1,459
Consumer, Non-cyclical	11	32	333	393	33	802
Consumer, Cyclical			70	267	67	404
Communications			189	307	45	541
Basic Materials		17	257	702	29	1,005
Transportation		6	134	429	10	579
Technology			35	25		60
Other Industrials			286	458	48	792
ABS - CDO					67	67
MBS	6					6
Government	677	809	187	1	1	1,675
Total \$	\$694	\$1,335	\$3,832	\$6,297	\$570	\$12,728
% of Total	5%	10%	30%	49%	4%	100%

TORCHMARK CORPORATION

Invested Assets

(Millions of \$)

September 30, 2014

<u>Below Investment Grade Bonds by Sector</u>	<u>9/30/14</u>	<u>6/30/14</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	75	78	-3
Utilities	10	10	0
Energy	16	16	0
Consumer, Non-cyclical	33	33	0
Consumer, Cyclical	67	67	0
Communications	45	45	0
Basic Materials	29	29	0
Transportation	10	0	10
Technology	0	0	0
Other Industrials	48	49	-1
ABS - CDO	67	65	1
MBS	0	0	0
Government	1	0	1
	<hr/>	<hr/>	<hr/>
Total	\$570	\$563	\$7

Below Investment Grade Bonds By SVO Class (Statutory)

	<u>9/30/14</u>	<u>6/30/14</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$461	\$425	\$36
Asset Class 4	177	193	-16
Asset Class 5	102	92	10
Asset Class 6 (at market value)	51	53	-2
	<hr/>	<hr/>	<hr/>
	\$791	\$763	\$28

Fixed Maturity Acquisitions:

	<u>3Q'14</u>	<u>3Q'13</u>
Amount	\$174	\$133
Yield	4.2%	5.2%
Ratings	A-	A
Average Life To:		
First Call	17.6	26.9
Maturity	17.7	29.7