

Voya Financial, Inc.
Form 10-Q
August 07, 2014

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2014

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)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller

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reporting 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)

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 August 5, 2014, 254,643,253 shares of Common Stock, \$0.01 par value, were outstanding.

Voya Financial, Inc.
Form 10-Q for the period ended June 30, 2014

INDEX		PAGE
PART I.	FINANCIAL INFORMATION (UNAUDITED)	
Item 1.	Financial Statements:	
	<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>7</u>
	<u>Condensed Consolidated Statements of Changes in Shareholders' Equity</u>	<u>8</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>10</u>
	Notes to Condensed Consolidated Financial Statements	<u>11</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>108</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	<u>169</u>
Item 4.	Controls and Procedures	<u>179</u>
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	<u>180</u>
Item 1A.	Risk Factors	<u>180</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>180</u>
Item 5.	Other Information	<u>180</u>
Item 6.	Exhibits	<u>181</u>
	<u>Signature</u>	<u>182</u>
	<u>Exhibit Index</u>	<u>183</u>

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 or 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, 2013 (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 March 31, 2014 (File No. 001-35897). 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

June 30, 2014 (Unaudited) and December 31, 2013

(In millions, except share and per share data)

	June 30, 2014	December 31, 2013
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$64,900.3 as of 2014 and \$65,033.8 as of 2013)	\$70,924.3	\$68,317.8
Fixed maturities, at fair value using the fair value option	3,538.7	2,935.3
Equity securities, available-for-sale, at fair value (cost of \$242.0 as of 2014 and \$267.4 as of 2013)	273.5	314.4
Short-term investments	775.9	1,048.1
Mortgage loans on real estate, net of valuation allowance of \$3.3 as of 2014 and \$3.8 as of 2013	9,491.4	9,312.2
Policy loans	2,113.7	2,147.0
Limited partnerships/corporations	343.9	236.4
Derivatives	1,094.6	1,149.3
Other investments	120.2	124.6
Securities pledged (amortized cost of \$1,072.3 as of 2014 and \$1,457.9 as of 2013)	1,145.1	1,465.7
Total investments	89,821.3	87,050.8
Cash and cash equivalents	3,142.0	2,840.8
Short-term investments under securities loan agreements, including collateral delivered	603.2	552.9
Accrued investment income	906.5	897.1
Reinsurance recoverable	6,637.1	6,702.2
Deferred policy acquisition costs and Value of business acquired	4,511.2	5,351.6
Sales inducements to contract holders	241.5	279.0
Current income taxes	5.1	—
Deferred income taxes	—	162.1
Goodwill and other intangible assets	303.2	323.7
Other assets	1,138.1	1,036.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	3,591.9	3,218.6
Cash and cash equivalents	645.6	710.7
Corporate loans, at fair value using the fair value option	5,764.9	4,965.3
Other assets	118.2	104.8
Assets held in separate accounts	110,648.2	106,827.1
Total assets	\$228,078.0	\$221,023.2

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

Voya Financial, Inc.
Condensed Consolidated Balance Sheets
June 30, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

	June 30, 2014	December 31, 2013
Liabilities and Shareholders' Equity:		
Future policy benefits	\$14,675.5	\$14,098.4
Contract owner account balances	69,749.0	69,908.3
Payables under securities loan agreements, including collateral held	904.9	769.4
Long-term debt	3,515.2	3,514.7
Funds held under reinsurance agreements	1,167.6	1,181.5
Derivatives	918.2	1,351.8
Pension and other post-employment provisions	464.7	474.9
Current income taxes	—	44.1
Deferred income taxes	582.2	—
Other liabilities	1,252.3	1,274.1
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	5,955.6	5,161.6
Other liabilities	981.3	903.3
Liabilities related to separate accounts	110,648.2	106,827.1
Total liabilities	210,814.7	205,509.2
Shareholders' equity:		
Common stock (\$0.01 par value per share; 900,000,000 shares authorized, 263,512,276 and 261,754,931 shares issued as of 2014 and 2013, respectively; 254,637,825 and 261,675,811 shares outstanding as of 2014 and 2013, respectively)	2.6	2.6
Treasury stock (at cost; 8,874,451 and 79,120 shares as of 2014 and 2013, respectively)	(304.2) —
Additional paid-in capital	23,599.9	23,563.7
Accumulated other comprehensive income (loss)	3,152.7	1,849.1
Retained earnings (deficit):		
Appropriated-consolidated investment entities	24.3	18.4
Unappropriated	(11,657.2	) (12,161.6
Total Voya Financial, Inc. shareholders' equity	14,818.1	13,272.2
Noncontrolling interest	2,445.2	2,241.8
Total shareholders' equity	17,263.3	15,514.0
Total liabilities and shareholders' equity	\$228,078.0	\$221,023.2

