



FOR IMMEDIATE RELEASE

Protective Reports Fourth Quarter and Full-Year 2012 Financial Results

- **Record operating earnings for the year of \$313 million**
- **2012 operating earnings per share of \$3.78, up 15% from 2011**
- **Operating earnings of \$0.98 per share in 4Q12**
- **Dividends per share increased 13% over 2011**
- **54% of 2012 earnings returned to shareowners through dividends and share repurchase**

BIRMINGHAM, Alabama (February 6, 2013) – Protective Life Corporation (NYSE: PL) (“PLC” or “the Company”) today reported results for the fourth quarter of 2012. Net income available to PLC’s common shareowners for the fourth quarter of 2012 was \$66.8 million or \$0.82 per average diluted share, compared to \$86.0 million or \$1.02 per average diluted share in the fourth quarter of 2011. After-tax operating income was \$79.7 million or \$0.98 per average diluted share, compared to \$81.8 million or \$0.97 per average diluted share in the fourth quarter of 2011.

Net income available to PLC’s common shareowners for the twelve months ended December 31, 2012 was \$302.5 million or \$3.66 per average diluted share, compared to \$315.4 million or \$3.65 per average diluted share for the twelve months ended December 31, 2011. After-tax operating income was \$312.7 million or \$3.78 per average diluted share, compared to \$283.8 million or \$3.28 per average diluted share for the twelve months ended December 31, 2011.

“We are delighted to report excellent results for the quarter and the year,” said John D. Johns, Chairman, President and CEO. “Notwithstanding the headwinds presented by low interest rates and a challenging competitive environment, we delivered record operating earnings and an increase in our operating return on equity. Across the board, our team rose to the challenges and efficiently executed our business plans for the year. We believe that we are very well positioned to continue our strong earnings momentum and operating fundamentals in 2013.”

Business Segment Results

The table below sets forth business segment operating income before income tax for the periods shown:

Operating Income Before Income Tax

(\$ in thousands)	For the three months ended		For the twelve months ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Life Marketing	\$ 15,642	\$ 33,810	\$ 105,032	\$ 96,123
Acquisitions	42,191	41,545	171,060	157,393
Annuities	45,348	24,230	119,092	80,224
Stable Value Products	18,675	14,226	60,329	56,780
Asset Protection	859	6,706	16,454	25,407
Corporate & Other	928	(4,416)	(3,203)	5,767
	<u>\$ 123,643</u>	<u>\$ 116,101</u>	<u>\$ 468,764</u>	<u>\$ 421,694</u>

The following table reconciles segment operating income to consolidated net income available to PLC's common shareowners:

(\$ in thousands)	For the three months ended		For the twelve months ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Operating income before income tax	\$ 123,643	\$ 116,101	\$ 468,764	\$ 421,694
Realized investment gains (losses)	(25,613)	7,558	(29,830)	54,103
Less:				
Related amortization of deferred policy				
acquisition costs and value of business acquired	(5,689)	1,022	(14,037)	5,566
Income tax expense	36,923	36,603	150,519	154,839
Net income available to PLC's common shareowners	\$ 66,796	\$ 86,034	\$ 302,452	\$ 315,392

Sales

The Company uses sales statistics to measure the relative progress of its marketing efforts. The Company derives these statistics from various sales tracking and administrative systems and not from its financial reporting systems or financial statements. These statistics measure only one of many factors that may affect future profitability of the business segments and therefore are not intended to be predictive of future profitability.

The table below sets forth business segment sales for the periods shown:

(\$ in millions)	For the three months ended		For the twelve months ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Life Marketing	\$ 41.9	\$ 25.2	\$ 121.5	\$ 133.2
Annuities	863.9	689.5	3,326.7	3,381.2
Stable Value Products	272.2	32.9	621.6	798.7
Asset Protection	104.9	105.9	451.3	415.6

Review of Business Segment Results

Life Marketing

Life Marketing segment pre-tax operating income was \$15.6 million in the fourth quarter of 2012, representing a decrease of \$18.2 million from the three months ended December 31, 2011. Some items contributing to the decrease were a \$5.5 million decrease in earnings related to closing a reserve financing transaction and the related transfer of investment income to the Corporate & Other segment, unfavorable mortality experience, and higher operating expenses as a result of higher sales. Traditional life mortality was 92% of expected in the fourth quarter of 2012 compared to 86% of expected in the fourth quarter of 2011, resulting in an unfavorable change of \$3.4 million. Universal life mortality experience was also unfavorable compared to the prior year's fourth quarter.

