



# First Quarter 2023

Financial and operating results for the period  
ended March 31, 2023

May 1, 2023

Unless otherwise specified, comparisons in this  
presentation are between 1Q22 and 1Q23.



# 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 1, 2023, 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 – Financials – SEC Filings” section of CNO’s website, CNOinc.com.

## Adoption of New Accounting Standard

Effective January 1, 2023, we adopted ASU 2018-12 related to targeted improvements to the accounting for long-duration insurance contracts. Concurrent with the adoption of the new guidance, we updated the method of determining non-operating earnings for our fixed indexed annuities to better identify the volatile non-economic accounting impacts of that line of business. As a result of the adoption of the new guidance and methodology, certain historical amounts have changed. Our quarterly financial supplement – 4Q22 as recast to reflect the new standard is available in the “Investors – Financials – Quarterly Earnings” section of CNO’s website, CNOinc.com.



## Quarter in Review

Continued strong overall sales, strong insurance product margins, resilient capital position

### Strong Operational Results

- Operating EPS<sup>1</sup> of \$0.51
- Total NAP up 7%, balanced sales growth benefitting from diversified distribution
- Strong recruiting driving producing agent count (“PAC”) growth
  - Consumer Division up 1%
  - Worksite Division up 38%
- Insurance product margin up 7%, fee income up 57%
- +6% NMR driving continued growth in investment yield allocated to products

### Disciplined Execution

- Capital and liquidity above target levels
- Investment portfolio well positioned to weather market turmoil
- Returned \$32 million to shareholders; weighted average shares outstanding decreased by 5%
- Book value per diluted share excluding AOCI<sup>1</sup> up 13%

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

# Growth Scorecard

Strong production momentum, considerable fee revenue growth

(dollars in millions)

|                                                     | 2022      |           |           |           |           | 2023      | % Change |
|-----------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
|                                                     | 1Q        | 2Q        | 3Q        | 4Q        | FY        | 1Q        | Y/Y      |
| <b>New Annualized Premiums<sup>1</sup></b>          |           |           |           |           |           |           |          |
| Life                                                | \$55.8    | \$51.4    | \$45.1    | \$40.8    | \$193.1   | \$57.1    | 2.3%     |
| Health                                              | 34.8      | 37.4      | 42.2      | 49.9      | 164.3     | 39.5      | 13.5%    |
| Total Life and Health                               | \$90.6    | \$88.8    | \$87.3    | \$90.7    | \$357.4   | \$96.6    | 6.6%     |
| <b>Collected Premiums</b>                           |           |           |           |           |           |           |          |
| Life                                                | \$226.7   | \$229.2   | \$226.4   | \$229.5   | \$911.8   | \$234.6   | 3.5%     |
| Health                                              | 408.9     | 398.4     | 399.0     | 402.1     | 1,608.4   | 404.9     | -1.0%    |
| Total Life and Health                               | \$635.6   | \$627.6   | \$625.4   | \$631.6   | \$2,520.2 | \$639.5   | 0.6%     |
| <b>Annuity Collected Premiums</b>                   | \$368.6   | \$435.0   | \$370.0   | \$431.0   | \$1,604.6 | \$370.9   | 0.6%     |
| <b>Client Assets in BD and Advisory<sup>2</sup></b> | \$2,835.1 | \$2,562.1 | \$2,453.3 | \$2,636.7 | \$2,636.7 | \$2,610.1 | -7.9%    |
| <b>Fee Revenue<sup>3</sup></b>                      | \$40.3    | \$31.1    | \$30.6    | \$67.3    | \$169.3   | \$51.3    | 27.3%    |

1 Measured as 100% of new life and health annualized premiums, except for single premium whole life deposits, which are measured at 10% of annualized premium.

2 Client assets include cash and securities in brokerage, broker/dealer customer account assets custodied directly at fund companies and insurance carriers, and assets under management in advisory accounts.

3 Represents fee revenue from the sales of third-party insurance products; services provided by WBD; fee revenue earned by Optavise (formerly known as DirectPath prior to its name change in April 2022); fees generated by our broker-dealer and registered investment advisor.

# Consumer Division Update

Balanced growth across nearly all product lines, record D2C Life sales

## Strong Operational Results

- Total Life and Health NAP up 4%
- Total third-party policies issued up 81%, Medicare Advantage sales up 55%
- Life NAP - record D2C sales; Bankers field agent sales up 5%
- Health NAP – Med Supp up 20%; Supp Health up 12%
- Annuity collected premiums up 1%, 10th consecutive quarter of YoY growth

## Disciplined Execution

- Field PAC up 1%, first quarter of YoY growth since onset of COVID
- Recruiting up 22%
- Registered agent<sup>1</sup> count up 5%
- Agent retention and productivity remain strong
- Total Medicare policies issued per agent up 43%

<sup>1</sup> Registered agents are dually licensed as insurance agents and financial representatives who can buy and sell securities for clients, and/or investment advisors who can provide ongoing investment advice for clients.

## Worksite Division Update

Eighth consecutive quarter of insurance sales growth; fourth consecutive quarter of producing agent count growth

### Strong Operational Results

- Life and Health insurance sales up 28%
- Strong retention of existing employer customers
- Stable employee persistency and premium collection
- Optavise Now driving improved enrollment attendance rates
- Rebrand has created positive momentum in insurance sales and recruiting

### Disciplined Execution

- PAC up 38%, recruiting up 48%
- Agent referral program driving continued recruiting momentum
- Strong agent productivity gains YoY

# Financial Highlights

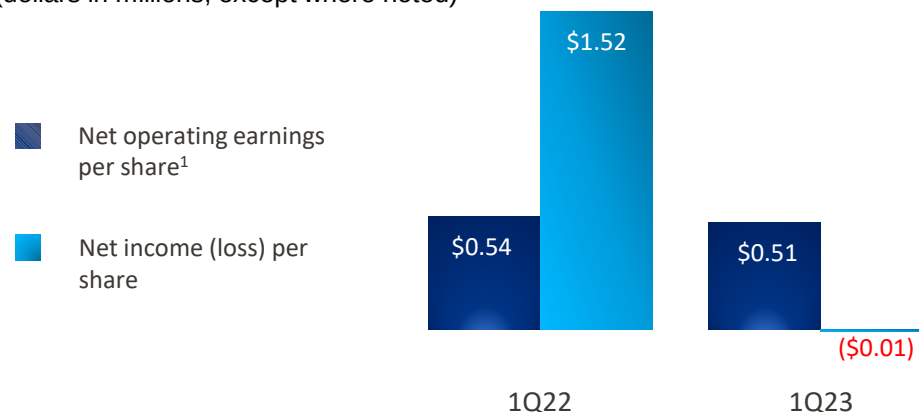
Non-economic accounting impact to GAAP earnings, solid operating earnings

## First Quarter 2023

- 1Q23 net loss per share of \$0.01
  - Primarily due to non-economic changes in fair value of embedded derivative liabilities and market risk benefits, reported as non-operating
- 1Q23 operating EPS<sup>1</sup> of \$0.51, vs. \$0.54 in 1Q22
  - Strong insurance product margins and fee income
  - Net investment income allocated to products benefiting from higher NMRs
  - Lower variable NII
  - Total expenses up; projected expense ratio for full year is unchanged
- \$15 million of share repurchases
- Weighted average share count down 5%
- Operating ROE<sup>1</sup>, as adjusted, of 10.3%

## Earnings Results

(dollars in millions, except where noted)



|                                                   |         |         |
|---------------------------------------------------|---------|---------|
| Net operating income <sup>1</sup>                 | \$64.5  | \$58.6  |
| Net income (loss)                                 | \$183.4 | (\$0.8) |
| Weighted average shares outstanding (in millions) | 121.0   | 114.5   |

1 A non-GAAP measure. See the Appendix for a reconciliation to the corresponding GAAP measure. There were no significant items in either period.

# Insurance Product Margin

Strong margins continue post LDTI implementation

(dollars in millions)

## Insurance Product Margin Excluding Significant Items<sup>1</sup>

|                          | 1Q22           | 2Q22           | 3Q22           | 4Q22           | 1Q23           |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Annuity</b>           | <b>\$55.9</b>  | <b>\$60.1</b>  | <b>\$60.1</b>  | <b>\$54.0</b>  | <b>\$57.3</b>  |
| Fixed indexed annuities  | \$44.8         | \$48.4         | \$48.9         | \$44.5         | \$46.5         |
| Fixed interest annuities | \$8.5          | \$7.9          | \$8.2          | \$7.8          | \$9.1          |
| Other annuities          | \$2.6          | \$3.8          | \$3.0          | \$1.7          | \$1.7          |
| <b>Health</b>            | <b>\$115.3</b> | <b>\$125.4</b> | <b>\$123.3</b> | <b>\$122.1</b> | <b>\$116.5</b> |
| Supplemental health      | \$56.1         | \$56.0         | \$58.5         | \$58.4         | \$63.3         |
| Medicare supplement      | \$34.6         | \$39.8         | \$38.7         | \$37.9         | \$26.1         |
| Long-term care           | \$24.6         | \$29.6         | \$26.1         | \$25.8         | \$27.1         |
| <b>Life</b>              | <b>\$36.0</b>  | <b>\$70.2</b>  | <b>\$55.7</b>  | <b>\$57.7</b>  | <b>\$47.4</b>  |
| Interest sensitive life  | \$17.3         | \$23.4         | \$17.6         | \$22.6         | \$22.8         |
| Traditional life         | \$18.7         | \$46.8         | \$38.1         | \$35.1         | \$24.6         |
| <b>Total Margin</b>      | <b>\$207.2</b> | <b>\$255.7</b> | <b>\$239.1</b> | <b>\$233.8</b> | <b>\$221.2</b> |

<sup>1</sup> Excludes \$3.2 million unfavorable annuity unlocking, \$18.3 million favorable health unlocking and \$14.4 million unfavorable life unlocking in 4Q22. See the Appendix for a reconciliation to the corresponding GAAP measure.