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

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Voya Financial, Inc.
 Condensed Consolidated Statements of Operations
 For the Three and Six Months Ended June 30, 2014 and 2013 (Unaudited)
 (In millions, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenues:				
Net investment income	\$1,120.9	\$1,112.2	\$2,266.5	\$2,310.9
Fee income	897.3	909.7	1,829.1	1,801.6
Premiums	629.4	474.8	1,230.3	946.7
Net realized capital gains (losses):				
Total other-than-temporary impairments	(2.6)	(9.7)	(5.9)	(21.3)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(0.1)	(2.5)	(0.1)	(3.1)
Net other-than-temporary impairments recognized in earnings	(2.5)	(7.2)	(5.8)	(18.2)
Other net realized capital gains (losses)	(364.0)	(558.7)	(551.3)	(1,422.5)
Total net realized capital gains (losses)	(366.5)	(565.9)	(557.1)	(1,440.7)
Other revenue	110.3	106.1	215.8	201.7
Income (loss) related to consolidated investment entities:				
Net investment income	300.5	166.8	382.0	211.0
Changes in fair value related to collateralized loan obligations	6.2	(63.1)	2.4	(72.0)
Total revenues	2,698.1	2,140.6	5,369.0	3,959.2
Benefits and expenses:				
Policyholder benefits	811.2	711.0	1,676.2	1,251.5
Interest credited to contract owner account balances	494.0	518.9	987.1	1,039.8
Operating expenses	758.3	770.2	1,547.8	1,529.3
Net amortization of Deferred policy acquisition costs and Value of business acquired	115.7	124.5	241.8	255.0
Interest expense	47.5	43.8	95.1	88.2
Operating expenses related to consolidated investment entities:				
Interest expense	49.5	43.4	95.7	80.2
Other expense	2.9	4.0	4.0	4.7
Total benefits and expenses	2,279.1	2,215.8	4,647.7	4,248.7
Income (loss) before income taxes	419.0	(75.2)	721.3	(289.5)
Income tax expense (benefit)	6.1	10.1	36.8	21.3
Net income (loss)	412.9	(85.3)	684.5	(310.8)
Less: Net income (loss) attributable to noncontrolling interest	166.6	(3.1)	180.1	(16.6)
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$246.3	\$(82.2)	\$504.4	\$(294.2)
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:				
Basic	\$0.97	\$(0.33)	\$1.96	\$(1.22)
Diluted	\$0.96	\$(0.33)	\$1.94	\$(1.22)
Cash dividends declared per share of common stock	\$0.01	\$—	\$0.02	\$—

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

Voya Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2014 and 2013 (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income (loss)	\$412.9	\$(85.3)	) \$684.5	\$(310.8)
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	879.1	(2,110.3)	) 1,989.2	(2,510.2)
Other-than-temporary impairments	8.7	20.4	) 24.3	31.3
Pension and other postretirement benefits liability	(3.5)	) (3.4)	) (6.9)	) (6.9)
Other comprehensive income (loss), before tax	884.3	(2,093.3)	) 2,006.6	(2,485.8)
Income tax expense (benefit) related to items of other comprehensive income (loss)	309.1	(728.3)	) 703.0	(862.9)
Other comprehensive income (loss), after tax	575.2	(1,365.0)	) 1,303.6	(1,622.9)
Comprehensive income (loss)	988.1	(1,450.3)	) 1,988.1	(1,933.7)
Less: Comprehensive income (loss) attributable to the noncontrolling interest	166.6	(3.1)	) 180.1	(16.6)
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$821.5	\$(1,447.2)	) \$1,808.0	\$(1,917.1)

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

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Six Months Ended June 30, 2014 (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 at January 1, 2014	\$ 2.6	\$—	\$23,563.7	\$ 1,849.1	\$18.4	\$(12,161.6)	\$ 13,272.2	\$ 2,241.8	\$ 15,514.0
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	504.4	504.4	180.1	684.5
Other comprehensive income (loss), after tax	—	—	—	1,303.6	—	—	1,303.6	—	1,303.6
Total comprehensive income (loss)							1,808.0	180.1	1,988.1
Reclassification of noncontrolling interest	—	—	—	—	5.9	—	5.9	(5.9)	—
Common stock issuance	—	—	—	—	—	—	—	—	—
Common stock acquired - Share repurchase	—	(289.4)	—	—	—	—	(289.4)	—	(289.4)
Dividends on common stock	—	—	(5.2)	—	—	—	(5.2)	—	(5.2)
Share-based compensation	—	(14.8)	41.4	—	—	—	26.6	—	26.6
Contribution from (Distribution to) noncontrolling interest, net	—	—	—	—	—	—	—	29.2	29.2
Balance at June 30, 2014	\$ 2.6	\$(304.2)	\$23,599.9	\$ 3,152.7	\$24.3	\$(11,657.2)	\$ 14,818.1	\$ 2,445.2	\$ 17,263.3

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 Six Months Ended June 30, 2013 (Unaudited)

(In millions)

