

1Q16

Financial and operating results for the period ended March 31, 2016

April 28, 2016



Unless otherwise specified, comparisons in this presentation are between 1Q16 and 1Q15.

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 April 27, 2016, 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 the following financial measures that differ from the comparable measures under Generally Accepted Accounting Principles (GAAP): operating earnings measures; book value, excluding accumulated other comprehensive income (loss) per share; operating return measures; earnings before the net loss on the sale of CLIC and gain (loss) on reinsurance transactions, the earnings of CLIC prior to being sold, net realized investment gains (losses), fair value changes in embedded derivative liabilities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, other non-operating items, corporate interest expense and taxes; and debt to capital ratios, excluding accumulated other comprehensive income (loss). 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 these 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, www.CNOinc.com.



CNO FINANCIAL GROUP

1Q16 Summary

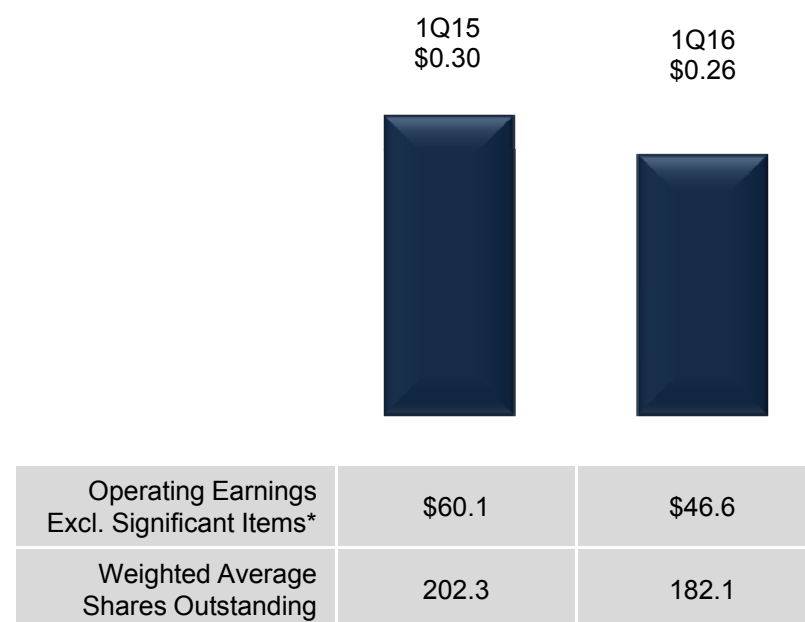
(amounts in millions, except per share data)

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Notable Items

- Continued franchise growth
 - NAP increased 2%
 - Collected premium up 11%
 - Policies in-force grew 1%
 - Bankers Life annuity account values up 2%
- Operating EPS (excluding significant items) down 13%
- Returned an additional \$103 million to shareholders

Operating Earnings Per Share Excluding Significant Items*



* A non-GAAP measure. Refer to the Appendix for a reconciliation to the corresponding GAAP measure.

Tennenbaum Capital Partners (TCP) Investment

Strategic investment in proven asset management firm

▪ Tennenbaum Capital Partners

- Asset manager specializing in middle market direct lending and special situations investing
- Experienced management with solid long-term track record
- Will continue to operate on a stand-alone basis under its present executive leadership with CNO representation on the TCP Management Committee

▪ Rationale for transaction

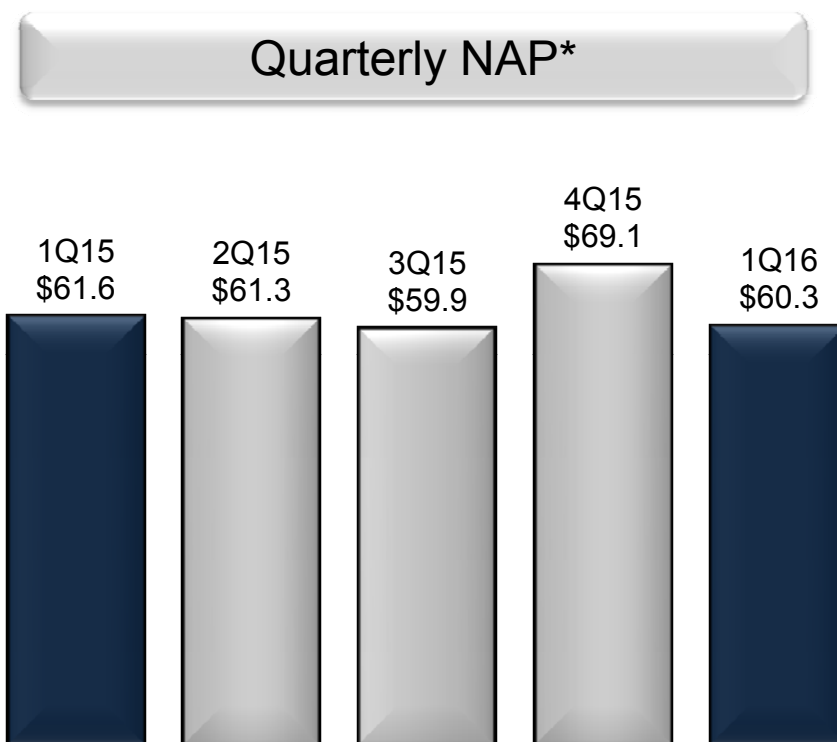
- Access to leading-edge proprietary knowledge and skill sets in asset classes outside of current core competencies
- Diversifies sources of general account investment income
- Investments are suitable for our long duration lines of business
- Further utilize our valuable tax assets

1Q16 Sales and Distribution Results

Bankers Life

(\$ millions)

- 1Q NAP down 2%
 - Decreases in life and Medicare supplement; partially offset by higher annuity and LTC
- Collected premiums up 13%
- Agent metrics
 - New agent recruiting stabilized
 - Average producing agents down 6%; agent productivity up 4%
- Third party fee income up 13%



Trailing 4-Quarters NAP	\$260.1	\$258.3	\$256.4	\$251.9	\$250.6
Collected Premiums	\$584.2	\$603.9	\$648.7	\$654.5	\$660.7
Third Party Policies Sold**	5,392	4,273	2,980	20,711	3,703
Trailing 4-Quarters Third Party Fee Income, Net	\$15.8	\$16.4	\$16.6	\$17.6	\$17.9

* Third party sales are excluded from NAP in all periods.

