DISCLAIMER

Regarding the business operations and prospects of Ohio National Financial Services, Inc. and its subsidiaries on a consolidated basis (collectively, "Ohio National", the "Company", "we", "us" and "our")

Forward-Looking Statements: Certain of the information included in this document constitute forward-looking statements. Words such as "expects," "believes," "anticipates," "includes", "plans", "assumes", "estimates," "projects," "intends," or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon the Company. There can be no assurance that future developments affecting the Company will be those anticipated management. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in the forward-looking statements, including without limitation: (i) difficult conditions in the capital markets and U.S. economy, (ii) certain changes in the accounting standards issued by the Financial Accounting Standards Board, (iii) extensive regulations designed to benefit or protect policyholders, (iv) changes in interest rates, (v)t he failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, (vi) the default of a major reinsurer of our variable annuities, (vii) a lack of available, affordable or adequate reinsurance, (viii) the default or failure to perform by counterparties to our reinsurance or indemnification arrangements or to the derivatives we use to hedge our business risks, (ix) regulatory challenges, (x) changes in the valuation of derivatives entered into in connection with our annuity riders, (xi) losses or decreases in the value of our investment in our foreign operations, (xii) a ratings downgrade, (xiii) a material change in the RBC ratio of Ohio National's insurance subsidiaries, (xiv) earnings influenced by our claims experience, (xv) differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models, (xvi) litigation risks, (xvii) the failure to properly perform services or the misrepresentation of our products or services. (xviii) the continued threat of terrorism and ongoing military and other actions, (xix) a pandemic or a natural disaster, (xx) increased competition in our core business, (xxi) new, innovative approaches through FinTech, InsurTech, Artificial Intelligence or other sources that transform insurance processes, service, administration or distribution, (xxii) Setting Every Community up for Retirement Enhancement Act of 2019, (xxiii) changes in tax treatment, (xxiv) changes to our eligibility for dividends received deductions, (xxv) changes in tax laws or interpretations of such laws, (xxvi) differing interpretations of the methodologies, estimations and assumptions used in the valuation of our fixed maturity securities, (xxv) fluctuations in foreign currency exchange rates, (xxvi) uncertainty in the commercial real estate market, (xxvii) the need to fund deficiencies in our closed block, (xxviii) computer system failures or security breaches, (xxix) excessive risks taken by our associates, (xxx) the ability to attract and retain key personnel, (xxxi) incorrect estimates and assumptions in our accounting statements, (xxxii) risk management policies and procedures that may leave us exposed to unidentified or unanticipated risks, (xxxiii) the failure to protect the confidentiality of client information, (xxxiv) difficulties, unforeseen liabilities, asset impairments or ratings actions arising from business acquisitions or dispositions, (xxxv)

the ineffectiveness of our Corporate Strategy and further ratings actions arising from the implementation thereof, (xxxvi) other risks and uncertainties that have not been identified at this time, and (xxxvii) our response to these factors. Consequently, any forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs and are based on management's beliefs and assumptions about the businesses in which the Company competes, global and domestic economic conditions and other factors. The Company does not intend, and will not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances or changed assumptions after the date of such statements.

Financial Presentation: The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting periods. Financial information provided throughout this Presentation is prepared in accordance with U.S. generally accepted accounting principles ("GAAP") unless otherwise specified as having been prepared in accordance with statutory accounting principles.

Non-GAAP Financial Measures: In these financial documents the Company may refer to non-GAAP financial measures, including "Pre-tax Operating Earnings", "Management Operating Earnings", "Total GAAP Equity ex. FAS-115", "Total GAAP Equity ex. AOCI" and "Operating Revenues". "Pre-tax Operating Earnings" is a non-GAAP financial measure which represents income (loss) before federal and state income taxes, primarily excluding net realized gains (losses), and their related DAC amortization and certain non-recurring items. "Management Operating Earnings" is a non-GAAP financial measure which represents Pre-tax Operating Earnings adjusted primarily for market-related impacts and certain non-recurring items. "Operating Revenues" is a non-GAAP financial measure which represents revenue adjusted primarily f or net realized gains and losses. "Total GAAP Equity ex. FAS-115" is a non-GAAP financial measure which represents Total GAAP Equity adjusted primarily for net unrealized gains and losses of available for sale, at fair value, fixed maturity securities and associated DAC and federal income taxes. "Total GAAP Equity ex. AOCI" is a non-GAAP financial measure which represents Total GAAP Equity adjusted for accumulated other comprehensive income ("AOCI").

Industry and Market Data: These financial documents presentation may include industry data that Ohio National obtained from publicly available sources and periodic industry publications and analyses from industry consultants. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Ohio National has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein.

Ohio National Mutual Holdings, Inc.

Management's Discussion and Analysis

For the Six Month Period Ended

June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Overview

Ohio National Life, the largest operating subsidiary of Ohio National Financial Services traces its origins to 1909. In 1998, we converted to a mutual insurance holding company structure. Ohio National Financial Services ("ONFS") and Ohio National Mutual Holdings ("ONMH", "Company", "we", or "our") were formed in this process and Ohio National Life, previously a mutual life insurance company, became a stock company wholly-owned by ONFS. As a result of the conversion, eligible policyholders of Ohio National Life acquired the right to vote at annual meetings of ONMH and to elect its Board of Directors. ONFS is wholly owned by ONMH.

On March 22, 2021, the Board of ONMH unanimously approved an agreement to enter into a strategic transaction with Constellation Insurance Holdings, Inc. ("Constellation") whereby Constellation will acquire ONMH. The Company entered into the transaction to strengthen its financial standing, enhance its market position, and enable it to become a stronger, more responsive and innovative financial services company. Constellation will build off the Company's strengths and infrastructure to grow its insurance business going forward.

The transaction will be structured as a sponsored demutualization, which means ONMH will convert to a stock company and will be owned by Constellation upon closing of the transaction. The conversion requires a vote by eligible members as well as regulatory review and approval. Eligible members will be compensated for the extinguishment of their membership interests with additional policy benefits, or cash, as applicable. In addition to member compensation, Constellation has committed a $500 million capital infusion into the Company over a four-year period following the closing of the transaction. The transaction is subject to regulatory and member approval. Upon completion of the transaction, ONMH will be a private stock company owned by Constellation.

We are a provider of life insurance, disability insurance, and related products. We also offer mutual funds, stocks, bonds, limited partnerships and other cash management tools through our retail broker dealer. Throughout our history, we have also been a provider of annuities, retirement plans, and related products. As further described below, we ceased offering individual variable annuities and retirement plans products effective September 15, 2018 as part of a broader strategy initiative (the "Corporate Strategy"). We focus on customers in three categories by providing a differentiated product portfolio through a diverse distribution network:

- middle and upper-income individuals who seek income protection, asset preservation or retirement savings;
- high net worth individuals with estate conservation needs; and
- small businesses and professionals desiring life and disability insurance, annuities, and related products and services.

As of June 30, 2021, we had $41.0 billion of total assets, with approximately $186.8 billion of life insurance in force, and $41.1 billion of assets under management. Our Total GAAP Equity (Excluding Accumulated Other Comprehensive Income "AOCI") was $2.3 billion as of June 30, 2021. For the six months ended June 30, 2021, we generated $1,134.2 million of Operating Revenues and $85.1 million of Core Earnings, both of which are non-GAAP measures defined in the Management's Discussion and Analysis of Financial Condition and Results of Operations section ("MD&A").

As reflected in the table below, our products and services fall into one of six business segments.

Life Insurance	Disability Insurance	Latin America	Annuities	Retirement Plans	Corporate

• Traditional whole life
• Universal life
• Indexed universal life ("IUL")
• Term life
	• Disability income	• International
		  • Brazil
		  • Chile
		  • Peru
			• Individual fixed annuities
			  • Immediate
			  • Deferred
			  • Index-linked ("FIA")
			• Individual variable annuities("VA")(1)
			• Funding agreements
			• Guaranteed investment contracts ("GICs")
				• Group fixed and variable annuities
				  • 401(k) plans
				  • Other tax-qualified retirement plans (2)
					• Retail broker dealer
					• Asset management

(1) The Company no longer issues new variable annuity contracts.
(2) The Company no longer issues group annuity contracts or sells retirement plans.

The sum of the results of our six business segments represents our total results.

This MD&A includes references to some of our financial performance measures that are not based on accounting principles generally accepted in the United States of America ("GAAP") such as Pre-Tax Operating Earnings and Core Earnings, in addition to providing GAAP measures such as consolidated total revenues, total benefits and expenses, income (loss) before income taxes, and net income (loss). These non-GAAP and GAAP measures are used by management to evaluate performance on a consolidated and business segment basis relative to our business plan and to facilitate comparisons to industry results. Our management believes that Pre-Tax Operating Earnings and Core Earnings explain the results of our ongoing businesses in a manner that allows for a better understanding of the underlying trends in our current businesses because the excluded items are unpredictable or non-recurring and not necessarily indicative of current operating fundamentals or future performance of the business segments. Accordingly, we currently define revenues, benefits and expenses, Pre-Tax Operating Earnings, and Core Earnings in the following sections.

Corporate Strategy

In September 2018, we announced our Corporate Strategy, which was designed to leverage our strengths and capitalize on our future opportunities. The Corporate Strategy focuses on capital efficiency in order to ensure that we continue to have the flexibility to invest in areas where we have the greatest competitive advantages and growth opportunities and where we can earn the best returns relative to risk. Pursuant to our Corporate Strategy, we will focus on our Life Insurance, Disability Insurance, Latin America and Fixed Annuity business segments, and no longer issue new variable annuities, offer new retirement plans nor, offer products through the institutional distribution channel of wire houses and independent broker dealers. We have undertaken the steps to restructure our organization to better align to our Corporate Strategy while maintaining a focused distribution strategy and overseeing our expense, product, and risk management activities. We will continue to offer a diverse product lineup, incorporating our Life Insurance, Disability Insurance and Fixed Annuity business segments, to meet our customers' needs and to attract new distribution partners.

The Corporate Strategy was designed to allow Ohio National to maintain and grow our strong statutory surplus position. We believe this will be achieved through leveraging our recent success in growing our traditional life and disability income product distribution, ongoing in force management of our existing annuity block of business and recognition of significant cost savings in our annual operating expenses. Despite ceasing new variable annuity sales, we expect our existing in force annuity block will continue to contribute significant future earnings through interest income on spread products and management fees on our variable annuity block.

Our Key Strengths

We believe the following are our key strengths:

- *Broad Suite of Complementary Products.* We offer a broad suite of products, including life insurance, disability insurance, and other related products in the U.S. and Latin America. Our life insurance products are designed to be capital efficient while focusing on long-term policy performance. Our disability insurance offers individual disability income insurance products to individuals and small businesses. We offer various products in Chile, Peru and Brazil.