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

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

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2014 and 2013 (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2014	2013
Net cash provided by operating activities	\$ 1,817.4	\$ 1,289.9
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	6,095.4	7,714.4
Equity securities, available-for-sale	59.1	32.0
Mortgage loans on real estate	639.7	790.4
Limited partnerships/corporations	52.0	54.0
Acquisition of:		
Fixed maturities	(6,052.3	) (10,478.1
Equity securities, available-for-sale	(13.5	) (10.9
Mortgage loans on real estate	(818.6	) (1,033.8
Limited partnerships/corporations	(170.9	) (8.7
Short-term investments, net	272.2	3,586.4
Policy loans, net	33.3	55.4
Derivatives, net	(549.0	) (1,293.4
Other investments, net	24.7	11.5
Sales from consolidated investment entities	1,790.0	1,508.9
Purchases within consolidated investment entities	(2,892.0	) (2,027.2
Collateral received (delivered), net	85.2	(787.0
Purchases of fixed assets, net	(18.9	) (15.1
Net cash used in investing activities	(1,463.6	) (1,901.2
Cash Flows from Financing Activities:		
Deposits received for investment contracts	3,798.5	5,917.2
Maturities and withdrawals from investment contracts	(4,505.2	) (6,226.0
Proceeds from issuance of debt with maturities of more than three months	—	1,748.9
Repayment of debt with maturities of more than three months	—	(2,408.7
Short-term debt, net	—	(171.6
Debt issuance costs	(16.8	) (19.6
Borrowings of consolidated investment entities	191.0	27.7
Repayments of borrowings of consolidated investment entities	(38.7	) (7.8
Contributions from (distributions to) participants in consolidated investment entities	828.0	942.2
Proceeds from issuance of common stock, net	—	572.0
Common stock acquired - Share repurchase	(289.4) —
Share-based compensation	(14.8) —
Dividends paid	(5.2) —
Net cash (used in) provided by financing activities	(52.6	) 374.3
Net increase (decrease) in cash and cash equivalents	301.2	(237.0
Cash and cash equivalents, beginning of period	2,840.8	1,786.8
Cash and cash equivalents, end of period	\$ 3,142.0	\$ 1,549.8
Supplemental cash flow information:		
Income taxes paid (received), net	\$ 44.7	\$ (2.4
Interest paid	88.9	64.1

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Voya Financial, Inc. (which changed its name from ING U.S., Inc. on April 7, 2014) and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products, guaranteed investment contracts and funding agreements. The Company provides its principal products and services in three ongoing businesses (Retirement Solutions, Investment Management and Insurance Solutions) and reports results through five ongoing operating segments, including Retirement, Annuities, Investment Management, Individual Life and Employee Benefits. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

In 2009, ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands, with American Depository Shares listed on the New York Stock Exchange, announced the anticipated separation of its global banking and insurance businesses, including the divestiture of the Company. On April 11, 2013, the Company announced plans to rebrand as Voya Financial. On May 2, 2013, the common stock of Voya Financial, Inc. began trading on the New York Stock Exchange under the symbol "VOYA." On May 7, 2013 and May 31, 2013, Voya Financial, Inc. completed its initial public offering of common stock, including the issuance and sale by Voya Financial, Inc. of 30,769,230 shares of common stock and the sale by ING Insurance International B.V. ("ING International"), an indirect wholly owned subsidiary of ING Group and previously the sole stockholder of ING U.S., Inc., of 44,201,773 shares of outstanding common stock of Voya Financial, Inc. (collectively, the "IPO"). On September 30, 2013, ING International transferred all of its remaining shares of ING U.S., Inc. common stock to ING Group.

On October 29, 2013, ING Group completed a sale of 37,950,000 shares of common stock of the Company in a registered public offering ("Secondary Offering"), reducing ING Group's ownership in the Company to 57%.

On March 25, 2014, ING Group completed a sale of 30,475,000 shares of common stock of Voya Financial, Inc. in a registered public offering (the "March 2014 Offering"). Also on March 25, 2014, pursuant to the terms of a share repurchase agreement between ING Group and Voya Financial, Inc., Voya Financial, Inc. acquired 7,255,853 shares of its common stock from ING Group (the "Direct Share Repurchase") (the offering and the Direct Share Repurchase collectively, the "Transactions"). Upon completion of the Transactions, ING Group's ownership of Voya Financial, Inc. was reduced to approximately 43%.

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 at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

The Condensed Consolidated Financial Statements include the accounts of 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 all adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2014, its results of operations and comprehensive income for the three and six months ended June 30, 2014 and 2013, and its changes in shareholders' equity and statements of cash flows for the six months ended June 30, 2014 and 2013, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2013 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, which included all disclosures required by U.S.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

GAAP. Therefore, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K.

Adoption of New Pronouncements

Presentation of Unrecognized Tax Benefits

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

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

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

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

The provisions of ASU 2013-11 were adopted prospectively by the Company on January 1, 2014, to all unrecognized tax benefits existing on that date. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the guidance is consistent with that previously applied.

Investment Companies

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

The provisions of ASU 2013-08 were adopted prospectively by the Company on January 1, 2014, for entities that are investment companies at that date. The adoption had no effect on the Company's financial condition, results of operations or cash flows.

