

Non-GAAP reconciliation – Net Operating Earnings

(\$000's)	Year ended December 31,				
	2017	2018	2019	2020	2021
Net income	\$24,901	\$33,787	\$63,316	\$88,419	\$152,659
Adjustments:					
Change in the fair value of equity securities, before taxes ⁽¹⁾	-	6,555	(12,389)	(16,855)	(22,812)
Income tax expense (benefit) ⁽²⁾	-	(1,377)	2,602	3,540	4,791
Change in the fair value of equity securities, after taxes	-	5,178	(9,787)	(13,315)	(18,021)
Net realized investment gains, before taxes	(151)	(281)	(359)	(3,533)	(2,828)
Income tax expense ⁽²⁾	53	59	75	742	594
Net realized investment gains, after taxes	(98)	(222)	(284)	(2,791)	(2,234)
Tax Cut and Jobs Act (TCJA) charge	1,915	-	-	-	-
Net operating earnings	\$26,718	\$38,743	\$53,245	\$72,313	\$132,404
Average stockholders' equity	\$224,202	\$251,088	\$334,933	\$491,059	\$637,787
Annualized operating return on equity ⁽³⁾	11.9%	15.4%	15.9%	14.7%	20.8%

¹ Effective January 1, 2018, new accounting guidance required the change in fair value of equity securities to be recognized in net income; ² Income taxes on adjustments to reconcile net income to net operating earnings use an effective tax rate of 35% in 2017 and an effective tax rate of 21% for the years 2018 through 2020; ³ Annualized operating return on equity is net operating earnings expressed on an annualized basis as a percentage of average beginning and ending stockholders' equity during the period.