



First Quarter 2020

Financial and operating results for the period ended March 31, 2020
May 5, 2020

Unless otherwise specified, comparisons in this presentation are between 1Q19 and 1Q20.



Important Legal Information

Forward-Looking Statements

Certain statements made in this presentation should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about future results of operations and capital plans. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ, including those included in our press release issued on May 5, 2020, our Quarterly Reports on Form 10-Q, our Annual Report on Form 10-K and other filings we make with the Securities and Exchange Commission. We assume no obligation to update this presentation, which speaks as of today's date.

Non-GAAP Measures

This presentation contains financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP). Reconciliations between those non-GAAP measures and the comparable GAAP measures are included in the Appendix, or on the page such measure is presented.

While management believes the measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered substitutes for the most directly comparable GAAP measures.

Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investors – SEC Filings" section of CNO's website, CNOinc.com.



COVID-19 Response: Committed to Key Stakeholders

Embracing our obligations; rising to the challenge

Supporting our Associates & Agents

- Committed to no COVID-19 related layoffs in 2020
- Introduced agent financial support programs
- Provided technology, training, & other tools to support effective working from home
- COVID-19 testing & treatment reimbursed at 100%
- Expanded PTO policies
- Free LiveHealth tele-visits
- Employee Assistance programs offering 24/7 counseling

Helping our Customers

- Call centers, claims processing, other services operating remotely
- Allowing deferral of premium payments of up to 90 days
- Enhanced digital capabilities and servicing
- Providing agents with tools to support virtual sales and servicing; digital applications
- Continuing to provide products to protect the health and retirement needs of our customers

Giving Back to Others

- Committed to maintaining 2020 annual budget for corporate donations to our philanthropic community partners
- Engaged associates in virtual volunteering opportunities to support local food banks and first responders
- Donated \$300,000 to support funds for associates and agents impacted by COVID-19 or other personal financial emergencies

Quarter in Review

Operating progress despite challenging environment

Strong Operational Performance

- Operating income¹ up 28%; record operating income per share +41%
- Life and health sales up 7%
- Annuity collected premiums down 7%; account values up 8%
- Insurance policy income up 2%; insurance product margin up 1%
- Fee income up 77% to \$7.8 million
- Allocated expenses up \$0.7 million; non-allocated expenses down \$4.3 million

Building on Track Record of Execution

- Statutory capital and surplus of \$1.75 billion; RBC of 406%
- Returned \$99 million to shareholders; \$83 million in share buybacks
 - Weighted average shares down 10% YoY; 4% sequentially
- Early success with Transformation initiatives
- Operating ROE¹, excluding significant items, of 11.1%

¹ A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

Growth Scorecard

Four of five metrics up Q/Q

(dollars in millions)

| | 2019 | | | | | 2020 | % Change Q/Q | |
|--------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------------|-------|
| | 1Q | 2Q | 3Q | 4Q | TY | 1Q | | |
| Drive Growth | New Annualized Premium¹ | | | | | | | |
| | Life Insurance | \$39.7 | \$39.4 | \$37.3 | \$34.9 | \$151.3 | \$41.1 | 3.5% |
| | Health Insurance | 40.1 | 45.8 | 46.7 | 62.7 | 195.3 | 44.0 | 9.7% |
| | Total Life & Health Insurance | \$79.8 | \$85.2 | \$84.0 | \$97.6 | \$346.6 | \$85.1 | 6.6% |
| | Insurance Policy Income | | | | | | | |
| Health | \$358.2 | \$358.1 | \$358.1 | \$359.0 | \$1,433.4 | \$362.1 | 1.1% | |
| Life | 187.2 | 189.0 | 189.6 | 192.3 | 758.1 | 194.1 | 3.7% | |
| Long-term Care | 67.3 | 67.0 | 67.2 | 66.7 | 268.2 | 66.9 | -0.6% | |
| Total Life & Health | \$612.7 | \$614.1 | \$614.9 | \$618.0 | \$2,459.7 | \$623.1 | 1.7% | |
| Expand to the Right | Annuity Collected Premiums | \$315.7 | \$341.2 | \$325.2 | \$324.3 | \$1,306.4 | \$292.2 | -7.4% |
| | Client Assets in BD and Advisory² | \$1,234.4 | \$1,303.0 | \$1,362.7 | \$1,515.0 | \$1,515.0 | \$1,358.7 | 10.1% |
| | Fee Income³ | \$4.4 | \$4.4 | \$3.0 | \$11.7 | \$23.5 | \$7.8 | 77.3% |

1 Measured as 100% of new term life and health annualized premiums and 10% of single premium whole life deposits.

2 Client assets include cash and securities in brokerage and managed advisory accounts.

3 Represents fee income, net of related expenses, from the sales of third-party insurance products, services provided by WBD, our broker-dealer and registered investment advisor.

Consumer Division Update

Continued progress with initiatives; early success transitioning to a new environment

| Key Initiatives | First Quarter Highlights |
|--------------------------|---|
| Maintain growth momentum | <ul style="list-style-type: none">• Life and Health NAP up 8%<ul style="list-style-type: none">• Health up 11%, Life up 5%• Annuity account value up 8% to \$9.8 billion• Total client assets at BD/RIA \$1.4 billion |
| Optimize distribution | <ul style="list-style-type: none">• Producing agent count up 2%; 7th consecutive quarter of growth• FA count up 3%; 13% of agent force is dually licensed |
| Expand reach | <ul style="list-style-type: none">• Deployed digital agent tools to serve consumers virtually• Accelerating lead sharing from D2C to career agents |

Worksite Division Update

2020 off to strong start through mid-March; significant near-term challenges

| Key Initiatives | First Quarter Highlights |
|---|---|
| Continue worksite growth in small employer market | <ul style="list-style-type: none">• Worksite NAP up 12% through mid-March; down 1% total• Worksite producing agent count up 13%• Independent producer sales up 16% |
| Expand to larger small businesses | <ul style="list-style-type: none">• WBD integration progressing; fees +8%; drove 6% of sales• Growth in benefit broker relationships• Continued success in government-like entities: education, public administration and utilities |
| Enhance portfolio | <ul style="list-style-type: none">• New Hospital Indemnity product delivered \$0.9mm; +34%• 3% of new sales from enrollment solution offering• Additional group product development underway |

Excess Capital Allocation Strategy

Disciplined and opportunistic approach to maximize shareholder value



Organic investments to sustain and grow the core businesses



Return capital to shareholders

- \$83 million in share repurchases in 1Q
- Dividend payout ratio targeted at 20-25%
- Repurchases paused in mid-March; will resume as conditions evolve



Opportunistic transactions

- Highly selective M&A to expand productivity offerings or enhance distribution

Financial Highlights

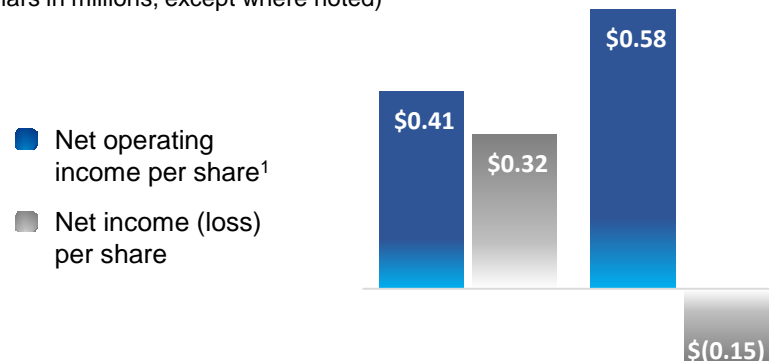
Net operating EPS up 41% to record \$0.58