Joint and Several Liability Arrangements

In February 2013, the FASB issued ASU 2013-04, "Liabilities (ASC Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date" ("ASU 2013-04"), which requires an entity to measure obligations resulting from joint and several liable arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of

(1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount it expects to pay on behalf of its co-obligors. ASU 2013-04 also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations.

The provisions of ASU 2013-04 were adopted by the Company on January 1, 2014. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the Company did not have any fixed obligations under joint and several liable arrangements as of January 1, 2014.

Fees Paid to the Federal Government by Health Insurers

In July 2011, the FASB issued ASU 2011-06, "Other Expenses (ASC Topic 720): Fees Paid to the Federal Government by Health Insurers" ("ASU 2011-06"), which specifies how health insurers should recognize and classify the annual fee imposed by the Patient Protection and Affordable Care Act as amended by the Health Care Education Reconciliation Act (the "Acts"). The liability for the fee should be estimated and recorded in full at the time the entity provides qualifying health insurance in the year in which the fee is payable, with a corresponding deferred cost that is amortized to expense.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

The provisions of ASU 2011-06 were adopted by the Company on January 1, 2014, when the fee initially became effective. The adoption of ASU 2011-06 had no effect on the Company's financial condition, results of operations or cash flows, as the amount of net premium written for qualifying health insurance by the Company in 2014 is expected to be below the \$25.0 threshold as defined by the Acts and, thus, not subject to the fee.

Future Adoption of Accounting Pronouncements

Share-based Payments

In June 2014, the FASB issued ASU 2014-12, "Compensation-Stock Compensation (ASC Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" ("ASU 2014-12"), which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved.

The provisions of ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The amendments can be applied prospectively or retrospectively. The Company does not expect ASU 2014-12 to have an impact on its financial condition or results of operations, as the guidance is consistent with that previously applied.

Repurchase Agreements

In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing (ASC Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" ("ASU 2014-11"), which (1) changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting, and (2) requires separate accounting for a transfer of a financial asset executed with a repurchase agreement with the same counterparty. This will result in secured borrowing accounting for the repurchase agreement. The amendments also require additional disclosures for certain transactions accounted for as a sale and for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings.

The provisions of ASU 2014-11 are effective for the first interim or annual period beginning after December 15, 2014, with the exception of disclosure amendments for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings, which are effective for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The Company does not expect ASU 2014-11 to have an impact on its financial condition or results of operations, as the Company has not historically met the requirements for sale accounting treatment for such secured borrowing arrangements. The Company is currently in the process of determining the impact of adoption of the disclosure provisions of ASU 2014-11.

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.

The standard also requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The provisions of ASU 2014-09 are effective retrospectively for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2014-09.

Discontinued Operations and Disposals

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (ASC Topic 205) and Property, Plant, and Equipment (ASC Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"), which requires the disposal of a component of an entity to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on the entity's operations and financial results. The component should be reported in discontinued operations when it meets the criteria to be classified as held for sale, is disposed of by sale or is disposed of other than by sale.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

The amendments also require additional disclosures about discontinued operations, including disclosures about an entity's significant continuing involvement with a discontinued operation, and disclosures for a disposal of an individually significant component of an entity that does not qualify for discontinued operations.

The provisions of ASU 2014-08 are effective for annual periods beginning after December 15, 2014 and for interim periods beginning after December 15, 2015. The amendments should be applied prospectively to disposals and classifications as held for sale that occur within those periods.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of June 30, 2014:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives ⁽²⁾	Fair Value	OTTI ⁽³⁾
Fixed maturities:						
U.S. Treasuries	\$4,364.8	\$416.6	\$11.3	\$—	\$4,770.1	\$—
U.S. Government agencies and authorities	416.5	44.8	—	—	461.3	—
State, municipalities and political subdivisions	344.7	22.6	0.3	—	367.0	—
U.S. corporate securities	36,952.2	3,451.2	174.1	—	40,229.3	11.8
Foreign securities ⁽¹⁾ :						
Government	883.9	55.0	11.0	—	927.9	—
Other	14,876.8	1,247.7	35.5	—	16,089.0	—
Total foreign securities	15,760.7	1,302.7	46.5	—	17,016.9	—
Residential mortgage-backed securities:						
Agency	5,063.3	449.4	23.2	72.7	5,562.2	0.3
Non-Agency	1,092.0	176.8	9.6	46.6	1,305.8	84.7
Total Residential mortgage-backed securities	6,155.3	626.2	32.8	119.3	6,868.0	85.0
Commercial mortgage-backed securities	3,596.2	315.2	0.3	—	3,911.1	—
Other asset-backed securities	1,920.9	87.2	23.7	—	1,984.4	4.9
Total fixed maturities, including securities pledged	69,511.3	6,266.5	289.0	119.3	75,608.1	101.7
Less: Securities pledged	1,072.3	80.3	7.5	—	1,145.1	—
Total fixed maturities	68,439.0	6,186.2	281.5	119.3	74,463.0	101.7
Equity securities:						
Common stock	191.5	0.5	0.1	—	191.9	—
Preferred stock	50.5	31.1	—	—	81.6	—