- *Sizable Life Insurance In force Business with Strong Renewal Premium Growth*. We differentiate ourselves by offering large face amount policies to affluent customers. We manage mortality risk through disciplined, consistent underwriting. We maintain relatively low retention on any given life, with a current maximum limit of $2 million and have no 30-year term exposure and minimal universal life with secondary guaranty exposure. Our low lapse and favorable mortality experience contribute to continued growth in recurring premiums.

- *Differentiated Value Proposition Driving Distribution Growth.* Our variable-cost distribution model offers us a competitive advantage. We distribute our products through a builder general agency network (the "Builder General Agency") and through personal producing general agents ("PPGAs"). Having both of these distribution outlets gives us the flexibility to attract new producers to the Company. Specific to Disability Income ("DI"), we have also forged DI direct relationships. Builder General Agencies grow by recruiting career agents, brokers and producers. PPGAs grow by recruiting managing agents and independent producing agents. Our compensation packages and incentive programs appeal to both PPGAs and Builder General Agents who are independent contractors responsible for their own site selection, rent, overhead and other office maintenance expenses. Financial incentives are provided to agents who sell business that stays in force and has favorable mortality experience. We intend to continue to expand our traditional distribution force, which will be an important part of our ability to continue to grow our sales. We believe our financial stability and attractive product suite helps us recruit more agents.

- *Disciplined Enterprise Risk Management Framework with Active Management of In Force Block.* Ohio National's Enterprise Risk Management is integrated with the overall management of the organization and is a critical element of the strategic planning and management process. In the case of our variable annuity riders, we have utilized reinsurance, product design, investment restrictions, managed volatility portfolios ("MVPs"), and hedging strategies to mitigate risks associated with contract guarantees.

- *Strong Balance Sheet and Healthy Liquidity Profile.* Our strong balance sheet reflects focus and ongoing discipline in our investment approach, risk management, operations and expense management.

- *Conservatively Managed and Highly Rated Investment Portfolio.* We maintain a diversified investment portfolio and seek to generate attractive returns while preserving our financial strength. Our product design and risk mitigation strategies result in a liability profile that enables us to take a long-term approach to investing.

Summary of Significant Accounting Changes

The Company is exposed to potential risk associated with the outbreak of Coronavirus ("COVID-19"). As this is continues to be a fluid situation, the impact of a widespread COVID-19 outbreak is difficult to assess and predict, and the Company is closely monitoring the situation through the Hamilton County Public Health office, as well as the Centers for Disease Control ("CDC"). Risks related to the outbreak include disruptions to business operations resulting from quarantines of employees, policyholders, or our distribution in areas affected by the outbreak, disruptions to business operations resulting from travel restrictions, and uncertainty around the duration of the virus' impact. The Company has business continuity plans in place to attempt to mitigate the risk posed to business operations by disruptive incidents such as these. We have adapted well to operating in the different environment and we remain strategically focused to build on our strengths and leverage our value proposition.

During the third quarter of 2018, the Company began the process of changing the system used to perform actuarial valuation. During the second quarter of 2020, the immediate annuity line of business was converted for a net conversion impact of $0.1 million income to pre-tax earnings. In 2021, the AXIS system went through a version upgrade resulting in a net impact of $4.1 million loss to pre-tax earnings. See tables below for the financial statement lines impacted by the conversion and system upgrades:

Immediate Annuity		
Conversion Item	**Income Statement Line**	**2020 Impact (in millions)**
Reserves	Benefits and claims	0.1
		$ 0.1

Universal life		
System Upgrade	**Income Statement Line**	**2021 Impact (in millions)**
Unearned front end loads ("UFEL")	Universal life policy charges	(4.1)
		$ (4.1)

Revenues, Benefits, and Expenses

We derive our Operating Revenues primarily from (1) premiums and policy charges on life and other insurance products, (2) net investment income from general account assets, (3) asset management fees and mortality and expense fees related to variable annuities and variable life insurance policies and (4) fees for other services. All of these factors can contribute to earnings volatility in a given year. Under GAAP, total premiums paid on guaranteed premium policies are included in revenues with a corresponding expense for increases in policy reserves. For flexible premium and deposit-type policies, amounts received from policyholders are considered deposits and are not recorded as revenues, and increases in reserves are not shown as an expense. Only the amounts we deduct from policy values for mortality and expenses, when earned, are recorded as revenues on flexible premium and deposit-type policies.

Our operating earnings result primarily from the spread between the rates we earn on invested assets and the rates we credit to policyholders, the mortality and expense charges on our variable products, and investment advisory fees earned on separate account assets. Our operating earnings are affected by our claims experience, the persistency of policies and their continuing premiums, and investment markets. Our operating earnings are also affected by changes in the value of certain reinsurance contracts and hedges related to our variable annuity contracts, which is described more fully in the "Core Earnings" section below. In addition, we seek to increase earnings by carefully managing operating expenses through an extensive budgeting process and improvements in technology.

Investments

We had total consolidated assets of $41.0 billion as of June 30, 2021, of which $14.4 billion were investments. Assets held in separate accounts for which Ohio National generally does not bear investment risk were $19.7 billion. Because we generally do not bear investment risk on assets held in the separate accounts, the discussion and financial information below does not include such assets. The remaining consolidated assets are comprised primarily of Reinsurance recoverable, Deferred Acquisition Cost ("DAC"), Reinsurance deposit asset and Other assets.

We have a prudent investment philosophy which seeks to achieve competitive rates of return while carefully managing investment risk. Our primary investment objective is the preservation of principal to ensure that we can meet contractual obligations to policyholders and general obligations. We achieve this objective by maintaining a diversified portfolio to reduce credit risk, managing assets and liabilities to control interest rate risk, and holding a core amount of high quality marketable securities to meet liquidity demands.

Credit risk relates to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest. The management of credit risk is central to our business, and we devote considerable resources to the credit analysis underlying each investment acquisition. We employ a staff of highly specialized, experienced and well-trained credit analysts.

We maintain single industry, issuer, asset type and geographical limits. Our Investment Management Committee, comprised of a group of senior management responsible for reviewing and monitoring investments, reviews these limits on a regular basis and recommends modifications to them as necessary. Any such modifications are reported to our Investment Review Committee, a board committee responsible for investment oversight, which is responsible for adopting such resolutions.

Interest rate risk relates to the market price and/or cash flow variability associated with changes in market yield curves. We manage interest rate risk through a variety of techniques. In general, our risk management philosophy is to limit the

net impact of interest rate changes on our assets and liabilities. Assets are invested predominately in fixed maturity securities, and the asset portfolio is matched with the liabilities so as to eliminate our exposure to changes in the overall level of interest rates. Our investment portfolio holds fixed maturity securities, mortgages and other asset types that meet the projected cash needs of our underlying liabilities.

Liquidity risk relates to our ability to have access to sufficient funds to meet our liabilities when due. We manage this risk within investments by establishing specific guidelines for holding high-grade marketable securities that can be liquidated in order to meet policyholder or other general obligations.

Total GAAP Equity (excluding AOCI)

In addition to Pre-Tax Operating Earnings and Core Earnings, Ohio National uses Total GAAP Equity (excluding AOCI), which is a non-GAAP measure as defined herein. The following table shows a reconciliation of Total GAAP Equity (excluding AOCI) to Total GAAP Equity for the periods indicated:

	As of June 30,	
	2021	2020
	(Unaudited) (in millions)	
GAAP Equity	$ 2,537.7	$ 2,791.6
AOCI	(254.0)	(266.8)
Total Equity (excluding AOCI) [1]	$ 2,283.7	$ 2,524.8

(1) Total Equity (excluding AOCI) is a non-GAAP financial measure which represents GAAP equity adjusted primarily for net unrealized gains and losses of available for sale, at fair value, fixed maturity securities and associated DAC and federal income taxes.

Pre-tax Operating Earnings

Pre-Tax Operating Earnings is a Company defined non-GAAP measure that excludes the impact of realized gains and losses, net of related policy DAC amortization; change in value of trading securities, excluding Latin America activity; impairment of goodwill and intangible assets; and loss on debt retirement. Pre-Tax Operating Earnings are commonly used in the life insurance industry to evaluate the normalized results of operations.

The following table shows a reconciliation of income (loss) before income taxes to Pre-Tax Operating Earnings for the periods indicated:

	Six Months Ended June 30,		$	%
	2021	2020	2021 vs. 2020	2021 vs. 2020
	(in millions)		(in millions)	
Income (loss) before income taxes	$ **(171.8)**	**170.0**	**(341.8)**	N/M
Investment (gains) losses	(15.3)	(6.5)	(8.8)	N/M
Other, net	(1.3)	0.4	(1.7)	N/M
Pre-tax effects of adjustments	(16.6)	(6.1)	(10.5)	N/M
Pre-tax operating earnings	$ **(188.4)**	**163.9**	**(352.3)**	N/M

Core Earnings

In addition to Pre-Tax Operating Earnings, Ohio National uses Core Earnings, which is a Company defined non-GAAP measure. We believe that Core Earnings is a more meaningful measure of our operating performance. It is calculated by adjusting Pre-Tax Operating Earnings for certain items that fluctuate from period to period in a manner unrelated to our core operations. These adjustments consist principally of non-economic and asymmetrical accounting items and certain non-recurring items of:

- Changes in the value of certain reinsurance contracts and hedges related to our variable annuity contracts, and related DAC amortization;

- Impact from actuarial valuation systems conversion;
- Market effects on DAC amortization on variable products;
- Changes in Guaranteed Lifetime Withdrawal Benefit ("GLWB")/Guaranteed Principal Protection ("GPP")/Guaranteed Principal Access ("GPA") fair value reserves, related hedges, and DAC amortization; and
- FIA credit spread for non-performance risk ("NPR").

Effective January 1, 2016, we began 5-year averaging all DAC and unearned front end loads ("UFEL") unlockings not accounted for within another Core Earnings adjustment category as management believes these unlockings are not primarily related to current year core operations and this adjustment produces a more meaningful long-term view of our operating performance.

The following table shows a reconciliation of Pre-Tax Operating Earnings to Core Earnings for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Pre-tax operating earnings $	**(188.4)**	**163.9**	**(352.3)**	N/M
Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity	202.4	(120.0)	322.4	N/M
Market effects on DAC amortization	(3.3)	22.1	(25.4)	N/M
5-year averaging of GLWB/GPP and annuity persistency	0.2	19.6	(19.4)	(99.0%)
5-year averaging of DAC and UFEL unlocking	(7.4)	(9.0)	1.6	17.8%
Financial statement corrections related to prior years	(0.1)	0.1	(0.2)	N/M
Annuity inforce management	32.2	-	32.2	N/M
Corporate strategy expenses	16.6	-	16.6	N/M
FIA's credit spread for NPR*	25.4	(18.4)	43.8	N/M
Other, net	7.5	0.1	7.4	N/M
Core earnings $	**85.1**	**58.4**	**26.7**	45.7%

* Beginning with the second quarter of 2021, The Company's core earnings excludes the impact related to FIA's credit spread for NPR. Prior period amounts have been updated to conform to current period presentation.

