Mutual of Omaha Insurance Company and Subsidiaries
Executive Summary and Analysis of Financial Condition
as of June 30, 2016 and December 31, 2015
and Results of Operations
for the Six Months Ended June 30, 2016 and 2015

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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)

	June 30, 2016	December 31, 2015
ASSETS		
Investments		
Fixed maturities, available-for-sale, at fair value	$ 20,294,752	$ 18,710,578
Fixed maturities, trading, at fair value	152,201	148,916
Equity securities, available-for-sale, at fair value	13,167	13,352
Equity securities, trading, at fair value	41,571	40,074
Equity securities, at cost	55,563	38,782
Loans, net	7,776,487	7,458,198
Real estate	161,185	174,027
Limited partnerships	379,205	396,812
Other invested assets	52,353	35,768
Policy loans	212,810	213,694
Short-term investments	342,531	225,036
Total investments	29,481,825	27,455,237
Cash and cash equivalents	425,795	272,967
Accrued investment income	184,697	180,878
Premiums and other receivables	127,197	125,281
Deferred policy acquisition costs	3,037,070	2,970,460
Reinsurance recoverable	521,393	476,709
Current income taxes receivable	28,441	-
Goodwill and intangible assets	181,547	183,138
Company-owned life insurance	379,026	373,469
Other assets	337,029	340,391
Separate account assets	3,305,836	3,250,868
Total assets	$ 38,009,856	$ 35,629,398
LIABILITIES AND EQUITY		
LIABILITIES		
Future policy benefits	$ 9,681,384	$ 9,011,161
Policyholder account balances	7,286,557	7,214,083
Unpaid claims	1,814,306	1,773,969
Unearned revenues	411,152	429,015
Bank deposits	5,930,660	5,585,752
Current income taxes payable	-	3,420
Deferred income taxes payable	1,007,900	744,821
Borrowings	1,896,848	1,381,871
Other liabilities	1,034,352	1,107,137
Separate account liabilities	3,305,835	3,250,868
Total liabilities	32,368,994	30,502,097
EQUITY		
Retained earnings	5,347,724	5,197,116
Accumulated other comprehensive income (loss)	293,138	(69,815)
Total equity	5,640,862	5,127,301
Total liabilities and equity	$ 38,009,856	$ 35,629,398

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries
Consolidated Statements of Operations--Unaudited
For the Six Months Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
Revenues		
Health and accident	$ 2,010,918	$ 1,879,398
Life and annuity	1,148,659	972,275
Net investment income	583,385	583,753
Other	48,241	43,629
Net realized investment gains (losses):		
Other-than-temporary impairments on fixed maturities	(3,030)	(16,236)
Other-than-temporary impairments on fixed maturities transferred to other comprehensive income	1,312	99
Other net realized investment gains	11,530	30,423
Total net realized investment gains	9,812	14,286
Total revenues	3,801,015	3,493,341
Benefits and expenses		
Health and accident benefits	1,521,713	1,415,207
Life and annuity benefits	1,046,528	865,899
Interest credited	105,343	105,324
Policy acquisition costs	408,093	391,529
General insurance expenses	384,813	369,944
Non operating loss on extinguishment of debt	-	3,019
General bank expenses	95,698	85,087
Other	15,052	15,572
Total benefits and expenses	3,577,240	3,251,581
Income before income taxes	223,775	241,760
Income taxes	73,167	82,107
Net income	$ 150,608	$ 159,653
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 $195,649 and ($115,755), respectively)	363,349	(214,974)
Reclassification adjustments for realized holding losses (net of taxes of $28)	-	52
Change in net unrealized gains	363,349	(214,922)
Unrealized holding gains (losses) arising during the year on other than temporarily impaired securities (net of taxes of ($213) and $1,571, respectively)	(396)	2,917
Other comprehensive income (loss)	362,953	(212,005)
Comprehensive income (loss)	$ 513,561	$ (52,352)

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, 2015 and the Six Months Ended June 30, 2016

(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, 2015	$ 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
Net income	150,608	-	-	-	150,608
Other comprehensive income (loss)	-	363,349	(396)	-	362,953
BALANCE — June 30, 2016	$ 5,347,724	$ 518,745	$ 7,053	$ (232,660)	$ 5,640,862

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 six months ended June 30, 2016 and 2015, as follows (in thousands):