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Total equity securities	242.0	31.6	0.1	—	273.5	—
Total fixed maturities and equity securities investments	\$68,681.0	\$6,217.8	\$281.6	\$119.3	\$74,736.5	\$101.7

(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)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2013:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives ⁽²⁾	Fair Value	OTTI ⁽³⁾
Fixed maturities:						
U.S. Treasuries	\$5,094.0	\$174.0	\$86.8	\$—	\$5,181.2	\$—
U.S. Government agencies and authorities	598.0	22.3	1.4	—	618.9	—
State, municipalities and political subdivisions	272.0	10.6	1.5	—	281.1	—
U.S. corporate securities	36,010.3	2,174.5	706.2	—	37,478.6	12.8
Foreign securities ⁽¹⁾ :						
Government	1,044.0	49.6	42.2	—	1,051.4	—
Other	14,617.4	864.2	176.5	—	15,305.1	—
Total foreign securities	15,661.4	913.8	218.7	—	16,356.5	—
Residential mortgage-backed securities:						
Agency	5,379.2	431.1	62.1	79.2	5,827.4	0.4
Non-Agency	1,101.1	166.2	18.3	47.3	1,296.3	103.2
Total Residential mortgage-backed securities	6,480.3	597.3	80.4	126.5	7,123.7	103.6
Commercial mortgage-backed securities	3,427.9	327.7	3.5	—	3,752.1	4.4
Other asset-backed securities	1,883.1	81.6	38.0	—	1,926.7	5.2
Total fixed maturities, including securities pledged	69,427.0	4,301.8	1,136.5	126.5	72,718.8	126.0
Less: Securities pledged	1,457.9	24.6	16.8	—	1,465.7	—
Total fixed maturities	67,969.1	4,277.2	1,119.7	126.5	71,253.1	126.0
Equity securities:						
Common stock	214.3	5.1	0.9	—	218.5	—
Preferred stock	53.1	43.4	0.6	—	95.9	—
Total equity securities	267.4	48.5	1.5	—	314.4	—
Total fixed maturities and equity securities investments	\$68,236.5	\$4,325.7	\$1,121.2	\$126.5	\$71,567.5	\$126.0

⁽¹⁾ Primarily U.S. dollar denominated.

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of June 30, 2014, 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	\$2,194.3	\$2,244.1
After one year through five years	13,260.8	14,196.3
After five years through ten years	20,848.5	21,912.8
After ten years	21,535.3	24,491.4
Mortgage-backed securities	9,751.5	10,779.1
Other asset-backed securities	1,920.9	1,984.4
Fixed maturities, including securities pledged	\$69,511.3	\$75,608.1

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

As of June 30, 2014 and December 31, 2013, 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 condensed consolidated Shareholders' equity.

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

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
June 30, 2014				
Communications	\$4,009.4	\$503.4	\$11.5	\$4,501.3
Financial	7,205.7	753.8	11.3	7,948.2
Industrial and other companies	29,995.9	2,346.1	151.5	32,190.5
Utilities	9,212.7	954.6	29.4	10,137.9
Transportation	1,405.3	141.0	5.9	1,540.4
Total	\$51,829.0	\$4,698.9	\$209.6	\$56,318.3
December 31, 2013				
Communications	\$4,016.2	\$293.0	\$73.4	\$4,235.8
Financial	6,640.7	566.6	72.6	7,134.7
Industrial and other companies	29,303.1	1,524.5	564.5	30,263.1
Utilities	9,200.6	570.0	142.2	9,628.4
Transportation	1,467.1	84.6	30.0	1,521.7

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Total	\$50,627.7	\$3,038.7	\$882.7	\$52,783.7
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Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

Fixed Maturities and Equity Securities

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

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

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of June 30, 2014 and December 31, 2013, approximately 41.9% and 38.3%, respectively, of the Company's CMO holdings, such as interest-only or principal-only strips, were invested in those types of CMOs that are subject to more prepayment and extension risk than traditional CMOs.

Repurchase Agreements

The Company engages in dollar repurchase agreements with mortgage-backed securities ("dollar rolls") and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. The Company also enters into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. As of June 30, 2014 and December 31, 2013, the Company did not have any securities pledged in dollar rolls, repurchase agreement transactions or reverse repurchase agreements.

Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions for short periods of time. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. For certain transactions, a lending agent may be used and the agent may retain some or all of the collateral deposited by the borrower and transfer the remaining collateral to the Company. Collateral retained by the agent is invested in 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. As of June 30, 2014 and December 31, 2013, the fair value of loaned securities was \$393.8 and \$435.4,

respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of June 30, 2014 and December 31, 2013, collateral retained by the lending agent and invested in liquid assets on the Company's behalf was \$409.6 and \$451.0, respectively, and recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of June 30, 2014 and December 31, 2013, liabilities to return collateral of \$409.6 and \$451.0, respectively, were included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of June 30, 2014:

