

ING U.S., Inc.
Form 10-Q
August 09, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _ to _

Commission File Number: 001-35897

ING U.S., Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-1222820

(State or other jurisdiction of incorporation or
organization)

(IRS Employer Identification No.)

230 Park Avenue

New York, New York

10169

(Address of principal executive offices)

(Zip Code)

(212) 309-8200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At August 7, 2013 260,776,492 shares of Common Stock, \$.01 par value, were outstanding.

ING U.S., Inc.
Form 10-Q for the period ended June 30, 2013

INDEX	PAGE
PART I. FINANCIAL INFORMATION (UNAUDITED)	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>7</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>9</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	<u>105</u>
Item 3. <u>Qualitative and Quantitative Disclosure About Market Risk</u>	<u>171</u>
Item 4. <u>Controls and Procedures</u>	<u>180</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>181</u>
Item 1A. <u>Risk Factors</u>	<u>181</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>181</u>
Item 3. <u>Defaults upon Senior Securities</u>	<u>181</u>
Item 5. <u>Other Information</u>	<u>181</u>
Item 6. <u>Exhibits</u>	<u>182</u>
<u>Signature</u>	<u>183</u>
<u>Exhibit Index</u>	<u>184</u>

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Results of Operations and Financial Condition," contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in operations and financial results and the business and products of ING U.S., Inc. (the "Company"), as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on us. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which are subject to change. These uncertainties and contingencies could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Factors that could cause such differences include, but are not limited to, those discussed in Part I, Item 2. "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Part II, Item 1A. "Risk Factors" of this Form 10-Q as well as those discussed in "Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Condition - Trends and Uncertainties" and "Business - Closed Blocks - Closed Blocks Variable Annuity" in the Company's prospectus dated May 1, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended (the "Securities Act"), on May 3, 2013 (the "IPO Prospectus") and the Company's prospectus dated July 11, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act on July 12, 2013 (the "Offering Prospectus").

The risks included here are not exhaustive. The IPO Prospectus, the Offering Prospectus, current reports on Form 8-K and other documents filed with the SEC include additional factors that could affect our businesses and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ING U.S., Inc.

Condensed Consolidated Balance Sheets

June 30, 2013 (Unaudited) and December 31, 2012

(In millions, except share and per share data)

	June 30, 2013	December 31, 2012
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$65,829.2 at 2013 and \$62,955.4 at 2012)	\$69,843.4	\$70,910.3
Fixed maturities, at fair value using the fair value option	2,771.6	2,771.3
Equity securities, available-for-sale, at fair value (cost of \$240.8 at 2013 and \$297.9 at 2012)	281.0	340.1
Short-term investments	2,404.8	5,991.2
Mortgage loans on real estate, net of valuation allowance of \$4.1 at 2013 and \$3.9 at 2012	8,929.1	8,662.3
Policy loans	2,144.9	2,200.3
Limited partnerships/corporations	430.2	465.1
Derivatives	1,174.4	2,374.5
Other investments	168.4	167.0
Securities pledged (amortized cost of \$1,300.8 at 2013 and \$1,470.0 at 2012)	1,357.0	1,605.5
Total investments	89,504.8	95,487.6
Cash and cash equivalents	1,549.8	1,786.8
Short-term investments under securities loan agreements, including collateral delivered	411.8	664.0
Accrued investment income	910.4	863.5
Reinsurance recoverable	7,053.0	7,379.3
Deferred policy acquisition costs and Value of business acquired	5,060.5	3,656.3
Sales inducements to contract holders	277.0	212.7
Goodwill and other intangible assets	333.0	348.5
Other assets	1,271.3	1,362.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	2,987.7	2,931.2
Cash and cash equivalents	936.6	440.8
Corporate loans, at fair value using the fair value option	4,573.5	3,559.3
Other assets	25.2	34.3
Assets held in separate accounts	102,228.9	97,667.4
Total assets	\$217,123.5	\$216,394.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Balance Sheets
June 30, 2013 (Unaudited) and December 31, 2012
(In millions, except share and per share data)

	June 30, 2013	December 31, 2012
Liabilities and Shareholders' Equity:		
Future policy benefits	\$14,963.9	\$15,493.6
Contract owner account balances	70,598.0	70,562.1
Payables under securities loan agreement, including collateral held	470.6	1,509.8
Short-term debt	138.6	1,064.6
Long-term debt	3,265.7	3,171.1
Funds held under reinsurance agreements	1,281.6	1,236.6
Derivatives	1,320.9	1,944.2
Pension and other post-employment provisions	896.5	903.2
Current income taxes	12.8	11.7
Deferred income taxes	202.5	1,042.7
Other liabilities	1,363.8	1,604.2
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	4,881.3	3,829.4
Other liabilities	851.3	292.4
Liabilities related to separate accounts	102,228.9	97,667.4
Total liabilities	202,476.4	200,333.0
Shareholders' equity:		
Common stock (900,000,000 shares authorized, 260,855,612 and 230,079,120 issued as of June 30, 2013 and December 31, 2012, respectively, and 260,776,492 and 230,000,000 outstanding as of June 30, 2013 and December 31, 2012, respectively, net of 79,120 of Treasury shares as of June 30, 2013 and December 31, 2012; \$0.01 par value per share)	2.6	2.3
Additional paid-in capital	23,498.7	22,917.6
Accumulated other comprehensive income (loss)	2,087.8	3,710.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	(61.2	) 6.4
Unappropriated	(13,056.3	) (12,762.1
Total ING U.S., Inc. shareholders' equity	12,471.6	13,874.9
Noncontrolling interest	2,175.5	2,186.3
Total shareholders' equity	14,647.1	16,061.2
Total liabilities and shareholders' equity	\$217,123.5	\$216,394.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ING U.S., Inc.

Condensed Consolidated Statements of Operations

For the Three and Six Months Ended June 30, 2013, and 2012 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Net investment income	\$1,112.2	\$1,138.9	\$2,310.9	\$2,416.3
Fee income	909.7	862.9	1,801.6	1,751.9
Premiums	474.8	474.8	946.7	936.4
Net realized gains (losses):				
Total other-than-temporary impairments	(9.7	) (10.1	) (21.3	) (17.4
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(2.5	) (4.0	) (3.1	) (4.4
Net other-than-temporary impairments recognized in earnings	(7.2	) (6.1	) (18.2	) (13.0
Other net realized capital gains (losses)	(558.7	) 491.8	(1,422.5	) (751.2
Total net realized capital gains (losses)	(565.9	) 485.7	(1,440.7	) (764.2
Other revenue	106.1	100.5	201.7	189.5
Income (loss) related to consolidated investment entities:				
Net investment income (loss)	166.8	368.1	211.0	403.0
Changes in fair value related to collateralized loan obligations	(63.1	) (69.0	) (72.0	) (85.7
Total revenues	2,140.6	3,361.9	3,959.2	4,847.2
Benefits and expenses:				
Policyholder benefits	711.0	924.8	1,251.5	1,372.9
Interest credited to contract owner account balance	518.9	586.8	1,039.8	1,156.9
Operating expenses	770.2	712.6	1,529.3	1,472.0
Net amortization of deferred policy acquisition costs and value of business acquired	124.5	216.2	255.0	389.9
Interest expense	43.8	38.1	88.2	62.4
Operating expenses related to consolidated investment entities:				
Interest expense	43.4	25.6	80.2	47.8
Other expense	4.0	4.7	4.7	5.1
Total benefits and expenses	2,215.8	2,508.8	4,248.7	4,507.0
Income (loss) before income taxes	(75.2	) 853.1	(289.5	) 340.2
Income tax expense	10.1	1.0	21.3	8.9
Net income (loss)	(85.3	) 852.1	(310.8	) 331.3
Less: Net income (loss) attributable to noncontrolling interest	(3.1	) 217.7	(16.6	) 202.1
Net income (loss) available to ING U.S., Inc.'s common shareholders	\$(82.2	) \$634.4	\$(294.2	) \$129.2
Net income (loss) available to ING U.S., Inc.'s common shareholders per common share:				
Basic	\$(0.33	) \$2.76	\$(1.22	) \$0.56
Diluted	\$(0.33	) \$2.76	\$(1.22	) \$0.56

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.

Condensed Consolidated Statements of Comprehensive Income

For the Three and Six Months Ended June 30, 2013, and 2012 (Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss)	\$(85.3	) \$852.1	\$(310.8	) \$331.3
Other comprehensive income (loss), before tax:				
Unrealized gains/losses on securities	(2,110.3	) 649.8	(2,510.2	) 574.1
Other-than-temporary impairments	20.4	11.1	31.3	23.9
Pension and other postretirement benefits liability	(3.4	) (3.7	) (6.9	) (7.5
Other comprehensive income (loss), before tax	(2,093.3	) 657.2	(2,485.8	) 590.5
Income tax expense (benefit) related to items of other comprehensive income (loss)	(728.3	) 222.7	(862.9	) 164.0
Other comprehensive income (loss), after tax	(1,365.0	) 434.5	(1,622.9	) 426.5
Comprehensive income (loss)	(1,450.3	) 1,286.6	(1,933.7	) 757.8
Less: Comprehensive income (loss) attributable to the noncontrolling interest	(3.1	) 217.7	(16.6	) 202.1
Comprehensive income (loss) attributable to ING U.S., Inc.'s common shareholders	\$(1,447.2	) \$1,068.9	\$(1,917.1	) \$555.7

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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ING U.S., Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Six Months Ended June 30, 2013 and 2012 (Unaudited)

(In millions)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained (Deficit) Earnings Appropriated	Retained (Deficit) Earnings Unappropriated	Total ING U.S., Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance at January 1, 2013	\$ 2.3	\$ 22,917.6	\$ 3,710.7	\$ 6.4	\$ (12,762.1)	\$ 13,874.9	\$ 2,186.3	\$ 16,061.2
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	(294.2)	(294.2)	(16.6)	(310.8)
Other comprehensive income (loss), after tax	—	—	(1,622.9)	—	—	(1,622.9)	—	(1,622.9)
Total comprehensive income (loss)						(1,917.1)	(16.6)	(1,933.7)
Reclassification of noncontrolling interest	—	—	—	(67.6)	—	(67.6)	67.6	—
Common Stock Issuance	0.3	571.7	—	—	—	572.0	—	572.0
Employee related benefits	—	9.4	—	—	—	9.4	—	9.4
Contribution from (Distribution to) noncontrolling interest, net	—	—	—	—	—	—	(61.8)	(61.8)
Balance at June 30, 2013	\$ 2.6	\$ 23,498.7	\$ 2,087.8	\$ (61.2)	\$ (13,056.3)	\$ 12,471.6	\$ 2,175.5	\$ 14,647.1

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained (Deficit) Earnings Appropriated	Retained (Deficit) Earnings Unappropriated	Total ING U.S., Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholder's Equity
Balance at January 1, 2012	\$ 2.3	\$ 22,865.2	\$ 2,595.0	\$ 126.5	\$ (13,235.1)	\$ 12,353.9	\$ 1,572.2	\$ 13,926.1
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	129.2	129.2	202.1	331.3
Other comprehensive income (loss), after tax	—	—	426.5	—	—	426.5	—	426.5
Total comprehensive income (loss)						555.7	202.1	757.8
	—	—	—	(88.9)	—	(88.9)	88.9	—

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Reclassification of noncontrolling interest								
Common Stock Issuance	—	—	—	—	—	—	—	—
Employee related benefits	—	21.1	—	—	—	21.1	—	21.1
Contribution from (Distribution to) noncontrolling interest, net	—	—	—	—	—	—	377.9	377.9
Balance at June 30, 2012	\$ 2.3	\$ 22,886.3	\$ 3,021.5	\$ 37.6	\$ (13,105.9)	\$ 12,841.8	\$ 2,241.1	\$ 15,082.9

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2013, and 2012 (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2013	2012
Net cash provided by operating activities	\$ 1,289.9	\$ 1,347.0
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	7,714.4	9,420.2
Equity securities, available-for-sale	32.0	32.9
Mortgage loans on real estate	790.4	806.2
Loan - Dutch State obligation	—	192.3
Limited partnerships/corporations	54.0	300.3
Acquisition of:		
Fixed maturities	(10,478.1	) (8,501.7
Equity securities, available-for-sale	(10.9	) (12.5
Mortgage loans on real estate	(1,033.8	) (1,068.9
Limited partnerships/corporations	(8.7	) (38.4
Short-term investments, net	3,586.4	(2,192.2
Policy loans, net	55.4	54.9
Derivatives, net	(1,293.4	) (528.4
Other investments, net	11.5	3.2
Sales from consolidated investment entities	1,508.9	749.2
Purchase of consolidated investment entities	(2,027.2	) (1,180.6
Collateral (delivered) received, net	(787.0	) 502.3
Purchases of fixed assets, net	(15.1	) (24.9
Other, net	—	(4.7
Net cash used in investing activities	(1,901.2	) (1,490.8

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2013 and 2012 (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2013	2012
Cash Flows from Financing Activities:		
Deposits received for investment contracts	5,917.2	8,828.7
Maturities and withdrawals from investment contracts	(6,226.0	) (9,958.5
Proceeds from issuance of debt with maturities of more than three months	1,748.9	2,082.8
Repayment of debt with maturities of more than three months	(2,408.7	) (73.3
Short-term debt, net	(171.6	) 26.0
Debt issuance costs	(19.6	) (29.4
Borrowings of consolidated investment entities	27.7	45.7
Repayments of debt of consolidated investment entities	(7.8	) (43.3
Contributions from participants in consolidated investment entities	942.2	442.4
Proceeds from issuance of common stock, net	572.0	—
Net cash provided by financing activities	374.3	1,321.1
Net (decrease) increase in cash and cash equivalents	(237.0	) 1,177.3
Cash and cash equivalents, beginning of period	1,786.8	638.0
Cash and cash equivalents, end of period	\$1,549.8	\$1,815.3
Supplemental cash flow information:		
Income taxes paid, net	\$(2.4	) \$(27.9
Interest paid	64.1	31.8

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

1. Business, Basis of Presentation and Significant Accounting Policies

Business

ING U.S., Inc. and its subsidiaries (collectively "the Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products, guaranteed investment contracts and funding agreements. The Company provides its principal products and services in three businesses (Retirement Solutions, Investment Management and Insurance Solutions) and reports results through five ongoing operating segments, including Retirement, Annuities, Investment Management, Individual Life and Employee Benefits. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

In 2009, ING Groep N.V. ("ING Group" or "ING") announced the anticipated separation of its global banking and insurance businesses, including the divestiture of the Company. On April 11, 2013, the Company announced plans to rebrand in the future as Voya Financial. On May 2, 2013, the common stock of ING U.S., Inc. began trading on the New York Stock Exchange under the symbol "VOYA." On May 7, 2013, ING U.S., Inc. completed the offering of 65,192,307 shares of its common stock, including the issuance and sale by ING U.S., Inc. of 30,769,230 shares of common stock and the sale by ING Insurance International B.V. ("ING International"), an indirect wholly owned subsidiary of ING Group and previously the sole stockholder of ING U.S., Inc., of 34,423,077 shares of outstanding common stock of ING U.S., Inc. (collectively, the "IPO"). The IPO price of the shares sold in the IPO was \$19.50 per share. The Company received net proceeds of \$572.0 after deducting underwriting fees of \$21.8 and \$6.2 of incremental offering costs directly attributable to the IPO, and used the net proceeds received from the IPO to fund certain capital management activities. The Company did not receive any proceeds from the sale of shares by ING International. Immediately following the closing of the IPO on May 7, 2013, ING International owned 75% of the outstanding common stock of ING U.S., Inc.

On May 31, 2013, in connection with the option granted to the underwriters in the IPO to acquire up to an additional 9,778,846 shares of ING U.S., Inc. common stock from ING International, the underwriters exercised such option (ultimately acquiring an additional 9,778,696 shares) and ING International's ownership of ING U.S., Inc.'s common stock was reduced to 71%. The Company did not receive any proceeds from the sale of such additional shares by ING International.

ING International is a subsidiary of ING Verzekeringen N.V. ("ING V"), which is a wholly owned subsidiary of ING Insurance Topholding N.V. ("ING Topholding"), which is a wholly owned subsidiary of ING Group, the ultimate parent company. ING is a global financial services holding company based in The Netherlands, with American Depository Shares listed on the New York Stock Exchange under the symbol "ING."

In August 2013, ING Group announced that ING International, ING V and ING Topholding will distribute shares of common stock of ING U.S., Inc. that are held directly by ING International as a dividend in kind to ING Group (effectively removing ING International, ING V and ING Topholding from the chain of intermediate ownership, and

resulting in such shares being held directly by ING Group). Subject to receipt of regulatory approvals and/or notices of non-objection, as the case may be, this transaction is expected to be completed on September 30, 2013.

Basis of Presentation

On April 10, 2013, the Company's Board of Directors authorized 1,000,000,000 shares, of which 900,000,000 shares, par value \$0.01 per share, are designated as common stock and 100,000,000 shares, par value \$0.01 per share, are designated as preferred stock. In addition, the Company's Board of Directors authorized a 2,295.248835-for-1 split of the Company's common stock. These actions were subsequently approved by the Company's sole stockholder on April 10, 2013 and effected on April 11, 2013, resulting in 230,079,120 shares of common stock issued, including 79,120 shares of Treasury stock, and 230,000,000 shares of common stock outstanding and held by ING International, prior to the IPO. The accompanying Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements give retroactive effect to the stock split for all periods presented. There are no preferred shares issued or outstanding.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are unaudited. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

The Condensed Consolidated Financial Statements include the accounts of ING U.S., Inc. and its subsidiaries, as well as partnerships (voting interest entities ("VOEs")) in which the Company has control and variable interest entities ("VIEs") for which the Company is the primary beneficiary. See the Consolidated Investment Entities Note to these Condensed Consolidated Financial Statements.

Certain immaterial reclassifications have been made to prior year financial information to conform to the current year classifications. Intercompany transactions and balances have been eliminated.

The accompanying Condensed Consolidated Financial Statements reflect all adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2013, its results of operations, comprehensive income, changes in shareholders' equity and cash flows for the three and six months ended June 30, 2013 and 2012, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's prospectus dated May 1, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended (the "Securities Act"), on May 3, 2013 (the "IPO Prospectus"), the Company's prospectus dated July 11, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act on July 12, 2013 (the "Offering Prospectus"), current reports on Form 8-K and other documents filed with the SEC that affect the Company's financial performance.

Adoption of New Pronouncements

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11, "Balance Sheet (Accounting Standards Codification ("ASC") Topic 210): Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), which requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (ASC Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"), which clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASU Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or

subject to an enforceable master netting arrangement or similar agreement.

The provisions of ASU 2013-01 and ASU 2011-11 were adopted retrospectively by the Company on January 1, 2013. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the pronouncement only pertains to additional disclosure. The disclosures required by ASU 2011-11 and ASU 2013-01 are included in the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements.

Disclosures about Amounts Reclassified out of Accumulated Other Comprehensive Income ("AOCI")

In January 2013, the FASB issued ASU 2013-02, "Comprehensive Income (ASC Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"), which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The provisions of ASU 2013-02 were adopted by the Company on January 1, 2013. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the pronouncement only pertains to additional disclosure. The disclosures required by ASU 2013-02, including comparative period disclosures, are included in the Accumulated Other Comprehensive Income Note to these Condensed Consolidated Financial Statements.