All of the adjustments to derive Core Earnings from Pre-Tax Operating Earnings are reported only in the Corporate business segment.

Operating Revenues

Operating Revenues is a non-GAAP measure, which represents revenue adjusted primarily for net realized gains and losses. Management believes that Operating Revenues focus on the long-term nature of the business by principally adjusting for net realized gains and losses. The following table shows a reconciliation of Operating Revenues to Total Revenues for the periods indicated:

	Six Months Ended June 30,		
	2021	2020	2019
Total GAAP Revenue:		(in millions)	
Life Insurance	$ 632.4	624.9	648.1
Annuities	340.1	314.9	360.3
Retirement Plans	5.4	6.2	7.8
Disability Insurance	19.3	17.5	15.6
Latin America	131.9	117.6	129.8
Total Revenues (Excluding Corporate):	1,129.1	1,081.1	1,161.6
Corporate	(56.7)	87.8	(151.8)
Total Revenues:	$ 1,072.4	1,168.9	1,009.8
Total Operating Revenues Adjustments:			
Life Insurance	$ 6.8	2.4	2.8
Annuities	(1.7)	(1.7)	(1.7)
Retirement Plans	-	-	-
Disability Insurance	-	-	-
Latin America	-	-	-
Total Adjustments to Operating Revenue	5.1	0.7	1.1
Corporate	(5.1)	(0.7)	(1.1)
Total Revenues Adjustments	$ -	-	-
Total Operating Revenue:			
Life Insurance	$ 639.2	627.3	650.9
Annuities	338.4	313.2	358.6
Retirement Plans	5.4	6.2	7.8
Disability Insurance	19.3	17.5	15.6
Latin America	131.9	117.6	129.8
Total Operating Revenue:	1,134.2	1,081.8	1,162.7
Corporate	(61.8)	87.1	(152.9)
Total Revenue:	$ 1,072.4	1,168.9	1,009.8

	Six Months Ended June 30,		
	2021	2020	2019
		(in millions)	
Traditional life insurance premiums..... $	408.1	419.3	415.3
Annuity premiums and charges.....	221.8	206.1	213.7
Universal life policy charges.....	81.9	71.5	76.9
Group life and health insurance premiums.....	51.8	52.1	56.1
Accident and health insurance premiums.....	16.0	14.3	12.4
Investment management fees.....	23.8	20.5	22.6
Change in value of equity securities.....	3.3	(1.3)	2.7
Net investment income.....	239.6	221.3	279.8
Net realized gains (losses)			
Investment gains.....	15.3	6.5	1.0
Derivative instruments.....	(80.0)	88.5	(114.3)
Loss on debt retirement.....	-	-	(10.3)
Other income.....	90.8	70.1	53.9
Total revenues.....	1,072.4	1,168.9	1,009.8
Corporate entity operating revenues	61.8	(87.1)	152.9
Total operating revenues..... $	1,134.2	1,081.8	1,162.7

Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts

Through our variable annuity contracts, we have exposure to Guaranteed Minimum Income Benefits ("GMIB"), Guaranteed Minimum Death Benefits ("GMDB") and GLWBs (non-fair value GLWB reserves) associated with economic risks. The future policy benefits and claim reserves associated with these benefits are determined under traditional GAAP accounting models with reserves accumulating over time.

We mitigate a significant portion of the economic risks associated with the GMIB, GMDB and GLWB benefits through reinsurance or hedging. This hedging activity does not meet the criteria for hedge accounting. We have various coinsurance agreements on the GMIB riders sold with variable annuities through March 2008, and some of the GMDB riders sold with variable annuities through March 2008. The ceded amounts are up to 100% quota share on individual claims, subject to various caps and limits in the treaties. The Company entered into a coinsurance agreement on certain GLWB riders sold with variable annuities that cover business issued from May 1, 2013 through December 31, 2017. The ceded amount under this GLWB coinsurance agreement is a 70% quota share and is accounted for under a traditional GAAP accounting model similar to the direct GLWB benefit reserve.

We are required to account for the GMIB reinsurance contract and hedging activity based on the strict accounting model, FASB Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, which incorporates concepts from several accounting pronouncements, including:

- ASC Topic 815 (formerly FAS 133), which relates to fair value accounting for derivative instruments and hedging activities; and

- ASC Topic 825, *Financial Instruments*, (formerly FAS 157), which further clarified certain fair value measurements promulgated in previous pronouncements.

The changes in the fair values established under ASC Topic 815 and ASC Topic 825 can be volatile, as they are correlated to the performance and volatilities in the equity markets, and interest rates. The fair value of reinsurance contracts are reported in Reinsurance recoverable on our balance sheets and hedging instruments are reported in Other long-term investments and Other liabilities on our balance sheets. Changes in the fair value of these instruments flow through our statements of operations, and therefore affect our publicly reported operating earnings.

The reinsurance contracts and hedging instruments are related to the GMIB, GMDB and GLWB riders that are a component of future policy benefits and claim reserves. However, the fair value of the reinsurance contracts and hedging

instruments may have significantly greater volatility than the related book value reserves, thereby having an asymmetrical relationship between the fair value reinsurance and hedging calculations, and book value reserve calculations. Because of this asymmetrical relationship, changes in the values of our reinsurance contracts (non-economic) and hedging instruments can cause significant fluctuations, either positively or negatively, on our publicly reported operating earnings. Therefore, we adjust for the change in the book value reserves and the related change in the fair value of the reinsurance contracts and hedging instruments, net of the related DAC amortization, when deriving Core Earnings.

Market effects on DAC amortization

The costs of acquiring new business, principally commissions, certain policy issuance and underwriting department expenses, and certain variable sales expenses that relate to the production of new and renewal business are capitalized as a DAC asset. DAC is amortized relative to the future gross profits or future gross revenues.

One of the most significant assumptions in the estimation of future gross profits is the future net separate account performance. The change in DAC amortization, caused by the difference between the expected future net separate account performance that is mean reverted and the actual net separate account performance, is deemed to be the overall market effect on DAC amortization. Although we use reversion to the mean to estimate this long-term assumption, significant differences may arise between the actual and projected net separate account performance. As such, this change in DAC amortization is reflected as a "true-up" in the consolidated financial statements, and we adjust for this market effect on DAC amortization in deriving Core Earnings to produce a more meaningful long-term view of our operating performance.

FIA credit spread for NPR

Beginning second quarter 2021, the Company's core earnings excludes the impact related to FIA's credit spread for NPR. NPR refers to the risk that the Company's underlying FIA obligation will not be fulfilled. It affects the calculation of the estimated fair value of the future policy benefits and claims liabilities and includes the Company's own credit risk. The Company calculates NPR by comparing its own spreads to the discount benchmark curve and applying the difference to the netted uncollateralized obligation. NPR can cause volatility in the periodic measurement of FIA liabilities that management believes can be inconsistent with the long-term economics of the annuity business. Management believes that separating these impacts as a core adjustment provides a better view of the fundamental performance of the business. Prior period amounts have been updated to conform to current period presentation.

Other, net

"Other, net" principally consists of non-recurring items.

Consolidated Results of Operations

Except as otherwise stated, the following tables set forth the Company's summary consolidated financial information that has been prepared in accordance with GAAP and other financial information. The Company's summary consolidated GAAP financial information for the periods indicated below has been derived from the Company's unaudited consolidated financial statements.

Summary results for our consolidated operations are shown and discussed below for the periods indicated:

OHIO NATIONAL MUTUAL HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Dollars in millions)

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
Revenues:				
Traditional life insurance premiums	$ 408.1	419.3	(11.2)	(2.7%)
Annuity premiums and charges	221.8	206.1	15.7	7.6%
Universal life policy charges	81.9	71.5	10.4	14.5%
Group life and health insurance premiums	51.8	52.1	(0.3)	(0.6%)
Accident and health insurance premiums	16.0	14.3	1.7	11.9%
Investment management fees	23.8	20.5	3.3	16.1%
Change in value of equity securities	3.3	(1.3)	4.6	N/M
Net investment income	239.6	221.3	18.3	8.3%
Net realized gains (losses)				
Investment gains	15.3	6.5	8.8	N/M
Derivative instruments	(80.0)	88.5	(168.5)	N/M
Other income	90.8	70.1	20.7	29.5%
Total revenues	1,072.4	1,168.9	(96.5)	(8.3%)
Benefits and expenses:				
Benefits and claims	877.2	612.8	264.4	43.1%
Provision for policyholders' dividends on participating policies	53.8	58.0	(4.2)	(7.2%)
Amortization of deferred policy acquisition costs	68.3	94.4	(26.1)	(27.6%)
Commissions, net	94.0	83.2	10.8	13.0%
Other operating costs and expenses	150.9	150.5	0.4	0.3%
Total benefits and expenses	1,244.2	998.9	245.3	24.6%
Income (loss) before income taxes	(171.8)	170.0	(341.8)	N/M
Income taxes				
Current expense	7.5	0.1	7.4	N/M
Deferred expense (benefit)	(41.7)	29.2	(70.9)	N/M
	(34.2)	29.3	(63.5)	N/M
Net income (loss)	$ (137.6)	140.7	(278.3)	N/M

Six months ended June 30, 2021 compared to the six months ended June 30, 2020

Income (loss) Before Income Taxes. Income (loss) before income taxes for the six months ended June 30, 2021 was a loss of $171.8 million and represents a $341.8 million decrease over the $170.0 million income reported in the prior year.

