

TORCHMARK CORPORATION
GAAP versus Non-GAAP Financial Ratios and Measurements

	Non-GAAP Excluding FAS 115 Adj.		FAS 115 Adjustment		GAAP	
	at December 31,		at December 31,		at December 31,	
	2008	2007	2008	2007	2008	2007
Net income as a return on equity (YTD)	-	-			16.1%	15.8%
Net operating income * as a return on equity (YTD)	15.3%	15.8%			-	-
Total assets (in millions)	\$15,214	\$15,336	-\$1,685	-\$95	\$13,529	\$15,241
Shareholders' equity (in millions)	\$3,318	\$3,386	-\$1,095	-\$61	\$2,223	\$3,325
Book value per share	\$39.17	\$36.26	-\$12.93	-\$0.66	\$26.24	\$35.60
Debt to capital ratio	23.6%	21.4%			31.6%	21.7%

* Net operating income is a non-GAAP number that is defined and reconciled to GAAP Net Income in the press release.

Financial Accounting Standard 115 requires the adjustment of fixed maturities available for sale to fair value. Without the FAS 115 adjustment, these assets would be reported at amortized cost. This adjustment includes the unrealized changes in fair value of these assets due primarily to interest rate fluctuations. Torchmark management and most industry analysts, rating agencies and lenders, prefer to view the financial ratios and balance sheet information shown above without the impact of the FAS 115 adjustment for two reasons: (1) the period to period changes in market value are primarily the result of changes in market interest rates and economic conditions outside the control of management, and (2) about 65% of Torchmark's fixed maturities support interest bearing liabilities, primarily the net policy liabilities. FAS 115 does not permit a corresponding adjustment of the liabilities to market value, which results in an accounting mismatch that can be material to shareholders' equity. Therefore, management removes the effect of FAS 115 when analyzing balance sheet based ratios and financial measures. Management believes that investors can equally benefit from viewing these data.