	2016	2015
Income before income taxes	$ 223,775	$ 241,760
Less: Total net realized investment gains, excluding Bank Other Real Estate Owned ("OREO")	8,884	12,167
Add: Non operating loss on extinguishment of debt	-	3,019
Operating income	$ 214,891	$ 232,612

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 in 2015 relates to the Company's non-recurring repurchase of certain surplus notes. The Company excludes this loss from the calculation of operating income 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 six months ended June 30, 2016 and 2015, was as follows (in thousands):

	2016	2015
IFS	$ 152,862	$ 175,580
GBS	59,289	41,723
Bank	27,156	34,726
Corporate and Other	(24,416)	(19,417)
Operating Income	$ 214,891	$ 232,612

The Company’s total operating income decreased $17,721,000 for the six months ended June 30, 2016 compared to 2015. The following provides an explanation of the changes by SBU.

<u>IFS</u>

IFS operating income decreased $22,718,000 for the six months ended June 30, 2016 compared to 2015 due to lower life and Medicare supplement operating income. Life results were $13,389,000 lower in 2016 due primarily to higher mortality experience in 2016. Medicare supplement operating income decreased $5,012,000 compared to the same period in 2015 due to higher benefit ratios in 2016.

<u>GBS</u>

GBS operating income increased $17,566,000 for the six months ended June 30, 2016 compared to 2015 primarily due to an improvement in the special risk and life and AD&D loss ratios and an increase in interest margins on income annuity business. Special risk results increased $6,217,000 and group life and AD&D reults increased $4,913,000 over prior year due to a 19% and 2% improvement in loss ratio. Interest margins on income annuity business increased $4,818,000 over 2015 as a result of strong sales.

<u>Bank</u>

Bank operating income decreased $7,570,000 for the six months ended June 30, 2016 compared to 2015 primarily due to higher loan loss provision and operating expenses, along with lower non-interest income. Loan loss provision expenses was higher due to loan growth and additional reserves for energy loans. Operating expenses were higher due to increased strategic spending, to improve the Bank’s technology infrastructure, and higher personnel expenses. Non-interest income is lower than prior year due to a negative fair value adjustment on the mortgage servicing rights asset and lower gains on the sale of OREO.

<u>Corporate and Other</u>

Corporate and Other losses for the six months ended June 30, 2016 were $4,999,000 worse than the same period in 2015 primarily due to a decrease in bond call income and lower returns on private equity investments, partially offset by higher gains on the cash surrender value of corporate owned life insurance and lower expenses.

4. Balance Sheet

Total assets increased $2,380,458,000 for the six months ended June 30, 2016, primarily due to increases in available-for-sale fixed maturity investments as a result of business growth. Total liabilities increased $1,866,897,000 for the six months ended June 30, 2016, primarily due to increases in future policy benefits, borrowings and bank deposits. Future policy benefits increased $670,223,000 due to business growth. Borrowings increased $514,977,000 as a result of an increase in short term advances used for investing at the Bank. Bank deposits increased $344,908,000 due to growth in homeowner association banking deposits. Total equity increased $513,561,000 primarily due to an increase in net unrealized gains related to the fixed maturity investments portfolio.

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 decreased $368,000 for the six months ended June 30, 2016 compared to 2015. The decrease was primarily due to decreased private equity distributions from income producing funds, offset by an increase in income from fixed maturity investments.

The sources of net investment income for the six months ended June 30, 2016 and 2015, were as follows (in thousands):

	2016	2015
Fixed maturities	$ 418,572	$ 407,597
Loans	162,048	164,459
Real estate	(5,694)	(7,675)
Private equity	10,516	18,940
Policy loans and other	12,238	10,913
	597,680	594,234
Less: investment expense	(14,295)	(10,481)
Net investment income	$ 583,385	$ 583,753

Net Realized Investment Gains (Losses)

Net realized investment gains for the six months ended June 30, 2016 were $4,474,000 lower when compared to the six months ended June 30, 2015 as a result of a decrease in private equity valuations, partially offset by lower fixed maturity impairments.

Net realized investment gains (losses) for the six months ended June 30, 2016 and 2015, were as follows (in thousands):

	2016	2015
Fixed maturities	$ 3,043	$ (16,086)
Equity securities	2,485	1,711
Loans	14	654
Private equity	2,713	26,842
Other	1,557	1,165
Net realized investment gains	$ 9,812	$ 14,286