The following table summarizes the significant components effecting the changes in the consolidated Income (loss) before income taxes for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
All other items of income before income taxes	$ 74.8	69.6	5.2	7.5%
Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts	(202.4)	120.0	(322.4)	N/M
Net realized investment gains (losses), net of related DAC amortization excluding other-than-temporary losses on securities	15.3	6.5	8.8	N/M
Market effects on DAC amortization	3.3	(22.1)	25.4	N/M
Base DAC and UFEL true-ups and unlockings	(3.5)	(3.4)	(0.1)	(2.9%)
GLWB/GPP related reserves, hedges, and DAC	(1.7)	(19.0)	17.3	91.1%
FIA credit spread for NPR	(25.4)	18.4	(43.8)	N/M
Annuity inforce management	(32.2)	-	(32.2)	N/M
Income (loss) before income taxes	$ (171.8)	170.0	(341.8)	N/M

The decrease was primarily driven by the effects of the components of the Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts as detailed in the table below:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Fair value reinsurance contracts	$ (171.1)	134.0	(305.1)	N/M
Hedging	(72.1)	104.5	(176.6)	N/M
GMIB/GMDB/GLWB (non-fair value) reserves	11.8	(112.9)	124.7	N/M
DAC amortization	29.0	(5.6)	34.6	N/M
	$ (202.4)	120.0	(322.4)	N/M

Gains and losses from hedges move opposite to the equity markets, since the primary objective of the hedges is to generate gains in market declines, offsetting the guarantees written on GMIB, GMDB, and GLWB economic risks. The magnitude of equity losses due to financial impacts of COVID-19 pandemic in the first six months ended June 30, 2020, versus equity gains for the same period in 2021 resulted in a year-over-year decrease in income of $322.4 million.

The Company had reduction in its NPR used in the measurement of FIA liabilities which in turn lead to an increase in the future policy benefits and claims liability of $25.4 million in 2021 compared to a reduction in the liability of $18.4 million for the same period of 2020.

Beginning in the fourth quarter of 2020, the Company offered certain variable annuity policyholders a GMIB cash bonus offer program, in which the Company offered the policyholder an additional cash offer exceeding current account value when the policyholder surrendered. The cost of the variable annuity buyout program was $32.2 million and resulted in $300.6 million in account value surrendered for the six months ended June 30, 2021. The Company did not offer a similar buyout program during the first half of 2020 thus creating a period over period decrease to income of $32.2 million.

Traditional Life Insurance Premiums. Traditional life insurance premiums consist of payments by policyholders for individual whole life insurance and individual term life insurance less premiums ceded for reinsurance for all individual insurance products. Life insurance premiums are recognized when due. Life insurance premiums were $408.1 million for the six months ended June 30, 2021, which represents a 2.7% decrease from $419.3 million for the same period in 2020. The following table provides more information on life premiums for the periods indicated.

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in million)		(in millions)	
Whole life direct $	368.6	370.1	(1.5)	(0.4%)
Reinsurance whole life direct	(4.8)	(4.5)	(0.3)	(6.7%)
Net whole life	363.8	365.6	(1.8)	(0.5%)
Term direct	106.4	107.0	(0.6)	(0.6%)
Reinsurance Term direct	(31.2)	(25.6)	(5.6)	(21.9%)
Net Term	75.2	81.4	(6.2)	(7.6%)
Total whole life and term	439.0	447.0	(8.0)	(1.8%)
Reinsurance universal life	(49.3)	(46.5)	(2.8)	(6.0%)
Latin America operations	18.4	18.8	(0.4)	(2.1%)
Total traditional life $	408.1	419.3	(11.2)	(2.7%)

The decrease in 2021 was primarily due to a decrease in net term life premiums of $6.2 million and increase in UL reinsurance of $2.8 million.

Annuity Premiums and Charges. Annuity premiums and charges consist mainly of premiums for immediate annuities, administrative fees and surrender charges on deferred annuities, and charges for mortality and expense guarantees on variable annuity products ("M&E"). Fees and charges are generally deducted from annuity account balances when earned and M&E and administrative fees vary with the variable annuity separate account balances.

Annuity premiums and charges were $221.8 million for the six months ended June 30, 2021, up $15.7 million or 7.6% from $206.1 million for the same period in 2020. The increase in immediate annuity premiums was driven by an increase in annuitization of group annuity contracts for retired general agents during the second quarter of 2021. The following table sets forth the primary components of such premiums and charges for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in million)		(in millions)	
Premiums				
Variable annuity reinsurance premiums $	(34.5)	(36.0)	1.5	4.2%
Immediate annuity/ GIC premiums	18.7	6.9	11.8	N/M
Policy Charges				
M&E and administrative fees	121.7	113.3	8.4	7.4%
Rider charges	113.5	118.7	(5.2)	(4.4%)
Other charges	2.4	3.0	(0.6)	(20.0%)
Policy Charges	237.6	235.0	2.6	1.1%
Latin America operations	-	0.2	(0.2)	(100.0%)
Total annuity premiums and charges $	221.8	206.1	15.7	7.6%

Universal Life Policy Charges. Universal life policy charges consist of cost-of-insurance charges, surrender charges, expense loads, and other fees related to our universal life ("UL") and variable universal life ("VUL") insurance policies. These charges and fees are generally deducted from policy account balances when earned. The following table summarizes the components of the universal life policy charges for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Fixed universal life excluding bank-owned life insurance ("BOLI") policy charges.....	$ 62.3	62.9	(0.6)	(1.0%)
Index universal life policy charges.....	5.2	3.8	1.4	36.8%
Universal life - BOLI policy charges.....	1.7	1.6	(0.1)	(6.2%)
Variable universal life policy charges.....	6.7	6.9	0.2	2.9%
UFEL true-ups and unlockings, excluding conversion impact.....	0.5	2.1	(1.6)	(76.2%)
UFEL impact from systems conversion.....	(4.1)	-	(4.1)	N/M
Change in UFEL liability, excluding true-ups, unlockings, conversion impact.....	7.9	(7.4)	15.3	N/M
Latin America operations.....	1.7	1.6	0.1	6.2%
Total universal life policy charges.....	$ 81.9	71.5	10.4	14.5%

The $15.3 million increase in change in UFEL liability, excluding true-ups, and unlockings was due to an increase in UFEL amortization. The positive increase in UFEL amortization change is being driven by the increase in EGPs which is generating a positive increase in amortization.

Group Life and Health Premiums. Group life and health premiums, net of reinsurance, related to ancillary coverages for disability and survivorship through participation in the nationalized pension system ("SIS") for the two Latin American, Peruvian and Chilean, insurance subsidiaries were $51.8 million for the six months ended June 30, 2021 and $52.1 million for the same period in 2020.

Accident and Health Insurance Premiums. Accident and health insurance premiums consist of payments by customers for disability insurance and are generally recognized when due. Accident and health insurance premiums were $16.0 million for the six months ended June 30, 2021 and $14.3 million for the same period in 2020. The $1.7 million increase in accident and health insurance premiums was the result of our strategic plan of investing in the disability insurance distribution channels.

Investment Management Fees. Investment management fees are earned by an affiliated investment adviser and are net of unaffiliated subadvisor fees. These fees were $23.8 million for the six months ended June 30, 2021 and $20.5 million for the same period in 2020. Investment management fees vary with total separate account balances.

Net Investment Income. Our driving principles remain the same in any economic environment: maintain a balanced, disciplined approach to investing and managing risk. We earn investment income on the assets in our general account portfolio, which mainly comprises fixed maturity securities, mortgage loans on real estate, short-term investments and cash. Sources of funds for investment are primarily sales of insurance and annuity products invested in the general account. We seek to earn investment returns that exceed the rates we credit to policyholders.

Net investment income increased 8.3% or $18.3 million from $221.3 million for the six months ended June 30, 2020 to $239.6 for the same period in 2021. The following table sets forth the components of net investment income for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Gross Investment Income				
Domestic operations.....	$ 246.9	236.4	10.5	4.4%
Latin America operations.....	45.0	33.7	11.3	33.5%
Investment Expenses:				
Domestic operations.....	(50.8)	(47.9)	(2.9)	(6.1%)
Latin America operations.....	(1.5)	(0.9)	(0.6)	(66.7%)
Net investment income.....	$ 239.6	221.3	18.3	8.3%

The increase in investment income is consistent with an increase reserves and account value. The following table summarizes the components of the reserves:

Year and Product	Domestic Reserves and Account Value (in millions)	Year-over-Year Growth
UL account value	$ 4,101.4	
RGA BOLI reinsurance	(1,846.8)	
Annuities account value	4,198.7	
RGA SPDA deposit asset	(796.4)	
Whole life and term net level reserves	5,353.8	
DI net level reserves	291.4	
June 30, 2021 total	$ 11,302.1	4.7%
UL account value	$ 4,058.8	
RGA BOLI reinsurance	(1,831.9)	
Annuities account value	4,285.6	
RGA SPDA deposit asset	(860.2)	
Whole life and term net level reserves	4,868.0	
DI net level reserves	279.0	
June 30, 2020 total	$ 10,799.3	

Investment Gains. Investment gains include gains and losses on the sale of securities and impairment losses on fixed maturity securities and mortgage loans on real estate. For the six months, ended June 30, 2021, net realized investment gains were $15.3 million compared to net realized investment gains of $6.5 million for the same period in 2020.

Derivative Instruments. Derivative instruments losses increased $168.5 million from a gain of $88.5 million for the six months period ended June 30, 2020 to a loss of $80.0 million for the same period in 2021.

We enter into a variety of derivative instruments with a number of counterparties in order to hedge various risks, including risks associated with the GMIB and GLWB riders, for the portion not reinsured, our death benefits and other riders contained in many of our variable annuity products. Our variable annuity derivative hedges are designed to reduce risks on an economic basis with the understanding that their impact on accounting results may not be perfectly correlated with rider valuation changes on a GAAP basis.