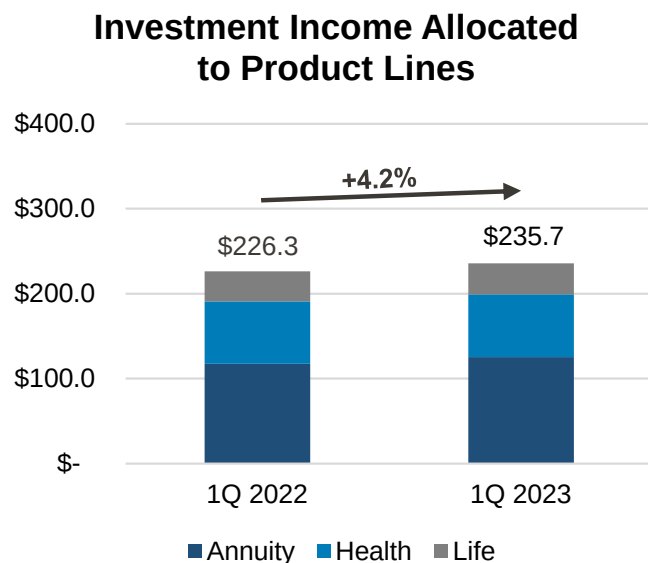
## 1Q 2023 Highlights<sup>1</sup>

- Total margin up \$14 million
- Annuity margin up \$1 million
  - Growth in FIA
- Health margin up \$1 million
  - Growth in Supp Health offset by run off of legacy Med Supp
- Life margin up \$11 million
  - Primarily due to growth and lower mortality across both ISL and Trad Life

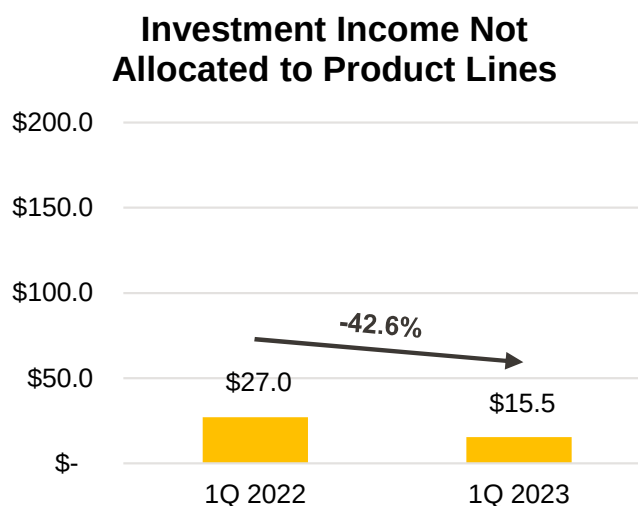
# Investment Results

Improving NII allocated to products due to 6.34% NMR; lower variable NII consistent with market conditions

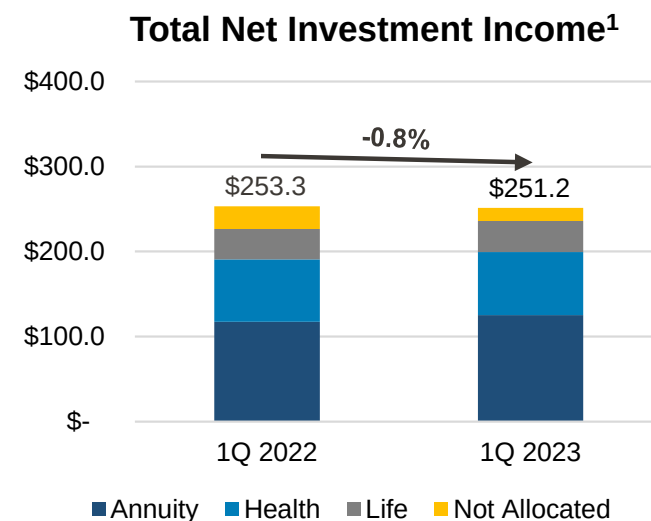
(dollars in millions)



- Average yield on allocated investments of 4.62% vs. 4.60% in 1Q22
- Average net insurance liabilities<sup>2</sup> up 3.6% YoY



- Investment income not allocated to product lines down \$12 million
  - Sequentially and YoY lower alternative and call/prepayment income
  - Favorable FHLB and FABN results
  - Lower returns from alternatives allocation



- New money rate of 6.34%, compared to 5.96% in 4Q22
- Average book value of invested assets up 3.9% YoY; 3<sup>rd</sup> consecutive quarter of book yield increase
- Earned yield of 4.22% vs. 4.35% in 4Q22, and 4.50% in 1Q22

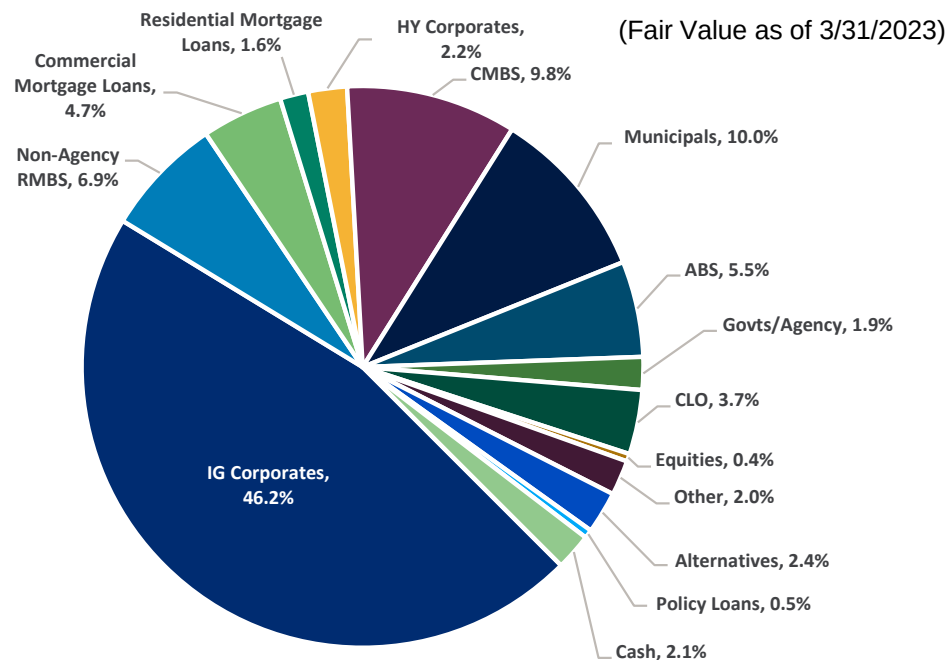
<sup>1</sup> Reflects sum of allocated and non-allocated investment income. Refer to pages 14-17 of the financial supplement for more information on the components of net investment income.

<sup>2</sup> Net insurance liabilities for the purpose of allocating investment income to product lines are equal to: (i) policyholder account balances for annuity products; (ii) total reserves before the fair value adjustments reflected in accumulated other comprehensive income (loss), if applicable, for all other products; less (iii) amounts related to reinsurance business; (iv) deferred acquisition costs; (v) the present value of future profits; and (vi) the value of unexpired options credited to insurance liabilities.

# Portfolio Composition

Quality of portfolio evident during recent market turmoil, continued up-in-quality bias

## \$25 billion of Invested Assets



## General Approach

- Positioned for relative stable performance across credit cycles
- Focus on quality - margin against adverse development
- Calibrated allocation to risk asset categories – specific boundaries on the amount of high-risk assets we will own
- Low impairments through multiple cycles
- Embedded asset liability management
- Opportunistic investments protect/grow book yield and core earnings power

## Highlights

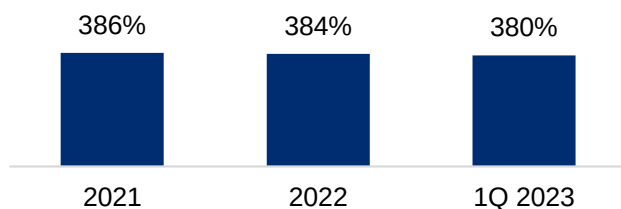
- High degree of liquidity: 61% of portfolio in corporate and government bonds
- Up-in-quality positioning over past 12 months
  - “BBB” allocation reduced by 330 bps in the last 12 months
  - “A” and better allocation increased by 460 bps in the last 12 months
- Strong credit risk profile
  - Capital efficient: 97% rated NAIC 1 or 2
  - Portfolio average rating A
  - Significant credit enhancement in structured products including CMBS
  - Diversified commercial and residential mortgage allocation. No commercial mortgage loan delinquencies.
  - Alternative investments emphasizing current cash flows and comparatively predictable results

# Capital and Liquidity Overview

## Capital and liquidity above target levels

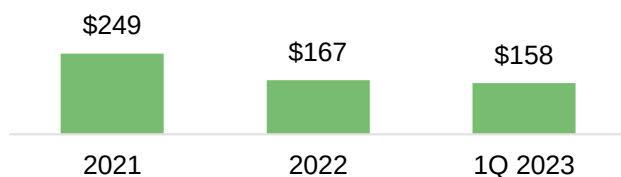
(dollars in millions)

### Consolidated Risk Based Capital (RBC) Ratio<sup>1</sup>



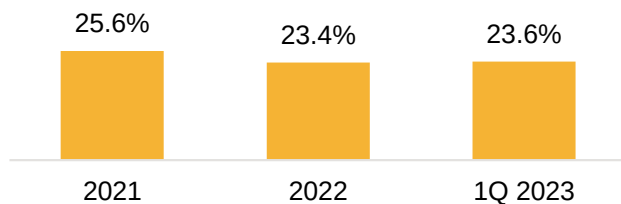
- Target consolidated RBC ratio of approximately 375%
- RBC variability expected in periods of market volatility

### Holding Company Liquidity



- Target minimum holding company liquidity of \$150 million
- Liquidity backstopped by \$250 million undrawn revolver
- No outstanding debt maturities until 2025

### Debt to Capital<sup>2</sup>



- Target leverage of 25 - 28%
- Debt covenant ceiling of 35%
- \$298 million in debt capacity to top of target leverage range

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 (loss) (a non-GAAP measure). See the Appendix for a reconciliation to the corresponding GAAP measure.