** Includes Medicare Advantage, Medicare supplement, PDP, Dental/Vision and ACA products (prior periods have been restated to include ACA product sales).

1Q16 Sales and Distribution Results

(\$ millions)

- 1Q NAP up 4%
 - Worksite sales up 27%
 - Individual sales down 7%
- Growth in PMA agent force
 - Average producing agents up 9%
- Supplemental health collected premiums up 6%

Washington National



Trailing 4-Quarters NAP	\$99.8	\$100.2	\$100.4	\$100.4	\$101.2
Supplemental Health Collected Premiums	\$132.7	\$136.1	\$138.6	\$137.4	\$141.1

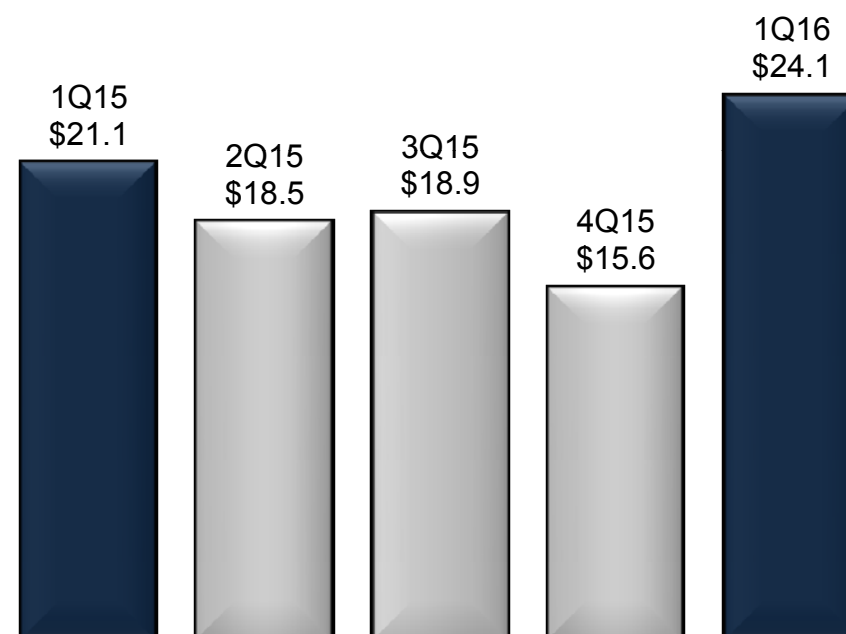
1Q16 Sales and Distribution Results

(\$ millions)

Colonial Penn

Quarterly NAP

- 1Q NAP up 14%
 - Continued strong sales growth
 - 8th consecutive quarter of YOY growth
- Collected premiums up 8%
- 1Q EBIT of (\$6.8) million
 - Inforce EBIT of \$12.7 million, up 20%
- 2016 EBIT guidance of \$0-6 million



Trailing 4-Quarters NAP	\$68.9	\$70.9	\$73.4	\$74.1	\$77.1
Collected Premiums	\$65.1	\$65.1	\$66.7	\$66.0	\$70.1
Inforce EBIT	\$10.6	\$13.3	\$14.9	\$14.8	\$12.7

1Q Consolidated Financial Highlights

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▪ Earnings Remain Strong

- Operating earnings per diluted share* of \$0.27; \$0.26 excluding significant items
- Unfavorable alternative investment results
- Operating ROE* of 8.9%; 8.3% excluding significant items

▪ Continued Strength in Cash Flows and Key Capital Measures

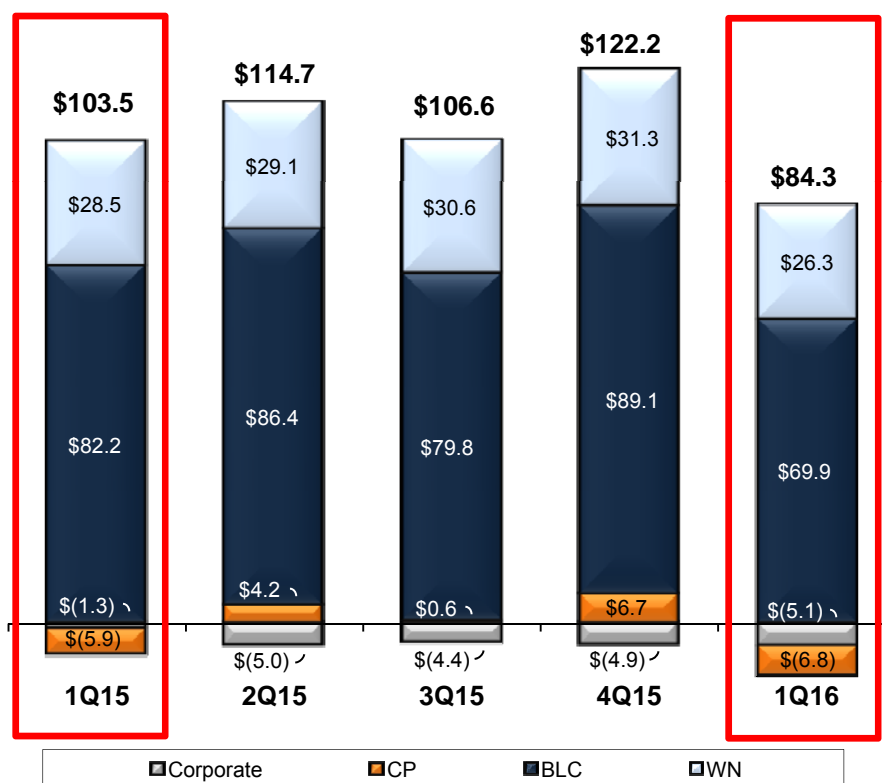
- Estimated consolidated risk-based capital of 441%, reflecting \$89 million of dividends paid to the Holding Company
- Leverage* of 19.8%
- Holding company cash and investments of \$375 million, essentially flat to year-end 2015
- Expect to fully utilize life NOL' s in 2Q 2016 and begin paying cash taxes in 3Q 2016
- Repurchased \$90 million of common stock; maintaining 2016 share repurchase guidance range of \$275-\$375 million, absent compelling alternatives

Segment Earnings (\$ millions)

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Segment EBIT Excluding Significant Items*