In Q2 2020, swaptions were in a significant gain position, due to a steep decline in interest rates causing swaptions to increase significantly in value. However, in Q2 2021 markets were up, causing swaptions that are used to hedge interest rate risk to decline in value. Interest rates have increased in the first half of 2021, leading to the unrealized losses in the swaption portfolio. The following chart illustrates fluctuations in equity markets:

S&P 500/10 Year Treasury Rate
Period-Over-Period Comparison

Index	June 30, 2021	December 31, 2020	Change	June 30, 2020	December 31, 2019	Change
S&P 500	4,298	3,756	14.4%	3,100	3,231	-4.1%
10 Year Treasury	1.44%	0.92%	52 BPS	0.65%	1.92%	-127 BPS

Other Income. Other income principally consists of revenue sharing fees from externally advised separate accounts and dealer concessions from our retail broker dealer operation. Other income was $90.8 million for the six months ended June 30, 2021, which is a 29.5% increase from $70.1 million for the same period in 2020. On average, 88% of our retail broker dealer concessions are paid out in commissions. Revenue sharing fees vary in relation to total average separate account balances. The $14.0 million increase in Latin America was due to new administration fee income related to the acquisition of the Chilean SIS 7.2 and SIS 7.3 tranches that went into effect July 1, 2020. The following table summarizes the components of such other income:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Revenue sharing fee	$ 21.4	20.1	1.3	6.5%
Retail broker dealer concessions	37.9	30.7	7.2	23.5%
Latin America	14.6	0.6	14.0	N/M
Reinsurance ceded trails	17.2	18.2	(1.0)	(5.5%)
Other	(0.3)	0.5	(0.8)	N/M
Other income	$ 90.8	70.1	20.7	29.5%

Benefits and Claims. Benefits consist primarily of interest credited to policyholder accounts within universal life insurance policies and within individual and group annuities, including GICs, and amounts paid under immediate annuities and settlement certificates. Benefits also include sales inducements and benefit guarantees with the variable annuities. Claims consist of payments on life insurance, accident and health insurance products, and variable annuity guaranteed benefits. Both benefits and claims are mitigated through the use of reinsurance and hedging programs. Benefits and claims were $877.2 million for the six months period ended June 30, 2021, up $264.4 million from $612.8 million for the same period in 2020. The following table sets forth the components of benefits and claims for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Fair value of annuity reinsurance	$ 171.1	(134.0)	305.1	N/M
Other fair value annuity guaranteed benefit reserves, net	(14.0)	56.8	(70.8)	N/M
Non-fair value annuity guaranteed benefit reserves, net	(11.8)	112.9	(124.7)	N/M
Latin America	107.9	75.7	32.2	42.5%
Interest credited	114.9	90.8	24.1	26.5%
Whole life change in reserves, excluding reserves released	223.7	245.9	(22.2)	(9.0%)
Term change in reserves, excluding reserves released	16.0	17.9	(1.9)	(10.6%)
Mortality and morbidity, net of reserves released	90.1	71.6	18.5	25.8%
Variable annuity guaranteed benefit claims, net	23.8	21.6	2.2	10.2%
Fixed index annuity change in excess & guaranteed benefit reserves, excluding NPR	(19.3)	(15.6)	(3.7)	(23.7%)
Fixed index annuity credit spread for NPR	25.4	(18.4)	43.8	N/M
Domestic immediate annuity benefits and change in reserves	30.2	17.5	12.7	72.6%
UL secondary guarantee reserves	(0.2)	(0.3)	0.1	33.3%
Impact from systems conversion	-	(0.1)	0.1	100.0%
Sales inducements including amortization	(2.4)	3.0	(5.4)	N/M
Annuity inforce management	32.2	-	32.2	N/M
Other benefits & claims	89.6	67.5	22.1	32.7%
Total benefits and claims	$ 877.2	612.8	264.4	43.1%

The $305.1 million increase in impact from the Fair value annuity reinsurance, was due to a decrease in the annuity reinsurance asset as a result of the rise in interest rates during the first half of 2021, lowering projected reinsurance claims, compared to decreased interest rates during the first half of 2020.

Other fair value annuity guaranteed benefit reserves, net, is impacted with movements in equity markets and interest rates. The S&P was up 14.4% during the first half of 2021 compared to down 4.1% for the same period in 2020. This movement along with rising interest rates are the primary driver of the $70.8 million decrease in Other fair value annuity guaranteed benefit reserves, net.

The $124.7 million decrease in Non-fair value annuity guaranteed benefit reserves, net was due to a decrease in SOP 03-1 (ASC 944) reserves driven by increase interest rates of 52 basis points ("bps") during the first half of 2021 as compared to a decrease of 127 bps for the same period in 2020.

The increase in benefits and claims for Latin America of $32.2 million was primarily due to an increase in Peru of $18.7 million, or 84.5%, from $22.2 million at June 30, 2020 to $40.9 million at June 30, 2021. The increase is primarily due to SIS IV and V incurring a significant increase in claims that occurred as a result of the COVID-19 pandemic.

The $24.1 million increase in Interest credited was primarily driven by an increase in interest credited for FIA of $23.9 million as a result of an increase in market performance (mostly S&P) and decrease in non-performance risk.

Mortality and morbidity, net of reserves released increased $18.5 million or 25.8% due to increase in net claims as a result of an increase in deaths due to COVID-19. Confirmed or likely COVID-19 net life claims contributed a loss of $8.0 million in total net life claims for the first six months of 2021 compared to $2.0 million for the same period in 2020.

As mentioned above, the Company had a reduction in its NPR used in the measurement of FIA liabilities which in turn lead to an increase in the future policy benefits and claims liability of $25.4 million in 2021 compared to a reduction in the liability of $18.4 million for the same period of 2020.

The cost of the variable annuity buyout program was $32.2 million for the six months ended June 30, 2021. The Company did not offer a similar buyout program during the first half of 2020 thus creating a period over period increase to benefit expense of $32.2 million.

Provision for Policyholder Dividends on Participating Policies. Policyholder dividends are paid on participating policies, primarily whole life insurance policies. Dividends to policyholders were $53.8 million and $58.0 million for the six months ended June 30, 2021 and 2020 respectively, as summarized in the following table:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Whole life	$ 52.9	57.1	(4.2)	(7.4%)
Disability insurance	0.9	0.9	-	0.0%
Provision for policyholder dividends on participating policies	$ 53.8	58.0	(4.2)	(7.2%)

The dividend scale for 2021 has a dividend interest rate of 4.70% compared to 5.20% for 2020. The decrease of the scale was partially offset by an increase in participating whole life reserves over the same period. The following table summarizes such increase in participating whole life reserves:

Year	Participating Whole Life Policies U.S. GAAP Reserves	Year-over-Year Growth
	(in millions)	
June 30, 2021	4,789.1	10.9%
June 30, 2020	4,318.5	

Amortization of Deferred Policy Acquisition Costs. We incur costs in connection with acquiring new and renewal insurance business. Costs (commissions and other costs of issuing policies) that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC and amortized based on premiums, margins, or profits over various lengths of time depending upon product type. DAC amortization was $68.3 million for the six months ended June 30, 2021 and $94.4 million for the same period in 2020. The primary driver impacting the variance in amortization of DAC from 2020 to 2021 is the $34.6 million decrease in hedging and $25.4 decrease in market effects due to an upturn in the equity markets from 2020 to the same period in 2021. The decrease was partially offset by an increase in GLWB/GPP/GPA 5 year average of $31.5 million, which tend to move in the same direction as the equity markets. The following table summarizes the components of such amortization for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Base amortization	$ 97.1	93.3	3.8	4.1%
Base true-ups and unlockings	3.9	5.3	(1.4)	(26.4%)
Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts	(29.0)	5.6	(34.6)	N/M
Market effects on DAC amortization	(3.3)	22.1	(25.4)	N/M
GLWB/GPP/GPA 5 year average	(0.4)	(31.9)	31.5	98.7%
Total Amortization of DAC	$ 68.3	94.4	(26.1)	(27.6%)

Commissions, net. Commissions were $94.0 million for the six months ended June 30, 2021, an increase of $10.8 million, or 13.0%, from $83.2 million for the same period in 2020. The primary drivers of the increase are the broker dealer commissions of $6.4 million. This is due to the increased revenue in registered product income and registered investment advisor fee income. Decrease in Capitalized commissions is offset with the decrease in Domestic commissions, net of reinsurance. The following table sets forth the primary components of the commissions for the periods indicated:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Commissions:				
Annuity trail commissions	$ 36.7	31.9	4.8	15.0%
Retail broker dealer commissions	33.3	26.9	6.4	23.8%
Domestic commissions, net of reinsurance	59.2	71.0	(11.8)	(16.6%)
Latin America commissions	13.4	15.0	(1.6)	(10.7%)
Capitalized commissions	(48.6)	(61.6)	13.0	21.1%
Total commissions	$ 94.0	83.2	10.8	13.0%

Other Operating Costs and Expenses. Other operating costs and expenses include premium taxes, and general corporate expense items. These expenses were $150.9 million for the six months ended June 30, 2021, an increase of $0.4 million, or 0.3%, from $150.5 million for the same period in 2020, as summarized in the following table:

	Six Months Ended June 30, 2021	2020	$ 2021 vs. 2020	% 2021 vs. 2020
	(in millions)		(in millions)	
Operating expenses - Domestic operations	$ 137.3	140.5	(3.2)	(2.3%)
Operating expenses - Latin America Operations	8.7	6.7	2.0	29.9%
Capitalized administration expenses for DAC	(5.8)	(6.6)	0.8	12.1%
Premium taxes, net	10.7	9.9	0.8	8.1%
Total other operating cost and expenses	$ 150.9	150.5	0.4	0.3%

Financial Condition

OHIO NATIONAL MUTUAL HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in millions)

Assets	June 30, 2021	December 31, 2020	$ Change	% Change
Investments:				
Securities available-for-sale at fair value:				
Fixed maturities	$ 10,918.5	10,683.4	235.1	2.2%
Trading securities, at fair value:				
Fixed maturities, trading securities	-	0.1	(0.1)	(100.0%)
Equity securities, at fair value	81.1	53.7	27.4	51.0%
Mortgage loans on real estate, net	1,483.0	1,474.4	8.6	0.6%
Real estate, net	58.0	56.2	1.8	3.2%
Policy loans	1,004.0	964.3	39.7	4.1%
Other long-term investments	267.4	281.8	(14.4)	(5.1%)
Short-term investments securities lending collateral	365.1	368.9	(3.8)	(1.0%)
Short-term investments	194.0	207.8	(13.8)	(6.6%)
Total investments	14,371.1	14,090.6	280.5	2.0%
Cash	324.0	687.7	(363.7)	(52.9%)
Accrued investment income	85.2	80.1	5.1	6.4%
Deferred policy acquisition costs	1,570.6	1,548.8	21.8	1.4%
Reinsurance recoverable	3,786.6	3,994.4	(207.8)	(5.2%)
Reinsurance deposit asset	796.4	825.4	(29.0)	(3.5%)
Operating lease right-of-use assets	6.9	7.0	(0.1)	(1.4%)
Other assets	338.1	357.6	(19.5)	(5.5%)
Federal income tax recoverable	8.1	13.2	(5.1)	(38.6%)
Assets held in separate accounts	19,687.2	19,486.2	201.0	1.0%
Total assets	$ 40,974.2	41,091.0	(116.8)	(0.3%)
Total Liabilities and Equity				
Future policy benefits and claims	$ 16,565.7	16,447.0	118.7	0.7%
Policyholders' dividend accumulations	30.8	31.7	(0.9)	(2.8%)
Other policyholder funds	154.9	145.9	9.0	6.2%
Short-term debt	1.9	1.8	0.1	5.6%
Notes payable net of unamortized discount and issuance costs	976.3	975.9	0.4	0.0%
Deferred federal income taxes	109.1	206.4	(97.3)	(47.1%)
Operating lease liabilities	6.9	7.0	(0.1)	(1.4%)
Other liabilities	538.6	581.8	(43.2)	(7.4%)
Payables for securities lending collateral	365.1	368.9	(3.8)	(1.0%)
Liabilities related to separate accounts	19,687.2	19,486.2	201.0	1.0%
Total liabilities	38,436.5	38,252.6	183.9	0.5%
Equity:				
Stockholder's equity:				
Accumulated other comprehensive income	254.0	417.1	(163.1)	(39.1%)
Retained earnings	2,283.7	2,421.3	(137.6)	(5.7%)
Total stockholder's equity	2,537.7	2,838.4	(300.7)	(10.6%)
Total liabilities and equity	$ 40,974.2	41,091.0	(116.8)	(0.3%)

Securities Available-for-Sale, at Fair Value: Fixed Maturity. We have diversified our investment portfolio to limit exposure to any single industry, issuer or asset type. The maximum exposure to a single industry, issuer or asset type is limited to a set percentage of the securities portfolio. These limits are reviewed on a regular basis and modified as necessary to reflect changing market conditions for the industry, issuer or asset type by our Investment Management Committee and the Investment Review Committee of the Board of Directors. As a result of our diversification efforts, the risk of adverse events affecting a single industry, issuer or asset type having a material negative impact on the portfolio has been minimized.

