

**KEMPER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

<u><i>DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS</i></u>	<b>For the Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Revenues:			
Earned Premiums .....	<b>\$ 4,472.4</b>	\$ 3,384.4	\$ 2,350.0
Net Investment Income .....	<b>364.3</b>	340.9	327.2
Other Income .....	<b>35.5</b>	42.2	4.0
Income (Loss) from Change in Fair Value of Equity and Convertible Securities .....	<b>138.9</b>	(64.3)	—
Net Realized Gains on Sales of Investments .....	<b>41.9</b>	26.4	56.5
Other-than-temporary Impairment Losses:			
Total Other-than-temporary Impairment Losses .....	<b>(13.7)</b>	(4.5)	(14.4)
Portion of Gains (Losses) Recognized in Other Comprehensive Income .....	<b>(0.1)</b>	—	0.1
Net Impairment Losses Recognized in Earnings .....	<b>(13.8)</b>	(4.5)	(14.3)
Total Revenues .....	<b>5,039.2</b>	3,725.1	2,723.4
Expenses:			
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses .....	<b>3,188.3</b>	2,466.5	1,837.4
Insurance Expenses .....	<b>1,019.7</b>	900.5	644.3
Loss from Early Extinguishment of Debt .....	<b>5.8</b>	—	—
Interest and Other Expenses .....	<b>163.8</b>	159.0	80.6
Total Expenses .....	<b>4,377.6</b>	3,526.0	2,562.3
Income from Continuing Operations before Income Taxes .....	<b>661.6</b>	199.1	161.1
Income Tax Expense .....	<b>(130.5)</b>	(10.7)	(41.2)
Income from Continuing Operations .....	<b>531.1</b>	188.4	119.9
Income from Discontinued Operations .....	<b>—</b>	1.7	1.0
Net Income .....	<b>\$ 531.1</b>	\$ 190.1	\$ 120.9
Income from Continuing Operations Per Unrestricted Share:			
Basic .....	<b>\$ 8.04</b>	\$ 3.22	\$ 2.32
Diluted .....	<b>\$ 7.96</b>	\$ 3.19	\$ 2.31
Net Income Per Unrestricted Share:			
Basic .....	<b>\$ 8.04</b>	\$ 3.25	\$ 2.34
Diluted .....	<b>\$ 7.96</b>	\$ 3.22	\$ 2.33

*The Notes to the Consolidated Financial Statements are an integral part of these financial statements.*

**KEMPER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

<u>DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS</u>	December 31,	
	2019	2018
Assets:		
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2019 - \$6,372.7; 2018 - \$6,284.5).....	\$ 6,922.1	\$ 6,424.2
Equity Securities at Fair Value (Cost: 2019 - \$818.8; 2018 - \$720.8).....	907.3	684.4
Equity Securities at Modified Cost.....	41.9	41.5
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings.....	220.4	187.0
Convertible Securities at Fair Value.....	37.3	31.5
Short-term Investments at Cost which Approximates Fair Value.....	470.9	286.1
Other Investments.....	444.5	414.8
Total Investments.....	<u>9,044.4</u>	<u>8,069.5</u>
Cash.....	136.8	75.1
Receivables from Policyholders.....	1,117.1	1,007.1
Other Receivables.....	219.7	245.4
Deferred Policy Acquisition Costs.....	537.7	470.0
Goodwill.....	1,114.0	1,112.4
Current Income Tax Assets.....	44.7	38.9
Other Assets.....	774.7	526.5
Total Assets.....	<u>\$ 12,989.1</u>	<u>\$ 11,544.9</u>
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life and Health.....	\$ 3,502.0	\$ 3,491.9
Property and Casualty.....	1,969.8	1,874.9
Total Insurance Reserves.....	<u>5,471.8</u>	<u>5,366.8</u>
Unearned Premiums.....	1,545.5	1,424.3
Policyholder Contract Liabilities.....	309.8	76.8
Deferred Income Tax Liabilities.....	178.2	26.2
Liabilities for Unrecognized Tax Benefits.....	—	4.4
Accrued Expenses and Other Liabilities.....	733.1	687.3
Long-term Debt, Current and Non-current, at Amortized Cost (Fair Value: 2019 - \$820.2; 2018 - \$911.2).....	778.4	909.0
Total Liabilities.....	<u>9,016.8</u>	<u>8,494.8</u>
Shareholders' Equity:		
Common Stock, \$0.10 Par Value Per Share, 100 Million Shares Authorized; 66,665,888 Shares Issued and Outstanding at December 31, 2019 and 64,756,833 Shares Issued and Outstanding at December 31, 2018.....	6.7	6.5
Paid-in Capital.....	1,819.2	1,666.3
Retained Earnings.....	1,810.3	1,355.5
Accumulated Other Comprehensive Income.....	336.1	21.8
Total Shareholders' Equity.....	<u>3,972.3</u>	<u>3,050.1</u>
Total Liabilities and Shareholders' Equity.....	<u>\$ 12,989.1</u>	<u>\$ 11,544.9</u>