1Q16 Earnings

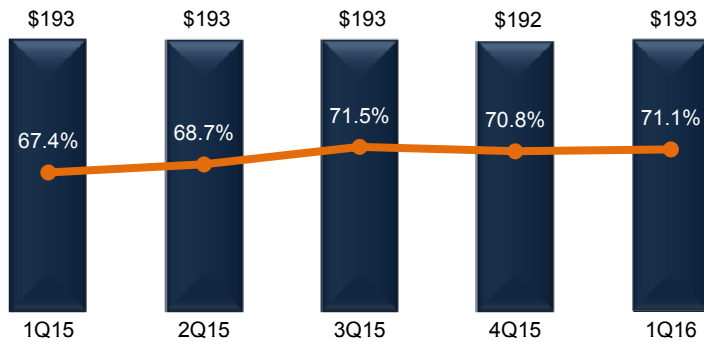


- Alternative investment returns negatively impacted Bankers Life and Washington National; Corporate segment results impacted by COLI investments
- Bankers Life 1Q15 results reflect favorable Medicare supplement claims
- Colonial Penn results reflect higher marketing spend to drive profitable growth

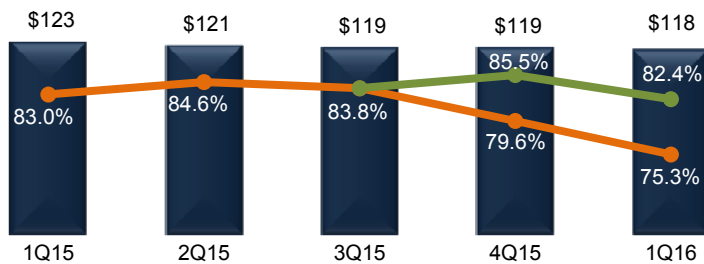
Health Margins (\$ millions)

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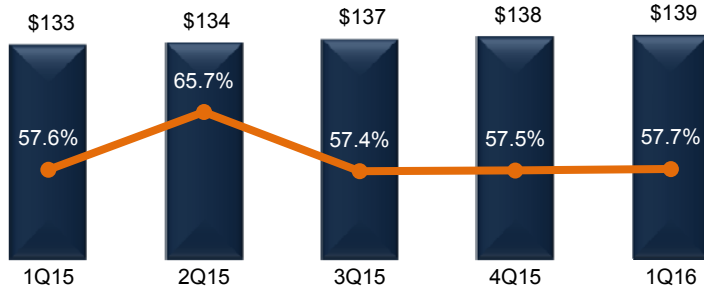
Bankers Life Medicare Supplement



Bankers Life Long-term Care IABR*



Washington National Supplemental Health IABR*



■ Earned Premium — Reported Benefit Ratio — Adjusted Benefit Ratio**

1Q16 Highlights & Outlook

- Medicare supplement benefit ratio of 71.1%, in line with expectations
- **2016 Outlook:** Benefit ratio of 70-73%

- IABR* decline due to rate increase related shock lapses
- IABR* of 82.4% excluding shock lapse impacts
- **2016 Outlook:** IABR* of 81-86%, excluding rate increase impacts

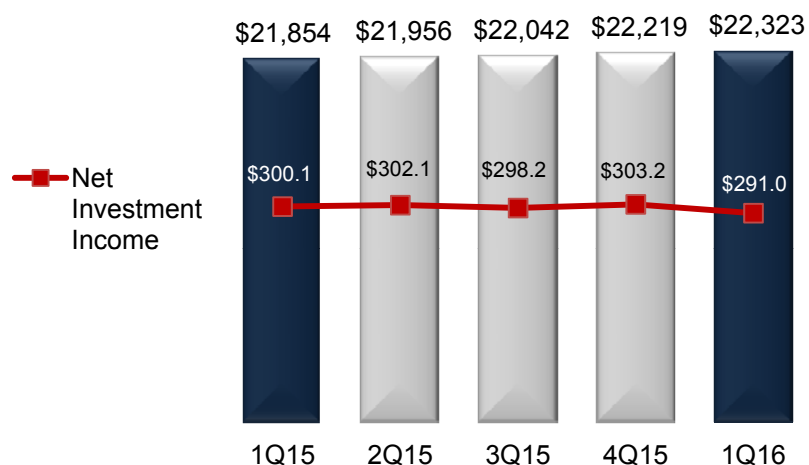
- Supplemental health IABR* of 57.7%, in line with expectations
- **2016 Outlook:** IABR* of 56-59%

Investment Results

(\$ millions)

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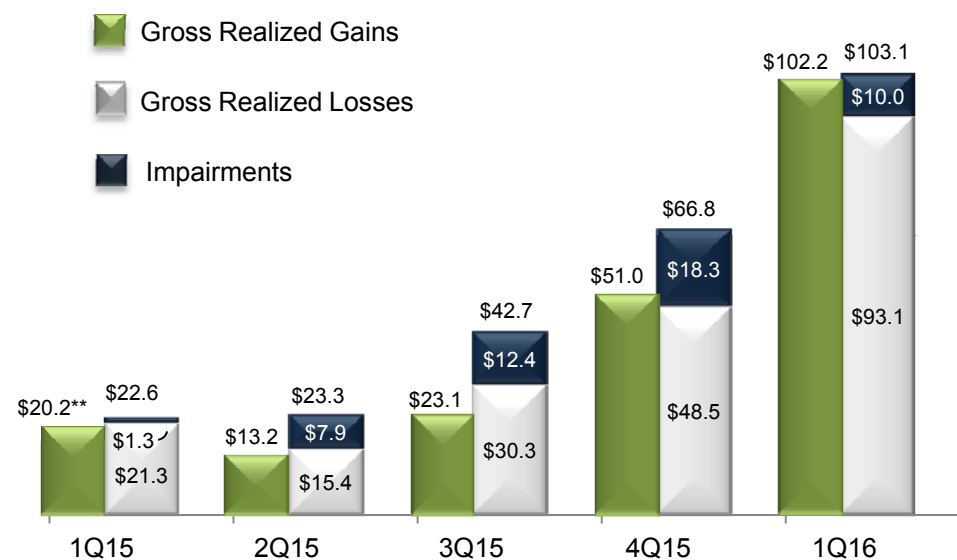
Average Invested Assets and Cash



New Money Rate:	5.36%	5.06%	5.21%	5.17%	4.90%
Earned Yield*:	5.81%	5.78%	5.68%	5.72%	5.47%
Pre-Pay / Call / Make-whole Income:	\$5.1	\$9.9	\$5.6	\$10.3	\$6.3
Alternative Investment Income:	\$6.1	\$0.7	(\$0.3)	(\$0.5)	(\$3.7)

- New money rate benefited from wider spreads in early 1Q, but we remain reluctant to change risk appetite in context of lower treasury yields
- Alternative investment income down \$10 million

Realized Gains, Losses and Impairments



- Higher level of realized gains and losses due to repositioning in energy, CMBS, and emerging markets
- Tightening spreads facilitated energy and emerging markets exposure reductions of \$225 million (13%) and \$148 million (23%), respectively
- Limited impairments

* Earned Yield excludes FHLB.

