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

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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)

	March 31, 2015	December 31, 2014
ASSETS		
Investments		
Fixed maturities, available-for-sale, at fair value	$ 18,856,780	$ 17,870,525
Fixed maturities, trading, at fair value	157,835	153,243
Equity securities, available-for-sale, at fair value	12,510	12,397
Equity securities, trading, at fair value	40,451	41,149
Equity securities, at cost	51,972	49,080
Loans, net	6,913,488	7,086,612
Loans, held for sale	-	419
Real estate	194,528	198,982
Limited partnerships	492,929	496,483
Other invested assets	30,135	17,401
Policy loans	211,291	213,862
Short-term investments	218,022	136,765
Total investments	27,179,941	26,276,918
Cash and cash equivalents	637,523	483,583
Accrued investment income	181,722	166,081
Premiums and other receivables	107,393	105,052
Deferred policy acquisition costs	2,781,744	2,727,128
Reinsurance recoverable	449,716	436,591
Current income taxes receivable	1,620	1,441
Goodwill and intangible assets	185,523	186,318
Company-owned life insurance	384,154	377,896
Other assets	337,229	348,652
Separate account assets	3,339,950	3,371,510
Total assets	$ 35,586,515	$ 34,481,170
LIABILITIES AND EQUITY		
LIABILITIES		
Future policy benefits	$ 8,669,714	$ 8,489,989
Policyholder account balances	7,027,797	7,036,876
Unpaid claims	1,680,155	1,651,300
Unearned revenues	403,851	403,429
Bank deposits	5,418,879	5,107,154
Deferred income taxes payable	907,818	833,082
Borrowings	1,742,699	1,391,066
Other liabilities	1,105,569	1,056,904
Separate account liabilities	3,339,950	3,371,510
Total liabilities	30,296,432	29,341,310
EQUITY		
Retained earnings	4,943,330	4,864,110
Accumulated other comprehensive income	346,753	275,750
Total equity	5,290,083	5,139,860
Total liabilities and equity	$ 35,586,515	$ 34,481,170

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries
Consolidated Statements of Operations--Unaudited
For the Three Months Ended March 31, 2015 and 2014
(In Thousands)

	2015	2014
Revenues		
Health and accident	$ 933,133	$ 899,340
Life and annuity	461,818	470,953
Net investment income	288,145	279,096
Other	23,896	24,427
Net realized investment gains (losses):		
Other-than-temporary impairments on fixed maturities	(8,303)	(690)
Other-than-temporary impairments on fixed maturities transferred to other comprehensive income	2,179	648
Other net realized investment gains	22,057	10,655
Total net realized investment gains	15,933	10,613
Total revenues	1,722,925	1,684,429
Benefits and expenses		
Health and accident benefits	697,359	638,956
Life and annuity benefits	429,924	417,030
Interest credited	52,519	56,785
Policy acquisition costs	200,965	187,162
General insurance expenses	174,799	174,815
General bank expenses	41,649	49,910
Other	8,115	8,127
Total benefits and expenses	1,605,330	1,532,785
Income before income taxes	117,595	151,644
Income taxes	38,375	52,170
Net income	$ 79,220	$ 99,474
Other Comprehensive Income, Net of Tax		
Unrealized gains (losses) on securities:		
Unrealized holding gains arising during the year net of related policyholder amounts (net of taxes of $37,415 and $66,263, respectively)	69,485	123,059
Reclassification adjustments for realized holding (gains) losses (net of taxes of $28 and ($481), respectively)	52	(894)
Change in net unrealized gains	69,537	122,165
Unrealized holding gains arising during the year on other than temporarily impaired securities (net of taxes of $2,563 and $475, respectively)	4,760	882
Other Comprehensive Income	74,297	123,047
Comprehensive Income	$ 153,517	$ 222,521

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries

Consolidated Statements of Changes in Equity--Unaudited

For the Year Ended December 31, 2014 and the Three Months Ended March 31, 2015

(In Thousands)

		Accumulated Other Comprehensive Income (Loss)			
	Retained Earnings	Net Unrealized Investment Gains	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	79,220	-	-	-	79,220
Other comprehensive income	-	70,308	695	-	71,003
BALANCE — March 31, 2015	$ 4,943,330	$ 608,893	$ 4,762	$ (266,902)	$ 5,290,083

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, 2014 and 2013 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 three months ended March 31, 2015 and 2014, as follows (in thousands):

	2015	2014
Income before income taxes	$ 117,595	$ 151,644
Less: Total net realized investment gains, excluding Bank Other Real Estate Owned ("OREO")	16,014	10,755
Operating income	$ 101,581	$ 140,889

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.

