

For Immediate Release

CNO Financial Group Reports Fourth Quarter and Full Year 2020 Results

**Strong fourth quarter earnings; solid capital and liquidity;
completed \$100 million in share repurchases**

Carmel, Ind., February 9, 2021 - CNO Financial Group, Inc. (NYSE: CNO) today announced that for the quarter ending December 31, 2020, net income was \$111.8 million, or \$0.80 per diluted share compared to net income of \$278.0 million, or \$1.84 per diluted share in 4Q19 (including \$193.7 million, or \$1.28 per diluted share, related to a tax benefit from a tax planning strategy). Net operating income (1) in 4Q20 was \$86.0 million, or \$0.61 per diluted share, compared to \$78.6 million, or \$0.52 per diluted share, in 4Q19.

Net income for the year ended December 31, 2020, was \$301.8 million, or \$2.11 per diluted share, compared to \$409.4 million, or \$2.61 per diluted share, in 2019 (including \$193.7 million, or \$1.23 per diluted share, related to a tax benefit from a tax planning strategy). Net operating income (1) for the year ended December 31, 2020, was \$362.3 million, or \$2.53 per diluted share, compared to \$290.0 million, or \$1.85 per diluted share, in 2019.

"CNO reported strong fourth quarter and full year results in the face of a very challenging year," said Gary C. Bhojwani, chief executive officer. "I am particularly pleased with the continued momentum in our Consumer Division and our expanding digital and direct-to-consumer capabilities, which offset COVID-related weakness in other areas. Our results throughout the pandemic and in the historically low interest rate environment demonstrated the resiliency of our diverse product portfolio and distribution networks. I am very proud of our dedicated associates and exclusive agents that helped us deliver on our promises to customers."

"Our strong earnings, high quality investment portfolio and robust cash flow generation enabled us to return \$330 million to shareholders this year," added Bhojwani. "This represents 12% of our market capitalization as of the start of 2020. While we face considerable near-term headwinds in 2021, CNO's middle-market focus, differentiated business model and solid balance sheet position us to successfully navigate short-term disruption and remain focused on the longer-term opportunity ahead to deliver continued shareholder value."

Other Announcement

- Completed the acquisition of DirectPath, LLC, a leading national provider of employee benefits management services to employers and employees (Read press release here)

Full Year 2020 Highlights

- Operating (1) EPS up 37% from 2019 to \$2.53
- Life sales up 12%; direct-to-consumer sales up 21% from 2019
- Insurance product margin up 17% from 2019; favorably impacted by health care deferrals
- Generated return on equity (ROE) of 6.5%; operating ROE, as adjusted (6), of 12.9%
- Returned \$330.0 million to shareholders in the form of share repurchases (\$263.0 million) and dividends (\$67.0 million); reduced weighted average share count by 9% since 2019

Fourth Quarter 2020 Highlights

- Operating (1) EPS up 17% from 4Q19 to \$0.61
- Life sales up 6%; direct-to-consumer sales up 10% from 4Q19
- Insurance product margin up 15% from 4Q19; favorably impacted by health care deferrals
- Net investment income up 13% from 4Q19
- Book value per share was \$40.54, up 28% from 4Q19; book value per diluted share, excluding accumulated other comprehensive income (2), was \$23.95, up 8% from 4Q19
- Returned \$116.6 million to shareholders in the form of share repurchases (\$100.0 million) and dividends (\$16.6 million); reduced weighted average share count by 7% since 4Q19

FINANCIAL SUMMARY

Quarter End

(Amounts in millions, except per share data)
(Unaudited)

Net operating income, a non-GAAP^(a) financial measure, is used consistently by CNO's management to evaluate the operating performance of the Company and is a measure commonly used in the life insurance industry. It differs from net income primarily because it excludes certain non-operating items such as realized investment gains (losses), changes in fair values of embedded derivatives, equity securities and the liability for a deferred compensation plan, and certain significant and unusual items included in net income. Management believes an analysis of net operating income is important in understanding the profitability and operating trends of the Company's business. Net income is the most directly comparable GAAP measure.

	Per diluted share			Per diluted share		
	Quarter ended			Quarter ended		
	December 31,			December 31,		
	2020	2019	% change	2020	2019	% change
Income from insurance products ^(b)	\$ 0.48	\$ 0.39	23	\$ 67.9	\$ 59.6	14
Fee income	0.02	0.08	(75)	2.9	11.7	(75)
Investment income not allocated to product lines ^(c)	0.41	0.17	141	57.8	26.2	121
Expenses not allocated to product lines	(0.12)	0.02	700	(17.8)	2.8	736
Operating earnings before taxes	0.79	0.66		110.8	100.3	
Income tax expense on operating income	(0.18)	(0.14)	(29)	(24.8)	(21.7)	(14)
Net operating income (1)	0.61	0.52	17	86.0	78.6	9
Net realized investment gains from sales, impairments and change in allowance for credit losses (net of related amortization)	0.09	0.05		12.6	7.1	
Net change in market value of investments recognized in earnings	0.04	(0.02)		6.0	(2.6)	
Fair value changes in embedded derivative liabilities (net of related amortization)	0.12	0.09		16.3	13.4	
Other	(0.01)	(0.07)		(2.2)	(10.8)	
Non-operating income before taxes	0.24	0.05		32.7	7.1	
Income tax expense on non-operating income	0.05	0.01		6.9	1.4	
Valuation allowance for deferred tax assets and other tax items	—	(1.28)		—	(193.7)	
Net non-operating income	0.19	1.32		25.8	199.4	
Net income	\$ 0.80	\$ 1.84		\$ 111.8	\$ 278.0	
Weighted average diluted shares outstanding	140.4	151.4				

