

Voya Financial, Inc.  
Form 10-Q  
November 01, 2017

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

FORM 10-Q  
(Mark  
One)

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

For the quarterly period ended September 30, 2017

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 \_\_\_\_\_

Voya Financial, 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)

Securities registered pursuant to Section 12(b) of the Act:

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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer,"

Edgar Filing: Voya Financial, Inc. - Form 10-Q

"accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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: As of October 27, 2017, 179,746,869 shares of Common Stock, \$0.01 par value, were outstanding.

Voya Financial, Inc.  
 Form 10-Q for the period ended September 30, 2017

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>10</u>
Notes to Condensed Consolidated Financial Statements	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>102</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>163</u>
Item 4. Controls and Procedures	<u>168</u>
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	<u>169</u>
Item 1A. Risk Factors	<u>169</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>171</u>
Item 6. Exhibits	<u>171</u>
<u>Signature</u>	<u>172</u>
<u>Exhibit Index</u>	<u>173</u>

For the purposes of the discussion in this Quarterly Report on Form 10-Q, the term Voya Financial, Inc. refers to Voya Financial, Inc. and the terms "Company," "we," "our," and "us" refer to Voya Financial, Inc. and its subsidiaries.

#### NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future developments in our business or expectations for our future financial performance and any statement not involving a historical fact. Forward-looking statements use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties" and "Business-Closed Blocks-CBVA" in the Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 001-35897) (the "Annual Report on Form 10-K") and "Risk Factors," in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (File No. 001-35897) and this Quarterly Report on Form 10-Q.

The risks included here are not exhaustive. Current reports on Form 8-K and other documents filed with the Securities and Exchange Commission ("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

Voya Financial, Inc.

Condensed Consolidated Balance Sheets

September 30, 2017 (Unaudited) and December 31, 2016

(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$65,413.8 as of 2017 and \$66,158.7 as of 2016)	\$ 70,380.4	\$ 69,468.7
Fixed maturities, at fair value using the fair value option	3,727.6	3,712.3
Equity securities, available-for-sale, at fair value (cost of \$384.1 as of 2017 and \$241.8 as of 2016)	420.0	274.2
Short-term investments	713.2	821.0
Mortgage loans on real estate, net of valuation allowance of \$2.3 as of 2017 and \$3.1 as of 2016	12,744.5	11,725.2
Policy loans	1,915.9	1,961.5
Limited partnerships/corporations	947.7	758.6
Derivatives	1,564.3	1,712.4
Other investments	79.5	47.4
Securities pledged (amortized cost of \$2,989.9 as of 2017 and \$1,983.8 as of 2016)	3,248.5	2,157.1
Total investments	95,741.6	92,638.4
Cash and cash equivalents	1,966.9	2,910.7
Short-term investments under securities loan agreements, including collateral delivered	2,367.3	788.4
Accrued investment income	952.4	891.2
Premium receivable and reinsurance recoverable	7,297.8	7,318.0
Deferred policy acquisition costs and Value of business acquired	4,209.0	4,887.5
Sales inducements to contract owners	233.5	242.8
Current income taxes	—	164.6
Deferred income taxes	1,663.7	2,089.8
Goodwill and other intangible assets	196.0	219.5
Other assets	923.7	909.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,809.2	1,936.3
Cash and cash equivalents	106.0	133.2
Corporate loans, at fair value using the fair value option	1,650.1	1,952.5
Other assets	52.5	34.0
Assets held in separate accounts	107,474.2	97,118.7
Total assets	\$ 226,643.9	\$ 214,235.1

The accompanying notes are an

integral part of  
these  
Condensed  
Consolidated  
Financial  
Statements.

4

---

Voya Financial, Inc.  
Condensed Consolidated Balance Sheets  
September 30, 2017 (Unaudited) and December 31, 2016  
(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
Liabilities and Shareholders' Equity:		
Future policy benefits	\$ 20,853.6	\$ 21,447.2
Contract owner account balances	71,354.3	70,606.2
Payables under securities loan agreement, including collateral held	3,317.7	1,841.3
Short-term debt	336.6	—
Long-term debt	3,122.2	3,549.5
Funds held under reinsurance agreements	811.3	729.1
Derivatives	647.7	470.7
Pension and other postretirement provisions	542.2	674.3
Current income taxes	1.3	—
Other liabilities	1,403.2	1,336.0
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	1,576.3	1,967.2
Other liabilities	592.0	527.8
Liabilities related to separate accounts	107,474.2	97,118.7
Total liabilities	212,032.6	200,268.0

Commitments and Contingencies (Note 12)

Shareholders' equity:

Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 270,006,931 and 268,079,931 shares issued as of 2017 and 2016, respectively; 179,746,869 and 194,639,273 shares outstanding as of 2017 and 2016, respectively)	2.7	2.7
Treasury stock (at cost; 90,260,062 and 73,440,658 shares as of 2017 and 2016, respectively)	(3,426.0	) (2,796.0 )
Additional paid-in capital	23,899.9	23,608.8
Accumulated other comprehensive income (loss)	2,832.0	2,021.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(9,655.6	) (9,843.3 )
Total Voya Financial, Inc. shareholders' equity	13,653.0	12,993.9
Noncontrolling interest	958.3	973.2
Total shareholders' equity	14,611.3	13,967.1
Total liabilities and shareholders' equity	\$ 226,643.9	\$ 214,235.1

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

Statements.

5

---

Voya Financial, Inc.

Condensed Consolidated Statements of Operations

For the Three and Nine Months Ended September 30, 2017 and 2016 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Net investment income	\$1,104.3	\$1,163.4	\$3,402.2	\$3,432.7
Fee income	880.0	857.9	2,569.0	2,510.4
Premiums	581.6	726.7	1,750.3	2,405.1
Net realized capital gains (losses):				
Total other-than-temporary impairments	(1.2 )	(12.8 )	(4.3 )	(26.0 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(0.4 )	(0.1 )	0.9	1.7
Net other-than-temporary impairments recognized in earnings	(0.8 )	(12.7 )	(5.2 )	(27.7 )
Other net realized capital gains (losses)	(244.3 )	(355.0 )	(939.3 )	(430.6 )
Total net realized capital gains (losses)	(245.1 )	(367.7 )	(944.5 )	(458.3 )
Other revenue	89.8	90.5	279.8	257.9
Income (loss) related to consolidated investment entities:				
Net investment income	139.6	57.7	295.6	86.0
Total revenues	2,550.2	2,528.5	7,352.4	8,233.8
Benefits and expenses:				
Policyholder benefits	778.9	1,385.5	2,575.8	3,818.3
Interest credited to contract owner account balances	496.8	521.4	1,535.2	1,514.0
Operating expenses	731.2	723.6	2,161.7	2,160.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	236.5	180.7	563.4	381.2
Interest expense	49.2	45.4	139.7	242.8
Operating expenses related to consolidated investment entities:				
Interest expense	18.3	26.7	62.0	75.4
Other expense	1.2	1.1	4.8	3.4
Total benefits and expenses	2,312.1	2,884.4	7,042.6	8,195.3
Income (loss) before income taxes	238.1	(355.9 )	309.8	38.5
Income tax expense (benefit)	24.1	(119.4 )	19.0	(53.3 )
Net income (loss)	214.0	(236.5 )	290.8	91.8
Less: Net income (loss) attributable to noncontrolling interest	65.4	11.6	118.5	(13.2 )
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$148.6	\$(248.1 )	\$172.3	\$105.0
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:				
Basic	\$0.83	\$(1.24 )	\$0.93	\$0.52
Diluted	\$0.81	\$(1.24 )	\$0.92	\$0.51
Cash dividends declared per share of common stock	\$0.01	\$0.01	\$0.03	\$0.03

The accompanying notes are an integral part of these Condensed

Consolidated  
Financial  
Statements.

6

---

Voya Financial, Inc.  
 Condensed Consolidated Statements of Comprehensive Income  
 For the Three and Nine Months Ended September 30, 2017 and 2016 (Unaudited)  
 (In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	\$214.0	\$(236.5)	\$290.8	\$91.8
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	195.4	124.8	1,242.8	3,217.1
Other-than-temporary impairments	2.1	2.2	14.0	8.5
Pension and other postretirement benefits liability	(5.3 )	(3.4 )	(12.3 )	(10.3 )
Other comprehensive income (loss), before tax	192.2	123.6	1,244.5	3,215.3
Income tax expense (benefit) related to items of other comprehensive income (loss)	67.1	46.2	434.2	1,123.1
Other comprehensive income (loss), after tax	125.1	77.4	810.3	2,092.2
Comprehensive income (loss)	339.1	(159.1 )	1,101.1	2,184.0
Less: Comprehensive income (loss) attributable to noncontrolling interest	65.4	11.6	118.5	(13.2 )
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$273.7	\$(170.7)	\$982.6	\$2,197.2

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

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2017 (Unaudited)

(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2017	\$ 2.7	\$(2,796.0)	\$23,608.8	\$ 2,021.7	\$ \$(9,843.3)	\$ 12,993.9	\$ 973.2	\$ 13,967.1
Cumulative effect of changes in accounting:								
Adjustment for adoption of ASU 2016-09	—	—	—	—	—15.4	15.4	—	15.4
Balance as of January 1, 2017 - As adjusted	2.7	(2,796.0)	23,608.8	2,021.7	—(9,827.9)	13,009.3	973.2	13,982.5
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	—172.3	172.3	118.5	290.8
Other comprehensive income (loss), after tax	—	—	—	810.3	—	810.3	—	810.3
Total comprehensive income (loss)	—	—	—	810.3	—	982.6	118.5	1,101.1
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	(34.8)	(34.8)
Common stock issuance	—	—	2.7	—	—	2.7	—	2.7
Common stock acquired - Share repurchase	—	(622.8)	200.0	—	—	(422.8)	—	(422.8)
Dividends on common stock	—	—	(5.5)	—	—	(5.5)	—	(5.5)
Share-based compensation	—	(7.2)	93.9	—	—	86.7	—	86.7
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	(98.6)	(98.6)
Balance as of September 30, 2017	\$ 2.7	\$(3,426.0)	\$23,899.9	\$ 2,832.0	\$ \$(9,655.6)	\$ 13,653.0	\$ 958.3	\$ 14,611.3

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

8

---

Edgar Filing: Voya Financial, Inc. - Form 10-Q

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2016 (Unaudited)

(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2016 - As previously filed	\$ 2.7	\$(2,302.3)	\$23,716.8	\$ 1,424.9	\$9.0	\$(9,415.3 )	\$ 13,435.8	\$ 2,840.0	\$ 16,275.8
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2015-2	—	—	—	—	8.8	—	8.8	(1,601.0 )	(1,592.2 )
Adjustment for adoption of ASU 2014-13	—	—	—	—	(17.8)	—	(17.8 )	—	(17.8 )
Balance as of January 1, 2016 - As adjusted	2.7	(2,302.3 )	23,716.8	1,424.9	—	(9,415.3 )	13,426.8	1,239.0	14,665.8
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	105.0	105.0	(13.2 )	91.8
Other comprehensive income (loss), after tax	—	—	—	2,092.2	—	—	2,092.2	—	2,092.2
Total comprehensive income (loss)							2,197.2	(13.2 )	2,184.0
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	(70.3 )	(70.3 )
Common stock issuance	—	—	1.3	—	—	—	1.3	—	1.3
Common stock acquired - Share repurchase	—	(487.2 )	—	—	—	—	(487.2 )	—	(487.2 )
Dividends on common stock	—	—	(6.1 )	—	—	—	(6.1 )	—	(6.1 )
Share-based compensation	—	(6.3 )	80.3	—	—	—	74.0	—	74.0
	—	—	—	—	—	—	—	(206.1 )	(206.1 )

Contributions from  
(Distributions to)  
noncontrolling  
interest, net

Balance as of September 30, 2016	\$ 2.7	\$(2,795.8)	\$23,792.3	\$ 3,517.1	\$—	\$(9,310.3 )	\$15,206.0	\$ 949.4	\$ 16,155.4
-------------------------------------	--------	-------------	------------	------------	-----	--------------	------------	----------	-------------

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

Voya Financial, Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2017 and 2016 (Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2017	2016
Net cash provided by operating activities	\$1,122.7	\$2,482.8
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	9,902.4	8,786.2
Equity securities, available-for-sale	25.5	90.3
Mortgage loans on real estate	932.7	917.6
Limited partnerships/corporations	221.1	206.0
Acquisition of:		
Fixed maturities	(10,346.3)	(10,731.8)
Equity securities, available-for-sale	(39.0 )	(39.0 )
Mortgage loans on real estate	(1,951.3 )	(1,945.5 )
Limited partnerships/corporations	(295.7 )	(304.6 )
Short-term investments, net	107.8	150.0
Policy loans, net	45.6	7.1
Derivatives, net	(614.8 )	(1,076.4 )
Other investments, net	(30.1 )	14.3
Sales from consolidated investment entities	1,620.6	1,539.8
Purchases within consolidated investment entities	(1,719.8 )	(1,006.4 )
Collateral (delivered) received, net	(106.8 )	927.4
Purchases of fixed assets, net	(35.8 )	(49.2 )
Net cash used in investing activities	(2,283.9 )	(2,514.2 )
Cash Flows from Financing Activities:		
Deposits received for investment contracts	5,743.3	6,328.5
Maturities and withdrawals from investment contracts	(5,577.8 )	(5,183.1 )
Proceeds from issuance of debt with maturities of more than three months	398.8	798.2
Repayment of debt with maturities of more than three months	(490.0 )	(708.3 )
Debt issuance costs	(3.5 )	(16.0 )
Borrowings of consolidated investment entities	807.0	124.6
Repayments of borrowings of consolidated investment entities	(779.4 )	(410.1 )
Contributions from (distributions to) participants in consolidated investment entities, net	551.8	(150.1 )
Proceeds from issuance of common stock, net	2.7	1.3
Share-based compensation	(7.2 )	(6.3 )
Common stock acquired - Share repurchase	(422.8 )	(487.2 )
Dividends paid	(5.5 )	(6.1 )
Net cash provided by financing activities	217.4	285.4
Net (decrease) increase in cash and cash equivalents	(943.8 )	254.0
Cash and cash equivalents, beginning of period	2,910.7	2,512.7
Cash and cash equivalents, end of period	\$1,966.9	\$2,766.7
Non-cash investing and financing activities:		
Decrease of assets due to deconsolidation of consolidated investment entities	\$—	\$7,497.2
Decrease of liabilities due to deconsolidation of consolidated investment entities	—	5,905.0
Decrease of equity due to deconsolidation of consolidated investment entities	—	1,592.2
Elimination of appropriated retained earnings	—	17.8

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

10

---

Voya Financial, 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

Voya Financial, 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. The Company provides its principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. The Company also has a Closed Block segment. In addition, the Company includes in Corporate the financial data not directly related to its segments, as well as certain run-off activities. See the Segments Note to these Condensed Consolidated Financial Statements.

Prior to May 2013, the Company was an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial Inc. completed its initial public offering of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings. ING Group continues to hold certain warrants to purchase shares of Voya Financial, Inc. common stock as described further in the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

### Basis of Presentation

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 as of 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 Voya Financial, 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. Intercompany transactions and balances have been eliminated.

The accompanying Condensed Consolidated Financial Statements reflect adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2017, its results of operations and comprehensive income for the three and nine months ended September 30, 2017 and 2016, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2017 and 2016, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2016 Consolidated Balance Sheet is from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K, filed with the SEC. Therefore, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related

notes included in the Company's Annual Report on Form 10-K.

#### Adoption of New Pronouncements

##### Interests Held through Related Parties

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-17, "Consolidation (ASC Topic 810): Interests Held through Related Parties That Are under Common Control" ("ASU 2016-17"), which changes how a single decision maker of a VIE should treat indirect interests in the entity that are held through related parties under common control when determining whether it is the primary beneficiary of the VIE.

The provisions of ASU 2016-17 were adopted by the Company, retrospectively, on January 1, 2017. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Share-Based Compensation

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (ASC Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies the accounting for share-based payment award transactions with respect to:

- The income tax consequences of awards,
- The impact of forfeitures on the recognition of expense for awards,
- Classification of awards as either equity or liabilities, and
- Classification on the statement of cash flows.

The provisions of ASU 2016-09 were adopted by the Company on January 1, 2017 using the transition method prescribed for each applicable provision:

On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation will be reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits will remain in Additional paid-in capital.

The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a \$15.4 increase in Deferred income tax assets with a corresponding increase to Retained earnings on the Condensed Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.

- The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities, which resulted in a \$4.4 reclassification of Share-based compensation cash flows from financing activities to operating activities in the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2016.

• The Company also elected to continue its existing accounting policy of including estimated forfeitures in the calculation of share-based compensation expense.

The adoption of the remaining provisions of ASU 2016-09 had no effect on the Company's financial condition, results of operations, or cash flows.

### Debt Instruments

In March 2016, the FASB issued ASU 2016-06, "Derivatives and Hedging (ASC Topic 815): Contingent Put and Call Options in Debt Instruments" ("ASU 2016-06"), which clarifies that an entity is only required to follow the four-step decision sequence when assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts for purposes of bifurcating an embedded derivative. The entity does not need to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks.

The provisions of ASU 2016-06 were adopted by the Company on January 1, 2017 using a modified retrospective approach. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

### Consolidation

In February 2015, the FASB issued ASU 2015-02, "Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which:

• Modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or VOEs, including the requirement to consider the rights of all equity holders at risk to determine if they have the power to direct the entity's most significant activities.

• Eliminates the presumption that a general partner should consolidate a limited partnership. Limited partnerships and similar entities will be VIEs unless the limited partners hold substantive kick-out rights or participating rights.

• Affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships.

• Provides a new scope exception for registered money market funds and similar unregistered money market funds, and ends the deferral granted to investment companies from applying the VIE guidance.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company adopted the provisions of ASU 2015-02 on January 1, 2016 using the modified retrospective approach. The impact to the Company's January 1, 2016 Condensed Consolidated Balance Sheet was the deconsolidation of \$7.5 billion of assets (comprised of \$2.5 billion of Limited partnerships/corporations, at fair value, \$0.3 billion of Cash and cash equivalents, \$4.6 billion of Corporate loans, at fair value using the fair value option, and \$0.1 billion of Other assets related to consolidated investment entities) and \$5.9 billion of liabilities (comprised of \$4.6 billion of Collateralized loan obligations notes, at fair value using the fair value option, and \$1.3 billion of Other liabilities related to consolidated investment entities), with a related adjustment to Noncontrolling interest of \$1.6 billion and elimination of \$8.8 appropriated retained earnings related to consolidated investment entities.

The adoption of ASU 2015-02 did not result in consolidation of any entities that were not previously consolidated. Limited partnerships previously accounted for as VOEs became VIEs under the new guidance as the limited partners do not hold substantive kick-out rights or participating rights.

The adoption of ASU 2015-02 had no impact to net income available to Voya Financial, Inc.'s common shareholders.

#### Collateralized Financing Entities

In August 2014, the FASB issued ASU 2014-13, "Consolidation (ASC Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("ASU 2014-13"), which allows an entity to elect to measure the financial assets and financial liabilities of a consolidated collateralized financing entity using either:

- ASC Topic 820, whereby both the financial assets and liabilities are measured using the requirements of ASC Topic 820, with any difference reflected in earnings and attributed to the reporting entity in the statement of operations.

- The measurement alternative, whereby both the financial assets and liabilities are measured using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

The Company adopted the provisions of ASU 2014-13 on January 1, 2016, using the measurement alternative under the modified retrospective method. Subsequent to the adoption of ASU 2014-13, the impact to the Company's January 1, 2016 Condensed Consolidated Balance Sheet was an increase of \$17.8 in Collateralized loan obligations notes, at fair value using the fair value option, related to consolidated investment entities, with an offsetting decrease to appropriated retained earnings of \$17.8, resulting in the elimination of appropriated retained earnings related to consolidated investment entities. As a result of adoption of ASU 2014-13, CLO liabilities are measured based on the fair value of the assets of the CLOs; therefore, the changes in fair value related to consolidated CLOs is zero. The changes in fair value of the Company's interest in the CLOs are presented in Net investment income on the Condensed Consolidated Statements of Operations.

#### Future Adoption of Accounting Pronouncements

##### Derivatives & Hedging

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic ASC 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which enables entities to better portray risk management activities in their financial statements, as follows:

- Expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in fair value hedges of interest rate risk,

- Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item,
- Eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness, and
- Modifies required disclosures.

The provisions of ASU 2017-12 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-12 is required to be reported using a modified retrospective approach, with the exception of the presentation and disclosure amendments which are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-12.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Debt Securities

In March 2017, the FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (ASC Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date.

The provisions of ASU 2017-08 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-08 is required to be reported using a modified retrospective approach. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-08.

#### Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (ASC Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires employers to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item as other compensation costs arising from services rendered by employees during the period. Other components of net benefit costs are required to be presented in the statement of operations separately from service costs. In addition, only service costs are eligible for capitalization in assets, when applicable.

The provisions of ASU 2017-07 are effective for annual periods beginning after December 15, 2017, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-07 is required to be reported retrospectively for the presentation of service costs and other components in the statement of operations and prospectively for the capitalization of service costs in assets. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-07.

#### Derecognition of Nonfinancial Assets

In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (ASC Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance & Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), which requires entities to apply certain recognition and measurement principles in ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" (see Revenue from Contracts with Customers below) when they derecognize nonfinancial assets and in substance nonfinancial assets through sale or transfer, and the counterparty is not a customer.

The provisions of ASU 2017-05 are effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted, using either a retrospective or modified retrospective method. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-05.

#### Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (ASC Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on eight specific cash flow issues.

The provisions of ASU 2016-15 are effective retrospectively for fiscal years beginning after December 15, 2017, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-15.

#### Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which:

- Introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments,
- Modifies the impairment model for available-for-sale debt securities, and
- Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

The provisions of ASU 2016-13 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. Initial adoption of ASU 2016-13 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-13.

#### Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC Topic 842)" ("ASU 2016-02"), which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms of more than 12 months. The lease liability will be measured as the present value of the lease payments, and the asset will be based on the liability. For income statement purposes, expense recognition will depend on the lessee's classification of the lease as either finance, with a front-loaded amortization expense pattern similar to current capital leases, or operating, with a straight-line expense pattern similar to current operating leases. Lessor accounting will be similar to the current model, and lessors will be required to classify leases as operating, direct financing, or sales-type.

ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases.

The provisions of ASU 2016-02 are effective on a modified retrospective basis for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-02.

#### Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which requires:

- Equity investments (except those consolidated or accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net income.

- Elimination of the disclosure of methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost.

- The use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

- Separate presentation in other comprehensive income of the portion of the total change in fair value of a liability resulting from a change in own credit risk if the liability is measured at fair value under the fair value option.

- Separate presentation on the balance sheet or financial statement notes of financial assets and financial liabilities by measurement category and form of financial asset.

The provisions of ASU 2016-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption only permitted for certain provisions. Initial adoption of ASU 2016-01 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to the balance sheet as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-01.

#### Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract.

ASU 2014-09 also updated the accounting for certain costs associated with obtaining and fulfilling contracts with customers and requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09. Revenue recognition for insurance contracts and financial instruments is explicitly scoped out of the guidance.

The provisions of ASU 2014-09 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted as of January 1, 2017. Initial adoption of ASU 2014-09 is required to be reported using either a retrospective or modified retrospective approach.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company plans to adopt ASU 2014-09 on January 1, 2018. As the scope of ASU 2014-09 excludes insurance contracts and financial instruments, the guidance does not apply to a significant portion of the Company's business. Consequently, the Company does not currently expect the adoption of this guidance to have a material impact; however, implementation efforts, including assessment of transition approach, are ongoing. Based on review to date, the Company anticipates that the adoption of ASU 2014-09 may impact the timing of recognition of carried interest (less than 1.5% of the Company's Total revenues for the three and nine months ended September 30, 2017 and 2016) in the Investment Management segment and may result in the deferral of costs to obtain and fulfill certain financial services contracts in the Retirement, Investment Management, and Annuities segments.

Voya Financial, 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 September 30, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
Fixed maturities:						
U.S. Treasuries	\$2,983.3	\$ 514.6	\$ 4.3	\$ —	\$3,493.6	\$ —
U.S. Government agencies and authorities	253.1	53.5	—	—	306.6	—
State, municipalities and political subdivisions	2,419.5	70.0	17.1	—	2,472.4	—
U.S. corporate public securities	30,675.2	2,902.0	69.1	—	33,508.1	—
U.S. corporate private securities	8,456.1	362.4	71.1	—	8,747.4	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,865.0	620.9	26.5	—	8,459.4	—
Foreign corporate private securities <sup>(1)</sup>	7,891.1	399.3	31.4	—	8,259.0	—
Residential mortgage-backed securities:						
Agency	4,562.6	241.2	37.0	32.7	4,799.5	—
Non-Agency	1,722.1	149.0	5.1	22.1	1,888.1	26.1
Total Residential mortgage-backed securities	6,284.7	390.2	42.1	54.8	6,687.6	26.1
Commercial mortgage-backed securities	3,487.4	85.8	16.8	—	3,556.4	—
Other asset-backed securities	1,815.9	52.8	2.7	—	1,866.0	3.4
Total fixed maturities, including securities pledged	72,131.3	5,451.5	281.1	54.8	77,356.5	29.5
Less: Securities pledged	2,989.9	278.3	19.7	—	3,248.5	—
Total fixed maturities	69,141.4	5,173.2	261.4	54.8	74,108.0	29.5
Equity securities:						
Common stock	293.7	1.1	0.2	—	294.6	—
Preferred stock	90.4	35.0	—	—	125.4	—
Total equity securities	384.1	36.1	0.2	—	420.0	—
Total fixed maturities and equity securities investments	\$69,525.5	\$ 5,209.3	\$ 261.6	\$ 54.8	\$74,528.0	\$ 29.5

(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 (loss).

(4) Amount excludes \$552.4 of net unrealized gains on impaired available-for-sale securities.

Voya Financial, 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, 2016:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
Fixed maturities:						
U.S. Treasuries	\$3,452.0	\$ 452.2	\$ 13.9	\$ —	\$3,890.3	\$ —
U.S. Government agencies and authorities	253.9	44.1	—	—	298.0	—
State, municipalities and political subdivisions	2,153.9	31.7	50.0	—	2,135.6	—
U.S. corporate public securities	31,754.8	2,168.5	231.6	—	33,691.7	8.6
U.S. corporate private securities	7,724.9	242.7	159.6	—	7,808.0	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,796.6	381.7	98.9	—	8,079.4	—
Foreign corporate private securities <sup>(1)</sup>	7,557.1	302.8	74.1	—	7,785.8	—
Residential mortgage-backed securities:						
Agency	5,318.4	269.7	62.0	42.7	5,568.8	—
Non-Agency	1,088.6	137.3	7.7	27.8	1,246.0	31.0
Total Residential mortgage-backed securities	6,407.0	407.0	69.7	70.5	6,814.8	31.0
Commercial mortgage-backed securities	3,320.7	72.9	34.7	—	3,358.9	—
Other asset-backed securities	1,433.9	48.8	7.1	—	1,475.6	3.9
Total fixed maturities, including securities pledged	71,854.8	4,152.4	739.6	70.5	75,338.1	43.5
Less: Securities pledged	1,983.8	189.0	15.7	—	2,157.1	—
Total fixed maturities	69,871.0	3,963.4	723.9	70.5	73,181.0	43.5
Equity securities:						
Common stock	151.3	0.5	0.3	—	151.5	—
Preferred stock	90.5	32.2	—	—	122.7	—
Total equity securities	241.8	32.7	0.3	—	274.2	—
Total fixed maturities and equity securities investments	\$70,112.8	\$ 3,996.1	\$ 724.2	\$ 70.5	\$73,455.2	\$ 43.5

(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 (loss).

(4) Amount excludes \$515.6 of net unrealized gains on impaired available-for-sale securities.



Voya Financial, 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 September 30, 2017, 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	\$2,185.5	\$2,218.5
After one year through five years	13,194.4	13,803.9
After five years through ten years	18,022.9	18,715.4
After ten years	27,140.5	30,508.7
Mortgage-backed securities	9,772.1	10,244.0
Other asset-backed securities	1,815.9	1,866.0
Fixed maturities, including securities pledged	\$72,131.3	\$77,356.5

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 September 30, 2017 and December 31, 2016, 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 Total 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
September 30, 2017				
Communications	\$3,710.4	\$ 438.1	\$ 8.9	\$4,139.6
Financial	8,166.2	643.5	7.1	8,802.6
Industrial and other companies	25,269.1	1,779.2	74.5	26,973.8
Energy	5,933.4	504.7	61.0	6,377.1
Utilities	8,868.2	710.5	37.0	9,541.7
Transportation	1,860.1	145.1	4.3	2,000.9
Total	\$53,807.4	\$ 4,221.1	\$ 192.8	\$57,835.7
December 31, 2016				
Communications	\$3,778.7	\$ 335.7	\$ 20.8	\$4,093.6
Financial	8,166.3	478.7	47.6	8,597.4
Industrial and other companies	25,679.5	1,259.5	256.9	26,682.1
Energy	6,250.2	380.7	93.5	6,537.4
Utilities	8,164.7	500.6	106.4	8,558.9
Transportation	1,785.6	103.6	17.5	1,871.7

Edgar Filing: Voya Financial, Inc. - Form 10-Q

Total	\$53,825.0	\$ 3,058.8	\$ 542.7	\$56,341.1
-------	------------	------------	----------	------------

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Fixed Maturities and Equity Securities

The Company's fixed maturities and equity securities are currently designated as available-for-sale, except those accounted for using the FVO. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in Accumulated other comprehensive income (loss) ("AOCI") and presented net of related changes in Deferred policy acquisition costs ("DAC"), Value of business acquired ("VOBA") and Deferred income taxes. In addition, certain fixed maturities have embedded derivatives, which are reported with the host contract on the Condensed Consolidated Balance Sheets.

The Company has elected the FVO for certain of its fixed maturities to better match the measurement of assets and liabilities in the Condensed Consolidated Statements of Operations. Certain collateralized mortgage obligations ("CMOs"), primarily interest-only and principal-only strips, are accounted for as hybrid instruments and valued at fair value with changes in the fair value recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

The Company invests in various categories of 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 prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of September 30, 2017 and December 31, 2016, approximately 44.3% and 48.0%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

Public corporate fixed maturity securities are distinguished from private corporate fixed maturity securities based upon the manner in which they are transacted. Public corporate fixed maturity securities are issued initially through market intermediaries on a registered basis or pursuant to Rule 144A under the Securities Act of 1933 (the "Securities Act") and are traded on the secondary market through brokers acting as principal. Private corporate fixed maturity securities are originally issued by borrowers directly to investors pursuant to Section 4(a)(2) of the Securities Act, and are traded in the secondary market directly with counterparties, either without the participation of a broker or in agency transactions.

### Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, through a lending agent, for short periods of time. The Company has the right to approve any institution with whom the lending agent transacts on its behalf. Initial collateral is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in high quality liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of September 30, 2017 and December 31, 2016, the fair value of loaned securities was \$2,477.5 and \$1,403.8, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets.

If cash is received as collateral, the lending agent retains the cash collateral and invests it in short-term liquid assets on behalf of the Company. As of September 30, 2017 and December 31, 2016, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was \$2,183.6 and \$535.9, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2017 and December 31, 2016, liabilities to return collateral of \$2,183.6 and \$535.9, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

During the first quarter of 2016 under an amendment to the securities lending program, the Company began accepting non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected on the Company's Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of September 30, 2017 and December 31, 2016, the fair value of securities retained as collateral by the lending agent on the Company's behalf was \$376.6 and \$911.7, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table sets forth borrowings under securities lending transactions by class of collateral pledged for the dates indicated:

	September 30, 2017 (1)(2)	December 31, 2016 (1)(2)
U.S. Treasuries	\$ 674.6	\$ 762.9
U.S. Government agencies and authorities	39.1	4.3
U.S. corporate public securities	1,473.6	468.4
Equity Securities	—	0.5
Short-term Investments	4.1	1.0
Foreign corporate public securities and foreign governments	368.8	210.5
Payables under securities loan agreements	\$ 2,560.2	\$ 1,447.6

<sup>(1)</sup>As of September 30, 2017 and December 31, 2016, borrowings under securities lending transactions include cash collateral of \$2,183.6 and \$535.9, respectively.

<sup>(2)</sup>As of September 30, 2017 and December 31, 2016, borrowings under securities lending transactions include non-cash collateral of \$376.6 and \$911.7, respectively.

The Company's securities lending activities are conducted on an overnight basis, and all securities loaned can be recalled at any time. The Company does not offset assets and liabilities associated with its securities lending program.

#### 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 September 30, 2017:

	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	\$359.2	\$ 2.4	\$93.7	\$ 1.7	\$15.1	\$ 0.2	\$468.0	\$ 4.3
State, municipalities and political subdivisions	264.3	2.6	244.5	7.8	141.8	6.7	650.6	17.1
U.S. corporate public securities	1,191.1	13.4	698.2	22.4	513.3	33.3	2,402.6	69.1
U.S. corporate private securities	499.2	4.8	792.1	24.5	356.6	41.8	1,647.9	71.1
Foreign corporate public securities and foreign governments	289.7	3.9	127.3	4.7	225.9	17.9	642.9	26.5
Foreign corporate private securities	327.1	9.5	194.7	6.3	291.8	15.6	813.6	31.4
Residential mortgage-backed	485.7	5.0	588.5	16.3	467.1	20.8	1,541.3	42.1
Commercial mortgage-backed	837.5	8.1	199.2	8.6	14.2	0.1	1,050.9	16.8
Other asset-backed	316.1	1.0	73.4	0.7	73.7	1.0	463.2	2.7

Edgar Filing: Voya Financial, Inc. - Form 10-Q

Total \$4,569.9 \$ 50.7 \$3,011.6 \$ 93.0 \$2,099.5 \$ 137.4 \$9,681.0 \$ 281.1

21

---

Voya Financial, 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, 2016:

	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	\$1,061.4	\$ 13.9	\$—	\$ —	\$—	\$ —	\$1,061.4	\$ 13.9
State, municipalities and political subdivisions	1,264.7	46.9	—	—	23.3	3.1	1,288.0	50.0
U.S. corporate public securities	6,236.0	172.1	38.4	2.5	508.8	57.0	6,783.2	231.6
U.S. corporate private securities	2,261.8	98.1	74.7	2.9	315.6	58.6	2,652.1	159.6
Foreign corporate public securities and foreign governments	1,596.8	49.0	59.8	4.9	396.2	45.0	2,052.8	98.9
Foreign corporate private securities	1,382.3	56.8	—	—	165.9	17.3	1,548.2	74.1
Residential mortgage-backed	1,716.5	52.2	182.7	5.1	165.5	12.4	2,064.7	69.7
Commercial mortgage-backed	1,002.8	32.6	27.2	0.1	27.4	2.0	1,057.4	34.7
Other asset-backed	448.3	1.6	0.8	—	* 114.3	5.5	563.4	7.1
Total	\$16,970.6	\$ 523.2	\$383.6	\$ 15.5	\$1,717.0	\$ 200.9	\$19,071.2	\$ 739.6

\* Less than \$0.1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 93.9% and 89.5% of the average book value as of September 30, 2017 and December 31, 2016, respectively.

Voya Financial, 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, 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%
September 30, 2017						
Six months or less below amortized cost	\$4,677.7	\$22.0	\$58.2	\$6.4	535	13
More than six months and twelve months or less below amortized cost	3,131.4	16.9	94.7	4.8	363	12
More than twelve months below amortized cost	2,001.0	113.1	82.3	34.7	319	11
Total	\$9,810.1	\$152.0	\$235.2	\$45.9	1,217	36
December 31, 2016						
Six months or less below amortized cost	\$17,729.6	\$86.8	\$554.6	\$19.3	1,541	16
More than six months and twelve months or less below amortized cost	755.0	28.3	45.1	7.8	92	9
More than twelve months below amortized cost	1,086.7	124.4	76.5	36.3	267	12
Total	\$19,571.3	\$239.5	\$676.2	\$63.4	1,900	37

Voya Financial, 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%
September 30, 2017						
U.S. Treasuries	\$472.3	\$—	\$4.3	\$—	30	—
State, municipalities and political subdivisions	667.7	—	17.1	—	117	—
U.S. corporate public securities	2,437.2	34.5	60.3	8.8	245	5
U.S. corporate private securities	1,625.0	94.0	41.7	29.4	62	2
Foreign corporate public securities and foreign governments	657.4	12.0	23.2	3.3	64	2
Foreign corporate private securities	845.0	—	*31.4	—	*36	2
Residential mortgage-backed	1,573.5	9.9	38.3	3.8	375	21
Commercial mortgage-backed	1,067.7	—	16.8	—	159	—
Other asset-backed	464.3	1.6	2.1	0.6	129	4
Total	\$9,810.1	\$152.0	\$235.2	\$45.9	1,217	36
December 31, 2016						
U.S. Treasuries	\$1,075.3	\$—	\$13.9	\$—	33	—
State, municipalities and political subdivisions	1,337.0	1.0	49.7	0.3	198	1
U.S. corporate public securities	6,947.1	67.7	215.5	16.1	577	4
U.S. corporate private securities	2,672.7	139.0	122.1	37.5	114	3
Foreign corporate public securities and foreign governments	2,131.4	20.3	94.1	4.8	192	4
Foreign corporate private securities	1,622.3	—	*74.1	—	*64	2
Residential mortgage-backed	2,127.8	6.6	67.5	2.2	451	19
Commercial mortgage-backed	1,088.9	3.2	32.7	2.0	140	3
Other asset-backed	568.8	1.7	6.6	0.5	131	1
Total	\$19,571.3	\$239.5	\$676.2	\$63.4	1,900	37

\* Less than \$0.1.

Voya Financial, 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 residential mortgage-backed securities ("RMBS") and Other ABS in a gross unrealized loss position as of the dates indicated:

	Loan-to-Value Ratio			
			Unrealized	Unrealized
	Amortized Cost	Capital	Losses	Losses
September 30, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$—	\$—	\$—	\$—
Non-agency RMBS > 90% - 100%	0.5	—	—	*—
Non-agency RMBS 80% - 90%	21.8	—	0.2	—
Non-agency RMBS < 80%	376.1	—	5.6	—
Agency RMBS	1,232.8	9.9	33.2	3.8
Other ABS (Non-RMBS)	406.6	1.6	1.4	0.6
Total RMBS and Other ABS	\$2,037.8	\$11.5	\$40.4	\$4.4

	Credit Enhancement Percentage			
			Unrealized	Unrealized
	Amortized Cost	Capital	Losses	Losses
September 30, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$207.9	\$—	\$2.5	\$—
Non-agency RMBS > 5% - 10%	1.2	—	—	*—
Non-agency RMBS > 0% - 5%	113.4	—	1.6	—
Non-agency RMBS 0%	75.9	—	1.7	—
Agency RMBS	1,232.8	9.9	33.2	3.8
Other ABS (Non-RMBS)	406.6	1.6	1.4	0.6
Total RMBS and Other ABS	\$2,037.8	\$11.5	\$40.4	\$4.4

	Fixed Rate/Floating Rate			
			Unrealized	Unrealized
	Amortized Cost	Capital	Losses	Losses
September 30, 2017	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$1,521.2	\$6.5	\$28.4	\$2.5
Floating Rate	516.6	5.0	12.0	1.9
Total	\$2,037.8	\$11.5	\$40.4	\$4.4

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

\* Less than \$0.1.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Loan-to-Value Ratio			
	Amortized Cost	Unrealized Capital Losses		
		< 20%	> 20%	< 20%
December 31, 2016				
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$—	\$—	\$—	\$—
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	5.3	—	0.3	—
Non-agency RMBS < 80%	218.5	3.7	11.1	0.8
Agency RMBS	1,985.5	2.9	60.6	1.4
Other ABS (Non-RMBS)	487.3	1.7	2.1	0.5
Total RMBS and Other ABS	\$2,696.6	\$ 8.3	\$74.1	\$ 2.7

	Credit Enhancement Percentage			
	Amortized Cost	Unrealized Capital Losses		
		< 20%	> 20%	< 20%
December 31, 2016				
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$141.0	\$—	\$6.5	\$—
Non-agency RMBS > 5% - 10%	10.7	—	0.4	—
Non-agency RMBS > 0% - 5%	35.8	—	2.6	—
Non-agency RMBS 0%	36.3	3.7	1.9	0.8
Agency RMBS	1,985.5	2.9	60.6	1.4
Other ABS (Non-RMBS)	487.3	1.7	2.1	0.5
Total RMBS and Other ABS	\$2,696.6	\$ 8.3	\$74.1	\$ 2.7

	Fixed Rate/Floating Rate			
	Amortized Cost	Unrealized Capital Losses		
		< 20%	> 20%	< 20%
December 31, 2016				
Fixed Rate	\$2,029.0	\$ 2.5	\$55.6	\$ 0.8
Floating Rate	667.6	5.8	18.5	1.9
Total	\$2,696.6	\$ 8.3	\$74.1	\$ 2.7

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

Investments with fair values less than amortized cost are included in the Company's other-than-temporary impairments analysis. 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 (typically pre-2008) 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 the valuation of a particular security within the trust will also 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. 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 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 restructuring 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 September 30, 2017, the Company did not have any new commercial mortgage loan troubled debt restructuring and had one private placement troubled debt restructuring with a pre-modification and post-modification carrying value of \$22.4. As of December 31, 2016 the Company had no new troubled debt restructurings for commercial mortgage loans or private placement bonds.