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 three months ended March 31, 2015 and 2014, was as follows (in thousands):

	2015	2014
IFS	$ 63,172	$ 142,982
GBS	24,698	7,283
Bank	15,905	11,511
Corporate and Other	(2,194)	(20,887)
Operating Income	$ 101,581	$ 140,889

Three Months Ended March 31, 2015 compared to the Three Months Ended March 31, 2014

The Company's total operating income decreased $39,308,000 for the three months ended March 31, 2015 compared to 2014. The following provides an explanation of the changes by SBU.

<u>IFS</u>

IFS operating income decreased $79,810,000 for the three months ended March 31, 2015 compared to 2014 primarily due to lower Life and Medicare supplement operating income. Life operating income decreased $35,665,000 compared to the same period in 2014 due to higher benefits of $33,972,000 primarily caused by unfavorable mortality. Medicare supplement operating income decreased $31,616,000 compared to the same period in 2014 primarily due to higher claim costs of $21,400,000 and an unfavorable change in the run out of prior years' incurred claim reserve of $13,600,000.

<u>GBS</u>

GBS operating income increased $17,415,000 for the three months ended March 31, 2015 compared to 2014 primarily due to increases in Benefit Solutions operating income of $20,587,000, partially offset by a decrease in Retirement Plans income of $3,172,000.

Within Benefit Solutions, life and AD&D results increased $10,572,000 and disability results increased $3,602,000 over 2014 primarily due to lower claim costs. Special risk results also increased $4,943,000 over 2014 primarily due to lower claim experience on the catastrophic accident coverage.

Within Retirement Plans, 401(k) products results decreased $1,259,000 over 2014 due to lower interest margins and higher deferred acquisition costs amortization driven by lower persistency in 2015. Income annuity results decreased $1,793,000 over 2014 due to an increase in reserves in 2015 as a result of assumption updates.

<u>Bank</u>

Bank operating income increased $4,394,000 for the three months ended March 31, 2015 compared to 2014 as a result of lower operating expenses of $5,300,000 due to certain expense reductions and a lower provision for loan losses of $3,000,000 due to a strengthening loan portfolio with lower write offs. Partially offsetting the above were decreases in interest income and non-interest income of $4,000,000 due to shrinking margins and lower mortgage sale income due to a strategic shift away from originating mortgage loans.

<u>Corporate and Other</u>

Corporate and Other losses for the three months ended March 31, 2015 were $18,693,000 better than the same 2014 period due to an increase in bond call income and lower expenses.

4. Balance Sheet

Total assets increased $1,105,345,000 for the three months ended March 31, 2015, primarily as a result of increases in available-for-sale fixed maturity investments. Fixed maturity investments increased $986,255,000 due to new investments from business growth. Cash and cash equivalents increased $153,940,000 due to line of credit advances, business growth, and timing of re-investment. Total liabilities increased $955,122,000 for the three months ended March 31, 2015, primarily as a result of increases in borrowings, bank deposits, and future policy benefits. Borrowings increased $351,633,000 as the result of an increase in line of credit advances. Bank deposits increased $311,725,000 due to growth in demand and a seasonal increase in association banking deposits. Future policy benefits increased $179,725,000 due to business growth.

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 $9,049,000 for the three months ended March 31, 2015 compared to 2014. The increase was primary due to additional fixed maturity investments, as discussed above which resulted in higher net investment income in 2015. Loan income increased primarily due to prepayment penalty income received in 2015. This increase was partially offset by a decrease in private equity distributions in 2015.

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

	2015	2014
Fixed maturities	$ 202,251	$ 191,379
Loans	87,425	83,280
Real estate	(3,599)	(3,598)
Private equity	1,796	8,712
Policy loans and other	5,518	4,217
	293,391	283,990
Less: investment expense	(5,246)	(4,894)
Net investment income	$ 288,145	$ 279,096

Net Realized Investment Gains (Losses)

Net realized investment gains increased $5,320,000 for the three months ended March 31, 2015 compared to 2014. The primary cause was an increase in gains from private equity investments of $8,209,000 and a change in other gains of $6,018,000, offset by higher impairments in 2015. Other includes market adjustments for derivative instruments which incurred a $1,140,000 loss in 2015 while a $6,974,000 loss was incurred in 2014. Fixed maturity impairments were $6,082,000 higher in 2015 primarily due to one mortgage backed security along with additional losses from fair value adjustments to fixed maturities and equity securities in 2015 of $2,394,000.

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

	2015	2014
Fixed maturities	$ (3,646)	$ 5,437
Equity securities	1,706	2,218
Loans	546	(142)
Private equity	18,029	9,820
Other	(702)	(6,720)
Net realized investment gains	$ 15,933	$ 10,613