** Excludes \$11.3 million gain on dissolution of variable interest entity.

Wrap-up

- Committed to priorities and longer term objectives
 - Re-energize growth, including ramp-up of BD/RIA
 - Focus on ROE expansion
 - Effective capital deployment
 - Remain committed to reducing LTC exposure over time
- Executive leadership changes aligned with driving profitable growth





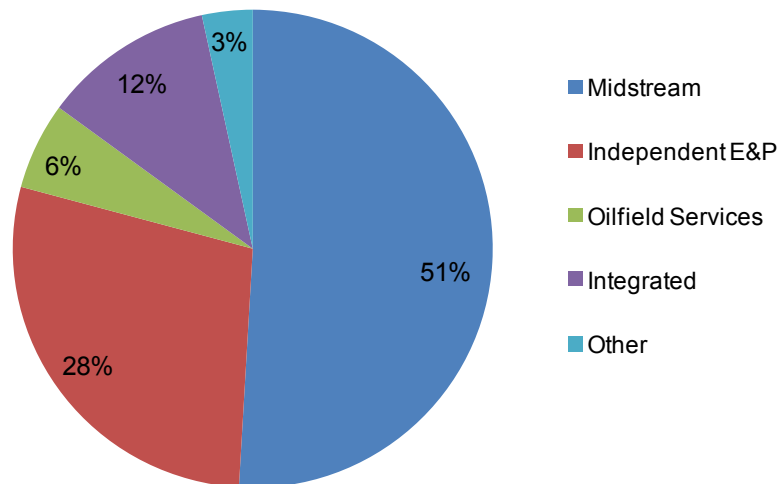
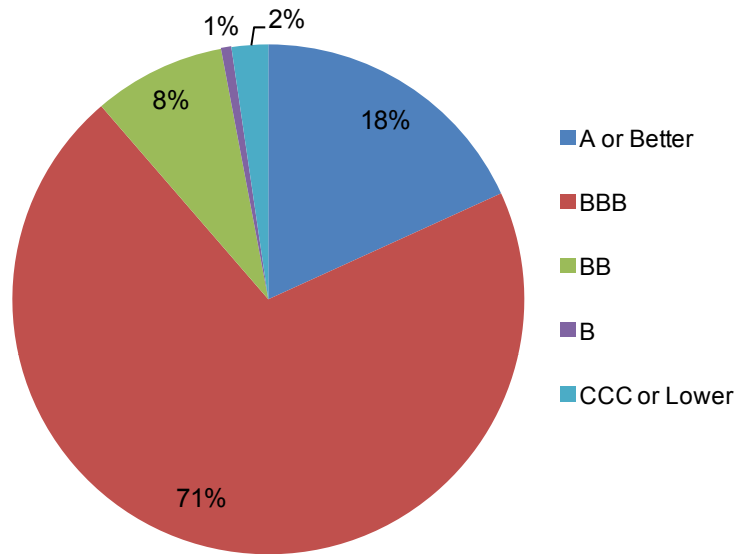
Questions and Answers



Appendix

Energy Sector Overview

March 31, 2016



- Overall exposure down \$225 million (13%) from year-end 2015 due to portfolio repositioning
- Remaining exposure is reasonably calibrated to enterprise capital, is highly diversified, and has improved risk characteristics
- Net unrealized loss substantially reduced from \$104mm at year-end to \$53mm at 3/31/16
- 1Q16 NAIC downgrades of \$91 million or 3 RBC points (within range of expectations)
- Despite 1Q downgrades, exposure remains substantially IG (90%)
- HY (10%) weighted towards higher rated BB category and less volatile sectors (e.g., midstream)
- For 2016, expect most significant impact of long term low oil prices to be downgrades (RBC)
- Portfolio underwritten to withstand a prolonged period of \$30 oil

Producing Agent Counts

	Bankers Life (1)					Washington National (2)				
	1st Yr	2nd Yr	3rd Yr +	Total	Qtr Avg (3)	1st Yr	2nd Yr	3rd Yr +	Total	Qtr Avg (3)
3/31/2016	2,182	626	1,895	4,703	4,548	418	117	372	907	904
12/31/2015	2,051	584	1,927	4,562	4,565	410	127	367	904	899
9/30/2015	2,077	601	1,871	4,549	4,693	411	115	365	891	892
6/30/2015	2,484	606	1,891	4,981	4,939	423	132	346	901	882
3/31/2015	2,468	657	1,894	5,019	4,850	344	127	340	811	830
12/31/2014	2,258	664	1,868	4,790	4,842	365	128	337	830	831
12/31/2013	2,557	693	1,718	4,968	5,046	335	112	296	743	756
12/31/2012	2,429	662	1,600	4,691	4,850	298	108	269	675	687
12/31/2011	2,461	600	1,587	4,648	4,702					
12/31/2010	2,199	668	1,486	4,353	4,391					
12/31/2009	2,564	662	1,513	4,739	4,742					
12/31/2008	2,489	651	1,324	4,464	4,417					
12/31/2007	2,198	554	1,231	3,983	4,034					

(1) Defined as the number of agents that have sold at least one policy in the period

(2) Defined as active PMA appointed agents with \$1,000 or more of New Annualized Premium in the prior 12 months

(3) Agent counts at the end of each month used to calculate the average for the quarter

1Q16 Holding Company Liquidity

(\$ millions)

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	<u>1Q16</u>
Cash and Investments Balance - Beginning	\$382.2
Sources	
Net Dividends from Insurance Subsidiaries	88.7
Dividends from Non-insurance Subsidiaries	7.9
Interest/Earnings on Corporate Investments	4.6
Surplus Debenture Interest	12.1
Service and Investment Fees, Net	1.8
Total Sources	<u>115.1</u>
Uses	
Interest	0.7
Share Repurchases	93.7 *
Common Stock Dividend	12.7
Holding Company Expenses and Other	19.7
Total Uses	<u>126.8</u>
Non-cash changes in investment balances	4.2
Unrestricted Cash and Investments Balance - 3/31/2016	<u><u>\$374.7</u></u>