As of September 30, 2017 and December 31, 2016, the Company did not have any 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. The Company diversifies its commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. The Company manages 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 mortgage loans based on relevant current information including a review 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 components to evaluate debt service coverage are received and reviewed at least annually to determine the level of risk.

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

	September 30, 2017			December 31, 2016		
	Non Impaired	Non Impaired	Total	Non Impaired	Non Impaired	Total
Commercial mortgage loans	\$4.3	\$12,742.5	\$12,746.8	\$4.6	\$11,723.7	\$11,728.3
Collective valuation allowance for losses	N/A	(2.3)	(2.3)	N/A	(3.1)	(3.1)
Total net commercial mortgage loans	\$4.3	\$12,740.2	\$12,744.5	\$4.6	\$11,720.6	\$11,725.2

N/A - Not Applicable

Edgar Filing: Voya Financial, Inc. - Form 10-Q

There were no impairments taken on the mortgage loan portfolio for the three and nine months ended September 30, 2017 and 2016.

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

	September 30, December 31,	
	2017	2016
Collective valuation allowance for losses, balance at January 1	\$ 3.1	\$ 3.2
Addition to (reduction of) allowance for losses	(0.8 )	(0.1 )
Collective valuation allowance for losses, end of period	\$ 2.3	\$ 3.1

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, December 31,	
	2017	2016
Impaired loans without allowances for losses	\$ 4.3	\$ 4.6
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	\$ 4.3	\$ 4.6
Unpaid principal balance of impaired loans	\$ 5.8	\$ 6.1

As of September 30, 2017 and December 31, 2016, the Company did not have any impaired loans with allowances for losses.

The Company defines delinquent mortgage loans consistent with industry practice as 60 days past due. The Company's policy is to recognize interest income until a loan becomes 90 days delinquent or foreclosure proceedings are commenced, at which point interest accrual is discontinued. Interest accrual is not resumed until the loan is brought current.

There were no mortgage loans in the Company's portfolio in process of foreclosure as of September 30, 2017 and December 31, 2016.

There is one loan 30 days or less in arrears, with respect to principal and interest as of September 30, 2017, with a total amortized cost of \$2.9. There were no loans 30 days or less in arrears, with respect to principal and interest as of December 31, 2016.

Commercial loans are placed on non-accrual status when 90 days in arrears if the Company has concerns regarding the collectability of future payments, or if a loan has matured without being paid off or extended. Factors considered may include loss of major tenant, bankruptcy of borrower or major tenant, decreased property cash flow, number of days past due, or various other circumstances. Based on an assessment as to the collectability of the principal, a determination is made to either apply against the book value or apply according to the contractual terms of the loan. Funds recovered in excess of book value would then be applied to recover expenses, impairments, and then interest. Accrual of interest resumes after factors resulting in doubts about collectability have improved.

The following tables present 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 September 30, 2017 2016	
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup>	\$4.4	\$4.7
Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>	0.1	0.1
Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>	0.1	0.1

Interest income recognized on troubled debt restructured loans, on an accrual basis — —

<sup>(1)</sup> Includes amounts for Troubled debt restructured loans.

Nine  
Months  
Ended  
September  
30,  
2017 2016

Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup> \$4.5 \$12.4

Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup> 0.3 0.3

Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup> 0.3 0.4

Interest income recognized on troubled debt restructured loans, on an accrual basis — 0.1

<sup>(1)</sup> Includes amounts for Troubled debt restructured loans.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 a 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:

	September 30, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
Loan-to-Value Ratio:		
0% - 50%	\$948.8	\$1,366.3
> 50% - 60%	2,856.3	2,950.1
> 60% - 70%	7,850.3	6,560.7
> 70% - 80%	1,006.6	833.8
> 80% and above	84.8	17.4
Total Commercial mortgage loans	\$12,746.8	\$11,728.3

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

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

	September 30, 2017 (1)	December 31, 2016 (1)
Debt Service Coverage Ratio:		
Greater than 1.5x	\$10,187.7	\$9,298.4
> 1.25x - 1.5x	1,172.1	1,247.3
> 1.0x - 1.25x	1,093.8	899.2
Less than 1.0x	172.8	181.4
Commercial mortgage loans secured by land or construction loans	120.4	102.0
Total Commercial mortgage loans	\$12,746.8	\$11,728.3

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

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:

	September 30, 2017 <sup>(1)</sup>		December 31, 2016 <sup>(1)</sup>	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by U.S. Region:				
Pacific	\$2,909.2	22.8 %	\$2,896.8	24.6 %
South Atlantic	2,714.8	21.3 %	2,646.0	22.6 %
Middle Atlantic	2,136.0	16.8 %	1,648.7	14.1 %
West South Central	1,343.9	10.5 %	1,236.1	10.5 %
Mountain	1,368.5	10.7 %	1,092.1	9.3 %

Edgar Filing: Voya Financial, Inc. - Form 10-Q

East North Central	1,335.4	10.5 %	1,274.3	10.9 %
New England	224.2	1.8 %	231.2	2.0 %
West North Central	534.0	4.2 %	508.9	4.3 %
East South Central	180.8	1.4 %	194.2	1.7 %
Total Commercial mortgage loans	\$12,746.8	100.0%	\$11,728.3	100.0%

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	September 30, 2017 <sup>(1)</sup>		December 31, 2016 <sup>(1)</sup>	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	\$3,730.5	29.2 %	\$3,695.8	31.5 %
Industrial	3,244.7	25.5 %	2,663.5	22.7 %
Apartments	2,622.9	20.6 %	2,410.8	20.6 %
Office	2,106.3	16.5 %	1,917.0	16.3 %
Hotel/Motel	432.3	3.4 %	411.2	3.5 %
Other	491.9	3.9 %	516.5	4.4 %
Mixed Use	118.2	0.9 %	113.5	1.0 %
Total Commercial mortgage loans	\$12,746.8	100.0 %	\$11,728.3	100.0 %

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

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

	September 30, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
Year of Origination:		
2017	\$1,834.3	\$—
2016	2,348.5	2,349.6
2015	2,017.5	2,066.1
2014	1,838.9	1,860.3
2013	1,889.2	1,953.1
2012	1,000.7	1,241.4
2011 and prior	1,817.7	2,257.8
Total Commercial mortgage loans	\$12,746.8	\$11,728.3

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

#### 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 September 30,			
	2017		2016	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	\$0.1	3	\$—	—
U.S. corporate public securities	—	—	9.0	2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	—	—	—
Foreign corporate private securities <sup>(1)</sup>	0.4	1	3.0	1
Residential mortgage-backed	0.3	14	0.7	41
Commercial mortgage-backed	—	—	—	—
Other asset-backed	—	—	—	* 1
Total	\$0.8	18	\$ 12.7	45

\* Less than \$0.1.

<sup>(1)</sup> Primarily U.S. dollar denominated.

	Nine Months Ended September 30,			
	2017		2016	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	\$0.6	3	\$ 0.3	2
U.S. corporate public securities	0.1	1	9.6	3
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	—	10.0	2
Foreign corporate private securities <sup>(1)</sup>	0.4	1	3.2	2
Residential mortgage-backed	1.9	45	4.6	74
Commercial mortgage-backed	2.2	4	—	—
Other asset-backed	—	—	—	* 1
Total	\$5.2	54	\$ 27.7	84

\* Less than \$0.1.

<sup>(1)</sup> Primarily U.S. dollar denominated.

The above tables include \$0.8 and \$2.5 of write-downs related to credit impairments for the three and nine months ended September 30, 2017, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$2.7 in write-downs for the nine months ended September 30, 2017 are related to intent impairments. There were immaterial write-downs for the three months ended September 30, 2017 related to intent impairments.

The above tables include \$3.5 and \$9.0 of write-downs related to credit impairments for the three and nine months ended September 30, 2016, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$9.2 and \$18.7 in write-downs for the three and nine months ended September 30, 2016, respectively, are related to intent impairments.



Voya Financial, 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 September 30,			
	2017		2016	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	\$—	—	\$ 9.1	2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	—	—	—
Residential mortgage-backed	—	*3	0.1	6
Commercial mortgage-backed	—	—	—	—
Total	\$—	3	\$ 9.2	8

<sup>(1)</sup> Primarily U.S. dollar denominated.

\* Less than \$0.1.

	Nine Months Ended September 30,			
	2017		2016	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	\$0.1	1	\$ 9.1	2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	—	8.7	1
Residential mortgage-backed	0.4	8	0.9	11
Commercial mortgage-backed	2.2	4	—	—
Total	\$2.7	13	\$ 18.7	14

<sup>(1)</sup> 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables identify the amount of credit impairments on fixed maturities for which a portion of the OTTI loss was recognized in Other comprehensive income (loss) and the corresponding changes in such amounts for the periods indicated:

	Three Months Ended September 30, 2017 2016	
Balance at July 1	\$42.5	\$71.6
Additional credit impairments:		
On securities previously impaired	0.2	0.6
Reductions:		
Increase in cash flows	0.3	1.7
Securities sold, matured, prepaid or paid down	1.6	2.8
Balance at September 30	\$40.8	\$67.7

	Nine Months Ended September 30, 2017 2016	
Balance at January 1	\$54.6	\$75.3
Additional credit impairments:		
On securities previously impaired	1.0	3.4
Reductions:		
Increase in cash flows	1.0	1.9
Securities sold, matured, prepaid or paid down	13.8	9.1
Balance at September 30	\$40.8	\$67.7

#### Net Investment Income

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

	Three Months Ended September 30, 2017 2016		Nine Months Ended September 30, 2017 2016	
Fixed maturities	\$947.1	\$1,004.4	\$2,856.3	\$3,005.0
Equity securities, available-for-sale	2.0	5.3	14.1	14.2
Mortgage loans on real estate	143.7	135.3	421.5	408.0
Policy loans	25.4	26.6	76.2	80.8
Short-term investments and cash equivalents	2.6	0.6	6.7	3.8
Other	11.5	19.9	111.9	6.6

Edgar Filing: Voya Financial, Inc. - Form 10-Q

Gross investment income	1,132.3	1,192.1	3,486.7	3,518.4
Less: investment expenses	28.0	28.7	84.5	85.7
Net investment income	\$1,104.3	\$1,163.4	\$3,402.2	\$3,432.7

As of September 30, 2017 and December 31, 2016, the Company had \$5.4 and \$13.1, respectively, of investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

Interest income on fixed maturities is recorded when earned using an effective yield method, giving effect to amortization of premiums and accretion of discounts. Such interest income is recorded in Net investment income in the Condensed Consolidated Statements of Operations.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Net Realized Capital Gains (Losses)

Net realized capital gains (losses) comprise 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 products 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.

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

	Three Months Ended September 30,	
	2017	2016
Fixed maturities, available-for-sale, including securities pledged	\$ 14.5	\$(4.5 )
Fixed maturities, at fair value option	(101.5 )	(103.4 )
Equity securities, available-for-sale	(0.8 )	0.1
Derivatives	(308.6 )	(392.9 )
Embedded derivatives - fixed maturities	(3.9 )	(7.4 )
Guaranteed benefit derivatives	154.3	140.5
Other investments	0.9	(0.1 )
Net realized capital gains (losses)	\$(245.1)	\$(367.7)
After-tax net realized capital gains (losses)	\$(157.9)	\$(242.2)

	Nine Months Ended September 30,	
	2017	2016
Fixed maturities, available-for-sale, including securities pledged	\$(6.0 )	\$(73.4 )
Fixed maturities, at fair value option	(276.6 )	(119.9 )
Equity securities, available-for-sale	(0.8 )	0.2
Derivatives	(861.2 )	(214.3 )
Embedded derivatives - fixed maturities	(15.7 )	(4.6 )
Guaranteed benefit derivatives	213.0	(46.4 )
Other investments	2.8	0.1
Net realized capital gains (losses)	\$(944.5)	\$(458.3)
After-tax net realized capital gains (losses)	\$(605.2)	\$(300.6)

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:

	Three Months	Nine Months
	Ended September	Ended September
	30,	30,

Edgar Filing: Voya Financial, Inc. - Form 10-Q

	2017	2016	2017	2016
Proceeds on sales	\$1,669.0	\$1,030.6	\$6,300.0	\$5,488.8
Gross gains	32.9	12.9	84.9	134.1
Gross losses	15.1	3.7	60.2	177.7

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

**Interest rate caps and floors:** 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. The Company uses interest rate floor contracts to hedge interest rate exposure if rates decrease below a specified level. The Company pays an upfront premium to purchase these caps and floors. The Company utilizes these contracts in 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 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 qualifying hedging relationships as well as 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. Credit default swaps are also used to hedge credit exposure associated with certain variable annuity guarantees. 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 correlated to 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 also utilizes currency forward contracts to hedge currency exposure related

to its invested assets. 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 correlate to 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 interest rate futures contracts to hedge its exposure to market risks due to changes in interest rates. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margins, with the exchange, on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships. The Company may also use futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of fixed index annuity ("FIA") contracts.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

**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. The Company pays a premium when it purchases the swaption. The Company utilizes these contracts in non-qualifying hedging relationships.

**Options:** The Company uses options to manage the equity, interest rate and equity volatility risk of the economic liabilities associated with certain variable annuity minimum guaranteed benefits and/or to mitigate certain rebalancing costs resulting from increased volatility. The Company also uses equity options to hedge against an increase in various equity indices, and interest rate options to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to the holders of the FIA and IUL contracts. The Company pays an upfront premium to purchase these options. The Company utilizes these options in non-qualifying hedging relationships.

**Currency Options:** The Company uses currency option contracts to hedge currency exposure related to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

**Variance swaps:** The Company uses variance swaps to manage equity volatility risk on the economic liabilities associated with certain minimum guaranteed living benefits and/or to mitigate certain rebalancing costs resulting from increased volatility. An increase in the equity volatility results in 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 ("MCGs"):** The Company issues certain credited rate guarantees on variable fixed income portfolios 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 products that contain embedded derivatives for which 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 coinsurance with funds withheld arrangements, which contain embedded derivatives.

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 equity 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. However, in accordance with the Chicago Mercantile Exchange ("CME") rule changes related to the variation margin payments, effective the first quarter of 2017, the Company is required to adjust the derivative balances with the variation margin payments related to its cleared derivatives executed through CME.



Voya Financial, 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:

	September 30, 2017			December 31, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting <sup>(1)</sup>						
Cash flow hedges:						
Interest rate contracts	\$74.0	\$0.2	\$—	\$124.0	\$4.7	\$0.3
Foreign exchange contracts	717.4	—	56.3	480.8	40.1	10.7
Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup>						
Interest rate contracts	59,937.7	17.1	138.6	78,399.6	1,080.6	354.3
Foreign exchange contracts	131.1	0.1	3.8	1,573.0	60.7	39.2
Equity contracts	40,617.8	17.4	430.3	28,959.6	194.1	50.4
Credit contracts	3,177.6	29.5	18.7	3,255.3	32.2	15.8
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	54.8	—	N/A	70.5	—
Within products	N/A	—	3,650.1	N/A	—	3,791.4
Within reinsurance agreements	N/A	—	121.2	N/A	—	78.7
Managed custody guarantees	N/A	—	—	N/A	—	—
Total		\$1,619.1	\$4,419.0		\$1,782.9	\$4,340.8

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

N/A - Not Applicable

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of September 30, 2017 and December 31, 2016. The Company utilizes derivative contracts mainly to hedge exposure to variability in cash flows, interest rate risk, credit risk, foreign exchange risk and equity market risk. The majority of derivatives used by the Company are designated as product hedges, which hedge the exposure arising from insurance liabilities or guarantees embedded in the contracts the Company offers through various product lines. These derivatives do not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. The Company also uses credit default swaps coupled with other investments in order to produce the investment characteristics of otherwise permissible investments that do not qualify as effective accounting hedges under ASC Topic 815.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Although the Company has not elected to net its derivative exposures, the notional amounts and fair values of Over-The-Counter ("OTC") and cleared derivatives excluding exchange traded contracts and forward contracts (To Be Announced mortgage-backed securities) are presented in the tables below as of the dates indicated:

September 30, 2017

	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$3,177.6	\$29.5	\$18.7
Equity contracts	32,948.8	816.6	400.8
Foreign exchange contracts	848.5	0.1	60.1
Interest rate contracts	54,608.9	716.1	138.6
		1,562.3	618.2
Counterparty netting <sup>(1)</sup>		(557.5)	(557.5)
Cash collateral netting <sup>(1)</sup>		(969.1)	(7.3)
Securities collateral netting <sup>(1)</sup>		(19.0)	(45.5)
Net receivables/payables		\$16.7	\$7.9

<sup>(1)</sup> Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

December 31, 2016

	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$3,255.3	\$32.2	\$15.8
Equity contracts	22,327.8	471.4	49.6
Foreign exchange contracts	2,053.8	100.8	49.9
Interest rate contracts	68,342.4	1,085.4	353.0
		1,689.8	468.3
Counterparty netting <sup>(1)</sup>		(411.3)	(411.3)
Cash collateral netting <sup>(1)</sup>		(1,083.9)	(21.3)
Securities collateral netting <sup>(1)</sup>		(71.6)	(13.9)
Net receivables/payables		\$123.0	\$21.8

<sup>(1)</sup> Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

#### Collateral

Under the terms of the OTC Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties collateral to assure that 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 September 30, 2017, the Company held \$877.2 and \$269.4 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2016, the Company held \$809.1 and \$257.3 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of September 30, 2017, the Company delivered \$771.0 of securities and held \$19.0 of securities as collateral. As of December 31, 2016, the Company delivered \$753.3 of securities and held \$71.7 of securities as collateral.

Voya Financial, 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 September 30, 2017		Nine Months Ended September 30, 2016	
Derivatives: Qualifying for hedge accounting <sup>(1)</sup>				
Cash flow hedges:				
Interest rate contracts	\$0.1	\$0.3	\$0.6	\$0.9
Foreign exchange contracts	4.7	0.6	33.3	2.0
Fair value hedges:				
Interest rate contracts	—	0.6	—	(5.1 )
Derivatives: Non-qualifying for hedge accounting <sup>(2)</sup>				
Interest rate contracts	20.0	29.2	118.9	662.1
Foreign exchange contracts	(3.3 )	(3.1 )	(42.5 )	(8.8 )
Equity contracts	(333.3 )	(421.7 )	(986.1 )	(863.8 )
Credit contracts	3.2	1.2	14.6	(1.6 )
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments <sup>(2)</sup>	(3.9 )	(7.4 )	(15.7 )	(4.6 )
Within products <sup>(2)</sup>	154.2	140.5	212.8	(42.5 )
Within reinsurance agreements <sup>(3)</sup>	(9.7 )	(9.9 )	(44.2 )	(105.1 )
Managed custody guarantees <sup>(2)</sup>	0.1	(0.1 )	0.2	(4.0 )
Total	\$(167.9)	\$(269.8)	\$(708.1)	\$(370.5)

<sup>(1)</sup> 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 nine months ended September 30, 2017 and 2016, ineffective amounts were immaterial.

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

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

#### Credit Default Swaps

The Company has entered into various credit default swaps. When credit default swaps are sold, the Company assumes credit exposure to certain assets that it does not own. Credit default swaps may also be purchased to reduce credit exposure in the Company's portfolio. Credit default swaps involve a transfer of credit risk from one party to another in exchange for periodic payments. As of September 30, 2017, the fair values of credit default swaps of \$29.5 and \$18.7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2016, the fair values of credit default swaps of \$32.2 and \$15.8 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of September 30, 2017, the maximum potential future exposure to the Company was \$2.3 billion on credit default swap protection sold. As of December 31, 2016, the maximum potential future exposure to the Company was \$1.7 billion, net of purchased protection of \$500.0 on credit default swap protection sold. These instruments are typically written for a maturity period of 5 years and contain no recourse provisions. If the Company's current debt and claims paying

ratings were downgraded in the future, the terms in the Company's derivative agreements may be triggered, which could negatively impact overall liquidity.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 ASU 2011-04, "Fair Value Measurements (ASC Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP" ("ASU 2011-04"). 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). 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.

Voya Financial, 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 September 30, 2017:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$2,879.7	\$613.9	\$—	\$3,493.6	
U.S. Government agencies and authorities	—	306.6	—	306.6	
State, municipalities and political subdivisions	—	2,472.4	—	2,472.4	
U.S. corporate public securities	—	33,428.5	79.6	33,508.1	
U.S. corporate private securities	—	7,268.1	1,479.3	8,747.4	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	8,448.6	10.8	8,459.4	
Foreign corporate private securities <sup>(1)</sup>	—	7,907.6	351.4	8,259.0	
Residential mortgage-backed securities	—	6,612.2	75.4	6,687.6	
Commercial mortgage-backed securities	—	3,523.0	33.4	3,556.4	
Other asset-backed securities	—	1,717.0	149.0	1,866.0	
Total fixed maturities, including securities pledged	2,879.7	72,297.9	2,178.9	77,356.5	
Equity securities, available-for-sale	306.5	—	113.5	420.0	
Derivatives:					
Interest rate contracts	1.2	716.1	—	717.3	
Foreign exchange contracts	—	0.1	—	0.1	
Equity contracts	0.9	606.1	210.4	817.4	
Credit contracts	—	23.0	6.5	29.5	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	4,718.9	328.5	—	5,047.4	
Assets held in separate accounts	102,938.7	4,529.9	5.6	107,474.2	
Total assets	\$110,845.9	\$78,501.6	\$2,514.9	\$191,862.4	
Percentage of Level to total	57.8	% 40.9	% 1.3	% 100.0	%
Liabilities:					
Derivatives:					
Guaranteed benefit derivatives:					
FIA	\$—	\$—	\$2,188.3	\$2,188.3	
IUL	—	—	126.1	126.1	
GMWBL/GMWB/GMAB <sup>(2)</sup>	—	—	1,201.8	1,201.8	
Stabilizer and MCGs	—	—	133.9	133.9	
Other derivatives:					
Interest rate contracts	—	138.6	—	138.6	
Foreign exchange contracts	—	60.1	—	60.1	
Equity contracts	29.5	394.0	6.8	430.3	
Credit contracts	—	18.7	—	18.7	
Embedded derivative on reinsurance	—	121.2	—	121.2	
Total liabilities	\$29.5	\$732.6	\$3,656.9	\$4,419.0	

<sup>(1)</sup> Primarily U.S. dollar denominated.

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



Voya Financial, 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, 2016:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$3,271.0	\$619.3	\$—	\$3,890.3	
U.S. Government agencies and authorities	—	298.0	—	298.0	
State, municipalities and political subdivisions	—	2,135.6	—	2,135.6	
U.S. corporate public securities	—	33,669.6	22.1	33,691.7	
U.S. corporate private securities	—	6,488.6	1,319.4	7,808.0	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	8,067.1	12.3	8,079.4	
Foreign corporate private securities <sup>(1)</sup>	—	7,344.9	440.9	7,785.8	
Residential mortgage-backed securities	—	6,742.9	71.9	6,814.8	
Commercial mortgage-backed securities	—	3,335.5	23.4	3,358.9	
Other asset-backed securities	—	1,391.9	83.7	1,475.6	
Total fixed maturities, including securities pledged	3,271.0	70,093.4	1,973.7	75,338.1	
Equity securities, available-for-sale	174.7	—	99.5	274.2	
Derivatives:					
Interest rate contracts	—	1,085.3	—	1,085.3	
Foreign exchange contracts	—	100.8	—	100.8	
Equity contracts	22.7	360.4	111.0	494.1	
Credit contracts	—	21.6	10.6	32.2	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	4,325.8	189.3	5.0	4,520.1	
Assets held in separate accounts	92,330.5	4,782.9	5.3	97,118.7	
Total assets	\$100,124.7	\$76,633.7	\$2,205.1	\$178,963.5	
Percentage of Level to total	56.0	% 42.8	% 1.2	% 100.0	%
Liabilities:					
Derivatives:					
Guaranteed benefit derivatives:					
FIA	\$—	\$—	\$2,029.6	\$2,029.6	
IUL	—	—	81.0	81.0	
GMWBL/GMWB/GMAB	—	—	1,530.4	1,530.4	
Stabilizer and MCGs	—	—	150.4	150.4	
Other derivatives:					
Interest rate contracts	1.7	352.9	—	354.6	
Foreign exchange contracts	—	49.9	—	49.9	
Equity contracts	0.8	49.6	—	50.4	
Credit contracts	—	0.5	15.3	15.8	
Embedded derivative on reinsurance	—	78.7	—	78.7	
Total liabilities	\$2.5	\$531.6	\$3,806.7	\$4,340.8	

<sup>(1)</sup>Primarily U.S. dollar denominated.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### 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. 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 that is determined based on a hypothetical transaction at the measurement date, from a market participant's perspective. The Company considers three broad valuation approaches 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 approaches 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.

**Fixed maturities:** The fair values for actively traded marketable bonds are determined based upon the quoted market prices and are classified as Level 1 assets. Assets in this category primarily include certain U.S. Treasury securities.

For fixed maturities classified as Level 2 assets, fair values are determined using a matrix-based market approach, based on prices obtained from third-party commercial pricing services and the Company's matrix and analytics-based pricing models, which in each case incorporate a variety of market observable information as valuation inputs. The market observable inputs used for these fair value measurements, by fixed maturity asset class, are as follows:

**U.S. Treasuries:** Fair value is determined using third-party commercial pricing services, with the primary inputs being stripped interest and principal U.S. Treasury yield curves that represent a U.S. Treasury zero-coupon curve.

**U.S. government agencies and authorities, State, municipalities and political subdivisions:** Fair value is determined using third-party commercial pricing services, with the primary inputs being U.S. Treasury yield curves, trades of comparable securities, credit spreads off benchmark yields and issuer ratings.

**U.S. corporate public securities, Foreign corporate public securities and foreign governments:** Fair value is determined using third-party commercial pricing services, with the primary inputs being benchmark yields, trades of comparable

securities, issuer ratings, bids and credit spreads off benchmark yields.

U.S. corporate private securities and Foreign corporate private securities: Fair values are determined using a matrix and analytics-based pricing model. The model incorporates the current level of risk-free interest rates, current corporate credit spreads, credit quality of the issuer and cash flow characteristics of the security. The model also considers a liquidity spread, the value of any collateral, the capital structure of the issuer, the presence of guarantees, and prices and quotes for comparably rated publicly traded securities.

RMBS, CMBS and ABS: Fair value is determined using third-party commercial pricing services, with the primary inputs being credit spreads off benchmark yields, prepayment speed assumptions, current and forecasted loss severity, debt service coverage ratios, collateral type, payment priority within tranche and the vintage of the loans underlying the security.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the three and nine months ended September 30, 2017 and 2016. 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended September 30, 2017										
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issues	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$89.2	\$ (0.1 )	\$ 0.1	\$ —	—	—	\$ —	\$ —	\$ —	\$ 79.6	\$ —
U.S. corporate private securities	1,487.5	0.2	1.9	6.0	—	(4.1 )	(37.4)	25.2	—	1,479.3	(0.1)
Foreign corporate public securities and foreign governments <sup>(1)</sup>	11.2	—	(0.3 )	—	—	—	(0.1)	—	—	10.8	—
Foreign corporate private securities <sup>(1)</sup>	301.4	—	3.1	50.0	—	—	(3.1)	—	—	351.4	—
Residential mortgage-backed securities	100.2	(5.2 )	0.4	15.4	—	—	(0.4)	—	(35.0)	75.4	(5.2)
Commercial mortgage-backed securities	34.1	—	—	33.9	—	—	(0.7)	—	(33.9)	33.4	—
Other asset-backed securities	126.2	—	0.8	119.2	—	—	(0.8)	—	(96.4)	149.0	—
Total fixed maturities, including securities pledged	2,149.8	5.1 )	6.0	224.5	—	(13.7)	(42.5)	25.2	(165.3)	2,178.9	(5.3)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2017 (continued)										
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Equity securities, available-for-sale	\$113.1	\$ —	\$ 0.4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$113.5	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup>	(2,097.1)	(133.0)	—	—	(4.0)	—	45.8	—	—	(2,188.3)	—
IUL <sup>(2)</sup>	(107.4)	(21.6)	—	—	(8.5)	—	11.4	—	—	(126.1)	—
GMWBL/GMWB/GMAB <sup>(2)</sup>	(1,465.8)	300.8	—	—	(36.9)	—	0.1	—	—	(1,201.8)	—
Stabilizer and MCGs <sup>(2)</sup>	(141.2)	8.1	—	—	(0.8)	—	—	—	—	(133.9)	—
Other derivatives, net	178.4	50.1	—	17.7	—	—	(36.1)	—	—	210.1	31.7
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	—	—	—	—	—	—	—	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	3.1	—	—	3.8	—	(0.8)	—	—	(1.0)	5.6	—

(1) Primarily U.S. dollar denominated.

(2) 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.

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

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

(5) 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 results in a net zero impact on Net income (loss) for the Company.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2017										
	Fair Value as of January 1	Total Realized Gains (Losses) Included in Net Income	Total Unrealized Gains (Losses) Included in OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$22.1	\$ (0.1 )	\$ 1.2	\$ 43.7	\$ —	\$ (9.6 )	\$ (1.8 )	\$ 24.1	\$ —	\$ 79.6	\$ —
U.S. corporate private securities	1,319.4	0.6	13.9	144.8	—	(4.1 )	(48.6 )	79.2	(25.9)	1,479.3	0.2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	12.3	—	(1.3 )	—	—	—	(0.2 )	—	—	10.8	—
Foreign corporate private securities <sup>(1)</sup>	440.9	0.1	0.7	69.9	—	—	(50.8 )	—	(10.9)	435.1	0.2
Residential mortgage-backed securities	71.9	(12.6 )	(0.2 )	15.5	—	—	(1.2 )	2.0	—	75.4	(12.5)
Commercial mortgage-backed securities	23.4	(0.5 )	—	33.9	—	—	(0.7 )	—	(22.7)	33.4	(0.5)
Other asset-backed securities	83.7	0.5	1.5	119.2	—	—	(5.1 )	1.8	(52.6)	149.0	0.5
Total fixed maturities, including securities pledged	1,973.7	(12.0 )	15.8	427.0	—	(13.7 )	(108.4 )	107.1	(210.6)	2,178.9	(12.1)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2017 (continued)									
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net OCI Income	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
Equity securities, available-for-sale	\$99.5	\$ — \$ 2.4	\$ 11.6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 113.5	\$ —
Derivatives:										
Guaranteed benefit derivatives:										
FIA <sup>(2)</sup>	(2,029.6)	196.6	—	—	(112.5)	150.4	—	—	(2,188.3)	—
IUL <sup>(2)</sup>	(81.0)	(50.5)	—	—	(25.3)	30.7	—	—	(126.1)	—
GMWBL/GMWB/GMAB <sup>(2)</sup>	(1,530.4)	440.4	—	—	(112.1)	0.3	—	—	(1,201.8)	—
Stabilizer and MCGs <sup>(2)</sup>	(150.4)	19.7	—	—	(3.2)	—	—	—	(133.9)	—
Other derivatives, net	106.3	134.9	50.3	—	—	(85.1)	3.7	—	210.1	100.1
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	5.0	—	—	—	(5.0)	—	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	5.3	0.1	9.9	—	(3.0)	—	2.1	(8.8)	5.6	—

(1) Primarily U.S. dollar denominated.

(2) 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.

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

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

(5) 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 results in a net zero impact on Net income (loss) for the Company.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended September 30, 2016										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30		
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$59.9	\$ —	\$ —	\$ —	\$ —	\$ (0.1 )	\$ —	\$ (30.3 )	\$ 29.5	\$ —	
U.S. corporate private securities	1,092.4	—	11.1	133.1	—	(29.7 )	—	—	1,206.9	—	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	9.0	—	0.1	—	—	(0.1 )	—	—	9.0	—	
Foreign corporate private securities <sup>(1)</sup>	475.0	(3.0)	8.3	—	—	(11.5 )	—	—	468.8	(3.0)	
Residential mortgage-backed securities	97.8	(4.4)	1.1	5.0	—	(2.6 )	(0.4 )	(14.1 )	82.4	(3.7)	
Commercial mortgage-backed securities	25.7	—	0.1	11.3	—	(2.7 )	—	(1.5 )	32.9	—	
Other asset-backed securities	110.4	—	—	151.6	—	(1.0 )	(0.7 )	7.4	(73.3 )	194.4	
Total fixed maturities, including securities pledged	1,870.2	(7.4)	20.7	301.0	—	(3.6 )	(45.2 )	7.4	(119.2 )	2,023.9	(6.7)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2016 (continued)									Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
Equity securities, available-for-sale	\$101.9	\$ — \$ 1.3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$103.2	\$ —
Derivatives:										
Guaranteed benefit derivatives:										
FIA <sup>(2)</sup>	(1,642.8	(121.7	—	(38)3	—	55.1	—	—	(1,747.7)	—
IUL <sup>(2)</sup>	(51.5 )	(13.4	—	(6.7	—	2.3	—	—	(69.3 )	—
GMWBL/GMWB/GMAB <sup>(2)</sup>	(2,239.8	269.4	—	(37)7	—	0.1	—	—	(2,008.0)	—
Stabilizer and MCGs <sup>(2)</sup>	(272.0 )	6.1	—	(1.2	—	—	—	—	(267.1 )	—
Other derivatives, net	56.1	18.6	—	12.1	—	—	(2.6)	—	84.2	28.1
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	0.1	—	—	—	—	—	—	—	0.1	—
Assets held in separate accounts <sup>(5)</sup>	3.4	0.2	—	4.1	—	(0)7	—	2.1	9.1	—

(1) Primarily U.S. dollar denominated.

(2) 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.

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

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

(5) 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 results in a net zero impact on Net income (loss) for the Company.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2016										
	Fair Value as of January 1	Total Realized Gains (Losses) Included in: Net Income	Total Unrealized Gains (Losses) OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$6.9	\$(0.3)	\$2.0	\$—	—	\$(2.1)	\$(1.1)	\$24.1	\$—	\$29.5	\$—
U.S. corporate private securities	1,040.8	1	47.4	268.3	—	(37.0)	(169.4)	81.9	(24.7)	1,206.9	0.2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	13.8	(1.2)	(3.3)	—	—	—	(0.3)	—	—	9.0	(1.2)
Foreign corporate private securities <sup>(1)</sup>	430.4	(3.2)	26.3	—	—	(0.5)	(52.6)	80.0	(11.6)	468.8	(3.2)
Residential mortgage-backed securities	96.1	(3.1)	—	5.0	—	(14.9)	(0.7)	—	—	82.4	(10.7)
Commercial mortgage-backed securities	31.4	—	0.5	11.3	—	—	(9.3)	—	(1.0)	32.9	—
Other asset-backed securities	44.5	(0.2)	0.2	156.2	—	(1.0)	(3.6)	8.3	(10.0)	194.4	(0.3)
Total fixed maturities, including securities pledged	1,663.7	(7.9)	73.1	440.8	—	(55.5)	(237.0)	194.3	(47.3)	2,023.9	(15.2)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2016 (continued)										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Equity securities, available-for-sale	\$97.4	\$ —	\$ 5.8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 103.2	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup>	(1,820)	181.3	—	—	(160.9)	—	152.0	—	—	(1,747.7)	—
IUL <sup>(2)</sup>	(52.6)	(3.6)	—	—	(20.4)	—	7.3	—	—	(69.3)	—
GMWBL/GMWB/GMAB <sup>(2)</sup>	(1,873)	5(21.9)	—	—	(113.0)	—	0.4	—	—	(2,008.0)	—
Stabilizer and MCGs <sup>(2)</sup>	(161.3)	(102.3)	—	—	(3.5)	—	—	—	—	(267.1)	—
Other derivatives, net	52.4	(1.3)	—	39.4	—	—	(6.3)	—	—	84.2	31.8
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	—	*—	0.1	—	—	—	—	—	—	0.1	—
Assets held in separate accounts <sup>(5)</sup>	3.9	0.2	—	4.1	—	(0.7)	—	5.5	(3.9)	9.1	—

\*Less than \$0.1.

(1) Primarily U.S. dollar denominated.

(2) 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.

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

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

(5) 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 results in a net zero impact on Net income (loss) for the Company.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three and nine months ended September 30, 2017 and 2016, the transfers in and out of Level 3 for fixed maturities, other derivatives and separate accounts 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.

#### Significant Unobservable Inputs

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.

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

Significant unobservable inputs used in the fair value measurements of GMWBLs, GMWBs and GMABs 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. Such inputs are monitored quarterly.

Significant unobservable inputs used in the fair value measurements of FIAs include nonperformance risk and policyholder behavior assumptions, such as lapses and partial withdrawals. Such inputs are monitored quarterly.

Significant unobservable inputs used in the fair value measurements of IULs include nonperformance risk and policyholder behavior assumptions, such as 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 GMWBL, GMWB and GMAB 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 GMWBL, GMWB and GMAB 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 company 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.

Voya Financial, 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 September 30, 2017:

Unobservable Input	Range <sup>(1)</sup>		IUL	Stabilizer/MCGs
	GMWBL/GMWBL/GMAB			
Long-term equity implied volatility	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 16%	—	—	0.1% to 6.6%
Correlations between:				
Equity Funds	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	—	—	—
Nonperformance risk	0.24% to 1.3%	0.24% to 1.3%	0.24% to 0.6%	0.24% to 1.3%
Actuarial Assumptions:				
Benefit Utilization	70% to 100% <sup>(2)</sup>	—	—	—
Partial Withdrawals	0% to 3.4% <sup>(2)</sup>	0% to 10%	—	—
Lapses	0.1% to 15.3% <sup>(3)(4)</sup>	0% to 60%	<sup>(3)</sup> 2% to 10%	0% to 50% <sup>(5)</sup>
Policyholder Deposits <sup>(6)</sup>	—	—	—	0% to 50% <sup>(5)</sup>
Mortality	—	<sup>(7)</sup> —	<sup>(7)</sup> —	<sup>(8)</sup> —

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

<sup>(2)</sup> Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, approximately 45% are taking systematic withdrawals. The Company assumes that at least 70% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing by age 95. The utilization function varies by policyholder age, policy duration and tax status. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWBL and GMWB tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWBL and GMWB 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 GMWBL or GMWB 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 September 30, 2017 (account value amounts are in \$ billions). Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

Attained Age Group	Account Values		Total	Average Expected Delay (Years)**
	In the Money	Out of the Money		
< 60	\$1.6	\$ 0.1	\$1.7	9.0
60-69	5.1	0.5	5.6	3.9
70+	6.0	0.5	6.5	2.6
	\$12.7	\$ 1.1	\$13.8	4.5

\*\* For population expected to withdraw in future. Excludes policies taking systematic withdrawals and policies the Company assumes will never withdraw until age 95.

<sup>(3)</sup> 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.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

(4) The Company makes 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 or at the shock lapse period and to whether they are "in the money" or "out of the money" as of September 30, 2017 (account value amounts are in \$ billions). Lapse ranges are based on weighted average ranges of underlying account value exposure.

	Moneyiness	GMWBL/GMWB/GMAB Account Value	Lapse Range
During Surrender Charge Period			
	In the Money**	\$ 0.5	0.1% to 4.8%
	Out of the Money	0.1	0.6% to 5.2%
Shock Lapse Period			
	In the Money**	\$ 2.2	1.7% to 13.9%
	Out of the Money	0.2	13.9% to 15.3%
After Surrender Charge Period			
	In the Money**	\$ 10.1	0.9% to 6.4%
	Out of the Money	1.4	6.4% to 7.1%

\*\* 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 money."

(5) 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	92 %	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	8 %	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100 %	0-50%	0-30%	0-50%	0-25%

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

(7) The mortality rate is based on the 2012 Individual Annuity Mortality Basic table with mortality improvements.

(8) The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

Voya Financial, 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 December 31, 2016:

Unobservable Input	Range <sup>(1)</sup>		IUL	Stabilizer/MCGs
	GMWBL/GMWB/GMAB	GMAB		
Long-term equity implied volatility	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 18%	—	—	0.1% to 7.5%
Correlations between:				
Equity Funds	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	—	—	—
Nonperformance risk	0.25% to 1.6%	0.25% to 1.6%	0.25% to 0.69%	0.25% to 1.6%
Actuarial Assumptions:				
Benefit Utilization	85% to 100%	<sup>(2)</sup> —	—	—
Partial Withdrawals	0% to 3.4%	<sup>(2)</sup> 0% to 10%	—	—
Lapses	0.12% to 12.4%	<sup>(3)(4)</sup> 0% to 60%	<sup>(3)</sup> 2% to 10%	0% to 50% <sup>(5)</sup>
Policyholder Deposits <sup>(6)</sup>	—	—	—	0% to 50% <sup>(5)</sup>
Mortality	—	<sup>(7)</sup> —	<sup>(7)</sup> —	<sup>(8)</sup> —

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

Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, approximately 40% are taking systematic withdrawals. The Company assumes that at least 85% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing by age 100. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWBL and GMWB tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWBL and GMWB 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.

<sup>(2)</sup> Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWBL or GMWB 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, 2016 (account value amounts are in \$ billions). Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

Attained Age Group	Account Values		Total	Average Expected Delay (Years)**
	In the Money	Out of the Money		
< 60	\$1.9	\$ —	*\$1.9	9.9
60-69	5.7	0.1	5.8	4.9
70+	5.8	0.1	5.9	3.0
	\$13.4	\$ 0.2	\$13.6	5.5

\* Less than \$0.1

\*\* For population expected to withdraw in future. Excludes policies taking systematic withdrawals and 15% of policies the Company assumes will never withdraw until age 100.