Sales were \$41.9 million for the quarter, up 66% compared to \$25.2 million in the fourth quarter of 2011.

Acquisitions

Acquisitions segment pre-tax operating income was \$42.2 million in the fourth quarter of 2012 compared to \$41.5 million in the same quarter last year. The increase was primarily due to favorable mortality and lower transition expenses related to the United Investors Life Insurance Company ("United Investors") and the Liberty Life Insurance Company ("Liberty Life") blocks as compared to the fourth quarter of 2011. This favorable increase was partially offset by expected runoff.

Annuities

Annuities segment pre-tax operating income was a record \$45.3 million in the fourth quarter of 2012 compared to \$24.2 million in the fourth quarter of 2011.

Fixed annuity operating income was \$26.4 million, compared to \$11.0 million in the prior year. This increase was primarily due to a favorable change of \$7.0 million in the single premium immediate annuity ("SPIA") mortality variance and higher spreads, which included a \$5.6 million impact from participating mortgage income for the three months ended December 31, 2012.

Variable annuity operating income was \$18.9 million, compared to \$13.2 million in the fourth quarter of 2011. The increase included a favorable change of \$17.6 million in revenue driven by higher policy fees associated with the growth in account balances. Offsetting this was a \$5.9 million increase in non-deferred expenses primarily resulting from higher marketing and maintenance expenses due to growth in this product line as compared to the fourth quarter of 2011.

Net cash flows for the segment remained positive during the quarter. Annuity account balances were \$17.5 billion as of December 31, 2012, an increase of 18% over the past twelve months. Sales in the fourth quarter of 2012 were \$863.9 million compared to \$689.5 million in the fourth quarter of 2011. Variable annuity sales were \$733.2 million compared to \$498.6 million in the fourth quarter of 2011. Fixed annuity sales were \$130.7 million compared to \$190.9 million in the prior year's fourth quarter.

Stable Value Products

Stable Value Products segment pre-tax operating income was \$18.7 million in the fourth quarter of 2012 compared to \$14.2 million in the fourth quarter of 2011. Included in the fourth quarter of 2012 results is \$2.8 million of participating mortgage income compared to \$0.1 million in the fourth quarter of 2011. In addition, the segment experienced a 60 basis point increase in the adjusted operating spread, which excludes participating income, due to a decline in credited interest. These favorable items were partially offset by lower average account balances.

Account balances as of December 31, 2012 totaled \$2.5 billion. Sales were \$272.2 million for the three months ended December 31, 2012, compared to \$32.9 million in the fourth quarter of 2011.

Asset Protection

Asset Protection segment pre-tax operating income was \$0.9 million in the fourth quarter of 2012 compared to \$6.7 million in the fourth quarter of 2011. The decrease was primarily due to a \$4.1 million write-off of previously capitalized software development costs recorded within the service contract product line. Excluding the software write-off, service contract earnings decreased \$1.2 million compared to the prior year's fourth quarter primarily due to higher operating expenses.

Sales were \$104.9 million for the three months ended December 31, 2012, compared to \$105.9 million in the fourth quarter of 2011. Service contract sales were \$83.8 million compared to \$80.5 million in the fourth quarter of 2011. Credit insurance sales were \$6.9 million compared to \$8.4 million in the fourth quarter of 2011. Sales of the GAP product were \$14.1 million compared to \$17.0 million in the prior year's fourth quarter.

Corporate & Other

Corporate & Other segment pre-tax operating income was \$0.9 million in the fourth quarter of 2012 compared to an operating loss of \$4.4 million in the fourth quarter of 2011. The increase was primarily due to an \$8.9 million increase in investment income related to a transfer from the Life Marketing segment and higher mortgage loan prepayment fee income compared to the fourth quarter of 2011. For the fourth quarter of 2012, \$3.0 million of pre-tax gains were generated from the repurchase on non-recourse funding obligations compared to \$3.1 million of pre-tax gains during the fourth quarter of 2011.