First Quarter 2020

- Net operating EPS¹ of \$0.58, up 41% from \$0.41 in 1Q19
- Non-operating loss of \$105 million
 - Mark-to-market impact from certain investments & embedded derivative liability
 - Change in allowance for credit losses/CECL
 - CARES Act drove favorable tax rate
- Weighted average share count down 10% YoY, 4% sequentially
- Disciplined expense management
 - Allocated expenses up \$0.7 million or ~0.05%
 - Non-allocated expenses down \$4.3 million or 24%
- Operating ROE¹, excluding significant items, of 11.1%
- Statutory operating income estimated to be \$134 million
- Statutory capital and surplus of \$1.75 billion

Earnings Results

(dollars in millions, except where noted)



| | 1Q19 | 1Q20 |
|---|--------|----------|
| Net Operating Income ¹ | \$65.8 | \$84.3 |
| Net Income (Loss) | \$51.8 | \$(21.2) |
| Weighted Average Shares Outstanding (in millions) | 162.2 | 145.8 |

¹ A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

Insurance Product Margin

Margin continues to be strong; growth in core blocks offsets lower book yields

(dollars in millions)

Insurance Product Margin¹

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Annuity <i>Margin / average net insurance liabilities</i> | \$56.2 2.45% | \$57.2 2.46% | \$56.2 2.39% | \$60.8 2.54% | \$59.5 2.47% |
| Health <i>Margin / insurance policy income</i> | \$78.9 22% | \$78.3 22% | \$77.0 22% | \$79.0 22% | \$73.6 20% |
| Life <i>ISL: Margin / average net insurance liabilities</i> | \$43.1 0.75% | \$51.7 0.60% | \$54.6 0.55% | \$56.4 0.68% | \$44.3 0.67% |
| <i>ISL: Underwriting margin / insurance policy income</i> | 37% | 41% | 45% | 26% | 42% |
| <i>Trad: Margin / insurance policy income</i> | 19% | 23% | 24% | 23% | 17% |
| <i>Trad: Margin ex. Adv. Exp. / insurance policy income</i> | 30% | 33% | 35% | 32% | 30% |
| Long-term Care <i>Margin / insurance policy income</i> | \$11.5 17% | \$11.9 18% | \$12.3 18% | \$14.0 21% | \$13.3 20% |
| Total Margin | \$189.7 | \$199.1 | \$200.1 | \$210.2 | \$190.7 |

¹ Excluding significant items.

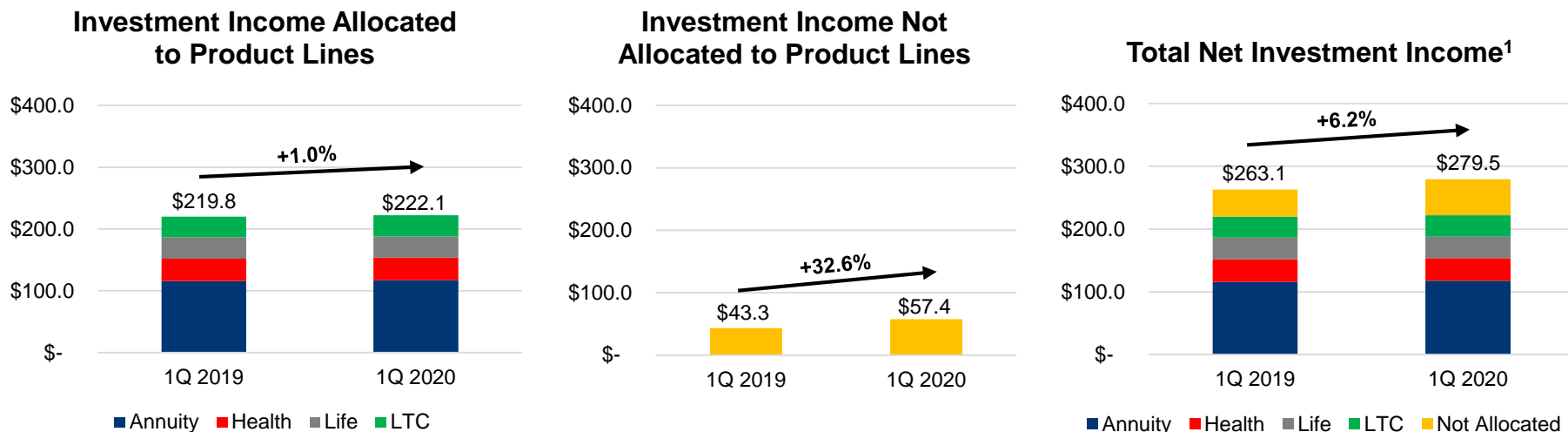
Highlights

- Total margin up 1%
- Annuity results reflect growth in fixed index
 - Annuity margin up 6%; annuity margin / average net insurance liabilities essentially flat at 2.47%
- Health results
 - Solid Supplemental Health results despite YoY decline; significant outperformance in 1Q19
 - Medicare Supplement in line with seasonally lower 1Q; margin flat
- Life results reflect growth in ISL block; higher advertising expense in Traditional
- LTC margin benefited from favorable persistency

Investment Results

Steady NII allocated to product lines; variable investment returns boost overall results

(dollars in millions)



- Total Net Investment Income up 6.2% on 2.4% increase in invested assets
- Investment Income Allocated to Product Lines steady despite lower interest rates
- Investment Income Not Allocated to Product Lines increased by 32.6% due to strong alternatives results and higher prepayments and calls
- New money rate of 4.46% reflects selective opportunistic investments during market dislocation
- Average yield on allocated investments was 4.97% compared to 5.16% in 1Q19

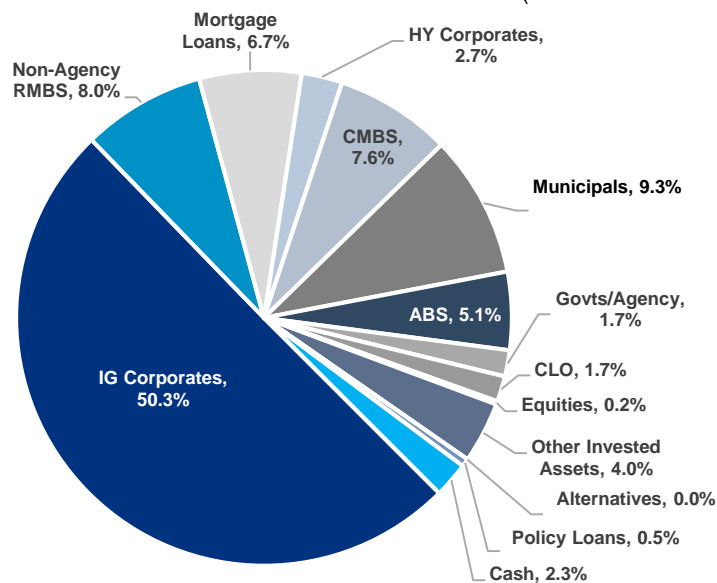
¹ Reflects sum of allocated and non-allocated investment income. Refer to pages 16-18 of the financial supplement for more information on the components of net investment income.