<sup>(3)</sup> 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.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

(4) The Company makes 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 or at the shock lapse period and to whether they are "in the money" or "out of the money" as of December 31, 2016 (account value amounts are in \$ billions). Lapse ranges are based on weighted average ranges of underlying account value exposure.

	Moneyiness	GMWBL/GMWB/GMAB	
		Account Value	Lapse Range
<b>During Surrender Charge Period</b>			
	In the Money**	\$ 2.0	0.1% to 4.6%
	Out of the Money	—	* 0.6% to 4.8%
<b>Shock Lapse Period</b>			
	In the Money**	\$ 2.8	2.4% to 11.8%
	Out of the Money	—	* 11.8% to 12.4%
<b>After Surrender Charge Period</b>			
	In the Money**	\$ 8.7	1.4% to 6.8%
	Out of the Money	0.7	6.8% to 7.1%

\* 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."

(5) 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	93 %	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	7 %	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100 %	0-50%	0-30%	0-50%	0-25%

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

(7) The mortality rate is based on the 2012 Individual Annuity Mortality Basic table with mortality improvements.

(8) The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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 GMWBL and GMWB.

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

Voya Financial, 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:

	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturities, including securities pledged	\$77,356.5	\$77,356.5	\$75,338.1	\$75,338.1
Equity securities, available-for-sale	420.0	420.0	274.2	274.2
Mortgage loans on real estate	12,744.5	12,995.3	11,725.2	11,960.7
Policy loans	1,915.9	1,915.9	1,961.5	1,961.5
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	5,047.4	5,047.4	4,520.1	4,520.1
Derivatives	1,564.3	1,564.3	1,712.4	1,712.4
Other investments	79.5	87.7	47.4	57.2
Assets held in separate accounts	107,474.2	107,474.2	97,118.7	97,118.7
<b>Liabilities:</b>				
<b>Investment contract liabilities:</b>				
Funding agreements without fixed maturities and deferred annuities <sup>(1)</sup>	53,488.3	58,127.4	53,314.1	57,561.3
Funding agreements with fixed maturities and guaranteed investment contracts	791.5	785.4	472.9	469.8
Supplementary contracts, immediate annuities and other	3,843.7	4,180.7	3,878.9	4,120.5
<b>Derivatives:</b>				
<b>Guaranteed benefit derivatives:</b>				
FIA	2,188.3	2,188.3	2,029.6	2,029.6
IUL	126.1	126.1	81.0	81.0
GMWBL/GMWB/GMAB	1,201.8	1,201.8	1,530.4	1,530.4
Stabilizer and MCGs	133.9	133.9	150.4	150.4
Other derivatives	647.7	647.7	470.7	470.7
Short-term debt	336.6	338.5	—	—
Long-term debt	3,122.2	3,426.7	3,549.5	3,737.9
Embedded derivative on reinsurance	121.2	121.2	78.7	78.7

<sup>(1)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Guaranteed benefit derivatives 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.



Voya Financial, 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 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.

**Other investments:** Primarily Federal Home Loan Bank ("FHLB") stock, which is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value and is classified as Level 2.

**Investment contract liabilities:**

**Funding agreements without fixed maturities 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 fixed maturities and guaranteed investment contracts:** Fair value is estimated by discounting cash flows at rates that 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 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.

Voya Financial, 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

The following tables present a rollforward of DAC and VOBA for the periods indicated:

	2017		
	DAC	VOBA	Total
Balance as of January 1, 2017	\$4,064.6	\$822.9	\$4,887.5
Deferrals of commissions and expenses	246.0	5.7	251.7
Amortization:			
Amortization, excluding unlocking	(477.7 )	(116.6 )	(594.3 )
Unlocking <sup>(1)</sup>	(82.2 )	(102.5 )	(184.7 )
Interest accrued	164.4	51.2	<sup>(2)</sup> 215.6
Net amortization included in Condensed Consolidated Statements of Operations	(395.5 )	(167.9 )	(563.4 )
Change due to unrealized capital gains/losses on available-for-sale securities	(262.2 )	(104.6 )	(366.8 )
Balance as of September 30, 2017	\$3,652.9	\$556.1	\$4,209.0
	2016		
	DAC	VOBA	Total
Balance as of January 1, 2016	\$4,357.5	\$1,012.6	\$5,370.1
Deferrals of commissions and expenses	286.5	7.3	293.8
Amortization:			
Amortization, excluding unlocking	(469.8 )	(120.7 )	(590.5 )
Unlocking <sup>(1)</sup>	36.7	(60.0 )	(23.3 )
Interest accrued	173.9	58.7	<sup>(2)</sup> 232.6
Net amortization included in Condensed Consolidated Statements of Operations	(259.2 )	(122.0 )	(381.2 )
Change due to unrealized capital gains/losses on available-for-sale securities	(905.7 )	(317.5 )	(1,223.2 )
Balance as of September 30, 2016	\$3,479.1	\$580.4	\$4,059.5

<sup>(1)</sup> Includes the impacts of annual review of assumptions which typically occurs in the third quarter; and retrospective and prospective unlocking. Additionally, the 2017 amounts include unfavorable unlocking for DAC and VOBA of \$79.6 and \$140.2, respectively, associated with consent acceptances received from customers and expected future acceptances of customer consents to changes related to guaranteed minimum interest rate provisions of certain retirement plan contracts with fixed investment options.

<sup>(2)</sup> Interest accrued at the following rates for VOBA: 4.1% to 7.4% during 2017 and 4.1% to 7.5% during 2016.

## 6. Share-based Incentive Compensation Plans

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). As of September 30, 2017, common stock reserved and available for issuance under the 2013 Omnibus Plan and the 2014 Omnibus Plan was 344,885 and 7,820,696 shares, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Compensation Cost

The following table summarizes share-based compensation expense, which includes expenses related to awards granted under the Omnibus Plans, Director Plan and Phantom Plan for the periods indicated:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Restricted Stock Unit (RSU) awards	\$11.6	\$23.8	\$45.1	\$52.2
Performance Stock Unit (PSU) awards	12.6	11.0	34.7	26.4
Stock options	3.4	3.8	14.2	10.5
Phantom Plan	—	0.5	0.4	0.8
Share-based compensation expense	\$27.6	\$39.1	\$94.4	\$89.9
Income tax benefit	9.2	13.7	31.0	31.5
After-tax share-based compensation expense	\$18.4	\$25.4	\$63.4	\$58.4

### Awards Outstanding

The following tables summarize the number of awards under the Omnibus Plans for the period indicated:

(awards in millions)	RSU Awards		PSU Awards	
	Weighted Number of Awards	Average Grant Date Fair Value	Weighted Number of Awards	Average Grant Date Fair Value
Outstanding as of January 1, 2017	3.3	\$ 35.02	1.5	\$ 28.88
Adjustment for PSU performance factor	N/A	N/A	—	*31.26
Granted	1.4	42.39	1.2	42.32
Vested	(1.5)	34.72	(0.4)	31.27
Forfeited	(0.1)	36.63	(0.1)	33.72
Outstanding as of September 30, 2017	3.1	\$ 38.38	2.2	\$ 35.52

\*Less than 0.1

(awards in millions)	Stock Options	
	Number of Awards	Weighted Average Exercise Price
Outstanding as of January 1, 2017	3.3	\$ 37.60
Granted	—	—
Exercised	—	—
Forfeited	(0.2)	37.60
Outstanding as of September 30, 2017	3.1	\$ 37.60

Edgar Filing: Voya Financial, Inc. - Form 10-Q

Vested, not exercisable, as of September 30, 2017 <sup>(2)</sup>	3.1	\$ 37.60
Vested, exercisable, as of September 30, 2017	—	—

<sup>(1)</sup> As of September 30, 2017, all outstanding stock options were vested as the necessary performance conditions were satisfied.

<sup>(2)</sup> Stock options are generally subject to a one year holding period after vesting before becoming exercisable.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 7. Shareholders' Equity

### 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 the periods indicated:

(shares in millions)	Common Shares		
	Issued	Held in Treasury	Outstanding
Balance, January 1, 2016	265.3	56.2	209.1
Common shares issued	—	*—	—
Common shares acquired - share repurchase	—	17.0	(17.0)
Share-based compensation	2.7	0.2	2.5
Balance, December 31, 2016	268.0	73.4	194.6
Common shares issued	—	*—	—
Common shares acquired - share repurchase	—	16.7	(16.7)
Share-based compensation	2.0	0.2	1.8
Balance, September 30, 2017	270.0	90.3	179.7

\* Less than 0.1.

### Share Repurchase Program

From time to time, the Company's Board of Directors authorizes the Company to repurchase shares of its common stock. These authorizations permit stock repurchases up to a prescribed dollar amount and generally may be accomplished through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions or tender offers. Share repurchase authorizations typically expire if unused by a prescribed date.

On November 3, 2016, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of \$200.0 during the fourth quarter of 2016 and received delivery of 5,216,025 shares during the first quarter of 2017.

On March 9, 2017, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of \$150.0 and received delivery of 3,986,647 shares during the second quarter of 2017.

On October 26, 2017 the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company's common stock authorized for repurchase by \$800.0. The current share repurchase authorization expires on December 31, 2018 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

### 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 current exercise price of the warrants is \$48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of \$0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

of a warrant upon exercise, 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. As of September 30, 2017, no warrants have been exercised.

#### 8. Earnings per Common Share

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 per share data)	Three Months		Nine Months	
	Ended September 30, 2017	2016	Ended September 30, 2017	2016
Earnings				
Net income (loss) available to common shareholders:				
Net income (loss)	\$214.0	\$(236.5)	\$290.8	\$91.8
Less: Net income (loss) attributable to noncontrolling interest	65.4	11.6	118.5	(13.2)
Net income (loss) available to common shareholders	\$148.6	\$(248.1)	\$172.3	\$105.0
Weighted average common shares outstanding				
Basic	179.8	199.6	185.7	202.9
Dilutive Effects: <sup>(1)(2)</sup>				
RSU awards	1.8	—	1.8	1.6
PSU awards	0.8	—	0.6	0.2
Stock Options	—	<sup>(3)</sup> —	—	<sup>(3)</sup> —
Diluted	182.4	199.6	188.1	204.7
Net income (loss) available to common shareholders per common share				
Basic	\$0.83	\$(1.24)	\$0.93	\$0.52
Diluted	0.81	(1.24)	0.92	0.51

<sup>(1)</sup> For the three and nine months ended September 30, 2017 and 2016, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For more information on warrants, see the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

<sup>(2)</sup> For the three months ended September 30, 2016, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of 1.8 and 0.1 shares for stock compensation plans of RSU and PSU awards, respectively, would be antidilutive to the earnings per share calculation due to the net loss in the period.

<sup>(3)</sup> For three and nine months ended September 30, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of stock options, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to the average share price for the periods presented. For more information on stock options, see the Share-based Incentive Compensation Plans Note to these Condensed Consolidated Financial Statements.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

9. Accumulated Other Comprehensive Income (Loss)

Shareholders' equity included the following components of Accumulated Other Comprehensive Income ("AOCI") as of the dates indicated:

	September 30,	
	2017	2016
Fixed maturities, net of OTTI	\$5,170.4	\$6,843.0
Equity securities, available-for-sale	35.9	37.5
Derivatives	161.5	285.6
DAC/VOBA adjustment on available-for-sale securities	(1,449.3 )	(1,988.0 )
Premium deficiency reserve	—	—
Sales inducements and other intangibles adjustment on available-for-sale securities	(263.7 )	(327.2 )
Other	(30.8 )	(30.9 )
Unrealized capital gains (losses), before tax	3,624.0	4,820.0
Deferred income tax asset (liability)	(809.9 )	(1,328.7 )
Net unrealized capital gains (losses)	2,814.1	3,491.3
Pension and other postretirement benefits liability, net of tax	17.9	25.8
AOCI	\$2,832.0	\$3,517.1

Voya Financial, 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:

	Three Months Ended September 30, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$307.2	\$(107.2)	\$200.0
Equity securities	(0.7 )	0.3	(0.4 )
Other	(0.1 )	—	(0.1 )
OTTI	2.1	(0.8 )	1.3
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(13.7 )	4.8	(8.9 )
DAC/VOBA	(60.6 )	21.2	(39.4 )
Premium deficiency reserve	—	—	—
Sales inducements	(3.7 )	1.3	(2.4 )
Change in unrealized gains/losses on available-for-sale securities	230.5	(80.4 )	150.1
Derivatives:			
Derivatives	(26.6 ) <sup>(1)</sup>	9.2	(17.4 )
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(6.4 )	2.2	(4.2 )
Change in unrealized gains/losses on derivatives	(33.0 )	11.4	(21.6 )
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(5.3 )	1.9	(3.4 )
Change in pension and other postretirement benefits liability	(5.3 )	1.9	(3.4 )
Change in Accumulated other comprehensive income (loss)	\$192.2	\$(67.1 )	\$125.1

<sup>(1)</sup> See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$1,737.6	\$(606.8)	\$1,130.8
Equity securities	2.7	(0.9 )	1.8
Other	—	—	—
OTTI	14.0	(4.9 )	9.1
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	6.8	(2.4 )	4.4
DAC/VOBA	(366.8 ) <sup>(1)</sup>	128.4	(238.4 )
Premium deficiency reserve	53.7	(18.8 )	34.9
Sales inducements	(94.9 )	33.2	(61.7 )
Change in unrealized gains/losses on available-for-sale securities	1,353.1	(472.2 )	880.9
Derivatives:			
Derivatives	(77.4 ) <sup>(2)</sup>	27.1	(50.3 )
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(18.9 )	6.6	(12.3 )
Change in unrealized gains/losses on derivatives	(96.3 )	33.7	(62.6 )
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(12.3 )	4.3	(8.0 )
Change in pension and other postretirement benefits liability	(12.3 )	4.3	(8.0 )
Change in Accumulated other comprehensive income (loss)	\$1,244.5	\$(434.2)	\$810.3

<sup>(1)</sup> See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.<sup>(2)</sup> See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$269.5	\$(97.3)	\$ 172.2
Equity securities	1.4	(0.5 )	0.9
Other	0.1	—	0.1
OTTI	2.2	(0.8 )	1.4
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	4.4	(1.5 )	2.9
DAC/VOBA	(114.3 )	40.0	(74.3 )
Premium deficiency reserve	—	—	—
Sales inducements	(28.5 )	10.0	(18.5 )
Change in unrealized gains/losses on available-for-sale securities	134.8	(50.1 )	84.7
Derivatives:			
Derivatives	(2.4 )	<sup>(1)</sup> 0.8	(1.6 )
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(5.4 )	1.9	(3.5 )
Change in unrealized gains/losses on derivatives	(7.8 )	2.7	(5.1 )
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(3.4 )	1.2	(2.2 )
Change in pension and other postretirement benefits liability	(3.4 )	1.2	(2.2 )
Change in Accumulated other comprehensive income (loss)	\$123.6	\$(46.2)	\$ 77.4

<sup>(1)</sup> See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$4,638.6	\$(1,621.2)	\$3,017.4
Equity securities	6.2	(2.2 )	4.0
Other	0.4	(0.1 )	0.3
OTTI	8.5	(3.0 )	5.5
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	73.2	(25.6 )	47.6
DAC/VOBA	(1,223.2 ) <sup>(1)</sup>	428.1	(795.1 )
Premium deficiency reserve	—	—	—
Sales inducements	(304.6 )	106.6	(198.0 )
Change in unrealized gains/losses on available-for-sale securities	3,199.1	(1,117.4 )	2,081.7
Derivatives:			
Derivatives	41.3	<sup>(2)</sup> (14.5 )	26.8
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(14.8 )	5.2	(9.6 )
Change in unrealized gains/losses on derivatives	26.5	(9.3 )	17.2
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(10.3 )	3.6	(6.7 )
Change in pension and other postretirement benefits liability	(10.3 )	3.6	(6.7 )
Change in Accumulated other comprehensive income (loss)	\$3,215.3	\$(1,123.1)	\$2,092.2

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

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

## 10. Income Taxes

The Company uses the estimated annual effective tax rate method in computing its interim tax provision. Certain items, including changes in the realizability of deferred tax assets and changes in liabilities for uncertain tax positions, are excluded from the estimated annual effective tax rate and the actual tax expense or benefit is reported in the period that the related item is incurred.

The Company's effective tax rates for the three and nine months ended September 30, 2017 were 10.1% and 6.1%, respectively. The effective tax rates differed from the statutory rate of 35% for the three and nine months ended September 30, 2017 primarily due to the effect of the relative dividends received deduction ("DRD"), noncontrolling interest, and change in the realizability of certain capital deferred tax assets.

The Company's effective tax rates for the three and nine months ended September 30, 2016 were 33.6% and (138.4)%, respectively. The effective tax rates differed from the statutory rate of 35% for the three and nine months ended September 30, 2016 primarily due to the effect of the relative DRD and noncontrolling interest.

In the third quarter of 2016, the Company utilized the discrete-period method under ASC 740 to compute its interim income tax provision due to significant variations in the relationship between the income tax expense and the pre-tax loss. The discrete-period

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate.

#### Tax Regulatory Matters

During 2016, the Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2015. The audit settlements did not have a material impact on the Company. The Company is currently under audit by the IRS, and it is expected that the examination of tax year 2016 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Process for the tax years 2016 and 2017.

#### 11. Financing Agreements

##### Short-term Debt

As of September 30, 2017, the Company had \$336.6 of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt. As of December 31, 2016, the Company did not have any short-term borrowings outstanding.

##### Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of September 30, 2017 and December 31, 2016:

	Maturity	September 30, 2017	December 31, 2016
7.25% Voya Holdings Inc. debentures, due 2023 <sup>(1)</sup>	08/15/2023	\$ 143.2	\$ 142.9
7.63% Voya Holdings Inc. debentures, due 2026 <sup>(1)</sup>	08/15/2026	186.0	185.8
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	13.6	13.6
6.97% Voya Holdings Inc. debentures, due 2036 <sup>(1)</sup>	08/15/2036	93.6	93.7
1.00% Windsor Property Loan	06/14/2027	4.8	4.9
5.5% Senior Notes, due 2022	07/15/2022	361.0	360.7
2.9% Senior Notes, due 2018	02/15/2018	336.6	825.0
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	738.5	738.2
5.7% Senior Notes, due 2043	07/15/2043	394.5	394.3
3.65% Senior Notes, due 2026	06/15/2026	495.0	494.2
4.8% Senior Notes, due 2046	06/15/2046	296.5	296.2
3.125% Senior Notes, due 2024	07/15/2024	395.5	—
Subtotal		3,458.8	3,549.5
Less: Current portion of long-term debt		336.6	—
Total		\$ 3,122.2	\$ 3,549.5

<sup>(1)</sup> Guaranteed by ING Group.

##### Senior Notes

In March 2017, Voya Financial, Inc. repurchased \$90.0 of the outstanding principal amount of 2.9% Senior Notes due February 15, 2018 (the "2018 Notes"). In connection with this, the Company incurred a loss on debt extinguishment of \$1.1 for the nine months ended September 30, 2017, which was recorded in Interest Expense in the Condensed Consolidated Statements of Operations.

On July 5, 2017, Voya Financial, Inc. issued \$400.0 of unsecured 3.125% Senior Notes due July 15, 2024 (the "2024 Notes") in a registered public offering. The 2024 Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings Inc. ("Voya

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Holdings"). Interest is paid semi-annually, in arrears on January 15 and July 15 of each year, commencing on January 15, 2018. The offering resulted in aggregate net proceeds to the Company of \$395.4, after deducting commissions and expenses.

On August 11, 2017, the Company elected to redeem \$400.0 in aggregate principal amount of the outstanding 2018 Notes, following which, \$337.0 aggregate principal amount of 2018 Notes remained outstanding. In connection with this, the Company incurred a loss on debt extinguishment of \$3.2 for the three and nine months ended September 30, 2017, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

#### Aetna Notes

As of September 30, 2017, the outstanding principal amount of the Aetna Notes was \$426.5, which is guaranteed by ING Group. During the nine months ended September 30, 2017, the Company deposited \$3.3 of collateral into a control account benefiting ING Group with a third-party collateral agent, thereby increasing the remaining collateral balance to \$130.7. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

#### Senior Unsecured Credit Facility Agreement

The Company has a senior unsecured credit facility, with a revolving credit sublimit of \$750.0 and a total LOC capacity of \$2.25 billion. The facility expires on May 6, 2021.

As of September 30, 2017, there were no amounts outstanding as revolving credit borrowings and \$0.1 of LOCs outstanding under the senior unsecured credit facility.

#### Other Credit Facilities

Effective July 1, 2017, Security Life of Denver International Limited ("SLDI") entered into a master transaction agreement with a third party providing \$1.525 billion of committed capacity. Upon entry into this facility, SLDI caused a note issued under the facility, in an initial notional amount of \$1.245 billion, to be deposited into a credit for reinsurance trust. The note, which matures in 2037, serves as collateral supporting an affiliated reinsurance agreement and replaces \$1.25 billion of letters of credit that had previously served as collateral.

## 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 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 September 30, 2017, the Company had off-balance sheet commitments to acquire mortgage loans of \$421.2 and purchase limited partnerships and private placement investments of \$1,503.4, of which \$420.1 related to consolidated

investment entities. As of December 31, 2016, the Company had off-balance sheet commitments to acquire mortgage loans of \$1,070.3 and purchase limited partnerships and private placement investments of \$1,391.0, of which \$310.7 related to consolidated investment entities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 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:

	September 30, December 31,	
	2017	2016
Fixed maturity collateral pledged to FHLB <sup>(1)</sup>	\$ 920.6	\$ 405.5
FHLB restricted stock <sup>(2)</sup>	53.1	32.7
Other fixed maturities-state deposits	205.7	207.9
Securities pledged <sup>(3)</sup>	3,248.5	2,157.1
Total restricted assets	\$ 4,427.9	\$ 2,803.2

<sup>(1)</sup> Included in Fixed maturities, available for sale, at fair value on the Condensed Consolidated Balance Sheets.

<sup>(2)</sup> Included in Other investments on the Condensed Consolidated Balance Sheets.

<sup>(3)</sup> Includes the fair value of loaned securities of \$2,477.5 and \$1,403.8 as of September 30, 2017 and December 31, 2016, respectively. In addition, as of September 30, 2017 and December 31, 2016, the Company delivered securities as collateral of \$771.0 and \$753.3, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on 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 to back funding agreements issued to the FHLB. As of September 30, 2017 and December 31, 2016, the Company had \$791.5 and \$300.0, respectively, in non-putable funding agreements, which are included in Contract owner account balances on the Condensed Consolidated Balance Sheets. As of September 30, 2017 and December 31, 2016, assets with a market value of approximately \$920.6 and \$405.5, respectively, collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Condensed Consolidated Balance Sheets.

Subsequent to September 30, 2017, the Company issued an additional \$155.0 of funding agreements to the FHLB and pledged assets as required collateral.

### Litigation, Regulatory Matters and Loss Contingencies

Litigation, regulatory and other loss contingencies arise in connection with the Company's activities as a diversified financial services firm. 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, 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 reasonably 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The outcome of a litigation or regulatory matter is difficult to predict and the amount or range of potential losses associated with these or other loss contingencies 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, litigation and other loss contingencies.

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 neither the outcome of pending litigation and regulatory matters, nor potential liabilities associated with other loss contingencies, are likely to have such an effect. However, given the large and indeterminate amounts sought in certain litigation and the inherent unpredictability of all such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters, or liabilities arising from other loss contingencies, 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. 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 or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of September 30, 2017, 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 \$75.0.

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 includes *Beeson, et al. v SMMS, Lion Connecticut Holdings, Inc. and ING NAIC* (Marin County CA Superior Court, CIV-092545). Thirty-four Plaintiff households (husband/wife/trust) assert that SMMS, which was purchased in 2000 and sold in 2003, breached a duty to monitor the performance of investments that Plaintiffs made with independent financial advisors they met in conjunction with retirement planning seminars presented at Fireman's Fund Insurance Company. SMMS recommended the advisors to Fireman's Fund as seminar presenters. Some of the seminars were arranged by SMMS. As a result of the performance of their investments, Plaintiffs claim they incurred damages. Fireman's Fund has asserted breach of contract and concealment claims against SMMS alleging that SMMS failed to fulfill its ongoing obligation to monitor the financial advisors and the investments they recommended to Plaintiffs and by failing to disclose that a primary purpose of the seminars was to develop business for the financial advisors. The Company denied all claims and vigorously defended this case at trial. During trial, the Court ruled that SMMS had duties to Plaintiffs and Fireman's Fund that it has breached. On December 12, 2014, the Court issued a Statement of Decision in which it awarded damages in the aggregate of \$36.8 to Plaintiffs. On January 7, 2015, the Court made final the award in favor of the Plaintiffs. The Company appealed that judgment. On February 9, 2016, final judgment in favor of Fireman's Fund was entered in the amount of \$12.5. The Company has appealed that judgment.

Litigation also includes *Dezelan v. Voya Retirement Insurance and Annuity Company* (USDC District of Connecticut, No. 3:16-cv-1251) (filed July 26, 2016), a putative class action in which plaintiff, a participant in a 403(b) Plan, seeks to represent a class of plans whose assets are invested in Voya Retirement Insurance and Annuity Company ("VRIAC") "Group Annuity Contract Stable Value Funds." Plaintiff alleges that VRIAC has violated the Employee Retirement Income Security Act of 1974 ("ERISA") by charging unreasonable fees and setting its own compensation in connection with stable value products. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On July 19, 2017, the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. The plaintiff has filed a first amended complaint, and the Company has moved to dismiss that complaint.

Litigation also includes *Patrico v. Voya Financial, Inc., et al* (USDC SDNY, No. 1:16-cv-07070) (filed September 9, 2016), a putative class action in which plaintiff, a participant in a 401(k) Plan, seeks to represent a class of plans "for which Voya or its subsidiaries provide recordkeeping, investment management or investment advisory services and for which Financial Engines

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

provides investment advice to plan participants.” Plaintiff alleges that the Company and its affiliates have violated ERISA by charging unreasonable fees in connection with in-plan investment advice provided in conjunction with Financial Engines, a third-party investment adviser. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney’s fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On June 20, 2017, the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. The plaintiff has filed a motion for leave to file a first amended complaint, and the Company has opposed that motion.

Litigation also includes *Goetz v. Voya Financial and Voya Retirement Insurance and Annuity Company* (USDC District of Delaware, No. 1:17-cv-1289) (filed September 8, 2017), a putative class action in which plaintiff, a participant in a 401(k) plan, seeks to represent other participants in the plan as well as a class of similarly situated plans that “contract with [Voya] for recordkeeping and other services.” Plaintiff alleges that “Voya” breached its fiduciary duty to the plan and other plan participants by charging unreasonable and excessive recordkeeping fees, and that “Voya” distributed materially false and misleading 404a-5 administrative and fund fee disclosures to conceal its excessive fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

#### Contingencies related to Performance-based Incentive Fees on Private Equity Funds

Certain performance fees related to sponsored private equity funds ("carried interest") are not final until the conclusion of an investment term specified in the relevant asset management contract. As a result, such fees, if accrued or paid to the Company during such term, are subject to later reversal based on subsequent fund performance. In an instance where carried interest that has been reversed in a prior period is re-earned, the carried interest can be recognized in the period in which fund performance exceeds stated investment hurdle rates.

For the three months ended September 30, 2017, approximately \$2.0 in previously accrued carried interest for one private equity fund was reversed. No such amounts for this private equity fund were reversed for the three months ended September 30, 2016. For the nine months ended September 30, 2017, approximately \$26.4 in previously reversed accrued carried interest, associated with one private equity fund, was re-recognized as a result of an increase in fund performance through September 30, 2017. For the nine months ended September 30, 2016, approximately \$30.2 in previously accrued carried interest, associated with one private equity fund, was reversed as a result of a decline in fund performance. As of September 30, 2017, approximately \$63.6 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the funds.

#### 13. Consolidated Investment Entities

In the normal course of business, the Company provides investment management services to, invests in and has transactions with, various types of investment entities which may be considered VIEs or VOEs. The Company evaluates its involvement with each entity to determine whether consolidation is required.

The Company holds variable interests in certain investment entities in the form of debt or equity investments, as well as the right to receive management fees, performance fees, and carried interest. The Company consolidates certain entities under the VIE guidance when it is determined that the Company is the primary beneficiary. Alternatively,

certain entities are consolidated under the VOE guidance when control is obtained through voting rights.

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company's direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately \$490.8 and \$587.4 as of September 30, 2017 and December 31, 2016, 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Consolidated VIEs and VOEs

##### Collateral Loan Obligations Entities ("CLOs")

The Company is involved in the design, creation, and the ongoing management of CLOs. These entities are created for the purpose of acquiring diversified portfolios of senior secured floating rate leveraged loans, and securitizing these assets by issuing multiple tranches of collateralized debt; thereby providing investors with a broad array of risk and return profiles. Also known as collateralized financing entities under Topic 810, CLOs are variable interest entities by definition.

In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. The fee income earned and investments held are included in the Company's ongoing consolidation assessment for each CLO. The Company was the primary beneficiary of 5 and 6 CLOs as of September 30, 2017 and December 31, 2016, respectively.

##### Limited Partnerships

The Company invests in and manages various limited partnerships, including private equity funds and hedge funds. These entities have been evaluated by the Company and are determined to be VIEs due to the equity holders, as a group, lacking the characteristics of a controlling financial interest.

In return for serving as the general partner of and providing investment management services to these entities, the Company earns management fees and carried interest in the normal course of business. Additionally, the Company often holds an investment in each limited partnership it manages, generally in the form of general partner and limited partner interests. The fee income, carried interest, and investments held are included in the Company's ongoing consolidation analysis for each limited partnership. The Company consolidated 14 and 13 funds, which were structured as partnerships, as of September 30, 2017 and December 31, 2016, respectively.

##### Registered Investment Companies

The Company consolidated one and two sponsored investment funds accounted for as VOEs as of September 30, 2017 and December 31, 2016, respectively, because it is the majority investor in the funds, and as such, has a controlling financial interest in the funds.

Voya Financial, 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 as of the dates indicated:

	September 30, 2017	December 31, 2016
<b>Assets of Consolidated Investment Entities</b>		
<b>VIEs</b>		
Cash and cash equivalents	\$ 106.0	\$ 133.0
Corporate loans, at fair value using the fair value option	1,650.1	1,920.3
Limited partnerships/corporations, at fair value	1,740.3	1,770.3
Other assets	52.2	31.9
Total VIE assets	3,548.6	3,855.5
<b>VOEs</b>		
Cash and cash equivalents	—	0.2
Corporate loans, at fair value using the fair value option	—	32.2
Limited partnerships/corporations, at fair value	68.9	166.0
Other assets	0.3	2.1
Total VOE assets	69.2	200.5
Total assets of consolidated investment entities	\$ 3,617.8	\$ 4,056.0
<b>Liabilities of Consolidated Investment Entities</b>		
<b>VIEs</b>		
CLO notes, at fair value using the fair value option	\$ 1,576.3	\$ 1,967.2
Other liabilities	590.7	521.1
Total VIE liabilities	2,167.0	2,488.3
<b>VOEs</b>		
Other liabilities	1.3	6.7
Total VOE liabilities	1.3	6.7
Total liabilities of consolidated investment entities	\$ 2,168.3	\$ 2,495.0

#### 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 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 of financial assets and liabilities of consolidated investment entities, and the classification of these measurements in the fair value hierarchy is consistent with the methodology and classification applied by the Company to its investment portfolio.

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

76

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

on a monthly or quarterly basis depending on the entity and its underlying investments. 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 that 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.

#### CLO Entities

Corporate loans: Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2017 and 2025, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 12.0%. As of September 30, 2017 and December 31, 2016, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$28.3 and \$43.1, respectively. Less than 1.0% of the collateral assets were in default as of September 30, 2017 and December 31, 2016.

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. In addition, there are assets held with CLO portfolios that represent senior level debt of other third party CLOs. These CLO investments are classified within Level 3 of the fair value hierarchy. See description of fair value process for CLO notes below.

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 0.2% for the more senior tranches to 6.6% for the more subordinated tranches. CLO notes mature at various dates between 2022 and 2027 and have a weighted average maturity of 9 years as of September 30, 2017. 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.

Subsequent to adoption of ASU 2014-13, the fair values of the CLO notes are measured based on the fair value of the CLO's corporate loans, as the Company uses the measurement alternative available under the ASU and determined that the inputs for measuring financial assets are more observable. The CLO notes are classified within Level 2 of the fair value hierarchy, consistent with the classification of the majority of the CLO financial assets.

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.

As of September 30, 2017 and December 31, 2016, the Level 3 assets and liabilities were immaterial.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 investments and CLO notes and, as a result, would potentially decrease the value of the CLO investments and CLO notes.

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

**Prepayment Rate:** A decrease (increase) in the expected rate of collateral prepayments would potentially decrease (increase) the valuation of CLO investments and CLO notes as the expected weighted average life ("WAL") would increase (decrease).

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

#### 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.

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.

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.

Investments in these funds typically may not be fully redeemed at NAV within 90 days because of inherent restriction on near term redemptions.

As of September 30, 2017 and December 31, 2016, certain private equity funds maintained term loans and revolving lines of credit of \$846.6 and \$596.6, respectively. The term loans renew every three years and the revolving lines of credit renew annually; all loans bear interest at LIBOR/EURIBOR plus 150-155 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. As of September 30, 2017 and December 31, 2016, outstanding borrowings amount to \$452.7 and \$430.6, respectively. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Company's Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of September 30, 2017:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	\$106.0	\$—	\$—	\$—	\$106.0
Corporate loans, at fair value using the fair value option	—	1,649.7	0.4	—	1,650.1
Limited partnerships/corporations, at fair value	—	—	—	1,740.3	1,740.3
VOEs					
Cash and cash equivalents	—	—	—	—	—
Corporate loans, at fair value using the fair value option	—	—	—	—	—
Limited partnerships/corporations, at fair value	—	—	—	68.9	68.9
Total assets, at fair value	\$106.0	\$1,649.7	\$0.4	\$1,809.2	\$3,565.3
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$—	\$1,576.3	\$—	\$—	\$1,576.3
Total liabilities, at fair value	\$—	\$1,576.3	\$—	\$—	\$1,576.3

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2016:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	\$133.0	\$—	\$—	\$—	\$133.0
Corporate loans, at fair value using the fair value option	—	1,905.7	14.6	—	1,920.3
Limited partnerships/corporations, at fair value	—	—	—	1,770.3	1,770.3
VOEs					
Cash and cash equivalents	0.2	—	—	—	0.2
Corporate loans, at fair value using the fair value option	—	32.2	—	—	32.2
Limited partnerships/corporations, at fair value	—	107.0	—	59.0	166.0
Total assets, at fair value	\$133.2	\$2,044.9	\$14.6	\$1,829.3	\$4,022.0
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$—	\$1,967.2	\$—	\$—	\$1,967.2
Total liabilities, at fair value	\$—	\$1,967.2	\$—	\$—	\$1,967.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Transfers of investments out of Level 3 and into Level 2 or Level 1, if any, are recorded as of the beginning of the period in which the transfer occurred. For the three and nine months ended September 30, 2017 and 2016, there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2.

#### Deconsolidation of Certain Investment Entities

During the nine months ended September 30, 2017, the Company determined it was no longer the primary beneficiary of two consolidated CLOs, due to a reduction in the Company's investment in each CLO upon closing. This caused a reduction in the Company's obligation to absorb losses and right to receive benefits of the CLO that could potentially be significant to the CLO. Additionally, during the third quarter of 2017, it was determined that the Company's ownership interest in the Strategic Income Opportunities Fund was less than a majority of the fund's NAV and therefore did not represent a controlling financial interest. As a result of these determinations, the Company deconsolidated one and three investment entities during the three and nine months ended September 30, 2017, respectively. Other than deconsolidations due to the adoption of ASU 2015-02 on January 1, 2016, the Company deconsolidated one investment entity during the three and nine months ended September 30, 2016.

#### Nonconsolidated VIEs

##### CLO Entities

In addition to the consolidated CLO entities, the Company also holds variable interest in certain CLO entities that are not consolidated as it has been determined that the Company is not the primary beneficiary. With these CLO entities, the Company serves as the investment manager and receives investment management fees and contingent performance fees. Generally, the Company does not hold any interest in the nonconsolidated CLO entities but if it does, such ownership has been deemed to be insignificant. The Company has not provided, and is not obligated to provide, any financial or other support to these entities.

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of September 30, 2017 and December 31, 2016, the Company held \$257.9 and \$110.4 ownership interests, respectively, in unconsolidated CLOs.

##### Limited Partnerships

The Company manages or holds investments in certain private equity funds and hedge funds. With these entities, the Company serves as the investment manager and is entitled to receive at-market investment management fees and at-market contingent performance fees. The Company does not consolidate any of these investment funds for which it is not considered to be the primary beneficiary.

In addition, the Company does not consolidate the funds in which its involvement takes a form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide the Company with any substantive kick-out or participating rights, nor does it provide the Company with power to direct the activities of the fund.

The following table presents the carrying amounts of the variable interests in VIEs in which the Company concluded that it holds a variable interest, but is not the primary beneficiary as of the dates indicated. The Company determines its maximum exposure to loss to be: (i) the amount invested in the debt or equity of the VIE and (ii) other commitments and guarantees to the VIE.

Variable Interests on the Condensed Consolidated Balance Sheet

	September 30, 2017		December 31, 2016	
	Carrying Amount	Maximum exposure to loss	Carrying Amount	Maximum exposure to loss
Fixed maturities, available for sale	\$257.9	\$ 257.9	\$110.4	\$ 110.4
Limited partnership/corporations	947.7	947.7	758.6	758.6

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Securizations

The Company invests in various tranches of securitization entities, including RMBS, CMBS and ABS. Through its investments, the Company is not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. The Company's involvement with these entities is limited to that of a passive investor. The Company has no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor does the Company function in any of these roles. The Company, through its investments or other arrangements, does not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, the Company is not the primary beneficiary and will not consolidate any of the RMBS, CMBS and ABS entities in which it holds investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. The Company's maximum exposure to loss on these structured investments is limited to the amount of its investment. Refer to the Investments (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements for details regarding the carrying amounts and classifications of these assets.

## 14. Restructuring

In 2016, the Company began implementing a series of initiatives designed to make it a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies from the combination of its Annuities and Individual Life businesses.

On July 31, 2017, the Company executed a 5-year information technology services agreement with a third-party service provider at an expected annualized cost of \$70 - \$90 per year, with a total cumulative 5-year cost of approximately \$400. Included in these costs are approximately \$35 of transition costs, which are included in the restructuring amounts below. This initiative, which is a component of the Company's 2016 Restructuring program, improves expense efficiency and upgrades the Company's technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs. From inception through completion of these initiatives, the Company expects to incur total restructuring expenses for asset-write off of \$15.5 and transition costs of approximately \$35. All anticipated asset write-off costs were incurred in the third quarter of 2017.

In addition to the restructuring costs incurred above, the reduction in employees from the execution of the contract described above caused the aggregate reduction in employees under the Company's 2016 Restructuring program to trigger an immaterial curtailment and related remeasurement of the Company's qualified defined benefit pension plan and active non-qualified defined benefit plan.

The expected completion date for all 2016 Restructuring initiatives is the end of 2018. As the Company develops and approves additional restructuring plans, it will incur additional restructuring expenses in one or more periods through

the end of 2018. These costs, which include severance and other costs, cannot currently be estimated but could be material.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The summary below presents restructuring expense, pre-tax, by type of costs incurred, for the periods indicated:

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Cumulative Amounts Incurred to Date
Severance benefits	\$ 20.0	\$ 33.0	\$ 58.5
Asset write-off costs	15.5	15.5	15.5
Transition costs	7.6	7.6	7.6
Other costs	5.3	9.6	17.9
Total restructuring expense	\$ 48.4	\$ 65.7	\$ 99.5

Total restructuring expense is reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Operating earnings before income taxes. These expenses are classified as a component of Other adjustments to operating earnings and consequently are not included in the operating results of the Company's segments.

The following table presents the accrued liability associated with restructuring expenses as of September 30, 2017:

	Severance Benefits	Transition Costs	Other Costs	Total
Accrued liability as of January 1, 2017	\$ 21.5	\$ —	\$ 1.9	\$ 23.4
Provision	33.0	7.6	9.6	50.2
Payments	(17.6 )	—	(9.1 )	(26.7 )
Accrued liability as of September 30, 2017	\$ 36.9	\$ 7.6	\$ 2.4 <sup>(1)</sup>	\$ 46.9

<sup>(1)</sup>Represents services performed but not yet paid.

## 15. Segments

The Company provides its principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. In addition, the Company has a Closed Block Variable Annuity ("CBVA") segment. The Company also includes in Corporate the financial data not directly related to its segments, as well as certain run-off activities.

