TORCHMARK CORPORATION

Management versus GAAP Measures

(Unaudited)

(Dollar amounts in millions, except per share data)

	December 31,		
	2016 Actual	**2017 Before Tax Reform[2]**	**2017 As Reported[2]**
Net income as a ROE [1]	12.0%	11.7%	28.2%
Net operating income as a ROE [1]	14.6%	14.4%	14.3%
Shareholders' equity	$4,567	$5,357	$6,231
Impact of adjustment	(681)	(1,276)	(1,551)
Shareholders' equity, excluding net unrealized gains on fixed maturities	$3,886	$4,081	$4,680
Book value per share	$37.76	$45.52	$52.95
Impact of adjustment	(5.63)	(10.84)	(13.18)
Book value per share, excluding net unrealized gains on fixed maturities	$32.13	$34.68	$39.77

[1] ROE is calculated using average shareholders' equity for the measurement period.

Shareholder's equity, excluding net unrealized gains on fixed maturities, and book value per share, excluding net unrealized gains on fixed maturities, are non-GAAP measures that are utilized by management to view the business without the effect of unrealized gains or losses which are primarily attributable to fluctuation in interest rates on the available-for-sale portfolio. Management views the business in this manner because the Company has the ability and generally, the intent, to hold investments to maturity and meaningful trends can more easily be identified without the fluctuations. Shareholders' equity and book value per share are the most directly comparable GAAP measures.

[2] Due to the recent passage of tax reform legislation, the Company recorded $874 million in net income and Shareholder's equity, primarily related to a one-time adjustment to reduce its net deferred tax liability, as required by ASC 740, due to the reduction in the statutory income tax rate. Of this amount, $599 million increased the Company's Shareholders' equity, excluding net unrealized gains on fixed maturities. The adjustment recorded is a reasonable estimate of the impact of tax reform based on our analysis of the legislation. However, we will continue to analyze relevant information to complete our accounting for income taxes which may result in an adjustment to our estimate in 2018. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.