Securities available-for-sale, at fair value: fixed maturity increased by $235.1 million from December 31, 2020 to June 30, 2021. This increase was primarily due to:

- In late 2020, the Investment Management Committee approved a plan to invest the excess cash in bonds with a goal of deploying the cash over the first few months of 2021. As part of this plan, during 2021 the Company purchased approximately $580.0 million in new bonds with normal recurring principal and interest inflows.

- Offsetting the new bonds purchased was a decrease in unrealized gains of $268.3 million from an increase in interest rates as measured by the 10 year Treasury. The 10-year treasury increased from 0.92% at December 31, 2020 to 1.44% at June 30, 2021.

Mortgage loans on real estate, net: Mortgage loans increased $8.6 million from December 31, 2020 to June 30, 2021. Mortgage loans consist of commercial mortgage loans originated in the United States and residential mortgage loans originated in Chile. Mortgage loans are collateralized by the underlying properties. Collateral on mortgage loans must meet or exceed 125% of the loan at the time the loan is made.

Policy loans: Policy loans increased $39.7 million or 4.1% from December 31, 2020 to June 30, 2021. Policy loans vary with total reserves. Net level reserves on whole life and term increased 4.2% from December 31, 2020 to June 30, 2021. The period over period increase in policy loans is reasonable as the increase is in line with the increase in net level reserves during the same period.

Other long-term investments. Other long-term investments decreased $14.4 million from December 31, 2020 to June 30, 2021. The Company's other long term investments are primarily comprised of deferred premium put options. The deferred premium put options represent the present value of the amount the Company will owe at maturity. The value of the option is calculated based on market performance. The decrease in the value of put options as of June 30, 2021 can be attributed to upturn in market performance during the first half of 2021.

Short-term Investments Securities Lending Collateral. Short-term investments securities lending collateral decreased $3.8 million from December 31, 2020 to June 30, 2021. When the Company lends out its securities, the Company's securities lending agent (US Bank) receives cash collateral that is 102% of the value of the bonds loaned out. US Bank then invests this cash collateral in short-term investments in a separately managed accounts for Ohio National.

Short-term Investments and *Cash.* Liquidity needs are managed through both short-term investments and cash. We maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. The majority of our short-term investments consist of money market funds. Cash includes funds used to operate our hedge program and cash equivalents that consist of U.S. Treasury notes, commercial paper, and reverse repurchase agreements. Short-term investments and cash decreased $377.5 million from December 31, 2020 to June 30, 2021. In early 2020, the Company implemented a plan to build liquidity due to the COVID-19 pandemic causing the cash position to be higher than usual in 2020. The decrease in cash in 2021 is a result of deploying the excess cash to purchase bonds with normal recurring principal and interest inflows, as well as purchasing high-dividend paying common stock.

Deferred Policy Acquisition Costs. The recoverable costs of acquiring new business, principally commissions, certain expenses of the policy issue and underwriting department and certain variable sales expenses that relate to and vary with the production of new and renewal business have been capitalized as DAC. DAC is subject to recoverability testing in the year of policy issuance and loss recognition testing at the end of each reporting period. For traditional nonparticipating life insurance products, DAC is amortized with interest over the premium paying period of the related policies in proportion to premium revenue. Such anticipated premium revenue is estimated using the same assumptions as used for computing liabilities for future policy benefits. For traditional participating life insurance products, DAC is amortized in proportion to gross margins of the related policies. Gross margins are determined for each issue year and are equal to premiums plus investment income less death claims, surrender benefits, administrative costs, expected policyholder dividends and the increase in reserve for future policy benefits.

For investment and universal life products, DAC is amortized with interest over the lives of the policies in relation to the present value of the estimated future gross profits from projected interest margins, asset fees, cost of insurance charges, policy administration fees, surrender charges and net realized gains and losses less policy benefits and policy maintenance expenses. DAC for participating life and investment and universal life business is adjusted to reflect the impact of unrealized gains and losses on the related fixed maturity securities available for sale.

Changes in assumptions can have a significant impact on the amount of DAC reported for investment products and universal life insurance products and their related amortization patterns. In the event actual experience differs from assumptions or assumptions are revised, we are required to record an increase or decrease in DAC amortization expense ("DAC Unlocking"), which could be significant. In general, increases in the projected general and net separate account returns result in increased projected margins and may lower the rate of DAC amortization, while decreases in the projected general and net separate account returns and/or increases in lapse/surrender and/or mortality assumptions reduce projected margins, and may increase the rate of DAC amortization. Any resulting DAC unlocking adjustments are reflected currently in Ohio National's consolidated statements of operations.

We offer certain sales inducements to policyholders. Sales inducements are product features that enhance the investment yield on a contract. We utilize the following sales inducements: (1) day-one bonuses, which increase the account value at inception and (2) enhanced yield options, which credit interest for a specified period in excess of rates currently being offered for other similar contracts. Sales inducement costs are deferred and amortized using the same methodology and assumptions used to amortize capitalized acquisition costs.

Deferred policy acquisition costs increased $21.8 million or 1.4% from December 31, 2020 to June 30, 2021. The primary driver of the increased in DAC is a $32.4 million increased in Shadow DAC related to the decrease in unrealized gains on securities available for sale. The following table sets forth the primary components of the deferred policy acquisition costs for the periods indicated

	June 30, 2021	December 31, 2020	$ Change	% Change
	(in millions)		(in millions)	
Whole life	$ 555.9	554.7	1.2	0.2%
Term	124.2	127.0	(2.8)	(2.2%)
Universal life	184.5	193.8	(9.3)	(4.8%)
Total life	864.6	875.5	(10.9)	(1.2%)
Variable annuities	822.6	829.0	(6.4)	(0.8%)
Fixed index annuities	40.4	34.9	5.5	15.8%
Group annuities	3.8	4.2	(0.4)	(9.5%)
Total annuities	866.8	868.1	(1.3)	(0.1%)
Individual disability insurance	33.5	31.9	1.6	5.0%
Latin America operations	9.5	9.5	-	0.0%
Shadow DAC	(203.8)	(236.2)	32.4	13.7%
Total deferred policy acquisition costs	$ 1,570.6	1,548.8	21.8	1.4%

		(in millions)
Deferred policy acquisition costs at December 31, 2020	$	**1,548.8**
Capitalized commissions/administrative expenses/sales inducements		55.5
Amortization including sales inducements		(66.1)
Shadow DAC		32.4
Deferred policy acquisition costs at June 30, 2021	$	**1,570.6**

Reinsurance Recoverable. Reinsurance recoverable decreased $207.8 million from December 31, 2020 to June 30, 2021. The decrease was primarily due to a decrease in the fair value of the variable annuity reinsurance contract of $171.1 million. The decrease in the variable annuity reinsurance contract was due to increase in interest rates and increase in equity markets performance.

Reinsurance Deposit Asset. As a result of the treaty with RGA, the Company cedes a portion of its SPDA block of business to RGA. Per GAAP guidance, SPDA policies follow deposit accounting and not reinsurance accounting. The Company has deposit assets of $796.4 million at June 30, 2021, a decrease of $29.0 million from December 31, 2020. The reinsurance deposit asset is reduced by the cash flows on the underlying business reinsured and increased by asset accretion over the life of the treaty or until the value of the asset reduces to zero.

Deferred Federal Income Taxes and *Federal Income Tax Recoverable.* Deferred federal income tax liability net of federal income tax recoverable decreased $92.2 million from a net liability of $193.2 million at December 31, 2020 to a net liability of $101.0 million at June 30, 2021. The primary driver of the $92.2 million decrease is a decrease in Other Comprehensive Income of $53.4 million due to mark-to-market adjustment on fixed income securities recorded in other comprehensive income. The following table summarizes the components of such taxes for the periods indicated:

		December 31, 2020	Federal Income Tax Provision	Non Federal Income Tax Provision	Other Comprehensive Income	Cash Settlements	True-Ups/ Other	Net Change	June 30, 2021
Federal income tax	$	(13.2)	7.5	-	-	-	(2.4)	5.1	(8.1)
Deferred federal income		206.4	(41.7)	-	(53.4)	-	(2.2)	(97.3)	109.1
Net federal income tax	$	193.2	(34.2)	-	(53.4)	-	(4.6)	(92.2)	101.0

Assets Held in Separate Accounts and *Liabilities Related to Separate Accounts.* Separate account assets and liabilities increased $201.0 million from December 31, 2020 to June 30, 2021, as shown in the table below.

		(in millions)
Separate account assets at December 31, 2020	$	**19,486.2**
Net Appreciation		1,762.2
Fund transfers, net		(1,561.2)
Separate account assets at June 30, 2021	$	**19,687.2**

2021 year-to-date separate account return was 9.3%

The majority of the increase is related to $1,762.2 million in net appreciation primarily due to positive account returns. The increase is partially offset by transfer activity from the separate accounts as a result of benefit payments to policyholders, which includes $300.6 million in account value surrendered as a result of the 2021 buyouts.

Future Policy Benefits and Claims. Future policy benefits and claims were $16,565.7 million at June 30, 2021, an increase of $118.7 million from $16,447.0 million at December 31, 2020. The following table summarizes the significant components of future policy benefits and claims.