FINANCIAL SUMMARY (continued)

Year End

(Amounts in millions, except per share data)
(Unaudited)

	Per diluted share			Year ended		
	Year ended			Year ended		
	December 31,			December 31,		
	2020	2019	% change	2020	2019	% change
Income from insurance products ^(b)	\$ 2.54	\$ 1.57	62	\$ 363.8	\$ 246.1	48
Fee income	0.11	0.15	(27)	16.7	23.5	(29)
Investment income not allocated to product lines ^(c)	1.17	0.97	21	167.1	152.1	10
Expenses not allocated to product lines	(0.58)	(0.34)	(71)	(83.8)	(53.4)	(57)
Operating earnings before taxes	3.24	2.35		463.8	368.3	
Income tax expense on operating income	(0.71)	(0.50)	(42)	(101.5)	(78.3)	(30)
Net operating income (1)	2.53	1.85	37	362.3	290.0	25
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses (net of related amortization)	(0.22)	0.01		(31.1)	2.1	
Net change in market value of investments recognized in earnings	(0.02)	0.16		(2.7)	25.5	
Fair value changes in embedded derivative liabilities (net of related amortization)	(0.55)	(0.52)		(79.1)	(81.4)	
Loss on extinguishment of debt	—	(0.04)		—	(7.3)	
Other	(0.04)	(0.21)		(6.6)	(33.0)	
Non-operating loss before taxes	(0.83)	(0.60)		(119.5)	(94.1)	
Income tax benefit on non-operating loss	(0.17)	(0.13)		(25.0)	(19.8)	
Valuation allowance for deferred tax assets and other tax items	(0.24)	(1.23)		(34.0)	(193.7)	
Net non-operating income (loss)	(0.42)	0.76		(60.5)	119.4	
Net income	\$ 2.11	\$ 2.61		\$ 301.8	\$ 409.4	
Weighted average diluted shares outstanding	143.2	157.1				

- (a) GAAP is defined as accounting principles generally accepted in the United States of America.
- (b) Income from insurance products is the sum of the insurance margins of the annuity, health and life segments, less allocated insurance administrative expenses. It excludes the fee income segment, excess investment income, parent company expenses and income taxes. Insurance margin is management's measure of the profitability of its annuity, health and life segments' performance and consists of premiums plus allocated investment income less insurance policy benefits, interest credited, commissions, advertising expense and amortization of acquisition costs.
- (c) Investment income not allocated to product lines is defined as net investment income less: (i) equity returns credited to policyholder account balances; (ii) the investment income allocated to our product lines; (iii) interest expense on notes payable and investment borrowings; and (iv) certain expenses related to benefit plans that are offset by special-purpose investment income.

FINANCIAL SUMMARY (continued)

Management vs. GAAP Measures

(Dollars in millions, except per share data)
(Unaudited)

Shareholders' equity, excluding accumulated other comprehensive income, and book value per share, excluding accumulated other comprehensive income, are non-GAAP measures that are utilized by management to view the business without the effect of accumulated other comprehensive income which is primarily attributable to fluctuations in interest rates associated with fixed maturities, available for sale. Management views the business in this manner because the Company has the ability and generally, the intent, to hold investments to maturity and meaningful trends can be more easily identified without the fluctuations.

	Quarter ended	
	December 31,	
	2020	2019
Trailing twelve months return on equity ^(a)	6.5 %	9.8 %
Trailing twelve months operating return on equity, excluding accumulated other comprehensive income and net operating loss carryforwards (a non-GAAP financial measure) (6)	12.9 %	10.7 %
Trailing twelve months operating return, excluding significant items, on equity, excluding accumulated other comprehensive income and net operating loss carryforwards (a non-GAAP financial measure) (6)	12.0 %	10.4 %
Shareholders' equity	\$ 5,484.2	\$ 4,677.0
Accumulated other comprehensive income	(2,186.1)	(1,372.5)
Shareholders' equity, excluding accumulated other comprehensive income	3,298.1	3,304.5
Net operating loss carryforwards	(341.9)	(542.6)
Shareholders' equity, excluding accumulated other comprehensive income and net operating loss carryforwards	\$ 2,956.2	\$ 2,761.9
Book value per diluted share	\$ 39.82	\$ 31.27
Accumulated other comprehensive income	(15.87)	(9.18)
Book value per diluted share, excluding accumulated other comprehensive income (a non-GAAP financial measure) (2)	\$ 23.95	\$ 22.09

(a) Calculated using average shareholders' equity for the measurement period.

INSURANCE OPERATIONS
Comparing 4Q2020 with 4Q2019

Annuity products accounted for 30 percent of the Company's margin for the quarter.

Annuity premiums collected increased 6 percent and annuity account values increased 4 percent.

Health products accounted for 54 percent of the Company's insurance margin for the quarter and 67 percent of insurance policy income.

Life products accounted for 16 percent of the Company's insurance margin for the quarter and 32 percent of insurance policy income.

Sales of health products decreased by 22 percent and sales of life products were up 6 percent.