Portfolio Composition

High quality; well-positioned for current environment

\$25 billion of Invested Assets

(Fair Value as of 3/31/2020)



General Approach

- Positioned for stable performance across credit cycles
- Emphasizing quality
- Lower than average allocation to most higher risk categories – all carefully calibrated
- Low impairments through multiple cycles

1 Not including policies with lifetime benefits.

Highlights

- **66% of portfolio in corporate and government bonds**
- **\$20 billion of assets with high degree of liquidity**
 - ~\$11.9 billion public corporate bonds
 - ~\$5.3 billion structured securities
 - ~\$2.6 billion municipal, political subdivisions, and US and foreign government bonds
- **Strong credit risk profile across portfolio**
 - Underweight COVID-19 impacted sectors
 - 96% rated NAIC 1 / 2
 - Diversified commercial and residential mortgages with low LTVs
 - Significant credit enhancement in structured products
 - Alternative investments that avoid binary outcomes

Update on Tax Assets

CARES Act NOL utilization provisions provide benefits

(dollars in millions)

| | <u>Life</u> | <u>Non-life</u> |
|--|----------------|-----------------|
| NOL deferred tax assets at December 31, 2019 | \$ 110.0 | \$ 422.0 |
| Impacts of CARES Act | | |
| Repeal of 80% limitation | (22.0) | 8.0 |
| Allow NOL carrybacks | (78.0) | 27.0 |
| Impacts of 1Q 2020 taxable income | <u>-</u> | <u>(7.0)</u> |
| NOL deferred tax assets at March 31, 2020 | <u>\$ 10.0</u> | <u>\$ 450.0</u> |

CARES Act Impacts

- Repeal of the 80% limitation for utilization of NOLs created after 2017
 - Accelerates the utilization of \$105 million of life NOLs and restores \$35 million of non-life NOLs
- Allows NOLs created after 2017 to be carried back
 - Accelerates the utilization of \$375 million of life NOLs and restores \$130 million of non-life NOLs
 - Tax rate differential between current 21% rate and 35% rate in carryback years results in a \$34 million permanent tax benefit

Cash Flow Profile

Strong free cash flow generation and conversion

(dollars in millions)

| | For the Quarter | |
|---|-----------------|-----------------|
| | 1Q19 | 1Q20 |
| Net Operating Income ¹ | \$ 65.8 | \$ 84.3 |
| Holding Company Cash Flows: | | |
| Dividends from Subsidiaries | \$ 49.0 | \$ 87.8 |
| Management Fees | 29.2 | 29.8 |
| Surplus Debenture Interest | 12.6 | 12.1 |
| Earnings on Corporate Investments | 5.1 | 15.1 |
| Tax Refund | 5.8 | - |
| Other | (9.5) | (22.9) |
| Holding Company Sources of Cash | 92.2 | 121.9 |
| Holding Company Expenses and Other | (24.4) | (39.3) |
| Interest Payments | (1.0) | (0.2) |
| Excess Cash Flow to Holding Company | 66.8 | 82.4 |
| Share Repurchases | (41.0) | (84.8) |
| Dividend Payments to Stockholders | (16.4) | (16.2) |
| Net Change in Holding Company Cash and Investments | 9.4 | (18.6) |
| Cash and Investments, Beginning of Period | 220.4 | 186.7 |
| Cash and Investments, End of Period | \$ 229.8 | \$ 168.1 |

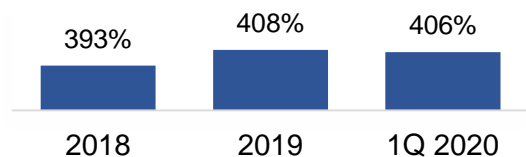
1 A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure.

Capital and Liquidity Overview

Conservative approach to capital structure

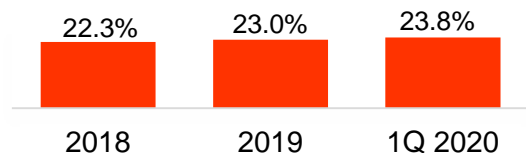
(dollars in millions)

Consolidated Risk Based Capital (“RBC”) Ratio¹



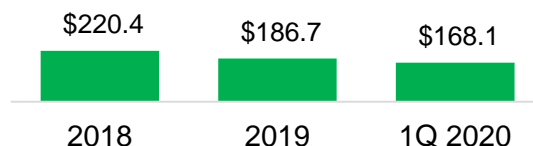
- Targeted consolidated RBC ratio of 375-400%
- Excess due to certain 1x favorable benefits to statutory capital
- RBC variability can be expected in periods of market volatility

Debt to Capital²



- Target leverage of 22.5 – 25.0%
- Debt covenant ceiling of 35%
- Debt capacity within limit of target leverage \$67.5 million

Holding Company Liquidity



- Minimum targeted holding company liquidity of \$150 million
- Liquidity bolstered by \$250 million undrawn revolver
- No outstanding debt maturities until 2025

1 The ratio of the combined capital of the insurance companies to the minimum amount of capital appropriate to support the overall business operations, as determined based on the methodology developed by the National Association of Insurance Commissioners.

2 Excluding accumulated other comprehensive income (a non-GAAP measure). See the Appendix for a reconciliation to the corresponding GAAP measure.

2020 Outlook – Maintain RBC, Liquidity, Leverage Targets

Maintaining dividend; capacity to resume modest share repurchases

- Base case scenario
 - Assumes social distancing through June
 - Economy picks up thereafter
 - 80,000 U.S. COVID-19 deaths
- Alt case scenario
 - Assumes second wave of COVID-19 in mid-July
 - 120,000 U.S. COVID-19 deaths
 - Shelter-in-place restrictions reintroduced until 1Q21 when vaccine produced
- Other assumptions
 - GDP, equity market downturn, housing market correction, interest rates, spreads, default rates/fallen angels approximate GFC levels; unemployment worse
- 2020 impacts
 - 2Q20 earnings depressed from projected alts performance and anticipated COVID-19 claims
 - 2H20 earnings potentially impacted from lower interest rates, COVID-19 margin pressure; higher lapse rates could counterbalance
 - Offsetting impacts to capital from credit migration and lower sales/less capital strain

Delivering On Our Commitments

Turnaround / De-risking

Pre 2017

- ✓ Reinsured life block (2009)
- ✓ Recapitalized company (2012)
- ✓ Initiated dividend (2012)
- ✓ Sold Legacy Life Insurance Block (2014)
- ✓ Migrated ratings upwards—within non-investment grade ratings classes

Pivot to Growth

2017-2019

- ✓ Completed Senior Leadership additions
- ✓ Reinsured LTC block
- ✓ Achieved investment grade credit ratings
- ✓ Up-in-quality portfolio repositioning
- ✓ Sustainable momentum in recruiting and sales

Maximize Profitability

2020 and Beyond

- ✓ Customer-centric business realignment
- ✓ Omnichannel delivery model
- ✓ Enhance growth and margin profile
- ✓ Maximize distributable cash flow
- ✓ Accelerate pace of capital deployment
- ✓ Reduced risk and volatility
- ✓ Leverage technology

