

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,"

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"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

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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.

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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
<b>Liabilities and Shareholders' Equity:</b>		
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
<b>Liabilities related to consolidated investment entities:</b>		
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
<b>Total liabilities</b>	<b>212,032.6</b>	<b>200,268.0</b>
 <b>Commitments and Contingencies (Note 12)</b>		
 <b>Shareholders' equity:</b>		
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
<b>Retained earnings (deficit):</b>		
Appropriated-consolidated investment entities	—	—
Unappropriated	(9,655.6	) (9,843.3 )
<b>Total Voya Financial, Inc. shareholders' equity</b>	<b>13,653.0</b>	<b>12,993.9</b>
Noncontrolling interest	958.3	973.2
<b>Total shareholders' equity</b>	<b>14,611.3</b>	<b>13,967.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 226,643.9</b>	<b>\$ 214,235.1</b>

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

Statements.

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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.

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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.

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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)						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

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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	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
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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.

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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.

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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.

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#### 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

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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.

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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.

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## 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 <sup>(2)</sup>	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.

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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.





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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

Total	\$53,825.0	\$ 3,058.8	\$ 542.7	\$56,341.1
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### 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.

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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

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

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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.

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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.

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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		
December 31, 2016	< 20%	> 20%	< 20%	> 20%
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		
December 31, 2016	< 20%	> 20%	< 20%	> 20%
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		
December 31, 2016	< 20%	> 20%	< 20%	> 20%
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.

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(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		
	Impaired	Non Impaired	Total	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

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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

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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

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(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 %

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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.

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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.

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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



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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,

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	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	717.1	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.



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(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		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2017	2016	2017	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							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>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:	Purchases	Issues	Sales	Settlements	Level 3 <sup>(3)</sup>				
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$89.2	\$ (0.1 )	\$ 0.1	\$ —	-\$ (9.6)	\$ —	\$ —	\$ —	\$ 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	—	—	—	—	—	—	—	(21)6	—