ANNUITY COLLECTED PREMIUMS

(Dollars in millions)
(Unaudited)

	Quarter ended December 31,		% change
	2020	2019	
Annuity collected premiums	\$ 345.0	\$ 324.3	6

INSURANCE POLICY INCOME

(Dollars in millions)
(Unaudited)

	Quarter ended December 31,		% change
	2020	2019	
Annuity riders	\$ 4.4	\$ 5.2	(15)
Health	422.6	425.7	(1)
Life	202.0	192.3	5
Total insurance policy income	\$ 629.0	\$ 623.2	1

**SALES MEASURED AS NEW ANNUALIZED PREMIUMS FOR
LIFE AND HEALTH PRODUCTS**

(Dollars in millions)
(Unaudited)

	Quarter ended December 31,		% change
	2020	2019	
Health	\$ 49.1	\$ 62.7	(22)
Life	37.1	34.9	6
Total new annualized premiums (4)	\$ 86.2	\$ 97.6	(12)

INSURANCE MARGIN

(Amounts in millions, except per share data)
(Unaudited)

Insurance margin is management's measure of profitability of its annuity, health and life segments' performance and consists of premiums plus allocated investment income less insurance policy benefits, interest credited, commissions, advertising expense and amortization of acquisition costs. Income from insurance products is the sum of the insurance margins of the annuity, health and life segments, less allocated insurance administrative expenses. It excludes the fee income segment, investment income not allocated to product lines, expenses not allocated to product lines and income taxes. Management believes this information helps provide a better understanding of the business and a more meaningful analysis of our operations. Insurance income, a non-GAAP measure, is a component of net operating income, which is reconciled to net income in the Financial Summary section above.

	Quarter ended				
	December 31, 2020	% of insurance policy income	December 31, 2019	% of insurance policy income	% change
Margin					
Annuity interest margin	\$ 68.1		\$ 60.5		13
Life insurance interest margin	10.5		11.3		(7)
Total interest-sensitive margin	<u>78.6</u>		<u>71.8</u>		9
Insurance margin					
Health	125.2	30	93.0	22	35
Life (a)	26.8	17	35.4	23	(24)
Total other insurance margin	<u>152.0</u>	26	<u>128.4</u>	22	18
Total insurance margin	230.6		200.2		
Allocated expenses	(162.7)		(140.6)		
Income from insurance products	<u>\$ 67.9</u>		<u>\$ 59.6</u>		
Per diluted share	<u>\$ 0.48</u>		<u>\$ 0.39</u>		
Weighted average diluted shares	<u>140.4</u>		<u>151.4</u>		

(a) Net of \$15.6 million and \$14.5 million of non-deferred television advertising expense related to our direct distribution channel in the 2020 and 2019 periods, respectively.

Total allocated expenses were \$162.7 million, up 16 percent from the year-ago quarter.

Total insurance margins were favorably (unfavorably) impacted by \$11.8 million and \$(10.0) million in the quarters ended December 31, 2020 and 2019, respectively, due to adjustments arising from our comprehensive annual actuarial review of assumptions. See pages 19 and 20 for summaries of the impacts of significant items.

ANNUITY RESULTS BY PRODUCT TYPE

(Dollars in millions)
(Unaudited)

Annuity margin

	Quarter ended	
	December 31,	
	2020	2019
Fixed index annuities	\$ 58.1	\$ 54.6
Fixed interest annuities	8.5	4.6
Other annuities	1.5	1.3
Total	<u>\$ 68.1</u>	<u>\$ 60.5</u>

Annuity collected premiums

	Quarter ended	
	December 31,	
	2020	2019
Annuity collected premiums	<u>\$ 345.0</u>	<u>\$ 324.3</u>

Average net insurance liabilities (5)

	Quarter ended	
	December 31,	
	2020	2019
Fixed index annuities	\$ 7,342.1	\$ 6,751.0
Fixed interest annuities	2,000.1	2,204.3
Other annuities	517.9	565.0
Total	<u>\$ 9,860.1</u>	<u>\$ 9,520.3</u>

Margin/average net insurance liabilities ^(a)

	Quarter ended	
	December 31,	
	2020	2019
Fixed index annuities	3.17 %	3.24 %
Fixed interest annuities	1.70 %	0.83 %
Other annuities	1.16 %	0.92 %
Total	2.76 %	2.54 %

(a) Defined as annualized quarterly annuity margin divided by average net insurance liabilities (5).

Annuity margins were favorably (unfavorably) impacted by \$16.1 million and \$(.3) million in the quarters ended December 31, 2020 and 2019, respectively, due to adjustments arising from our comprehensive annual actuarial review of assumptions. See pages 19 and 20 for summaries of the impacts of significant items.