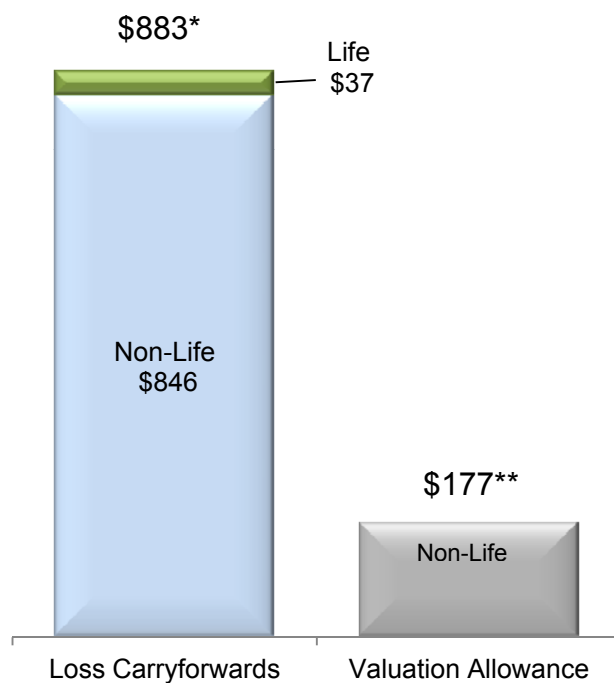
* Includes \$3.7 million of purchases from 4Q 2015 that settled in 1Q 2016.

Leveraging Considerable Tax Assets

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(\$ millions)

1Q 2016 Loss Carryforwards



Outlook and Value

- Expect modest future valuation allowance releases
- Life NOL's expected to be fully utilized in 2Q 2016, reducing cash flows an estimated \$15 million per quarter starting in 3Q 2016
- Majority of non-life NOL's expire in 2023
- Estimated economic value of \$500 million @ 10% discount rate

* Excludes \$14 million related to state operating loss carryforwards and \$12 million related to capital loss carryforwards.

** Excludes \$10 million related to state operating loss carryforwards and \$7 million related to capital loss carryforwards.

1Q15 Significant Items

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The table below summarizes the financial impact of the significant item on our 1Q2015 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended March 31, 2015*		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 82.2	\$ -	\$ 82.2
Washington National	28.5	-	28.5
Colonial Penn	(5.9)	-	(5.9)
EBIT from business segments	104.8	-	104.8
Corporate Operations, excluding corporate interest expense	(1.3)	-	(1.3)
EBIT	103.5	-	103.5
Corporate interest expense	(10.5)	-	(10.5)
Operating earnings before tax	93.0	-	93.0
Tax expense on operating income	32.9	-	32.9
Net operating income *	<u>\$ 60.1</u>	<u>\$ -</u>	<u>\$ 60.1</u>
Net operating income per diluted share*	<u>\$ 0.30</u>	<u>\$ -</u>	<u>\$ 0.30</u>

* We had previously included one significant item in our 1Q15 net operating income analysis which represented the \$1.9 million after tax impact of unfavorable supplemental health reserve developments in the Washington National segment related to claims incurred in prior periods. After a comprehensive review of claims conducted in 2Q15, it was ultimately determined that the claims liability at March 31, 2015 for supplemental health claims incurred in 1Q15 was deficient by a similar amount. Accordingly, we are no longer reporting this as a significant item.

* A non-GAAP measure. See pages 26 and 28 for a reconciliation to the corresponding GAAP measure.

2Q15 Significant Items

CNO

The table below summarizes the financial impact of the significant item on our 2Q2015 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended June 30, 2015		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 86.4	\$ -	\$ 86.4
Washington National	20.1	9.0 (1)	29.1
Colonial Penn	4.2	-	4.2
EBIT from business segments	110.7	9.0	119.7
Corporate Operations, excluding corporate interest expense	(5.0)	-	(5.0)
EBIT	105.7	9.0	114.7
Corporate interest expense	(11.9)	-	(11.9)
Operating earnings before tax	93.8	9.0	102.8
Tax expense on operating income	33.0	3.2	36.2
Net operating income *	<u>\$ 60.8</u>	<u>\$ 5.8</u>	<u>\$ 66.6</u>
Net operating income per diluted share*	<u>\$ 0.31</u>	<u>\$ 0.03</u>	<u>\$ 0.34</u>

(1) Pre-tax earnings in the Washington National segment included \$9 million of unfavorable reserve developments in the supplemental health block related to claims incurred in prior periods.

* A non-GAAP measure. See pages 26 and 28 for a reconciliation to the corresponding GAAP measure.

3Q15 Significant Items

CNO

The table below summarizes the financial impact of the significant item on our 3Q2015 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended September 30, 2015		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 79.8	\$ -	\$ 79.8
Washington National	30.6	-	30.6
Colonial Penn	0.6	-	0.6
EBIT from business segments	111.0	-	111.0
Corporate Operations, excluding corporate interest expense	(11.9)	7.5 (1)	(4.4)
EBIT	99.1	7.5	106.6
Corporate interest expense	(11.3)	-	(11.3)
Operating earnings before tax	87.8	7.5	95.3
Tax expense on operating income	31.0	-	31.0
Net operating income *	\$ 56.8	\$ 7.5	\$ 64.3
Net operating income per diluted share*	\$ 0.30	\$ 0.03	\$ 0.33

(1) Pre-tax earnings in the Corporate segment included the impact of current market conditions on the value of investments backing our Company-owned life insurance ("COLI") utilized as a vehicle to fund Bankers Life's agent deferred compensation plan. It should be noted that changes in the value of COLI investments are not subject to income tax.

* A non-GAAP measure. See pages 26 and 28 for a reconciliation to the corresponding GAAP measure.