### Measurement

Operating earnings before income taxes is a measure used by management to evaluate segment performance. The Company believes that operating earnings before income taxes provides a meaningful measure of its business and segment performances and enhances the understanding of the Company's financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions and/or other factors. The Company uses the same accounting policies and procedures to measure segment operating earnings before income taxes as it does for consolidated Net income (loss). Operating earnings before income taxes does not replace Net income (loss) as the U.S. GAAP measure of the Company's consolidated results of operations. Therefore, the Company believes that it is useful to evaluate both

Net income (loss) and Operating earnings before income taxes when reviewing the Company's financial and operating performance. Each segment's operating earnings before income taxes is calculated by adjusting Income (loss) before income taxes for the following items:

Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from operating results, including the impacts related to changes in the Company's nonperformance spread;

Income (loss) related to businesses exited through reinsurance or divestment, which includes gains and (losses) associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in the Company's core business, which would be obscured by including the effects of business exited, and more closely aligns Operating earnings before income taxes with how the Company manages its segments;

Income (loss) attributable to noncontrolling interest, which represents the interest of shareholders, other than the Company, in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and (losses) of those entities, or the attribution of results from consolidated VIEs or VOs to which the Company is not economically entitled;

Income (loss) related to early extinguishment of debt, which includes losses incurred as a result of transactions where the Company repurchases outstanding principal amounts of debt; these losses are excluded from Operating earnings before income taxes since the outcome of decisions to restructure debt are not indicative of normal operations;

Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;

Immediate recognition of net actuarial gains (losses) related to the Company's pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. The Company immediately recognizes actuarial gains and (losses) related to pension and other postretirement benefit obligations and gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and

Other items not indicative of normal operations or performance of the Company's segments or may be related to infrequent events including capital or organizational restructurings including certain costs related to debt and equity offerings as well as stock and/or cash based deal contingent awards; expenses associated with the rebranding of Voya Financial, Inc.; severance and other third-party expenses associated with the 2016 Restructuring. These items vary widely in timing, scope and frequency between periods as well as between companies to which the Company is compared. Accordingly, the Company adjusts for these items as management believes that these items distort the ability to make a meaningful evaluation of the current and future performance of the Company's segments.

Additionally, with respect to restructuring, these costs represent changes in operations rather than investments in the future capabilities of the Company's operating businesses.

Operating earnings before income taxes, when presented on a consolidated basis, also does not reflect the results of operations of the Company's CBVA segment because this segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics or generating net income. As a result of this focus on regulatory and rating agency capital, the financial results of the CBVA segment presented in accordance with U.S. GAAP tend to exhibit a high degree of volatility based on factors, such as the asymmetry between the accounting for certain liabilities and the corresponding hedging assets, and gains and losses due to changes in nonperformance risk, that are not necessarily reflective of the economic costs and benefits of the CBVA business. When the Company presents the adjustments to Income (loss) before income taxes on a consolidated basis, each

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

adjustment excludes the relative portions attributable to the Company's CBVA segment and the relative portions attributable to businesses exited through reinsurance or divestment.

The summary below reconciles operating earnings before income taxes for the segments to Income (loss) before income taxes for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Retirement	\$106.8	\$62.9	\$287.8	\$307.1
Investment Management	53.5	51.5	187.7	106.0
Annuities	74.4	113.3	203.7	236.6
Individual Life	(66.2 )	(76.2 )	27.8	15.2
Employee Benefits	58.0	41.3	95.6	94.4
Corporate	(88.6 )	(84.4 )	(249.5 )	(246.0 )
Total operating earnings before income taxes	137.9	108.4	553.1	513.3
Adjustments:				
Closed Block Variable Annuity	141.8	(328.0 )	(273.3 )	(225.5 )
Net investment gains (losses) and related charges and adjustments	(14.6 )	(65.6 )	(37.5 )	(150.7 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(31.0 )	(53.5 )	35.4	61.2
Income (loss) related to businesses exited through reinsurance or divestment	(1.8 )	1.3	(6.3 )	3.4
Income (loss) attributable to noncontrolling interest	65.4	11.6	118.5	(13.2 )
Loss related to early extinguishment of debt	(3.2 )	(0.1 )	(3.9 )	(104.2 )
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments	0.5	(7.1 )	0.5	(7.1 )
Other adjustments to operating earnings	(56.9 )	(22.9 )	(76.7 )	(38.7 )
Income (loss) before income taxes	\$238.1	\$(355.9)	\$309.8	\$38.5

Operating revenues is a measure of the Company's segment revenues. Each segment's Operating revenues are calculated by adjusting Total revenues to exclude the following items:

Net realized investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest. These are net of related amortization of unearned revenue;

Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is

reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from operating revenues, including the impacts related to changes in the Company's nonperformance spread;

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Revenues related to businesses exited through reinsurance or divestment, which includes revenues associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in the Company's core business, which would be obscured by including the effects of business exited, and more closely aligns Operating revenues with how the Company manages its segments;

Revenues attributable to noncontrolling interest, which represents the interests of shareholders, other than the Company, in consolidated entities. Revenues attributable to noncontrolling interest represents such shareholders' interests in the gains and losses of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled; and

Other adjustments to Operating revenues primarily reflect fee income earned by the Company's broker-dealers for sales of non-proprietary products, which are reflected net of commission expense in the Company's segments' operating revenues, other items where the income is passed on to third parties and the elimination of intercompany investment expenses included in operating revenues.

Operating revenues also do not reflect the revenues of the Company's CBVA segment, since this segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics or generating revenues. When the Company presents the adjustments to total revenues on a consolidated basis, each adjustment excludes the relative portions attributable to the Company's CBVA segment and the relative portions attributable to businesses exited through reinsurance or divestment.

The summary below reconciles Operating revenues for the segments to Total revenues for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Retirement	\$634.2	\$673.8	\$1,889.2	\$2,333.8
Investment Management	171.0	163.0	545.7	437.6
Annuities	302.5	310.6	902.0	932.7
Individual Life	668.9	637.7	1,927.5	1,886.6
Employee Benefits	446.6	405.9	1,335.7	1,206.4
Corporate	16.2	24.9	45.0	86.5
Total operating revenues	2,239.4	2,215.9	6,645.1	6,883.6
Adjustments:				
Closed Block Variable Annuity	217.9	271.7	315.8	1,086.7
Net realized investment gains (losses) and related charges and adjustments	(20.9)	(12.8)	(61.2)	(160.1)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	(49.8)	(51.1)	39.8	114.6
Revenues related to businesses exited through reinsurance or divestment	26.6	32.3	95.4	156.9
Revenues attributable to noncontrolling interest	84.9	39.3	185.2	65.3
Other adjustments to operating revenues	52.1	33.2	132.3	86.8

Total revenues	\$2,550.2	\$2,528.5	\$7,352.4	\$8,233.8
----------------	-----------	-----------	-----------	-----------

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Other Segment Information

The Investment Management segment revenues include the following intersegment revenues, primarily consisting of asset-based management and administration fees for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Investment Management intersegment revenues	\$43.9	\$42.4	\$130.4	\$123.1

The summary below presents Total assets for the Company's segments as of the dates indicated:

	September 30, December 31,	
	2017	2016
Retirement	\$ 111,173.4	\$ 101,047.9
Investment Management	569.1	512.9
Annuities	26,224.9	25,793.4
Individual Life	27,543.5	26,850.7
Employee Benefits	2,700.2	2,548.8
Closed Block Variable Annuity	41,385.7	43,141.0
Corporate	13,920.6	10,872.5
Total assets, before consolidation <sup>(1)</sup>	223,517.4	210,767.2
Consolidation of investment entities	3,126.5	3,467.9
Total assets	\$ 226,643.9	\$ 214,235.1

<sup>(1)</sup> Total assets, before consolidation includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

#### 16. Condensed Consolidating Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of September 30, 2017 and December 31, 2016, their results of operations and comprehensive income for the three and nine months ended September 30, 2017 and 2016, and its statement of cash flows for the nine months ended September 30, 2017 and 2016.

The 5.5% senior notes due 2022, the 2.9% senior notes due 2018, the 5.7% senior notes due 2043, the 3.65% senior notes due 2026, the 4.8% senior notes due 2046, the 3.125% senior notes due 2024 (collectively, the "Senior Notes") and the 5.65% fixed-to-floating rate junior subordinated notes due 2053 (the "Junior Subordinated Notes"), each issued by Parent Issuer, are fully and unconditionally guaranteed by Subsidiary Guarantor, a 100% owned subsidiary of Parent Issuer. No other subsidiary of Parent Issuer guarantees the Senior Notes or the Junior Subordinated Notes. Rule 3-10(h) provides that a guarantee is full and unconditional if, when the issuer of a guaranteed security has failed

to make a scheduled payment, the guarantor is obligated to make the scheduled payment immediately and, if it does not, any holder of the guaranteed security may immediately bring suit directly against the guarantor for payment of amounts due and payable. In the event that Parent Issuer does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Subsidiary Guarantor for amounts due and payable.

The following condensed consolidating financial information is presented in conformance with the components of the Condensed Consolidated Financial Statements. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Equity in the subsidiaries is therefore reflected in the Parent Issuer's and Subsidiary Guarantor's Investment in subsidiaries and Equity in earnings of subsidiaries. Non-Guarantor Subsidiaries represent all other subsidiaries on

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

a combined basis. The consolidating adjustments presented herein eliminate investments in subsidiaries and intercompany balances and transactions.

87

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$ 70,395.5	\$(15.1 )	\$ 70,380.4
Fixed maturities, at fair value using the fair value option	—	—	3,727.6	—	3,727.6
Equity securities, available-for-sale, at fair value	107.5	—	312.5	—	420.0
Short-term investments	211.9	—	501.3	—	713.2
Mortgage loans on real estate, net of valuation allowance	—	—	12,744.5	—	12,744.5
Policy loans	—	—	1,915.9	—	1,915.9
Limited partnerships/corporations	—	—	947.7	—	947.7
Derivatives	50.3	—	1,613.0	(99.0 )	1,564.3
Investments in subsidiaries	15,152.9	10,755.2	—	(25,908.1 )	—
Other investments	—	0.6	78.9	—	79.5
Securities pledged	—	—	3,248.5	—	3,248.5
Total investments	15,522.6	10,755.8	95,485.4	(26,022.2 )	95,741.6
Cash and cash equivalents	390.3	1.5	1,575.1	—	1,966.9
Short-term investments under securities loan agreements, including collateral delivered	10.7	—	2,356.6	—	2,367.3
Accrued investment income	—	—	952.4	—	952.4
Premium receivable and reinsurance recoverable	—	—	7,297.8	—	7,297.8
Deferred policy acquisition costs and Value of business acquired	—	—	4,209.0	—	4,209.0
Sales inducements to contract owners	—	—	233.5	—	233.5
Deferred income taxes	572.6	37.9	1,053.2	—	1,663.7
Goodwill and other intangible assets	—	—	196.0	—	196.0
Loans to subsidiaries and affiliates	269.9	—	—	(269.9 )	—
Due from subsidiaries and affiliates	3.7	0.1	3.2	(7.0 )	—
Other assets	17.7	—	906.0	—	923.7
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,809.2	—	1,809.2
Cash and cash equivalents	—	—	106.0	—	106.0
Corporate loans, at fair value using the fair value option	—	—	1,650.1	—	1,650.1
Other assets	—	—	52.5	—	52.5
Assets held in separate accounts	—	—	107,474.2	—	107,474.2
Total assets	\$16,787.5	\$10,795.3	\$ 225,360.2	\$(26,299.1 )	\$ 226,643.9



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet (Continued)

September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits	\$—	\$—	\$ 20,853.6	\$—	\$ 20,853.6
Contract owner account balances	—	—	71,354.3	—	71,354.3
Payables under securities loan agreement, including collateral held	—	—	3,317.7	—	3,317.7
Short-term debt	336.6	109.9	160.0	(269.9 )	336.6
Long-term debt	2,681.0	437.9	18.4	(15.1 )	3,122.2
Funds held under reinsurance agreements	—	—	811.3	—	811.3
Derivatives	50.3	—	696.4	(99.0 )	647.7
Pension and other postretirement provisions	—	—	542.2	—	542.2
Current income taxes	12.7	1.9	(13.3 )	—	1.3
Due to subsidiaries and affiliates	0.9	—	3.4	(4.3 )	—
Other liabilities	53.0	4.7	1,348.2	(2.7 )	1,403.2
<b>Liabilities related to consolidated investment entities:</b>					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	1,576.3	—	1,576.3
Other liabilities	—	—	592.0	—	592.0
Liabilities related to separate accounts	—	—	107,474.2	—	107,474.2
<b>Total liabilities</b>	<b>3,134.5</b>	<b>554.4</b>	<b>208,734.7</b>	<b>(391.0 )</b>	<b>212,032.6</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity	13,653.0	10,240.9	15,667.2	(25,908.1 )	13,653.0
Noncontrolling interest	—	—	958.3	—	958.3
<b>Total shareholders' equity</b>	<b>13,653.0</b>	<b>10,240.9</b>	<b>16,625.5</b>	<b>(25,908.1 )</b>	<b>14,611.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 16,787.5</b>	<b>\$ 10,795.3</b>	<b>\$ 225,360.2</b>	<b>\$ (26,299.1 )</b>	<b>\$ 226,643.9</b>

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

December 31, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$ 69,483.9	\$(15.2 )	\$ 69,468.7
Fixed maturities, at fair value using the fair value option	—	—	3,712.3	—	3,712.3
Equity securities, available-for-sale, at fair value	93.1	—	181.1	—	274.2
Short-term investments	212.0	—	609.0	—	821.0
Mortgage loans on real estate, net of valuation allowance	—	—	11,725.2	—	11,725.2
Policy loans	—	—	1,961.5	—	1,961.5
Limited partnerships/corporations	—	—	758.6	—	758.6
Derivatives	56.1	—	1,768.5	(112.2 )	1,712.4
Investments in subsidiaries	14,742.6	10,798.2	—	(25,540.8 )	—
Other investments	—	0.5	46.9	—	47.4
Securities pledged	—	—	2,157.1	—	2,157.1
Total investments	15,103.8	10,798.7	92,404.1	(25,668.2 )	92,638.4
Cash and cash equivalents	257.2	2.3	2,651.2	—	2,910.7
Short-term investments under securities loan agreements, including collateral delivered	10.7	—	777.7	—	788.4
Accrued investment income	—	—	891.2	—	891.2
Premium receivable and reinsurance recoverable	—	—	7,318.0	—	7,318.0
Deferred policy acquisition costs and Value of business acquired	—	—	4,887.5	—	4,887.5
Sales inducements to contract owners	—	—	242.8	—	242.8
Current income taxes	31.4	8.5	124.7	—	164.6
Deferred income taxes	526.7	37.3	1,525.8	—	2,089.8
Goodwill and other intangible assets	—	—	219.5	—	219.5
Loans to subsidiaries and affiliates	278.0	—	10.5	(288.5 )	—
Due from subsidiaries and affiliates	2.8	0.5	2.0	(5.3 )	—
Other assets	21.0	—	888.5	—	909.5
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,936.3	—	1,936.3
Cash and cash equivalents	—	—	133.2	—	133.2
Corporate loans, at fair value using the fair value option	—	—	1,952.5	—	1,952.5
Other assets	—	—	34.0	—	34.0
Assets held in separate accounts	—	—	97,118.7	—	97,118.7
Total assets	\$16,231.6	\$10,847.3	\$ 213,118.2	\$(25,962.0 )	\$ 214,235.1



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet (Continued)

December 31, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits	\$—	\$—	\$ 21,447.2	\$—	\$ 21,447.2
Contract owner account balances	—	—	70,606.2	—	70,606.2
Payables under securities loan agreement, including collateral held	—	—	1,841.3	—	1,841.3
Short-term debt	10.5	211.2	66.8	(288.5)	) —
Long-term debt	3,108.6	437.5	18.6	(15.2)	) 3,549.5
Funds held under reinsurance agreements	—	—	729.1	—	729.1
Derivatives	56.1	—	526.8	(112.2)	) 470.7
Pension and other postretirement provisions	—	—	674.3	—	674.3
Due to subsidiaries and affiliates	0.1	—	3.1	(3.2)	) —
Other liabilities	62.4	12.8	1,262.9	(2.1)	) 1,336.0
<b>Liabilities related to consolidated investment entities:</b>					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	1,967.2	—	1,967.2
Other liabilities	—	—	527.8	—	527.8
Liabilities related to separate accounts	—	—	97,118.7	—	97,118.7
<b>Total liabilities</b>	<b>3,237.7</b>	<b>661.5</b>	<b>196,790.0</b>	<b>(421.2)</b>	<b>) 200,268.0</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity	12,993.9	10,185.8	15,355.0	(25,540.8)	) 12,993.9
Noncontrolling interest	—	—	973.2	—	973.2
<b>Total shareholders' equity</b>	<b>12,993.9</b>	<b>10,185.8</b>	<b>16,328.2</b>	<b>(25,540.8)</b>	<b>) 13,967.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 16,231.6</b>	<b>\$ 10,847.3</b>	<b>\$ 213,118.2</b>	<b>\$ (25,962.0)</b>	<b>) \$ 214,235.1</b>

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations  
For the Three Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$7.9	\$ —	\$ 1,098.9	\$ (2.5 )	\$ 1,104.3
Fee income	—	—	880.0	—	880.0
Premiums	—	—	581.6	—	581.6
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(1.2 )	—	(1.2 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(0.4 )	—	(0.4 )
Net other-than-temporary impairments recognized in earnings	—	—	(0.8 )	—	(0.8 )
Other net realized capital gains (losses)	—	—	(244.3 )	—	(244.3 )
Total net realized capital gains (losses)	—	—	(245.1 )	—	(245.1 )
Other revenue	—	0.6	89.2	—	89.8
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	139.6	—	139.6
Total revenues	7.9	0.6	2,544.2	(2.5 )	2,550.2
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	778.9	—	778.9
Interest credited to contract owner account balances	—	—	496.8	—	496.8
Operating expenses	2.2	—	729.0	—	731.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	236.5	—	236.5
Interest expense	40.9	9.1	1.7	(2.5 )	49.2
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	18.3	—	18.3
Other expense	—	—	1.2	—	1.2
Total benefits and expenses	43.1	9.1	2,262.4	(2.5 )	2,312.1
Income (loss) before income taxes	(35.2 )	(8.5 )	281.8	—	238.1
Income tax expense (benefit)	(16.2 )	1.5	38.8	—	24.1
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(19.0 )	(10.0 )	243.0	—	214.0
Equity in earnings (losses) of subsidiaries, net of tax	167.6	126.2	—	(293.8 )	—
Net income (loss) including noncontrolling interest	148.6	116.2	243.0	(293.8 )	214.0
Less: Net income (loss) attributable to noncontrolling interest	—	—	65.4	—	65.4
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ 148.6	\$ 116.2	\$ 177.6	\$ (293.8 )	\$ 148.6



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations  
For the Nine Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$23.7	\$ 0.1	\$ 3,389.4	\$ (11.0 )	\$ 3,402.2
Fee income	—	—	2,569.0	—	2,569.0
Premiums	—	—	1,750.3	—	1,750.3
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(4.3 )	—	(4.3 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	0.9	—	0.9
Net other-than-temporary impairments recognized in earnings	—	—	(5.2 )	—	(5.2 )
Other net realized capital gains (losses)	—	0.1	(939.4 )	—	(939.3 )
Total net realized capital gains (losses)	—	0.1	(944.6 )	—	(944.5 )
Other revenue	—	0.6	279.2	—	279.8
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	295.6	—	295.6
Total revenues	23.7	0.8	7,338.9	(11.0 )	7,352.4
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	2,575.8	—	2,575.8
Interest credited to contract owner account balances	—	—	1,535.2	—	1,535.2
Operating expenses	6.9	0.1	2,154.7	—	2,161.7
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	563.4	—	563.4
Interest expense	118.2	28.0	4.5	(11.0 )	139.7
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	62.0	—	62.0
Other expense	—	—	4.8	—	4.8
Total benefits and expenses	125.1	28.1	6,900.4	(11.0 )	7,042.6
Income (loss) before income taxes	(101.4 )	(27.3 )	438.5	—	309.8
Income tax expense (benefit)	(39.8 )	(8.4 )	67.2	—	19.0
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(61.6 )	(18.9 )	371.3	—	290.8
Equity in earnings (losses) of subsidiaries, net of tax	233.9	466.4	—	(700.3 )	—
Net income (loss) including noncontrolling interest	172.3	447.5	371.3	(700.3 )	290.8
Less: Net income (loss) attributable to noncontrolling interest	—	—	118.5	—	118.5
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$172.3	\$ 447.5	\$ 252.8	\$ (700.3 )	\$ 172.3



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations  
For the Three Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$7.1	\$ —	\$ 1,159.3	\$ (3.0 )	\$ 1,163.4
Fee income	—	—	857.9	—	857.9
Premiums	—	—	726.7	—	726.7
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(12.8 )	—	(12.8 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(0.1 )	—	(0.1 )
Net other-than-temporary impairments recognized in earnings	—	—	(12.7 )	—	(12.7 )
Other net realized capital gains (losses)	—	0.1	(355.1 )	—	(355.0 )
Total net realized capital gains (losses)	—	0.1	(367.8 )	—	(367.7 )
Other revenue	—	—	90.5	—	90.5
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	57.7	—	57.7
Total revenues	7.1	0.1	2,524.3	(3.0 )	2,528.5
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	1,385.5	—	1,385.5
Interest credited to contract owner account balances	—	—	521.4	—	521.4
Operating expenses	1.8	—	721.8	—	723.6
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	180.7	—	180.7
Interest expense	37.1	9.9	1.4	(3.0 )	45.4
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	26.7	—	26.7
Other expense	—	—	1.1	—	1.1
Total benefits and expenses	38.9	9.9	2,838.6	(3.0 )	2,884.4
Income (loss) before income taxes	(31.8 )	(9.8 )	(314.3 )	—	(355.9 )
Income tax expense (benefit)	55.3	(2.9 )	(105.1 )	(66.7 )	(119.4 )
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(87.1 )	(6.9 )	(209.2 )	66.7	(236.5 )
Equity in earnings (losses) of subsidiaries, net of tax	(161.0 )	2.4	—	158.6	—
Net income (loss) including noncontrolling interest	(248.1 )	(4.5 )	(209.2 )	225.3	(236.5 )
Less: Net income (loss) attributable to noncontrolling interest	—	—	11.6	—	11.6
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$(248.1)	\$(4.5)	\$(220.8)	\$ 225.3	\$(248.1)



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations  
For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$14.8	\$0.1	\$3,426.9	\$ (9.1 )	\$3,432.7
Fee income	—	—	2,510.4	—	2,510.4
Premiums	—	—	2,405.1	—	2,405.1
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(26.0 )	—	(26.0 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	1.7	—	1.7
Net other-than-temporary impairments recognized in earnings	—	—	(27.7 )	—	(27.7 )
Other net realized capital gains (losses)	1.3	—	(431.9 )	—	(430.6 )
Total net realized capital gains (losses)	1.3	—	(459.6 )	—	(458.3 )
Other revenue	1.0	—	256.9	—	257.9
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	86.0	—	86.0
Total revenues	17.1	0.1	8,225.7	(9.1 )	8,233.8
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	3,818.3	—	3,818.3
Interest credited to contract owner account balances	—	—	1,514.0	—	1,514.0
Operating expenses	6.6	—	2,153.6	—	2,160.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	381.2	—	381.2
Interest expense	201.0	47.2	3.7	(9.1 )	242.8
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	75.4	—	75.4
Other expense	—	—	3.4	—	3.4
Total benefits and expenses	207.6	47.2	7,949.6	(9.1 )	8,195.3
Income (loss) before income taxes	(190.5 )	(47.1 )	276.1	—	38.5
Income tax expense (benefit)	(0.2 )	(16.3 )	29.9	(66.7 )	(53.3 )
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(190.3 )	(30.8 )	246.2	66.7	91.8
Equity in earnings (losses) of subsidiaries, net of tax	295.3	137.2	—	(432.5 )	—
Net income (loss) including noncontrolling interest	105.0	106.4	246.2	(365.8 )	91.8
Less: Net income (loss) attributable to noncontrolling interest	—	—	(13.2 )	—	(13.2 )
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$105.0	\$106.4	\$259.4	\$ (365.8 )	\$105.0



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Comprehensive Income

For the Three Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$148.6	\$116.2	\$243.0	\$ (293.8 )	\$214.0
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	195.4	178.4	195.4	(373.8 )	195.4
Other-than-temporary impairments	2.1	1.0	2.1	(3.1 )	2.1
Pension and other postretirement benefits liability	(5.3 )	(0.8 )	(5.2 )	6.0	(5.3 )
Other comprehensive income (loss), before tax	192.2	178.6	192.3	(370.9 )	192.2
Income tax expense (benefit) related to items of other comprehensive income (loss)	67.1	62.3	67.1	(129.4 )	67.1
Other comprehensive income (loss), after tax	125.1	116.3	125.2	(241.5 )	125.1
Comprehensive income (loss)	273.7	232.5	368.2	(535.3 )	339.1
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	65.4	—	65.4
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$273.7	\$232.5	\$302.8	\$ (535.3 )	\$273.7

## Condensed Consolidating Statement of Comprehensive Income

For the Nine Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$172.3	\$447.5	\$371.3	\$ (700.3 )	\$290.8
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	1,242.8	907.6	1,242.8	(2,150.4 )	1,242.8
Other-than-temporary impairments	14.0	11.1	14.0	(25.1 )	14.0
Pension and other postretirement benefits liability	(12.3 )	(2.4 )	(12.2 )	14.6	(12.3 )
Other comprehensive income (loss), before tax	1,244.5	916.3	1,244.6	(2,160.9 )	1,244.5
Income tax expense (benefit) related to items of other comprehensive income (loss)	434.2	319.3	434.2	(753.5 )	434.2
Other comprehensive income (loss), after tax	810.3	597.0	810.4	(1,407.4 )	810.3
Comprehensive income (loss)	982.6	1,044.5	1,181.7	(2,107.7 )	1,101.1
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	118.5	—	118.5
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$982.6	\$1,044.5	\$1,063.2	\$ (2,107.7 )	\$982.6

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Comprehensive Income

For the Three Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$(248.1)	\$ (4.5 )	\$ (209.2 )	\$ 225.3	\$ (236.5 )
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	124.8	53.7	124.9	(178.6 )	124.8
Other-than-temporary impairments	2.2	1.2	2.2	(3.4 )	2.2
Pension and other postretirement benefits liability	(3.4 )	(0.8 )	(3.4 )	4.2	(3.4 )
Other comprehensive income (loss), before tax	123.6	54.1	123.7	(177.8 )	123.6
Income tax expense (benefit) related to items of other comprehensive income (loss)	46.2	21.9	46.3	(68.2 )	46.2
Other comprehensive income (loss), after tax	77.4	32.2	77.4	(109.6 )	77.4
Comprehensive income (loss)	(170.7 )	27.7	(131.8 )	115.7	(159.1 )
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	11.6	—	11.6
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(170.7)	\$ 27.7	\$ (143.4 )	\$ 115.7	\$ (170.7 )

## Condensed Consolidating Statement of Comprehensive Income

For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$105.0	\$106.4	\$ 246.2	\$(365.8 )	\$ 91.8
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	3,217.1	2,163.0	3,217.3	(5,380.3 )	3,217.1
Other-than-temporary impairments	8.5	5.7	8.5	(14.2 )	8.5
Pension and other postretirement benefits liability	(10.3 )	(2.4 )	(10.3 )	12.7	(10.3 )
Other comprehensive income (loss), before tax	3,215.3	2,166.3	3,215.5	(5,381.8 )	3,215.3
Income tax expense (benefit) related to items of other comprehensive income (loss)	1,123.1	756.0	1,123.2	(1,879.2 )	1,123.1
Other comprehensive income (loss), after tax	2,092.2	1,410.3	2,092.3	(3,502.6 )	2,092.2
Comprehensive income (loss)	2,197.2	1,516.7	2,338.5	(3,868.4 )	2,184.0
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	(13.2 )	—	(13.2 )
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$2,197.2	\$1,516.7	\$ 2,351.7	\$(3,868.4 )	\$ 2,197.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Cash Flows  
For the Nine Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$ 3.8	\$ 100.5	\$ 1,208.4	\$ (190.0 )	\$ 1,122.7
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	9,902.4	—	9,902.4
Equity securities, available-for-sale	22.0	—	3.5	—	25.5
Mortgage loans on real estate	—	—	932.7	—	932.7
Limited partnerships/corporations	—	—	221.1	—	221.1
Acquisition of:					
Fixed maturities	—	—	(10,346.3 )	—	(10,346.3 )
Equity securities, available-for-sale	(22.9 )	—	(16.1 )	—	(39.0 )
Mortgage loans on real estate	—	—	(1,951.3 )	—	(1,951.3 )
Limited partnerships/corporations	—	—	(295.7 )	—	(295.7 )
Short-term investments, net	0.1	—	107.7	—	107.8
Policy loans, net	—	—	45.6	—	45.6
Derivatives, net	—	—	(614.8 )	—	(614.8 )
Other investments, net	—	—	(30.1 )	—	(30.1 )
Sales from consolidated investments entities	—	—	1,620.6	—	1,620.6
Purchases within consolidated investment entities	—	—	(1,719.8 )	—	(1,719.8 )
Issuance of intercompany loans with maturities more than three months	(33.9 )	—	—	33.9	—
Maturity (issuance) of short-term intercompany loans, net	42.0	—	10.5	(52.5 )	—
Return of capital contributions and dividends from subsidiaries	1,020.0	1,020.0	—	(2,040.0 )	—
Capital contributions to subsidiaries	(360.0)	—	—	360.0	—
Collateral received (delivered), net	—	—	(106.8 )	—	(106.8 )
Purchases of fixed assets, net	—	—	(35.8 )	—	(35.8 )
Net cash provided by (used in) investing activities	667.3	1,020.0	(2,272.6 )	(1,698.6 )	(2,283.9 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows (Continued)

For the Nine Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts	—	—	5,743.3	—	5,743.3
Maturities and withdrawals from investment contracts	—	—	(5,577.8 )	—	(5,577.8 )
Proceeds from issuance of debt with maturities of more than three months	398.8	—	—	—	398.8
Repayment of debt with maturities of more than three months	(490.0 )	—	—	—	(490.0 )
Debt issuance costs	(3.5 )	—	—	—	(3.5 )
Proceeds of intercompany loans with maturities of more than three months	—	—	33.9	(33.9 )	—
Net (repayments of) proceeds from short-term intercompany loans	(10.5 )	(101.3 )	59.3	52.5	—
Return of capital contributions and dividends to parent	—	(1,020.0 )	(1,210.0 )	2,230.0	—
Contributions of capital from parent	—	—	360.0	(360.0)	—
Borrowings of consolidated investment entities	—	—	807.0	—	807.0
Repayments of borrowings of consolidated investment entities	—	—	(779.4 )	—	(779.4 )
Contributions from (distributions to) participants in consolidated investment entities, net	—	—	551.8	—	551.8
Proceeds from issuance of common stock, net	2.7	—	—	—	2.7
Share-based compensation	(7.2 )	—	—	—	(7.2 )
Common stock acquired - Share repurchase	(422.8 )	—	—	—	(422.8 )
Dividends paid	(5.5 )	—	—	—	(5.5 )
Net cash provided by (used in) financing activities	(538.0 )	(1,121.3 )	(11.9 )	1,888.6	217.4
Net (decrease) increase in cash and cash equivalents	133.1	(0.8 )	(1,076.1 )	—	(943.8 )
Cash and cash equivalents, beginning of period	257.2	2.3	2,651.2	—	2,910.7
Cash and cash equivalents, end of period	\$390.3	\$ 1.5	\$ 1,575.1	\$ —	\$ 1,966.9

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Cash Flows  
For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$(218.3)	\$ 130.5	\$ 2,803.6	\$ (233.0 )	\$ 2,482.8
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	8,786.2	—	8,786.2
Equity securities, available-for-sale	12.7	—	77.6	—	90.3
Mortgage loans on real estate	—	—	917.6	—	917.6
Limited partnerships/corporations	—	—	206.0	—	206.0
Acquisition of:					
Fixed maturities	—	—	(10,731.8 )	—	(10,731.8 )
Equity securities, available-for-sale	(16.4 )	—	(22.6 )	—	(39.0 )
Mortgage loans on real estate	—	—	(1,945.5 )	—	(1,945.5 )
Limited partnerships/corporations	—	—	(304.6 )	—	(304.6 )
Short-term investments, net	—	—	150.0	—	150.0
Policy loans, net	—	—	7.1	—	7.1
Derivatives, net	1.3	—	(1,077.7 )	—	(1,076.4 )
Other investments, net	—	0.1	14.2	—	14.3
Sales from consolidated investments entities	—	—	1,539.8	—	1,539.8
Purchases within consolidated investment entities	—	—	(1,006.4 )	—	(1,006.4 )
Maturity of intercompany loans with maturities more than three months	0.3	—	—	(0.3 )	—
Maturity (issuance) of short-term intercompany loans, net	(115.4 )	—	—	115.4	—
Return of capital contributions and dividends from subsidiaries	922.0	756.0	—	(1,678.0 )	—
Capital contributions to subsidiaries	(65.0 )	(44.0 )	—	109.0	—
Collateral received (delivered), net	(0.1 )	—	927.5	—	927.4
Purchases of fixed assets, net	—	—	(49.2 )	—	(49.2 )
Net cash provided by (used in) investing activities	739.4	712.1	(2,511.8 )	(1,453.9 )	(2,514.2 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows (Continued)

For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts	—	—	6,328.5	—	6,328.5
Maturities and withdrawals from investment contracts	—	—	(5,183.1 )	—	(5,183.1 )
Proceeds from issuance of debt with maturities of more than three months	798.2	—	—	—	798.2
Repayment of debt with maturities of more than three months	(659.8 )	(48.5 )	—	—	(708.3 )
Debt issuance costs	(16.0 )	—	—	—	(16.0 )
Intercompany loans with maturities of more than three months	—	—	(0.3 )	0.3	—
Net (repayments of) proceeds from short-term intercompany loans	—	52.9	62.5	(115.4)	—
Return of capital contributions and dividends to parent	—	(892.0 )	(1,019.0 )	1,911.0	—
Contributions of capital from parent	—	30.0	79.0	(109.0)	—
Borrowings of consolidated investment entities	—	—	124.6	—	124.6
Repayments of borrowings of consolidated investment entities	—	—	(410.1 )	—	(410.1 )
Contributions from (distributions to) participants in consolidated investment entities, net	—	—	(150.1 )	—	(150.1 )
Proceeds from issuance of common stock, net	1.3	—	—	—	1.3
Share-based compensation	(6.3 )	—	—	—	(6.3 )
Common stock acquired - Share repurchase	(487.2 )	—	—	—	(487.2 )
Dividends paid	(6.1 )	—	—	—	(6.1 )
Net cash provided by (used in) financing activities	(375.9 )	(857.6 )	(168.0 )	1,686.9	285.4
Net (decrease) increase in cash and cash equivalents	145.2	(15.0 )	123.8	—	254.0
Cash and cash equivalents, beginning of period	378.1	18.4	2,116.2	—	2,512.7
Cash and cash equivalents, end of period	\$523.3	\$ 3.4	\$ 2,240.0	\$ —	\$ 2,766.7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
(Dollar amounts in millions, unless otherwise stated)

For the purposes of the discussion in this Quarterly Report on Form 10-Q, the term Voya Financial, Inc. refers to Voya Financial, Inc. and the terms "Company," "we," "our," and "us" refer to Voya Financial, Inc. and its subsidiaries.

The following discussion and analysis presents a review of our consolidated results of operations for the three and nine months ended September 30, 2017 and 2016 and financial condition as of September 30, 2017 and December 31, 2016. This item should be read in its entirety and in conjunction with the Condensed Consolidated Financial Statements and related notes contained in Part I, Item 1. of this Quarterly Report on Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in our Annual Report on Form 10-K for the year ended December 31, 2016 ("Annual Report on Form 10-K").

In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors. See the Note Concerning Forward-Looking Statements. Investors are directed to consider the risks and uncertainties discussed in Part II, Item 1A. of this Quarterly Report on Form 10-Q, as well as in other documents we have filed with the Securities and Exchange Commission ("SEC").

#### Overview

We provide our principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. In addition, we have a Closed Block Variable Annuity ("CBVA") segment. Activities not directly related to our segments such as our corporate operations, corporate level assets and financial obligations are included in Corporate. Effective the fourth quarter of 2016, certain activities related to a run-off block of guaranteed investment contracts ("GICs") and funding agreements as well as residual activity on closed or divested business, including our group reinsurance and individual reinsurance businesses, are also included in Corporate.

Beginning in the fourth quarter of 2016, we accelerated the run-off of a block of GICs and funding agreements including the termination of certain Federal Home Loan Bank ("FHLB") funding agreements. The last GIC and funding agreements supporting this block matured or were terminated by June 30, 2017.

#### Trends and Uncertainties

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we discuss a number of trends and uncertainties that we believe may materially affect our future liquidity, financial condition or results of operations. Where these trends or uncertainties are specific to a particular aspect of our business, we often include such a discussion under the relevant caption of this MD&A, as part of our broader analysis of that area of our business. In addition, the following factors represent some of the key general trends and uncertainties that have influenced the development of our business and our historical financial performance and that we believe will continue to influence our business and financial performance in the future.

#### Market Conditions

While extraordinary monetary accommodation has suppressed volatility in rate, credit and domestic equity markets for an extended period, global capital markets may now be past peak accommodation as the U.S. Federal Reserve continues its gradual pace of policy normalization. As global monetary policy becomes less accommodative, an increase in market volatility could affect our business, including through effects on the yields we earn on invested assets, changes in required reserves and capital, and fluctuations in the value of our assets under management ("AUM") or administration ("AUA"). These effects could be exacerbated by uncertainty about future fiscal policy, changes in tax policy, the scope of potential deregulation, and levels of global trade. In the short- to medium-term, the

potential for increased volatility, coupled with prevailing interest rates below historical averages, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment could make it difficult to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be adversely affected by market volatility as fees driven by AUM fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. As a company with strong retirement, investment management and insurance capabilities, however, we believe the market conditions noted above may, over the long term, enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, annuitization rates and lapse rates, which adjust in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable. For additional information on our sensitivity to interest rates

and equity market prices, see Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

#### Interest Rate Environment

While interest rates moved higher after the 2016 presidential election, 2017 has been characterized by a lower and notably flatter yield curve. Front end rates have been driven higher by 25 basis points Fed Funds rate increases in both March and June. The longer-end of the yield curve has remained subdued by domestic policy uncertainty and stubbornly low inflation expectations. Late in the third quarter, we saw a modest increase in rates and a steepening of the term structure of interest rates driven by solid global growth data, renewed hopes of stimulative tax reform, and the Fed's fledgling efforts to unwind extraordinary monetary accommodation through a measured reduction of their balance sheet. The Federal Reserve has begun execution of its plan for gradually reducing its holdings of Treasury and agency securities. The timing and impact of any further increases in the Federal Funds rate, or deviations in the expected pace of Federal Reserve balance sheet normalization are uncertain and dependent on the Federal Reserve Board's assessment of economic growth, labor market developments, inflation outlook, fiscal policy developments and other risks that will impact the level and volatility of rates.

The continued low interest rate environment has affected, and may continue to affect, the demand for our products in various ways. While interest rates continue to remain low by historical standards, we may experience lower sales and reduced demand as it is more difficult to manufacture products that are consistently attractive to customers and meet our economic targets. Our financial performance may be adversely affected by the current low interest rate environment, or by rapidly increasing rates.

We believe the interest rate environment will continue to influence our business and financial performance in the future for several reasons, including the following:

Our general account investment portfolio, which was approximately \$93.8 billion as of September 30, 2017, consists predominantly of fixed income investments and had an annualized average yield of approximately 4.8% in the third quarter of 2017. In the near term and absent further material change in yields available on fixed income investments, we expect the yield we earn on new investments will be lower than the yields we earn on maturing investments, which were generally purchased in environments where interest rates were higher than current levels. We currently anticipate that proceeds that are reinvested in fixed income investments in the remainder of 2017 will earn an average yield in the range of 3.75% to 4.25%. If interest rates were to rise, we expect the yield on our new money investments would also rise and gradually converge toward the yield of those maturing assets. In addition, while less material to financial results than new money investment rates, movements in prevailing interest rates also influence the prices of fixed income investments that we sell on the secondary market rather than holding until maturity or repayment, with rising interest rates generally leading to lower prices in the secondary market, and falling interest rates generally leading to higher prices.

Certain of our products pay guaranteed minimum rates. For example, fixed accounts and a portion of the stable value accounts included within defined contribution retirement plans, universal life ("UL") policies and individual fixed annuities include guaranteed minimum credited rates. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with the resulting investment margin compression negatively impacting earnings. In addition, we expect more policyholders to hold policies (lower lapses) with comparatively high guaranteed rates longer in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio would positively impact earnings if the average interest rate we pay on our products does not rise correspondingly. Similarly, we expect policyholders would be less likely to hold policies (higher lapses) with existing guarantees as interest rates rise.

Our CBVA segment provides certain guaranteed minimum benefits. A prolonged low interest rate environment may subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries

are required to hold for these variable annuity guarantees, lowering their statutory surplus, which would adversely affect their ability to pay dividends to us. A prolonged low interest rate environment may also affect the perceived value of guaranteed minimum income benefits, which in turn may lead to a higher rate of annuitization of those products over time.