Investment Highlights



Well-positioned in
underserved senior
middle-income
market



Favorable
demographic
tailwinds



Highly
differentiated
business model



Sustainable
growth initiatives
in place



Strong balance
sheet; robust
free cash flow
generation

Questions and Answers

Appendix 1: Quarter in Review

Strong Operational Performance

- Broker-Dealer/Registered Investment Advisor
- Agent Counts

Slide 22

Slide 23

Building on Strong Track Record of Execution

- Retained LTC Insurance
- Portfolio Overview

Slide 24

Slides 25-27

Broker-Dealer/Registered Investment Advisor

Account values up YoY; \$1.4 billion in client assets

(dollars in millions)

| | | 2019 | | | | 2020 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| | | 1Q | 2Q | 3Q | 4Q | 1Q |
| Net New Client Assets in Brokerage and Advisory¹ | Brokerage | -\$3.0 | \$5.1 | \$13.4 | \$17.4 | \$15.3 |
| | Advisory | 35.7 | 33.2 | 29.9 | 45.4 | 65.7 |
| | Total | \$32.7 | \$38.3 | \$43.3 | \$62.8 | \$81.0 |
| Client Assets in Brokerage and Advisory¹ at end of period | Brokerage | \$861.6 | \$886.0 | \$913.7 | \$982.9 | \$842.3 |
| | Advisory | 372.8 | 417.0 | 449.0 | 532.1 | 516.4 |
| | Total | \$1,234.4 | \$1,303.0 | \$1,362.7 | \$1,515.0 | \$1,358.7 |

¹ Client assets include cash and securities in brokerage and managed advisory accounts. Net new client assets includes total inflows of cash and securities into brokerage and managed advisory accounts less outflows. Inflows include interest and dividends and exclude changes due to market fluctuations.

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Agent Counts

All producing agent counts up YoY

| | 2019 | | | | 2020 | % Change |
|--|-------|-------|-------|-------|-------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | Q/Q |
| Consumer | | | | | | |
| Total Quarterly Average Producing Agents ^{1,3} | 4,436 | 4,602 | 4,579 | 4,709 | 4,531 | 2.1% |
| Quarterly Average Financial Representatives ^{2,3} | 583 | 595 | 596 | 596 | 591 | 1.4% |
| Worksite | | | | | | |
| Total Quarterly Average Producing Agents ^{1,3} | 371 | 417 | 420 | 453 | 421 | 13.5% |

1 Producing agents are agents that have submitted at least one policy in the month.

2 Financial representatives are agents who are licensed to sell certain securities brokerage products and services.

3 Quarterly average agent and advisor counts represent the average of the last 3 months.

Retained Long-Term Care Insurance

Highly differentiated in-force block; prudently managed

- **New sales (~\$25 million annually) focused on short duration products**
 - 98% of new sales for policies with 2 years or less in benefits
 - Average benefit period of 11 months
 - New business 25% reinsured since 2008
- **Reserve assumptions informed by historical experience**
 - No morbidity improvement
 - No mortality improvement
 - Minimal future rate increases
 - Ultimate new money rate lowered to target 4.00% 10-year Treasury rate
- **Favorable economic profile**
 - 2019 Loss Recognition Testing margin increased to \$255 million or ~11% of Net GAAP Liabilities
 - Statutory reserves ~\$160 million higher than GAAP reserves
 - Total LTC is just 13% of overall CNO reserves
 - Potential adverse impact from severe stress scenarios is significantly reduced

Portfolio Overview – Sector Breakdown

Underweight COVID-19 impacted sectors

(dollars in millions)

| Sector | Exposure | Market Value | Portfolio% | Over Underweight |
|--------------------------------|----------|--------------|------------|------------------|
| Airlines | 0.4 | \$0.4 | 0.002% | Underweight |
| Aircraft Lease Securitizations | 68.7 | \$52.2 | 0.23% | Underweight |
| Energy | 766.0 | \$675.3 | 2.92% | Underweight |
| Gaming | - | - | - | Underweight |
| Hotels | 36.1 | \$34.6 | 0.15% | Underweight |
| Retail ex Grocery | 81.5 | \$93.2 | 0.40% | Underweight |
| Restaurants | 37.3 | \$36.6 | 0.16% | Underweight |
| Whole Business Securitizations | 400.6 | \$376.9 | 1.63% | Overweight |