Future Adoption of Accounting Pronouncements

Joint and Several Liability Arrangements

In February 2013, the FASB issued ASU 2013-04, "Liabilities (ASC Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date" ("ASU 2013-04"), which requires an entity to measure obligations resulting from joint and several liable arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of (1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount it expects to pay on behalf of its co-obligors. ASU 2013-04 also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations.

The provisions of ASU 2013-04 are effective for years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied retrospectively for those obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's year of adoption. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2013-04.

Investment Companies

In June 2013, the FASB issued ASU 2013-08, "Financial Services-Investment Companies (ASC Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements" ("ASU 2013-08"), which provides comprehensive guidance for assessing whether an entity is an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value. ASU 2013-08 also requires an entity to disclose that it is an investment company and any changes to that status, as well as information about financial support provided or required to be provided to investees.

The provisions of ASU 2013-08 are effective for interim and annual reporting periods in years beginning after December 15, 2013, and should be applied prospectively for entities that are investment companies upon the effective date of the amendments. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2013-08.

Derivatives and Hedging

In July 2013, the FASB issued ASU 2013-10, "Derivatives and Hedging (ASC Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2013-10"), which permits an entity to use the Fed Funds Effective Swap Rate ("OIS") to be used as a U.S. benchmark interest rate for hedge accounting purposes. In addition, the guidance removes the restriction on using different benchmark rates for similar hedges.

The provisions of ASU 2013-10 are effective for qualifying new or redesigned hedges entered into on or after July 17, 2013. The Company does not expect ASU 2013-10 to have an impact on its financial condition, results of operations or cash flows.

Income Taxes

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (ASC Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"), which clarifies that:

An unrecognized tax benefit should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except,

An unrecognized tax benefit should be presented as a liability and not be combined with a deferred tax asset (i) to the extent a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or (ii) the tax law does not require the entity to use, or the entity does not intend to use, the deferred tax asset for such a purpose.

The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The provisions of ASU 2013-11 are effective for years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The Company does not expect ASU 2013-11 to have an impact on its financial condition, results of operations or cash flows, as the guidance is consistent with that currently applied.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of June 30, 2013:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives ⁽²⁾	Fair Value	OTTI ⁽³⁾
Fixed maturities:						
U.S. Treasuries	\$5,610.1	\$377.2	\$64.6	\$—	\$5,922.7	\$—
U.S. Government agencies and authorities	702.0	36.6	0.5	—	738.1	—
State, municipalities and political subdivisions	278.3	15.0	0.8	—	292.5	—
U.S. corporate securities	35,244.5	2,387.9	565.5	—	37,066.9	13.0
Foreign securities: ⁽¹⁾						
Government	1,080.8	53.7	42.7	—	1,091.8	—
Other	13,945.1	888.4	177.4	—	14,656.1	—
Total foreign securities	15,025.9	942.1	220.1	—	15,747.9	—
Residential mortgage-backed securities:						
Agency	5,510.0	483.0	52.8	101.9	6,042.1	1.1
Non-Agency	1,353.2	165.4	42.9	59.2	1,534.9	118.9
Total Residential mortgage-backed securities	6,863.2	648.4	95.7	161.1	7,577.0	120.0
Commercial mortgage-backed securities	4,014.6	414.9	3.6	—	4,425.9	4.4
Other asset-backed securities	2,163.0	97.8	52.5	(7.3	) 2,201.0	5.2
Total fixed maturities, including securities pledged	69,901.6	4,919.9	1,003.3	153.8	73,972.0	142.6
Less: Securities pledged	1,300.8	71.6	15.4	—	1,357.0	—
Total fixed maturities	68,600.8	4,848.3	987.9	153.8	72,615.0	142.6
Equity securities:						
Common stock	188.9	1.1	0.2	—	189.8	—
Preferred stock	51.9	39.3	—	—	91.2	—
Total equity securities	240.8	40.4	0.2	—	281.0	—

Total fixed maturities and equity securities investments	\$68,841.6	\$4,888.7	\$988.1	\$153.8	\$72,896.0	\$142.6
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(1) Primarily U.S. dollar denominated.

(2) Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

(3) Represents Other-than Temporary-Impairments ("OTTI") reported as a component of Other comprehensive income.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2012:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives ⁽²⁾	Fair Value	OTTI ⁽³⁾
Fixed maturities:						
U.S. Treasuries	\$5,194.3	\$691.2	\$1.8	\$—	\$5,883.7	\$—
U.S. Government agencies and authorities	645.4	78.8	—	—	724.2	—
State, municipalities and political subdivisions	320.2	32.6	—	—	352.8	—
U.S. corporate securities	32,986.1	4,226.6	48.8	—	37,163.9	13.4
Foreign securities ⁽¹⁾ :						
Government	1,069.4	125.2	4.6	—	1,190.0	—
Other	13,321.8	1,527.4	54.7	—	14,794.5	—
Total foreign securities	14,391.2	1,652.6	59.3	—	15,984.5	—
Residential mortgage-backed securities:						
Agency	5,071.6	633.3	14.8	156.0	5,846.1	1.2
Non-Agency	1,612.6	198.6	71.9	81.6	1,820.9	139.6
Total Residential mortgage-backed securities	6,684.2	831.9	86.7	237.6	7,667.0	140.8
Commercial mortgage-backed securities	4,438.9	513.6	6.1	—	4,946.4	4.4
Other asset-backed securities	2,536.4	128.4	90.0	(10.2)	2,564.6	15.4
Total fixed maturities, including securities pledged	67,196.7	8,155.7	292.7	227.4	75,287.1	174.0
Less: Securities pledged	1,470.0	139.6	4.1	—	1,605.5	—
Total fixed maturities	65,726.7	8,016.1	288.6	227.4	73,681.6	174.0
Equity securities:						
Common stock	194.4	13.2	1.0	—	206.6	—
Preferred stock	103.5	30.0	—	—	133.5	—
Total equity securities	297.9	43.2	1.0	—	340.1	—
Total fixed maturities and equity securities investments	\$66,024.6	\$8,059.3	\$289.6	\$227.4	\$74,021.7	\$174.0

⁽¹⁾ Primarily U.S. dollar denominated.

⁽²⁾ Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

⁽³⁾ Represents OTTI reported as a component of Other comprehensive income.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of June 30, 2013, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called, or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	\$2,390.5	\$2,471.6
After one year through five years	15,121.5	15,862.9
After five years through ten years	19,373.8	19,928.2
After ten years	19,975.0	21,505.4
Mortgage-backed securities	10,877.8	12,002.9
Other asset-backed securities	2,163.0	2,201.0
Fixed maturities, including securities pledged	\$69,901.6	\$73,972.0

The investment portfolio is monitored to maintain a diversified portfolio on an ongoing basis. Credit risk is mitigated by monitoring concentrations by issuer, sector and geographic stratification and limiting exposure to any one issuer.

As of June 30, 2013 and December 31, 2012, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's consolidated Shareholders' equity.

The following tables set forth the composition of the U.S. and foreign corporate securities within the fixed maturity portfolio by industry category as of the dates indicated:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
June 30, 2013				
Communications	\$4,043.7	\$332.7	\$56.7	\$4,319.7
Financial	6,086.4	537.6	76.2	6,547.8
Industrial and other companies	28,528.9	1,637.2	490.6	29,675.5
Utilities	9,069.8	672.7	94.7	9,647.8
Transportation	1,460.8	96.1	24.7	1,532.2
Total	\$49,189.6	\$3,276.3	\$742.9	\$51,723.0
December 31, 2012				
Communications	\$3,609.5	\$563.4	\$2.4	\$4,170.5
Financial	5,912.9	749.4	46.7	6,615.6
Industrial and other companies	26,613.3	3,063.3	24.2	29,652.4
Utilities	8,893.1	1,210.5	28.9	10,074.7
Transportation	1,279.1	167.4	1.3	1,445.2

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Total	\$46,307.9	\$5,754.0	\$103.5	\$51,958.4
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The Company invests in various categories of Collateralized mortgage obligations ("CMOs"), including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of June 30, 2013 and December 31, 2012, approximately 31.5% and 33.1%, respectively, of the Company's CMO holdings, such as interest-only or principal-only strips were invested in those types of CMOs which are subject to more prepayment and extension risk than traditional CMOs.

Repurchase Agreements

The Company engages in dollar repurchase agreements with mortgage-backed securities ("dollar rolls") and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. As of June 30, 2013 and December 31, 2012, the Company did not have any securities pledged in dollar rolls and repurchase agreement transactions. The Company also enters into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. As of June 30, 2013 and December 31, 2012, the Company did not have any securities pledged under reverse repurchase agreements.

Securities Lending

The Company engages in securities lending whereby certain domestic securities from its portfolio are loaned to other institutions for short periods of time. As of June 30, 2013 and December 31, 2012, the fair value of loaned securities was \$363.3 and \$601.8, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of June 30, 2013 and December 31, 2012, collateral retained by the lending agent and invested in liquid assets on the Company's behalf was \$376.5 and \$619.5, respectively, and recorded in Short-term investments under securities loan agreement, including collateral delivered on the Condensed Consolidated Balance Sheets. As of June 30, 2013 and December 31, 2012, liabilities to return collateral of \$376.5 and \$619.5, respectively, were included in Payables under securities loan agreement, including collateral held on the Condensed Consolidated Balance Sheets.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of June 30, 2013:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	\$2,626.9	\$58.2	\$45.5	\$6.4	\$—	\$—	\$2,672.4	\$64.6
U.S. Government agencies and authorities	56.9	0.5	—	—	—	—	56.9	0.5
U.S. corporate, state and municipalities	8,739.5	457.8	723.2	82.7	195.4	25.8	9,658.1	566.3
Foreign	3,316.3	185.9	103.4	9.2	201.6	25.0	3,621.3	220.1
Residential mortgage-backed	1,807.4	39.2	195.9	7.7	384.8	48.8	2,388.1	95.7
Commercial mortgage-backed	—	—	3.6	—	40.9	3.6	44.5	3.6
Other asset-backed	257.0	1.7	14.9	0.1	423.2	50.7	695.1	52.5
Total	\$16,804.0	\$743.3	\$1,086.5	\$106.1	\$1,245.9	\$153.9	\$19,136.4	\$1,003.3

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2012:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	\$451.2	\$1.8	\$—	\$—	\$—	\$—	\$451.2	\$1.8
U.S. Government agencies and authorities	—	—	—	—	—	—	—	—
U.S. corporate, state and municipalities	1,333.4	19.2	116.5	3.0	231.2	26.6	1,681.1	48.8
Foreign	360.2	12.7	59.8	7.4	314.9	39.2	734.9	59.3
Residential mortgage-backed	369.3	6.4	42.0	2.1	585.1	78.2	996.4	86.7
Commercial mortgage-backed	22.0	0.2	15.3	1.7	44.4	4.2	81.7	6.1
Other asset-backed	70.2	—	7.0	1.2	609.2	88.8	686.4	90.0
Total	\$2,606.3	\$40.3	\$240.6	\$15.4	\$1,784.8	\$237.0	\$4,631.7	\$292.7

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 89.3% and 88.3% of the average book value as of June 30, 2013 and December 31, 2012, respectively.

Unrealized capital losses (including noncredit impairments) in fixed maturities, including securities pledged, for instances in which fair value declined below amortized cost by greater than or less than 20% for consecutive months as indicated in the tables below, were as follows as of the dates indicated:

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
June 30, 2013						
Six months or less below amortized cost	\$17,670.9	\$142.0	\$756.1	\$35.3	1,180	27
More than six months and twelve months or less below amortized cost	1,523.5	16.1	135.8	3.7	178	8
More than twelve months below amortized cost	659.9	127.3	37.9	34.5	226	35
Total	\$19,854.3	\$285.4	\$929.8	\$73.5	1,584	70

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December 31, 2012

Six months or less below amortized cost	\$3,154.6	\$42.1	\$95.2	\$11.4	308	21
More than six months and twelve months or less below amortized cost	363.3	30.2	19.5	10.3	83	9
More than twelve months below amortized cost	940.1	394.1	35.9	120.4	221	95
Total	\$4,458.0	\$466.4	\$150.6	\$142.1	612	125

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Unrealized capital losses (including noncredit impairments) in fixed maturities, including securities pledged, by market sector for instances in which fair value declined below amortized cost by greater than or less than 20% were as follows as of the dates indicated:

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
June 30, 2013						
U.S. Treasuries	\$2,737.0	\$—	\$64.6	\$—	20	—
U.S. Government agencies and authorities	57.4	—	0.5	—	2	—
U.S. corporate, state and municipalities	10,150.0	74.4	547.6	18.7	655	3
Foreign	3,763.3	78.1	201.4	18.7	287	8
Residential mortgage-backed	2,409.2	74.6	75.2	20.5	492	46
Commercial mortgage-backed	48.1	—	3.6	—	8	—
Other asset-backed	689.3	58.3	36.9	15.6	120	13
Total	\$19,854.3	\$285.4	\$929.8	\$73.5	1,584	70
December 31, 2012						
U.S. Treasuries	\$453.0	\$—	\$1.8	\$—	3	—
U.S. Government agencies and authorities	—	—	—	—	—	—
U.S. corporate, state and municipalities	1,688.5	41.4	33.1	15.7	109	3
Foreign	684.9	109.3	24.1	35.2	50	14
Residential mortgage-backed	938.3	144.8	42.5	44.2	343	77
Commercial mortgage-backed	85.9	1.9	5.6	0.5	19	1
Other asset-backed	607.4	169.0	43.5	46.5	88	30
Total	\$4,458.0	\$466.4	\$150.6	\$142.1	612	125

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize loan-to-value, credit enhancement and fixed floating rate details for RMBS and Other ABS in a gross unrealized loss position as of the dates indicated:

	Loan-to-Value Ratio		Unrealized Capital Losses	
	Amortized Cost			
June 30, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS ⁽¹⁾				
Non-agency RMBS > 100%	\$253.3	\$33.7	\$13.8	\$8.7
Non-agency RMBS 90% - 100%	242.4	37.5	13.6	9.3
Non-agency RMBS 80% - 90%	186.3	22.4	12.3	6.7
Non-agency RMBS < 80%	358.7	17.3	23.7	4.4
Agency RMBS	1,827.5	19.8	46.4	6.3
Other ABS (Non-RMBS)	230.3	2.2	2.3	0.7
Total RMBS and Other ABS	\$3,098.5	\$132.9	\$112.1	\$36.1

	Credit Enhancement Percentage		Unrealized Capital Losses	
	Amortized Cost			
June 30, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS ⁽¹⁾				
Non-agency RMBS 10% +	\$618.2	\$61.3	\$46.7	\$15.9
Non-agency RMBS 5% - 10%	107.3	0.1	4.0	—
Non-agency RMBS 0% - 5%	194.6	8.1	6.1	2.0
Non-agency RMBS 0%	120.6	41.4	6.6	11.2
Agency RMBS	1,827.5	19.8	46.4	6.3
Other ABS (Non-RMBS)	230.3	2.2	2.3	0.7
Total RMBS and Other ABS	\$3,098.5	\$132.9	\$112.1	\$36.1

	Fixed Rate/Floating Rate		Unrealized Capital Losses	
	Amortized Cost			
June 30, 2013	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$1,782.9	\$11.0	\$43.1	\$3.3
Floating Rate	1,315.6	121.9	69.0	32.8
Total	\$3,098.5	\$132.9	\$112.1	\$36.1

⁽¹⁾ For purposes of this table, subprime mortgages are included in Non-agency RMBS categories.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

December 31, 2012	Loan-to-Value Ratio		Unrealized Capital Losses	
	Amortized Cost < 20%	> 20%	< 20%	> 20%
RMBS and Other ABS ⁽¹⁾				
Non-agency RMBS > 100%	\$ 562.3	\$ 203.8	\$ 39.5	\$ 58.0
Non-agency RMBS 90% - 100%	134.2	35.2	12.8	10.7
Non-agency RMBS 80% - 90%	78.9	46.9	7.5	12.1
Non-agency RMBS < 80%	288.9	17.5	14.0	5.5
Agency RMBS	398.0	8.1	11.0	3.8
Other ABS (Non-RMBS)	83.4	2.3	1.2	0.6
Total RMBS and Other ABS	\$ 1,545.7	\$ 313.8	\$ 86.0	\$ 90.7

December 31, 2012	Credit Enhancement Percentage		Unrealized Capital Losses	
	Amortized Cost < 20%	> 20%	< 20%	> 20%
RMBS and Other ABS ⁽¹⁾				
Non-agency RMBS 10% +	\$ 706.8	\$ 187.1	\$ 53.8	\$ 51.2
Non-agency RMBS 5% - 10%	187.6	2.2	6.8	0.7
Non-agency RMBS 0% - 5%	89.4	12.3	7.6	4.2
Non-agency RMBS 0%	80.5	101.8	5.6	30.2
Agency RMBS	398.0	8.1	11.0	3.8
Other ABS (Non-RMBS)	83.4	2.3	1.2	0.6
Total RMBS and Other ABS	\$ 1,545.7	\$ 313.8	\$ 86.0	\$ 90.7

December 31, 2012	Fixed Rate/Floating Rate		Unrealized Capital Losses	
	Amortized Cost < 20%	> 20%	< 20%	> 20%
Fixed Rate	\$ 669.4	\$ 33.3	\$ 14.2	\$ 10.2
Floating Rate	876.3	280.5	71.8	80.5
Total	\$ 1,545.7	\$ 313.8	\$ 86.0	\$ 90.7

⁽¹⁾ For purposes of this table, subprime mortgages are included in Non-agency RMBS categories.

All investments with fair values less than amortized cost are included in the Company's other-than-temporary impairments analysis, and impairments were recognized as disclosed in the "Evaluating Securities for Other-Than-Temporary Impairments" section below. The Company evaluates non-agency RMBS and ABS for "other-than-temporary impairments" each quarter based on actual and projected cash flows after considering the quality and updated loan-to-value ratios reflecting current home prices of underlying collateral, forecasted loss severity, the payment priority within the tranche structure of the security and amount of any credit enhancements. The Company's assessment of current levels of cash flows compared to estimated cash flows at the time the securities were acquired indicates the amount and the pace of projected cash flows from the underlying collateral has generally been lower and slower, respectively. However, since cash flows are typically projected at a trust level, the impairment review incorporates the security's position within the trust structure as well as credit enhancement remaining in the

trust to determine whether an impairment is warranted. Therefore, while lower and slower cash flows will impact the trust, the effect on a particular security within the trust will be dependent upon the trust structure. Where the assessment continues to project full recovery of principal and interest on schedule, the Company has not recorded an impairment. Unrealized losses on below investment grade securities are principally related to RMBS (primarily Alt-A RMBS), and ABS (primarily subprime RMBS) largely due to economic and market uncertainties including concerns over unemployment levels, lower interest rate environment on floating rate securities

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

requiring higher risk premiums since purchase and valuations on residential real estate supporting non-agency RMBS. Based on this analysis, the Company determined that the remaining investments in an unrealized loss position were not other-than-temporarily impaired and therefore no further other-than-temporary impairment was necessary.

Fixed Maturity Securities Credit Quality - Ratings

Information about certain of the Company's fixed maturity securities holdings by NAIC designations is set forth in the following tables. Corresponding rating agency designation does not directly translate into NAIC designation, but represents the Company's best estimate of comparable ratings from rating agencies, including Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"). If no rating is available from a rating agency, then an internally developed rating is used.

The fixed maturities in the Company's portfolio are generally rated by external rating agencies and, if not externally rated, are rated by the Company on a basis similar to that used by the rating agencies. Ratings are derived from three ARO ratings and are applied as follows based on the number of agency ratings received:

- when three ratings are received, the middle rating is applied;
- when two ratings are received, the lower rating is applied;
- when a single rating is received, the ARO rating is applied; and
- when ratings are unavailable, an internal rating is applied.