HEALTH INSURANCE RESULTS BY PRODUCT TYPE

(Dollars in millions)
(Unaudited)

Health margin

	Quarter ended December 31,				
	2020		2019		% change
	Amount	% of insurance policy income	Amount	% of insurance policy income	
Supplemental health and other health	\$ 53.0	31	\$ 46.9	28	13
Medicare supplement	43.3	23	32.1	17	35
Long-term care	28.9	44	14.0	21	106
Total	\$ 125.2	30	\$ 93.0	22	35

Health insurance policy income

	Quarter ended December 31,		
	2020	2019	% change
	Supplemental health and other health	\$ 170.6	
Medicare supplement	186.0	191.5	(3)
Long-term care	66.0	66.7	(1)
Total	\$ 422.6	\$ 425.7	(1)

Health NAP (4)

	Quarter ended December 31,		
	2020	2019	% change
	Supplemental health and other health	\$ 29.7	
Medicare supplement	12.2	17.2	(29)
Long-term care	7.2	8.0	(10)
Total	\$ 49.1	\$ 62.7	(22)

LIFE INSURANCE RESULTS BY PRODUCT TYPE

(Dollars in millions)
(Unaudited)

Life margin

	Quarter ended December 31,				
	2020		2019		% change
	Amount	% of insurance policy income	Amount	% of insurance policy income	
Life insurance interest margin	\$ 0.4		\$ 1.5		(73)
Life insurance margin:					
Traditional life	26.8	17	35.4	23	(24)
Interest sensitive life	10.1	25	9.8	26	3
Subtotal	36.9	18	45.2	24	(18)
Total margin	<u>\$ 37.3</u>		<u>\$ 46.7</u>		(20)

Life insurance policy income

	Quarter ended December 31,			% change
	2020	2019		
Traditional life	\$ 161.6	\$ 154.3		5
Interest sensitive life	40.4	38.0		6
Total	<u>\$ 202.0</u>	<u>\$ 192.3</u>		5

Life NAP (4)

	Quarter ended December 31,			% change
	2020	2019		
Traditional life	\$ 29.8	\$ 25.1		19
Interest sensitive life	7.3	9.8		(26)
Total	<u>\$ 37.1</u>	<u>\$ 34.9</u>		6

Average net insurance liabilities (5) and interest margin

	Quarter ended December 31,		
	2020	2019	% change
Interest sensitive life products	\$ 939.9	\$ 883.4	6
Interest margin/average net insurance liabilities (5)	0.17 %	0.68 %	(75)

Total life margins were unfavorably impacted by \$4.3 million and \$9.7 million in the quarters ended December 31, 2020 and 2019, respectively, due to adjustments arising from our comprehensive annual actuarial review of assumptions. See pages 19 and 20 for summaries of the impact of significant items.

QUARTERLY AVERAGE EXCLUSIVE PRODUCING AGENTS

	Average Exclusive Producing Agent Count		
	Quarter ended		%
	December 31,		
	2020	2019	change
Consumer			
Field agents (a) (c)	4,539	4,709	(4)
Tele-sales agents	257	211	22
Total agents	4,796	4,920	(3)
Financial representatives (b) (c)	601	596	1
Worksite (a) (c)	255	453	(44)

(a) Producing agents are exclusive agents that have submitted at least one policy in the month.

(b) Financial representatives are exclusive agents who are licensed to sell certain securities brokerage products and services.

(c) Agent and representative counts represent the average of the last 3 months.

INVESTMENTS

INVESTMENT INCOME NOT ALLOCATED TO PRODUCT LINES

(Dollars in millions, except per share data)

Management uses investment income not allocated to product lines as the measure to evaluate the performance of the investment segment. It is defined as net investment income less the investment income allocated to our product segments and interest expense on debt. We also view investment income not allocated to product lines per diluted share as an important and useful measure to evaluate performance of the investment segment as it takes into consideration our share repurchase program.

	Quarter ended December 31,		%
	2020	2019	
Net investment income	\$ 390.6	\$ 373.1	5
Allocated to product lines:			
Annuity	(115.5)	(117.3)	(2)
Health	(70.9)	(70.5)	1
Life	(35.4)	(34.4)	3
Equity returns credited to policyholder account balances	(77.6)	(83.4)	(7)
Amounts allocated to product lines and credited to policyholder account balances	(299.4)	(305.6)	(2)
Amount related to variable interest entities and other non-operating items	(8.2)	(12.7)	(35)
Interest expense on corporate debt	(14.4)	(13.8)	4
Interest expense on investment borrowings	(2.9)	(10.1)	(71)
Less amounts credited to deferred compensation plans (offsetting investment income)	(7.9)	(4.7)	68
Total adjustments	(33.4)	(41.3)	
Investment income not allocated to product lines	\$ 57.8	\$ 26.2	121
Per share diluted share	\$ 0.41	\$ 0.17	

INVESTMENT PORTFOLIO

(Dollars in millions)

The composition of the investment portfolio at December 31, 2020 is as follows:

	\$	% of total
Fixed maturities, available for sale, at fair value	\$ 23,383.6	85
Equity securities at fair value	151.2	1
Mortgage loans	1,358.7	5
Policy loans	123.0	—
Trading securities	232.0	1
Investments held by variable interest entities	1,189.4	4
Other invested assets	1,146.4	4
Total investment portfolio	<u>\$ 27,584.3</u>	<u>100</u>

Fixed maturities, available for sale, at amortized cost by asset class as of December 31, 2020 are as follows:

	Investment grade	Below investment grade	Total
Corporate securities	\$ 11,243.2	\$ 811.5	\$ 12,054.7
United States Treasury securities and obligations of the United States government and agencies	163.8	—	163.8
States and political subdivisions	2,284.1	12.5	2,296.6
Foreign governments	82.2	0.2	82.4
Asset-backed securities	935.0	89.4	1,024.4
Agency residential mortgage-backed securities	52.7	—	52.7
Non-agency residential mortgage-backed securities	921.0	992.5 (a)	1,913.5
Collateralized loan obligations	461.9	—	461.9
Commercial mortgage-backed securities	1,783.9	87.2	1,871.1
Total	<u>\$ 17,927.8</u>	<u>\$ 1,993.3</u>	<u>\$ 19,921.1</u>

(a) Certain structured securities rated below investment grade by Nationally Recognized Statistical Rating Organizations may be assigned a NAIC 1 or NAIC 2 designation based on the cost basis of the security relative to estimated recoverable amounts as determined by the National Association of Insurance Commissioners (NAIC).