# 2023 Outlook<sup>1</sup>



## Free Cash Flow / Excess Capital

- 375% consolidated RBC ratio target
- Target leverage of 25.0% – 28.0%
- \$170mm – \$200mm of excess cash flow to holdco before impact of Bermuda captive reinsurance structure



## Earnings

- EPS range of \$2.80 – \$3.00
- 19.0 – 19.4% expense ratio
- 23.0 – 24.0% effective tax rate

### Bermuda reinsurance captive

- Contingent on all necessary regulatory approvals, we expect excess cash flow to the holdco to increase by \$150 - \$200 million at inception of the reinsurance treaty

<sup>1</sup>Applying LDTI, the new FIA operating income methodology, and excluding significant items.

# Investment Highlights



Exclusive focus on  
underserved middle  
market



Favorable  
demographic  
tailwinds



Diverse and  
integrated "last mile"  
virtual & in-person model



Sustainable  
growth initiatives  
in place



Strong balance sheet  
and solid free cash flow  
generation

## Questions and Answers

# Excess Capital Allocation Strategy

Disciplined and opportunistic approach to maximize shareholder value



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## Organic investments to sustain and grow the core businesses

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- Agent pilots, technology-driven customer experience enhancements
- Hybrid distribution
- Worksite B2B marketing, lead generation



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## Return capital to shareholders

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- Share repurchases: \$15 million in 1Q23
- Dividends: \$17 million in 1Q23



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## Opportunistic transactions

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- Highly selective M&A
- CNO Ventures; strategic minority investments largely in InsurTech
- LTC reinsurance (2018), Web Benefits Design (2019), DirectPath (2021)

# Cash Flow Profile

(dollars in millions)

|                                                           | For the Quarter |                 | Trailing Twelve Months |                 |
|-----------------------------------------------------------|-----------------|-----------------|------------------------|-----------------|
|                                                           | 1Q22            | 1Q23            | 1Q22                   | 1Q23            |
| Net Operating Income <sup>1</sup>                         | \$ 64.5         | \$ 58.6         | \$ 369.7               | \$ 354.5        |
| <b>Holding Company Cash Flows:</b>                        |                 |                 |                        |                 |
| Dividends from Subsidiaries                               | \$ 69.6         | \$ 34.2         | \$ 335.5               | \$ 135.9        |
| Management Fees                                           | 33.2            | 30.2            | 119.3                  | 121.0           |
| Surplus Debenture Interest                                | 12.0            | 15.9            | 55.4                   | 62.7            |
| Earnings on Corporate Investments                         | 2.1             | 4.3             | 7.7                    | 11.9            |
| Other                                                     | (14.0)          | (16.8)          | 10.6                   | 0.6             |
| <b>Holding Company Sources of Cash<sup>2</sup></b>        | <b>102.9</b>    | <b>67.8</b>     | <b>528.5</b>           | <b>332.1</b>    |
| Holding Company Expenses and Other                        | (27.4)          | (38.4)          | (79.0)                 | (116.7)         |
| Tax Payments                                              | (13.6)          | (5.3)           | (50.5)                 | (14.6)          |
| Interest Payments                                         | (2.1)           | (2.1)           | (60.8)                 | (60.8)          |
| <b>Excess Cash Flow to Holding Company<sup>2</sup></b>    | <b>59.8</b>     | <b>22.0</b>     | <b>338.2</b>           | <b>140.0</b>    |
| Share Repurchases                                         | (100.0)         | (14.6)          | (404.6)                | (94.5)          |
| Dividend Payments to Stockholders                         | (16.1)          | (17.0)          | (65.4)                 | (65.7)          |
| Contributions to Insurance Subsidiaries                   | -               | -               | -                      | (14.6)          |
| <b>Net Change in Holding Company Cash and Investments</b> | <b>(56.3)</b>   | <b>(9.6)</b>    | <b>(131.8)</b>         | <b>(34.8)</b>   |
| Cash and Investments, Beginning of Period                 | 248.6           | 167.1           | 324.1                  | 192.3           |
| <b>Cash and Investments, End of Period</b>                | <b>\$ 192.3</b> | <b>\$ 157.5</b> | <b>\$ 192.3</b>        | <b>\$ 157.5</b> |

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

2 Cash flows exclude acquisitions, dividend payments, stock repurchases, and financing transactions.

# Appendix 1: Quarter in Review

## Strong Operational Performance

- Broker-Dealer/Registered Investment Advisor Slide 19
- Exclusive Agent Counts Slide 20

## Building on Strong Track Record of Execution

- New Money Rate Walk Slide 21
- New Money Summary Slide 22
- Commercial Mortgage Loans Slide 23
- Commercial Mortgage-Backed Securities Slide 24
- Long-Term Care Insurance Slide 25
- Tax Asset Summary Slide 26

# Broker-Dealer/Registered Investment Advisor

Account values down 8% YoY; \$2.6 billion in client assets

(dollars in millions)

|                                                                       |           | 2022       |            |            |            | 2023       |
|-----------------------------------------------------------------------|-----------|------------|------------|------------|------------|------------|
|                                                                       |           | 1Q         | 2Q         | 3Q         | 4Q         | 1Q         |
| Net New Client Assets in Brokerage and Advisory <sup>1</sup>          | Brokerage | \$ (35.2)  | \$ (10.5)  | \$ (17.9)  | \$ (9.2)   | \$ 7.9     |
|                                                                       | Advisory  | 76.1       | 24.2       | 32.9       | 31.8       | 54.2       |
|                                                                       | Total     | \$ 40.9    | \$ 13.7    | \$ 15.0    | \$ 22.6    | \$ 62.1    |
|                                                                       |           |            |            |            |            |            |
| Client Assets in Brokerage and Advisory <sup>1</sup> at end of period | Brokerage | \$ 1,675.2 | \$ 1,492.2 | \$ 1,412.8 | \$ 1,495.5 | \$ 1,563.5 |
|                                                                       | Advisory  | 1,159.9    | 1,069.9    | 1,040.5    | 1,141.2    | 1,046.6    |
|                                                                       | Total     | \$ 2,835.1 | \$ 2,562.1 | \$ 2,453.3 | \$ 2,636.7 | \$ 2,610.1 |

<sup>1</sup> Client assets include cash and securities in brokerage, broker/dealer customer account assets custodied directly at fund companies and insurance carriers, and assets under management in advisory accounts. Prior periods have been restated to conform with current presentation.

Bankers Life is the marketing brand of various affiliated companies of CNO Financial Group including, Bankers Life and Casualty Company, Bankers Life Securities, Inc., and Bankers Life Advisory Services, Inc. Non-affiliated insurance products are offered through Bankers Life General Agency, Inc. (dba BL General Insurance Agency, Inc., AK, AL, CA, NV, PA). Agents who are financial advisors are registered with Bankers Life Securities, Inc.