Subprime and Alt-A Mortgage Exposure

The Company does not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. The Company defines Alt-A mortgages to include the following: residential mortgage loans to customers who have strong credit profiles but lack some element(s), such as documentation to substantiate income; residential mortgage loans to borrowers that would otherwise be classified as prime but whose loan structure provides repayment options to the borrower that increase the risk of default; and any securities backed by residential mortgage collateral not clearly identifiable as prime or subprime.

The Company's exposure to subprime mortgage-backed securities is primarily in the form of ABS structures collateralized by subprime residential mortgages and the majority of these holdings are included in Other ABS in the "Fixed Maturities and Equity Securities" section above. As of June 30, 2013, the fair value and gross unrealized losses related to the Company's exposure to subprime mortgage-backed securities were \$802.8 and \$50.2, respectively, representing 1.1% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2012, the fair value and gross unrealized losses related to the Company's exposure to subprime mortgage-backed securities were \$967.3 and \$89.1, respectively, representing 1.3% of total fixed maturities, including securities pledged, based on fair value.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the Company's exposure to subprime mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

		% of Total Subprime Mortgage-backed Securities							
		NAIC Designation	ARO Ratings		Vintage				
June 30, 2013									
	1	58.3	%	AAA	0.4	%	2007	28.7	%
	2	8.3	%	AA	1.1	%	2006	32.7	%
	3	22.7	%	A	5.4	%	2005 and prior	38.6	%
	4	9.5	%	BBB	6.0	%		100.0	%
	5	1.0	%	BB and below	87.1	%			
	6	0.2	%		100.0	%			
		100.0	%						
December 31, 2012									
	1	60.3	%	AAA	1.1	%	2007	29.1	%
	2	11.9	%	AA	1.0	%	2006	36.8	%
	3	16.7	%	A	5.4	%	2005 and prior	34.1	%
	4	8.1	%	BBB	6.0	%		100.0	%
	5	2.8	%	BB and below	86.5	%			
	6	0.2	%		100.0	%			
		100.0	%						

The Company's exposure to Alt-A mortgages is included in Residential mortgage-backed securities in the "Fixed Maturities and Equity Securities" section above. As of June 30, 2013, the fair value and gross unrealized losses related to the Company's exposure to Alt-A RMBS aggregated to \$376.3 and \$25.8, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2012, the fair value and gross unrealized losses related to the Company's exposure to Alt-A RMBS aggregated to \$411.3 and \$47.9, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the Company's exposure to Alt-A residential mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

		% of Total Alt-A Mortgage-backed Securities			Vintage		
		NAIC Designation	ARO Ratings				
June 30, 2013							
	1	43.6	% AAA	0.1	% 2007	21.1	%
	2	12.9	% AA	0.3	% 2006	25.9	%
	3	24.4	% A	1.8	% 2005 and prior	53.0	%
	4	15.6	% BBB	3.7		100.0	%
	5	2.8	% BB and below	94.1			
	6	0.7	%	100.0			
		100.0	%				
December 31, 2012							
	1	34.1	% AAA	0.2	% 2007	20.4	%
	2	11.9	% AA	1.2	% 2006	25.9	%
	3	18.8	% A	1.5	% 2005 and prior	53.7	%
	4	26.9	% BBB	4.1		100.0	%
	5	7.5	% BB and below	93.0			
	6	0.8	%	100.0			
		100.0	%				

Commercial Mortgage-backed and Other Asset-backed Securities

As of June 30, 2013 and December 31, 2012, the fair value of the Company's CMBS totaled \$4.4 billion and \$4.9 billion, respectively. As of June 30, 2013 and December 31, 2012, the gross unrealized losses related to CMBS totaled \$3.6 and \$6.1, respectively. CMBS investments represent pools of commercial mortgages that are broadly diversified across property types and geographical areas.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the Company's exposure to CMBS holdings by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total CMBS		ARO Ratings		Vintage		
	NAIC Designation						
June 30, 2013							
	1	98.7	% AAA	37.3	% 2008	0.2	%
	2	0.9	% AA	18.4	% 2007	37.0	%
	3	0.3	% A	11.1	% 2006	31.4	%
	4	0.1	% BBB	18.1	% 2005 and prior	31.4	%
	5	—	% BB and below	15.1	%	100.0	%
	6	—	%	100.0	%		
		100.0	%				
December 31, 2012							
	1	98.3	% AAA	38.1	% 2008	0.3	%
	2	1.4	% AA	17.2	% 2007	37.4	%
	3	0.2	% A	11.2	% 2006	30.2	%
	4	0.1	% BBB	17.8	% 2005 and prior	32.1	%
	5	—	% BB and below	15.7	%	100.0	%
	6	—	%	100.0	%		
		100.0	%				

As of June 30, 2013 and December 31, 2012, the fair value of the Company's Other ABS, excluding subprime exposure, totaled \$1.4 billion and \$1.6 billion, respectively. As of June 30, 2013 and December 31, 2012, the gross unrealized losses related to Other ABS, excluding subprime exposure, totaled \$3.0 and \$1.8, respectively.

As of June 30, 2013, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 40.0%, 3.5% and 35.5%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2012, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 40.5%, 4.1% and 33.3%, respectively, of total Other ABS, excluding subprime exposure.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the Company's exposure to Other ABS holdings, excluding subprime exposure, by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Other ABS		ARO Ratings		Vintage				
	NAIC Designation								
June 30, 2013									
	1	98.4	%	AAA	92.7	%	2013	3.6	%
	2	0.9	%	AA	2.1	%	2012	23.5	%
	3	—	%	A	3.6	%	2011	12.6	%
	4	—	%	BBB	0.9	%	2010	5.4	%
	5	—	%	BB and below	0.7	%	2009	2.2	%
	6	0.7	%		100.0	%	2008	5.0	%
		100.0	%				2007 and prior	47.7	%
								100.0	%
December 31, 2012									
	1	97.7	%	AAA	91.9	%	2012	24.6	%
	2	1.7	%	AA	0.9	%	2011	14.9	%
	3	0.1	%	A	4.9	%	2010	5.8	%
	4	—	%	BBB	1.7	%	2009	2.1	%
	5	—	%	BB and below	0.6	%	2008	5.9	%
	6	0.5	%		100.0	%	2007	18.4	%
		100.0	%				2006 and prior	28.3	%
								100.0	%

Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructure when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. As of June 30, 2013, the Company had no new private placement troubled debt restructurings and no new commercial mortgage loan troubled debt restructurings. As of December 31, 2012, the Company had one private placement troubled debt restructuring with a pre-modification carrying value of \$1.2, which was written down to zero and no commercial mortgage loan troubled debt restructurings.

During the three and six months ended June 30, 2013 and 2012, the Company had no commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default.

Mortgage Loans on Real Estate

The Company's mortgage loans on real estate are all commercial mortgage loans held for investment, which are reported at amortized cost, less impairment write-downs and allowance for losses. At June 30, 2013, the Company had one mortgage property held-for-sale valued at \$9.0, which represents the lower of cost or fair value less estimated costs to sell. The Company diversifies its commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. The Company manages

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

risk when originating commercial mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate. Subsequently, the Company continuously evaluates all mortgage loans based on relevant current information including an appraisal of loan-specific credit quality, property characteristics and market trends. Loan performance is monitored on a loan specific basis through the review of submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review ensures properties are performing at a consistent and acceptable level to secure the debt.

The following table summarizes the Company's investment in mortgage loans as of the dates indicated:

	June 30, 2013	December 31, 2012
Commercial mortgage loans	\$8,933.2	\$8,666.2
Collective valuation allowance	(4.1	) (3.9
Total net commercial mortgage loans	\$8,929.1	\$8,662.3

There were no impairments taken on the mortgage loan portfolio for the three and six months ended June 30, 2013 and 2012.

The following table summarizes the activity in the allowance for losses for all commercial mortgage loans for the periods indicated:

	June 30, 2013	December 31, 2012
Collective valuation allowance for losses, balance at January 1	\$3.9	\$4.4
Addition to (reduction of) allowance for losses	0.2	(0.5
Collective valuation allowance for losses, end of period	\$4.1	\$3.9

The carrying values and unpaid principal balances of impaired mortgage loans were as follows as of the dates indicated:

	June 30, 2013	December 31, 2012
Impaired loans without allowances for losses	\$16.8	\$16.8
Unpaid principal balance of impaired loans	31.9	31.9

There were no impaired mortgage loans with allowances for losses as of June 30, 2013 and December 31, 2012.

The following table presents information on loans in foreclosure as of the dates indicated:

	June 30, 2013	December 31, 2012
Loans in foreclosure, at amortized cost ⁽¹⁾	\$9.0	\$9.0

⁽¹⁾ Amounts included in Loans in foreclosure, which were also impaired, are included in the Impaired loans, average investment during the period as shown in the table below.

There were no restructured loans or loans 90 days or more past due as of June 30, 2013 and December 31, 2012.

There were four mortgage loans in the Company's portfolio in process of foreclosure as of June 30, 2013 and December 31, 2012, with a total amortized cost of \$9.0. There were no other loans in arrears with respect to principal and interest as of June 30, 2013 and December 31, 2012.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents information on the average investment during the period in impaired loans and interest income recognized on impaired and troubled debt restructured loans for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Impaired loans, average investment during period (amortized cost)	\$16.8	\$32.4
Interest income recognized on impaired loans, on an accrual basis	0.1	0.3
Interest income recognized on impaired loans, on a cash basis	0.1	0.3
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	0.1

	Six Months Ended June 30,	
	2013	2012
Impaired loans, average investment during period (amortized cost)	\$16.8	\$36.6
Interest income recognized on impaired loans, on an accrual basis	0.3	0.3
Interest income recognized on impaired loans, on a cash basis	0.3	0.5
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	0.3

Loan-to-value ("LTV") and debt service coverage ("DSC") ratios are measures commonly used to assess the risk and quality of mortgage loans. The LTV ratio, calculated at time of origination, is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of a property's net income to its debt service payments. A DSC ratio of less than 1.0 indicates that property's operations do not generate sufficient income to cover debt payments. These ratios are utilized as part of the review process described above.

The following table presents the LTV ratios as of the dates indicated:

	June 30, 2013 ⁽¹⁾	December 31, 2012 ⁽¹⁾
Loan-to-Value Ratio:		
0% - 50%	\$1,803.4	\$1,987.9
50% - 60%	2,416.2	2,425.2
60% - 70%	4,271.5	3,736.1
70% - 80%	408.6	481.7
80% and above	33.5	35.3
Total Commercial mortgage loans	\$8,933.2	\$8,666.2

⁽¹⁾ Balances do not include allowance for mortgage loan credit losses.

The following table presents the DSC ratios as of the dates indicated:

	June 30, 2013 ⁽¹⁾	December 31, 2012 ⁽¹⁾
Debt Service Coverage Ratio:		
Greater than 1.5x	\$6,091.6	\$5,953.7
1.25x - 1.5x	1,477.0	1,336.3
1.0x - 1.25x	1,012.5	992.7
Less than 1.0x	343.1	374.6

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Commercial mortgage loans secured by land or construction loans	9.0	8.9
Total Commercial mortgage loans	\$8,933.2	\$8,666.2

⁽¹⁾ Balances do not include allowance for mortgage loan credit losses.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Properties collateralizing mortgage loans are geographically dispersed throughout the United States, as well as diversified by property type, as reflected in the following tables as of the dates indicated:

	June 30, 2013 ⁽¹⁾		December 31, 2012 ⁽¹⁾		
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:					
Pacific	\$2,090.1	23.3	% \$1,973.9	22.8	%
South Atlantic	1,706.6	19.1	% 1,687.6	19.4	%
West South Central	1,246.3	14.0	% 1,176.3	13.6	%
Middle Atlantic	1,142.9	12.8	% 1,059.5	12.2	%
East North Central	1,006.7	11.3	% 962.8	11.1	%
Mountain	711.1	8.0	% 718.2	8.3	%
West North Central	502.7	5.6	% 537.5	6.2	%
New England	322.1	3.6	% 334.6	3.9	%
East South Central	204.7	2.3	% 215.8	2.5	%
Total Commercial mortgage loans	\$8,933.2	100.0	% \$8,666.2	100.0	%

⁽¹⁾ Balances do not include allowance for mortgage loan credit losses.

	June 30, 2013 ⁽¹⁾		December 31, 2012 ⁽¹⁾		
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total	
Commercial Mortgage Loans by Property Type:					
Industrial	\$3,183.4	35.7	% \$3,361.5	38.8	%
Retail	2,653.1	29.7	% 2,350.2	27.1	%
Office	1,281.0	14.3	% 1,284.7	14.8	%
Apartments	994.1	11.1	% 952.1	11.0	%
Hotel/Motel	323.3	3.6	% 280.6	3.2	%
Mixed Use	157.3	1.8	% 74.0	0.9	%
Other	341.0	3.8	% 363.1	4.2	%
Total Commercial mortgage loans	\$8,933.2	100.0	% \$8,666.2	100.0	%

⁽¹⁾ Balances do not include allowance for mortgage loan credit losses.

The following table sets forth the breakdown of mortgages by year of origination as of the dates indicated:

	June 30, 2013 ⁽¹⁾	December 31, 2012 ⁽¹⁾
Year of Origination:		
2013	\$1,028.7	\$—
2012	1,783.6	1,821.0
2011	1,893.8	1,940.8
2010	414.6	429.9
2009	173.9	175.1

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2008	517.0	725.1
2007 and prior	3,121.6	3,574.3
Total Commercial mortgage loans	\$8,933.2	\$8,666.2

⁽¹⁾ Balances do not include allowance for mortgage loan credit losses.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Evaluating Securities for Other-Than-Temporary Impairments

The Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings, including fixed maturity securities and equity securities in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

The following tables identify the Company's credit-related and intent-related impairments included in the Condensed Consolidated Statements of Operations, excluding impairments included in Other comprehensive income (loss) by type for the periods indicated:

	Three Months Ended June 30,		2012	
	2013	No. of Securities	Impairment	No. of Securities
U.S. corporate	\$—	—	\$0.7	1
Foreign ⁽¹⁾	—	—	1.3	3
Residential mortgage-backed	5.2	64	3.5	64
Commercial mortgage-backed	—	—	—	—
Other asset-backed	0.2	3	0.6	3
Equity	1.8	1	—	—
Total	\$7.2	68	\$6.1	71

⁽¹⁾ Primarily U.S. dollar denominated.

	Six Months Ended June 30,		2012	
	2013	No. of Securities	Impairment	No. of Securities
U.S. corporate	\$—	—	\$1.0	2
Foreign ⁽¹⁾	—	—	2.2	5
Residential mortgage-backed	8.8	93	6.8	81
Commercial mortgage-backed	0.1	2	1.7	1
Other asset-backed	7.5	5	1.3	5
Equity	1.8	1	—	—
Total	\$18.2	101	\$13.0	94

⁽¹⁾ Primarily U.S. dollar denominated.

The above tables include \$7.2 and \$10.8 of write-downs related to credit impairments for the three and six months ended June 30, 2013, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. For the three months ended June 30, 2013, there were no write downs, relating to intent impairments. For the six months ended June 30, 2013, the remaining \$7.4 in write downs, are related to intent impairments.

The above tables include \$4.8 and \$8.6 of write-downs related to credit impairments for the three and six months ended June 30, 2012, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$1.3 and \$4.4 in write-downs for the three and six months ended June 30, 2012, respectively, are related to intent impairments.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize these intent impairments, which are also recognized in earnings, by type for the periods indicated:

	Three Months Ended June 30, 2013		2012	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate	\$—	—	\$0.6	1
Foreign ⁽¹⁾	—	—	0.7	2
Commercial mortgage-backed	—	—	—	—
Other asset-backed	—	—	—	—
Total	\$—	—	\$1.3	3

⁽¹⁾ Primarily U.S. dollar denominated.

	Six Months Ended June 30, 2013		2012	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate	\$—	—	\$1.0	2
Foreign ⁽¹⁾	—	—	1.5	4
Commercial mortgage-backed	0.1	2	1.7	1
Other asset-backed	7.3	2	0.2	1
Total	\$7.4	4	\$4.4	8

⁽¹⁾ Primarily U.S. dollar denominated.

The Company may sell securities during the period in which fair value has declined below amortized cost for fixed maturities or cost for equity securities. In certain situations, new factors, including changes in the business environment, can change the Company's previous intent to continue holding a security. Accordingly, these factors may lead the Company to record additional intent related capital losses.

The fair value of fixed maturities with OTTI as of June 30, 2013 and December 31, 2012 was \$7.6 billion and \$9.0 billion, respectively.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Net Investment Income

The following table summarizes Net investment income for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Fixed maturities	\$980.7	\$1,058.4
Equity securities, available-for-sale	0.5	5.9
Mortgage loans on real estate	125.5	133.0
Policy loans	29.7	30.7
Short-term investments and cash equivalents	1.0	1.9
Other	(24.4	) (86.9
Gross investment income	1,113.0	1,143.0
Less: Investment expenses	0.8	4.1
Net investment income	\$1,112.2	\$1,138.9
	Six Months Ended June 30,	
	2013	2012
Fixed maturities	\$1,993.3	\$2,138.3
Equity securities, available-for-sale	3.1	9.1
Mortgage loans on real estate	243.7	255.4
Policy loans	59.6	61.4
Short-term investments and cash equivalents	1.9	2.9
Other	11.5	(45.9
Gross investment income	2,313.1	2,421.2
Less: Investment expenses	2.2	4.9
Net investment income	\$2,310.9	\$2,416.3

As of June 30, 2013 and December 31, 2012, the Company had \$0.1 and \$0.3, respectively, of investments in fixed maturities which produced no net investment income. Fixed maturities are moved to a non-accrual status immediately when the investment defaults.

Net Realized Capital Gains (Losses)

Net realized capital gains (losses) are comprised of the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also primarily generated from changes in fair value of embedded derivatives within product guarantees and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Net realized capital gains (losses) were as follows for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Fixed maturities, available-for-sale, including securities pledged	\$(3.0	) \$53.8
Fixed maturities, at fair value option	(217.9	) 2.5
Equity securities, available-for-sale	(1.9	) (0.9
Derivatives	(706.2	) 1,035.1
Embedded derivative - fixed maturities	(50.2	) 19.8
Embedded derivative - product guarantees	413.5	(626.5
Other investments	(0.2	) 1.9
Net realized capital gains (losses)	\$(565.9	) \$485.7
After-tax net realized capital gains (losses)	\$(370.8	) \$335.7

	Six Months Ended June 30,	
	2013	2012
Fixed maturities, available-for-sale, including securities pledged	\$6.4	\$182.1
Fixed maturities, at fair value option	(325.5	) (122.6
Equity securities, available-for-sale	(1.7	) 1.7
Derivatives	(1,805.9	) (633.3
Embedded derivative - fixed maturities	(73.5	) 3.6
Embedded derivative - product guarantees	759.8	(196.4
Other investments	(0.3	) 0.7
Net realized capital gains (losses)	\$(1,440.7	) \$(764.2
After-tax net realized capital gains (losses)	\$(939.5	) \$(538.7

Proceeds from the sale of fixed maturities and equity securities, available-for-sale and the related gross realized gains and losses, before tax, were as follows for the periods indicated:

	Six Months Ended June 30,	
	2013	2012
Proceeds on sales	\$4,722.8	\$6,379.8
Gross gains	77.0	225.3
Gross losses	21.1	27.0

3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

Interest rate caps: The Company uses interest rate cap contracts to hedge the interest rate exposure arising from duration mismatches between assets and liabilities. Interest rate caps are also used to hedge interest rate exposure if rates rise above a specified level. Such increases in rates will require the Company to incur additional expenses. The future payout from the interest rate caps fund this increased exposure. The Company pays an upfront premium to purchase these caps. The Company utilizes these contracts in qualifying hedging relationships as well as

non-qualifying hedging relationships.

