Mutual of Omaha Insurance Company and Subsidiaries
Executive Summary and Analysis of Financial Condition
as of December 31, 2015 and 2014
and Results of Operations
for the Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

Forward Looking Statements

This document contains certain forward-looking statements about Mutual of Omaha Insurance Company and certain of its subsidiaries (collectively, the "Company"). Forward-looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, sales efforts, financial results or other developments with respect to the Company, and contain words and phrases such as "may," "anticipates," "intend," "expects," "should" or similar expressions in this document.

Forward-looking statements are not guarantees of future performance, involve risks and uncertainties, and actual results may differ materially from those in any forward-looking statement as a result of various factors. These statements are based on current expectations and the current economic environment. The following uncertainties, among others, may have such an effect: continued difficult conditions in the global capital markets and the economy; sustained periods of low interest rates or a sudden spike in interest rates; declining or volatile residential mortgage-backed securities values due to prepayment risks; adverse regulatory developments, including those resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act, limitations on premium levels, mandated benefits, increases in minimum capital and reserves, and other financial viability requirements; adverse credit market conditions; significant market valuation fluctuations of certain of the Company's investments that are relatively illiquid; difficulties or assumption changes as to valuation of securities in the Company's investment portfolio; exposure to below investment grade bonds; defaults on mortgage loans held by the Company; increased expenses related to pension and postretirement benefit plans, as well as health care and other employee benefits; exposure to certain specific asset classes, including commercial and residential mortgage-backed securities, real estate and alternative investments; declines in the performance or valuation of real estate properties owned by the Company; heightened competition in the insurance or banking business, including, specifically, the intensification of price competition, the entry of new competitors and the development of new products by new and existing competitors; fluctuations in health care utilization trends impacting the Company's policies; downgrades or potential downgrades in the Company's ratings; the sensitivity of the amount of statutory capital the Company must hold to factors outside the Company's control; subjectivity in determining the amount of allowances and impairments taken on certain of the Company's investments; changes in the federal Medicare program and other regulatory developments that could adversely affect the demand for the Company's Medicare supplement insurance policies or the Company's competitive position in the Medicare supplement marketplace; impact on the Company's reported statutory surplus or net income that could result from the adoption of certain accounting standards issued by the National Association of Insurance Commissioners or pursuant to applicable laws and regulations; impact on the Company's reported GAAP equity or net income that could result from the adoption of the requirements of certain accounting pronouncements issued by authoritative bodies; tax law changes impacting the tax treatment of insurance and investment products; repeal of the federal estate tax; uncertainty as to the price and availability of reinsurance on business the Company currently writes or intends to write in the future; ineffectiveness of risk management policies and procedures; adequacy and recoverability of reinsurance that the Company has purchased; the failure of the Company's distribution channels to obtain new customers or retain existing customers; deviations from assumptions regarding persistency, mortality, or morbidity; losses due to the financial impairment of, or defaults by, others, including bank borrowers, issuers of investment securities or reinsurance and derivative instrument counterparties; deviations from assumptions regarding future mortality, morbidity and interest rates used in calculating reserve amounts and pricing our products; requirements to post collateral or make payments related to declines in market value of specified assets, and possible declines in the value of securities available for posting as collateral; unanticipated losses resulting from the Company's stable value wrap program; accelerated amortization of deferred acquisition costs; adverse results relating to the mixed-use real estate development adjacent to the Company's home office property; regulatory restrictions, financial viability and other risks in connection with the Company's ownership of Mutual of Omaha Bank; unanticipated changes in industry trends; liquidity and other risks in connection with the Company's securities lending program; impact of international tension between the United States and other nations, terrorist attacks, catastrophe losses, and ongoing military and other actions, or a large scale pandemic; changes in tax laws and the interpretation thereof; litigation and regulatory investigations; and a computer system failure or security breach.

Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. The Company does not intend to undertake, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

All subsequent written and oral forward-looking information attributable to the Company or any person acting on its behalf is expressly qualified in its entirety by the cautionary statements contained or referred to in this section. The information contained in this document is accurate only as of the date of this document regardless of the time of delivery.