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## Exclusive Agent Counts

PAC growth across both divisions a result of successful recruiting strategies and a softening labor market, veteran agent retention strong

|                                       | 2022  |       |       |       | 2023  | % Change | % Change |
|---------------------------------------|-------|-------|-------|-------|-------|----------|----------|
|                                       | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | vs. 4Q22 | vs. 1Q22 |
| <b><u>Consumer</u></b>                |       |       |       |       |       |          |          |
| Producing Field Agents <sup>1,3</sup> | 3,939 | 3,968 | 3,913 | 3,882 | 3,985 | 2.7%     | 1.2%     |
| Registered Agents <sup>2,3</sup>      | 663   | 676   | 688   | 695   | 695   | 0.0%     | 4.8%     |
| <b><u>Worksite</u></b>                |       |       |       |       |       |          |          |
| Producing Field Agents <sup>1,3</sup> | 208   | 234   | 258   | 275   | 288   | 4.7%     | 38.5%    |

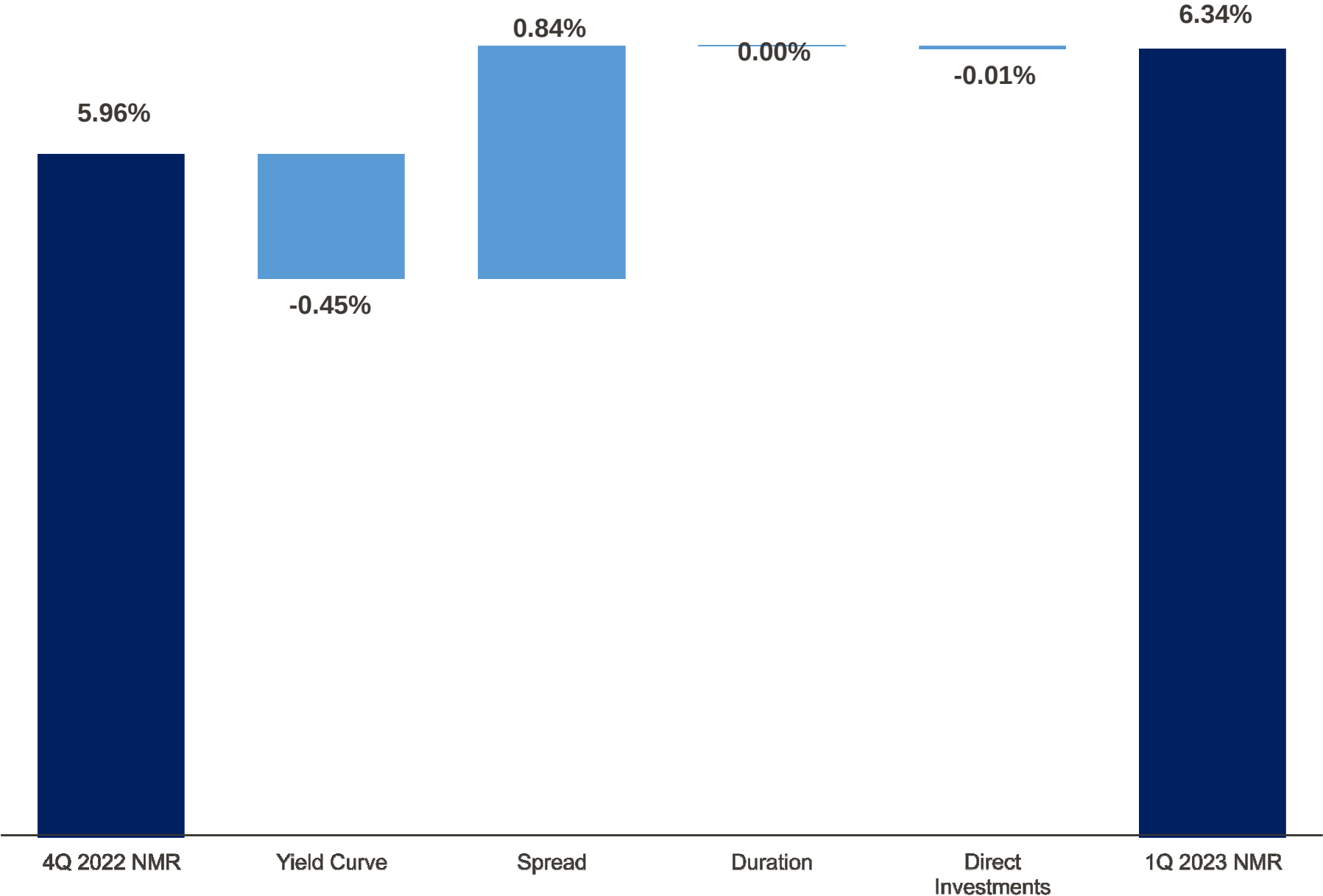
1 Producing agents represent the monthly average of exclusive agents that have submitted at least one policy in the month.

2 Registered agents are dually licensed as insurance agents and financial representatives who can buy and sell securities for clients, and/or investment advisors who can provide ongoing investment advice for clients.

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

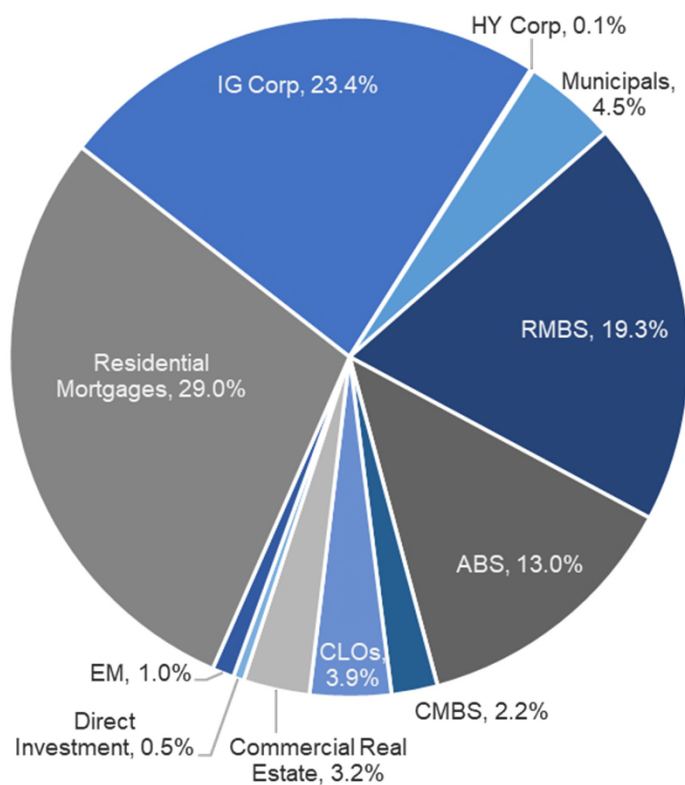
# New Money Rate Walk

Significant NMR increase reflects higher market yields



# New Money Summary

Strategically harvesting rising market yields, in the context of up-in-quality strategy



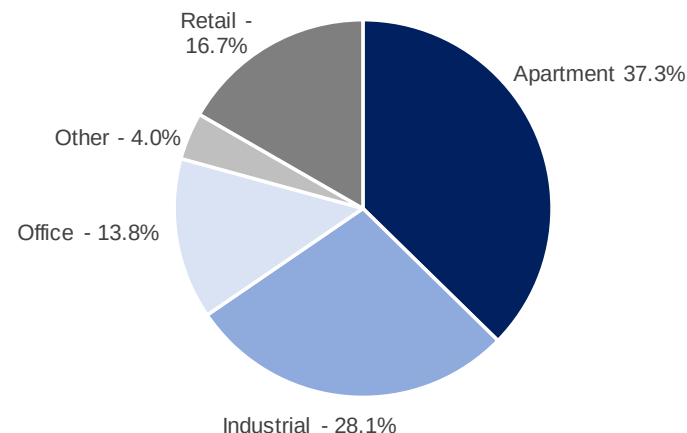
## 1Q General Account New Money Purchases

|                            | \$           | %           | GAAP YTM     | Duration   |
|----------------------------|--------------|-------------|--------------|------------|
| IG Corp AAA-A              | 146.6        | 21.3%       | 6.10%        | 5.64       |
| IG Corp BBB                | 14.5         | 2.1%        | 6.24%        | 5.94       |
| HY Corp                    | 0.9          | 0.1%        | 6.30%        | 5.59       |
| Municipals                 | 30.7         | 4.5%        | 5.42%        | 10.66      |
| RMBS                       | 132.8        | 19.3%       | 5.41%        | 1.90       |
| ABS                        | 89.5         | 13.0%       | 5.80%        | 3.31       |
| CMBS                       | 15.1         | 2.2%        | 5.62%        | 6.09       |
| CLOs                       | 26.6         | 3.9%        | 7.37%        | 0.47       |
| Commercial Real Estate     | 21.8         | 3.2%        | 5.20%        | 2.39       |
| Direct Investment          | 3.5          | 0.5%        | 6.56%        | 0.00       |
| EM                         | 7.1          | 1.0%        | 5.73%        | 14.16      |
| Residential Mortgage Loans | 199.5        | 29.0%       | 7.57%        | 3.75       |
| <b>Total</b>               | <b>688.6</b> | <b>100%</b> | <b>6.34%</b> | <b>3.0</b> |

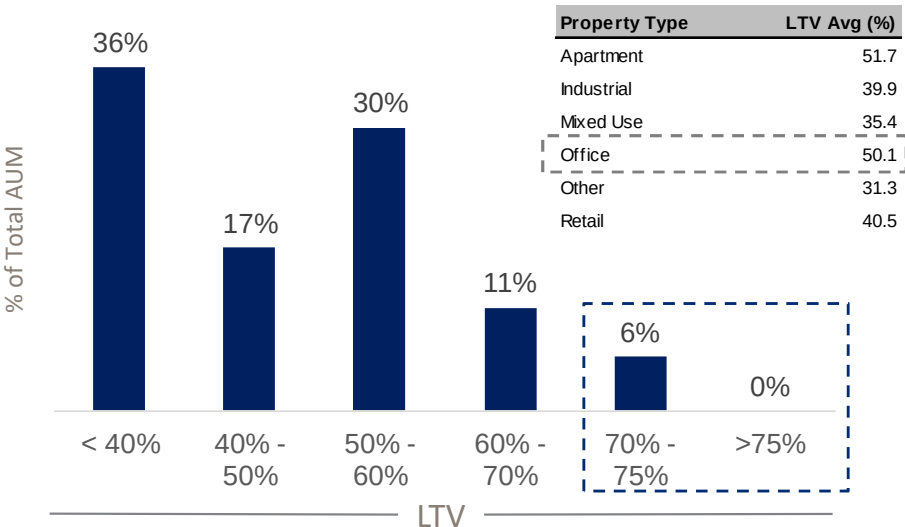
# Commercial Mortgage Loans

(dollars in millions)