The fair value of CNO's available for sale fixed maturity portfolio was \$23.4 billion compared with an amortized cost of \$19.9 billion. Net unrealized gains were comprised of gross unrealized gains of \$3.5 billion and gross unrealized losses of \$32 million. The allowance for credit losses was \$2.2 million at December 31, 2020.

At amortized cost and fair value, 90 percent and 91 percent of fixed maturities, available for sale, were rated "investment grade", respectively.

Acquisitions of fixed maturity investments during the quarter totaled \$1.3 billion. Comparable information for acquisitions of fixed maturity investments is as follows:

	Fixed maturity acquisitions Quarter ended December 31,	
	2020	2019
Total fixed maturity acquisitions (dollars in millions)	\$ 1,252.5	\$ 1,371.4
Annual effective yield	3.24	3.76
Average rating	BBB+	A-
Average life (in years)	8.5	7.1

Non-Operating Items

Net realized investment gains in 4Q20 were \$12.6 million (net of related amortization) including the favorable change in the allowance for credit losses of \$12.9 million which were recorded in earnings. Net realized investment gains in 4Q19 were \$7.1 million (net of related amortization) including other-than-temporary impairment losses of \$6.8 million which were recorded in earnings.

During 4Q20 and 4Q19, we recognized an increase (decrease) in earnings of \$6.0 million and \$(2.6) million, respectively, due to the net change in market value of investments recognized in earnings.

During 4Q20 and 4Q19, we recognized an increase in earnings of \$16.3 million and \$13.4 million, respectively, resulting from changes in the estimated fair value of embedded derivative liabilities related to our fixed index annuities, net of related amortization. Such amounts include the impacts of changes in market interest rates used to determine the derivative's estimated fair value.

In 4Q20 and 4Q19, other non-operating items included an increase (decrease) in earnings of \$(3.1) million and \$2.5 million, respectively, for the mark-to-market change in the agent deferred compensation plan liability which was impacted by changes in the underlying actuarial assumptions used to value the liability. We recognize the mark-to-market change in the estimated value of this liability through earnings as assumptions change.

Also, the other non-operating items in 4Q19 included a previously announced pre-tax charge of approximately \$14 million related to our new operating model to create a leaner, more integrated customer-centric organization.

During 4Q19, we implemented a tax planning strategy that is expected to utilize net operating loss carryforwards that otherwise would have expired in 2023. Accordingly, we eliminated the valuation allowance for deferred tax assets of \$193.7 million in 4Q19.

Statutory (based on non-GAAP measures) and GAAP Capital Information

Our consolidated statutory risk-based capital ratio was estimated at 411% at December 31, 2020, reflecting estimated 4Q20 statutory operating income of \$63 million (and \$421 million during 2020) and the payment of insurance company dividends to the holding company of \$113.3 million during 4Q20 and \$294.1 million during 2020. Statutory operating income and capital and surplus were favorably impacted by \$99 million and \$53 million, respectively, related to certain provisions in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act during 2020.

During the fourth quarter of 2020, we repurchased \$100 million of common stock under our securities repurchase program. We repurchased 4.4 million common shares at an average cost of \$22.61 per share. As of December 31, 2020, we had 135.3 million shares outstanding and had authority to repurchase up to an additional \$269.3 million of our common stock. During 4Q20, dividends paid on common stock totaled \$16.6 million.

Unrestricted cash and investments held by our holding company were \$388 million at December 31, 2020, compared to \$187 million at December 31, 2019.

Book value per common share was \$40.54 at December 31, 2020 compared to \$31.58 at December 31, 2019. Book value per diluted share, excluding accumulated other comprehensive income (2), was \$23.95 at December 31, 2020, compared to \$22.09 at December 31, 2019.

The debt-to-capital ratio was 17.2 percent and 17.5 percent at December 31, 2020 and 2019, respectively. Our debt-to-total capital ratio, excluding accumulated other comprehensive income (3) was 25.6 percent at December 31, 2020 compared to 23.0 percent at December 31, 2019, reflecting the issuance in November 2020 of \$150.0 million of 5.125% Subordinated Debentures due 2060.

Return on equity for the years ended December 31, 2020 and 2019, was 6.5% and 9.8%, respectively. Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income and net operating loss carryforwards (6) for the years ended December 31, 2020 and 2019, was 12.0% and 10.4%, respectively.

In this news release, CNO includes non-GAAP measures to enhance investors' understanding of management's view of the business. The non-GAAP measures are not a substitute for GAAP, but rather a supplement to increase transparency by providing broader perspective. CNO's definitions of non-GAAP measures may differ from other companies' definitions. More detailed information including various GAAP and non-GAAP measurements are located at CNOinc.com in the Investors section under SEC Filings.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This press release may contain forward-looking statements within the meaning of federal securities laws. These prospective statements reflect management's current expectations, but are not guarantees of future performance. Accordingly, please refer to CNO's cautionary statement regarding forward-looking statements, and the business environment in which the Company operates, contained in the Company's Form 10-K for the year ended December 31, 2019 and any subsequent Form 10-Q on file with the Securities and Exchange Commission and on the Company's website at CNOinc.com in the Investors section. CNO specifically disclaims any obligation to update or revise any forward-looking statement because of new information, future developments or otherwise.