For additional information on the impact of the interest rate environment, see Risk Factors - The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment or a period of rapidly increasing interest rates in Part I, Item 1A. of our Annual Report on Form 10-K. Also, for additional information on our sensitivity to interest rates, see Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

## The Impact of our CBVA Segment on U.S. GAAP Earnings

We manage our CBVA segment to focus on protecting regulatory and rating agency capital through risk management and hedging. Because U.S. GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures, our CBVA segment tends to create earnings volatility in our U.S. GAAP financial statements. In particular, the amount of capital we have allocated to our CBVA segment for U.S. GAAP purposes includes certain intangible assets that are subject to periodic impairment testing and loss recognition, and U.S. GAAP reserves in our CBVA segment are in some cases based on assumptions that differ from those we use to determine statutory and rating agency capital. To the extent that macroeconomic conditions adversely deviate from our assumptions, or if market conditions or other developments require us to write-down these intangible assets or increase U.S. GAAP reserves, we may recognize U.S. GAAP losses in our CBVA segment. For additional information on our hedging program within the CBVA segment, see Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

## Seasonality and Other Matters

Our business results can vary from quarter to quarter as a result of seasonal factors. For all of our segments, the first quarter of each year typically has elevated operating expenses, reflecting higher payroll taxes, equity compensation grants, and certain other expenses that tend to be concentrated in the first quarters. Additionally, alternative investment income tends to be lower in the first quarters. Other seasonal factors that affect our business include:

### Retirement

The first quarters tend to have the highest level of recurring deposits in Corporate Markets, due to the increase in participant contributions from the receipt of annual bonus award payments or annual lump sum matches and profit sharing contributions made by many employers. Corporate Market withdrawals also tend to increase in the first quarters as departing sponsors change providers at the start of a new year.

In the third quarters, education tax-exempt markets typically have the lowest recurring deposits, due to the timing of vacation schedules in the academic calendar.

The fourth quarters tend to have the highest level of single/transfer deposits due to new Corporate Market plan sales as sponsors transfer from other providers when contracts expire at the fiscal or calendar year-end. Recurring deposits in the Corporate Market may be lower in the fourth quarters as higher paid participants scale back or halt their contributions upon reaching the annual maximums allowed for the year. Finally, Corporate Market withdrawals tend to increase in the fourth quarters, as in the first quarters, due to departing sponsors.

### Investment Management

In the fourth quarters, performance fees are typically higher due to certain performance fees being associated with calendar-year performance against established benchmarks and hurdle rates.

### Individual Life

The fourth quarters tend to have the highest levels of universal life insurance sales. This seasonal pattern is typical for the industry.

The first and fourth quarters tend to have the highest levels of net underwriting income.

### Employee Benefits

The first quarters tend to have the highest Group Life loss ratio. Sales for Group Life and Stop Loss also tend to be the highest in the first quarters, as most of our contracts have January start dates in alignment with the start of our clients' fiscal years.

The third quarters tend to have the second highest Group Life and Stop Loss sales, as a large number of our contracts have July start dates in alignment with the start of our clients' fiscal years.

In addition to these seasonal factors, our results are impacted by the annual review of assumptions related to future policy benefits and deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") (collectively, "DAC/VOBA") and other intangibles, which we generally complete in the third quarter of each year, and annual remeasurement related to our employee benefit plans, which we generally complete in the fourth quarter of each year.

#### Carried Interest

Net investment income and net realized gains (losses), within our Investment Management segment, includes, for this and previous periods performance fees related to sponsored private equity funds ("carried interest") that are subject to later reversal based on subsequent fund performance, to the extent that cumulative rates of investment return fall below specified investment hurdle rates. Should the market value of a portfolio increase in future periods, reversals of carried interest could be fully or partially recovered. For the three months ended September 30, 2017, our carried interest total net results were a gain of \$0.8 million, including the reversal of \$2.0 million in previously accrued carried interest for one private equity fund. For the nine months ended September 30, 2017, our carried interest total net results were a gain of \$32.6 million, including the recovery of \$26.4 million of previously accrued carried interest for one private equity fund. For the three and nine months ended September 30, 2016, our carried interest total net results were a gain of \$1.3 million and a loss of \$26.7 million, respectively, including the reversal of approximately \$30.2 million in previously accrued carried interest for the nine months ended September 30, 2016 related to a private equity fund which experienced significant declines in the market value of its investment portfolio. No such amounts for this private equity fund were reversed for the three months ended September 30, 2016. As of September 30, 2017, approximately \$63.6 million of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdle rates are not maintained throughout the remaining life of the funds.

#### Restructuring

In 2016, we began implementing a series of initiatives designed to make us a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). We expect that these initiatives, combined with the impact of the Strategic Investment Program, will allow us to increase our annual run rate cost savings target to at least \$100 million in 2018 and subsequent years. These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies from the combination of our Annuities and Individual Life businesses.

For the three and nine months ended September 30, 2017, these initiatives resulted in restructuring expenses of \$48.4 million and \$65.7 million, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Operating earnings before income taxes. These expenses are classified as a component of Other adjustments to operating earnings and consequently are not included in the operating results of our segments.

On July 31, 2017, we executed a 5-year information technology services agreement with a third-party service provider at an expected annualized cost of \$70 - \$90 million per year, with a total cumulative 5-year cost of approximately \$400 million. Included in these costs are approximately \$35 million of transition costs. This initiative, which is a component of our 2016 Restructuring program, improves expense efficiency and upgrades our technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs. Consequently, in addition to the costs incurred during the third quarter of 2017, which are included in the amounts disclosed in the previous paragraph, we will incur additional restructuring expenses of approximately \$15 - \$20 million in the fourth quarter of 2017. Beyond 2017, we anticipate additional restructuring expenses related to this initiative of approximately \$25 - \$30 million for the year ended December 31, 2018 and an immaterial amount of restructuring expenses thereafter. The restructuring expenses to be incurred in the fourth quarter of 2017 and for the year ended December 31, 2018 will mainly reflect the transition costs to implement this information technology services agreement as all anticipated asset write-off costs were incurred in the third quarter of 2017.

In addition to the restructuring costs incurred above, the reduction in employees from the execution of the contract described above caused the aggregate reduction in employees under our 2016 Restructuring program to trigger an immaterial curtailment and related remeasurement of our qualified defined benefit pension plan and active non-qualified defined benefit plan.

As we develop and approve additional restructuring plans, we will incur additional restructuring expenses in one or more periods through the end of 2018. These costs, which include severance and other costs, cannot currently be estimated but could be material and are not reflected in our run-rate cost savings estimates for 2018.

## Operating Measures

This MD&A includes a discussion of Operating earnings before income taxes and Operating revenues, each of which is a measure used by management to evaluate segment performance. We believe that Operating earnings before income taxes provides a meaningful measure of our business performance and enhances the understanding of our financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions or other factors. Operating earnings before income taxes does not replace Net income (loss) as the U.S. GAAP measure of our consolidated results of operations. Therefore, we believe that it is useful to evaluate both Net income (loss) and Operating earnings before income taxes when reviewing our financial and operating performance. See the Segments Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for a description of the adjustments made to reconcile Income (loss) before income taxes to Total operating earnings before income taxes and the adjustments made to reconcile Total revenues to Total operating revenues.

## Results of Operations - Company Condensed Consolidated

The following table presents summary condensed consolidated financial information for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	2016	September 30, 2017	2016
Revenues:				
Net investment income	\$1,104.3	\$1,163.4	\$3,402.2	\$3,432.7
Fee income	880.0	857.9	2,569.0	2,510.4
Premiums	581.6	726.7	1,750.3	2,405.1
Net realized capital gains (losses)	(245.1 )	(367.7 )	(944.5 )	(458.3 )
Other revenue	89.8	90.5	279.8	257.9
Income (loss) related to consolidated investment entities:				
Net investment income	139.6	57.7	295.6	86.0
Total revenues	2,550.2	2,528.5	7,352.4	8,233.8
Benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	1,275.7	1,906.9	4,111.0	5,332.3
Operating expenses	731.2	723.6	2,161.7	2,160.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	236.5	180.7	563.4	381.2
Interest expense	49.2	45.4	139.7	242.8
Operating expenses related to consolidated investment entities:				
Interest expense	18.3	26.7	62.0	75.4
Other expense	1.2	1.1	4.8	3.4
Total benefits and expenses	2,312.1	2,884.4	7,042.6	8,195.3
Income (loss) before income taxes	238.1	(355.9 )	309.8	38.5
Income tax expense (benefit)	24.1	(119.4 )	19.0	(53.3 )
Net income (loss)	214.0	(236.5 )	290.8	91.8
Less: Net income (loss) attributable to noncontrolling interest	65.4	11.6	118.5	(13.2 )
Net income (loss) available to our common shareholders	\$148.6	\$(248.1 )	\$172.3	\$105.0

The following table presents information about our Operating expenses for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating expenses:				
Commissions	\$221.3	\$244.7	\$710.8	\$745.5
General and administrative expenses:				
Restructuring expenses	48.4	—	65.7	—
Strategic Investment Program	21.1	28.9	63.9	93.5
Other general and administrative expenses	512.2	540.7	1,573.0	1,615.0
Total general and administrative expenses	581.7	569.6	1,702.6	1,708.5
Total operating expenses, before DAC/VOBA deferrals	803.0	814.3	2,413.4	2,454.0
DAC/VOBA deferrals	(71.8 )	(90.7 )	(251.7 )	(293.8 )
Total operating expenses	\$731.2	\$723.6	\$2,161.7	\$2,160.2

The following table presents AUM and AUA as of the dates indicated:

(\$ in millions)	As of September 30,	
	2017	2016
AUM and AUA:		
Retirement	\$361,868.3	\$314,705.3
Investment Management	272,565.0	258,470.1
Annuities	28,634.0	27,517.1
Individual Life	15,493.3	15,193.0
Employee Benefits	1,875.3	1,815.6
Closed Block Variable Annuity	37,011.0	38,092.8
Eliminations/Other	(176,706.3 )	(175,935.4 )
Total AUM and AUA	\$540,740.6	\$479,858.5
AUM	311,400.0	283,288.7
AUA	229,340.6	196,569.8
Total AUM and AUA	\$540,740.6	\$479,858.5

The following table presents the relative contributions of each segment to Operating earnings before income taxes for the periods indicated and a reconciliation of Operating earnings before income taxes to Income (loss) before income taxes:

(\$ in millions)	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Retirement	\$106.8	\$62.9	\$287.8	\$307.1
Investment Management	53.5	51.5	187.7	106.0
Annuities	74.4	113.3	203.7	236.6
Individual Life	(66.2 )	(76.2 )	27.8	15.2
Employee Benefits	58.0	41.3	95.6	94.4
Corporate	(88.6 )	(84.4 )	(249.5 )	(246.0 )
Total operating earnings before income taxes	137.9	108.4	553.1	513.3
Adjustments:				
Closed Block Variable Annuity <sup>(1)</sup>	141.8	(328.0 )	(273.3 )	(225.5 )
Net investment gains (losses) and related charges and adjustments <sup>(2)</sup>	(14.6 )	(65.6 )	(37.5 )	(150.7 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments <sup>(2)</sup>	(31.0 )	(53.5 )	35.4	61.2
Income (loss) related to businesses exited through reinsurance or divestment <sup>(2)</sup>	(1.8 )	1.3	(6.3 )	3.4
Income (loss) attributable to noncontrolling interest <sup>(2)</sup>	65.4	11.6	118.5	(13.2 )
Loss related to early extinguishment of debt <sup>(2)</sup>	(3.2 )	(0.1 )	(3.9 )	(104.2 )
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments <sup>(2)</sup>	0.5	(7.1 )	0.5	(7.1 )
Other adjustments to operating earnings <sup>(2)</sup>	(56.9 )	(22.9 )	(76.7 )	(38.7 )
Income (loss) before income taxes	\$238.1	\$(355.9)	\$309.8	\$38.5

<sup>(1)</sup> Our CBVA segment is managed to focus on protecting regulatory and rating capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within Operating earnings before income taxes.

<sup>(2)</sup> Refer to the Segments Note to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of these items.

The following table presents the relative contributions of each segment to Operating revenues for the periods indicated and a reconciliation of Operating revenues to Total revenues:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Retirement	\$634.2	\$673.8	\$1,889.2	\$2,333.8
Investment Management	171.0	163.0	545.7	437.6
Annuities	302.5	310.6	902.0	932.7
Individual Life	668.9	637.7	1,927.5	1,886.6
Employee Benefits	446.6	405.9	1,335.7	1,206.4
Corporate	16.2	24.9	45.0	86.5
Total operating revenues	2,239.4	2,215.9	6,645.1	6,883.6
Adjustments:				
Closed Block Variable Annuity <sup>(1)</sup>	217.9	271.7	315.8	1,086.7
Net realized investment gains (losses) and related charges and adjustments <sup>(2)</sup>	(20.9 )	(12.8 )	(61.2 )	(160.1 )
Gain (loss) on change in fair value of derivatives related to guaranteed benefits <sup>(2)</sup>	(49.8 )	(51.1 )	39.8	114.6
Revenues related to businesses exited through reinsurance or divestment <sup>(2)</sup>	26.6	32.3	95.4	156.9
Revenues attributable to noncontrolling interest <sup>(2)</sup>	84.9	39.3	185.2	65.3
Other adjustments to operating revenues <sup>(2)</sup>	52.1	33.2	132.3	86.8
Total revenues	\$2,550.2	\$2,528.5	\$7,352.4	\$8,233.8

<sup>(1)</sup> Our CBVA segment is managed to focus on protecting regulatory and rating capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within Operating earnings before income taxes.

<sup>(2)</sup> Refer to the Segments Note to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of these items.

The following tables describe the components of the reconciliation between Operating earnings before income taxes and Income (loss) before income taxes related to Net investment gains (losses) and related charges and adjustments and Net guaranteed benefits hedging gains (losses) and related charges and adjustments.

The following table presents the adjustment to Income (loss) before income taxes related to Total investment gains (losses) and the related Net amortization of DAC/VOBA and other intangibles for the periods indicated:

(\$ in millions)	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Other-than-temporary impairments	\$(0.8 )	\$(12.7 )	\$(5.2 )	\$(27.6 )
CMO-B fair value adjustments <sup>(1)</sup>	(29.7 )	2.6	(73.7 )	(30.5 )
Gains (losses) on the sale of securities	15.4	7.8	1.0	(53.6 )
Other, including changes in the fair value of derivatives	(4.0 )	(10.3 )	17.4	(27.7 )
Total investment gains (losses)	(19.1 )	(12.6 )	(60.5 )	(139.4 )
Net amortization of DAC/VOBA and other intangibles on above	6.5	(50.5 )	23.0	8.2
Net investment gains (losses), including Closed Block Variable Annuity	(12.6 )	(63.1 )	(37.5 )	(131.2 )
Less: Closed Block Variable Annuity net investment gains (losses) and related charges and adjustments	2.0	2.5	—	19.5
Net investment gains (losses) and related charges and adjustments	\$(14.6 )	\$(65.6 )	\$(37.5 )	\$(150.7 )

<sup>(1)</sup> For a description of our CMO-B portfolio, see Investments - CMO-B Portfolio in Part I, Item 2. of this Quarterly report on Form 10-Q and Part II, Item 7. of our Annual report on form 10-K.

The following table presents the adjustment to Income (loss) before taxes related to Guaranteed benefit hedging gains (losses) net of DAC/VOBA and other intangibles amortization for the periods indicated. This table excludes CBVA.

(\$ in millions)	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016
Gain (loss), excluding nonperformance risk	\$(52.6 )	\$(102.4 )	\$56.9	\$(53.0 )
Gain (loss) due to nonperformance risk	9.6	14.0	(19.4 )	110.3
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	(43.0 )	(88.4 )	37.5	57.3
Net amortization of DAC/VOBA and sales inducements	12.0	34.9	(2.1 )	3.9
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	\$(31.0 )	\$(53.5 )	\$35.4	\$61.2

#### Notable Items

During the third quarter of 2017, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management segment and Corporate, for which assumption reviews are not relevant). As a result of this review, we have made a number of changes to our assumptions resulting in a net unfavorable impact of \$183.6 million to Operating earnings before income taxes for the three and nine months ended September 30, 2017, compared to a net unfavorable impact of \$144.9 million for the three and nine months ended September 30, 2016. For information about the impacts of the annual review of assumptions on DAC/VOBA and other intangibles and Operating earnings before income taxes related to our segments, see Results of Operations - Segment by Segment in Part I, Item 2. of this Quarterly Report on Form 10-Q.

During the second quarter of 2017, we solicited customer consents to execute a change to reduce the guaranteed minimum interest rate ("GMIR initiative") applicable to future deposits and transfers into fixed investment options for certain retirement plan contracts with above-market GMIRs. This change reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets. Because the GMIR initiative for the second

quarter and third quarter of 2017 (described below) is classified as a contract modification under insurance accounting, it requires an acceleration of DAC/VOBA amortization resulting in unfavorable unlocking for the Retirement segment and will favorably impact the DAC/VOBA amortization rate and operating

earnings in the future. The unfavorable unlocking, which amounted to \$128.0 million for the second quarter of 2017 and was recorded in Net amortization of DAC/VOBA and included in the table below, was determined based on legally binding consent acceptances received from customers as well as expected future acceptances of consents from customers solicited during the second quarter of 2017.

During the third quarter of 2017, we continued to solicit customer consents to execute on the GMIR initiative. The third quarter initiative was considered as part of the annual assumption updates described above and resulted in unfavorable unlocking for the Retirement segment of \$91.8 million recorded in Net amortization of DAC/VOBA in the third quarter of 2017. The third quarter unlocking was determined based on legally binding consent acceptances received from customers and expected future acceptances of consents from customers solicited during the third quarter of 2017 as well as expected future acceptances for customers that will be solicited as part of the GMIR initiative.

During the third quarter of 2016, we received a distribution of cash in the amount of \$2.6 million in conjunction with a Lehman Brothers bankruptcy settlement ("Lehman Recovery") which was recognized in Net investment income. The Lehman Recovery, net of DAC/VOBA and other intangibles impacts, are referred to as "Net gain(loss) from Lehman Recovery."

The following table highlights notable items that are included in Operating earnings before income taxes from the following categories: (1) large gains (losses) that are not indicative of performance in the period; and (2) items that typically recur but can be volatile from period to period (e.g., DAC/VOBA and other intangibles unlocking).

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in millions)	2017	2016	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(174.4)	\$(140.0)	\$(270.9)	\$(120.8)
Net gain (loss) from Lehman Recovery <sup>(2)</sup>	—	2.6	—	2.6

<sup>(1)</sup> DAC/VOBA and other intangibles unlocking is included in Fee income, Interest credited and other benefits to contract owners/policyholders and Net amortization of DAC/VOBA and includes the impact of the review of the assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

<sup>(2)</sup> Net gain (loss) from Lehman Recovery for 2016 is included in Operating earnings before income taxes of the Investment Management segment.

The following table presents the impact on segment Operating earnings before income taxes of the annual assumption updates for the periods indicated:

	Three Months Ended September 30,	
(\$ in millions)	2017	2016
Retirement <sup>(1)</sup>	\$(47.0 )	\$(83.0 )
Annuities	5.6	46.4
Individual Life	(142.0 )	(109.0 )
Employee Benefits	(0.2 )	0.7
Total	\$(183.6)	\$(144.9)

<sup>(1)</sup> Includes unfavorable unlocking of \$91.8 million for the three months ended September 30, 2017 associated with the change related to GMIR provisions of certain retirement plans with fixed investment options.

The following table presents the impact of the annual assumption updates included in Income before income taxes but excluded from Operating earnings before income taxes for the periods presented:

	Three Months Ended September 30,	
(\$ in millions)	2017	2016
CBVA	\$373.4	\$(95.5 )
All other segments	(6.2 )	(81.6 )
Total	\$367.2	\$(177.1)

## Terminology Definitions

Net realized capital gains (losses), net realized investment gains (losses) and related charges and adjustments, and Net guaranteed benefit hedging gains (losses) and related charges and adjustments include changes in the fair value of derivatives. Increases in the fair value of derivative assets or decreases in the fair value of derivative liabilities result in "gains." Decreases in the fair value of derivative assets or increases in the fair value of derivative liabilities result in "losses."

In addition, we have certain products that contain guarantees that are embedded derivatives related to guaranteed benefits and index-crediting features, while other products contain such guarantees that are considered derivatives (collectively "guaranteed benefit derivatives").

Consolidated - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

### Net Income (Loss)

Net investment income decreased \$59.1 million from \$1,163.4 million to \$1,104.3 million primarily due to:

- the consolidation of investment entities as a result of higher income earned in underlying consolidated investments;
- lower prepayment fee income;
- the impact of the continued low interest rate environment on reinvestment rates; and
- decline related to a certain block of GICs and funding agreements as a result of continued run-off.

The decrease was partially offset by:

- growth in general account assets; and
- higher net alternative investment income across segments driven by favorable equity market performance in the current period.

Fee income increased \$22.1 million from \$857.9 million to \$880.0 million primarily due to:

- a favorable variance driven by annual assumption updates and amortization of unearned revenue reserve due to higher gross profits on our universal life blocks;
- an increase in separate account and institutional/mutual fund AUM in our Retirement segment driven by market improvements and the cumulative impact of positive net flows resulting in higher full service fees; and
- an increase in average AUM in our Investment Management segment, driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned.

The increase was partially offset by:

- a decrease related to the continued run-off in our CBVA segment.

Premiums decreased \$145.1 million from \$726.7 million to \$581.6 million primarily due to:

- lower annuitization of life contingent contracts in our CBVA segment; and
- lower sales for pension risk transfer contracts in our Retirement segment as this business was closed to new sales at the end of 2016.

The decrease was partially offset by:

• higher premiums driven by stop loss and voluntary block growth in our Employee Benefits segment.

Net realized capital losses decreased \$122.6 million from \$367.7 million to \$245.1 million primarily due to:

• favorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk;

• gains on the sale of securities and favorable changes in the fair value of derivatives; and

a slightly favorable net impact on realized capital losses in our Variable Annuity Hedge Program and guaranteed benefit derivatives, excluding nonperformance risk (refer to Results of Operations - Segment by Segment - Closed Block Variable Annuity below for further description).

The decrease was partially offset by:

- a loss resulting from CMO-B fair value adjustments in the current period compared to a gain in the prior period.

Other revenue decreased \$0.7 million from \$90.5 million to \$89.8 million primarily due to:

- higher amortization of the deferred loss associated with a closed block of business due to an annual update of the amortization schedules; and
- lower performance fees in our Investment Management segment.

The decrease was partially offset by:

- higher broker-dealer revenues in our Retirement segment.

Interest credited and other benefits to contract owners/policyholders decreased \$631.2 million from \$1,906.9 million to \$1,275.7 million primarily due to:

- the discontinuation of sales of pension risk transfer contracts in our Retirement Segment at the end of 2016;
- net favorable changes in reserves in our CBVA segment primarily as a result of annual assumption updates and lower annuitization of life contingent contracts, partially offset by the impact of policyholder enhancement offers and unfavorable variances in fund returns; and
- favorable changes due to the impact of annual assumption updates on fixed indexed annuities and payout reserves.

The decrease was partially offset by:

- higher benefits incurred due to a higher loss ratio on stop loss and growth of the business in our Employee Benefits segment.

Operating expenses increased \$7.6 million from \$723.6 million to \$731.2 million primarily due to:

- higher restructuring charges in the current period;
- higher expenses related to net compensation adjustments;
- higher broker dealer expenses in our Retirement Services segment; and
- higher volume-related expenses associated with growth of the business in our Employee Benefits segment.

The increase was partially offset by:

- lower expenses due to the continued run-off of our CBVA segment;
- the impact of continued expense management efforts and favorable accrual developments in the current period;
- lower net financing costs in our Individual Life segment;
- lower release of contingency accruals in the current period; and
- a decrease in costs associated with our Strategic Investment Program.

Net amortization of DAC/VOBA increased \$55.8 million from \$180.7 million to \$236.5 million primarily due to:

-

unfavorable changes in DAC/VOBA unlocking associated with changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment;  
unfavorable impact of annual assumption updates on operating earnings in our Individual Life and Annuities segments (refer to Results of Operations - Segment by Segment for further description); and  
an unfavorable variance in amortization on net guaranteed benefit hedging losses, described below.

The increase was partially offset by:

favorable impact of annual assumption updates in our Retirement segment, excluding GMIR; and

favorable changes in unlocking on net investment gains (losses).

Income before income taxes increased \$594.0 million from a loss of \$355.9 million to a gain of \$238.1 million primarily due to:

favorable variances related to incurred guaranteed benefits and our Variable Annuity Hedge Program, primarily due to the impact of the annual assumption updates and enhanced income and surrender offers; (refer to Results of Operations - Segment by Segment - Closed Block Variable Annuity below for further description); higher Operating earnings before income taxes, excluding DAC/VOBA and other intangibles unlocking, discussed below;

- a favorable variance attributable to noncontrolling interest; and
- changes in the fair value of guaranteed benefit derivatives related to nonperformance risk.

The increase was partially offset by:

unfavorable changes in DAC/VOBA and other intangibles unlocking primarily due to changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment and the impact of annual assumption updates on our Individual Life segment;

- an increase in restructuring charges in the current period; and
- higher Net investment gains (losses) and related charges and adjustments, discussed below.

Income tax expense (benefit) changed \$143.5 million from a benefit of \$119.4 million to an expense of \$24.1 million primarily due to:

- an increase in income before income taxes.

The increase was partially offset by:

- change in the effect of the relative dividends received deduction ("DRD"); and
- noncontrolling interest.

#### Operating Earnings before Income Taxes

Operating earnings before income taxes increased \$29.5 million from \$108.4 million to \$137.9 million primarily due to:

- higher fee based margin due to market improvement and the cumulative impact of positive net flows;
- favorable results in Employee Benefits from stop loss and voluntary block growth, improved group life loss ratio and higher favorable reserve adjustments in the current period;
- higher alternative investment income across segments driven by favorable equity market performance in the current period;
- higher underwriting gains in our Individual Life segment, net of DAC/VOBA and other intangibles amortization, primarily driven by lower net financing costs and favorable net mortality; and
- lower Operating expenses, primarily due to continued expense management efforts and a decrease in costs associated with our Strategic Investment Program.

The increase was partially offset by:

- unfavorable changes in DAC/VOBA and other intangibles unlocking primarily due to changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment

partially offset by the net impact of annual assumption updates; and  
lower prepayment fee income.

Adjustments from Income (Loss) before Income Taxes to Operating Earnings (Loss) before Income Taxes

CBVA results are discussed in Results of Operations - Segment by Segment - Closed Block Variable Annuity in Part I, Item 2. of this Quarterly Report on Form 10-Q.

Net investment losses and related charges and adjustments decreased \$51.0 million from \$65.6 million to \$14.6 million due to:

favorable changes in DAC/VOBA and other intangibles unlocking related to net investment gains and losses;

• lower impairments in the current period; and  
• gains on the sales of securities in the current period compared to losses in the prior period.

The decrease was partially offset by:

• unfavorable changes in CMO-B fair value adjustments.

Net guaranteed benefit hedging losses and related charges and adjustments decreased \$22.5 million from \$53.5 million to \$31.0 million primarily due to:

• lower losses net of related amortization as a result of changes in interest rates.

The decrease was partially offset by:

• a reserve adjustment related to net guaranteed benefit reserves for fixed indexed annuities; and  
• unfavorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk.

Income (loss) related to businesses exited through reinsurance or divestment changed \$3.1 million from a gain of \$1.3 million to a loss of \$1.8 million primarily due to:

• higher amortization of the deferred loss associated with a closed block of business due to an annual update of the amortization schedules.

Loss related to early extinguishment of debt increased \$3.1 million from \$0.1 million to \$3.2 million primarily due to:

• losses incurred in 2017 on early debt extinguishment in connection with repurchased debt. See Liquidity and Capital Resources - in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

Other adjustments to operating earnings changed \$34.0 million from a loss of \$22.9 million to a loss of \$56.9 million primarily due to:

• costs recorded in the current period related to our 2016 Restructuring.

The loss was partially offset by:

• lower rebranding costs in the current period.

Consolidated - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net Income (Loss)

Net investment income decreased \$30.5 million from \$3,432.7 million to \$3,402.2 million primarily due to:

• consolidation of investment entities as a result of higher income earned in underlying consolidated investments;  
• the impact of the continued low interest rate environment on reinvestment rates;  
• lower prepayment fee income; and  
• decline related to a certain block of GICs and funding agreements as a result of continued run-off.

The decrease was partially offset by:

higher alternative investment income across segments driven by favorable equity market performance in the current period, including the recovery of previously reversed carried interest in our Investment Management segment; and growth in general account assets.

Fee income increased \$58.6 million from \$2,510.4 million to \$2,569.0 million primarily due to:

an increase in separate account and institutional/mutual fund AUM in our Retirement segment driven by market improvements and the cumulative impact of positive net flows resulting in higher full service fees;

• a favorable variance due to annual assumption updates and amortization of unearned revenue reserve due to higher gross profits on our universal life blocks; and  
• an increase in average AUM in our Investment Management segment, driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned.

The increase was partially offset by:

• a decrease related to the continued run-off in our CBVA segment.

Premiums decreased \$654.8 million from \$2,405.1 million to \$1,750.3 million primarily due to:

• lower sales for pension risk transfer contracts in our Retirement segment as this business was closed to new sales at the end of 2016; and  
• lower premiums from annuitization of life contingent contracts in our CBVA and Annuities segments.

The decrease was partially offset by:

• higher Premiums driven stop loss and voluntary block growth in our Employee Benefits segment.

Net realized capital losses increased \$486.2 million from \$458.3 million to \$944.5 million primarily due to:

• unfavorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk;  
• unfavorable market value changes associated with business reinsured; and  
• higher losses resulting from CMO-B fair value adjustments in the current period compared to a gain in the prior period.

The increase was partially offset by:

• a net favorable result in our Variable Annuity Hedge Program and guaranteed benefit derivatives, excluding nonperformance risk (refer to Results of Operations - Segment by Segment - Closed Block Variable Annuity below for further description);  
• a favorable variance in net guaranteed benefit derivatives, excluding nonperformance risk in remaining segments due to changes in interest rates; and  
• lower Net realized investment losses primarily as a result of lower impairments, lower losses on the sale of securities, and favorable changes in the fair value of derivatives.

Other revenue increased \$21.9 million from \$257.9 million to \$279.8 million primarily due to:

• higher broker-dealer revenues in our Retirement segment; and  
• higher performance fees in our Investment Management segment.

The increase was partially offset by:

• higher amortization of the deferred loss associated with a closed block of business due to an annual update of the amortization schedules.

Interest credited and other benefits to contract owners/policyholders decreased \$1,221.3 million from \$5,332.3 million to \$4,111.0 million primarily due to:

• the discontinuation of sales of pension risk transfer contracts in our Retirement Segment at the end of 2016;

net favorable changes in reserves in our CBVA segment primarily as a result of annual assumption updates and lower annuitization of life contingent contracts, partially offset by the impact of policyholder enhancement offers; favorable changes due to the impact of annual assumption updates on fixed indexed annuities and payout reserves; and market value impacts and changes in the reinsurance deposit asset associated with business reinsured.

The decrease was partially offset by:

higher benefits incurred due to a higher loss ratio on stop loss and growth of the business in our Employee Benefits segment.

Operating expenses increased \$1.5 million from \$2,160.2 million to \$2,161.7 million primarily due to:

- higher restructuring charges in the current period;
- higher volume-related expenses associated with growth of the business in our Retirement and Employee Benefits segments;
- higher compensation related expenses in our Investment Management segment primarily associated with higher earnings in the current period;
- higher broker-dealer expenses;
- higher expenses for net compensation adjustments; and
- an increase in compliance-related expenses in the current period.

The increase was partially offset by:

- lower expenses due to the continued run-off of our CBVA segment;
- the impact of continued expense management efforts and favorable accrual developments in the current period;
- lower net financing costs in our Individual Life segment;
- a decrease in costs associated with our Strategic Investment Program; and
- lower release of contingency accruals in the current period.

Net amortization of DAC/VOBA increased \$182.2 million from \$381.2 million to \$563.4 million primarily due to:

- unfavorable changes in DAC/VOBA unlocking associated with changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment;
- unfavorable impact of annual assumption updates in our Individual Life and Annuities segments (refer to Results of Operations - Segment by Segment for further description); and
- an unfavorable variance in amortization on net guaranteed benefit hedging losses.

The increase was partially offset by:

- favorable impact of annual assumption updates in our Retirement segment, excluding GMIR;
- a decrease in amortization in our Annuities segment primarily due to lower amortization rates on fixed indexed annuities products; and
- favorable changes in unlocking on net investment gains (losses).

Interest expense decreased \$103.1 million from \$242.8 million to \$139.7 million primarily due to:

- debt extinguishment in connection with repurchased debt in 2016. See Liquidity and Capital Resources - Debt Securities in Part II, Item 7. of our Annual Report on Form 10-K for further description.

Income before income taxes increased \$271.3 million from \$38.5 million to \$309.8 million primarily due to:

- lower net losses related to incurred guaranteed benefits and our Variable Annuity Hedge Program, excluding nonperformance risk, primarily due to favorable changes in annual assumptions updates and enhanced income and surrender offers (refer to Results of Operations - Segment by Segment - Closed Block Variable Annuity below for further description);
- higher Operating earnings before income taxes, excluding DAC/VOBA and other intangible unlocking, discussed below;
- a favorable variance attributable to noncontrolling interest;
- lower Net investment losses and related charges and adjustments, discussed below; and

lower expenses related to early extinguishment of debt.

The increase was partially offset by:

- changes in the fair value of guaranteed benefit derivatives related to nonperformance risk;
- unfavorable changes in DAC/VOBA and other intangibles unlocking primarily due to changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment and the impact of annual assumption updates on our Individual Life segment;
- an increase in restructuring charges in the current period; and
- lower Net guaranteed benefit hedging gains and related charges and adjustments, discussed below.

Income tax expense (benefit) changed \$72.3 million from a benefit of \$53.3 million to an expense of \$19.0 million primarily due to:

- an increase in income before income taxes; and
- change in the effect of the relative DRD.

The increase in expense was partially offset by:

- noncontrolling interest; and
- change in the realizability of certain non-life capital deferred tax assets.

#### Operating Earnings before Income Taxes

Operating earnings before income taxes increased \$39.8 million from \$513.3 million to \$553.1 million primarily due to:

- higher fee based margin due to market improvement and the cumulative impact of positive net flows;
- favorable results in Employee Benefits from stop loss and voluntary block growth, improved group life loss ratio and higher favorable reserve adjustments in the current period;
- higher alternative investment income across segments driven by favorable equity market performance in the current period;
- higher underwriting gains in our Individual Life segment, net of DAC/VOBA and other intangibles amortization, primarily driven by lower net financing costs and favorable net mortality; and
- lower Operating expenses, primarily due to continued expense management efforts and a decrease in costs associated with our Strategic Investment Program.

The increase was partially offset by:

- unfavorable changes in DAC/VOBA and other intangibles unlocking primarily due to changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment partially offset by the net impact of annual assumption updates;
- the impact of the continued low interest rate environment on reinvestment rates; and
- lower prepayment fee income.

#### Adjustments from Income (Loss) before Income Taxes to Operating Earnings (Loss) before Income Taxes

CBVA results are discussed in Results of Operations - Segment by Segment - Closed Block Variable Annuity below.

Net investment losses and related charges and adjustments decreased \$113.2 million from \$150.7 million to \$37.5 million primarily due to:

- lower losses on the sales of securities in the current period;
- favorable changes in the fair value of derivatives;
- lower impairments in the current period; and
- favorable changes in DAC/VOBA and other intangibles unlocking related to net investment gains and losses.

The improvement was partially offset by:

- unfavorable changes in CMO-B fair value adjustments.

Net guaranteed benefit hedging gains and related charges and adjustments decreased \$25.8 million from \$61.2 million to \$35.4 million primarily due to:

- unfavorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk; and
- a reserve adjustment related to net guaranteed benefit reserves for fixed indexed annuities.

The decrease was partially offset by:

net improvement as a result of changes in interest rates.

Income (loss) related to businesses exited through reinsurance or divestment changed \$9.7 million from income of \$3.4 million to a loss of \$6.3 million primarily due to:

- unfavorable market value changes in assets and liabilities associated with business reinsured.

Loss related to early extinguishment of debt decreased \$100.3 million from \$104.2 million to \$3.9 million primarily due to:

- higher losses incurred in 2016 on early debt extinguishment in connection with repurchased debt. See Liquidity and Capital Resources - Debt Securities in Part II, Item 7. of our Annual Report on Form 10-K for further description.

Other adjustments to operating earnings changed \$38.0 million from a loss of \$38.7 million to a loss of \$76.7 million primarily due to:

- costs recorded in the current period related to our 2016 Restructuring.

The loss was partially offset by:

- lower rebranding costs in the current period.

#### Results of Operations - Segment by Segment

##### Retirement

The following table presents Operating earnings before income taxes of our Retirement segment for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues:				
Net investment income and net realized gains (losses)	\$425.2	\$420.0	\$1,271.2	\$1,240.1
Fee income	187.4	176.0	549.9	511.3
Premiums <sup>(1)</sup>	1.4	60.4	5.5	529.6
Other revenue	20.2	17.4	62.6	52.8
Total operating revenues	634.2	673.8	1,889.2	2,333.8
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders <sup>(1)</sup>	243.0	290.3	717.2	1,209.6
Operating expenses	203.4	207.8	636.9	647.0
Net amortization of DAC/VOBA	81.0	112.8	247.3	170.1
Total operating benefits and expenses	527.4	610.9	1,601.4	2,026.7
Operating earnings before income taxes	\$106.8	\$62.9	\$287.8	\$307.1

<sup>(1)</sup> The year over year decrease is related to pension risk transfer contracts which are no longer offered in 2017.

The following table presents certain notable items that resulted in the volatility in Operating earnings before income taxes for the periods indicated:

	Three Months Ended	Nine Months Ended September
--	--------------------	-----------------------------

Edgar Filing: Voya Financial, Inc. - Form 10-Q

(\$ in millions)	September 30,		30,	
	2017	2016	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(43.8)	\$(74.1)	\$(144.0)	\$(61.6)

<sup>(1)</sup> Includes the impacts of the annual review of assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The table above includes the impact of the annual review assumptions of unfavorable DAC/VOBA unlocking of \$47 million for the three and nine months ended September 30, 2017, of which \$91.8 million unfavorable unlocking was related to the GMIR initiative. Additionally, DAC/VOBA and other intangible unlocking for the nine months ended September 30, 2017 reflects the second quarter of 2017 unlocking of \$128.0 million related to the GMIR initiative. Excluding GMIR-related unlocking, the favorable DAC/VOBA unlocking of \$44.8 million from the annual review of assumptions during the three and nine months ended September 30, 2017 was primarily driven by favorable liability and expense assumption changes. Additionally, the table above reflects unfavorable DAC/VOBA unlocking of \$83.0 million for the three and nine months ended September 30, 2016, which was primarily driven by changes in portfolio yields and expectations for future contract changes.

The following tables present AUM and AUA for our Retirement segment as of the dates indicated:

(\$ in millions)	As of September 30,	
	2017	2016
Corporate markets	\$58,010.0	\$48,963.8
Tax-exempt markets	60,590.2	54,796.4
Total full service plans	118,600.2	103,760.2
Stable value <sup>(1)</sup> and pension risk transfer	12,403.1	12,346.5
Retail wealth management	3,581.4	3,461.7
Total AUM	134,584.7	119,568.4
AUA	227,283.6	195,136.9
Total AUM and AUA	\$361,868.3	\$314,705.3

<sup>(1)</sup> Consists of assets where we are the investment manager.

(\$ in millions)	As of September 30,	
	2017	2016
General Account	\$32,761.0	\$31,672.3
Separate Account	68,476.2	59,792.6
Mutual Fund/Institutional Funds	33,347.5	28,103.5
AUA	227,283.6	195,136.9
Total AUM and AUA	\$361,868.3	\$314,705.3

The following table presents a rollforward of AUM for our Retirement segment for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Balance as of beginning of period	\$129,734.9	\$114,912.1	\$121,408.3	\$110,807.1
Deposits	4,690.7	4,609.3	13,766.2	12,526.3
Surrenders, benefits and product charges	(3,600.2 )	(3,252.6 )	(11,785.3 )	(9,394.8 )
Net flows	1,090.5	1,356.7	1,980.9	3,131.5
Interest credited and investment performance	3,759.3	3,299.6	11,195.5	5,629.8
Balance as of end of period	\$134,584.7	\$119,568.4	\$134,584.7	\$119,568.4

Retirement - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Operating earnings before income taxes increased \$43.9 million from \$62.9 million to \$106.8 million primarily due to:

- favorable changes in DAC/VOBA unlocking due to annual assumption updates;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements and the cumulative impact of positive net flows resulting in higher full service fees;

growth in general account assets resulting from the cumulative impact of participants' transfers from variable investment options into fixed investment options; and  
an increase in alternative investment income primarily driven by market performance.

The increase was partially offset by:

- unfavorable DAC/VOBA unlocking due to the GMIR initiative which reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets;
- lower prepayment fee income;
- lower investment yields, including the impact of the continued low interest rate environment;
- the impact of the shift in the business mix; and
- unfavorable pension risk transfer mortality experience.