Interest rate swaps: Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and/or liabilities. Interest rate swaps are also used to

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

hedge the interest rate risk associated with the value of assets it owns or in an anticipation of acquiring them. Using interest rate swaps, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest payments, calculated by reference to an agreed upon notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made to/from the counterparty at each due date. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

Foreign exchange swaps: The Company uses foreign exchange or currency swaps to reduce the risk of change in the value, yield or cash flows associated with certain foreign denominated invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows against U.S. dollar cash flows at regular periods, typically quarterly or semi-annually. The Company utilizes these contracts in non-qualifying hedging relationships.

Credit default swaps: Credit default swaps are used to reduce credit loss exposure with respect to certain assets that the Company owns, or to assume credit exposure on certain assets that the Company does not own. Payments are made to or received from the counterparty at specified intervals. In the event of a default on the underlying credit exposure, the Company will either receive a payment (purchased credit protection) or will be required to make a payment (sold credit protection) equal to the par minus recovery value of the swap contract. The Company utilizes these contracts in non-qualifying hedging relationships.

Total return swaps: The Company uses total return swaps as a hedge against a decrease in variable annuity account values, which are invested in certain indices. Using total return swaps, the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of assets or a market index and the LIBOR rate, calculated by reference to an agreed upon notional principal amount. No cash is exchanged at the onset of the contracts. Cash is paid and received over the life of the contract based upon the terms of the swaps. The Company utilizes these contracts in non-qualifying hedging relationships.

Currency forwards: The Company uses currency forward contracts to hedge policyholder liabilities associated with the variable annuity contracts which are linked to foreign indices. The currency fluctuations may result in a decrease in account values, which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company utilizes these contracts in non-qualifying hedging relationships.

Forwards: The Company uses forward contracts to hedge certain invested assets against movement in interest rates, particularly mortgage rates. The Company uses To Be Announced mortgage-backed securities as an economic hedge against rate movements. The Company utilizes forward contracts in non-qualifying hedging relationships.

Futures: Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may result in a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of the fixed index annuity ("FIA") contracts. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margin with the

exchange on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships.

Swaptions: A swaption is an option to enter into a swap with a forward starting effective date. The Company uses swaptions to hedge the interest rate exposure associated with the minimum crediting rate and book value guarantees embedded in the retirement products that the Company offers. Increases in interest rates will generate losses on assets that are backing such liabilities. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. Swaptions are also used to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to contract holders of FIA contracts and the interest rate swaptions offset this increased exposure. The Company pays a premium when it purchases the swaption. The Company utilizes these contracts in non-qualifying hedging relationships.

Options: The Company uses put options to manage the equity, interest rate and equity volatility risk of the economic liabilities associated with certain variable annuity minimum guaranteed living benefits. The Company also uses call options to hedge against an increase in various equity indices. Such increases may result in increased payments to the holders of the FIA contracts. The Company pays an upfront premium to purchase these options. The Company utilizes these options in non-qualifying hedging relationships.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Variance swaps: The Company uses variance swaps to manage equity volatility risk on the economic liabilities associated with certain minimum guaranteed living benefits. An increase in the equity volatility results in a higher valuations of such liabilities. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on the changes in equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

Managed custody guarantees ("MCG"): The Company issues certain credited rate guarantees on externally managed variable bond funds that represent stand-alone derivatives. The market value is partially determined by, among other things, levels of or changes in interest rates, prepayment rates and credit ratings/spreads.

Embedded derivatives: The Company also invests in certain fixed maturity instruments and has issued certain annuity products that contain embedded derivatives whose market value is at least partially determined by, among other things, levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity rates, or credit ratings/spreads. In addition, the Company has entered into a coinsurance with a funds withheld arrangement which contains an embedded derivative whose fair value is based on the change in the fair value of the underlying assets held in trust. The embedded derivatives for certain fixed maturity instruments, certain annuity products and coinsurance with funds withheld arrangements are reported with the host contract in investments, in Future policy benefits or Funds held under reinsurance agreements, respectively, on the Condensed Consolidated Balance Sheets. Changes in the fair value of embedded derivatives within fixed maturity investments and within annuity products are recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. Changes in fair value of embedded derivatives with reinsurance agreements are reported in Policyholder benefits in the Condensed Consolidated Statements of Operations.

The Company's use of derivatives is limited mainly to economic hedging to reduce the Company's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, exchange rate risk, and market risk. It is the Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement, which provides the Company with the legal right of offset.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The notional amounts and fair values of derivatives were as follows as of the dates indicated:

	June 30, 2013			December 31, 2012		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting ⁽¹⁾						
Cash flow hedges:						
Interest rate contracts	\$875.0	\$120.6	\$—	\$1,000.0	\$215.4	\$—
Fair value hedges:						
Interest rate contracts	1,372.5	12.7	109.7	291.1	—	16.4
Derivatives: Non-qualifying for hedge accounting ⁽¹⁾						
Interest rate contracts ⁽²⁾	59,840.5	780.2	1,101.6	69,719.2	1,981.1	1,545.0
Foreign exchange contracts	1,782.7	44.0	61.9	1,985.8	11.3	95.0
Equity contracts	12,923.8	171.9	17.0	14,890.4	103.4	235.1
Credit contracts	3,016.0	45.0	30.7	3,106.0	63.3	52.7
Managed custody guarantees	N/A	—	—	N/A	—	—
Embedded derivatives:						
Within fixed maturity investments	N/A	153.8	—	N/A	227.4	—
Within annuity products	N/A	—	2,889.4	N/A	—	3,571.7
Within reinsurance agreements	N/A	—	96.3	N/A	—	169.5
Total		\$1,328.2	\$4,306.6		\$2,601.9	\$5,685.4

⁽¹⁾ Open derivative contracts are reported as Derivatives assets or liabilities on the Condensed Consolidated Balance Sheets at fair value.

⁽²⁾ As of June 30, 2013, includes a notional amount, asset fair value and liability fair value for interest rate caps of \$6.5 billion, \$61.0 and \$8.5, respectively. As of December 31, 2012, includes a notional amount, asset fair value and liability fair value for interest rate caps of \$4.5 billion, \$17.7 and \$0.6, respectively.

N/A - Not Applicable

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions is through the fourth quarter of 2016.

Although the Company has not elected to net its derivative exposures, the notional amounts and fair values of derivatives eligible for offset were as follows as of the dates indicated:

	June 30, 2013		
	Notional Amount	Assets Fair Value	Liability Fair Value
Credit contracts	\$3,016.0	\$45.0	\$30.7
Equity contracts	3,987.2	142.8	14.2
Foreign exchange contracts	1,782.7	44.0	61.9
Interest rate contracts	60,185.4	898.5	1,193.5
		\$1,130.3	\$1,300.3

Counterparty netting ⁽¹⁾	\$ (753.3	)	\$ (753.3)
Cash collateral netting ⁽²⁾	(140.4	)	(51.4)
Securities collateral netting ⁽²⁾	(25.6	)	(403.3)
Net receivables/payables	\$211.0		\$92.3	

⁽¹⁾ Represents the netting of receivable balances with payable balances for the same counterparty under enforceable netting agreements.

⁽²⁾ Represents the netting of collateral received and posted on a counterparty basis under credit support agreements.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	December 31, 2012		
	Notional Amount	Assets Fair Value	Liability Fair Value
Credit contracts	\$3,106.0	\$63.3	\$52.7
Equity contracts	3,967.0	79.1	19.1
Foreign exchange contracts	1,985.8	11.3	95.0
Interest rate contracts	71,010.3	2,196.5	1,561.4
		\$2,350.2	\$1,728.2
Counterparty netting ⁽¹⁾		\$(1,126.9	) \$(1,126.9
Cash collateral netting ⁽²⁾		(943.4	) (85.7
Securities collateral netting ⁽²⁾		(68.6	) (395.6
Net receivables/payables		\$211.3	\$120.0

⁽¹⁾ Represents the netting of receivable balances with payable balances for the same counterparty under enforceable netting agreements.

⁽²⁾ Represents the netting of collateral received and posted on a counterparty basis under credit support agreements.

Collateral

Under the terms of the Company's Over-The-Counter ("OTC") Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties, collateral to assure that all terms of the ISDA agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for the Company to pay interest on any cash received equal to the Federal Funds rate. To the extent cash collateral is received and delivered, it is included in Payables under securities loan agreements, including collateral held and Short-term investments under securities loan agreements, including collateral delivered, respectively, on the Condensed Consolidated Balance Sheets and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any obligations. Investment grade bonds owned by the Company are the source of noncash collateral posted, which is reported in Securities pledged on the Condensed Consolidated Balance Sheets. As of June 30, 2013, the Company held \$86.2 and \$4.4 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2012, the Company held \$890.3 of net cash collateral related to OTC derivative contracts. In addition, as of June 30, 2013 and December 31, 2012, the Company delivered securities as collateral of \$993.7 and \$1.0 billion, respectively.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Net realized gains (losses) on derivatives were as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	
Derivatives: Qualifying for hedge accounting ⁽¹⁾					
Cash flow hedges:					
Interest rate contracts	\$—	\$—	\$0.1	\$—	
Fair value hedges:					
Interest rate contracts	25.3	(5.6) 26.6	(7.0)
Derivatives: Non-qualifying for hedge accounting ⁽²⁾					
Interest rate contracts	(553.4	) 716.1	(809.4	) 270.6
Foreign exchange contracts	30.5	64.8	117.6	52.5	
Equity contracts	(212.8) 262.5	(1,151.9) (966.3)
Credit contracts	4.2	(2.7	) 11.1	16.9
Managed custody guarantees	0.1	0.1	0.1	1.1	
Embedded derivatives:					
Within fixed maturity investments ⁽²⁾	(50.2	) 19.8	(73.5	) 3.6
Within annuity products ⁽²⁾	413.4	(626.6) 759.7	(197.5)
Within reinsurance agreements ⁽³⁾	58.5	(21.4) 73.2	(20.4)
Total	\$(284.4) \$407.0	\$(1,046.4) \$(846.5)

⁽¹⁾ Changes in value for effective fair value hedges are recorded in Other net realized capital gains (losses). Changes in fair value upon disposal for effective cash flow hedges are amortized through Net investment income and the ineffective portion is recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. For the three and six months ended June 30, 2013 and 2012, ineffective amounts were immaterial.

⁽²⁾ Changes in value are included in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

⁽³⁾ Changes in value are included in Policyholder benefits in the Condensed Consolidated Statements of Operations.

Credit Default Swaps

As of June 30, 2013, the fair values of credit default swaps of \$45.0 and \$30.7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2012, the fair values of credit default swaps of \$63.3 and \$52.7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of June 30, 2013, the maximum potential future net exposure to the Company was \$1.0 billion, net of purchased protection of \$1.0 billion on credit default swaps. As of December 31, 2012, the maximum potential future net exposure to the Company was \$1.1 billion, net of purchased protection of \$1.0 billion on credit default swaps.

4. Fair Value Measurements (excluding Consolidated Investment Entities)

Fair Value Measurement

The Company categorizes its financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique, pursuant to the Fair Value Measurements and disclosures of the FASB ASC Topic 820. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3), as described in the Fair Value Measurements Note in the Consolidated Financial Statements included in the Company's IPO Prospectus. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

When available, the estimated fair value of financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, including discounted cash flow methodologies, matrix pricing, or other similar techniques.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$5,251.0	\$671.7	\$—	\$5,922.7	
U.S. Government agencies and authorities	—	738.1	—	738.1	
U.S. corporate, state and municipalities	—	36,894.2	465.2	37,359.4	
Foreign ⁽¹⁾	—	15,649.2	98.7	15,747.9	
Residential mortgage-backed securities	—	7,460.1	116.9	7,577.0	
Commercial mortgage-backed securities	—	4,425.9	—	4,425.9	
Other asset-backed securities	—	2,107.4	93.6	2,201.0	
Total fixed maturities, including securities pledged	5,251.0	67,946.6	774.4	73,972.0	
Equity securities, available-for-sale	216.1	5.9	59.0	281.0	
Derivatives:					
Interest rate contracts	15.0	898.5	—	913.5	
Foreign exchange contracts	—	44.0	—	44.0	
Equity contracts	29.1	86.3	56.5	171.9	
Credit contracts	—	14.3	30.7	45.0	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	4,362.5	3.9	—	4,366.4	
Assets held in separate accounts	96,993.0	5,216.0	19.9	102,228.9	
Total assets	\$106,866.7	\$74,215.5	\$940.5	\$182,022.7	
Percentage of Level to total	58.7	% 40.8	% 0.5	% 100.0	%
Liabilities:					
Derivatives:					
Annuity product guarantees:					
FIA	\$—	\$—	\$1,520.6	\$1,520.6	
GMAB/GMWB/GMWBL ⁽²⁾	—	—	1,340.8	1,340.8	
Stabilizer and MCGs	—	—	28.0	28.0	
Other derivatives:					
Interest rate contracts	17.8	1,193.5	—	1,211.3	
Foreign exchange contracts	—	61.9	—	61.9	
Equity contracts	2.8	14.2	—	17.0	
Credit contracts	—	—	30.7	30.7	
Embedded derivative on reinsurance	—	96.3	—	96.3	
Total liabilities	\$20.6	\$1,365.9	\$2,920.1	\$4,306.6	

⁽¹⁾ Primarily U.S. dollar denominated.

⁽²⁾ Guaranteed minimum accumulation benefits ("GMAB"), Guaranteed minimum withdrawal benefits ("GMWB") and Guaranteed minimum withdrawal benefits with life payouts ("GMWBL").

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$5,220.5	\$663.2	\$—	\$5,883.7	
U.S. Government agencies and authorities	—	724.2	—	724.2	
U.S. corporate, state and municipalities	—	36,992.5	524.2	37,516.7	
Foreign ⁽¹⁾	—	15,880.3	104.2	15,984.5	
Residential mortgage-backed securities	—	7,592.9	74.1	7,667.0	
Commercial mortgage-backed securities	—	4,946.4	—	4,946.4	
Other asset-backed securities	—	2,449.4	115.2	2,564.6	
Total fixed maturities, including securities pledged	5,220.5	69,248.9	817.7	75,287.1	
Equity securities, available-for-sale	264.2	20.1	55.8	340.1	
Derivatives:					
Interest rate contracts	—	2,196.5	—	2,196.5	
Foreign exchange contracts	—	11.3	—	11.3	
Equity contracts	24.3	55.9	23.2	103.4	
Credit contracts	—	10.9	52.4	63.3	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	8,365.4	76.6	—	8,442.0	
Assets held in separate accounts	91,928.5	5,722.6	16.3	97,667.4	
Total assets	\$105,802.9	\$77,342.8	\$965.4	\$184,111.1	
Percentage of Level to total	57.5	% 42.0	% 0.5	% 100.0	%
Liabilities:					
Derivatives:					
Annuity product guarantees:					
FIA	\$—	\$—	\$1,434.3	\$1,434.3	
GMAB/GMWB/GMWBL	—	—	2,035.4	2,035.4	
Stabilizer and MCGs	—	—	102.0	102.0	
Other derivatives:					
Interest rate contracts	1.6	1,559.8	—	1,561.4	
Foreign exchange contracts	—	95.0	—	95.0	
Equity contracts	216.0	19.1	—	235.1	
Credit contracts	—	—	52.7	52.7	
Embedded derivative on reinsurance	—	169.5	—	169.5	
Total liabilities	\$217.6	\$1,843.4	\$3,624.4	\$5,685.4	

⁽¹⁾ Primarily U.S. dollar denominated.

Valuation of Financial Assets and Liabilities at Fair Value

Certain assets and liabilities are measured at estimated fair value on the Company's Condensed Consolidated Balance Sheets. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The exit price and the transaction (or entry) price will be the same at initial recognition in many circumstances.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

However, in certain cases, the transaction price may not represent fair value. The fair value of a liability is based on the amount that would be paid to transfer a liability to a third-party with an equal credit standing. Fair value is required to be a market-based measurement which is determined based on a hypothetical transaction at the measurement date, from a market participant's perspective. The Company considers three broad valuation techniques when a quoted price is unavailable: (i) the market approach, (ii) the income approach and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given the instrument being measured and the availability of sufficient inputs. The Company prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available.

The Company utilizes a number of valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC Topic 820. Valuations are obtained from third-party commercial pricing services, brokers and industry-standard, vendor-provided software that models the value based on market observable inputs. The valuations obtained from third-party commercial pricing services are non-binding. The Company reviews the assumptions and inputs used by third-party commercial pricing services for each reporting period in order to determine an appropriate fair value hierarchy level. The documentation and analysis obtained from third-party commercial pricing services are reviewed by the Company, including in-depth validation procedures confirming the observability of inputs. The valuations are reviewed and validated monthly through the internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades, or monitoring of trading volumes.

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the six months ended June 30, 2013 and 2012. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period. There were no securities transferred between Level 1 and Level 2 for the three months ended June 30, 2013 and 2012. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

Level 3 Financial Instruments

The fair values of certain assets and liabilities are determined using prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (i.e., Level 3 as defined by ASC Topic 820), including but not limited to liquidity spreads for investments within markets deemed not currently active. These valuations, whether derived internally or obtained from a third-party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability. In addition, the Company has determined, for certain financial instruments, an active market is such a significant input to determine fair value that the presence of an inactive market may lead to classification in Level 3. In light of the methodologies employed to obtain the fair values of financial assets and liabilities classified as Level 3, additional information is presented below.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the three months ended June 30, 2013:

	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers in to Level 3 ⁽²⁾	Transfers out of Level 3 ⁽²⁾	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings ⁽³⁾
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	\$556.8	\$(0.2)	\$(6.4)	\$—	\$—	\$—	\$(12.8)	\$5.3	\$(77.5)	\$465.2	\$(0.2)
Foreign	107.3	—	0.8	—	—	—	(9.4)	—	—	98.7	—
Residential mortgage-backed securities	88.3	(2.1)	0.2	40.1	—	(0.6)	(0.4)	—	(8.6)	116.9	(2.1)
Other asset-backed securities	100.9	2.9	(0.9)	—	—	—	(9.3)	—	—	93.6	2.2
Total fixed maturities including securities pledged	853.3	0.6	(6.3)	40.1	—	(0.6)	(31.9)	5.3	(86.1)	774.4	(0.1)
Equity securities, available-for-sale	59.4	(1.9)	1.5	—	—	—	—	—	—	59.0	(1.8)
Derivatives:											
Product guarantees:											
FIA ⁽¹⁾	(1,561.7)	39.5	—	—	(20.9)	—	22.5	—	—	(1,520.6)	—
GMAB/GMWB/GMWBL ⁽¹⁾	(1,628.6)	322.5	—	—	(34.9)	—	0.2	—	—	(1,340.8)	—
Stabilizer and MCGs ⁽¹⁾	(78.0)	51.5	—	(1.5)	—	—	—	—	—	(28.0)	—
Other derivatives, net	65.5	8.5	—	7.1	—	—	(24.6)	—	—	56.5	(11.2)
Assets held in separate accounts ⁽⁴⁾	2.2	(0.1)	—	21.1	—	(3.3)	—	—	—	19.9	(0.1)

⁽¹⁾ All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.