Share Repurchase Program

During the fourth quarter of 2012, the Company repurchased 1,047,084 shares at a total cost of approximately \$27.4 million. For the twelve months ended December 31, 2012, the Company repurchased 3,923,336 shares at a total cost of approximately \$106 million. The Company has \$170 million of remaining capacity under its existing share repurchase program, which extends through December 31, 2014.

Future repurchase activity will depend on many factors, including capital levels, liquidity needs, rating agency expectations, and the relative attractiveness of alternative uses for capital.

Investments

- The net unrealized gain position on investments was \$1.8 billion, after tax and DAC offsets, an improvement of \$754 million compared to December 31, 2011.
- Total cash and investments were \$37.3 billion as of December 31, 2012. This includes \$0.6 billion of cash and short-term investments.
- During the fourth quarter of 2012, the Company had \$18.0 million of pre-tax other-than-temporary impairment losses recognized in earnings.
- Nonperforming mortgage loans equaled \$23.9 million as of December 31, 2012, representing 0.5% of the commercial mortgage loan portfolio.

Net Realized Investment/Derivative Activity (\$ per average diluted share)	<u>4Q12</u>	<u>2012</u>
Net realized gain on securities	\$ 0.07	\$ 0.53
Modco net realized gain	0.06	0.37
Impairments	(0.14)	(0.46)
Derivatives related to VA contracts	(0.13)	(0.38)
Mortgage/real estate losses	(0.01)	(0.11)
All other	<u>(0.01)</u>	<u>(0.07)</u>
Total	<u>\$ (0.16)</u>	<u>\$ (0.12)</u>

Operating income differs from the GAAP measure, net income, in that it excludes realized investment gains (losses) and related amortization. The tables below reconcile operating income to net income available to PLC's common shareowners:

Fourth Quarter and Full-Year Consolidated Results

(\$ in thousands; net of income tax)	For the three months ended December 31,		For the twelve months ended December 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
After-tax operating income	\$ 79,746	\$ 81,786	\$ 312,716	\$ 283,844
Realized investment gains (losses) and related amortization				
Investments	(3,320)	6,377	121,022	118,239
Derivatives	(9,630)	(2,129)	(131,286)	(86,691)
Net income available to PLC's common shareowners	<u>\$ 66,796</u>	<u>\$ 86,034</u>	<u>\$ 302,452</u>	<u>\$ 315,392</u>

(\$ per average diluted share; net of income tax)	For the three months ended December 31,		For the twelve months ended December 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
After-tax operating income	\$ 0.98	\$ 0.97	\$ 3.78	\$ 3.28
Realized investment gains (losses) and related amortization				
Investments	(0.04)	0.08	1.47	1.37
Derivatives	(0.12)	(0.03)	(1.59)	(1.00)
Net income available to PLC's common shareowners	<u>\$ 0.82</u>	<u>\$ 1.02</u>	<u>\$ 3.66</u>	<u>\$ 3.65</u>

For information relating to non-GAAP measures (operating income and PLC's shareowners' equity per share excluding other comprehensive income (loss)) in this press release, please refer to the disclosure at the end of this press release and to the Company's Supplemental Financial Information located on the Company's website at www.protective.com. All per share results in this press release are presented on a diluted basis, unless otherwise noted.

Reconciliation of PLC's Shareowners' Equity, Excluding Accumulated Other Comprehensive Income

(\$ in millions)

	December 31, 2012	December 31, 2011
PLC's shareowners' equity	\$ 4,615	\$ 3,711
Less: Accumulated other comprehensive income	1,737	985
PLC's shareowners' equity, excluding accumulated other comprehensive income	\$ 2,878	\$ 2,726

Reconciliation of PLC's Shareowners' Equity per share, Excluding Accumulated Other Comprehensive Income per share

(\$ per common share outstanding)

	December 31, 2012	December 31, 2011
PLC's shareowners' equity	\$ 59.06	\$ 45.45
Less: Accumulated other comprehensive income	22.22	12.07
PLC's shareowners' equity excluding accumulated other comprehensive income	\$ 36.84	\$ 33.38

Accounting Changes

Results for the current and all prior periods reflect the adoption and the Company's retrospective application of Accounting Standards Update 2010-26, effective January 1, 2012, which modifies the accounting guidance for deferred acquisition costs.