	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	\$117.1	\$0.2	\$0.2	\$—	* \$493.1	\$11.1	\$610.4	\$11.3
U.S. Government agencies and authorities	7.1	—	* —	—	—	—	7.1	—
U.S. corporate, state and municipalities	598.6	3.8	166.0	10.0	4,658.9	160.6	5,423.5	174.4
Foreign	173.1	0.5	46.4	0.8	1,408.9	45.2	1,628.4	46.5
Residential mortgage-backed	159.8	1.2	179.0	1.8	921.2	29.8	1,260.0	32.8
Commercial mortgage-backed	41.1	0.3	—	—	—	—	41.1	0.3
Other asset-backed	69.8	0.1	14.6	0.1	292.6	23.5	377.0	23.7
Total	\$1,166.6	\$6.1	\$406.2	\$12.7	\$7,774.7	\$270.2	\$9,347.5	\$289.0

* Less than \$0.1.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, 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, 2013:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	\$1,559.5	\$24.3	\$1,087.6	\$52.6	\$41.9	\$9.9	\$2,689.0	\$86.8
U.S. Government agencies and authorities	9.5	—	*55.9	1.4	—	—	65.4	1.4
U.S. corporate, state and municipalities	3,524.9	78.5	6,893.9	519.6	821.9	109.6	11,240.7	707.7
Foreign	1,133.6	16.0	2,447.8	184.3	179.1	18.4	3,760.5	218.7
Residential mortgage-backed	919.1	8.3	1,019.6	40.6	377.9	31.5	2,316.6	80.4
Commercial mortgage-backed	235.8	3.3	—	—	6.2	0.2	242.0	3.5
Other asset-backed	150.6	0.9	105.5	1.5	299.3	35.6	555.4	38.0
Total	\$7,533.0	\$131.3	\$11,610.3	\$800.0	\$1,726.3	\$205.2	\$20,869.6	\$1,136.5

* Less than \$0.1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 96.6% and 89.4% of the average book value as of June 30, 2014 and December 31, 2013, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, 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%
June 30, 2014						
Six months or less below amortized cost	\$1,341.5	\$1.9	\$23.3	\$0.5	172	5
More than six months and twelve months or less below amortized cost	513.2	3.2	18.4	1.6	73	1
More than twelve months below amortized cost	7,759.1	17.6	240.4	4.8	670	9
Total	\$9,613.8	\$22.7	\$282.1	\$6.9	915	15
December 31, 2013						
Six months or less below amortized cost	\$7,883.3	\$80.5	\$166.0	\$18.6	570	20
More than six months and twelve months or less below amortized cost	12,339.7	67.6	776.8	16.7	798	8
More than twelve months below amortized cost	1,579.2	55.8	144.5	13.9	302	22
Total	\$21,802.2	\$203.9	\$1,087.3	\$49.2	1,670	50

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
June 30, 2014						
U.S. Treasuries	\$621.7	\$—	\$11.3	\$—	12	—
U.S. Government agencies and authorities	7.1	—	—	*—	1	—
U.S. corporate, state and municipalities	5,597.9	—	* 174.4	—	* 346	1
Foreign	1,674.9	—	46.5	—	124	—
Residential mortgage-backed	1,286.4	6.4	29.6	3.2	348	8
Commercial mortgage-backed	41.4	—	0.3	—	5	—
Other asset-backed	384.4	16.3	20.0	3.7	79	6
Total	\$9,613.8	\$22.7	\$282.1	\$6.9	915	15
December 31, 2013						
U.S. Treasuries	\$2,750.5	\$25.3	\$81.4	\$5.4	32	1
U.S. Government agencies and authorities	66.8	—	1.4	—	3	—
U.S. corporate, state and municipalities	11,892.6	55.8	694.2	13.5	744	5
Foreign	3,944.2	35.0	211.0	7.7	300	6
Residential mortgage-backed	2,361.4	35.6	70.2	10.2	471	25
Commercial mortgage-backed	245.5	—	3.5	—	16	—
Other asset-backed	541.2	52.2	25.6	12.4	104	13
Total	\$21,802.2	\$203.9	\$1,087.3	\$49.2	1,670	50

* Less than \$0.1.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, 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 Capital Losses	
	Amortized Cost			
June 30, 2014	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS ⁽¹⁾				
Non-agency RMBS > 100%	\$34.3	\$1.3	\$2.8	\$0.4
Non-agency RMBS > 90% - 100%	59.8	7.0	3.7	1.5
Non-agency RMBS 80% - 90%	130.7	5.4	8.2	1.1
Non-agency RMBS < 80%	253.0	3.0	12.7	1.0
Agency RMBS	1,072.0	4.0	20.8	2.4
Other ABS (Non-RMBS)	121.0	2.0	1.4	0.5
Total RMBS and Other ABS	\$1,670.8	\$22.7	\$49.6	\$6.9