⁽²⁾ The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

⁽³⁾ For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

⁽⁴⁾ The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the six months ended June 30, 2013:

	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers in to Level 3 ⁽²⁾	Transfers out of Level 3 ⁽²⁾	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings ⁽³⁾
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	\$524.2	\$(0.3)	\$(4.7)	\$0.1	\$—	\$—	\$(26.3)	\$61.1	\$(88.9)	\$465.2	\$(0.3)
Foreign	104.2	—	5.7	—	—	—	(11.2)	—	—	98.7	—
Residential mortgage-backed securities	74.1	(3.8)	0.2	47.7	—	(0.6)	(0.7)	—	—	116.9	(3.9)
Other asset-backed securities	115.2	8.8	(1.5)	—	—	—	(28.8)	0.3	(0.4)	93.6	5.7
Total fixed maturities including securities pledged	817.7	4.7	(0.3)	47.8	—	(0.6)	(67.0)	61.4	(89.3)	774.4	1.5
Equity securities, available-for-sale	55.8	(2.2)	3.3	0.2	—	—	—	51.8	(49.9)	59.0	(1.8)
Derivatives:											
Product guarantees:											
FIA ⁽¹⁾	(1,434.3)	(84.2)	—	—	(35)	9	33.8	—	—	(1,520.6)	—
GMAB/GMWB/GMWBL ⁽¹⁾	(2,035.4)	766.9	—	—	(72)	6	0.3	—	—	(1,340.8)	—
Stabilizer and MCGs ⁽¹⁾	(102.0)	77.1	—	(3.1)	—	—	—	—	—	(28.0)	—
Other derivatives, net	22.9	53.2	—	13.4	—	—	(33.0)	—	—	56.5	26.3
Assets held in separate accounts ⁽⁴⁾	16.3	(0.1)	—	21.3	—	(9.9)	—	2.2	(9.9)	19.9	(0.2)

⁽¹⁾ All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.

⁽²⁾ The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

⁽³⁾ For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

⁽⁴⁾ The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the three months ended June 30, 2012:

	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in:					Transfers in to Level 3 ⁽²⁾	Transfers out of Level 3 ⁽²⁾	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings ⁽³⁾	
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	\$570.3	\$0.4	\$(8.8)	\$14.9	\$—	\$(3.1)	\$(48.0)	\$93.9	\$(84.4)	\$535.2	\$(0.1)
Foreign	70.0	—	(3.2)	—	—	—	(1.4)	—	(6.3)	59.1	—
Residential mortgage-backed securities	93.2	(5.8)	5.9	—	—	(7.2)	(0.5)	10.7	(12.0)	84.3	(7.4)
Other asset-backed securities	107.6	2.0	(2.9)	—	—	(1.0)	(3.8)	6.2	(0.2)	107.9	1.4
Total fixed maturities including securities pledged	841.1	(3.4)	(9.0)	14.9	—	(11.3)	(53.7)	110.8	(102.9)	786.5	(6.1)
Equity securities, available-for-sale	66.7	—	(0.4)	—	—	—	—	—	—	66.3	0.2
Derivatives:											
Product guarantees:											
FIA ⁽¹⁾	(1,492.2)	55.3	—	—	(38.0)	—	52.7	—	—	(1,422.2)	—
GMAB/GMWB/GMWBL ⁽¹⁾	(1,842.0)	(622.0)	—	—	(37.8)	—	0.1	—	—	(2,501.7)	—
Stabilizer and MCGs ⁽¹⁾	(72.0)	(59.8)	—	(1.2)	—	—	—	—	—	(133.0)	—
Other derivatives, net	30.0	(20.7)	—	6.8	—	—	(1.1)	—	—	15.0	(21.7)
Assets held in separate accounts ⁽⁴⁾	23.1	—	—	1.1	—	(0.8)	—	—	(14.7)	8.7	0.2

⁽¹⁾ All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.

⁽²⁾ The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

⁽³⁾ For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

⁽⁴⁾ The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the six months ended June 30, 2012:

	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:					Transfers in to Level 3 ⁽²⁾	Transfers out of Level 3 ⁽²⁾	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings ⁽³⁾	
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	\$520.6	\$0.2	\$(7.0)	\$15.2	\$—	\$(3.1)	\$(41.2)	\$94.3	\$(43.8)	\$535.2	\$(0.2)
Foreign	160.6	1.8	(3.8)	—	—	(11.5)	(3.1)	—	(84.9)	59.1	—
Residential mortgage-backed securities	186.6	(7.7)	6.1	—	—	(7.2)	(0.7)	—	(92.8)	84.3	(9.2)
Other asset-backed securities	104.5	7.2	—	—	—	(1.5)	(8.4)	7.1	(1.0)	107.9	6.5
Total fixed maturities including securities pledged	972.3	1.5	(4.7)	15.2	—	(23.3)	(53.4)	101.4	(222.5)	786.5	(2.9)
Equity securities, available-for-sale	67.6	—	(0.7)	5.0	—	(5.6)	—	—	—	66.3	(0.1)
Derivatives:											
Product guarantees:											
FIA ⁽¹⁾	(1,304.9)	(133.2)	—	—	(66.6)	—	82.5	—	—	(1,422.2)	—
GMAB/GMWB/GMWBL ⁽¹⁾	(2,272.2)	(154.0)	—	—	(75.7)	—	0.2	—	—	(2,501.7)	—
Stabilizer and MCGs ⁽¹⁾	(221.0)	90.8	—	(2.8)	—	—	—	—	—	(133.0)	—
Other derivatives, net	(24.8)	(9.4)	—	12.6	—	—	42.0	—	(5.4)	15.0	(6.1)
Assets held in separate accounts ⁽⁴⁾	16.1	0.3	—	1.1	—	(9.0)	—	0.2	—	8.7	0.6

⁽¹⁾ All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.

⁽²⁾ The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

⁽³⁾ For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

⁽⁴⁾ The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three and six months ended June 30, 2013 and June 30, 2012, the transfers in and out of Level 3 for fixed maturities and separate accounts, as well as equity securities for 2013, were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

The fair value of certain options and swap contracts were valued using observable inputs, and such options and swap contracts were transferred from Level 3 to Level 2 for the six months ended June 30, 2013.

Significant Unobservable Inputs

Quantitative information about the significant unobservable inputs used in the Company's Level 3 fair value measurements of its annuity product guarantees is presented in the following sections and table.

The Company's Level 3 fair value measurements of its fixed maturities, equity securities available-for-sale and equity and credit derivative contracts are primarily based on broker quotes for which the quantitative detail of the unobservable inputs is neither provided nor reasonably corroborated, thus negating the ability to perform a sensitivity analysis. The Company performs a review of broker quotes by performing a monthly price variance comparison and back tests broker quotes to recent trade prices.

Significant unobservable inputs used in the fair value measurements of GMABs, GMWBs and GMWBLs include long-term equity and interest rate implied volatility, correlations between the rate of return on policyholder funds and between interest rates and equity returns, nonperformance risk, mortality and policyholder behavior assumptions, such as benefit utilization, lapses and partial withdrawals.

Significant unobservable inputs used in the fair value measurements of FIAs include nonperformance risk and lapses. Such inputs are monitored quarterly.

The significant unobservable inputs used in the fair value measurement of the Stabilizer embedded derivatives and MCG derivative are interest rate implied volatility, nonperformance risk, lapses and policyholder deposits. Such inputs are monitored quarterly.

Following is a description of selected inputs:

Equity / Interest Rate Volatility: A term-structure model is used to approximate implied volatility for the equity indices and swap rates for GMAB, GMWB and GMWBL fair value measurements and swap rates for the Stabilizer and MCG fair value measurements. Where no implied volatility is readily available in the market, an alternative approach is applied based on historical volatility.

Correlations: Integrated interest rate and equity scenarios are used in GMAB, GMWB and GMWBL fair value measurements to better reflect market interest rates and interest rate volatility correlations between equity and fixed

income fund groups and between equity fund groups and interest rates. The correlations are based on historical fund returns and swap rates from external sources.

Nonperformance Risk: For the estimate of the fair value of embedded derivatives associated with the Company's product guarantees, the Company uses a blend of observable, similarly rated peer company credit default swap spreads, adjusted to reflect the credit quality of the individual insurance subsidiary that issued the guarantee and the priority of policyholder claims.

Actuarial Assumptions: Management regularly reviews actuarial assumptions, which are based on the Company's experience and periodically reviewed against industry standards. Industry standards and Company experience may be limited on certain products.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the unobservable inputs for Level 3 fair value measurements as of June 30, 2013:

Unobservable Input	Range ⁽¹⁾			
	GMWB / GMWBL	GMAB	FIA	Stabilizer / MCG
Long-term equity implied volatility	15% to 25%	15% to 25%	—	—
Interest rate implied volatility	0.2% to 17%	0.2% to 17%	—	0.2% to 8.1%
Correlations between:				
Equity Funds	50% to 98%	50% to 98%	—	—
Equity and Fixed Income Funds	-20% to 44%	-20% to 44%	—	—
Interest Rates and Equity Funds	-30% to -16%	-30% to -16%	—	—
Nonperformance risk	0.03% to 1.3%	0.03% to 1.3%	0.03% to 1.3%	0.03% to 1.3%
Actuarial Assumptions:				
Benefit Utilization	85% to 100%	⁽²⁾ —	—	—
Partial Withdrawals	0% to 10%	0% to 10%	—	—
Lapses	0.08% to 32%	⁽³⁾ 0.08% to 31%	⁽³⁾ 0% to 10%	⁽³⁾ 0% to 55% ⁽⁴⁾
Policyholder Deposits ⁽⁵⁾	—	—	—	0% to 60% ⁽⁴⁾
Mortality	—	⁽⁶⁾ —	⁽⁶⁾ —	—

⁽¹⁾ Represents the range of reasonable assumptions that management has used in its fair value calculations.

⁽²⁾ Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 26% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, we assume that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money". The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of June 30, 2013 (account value amounts are in \$ billions).

Attained Age Group	Account Values			Average Expected Delay (Years)
	In the Money	Out of the Money	Total	
< 60	\$3.3	\$0.3	\$3.6	5.5
60-69	6.9	0.4	7.3	1.6
70+	4.5	0.2	4.7	0.1
	\$14.7	\$0.9	\$15.6	2.5

⁽³⁾Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period. We make dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below

shows an analysis of policy account values according to whether they are in or out of the surrender charge period and to whether they are "in the money" or "out of the money" as of June 30, 2013 (account value amounts are in \$ billions).

	Moneyiness	GMAB Account Value	Lapse Range	GMWB/GMWBL Account Value	Lapse Range
During Surrender Charge Period					
	In the Money**	\$—	* 0.08% to 8.2%	\$7.6	0.08% to 5.8%
	Out of the Money	—	* 0.41% to 12%	0.7	0.35% to 12%
After Surrender Charge Period					
	In the Money**	\$—	* 2.4% to 22%	\$7.0	1.5% to 17%
	Out of the Money	0.1	12% to 31%	0.7	3.2% to 32%

* Less than \$0.1.

** The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyiness."

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

(4) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	87	% 0-30%	0-15%	0-55%	0-20%
Stabilizer with Recordkeeping Agreements	13	% 0-55%	0-25%	0-60%	0-30%
Aggregate of all plans	100	% 0-55%	0-25%	0-60%	0-30%

(5) Measured as a percentage of assets under management or assets under administration.

(6) The mortality rate is based on the Annuity 2000 Basic table with mortality improvements.

The following table presents the unobservable inputs for Level 3 fair value measurements as of December 31, 2012:

Unobservable Input	Range ⁽¹⁾ GMWB / GMWBL	GMAB	FIA	Stabilizer / MCG
Long-term equity implied volatility	15% to 25%	15% to 25%	—	—
Interest rate implied volatility	0.1% to 19%	0.1% to 19%	—	0.1% to 7.6%
Correlations between:				
Equity Funds	50% to 98%	50% to 98%	—	—
Equity and Fixed Income Funds	-20% to 44%	-20% to 44%	—	—
Interest Rates and Equity Funds	-25% to -16%	-25% to -16%	—	—
Nonperformance risk	0.1% to 1.3%	0.1% to 1.3%	0.1% to 1.3%	0.1% to 1.3%
Actuarial Assumptions:				
Benefit Utilization	85% to 100%	(2) —	—	—
Partial Withdrawals	0% to 10%	0% to 10%	—	—
Lapses	0.08% to 32%	(3) 0.08% to 31%	(3) 0% to 10%	(3) 0% to 55%
Policyholder Deposits ⁽⁵⁾	—	—	—	0% to 60%
Mortality	—	(6) —	(6) —	—

(1) Represents the range of reasonable assumptions that management has used in its fair value calculations.

(2) Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 26% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, we assume that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money". The chart

below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of December 31, 2012 (account value amounts are in \$ billions).

Account Values

Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)
< 60	\$3.5	\$0.3	\$3.8	5.5
60-69	7.0	0.4	7.4	1.9
70+	4.3	0.1	4.4	0.2
	\$14.8	\$0.8	\$15.6	2.8

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period. We (3) make dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period and to whether they are "in the money" or "out of the money" as of December 31, 2012 (account value amounts are in \$ billions).

	Moneyiness	GMAB Account Value	Lapse Range	GMWB/GMWBL Account Value	Lapse Range
During Surrender Charge Period					
	In the Money**	\$—	0.08% to 8.2%	\$8.8	0.08% to 5.8%
	Out of the Money	—	0.41% to 12%	0.9	0.35% to 12%
After Surrender Charge Period					
	In the Money**	\$—	2.4% to 22%	\$6.2	1.5% to 17%
	Out of the Money	0.1	12% to 31%	0.6	3.2% to 32%

** The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyiness."

(4) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	87	% 0-30%	0-15%	0-55%	0-20%
Stabilizer with Recordkeeping Agreements	13	% 0-55%	0-25%	0-60%	0-30%
Aggregate of all plans	100	% 0-55%	0-25%	0-60%	0-30%

(5) Measured as a percentage of assets under management or assets under administration.

(6) The mortality rate is based on the Annuity 2000 Basic table with mortality improvements.

Generally, the following will cause an increase (decrease) in the GMAB, GMWB and GMWBL embedded derivative fair value liabilities:

- ▲ An increase (decrease) in long-term equity implied volatility
- ▲ An increase (decrease) in interest rate implied volatility
- ▲ An increase (decrease) in equity-interest rate correlations
- ▲ A decrease (increase) in nonperformance risk
- ▲ A decrease (increase) in mortality
- ▲ An increase (decrease) in benefit utilization
- ▲ A decrease (increase) in lapses

Changes in fund correlations may increase or decrease the fair value depending on the direction of the movement and the mix of funds. Changes in partial withdrawals may increase or decrease the fair value depending on the timing and magnitude of withdrawals.

Generally, the following will cause an increase (decrease) in the FIA embedded derivative fair value liability:

- A decrease (increase) in nonperformance risk
- A decrease (increase) in lapses

Generally, the following will cause an increase (decrease) in the derivative and embedded derivative fair value liabilities related to Stabilizer and MCG contracts:

- An increase (decrease) in interest rate implied volatility
- A decrease (increase) in nonperformance risk
- A decrease (increase) in lapses
- A decrease (increase) in policyholder deposits

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company notes the following interrelationships:

Higher long-term equity implied volatility is often correlated with lower equity returns, which will result in higher in-the-moneyness, which in turn, results in lower lapses due to the dynamic lapse component reducing the lapses. This increases the projected number of policies that are available to use the GMWBL benefit and may also increase the fair value of the GMWBL.

Generally, an increase (decrease) in benefit utilization will decrease (increase) lapses for GMWB and GMWBL.

Generally, an increase (decrease) in interest rate volatility will increase (decrease) lapses of Stabilizer and MCG contracts due to dynamic participant behavior.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Other Financial Instruments

The carrying values and estimated fair values of the Company's financial instruments as of the dates indicated:

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	\$73,972.0	\$73,972.0	\$75,287.1	\$75,287.1
Equity securities, available-for-sale	281.0	281.0	340.1	340.1
Mortgage loans on real estate	8,929.1	9,085.0	8,662.3	8,954.8
Policy loans	2,144.9	2,144.9	2,200.3	2,200.3
Limited partnerships/corporations	430.2	430.2	465.1	465.1
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	4,366.4	4,366.4	8,442.0	8,442.0
Derivatives	1,174.4	1,174.4	2,374.5	2,374.5
Other investments	168.4	175.1	167.0	173.7
Assets held in separate accounts	102,228.9	102,228.9	97,667.4	97,667.4
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities ⁽¹⁾	49,618.5	53,778.4	50,133.7	56,851.0
Funding agreements with fixed maturities and guaranteed investment contracts	3,664.9	3,570.9	3,784.0	3,671.0
Supplementary contracts, immediate annuities and other	3,161.5	3,398.9	3,109.2	3,482.3
Derivatives:				
Annuity product guarantees:				
FIA	1,520.6	1,520.6	1,434.3	1,434.3
GMAB / GMWB / GMWBL	1,340.8	1,340.8	2,035.4	2,035.4
Stabilizer and MCGs	28.0	28.0	102.0	102.0
Other derivatives	1,320.9	1,320.9	1,944.2	1,944.2
Short-term debt	138.6	139.8	1,064.6	1,070.6
Long-term debt	3,265.7	3,393.2	3,171.1	3,386.2
Embedded derivatives on reinsurance	96.3	96.3	169.5	169.5

⁽¹⁾ Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Annuity product guarantees section of the table above.

The following disclosures are made in accordance with the requirements of ASC Topic 825 which requires disclosure of fair value information about financial instruments, whether or not recognized at fair value on the Condensed Consolidated Balance Sheets, for which it is practicable to estimate that value. In cases where quoted market prices

are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates, in many cases, could not be realized in immediate settlement of the instrument.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

ASC Topic 825 excludes certain financial instruments, including insurance contracts and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following valuation methods and assumptions were used by the Company in estimating the fair value of the following financial instruments, which are not carried at fair value on the Condensed Consolidated Balance Sheets:

Mortgage loans on real estate: The fair values for mortgage loans on real estate are estimated on a monthly basis using discounted cash flow analyses and rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. Mortgage loans on real estate are classified as Level 3.

Policy loans: The fair value of policy loans approximates to the carrying value of the loans. Policy loans are collateralized by the cash surrender value of the associated insurance contracts and are classified as Level 2.

Limited partnerships/corporations: The fair value for these investments, primarily private equity fund of funds and hedge funds, is based on actual or estimated Net Asset Value ("NAV") information, as provided by the investee and are classified as Level 3.

Other investments: Federal Home Loan Bank ("FHLB") stock is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value and is classified as Level 1.

Investment contract liabilities:

Funding agreements without a fixed maturity and deferred annuities: Fair value is estimated as the mean present value of stochastically modeled cash flows associated with the contract liabilities taking into account assumptions about contract holder behavior. The stochastic valuation scenario set is consistent with current market parameters and discount is taken using stochastically evolving risk-free rates in the scenarios plus an adjustment for nonperformance risk. Margins for non-financial risks associated with the contract liabilities are also included. These liabilities are classified as Level 3.

Funding agreements with a fixed maturity and guaranteed investment contracts: Fair value is estimated by discounting cash flows, including associated expenses for maintaining the contracts, at rates, which are risk-free rates plus an adjustment for nonperformance risk. These liabilities are classified as Level 2.