4Q15 Significant Items

CNO

The table below summarizes the financial impact of the significant item on our 4Q2015 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended December 31, 2015		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 121.2	\$ (32.1) (1)	\$ 89.1
Washington National	32.3	(1.0) (2)	31.3
Colonial Penn	6.7	-	6.7
EBIT from business segments	160.2	(33.1)	127.1
Corporate Operations, excluding corporate interest expense	(0.7)	(4.2) (3)	(4.9)
EBIT	159.5	(37.3)	122.2
Corporate interest expense	(11.3)	-	(11.3)
Operating earnings before tax	148.2	(37.3)	110.9
Tax expense on operating income	51.2	(11.6)	39.6
Net operating income *	\$ 97.0	\$ (25.7)	\$ 71.3
Net operating income per diluted share*	\$ 0.52	\$ (0.14)	\$ 0.38

(1) Pre-tax earnings in the Bankers segment included: (i) \$25.8 million of favorable impacts from our comprehensive annual actuarial review including the net impact from model enhancements and changes in assumptions related to mortality, long-term interest rates and the spread earned on fixed index annuities; and (ii) the \$6.3 million release of long-term care reserves (net of the reduction in insurance intangibles) due to the impact of policyholder actions following rate increases.

(2) Pre-tax earnings in the Washington National segment included \$1.0 million of favorable impacts from our comprehensive annual actuarial review.

(3) Pre-tax earnings in the Corporate segment included a \$4.2 million positive impact of current market conditions on the value of investments backing our Company-owned life insurance ("COLI") used as a vehicle to fund Bankers Life's agent deferred compensation plan.

* A non-GAAP measure. See pages 26 and 28 for a reconciliation to the corresponding GAAP measure.

1Q16 Significant Items

CNO

The table below summarizes the financial impact of the significant item on our 1Q2016 net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results (dollars in millions).

	Three months ended March 31, 2016		
	Actual results	Significant items	Excluding significant items
Net Operating Income:			
Bankers Life	\$ 77.6	\$ (7.7) (1)	\$ 69.9
Washington National	26.3	-	26.3
Colonial Penn	(6.8)	-	(6.8)
EBIT from business segments	97.1	(7.7)	89.4
Corporate Operations, excluding corporate interest expense	(8.1)	3.0 (2)	(5.1)
EBIT	89.0	(4.7)	84.3
Corporate interest expense	(11.4)	-	(11.4)
Operating earnings before tax	77.6	(4.7)	72.9
Tax expense on operating income	28.0	(1.7)	26.3
Net operating income *	\$ 49.6	\$ (3.0)	\$ 46.6
Net operating income per diluted share*	\$ 0.27	\$ (0.01)	\$ 0.26

(1) Pre-tax earnings in the Bankers segment included the \$7.7 million release of long-term care reserves (net of the reduction in insurance intangibles) due to the impact of policyholder actions following rate increases.

(2) Pre-tax earnings in the Corporate segment included \$3.0 million of accelerated stock compensation expense related to retirement eligible employees.

* A non-GAAP measure. See pages 26 and 28 for a reconciliation to the corresponding GAAP measure.

Quarterly Earnings

(\$ millions)

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	1Q15	2Q15	3Q15	4Q15	1Q16
Bankers Life	\$ 82.2	\$ 86.4	\$ 79.8	\$ 121.2	\$ 77.6
Washington National	28.5	20.1	30.6	32.3	26.3
Colonial Penn	(5.9)	4.2	0.6	6.7	(6.8)
EBIT from business segments	104.8	110.7	111.0	160.2	97.1
Corporate operations, excluding interest expense	(1.3)	(5.0)	(11.9)	(0.7)	(8.1)
EBIT*	103.5	105.7	99.1	159.5	89.0
Corporate interest expense	(10.5)	(11.9)	(11.3)	(11.3)	(11.4)
Operating earnings before taxes	93.0	93.8	87.8	148.2	77.6
Tax expense on period income	32.9	33.0	31.0	51.2	28.0
Net operating income	60.1	60.8	56.8	97.0	49.6
Net realized investment gains (losses), net of related amortization and taxes	(1.4)	(6.8)	(12.3)	(10.3)	(0.6)
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	(8.3)	16.8	(10.2)	9.4	(19.2)
Fair value changes related to the agent deferred compensation plan, net of taxes	-	-	-	9.8	(3.9)
Loss on extinguishment of debt, net of taxes	-	(21.3)	-	-	-
Valuation allowance for deferred tax assets and other tax items	-	-	-	32.5	20.0
Other	2.4	(2.7)	(0.5)	(1.1)	(0.4)
Net income	<u>\$ 52.8</u>	<u>\$ 46.8</u>	<u>\$ 33.8</u>	<u>\$ 137.3</u>	<u>\$ 45.5</u>

*Management believes that an analysis of earnings before net realized investment gains (losses), fair value changes in embedded derivative liabilities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, other non-operating items, corporate interest expense and taxes ("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); (2) 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; (3) fair value changes related to the agent deferred compensation plan; (4) loss on extinguishment of debt; (5) charges in the valuation allowance for deferred tax assets; and (6) other non-operating items consisting primarily of equity in earnings of certain non-strategic investments and earnings attributable to variable interest entities. The table above provides a reconciliation of 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 gains or losses, 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, changes in our valuation allowance for deferred tax assets and other non-operating items consisting primarily of equity in earnings of certain non-strategic investments and earnings attributable to variable interest entities ("net operating income," a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because these items are unrelated to the Company's continuing operations.

Information Related to Certain Non-GAAP Financial Measures

A reconciliation of net income applicable to common stock to net operating income (and related per-share amounts) is as follows (dollars in millions, except per-share amounts):

	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Net income applicable to common stock	\$ 52.8	\$ 46.8	\$ 33.8	\$ 137.3	\$ 45.5
Net realized investment (gains) losses, net of related amortization and taxes	1.4	6.8	12.3	10.3	0.6
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	8.3	(16.8)	10.2	(9.4)	19.2
Fair value changes related to the agent deferred compensation plan (net of taxes)	-	-	-	(9.8)	3.9
Valuation allowance for deferred tax assets and other tax items	-	-	-	(32.5)	(20.0)
Loss on extinguishment of debt (net of taxes)	-	21.3	-	-	-
Other	(2.4)	2.7	0.5	1.1	0.4
Net operating income (a non-GAAP financial measure)	<u>\$ 60.1</u>	<u>\$ 60.8</u>	<u>\$ 56.8</u>	<u>\$ 97.0</u>	<u>\$ 49.6</u>
Per diluted share:					
Net income	\$ 0.26	\$ 0.24	\$ 0.18	\$ 0.73	\$ 0.25
Net realized investment (gains) losses, net of related amortization and taxes	0.01	0.03	0.07	0.05	-
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	0.04	(0.08)	0.05	(0.05)	0.11
Fair value changes related to the agent deferred compensation plan (net of taxes)	-	-	-	(0.05)	0.02
Valuation allowance for deferred tax assets and other tax items	-	-	-	(0.17)	(0.11)
Loss on extinguishment of debt (net of taxes)	-	0.11	-	-	-
Other	(0.01)	0.01	-	0.01	-
Net operating income (a non-GAAP financial measure)	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.30</u>	<u>\$ 0.52</u>	<u>\$ 0.27</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>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Operating income	\$ <u>60.1</u>	\$ <u>60.8</u>	\$ <u>56.8</u>	\$ <u>97.0</u>	\$ <u>49.6</u>
Weighted average shares outstanding for basic earnings per share	200,491	195,857	190,259	185,608	180,350
Effect of dilutive securities on weighted average shares:					
Stock options, restricted stock and performance units	<u>1,784</u>	<u>2,216</u>	<u>2,106</u>	<u>2,342</u>	<u>1,778</u>
Weighted average shares outstanding for diluted earnings per share	<u>202,275</u>	<u>198,073</u>	<u>192,365</u>	<u>187,951</u>	<u>182,128</u>
Operating earnings per diluted share	\$ <u>0.30</u>	\$ <u>0.31</u>	\$ <u>0.30</u>	\$ <u>0.52</u>	\$ <u>0.27</u>