Retirement - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Operating earnings before income taxes decreased \$19.3 million from \$307.1 million to \$287.8 million primarily due to:

- unfavorable DAC/VOBA unlocking due to the change related to GMIR initiative;
- lower investment yields, including the impact of the continued low interest rate environment;
- lower prepayment fee income; and
- the impact of the shift in the business mix.

The decrease was partially offset by:

- favorable changes in DAC/VOBA unlocking due to annual assumption updates;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements and the cumulative impact of positive net flows resulting in higher full service fees;
- growth in general account assets resulting from the cumulative impact of participants' transfers from variable investment options into fixed investment options;
- an increase in alternative investment income primarily driven by market performance; and
- lower expenses primarily resulting from continued expense management efforts and favorable accrual developments.

#### Investment Management

The following table presents Operating earnings before income taxes of our Investment Management segment for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues:				
Net investment income and net realized gains (losses)	\$5.0	\$6.7	\$48.9	\$(16.6)
Fee income	160.2	145.9	468.0	429.6
Other revenue	5.8	10.4	28.8	24.6
Total operating revenues	171.0	163.0	545.7	437.6
Operating benefits and expenses:				
Operating expenses	117.5	111.5	358.0	331.6
Total operating benefits and expenses	117.5	111.5	358.0	331.6

Operating earnings before income taxes \$53.5 \$51.5 \$187.7 \$106.0

Our Investment Management segment operating revenues include the following intersegment revenues, primarily consisting of asset-based management and administration fees.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in millions)	2017	2016	2017	2016
Investment Management intersegment revenues	\$43.9	\$42.4	\$130.4	\$123.1

The following table presents certain notable items that resulted in volatility in Operating earnings before income taxes for the periods indicated:

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2016
(\$ in millions)		
Net gain from Lehman Recovery	\$ —\$ 2.6	\$ —\$ 2.6

The following table presents AUM and AUA for our Investment Management segment as of the dates indicated:

	As of September 30,	
(\$ in millions)	2017	2016
AUM:		
Institutional/retail		
Investment Management sourced	\$83,070.4	\$72,813.2
Affiliate sourced <sup>(1)</sup>	56,545.9	55,356.1
General account	82,488.5	80,212.9
Total AUM	222,104.8	208,382.2
AUA:		
Affiliate sourced <sup>(2)</sup>	50,460.2	50,087.9
Total AUM and AUA	\$272,565.0	\$258,470.1

<sup>(1)</sup> Affiliate sourced AUM includes assets sourced by other segments and also reported as AUM or AUA by such other segments.

<sup>(2)</sup> Affiliate sourced AUA includes assets sourced by other segments and also reported as AUA or AUM by such other segments.

The following table presents net flows for our Investment Management segment for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in millions)	2017	2016	2017	2016
Net Flows:				
Investment Management sourced	\$1,227.9	\$174.8	\$4,181.3	\$1,156.1
Affiliate sourced	283.6	(504.3 )	(2,652.6 )	(1,917.5 )
Total	\$1,511.5	\$(329.5)	\$1,528.7	\$(761.4 )

Investment Management - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Operating earnings before income taxes increased \$2.0 million from \$51.5 million to \$53.5 million primarily due to:

- an increase in average AUM driven by the cumulative impact of positive net flows and market improvements resulting in higher management and administrative fees earned.

The increase was partially offset by:

- lower Other revenue primarily due to higher performance and servicing fees earned in the prior period;
- higher compensation related expenses primarily associated with higher operating earnings; and

lower alternative investment income primarily due to proceeds from the Lehman Recovery in the prior period that did not reoccur.

122

---

Investment Management - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Operating earnings before income taxes increased \$81.7 million from \$106.0 million to \$187.7 million primarily due to:

- higher alternative investment income primarily driven by the recovery of accrued carried interest previously reversed in the prior period related to a sponsored private equity fund that experienced market value improvements in the current period;
- an increase in average AUM driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned; and
- higher Other revenue related to performance fees earned in the current period.

The increase was partially offset by:

- higher compensation related expenses primarily associated with higher operating earnings.

Annuities

The following table presents Operating earnings before income taxes of the Annuities segment for the periods indicated:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
(\$ in millions)				
Operating revenues:				
Net investment income and net realized gains (losses)	\$256.5	\$267.2	\$768.6	\$791.6
Fee income	20.2	17.1	57.7	49.3
Premiums	22.0	22.5	61.9	79.8
Other revenue	3.8	3.8	13.8	12.0
Total operating revenues	302.5	310.6	902.0	932.7
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	150.2	163.5	468.0	512.4
Operating expenses	41.9	39.7	134.2	119.2
Net amortization of DAC/VOBA	36.0	(5.9)	96.1	64.5
Total operating benefits and expenses	228.1	197.3	698.3	696.1
Operating earnings before income taxes	\$74.4	\$113.3	\$203.7	\$236.6

The following table presents certain notable items that resulted in volatility in Operating earnings before income taxes for the periods indicated:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
(\$ in millions)				
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$13.1	\$56.4	\$27.2	\$78.8

<sup>(1)</sup> Includes the impacts of the annual review of assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the favorable impact of the annual review of the assumptions of \$5.6 million for the three and nine months ended September 30, 2017 and \$46.4 million for the three and nine months ended September 30, 2016. The unlocking in the current period was driven primarily by changes in policyholder behavior assumptions including lapses, utilization and changes in portfolio yields. The unlocking in the prior period was driven primarily by reductions in the expected future lapse rates.

The following tables present AUM for our Annuities segment as of the dates indicated:

(\$ in millions)	As of September 30,	
	2017	2016
AUM by Product Group:		
Annual Reset Annuities ("AR")	\$3,150.2	\$3,280.7
Multi-Year Guaranteed Annuities ("MYGA")	1,588.6	1,753.0
Fixed Indexed Annuities ("FIA")	14,771.4	14,224.6
SPIA & Payout	2,794.8	2,832.9
Investment-only products <sup>(1)</sup>	5,912.6	5,030.9
Other annuities	416.4	395.0
Total AUM	\$28,634.0	\$27,517.1

<sup>(1)</sup> Includes mutual funds and certain separate accounts.

(\$ in millions)	As of September 30,	
	2017	2016
AUM by Fund Group:		
General account	\$21,998.4	\$21,792.2
Separate account	875.0	773.8
Mutual funds	5,760.6	4,951.1
Total AUM	\$28,634.0	\$27,517.1

The following table presents a rollforward of AUM for our Annuities segment for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Balance as of beginning of period	\$28,429.6	\$27,337.6	\$27,725.9	\$27,035.8
Deposits	618.1	692.9	2,217.0	2,350.4
Surrenders, benefits and product charges	(783.1 )	(828.3 )	(2,494.0 )	(2,480.9 )
Net flows	(165.0 )	(135.4 )	(277.0 )	(130.5 )
Interest credited and investment performance	369.4	314.9	1,185.1	611.8
Balance as of end of period	\$28,634.0	\$27,517.1	\$28,634.0	\$27,517.1

Annuities - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Operating earnings before income taxes decreased \$38.9 million from \$113.3 million to \$74.4 million primarily due to:

- lower favorable DAC/VOBA unlocking from annual assumption updates;
- lower prepayment fee income;
- the impact of the continued low interest rate environment on reinvestment rates; and
- an increase in expenses reflecting higher allocated expenses in the current period.

The decrease was partially offset by:

- the shift in the mix of business from AR/MYGAs to FIAs due to option costs of FIAs being generally lower than the credited rates on AR/MYGAs;
- higher alternative investment income driven by market performance; and
- higher Fee income primarily driven by the impact of growth in assets of investment-only products.



Annuities - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Operating earnings before income taxes decreased \$32.9 million from \$236.6 million to \$203.7 million primarily due to:

- lower favorable DAC/VOBA unlocking from annual assumption updates;
- the impact of the continued low interest rate environment on reinvestment rates;
- lower prepayment fee income; and
- an increase in expenses reflecting higher allocated expenses in the current period as well as higher mutual fund commissions;

The decrease was partially offset by:

- higher alternative investment income driven by market performance;
- the shift in the mix of business from AR/MYGAs to FIAs due to option costs of FIAs being generally lower than the credited rates on AR/MYGAs;
- a decrease in DAC/VOBA amortization primarily due to lower amortization rates on FIA products;
- higher Fee income primarily driven by the impact of growth in assets of investment-only products; and
- higher allocated investment income on corporate assets.

Individual Life

The following table presents Operating earnings before income taxes of our Individual Life segment for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating revenues:				
Net investment income and net realized gains (losses)	\$218.1	\$213.3	\$641.8	\$631.9
Fee income	339.8	307.8	949.7	905.2
Premiums	107.2	111.7	323.6	336.5
Other revenue	3.8	4.9	12.4	13.0
Total operating revenues	668.9	637.7	1,927.5	1,886.6
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	549.7	582.0	1,473.1	1,498.9
Operating expenses	63.3	82.5	210.3	247.9
Net amortization of DAC/VOBA	122.1	49.4	216.3	124.6
Total operating benefits and expenses	735.1	713.9	1,899.7	1,871.4
Operating earnings before income taxes	\$(66.2)	\$(76.2)	\$27.8	\$15.2

The following table presents certain notable items that resulted in volatility in Operating earnings before income taxes for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(143.1)	\$(122.1)	\$(152.0)	\$(134.0)

<sup>(1)</sup> Includes the impacts of the annual review of assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The following table presents the impact of DAC/VOBA and other intangibles unlocking by line item for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fee income	\$33.7	\$13.0	\$31.3	\$13.9
Interest credited and other benefits to contract owners/policyholders	(92.0 )	(106.5 )	(87.6 )	(110.6 )
Net amortization of DAC/VOBA	(84.8 )	(28.6 )	(95.7 )	(37.3 )
DAC/VOBA and other intangibles unlocking	\$(143.1)	\$(122.1)	\$(152.0)	\$(134.0)

The DAC/VOBA and other intangibles unlocking in the table above includes the unfavorable impact of the annual review of the assumptions of \$142.0 million for the three and nine months ended September 30, 2017 compared to \$109.0 million for the three and nine months ended September 30, 2016. The net unfavorable unlocking in the current period was driven primarily by reinsurer rate increases, changes in portfolio yields and expense assumptions. The net unfavorable unlocking in the prior period was driven primarily by changes in portfolio yields and reinsurer rate increases.

The following table presents the impact of the annual review of assumptions by line item for the periods indicated:

(\$ in millions)	Three and Nine Months Ended September 30,	
	2017	2016
Fee income	\$34.5	\$9.0
Interest credited and other benefits to contract owners/policyholders	(96.8 )	(105.5 )
Net amortization of DAC/VOBA	(79.7 )	(12.5 )
Total	\$(142.0)	\$(109.0)

The following table presents sales, gross premiums, in-force amounts and policy count for our Individual Life segment for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Sales by Product Line:				
Universal life:				
Indexed	\$16.3	\$19.7	\$53.9	\$60.1
Guaranteed	0.1	—	0.3	0.1
Accumulation	0.7	0.9	2.5	4.0
Total universal life	17.1	20.6	56.7	64.2
Variable life	0.7	0.7	2.7	2.5
Term	(0.1 )	2.6	1.7	9.1
Total sales by product line	\$17.7	\$23.9	\$61.1	\$75.8
Total gross premiums	\$440.9	\$442.6	\$1,341.1	\$1,330.2
End of period:				
In-force face amount	\$332,933.3	\$351,196.5	\$332,933.3	\$351,196.5
In-force policy count	845,790	897,467	845,790	897,467
New business policy count (paid)	1,144	3,526	5,424	11,746



Individual Life - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Operating earnings before income taxes increased \$10.0 million from a loss of \$76.2 million to a loss of \$66.2 million primarily due to:

- higher underwriting gains, net of DAC/VOBA and other intangibles amortization, primarily driven by lower net financing costs and favorable net mortality;
- lower expenses primarily due to continued expense management efforts; and
- higher investment spread primarily driven by higher alternative investment income due to equity market improvements.

The increase was partially offset by:

- higher net unfavorable DAC/VOBA and other intangibles unlocking primarily due to annual assumption updates.

Individual Life - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Operating earnings before income taxes increased \$12.6 million from \$15.2 million to \$27.8 million primarily due to:

- higher investment spread primarily driven by higher alternative investment income due to equity market improvements partially offset by the impact of the continued low interest rate environment; and
- lower expenses primarily driven by continued expense management efforts.

The increase was partially offset by:

- higher net unfavorable DAC/VOBA and other intangibles unlocking primarily due to assumption updates;
- lower prepayment fee income; and
- slightly lower net underwriting gains net of DAC/VOBA and other intangibles amortization primarily driven by unfavorable mortality net of amortization offset by lower reserve financing costs.

Employee Benefits

The following table presents Operating earnings before income taxes of the Employee Benefits segment for the periods indicated:

(\$ in millions)	Three Months		Nine Months	
	Ended September 30, 2017	2016	Ended September 30, 2017	2016
Operating revenues:				
Net investment income and net realized gains (losses)	\$27.9	\$28.2	\$81.5	\$81.1
Fee income	15.8	15.2	47.4	46.8
Premiums	404.2	363.6	1,210.5	1,081.7
Other revenue	(1.3 )	(1.1 )	(3.7 )	(3.2 )
Total operating revenues	446.6	405.9	1,335.7	1,206.4
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	305.1	286.9	976.9	866.5
Operating expenses	80.9	75.6	254.4	232.4
Net amortization of DAC/VOBA	2.6	2.1	8.8	13.1
Total operating benefits and expenses	388.6	364.6	1,240.1	1,112.0
Operating earnings before income taxes	\$58.0	\$41.3	\$95.6	\$94.4



The following table presents certain notable items that resulted in volatility in Operating earnings before income taxes for the periods indicated:

	Three Months		Nine Months	
	Ended		Ended	
	September		September	
	30,		30,	
(\$ in millions)	2017	2016	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(0.6)	\$(0.2)	\$(2.1)	\$(4.0)

<sup>(1)</sup> Includes the impacts of the annual review of assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of unfavorable unlocking of \$0.2 million unfavorable for the three and nine months ended September 30, 2017 compared to favorable unlocking of \$0.7 million for the three and nine months ended September 30, 2016. The unlocking was driven primarily by in-force assumption updates.

The following table presents the impact of the annual review of assumptions by line item for the periods indicated:

	Three and Nine Months Ended September 30,	
(\$ in millions)	2017	2016
Fee income	\$0.2	\$(0.2)
Net amortization of DAC/VOBA	(0.4)	0.9
Total	\$(0.2)	\$0.7

The following table presents sales, gross premiums and in-force for our Employee Benefits segment for the periods indicated:

	Three Months		Nine Months Ended	
	Ended September		September 30,	
	30,		September 30,	
(\$ in millions)	2017	2016	2017	2016
Sales by Product Line:				
Group life	\$6.6	\$8.1	\$47.7	\$56.1
Group stop loss	18.8	32.1	279.1	214.1
Other group products	7.8	4.8	27.0	29.0
Total group products	33.2	45.0	353.8	299.2
Voluntary products	5.3	9.4	61.0	47.5
Total sales by product line	\$38.5	\$54.4	\$414.8	\$346.7
Total gross premiums and deposits	\$455.9	\$412.0	\$1,365.8	\$1,229.3
Total annualized in-force premiums	1,872.9	1,699.0	1,872.9	1,699.0

Loss Ratios:

Group life (interest adjusted)	74.4	% 77.9	% 76.0	% 78.5	%
Group stop loss	80.6	% 79.5	% 82.4	% 77.2	%

Employee Benefits - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Operating earnings before income taxes increased \$16.7 million from \$41.3 million to \$58.0 million primarily due to:

- higher premiums driven by growth of the stop loss and voluntary business over the period;
- favorable group life and voluntary experience;
- a favorable reserve refinement related to expired claims on the stop loss block; excluding the effect of this refinement, the loss ratio for stop loss is 83.7% for the third quarter of 2017; and
- the current period and the prior period both benefited from favorable voluntary reserve refinements.

The increase was partially offset by:

- higher benefits incurred due to a higher loss ratio on stop loss and growth of the business; and
- higher volume-related expenses associated with growth of the stop loss and voluntary business.

Employee Benefits - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Operating earnings before income taxes increased \$1.2 million from \$94.4 million to \$95.6 million primarily due to:

- higher premiums driven by growth of the stop loss and voluntary business;
- favorable group life and voluntary experience;
- a favorable reserve refinement related to expired claims on the stop loss block; excluding the effect of this refinement, the loss ratio for stop loss is 83.7% for the third quarter of 2017; and
- the current period and the prior period both benefited from favorable voluntary reserve refinements.

The increase was partially offset by:

- higher benefits incurred due to a higher loss ratio on stop loss and growth of the business; and
- higher volume-related expenses associated with growth of the stop loss and voluntary business.

Corporate

The following table presents Operating earnings before income taxes of Corporate for the periods indicated:

(\$ in millions)	Three Months		Nine Months	
	Ended September 30, 2017	2016	Ended September 30, 2017	2016
Operating revenues:				
Net investment income and net realized gains (losses)	\$13.4	\$22.1	\$41.2	\$80.4
Fee income	—	—	—	—
Premiums	1.3	0.5	2.6	2.2
Other revenue	1.5	2.3	1.2	3.9
Total operating revenues	16.2	24.9	45.0	86.5
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	1.6	14.3	15.9	25.9
Operating expenses	56.8	49.2	138.3	165.6
Interest expense	46.4	45.8	140.3	141.0
Total operating benefits and expenses	104.8	109.3	294.5	332.5
Operating earnings before income taxes	\$(88.6)	\$(84.4)	\$(249.5)	\$(246.0)

The following table presents information about our Operating expenses of Corporate segment for the periods indicated:

(\$ in millions)	Three		Nine Months	
	Months Ended September 30, 2017	2016	2017	2016
Strategic Investment Program	\$21.1	\$28.9	\$63.9	\$93.5

Edgar Filing: Voya Financial, Inc. - Form 10-Q

Amortization of intangibles	8.8	8.9	26.6	27.1
Other	26.9	11.4	47.8	45.0
Total Operating expenses	\$56.8	\$49.2	\$138.3	\$165.6

129

---

Corporate - Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Operating earnings before income taxes decreased \$4.2 million from a loss of \$84.4 million to a loss of \$88.6 million primarily related to:

- lower release of contingency accruals in the current period;
- higher net compensation adjustments in the current period; and
- higher compliance-related spend.

The increase was partially offset by the following:

- a decline in expenses associated with our Strategic Investment Program; and
- favorable impact related to a certain block of GICs and funding agreements as a result of continued run-off, and corresponding declines in investment spread and expenses.

Corporate - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Operating earnings before income taxes decreased \$3.5 million from a loss of \$246.0 million to a loss of \$249.5 million primarily due to:

- higher net compensation adjustments in the current period;
- losses related to a certain block of GICs and funding agreements as a result of continued run-off, including disposition of higher yielding assets resulting in lower investment spread; and
- higher compliance-related spend.

The increase was partially offset by the following:

- a decline in expenses associated with our Strategic Investment Program; and
- lower release of contingency accruals in the current period.

Closed Block Variable Annuity

The following table presents Income (loss) before income taxes of our CBVA segment for the periods indicated:

(\$ in millions)	Three Months		Nine Months	
	Ended September 30, 2017	2016	Ended September 30, 2017	2016
<b>Revenues:</b>				
Net investment income	\$77.3	\$72.0	\$236.1	\$208.7
Fee income	204.2	252.4	655.7	747.1
Premiums	43.3	166.6	141.2	371.0
Net realized capital gains (losses)	(107.4 )	(219.8 )	(719.2 )	(243.2 )
Other revenue	0.5	0.5	2.0	3.1
<b>Total revenues</b>	<b>217.9</b>	<b>271.7</b>	<b>315.8</b>	<b>1,086.7</b>
<b>Benefits and expenses:</b>				
Interest credited and other benefits to contract owners/policyholders	5.4	497.9	345.5	988.4
Operating expenses and interest expense	63.6	98.0	230.2	295.0
Net amortization of DAC/VOBA	7.1	3.8	13.4	28.8
<b>Total benefits and expenses</b>	<b>76.1</b>	<b>599.7</b>	<b>589.1</b>	<b>1,312.2</b>
<b>Income (loss) before income taxes</b>	<b>\$141.8</b>	<b>\$(328.0)</b>	<b>\$(273.3)</b>	<b>\$(225.5)</b>



The following table presents certain notable items that result in volatility in Income (loss) before income taxes for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net gains (losses) related to incurred guaranteed benefits and Variable Annuity Hedge Program, excluding nonperformance risk	\$ (12.2)	\$ (400.6)	\$ (624.6)	\$ (1,348.8)
Gain (loss) due to nonperformance risk	(12.5 )	(123.3 )	(204.1 )	519.1
Net investment gains (losses) and related charges and adjustments	2.0	2.5	—	19.5
DAC/VOBA and other intangibles unlocking	1.1	9.4	14.5	6.7

The table above includes the impact of the annual review of the assumptions related to our CBVA segment of favorable unlocking of \$373.4 million for the three and nine months ended September 30, 2017 compared to unfavorable unlocking of \$95.5 million for the three and nine months ended September 30, 2016. Annual assumption changes and revisions to projection model inputs implemented during the current period included a gain as a result of updates made to assumptions principally related to mortality, volatility, and discount rates applicable to future cash flows from variable annuity contracts. This gain also included favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts and favorable updates to annuitizations on GMIB contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during the prior period included a loss as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts, partially offset by an unfavorable update to lapse rates.

The following table presents the impact of the annual review of assumptions by driver for the periods indicated:

(\$ in millions)	Three and Nine Months Ended September 30,	
	2017	2016
Policyholder behavior assumptions	\$ 115.7	\$ 154.7
Other assumptions	257.7	(250.2 )
Total	\$ 373.4	\$ (95.5 )

The following table presents AUM for our CBVA segment as of the dates indicated:

(\$ in millions)	As of September 30,	
	2017	2016
AUM:		
General account	\$ 5,588.6	\$ 4,334.2
Separate account	31,422.4	33,758.6
Total AUM	\$ 37,011.0	\$ 38,092.8

The following table presents a rollforward of AUM for our CBVA segment for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Balance as of beginning of period	\$32,240.5	\$34,227.9	\$32,962.4	\$35,575.8
Deposits	12.7	15.5	49.3	65.1
Surrenders, benefits and product charges	(1,273.6 )	(1,099.2 )	(4,264.7 ) <sup>(2)</sup>	(2,905.3 )
Net flows	(1,260.9 )	(1,083.7 )	(4,215.4 )	(2,840.2 )
Interest credited and investment performance	850.2	1,056.2	3,082.8	1,464.8
Balance as of end of period	\$31,829.8	\$34,200.4	\$31,829.8	\$34,200.4
End of period contracts in payout status	\$5,181.2	\$3,892.4	\$5,181.2	\$3,892.4
Total balance as of end of period <sup>(1)</sup>	\$37,011.0	\$38,092.8	\$37,011.0	\$38,092.8

<sup>(1)</sup> Includes products in accumulation and payout phase, policy loans and life insurance business.

<sup>(2)</sup> Includes surrenders associated with the first enhanced surrender offer completed in 2017.

The focus in managing our CBVA segment continues to be on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility. Additionally, we continue to judiciously seek opportunities to accelerate the run-off of the block, such as through our offerings in prior years of enhanced income for eligible guaranteed minimum income benefit ("GMIB") policyholders, which allowed for optional early annuitization. We launched our second GMIB enhanced surrender value offer in the third quarter of 2017, which will provide certain GMIB policyholders an option to surrender their contracts in exchange for an enhancement to their contract's surrender value.

#### Closed Block Variable Annuity- Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Income (loss) before income taxes increased \$469.8 million from a loss of \$328.0 million to income of \$141.8 million primarily due to the following:

- a net favorable variance related to the incurred guaranteed benefits and our Variable Annuity Hedge Program, excluding nonperformance risk, which included:
  - a favorable variance due to the impact of annual assumption updates;
  - a favorable change due to the impact of enhanced income offers from the prior period; and
  - favorable variances in volatility; offset by
    - a loss associated with the enhanced surrender value offer in the current period;
    - unfavorable fund returns relative to equity market performance and unfavorable changes in interest rates; and
    - an unfavorable reserve adjustment in the current period.
- lower losses in the current period compared to the prior period related to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk; and
- lower expenses primarily due to the continued runoff of the block.

The increase was partially offset by:

- lower fee income primarily due to the continued runoff of the block; and
- an unfavorable DAC/VOBA and other intangibles unlocking variance primarily due to the impact of annual assumption updates.

Closed Block Variable Annuity - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Income (loss) before income taxes changed \$47.8 million from a loss of \$225.5 million to a loss of \$273.3 million primarily due to:

- an unfavorable variance related to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk;
- an unfavorable change in Net investment gains (losses) primarily due to lower gains on sales of securities in the current period compared to prior period; and
- lower Fee income primarily due to the continued runoff of the block.

The loss was partially offset by:

- a net favorable variance related to the incurred guaranteed benefits and our Variable Annuity Hedge Program, excluding nonperformance risk, which included:
  - a favorable variance due to the impact of annual assumption updates;
  - favorable variances in interest rates and volatility; and
  - favorable changes due to the impact of enhanced income offers in the prior period; offset by losses associated with the enhanced surrender value offers in the current period; and
  - an unfavorable reserve adjustment in the current period.
- a favorable variance in DAC/VOBA and other intangibles unlocking in the current period as a result of improved equity markets, partially offset by the impact of assumptions changes; and
- lower Operating expenses primarily due to the continued runoff of the block.

Closed Block Variable Annuity - Regulatory and rating agencies Capital Management

Our focus in managing our CBVA segment is on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility. As of September 30, 2017, our estimated assets available to support the guarantees in the variable annuity block were \$3.6 billion on a Statutory book value basis, which included \$3.0 billion of assets backing our regulatory reserves associated with these guarantees. Rating agency capital is based on a Conditional Tail Expectation ("CTE"), which is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. Our goal is to support CBVA with assets at least equal to a CTE95 standard based on the Standard and Poor's ("S&P") model, which is an aggregate measure across all of our subsidiaries that have written or provided captive reinsurance for deferred variable annuity contracts. As of September 30, 2017, we held rating agency capital that was sufficient at the S&P CTE95 standard.

For further information about our sensitivities to interest rates and equity market risks, see Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

Alternative Investment Income

Investment income on certain alternative investments can be volatile due to changes in market conditions. The following table presents the amount of investment income (loss) on certain alternative investments that is included on segment Operating earnings before income taxes and the average level of assets in each segment, prior to intercompany eliminations. These alternative investments are carried at fair value, which is estimated based on the net asset value ("NAV") of these funds.

While investment income on these assets can be volatile, based on current plans, we expect to earn 8.0% to 9.0% on these assets over the long term.

The following table presents the investment income for the three and nine months ended September 30, 2017 and 2016, respectively, and the average assets of alternative investments as of the dates indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Retirement:</b>				
Alternative investment income	\$ 16.2	\$ 7.7	\$ 44.0	\$ 0.4
Average alternative investment	519.3	438.4	512.1	426.6
<b>Investment Management:</b>				
Alternative investment income	5.0	4.1	48.9	(19.2 )
Average alternative investment	235.6	180.2	221.8	180.4
<b>Annuities:</b>				
Alternative investment income	10.6	4.8	27.5	(0.1 )
Average alternative investment	306.6	263.5	297.8	259.9
<b>Individual Life:</b>				
Alternative investment income	8.1	3.4	20.6	0.9
Average alternative investment	270.0	191.2	247.5	182.1
<b>Employee Benefits:</b>				
Alternative investment income	1.6	0.8	4.4	0.2
Average alternative investment	48.9	42.5	48.5	41.6
<b>Corporate:</b>				
Alternative investment income	—	—	—	—
Average alternative investment	—	5.7	1.1	6.9
<b>Total Voya Financial, Inc.:(1)</b>				
Alternative investment income	41.5	20.8	145.4	(17.8 )
Average alternative investment	\$ 1,380.4	\$ 1,121.5	\$ 1,328.8	\$ 1,097.5

(1) Our CBVA segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within investment income.

#### DAC/VOBA and Other Intangibles Unlocking

Changes in Operating earnings before income taxes and Net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, deferred sales inducements ("DSI") and unearned revenue ("URR"), collectively, "DAC/VOBA and other intangibles." For Individual Life, changes in Operating earnings before income taxes and Net income (loss) are also influenced by increases and decreases in amortization of net cost of reinsurance, as well as by changes in reserves associated with UL and variable universal life ("VUL") secondary guarantees and paid-up guarantees. Unlocking, described below, related to DAC, VOBA, DSI and URR, as well as amortization of net cost of reinsurance and reserve adjustments associated with UL and VUL secondary guarantees and paid-up guarantees are referred to as "DAC/VOBA and other intangibles unlocking." See the "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles," "Reinsurance," and "Future Policy Benefits and Contract Owner Account Balances" sections in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for more information.

We amortize DAC/VOBA and other intangibles related to universal life-type contracts and fixed and variable deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits for each of our segments except for the CBVA segment. Net cost of reinsurance is amortized in a similar manner. For deferred annuity contracts within the CBVA segment, we amortize DAC/VOBA and other intangibles in relation to the emergence of estimated gross revenues. Assumptions as to mortality, persistency, interest crediting rates, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and

certain economic variables, such as inflation, are based on our experience and our overall short-term and long-term future expectations for returns available in the capital markets. At each valuation date, estimated gross profits are updated with actual gross profits and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA and other intangibles and net cost of reinsurance are adjusted with an offsetting benefit or charge to

income to reflect changes in the period of the revision. An unlocking event that results in a benefit ("favorable unlocking") generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. Changes in DAC/VOBA and other intangibles and net cost of reinsurance due to contract changes or contract terminations higher than estimated are also included in "unlocking." An unlocking event that results in a charge ("unfavorable unlocking") generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates. As a result of unlocking, the amortization schedules for future periods are also adjusted.

Reserves for UL and VUL secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The reserve for such products recognizes the portion of contract assessments received in early years used to compensate us for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC. At each valuation date, we evaluate these assumptions and, if actual experience or other evidence suggests that earlier assumptions should be revised, we adjust the reserve balance, with a related charge or credit to Policyholder benefits. These reserve adjustments are included in unlocking associated with all our segments except CBVA.

We also review the estimated gross profits for each of these blocks of business to determine the recoverability of DAC, VOBA and DSI balances each period. If these assets are deemed to be unrecoverable, a write-down is recorded that is referred to as loss recognition. There was no loss recognition for the three and nine months ended September 30, 2017 and 2016.

During the third quarter of 2017, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management and Corporate segments, for which assumption reviews are not relevant). As a result of this review, we have made a number of changes to our assumptions resulting a net unfavorable impact of \$183.6 million in the current period, compared to a net unfavorable impact of \$144.9 million to Operating earnings before income taxes in the third quarter of 2016. These impacts are included in the DAC/VOBA and other intangibles unlocking.

The following table presents the amount of DAC/VOBA and other intangibles unlocking that is included in segment Operating earnings before income taxes for the periods indicated:

	Three Months		Nine Months	
	Ended September		Ended September	
(\$ in millions)	2017	2016	2017	2016
Retirement	\$(43.8 )	\$(74.1 )	\$(144.0 )	\$(61.6 )
Annuities	13.1	56.4	27.2	78.8
Individual Life	(143.1 )	(122.1 )	(152.0 )	(134.0 )
Employee Benefits	(0.6 )	(0.2 )	(2.1 )	(4.0 )
Total DAC/VOBA and other intangibles unlocking <sup>(1)(2)(3)</sup>	\$(174.4 )	\$(140.0 )	\$(270.9 )	\$(120.8 )

<sup>(1)</sup> Includes unlocking related to cost of reinsurance and secondary and paid-up guarantees.

<sup>(2)</sup> Includes the impacts of the annual review of assumptions.

<sup>(3)</sup> The 2017 amounts include unlocking associated with the changes in contract terms of certain fixed option retirement plans related to GMIR provisions in our Retirement segment.

In addition, we have DAC/VOBA and other intangibles unlocking that corresponds to items excluded from Operating earnings before income taxes, such as the results of our CBVA segment, investment gains (losses) and net guaranteed benefits hedging gains (losses).

Edgar Filing: Voya Financial, Inc. - Form 10-Q

The following table presents the amount of DAC/VOBA and other intangibles unlocking that is included in Income before income taxes but excluded from Operating earnings before income taxes for the periods presented:

	Three Months		Nine	
	Ended		Months	
	September 30,		Ended	
	September 30,		September	
	2017	2016	2017	2016
(\$ in millions)				
CBVA	\$1.1	\$9.4	\$14.5	\$6.7
All other segments	(1.6 )	(53.0 )	33.3	11.1
Total DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(0.5)	\$(43.6)	\$47.8	\$17.8

<sup>(1)</sup> Includes the impacts of the annual review of assumptions.

## Liquidity and Capital Resources

Liquidity is our ability to generate sufficient cash flows to meet the cash requirements of operating, investing and financing activities. Capital refers to our long-term financial resources available to support the business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and the alternate sources of liquidity and capital described herein.

### Consolidated Sources and Uses of Liquidity and Capital

Our principal available sources of liquidity are product charges, investment income, proceeds from the maturity and sale of investments, proceeds from debt issuance and borrowing facilities, repurchase agreements, contract deposits, securities lending and funding agreements. Primary uses of these funds are payments of policyholder benefits commissions and operating expenses, interest credits, share repurchases, investment purchases and contract maturities, withdrawals and surrenders.

### Parent Company Sources and Uses of Liquidity and Capital

In evaluating liquidity, it is important to distinguish the cash flow needs of Voya Financial, Inc. from the cash flow needs of the Company as a whole. Voya Financial, Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to Voya Financial, Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments. These sources of funds are currently supplemented by Voya Financial, Inc.'s access to the \$750.0 million revolving credit sublimit of its Second Amended and Restated Credit Agreement and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries.

Voya Financial, Inc.'s primary sources and uses of cash for the periods indicated are presented in the following table:

(\$ in millions)	Nine Months Ended September 30,	
	2017	2016
Beginning cash and cash equivalents balance	\$257.2	\$378.1
Sources:		
Dividends and returns of capital from subsidiaries	1,093.0	977.0
Repayment of loans to subsidiaries, net of new issuances	8.1	—
Proceeds from 2026 Notes offering	—	498.6
Proceeds from 2046 Notes offering	—	299.6
Proceeds from 2024 Notes offering	398.8	—
Refund of income taxes, net	153.6	—
Total sources	1,653.5	1,775.2
Uses:		
Repurchase of Senior Notes	490.0	659.8
Premium paid and other fees related to debt extinguishment	3.8	84.0
Payment of interest expense	100.8	118.5
Capital provided to subsidiaries	360.0	65.0
Repayments of loans from subsidiaries, net of new issuances	10.5	—
New issuances of loans to subsidiaries, net of repayments	—	115.2
Amounts paid to subsidiaries under tax sharing agreements, net	105.3	5.0
Payment of income taxes, net	—	64.1
Debt issuance costs	3.5	16.0
Common stock acquired - Share repurchase	422.8	487.2
Share-based compensation	7.2	6.3
Dividends paid	5.5	6.1
Other, net	11.0	2.8
Total uses	1,520.4	1,630.0
Net increase in cash and cash equivalents	133.1	145.2
Ending cash and cash equivalents balance	\$390.3	\$523.3

#### Share Repurchase Program and Dividends to Shareholders

On March 13, 2014, our Board of Directors authorized a share repurchase program, pursuant to which we may, from time to time, purchase shares of our common shares through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions or tender offers. On October 27, 2016, our Board of Directors increased the amount of our common stock authorized for repurchase under our share repurchase program by an additional \$600.0 million. The additional share repurchase authorization expires on December 31, 2017 (unless extended), and does not obligate us to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by our Board of Directors at any time.

During the nine months ended September 30, 2017, we repurchased 7,437,994 shares of our common stock in open market repurchases and privately negotiated transactions for an aggregate purchase price of \$272.7 million and 9,202,672 shares of our common shares under discounted share repurchase agreements with third-party financial institutions for an aggregate purchase price of \$350.0 million. These repurchases reduced the remaining amount of our share repurchase authorization to \$210.6 million as of September 30, 2017.

On October 26, 2017, our Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of our common stock authorized for repurchase by \$800.0 million. The current share repurchase authorization expires on December 31, 2018 (unless extended), and does not obligate us to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by our Board of Directors at any time.

The following table summarizes our return of capital to common shareholders:

(\$ in millions)	Nine Months Ended September 30,	
	2017	2016
Dividends to shareholders	\$5.5	\$6.1
Repurchase of common shares	622.7	487.0
Total cash returned to shareholders	\$628.2	\$493.1

## Liquidity

We manage liquidity through access to substantial investment portfolios as well as a variety of other sources of liquidity including committed credit facilities, securities lending and repurchase agreements. Our asset-liability management ("ALM") process takes into account the expected maturity of investments and expected benefit payments as well as the specific nature and risk profile of the liabilities, including variable products with guarantees. As part of our liquidity management process, we model different scenarios to determine whether existing assets are adequate to meet projected cash flows. Key variables in the modeling process include interest rates, equity market movements, quantity and type of interest and equity market hedges, anticipated contract owner behavior, market value of general account assets, variable separate account performance and implications of rating agency actions.

## Description of Certain Indebtedness

We borrow funds to provide liquidity, invest in the growth of the business and for general corporate purposes. Our ability to access these borrowings depends on a variety of factors including, but not limited to, the credit rating of Voya Financial, Inc. and of its insurance company subsidiaries and general macroeconomic conditions.

As of September 30, 2017, we have \$336.6 million short-term debt borrowings outstanding consisting entirely of current portion of long-term debt. The following table summarizes our borrowing activities for the nine months ended September 30, 2017:

(\$ in millions)	Beginning Balance	Issuance	Maturities and Repurchases	Other Changes	Ending Balance
Long-Term Debt:					
Debt securities	\$ 3,544.6	\$ 400.0	\$ (490.0 )	\$ (0.6 )	\$ 3,454.0
Windsor property loan	4.9	—	—	(0.1 )	4.8
Subtotal	3,549.5	400.0	(490.0 )	(0.7 )	3,458.8
Less: Current portion of long-term debt	—	—	(490.0 )	826.6	336.6
Total long-term debt	\$ 3,549.5	\$ 400.0	\$ —	\$ (827.3 )	\$ 3,122.2

As of September 30, 2017, we were in compliance with our debt covenants.

## Debt Securities

Senior Notes. As of September 30, 2017, Voya Financial, Inc. had six series of senior notes outstanding (collectively, the "Senior Notes") with an aggregate principal amount outstanding of \$2,300.2 million. We may elect to redeem all or any portion of the Senior Notes at any time at a redemption price equal to the principal amount redeemed, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

In March 2017, Voya Financial, Inc. repurchased \$90.0 million of the outstanding principal amount of 2.9% Senior Notes due February 15, 2018 (the "2018 Notes"). In connection with this, we incurred a loss on debt extinguishment of \$1.1 million for the nine months ended September 30, 2017, which was recorded in Interest Expense in the Condensed Consolidated Statements of Operations.

On July 5, 2017, Voya Financial, Inc. issued \$400.0 million of unsecured 3.125% Senior Notes due July 15, 2024 (the "2024 Notes") in a registered public offering. The 2024 Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings Inc. ("Voya Holdings"). Interest is paid semi-annually, in arrears on January 15 and July 15 of each year, commencing on January 15, 2018. The offering resulted in aggregate net proceeds to the Company of \$395.4 million, after deducting commissions and expenses.

We used all of the net proceeds of the offering to redeem a portion of our 2018 Notes and to pay accrued interest, related premiums, fees and expenses.

On August 11, 2017, we elected to redeem \$400.0 million in aggregate principal amount of the outstanding 2018 Notes, following which, \$337.0 million aggregate principal amount of 2018 Notes remained outstanding. In connection with this, we incurred a loss on debt extinguishment of \$3.2 million for the three and nine months ended September 30, 2017, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

**Junior Subordinated Notes.** As of September 30, 2017, the principal amount outstanding of junior subordinated notes (the "Junior Subordinated Notes") was \$750.0 million. The Junior Subordinated Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings.

**Aetna Notes.** As of September 30, 2017, the outstanding principal amount of the Aetna Notes was \$426.5 million, which is guaranteed by ING Group. During the nine months ended September 30, 2017, we deposited \$3.3 million of collateral into a control account benefiting ING Group with a third-party collateral agent, thereby increasing the remaining collateral balance to \$130.7 million. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

#### Senior Unsecured Credit Facility

We have a senior unsecured credit facility, with a revolving credit sublimit of \$750.0 million and a total LOC capacity of \$2.25 billion. The facility expires on May 6, 2021.

As of September 30, 2017, there were no amounts outstanding as revolving credit borrowings and \$0.1 million of LOCs outstanding under the senior unsecured credit facility.

#### Other Credit Facilities

We use credit facilities primarily to provide collateral required under our affiliated reinsurance transactions as well as certain third-party reinsurance arrangements to which Security Life of Denver International Limited ("SLDI"), one of our Arizona captives, is a party. We also issue guarantees and enter into financing arrangements in connection with our affiliated reinsurance transactions. These arrangements are primarily designed to facilitate the financing of statutory reserve requirements. By reinsuring business to our captive reinsurance subsidiaries and our Arizona captives, we are able to use alternative sources of collateral to fund the statutory reserve requirements and are generally able to secure longer term financing on a more capital efficient basis.