	June 30, 2021	December 31, 2020	$ Change	% Change
	(in millions)		(in millions)	
Account value on UL	$ 4,101.4	4,077.9	23.5	0.6%
Account value on annuities	4,198.7	4,215.4	(16.7)	(0.4%)
Guaranteed benefits on annuities	1,375.6	1,401.2	(25.6)	(1.8%)
Net level reserves on whole life and term	5,353.8	5,138.9	214.9	4.2%
Net level reserves on DI	291.4	275.2	16.2	5.9%
Latin America reserves	1,063.5	1,086.6	(23.1)	(2.1%)
Domestic policy & contract claims	112.3	117.0	(4.7)	(4.0%)
Domestic shadow reserve	40.7	94.3	(53.6)	(56.8%)
Other	28.3	40.5	(12.2)	(30.1%)
Total future policy benefits and claims	$ 16,565.7	16,447.0	118.7	0.7%

Net level reserves on whole life and term increased $214.9 million from $5,138.9 million at December 31, 2020 to $5,353.8 million at June 30, 2021. The increase in net level reserves on whole life and term was due to current year premiums being greater than reserves released on surrenders and lapses as a result of favorable persistency and mortality on the block of business.

Shadow reserves move in inverse relation with the market. The $53.6 million decrease in domestic shadow reserves from December 31, 2020 to June 30, 2021 is caused by the increase in S&P of 14.4% during the first half of 2021.

Notes Payable net of Unamortized Discount and Issuance Costs. Notes payable were $975.9 million at December 31, 2020 and $976.3 million at June 30, 2021. The following table summarizes notes payable outstanding.

	June 30, 2021	December 31, 2020	$ Change	% Change
	(in millions)		(in millions)	
Surplus notes:				
6.875% fixed rate due 2042	$ 250.0	250.0	-	0.0%
5.000% fixed rate due 2031	4.1	4.1	-	0.0%
5.800% fixed rate due 2027	5.9	5.9	-	0.0%
8.500% fixed rate due 2026	49.9	49.9	-	0.0%
Debt issuance costs	(2.5)	(2.5)	-	0.0%
Senior notes:				
6.625% fixed rate due 2031	247.7	247.6	0.1	0.0%
5.550% fixed rate due 2030	421.2	420.9	0.3	0.1%
Notes payable net of unamortized discount	$ 976.3	975.9	0.4	0.0%

The Company's $425.0 unsecured notes required an interest rate adjustment of 0.25%, increasing the interest rate payment from 5.55% to 5.80% effective with our July 2021 interest payment.

Other Liabilities. Other liabilities decreased $43.2 million, or 7.4% from $581.8 million at December 31, 2020 to $538.6 million at June 30, 2021. The decrease was primarily driven by a decrease of $35.4 million in derivative hedging liability.

Payables for Securities Lending Collateral. The decrease in payables for securities lending collateral of $3.8 million was due to decrease in demand on the part of borrowers for the securities that are owned by Ohio National.

Accumulated Other Comprehensive Income. The following table summarizes, in millions, the components of the $163.1 million decrease in accumulated other comprehensive income from December 31, 2020 to June 30, 2021.

Accumulated other comprehensive income at December 31, 2020	$	**417.1**
Other comprehensive income:		
Unrealized gains on securities available for sale, net		(268.3)
Deferred acquisition costs (shadow DAC)		32.4
Unearned front end loads (shadow UFEL)		(13.7)
SOP 03-1 reserves (shadow SOP 03-1)		5.4
Pensions liability adjustment		2.1
Future policy benefits and claims (shadow reserves)		32.1
Foreign currency translation adjustment		(6.5)
Deferred income taxes		53.4
Total other comprehensive income		(163.1)
Accumulated other comprehensive income at June 30, 2021	$	**254.0**

Liquidity, Asset/Liability Matching, and Capital Resources

Liquidity and capital resources both demonstrate our ability to generate cash flows from operations. Effectively managing our liquidity and capital resources contributes to the financial strength of the Company and our ability to borrow funds at competitive rates to meet operating and growth needs. Management reviews the Company's liquidity position on a regular basis and monitors internal and external factors and events that could have a bearing on liquidity.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Historically and in the long term, our investment philosophy is to generally remain fully invested in assets with maturities and yields that we believe are reasonably matched to our product liabilities. As assets mature, are redeemed or are sold, we evaluate the available investment alternatives and reinvest according to existing and expected product liabilities and expected cash needs.

Our liquidity needs vary by business segment. Factors that affect each business segment's need for liquidity include interest rate levels, customer type, termination or surrender charges, federal income taxes, benefit levels and level of underwriting risk. Our asset/liability management process takes into account the varying liquidity needs of our various business segments. We also recognize the need for funding sources that go beyond the business segments' most stable and fundamental sources, premium collection and investment income, and maintains other sources of liquidity to meet unexpected needs. Funding alternatives that can be accomplished quickly, with the least cost and with the least disruption to normal Company activities, are given the highest priority.

Cash and Short-Term Investments

Our principal capital resources are derived from insurance premiums, deposits to policyholder account balances, investment income, sales, maturities, calls and principal repayments of investments and cash flows from other operations. The principal uses of these funds are investment purchases, payment of policy acquisition costs, payment of policyholder benefits, withdrawal of policyholder account balances, taxes, payment of current operation expenses, and dividends paid to parent. Remaining funds not used as noted above are generally used to increase the asset base to provide funds to meet the need for future policy benefit payments and for writing new business. Total cash and short-term investments were $518.0 million as of June 30, 2021, a decrease of $377.5 million from $895.5 million at December 31, 2020. The decrease in cash and short-term investments in 2021 is mostly a result of deploying the excess cash to purchase bonds with the normal recurring principal and interest inflows, as well as purchasing high-dividend paying common stock. .

In addition to cash, cash equivalents and short-term investments, we also have a large available-for-sale fixed maturity portfolio that could be used to meet liquidity needs. This portfolio consists of U.S. Treasury securities and obligations of the U.S. Government, obligations of states and political subdivisions, debt securities issued by foreign governments, corporate securities, mortgage-backed securities and asset backed securities.

Additional sources of liquidity for Ohio National Financial include a revolving credit facility with a syndicate of banks and the membership of Ohio National Life and Ohio National Assurance in the FHLB.

Revolving Credit Facility

In May 2021, the Company renewed the $900.0 million five-year credit revolver, and $300.0 million and $50 million one-year credit facilities into a $1.5 billion five-year credit facility which can be used for a combined line (maximum $500 million) and letter of credit.

As of December 31, 2020, the Company utilized $440.0 million of the $900.0 million to secure a letter of credit for Sycamore Re with Sunrise Re as the beneficiary, in order to recognize reserve credit under statutory accounting principles. The Company utilized $110.0 million of this facility to secure a letter of credit for Sycamore Re, with Ohio National Life as the beneficiary, in order to recognize reserve credit under statutory accounting principles. The $300.0 million one-year credit facility was utilized at December 31, 2020 for Sycamore Re, with Sunrise Re as the beneficiary, in order to recognize reserve credit under statutory accounting principles.

As of June 30, 2021, with the $1.5 billion five-year credit facility, the Company utilized $670.0 million to secure a letter of credit for Sycamore Re with Sunrise Re as the beneficiary, in order to recognize reserve credit under statutory accounting principles. The Company also utilized $110.0 million of this facility to secure a letter of credit for Sycamore Re, with Ohio National Life as the beneficiary, in order to recognize reserve credit under statutory accounting principles.

Other Liquidity Sources

During 2017, ONSA obtained a new $10.0 million line of credit. The line of credit is for loans for general corporate purposes and is annually renewable. The outstanding balance was $1.9 million and $1.8 million at June 30, 2021 and December 31, 2020 respectively.

Ohio National Life and Ohio National Assurance are members of the FHLB. As of June 30, 2021, Ohio National Life and Ohio National Assurance had issued $350.0 million and $125.0 million, respectively, in funding agreements to the FHLB. Ohio National Life and Ohio National Assurance amount of liability for funding agreements to the FHLB was $395.0 million and $100.0 million as of December 31, 2020, respectively. We utilize funding agreements primarily as a source of additional liquidity, but can also be used as an alternative funding source for our spread lending business. The funding agreement liabilities are included in policyholder account balances. Assets are in a custodial account pledged as collateral for the funding agreements or are pledged under a blanket security agreement. The funding agreements were issued through our general account and were included in the liability for Other policyholder funds on Ohio National's consolidated balance sheet. When a funding agreement is issued, Ohio National Life and Ohio National Assurance are required to post collateral in the form of eligible securities including MBS, government and agency debt instruments and commercial mortgages, for each of the advances that are entered. Upon any event of default by Ohio National Life or Ohio National Assurance, the FHLB's recovery on the collateral is limited to the amount of our liability to the FHLB. The book value of collateral pledged by Ohio National Life and Ohio National Assurance for the funding agreements was $523.9 million as of June 30, 2021 and $598.7 million as of December 31, 2020. Ohio National Life and Ohio National Assurance are required to maintain a specified investment in the stock of FHLB and must purchase stock in the FHLB each time it receives an advance. As of June 30, 2021, Ohio National Life and Ohio National Assurance held $52.1 million of FHLB stock, which is recorded in equity securities and comprises 13.0% of our equities portfolio. As of June 30, 2021, Ohio National Life and Ohio National Assurance's membership in the FHLB allows us to take total advances up to $1.52 billion, which includes $475 million that has already been accessed via funding agreements.

We believe our ability to take advances from the FHLB can be viewed as a redundant layer of liquidity protection to our policyholders. Our liquidity stress testing assumes high cash demands coupled with severely depressed market values for the assets we need to liquidate to meet these demands. These are conditions that might be experienced in times of economic stress coupled with rapidly rising interest rates. The ability to meet such severe circumstances by maintenance of proper asset-liability matching coupled with a redundant outlet provided by the FHLB ensures we can meet our obligations while minimizing harm to our own financial health

Mutual Holding Company Structure and Holding Company Information

On March 22, 2021, the Board of ONMH unanimously approved an agreement to enter into a strategic transaction with Constellation Insurance Holdings, Inc. ("Constellation") whereby Constellation will acquire ONMH. See "Overview" section for additional information.

In 1998, we converted to a mutual holding company structure. Ohio National Mutual, a mutual insurance holding company, currently owns 100% of the outstanding common stock of Ohio National Financial, an intermediate stock holding company. Ohio National Life is a stock life insurance company wholly owned by Ohio National Financial. Ohio National Financial believed that its mutual structure distinguished it from most of its competitors by allowing it to focus on Ohio National Financial's long-term financial strength and stability as well as the needs of its policyholders rather than on short-term earnings.

Current eligible policyholders of Ohio National Life have the right to vote at annual meetings of Ohio National Mutual and to elect the Board of Directors of Ohio National Mutual. Policyholders of Ohio National Assurance, an Ohio corporation and a wholly owned subsidiary of Ohio National Life, do not have membership interests in Ohio National Mutual.

A number of aspects of Ohio National's structure and its relationship with Ohio National Mutual and Ohio National Life are governed by Ohio law relating to the conversion of mutual insurance companies, by the terms of the Plan of Reorganization and by the Undertakings. These requirements and undertakings provide Ohio National Mutual with control of Ohio National Financial beyond that resulting from Ohio National Mutual's voting power.