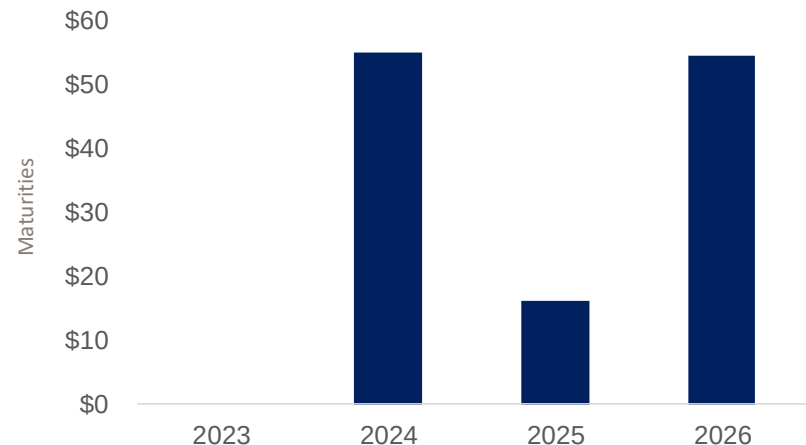
Our CRE loan portfolio emphasizes lower risk sectors



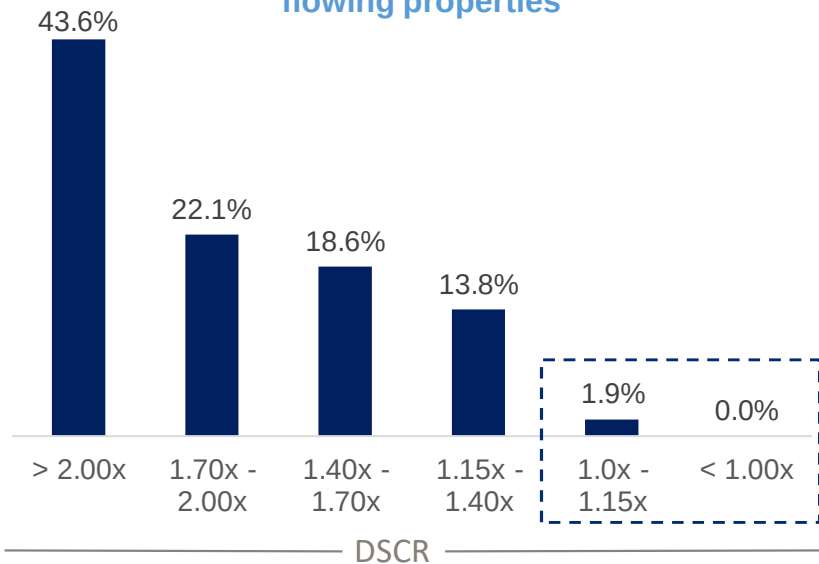
Our CRE loan portfolio is conservatively margined with cushion for adverse development



Our CRE loan portfolio is not significantly exposed to 2023 and 2024 maturity default risk



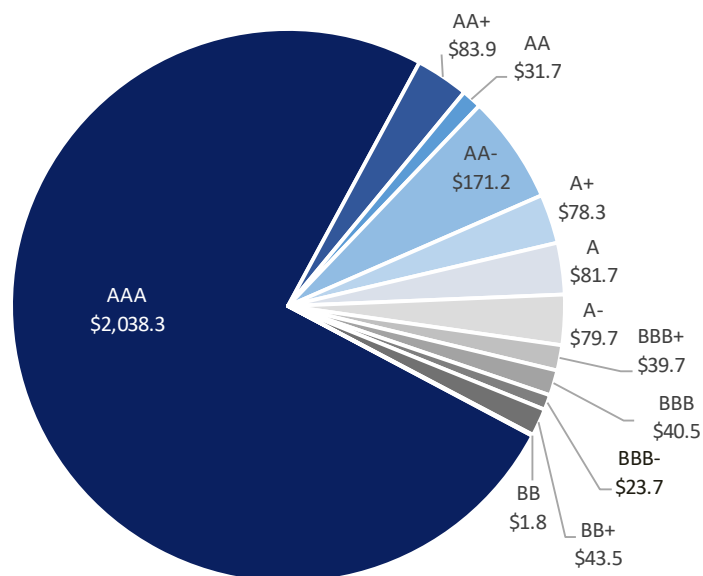
Borrowers are substantially all stabilized, cash flowing properties



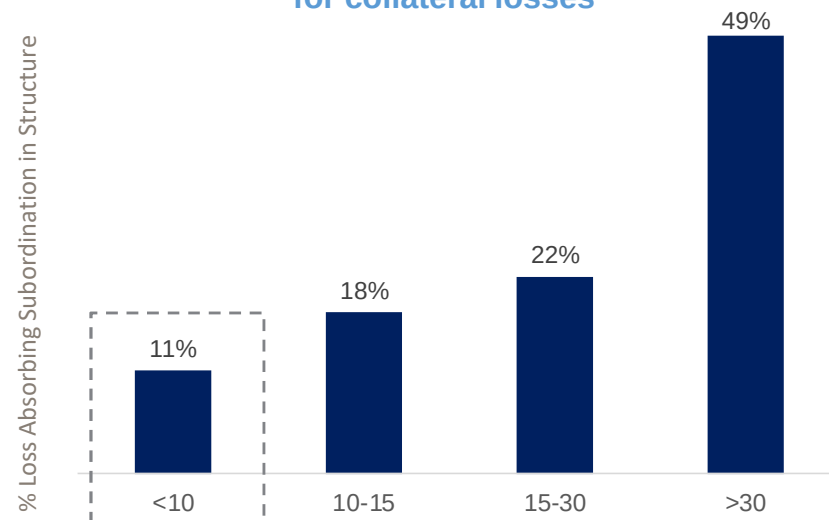
# Commercial Mortgage-Backed Securities

(dollars in millions)

**Our CMBS allocation is highly rated - 91% AAA/AA/A categories**

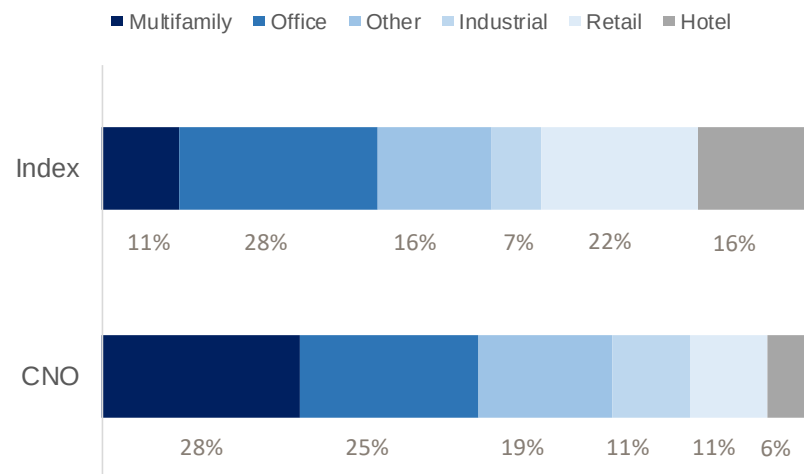


**Our CMBS investments have significant structural cushion for collateral losses**

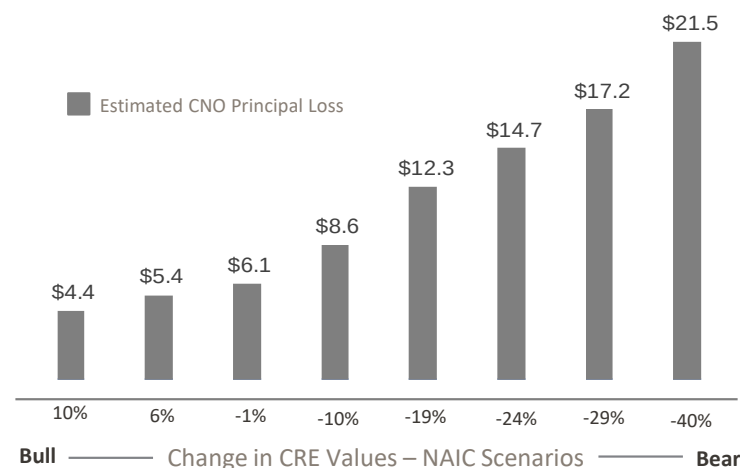


Market consistent estimates of collateral losses range from lows of 4% to highs of 8%. 2023 Fed stress test CRE loss rate of 9%.