Portfolio Overview: Commercial Mortgage Loans

Very conservatively underwritten; loss resistant

Key Portfolio Facts

\$1.5 billion of net invested assets

100%

First
Mortgage

97.1%

Rated
CM1-2

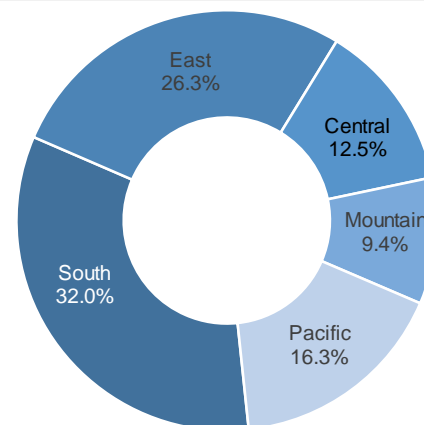
51%

Weighted
Avg LTV

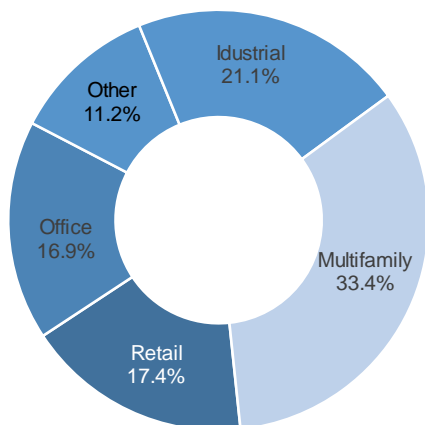
1.96x

Weighted
DSCR

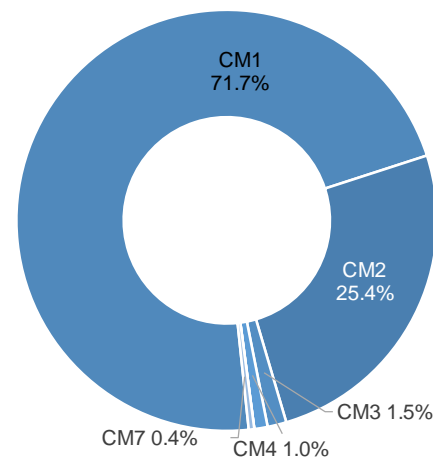
Portfolio Geography



Underlying Property Type



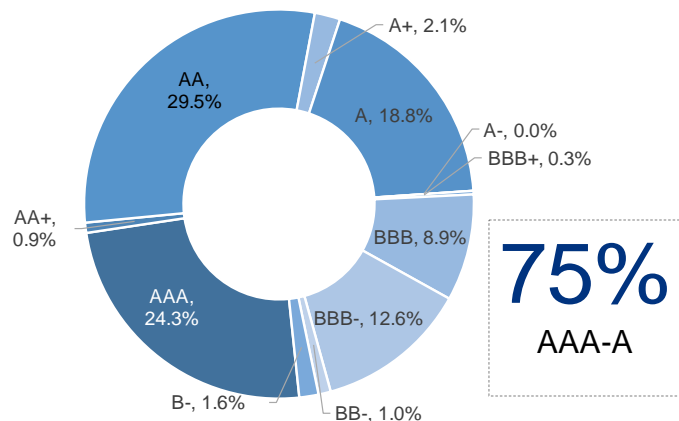
Ratings Composition



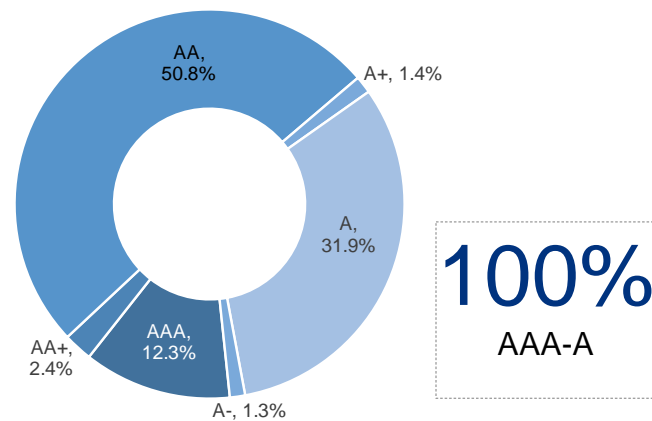
Portfolio Overview: CLO Debt

Significant cushion against stress scenarios

12/31/2016



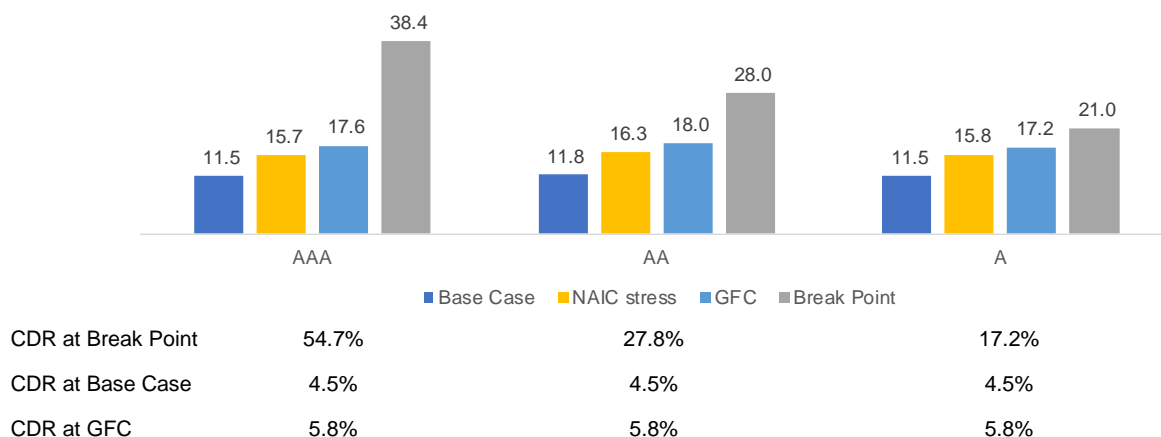
3/31/2020



Key Portfolio Metrics

| | AAA | AA | A |
|------------------------|-------|-------|-------|
| Credit Support | | | |
| Portfolio | 36% | 25% | 17% |
| Market | 37% | 25% | 19% |
| WARF | | | |
| Portfolio | 2,770 | 2,822 | 2,735 |
| Market | 2,800 | 2,817 | 2,837 |
| Diversity Score | | | |
| Portfolio | 77 | 77 | 79 |
| Market | 77 | 75 | 75 |
| WAPx | | | |
| Portfolio | 76.85 | 79.47 | 79.35 |
| Market | 78.96 | 78.86 | 78.87 |

Cumulative Loss / Breakpoint Analysis



Appendix 2: Financial Exhibits

- Non-GAAP Financial Measures

Slides 29-41

4Q19 Significant Items

The table below summarizes the financial impact of significant items on our 4Q19 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

(dollars in millions, except per-share amounts)

| | Three months ended December 31, 2019 | | |
|--|---|-------------------|-----------------------------------|
| | Actual results | Significant items | Excluding significant items |
| Insurance product margin | | | |
| Annuity | \$ 60.5 | \$ 0.3 (1) | \$ 60.8 |
| Health | 79.0 | - | 79.0 |
| Life | 46.7 | 9.7 (1) | 56.4 |
| Long-term care | 14.0 | | 14.0 |
| Total insurance product margin | 200.2 | 10.0 | 210.2 |
| Allocated expenses | (140.6) | - | (140.6) |
| Income from insurance products | 59.6 | 10.0 | 69.6 |
| Fee income | 11.7 | - | 11.7 |
| Investment income not allocated to product lines | 26.2 | - | 26.2 |
| Expenses not allocated to product lines | 2.8 | (20.0) (2) | (17.2) |
| Operating earnings before taxes | 100.3 | (10.0) | 90.3 |
| Income tax expense on operating income | (21.7) | 2.1 | (19.6) |
| Net operating income (3) | <u>\$ 78.6</u> | <u>\$ (7.9)</u> | <u>\$ 70.7</u> |
| Net operating income per diluted share (3) | <u>\$ 0.52</u> | <u>\$ (0.05)</u> | <u>\$ 0.47</u> |

(1) Adjustments arising from our comprehensive annual actuarial review of assumptions.

(2) \$20.0 million of the net favorable impact from legal and regulatory matters.

(3) A non-GAAP measure. See pages 30 and 32 for a reconciliation to the corresponding GAAP measure.

Quarterly Earnings

(dollars in millions)

| | <u>1Q19</u> | <u>2Q19</u> | <u>3Q19</u> | <u>4Q19</u> | <u>1Q20</u> |
|--|----------------|----------------|----------------|-----------------|------------------|
| Insurance product margin | | | | | |
| Annuity | \$ 56.2 | \$ 57.2 | \$ 56.2 | \$ 60.5 | \$ 59.5 |
| Health | 78.9 | 78.3 | 77.0 | 79.0 | 73.6 |
| Life | 43.1 | 51.7 | 54.6 | 46.7 | 44.3 |
| Long-term care | 11.5 | 11.9 | 12.3 | 14.0 | 13.3 |
| Total insurance product margin | <u>189.7</u> | <u>199.1</u> | <u>200.1</u> | <u>200.2</u> | <u>190.7</u> |
| Allocated expenses | (135.9) | (135.2) | (131.3) | (140.6) | (136.6) |
| Income from insurance products | 53.8 | 63.9 | 68.8 | 59.6 | 54.1 |
| Fee income | 4.4 | 4.4 | 3.0 | 11.7 | 7.8 |
| Investment income not allocated to product lines | 43.3 | 48.3 | 34.3 | 26.2 | 57.4 |
| Expenses not allocated to product lines | (18.1) | (19.9) | (18.2) | 2.8 | (13.8) |
| Operating earnings before taxes | 83.4 | 96.7 | 87.9 | 100.3 | 105.5 |
| Income tax expense on operating income | (17.6) | (20.3) | (18.7) | (21.7) | (21.2) |
| Net operating income | <u>65.8</u> | <u>76.4</u> | <u>69.2</u> | <u>78.6</u> | <u>84.3</u> |
| Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization) | (0.7) | (1.7) | (2.6) | 7.1 | (63.7) |
| Net change in market value of investments recognized in earnings | 16.6 | 6.8 | 4.7 | (2.6) | (48.4) |
| Fair value changes in embedded derivative liabilities (net of related amortization) | (29.6) | (35.9) | (29.3) | 13.4 | (66.7) |
| Fair value changes related to agent deferred compensation plan | (5.3) | (11.6) | (6.0) | 2.5 | - |
| Loss on extinguishment of debt | - | (7.3) | - | - | - |
| Other | 1.2 | 0.7 | (1.2) | (13.3) | 2.3 |
| Non-operating income (loss) before taxes | (17.8) | (49.0) | (34.4) | 7.1 | (176.5) |
| Income tax expense (benefit): | | | | | |
| On non-operating income (loss) | (3.8) | (10.2) | (7.2) | 1.4 | (37.0) |
| Valuation allowance for deferred tax assets and other tax items | - | - | - | (193.7) | (34.0) |
| Net non-operating income (loss) | <u>(14.0)</u> | <u>(38.8)</u> | <u>(27.2)</u> | <u>199.4</u> | <u>(105.5)</u> |
| Net income (loss) | <u>\$ 51.8</u> | <u>\$ 37.6</u> | <u>\$ 42.0</u> | <u>\$ 278.0</u> | <u>\$ (21.2)</u> |