Supplementary contracts and immediate annuities: Fair value is estimated as the mean present value of the single deterministically modeled cash flows associated with the contract liabilities discounted using stochastically evolving short risk-free rates in the scenarios plus an adjustment for nonperformance risk. The valuation is consistent with current market parameters. Margins for non-financial risks associated with the contract liabilities are also included. These liabilities are classified as Level 3.

Short-term debt and Long-term debt: Estimated fair value of the Company's short-term and long-term debt is based upon discounted future cash flows using a discount rate approximating the current market rate, incorporating nonperformance risk. Short-term debt is classified as Level 1 and Level 2 and long-term debt is classified as Level 2.

Fair value estimates are made at a specific point in time, based on available market information and judgments about various financial instruments, such as estimates of timing and amounts of future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized capital gains (losses). In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's management of interest rate, price and liquidity risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

5. Deferred Policy Acquisition Costs and Value of Business Acquired

Activity within deferred policy acquisition costs ("DAC") and value of business acquired ("VOBA") was as follows for the periods indicated:

	DAC	VOBA	Total
Balance at January 1, 2013	\$3,221.6	\$434.7	\$3,656.3
Deferrals of commissions and expenses	208.2	6.8	215.0
Amortization:			
Amortization	(349.1)	(65.9)	(415.0)
Interest accrued ⁽¹⁾	115.1	44.9	160.0
Net amortization included in Condensed Consolidated Statements of Operations	(234.0)	(21.0)	(255.0)
Change in unrealized capital gains/losses on available-for-sale securities	1,012.3	431.9	1,444.2
Balance at June 30, 2013	\$4,208.1	\$852.4	\$5,060.5

	DAC	VOBA	Total
Balance at January 1, 2012	\$3,666.9	\$685.4	\$4,352.3
Deferrals of commissions and expenses	316.1	8.8	324.9
Amortization:			
Amortization	(412.4)	(140.6)	(553.0)
Interest accrued ⁽¹⁾	117.0	46.1	163.1
Net amortization included in Condensed Consolidated Statements of Operations	(295.4)	(94.5)	(389.9)
Change in unrealized capital gains/losses on available-for-sale securities	(284.4)	(64.7)	(349.1)
Balance at June 30, 2012	\$3,403.2	\$535.0	\$3,938.2

⁽¹⁾ Interest accrued at the following rates for DAC: 1.0% to 7.4% during 2013 and 1.5% to 7.4% during 2012. Interest accrued at the following rates for VOBA: 3.0% to 7.5% during 2013 and 3.0% to 7.4% during 2012.

6. Shareholders' Equity, Earnings per Common Share and Dividend Restrictions

Common Shares

The following table presents the rollforward of common shares used in calculating the weighted average shares utilized in the basic earnings per common share calculation for each period presented below:

	Common Shares		
	Issued	Held in Treasury	Outstanding
Common shares, balance at January 1, 2013	230,079,120	79,120	230,000,000
Common shares issued	30,769,230	—	30,769,230
Issuance of shares for share-based incentive compensation, net	7,262	—	7,262
Common shares, balance at June 30, 2013	260,855,612	79,120	260,776,492

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Common Stock		
	Issued	Held in Treasury	Outstanding
Common shares, balance at January 1, 2012	230,079,120	79,120	230,000,000
Common shares issued	—	—	—
Issuance of shares for share-based incentive compensation, net	—	—	—
Common shares, balance at June 30, 2012	230,079,120	79,120	230,000,000

Warrants

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The warrants have an exercise price of \$48.75 per share of common stock, are exercisable from May 7, 2014 to May 7, 2023 and are subject to certain exercise restrictions. The warrants are net share settled and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of \$94.0 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends.

The following table presents a reconciliation of net income (loss) and shares used in calculating basic and diluted net income (loss) per common share for the periods indicated:

(\$ in millions, except for share and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Earnings				
Net income (loss) available to common shareholders				
Net income (loss)	\$(85.3	) \$852.1	\$(310.8	) \$331.3
Less: Net income (loss) attributable to noncontrolling interest	(3.1	) 217.7	(16.6	) 202.1
Net income (loss) available to common shareholders	\$(82.2	) \$634.4	\$(294.2	) \$129.2
Shares				
Weighted average common shares outstanding, basic and dilutive ⁽¹⁾	250,287,803	230,000,000	240,199,945	230,000,000
Net income (loss) per common share				
Basic and diluted				
Net income (loss) available to common shareholders	\$(0.33	) \$2.76	\$(1.22	) \$0.56

(1) For the three and six months ended June 30, 2013, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of the 0.5 million and 0.3 million shares, respectively for stock compensation plans would be antidilutive to the earnings per share calculations due to the net loss in the periods.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Dividends to Common Shareholders

The declaration and payment of Common Stock dividends by the Company is subject to the discretion of its Board of Directors and will depend on the Company's overall financial condition, results of operations, capital levels, cash requirements, future prospects, receipt of dividends from ING U.S., Inc.'s insurance subsidiaries, risk management considerations and other factors deemed relevant by the Board. There are no significant restrictions, other than those described under Junior Subordinated Debt as disclosed in the Financing Agreements Note to these Condensed Consolidated Financial Statements that limit the payment of dividends by the Company, except those generally applicable to corporations incorporated in Delaware.

On July 25, 2013, ING U.S., Inc.'s Board of Directors declared a quarterly cash dividend of \$0.01 per share of outstanding common stock. The dividend is payable on October 1, 2013 to shareholders of record of ING U.S., Inc. as of the close of business on August 30, 2013.

Insurance Subsidiaries - Dividends and Return of Capital

In March and April 2013, in response to requests made in 2012 and refreshed in 2013, ING U.S., Inc.'s insurance subsidiaries domiciled in Colorado, Connecticut, Iowa and Minnesota received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to make extraordinary distributions to ING U.S., Inc. or Lion Connecticut Holdings Inc. ("Lion Holdings"), a wholly owned subsidiary of ING U.S., Inc., in the aggregate amount of \$1.434 billion, contingent upon completion of the IPO and the use of the extraordinary distribution funds solely for Company operations. The approved distributions of \$1.434 billion were made on May 8, 2013.

On May 8, 2013, insurance subsidiaries domiciled in Colorado, Iowa and Minnesota each reset, on a one-time basis, their respective negative unassigned funds account as of December 31, 2012 (as reported in their respective 2012 statutory annual statements) to zero (with an offsetting reduction in gross paid-in capital and contributed surplus). These resets were made pursuant to permitted practices in accordance with statutory accounting practices granted by their respective domiciliary insurance regulators. These permitted practices have no impact on total capital and surplus of these insurance subsidiaries.

7. Share-Based Incentive Compensation Plans

Certain employees of the Company participate in the 2013 Omnibus Employee Incentive Plan ("the Omnibus Plan"), with respect to awards granted in 2013, as well as in connection with Deal Incentive Awards (as defined below). Certain employees also participate in various ING Group share-based compensation plans with respect to awards granted prior to 2013. Upon closing of the IPO, certain awards granted by ING Group that, upon vesting, would have been payable in the form of American Depositary Receipts ("ADRs") of ING Group were converted into performance shares or restricted stock units ("RSUs") under the Omnibus Plan, that upon vesting, will be payable in Company common stock.

Omnibus Employee Incentive Plan. Pursuant to the Omnibus Plan, to date the Company has issued restricted stock units and performance shares each with dividend equivalent rights.

Long-term Sustainable Performance Plan ("LSPP"): Awards were issued to employees of the Company under the LSPP in March 2013 that would, upon vesting, have entitled their holders to receive ING Group ADRs. Upon closing of the IPO, awards that would have entitled their holders (assuming vesting in full and payout of performance share units at target) to receive an aggregate of 5,898,279 ING Group ADRs were converted into awards under the Omnibus Plan that entitle their holders to receive (assuming vesting in full and payout of performance shares at target) 2,495,458 shares of Company common stock. These converted awards include 1,717,746 performance share units (which entitle their holders to receive a number of shares of Company common stock based on the performance versus a target over a performance period) and 777,712 RSUs (each of which contain service conditions and entitles its holder to receive one share of Company common stock upon vesting).

ING Group performance shares and restricted ADRs issued under the LSPP in 2013 to employees who are not "Identified Staff" for purposes of the European Union's Capital Requirements Directive III, were converted into performance shares and restricted stock units under the Omnibus Plan upon the closing of the IPO and vest 1/3 on each of the first, second and third anniversary of the award date, provided that the participant is still employed by the Company. ING Group restricted ADRs issued in 2013 to

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

employees who are "Identified Staff" were converted into restricted stock units under the Omnibus Plan upon the closing of the IPO and vest 50% in March 2015, 25% in March 2016 and 25% in March 2017 provided that the participant is still employed by the Company on the respective vesting dates.

Equity Compensation Plan: In March 2013, 1,271,322 restricted ADRs (time vested awards payable upon vesting in ADRs) were granted under the ING America Insurance Holdings, Inc. Equity Compensation Plan (the "Equity Compensation Plan"). Upon closing of the IPO, these awards were converted into 537,911 RSUs under the Omnibus Plan. These awards are subject to a three-year vesting period and vest January 1, 2016 provided that the participant must still be employed by the Company on the relevant vesting date.

Deferral of Discretionary Bonuses: In March 2013, 731,015 restricted ADRs (time vested awards payable upon vesting in ADRs) in connection with the mandatory deferral of a portion of annual cash incentive awards that exceeded €100,000 equivalent in value (\$129,368) were granted to employees of the Company. Upon the closing of the IPO, these awards were converted into 309,272 RSUs under the Omnibus Plan. These RSUs are time vested (no performance factor). RSUs granted to employees who are not "Identified Staff" vest 1/3 on each of the first, second and third anniversary of the award date, provided that the participant is still employed by the Company. RSUs issued to employees who are "Identified Staff" vest 50% in March 2015, 25% in March 2016 and 25% in March 2017.

Deal Incentive Awards: During 2011, awards ("Deal Incentive Awards") were granted to certain executives to encourage achievement of ING Group's and the Company's goal of successfully executing the planned divestment of the Company by ING Group. The Deal Incentive Awards provide for the grant of Company common stock, subject to fulfillment of relevant vesting conditions. Pursuant to these Deal Incentive Awards, upon closing of the IPO, 1,993,614 RSUs were issued under the Omnibus Plan, subject to fulfillment of relevant vesting conditions, lockup period and other holding requirements, of which 831,935 will vest on October 29, 2013, 180 days after the Company's IPO, if the participant is still employed by the Company on such date. The vesting schedule for the remaining RSUs is based upon the timing of the further divestment of Company common stock by ING Group. Upon vesting, these equity awards are subject to a further required holding period.

2013 Non-Employee Director Incentive Plan (the "Director Plan"): On June 13, 2013, 10,932 RSUs were granted under the Director Plan to the four non-employee directors then serving on the Board of Directors. These awards vest in 50% in March 2015, 25% in March 2016 and 25% in March 2017 provided, for each award recipient, that he or she is a director of the Company on each such vesting date, and provided that no shares will be delivered in connection with his or her RSUs until such time that his or her service on the board is terminated.

Director Deal Incentive Award: In connection with his service as our sole independent board member prior to the IPO, Fred Hubbell received a Deal Incentive Award pursuant to which, upon closing of the IPO, 2,564 RSUs were issued pursuant to the Director Plan, subject to fulfillment of relevant vesting conditions, lockup period and other holding requirements. Of the total RSUs awarded, 1,282 RSUs will vest on October 29, 2013, 180 days after the Company's IPO, subject to his continued service as a director. The vesting schedule for the remaining RSUs is based upon the timing of the further divestment of Company common stock by ING Group. Upon vesting, these RSUs are subject to a further required holding period.

ING Group Share-Based Compensation Plans

Certain employees of the Company participate in various ING Group share-based compensation plans, and in the Equity Compensation Plan (which was established by the Company prior to its IPO and provides for awards payable in ING Group ADRs), with respect to awards granted prior to 2013. Except for the awards converted to Company awards under the Omnibus Plan as described above, no changes to any such awards were made upon closing of the IPO.

Compensation Cost

Compensation expense related to the share-based compensation plans is recognized based on fair value at the grant date of the award over the vesting period, less expected forfeitures over the life of the award. Incremental compensation expense is determined for modified awards in accordance with ASC 718, including the awards converted under the Omnibus Plan as described above. Differences in actual versus expected experience or changes in expected forfeitures are recognized in the period of change. Compensation expense is principally related to the issuance of performance shares and restricted stock units. For the three months

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

ended June 30, 2013 and 2012, ING U.S., Inc. recognized stock compensation expense of \$17.7 and \$19.2, respectively. For the six months ended June 30, 2013 and 2012, ING U.S., Inc. recognized stock compensation expense of \$27.6 and \$36.6, respectively.

8. Employee Benefit Arrangements

Pension, Other Postretirement Benefit Plans and Other Benefit Plans

ING U.S., Inc.'s subsidiaries maintain both qualified and non-qualified defined benefit pension plans (the "Plans"). The qualified plans generally cover all employees. The non-qualified plans cover certain employees and sales representatives who meet specified eligibility requirements. Prior to January 2012, certain participants earned benefits under a final average pension formula using compensation and length of service to determine the accrued pension benefit. Effective January 1, 2012, all participants earned benefits under a cash balance pension formula that provides a benefit credit equal to 4% of eligible compensation of the participant.

In addition to providing qualified retirement benefit plans, the Company provides certain supplemental retirement benefits to eligible employees, including non-qualified pension plans for insurance sales representatives who have entered into a career agent agreement and certain other individuals. These plans are non-qualified defined benefit plans, which means all benefits are payable from the general assets of the sponsoring company. The Company also offers deferred compensation plans for eligible employees, including eligible career agents and certain other individuals who meet the eligibility criteria.

ING U.S., Inc.'s subsidiaries also provide other post-employment and post-retirement employee benefits to certain employees. These are primarily post-retirement healthcare and life insurance benefits to retired employees and other eligible dependents and post-employment/pre-retirement plans provided to employees and former employees.

The components of net periodic benefit cost were as follows for the periods indicated:

	Three Months Ended June 30,			
	2013	2012	2013	2012
	Pension Plans		Other Postretirement Benefits	
Net Periodic (Benefit) Costs:				
Service cost	\$11.3	\$9.6	\$—	\$—
Interest cost	22.1	22.6	0.4	0.4
Expected return on plan assets	(25.3)	(22.6)	—	—
Amortization of prior service cost (credit)	(2.6)	(2.7)	(0.8)	(0.9)
Net periodic (benefit) costs	\$5.5	\$6.9	\$(0.4)	\$(0.5)
	Six Months Ended June 30,			
	2013	2012	2013	2012
	Pension Plans		Other Postretirement Benefits	
Net Periodic (Benefit) Costs:				
Service cost	\$22.6	\$19.4	\$—	\$—

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Interest cost	44.2	45.1	0.8	0.7
Expected return on plan assets	(50.6) (45.1) —	—
Amortization of prior service cost (credit)	(5.2) (5.7) (1.7) (1.7
Net periodic (benefit) costs	\$11.0	\$13.7	\$ (0.9	) \$ (1.0

Defined Contribution Plans

Certain of the Company's subsidiaries sponsor defined contribution plans. The largest defined contribution plan is the ING Americas Savings Plan and ESOP ("The Savings Plan"). Substantially all employees of the Company are eligible to participate, other than

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

the Company's agents. The Savings Plan allows eligible participants to defer into the Savings Plan a specified percentage of eligible compensation on a pretax and/or after-tax basis, subject to IRS limits. The Company matches such pretax contributions, up to a maximum of 6% of eligible compensation. All matching contributions are subject to a four-year graded vesting schedule.

9. Accumulated Other Comprehensive Income

Shareholders' equity included the following components of AOCI as of the dates indicated:

	June 30,	
	2013	2012
Fixed maturities, net of OTTI	\$3,916.6	\$6,494.3
Equity securities, available-for-sale	40.2	40.3
Derivatives	149.5	213.0
DAC/VOBA adjustment on available-for-sale securities	(1,339.3	) (2,551.4
Sales inducements adjustment on available-for-sale securities	(70.0	) (124.5
Other	(27.7	) (36.9
Unrealized capital gains (losses), before tax	2,669.3	4,034.8
Deferred income tax asset (liability)	(636.4	) (1,081.7
Net unrealized capital gains (losses)	2,032.9	2,953.1
Pension and other postretirement benefits liability, net of tax	54.9	68.4
AOCI	\$2,087.8	\$3,021.5

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Changes in AOCI, including the reclassification adjustments recognized in the Condensed Consolidated Statements of Operations were as follows for the periods indicated:

	Six Months Ended June 30, 2013		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$(3,936.7)	) \$1,366.6	\$(2,570.1)
Equity securities	(2.0)	) 0.7	(1.3)
Other	12.9	(4.5)	) 8.4
OTTI	31.3	(10.9)	) 20.4
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(41.0)	) 14.2	(26.8)
DAC/VOBA	1,444.2	(⁽¹⁾ 501.3)	) 942.9
Sales inducements	77.4	(26.9)	) 50.5
Change in unrealized gains/losses on available-for-sale securities	(2,413.9)	) 837.9	(1,576.0)
Derivatives:			
Derivatives	(64.2)) ⁽²⁾ 22.3	(41.9)
Adjustments for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(0.8)	) 0.3	(0.5)
Change in unrealized gains/losses on derivatives	(65.0)	) 22.6	(42.4)
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(6.9)) ⁽³⁾ 2.4	(4.5)
Change in pension and other postretirement benefits liability	(6.9)	) 2.4	(4.5)
Change in Other comprehensive income (loss)	\$(2,485.8)	) \$862.9	\$(1,622.9)

⁽¹⁾ See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.

⁽²⁾ See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

⁽³⁾ See the Employee Benefits Obligations Note to these Condensed Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Six Months Ended June 30, 2012		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$1,106.5	\$(344.6) ⁽⁴⁾	\$761.9
Equity securities	7.1	(2.5)	4.6
Other	(3.7)	1.3	(2.4)
OTTI	23.9	(8.4)	15.5
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(182.9)	64.0	(118.9)
DAC/VOBA	(349.1) ⁽¹⁾	122.2	(226.9)
Sales inducements	(44.2)	15.5	(28.7)
Change in unrealized gains/losses on available-for-sale securities	557.6	(152.5)	405.1
Derivatives:			
Derivatives	40.4	(2) (14.1)	26.3
Adjustments for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	—	—	—
Change in unrealized gains/losses on derivatives	40.4	(14.1)	26.3
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(7.5) ⁽³⁾	2.6	(4.9)
Change in pension and other postretirement benefits liability	(7.5)	2.6	(4.9)
Change in Other comprehensive income (loss)	\$590.5	\$(164.0)	\$426.5

⁽¹⁾ See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.

⁽²⁾ See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

⁽³⁾ See the Employee Benefits Obligations Note to these Condensed Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

⁽⁴⁾ Amount includes \$42.0 release of valuation allowance. See Income Taxes Note to these Condensed Consolidated Financial Statements for additional information.

For the three months ended June 30, 2013 and 2012, the total increases (decreases) in the valuation allowance were \$58.9 and \$(196.1), respectively. With respect to the 2013 increase, \$58.9 was allocated to continuing operations and none of the increase was allocated to Other comprehensive income. With respect to the 2012 decrease, \$(186.2) was allocated to continuing operations and \$(9.9) was allocated to Other comprehensive income. For the six months ended June 30, 2013 and 2012, there were total increases (decreases) in the valuation allowance of \$163.1 and \$(10.9), respectively. With respect to the 2013 increase, \$163.1

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

was allocated to continuing operations and none of the increase was allocated to Other comprehensive income. With respect to the 2012 decrease, \$31.0 was allocated to continuing operations and \$(41.9) was allocated to Other comprehensive income.