Current and prior period operating income results within the Annuities segment have been updated to reflect the Company's revised definition of operating income (loss) as it relates to embedded derivatives on our variable annuity contracts and related hedging activities. This change was incorporated in the first quarter of 2012 and did not impact its comparable GAAP measure income before income tax.

See information relating to non-GAAP measures at the end of this press release.

Conference Call

There will be a conference call for management to discuss the quarterly results with analysts and professional investors on February 7, 2013 at 10:00 a.m. Eastern. Analysts and professional investors may access this call by dialing 1-866-800-8651 (international callers 1-617-614-2704) and entering the conference passcode: 13471518. A recording of the call will be available from 12:00 p.m. Eastern February 7, 2013 until midnight February 21, 2013. The recording may be accessed by calling 1-888-286-8010 (international callers 1-617-801-6888) and entering the passcode: 91637929.

The public may access a live webcast of the call, along with a call presentation, in the Investor Relations section of the Company's website at www.protective.com. The call presentation will be available on the website beginning approximately 30 minutes prior to the conference call.

Supplemental financial information is available on the Company's website at www.protective.com in the Investor Relations section.

Information Relating to Non-GAAP Measures

Throughout this press release, GAAP refers to accounting principles generally accepted in the United States of America. Segment operating income (loss) is income before income tax, excluding net realized investment gains and losses

(excluding periodic settlements of derivatives associated with debt and certain investments) net of the related amortization of deferred acquisition costs (“DAC”) and value of business acquired (“VOBA”). Operating earnings exclude changes in the guaranteed minimum withdrawal benefits (“GMWB”) embedded derivatives (excluding the portion attributed to economic cost), realized and unrealized gains (losses) on derivatives used to hedge the VA product, actual GMWB incurred claims and net of the related amortization of DAC attributed to each of these items.

In the first quarter of 2012, management revised the definition of operating income (loss) as it relates to certain features of our variable annuity contracts and related hedging activities, to better reflect the basis on which the performance of its business is internally assessed. Under the revised definition, the following items will be excluded from operating income:

- Changes in GMWB embedded derivatives related to this rider feature of certain variable annuity products (excluding the portion attributed to economic costs). Economic cost is the long-term expected average cost of providing the product benefit over the life of the policy based on product pricing assumptions. These include assumptions about the economic/market environment, and elective and non-elective policy owner behavior (e.g. lapses, withdrawal timing, mortality, etc.). These features are considered embedded derivatives under ASC 815.*
- Changes in value of certain derivative instruments used to mitigate the risk related to variable annuity contracts.*
- That portion of the change in balance sheet components amortized over estimated gross profit that is attributed to the embedded GMWB derivative and related economic hedges (e.g. DAC amortization).*

Prior period operating income has been updated to reflect the revised definition.

Management believes that consolidated and segment operating income (loss) provides relevant and useful information to investors, as it represents the basis on which the performance of the Company’s business is internally assessed. Although the items excluded from consolidated and segment operating income (loss) may be significant components in understanding and assessing the Company’s overall financial performance, management believes that consolidated and segment operating income (loss) enhances an investor’s understanding of the Company’s results of operations by highlighting the income (loss) attributable to the normal, recurring operations of the Company’s business. As prescribed by GAAP, certain investments are recorded at their fair values with the resulting unrealized gains (losses) affected by a related adjustment to DAC and VOBA, net of income tax, reported as a component of total Protective Life Corporation’s shareowners’ equity. The fair value of fixed maturities generally increase or decrease as interest rates change. The Company believes that an insurance company’s shareowners’ equity per share may be difficult to analyze without disclosing the effects of recording accumulated other comprehensive income (loss), including unrealized gains (losses) on investments.