*Management believes that an analysis of earnings before net realized investment gains (losses) from sales, impairments and change in allowance for credit losses, net change in market value of investments recognized in earnings, fair value changes in embedded derivative liabilities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, loss related to reinsurance transaction, other non-operating items, corporate interest expense and taxes ("Adjusted EBIT," a non-GAAP financial measure) provides a clearer comparison of the operating results of the company quarter-over-quarter because it excludes: (1) net realized investment gains (losses) from sales, impairments and change in allowance for credit losses; (2) net change in market value of investments recognized in earnings; (3) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities that are unrelated to the company's underlying fundamentals; (4) loss on extinguishment of debt; (5) fair value changes related to the agent deferred compensation plan; (6) loss related to reinsurance transaction; (7) charges in the valuation allowance for deferred tax assets and other tax items; and (8) other non-operating items consisting primarily of earnings attributable to variable interest entities. The table above provides a reconciliation of Adjusted EBIT to net income.

Information Related to Certain Non-GAAP Financial Measures

The following provides additional information regarding certain non-GAAP measures used in this presentation. A non-GAAP measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. While management believes these measures are useful to enhance understanding and comparability of our financial results, these non-GAAP measures should not be considered as substitutes for the most directly comparable GAAP measures. Additional information concerning non-GAAP measures is included in our periodic filings with the Securities and Exchange Commission that are available in the "Investors – SEC Filings" section of CNO's website, www.CNOinc.com.

Operating earnings measures

Management believes that an analysis of net income applicable to common stock before net realized investment gains or losses from sales, impairments and change in allowance for credit losses, net change in market value of investments recognized in earnings, fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, loss related to reinsurance transaction, changes in the valuation allowance for deferred tax assets and other tax items and other non-operating items consisting primarily of earnings attributable to variable interest entities ("net operating income," a non-GAAP financial measure) is important to evaluate the financial performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because the items excluded from net operating income can be affected by events that are unrelated to the Company's underlying fundamentals.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of net income (loss) applicable to common stock to net operating income (and related per-share amounts) is as follows:

(dollars in millions, except per-share amounts)

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 |
|---|----------------|----------------|----------------|-----------------|------------------|
| Net income (loss) applicable to common stock | <u>\$ 51.8</u> | <u>\$ 37.6</u> | <u>\$ 42.0</u> | <u>\$ 278.0</u> | <u>\$ (21.2)</u> |
| Non-operating items: | | | | | |
| Net realized investment (gains) losses from sales and impairments, net of related amortization | 0.7 | 1.7 | 2.6 | (7.1) | 63.7 |
| Net change in market value of investments recognized in earnings | (16.6) | (6.8) | (4.7) | 2.6 | 48.4 |
| Fair value changes in embedded derivative liabilities, net of related amortization | 29.6 | 35.9 | 29.3 | (13.4) | 66.7 |
| Fair value changes related to the agent deferred compensation plan | 5.3 | 11.6 | 6.0 | (2.5) | - |
| Loss on extinguishment of debt | - | 7.3 | - | - | - |
| Other | (1.2) | (0.7) | 1.2 | 13.3 | (2.3) |
| Non-operating (income) loss before taxes | 17.8 | 49.0 | 34.4 | (7.1) | 176.5 |
| Income tax (expense) benefit | | | | | |
| On non-operating (income) loss | 3.8 | 10.2 | 7.2 | (1.4) | 37.0 |
| Valuation allowance for deferred tax assets and other tax items | - | - | - | 193.7 | 34.0 |
| Net non-operating (income) loss | 14.0 | 38.8 | 27.2 | (199.4) | 105.5 |
| Net operating income (a non-GAAP financial measure) | <u>\$ 65.8</u> | <u>\$ 76.4</u> | <u>\$ 69.2</u> | <u>\$ 78.6</u> | <u>\$ 84.3</u> |
| Per diluted share: | | | | | |
| Net income (loss) | <u>\$ 0.32</u> | <u>\$ 0.24</u> | <u>\$ 0.27</u> | <u>\$ 1.84</u> | <u>\$ (0.15)</u> |
| Net realized investment (gains) losses from sales and impairments (net of related amortization and taxes) | - | 0.01 | 0.01 | (0.04) | 0.35 |
| Net change in market value of investments recognized in earnings (net of taxes) | (0.08) | (0.04) | (0.02) | 0.01 | 0.26 |
| Fair value changes in embedded derivative liabilities (net of related amortization and taxes) | 0.15 | 0.18 | 0.15 | (0.07) | 0.36 |
| Fair value changes related to the agent deferred compensation plan (net of taxes) | 0.03 | 0.06 | 0.03 | (0.01) | - |
| Loss on extinguishment of debt | - | 0.03 | - | - | - |
| Valuation allowance for deferred tax assets and other tax items | - | - | - | (1.28) | (0.23) |
| Other | (0.01) | - | 0.01 | 0.07 | (0.01) |
| Net operating income (a non-GAAP financial measure) | <u>\$ 0.41</u> | <u>\$ 0.48</u> | <u>\$ 0.45</u> | <u>\$ 0.52</u> | <u>\$ 0.58</u> |

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of operating income and shares used to calculate basic and diluted operating earnings per share is as follows:

(dollars in millions, except per-share amounts, and shares in thousands)

| | <u>1Q19</u> | <u>2Q19</u> | <u>3Q19</u> | <u>4Q19</u> | <u>1Q20 (a)</u> |
|--|----------------|----------------|----------------|----------------|-----------------|
| Operating income | <u>\$ 65.8</u> | <u>\$ 76.4</u> | <u>\$ 69.2</u> | <u>\$ 78.6</u> | <u>\$ 84.3</u> |
| Weighted average shares outstanding for basic earnings per share | 160,948 | 158,816 | 154,257 | 150,138 | 145,829 |
| Effect of dilutive securities on weighted average shares: | | | | | |
| Stock options, restricted stock and performance units | <u>1,241</u> | <u>919</u> | <u>1,003</u> | <u>1,271</u> | <u>-</u> |
| Weighted average shares outstanding for diluted earnings per share | <u>162,189</u> | <u>159,735</u> | <u>155,260</u> | <u>151,409</u> | <u>145,829</u> |
| Net operating income per diluted share | <u>\$ 0.41</u> | <u>\$ 0.48</u> | <u>\$ 0.45</u> | <u>\$ 0.52</u> | <u>\$ 0.58</u> |

(a) Equivalent common shares of 768 were not included in the diluted weighted average shares outstanding due to the net less recognized in 1Q20.