	Credit Enhancement Percentage		Unrealized Capital Losses	
	Amortized Cost			
June 30, 2014	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS ⁽¹⁾				
Non-agency RMBS 10% +	\$364.2	\$14.3	\$23.0	\$3.2
Non-agency RMBS > 5% - 10%	17.8	—	0.5	—
Non-agency RMBS > 0% - 5%	53.2	1.3	1.4	0.4
Non-agency RMBS 0%	42.6	1.1	2.5	0.4
Agency RMBS	1,072.0	4.0	20.8	2.4
Other ABS (Non-RMBS)	121.0	2.0	1.4	0.5
Total RMBS and Other ABS	\$1,670.8	\$22.7	\$49.6	\$6.9

	Fixed Rate/Floating Rate		Unrealized Capital Losses	
	Amortized Cost			
June 30, 2014	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$889.1	\$2.5	\$20.0	\$0.8
Floating Rate	781.7	20.2	29.6	6.1
Total	\$1,670.8	\$22.7	\$49.6	\$6.9

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

December 31, 2013	Loan-to-Value Ratio		Unrealized Capital Losses			
	Amortized Cost		< 20%		> 20%	
	< 20%	> 20%	< 20%	> 20%		
RMBS and Other ABS ⁽¹⁾						
Non-agency RMBS > 100%	\$75.7	\$36.4	\$2.9	\$8.3		
Non-agency RMBS > 90% - 100%	156.8	24.1	8.6	5.7		
Non-agency RMBS 80% - 90%	151.3	5.9	8.4	1.7		
Non-agency RMBS < 80%	284.7	8.0	15.5	2.2		
Agency RMBS	2,008.9	11.3	57.9	4.2		
Other ABS (Non-RMBS)	225.2	2.1	2.5	0.5		
Total RMBS and Other ABS	\$2,902.6	\$87.8	\$95.8	\$22.6		

December 31, 2013	Credit Enhancement Percentage		Unrealized Capital Losses			
	Amortized Cost		< 20%		> 20%	
	< 20%	> 20%	< 20%	> 20%		
RMBS and Other ABS ⁽¹⁾						
Non-agency RMBS 10% +	\$407.1	\$47.7	\$27.6	\$11.1		
Non-agency RMBS > 5% - 10%	43.9	0.8	1.2	0.2		
Non-agency RMBS > 0% - 5%	90.4	3.9	1.9	0.8		
Non-agency RMBS 0%	127.1	22.0	4.7	5.8		
Agency RMBS	2,008.9	11.3	57.9	4.2		
Other ABS (Non-RMBS)	225.2	2.1	2.5	0.5		
Total RMBS and Other ABS	\$2,902.6	\$87.8	\$95.8	\$22.6		

December 31, 2013	Fixed Rate/Floating Rate		Unrealized Capital Losses			
	Amortized Cost		< 20%		> 20%	
	< 20%	> 20%	< 20%	> 20%		
Fixed Rate	\$1,723.7	\$4.4	\$50.5	\$1.6		
Floating Rate	1,178.9	83.4	45.3	21.0		
Total	\$2,902.6	\$87.8	\$95.8	\$22.6		

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

All investments with fair values less than amortized cost are included in the Company's other-than-temporary impairments analysis, and impairments were recognized as disclosed in the "Evaluating Securities for Other-Than-Temporary Impairments" section below. The Company evaluates non-agency RMBS and ABS for "other-than-temporary impairments" each quarter based on actual and projected cash flows after considering the quality and updated loan-to-value ratios reflecting current home prices of underlying collateral, forecasted loss severity, the payment priority within the tranche structure of the security and amount of any credit enhancements. The Company's assessment of current levels of cash flows compared to estimated cash flows at the time the securities were acquired indicates the amount and the pace of projected cash flows from the underlying collateral has generally been lower and slower, respectively. However, since cash flows are typically projected at a trust level, the impairment review incorporates the security's position within the trust structure as well as credit enhancement remaining in the trust to determine whether an impairment is warranted. Therefore, while lower and slower cash flows will impact the trust, the effect on a particular security within the trust will be dependent upon the trust structure. Where the assessment continues to project full recovery of principal and interest on schedule, the Company has not recorded an impairment. Unrealized losses on below investment grade securities are principally related to RMBS (primarily Alt-A RMBS), and ABS (primarily subprime RMBS) largely due to economic and market uncertainties including concerns over unemployment levels, lower interest rate environment on floating rate securities requiring higher risk premiums since purchase and valuations on residential real estate supporting non-agency RMBS. Based on this analysis, the Company determined that the remaining investments in an unrealized loss position were not other-than-temporarily impaired and therefore no further other-than-temporary impairment was necessary.

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 June 30, 2014, the Company had no new troubled debt restructurings for private placement and 1 new troubled debt restructuring for commercial mortgage loans with a pre-modification and post modification carrying value of \$1.9. As of December 31, 2013, the Company had no new private placement troubled debt restructurings and had 21 new commercial mortgage loan troubled debt restructurings with a pre-modification and post modification carrying value of \$91.0. Of these 21 commercial mortgage loans, 20 comprise a portfolio of cross-defaulted, cross-collateralized individual loans, which are owned by the same sponsor. Between the date of the troubled debt restructurings and June 30, 2014, these loans have repaid \$16.7 in principal.