**Our CMBS allocation is tilted toward lower risk property types**



**Our holdings have limited loss content in severe scenarios**



**89% of our CMBS investments are considered 'no-loss' in 2022 NAIC scenario testing**

Source: NAIC Loss Scenario

# Long-Term Care Insurance

Highly differentiated inforce 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

## **Favorable economic profile**

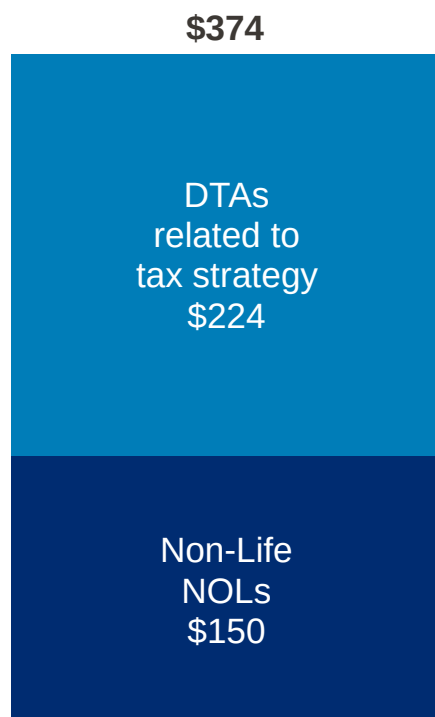
- Total LTC is just 13.3% of overall CNO insurance liabilities
- Downside risk significantly reduced after 2018 reinsurance transaction
- Average maximum benefit at issuance is \$143 per day for inforce block

# Tax Asset Summary as of March 31, 2023

\$374 million/\$3.22 per diluted share value of NOLs and DTAs related to tax strategy

## Value of NOLs and deferred tax assets (DTAs) related to tax strategy

(dollars in millions)



## Details

- Total estimated economic value of tax assets related to our NOLs and tax strategy of approximately \$218 million @ 10% discount rate (\$1.88 on a per share basis).
- Life NOLs have been fully utilized. Non-life NOLs are expected to offset 100% of non-life taxable income and 35% of life taxable income through 2023.

## **Appendix 2: Financial Exhibits**

Non-GAAP Financial Measures

Slides 28 - 44

## 4Q22 Significant Items

The table below summarizes the financial impact of significant items on our 4Q22 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<br>December 31, 2022 |                   |                                   |
|--------------------------------------------------|-----------------------------------------|-------------------|-----------------------------------|
|                                                  | Actual results                          | Significant items | Excluding<br>significant<br>items |
| Insurance product margin                         |                                         |                   |                                   |
| Annuity                                          | \$ 50.8                                 | \$ 3.2 (1)        | \$ 54.0                           |
| Health                                           | 140.4                                   | (18.3) (1)        | 122.1                             |
| Life                                             | 43.3                                    | 14.4 (1)          | 57.7                              |
| Total insurance product margin                   | 234.5                                   | (0.7)             | 233.8                             |
| Allocated expenses                               | (149.1)                                 | -                 | (149.1)                           |
| Income from insurance products                   | 85.4                                    | (0.7)             | 84.7                              |
| Fee income                                       | 9.2                                     | -                 | 9.2                               |
| Investment income not allocated to product lines | 25.2                                    | -                 | 25.2                              |
| Expenses not allocated to product lines          | (12.8)                                  | -                 | (12.8)                            |
| Operating earnings before taxes                  | 107.0                                   | (0.7)             | 106.3                             |
| Income tax expense on operating income           | (24.1)                                  | 0.2               | (23.9)                            |
| Net operating income (2)                         | <u>\$ 82.9</u>                          | <u>\$ (0.5)</u>   | <u>82.4</u>                       |
| Net operating income per diluted share (2)       | <u>\$ 0.71</u>                          | <u>\$ -</u>       | <u>\$ 0.71</u>                    |

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

(2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

## 2Q22 Significant Items

The table below summarizes the financial impact of significant items on our 2Q22 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<br>June 30, 2022 |                   |                                   |
|--------------------------------------------------|-------------------------------------|-------------------|-----------------------------------|
|                                                  | Actual results                      | Significant items | Excluding<br>significant<br>items |
| Insurance product margin                         |                                     |                   |                                   |
| Annuity                                          | \$ 60.1                             | \$ -              | \$ 60.1                           |
| Health                                           | 125.4                               | -                 | 125.4                             |
| Life                                             | 70.2                                | -                 | 70.2                              |
| Total insurance product margin                   | 255.7                               | -                 | 255.7                             |
| Allocated expenses                               | (152.2)                             | -                 | (152.2)                           |
| Income from insurance products                   | 103.5                               | -                 | 103.5                             |
| Fee income                                       | 3.2                                 | -                 | 3.2                               |
| Investment income not allocated to product lines | 64.6                                | -                 | 64.6                              |
| Expenses not allocated to product lines          | 2.9                                 | (22.5) (1)        | (19.6)                            |
| Operating earnings before taxes                  | 174.2                               | (22.5)            | 151.7                             |
| Income tax (expense) benefit on operating income | (39.1)                              | 5.1               | (34.0)                            |
| Net operating income (2)                         | <u>\$ 135.1</u>                     | <u>\$ (17.4)</u>  | <u>117.7</u>                      |
| Net operating income per diluted share (2)       | <u>\$ 1.15</u>                      | <u>\$ (0.15)</u>  | <u>\$ 1.00</u>                    |

(1) Comprised of an experience refund of \$22.5 million related to a reinsurance agreement.

(2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

## 4Q21 Significant Items

The table below summarizes the financial impact of significant items on our 4Q21 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<br>December 31, 2021 |                   |                                   |
|--------------------------------------------------|-----------------------------------------|-------------------|-----------------------------------|
|                                                  | Actual results                          | Significant items | Excluding<br>significant<br>items |
| Insurance product margin                         |                                         |                   |                                   |
| Annuity                                          | \$ 65.6                                 | \$ 0.7 (1)        | \$ 66.3                           |
| Health                                           | 126.2                                   | (7.1) (1)         | 119.1                             |
| Life                                             | 53.4                                    | 3.4 (1)           | 56.8                              |
| Total insurance product margin                   | 245.2                                   | (3.0)             | 242.2                             |
| Allocated expenses                               | (143.3)                                 | -                 | (143.3)                           |
| Income from insurance products                   | 101.9                                   | (3.0)             | 98.9                              |
| Fee income                                       | 2.9                                     | -                 | 2.9                               |
| Investment income not allocated to product lines | 44.4                                    | -                 | 44.4                              |
| Expenses not allocated to product lines          | (17.4)                                  | -                 | (17.4)                            |
| Operating earnings before taxes                  | 131.8                                   | (3.0)             | 128.8                             |
| Income tax (expense) benefit on operating income | (28.7)                                  | 0.7               | (28.0)                            |
| Net operating income (2)                         | <u>\$ 103.1</u>                         | <u>\$ (2.3)</u>   | <u>100.8</u>                      |
| Net operating income per diluted share (2)       | <u>\$ 0.83</u>                          | <u>\$ (0.02)</u>  | <u>\$ 0.81</u>                    |

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

(2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

## 3Q21 Significant Items

The table below summarizes the financial impact of significant items on our 3Q21 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<br>September 30, 2021 |                   |                                   |
|--------------------------------------------------|------------------------------------------|-------------------|-----------------------------------|
|                                                  | Actual results                           | Significant items | Excluding<br>significant<br>items |
| Insurance product margin                         |                                          |                   |                                   |
| Annuity                                          | \$ 58.5                                  | \$ -              | \$ 58.5                           |
| Health                                           | 122.8                                    | -                 | 122.8                             |
| Life                                             | 60.8                                     | -                 | 60.8                              |
| Total insurance product margin                   | 242.1                                    | -                 | 242.1                             |
| Allocated expenses                               | (140.5)                                  | -                 | (140.5)                           |
| Income from insurance products                   | 101.6                                    | -                 | 101.6                             |
| Fee income                                       | 2.6                                      | -                 | 2.6                               |
| Investment income not allocated to product lines | 51.9                                     | -                 | 51.9                              |
| Expenses not allocated to product lines          | (17.3)                                   | 3.0 (1)           | (14.3)                            |
| Operating earnings before taxes                  | 138.8                                    | 3.0               | 141.8                             |
| Income tax expense on operating income           | (30.7)                                   | (0.7)             | (31.4)                            |
| Net operating income (2)                         | <u>\$ 108.1</u>                          | <u>\$ 2.3</u>     | <u>110.4</u>                      |
| Net operating income per diluted share (2)       | <u>\$ 0.84</u>                           | <u>\$ 0.02</u>    | <u>\$ 0.86</u>                    |

(1) Comprised of \$3.0 million from legal and regulatory matters.

(2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

## 2Q21 Significant Items

The table below summarizes the financial impact of significant items on our 2Q21 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<br>June 30, 2021 |                   |                                   |
|--------------------------------------------------|-------------------------------------|-------------------|-----------------------------------|
|                                                  | Actual results                      | Significant items | Excluding<br>significant<br>items |
| Insurance product margin                         |                                     |                   |                                   |
| Annuity                                          | \$ 60.0                             | \$ -              | \$ 60.0                           |
| Health                                           | 121.7                               | -                 | 121.7                             |
| Life                                             | 50.3                                | -                 | 50.3                              |
| Total insurance product margin                   | 232.0                               | -                 | 232.0                             |
| Allocated expenses                               | (141.6)                             | -                 | (141.6)                           |
| Income from insurance products                   | 90.4                                | -                 | 90.4                              |
| Fee income                                       | 6.6                                 | -                 | 6.6                               |
| Investment income not allocated to product lines | 48.6                                | -                 | 48.6                              |
| Expenses not allocated to product lines          | (23.8)                              | 4.5 (1)           | (19.3)                            |
| Operating earnings before taxes                  | 121.8                               | 4.5               | 126.3                             |
| Income tax expense on operating income           | (27.8)                              | (1.0)             | (28.8)                            |
| Net operating income (2)                         | <u>\$ 94.0</u>                      | <u>\$ 3.5</u>     | <u>97.5</u>                       |
| Net operating income per diluted share (2)       | <u>\$ 0.70</u>                      | <u>\$ 0.03</u>    | <u>\$ 0.73</u>                    |

(1) Comprised of \$4.5 million from legal and regulatory matters.