Information Related to Certain Non-GAAP Financial Measures

Book value per diluted share

Book value per diluted share reflects the potential dilution that could occur if outstanding stock options were exercised, restricted stock and performance units were vested and convertible securities were converted. The dilution from options, restricted shares and performance units is calculated using the treasury stock method. Under this method, we assume the proceeds from the exercise of the options (or the unrecognized compensation expense with respect to restricted stock and performance units) will be used to purchase shares of our common stock at the closing market price on the last day of the period. In addition, the calculation of this non-GAAP measure differs from the corresponding GAAP measure because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP measure is useful because it removes the volatility that arises from changes in the unrealized appreciation (depreciation) of our investments.

A reconciliation from book value per share to book value per diluted share, excluding accumulated other comprehensive income (loss) is as follows:

(dollars in millions, except per-share amounts)

| | <u>1Q19</u> | <u>2Q19</u> | <u>3Q19</u> | <u>4Q19</u> | <u>1Q20</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total shareholders' equity | \$ 3,837.9 | \$ 4,252.2 | \$ 4,553.3 | \$ 4,677.0 | \$ 3,765.8 |
| Shares outstanding for the period | <u>159,955,172</u> | <u>156,768,002</u> | <u>152,183,491</u> | <u>148,084,178</u> | <u>143,610,046</u> |
| Book value per share | <u>\$ 23.99</u> | <u>\$ 27.12</u> | <u>\$ 29.92</u> | <u>\$ 31.58</u> | <u>\$ 26.22</u> |
| <hr/> | | | | | |
| Total shareholders' equity | \$ 3,837.9 | \$ 4,252.2 | \$ 4,553.3 | \$ 4,677.0 | \$ 3,765.8 |
| Less accumulated other comprehensive income | (654.9) | (1,098.2) | (1,442.9) | (1,372.5) | (595.2) |
| Adjusted shareholders' equity excluding AOCI | <u>\$ 3,183.0</u> | <u>\$ 3,154.0</u> | <u>\$ 3,110.4</u> | <u>\$ 3,304.5</u> | <u>\$ 3,170.6</u> |
| Shares outstanding for the period | 159,955,172 | 156,768,002 | 152,183,491 | 148,084,178 | 143,610,046 |
| Dilutive common stock equivalents related to: | | | | | |
| Stock options, restricted stock and performance units | 1,168,027 | 894,456 | 1,059,278 | 1,496,546 | 326,110 |
| Diluted shares outstanding | <u>161,123,199</u> | <u>157,662,458</u> | <u>153,242,769</u> | <u>149,580,724</u> | <u>143,936,156</u> |
| Book value per diluted share (a non-GAAP measure) | <u>\$ 19.76</u> | <u>\$ 20.00</u> | <u>\$ 20.30</u> | <u>\$ 22.09</u> | <u>\$ 22.03</u> |

Information Related to Certain Non-GAAP Financial Measures

Operating return measures

Management believes that an analysis of net income applicable to common stock before net realized investment gains or losses from sales, impairments and change in allowance for credit losses, net change in market value of investments recognized in earnings, fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, loss on reinsurance transaction, changes in the valuation allowance for deferred tax assets and other tax items, loss on extinguishment of debt and other non-operating items consisting primarily of earnings attributable to variable interest entities (“net operating income,” a non-GAAP financial measure) is important to evaluate the financial performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because the items excluded from net operating income can be affected by events that are unrelated to the Company’s underlying fundamentals.

Management also believes that an operating return, excluding significant items, is important as the impact of these items enhances the understanding of our operating results.

This non-GAAP financial measure also differs from return on equity because accumulated other comprehensive income (loss) has been excluded from the value of equity used to determine this ratio. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management.

In addition, our equity includes the value of significant net operating loss carryforwards (included in income tax assets). In accordance with GAAP, these assets are not discounted, and accordingly will not provide a return to shareholders (until after it is realized as a reduction to taxes that would otherwise be paid). Management believes that excluding this value from the equity component of this measure enhances the understanding of the effect these non-discounted assets have on operating returns and the comparability of these measures from period-to-period. Operating return measures are used in measuring the performance of our business units and are used as a basis for incentive compensation.

Information Related to Certain Non-GAAP Financial Measures

The calculations of: (i) operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); (ii) operating return, excluding significant item, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); and (iii) return on equity are as follows:

(dollars in millions)

| | Trailing Twelve Months Ended | | | | |
|---|------------------------------|------------|------------|------------|------------|
| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 |
| Operating income | \$ 295.0 | \$ 289.5 | \$ 271.2 | \$ 290.0 | \$ 308.5 |
| Operating income, excluding significant items | \$ 310.1 | \$ 304.6 | \$ 286.3 | \$ 282.1 | \$ 300.6 |
| Net income (loss) | \$ (347.5) | \$ (412.1) | \$ 159.7 | \$ 409.4 | \$ 336.4 |
| Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 2,942.5 | \$ 2,782.7 | \$ 2,697.2 | \$ 2,703.9 | \$ 2,713.0 |
| Average common shareholders' equity | \$ 3,918.3 | \$ 3,795.6 | \$ 3,886.9 | \$ 4,166.8 | \$ 4,321.1 |
| Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | 10.0% | 10.4% | 10.1% | 10.7% | 11.4% |
| Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | 10.5% | 10.9% | 10.6% | 10.4% | 11.1% |
| Return on equity | -8.9% | -10.9% | 4.1% | 9.8% | 7.8% |

(Continued on next page)

Information Related to Certain Non-GAAP Financial Measures

The following summarizes: (i) operating earnings; (ii) significant items; (iii) operating earnings, excluding significant items; and (iv) net income (loss):

(dollars in millions)

| | Net operating income | Significant items (a) | Net operating income, excluding significant items | Net operating income, excluding significant items - trailing four quarters | Net income (loss) | Net income (loss) - trailing four quarters |
|------|-------------------------|--------------------------|---|---|----------------------|--|
| 2Q18 | \$ 81.9 | \$ - | \$ 81.9 | \$ 309.0 | \$ 102.2 | \$ 216.4 |
| 3Q18 | 87.5 | - | 87.5 | 321.8 | (529.8) | (414.2) |
| 4Q18 | 59.8 | 15.1 | 74.9 | 317.3 | 28.3 | (315.0) |
| 1Q19 | 65.8 | - | 65.8 | 310.1 | 51.8 | (347.5) |
| 2Q19 | 76.4 | - | 76.4 | 304.6 | 37.6 | (412.1) |
| 3Q19 | 69.2 | - | 69.2 | 286.3 | 42.0 | 159.7 |
| 4Q19 | 78.6 | (7.9) | 70.7 | 282.1 | 278.0 | 409.4 |
| 1Q20 | 84.3 | - | 84.3 | 300.6 | (21.2) | 336.4 |

(a) The significant items have been discussed in prior press releases.

