

Torchmark Corporation
Management versus GAAP Measures
(Unaudited)
(Dollar amounts in millions, except per share data)

	December 31,	
	2018	2017⁽²⁾
Net income as a ROE ⁽¹⁾	12.3%	28.2%
Net operating income as a ROE ⁽¹⁾	14.6%	14.3%
Shareholders' equity	\$ 5,415	\$ 6,231
Impact of adjustment	(426)	(1,551)
Shareholders' equity, excluding AOCI	<u>\$ 4,989</u>	<u>\$ 4,680</u>
Book value per share	\$ 48.11	\$ 52.95
Impact of adjustment	(3.79)	(13.18)
Book value per share, excluding AOCI	<u>\$ 44.32</u>	<u>\$ 39.77</u>

⁽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 fluctuations 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 passage of tax reform legislation in 2017, the Company recorded \$874 million in net income and Shareholder's equity as a result of remeasuring its deferred tax assets and liabilities using the lower corporate tax rate as required by ASC 740. Of this amount, \$599 million increased the Company's Shareholders' equity, excluding net unrealized gains on fixed maturities.