Part 1 – Condensed Consolidated Financial Statements

Mutual of Omaha Insurance Company and Subsidiaries
Consolidated Balance Sheets--Unaudited
(In Thousands)

	December 31, 2015	December 31, 2014
ASSETS		
Investments		
Fixed maturities, available-for-sale, at fair value	$ 18,710,578	$ 17,870,525
Fixed maturities, trading, at fair value	148,916	153,243
Equity securities, available-for-sale, at fair value	13,352	12,397
Equity securities, trading, at fair value	40,074	41,149
Equity securities, at cost	38,782	49,080
Loans, net	7,458,198	7,087,031
Real estate	174,027	198,982
Limited partnerships	396,812	496,483
Other invested assets	35,768	17,401
Policy loans	213,694	213,862
Short-term investments	225,036	136,765
Total investments	27,455,237	26,276,918
Cash and cash equivalents	272,967	483,583
Accrued investment income	180,878	166,081
Premiums and other receivables	125,281	105,052
Deferred policy acquisition costs	2,970,460	2,727,128
Reinsurance recoverable	476,709	436,591
Goodwill and intangible assets	183,138	186,318
Company-owned life insurance	373,469	377,896
Other assets	340,391	350,093
Separate account assets	3,250,868	3,371,510
Total assets	$ 35,629,398	$ 34,481,170
LIABILITIES AND EQUITY		
LIABILITIES		
Future policy benefits	$ 9,011,161	$ 8,489,989
Policyholder account balances	7,214,083	7,036,876
Unpaid claims	1,773,969	1,651,300
Unearned revenues	429,015	403,429
Bank deposits	5,585,752	5,107,154
Current income taxes payable	3,420	-
Deferred income taxes payable	744,821	833,082
Borrowings	1,381,871	1,391,066
Other liabilities	1,107,137	1,056,904
Separate account liabilities	3,250,868	3,371,510
Total liabilities	30,502,097	29,341,310
EQUITY		
Retained earnings	5,197,116	4,864,110
Accumulated other comprehensive income (loss)	(69,815)	275,750
Total equity	5,127,301	5,139,860
Total liabilities and equity	$ 35,629,398	$ 34,481,170

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries
Consolidated Statements of Operations--Unaudited
For the Years Ended December 30, 2015 and 2014
(In Thousands)

	2015	2014
Revenues		
Health and accident	$ 3,820,587	$ 3,637,994
Life and annuity	2,145,881	1,990,659
Net investment income	1,177,683	1,123,857
Other	73,870	95,882
Net realized investment gains (losses):		
Other-than-temporary impairments on fixed maturities	(21,791)	(6,604)
Other-than-temporary impairments on fixed maturities transferred to other comprehensive income	2,847	5,004
Other net realized investment gains	36,657	31,229
Total net realized investment gains	17,713	29,629
Total revenues	7,235,734	6,878,021
Benefits and expenses		
Health and accident benefits	2,874,930	2,693,796
Life and annuity benefits	1,877,166	1,793,268
Interest credited	210,845	214,380
Policy acquisition costs	802,156	694,227
General insurance expenses	749,713	732,661
Non operating loss on extinguishment of debt	3,019	63,643
General bank expenses	174,330	202,873
Other	31,018	32,682
Total benefits and expenses	6,723,177	6,427,530
Income before income taxes	512,557	450,491
Income taxes	179,551	158,790
Net income	$ 333,006	$ 291,701
Other Comprehensive Income, Net of Tax		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the year net of related policyholder amounts (net of taxes of ($204,86) and $133,457, respectively)	(380,445)	247,848
Reclassification adjustments for realized holding (gains) losses (net of taxes of ($1,478) and $2,336, respectively)	(2,744)	4,338
Change in net unrealized gains	(383,189)	252,186
Unrealized holding gains (losses) arising during the year on other than temporarily impaired securities (net of taxes of $1,821 and ($3,098), respectively)	3,382	(5,753)
Defined benefit pension plans:		
Unrecognized post-retirement benefit net gains (losses) arising during the year (net of taxes of $5,066 and ($84,472), respectively)	9,409	(156,876)
Less: Amounts recognized due to settlement (net of taxes of $7,752)	-	14,397
Less: Amortization of unrecognized post-retirement benefit gains (net of taxes of $13,372 and $5,378, respectively)	24,833	9,987
Unrecognized post-retirement benefit gains (costs) arising during the year	34,242	(132,492)
Other Comprehensive Income (Loss)	(345,565)	113,941
Comprehensive Income	$ (12,559)	$ 405,642