We also utilize LOCs to provide credit for reinsurance on portions of the CBVA segment liabilities reinsured to Roaring River II, Inc. ("RRII"), one of our Arizona captives, in order to meet statutory reserve requirements at those times when the assets and other capital backing the reinsurance liabilities may be less than the statutory reserve requirement. With respect to the CBVA segment liabilities, as of September 30, 2017, there were no LOC requirements or LOCs issued, as the statutory reserves were fully supported by assets in trust.

In addition to the \$3.1 billion of credit facilities utilized by Individual Life, Retirement and Hannover Re block, \$46.6 million of LOCs were outstanding to support miscellaneous requirements. In total, \$3.1 billion of credit facilities were utilized as of September 30, 2017. As of September 30, 2017, the capacity of our unsecured and uncommitted credit facilities totaled \$495.8 million and the capacity of our unsecured and committed credit facilities totaled \$6.2 billion. We also have \$205.0 million in secured facilities.



Edgar Filing: Voya Financial, Inc. - Form 10-Q

The following table summarizes our credit facilities, including our senior unsecured credit facility, as of September 30, 2017:

(\$ in millions)

Obligor / Applicant	Business Supported	Secured / Unsecured	Committed / Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc. / SLDI	Retirement	Unsecured	Committed	05/06/2021	\$2,250.0	\$ 0.1	\$ 2,249.9
Voya Financial, Inc. / Langhorne I, LLC	Retirement	Unsecured	Committed	01/24/2018	175.0	175.0	—
Voya Financial, Inc. / SLDI	Hannover Re	Unsecured	Committed	10/29/2023	60.6	60.6	—
Voya Financial, Inc. / SLDI	Individual Life	Unsecured	Committed	12/31/2025	475.0	475.0	—
Voya Financial, Inc. / SLDI <sup>(1)</sup>	Individual Life	Unsecured	Committed	07/01/2037	1,525.0	1,277.9	247.1
Voya Financial, Inc. <sup>(2)</sup>	Individual Life	Secured	Committed	02/11/2018	195.0	195.0	—
Voya Financial, Inc.	Other	Unsecured	Uncommitted	Various	0.8	0.8	—
Voya Financial, Inc.	Other	Secured	Uncommitted	Various	10.0	0.7	—
Voya Financial, Inc. / Roaring River LLC	Individual Life	Unsecured	Committed	10/01/2025	425.0	306.5	118.5
Voya Financial, Inc. / Roaring River IV, LLC	Individual Life	Unsecured	Committed	12/31/2028	565.0	295.0	270.0
Voya Financial, Inc. / SLDI	Other	Unsecured	Uncommitted	04/20/2018	300.0	45.0	—
Voya Financial, Inc.	Individual Life	Unsecured	Committed	12/09/2021	195.0	141.4	53.6
Voya Financial, Inc.	Hannover Re	Unsecured	Uncommitted	01/20/2022	195.0	168.0	—
<b>Total</b>					<b>\$6,871.4</b>	<b>\$ 3,140.9</b>	<b>\$ 3,439.1</b>

<sup>(1)</sup> \$1.25 billion in letters of credit were cancelled and replaced by a \$1.245 billion note deposited into a credit for reinsurance trust. A \$600.0 million facility maturing December 15, 2017 was terminated on July 20, 2017 and the corresponding \$600.0 million letter of credit was cancelled. An additional \$650.0 million of letters of credit were cancelled under facilities currently in effect.

<sup>(2)</sup> Effective October 13, 2017, the credit facility was renewed and extended with an expiration date of February 11, 2021.

Total fees associated with credit facilities were \$11.2 million and \$10.1 million for the three months ended September 30, 2017 and 2016, respectively. Total fees associated with credit facilities were \$35.6 million and \$33.8 million for the nine months ended September 30, 2017 and 2016, respectively.

Effective January 20, 2017, Voya Financial, Inc. and Voya Holdings entered into a \$195.0 million letter of credit facility agreement with a third-party bank used to provide letters of credit associated with reinsurance treaties.

Effective July 1, 2017, SLDI entered into a master transaction agreement with a third party providing \$1.525 billion of committed capacity. Upon entry into this facility, SLDI caused a note issued under the facility, in an initial notional amount of \$1.245 billion, to be deposited into a credit for reinsurance trust. The note, which matures in 2037, serves as collateral supporting an affiliated reinsurance agreement and replaces \$1.25 billion of letters of credit that had previously served as collateral.



Edgar Filing: Voya Financial, Inc. - Form 10-Q

The following tables present our existing financing facilities for each of our Individual Life, Retirement and Hannover Re blocks of business as of September 30, 2017. While these tables present the current financing for each block, these financing facilities will expire prior to the runoff of the reserve liabilities they support. In addition, these liabilities will change over the life of each block. As a result, we expect to periodically extend or replace and increase, as necessary, the existing financing as each block grows toward the peak reserve requirement noted below.

Individual Life

(\$ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
Voya Financial, Inc.	Credit Facility	XXX/AG38	02/11/2018	195.0	195.0
Voya Financial, Inc. / SLDI	Note Facility	XXX	07/01/2037	1,525.0	1,277.9
Voya Financial, Inc. / Roaring River LLC	LOC Facility	XXX	10/01/2025	425.0	306.5
Voya Financial, Inc. / Roaring River IV, LLC	Trust Note	AG38	12/31/2028	565.0	295.0
Voya Financial, Inc. / SLDI	LOC Facility	AG38	12/31/2025	475.0	475.0
Voya Financial, Inc.	Credit Facility	XXX	12/09/2021	195.0	141.4
Total				\$3,380.0	\$2,690.8

The peak financing requirement for the Individual Life liabilities above is expected to reach approximately \$2.7 billion during the period 2020 - 2025.

Retirement

(\$ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Capacity	Utilization
SLDI	LOC Facility	Individual & Group Deferred Annuities	01/24/2018	\$ 175.0	\$ 175.0
Voya Financial, Inc./ Langhorne I, LLC	Trust Note	Stable Value	01/15/2019	500.0	—
Total				\$ 675.0	\$ 175.0

Hannover Re block

(\$ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
SLDI	LOC Facility	XXX/AG38	10/29/2023	\$ 60.6	\$ 60.6
Voya Financial, Inc.	LOC Facility	XXX/AG38	01/20/2022	195.0	168.0
Total				\$ 255.6	\$ 228.6

Voya Financial, Inc. Credit Support of Subsidiaries

Voya Financial, Inc. maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries. As of September 30, 2017, such facilities provided for up to \$3.5 billion of capacity, of which \$2.4 billion was utilized.

In addition to providing credit facilities, we also provide credit support to our captive reinsurance subsidiaries through surplus maintenance agreements, pursuant to which we agree to cause these subsidiaries to maintain particular levels of capital or surplus and which we entered into, in connection with particular credit facility agreements. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

On January 1, 2014, Voya Financial, Inc. entered into a reimbursement agreement with a third-party bank for its wholly owned subsidiary, Roaring River IV, LLC ("Roaring River IV") to provide up to \$565.0 million of statutory reserve financing through a

trust note which matures December 31, 2028. At inception, the reimbursement agreement requires Voya Financial, Inc. to cause no less than \$78.6 million of capital to be maintained in Roaring River IV Holding LLC, the intermediate holding company of Roaring River IV, and \$45.0 million of capital to be maintained in Roaring River IV for a total of \$123.6 million. This amount will vary over time based on a percentage of Roaring River IV in force life insurance. This surplus maintenance agreement is effective for the duration of the related credit facility agreement and the maximum potential obligations are not specified or applicable.

Effective January 15, 2014, Voya Financial, Inc. entered into a surplus maintenance agreement with Langhorne I, LLC ("Langhorne I"), a wholly owned captive reinsurance subsidiary, whereby Voya Financial, Inc. agrees to cause Langhorne I to maintain capital of at least \$85.0 million. This surplus maintenance agreement is effective for the duration of the related credit facility agreement and the maximum potential obligations are not specified or applicable.

Roaring River, LLC ("Roaring River") is party to a LOC facility agreement with a third-party bank that provides up to \$425.0 million of LOC capacity. Roaring River has reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$425.0 million, which obligations are guaranteed by Voya Financial, Inc. This agreement and the related guarantee were entered into to facilitate collateral requirements supporting reinsurance. The guarantee is effective for the duration of Roaring River's reimbursement obligations to the bank.

Voya Financial, Inc. guarantees the obligations of one of its subsidiaries, Voya Financial Products Inc. ("VFP"), under a credit default swap arrangement under which VFP has written credit protection in the notional amount of \$1.0 billion with respect to a portfolio of investment grade corporate debt instruments.

Under the Buyer Facility Agreement put into place by Hannover Re, Voya Financial, Inc. and SLDI have contingent reimbursement obligations and Voya Financial, Inc. has guarantee obligations, up to the full principal amount of the note issued pursuant to the agreement, if Security Life of Denver Insurance Company ("SLD") or SLDI were to direct the sale or liquidation of the note other than as permitted by the Buyer Facility Agreement, or fail to return reinsurance collateral (including the note) upon termination of the Buyer Facility Agreement or as otherwise required by the Buyer Facility Agreement. In addition, Voya Financial, Inc. has agreed to indemnify Hannover Re for any losses it incurs in the event that SLD or SLDI were to exercise offset rights unrelated to the Hannover Re block.

Voya Financial, Inc. has also entered into a corporate guarantee agreement with a third-party ceding insurer where it guarantees the reinsurance obligations of our subsidiary, SLD, assumed under a reinsurance agreement with the third-party cedent. SLD retrocedes the business to Hannover US who is the claim paying party. The current amount of reserves outstanding as of September 30, 2017 is \$24.3 million. The maximum potential obligation is not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these guarantees.

Voya Financial, Inc. guarantees the obligations of Voya Holdings under the \$13.0 million principal amount Equitable Notes maturing in 2027 as well as \$426.5 million combined principal amount of Aetna Notes. For more information see "Debt Securities" above.

Effective April 15, 2016, Voya Financial, Inc. and Voya Holdings entered into a \$300.0 million letter of credit facility agreement with a third-party bank in order to guarantee the reimbursement obligations of SLDI as borrower.

Effective December 15, 2016, Voya Financial, Inc. entered into a \$600.0 million guaranty agreement with a third-party bank in order to guarantee the reimbursement obligations of SLDI as borrower. This facility agreement was terminated July 20, 2017.

Effective July 1, 2017, Voya Financial, Inc. entered into an agreement with its affiliate, SLDI and a third party whereby Voya Financial, Inc. guarantees certain reimbursement and fee payment obligations of SLDI as borrower.

We did not recognize any asset or liability as of September 30, 2017 in relation to intercompany indemnifications and support agreements. As of September 30, 2017, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

#### Borrowings from Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are between 2% and 5% of the insurance subsidiary's

statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of September 30, 2017, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was \$2.6 billion. For non-life insurance subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of September 30, 2017, Voya Financial, Inc. had no outstanding borrowings from subsidiaries. Voya Financial, Inc. loaned \$269.9 million to its subsidiaries as of September 30, 2017.

## Ratings

Our access to funding and our related cost of borrowing, requirements for derivatives collateral posting and the attractiveness of certain of our products to customers are affected by our credit ratings and insurance financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. The credit ratings are also important for the ability to raise capital through the issuance of debt and for the cost of such financing.

A downgrade in our credit ratings or the credit or financial strength ratings of our rated subsidiaries could potentially, among other things, limit our ability to market products, reduce our competitiveness, increase the number or value of policy surrenders and withdrawals, increase our borrowing costs and potentially make it more difficult to borrow funds, adversely affect the availability of financial guarantees or LOCs, cause additional collateral requirements or other required payments under certain agreements, allow counterparties to terminate derivative agreements and/or hurt our relationships with creditors, distributors or trading counterparties thereby potentially negatively affecting our profitability, liquidity and/or capital. In addition, we consider nonperformance risk in determining the fair value of our liabilities. Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

Additionally, ratings of the Aetna Notes, which are guaranteed by ING Group are influenced by ING Group's ratings. A change in the credit ratings of ING Group could result in a change in the ratings of these securities.

Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. These ratings are not a recommendation to buy or hold any of our securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The financial strength and credit ratings of Voya Financial, Inc. and its principal subsidiaries as of the date of this Quarterly Report on Form 10-Q are summarized in the following table. In parentheses, following the initial occurrence in the table of each rating, is an indication of that rating's relative rank within the agency's rating categories. That ranking refers only to the generic or major rating category and not to the modifiers appended to the rating by the rating agencies to denote relative position within such generic or major category. For each rating, the relative position of the rating within the relevant rating agency's ratings scale is presented, with "1" representing the highest rating in the scale.

Company	Rating Agency			
	A.M. Best	Fitch, Inc.	Moody's Investors Service, Inc.	Standard & Poor's
	("A.M. Best")	("Fitch")	("Moody's")	("S&P")
Voya Financial, Inc. (Long-term Issuer Credit)	bbb+ (4 of 10)	BBB+ (4 of 11)	Baa2 (4 of 9)	BBB (4 of 11)
Voya Financial, Inc. (Senior Unsecured Debt) <sup>(1)</sup>	bbb+ (4 of 10)	BBB (4 of 9)	Baa2 (4 of 9)	BBB (4 of 9)
Voya Financial, Inc. (Junior Subordinated Debt) <sup>(2)</sup>	bbb- (4 of 10)	BB+ (5 of 9)	Baa3 (hyb) (4 of 9)	BB+ (5 of 9)
Voya Retirement Insurance and Annuity Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Voya Insurance and Annuity Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR*	NR	NR	NR
ReliaStar Life Insurance Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-1 (1 of 8)
Security Life of Denver Insurance Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-1 (1 of 8)
Midwestern United Life Insurance Company				
Financial Strength Rating	A- (4 of 16)	NR	NR	A (3 of 9)
Voya Holdings Inc.				
Long-term Issuer Credit Rating	NR	NR	Baa2 (4 of 9)	BBB (4 of 11)
Backed Senior Unsecured Debt Credit Rating <sup>(3)</sup>	NR	A+	Baa1 (4 of 9)	A- (3 of 9)

\* "NR" indicates not rated.

<sup>(1)</sup> \$363.2 million, \$337.0 million, \$400.0 million, \$500.0 million and \$300.0 million of our Senior Notes.

<sup>(2)</sup> \$750.0 million of our Junior Subordinated Notes.

<sup>(3)</sup> \$426.5 million of our Aetna Notes guaranteed by ING Group.

Rating Agency	Financial Strength Rating Scale	Long-term Credit Rating Scale	Senior Unsecured Debt Credit Rating Scale	Short-term Credit Rating Scale
A.M. Best <sup>(1)</sup>	"A++" to "S"	"aaa" to "rs"	"aaa" to "d"	"AMB-1+" to "d"
Fitch <sup>(2)</sup>	"AAA" to "C"	"AAA" to "D"	"AAA" to "C"	"F1" to "D"
Moody's <sup>(3)</sup>	"Aaa" to "C"	"Aaa" to "C"	"Aaa" to "C"	"Prime-1" to "Not Prime"
S&P <sup>(4)</sup>	"AAA" to "R"	"AAA" to "D"	"AAA" to "D"	"A-1" to "D"

<sup>(1)</sup> A.M. Best's financial strength rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best's long-term credit ratings reflect its assessment of the ability of an obligor to pay interest and principal in accordance with the terms of the obligation. Ratings from "aa" to "ccc" may be enhanced with a "+" (plus) or "-" (minus) to indicate whether credit quality is near the top or bottom of a category. A.M. Best's short-term credit rating is an opinion to the ability of the rated entity to meet its senior financial commitments on obligations maturing in generally less than one year.

<sup>(2)</sup> Fitch's financial strength ratings provide an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. Within long-term and short-term ratings, a "+" or a "-" may be appended to a rating to denote relative status within major rating categories.

<sup>(3)</sup> Moody's financial strength ratings provide opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's long-term credit ratings provide opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations.

<sup>(4)</sup> S&P's insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. A "+" or "-" indicates relative strength within a category. An S&P credit rating is an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Our ratings by A.M. Best, Fitch, Moody's and S&P reflect a broader view of how the financial services industry is being challenged by the current economic environment, but also are based on the rating agencies' specific views of our financial strength. In making their ratings decisions, the agencies consider past and expected future capital and earnings, asset quality and risk, profitability and risk of existing liabilities and current products, market share and product distribution capabilities and direct or implied support from parent companies, among other factors.

Rating agencies use an "outlook" statement for both industry sectors and individual companies. For an industry sector, a stable outlook generally implies that over the next 12 to 18 months the rating agency expects ratings to remain unchanged among companies in the sector. For a particular company, an outlook generally indicates a medium- or long-term trend in credit fundamentals, which if continued, may lead to a rating change.

Ratings actions affirmation and outlook changes by A.M. Best, Fitch, Moody's and S&P from December 31, 2016 through September 30, 2017 and subsequently through the date of this Quarterly Report on Form 10-Q are as follows:

-

S&P, Moody's, Fitch and AM Best rated the \$400.0 million 3.125% senior unsecured notes due July 2024 BBB, Baa2, BBB and bbb+ respectively. All ratings were assigned a Stable outlook.

#### Potential Impact of a Ratings Downgrade

Our ability to borrow funds and the terms under which we borrow are sensitive to our short- and long-term issuer credit ratings. A downgrade of either or both of these credit ratings could increase our cost of borrowing. Additionally, a downgrade of either or both of these credit ratings could decrease the total amount of new debt that we are able to issue in the future or increase the costs associated with an issuance.

With respect to our credit facility agreements, based on the amount of credit outstanding as of September 30, 2017, no increase in collateral requirements would result due to a ratings downgrade of the credit ratings of Voya Financial, Inc. by S&P or Moody's.

Certain of our derivative and reinsurance agreements contain provisions that are linked to the financial strength ratings of certain of our insurance subsidiaries. If financial strength ratings were downgraded in the future, these provisions might be triggered and counterparties to the agreements could demand collateralization which could negatively impact overall liquidity.

Based on the amount of credit outstanding as of September 30, 2017, a one-notch or two-notch downgrade in Voya Financial, Inc.'s credit ratings by S&P or Moody's would not have resulted in an additional increase in our collateral requirements.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the reinsurance agreement. If the insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our reinsurance agreements might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity. Based on the amount of credit outstanding as of September 30, 2017 and December 31, 2016, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by \$24.3 million and \$24.8 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash, highly rated securities or LOC.

#### Restrictions on Dividends and Returns of Capital from Subsidiaries

Our business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by our U.S. insurance subsidiaries to their respective parents. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or "extraordinary" dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend. In addition, under the insurance laws of our principal insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota (these insurance subsidiaries, together with our insurance subsidiary domiciled in Colorado are referred to collectively, as our "principal insurance subsidiaries"), no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. Our principal insurance subsidiaries domiciled in Colorado, Connecticut and Iowa each have ordinary dividend capacity for 2017. However, as a result of the extraordinary dividends it paid in 2015 and 2016, together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our principal insurance subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment without domiciliary insurance regulatory approval which can be granted or withheld at the discretion of the regulator.

SLDI and RRII may not declare or pay dividends other than in accordance with their respective annual capital and dividend plans as approved by the Arizona Department of Insurance, which each include a minimum capital requirement.

We may receive dividends from or contribute capital to our wholly owned non-life insurance subsidiaries such as broker-dealers, investment management entities and intermediate holding companies.

#### Insurance Subsidiaries - Dividends, Returns of Capital, and Capital Contributions

The following table summarizes dividends by each of the Company's Principal Insurance Subsidiaries to its parent for the periods indicated:

Subsidiary Name (State of domicile):	Dividends Paid		Extraordinary Distributions Paid	
	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Voya Insurance and Annuity Company ("VIAC") (IA)	\$278.0	\$373.0	\$ 250.0	\$ —
Voya Retirement Insurance and Annuity Company ("VRIAC") (CT)	261.0	274.0	—	—
Security Life of Denver Insurance Company (CO)	73.0	54.0	—	—

(\$ in millions)

ReliaStar Life Insurance Company ("RLI") (MN)	—	—	231.0	100.0
---	---	---	-------	-------

In May 2017, VIAC declared an extraordinary distribution of \$250.0 million, subject to receipt of Iowa Division approval, and the condition to such regulatory approval was satisfied in July 2017. On July 5, 2017, VIAC reduced its cash flow testing reserves supporting CBVA by \$250.0 million and on July 5, 2017, paid the \$250.0 million extraordinary distribution out of the surplus generated by the cash flow testing reserve release. The proceeds of the VIAC extraordinary distribution ultimately were transferred as a capital contribution to Roaring River II, Inc. ("RRII"), one of our Arizona captives. RRII deposited the proceeds into a funds withheld trust at VIAC and VIAC established a corresponding funds withheld liability. Ultimately, these funds were used to

rebalance the invested assets backing portions of the CBVA segment liabilities reinsured to RRII. The cash flow testing reserve release, subsequent extraordinary distribution and capital contribution to RRII has a net zero impact on the Company's excess capital position as it shifted resources from the principal insurance subsidiary to the Arizona captive. In addition, it does not change the amount of assets supporting CBVA.

In May 2017, RLI declared an extraordinary distribution of \$231.0 million, which was paid on June 29, 2017, following receipt of approval by the Minnesota Insurance Division.

Voya Financial, Inc.'s principal insurance subsidiary domiciled in Connecticut expects to pay an ordinary dividend of \$4.0 million on or after December 28, 2017.

#### Off-Balance Sheet Arrangements

We have obligations for the return of non-cash collateral under an amendment to our securities lending program. Non-cash collateral received in connection with the securities lending program may not be sold or re-pledged by our lending agent, except in the event of default, and is not reflected on our Condensed Consolidated Balance Sheets. As of September 30, 2017, the fair value of securities retained as collateral by the lending agent on our behalf was \$376.6 million. As of December 31, 2016, the fair value of securities retained as collateral by the lending agent on our behalf was \$911.7 million. For information regarding obligations under this program, see the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

For changes in commitments related to the acquisition of mortgage loans and the purchase of limited partnerships and private placement investments related to consolidated investment entities, see the Commitments and Contingencies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

#### Impact of New Accounting Pronouncements

For information regarding the impact of new accounting pronouncements, see the Business, Basis of Presentation and Significant Accounting Policies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

#### Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect changes in these estimates and assumptions from time to time.

We have identified the following accounting judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

- Reserves for future policy benefits;
- DAC, VOBA and other intangibles (collectively, "DAC/VOBA and other intangibles");
- Valuation of investments and derivatives;
- Impairments;

Income taxes;  
Contingencies; and  
Employee benefit plans.

In developing these accounting estimates, we make subjective and complex judgments that are inherently uncertain and subject to material changes as facts and circumstances develop. Although variability is inherent in these estimates, we believe the amounts provided are appropriate based on the facts available upon preparation of the Condensed Consolidated Financial Statements.

The above critical accounting estimates are described in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

147

---

## Assumptions and Periodic Review

Changes in assumptions can have a significant impact on DAC/VOBA and other intangibles balances, amortization rates, reserve levels and results of operations. Assumptions are management's best estimates of future outcome. We periodically review these assumptions against actual experience and, based on additional information that becomes available, update our assumptions. Deviation of emerging experience from our assumptions could have a significant effect on our DAC/VOBA and other intangibles, reserves and the related results of operations.

During the third quarter of 2017 and 2016, we conducted our annual review of assumptions, including projection model inputs and made a number of changes to our assumptions which impacted the results of our segments, excluding CBVA. During the current period, the impact of assumption changes resulted in a loss of \$189.8 million, of which \$183.6 million was included in Operating earnings before income taxes and reflects net unfavorable DAC/VOBA and other intangibles unlocking. The remaining loss of \$6.2 million mainly reflects unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses, including derivatives, as well as assumption updates for guaranteed benefit derivatives. During the third quarter of 2016, the impact of assumption changes resulted in a loss of \$226.5 million, of which \$144.9 million was included in Operating earnings before income taxes and reflected net unfavorable DAC/VOBA and other intangibles unlocking. The remaining loss of \$81.6 million mainly reflects unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses, including derivatives, as well as assumption updates for guaranteed benefit derivatives.

In addition, we conducted our annual review of assumptions related to our CBVA contracts. Annual assumption changes and revisions to projection model inputs implemented during 2017 resulted in a gain of \$373.4 million. This \$373.4 million gain included a favorable \$257.7 million as a result of updates made to assumptions principally related to mortality, volatility, and discount rates applicable to future cash flows from variable annuity contracts. This gain also included \$115.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts and favorable updates to annuitizations on GMIB contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during 2016 resulted in a loss of \$95.5 million. This \$95.5 million loss included an unfavorable \$250.2 million as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by \$154.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts, partially offset by an unfavorable update to lapse rates.

Refer to Risk Factors in PART II, Item 1A. of this Quarterly Report on Form 10-Q for more information on assumptions related to our CBVA contracts.

## Sensitivity

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles, as well as certain reserves. The following table presents the estimated instantaneous net impact to income before income taxes of various assumption changes on our DAC/VOBA and other intangible balances and the impact on related reserves for future policy benefits and reinsurance. The effects presented are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred.

(\$ in millions)

As of September 30, 2017  
All CBVA Total  
Segments,

Edgar Filing: Voya Financial, Inc. - Form 10-Q

	Excluding CBVA		
Decrease in long-term equity rate of return assumption by 100 basis points	\$(52.6)	\$(154.2)	\$(206.8)
A change to the long-term interest rate assumption of -50 basis points	(79.2 )	(115.2 )	(194.4 )
A change to the long-term interest rate assumption of +50 basis points	50.7	107.9	158.6
An assumed increase in future mortality by 1%	(15.6 )	(5.4 )	(21.0 )

We generally assume that the rate of return on fixed income investments backing CBVA contracts moves in a manner correlated with changes to our assumed long term rate of return. Furthermore, assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.

Lower assumed equity rates of return, lower assumed interest rates, increased assumed future mortality and decreases in equity market values generally decrease DAC/VOBA and other intangibles and increase future policy benefits, thus decreasing income before income taxes. Higher assumed interest rates generally increase DAC/VOBA and other intangibles and decrease future policy benefits, thus increasing income before income taxes.

#### Income Taxes

We use the estimated annual effective tax rate method in computing our interim tax provision. Certain items, including changes in the realizability of deferred tax assets and changes in liabilities for uncertain tax positions, are excluded from the estimated annual effective tax rate and the actual tax expense or benefit is reported in the period that the related item is incurred.

Our effective tax rates for the three and nine months ended September 30, 2017 were 10.1% and 6.1%, respectively. The effective tax rates differed from the statutory rate of 35% for the three and nine months ended September 30, 2017 primarily due to the effect of the relative dividends received deduction ("DRD"), noncontrolling interest, and change in the realizability of certain non-life capital deferred tax assets.

Our effective tax rates for the three and nine months ended September 30, 2016 were 33.6% and (138.4)%, respectively. The effective tax rates differed from the statutory rate of 35% for the three and nine months ended September 30, 2016 primarily due to the effect of the relative DRD and noncontrolling interest.

In the third quarter of 2016, the Company utilized the discrete-period method under ASC 740 to compute its interim income tax provision due to significant variations in the relationship between the income tax expense and the pre-tax loss. The discrete-period method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate.

#### Investments (excluding Consolidated Investment Entities)

Investments for our general account are managed by our wholly owned asset manager, Voya Investment Management LLC, pursuant to investment advisory agreements with affiliates. In addition, our internal treasury group manages our holding company liquidity investments, primarily money market funds.

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K for information on our investment strategy.

See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information on investments.

## Portfolio Composition

The following table presents the investment portfolio as of the dates indicated:

(\$ in millions)	September 30, 2017		December 31, 2016	
	Carrying Value	% of Total	Carrying Value	% of Total
Fixed maturities, available-for-sale, excluding securities pledged	\$70,380.4	73.6 %	\$69,468.7	75.0 %
Fixed maturities, at fair value using the fair value option	3,727.6	3.9 %	3,712.3	4.0 %
Equity securities, available-for-sale	420.0	0.4 %	274.2	0.3 %
Short-term investments <sup>(1)</sup>	713.2	0.7 %	821.0	0.9 %
Mortgage loans on real estate	12,744.5	13.3 %	11,725.2	12.7 %
Policy loans	1,915.9	2.0 %	1,961.5	2.1 %
Limited partnerships/corporations	947.7	1.0 %	758.6	0.8 %
Derivatives	1,564.3	1.6 %	1,712.4	1.8 %
Other investments	79.5	0.1 %	47.4	0.1 %
Securities pledged	3,248.5	3.4 %	2,157.1	2.3 %
Total investments	\$95,741.6	100.0%	\$92,638.4	100.0%

<sup>(1)</sup> Short-term investments include investments with remaining maturities of one year or less, but greater than 3 months, at the time of purchase.

## Fixed Maturities

Total fixed maturities by market sector, including securities pledged, were as presented below as of the dates indicated:

(\$ in millions)	September 30, 2017			
	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	\$2,983.3	4.1 %	\$3,493.6	4.5 %
U.S. Government agencies and authorities	253.1	0.4 %	306.6	0.4 %
State, municipalities and political subdivisions	2,419.5	3.4 %	2,472.4	3.2 %
U.S. corporate public securities	30,675.2	42.6 %	33,508.1	43.4 %
U.S. corporate private securities	8,456.1	11.7 %	8,747.4	11.3 %
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,865.0	10.9 %	8,459.4	10.9 %
Foreign corporate private securities <sup>(1)</sup>	7,891.1	10.9 %	8,259.0	10.7 %
Residential mortgage-backed securities	6,284.7	8.7 %	6,687.6	8.6 %
Commercial mortgage-backed securities	3,487.4	4.8 %	3,556.4	4.6 %
Other asset-backed securities	1,815.9	2.5 %	1,866.0	2.4 %
Total fixed maturities, including securities pledged	\$72,131.3	100.0%	\$77,356.5	100.0%

<sup>(1)</sup> Primarily U.S. dollar denominated.

(\$ in millions)	December 31, 2016			
	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	\$3,452.0	4.8 %	\$3,890.3	5.2 %
U.S. Government agencies and authorities	253.9	0.3 %	298.0	0.4 %
State, municipalities and political subdivisions	2,153.9	3.0 %	2,135.6	2.8 %
U.S. corporate public securities	31,754.8	44.2 %	33,691.7	44.7 %
U.S. corporate private securities	7,724.9	10.8 %	7,808.0	10.4 %
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,796.6	10.9 %	8,079.4	10.7 %
Foreign corporate private securities <sup>(1)</sup>	7,557.1	10.5 %	7,785.8	10.3 %
Residential mortgage-backed securities	6,407.0	8.9 %	6,814.8	9.0 %
Commercial mortgage-backed securities	3,320.7	4.6 %	3,358.9	4.5 %
Other asset-backed securities	1,433.9	2.0 %	1,475.6	2.0 %
Total fixed maturities, including securities pledged	\$71,854.8	100.0 %	\$75,338.1	100.0 %

<sup>(1)</sup>Primarily U.S. dollar denominated.

As of September 30, 2017, the average duration of our fixed maturities portfolio, including securities pledged, is between 7.5 and 8.0 years.

#### Fixed Maturities Credit Quality - Ratings

For information regarding our fixed maturities credit quality ratings, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K.

The following tables present credit quality of fixed maturities, including securities pledged, using NAIC designations as of the dates indicated:

NAIC Quality Designation	September 30, 2017						Total Fair Value
	1	2	3	4	5	6	
U.S. Treasuries	\$3,493.6	\$—	\$—	\$—	\$—	\$—	\$3,493.6
U.S. Government agencies and authorities	306.6	—	—	—	—	—	306.6
State, municipalities and political subdivisions	2,283.5	187.2	0.8	—	—	0.9	2,472.4
U.S. corporate public securities	17,504.9	14,550.4	1,136.0	291.9	24.9	—	33,508.1
U.S. corporate private securities	3,912.7	4,469.4	199.7	161.4	4.2	—	8,747.4
Foreign corporate public securities and foreign governments <sup>(1)</sup>	3,865.6	3,912.4	623.5	52.6	4.8	0.5	8,459.4
Foreign corporate private securities <sup>(1)</sup>	1,162.1	6,242.4	810.0	35.8	4.8	3.9	8,259.0
Residential mortgage-backed securities	6,325.4	198.9	31.9	—	34.0	97.4	6,687.6
Commercial mortgage-backed securities	3,553.6	1.9	0.1	—	—	0.8	3,556.4
Other asset-backed securities	1,649.4	148.7	32.9	3.7	0.4	30.9	1,866.0
Total fixed maturities	\$44,057.4	\$29,711.3	\$2,834.9	\$545.4	\$73.1	\$134.4	\$77,356.5
% of Fair Value	56.9	% 38.4	% 3.7	% 0.7	% 0.1	% 0.2	% 100.0

<sup>(1)</sup> Primarily U.S. dollar denominated.

Edgar Filing: Voya Financial, Inc. - Form 10-Q

(\$ in millions)	December 31, 2016						Total Fair Value
	1	2	3	4	5	6	
NAIC Quality Designation	1	2	3	4	5	6	
U.S. Treasuries	\$3,890.3	\$—	\$—	\$—	\$—	\$—	\$3,890.3
U.S. Government agencies and authorities	298.0	—	—	—	—	—	298.0
State, municipalities and political subdivisions	2,001.0	132.3	1.0	—	0.1	1.2	2,135.6
U.S. corporate public securities	18,009.5	14,171.3	1,201.5	250.2	42.3	16.9	33,691.7
U.S. corporate private securities	3,778.3	3,659.5	244.6	115.9	4.7	5.0	7,808.0
Foreign corporate public securities and foreign governments <sup>(1)</sup>	3,936.3	3,412.6	602.0	107.3	20.7	0.5	8,079.4
Foreign corporate private securities <sup>(1)</sup>	1,191.2	5,967.1	593.7	15.8	4.8	13.2	7,785.8
Residential mortgage-backed securities	6,616.0	18.4	31.8	8.4	28.9	111.3	6,814.8
Commercial mortgage-backed securities	3,357.7	—	—	1.2	—	—	3,358.9
Other asset-backed securities	1,309.4	108.0	24.5	2.7	—	31.0	1,475.6
Total fixed maturities	\$44,387.7	\$27,469.2	\$2,699.1	\$501.5	\$101.5	\$179.1	\$75,338.1
% of Fair Value	58.9	% 36.5	% 3.6	% 0.7	% 0.1	% 0.2	% 100.0

<sup>(1)</sup>Primarily U.S. dollar denominated.

The following tables present credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

ARO Quality Ratings	September 30, 2017						Total Fair Value
	AAA	AA	A	BBB	BB and Below		
U.S. Treasuries	\$3,493.6	\$—	\$—	\$—	\$—	\$—	\$3,493.6
U.S. Government agencies and authorities	297.7	8.9	—	—	—	—	306.6
State, municipalities and political subdivisions	224.4	1,444.4	614.7	187.1	1.8		2,472.4
U.S. corporate public securities	513.1	2,196.6	14,794.7	14,551.2	1,452.5		33,508.1
U.S. corporate private securities	310.8	359.7	3,179.9	4,419.9	477.1		8,747.4
Foreign corporate public securities and foreign governments <sup>(1)</sup>	113.2	837.8	2,922.7	3,904.3	681.4		8,459.4
Foreign corporate private securities <sup>(1)</sup>	—	—	1,345.3	6,589.7	324.0		8,259.0
Residential mortgage-backed securities	4,888.0	20.4	80.0	90.5	1,608.7		6,687.6
Commercial mortgage-backed securities	2,923.7	188.0	215.4	138.3	91.0		3,556.4
Other asset-backed securities	1,065.2	169.3	132.8	225.8	272.9		1,866.0
Total fixed maturities	\$13,829.7	\$5,225.1	\$23,285.5	\$30,106.8	\$4,909.4		\$77,356.5
% of Fair Value	17.9	% 6.8	% 30.1	% 38.9	% 6.3		% 100.0

<sup>(1)</sup>Primarily U.S. dollar denominated.

(\$ in millions)	December 31, 2016						Total Fair Value
	AAA	AA	A	BBB	BB and Below		
ARO Quality Ratings							
U.S. Treasuries	\$3,890.3	\$—	\$—	\$—	\$—	\$—	\$3,890.3
U.S. Government agencies and authorities	289.8	8.2	—	—	—	—	298.0
State, municipalities and political subdivisions	230.6	1,238.9	531.5	132.3	2.3		2,135.6
U.S. corporate public securities	472.6	2,579.1	14,952.8	14,130.1	1,557.1		33,691.7
U.S. corporate private securities	288.8	410.3	2,815.5	3,852.9	440.5		7,808.0
Foreign corporate public securities and foreign governments <sup>(1)</sup>	115.6	919.2	2,911.5	3,402.6	730.5		8,079.4
Foreign corporate private securities <sup>(1)</sup>	—	—	1,347.9	6,142.2	295.7		7,785.8
Residential mortgage-backed securities	5,558.5	5.3	13.3	58.8	1,178.9		6,814.8
Commercial mortgage-backed securities	2,647.1	110.6	270.6	64.8	265.8		3,358.9
Other asset-backed securities	901.5	87.8	59.3	142.8	284.2		1,475.6
Total fixed maturities	\$14,394.8	\$5,359.4	\$22,902.4	\$27,926.5	\$4,755.0		\$75,338.1
% of Fair Value	19.1	% 7.1	% 30.4	% 37.1	% 6.3		% 100.0

<sup>(1)</sup>Primarily U.S. dollar denominated.

Fixed maturities rated BB and below may have speculative characteristics and changes in economic conditions or other circumstances that are more likely to lead to a weakened capacity of the issuer to make principal and interest payments than is the case with higher rated fixed maturities.

#### Unrealized Capital Losses

Gross unrealized capital losses on fixed maturities, including securities pledged, decreased \$458.5 million from \$739.6 million to \$281.1 million for the nine months ended September 30, 2017. The decrease in gross unrealized capital losses was primarily due to tightening credit spreads.

As of September 30, 2017 and December 31, 2016, we held one and four fixed maturities, respectively, with unrealized capital losses in excess of \$10.0 million. As of September 30, 2017 and December 31, 2016, the unrealized capital losses on these fixed maturities equaled \$20.9 million or 7.4% and \$54.3 million or 7.3% of the total unrealized losses, respectively.

As of September 30, 2017, we held \$6.4 billion of energy sector fixed maturity securities, constituting 8.2% of the total fixed maturities portfolio, with gross unrealized capital losses of \$61.0 million, including one energy sector fixed maturity security with unrealized capital losses in excess of \$10.0 million. The unrealized capital losses on this fixed maturity security equaled \$20.9 million. As of September 30, 2017, our fixed maturity exposure to the energy sector is comprised of 90.5% investment grade securities.

As of December 31, 2016, we held \$6.5 billion of energy sector fixed maturity securities, constituting 8.7% of the total fixed maturities portfolio, with gross unrealized capital losses of \$93.5 million including one energy sector fixed maturity security with unrealized capital losses in excess of \$10.0 million. The unrealized capital losses on this fixed maturity security equaled \$19.9 million. As of December 31, 2016, our fixed maturity exposure to the energy sector is comprised of 86.8% investment grade securities.

The following table presents the U.S. and foreign corporate securities within our energy holdings by sector as of the dates indicated:

Sector Type	September 30, 2017			December 31, 2016		
	Amortized	Fair	% Fair	Amortized	Fair	% Fair
	Cost	Value	Value	Cost	Value	Value
Midstream	\$2,231.6	\$2,449.1	38.4 %	\$2,241.4	\$2,390.4	36.6 %
Integrated Energy	1,488.3	1,584.4	24.8 %	1,638.5	1,697.5	26.0 %
Independent Energy	1,255.4	1,336.2	21.0 %	1,296.6	1,349.7	20.6 %
Oil Field Services	633.1	632.3	9.9 %	683.6	676.9	10.3 %
Refining	325.0	375.1	5.9 %	390.1	422.9	6.5 %
Total	\$5,933.4	\$6,377.1	100.0%	\$6,250.2	\$6,537.4	100.0%

See the Other-Than-Temporary Impairments section below for further information on energy sector investments. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on unrealized capital losses.

#### CMO-B Portfolio

The following table shows fixed maturities balances held in the CMO-B portfolio by NAIC quality rating as of the dates indicated:

NAIC Quality Designation	September 30, 2017			December 31, 2016		
	Amortized	Fair	% Fair	Amortized	Fair	% Fair
	Cost	Value	Value	Cost	Value	Value
1	\$3,657.8	\$3,984.7	93.1 %	\$3,459.5	\$3,819.8	96.1 %
2	159.5	160.2	3.7 %	6.3	6.3	0.2 %
3	9.4	10.9	0.3 %	6.4	9.5	0.2 %
4	—	—	— %	0.6	0.8	— %
5	18.8	27.1	0.6 %	19.3	29.0	0.7 %
6	57.8	97.4	2.3 %	67.7	111.3	2.8 %
Total	\$3,903.3	\$4,280.3	100.0%	\$3,559.8	\$3,976.7	100.0%

For CMO securities where we elected the FVO, amortized cost represents the market values. For details on the NAIC designation methodology, see "Fixed Maturities Credit Quality-Ratings" in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K.