Tax Regulatory Matters

During the first quarter 2013, the IRS completed its examination of the Company's returns through tax year 2011. The 2011 audit settlement did not have a material impact on the financial statements. The Company is currently under audit by the IRS for tax years 2012 through 2013 and it is expected that the examination of tax year 2012 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Program for the tax years 2012 and 2013. The Company is also under examination by various state agencies.

The Company does not expect any material changes to the unrecognized tax benefits within the next year.

11. Financing Agreements

Short-term Debt

The following table summarizes the Company's short-term debt including the weighted average interest rate on short-term borrowings outstanding as of the dates indicated:

	June 30, 2013	December 31, 2012	Weighted Average Rate		
			June 30, 2013	December 31, 2012	
Commercial paper	\$—	\$192.0	—	% 1.22	%
Current portion of long-term debt	138.6	872.6	6.75	% 2.42	%
Total	\$138.6	\$1,064.6			

Commercial Paper

The Company has a commercial paper program with an authorized capacity of \$3.0 billion, which is guaranteed by ING V. The Company pays ING V 10 basis points ("bps") on the outstanding balance of the commercial paper program as a fee for this guarantee. The Company's commercial paper borrowings have generally been used to fund the working capital needs of the Company's subsidiaries and provide short-term liquidity. All outstanding amounts were repaid in April 2013.

Guaranteed Debt

The following amounts guaranteed by ING Group or ING V are included with the Company's debt obligations as of the dates indicated:

	June 30, 2013	December 31, 2012
Commercial paper	\$—	\$192.0
Lion Connecticut Holdings Inc. debentures ⁽¹⁾	637.5	636.9

Total	\$637.5	\$828.9
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(1) ING Group is guarantor to outstanding legacy debt securities originally issued by Aetna Services, Inc. (formerly Aetna Life and Casualty).

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of the dates indicated:

	Maturity	June 30, 2013	December 31, 2012
2.20% Syndicated Bank Term Loan, due 2014 ⁽¹⁾	04/20/2014	\$—	\$1,350.0
6.75% Lion Connecticut Holdings Inc. debentures, due 2013 ⁽²⁾	09/15/2013	138.6	138.3
7.25% Lion Connecticut Holdings Inc. debentures, due 2023 ⁽²⁾	08/15/2023	158.3	158.1
7.63% Lion Connecticut Holdings Inc. debentures, due 2026 ⁽²⁾	08/15/2026	232.0	231.9
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	13.9	13.9
6.97% Lion Connecticut Holdings Inc. debentures, due 2036 ⁽²⁾	08/15/2036	108.6	108.6
2.53% Lion Connecticut Holdings Inc. Floating Rate Note, due 2016 ⁽³⁾	04/29/2016	150.0	500.0
1.00% Windsor Property Loan	06/14/2027	4.9	4.9
0.96% Surplus Floating Rate Note ⁽⁴⁾	12/31/2037	—	359.3
0.93% Surplus Floating Rate Note ⁽⁵⁾	06/30/2037	—	329.1
5.5% Senior Notes, due 2022	07/15/2022	849.6	849.6
2.9% Senior Notes, due 2018	02/15/2018	998.4	—
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	750.0	—
Subtotal		3,404.3	4,043.7
Less: Current portion of long-term debt		138.6	872.6
Total		\$3,265.7	\$3,171.1

⁽¹⁾ On May 21, 2013, the outstanding loan was paid in full.

⁽²⁾ Guaranteed by ING Group.

⁽³⁾ On July 5, 2013, the outstanding loan was paid in full.

⁽⁴⁾ On January 3, 2013, the note was paid in full.

⁽⁵⁾ On April 19, 2013, the note was paid in full.

As of June 30, 2013 and December 31, 2012, the Company was in compliance with all debt covenants.

Unsecured senior debt, which consists of senior notes, fixed rate notes and other notes with varying interest rates, rank highest in priority, followed by subordinated debt, which consists of junior subordinated debt securities. Payments of interest and principal on the Company's surplus notes, which are subordinate to all other obligations at the issuer operating insurance company level and senior to obligations issued at ING U.S., Inc., may be made only with the prior approval of the insurance department of the state of domicile.

On July 13, 2012, the Company issued \$850.0 of unsecured 5.5% Senior Notes due 2022 (the "2022 Notes") in a private placement with registration rights. The 2022 Notes are guaranteed by Lion Holdings. Interest is paid semi-annually, in arrears, on each January 15 and July 15, commencing on January 15, 2013. ING Financial Markets, LLC, an affiliate, served as Joint Book Running Manager for the 2022 Notes and was paid \$0.3 for its services.

On February 11, 2013, the Company issued \$1.0 billion of unsecured 2.9% Senior Notes due 2018 (the "2018 Notes") in a private placement with registration rights. The 2018 Notes are guaranteed by Lion Holdings. Interest is paid semi-annually, in arrears, on each February 15 and August 15, commencing on August 15, 2013. ING Financial Markets, LLC, an affiliate, served as Joint Book Running Manager for the 2018 Notes and was paid \$0.3 for its services. The Company made payments totaling \$850.0 on the Term Loan portion of our Senior Unsecured Credit Facility from the proceeds of the 2018 Notes.

On July 26, 2013, the Company issued \$400.0 of unsecured 5.7% Senior Notes due 2043 (the "2043 Notes") in a private placement with registration rights. The 2043 Notes are guaranteed by Lion Holdings. Interest is payable semi-annually on each January 15 and July 15, commencing on January 15, 2014.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company and Lion Holdings agreed to use reasonable best efforts to cause a registration statement to be filed with the SEC within 120 days after the date of note issuance. The registration statement will cover the offer to the holders of the 2043 Notes to exchange the 2043 Notes for new notes containing identical terms except for transfer restrictions.

The Company used the proceeds of the 2043 Notes for general corporate purposes, including the repayment of certain borrowings.

Junior Subordinated Notes

On May 16, 2013, the Company issued \$750.0 of 5.65% Fixed-to-Floating Rate Junior Subordinated Notes due 2053 (the "2053 Notes") in a private placement with registration rights. The 2053 Notes are guaranteed on an unsecured, junior subordinated basis by Lion Holdings. Interest is payable semi-annually, in arrears, on May 15 and November 15 beginning November 15, 2013 and ending on May 15, 2023. The 2053 Notes will bear interest at a fixed rate of 5.65% prior to May 15, 2023. From May 15, 2023, the 2053 Notes will bear interest at an annual rate equal to three-month LIBOR plus 3.58% payable quarterly, in arrears, on February 15, May 15, August 15 and November 15. So long as no event of default with respect to the 2053 Notes has occurred and is continuing, the Company has the right on one or more occasions, to defer the payment of interest on the 2053 Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of the Company's plan to defer interest and during the period interest is deferred, the Company and its subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of the Company's common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2053 Notes.

The Company may elect to redeem the 2053 Notes (i) in whole at any time or in part on or after May 15, 2023 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, \$25.0 of aggregate principal (excluding the principal amount of 2053 Notes held by the Company, or its affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to May 15, 2023 within 90 days after the occurrence of a "tax event" or "rating agency event", as defined in the 2053 Notes Offering Memorandum, at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," as defined in the 2053 Notes Offering Memorandum, plus, in each case accrued and unpaid interest.

On May 21, 2013, the Company used the proceeds from the 2053 Notes for the repayment of the remaining outstanding borrowings of \$392.5 under the Term Loan portion of the Senior Unsecured Credit Facility. The remaining proceeds were used to partially repay the borrowings with ING V.

Registration Rights Agreements

Under the Registration Rights Agreements associated with the 2022 Notes, the 2018 Notes and the 2053 Notes, the Company and Lion Holdings agreed to use reasonable best efforts to cause a registration statement to be filed with the

SEC that, upon effectiveness, would permit holders of these notes to exchange them for new notes containing identical terms except for the restrictions on transfer contained in the original notes (the "Exchange Offer"). The Exchange Offer is expected to be completed on August 9, 2013.

The 2043 Notes are also subject to registration rights. Under the terms of a registration rights agreement applicable to the 2043 Notes, an exchange offer for the 2043 Notes is required to be completed by January 22, 2014.

Aetna Notes

ING Group guarantees various debentures of Lion Holdings that were assumed by Lion Holdings in connection with the Company's acquisition of Aetna's life insurance and related businesses in 2000 (the "Aetna Notes"). Concurrent with the completion of the Company's IPO, the Company entered into a shareholder agreement with ING Group that governs certain aspects of the Company's continuing relationship. The Company agreed in the shareholder agreement to reduce the aggregate outstanding principal amount of Aetna Notes to:

no more than \$400.0 as of December 31, 2015;

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

no more than \$300.0 as of December 31, 2016;
no more than \$200.0 as of December 31, 2017;
no more than \$100.0 as of December 31, 2018;
and zero as of December 31, 2019.

The reduction in principal amount of Aetna Notes can be accomplished, at the Company's option, through redemptions, repurchases or other means, but will also be deemed to have been reduced to the extent the Company posts collateral with a third-party collateral agent, for the benefit of ING Group, which may consist of cash collateral; certain investment-grade debt instruments; a letter of credit meeting certain requirements; or senior debt obligations of ING Group or a wholly owned subsidiary of ING Group (other than the Company or its subsidiaries).

If the Company fails to reduce the outstanding principal amount of the Aetna Notes, the Company agreed to pay a quarterly fee (ranging from 0.5% per quarter for 2016 to 1.25% per quarter for 2019) to ING Group based on the outstanding principal amount of Aetna Notes which exceed the limits set forth above.

Surplus Notes

On November 1, 2007, Whisperingwind II, LLC, an indirect wholly owned subsidiary of the Company, entered into a Variable Funding Surplus Note Purchase Agreement (the "WWII Purchase Agreement") with Structured Asset Repackaged Trust II, 2005-B (the "STARTS Trust"), a Delaware statutory business trust organized by HSBC Securities (USA), Inc. ("HSBC"), as part of an insurance securitization transaction. Under the WWII Purchase Agreement, Whisperingwind II is provided opportunity for issuance and sale, and for the STARTS Trust to purchase one or more floating rate variable funding surplus notes ("WWII Note"). On December 31, 2012, the Company executed a binding letter of intent with a third party reinsurer on behalf of RLI and Whisperingwind II, LLC, its indirect wholly owned subsidiaries, to enter into a novation and recapture agreement related to an existing insurance securitization transaction. As a result, the carrying amount of the WWII Note of \$359.3 was recorded as current debt in the December 31, 2012 financial statements and was then paid in full on January 3, 2013 and cancelled.

On June 29, 2007, Whisperingwind III, LLC, an indirect wholly owned subsidiary of the Company, entered into a Variable Funding Surplus Note Purchase Agreement (the "WWIII Purchase Agreement") with Structured Asset Repackaged Trust II, 2007-ING WWIII (the "WWIII STARTS Trust"), a Delaware statutory business trust organized by HSBC, as part of an insurance securitization transaction, supporting reserves ceded under a reinsurance agreement with an affiliate. Under the WWIII Purchase Agreement, Whisperingwind III is provided opportunity for issuance and sale, and for the WWIII STARTS Trust to purchase one or more floating rate variable funding surplus notes (the "WWIII Note"). Principal and interest repayments were not to be made without prior written approval (or written confirmation of non-disapproval) of the South Carolina Director of Insurance. Upon receiving regulatory approval, on April 19, 2013, WWIII executed a Redemption and Cancellation Agreement with WWIII STARTS Trust to redeem the WWIII Note in full. The carrying amount of the WWIII Note \$329.1 was paid in full on April 19, 2013, and was cancelled. In conjunction with the WWIII Note redemption, and per agreement by the ceding insurer, WWIII replaced the WWIII Note with letters of credits ("LOCs") totaling \$305.0. Total outstanding LOCs for the period ended June 30, 2013 was \$320.0.

Credit Facilities

The Company maintains credit facilities used primarily for collateral required under affiliated reinsurance transactions and also for general corporate purposes. As of June 30, 2013, unsecured and uncommitted credit facilities totaled \$242.7, unsecured and committed credit facilities totaled \$9.2 billion and secured facilities totaled \$275.0. Of the aggregate \$9.7 billion (\$1.3 billion with ING Bank, N.V. ("ING Bank", an affiliate)) capacity available, the Company utilized \$7.3 billion (\$1.2 billion with ING Bank) in credit facilities outstanding as of June 30, 2013. Total fees associated with credit facilities for the three months ended June 30, 2013 and 2012 were \$40.3 and \$44.2, respectively. Total fees associated with credit facilities for the six months ended June 30, 2013, and 2012 were \$85.7 and \$99.4, respectively.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table outlines the Company's credit facilities, their dates of expiration, capacity and utilization as of June 30, 2013:

Obligor / Applicant	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
ING U.S., Inc. ⁽¹⁾	Unsecured	Committed	4/20/2015	\$3,500.0	\$2,210.8	\$1,289.2
ING U.S., Inc. / Security Life of Denver International Limited, Roaring River LLC ⁽¹⁾⁽²⁾	Unsecured	Uncommitted	2/28/2013	15.0	15.0	—
ING U.S., Inc. / Security Life of Denver International Limited	Unsecured	Committed	8/19/2021	750.0	750.0	—
ING U.S., Inc. / Security Life of Denver International Limited	Unsecured	Committed	11/9/2021	750.0	750.0	—
Security Life of Denver International Limited ⁽¹⁾	Unsecured	Committed	12/31/2013	825.0	825.0	—
ING U.S., Inc. / Security Life of Denver International Limited	Unsecured	Committed	12/27/2022	750.0	750.0	—
ING U.S., Inc. / Security Life of Denver International Limited ⁽¹⁾⁽²⁾	Unsecured	Uncommitted	6/30/2013	225.6	225.6	—
ReliaStar Life Insurance Company	Secured	Committed	Conditional	265.0	265.0	—
ING U.S., Inc. / Security Life of Denver International Limited	Unsecured	Committed	12/31/2025	475.0	475.0	—
ING U.S., Inc.	Unsecured	Uncommitted	Various dates	2.1	2.1	—
ING U.S., Inc.	Secured	Uncommitted	Various dates	10.0	4.7	—
ING U.S., Inc. / Roaring River III LLC	Unsecured	Committed	6/30/2022	1,151.2	520.0	631.2
ING U.S., Inc. / Roaring River II LLC	Unsecured	Committed	12/31/2019	995.0	520.0	475.0
Total				\$9,713.9	\$7,313.2	\$2,395.4
Secured facilities				\$275.0	\$269.7	\$—
Unsecured and uncommitted				242.7	242.7	—
Unsecured and committed				9,196.2	6,800.8	2,395.4
Total				\$9,713.9	\$7,313.2	\$2,395.4
ING Bank				\$1,315.6	\$1,223.5	\$92.1

⁽¹⁾ Refer to the Related Party Transactions Note to these Condensed Consolidated Financial Statements for additional information.

(2) Facilities matured as of date stated above. Each LOC issued prior to the facility expiring remains outstanding until its stated expiry date.

12. Commitments and Contingencies

Commitments

Through the normal course of investment operations, the Company commits to either purchase or sell securities, mortgage loans, or money market instruments, at a specified future date and at a specified price or yield. The inability of counterparties to honor

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

these commitments may result in either a higher or lower replacement cost. Also, there is likely to be a change in the value of the securities underlying the commitments.

As of June 30, 2013, the Company had off-balance sheet commitments to purchase investments equal to their fair value of \$999.8, of which \$364.1 relates to consolidated investment entities. As of December 31, 2012, the Company had off balance sheet commitments to purchase investments equal to their fair value of \$890.1, of which \$254.9 relates to consolidated investment entities.

Insurance Company Guaranty Fund Assessments

Insurance companies are assessed on the costs of funding the insolvencies of other insurance companies by the various state guaranty associations, generally based on the amount of premiums companies collect in that state.

The Company accrues the cost of future guaranty fund assessments based on estimates of insurance company's insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations and the amount of premiums written in each state. The Company has estimated this undiscounted liability, which is included in Other liabilities on the Condensed Consolidated Balance Sheets, to be \$41.7 and \$51.3 as of June 30, 2013 and December 31, 2012, respectively. The Company has also recorded an asset in Other assets on the Condensed Consolidated Balance Sheets of \$20.9 as of June 30, 2013 and December 31, 2012, for future credits to premium taxes.

Restricted Assets

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance operations. The Company may also post collateral in connection with certain securities lending, repurchase agreements, funding agreements, credit facilities and derivative transactions. The components of the fair value of the restricted assets were as follows as of the dates indicated:

	June 30, 2013	December 31, 2012
Fixed maturity collateral pledged to FHLB	\$3,383.9	\$3,400.9
FHLB restricted stock ⁽¹⁾	144.5	144.6
Other fixed maturities-state deposits	240.6	262.1
Securities pledged ⁽²⁾	1,357.0	1,605.5
Total restricted assets	\$5,126.0	\$5,413.1

⁽¹⁾ Included in Other investments in the Condensed Consolidated Balance Sheets.

⁽²⁾ Includes the fair value of loaned securities of \$363.3 and \$601.8 as of June 30, 2013 and December 31, 2012, respectively, which is included in Securities pledged on the Condensed Consolidated Balance Sheets. In addition, as of June 30, 2013 and December 31, 2012, the Company delivered securities as collateral of \$993.7 and \$1.0 billion, respectively, which was included in Securities pledged in the Condensed Consolidated Balance Sheets.

Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines and the FHLB of Topeka and is required to pledge collateral that backs funding agreements issued to the FHLB. As of June 30, 2013 and December 31, 2012, the Company had \$2.6 billion, in non-putable funding agreements, which are included in Contract owner account balances on the Condensed Consolidated Balance Sheets. As of June 30, 2013 and December 31, 2012, the Company had \$265.0, in LOCs issued by the FHLBs. As of June 30, 2013 and December 31, 2012, assets with a market value of approximately \$3.1 billion, collateralized the FHLB funding agreements. As of June 30, 2013 and December 31, 2012, assets with a market value of approximately \$330.9 and \$336.5, respectively, collateralized the FHLB LOCs. Assets pledged to the FHLBs are included in Fixed maturities, available-for-sale, on the Condensed Consolidated Balance Sheets.

Litigation and Regulatory Matters

The Company is a defendant in a number of litigation matters arising from the conduct of its business, both in the ordinary course and otherwise. In some of these matters, claimants seek to recover very large or indeterminate amounts, including compensatory,

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

punitive, treble and exemplary damages. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages and other relief. Claimants are not always required to specify the monetary damages they seek or they may be required only to state an amount sufficient to meet a court's jurisdictional requirements. Moreover, some jurisdictions allow claimants to allege monetary damages that far exceed any reasonable possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including negligence, breach of contract, fraud, violation of regulation or statute, breach of fiduciary duty, negligent misrepresentation, failure to supervise, elder abuse and other torts.

As with other financial services companies, the Company periodically receives informal and formal requests for information from various state and federal governmental agencies and self-regulatory organizations in connection with inquiries and investigations of the products and practices of the Company or the financial services industry. It is the practice of the Company to cooperate fully in these matters.