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries

Consolidated Statements of Changes in Equity--Unaudited

For the Years Ended December 31, 2015 and 2014

(In Thousands)

		Accumulated Other Comprehensive Income (Loss)			
	Retained Earnings	Net Unrealized Investment Gains (Losses)	Unrealized Gains (Losses) on Other-Than-Temporarily Impaired Securities	Benefit Plan Adjustments	Total
BALANCE — January 1, 2014	$ 4,572,409	$ 286,399	$ 9,820	$ (134,410)	$ 4,734,218
Net income	291,701	-	-	-	291,701
Other comprehensive income (loss)	-	252,186	(5,753)	(132,492)	113,941
BALANCE — December 31, 2014	4,864,110	538,585	4,067	(266,902)	5,139,860
Net income	333,006	-	-	-	333,006
Other comprehensive income (loss)	-	(383,189)	3,382	34,242	(345,565)
BALANCE — December 31, 2015	$ 5,197,116	$ 155,396	$ 7,449	$ (232,660)	$ 5,127,301

See notes to consolidated financial statements.

Part 2 –Executive Summary and Analysis--Unaudited

1. Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Mutual of Omaha Insurance Company, a mutual insurance company domiciled in the State of Nebraska, and its subsidiaries (the "Company"). The primary subsidiary companies are United of Omaha Life Insurance Company; Companion Life Insurance Company; and Omaha Financial Holdings, Inc. (the "Bank"), a savings and loan holding company. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Intercompany transactions and balances have been eliminated in consolidation.

In the opinion of the Company's management, the accompanying consolidated financial statements reflect all adjustments necessary for a fair presentation of the financial position and results of operations. These financial statements should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2015 and 2014 and independent auditors' report.

2. Strategic Business Unit and Product Group Structure

The Company offers financial products and services principally through three strategic business units ("SBUs"): Individual Financial Services ("IFS"), Group Benefit Services ("GBS") and the Bank. In addition, the Company reports certain results in Corporate and Other. A summary of the Company's reportable SBUs is as follows:

IFS includes individual health, life and annuity insurance products and utilizes three distribution channels: a career agency force, direct to consumer, and an independent distribution network ("Brokerage"). The IFS Health product group offers medical products such as Medicare supplement, accidental death and dismemberment ("AD&D") and accident only; and non-medical products such as disability income, long-term care ("LTC") and critical illness. The IFS Life product group offers term life, traditional life ("whole life") and interest-sensitive life ("universal life"). The IFS Annuity product group offers single premium deferred annuities, single premium immediate annuities and flexible premium deferred annuities.

GBS includes group health, life and annuity insurance products distributed through brokers and employee benefit consultants. The GBS Benefit Solutions product group offers employer products including long and short-term disability coverage, term life, AD&D, and dental products, and participant accident coverage ("special risk") primarily for students and sponsoring organizations. The GBS Retirement Plans product group includes guaranteed investment contracts, group annuities including income annuities which provide income streams at retirement, funding agreements, 401(k) products and a stable value wrap product.

Through the Bank, which includes Mutual of Omaha Bank, the Company provides banking products and services to consumer and commercial customers throughout the United States. Principal products and services provided include checking and savings accounts, certificates of deposit, mortgage loans, commercial loans, real estate loans and homeowner association banking.

The Corporate and Other product group consists primarily of certain affiliate results, corporate investment income and corporate expenses not allocated to IFS, GBS or the Bank.

Operating income is the measure the Company uses to evaluate SBU performance. Income before income taxes reconciles to operating income for the years ended December 31, 2015 and 2014, as follows (in thousands):

	2015	**2014**
Income before income taxes	$ 512,557	$ 450,491
Less: Total net realized investment gains, excluding Bank Other Real Estate Owned ("OREO")	15,833	26,771
Add: Non operating loss on extinguishment of debt	3,019	63,643
Add: Amounts recognized due to settlement	-	22,149
Operating income	$ 499,743	$ 509,512

Management believes that the presentation of "Operating Income", as defined above, enhances the understanding of the Company's results of operations by highlighting operating income attributable to the normal, recurring operations of the business. Net realized investment gains and losses related to Bank OREO are included in operating income as they are considered part of normal banking operations.