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 and warrants 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 and warrants (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>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Total shareholders' equity	\$ 4,753.6	\$ 4,364.2	\$ 4,171.0	\$ 4,138.5	\$ 4,226.6
Shares outstanding for the period	198,631,949	193,467,712	186,741,760	184,028,511	179,098,447
Book value per share	\$ 23.93	\$ 22.56	\$ 22.34	\$ 22.49	\$ 23.60
Total shareholders' equity	\$ 4,753.6	\$ 4,364.2	\$ 4,171.0	\$ 4,138.5	\$ 4,226.6
Less accumulated other comprehensive income	(934.2)	(605.0)	(510.4)	(402.8)	(540.5)
Adjusted shareholders' equity excluding AOCI	\$ 3,819.4	\$ 3,759.2	\$ 3,660.6	\$ 3,735.7	\$ 3,686.1
Shares outstanding for the period	198,631,949	193,467,712	186,741,760	184,028,511	179,098,447
Dilutive common stock equivalents related to:					
Stock options, restricted stock and performance units	1,857,139	2,243,615	2,176,988	2,311,877	1,803,822
Diluted shares outstanding	200,489,088	195,711,327	188,918,748	186,340,388	180,902,269
Book value per diluted share (a non-GAAP financial measure)	\$ 19.05	\$ 19.21	\$ 19.38	\$ 20.05	\$ 20.38

Information Related to Certain Non-GAAP Financial Measures

Interest-adjusted benefit ratios

The interest-adjusted benefit ratio (a non-GAAP measure) is calculated by dividing the product's insurance policy benefits less imputed interest income on the accumulated assets backing the insurance liabilities by insurance policy income. Interest income is an important factor in measuring the performance of longer duration health products. The net cash flows generally cause an accumulation of amounts in the early years of a policy (accounted for as reserve increases), which will be paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, as the policies age, the benefit ratio will typically increase, but the increase in the change in reserve will be partially offset by the imputed interest income earned on the accumulated assets. The interest-adjusted benefit ratio reflects the effects of such interest income offset. Since interest income is an important factor in measuring the performance of these products, management believes a benefit ratio, which includes the effect of interest income, is useful in analyzing product performance. The interest-adjusted benefit ratio excluding the impact of rate increases eliminates the release of reserves due to the impact of policyholder actions following rate increases.

	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Bankers Life					
Long-term care benefit ratios					
Earned premium	\$ 122.6	\$ 120.5	\$ 119.0	\$ 118.6	\$ 118.5
Benefit ratio before imputed interest income on reserves	137.8%	140.7%	141.1%	137.1%	132.9%
Interest-adjusted benefit ratio	83.0%	84.6%	83.8%	79.6%	75.3%
Interest-adjusted benefit ratio, excluding the impact of reserve releases due to rate increases	83.0%	84.6%	83.8%	85.5%	82.4%
Underwriting margin (earned premium plus imputed interest income on reserves less policy benefits)	\$ 20.8	\$ 18.6	\$ 19.3	\$ 24.2	\$ 29.3
Adjusted underwriting margin (excluding the impact of reserve releases due to rate increases)	20.8	18.6	19.3	17.2	20.9
Washington National					
Supplemental health benefit ratios					
Earned premium	\$ 132.8	\$ 134.4	\$ 136.6	\$ 138.0	\$ 139.2
Benefit ratio before imputed interest income on reserves	82.4%	90.3%	81.7%	81.8%	81.2%
Interest-adjusted benefit ratio	57.6%	65.7%	57.4%	57.5%	57.7%
Underwriting margin (earned premium plus imputed interest income on reserves less policy benefits)	\$ 56.2	\$ 46.1	\$ 58.2	\$ 58.6	\$ 58.9

Information Related to Certain Non-GAAP Financial Measures

Operating return measures

Management believes that an analysis of net income applicable to common stock before the net loss on sale of CLIC and gain (loss) on reinsurance transactions, the earnings of CLIC prior to being sold, net realized gains or losses, 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, changes in our valuation allowance for deferred tax assets and other non-operating items consisting primarily of equity in earnings of certain non-strategic investments and earnings attributable to variable interest entities (“net operating income,” a non-GAAP financial measure) is important to evaluate the performance of the Company and is a key measure commonly used in the life insurance industry. Management uses this measure to evaluate performance because these items are unrelated to the Company’s continuing operations.