In connection with the conversion to the mutual holding company structure, we established the Closed Block, which is primarily for the benefit of individual life insurance policies in effect on August 1, 1998 on which dividends were being paid. The Closed Block was designed to give reasonable assurance to the owners of the Closed Block policies that our basis for declaring policy dividends would not be changed as a result of the conversion. We assigned assets to the Closed Block in an amount that, together with anticipated revenues from the policies in the Closed Block, was expected to generate cash

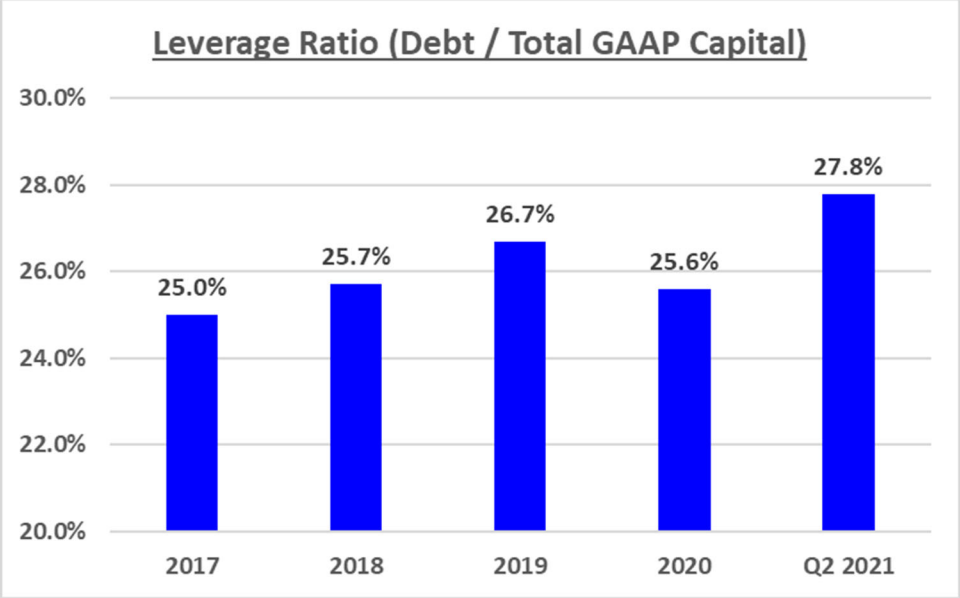
inflows sufficient to support the Closed Block policies, including the payment of claims and certain expenses and taxes, and to provide for continuation of the 1998 dividend scale, assuming the experience underlying that scale continues unchanged. However, dividends on policies in the Closed Block are not guaranteed and, as a result of changes in the cash flows of the Closed Block, the dividend scale on the policies in the Closed Block has been reduced on occasion. We are not required to support dividends on the Closed Block policies from our general funds. We are required to pay guaranteed benefits under all of our policies, including those in the Closed Block. If the assets and cash flows of the Closed Block prove to be insufficient to pay guaranteed benefits on Closed Block policies, we will be required to pay those benefits from our general account assets. The Closed Block will continue in effect until the earlier of the termination or expiration of the last Closed Block policy or the dissolution of the Closed Block. The amount of reserves related to the Closed Block was $541.2 million as of June 30, 2021 and $547.4 million as of December 31, 2020.

The payment of dividends by ONLIC to ONFS and ONLAC to ONLIC is limited by Ohio insurance laws. The maximum dividend that may be paid to ONFS from ONLIC and to ONLIC from ONLAC without prior approval of the Department of Insurance is limited to the greater of ONLIC's or ONLAC's statutory net income of the preceding calendar year or 10% of statutory surplus as of the preceding December 31. Any dividend that exceeds the earned surplus of ONLIC or ONLAC, even if it is within the above parameters, would be deemed extraordinary under Ohio law.

	ONLIC to ONFS		ONLAC to ONLIC	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	(in millions)		(in millions)	
Maximum ordinary dividends..... $	135.0	102.0	23.0	63.0
Dividends declared..... $	40.0	40.0	-	12.0
Dividends paid..... $	40.0	40.0	-	12.0

Notes Payable

The Company's financial leverage as measured by total debt to total GAAP capital is shown below:



Surplus Notes

In June 2012, ONLIC issued a $250.0 million, 6.875% fixed rate surplus note due June 15, 2042. Interest on this surplus note is payable semi-annually on June 15 and December 15. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

In December 2011, ONLIC issued a $4.5 million, 5% fixed rate surplus note to Security Mutual Life Insurance Company of New York ("SML"), as payment for the purchase of additional shares of NSLAC. This note matures on

December 15, 2031. Interest on this surplus note is payable semi-annually on December 15 and June 15. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

In April 2007, ONLIC issued a $6.0 million, 5.8% fixed rate surplus note to SML, as payment for the purchase of a portion of the shares of NSLAC. This note matures on April 1, 2027. Interest on this surplus note is payable semi-annually on April 1 and October 1. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

In May 1996, ONLIC issued $50.0 million, 8.5% fixed rate surplus note, due May 15, 2026. Interest on this surplus note is payable semi-annually on May 15 and November 15. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

The surplus notes have been issued in accordance with Section 3941.13 of the Ohio Revised Code. Interest payments, scheduled semi-annually, must be approved for payment by the Ohio Department of Insurance ("Department"). All issuance costs have been capitalized and are being amortized over the terms of the notes.

Senior Notes

In April 2011, ONFS issued a $250.0 million, 6.625% fixed rate senior note due May 1, 2031. Interest is payable semi-annually on May 1 and November 1. ONFS may redeem this senior note at its option.

In January 2020, the Company issued a $425.0 million, 5.550% fixed rate senior note due January 24, 2030. The proceeds of this note were used to retire the term note issued during 2019. In 2020, the note required an interest rate adjustment of 0.25%, increasing the interest rate payment from 5.55% to 5.80% effective with the Company's July 2021 interest payment.

The senior notes are obligations of ONFS and are not subject to Department approval for payments of principal or interest. Claims of the policyholders of ONLIC and ONLAC have priority over these senior notes if either company is unable to pay policyholder claims.

Statutory Capital and Surplus

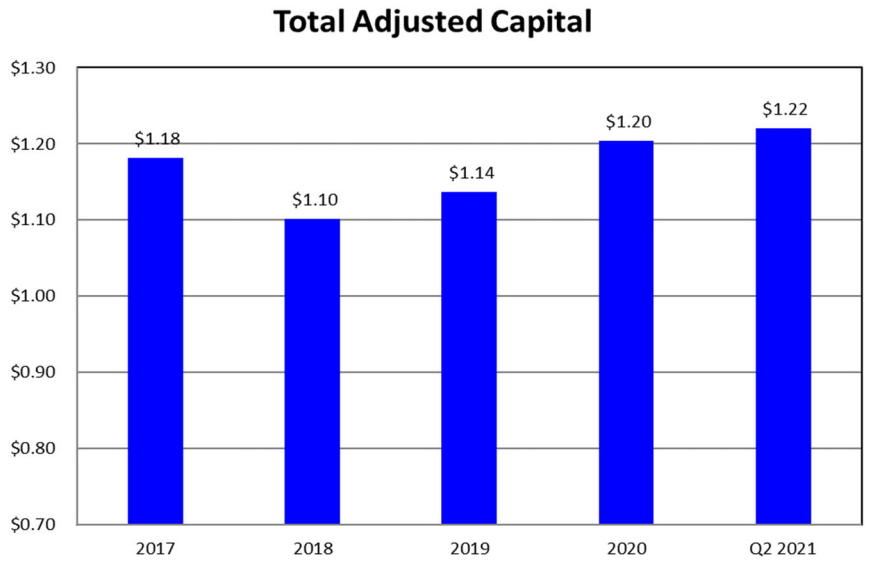
Ohio law requires that Ohio-domiciled life insurers submit to the Ohio Department of Insurance on or before March 1 of each year a report of their RBC levels as of the end of the calendar year just ended based on a formula calculated by applying factors to various asset, premium and reserve items, in accordance with the instructions published by the NAIC (the "RBC Instructions") and adopted by the Ohio Department of Insurance by rule. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, other business risks and such other relevant risks as are set forth in the RBC Instructions. The Ohio Department of Insurance uses the formula only as an early warning regulatory tool to identify possibly inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. Ohio law imposes broad confidentiality requirements on those engaged in the insurance business (including insurers, agents, brokers and others) and on the Ohio Department of Insurance as to the use and publication of RBC data.

Ohio law gives the Ohio Department of Insurance explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital ("TAC") does not exceed certain RBC thresholds. RBC thresholds are determined by reference to an insurer's TAC and authorized control level RBC ("ACL"). An insurer's TAC is its statutory capital and surplus, increased or decreased by such other items, if any, as the RBC Instructions may provide. The RBC Instructions detail required weightings and adjustments to an insurer's TAC depending on its overall risk profile, including the insurer's particular asset risk, insurance risk, interest rate risk and other business risk. An insurer's ACL is determined pursuant to the RBC Instructions and is a level of risk-adjusted capital at which a state insurance regulator may seek rehabilitation or liquidation of the insurer. The value of an insurer's TAC in relation to its ACL, together with any trend in its TAC, is used as a basis for determining regulatory actions that a state insurance regulator may be authorized or required to take with respect to the insurer.

In addition to the triggers based on an insurer's TAC, certain other triggers can constitute RBC events. Such triggers include failure to comply with certain filing requirements, submission of an RBC Plan that is found to be unacceptable or unsatisfactory by the Ohio Department of Insurance, deviation from an RBC Plan, failure to respond to a corrective order and other triggers as specified under Ohio law.

The NAIC adopted several changes to the formula used to calculate RBC for life insurance companies to account for the effects of the Tax Cuts and Jobs Act of 2017, specifically focusing on changes to the RBC ratio denominator in order to reflect the corporate tax rate decrease from 35% to 21%. These changes, which became effective for life insurance company RBC calculations as of December 31, 2018, have increased required capital, which in turn have decreased the statutory RBC ratios of U.S. life insurance companies, including certain of our insurance subsidiaries.

Our primary life insurance subsidiary, ONLIC, had total adjusted capital as follows (dollars in billions):



State regulators and rating agencies do not always use the same methodologies for calculating RBC ratios. There is a risk that a rating agency will not give us credit for certain regulatory RBC rules or permitted practices, which could result in a reduced rating even though the our RBC ratio and those of our insurance subsidiaries remain high based upon state regulatory rules and practices. For our historical RBC ratios, please refer to our Annual Statement NAIC filings.