Mutual of Omaha Insurance Company and Subsidiaries
Executive Summary and Analysis of Financial Condition
as of March 31, 2017 and December 31, 2016
and Results of Operations
for the Three Months Ended March 31, 2017 and 2016

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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, 2017	December 31, 2016
ASSETS		
Investments		
Fixed maturities, available-for-sale, at fair value	$ 20,361,568	$ 20,121,089
Fixed maturities, trading, at fair value	160,808	155,644
Equity securities, available-for-sale, at fair value	14,191	13,918
Equity securities, trading, at fair value	43,589	38,994
Equity securities, at cost	62,284	50,566
Loans, net	8,423,467	8,275,542
Real estate	151,379	154,266
Limited partnerships	382,554	374,410
Other invested assets	95,579	51,451
Policy loans	215,322	215,231
Short-term investments	482,919	193,721
Total investments	30,393,660	29,644,832
Cash and cash equivalents	299,170	118,990
Accrued investment income	208,128	191,373
Premiums and other receivables	122,049	129,173
Deferred policy acquisition costs	3,543,446	3,454,374
Reinsurance recoverable	537,287	522,827
Goodwill and intangible assets	182,553	183,438
Company-owned life insurance	455,951	443,813
Other assets	352,547	336,525
Separate account assets	3,658,556	3,439,532
Total assets	$ 39,753,347	$ 38,464,877
LIABILITIES AND EQUITY		
LIABILITIES		
Future policy benefits	$ 10,283,945	$ 10,036,093
Policyholder account balances	7,459,547	7,430,954
Unpaid claims	1,885,143	1,888,307
Unearned revenues	407,872	412,277
Bank deposits	6,279,463	5,920,840
Current income taxes payable	4,681	8,753
Deferred income taxes payable	1,006,044	938,280
Borrowings	1,936,216	1,616,135
Other liabilities	1,078,039	1,155,819
Separate account liabilities	3,658,556	3,439,532
Total liabilities	33,999,506	32,846,990
EQUITY		
Retained earnings	5,656,555	5,553,674
Accumulated other comprehensive income	97,286	64,213
Total equity	5,753,841	5,617,887
Total liabilities and equity	$ 39,753,347	$ 38,464,877

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, 2017 and 2016
(In Thousands)

	2017	2016
Revenues		
Health and accident	$ 1,085,344	$ 997,187
Life and annuity	661,422	574,462
Net investment income	329,099	294,780
Other	32,316	19,365
Net realized investment gains (losses):		
Other-than-temporary impairments on fixed maturities	(4,030)	(2,263)
Other-than-temporary impairments on fixed maturities transferred to other comprehensive income	1,758	1,137
Other net realized investment gains	7,547	3,344
Total net realized investment gains	5,275	2,218
Total revenues	2,113,456	1,888,012
Benefits and expenses		
Health and accident benefits	803,008	738,410
Life and annuity benefits	597,774	533,635
Interest credited	55,282	53,554
Policy acquisition costs	232,572	204,046
General insurance expenses	216,248	191,154
General bank expenses	49,509	48,660
Other	8,079	7,184
Total benefits and expenses	1,962,472	1,776,643
Income before income taxes	150,984	111,369
Income taxes	48,103	38,021
Net income	$ 102,881	$ 73,348
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 $19,225 and $188,145, respectively)	35,704	349,413
Reclassification adjustments for realized holding gains (losses) (net of taxes of ($1,026) and $0, respectively)	(1,906)	-
Change in net unrealized gains	33,798	349,413
Unrealized holding losses arising during the year on other than temporarily impaired securities (net of taxes of ($390) and ($519), respectively)	(725)	(963)
Other comprehensive income	33,073	348,450
Comprehensive income	$ 135,954	$ 421,798

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, 2016 and the Three Months Ended March 31, 2017

(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, 2016	$ 5,197,116	$ 155,396	$ 7,449	$ (232,660)	$ 5,127,301
Net income	356,558	-	-	-	356,558
Other comprehensive income (loss)	-	100,209	(1,861)	35,680	134,028
BALANCE — December 31, 2016	5,553,674	255,605	5,588	(196,980)	5,617,887
Net income	102,881	-	-	-	102,881
Other comprehensive income (loss)	-	33,798	(725)	-	33,073
BALANCE — March 31, 2017	$ 5,656,555	$ 289,403	$ 4,863	$ (196,980)	$ 5,753,841

See notes to consolidated financial statements.