(2) A non-GAAP measure. See pages 33 and 35 for a reconciliation to the corresponding GAAP measure.

# Quarterly Earnings

(dollars in millions)

|                                                                                                          | <u>1Q22</u>     | <u>2Q22</u>     | <u>3Q22</u>     | <u>4Q22</u>    | <u>1Q23</u>     |
|----------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------|-----------------|
| Insurance product margin                                                                                 |                 |                 |                 |                |                 |
| Annuity                                                                                                  | \$ 55.9         | \$ 60.1         | \$ 60.1         | \$ 50.8        | \$ 57.3         |
| Health                                                                                                   | 115.3           | 125.4           | 123.3           | 140.4          | 116.5           |
| Life                                                                                                     | 36.0            | 70.2            | 55.7            | 43.3           | 47.4            |
| Total insurance product margin                                                                           | 207.2           | 255.7           | 239.1           | 234.5          | 221.2           |
| Allocated expenses                                                                                       | (144.8)         | (152.2)         | (150.5)         | (149.1)        | (157.5)         |
| Income from insurance products                                                                           | 62.4            | 103.5           | 88.6            | 85.4           | 63.7            |
| Fee income                                                                                               | 9.9             | 3.2             | 1.4             | 9.2            | 15.5            |
| Investment income not allocated to product lines                                                         | 27.0            | 64.6            | 27.1            | 25.2           | 15.5            |
| Expenses not allocated to product lines                                                                  | (14.8)          | 2.9             | (16.1)          | (12.8)         | (18.3)          |
| Operating earnings before taxes                                                                          | 84.5            | 174.2           | 101.0           | 107.0          | 76.4            |
| Income tax expense on operating income                                                                   | (20.0)          | (39.1)          | (23.1)          | (24.1)         | (17.8)          |
| Net operating income*                                                                                    | 64.5            | 135.1           | 77.9            | 82.9           | 58.6            |
| Net realized investment gains (losses) from sales, impairments and change in allowance for credit losses | (7.2)           | (27.1)          | (0.7)           | (27.2)         | (12.7)          |
| Net change in market value of investments recognized in earnings                                         | (25.5)          | (21.7)          | (17.0)          | (9.0)          | (1.9)           |
| Changes in fair value of embedded derivative liabilities and market risk benefits                        | 165.4           | 160.6           | 130.6           | (16.4)         | (65.1)          |
| Fair value changes related to agent deferred compensation plan                                           | 22.7            | 14.0            | 12.0            | 0.2            | -               |
| Other                                                                                                    | 0.4             | (0.2)           | 2.0             | (6.1)          | 2.3             |
| Non-operating income (loss) before taxes                                                                 | 155.8           | 125.6           | 126.9           | (58.5)         | (77.4)          |
| Income tax (expense) benefit on non-operating income (loss)                                              | (36.9)          | (27.4)          | (28.9)          | 13.6           | 18.0            |
| Net non-operating income (loss)                                                                          | 118.9           | 98.2            | 98.0            | (44.9)         | (59.4)          |
| Net income (loss)                                                                                        | <u>\$ 183.4</u> | <u>\$ 233.3</u> | <u>\$ 175.9</u> | <u>\$ 38.0</u> | <u>\$ (0.8)</u> |

\* 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 taxes; (ii) net change in market value of investments recognized in earnings, net of taxes; (iii) changes in fair value of embedded derivative liabilities and market risk benefits related to our fixed indexed annuities, net of 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 (vii) 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 above table.

## 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](http://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, changes in fair value of embedded derivative liabilities and market risk benefits related to our fixed indexed annuities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, 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 applicable to common stock to net operating income (and related per-share amounts) is as follows:

(dollars in millions, except per-share amounts)

|                                                                                                  | <u>1Q22</u>     | <u>2Q22</u>     | <u>3Q22</u>     | <u>4Q22</u>    | <u>1Q23</u>      |
|--------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------|------------------|
| <b>Net income (loss) applicable to common stock</b>                                              | <u>\$ 183.4</u> | <u>\$ 233.3</u> | <u>\$ 175.9</u> | <u>\$ 38.0</u> | <u>\$ (0.8)</u>  |
| Non-operating items:                                                                             |                 |                 |                 |                |                  |
| Net realized investment (gains) losses from sales and impairments                                | 7.2             | 27.1            | 0.7             | 27.2           | 12.7             |
| Net change in market value of investments recognized in earnings                                 | 25.5            | 21.7            | 17.0            | 9.0            | 1.9              |
| Changes in fair value of embedded derivative liabilities and market risk benefits                | (165.4)         | (160.6)         | (130.6)         | 16.4           | 65.1             |
| Fair value changes related to the agent deferred compensation plan                               | (22.7)          | (14.0)          | (12.0)          | (0.2)          | -                |
| Other                                                                                            | (0.4)           | 0.2             | (2.0)           | 6.1            | (2.3)            |
| Non-operating (income) loss before taxes                                                         | (155.8)         | (125.6)         | (126.9)         | 58.5           | 77.4             |
| Income tax (expense) benefit on non-operating income                                             | 36.9            | 27.4            | 28.9            | (13.6)         | (18.0)           |
| Net non-operating (income) loss                                                                  | (118.9)         | (98.2)          | (98.0)          | 44.9           | 59.4             |
| <b>Net operating income (a non-GAAP financial measure)</b>                                       | <u>\$ 64.5</u>  | <u>\$ 135.1</u> | <u>\$ 77.9</u>  | <u>\$ 82.9</u> | <u>\$ 58.6</u>   |
| <b>Per diluted share:</b>                                                                        |                 |                 |                 |                |                  |
| <b>Net income (loss)</b>                                                                         | <u>\$ 1.52</u>  | <u>\$ 1.99</u>  | <u>\$ 1.52</u>  | <u>\$ 0.33</u> | <u>\$ (0.01)</u> |
| Net realized investment (gains) losses from sales and impairments (net of taxes)                 | 0.04            | 0.18            | -               | 0.18           | 0.09             |
| Net change in market value of investments recognized in earnings (net of taxes)                  | 0.16            | 0.14            | 0.11            | 0.06           | 0.01             |
| Changes in fair value of embedded derivative liabilities and market risk benefits (net of taxes) | (1.04)          | (1.07)          | (0.87)          | 0.10           | 0.44             |
| Fair value changes related to the agent deferred compensation plan (net of taxes)                | (0.14)          | (0.09)          | (0.08)          | -              | -                |
| Other                                                                                            | -               | -               | (0.01)          | 0.04           | (0.02)           |
| <b>Net operating income (a non-GAAP financial measure)</b>                                       | <u>\$ 0.54</u>  | <u>\$ 1.15</u>  | <u>\$ 0.67</u>  | <u>\$ 0.71</u> | <u>\$ 0.51</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>1Q22</u>    | <u>2Q22</u>     | <u>3Q22</u>    | <u>4Q22</u>    | <u>1Q23</u> (a) |
|--------------------------------------------------------------------|----------------|-----------------|----------------|----------------|-----------------|
| Operating income                                                   | <u>\$ 64.5</u> | <u>\$ 135.1</u> | <u>\$ 77.9</u> | <u>\$ 82.9</u> | <u>\$ 58.6</u>  |
| Weighted average shares outstanding for basic earnings per share   | 118,622        | 115,533         | 114,354        | 114,422        | 114,545         |
| Effect of dilutive securities on weighted average shares:          |                |                 |                |                |                 |
| Stock options, restricted stock and performance units              | <u>2,380</u>   | <u>1,753</u>    | <u>1,574</u>   | <u>2,231</u>   | <u>-</u>        |
| Weighted average shares outstanding for diluted earnings per share | <u>121,002</u> | <u>117,286</u>  | <u>115,928</u> | <u>116,653</u> | <u>114,545</u>  |
| Net operating income per diluted share                             | <u>\$ 0.54</u> | <u>\$ 1.15</u>  | <u>\$ 0.67</u> | <u>\$ 0.71</u> | <u>\$ 0.51</u>  |

(a) Equivalent common shares of 2,182.5 were not included in the diluted weighted average shares outstanding due to the net loss recognized in 1Q23.