Unlocking

The Company periodically reviews and updates as appropriate key assumptions on products using the Accounting Standards Codification (“ASC”) Financial Services-Insurance Topic, including future mortality, expenses, lapses, premium persistency, investment yields, interest spreads, and equity market returns. Changes to these assumptions result in adjustments which increase or decrease DAC amortization and/or benefits and expenses. The periodic review and updating of assumptions is referred to as “unlocking”. When referring to DAC amortization or unlocking on products covered under the ASC Financial Services-Insurance Topic, the reference is to changes in all balance sheet components amortized over estimated gross profits.

Forward-Looking Statements

This release includes “forward-looking statements” which express expectations of future events and/or results. All statements based on future expectations rather than on historical facts are forward-looking statements that involve a number of risks and uncertainties, and the Company cannot give assurance that such statements will prove to be correct. The factors which could affect the Company’s future results include, but are not limited to, general economic conditions and the following known risks and uncertainties: (1) we are exposed to the risks of natural and man-made catastrophes, pandemics, malicious acts, terrorist acts, and climate change; (2) our strategies for mitigating risks arising from our day-to-day operations may prove ineffective; (3) we operate in a mature, highly competitive industry, which could limit our ability to gain or maintain our position in the industry and negatively affect profitability; (4) we operate as a holding company and depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends;

(5) the policy claims of our insurance subsidiaries may fluctuate from period to period resulting in earnings volatility; (6) we may be adversely affected by a ratings downgrade or other negative action by a ratings organization; (7) our results may be negatively affected should actual experience differ from management's assumptions and estimates, which by their nature are imprecise and subject to changes and revisions over time; (8) our financial condition and results of operations could be adversely affected if our assumptions regarding the fair value and future performance of our investments differ from actual experience; (9) our use of reinsurance introduces variability in our statements of income; (10) we could be forced to sell investments at a loss to cover policyholder withdrawals; (11) interest rate fluctuations and sustained periods of low interest rates could negatively affect our interest earnings and spread income, or otherwise impact our business; (12) equity market volatility could negatively impact our business; (13) our use of derivative financial instruments within our risk management strategy may not be effective or sufficient; (14) we are highly regulated and subject to numerous legal restrictions; (15) changes in tax law or interpretations of existing tax law could adversely affect us; (16) we may be required to establish a valuation allowance against our deferred tax assets; (17) we, like other financial services companies, in the ordinary course of business, are frequently the targets of litigation, including class action litigation, which could result in substantial judgments; (18) we, as a publicly held company generally, and a participant in the financial services industry in particular, may be the target of law enforcement investigations and the focus of increased regulatory scrutiny; (19) our ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business; (20) our investments are subject to market and credit risks and these risks could be heightened during periods of extreme volatility or disruption in financial and credit markets; (21) we may not realize our anticipated financial results from our acquisition strategy; (22) we are dependent upon the performance of others; (23) our risk management policies, practices, and procedures could leave us exposed to unidentified or unanticipated risks; (24) our reinsurers could fail to meet assumed obligations, increase rates, or otherwise be subject to adverse developments; (25) the occurrence of computer viruses, information security breaches, disasters, or unanticipated events could affect our data processing systems or those of our business partners and/or service providers; (26) our ability to grow depends in large part upon the continued availability of capital; (27) new accounting rules or changes to existing accounting rules could impact our reported earnings; (28) credit market volatility or disruption could adversely impact us; (29) disruption of the capital and credit markets could negatively affect the Company's ability to meet its liquidity and financing needs; (30) difficult general economic conditions could materially adversely affect our business and results of operations; (31) we may not be able to protect our intellectual property and may be subject to infringement claims; (32) we could be adversely affected by an inability to access our credit facility; and (33) the amount of statutory capital we have and must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly and is sensitive to a number of factors beyond our control. Please refer to Risk Factors and Cautionary Factors that may Affect Future Results, which can be found in Part I, Item 1A of the Company's most recent report on Form 10-K and Part II, Item 1A of the Company's most recent report on Form 10-Q for more information about these factors.

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