EARNINGS RELEASE CONFERENCE CALL WEBCAST:

The Company will host a conference call to discuss results on February 10, 2021 at 11:00 a.m. Eastern Time. During the call, we will be referring to a presentation that will be available at the Investors section of the company's website.

To participate by dial-in, please register at <http://www.directeventreg.com/registration/event/9570459>. Upon registering, you will be provided with call details and a registrant ID used to track attendance on the conference call. Reminders will also be sent to registered participants via email.

For those investors who prefer to listen to the call online, we will be broadcasting the call live via webcast. The event can be accessed through the Investors section of the company's website: ir.CNOinc.com. Participants should go to the website at least 15 minutes before the event to register and download any necessary audio software.

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(Dollars in millions)
(unaudited)

	December 31, 2020	December 31, 2019
ASSETS		
Investments:		
Fixed maturities, available for sale, at fair value (net of allowance for credit losses: 2020 - \$2.2; amortized cost: 2020 - \$19,921.1; 2019 - \$19,179.5)	\$ 23,383.6	\$ 21,295.2
Equity securities at fair value	151.2	44.1
Mortgage loans (net of allowance for credit losses: 2020 - \$11.8)	1,358.7	1,566.1
Policy loans	123.0	124.5
Trading securities	232.0	243.9
Investments held by variable interest entities (net of allowance for credit losses: 2020 - \$15.1; amortized cost: 2020 - \$1,211.3; 2019 - \$1,206.3)	1,189.4	1,188.6
Other invested assets	1,146.4	1,118.5
Total investments	27,584.3	25,580.9
Cash and cash equivalents - unrestricted	937.8	580.0
Cash and cash equivalents held by variable interest entities	54.1	74.7
Accrued investment income	205.8	205.9
Present value of future profits	249.4	275.4
Deferred acquisition costs	1,027.8	1,215.5
Reinsurance receivables (net of allowance for credit losses: 2020 - \$4.0)	4,584.3	4,785.7
Income tax assets, net	199.4	432.6
Assets held in separate accounts	4.2	4.2
Other assets	492.8	476.0
Total assets	\$ 35,339.9	\$ 33,630.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Liabilities for insurance products:		
Policyholder account liabilities	\$ 12,540.6	\$ 12,132.3
Future policy benefits	11,744.2	11,498.5
Liability for policy and contract claims	561.8	522.3
Unearned and advanced premiums	252.6	260.5
Liabilities related to separate accounts	4.2	4.2
Other liabilities	821.8	750.2
Investment borrowings	1,642.5	1,644.3
Borrowings related to variable interest entities	1,151.8	1,152.5
Notes payable – direct corporate obligations	1,136.2	989.1
Total liabilities	29,855.7	28,953.9
Commitments and Contingencies		
Shareholders' equity:		
Common stock (\$0.01 par value, 8,000,000,000 shares authorized, shares issued and outstanding: 2020 - 135,279,119; 2019 - 148,084,178)	1.3	1.5
Additional paid-in capital	2,544.5	2,767.3
Accumulated other comprehensive income	2,186.1	1,372.5
Retained earnings	752.3	535.7
Total shareholders' equity	5,484.2	4,677.0
Total liabilities and shareholders' equity	\$ 35,339.9	\$ 33,630.9

CNO FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in millions, except per share data)
(unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Revenues:				
Insurance policy income	\$ 629.0	\$ 623.2	\$ 2,511.3	\$ 2,480.8
Net investment income:				
General account assets	290.1	270.2	1,079.0	1,098.0
Policyholder and other special-purpose portfolios	100.5	102.9	143.5	264.9
Realized investment gains (losses):				
Net realized investment gains (losses)	6.3	11.3	(17.7)	40.6
Change in allowance for credit losses and other-than-temporary impairment losses (a)	12.9	(6.8)	(18.5)	(12.4)
Total realized gains (losses)	19.2	4.5	(36.2)	28.2
Fee revenue and other income	37.4	68.2	123.5	143.9
Total revenues	1,076.2	1,069.0	3,821.1	4,015.8
Benefits and expenses:				
Insurance policy benefits	566.1	600.3	2,157.9	2,417.0
Interest expense	23.3	35.2	108.8	152.3
Amortization	75.9	76.1	268.1	232.1
Loss on extinguishment of debt	—	—	—	7.3
Other operating costs and expenses	267.4	250.0	942.0	932.9
Total benefits and expenses	932.7	961.6	3,476.8	3,741.6
Income before income taxes	143.5	107.4	344.3	274.2
Income tax expense (benefit):				
Tax expense on period income	31.7	23.1	76.5	58.5
Valuation allowance for deferred tax assets and other tax items	—	(193.7)	(34.0)	(193.7)
Net income	\$ 111.8	\$ 278.0	\$ 301.8	\$ 409.4
Earnings per common share:				
Basic:				
Weighted average shares outstanding	138,232,000	150,138,000	142,096,000	156,040,000
Net income	\$.81	\$ 1.85	\$ 2.12	\$ 2.62
Diluted:				
Weighted average shares outstanding	140,387,000	151,407,000	143,164,000	157,148,000
Net income	\$.80	\$ 1.84	\$ 2.11	\$ 2.61

(a) No portion of the other-than-temporary impairments recognized in the 2019 periods was included in accumulated other comprehensive income.