The outcome of a litigation or regulatory matter and amount or range of potential loss is difficult to forecast and estimating potential losses requires significant management judgment. It is not possible to predict the ultimate outcome or to provide reasonably possible losses or ranges of losses for all pending regulatory matters and litigation. While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known, management believes that the outcome of pending litigation and regulatory matters is not likely to have such an effect. However, given the large and indeterminate amounts sought and the inherent unpredictability of such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters could, from time to time, have a material adverse effect upon the Company's results of operations or cash flows in a particular quarterly or annual period.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. This paragraph contains an estimate of reasonably possible losses above any amounts accrued. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued, the estimate reflects the reasonably possible range of loss in excess of the accrued amounts. For matters for which a reasonably possible (but not probable) range of loss exists, the estimate reflects the reasonably possible and unaccrued loss or range of loss. As of June 30, 2013, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately \$100.0.

For other matters, the Company is currently not able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from plaintiffs and other parties, investigation of factual allegations, rulings by a court on motions or appeals, analysis by experts and the progress of settlement discussions. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and regulatory contingencies and updates the Company's accruals, disclosures and reasonably possible losses or ranges of loss based on such reviews.

Litigation against the Company includes a case styled Healthcare Strategies, Inc., Plan Administrator of the Healthcare Strategies Inc. 401(k) Plan v. ING Life Insurance and Annuity Company (U.S.D.C. D. CT, filed February 22, 2011), in which sponsors of 401(k) plans governed by the Employee Retirement Income Security Act ("ERISA") claim that ILIAC has entered into revenue sharing agreements with mutual funds and others in violation of the prohibited transaction rules of ERISA. Among other things, the plaintiffs seek disgorgement of all revenue sharing payments and profits earned in connection with such payments, an injunction barring the practice of revenue sharing, and attorney fees. On September 26, 2012, the district court certified the case as a class action in which the named plaintiffs represent approximately 15,000 similarly situated plan sponsors. ILIAC denies the allegations and is vigorously defending this litigation.

Regulatory matters include considerable regulatory scrutiny regarding whether and to what extent life insurance companies are using the United States Social Security Administration's Death Master File ("SSDMF") to proactively ascertain when customers have deceased and to pay benefits even where no claim for benefits has been made. The Company has received industry-wide and company-specific inquiries and is engaged in multi-state market conduct examinations with respect to its claims settlement practices, including its use of Personal Transition Accounts and of the SSDMF and compliance with unclaimed property laws.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company also has been reviewing whether benefits are owed and whether reserves are adequate in instances where an insured appears to have died, but no claim for death benefits has been made. Some of the investigations, exams, inquiries and audits could result in regulatory action against the Company. The potential outcome of such action is difficult to predict but could subject the Company to adverse consequences, including, but not limited to, settlement payments, additional payments to beneficiaries and additional escheatment of funds deemed abandoned under state laws. The investigations may also result in fines and penalties and changes to the Company's procedures for the identification and escheatment of abandoned property and other financial liability. On June 6, 2013, the Company executed a Global Resolution Agreement ("GRA") establishing a process to resolve the audit of the Company's compliance with unclaimed property laws being conducted by a majority of the states. The GRA became effective on July 26, 2013. The GRA establishes procedures for determining whether amounts may be payable under certain life insurance policies, annuity contracts, and retained asset accounts. It also establishes procedures for seeking to locate and pay beneficiaries and owners and for escheating benefits (with interest in certain circumstances) to relevant jurisdictions.

13. Related Party Transactions

In the normal course of business, the Company enters into various transactions with affiliated companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions.

The following tables summarize income and expense from transactions with related parties for the periods indicated:

	Three Months Ended June 30,			
	2013		2012	
	Income	Expense	Income	Expense
ING V ⁽¹⁾	\$0.5	\$2.3	\$0.4	\$5.5
ING Group	1.0	4.6	12.6	(14.8)
ING Bank ⁽¹⁾	(1.0)	10.4	3.0	25.4
Other	4.4	3.8	2.5	1.3
Total	\$4.9	\$21.1	\$18.5	\$17.4

⁽¹⁾ See "Derivatives" section below.

	Six Months Ended June 30,			
	2013		2012	
	Income	Expense	Income	Expense
ING V ⁽¹⁾	\$0.9	\$5.6	\$0.9	\$6.3
ING Group	5.2	9.6	12.6	(4.8)
ING Bank ⁽¹⁾	(1.4)	28.8	13.6	58.8
Other	8.0	7.5	6.3	2.8
Total	\$12.7	\$51.5	\$33.4	\$63.1

⁽¹⁾ See "Derivatives" section below.

Assets and liabilities from transactions with related parties as of the dates indicated are shown in the following table:

June 30, 2013	December 31, 2012
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	Assets	Liabilities	Assets	Liabilities
ING V	\$0.4	\$150.1	\$0.3	\$501.9
ING Group	8.9	0.9	3.4	0.1
ING Bank	10.2	5.1	33.6	33.6
Other	4.6	2.0	2.2	1.1
Total	\$24.1	\$158.1	\$39.5	\$536.7

The material agreements whereby the Company generates revenues and expenses with affiliated entities are as follows:

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Credit Facilities

The Company is a borrower in several credit facility agreements with ING Bank, in which ING Bank provides LOC capacity. The Company had accrued payables of \$4.4 and \$18.4 as of June 30, 2013 and December 31, 2012, respectively. The Company incurred expenses of \$10.5 and \$24.3 for the three months ended June 30, 2013 and 2012, respectively. The Company incurred expenses of \$28.2 and \$56.3 for the six months ended June 30, 2013 and 2012, respectively.

On July 5, 2013, the outstanding balance of \$150.0 for the 2.53% Lion Connecticut Holdings Inc. Floating Rate Note, due 2016, was paid in full to ING V.

On December 31, 2011, Security Life of Denver International Limited ("SLDI") entered into a \$1.5 billion contingent capital LOC facility with ING Bank to support its reinsurance obligations to ING USA Annuity and Life Insurance Company ("ING USA"), another of the Company's wholly-owned subsidiaries, related to variable annuity cessions from ING USA to SLDI. The contingent capital LOC facility was unconditional and irrevocable and, pursuant to its terms, was to expire on December 31, 2031.

On May 8, 2013, ING U.S., Inc. made a capital contribution to SLDI in the amount of \$1.8 billion. Immediately thereafter, SLDI deposited the contributed capital as cash collateral into a funds withheld trust account to support its reinsurance obligation to ING USA related to variable annuity cessions from ING USA to SLDI. Following the deposit by SLDI of contributed capital as cash collateral into a funds withheld trust account to support its reinsurance obligations to ING USA, the \$1.5 billion contingent capital LOCs issued under the contingent capital LOC facility were cancelled and on May 14, 2013, the \$1.5 billion contingent capital LOC facility was terminated.

Derivatives

The Company is party to several derivative contracts with ING V and ING Bank and one or more of ING Bank's subsidiaries. Each of these contracts were entered into as a result of a competitive bid, which included unaffiliated counterparties. The Company is exposed to various risks relating to its ongoing business operations, including but not limited to interest rate risk, foreign currency risk and equity market risk. To manage these risks, the Company uses various strategies, including derivatives contracts, certain of which are with related parties, such as interest rate swaps, equity options and currency forwards.

As of June 30, 2013 and December 31, 2012, the outstanding notional amounts were \$379.2 (consisting of interest rate swaps of \$180.0, equity options of \$198.7 and \$0.5 of currency forwards) and \$2.1 billion (consisting of interest rate swaps of \$1.9 billion and equity options of \$265.7), respectively. As of June 30, 2013 and December 31, 2012, the market values for these contracts were \$6.3 and \$15.6, respectively. For the three months ended June 30, 2013 and 2012, the Company recorded net realized capital gains (losses) of \$(2.8) and \$0.7, respectively, with ING Bank and ING V. For the six months ended June 30, 2013, and 2012, the Company recorded net realized capital gains (losses) of \$(4.2) and \$8.2, respectively, with ING Bank and ING V.

The Company has sold protection under certain credit default swap derivative contracts that are supported by a guarantee provided by ING V. As of June 30, 2013 and December 31, 2012, the maximum potential future exposure to the Company on credit default swaps supported by the ING V guarantee was \$1.0 billion.

14. Consolidated Investment Entities

The Company provides investment management services to and has transactions with, various collateralized loan obligations, private equity funds, single strategy hedge funds, insurance entities, securitizations and other investment entities in the normal course of business. In certain instances, the Company serves as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either VIEs or VOEs and the Company evaluates its involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under VIE or VOE consolidation guidance. The Company consolidates entities under the VIE guidance when it is determined that the Company is the primary beneficiary of these entities. The Company consolidates certain entities under the VOE guidance when it acts as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

With the exception of guarantees issued by the Company in relation to collateral support for reinsurance contracts, the Company has no right to the benefits from, nor does it bear the risks associated with these investments beyond the Company's direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately \$633.2 and \$600.0 as of June 30, 2013 and December 31, 2012, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

Consolidated Investments

Collateral Loan Obligations ("CLO") Entities

Certain subsidiaries of the Company structure and manage CLO entities created for the sole purpose of offering investors various maturity and risk characteristics by issuing multiple tranches of collateralized debt. The notes issued by the CLO entities are backed by diversified portfolios consisting primarily of senior secured floating rate leveraged loans.

The Company provides collateral management services to the CLO entities. In return for providing management services, the Company earns investment management fees and contingent performance fees. The Company has invested in certain of the entities, generally taking an ownership position in the unrated junior subordinated tranches. The CLO entities are structured and managed similarly but have differing fee structures and initial capital investments made by the Company. The Company's ownership interests and management and contingent performance fees were assessed to determine if the Company is the primary beneficiary of these entities.

As of June 30, 2013 and December 31, 2012, the Company consolidated 11 CLOs and 9 CLOs, respectively.

Private Equity Funds and Single Strategy Hedge Funds (Limited Partnerships)

The Company invests in and manages various limited partnerships, including private equity funds and single strategy hedge funds. The Company, as a general partner or managing member of certain sponsored investment funds, is generally presumed to control the limited partnerships unless the limited partners have the substantive ability to remove the general partner without cause based upon a simple majority vote, or can otherwise dissolve the partnership, or have substantive participating rights over decision-making of the partnerships.

As of June 30, 2013 and December 31, 2012, the Company consolidated 35 funds, which were structured as partnerships.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the components of the consolidated investment entities, excluding collateral support for certain reinsurance contracts, as of the dates indicated:

	June 30, 2013	December 31, 2012
Assets of Consolidated Investment Entities		
VIEs - CLO entities:		
Cash and cash equivalents	\$861.4	\$360.6
Corporate loans, at fair value using the fair value option	4,573.5	3,559.3
Total CLO entities	5,434.9	3,919.9
VOEs - Private equity funds and single strategy hedge funds:		
Cash and cash equivalents	75.2	80.2
Limited partnerships/corporations, at fair value	2,987.7	2,931.2
Other assets	25.2	34.3
Total investment funds	3,088.1	3,045.7
Total assets of consolidated investment entities	\$8,523.0	\$6,965.6
Liabilities of Consolidated Investment Entities		
VIEs - CLO entities:		
CLO notes, at fair value using the fair value option	\$4,881.3	\$3,829.4
Other liabilities	531.3	—
Total CLO entities	5,412.6	3,829.4
VOEs - Private equity funds and single strategy hedge funds:		
Other liabilities	320.0	292.4
Total investment funds	320.0	292.4
Total liabilities of consolidated investment entities	\$5,732.6	\$4,121.8

Fair Value Measurement

Upon consolidation of CLO entities, the Company elected to apply the FVO for financial assets and financial liabilities held by these entities and continued to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value in subsequent periods. The Company has elected the FVO to more closely align its accounting with the economics of its transactions and allows the Company to more effectively align changes in the fair value of CLO assets with a commensurate change in the fair value of CLO liabilities.

Investments held by consolidated private equity funds and single strategy hedge funds are measured and reported at fair value in the Company's Condensed Consolidated Financial Statements. Changes in the fair value of consolidated investment entities are recorded as a separate line item within Income (loss) related to consolidated investment entities in the Company's Condensed Consolidated Statements of Operations.

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules applied by the Company to its investment portfolio. Refer to the Fair Value Measurement section of the Business, Basis of Presentation and Significant Policies Note included in the Consolidated Financial Statements in the Company's IPO

Prospectus.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

As discussed in more detail below, the Company utilizes valuations obtained from third-party commercial pricing services, brokers and investment sponsors or third-party administrators that supply NAV (or its equivalent) per share used as a practical expedient. The valuations obtained from brokers and third-party commercial pricing services are non-binding. These valuations are reviewed on a monthly or quarterly basis (dependent on the type of fund or product). Procedures include, but are not limited to, a review of underlying fund investor reports, review of top and worst performing funds requiring further scrutiny, review of variance from prior periods and review of variance from benchmarks, where applicable. In addition, the Company considers both macro and fund specific events which may impact the latest NAV supplied and determines if further adjustments of value should be made. Such changes, if any, are subject to senior management review.

When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3. Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades, or monitoring of trading volumes.

Cash and Cash Equivalents

The carrying amounts for cash reflect the assets' fair values. The fair value for cash equivalents is determined based on quoted market prices. These assets are classified as Level 1.

VIEs - CLO Entities

Corporate loans - Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans from a variety of industries, including, but not limited to, the aerospace and defense, broadcasting, technology, utilities, household products, healthcare, oil and gas and finance industries. Corporate loans mature at various dates between 2013 and 2022, pay interest at LIBOR or PRIME plus a spread of up to 10.0% and typically range in credit rating categories from AA+ down to unrated. As of June 30, 2013, the fair value of the corporate loans exceeded the unpaid principal balance by approximately \$16.0. As of December 31, 2012, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$26.9. Less than 1% of the collateral assets are in default as of June 30, 2013 and December 31, 2012.

The fair values for corporate loans are determined using independent commercial pricing services. Fair value measurement based on pricing services may be classified in Level 2 or Level 3 depending on the type, complexity, observability and liquidity of the asset being measured. The inputs used by independent commercial pricing services, such as benchmark yields and credit risk adjustments, are those that are derived principally from or corroborated by observable market data. Hence, the fair value measurement of corporate loans priced by independent pricing service providers is classified within Level 2 of the fair value hierarchy.

CLO notes - The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any.

The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.22% for the more senior tranches to 7.00% for the more subordinated tranches. CLO notes mature at various dates between 2020 and 2025 and have a weighted average maturity of 9.2 years. The outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately \$60.6 and \$99.6 as of June 30, 2013 and December 31, 2012, respectively. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

The fair values of the CLO notes including subordinated tranches in which the Company retains an ownership interest are obtained from a third-party commercial pricing service. The service combines the modeling of projected cash flow activity and the calibration of modeled results with transactions that have taken place in the specific debt issue as well as debt issues with similar characteristics. Several of the more significant inputs to the models including default rate, recovery rate, prepayment rate and discount margin, are determined primarily based on the nature of the investments in the underlying collateral pools and cannot be corroborated by observable market data. Accordingly, CLO notes are classified within Level 3 of the fair value hierarchy.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company reviews the detailed prices including comparisons to prior periods for reasonableness. The Company utilizes a formal pricing challenge process to request a review of any price during which time the vendor examines its assumptions and relevant market inputs to determine if a price change is warranted.

The following table presents significant unobservable inputs for Level 3 fair value measurements as of June 30, 2013:

Assets and Liabilities	Fair Value	Valuation Technique	Unobservable Inputs
CLO Notes	\$4,881.3	Discounted Cash Flow	Default Rate Recovery Rate Prepayment Rate Discount Margin

The following narrative indicates the sensitivity of inputs:

Default Rate: An increase (decrease) in the expected default rate would likely increase (decrease) the discount margin (increase risk premium) used to value the CLO notes and, as a result, would potentially decrease the value of the CLO notes; however, if an increase in the expected default rates does not have a subsequent change in the discount margin used to value the CLO notes, then an increase in default rate would potentially increase the value of the CLO notes as the expected weighted average life ("WAL") of the CLO notes would decrease.

Recovery rate: A decrease (increase) in the expected recovery of defaulted assets would potentially decrease (increase) the valuation of CLO notes.

Prepayment Rate: A decrease (increase) in the expected rate of collateral prepayments would potentially decrease (increase) the valuation of CLO notes as the expected WAL would increase.

Discount Margin (spread over LIBOR): An increase (decrease) in the discount margin used to value the CLO notes would decrease (increase) the value of the CLO notes.

VOEs - Private Equity Funds and Single Strategy Hedge Funds

Limited partnerships, at fair value, primarily represent the Company's investments in private equity funds and single strategy hedge funds. The fair value for these investments is estimated based on the NAV from the latest financial statements of these funds, provided by the fund's investment manager or third-party administrator. Investments in these funds typically may not be fully redeemed at NAV within 90 days because of inherent restrictions on near-term redemptions. Therefore, these investments are classified within Level 3 of the fair value hierarchy.

These consolidated investments are mostly private equity funds spread across 35 limited partnerships that focus on the primary or secondary market. The limited partnerships invest in private equity funds and, at times, make strategic co-investments directly into private equity companies, including, but not limited to, buyout, venture capital, distressed and mezzanine.

Private Equity Funds

As prescribed in ASC Topic 820, the unit of account for these investments is the interest in the investee fund. The Company owns an undivided interest in the fund portfolio and does not have the ability to dispose of individual assets

and liabilities in the fund portfolio. Rather, the Company would be required to redeem or dispose of its entire interest in the investee fund. There is no current active market for interests in underlying private equity funds.

Valuation is generally based on the valuations provided by the fund's general partner or investment manager. The valuations typically reflect the fair value of the Company's capital account balance of each fund investment, including unrealized capital gains (losses), as reported in the financial statements of the respective investee fund as of the respective year end or the latest available date. In circumstances where fair values are not provided, the Company seeks to determine the fair value of fund investments based upon other information provided by the fund's general partner or investment manager or from other sources.

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The fair value of securities received in-kind from fund investments is determined based on the restrictions around the securities.

• Unrestricted, publicly traded securities are valued at the closing public market price on the reporting date;

• Restricted, publicly traded securities may be valued at a discount from the closing public market price on the reporting date, depending on the circumstances; and

• Privately held securities are valued by the directors/general partner of the investee fund, based on a variety of factors, including the price of recent transactions in the company's securities and the company's earnings, revenue and book value.

As of June 30, 2013 and December 31, 2012, certain private equity funds maintained revolving lines of credit of \$325.3, which renew annually and bear interest at LIBOR/EURIBOR plus 235-250 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. The private equity funds generally may borrow an amount that does not exceed the lesser of a certain percentage of the funds' undrawn commitments or a certain percentage of the funds' undrawn commitments plus 350% asset coverage from the invested assets of the funds. As of June 30, 2013 and December 31, 2012, outstanding borrowings amount to \$309.2 and \$288.4. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Condensed Consolidated Balance Sheets. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

Private Equity Companies

In the case of direct investments or co-investments in private equity companies, the Company initially recognizes investments at cost and subsequently adjusts investments to fair value. On a quarterly basis, the Company reviews the general partner or lead investor's valuation of the investee company, taking into account other available information, such as indications of a market value through subsequent issues of capital or transactions between third-parties, performance of the investee company during the period and public, comparable companies' analysis, where appropriate.

The fair value hierarchy levels of consolidated investment entities as of June 30, 2013 are presented in the table below:

	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
VIEs - CLO entities:				
Cash and cash equivalents	\$861.4	\$—	\$—	\$861.4
Corporate loans, at fair value using the fair value option	—	4,573.5	—	