As of June 30, 2014 and December 31, 2013, 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 all 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

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

	June 30, 2014	December 31, 2013
Commercial mortgage loans	\$9,494.7	\$9,316.0
Collective valuation allowance for losses	(3.3	) (3.8
Total net commercial mortgage loans	\$9,491.4	\$9,312.2

There were no impairments taken on the mortgage loan portfolio for the three and six months ended June 30, 2014 and 2013.

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

	June 30, 2014	December 31, 2013
Collective valuation allowance for losses, balance at January 1	\$3.8	\$3.9
Addition to (reduction of) allowance for losses	(0.5	) (0.1
Collective valuation allowance for losses, end of period	\$3.3	\$3.8

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

	June 30, 2014	December 31, 2013
Impaired loans with allowances for losses	\$—	\$—
Impaired loans without allowances for losses	83.5	94.3
Subtotal	83.5	94.3
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	\$83.5	\$94.3
Unpaid principal balance of impaired loans	\$85.9	\$96.7

The following table presents information on impaired loans, restructured loans, loans 90 days or more past due and loans in foreclosure as of the dates indicated:

	June 30, 2014	December 31, 2013
Troubled debt restructured loans	\$76.0	\$86.6
Loans 90 days or more past due, interest no longer accruing, at amortized cost	—	5.1
Unpaid principal balance of loans 90 days or more past due, interest no longer accruing	—	5.1

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.

The following table presents the aging of past due mortgage loans at carrying value as of the dates indicated:

Total

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	30 days or less past due	31 to 90 days past due	91 to 180 days past due	181 days or more past due	
As of June 30, 2014	\$—	\$—	\$—	\$—	\$—
As of December 31, 2013	—	5.1	—	—	5.1

There were no mortgage loans in the Company's portfolio in process of foreclosure as of June 30, 2014 or December 31, 2013.

There were no loans in arrears with respect to principal and interest as of June 30, 2014. There was one loan in arrears with respect to principal and interest as of December 31, 2013 with a total amortized cost of \$5.1.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

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

	Three Months Ended June 30,	
	2014	2013
Impaired loans, average investment during the period (amortized cost) ⁽¹⁾	\$88.8	\$ 16.8
Interest income recognized on impaired loans, on an accrual basis ⁽¹⁾	1.2	0.1
Interest income recognized on impaired loans, on a cash basis ⁽¹⁾	1.2	0.1
Interest income recognized on troubled debt restructured loans, on an accrual basis	1.0	—

	Six Months Ended June 30,	
	2014	2013
Impaired loans, average investment during the period (amortized cost) ⁽¹⁾	\$88.9	\$ 16.8
Interest income recognized on impaired loans, on an accrual basis ⁽¹⁾	2.5	0.3
Interest income recognized on impaired loans, on a cash basis ⁽¹⁾	2.2	0.3
Interest income recognized on troubled debt restructured loans, on an accrual basis	2.2	—

⁽¹⁾ 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 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:

	June 30, 2014 ⁽¹⁾	December 31, 2013 ⁽¹⁾
Loan-to-Value Ratio:		
0% - 50%	\$ 1,596.7	\$ 1,782.6
> 50% - 60%	2,491.5	2,390.0
> 60% - 70%	4,943.5	4,668.3
> 70% - 80%	444.9	455.8
> 80% and above	18.1	19.3
Total Commercial mortgage loans	\$9,494.7	\$9,316.0

⁽¹⁾ Balances do not include collective valuation allowance for losses.

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

	June 30, 2014 ⁽¹⁾	December 31, 2013 ⁽¹⁾
Debt Service Coverage Ratio:		
Greater than 1.5x	\$6,568.6	\$6,346.5

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> 1.25x - 1.5x	1,516.9	1,520.9
> 1.0x - 1.25x	983.8	980.6
Less than 1.0x	423.5	467.8
Commercial mortgage loans secured by land or construction loans	1.9	0.2
Total Commercial mortgage loans	\$9,494.7	\$9,316.0

⁽¹⁾ Balances do not include collective valuation allowance for losses.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in million, unless otherwise stated)

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

	June 30, 2014 ⁽¹⁾		December 31, 2013 ⁽¹⁾		
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:					
Pacific	\$2,339.7	24.6	% \$2,281.8	24.5	%
South Atlantic	2,032.9	21.4	% 1,936.0	20.8	%
Middle Atlantic	1,201.8	12.7	% 1,112.0	11.9	%
West South Central	1,134.3	11.9	% 1,122.3	12.0	%
East North Central	1,124.2	11.8	% 1,037.5	11.1	%
Mountain	809.2	8.5	% 790.4	8.5	%
West North Central	509.6	5.4	% 517.2	5.6	%
East South Central	195.1	2.1	% 200.7	2.2	%
New England	147.9	1.6	% 318.1	3.4	%
Total Commercial mortgage loans	\$9,494.7	100.0	% \$9,316.0	100.0	%

⁽¹⁾ Balances do not include collective valuation allowance for losses.

	June 30, 2014 ⁽¹⁾		December 31, 2013 ⁽¹⁾	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	\$2,949.1	31.0	% \$	