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**KEMPER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<u>DOLLARS IN MILLIONS</u>	For The Years Ended December 31,		
	2019	2018	2017
Operating Activities:			
Net Income .....	\$ 531.1	\$ 190.1	\$ 120.9
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Increase in Deferred Policy Acquisition Costs .....	(66.9)	(104.6)	(33.3)
Amortization of Intangible Assets Acquired .....	29.7	156.3	5.1
Equity in Earnings of Equity Method Limited Liability Investments .....	(1.0)	(11.0)	(24.8)
Contribution to Defined Benefit Pension Plan .....	(55.3)	(5.1)	—
Distribution of Accumulated Earnings of Equity Method Limited Liability Investments .....	11.9	13.9	19.6
Decrease (Increase) in Value of Fair Value Option Investments reported in Investment Income .....	—	—	(1.3)
Decrease (Increase) in Value of Equity and Convertible Securities at Fair Value .....	(138.9)	64.3	—
Amortization of Investment Securities and Depreciation of Investment Real Estate .....	0.5	7.7	16.7
Net Realized Gains on Sales of Investments .....	(41.9)	(26.4)	(56.5)
Net Impairment Losses Recognized in Earnings .....	13.8	4.5	14.3
Loss from Early Extinguishment of Debt .....	5.8	—	—
Depreciation and Amortization of Property, Equipment and Software .....	32.8	15.6	13.1
Increase in Receivables .....	(84.3)	(80.7)	(29.2)
Increase in Insurance Reserves .....	102.3	183.2	131.1
Increase in Unearned Premiums .....	121.2	54.7	35.2
Change in Income Taxes .....	58.8	13.1	28.9
Change in Accrued Expenses and Other Liabilities .....	(16.0)	49.9	2.9
Other, Net .....	30.7	13.7	(2.1)
Net Cash Provided by Operating Activities .....	<u>534.3</u>	<u>539.2</u>	<u>240.6</u>
Investing Activities:			
Sales, Paydowns and Maturities of Fixed Maturities .....	1,229.1	2,643.3	528.2
Purchases of Fixed Maturities .....	(1,284.9)	(2,413.2)	(710.1)
Sales of Equity and Convertible Securities .....	217.3	351.9	342.0
Purchases of Equity and Convertible Securities .....	(307.0)	(478.5)	(342.7)
Acquisition and Improvements of Investment Real Estate .....	(1.4)	(1.5)	(1.5)
Sales of Investment Real Estate .....	—	—	26.7
Sale of and Return of Investment of Equity Method Limited Liability Investments .....	29.5	14.1	48.1
Acquisitions of Equity Method Limited Liability Investments .....	(73.7)	(43.1)	(27.9)
Sales of Fair Value Option Investments .....	—	—	42.2
Purchases of Fair Value Option Investments .....	—	—	(7.0)
Decrease (Increase) in Short-term Investments .....	(176.0)	52.7	39.4
Acquisition of Business, Net of Cash Acquired .....	—	(560.6)	—
Acquisitions of Mortgage Loans .....	(44.5)	—	—
Paydowns of Mortgage Loans .....	17.2	—	—
Increase in Other Investments .....	(0.1)	(2.0)	(4.5)
Purchases of Corporate-owned Life Insurance .....	(150.0)	—	—
Acquisition of Software and Long-lived Assets .....	(84.0)	(65.3)	(35.5)
Other, Net .....	(4.9)	4.6	(2.8)
Net Cash Used by Investing Activities .....	<u>(633.4)</u>	<u>(497.6)</u>	<u>(105.4)</u>
Financing Activities:			
Net Proceeds from Issuance of Long-term Debt .....	49.9	249.4	200.2
Repayment of Long-term Debt .....	(185.0)	(215.0)	(360.0)
Proceeds from Policyholder Contract Liabilities .....	615.8	11.4	3.0
Repayment of Policyholder Contract Liabilities .....	(383.6)	(2.5)	(2.9)
Proceeds from Issuance of Common Stock, Net of Transaction Costs .....	127.5	—	—
Dividends and Dividend Equivalents Paid .....	(67.8)	(56.4)	(49.5)
Proceeds from Shares Issued under Employee Stock Purchase Plan .....	1.6	—	—
Cash Exercise of Stock Options .....	2.4	0.9	4.0
Net Cash Provided (Used) by Financing Activities .....	<u>160.8</u>	<u>(12.2)</u>	<u>(205.2)</u>
Increase (Decrease) in Cash .....	61.7	29.4	(70.0)
Cash, Beginning of Year .....	75.1	45.7	115.7
Cash, End of Year .....	<u>\$ 136.8</u>	<u>\$ 75.1</u>	<u>\$ 45.7</u>

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