NOTES

- (1) Management believes that an analysis of Net income applicable to common stock before: (i) net realized investment gains or losses from sales, impairments and the change in allowance for credit losses, net of related amortization and taxes; (ii) net change in market value of investments recognized in earnings, net of taxes; (iii) fair value changes due to fluctuations in the interest rates used to discount embedded derivative liabilities related to our fixed index annuities, net of related amortization and taxes; (iv) fair value changes related to the agent deferred compensation plan, net of taxes; (v) loss on extinguishment of debt, net of taxes; (vi) changes in the valuation allowance for deferred tax assets and other tax items; and (viii) other non-operating items consisting primarily of earnings attributable to variable interest entities, net of taxes ("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. A reconciliation of Net operating income to Net income applicable to common stock is provided in the tables on pages 2 and 3. Additional information concerning this non-GAAP measure 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.
- (2) Book value per diluted share reflects the potential dilution that could occur if outstanding stock options were exercised and restricted stock and performance units were vested. 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. The dilution from convertible securities is calculated assuming the securities were converted 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.
- (3) 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.
- (4) Measured by new annualized premium for life and health products, which includes 10% of single premium whole life deposits and 100% of all other premiums (excluding annuities). Medicare Advantage sales are not comparable to other sales and are therefore excluded in all periods.
- (5) Net insurance liabilities are equal to total insurance liabilities less: (i) amounts related to reinsured business; (ii) deferred acquisition costs; (iii) present value of future profits; and (iv) the value of unexpired options credited to insurance liabilities.
- (6) The following summarizes 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):

	Year ended	
	4Q20	4Q19
Net operating income	\$ 362.3	\$ 290.0
Net operating income, excluding significant items	\$ 338.2	\$ 282.1
Net income	\$ 301.8	\$ 409.4
Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,812.4	\$ 2,703.9
Average common shareholders' equity	\$ 4,665.4	\$ 4,166.8
Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	12.9 %	10.7 %
Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	12.0 %	10.4 %
Return on equity	6.5 %	9.8 %

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	Net operating income, excluding significant items (a)	Net operating income, excluding significant items - trailing four quarters	Net income (loss)	Net income (loss) - trailing four quarters
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) (b)	70.7	282.1	278.0	409.4
1Q20	84.3	—	84.3	300.6	(21.2)	336.4
2Q20	79.4	(17.7) (c)	61.7	285.9	82.0	380.8
3Q20	112.6	—	112.6	329.3	129.2	468.0
4Q20	86.0	(6.4) (d)	79.6	338.2	111.8	301.8

(a) See note (7) for additional information.

(b) Comprised of: (i) \$10.0 million of unfavorable adjustments arising from our comprehensive annual actuarial review of assumptions; (ii) \$20.0 million of the net favorable impact from legal and regulatory matters; and (iii) an increase in tax expense of \$2.1 million.

(c) Comprised of: (i) \$45.9 million of net favorable adjustments arising from our review of actuarial assumptions; (ii) \$23.5 million unfavorable impact related to regulatory matters; and (iii) an increase in tax expense of \$4.7 million.

(d) Comprised of: (i) \$11.8 million of net favorable adjustments arising from our review of actuarial assumptions; (ii) \$3.7 million unfavorable impact related to asset impairments; and (iii) an increase in tax expense of \$1.7 million.

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

	Year ended	
	4Q20	4Q19
Pretax operating earnings (a non-GAAP financial measure)	\$ 463.8	\$ 368.3
Income tax expense	(101.5)	(78.3)
Net operating income	362.3	290.0
Non-operating items:		
Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses, net of related amortization	(31.1)	2.1
Net change in market value of investments recognized in earnings	(2.7)	25.5
Fair value changes in embedded derivative liabilities, net of related amortization	(79.1)	(81.4)
Fair value changes related to the agent deferred compensation plan	(16.3)	(20.4)
Loss on extinguishment of debt	—	(7.3)
Other	9.7	(12.6)
Non-operating loss before taxes	(119.5)	(94.1)
Income tax benefit:		
On non-operating loss	(25.0)	(19.8)
Valuation allowance for deferred tax assets and other tax items	(34.0)	(193.7)
Net non-operating income (loss)	(60.5)	119.4
Net income	\$ 301.8	\$ 409.4

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):

	4Q18			
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,687.3			
Net operating loss carryforwards	505.9			
Accumulated other comprehensive income	177.7			
Common shareholders' equity	\$ 3,370.9			
	1Q19	2Q19	3Q19	4Q19
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	\$ 3,837.9	\$ 4,252.2	\$ 4,553.3	\$ 4,677.0
	1Q20	2Q20	3Q20	4Q20
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,701.2	\$ 2,784.2	\$ 2,905.1	\$ 2,956.2
Net operating loss carryforwards	469.4	426.8	377.2	341.9
Accumulated other comprehensive income	595.2	1,520.2	1,801.6	2,186.1
Common shareholders' equity	\$ 3,765.8	\$ 4,731.2	\$ 5,083.9	\$ 5,484.2

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	
	4Q20	4Q19
Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)	\$ 2,812.4	\$ 2,703.9
Net operating loss carryforwards	428.9	470.1
Accumulated other comprehensive income	1,424.1	992.8
Common shareholders' equity	<u>\$ 4,665.4</u>	<u>\$ 4,166.8</u>

- (7) The tables below summarize the financial impact of significant items on our net operating income. Management believes that identifying the impact of these items enhances the understanding of our operating results.