The non operating loss on extinguishment of debt relates to the Company's repurchase of certain surplus notes in 2015 and 2014. The Company excludes these losses from the calculation of operating income as they are not attributable to ongoing operations.

In August 2014, the Company offered voluntary lump-sum pension payouts to eligible former employees, subject to certain limitations, to relieve the Company's pension plan of its corresponding obligation. The lump sum payouts resulted in a one time settlement expense. The Company excluded this settlement from the calculation of operating income in 2014 as it is not attributable to ongoing operations.

Operating income should not be construed as a substitute for net income determined in accordance with GAAP.

3. SBU Information

Operating income by SBU for the years ended December 31, 2015 and 2014, was as follows (in thousands):

	2015	2014
IFS	$ 397,063	$ 453,044
GBS	82,262	84,249
Bank	67,383	53,880
Corporate and Other	(46,965)	(81,661)
Operating Income	$ 499,743	$ 509,512

The Company's total operating income decreased $9,769,000 for the year ended December 31, 2015 compared to 2014. The following provides an explanation of the changes by SBU.

IFS

IFS operating income decreased $55,981,000 for the year ended December 31, 2015 compared to 2014 primarily due to lower Medicare supplement and life operating income. Medicare supplement operating income decreased $33,920,000 compared to the same period in 2014 primarily due to higher claim costs. Life operating income decreased $27,512,000 compared to the same period in 2014 primarily due to higher mortality experience and higher acquisition costs due to higher sales in 2015.

GBS

GBS operating income decreased $1,987,000 for the year ended December 31, 2015 compared to 2014 primarily due to a decrease in Retirement Plans operating income. Within Retirement Plans, 401(k) results decreased $7,375,000 due to lower asset levels, rate spread compression and higher amortization of deferred policy acquisition costs driven by lower persistency in 2015 and the updating of assumptions. The 401k results were partially offset by income annuity results which increased over 2014 due to an increase in interest margins and mortality experience.

Bank

Bank operating income increased $13,503,000 for the year ended December 31, 2015 compared to 2014 primarily due to lower operating expenses partially offset by a decrease in net interest margin due to margin compression.

Corporate and Other

Corporate and Other losses for the year ended December 31, 2015 were $34,696,000 better than the same 2014 period primarily due to an increase in returns on private equity investments and bond call income.

4. Balance Sheet

Total assets increased $1,223,228,000 for the year ended December 31, 2015, primarily as a result of increases in available-for-sale fixed maturity investments from business growth. Total liabilities increased $1,187,000 for the year ended December 31, 2015, primarily due to increases in future policy benefits and bank deposits.

5. Investment Performance

The Company's investment strategy seeks to balance risk, return and expense in order to provide attractive, cost-effective risk-adjusted investment returns to the Company's product lines. The portfolio is managed to fund policyholder liabilities and contribute to surplus stability and growth. The Company's investment strategy also strives to generate growth capital through the investment of surplus funds in a diversified portfolio that includes private equity limited partnerships, with total return maximization being the primary objective.

Net Investment Income

Net investment income increased $53,826,000 for the year ended December 31, 2015 compared to 2014. The increase was primarily due to the increase in fixed maturity investments discussed above and increased private equity distributions from income producing funds.

The sources of net investment income for the year ended December 31, 2015 and 2014, were as follows (in thousands):

	2015	**2014**
Fixed maturities	$ 821,870	$ 788,659
Loans	325,115	335,509
Real estate	(14,112)	(15,478)
Private equity	44,685	19,031
Policy loans and other	23,223	18,626
	1,200,781	1,146,347
Less: investment expense	(23,098)	(22,490)
Net investment income	$ 1,177,683	$ 1,123,857

Net Realized Investment Gains (Losses)

Net realized investment gains were $11,916,000 lower than those for the year ended December 31, 2014 as a result of an increase in fixed maturities impairment losses in mortgage backed securities in 2015. In 2014, other includes market adjustments for derivative instruments which incurred a $12,500,000 loss.

Net realized investment gains (losses) for the year ended December 31, 2015 and 2014, were as follows (in thousands):

	2015	2014
Fixed maturities	$ (25,841)	$ (5,476)
Equity securities	2,226	5,796
Loans	1,001	(264)
Private equity	39,638	40,652
Other	689	(11,079)
Net realized investment gains	$ 17,713	$ 29,629