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 items, 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				
	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Operating income	<u>\$ 277.1</u>	<u>\$ 266.6</u>	<u>\$ 246.8</u>	<u>\$ 274.7</u>	<u>\$ 264.2</u>
Operating income, excluding significant items	<u>\$ 270.6</u>	<u>\$ 265.9</u>	<u>\$ 260.7</u>	<u>\$ 262.3</u>	<u>\$ 248.8</u>
Net Income	<u>\$ 332.2</u>	<u>\$ 300.9</u>	<u>\$ 217.3</u>	<u>\$ 270.7</u>	<u>\$ 263.4</u>
Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	<u>\$ 3,029.3</u>	<u>\$ 3,027.6</u>	<u>\$ 3,009.4</u>	<u>\$ 2,992.3</u>	<u>\$ 2,981.7</u>
Average common shareholders' equity	<u>\$ 4,746.6</u>	<u>\$ 4,692.0</u>	<u>\$ 4,563.1</u>	<u>\$ 4,425.5</u>	<u>\$ 4,290.9</u>
Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	9.1%	8.8%	8.2%	9.2%	8.9%
Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	8.9%	8.8%	8.7%	8.8%	8.3%
Return on equity	7.0%	6.4%	4.8%	6.1%	6.1%

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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 (dollars in millions):

	<u>Operating earnings (a)</u>	<u>Significant items (b)</u>	<u>Operating earnings, excluding significant items</u>	<u>Operating earnings, excluding significant items - trailing four quarters</u>	<u>Net income</u>	<u>Net income - trailing four quarters</u>
2Q14	\$ 71.3	\$ -	\$ 71.3	\$ 260.1	\$ 78.1	\$ 239.1
3Q14	76.6	(7.1)	69.5	266.8	117.4	73.5
4Q14	69.1	0.6	69.7	272.3	83.9	51.4
1Q15	60.1	-	60.1	270.6	52.8	332.2
2Q15	60.8	5.8	66.6	265.9	46.8	300.9
3Q15	56.8	7.5	64.3	260.7	33.8	217.3
4Q15	97.0	(25.7)	71.3	262.3	137.3	270.7
1Q16	49.6	(3.0)	46.6	248.8	45.5	263.4

(a) - Operating earnings excludes the results from CLIC prior to being sold.

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

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Information Related to Certain Non-GAAP Financial Measures

A reconciliation of pretax operating earnings (a non-GAAP financial measure) to net income is as follows (dollars in millions):

	Twelve months ended				
	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Pretax operating earnings (a non-GAAP financial measure)	\$ 428.4	\$ 413.5	\$ 381.5	\$ 422.8	\$ 407.4
Income tax (expense) benefit	<u>(151.3)</u>	<u>(146.9)</u>	<u>(134.7)</u>	<u>(148.1)</u>	<u>(143.2)</u>
Operating return	277.1	266.6	246.8	274.7	264.2
Earnings of CLIC prior to being sold, net of taxes	8.5	-	-	-	-
Net loss on sale of CLIC and gain (loss) on reinsurance transactions, including impact of taxes	28.3	25.8	2.9	-	-
Net realized investment gains, net of related amortization and taxes	6.4	(7.9)	(22.8)	(30.8)	(30.0)
Fair value changes in embedded derivative liabilities, net of related amortization and taxes	(24.5)	(2.9)	(13.1)	7.7	(3.2)
Fair value changes related to the agent deferred compensation plan, net of taxes	(17.4)	(9.8)	(9.8)	9.8	5.9
Loss on extinguishment or modification of debt (net of taxes)	(0.4)	(21.3)	(21.3)	(21.3)	(21.3)
Valuation allowance for deferred tax assets and other tax items	54.9	50.9	34.1	32.5	52.5
Other	<u>(0.7)</u>	<u>(0.5)</u>	<u>0.5</u>	<u>(1.9)</u>	<u>(4.7)</u>
Net income	<u>\$ 332.2</u>	<u>\$ 300.9</u>	<u>\$ 217.3</u>	<u>\$ 270.7</u>	<u>\$ 263.4</u>

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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>1Q14</u>	<u>2Q14</u>	<u>3Q14</u>	<u>4Q14</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,996.0	\$ 3,032.6	\$ 3,028.0	\$ 3,045.3
Net operating loss carryforwards	948.0	885.6	834.7	817.6
Accumulated other comprehensive income	<u>766.2</u>	<u>926.1</u>	<u>859.3</u>	<u>825.3</u>
Common shareholders' equity	<u>\$ 4,710.2</u>	<u>\$ 4,844.3</u>	<u>\$ 4,722.0</u>	<u>\$ 4,688.2</u>
	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,026.1	\$ 2,989.7	\$ 2,924.9	\$ 3,011.6
Net operating loss carryforwards	793.3	769.5	735.7	724.1
Accumulated other comprehensive income	<u>934.2</u>	<u>605.0</u>	<u>510.4</u>	<u>402.8</u>
Common shareholders' equity	<u>\$ 4,753.6</u>	<u>\$ 4,364.2</u>	<u>\$ 4,171.0</u>	<u>\$ 4,138.5</u>
	<u>1Q16</u>			
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,975.3			
Net operating loss carryforwards	710.8			
Accumulated other comprehensive income	<u>540.5</u>			
Common shareholders' equity	<u>\$ 4,226.6</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				
	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 3,029.3	\$ 3,027.6	\$ 3,009.4	\$ 2,992.3	\$ 2,981.7
Net operating loss carryforwards	852.1	818.3	791.4	767.3	745.3
Accumulated other comprehensive income	865.2	846.1	762.3	665.9	563.9
Common shareholders' equity	<u>\$ 4,746.6</u>	<u>\$ 4,692.0</u>	<u>\$ 4,563.1</u>	<u>\$ 4,425.5</u>	<u>\$ 4,290.9</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 (\$ in millions):

	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Corporate notes payable	\$ 761.8	\$ 909.2	\$ 909.8	\$ 911.1	\$ 911.5
Total shareholders' equity	<u>4,753.6</u>	<u>4,364.2</u>	<u>4,171.0</u>	<u>4,138.5</u>	<u>4,226.6</u>
Total capital	<u>\$ 5,515.4</u>	<u>\$ 5,273.4</u>	<u>\$ 5,080.8</u>	<u>\$ 5,049.6</u>	<u>\$ 5,138.1</u>
Corporate debt to capital	<u>13.8%</u>	<u>17.2%</u>	<u>17.9%</u>	<u>18.0%</u>	<u>17.7%</u>
<hr/>					
Corporate notes payable	\$ 761.8	\$ 909.2	\$ 909.8	\$ 911.1	\$ 911.5
Total shareholders' equity	4,753.6	4,364.2	4,171.0	4,138.5	4,226.6
Less accumulated other comprehensive income	<u>(934.2)</u>	<u>(605.0)</u>	<u>(510.4)</u>	<u>(402.8)</u>	<u>(540.5)</u>
Total capital	<u>\$ 4,581.2</u>	<u>\$ 4,668.4</u>	<u>\$ 4,570.4</u>	<u>\$ 4,646.8</u>	<u>\$ 4,597.6</u>
Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure)	<u>16.6%</u>	<u>19.5%</u>	<u>19.9%</u>	<u>19.6%</u>	<u>19.8%</u>