	Three months ended December 31, 2020		
	Actual results	Significant items	Excluding significant items
Insurance product margin (4)			
Annuity margin	\$ 68.1	\$ (16.1) (a)	\$ 52.0
Health margin	125.2	—	125.2
Life margin	37.3	4.3 (a)	41.6
Total insurance product margin	230.6	(11.8)	218.8
Allocated expenses	(162.7)	—	(162.7)
Income from insurance products (5)	67.9	(11.8)	56.1
Fee income	2.9	—	2.9
Investment income not allocated to product lines (9)	57.8	—	57.8
Expenses not allocated to product lines	(17.8)	3.7 (b)	(14.1)
Operating earnings before taxes	110.8	(8.1)	102.7
Income tax (expense) benefit on operating income	(24.8)	1.7	(23.1)
Net operating income (10)	<u>\$ 86.0</u>	<u>\$ (6.4)</u>	<u>\$ 79.6</u>
Net operating income per diluted share	<u>\$ 0.61</u>	<u>\$ (0.04)</u>	<u>\$ 0.57</u>

- (a) Adjustments arising from our comprehensive annual actuarial review of assumptions.
(b) Unfavorable impact related to asset impairments.

	Three months ended June 30, 2020		
	Actual results	Significant items	Excluding significant items
Insurance product margin			
Annuity margin	\$ 123.8	\$ 40.0 (a)	\$ 72.3
		(91.5) (a)	
Health margin	95.5	—	95.5
Life margin	36.1	5.6 (a)	41.7
Total insurance product margin	255.4	(45.9)	209.5
Allocated expenses	(128.1)	—	(128.1)
Income from insurance products	127.3	(45.9)	81.4
Fee income	5.2	—	5.2
Investment income not allocated to product lines	8.2	—	8.2
Expenses not allocated to product lines	(38.5)	23.5 (b)	(15.0)
Operating earnings before taxes	102.2	(22.4)	79.8
Income tax (expense) benefit on operating income	(22.8)	4.7	(18.1)
Net operating income	<u>\$ 79.4</u>	<u>\$ (17.7)</u>	<u>\$ 61.7</u>
Net operating income per diluted share	<u>\$ 0.55</u>	<u>\$ (0.12)</u>	<u>\$ 0.43</u>

- (a) Given our expectation that interest rates will remain low for the long-term, we performed an actuarial unlocking exercise in the second quarter of 2020 to reflect our assumption that average new money rates will remain flat at 4 percent forever. This change and the related impacts to persistency assumptions had a \$45.6 million unfavorable impact on pre-tax earnings. As part of the actuarial unlocking exercise, we also changed our assumptions related to the future option costs we incur in providing benefits on fixed index annuities which had a favorable impact on pre-tax earnings of \$91.5 million. The impact of these changes in assumptions is summarized below (dollars in millions):

	Line of business			Total
	Fixed index annuities	Fixed interest annuities	Interest-sensitive life	
	Favorable (unfavorable)			
Impacts of an average new money rate assumption of 4 percent				
Insurance policy benefits	\$ (5.0)	\$ —	\$ (7.4)	\$ (12.4)
Amortization	(25.6)	(9.4)	1.8	(33.2)
Subtotal	(30.6)	(9.4)	(5.6)	(45.6)
Impacts of changes in future option costs				
Insurance policy benefits	104.8	—	—	104.8
Amortization	(13.3)	—	—	(13.3)
Subtotal	91.5	—	—	91.5
Impact on pre-tax income	\$ 60.9	\$ (9.4)	\$ (5.6)	\$ 45.9

This actuarial unlocking exercise did not replace our comprehensive annual review of all assumptions for our insurance products, which we completed in the fourth quarter of 2020.

- (b) We increased our liability for claims and interest pursuant to the previously disclosed Global Resolution Agreement entered into in November 2018. Pursuant to this agreement, a third-party auditor is acting on behalf of 41 states and the District of Columbia for the purpose of identifying deceased insureds and contract holders where benefits are payable pursuant to unclaimed property laws. The third-party auditor has provided information that we have processed and verified allowing us to more accurately estimate the ultimate liability pursuant to this agreement.

	Three months ended December 31, 2019		
	Actual results	Significant items	Excluding significant items
Insurance product margin (4)			
Annuity margin	\$ 60.5	\$ 0.3 (a)	\$ 60.8
Health margin	93.0	—	93.0
Life margin	46.7	9.7 (a)	56.4
Total insurance product margin	200.2	10.0	210.2
Allocated expenses	(140.6)	—	(140.6)
Income from insurance products (5)	59.6	10.0	69.6
Fee income	11.7	—	11.7
Investment income not allocated to product lines (9)	26.2	—	26.2
Expenses not allocated to product lines	2.8	(20.0) (b)	(17.2)
Operating earnings before taxes	100.3	(10.0)	90.3
Income tax (expense) benefit on operating income	(21.7)	2.1	(19.6)
Net operating income (10)	\$ 78.6	\$ (7.9)	\$ 70.7
Net operating income per diluted share	\$ 0.52	\$ (0.05)	\$ 0.47

- (a) Adjustments arising from our comprehensive annual actuarial review of assumptions.
(b) \$20.0 million of the net favorable impact from legal and regulatory matters.

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