# 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>1Q22</u> | <u>2Q22</u> | <u>3Q22</u> | <u>4Q22</u> | <u>1Q23</u> |
|-------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total shareholders' equity                            | \$ 2,818.4  | \$ 2,127.9  | \$ 1,863.4  | \$ 1,768.8  | \$ 2,031.8  |
| Shares outstanding for the period                     | 117,241,006 | 114,795,328 | 114,367,345 | 114,343,070 | 114,905,172 |
| Book value per share                                  | \$ 24.04    | \$ 18.54    | \$ 16.29    | \$ 15.47    | \$ 17.68    |
| Total shareholders' equity                            | \$ 2,818.4  | \$ 2,127.9  | \$ 1,863.4  | \$ 1,768.8  | \$ 2,031.8  |
| Accumulated other comprehensive loss                  | (561.5)     | (1,415.8)   | (1,837.8)   | (1,957.3)   | (1,664.4)   |
| Adjusted shareholders' equity excluding AOCI          | \$ 3,379.9  | \$ 3,543.7  | \$ 3,701.2  | \$ 3,726.1  | \$ 3,696.2  |
| Shares outstanding for the period                     | 117,241,006 | 114,795,328 | 114,367,345 | 114,343,070 | 114,905,172 |
| Dilutive common stock equivalents related to:         |             |             |             |             |             |
| Stock options, restricted stock and performance units | 2,261,617   | 1,407,756   | 1,603,295   | 2,499,071   | -           |
| Diluted shares outstanding                            | 119,502,623 | 116,203,084 | 115,970,640 | 116,842,141 | 114,905,172 |
| Book value per diluted share (a non-GAAP measure)     | \$ 28.28    | \$ 30.50    | \$ 31.91    | \$ 31.89    | \$ 31.82    |

# 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, changes in fair value of embedded derivative liabilities and market risk benefits related to our fixed indexed annuities, fair value changes related to the agent deferred compensation plan, loss on extinguishment of debt, 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)

|                                                                                                                                                                                       | Twelve Months Ended |            |            |            |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------|------------|------------|------------|
|                                                                                                                                                                                       | 1Q22                | 2Q22       | 3Q22       | 4Q22       | 1Q23       |
| Operating income                                                                                                                                                                      | \$ 369.7            | \$ 410.8   | \$ 380.6   | \$ 360.4   | \$ 354.5   |
| Operating income, excluding significant items                                                                                                                                         | \$ 373.2            | \$ 393.4   | \$ 360.9   | \$ 342.5   | \$ 336.6   |
| Net income                                                                                                                                                                            | \$ 491.7            | \$ 677.3   | \$ 749.8   | \$ 630.6   | \$ 446.4   |
| Average common equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)                                    | \$ 3,030.5          | \$ 3,090.3 | \$ 3,197.5 | \$ 3,323.3 | \$ 3,434.8 |
| Average common shareholders' equity                                                                                                                                                   | \$ 3,495.0          | \$ 3,239.8 | \$ 2,840.4 | \$ 2,384.1 | \$ 2,046.3 |
| Operating return on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure)                               | 12.2%               | 13.3%      | 11.9%      | 10.8%      | 10.3%      |
| Operating return, excluding significant items, on equity, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | 12.3%               | 12.7%      | 11.3%      | 10.3%      | 9.8%       |
| Return on equity                                                                                                                                                                      | 14.1%               | 20.9%      | 26.4%      | 26.5%      | 21.8%      |

(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<br>income | Significant<br>items (a) | Net operating<br>income,<br>excluding<br>significant<br>items | Net operating<br>income,<br>excluding<br>significant<br>items - trailing<br>four quarters | Net income<br>(loss) | Net income -<br>trailing four<br>quarters |
|------|-------------------------|--------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------|-------------------------------------------|
| 2Q21 | \$ 94.0                 | \$ 3.5                   | \$ 97.5                                                       | NA                                                                                        | \$ 47.7              | NA                                        |
| 3Q21 | 108.1                   | 2.3                      | 110.4                                                         | NA                                                                                        | 103.4                | NA                                        |
| 4Q21 | 103.1                   | (2.3)                    | 100.8                                                         | \$ 410.0                                                                                  | 157.2                | \$ 570.3                                  |
| 1Q22 | 64.5                    | -                        | 64.5                                                          | 373.2                                                                                     | 183.4                | 491.7                                     |
| 2Q22 | 135.1                   | (17.4)                   | 117.7                                                         | 393.4                                                                                     | 233.3                | 677.3                                     |
| 3Q22 | 77.9                    | -                        | 77.9                                                          | 360.9                                                                                     | 175.9                | 749.8                                     |
| 4Q22 | 82.9                    | (0.5)                    | 82.4                                                          | 342.5                                                                                     | 38.0                 | 630.6                                     |
| 1Q23 | 58.6                    | -                        | 58.6                                                          | 336.6                                                                                     | (0.8)                | 446.4                                     |

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

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# 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 |          |          |          |          |
|-----------------------------------------------------------------------------------|---------------------|----------|----------|----------|----------|
|                                                                                   | 1Q22                | 2Q22     | 3Q22     | 4Q22     | 1Q23     |
| Pre-tax operating earnings (a non-GAAP financial measure)                         | \$ 476.9            | \$ 529.3 | \$ 491.5 | \$ 466.7 | \$ 458.6 |
| Income tax expense                                                                | (107.2)             | (118.5)  | (110.9)  | (106.3)  | (104.1)  |
| Operating return                                                                  | 369.7               | 410.8    | 380.6    | 360.4    | 354.5    |
| Non-operating items:                                                              |                     |          |          |          |          |
| Net realized investment gains (losses) from sales and impairments                 | 25.7                | (27.0)   | (30.0)   | (62.2)   | (67.7)   |
| Net change in market value of investments recognized in earnings                  | (36.5)              | (63.9)   | (76.3)   | (73.2)   | (49.6)   |
| Changes in fair value of embedded derivative liabilities and market risk benefits | 148.9               | 400.6    | 535.3    | 440.2    | 209.7    |
| Fair value changes and amendment related to the agent deferred compensation plan  | 18.4                | 32.4     | 44.4     | 48.9     | 26.2     |
| Other                                                                             | 3.4                 | 2.3      | 4.1      | (3.9)    | (2.0)    |
| Non-operating income before taxes                                                 | 159.9               | 344.4    | 477.5    | 349.8    | 116.6    |
| Income tax expense on non-operating income                                        | (37.9)              | (77.9)   | (108.3)  | (79.6)   | (24.7)   |
| Net non-operating income                                                          | 122.0               | 266.5    | 369.2    | 270.2    | 91.9     |
| Net income                                                                        | \$ 491.7            | \$ 677.3 | \$ 749.8 | \$ 630.6 | \$ 446.4 |

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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>1Q21</u>       | <u>2Q21</u>       | <u>3Q21</u>       | <u>4Q21</u>       |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 3,003.2        | \$ 2,989.0        | \$ 2,993.3        | \$ 3,067.3        |
| Net operating loss carryforwards                                                                                                                  | 323.1             | 292.9             | 266.9             | 243.7             |
| Accumulated other comprehensive income                                                                                                            | 73.1              | 306.7             | 337.5             | 373.7             |
| Common shareholders' equity                                                                                                                       | <u>\$ 3,399.4</u> | <u>\$ 3,588.6</u> | <u>\$ 3,597.7</u> | <u>\$ 3,684.7</u> |
|                                                                                                                                                   | <u>1Q22</u>       | <u>2Q22</u>       | <u>3Q22</u>       | <u>4Q22</u>       |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 3,141.7        | \$ 3,329.0        | \$ 3,510.3        | \$ 3,557.1        |
| Net operating loss carryforwards                                                                                                                  | 238.2             | 214.7             | 190.9             | 169.0             |
| Accumulated other comprehensive loss                                                                                                              | (561.5)           | (1,415.8)         | (1,837.8)         | (1,957.3)         |
| Common shareholders' equity                                                                                                                       | <u>\$ 2,818.4</u> | <u>\$ 2,127.9</u> | <u>\$ 1,863.4</u> | <u>\$ 1,768.8</u> |
|                                                                                                                                                   | <u>1Q23</u>       |                   |                   |                   |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 3,543.8        |                   |                   |                   |
| Net operating loss carryforwards                                                                                                                  | 152.4             |                   |                   |                   |
| Accumulated other comprehensive loss                                                                                                              | (1,664.4)         |                   |                   |                   |
| Common shareholders' equity                                                                                                                       | <u>\$ 2,031.8</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 |                   |                   |                   | 1Q23              |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                                                                                   | 1Q22                          | 2Q22              | 3Q22              | 4Q22              |                   |
| Consolidated capital, excluding accumulated other comprehensive income (loss) and net operating loss carryforwards (a non-GAAP financial measure) | \$ 3,030.5                    | \$ 3,090.3        | \$ 3,197.4        | \$ 3,323.3        | \$ 3,434.8        |
| Net operating loss carryforwards                                                                                                                  | 271.1                         | 250.7             | 231.4             | 212.5             | 192.5             |
| Accumulated other comprehensive income (loss)                                                                                                     | 193.4                         | (101.2)           | (588.4)           | (1,151.7)         | (1,581.0)         |
| Common shareholders' equity                                                                                                                       | <u>\$ 3,495.0</u>             | <u>\$ 3,239.8</u> | <u>\$ 2,840.4</u> | <u>\$ 2,384.1</u> | <u>\$ 2,046.3</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)

|                                                                            | 2021       | 2022       | 1Q23       |
|----------------------------------------------------------------------------|------------|------------|------------|
| Corporate notes payable                                                    | \$ 1,137.3 | \$ 1,138.8 | \$ 1,139.2 |
| Total shareholders' equity                                                 | 3,684.7    | 1,768.8    | 2,031.8    |
| Total capital                                                              | \$ 4,822.0 | \$ 2,907.6 | \$ 3,171.0 |
| Corporate debt to capital                                                  | 23.6%      | 39.2%      | 35.9%      |
| <hr/>                                                                      |            |            |            |
| Corporate notes payable                                                    | \$ 1,137.3 | \$ 1,138.8 | \$ 1,139.2 |
| Total shareholders' equity                                                 | 3,684.7    | 1,768.8    | 2,031.8    |
| Less accumulated other comprehensive (income) loss                         | (373.7)    | 1,957.3    | 1,664.4    |
| Total capital                                                              | \$ 4,448.3 | \$ 4,864.9 | \$ 4,835.4 |
| Debt to total capital ratio, excluding AOCI (a non-GAAP financial measure) | 25.6%      | 23.4%      | 23.6%      |