The following table presents the notional amounts and fair values of interest rate derivatives used in our CMO-B portfolio as of the dates indicated:

(\$ in millions)	September 30, 2017			December 31, 2016		
	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
		Fair Value	Fair Value		Fair Value	Fair Value

Derivatives non-qualifying for hedge accounting:

Interest Rate Contracts	\$21,822.2	\$87.5	\$ 53.7	\$27,088.0	\$258.7	\$ 139.4
-------------------------	------------	--------	---------	------------	---------	----------

Starting in the second quarter of 2015, we implemented interest rate futures contracts as a part of the CMO-B portfolio to hedge interest rate risk. Historically only interest rate swaps were utilized for this purpose in the CMO-B portfolio. Because of duration differences between interest rate swaps and interest rate futures, a higher level of

notional is necessary when utilizing interest rate futures to achieve the same relative hedge position. This change in the hedge program notional amount resulted in no material change to the risk profile of the CMO-B Portfolio.

The following table presents our CMO-B fixed maturity securities balances and tranche type as of the dates indicated: (\$ in millions)

Tranche Type	September 30, 2017			December 31, 2016		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Inverse Floater	\$583.6	\$767.5	17.9 %	\$713.4	\$924.2	23.2 %
Interest Only (IO)	258.7	267.9	6.3 %	283.0	297.8	7.5 %
Inverse IO	1,732.1	1,858.2	43.3 %	1,645.4	1,794.4	45.1 %
Principal Only (PO)	396.9	405.8	9.5 %	438.4	444.8	11.2 %
Floater	20.0	19.9	0.5 %	23.2	22.5	0.6 %
Agency Credit Risk Transfer	909.8	957.4	22.4 %	453.8	488.9	12.3 %
Other	2.2	3.6	0.1 %	2.6	4.1	0.1 %
Total	\$3,903.3	\$4,280.3	100.0 %	\$3,559.8	\$3,976.7	100.0 %

Generally, a continued increase in valuations, as well as muted prepayments despite low interest rates, led to a very strong performance for our CMO-B portfolio in recent years. Based on fundamental prepayment analysis, we have been able to increase the allocation to notional securities in a manner that was diversified by borrower and mortgage characteristics without unduly increasing portfolio risk because the underlying drivers of prepayment behavior across collateral type are varied.

During the nine months ended September 30, 2017, the market value of our CMO-B portfolio increased mainly due to new purchase activity exceeding paydowns and maturities. Yields within the CMO-B portfolio continue to decline as higher yielding historical CMO-B assets paydown or mature and are replaced with lower yielding new assets.

The following table presents returns for our CMO-B portfolio for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net investment income (loss)	\$173.6	\$192.3	\$533.1	\$576.7
Net realized capital gains (losses) <sup>(1)</sup>	(116.0)	(93.6)	(361.2)	(325.9)
Total income (pre-tax)	\$57.6	\$98.7	\$171.9	\$250.8

<sup>(1)</sup>Net realized capital gains (losses) also include derivatives interest settlements, mark to market adjustments and realized gains (losses) on standalone derivatives contracts that are in the CMO-B portfolio.

In defining operating earnings before income taxes and non-operating earnings for our CMO-B portfolio, certain recharacterizations are recognized. As indicated in footnote (1) above, derivatives activity, including net coupon settlement on interest rate swaps, is included in Net realized capital gains (losses). Since these swaps are hedging securities for which coupon payments are reflected in Net investment income (loss) (operating earnings), it is appropriate to represent the net swap coupons as operating income before income taxes rather than non-operating income. Also included in Net realized capital gains (losses) are the premium amortization and the change in fair value for securities designated under the FVO, whereas the coupon for these securities is included in Net investment income (loss). In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from Net realized capital gains (losses) (or non-operating income) to operating income.

After adjusting for the two items referenced immediately above, the following table presents operating earnings before income taxes and non-operating income for our CMO-B portfolio for the periods indicated:

(\$ in millions)	Three Months		Nine Months	
	Ended September 30, 2017	Ended September 30, 2016	Ended September 30, 2017	Ended September 30, 2016
Operating earnings before income taxes	\$87.2	\$86.5	\$245.9	\$264.0
Realized gains/losses including OTTI	0.1	(0.4 )	(0.3 )	7.3
Fair value adjustments	(29.7 )	12.6	(73.7 )	(20.5 )
Non-operating income	(29.6 )	12.2	(74.0 )	(13.2 )
Income (loss) before income taxes	\$57.6	\$98.7	\$171.9	\$250.8

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K for information on our CMO-B portfolio.

### Subprime and Alt-A Mortgage Exposure

Pre-2008 vintage subprime and Alt-A mortgage collateral continues to reflect a housing market entrenched in recovery. While collateral losses continue to be realized, the pace and magnitude at which losses are being realized are steadily decreasing. Serious delinquencies and other measures of performance, like prepayments and loan defaults, have also displayed sustained periods of improvement. Reflecting these fundamental improvements, related bond prices and sector liquidity have increased substantially since the credit crisis. More broadly, home prices have moved steadily higher, further supporting bond payment performance. Year-over-year home price measures, while at a lower magnitude than experienced in the years following the trough in home prices, have stabilized at sustainable levels, when measured on a nationwide basis. This backdrop remains supportive of continued improvement in overall borrower payment behavior. In managing our risk exposure to subprime and Alt-A mortgages, we take into account collateral performance and structural characteristics associated with our various positions.

While we actively invest in and continue to manage a portfolio of such exposures in the form of securitized investments, we do not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. We define 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 for which 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.

We have exposure to RMBS, CMBS and ABS. Our 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 were included in Other ABS under "Fixed Maturities" above. As of September 30, 2017, the fair value, amortized cost, and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$280.3 million, \$244.5 million and \$1.9 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2016, the fair value, amortized cost, and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$288.0 million, \$257.9 million and \$6.1 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value.

Our exposure to Alt-A mortgages is included in the "RMBS" line item in the "Fixed Maturities" table under "Fixed Maturities" above. As of September 30, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$301.2 million, \$258.8 million and \$1.1 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$306.2 million, \$268.4 million and \$3.8 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value.

Commercial Mortgage-backed and Other Asset-backed Securities

CMBS investments represent pools of commercial mortgages that are broadly diversified across property types and geographical areas. Delinquency rates on commercial mortgages increased over the course of 2009 through mid-2012. The steep pace of increases observed in this time frame relented, and the percentage of delinquent loans declined through February 2016 (although certain months did post marginal increases). Since then, the delinquency rate has increased, with recent months showing more upward

momentum. Other performance metrics like vacancies, property values and rent levels have posted sustained improvement trends, although these metrics are not observed uniformly, differing by dimensions such as geographic location and property type. These improvements have been buoyed by some of the same macro-economic tailwinds alluded to in regards to our subprime and Alt-A mortgage exposure. A robust environment for property refinancing was particularly supportive of improving credit performance metrics throughout much of the post-credit crisis period. In the first quarter of 2016, however, this virtuous lending cycle was disrupted as the dislocation in corporate credit markets negatively impacted liquidity conditions in CMBS. As a result, the new issuance market for CMBS slowed considerably during the first half of 2016 before normalizing to end the year. Spread performance somewhat mirrored these new issuance trends: volatile in the first half of 2016, signs of increased liquidity and more general stability in credit spreads have been observed since. Year to date performance of CMBS can be best characterized by issuance stability and liquid market conditions, fostering relatively prolific new issuance volumes. This backdrop has allowed for general success in the refinancing of the final large maturing loan populations from pre-crisis originated commercial mortgage loans, done in 2007.

For most forms of consumer ABS, delinquency and loss rates have been maintained at levels considered low by historical standards and indicative of high credit quality. Two exceptions exist in the form of auto loans to subprime borrowers and particular cohorts (loans originated in 2008-2010) of student loan borrowers. Payment performance in these particular ABS sub-sectors has been volatile and weak relative to most other forms of ABS, where relative strength in various credit metrics across multiple types of asset-backed loans have been observed on a sustained basis. In managing our risk exposure to other ABS, we take into account collateral performance and structural characteristics associated with our various positions.

As of September 30, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to Other ABS, excluding subprime exposure, totaled \$1,618.4 million, \$1,605.1 million and \$2.0 million, respectively. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Other ABS, excluding subprime exposure, totaled \$1,206.1 million, \$1,195.6 million and \$2.6 million, respectively.

As of September 30, 2017, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 6.7%, 56.5% and 11.7%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2016, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 27.4%, 39.6% and 14.5%, respectively, of total Other ABS, excluding subprime exposure.

#### Mortgage Loans on Real Estate

We rate commercial mortgages to quantify the level of risk. We place those loans with higher risk on a watch list and closely monitor these loans for collateral deficiency or other credit events that may lead to a potential loss of principal and/or interest. If we determine the value of any mortgage loan to be OTTI (i.e., when it is probable that we will be unable to collect on amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to either the present value of expected cash flows from the loan, discounted at the loan's effective interest rate or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing an other-than-temporary write-down recorded in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

Loan-to-value ("LTV") and debt service coverage ("DSC") ratios are measures commonly used to assess the risk and quality of commercial 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. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of 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 (loss) 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.

As of September 30, 2017, our mortgage loans on real estate portfolio had a weighted average DSC of 2.2 times and a weighted average LTV ratio of 60.8%. As of December 31, 2016, our mortgage loans on real estate portfolio had a weighted average DSC of 2.2 times, and a weighted average LTV ratio of 60.6%. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on mortgage loans on real estate.

### Other-Than-Temporary Impairments

We evaluate available-for-sale fixed maturities and equity securities for impairment on a regular basis. The assessment of whether impairments have occurred is based on a case-by-case evaluation of the underlying reasons for the decline in estimated fair value. See the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. in our Annual Report on Form 10-K for the policy used to evaluate whether the investments are other-than-temporarily impaired.

During the three and nine months ended September 30, 2017, we recorded \$0.8 million and \$2.5 million, respectively, of credit related OTTI of which the primary contributor was \$0.4 million and \$0.8 million, respectively, of writedowns recorded on Foreign Private and RMBS ALT-A sectors. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on OTTI.

### Derivatives

We use derivatives for a variety of hedging purposes as further described below. We also have embedded derivatives within fixed maturities instruments and certain product features. See the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for further information.

### Closed Block Variable Annuity Hedging

See Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q for further information.

### Invested Asset and Credit Hedging

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for further information.

### European Exposures

We quantify and allocate our exposure to the region by attempting to identify aspects of the region or country risk to which we are exposed. Among the factors we consider are the nationality of the issuer, the nationality of the issuer's ultimate parent, the corporate and economic relationship between the issuer and its parent, as well as the political, legal and economic environment in which each functions. By undertaking this assessment, we believe that we develop a more accurate assessment of the actual geographic risk, with a more integrated understanding of contributing factors to the full risk profile of the issuer.

In the normal course of our ongoing risk and portfolio management process, we closely monitor compliance with a credit limit hierarchy designed to minimize overly concentrated risk exposures by geography, sector and issuer. This framework takes into account various factors such as internal and external ratings, capital efficiency and liquidity and is overseen by a combination of Investment and Corporate Risk Management, as well as insurance portfolio managers focused specifically on managing the investment risk embedded in our portfolio.

While financial conditions in Europe have broadly improved, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains. Despite signs of continuous improvement in the region, we continue to closely monitor our exposure to the region.

As of September 30, 2017, the Company's total European exposure had an amortized cost and fair value of \$8,282.5 million and \$8,983.2 million, respectively. European exposure with a primary focus on Greece, Ireland, Italy, Portugal and Spain (which we refer to as "peripheral Europe") amounts to \$768.9 million, which includes non-financial institutions exposure in Ireland of \$232.3 million, in Italy of \$242.8 million, in Portugal of \$10.4 million and in Spain of \$209.8 million. We also had financial institutions exposure in Italy of \$43.2 million and in Spain of \$30.4 million. We did not have any exposure to Greece.

Among the remaining \$8,214.3 million of total non-peripheral European exposure, we had a portfolio of credit-related assets similarly diversified by country and sector across developed and developing Europe. As of September 30, 2017, our non-peripheral sovereign exposure was \$285.9 million, which consisted of fixed maturities and derivative assets. We also had \$1,192.6 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of \$292.5 million and the United Kingdom of \$498.3 million. The balance of \$6,735.8 million was invested across non-peripheral, non-financial institutions.

Some of the major country level exposures were in the United Kingdom of \$3,656.0 million, in The Netherlands of \$993.2 million, in Belgium of \$475.9 million, in France of \$592.2 million, in Germany of \$728.5 million, in Switzerland of \$772.6 million, and in Russia of \$159.8 million. We believe the primary risk results from market value fluctuations resulting from spread volatility and the secondary risk is default risk, dependent upon the strength of continued recovery of economic conditions in Europe.

#### Consolidated Investment Entities

We provide investment management services to, and have transactions with, various collateralized loan obligations ("CLO entities"), private equity funds, hedge funds, registered investment companies, insurance entities, securitizations and other investment entities in the normal course of business. In certain instances, we serve as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either variable interest entities ("VIEs") or voting interest entities ("VOEs"), and we evaluate our involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under consolidation guidance. We consolidate certain entities under the VIE guidance when it is determined that we are the primary beneficiary. We consolidate certain entities under the VOE guidance when we act as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities of the entity, or when we otherwise have control through voting rights. In February 2015, the FASB issued ASU 2015-02, "Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which significantly amends the consolidation analysis required under current consolidation guidance. We adopted the provisions of ASU 2015-02 on January 1, 2016 using the modified retrospective approach.

We have no right to the benefits from, nor do we bear the risks associated with these investments beyond our direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately \$490.8 million and \$587.4 million as of September 30, 2017 and December 31, 2016, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors as a result of the liquidation.

#### Fair Value Measurement

Upon consolidation of CLO entities, we elected to apply the FVO for financial assets and financial liabilities held by these entities and have continued to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value in subsequent periods. We have elected the FVO to more closely align the accounting with the economics of the transactions and allow us to more effectively reflect 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 hedge funds are reported in our 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 our Condensed Consolidated Financial Statements.

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 that we apply to our investment portfolio. See the Fair Value Measurement section of Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

#### Nonconsolidated VIEs

We also hold variable interest in certain CLO entities that we do not consolidate because we have determined that we are not the primary beneficiary. With these CLO entities, we serve as the investment manager and receive investment management fees and contingent performance fees. Generally, we do not hold any interest in the nonconsolidated CLO entities, but if we do, such ownership has been deemed to be insignificant. We have not provided and are not obligated to provide any financial or other support to these entities.

We manage or hold investments in certain private equity funds and hedge funds. With these entities, we serve as the investment manager and are entitled to receive investment management fees and contingent performance fees that are generally expected to be insignificant. Although we have the power to direct the activities that significantly impact the economic performance of the funds, we do not hold a significant variable interest in any of these funds and, as such, do not have the obligation to absorb losses

or the right to receive benefits from the entity that could potentially be significant to the entity. Accordingly, we are not considered the primary beneficiary and did not consolidate any of these investment funds.

In addition, we do not consolidate funds in which our involvement takes the form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide us with any substantive kick-out or participating rights, which would overcome the presumption of control by the general partner. See the Consolidated Investment Entities Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information.

#### Securitizations

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Through our investments, we are not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. Our involvement with these entities is limited to that of a passive investor. We have no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor do we function in any of these roles. We, through our investments or other arrangements, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, we are not the primary beneficiary and will not consolidate any of the RMBS, CMBS and ABS entities in which we hold investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. Refer to the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for details regarding the carrying amounts and classifications of these assets.

#### Legislative and Regulatory Developments

##### Potential Changes to Variable Annuity Reserve Requirements

At various times in the past several years, the NAIC has indicated that it might pursue changes to the current reserve and capital framework that applies to insurers, including several of our Insurance Subsidiaries, who write or reinsure variable annuity ("VA") policies. Since 2015, the NAIC's Variable Annuity Issues Working Group ("VAIWG") has been considering general proposals for VA reserve and capital reform that would create more uniformity in VA reserving practices and reduce incentives for the use of captive reinsurance arrangements for VA business. These proposals, if adopted, could change the reserves and capital we are required to hold with respect to VA business, particularly in our CBVA segment.

During 2016, VAIWG engaged Oliver Wyman ("OW") to conduct an initial quantitative impact ("QIS1") study involving industry participants, including Voya Financial, of possible revisions to the current VA reserve and capital framework. In late 2016, OW provided the VAIWG a QIS1 report that included preliminary findings and recommended a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the QIS1 report. The second quantitative impact study ("QIS2") began in February 2017 and is scheduled to be completed by October 2017, with NAIC deliberations on QIS2 results and proposed VA reserve and capital reforms during the fourth quarter of 2017. It is unlikely that any changes adopted by the NAIC would be effective prior to 2019, although timing remains uncertain.

The outcome of QIS2, and the parameters of any VA reserve and capital reform to be proposed by OW or adopted by the VAIWG, is highly uncertain at this time. Certain proposals under consideration as part of QIS2, if adopted as a component of any final VA reserve and capital reform, could negatively impact VA reserve and capital calculations for our CBVA segment and potentially result in increased collateral requirements at RRII, our Arizona captive that primarily reinsures CBVA living benefit guarantees. It is possible that these negative impacts could be material to our capital position. If we are required to increase reserves or collateral, we believe it is likely that such increases would be subject to a multiyear grade-in period. Other proposals under consideration for QIS2, if adopted, could result in positive impacts to our VA reserve and capital calculations. At the present time, we cannot predict what, if any, of these proposals may become part of any VA framework reform proposal or what impact any final VAIWG VA framework reform would have on our CBVA reserves, capital or captive collateralization requirements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include interest rate risk, equity market price risk and credit risk. We do not have material market risk exposure to "trading" activities in our Condensed Consolidated Financial Statements. For further details on the Company's interest rate risk, equity market price risk and credit risk, see Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A. in our Annual Report on Form 10-K.

## Market Risk Related to Interest Rates

We assess interest rate exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either increasing or decreasing 100 basis point parallel shifts in the yield curve. The following table summarizes the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of September 30, 2017. In calculating these amounts, we exclude gains and losses on separate account fixed income securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

(\$ in millions)	As of September 30, 2017		
	Fair Notional Value <sup>(1)</sup>	Hypothetical Change in Fair Value <sup>(2)</sup>	
		+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
Financial assets with interest rate risk:			
Fixed maturity securities, including securities pledged	\$-77,356.5	\$(5,809.3)	\$6,482.2
Mortgage loans on real estate	—12,995.3	(700.0)	770.6
Derivatives:			
Interest rate contracts	60,578.7	(521.7)	1,085.0
Financial liabilities with interest rate risk:			
Investment contracts:			
Funding agreements without fixed maturities and deferred annuities <sup>(3)</sup>	—58,127.4	(4,010.5)	5,013.7
Funding agreements with fixed maturities and GICs	—785.4	(33.6)	35.6
Supplementary contracts and immediate annuities	—4,180.7	(258.4)	289.6
Long-term debt	—3,426.7	(255.8)	292.3
Embedded derivatives on reinsurance	—121.2	128.7	(151.9)
Guaranteed benefit derivatives <sup>(3)</sup> :			
FIA	—2,188.3	164.4	(178.3)
IUL	—126.1	7.8	(7.6)
GMWBL/GMWB/GMAB	—1,201.8	(591.9)	796.9
Stabilizer and MCGs	—133.9	(78.0)	127.1

(1)

Separate account assets and liabilities, which are interest sensitive, are not included herein as any interest rate risk is borne by the holder of the separate account.

- (2) (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.
- (3) Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Guaranteed benefit derivatives section of the table above.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of September 30, 2017, and the respective guaranteed minimum interest rates ("GMIRs"):

(\$ in millions)	Account Value <sup>(1)</sup>						Total
	At GMIR	Excess of crediting rate over GMIR					
		Up to 0.50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR	
Guaranteed minimum interest rate:							
Up to 1.00%	\$2,970.1	\$1,557.6	\$1,764.8	\$528.6	\$1,147.0	\$1,057.0	\$9,025.1
1.01% - 2.00%	1,743.4	338.5	274.9	36.1	20.7	112.7	2,526.3
2.01% - 3.00%	17,618.5	364.6	371.4	179.9	34.9	57.5	18,626.8
3.01% - 4.00%	12,734.9	758.5	503.5	0.1	0.1	—	13,997.1
4.01% and Above	3,143.9	105.4	0.4	0.3	—	0.1	3,250.1
Renewable beyond 12 months (MYGA) <sup>(2)</sup>	1,575.0	—	—	—	—	—	1,575.0
Total discretionary rate setting products	\$39,785.8	\$3,124.6	\$2,915.0	\$745.0	\$1,202.7	\$1,227.3	\$49,000.4
Percentage of Total	81.2	% 6.4	% 5.9	% 1.5	% 2.5	% 2.5	% 100.0

Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net <sup>(1)</sup> of policy loans. Excludes Stabilizer products, which are fee based. Also excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

<sup>(2)</sup> Represents MYGA contracts with renewal dates after September 30, 2018 on which we are required to credit interest above the contractual GMIR for at least the next twelve months.

## Market Risk Related to Equity Market Prices

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following table summarizes the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of September 30, 2017. In calculating these amounts, we exclude separate account equity securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding the future performance of equity markets, they are near-term, reasonably possible hypothetical changes that illustrate the potential impact of such events. These scenarios consider only the direct effect on fair value of declines in equity benchmark market levels and not changes in asset-based fees recognized as revenue, changes in our estimates of total gross profits used as a basis for amortizing DAC/VOBA, other intangibles and other costs, or changes in any other assumptions such as market volatility or mortality, utilization or persistency rates in variable contracts that could also impact the fair value of our living benefits features. In addition, these scenarios do not reflect the effect of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the equity market benchmark we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the related living benefit features, in comparison to the hypothetical test scenarios.

(\$ in millions)	Fair Notional Value	As of September 30, 2017	
		Hypothetical Change in Fair Value <sup>(1)</sup>	
		+ 10% Equity Shock	-10% Equity Shock
Financial assets with equity market risk:			
Equity securities, available-for-sale	\$-420.0	\$37.2	\$(37.2)
Limited liability partnerships/corporations	—947.7	59.4	(59.4)
Derivatives:			
Equity futures and total return swaps <sup>(2)</sup>	12,829.4	(861.6)	882.4
Equity options	27,875.0	399.3	(256.9)
Financial liabilities with equity market risk:			
Guaranteed benefit derivatives:			
FIA	—2,188.3	129.0	(177.8)
IUL	—126.1	57.3	(53.2)
GMWBL/GMWB/GMAB	—1,201.8	(162.7)	201.8

<sup>(1)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to the Variable Annuity Hedging Program.

## Market Risk Related to Closed Block Variable Annuity

## Closed Block Variable Annuity ("CBVA") Net Amount at Risk ("NAR")

The NAR for Guaranteed Minimum Death Benefits ("GMDB"), Guaranteed Minimum Withdrawal Benefits ("GMWB") and Guaranteed Minimum Accumulation Benefits ("GMAB") is equal to the guaranteed value of these benefits in excess of the account values in each case as of the date indicated. The NAR assumes utilization of benefits by all customers as of the date indicated.

The NAR for Guaranteed Income Minimum Benefits ("GMIB") and Guaranteed Minimum Withdrawal Benefits for Life ("GMWBL") is equal to the excess of the present value of the minimum guaranteed annuity payments available to the contract owner over the current account value. It assumes that all policyholders exercise their benefit immediately, even if they have not yet attained the first exercise date shown in their contracts, and that there are no future lapses. The NAR assumes utilization of benefits by all customers as of the date indicated. This hypothetical immediate exercise of the benefit means that the customers give up any future increase in the guaranteed benefit that might accrue if they were to delay exercise to a later date. The discount rates used in the GMIB NAR methodology uses current new money investment yields. The GMWBL NAR methodology uses current swap rates. The discounting for GMWBL and GMIB NAR was developed to be consistent with the methodology for the establishment of U.S. GAAP reserves.

The account values and NAR, both gross and net of reinsurance ("retained NAR"), of contract owners by type of minimum guaranteed benefit for retail variable annuity contracts are summarized below as of September 30, 2017:

		As of September 30, 2017					
(\$ in millions, unless otherwise indicated)	Account Value <sup>(1)</sup>	Gross NAR	Retained NAR	% Contracts Retained NAR In-the-Money <sup>(2)</sup>		% Retained NAR In-the-Money <sup>(3)</sup>	
GMDB	\$31,777	\$4,772	\$4,446	35	%	31	%
Living Benefit							
GMIB	\$8,678	\$2,152	\$2,152	82	%	24	%
GMWBL/GMWB/GMAB	14,391	1,728	1,728	51	%	20	%
Living Benefit Total	\$23,069	\$3,880	\$3,880	65	% <sup>(4)</sup>	22	% <sup>(5)</sup>

<sup>(1)</sup> Account value excludes \$5.0 billion of Payout, Policy Loan and life insurance business which is included in consolidated account values.

<sup>(2)</sup> Percentage of contracts that have a Retained NAR greater than zero.

<sup>(3)</sup> For contracts with a Gross NAR greater than zero, % Retained NAR In-the-Money is defined as  $NAR / (NAR + \text{Account Value})$ .

<sup>(4)</sup> Total Living Benefit % Contracts NAR In-the-Money as of December 31, 2016 was 73%.

<sup>(5)</sup> Total Living Benefit % NAR In-the-Money as of December 31, 2016 was 24%.

As of the date indicated above, compared to \$3.9 billion of NAR, we held gross statutory reserves before reinsurance of \$2.3 billion for living benefit guarantees; of this amount, \$2.2 billion was ceded to an affiliate, fully supported by assets in trust. However, NAR and statutory reserves are not directly comparable measures. Our U.S. GAAP reserves for living benefit guarantees were \$2.0 billion as of September 30, 2017.

For a discussion of our U.S. GAAP reserves calculation methodology, see the Business, Basis of Presentation and Significant Accounting Policies - Future Policy Benefits and Contract Owner Account Balances Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for the year ended December 31, 2016.

### Variable Annuity Hedge Program

The sensitivities presented below summarize the estimated change in hedge assets relative to the Conditional Tail Expectation ("CTE") 95 standard, the estimated net impacts to funding our regulatory reserves and the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA segment, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates. The sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following September 30, 2017 and give effect to rebalancing over the course of the shock event, as well as certain modifications to our Variable Annuity Hedge Program. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a "parallel" shift in the yield curve).

### CTE95 Standard Sensitivity

Rating agency capital is based on a CTE, which is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. Our goal is to support CBVA with assets at least equal to a CTE95 standard based on the Standard and Poor's ("S&P") model, which is an aggregate measure across all of our subsidiaries that have written or provided captive reinsurance for deferred variable annuity contracts. For further information about CTE95, see Business - Our Businesses - Closed Block Variable Annuity in Part I, Item 1. of our Annual Report on Form 10-K for the year ended December 31, 2016. The following table summarizes the estimated change in hedge

Edgar Filing: Voya Financial, Inc. - Form 10-Q

assets relative to the CTE95 standard, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates.

(\$ in millions)	As of September 30, 2017							
	Equity Market (S&P 500)						Interest Rates	
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Decrease/(increase) in CTE95 standard	\$(2,150)	\$(1,200)	\$(400)	\$400	\$1,050	\$1,700	\$(1,100)	\$900
Hedge gain/(loss) immediate impact	2,600	1,450	450	(400)	(950)	(1,400)	1,100	(850)
Net impact	\$450	\$250	\$50	\$—	\$100	\$300	\$—	\$50

There was approximately \$1,200 million decrease in our hedge assets related to equity market and interest rate movements for the nine months ended September 30, 2017. The Variable Annuity Hedge Program results were offset by the equity market and interest rate decrease of approximately \$1,200 million in CTE95 requirements for the nine months ended September 30, 2017.

### CBVA Regulatory Reserves Sensitivity

The following table summarizes the estimated net impacts to funding our regulatory reserves to our CBVA segment, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates. This reflects the hedging as well as any collateral (in the form of LOC and/or available assets) or change in underlying asset values that would be used to achieve credit for reinsurance for the segment of liabilities reinsured to an affiliate in light of our determination of risk tolerance and available collateral, which we assess periodically. As part of our risk management approach, we may use LOCs to meet regulatory requirements in our affiliates even when capital requirements may be met in aggregate without LOCs. We assess and determine appropriate capital use in various scenarios including a combination of LOCs and available assets.

(\$ in millions)	As of September 30, 2017							
	Equity Market (S&P 500)						Interest Rates	
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Decrease/(increase) in regulatory reserves	\$(2,800)	\$(1,500)	\$(450)	\$400	\$950	\$1,450	\$(1,100)	\$750
Hedge gain/(loss) immediate impact	2,600	1,450	450	(400)	(950)	(1,400)	1,100	(850)
Increase/(decrease) in Market Value of Assets	—	—	—	—	—	—	650	(650)
Increase/(decrease) in LOCs	200	50	—	—	—	—	—	750
Net impact	\$—	\$—	\$—	\$—	\$—	\$50	\$650	\$—

Decrease / (increase) in regulatory reserves includes statutory reserves for policyholder account balances, AG43 reserves and additional cash flow testing reserves related to the CBVA segment. Hedge Gain (Loss) assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns. Increase / (decrease) in LOCs and/or available assets indicates the change in the amount of LOCs and/or available assets used to provide credit for reinsurance at those times when the assets backing the reinsurance liabilities may be less than the statutory reserve requirement. Increase / (decrease) in Market Value of Assets is the estimated potential change in market value of assets supporting the segment of liabilities reinsured to an affiliate from 100 basis point upward and downward shifts in interest rates.

Results of an actual shock to equity markets or interest rates will differ from the above illustrations for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges and/or the effects of time and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed block of business evolve or if assumptions or methodologies that affect reserves or hedge targets are refined.

### U.S. GAAP Earnings Sensitivity

As U.S. GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, the Variable Annuity Hedge Program may result in immediate impacts that may be lower or higher than the regulatory impacts illustrated above. The following table summarizes the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA segment, which is the sum of the increase or decrease in U.S. GAAP reserves and the hedge gain or loss from our Variable Annuity Hedge Program for various shocks in both equity markets and interest rates.

Edgar Filing: Voya Financial, Inc. - Form 10-Q

As of September 30, 2017

(\$ in millions)	Equity Market (S&P 500)						Interest Rates	
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Total estimated earnings sensitivity	\$950	\$550	\$150	\$(150)	\$(300)	\$(350)	\$50	\$(50)

We regularly monitor and refine our hedge program targets in line with our primary goal of protecting regulatory and rating agency capital. It is possible that further changes to the Variable Annuity Hedge Program will be made and those changes may either

increase or decrease earnings sensitivity. Liabilities are based on U.S. GAAP reserves and embedded derivatives, with the latter excluding the effects of nonperformance risk. DAC is amortized over estimated gross revenues, which we do not expect to be volatile; however, volatility could be driven by loss recognition. Hedge Gain (Loss) impacting the above estimated earnings sensitivity assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns.

Actual results will differ from the estimates above for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), consideration of nonperformance risk, equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges, and/or the effects of time and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed block of business evolves, or if changes in assumptions or methodologies that affect reserves or hedge targets are refined. As the closed block of business evolves, actual net impacts are realized, or if changes are made to the target of the hedge program, the sensitivities may vary over time. Additionally, actual results will differ from the above due to issues such as basis risk, market volatility, changes in implied volatility, combined effects of interest rates and equities, rebalancing of hedges in the future, or the effects of time and other variations from the assumptions in the above table.

#### Item 4. Controls and Procedures

##### Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company's periodic SEC filings is made known to them in a timely manner.

##### Changes in Internal Control Over Financial Reporting

On July 31, 2017, we entered into a servicing agreement with Cognizant Worldwide Limited (together with its affiliates, "Cognizant"). Under the agreement, Cognizant provides the Company with a broad range of information technology services, including services that the Company previously performed in-house. Cognizant is responsible for providing certain computing assets such as server and network hardware. There is a transition period in connection with Cognizant assuming responsibility for these operations. We retain responsibility for, among other things, our technology architecture, security strategy, program governance and regulatory oversight responsibilities. Certain of the information technology services that will be provided under the servicing agreement affect systems-related aspects of our financial controls. Consequently, the Company has concluded that entry into and implementation of the servicing agreement constitutes a material change in the Company's internal control over financial reporting for purposes of Rule 13a-15(d) of the Exchange Act.

Other than the change noted above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See the Commitments and Contingencies Note in our Condensed Consolidated Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

For a discussion of the Company's potential risks and uncertainties, please see Risk Factors in Part I, Item IA. of our Annual Report on Form 10-K for the year ended December 31, 2016 (the "Annual Report on Form 10-K") filed with the SEC. In addition, please see Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties in Part I, Item 2. of this Quarterly Report on Form 10-Q .

The following should be read in conjunction with and supplements and amends the risk factors described in our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

The performance of our CBVA segment depends on assumptions that may not be accurate.

Our CBVA segment is subject to risks associated with the future behavior of policyholders and future claims payment patterns, using assumptions for mortality experience, lapse rates, GMIB annuitization rates and GMWBL withdrawal rates. We are required to make assumptions about these behaviors and patterns, which may not reflect the actual behaviors and patterns we experience in the future. It is possible that future assumption changes could produce reserve changes that could be material. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company.

In particular, we have only minimal experience regarding the long-term implications of policyholder behavior for our GMIB and as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period from 2004 to 2006, have a ten-year waiting period before annuitization is available. These contracts first became eligible to annuitize during the period from 2014 through 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. In recent years, we have made several income enhancement offers to holders of particular series of GMIB contracts, under which policy holders were offered an incentive to annuitize prior to the end of the waiting period, and we have waived the remaining waiting period on these GMIB contracts. As a result, although we have increased experience on policyholder behavior for the first opportunity to annuitize, including from the acceptance rates of the income enhancement offers, we continue to have only a statistically small sample of experience used to set annuitization rates beyond the maximum rollup period. Therefore, we anticipate that observable experience data will become statistically credible later in this decade, when a large volume of GMIB benefits begin to reach their maximum rollup period over the period from 2019 to 2022. Similarly, most of our GMWBL contracts were issued during the period from 2006 to 2009, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, many of our GMWBL contracts contain significant incentives to delay withdrawal with the GMWBL benefits reaching their maximum rollup over the period from 2016 to 2019. Our experience for GMWBL contracts has recently become more credible, however it is possible that policyholders may choose to withdraw sooner or later than our current best estimate assumes. We expect customer decisions on withdrawal will be influenced by their financial plans and needs as well as by market conditions over time and by the availability and features of competing products.

We also make estimates of expected lapse rates, which represent the probability that a policy will not remain in force from one period to the next, for contracts in the CBVA segment. Lapse rates of our variable annuity contracts may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate accounts (account value or account balance). In general, policies with guarantees that are "in the money" are assumed to be less likely to lapse. Conversely, "out of the money" guarantees are assumed to be more likely to lapse as the

policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us.

Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre-and post-financial crisis experience. Relative to our current expectations, actual lapse rates have generally demonstrated a declining trend over the period from 2006 to the present. We analyze actual experience over that entire period, as we believe that over the duration of the variable annuity policies we may experience the full range of policyholder behavior and

market conditions. However, management's current best estimate of variable annuity policyholder lapse behavior is weighted more heavily toward more recent experience, as the last three years of data have shown a more consistent trend of lapse behavior.

Actual lapse rates that are lower than our lapse rate assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years, and, as discussed above, future reserve increases in connection with experience updates could be material and adverse to the results of operations or financial condition of the Company.

We make estimates regarding mortality, which refers to the ceasing of life contingent benefit payments due to the death of the annuitant. Mortality also refers to the incidence of death amongst policyholders triggering the payment of Guaranteed Minimum Death Benefits. We use a combination of actual and industry experience when setting our mortality assumptions. We review overall policyholder experience at least annually (including lapse, annuitization, withdrawal and mortality), and update these assumptions when deemed necessary based on additional information that becomes available. As policyholder experience continues to materialize, we may adjust our assumptions. We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. This resulted in an increase of U.S. GAAP reserves of \$741 million and gross U.S. statutory reserves of \$2,776 million in the fourth quarter of 2011.

Annual assumption changes and revisions to projection model inputs implemented during 2017 resulted in a gain of \$373.4 million. This \$373.4 million gain included a favorable \$257.7 million as a result of updates made to assumptions principally related to mortality, volatility, and discount rates applicable to future cash flows from variable annuity contracts. This gain also included \$115.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts and favorable updates to annuitizations on GMIB contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during 2016 resulted in a loss of \$95.5 million. This \$95.5 million loss included an unfavorable \$250.2 million as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by \$154.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization rates on Guaranteed minimum withdrawal benefits with life payouts contracts, partially offset by an unfavorable update to lapse rates.

We will continue to monitor the emergence of experience. If adjustments to policyholder behavior assumptions (e.g., lapse, annuitization and withdrawal) are necessary, which is ordinary course for interest-sensitive long-dated liabilities, we anticipate that the financial impact of such a change (either under U.S. GAAP or due to increases or decreases in gross U.S. statutory reserves) will likely be in a range, either up or down, that is generally consistent with the impact experienced in the past three years.

#### Potential Changes to Variable Annuity Reserve Requirements Could Increase our Capital Requirements

At various times in the past several years, the NAIC has indicated that it might pursue changes to the current reserve and capital framework that applies to insurers, including several of our Insurance Subsidiaries, who write or reinsure variable annuity ("VA") policies. Since 2015, the NAIC's Variable Annuity Issues Working Group ("VAIWG") has been considering general proposals for VA reserve and capital reform that would create more uniformity in VA reserving practices and reduce incentives for the use of captive reinsurance arrangements for VA business. These proposals, if adopted, could change the reserves and capital we are required to hold with respect to VA business, particularly in our CBVA segment.

During 2016, VAIWG engaged Oliver Wyman ("OW") to conduct an initial quantitative impact ("QIS1") study involving industry participants, including Voya Financial, of possible revisions to the current VA reserve and capital framework. In late 2016, OW provided the VAIWG a QIS1 report that included preliminary findings and recommended a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the QIS1 report. The second quantitative impact study ("QIS2") began in February 2017 and is scheduled to be completed by November 2017, with NAIC deliberations on QIS2 results and proposed VA reserve and capital reforms expected to begin during the fourth quarter of 2017. It is unlikely that any changes adopted by the NAIC would be effective prior to 2019, although timing remains uncertain.

The outcome of QIS2, and the parameters of any VA reserve and capital reform to be proposed by OW or adopted by the VAIWG, is uncertain at this time. Certain proposals under consideration as part of QIS2, if adopted as a component of any final VA reserve

and capital reform, could negatively impact VA reserve and capital calculations for our CBVA segment and potentially result in increased collateral requirements at RRII, our Arizona captive that primarily reinsures CBVA living benefit guarantees. It is possible that any negative impacts to statutory reserves or rating agency capital requirements as a result of VA reserve and capital reform could be material to our capital position. If we are required to increase reserves or collateral, we believe it is likely that such increases would be subject to a multiyear grade-in period. At the present time, we cannot predict what, if any, of these proposals may become part of any VA framework reform proposal or what impact any final VAIWG VA framework reform would have on our CBVA reserves, capital or captive collateralization requirements.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Purchases of Equity Securities by the Issuer

The following table summarizes Voya Financial, Inc.'s repurchases of its common stock for the three months ended September 30, 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2017 - July 31, 2017	—	\$	—	(in millions) \$ 210.6
August 1, 2017 - August 31, 2017	—	—	—	210.6
September 1, 2017 - September 30, 2017	—	—	—	210.6
Total	—	\$	—	N/A

In connection with the vesting of equity-based compensation awards, employees may remit to Voya Financial, Inc., or Voya Financial, Inc. may withhold into treasury stock, shares of common stock in respect to tax withholding obligations associated with such vesting. For the three months ended September 30, 2017, there were 436 Treasury share increases in connection with such withholding activities.

## Item 6. Exhibits

See Exhibit Index on page 173 hereof.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 1, 2017 Voya Financial, Inc.  
(Date) (Registrant)

By: /s/ Michael S. Smith  
Michael S. Smith  
Executive Vice President and  
Chief Financial Officer  
(Duly Authorized Officer and Principal Financial Officer)

Voya Financial, Inc.

Exhibit Index

Exhibit No.	Description of Exhibit
10.1*	<u>Amendment Agreement with Rodney O. Martin, Jr., dated September 18, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (file No. 001-35897) filed on September 21, 2017)</u>
10.2+^	<u>Master Agreement for Outsourced Services between Voya Services Company and Cognizant Worldwide Limited dated as of July 31, 2017</u>
12.1+	<u>Voya Financial, Inc. Ratio of Earnings to Fixed Charges</u>
31.1+	<u>Rule 13a-14(a)/15d-14(a) Certification of Rodney O. Martin, Jr. Chief Executive Officer (included as Exhibit 31.1 to Form 10-Q)</u>
31.2+	<u>Rule 13a-14(a)/15d-14(a) Certification of Michael S. Smith, Chief Financial Officer (included as Exhibit 31.2 to Form 10-Q)</u>
32.1+	<u>Section 1350 Certification of Rodney O. Martin, Jr. Chief Executive Officer (included as Exhibit 32.1 to Form 10-Q)</u>
32.2+	<u>Section 1350 Certification of Michael S. Smith, Chief Financial Officer (included as Exhibit 32.2 to Form 10-Q)</u>
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase
101.DEF+	XBRL Taxonomy Extension Definition Linkbase
101.LAB+	XBRL Taxonomy Extension Label Linkbase
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase

+ Filed herewith.

\* This exhibit is a management contract or compensatory plan or arrangement.

^ Confidential portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.