Part 2 –Executive Summary and Analysis--Unaudited

1. Basis of Presentation and Principles of Consolidation

The accompanying condensed 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 condensed 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, 2016 and 2015 and independent auditors' report.

The accompanying condensed consolidated financial statements reflect certain reclassifications in the prior period to conform to the current period presentation.

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. 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, 2017 and 2016, as follows (in thousands):

	2017	2016
Income before income taxes	$ 150,984	$ 111,369
Less: Total net realized investment gains, excluding Bank Other Real Estate Owned ("OREO")	5,255	2,205
Operating income	$ 145,729	$ 109,164

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, 2017 and 2016, was as follows (in thousands):

	2017	2016
IFS	$ 86,885	$ 75,986
GBS	31,572	31,404
Bank	19,104	10,889
Corporate and Other	8,168	(9,115)
Operating Income	$ 145,729	$ 109,164

The Company's total operating income increased $36,565,000 for the three months ended March 31, 2017 compared to 2016. The following provides an explanation of the changes by SBU.

<u>IFS</u>

IFS operating income increased $10,899,000 for the three months ended March 31, 2017 compared to 2016 primarily due to higher Medicare supplement and annuity results. Medicare supplement results increased $7,198,000 due to favorable persistency, year over year sales growth, and a lower loss ratio. Annuity results increased $3,131,000 primarily due to favorable payout annuity mortality.

<u>GBS</u>

GBS operating income increased $168,000 for the three months ended March 31, 2017 compared to 2016 primarily due to increased interest margins on income annuity business and lower Long term disability loss ratio, partially offset by higher loss ratios on other products across the Benefit Solutions division.

<u>Bank</u>

Bank operating income increased $8,215,000 for the three months ended March 31, 2017 compared to 2016 primarily due to an increase in revenue. Interest income increased due to higher average loan balances and loan yields. Non-interest income was also higher in 2017 compared to prior year due to an improvement in the fair value adjustment for mortgage servicing rights asset.

<u>Corporate and Other</u>

Corporate and Other income (losses) for the three months ended March 31, 2017 were $17,283,000 better than the same period in 2016 primarily due to higher gains on the cash surrender value of corporate owned life insurance and higher returns on private equity investments.

4. Balance Sheet

Total assets increased $1,288,470,000 for the three months ended March 31, 2017. Short term investments increased $289,198,000 due to an arbitrage investment strategy in which borrowings were increased to invest in higher yielding assets. The increase of $240,479,000 in available-for-sale fixed maturity investments are the result of strong business growth cash flow. Total liabilities increased $1,152,516,000 for the three months ended March 31, 2017. Bank deposits increased $358,623,000 due to growth in homeowner association banking deposits. Borrowings increased $320,081,000 due to additional short term borrowings to support the previously discussed arbitrage investment strategy. Future policy benefits increased $247,852,000 due to business growth.

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 $34,319,000 for the three months ended March 31, 2017 compared to 2016. The increase was primarily due to an increase in income from fixed maturity investments as a result of larger asset base and an increase in private equity valuations in 2017.

The sources of net investment income for the three months ended March 31, 2017 and 2016, were as follows (in thousands):

	2017	2016
Fixed maturities	$ 226,296	$ 206,736
Loans	87,804	80,230
Real estate	(2,494)	(2,974)
Private equity	17,749	12,132
Policy loans and other	6,698	5,903
	336,053	302,027
Less: investment expenses	(6,954)	(7,247)
Net investment income	$ 329,099	$ 294,780

Net Realized Investment Gains (Losses)

Net realized investment gains for the three months ended March 31, 2017 were $3,057,000 higher when compared to the three months ended March 31, 2016 as a result of gains in trading and available for sale portfolios.

Net realized investment gains (losses) for the three months ended March 31, 2017 and 2016, were as follows (in thousands):

	2017	2016
Fixed maturities	$ 3,141	$ (323)
Equity securities	1,999	1,378
Loans	118	46
Private equity	(1,026)	217
Other	1,043	900
Net realized investment gains	$ 5,275	$ 2,218