(Continued on next page)

Information Related to Certain Non-GAAP Financial Measures

The calculations of: (i) operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); (ii) operating return, excluding significant item, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure); and (iii) return on equity are as follows:

(dollars in millions)

| | Twelve Months Ended | | | | |
|--|---------------------|-------------------|-----------------|-----------------|-----------------|
| | <u>1Q19</u> | <u>2Q19</u> | <u>3Q19</u> | <u>4Q19</u> | <u>1Q20</u> |
| Pretax operating earnings (a non-GAAP financial measure) | \$ 369.7 | \$ 362.3 | \$ 341.2 | \$ 368.3 | \$ 390.4 |
| Income tax expense | (74.7) | (72.8) | (70.0) | (78.3) | (81.9) |
| Operating return | <u>295.0</u> | <u>289.5</u> | <u>271.2</u> | <u>290.0</u> | <u>308.5</u> |
| Non-operating items: | | | | | |
| Net realized investment gains (losses) from sales and impairments, net of related amortization | 36.7 | 24.1 | (15.5) | 2.1 | (60.9) |
| Net change in market value of investments recognized in earnings | (16.5) | (9.4) | 0.6 | 25.5 | (39.5) |
| Fair value changes in embedded derivative liabilities, net of related amortization | 0.8 | (43.4) | (95.6) | (81.4) | (118.5) |
| Fair value changes and amendment related to the agent deferred compensation plan | 6.6 | (16.0) | (22.0) | (20.4) | (15.1) |
| Loss on extinguishment of debt | - | (7.3) | (7.3) | (7.3) | (7.3) |
| Loss on reinsurance transaction | (704.2) | (704.2) | - | - | - |
| Other | (0.4) | 4.5 | 2.5 | (12.6) | (11.5) |
| Non-operating loss before taxes | <u>(677.0)</u> | <u>(751.7)</u> | <u>(137.3)</u> | <u>(94.1)</u> | <u>(252.8)</u> |
| Income tax expense (benefit): | | | | | |
| On non-operating loss | (142.3) | (157.9) | (28.8) | (19.8) | (53.0) |
| Valuation allowance for deferred tax assets and other tax items | 107.8 | 107.8 | 3.0 | (193.7) | (227.7) |
| Net non-operating loss | <u>(642.5)</u> | <u>(701.6)</u> | <u>(111.5)</u> | <u>119.4</u> | <u>27.9</u> |
| Net income (loss) | <u>\$ (347.5)</u> | <u>\$ (412.1)</u> | <u>\$ 159.7</u> | <u>\$ 409.4</u> | <u>\$ 336.4</u> |

(Continued on next page)

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to common shareholders' equity, is as follows:

(dollars in millions)

| | <u>1Q17</u> | <u>2Q17</u> | <u>3Q17</u> | <u>4Q17</u> |
|---|------------------|------------------|------------------|------------------|
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$3,236.6 | \$3,263.2 | \$3,335.0 | \$3,225.6 |
| Net operating loss carryforwards | 640.6 | 621.6 | 613.1 | 409.8 |
| Accumulated other comprehensive income | 729.6 | 894.5 | 933.6 | 1,212.1 |
| Common shareholders' equity | <u>\$4,606.8</u> | <u>\$4,779.3</u> | <u>\$4,881.7</u> | <u>\$4,847.5</u> |
| | <u>1Q18</u> | <u>2Q18</u> | <u>3Q18</u> | <u>4Q18</u> |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$3,318.7 | \$3,366.0 | \$2,705.8 | \$2,687.3 |
| Net operating loss carryforwards | 404.2 | 388.7 | 510.6 | 505.9 |
| Accumulated other comprehensive income | 894.3 | 700.2 | 403.5 | 177.7 |
| Common shareholders' equity | <u>\$4,617.2</u> | <u>\$4,454.9</u> | <u>\$3,619.9</u> | <u>\$3,370.9</u> |
| | <u>1Q19</u> | <u>2Q19</u> | <u>3Q19</u> | <u>4Q19</u> |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$2,703.4 | \$2,702.9 | \$2,685.0 | \$2,761.9 |
| Net operating loss carryforwards | 479.6 | 451.1 | 425.4 | 542.6 |
| Accumulated other comprehensive income | 654.9 | 1,098.2 | 1,442.9 | 1,372.5 |
| Common shareholders' equity | <u>\$3,837.9</u> | <u>\$4,252.2</u> | <u>\$4,553.3</u> | <u>\$4,677.0</u> |
| | <u>1Q20</u> | | | |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$2,701.2 | | | |
| Net operating loss carryforwards | 469.4 | | | |
| Accumulated other comprehensive income | 595.2 | | | |
| Common shareholders' equity | <u>\$3,765.8</u> | | | |

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) to common shareholders' equity, is as follows:

(dollars in millions)

| | Trailing Four Quarter Average | | | | |
|---|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 2,942.5 | \$ 2,782.7 | \$ 2,697.2 | \$ 2,703.9 | \$ 2,713.0 |
| Net operating loss carryforwards | 461.8 | 479.0 | 476.2 | 470.1 | 473.4 |
| Accumulated other comprehensive income | 514.0 | 533.8 | 713.5 | 992.8 | 1,134.7 |
| Common shareholders' equity | <u>\$ 3,918.3</u> | <u>\$ 3,795.5</u> | <u>\$ 3,886.9</u> | <u>\$ 4,166.8</u> | <u>\$ 4,321.1</u> |

Information Related to Certain Non-GAAP Financial Measures

Debt to capital ratio, excluding accumulated other comprehensive income (loss)

The debt to capital ratio, excluding accumulated other comprehensive income (loss), differs from the debt to capital ratio because accumulated other comprehensive income (loss) has been excluded from the value of capital used to determine this measure. Management believes this non-GAAP financial measure is useful because it removes the volatility that arises from changes in accumulated other comprehensive income (loss). Such volatility is often caused by changes in the estimated fair value of our investment portfolio resulting from changes in general market interest rates rather than the business decisions made by management. A reconciliation of these ratios is as follows:

(dollars in millions)

| | <u>1Q19</u> | <u>2Q19</u> | <u>3Q19</u> | <u>4Q19</u> | <u>1Q20</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Corporate notes payable | \$ 917.3 | \$ 988.3 | \$ 988.7 | \$ 989.1 | \$ 989.4 |
| Total shareholders' equity | 3,837.9 | 4,252.2 | 4,553.3 | 4,677.0 | 3,765.8 |
| Total capital | <u>\$4,755.2</u> | <u>\$5,240.5</u> | <u>\$5,542.0</u> | <u>\$5,666.1</u> | <u>\$4,755.2</u> |
| Corporate debt to capital | <u>19.3%</u> | <u>18.9%</u> | <u>17.8%</u> | <u>17.5%</u> | <u>20.8%</u> |
| <hr/> | | | | | |
| Corporate notes payable | \$ 917.3 | \$ 988.3 | \$ 988.7 | \$ 989.1 | \$ 989.4 |
| Total shareholders' equity | 3,837.9 | 4,252.2 | 4,553.3 | 4,677.0 | 3,765.8 |
| Less accumulated other comprehensive income | (654.9) | (1,098.2) | (1,442.9) | (1,372.5) | (595.2) |
| Total capital | <u>\$4,100.3</u> | <u>\$4,142.3</u> | <u>\$4,099.1</u> | <u>\$4,293.6</u> | <u>\$4,160.0</u> |
| Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure) | <u>22.4%</u> | <u>23.9%</u> | <u>24.1%</u> | <u>23.0%</u> | <u>23.8%</u> |