

Voya Financial, Inc.  
Form 10-Q  
May 03, 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 March 31, 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 x No o

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 x No o

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

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

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

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

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

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of April 28, 2017, 185,939,792 shares of Common Stock, \$0.01 par value, were outstanding.

Voya Financial, Inc.  
 Form 10-Q for the period ended March 31, 2017

INDEX

	PAGE
PART I. FINANCIAL INFORMATION (UNAUDITED)	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>7</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>10</u>
Notes to Condensed Consolidated Financial Statements	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>87</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>133</u>
Item 4. Controls and Procedures	<u>139</u>
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	<u>140</u>
Item 1A. Risk Factors	<u>140</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>141</u>
Item 6. Exhibits	<u>141</u>
<u>Signature</u>	<u>142</u>
<u>Exhibit Index</u>	<u>143</u>

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

#### NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

March 31, 2017 (Unaudited) and December 31, 2016

(In millions, except share and per share data)

	March 31, 2017	December 31, 2016
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$65,446.9 as of 2017 and \$66,158.7 as of 2016)	\$69,139.2	\$ 69,468.7
Fixed maturities, at fair value using the fair value option	3,678.9	3,712.3
Equity securities, available-for-sale, at fair value (cost of \$263.1 as of 2017 and \$241.8 as of 2016)	297.6	274.2
Short-term investments	578.2	821.0
Mortgage loans on real estate, net of valuation allowance of \$3.1 as of 2017 and 2016	12,385.8	11,725.2
Policy loans	1,934.9	1,961.5
Limited partnerships/corporations	826.7	758.6
Derivatives	1,303.5	1,712.4
Other investments	43.3	47.4
Securities pledged (amortized cost of \$2,019.5 as of 2017 and \$1,983.8 as of 2016)	2,187.3	2,157.1
Total investments	92,375.4	92,638.4
Cash and cash equivalents	2,298.3	2,910.7
Short-term investments under securities loan agreements, including collateral delivered	806.4	788.4
Accrued investment income	928.6	891.2
Premium receivable and reinsurance recoverable	7,353.7	7,318.0
Deferred policy acquisition costs and Value of business acquired	4,793.7	4,887.5
Sales inducements to contract owners	237.0	242.8
Current income taxes	125.8	164.6
Deferred income taxes	2,055.7	2,089.8
Goodwill and other intangible assets	208.0	219.5
Other assets	920.7	909.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,951.2	1,936.3
Cash and cash equivalents	233.0	133.2
Corporate loans, at fair value using the fair value option	1,921.6	1,952.5
Other assets	38.3	34.0
Assets held in separate accounts	100,778.1	97,118.7
Total assets	\$217,025.5	\$ 214,235.1

The accompanying notes are an integral part of

these  
Condensed  
Consolidated  
Financial  
Statements.

4

---

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

	March 31, 2017	December 31, 2016
<b>Liabilities and Shareholders' Equity:</b>		
Future policy benefits	\$21,108.6	\$21,447.2
Contract owner account balances	70,477.0	70,606.2
Payables under securities loan agreement, including collateral held	1,740.9	1,841.3
Short-term debt	735.5	—
Long-term debt	2,725.7	3,549.5
Funds held under reinsurance agreements	742.3	729.1
Derivatives	303.5	470.7
Pension and other postretirement provisions	656.0	674.3
Other liabilities	1,335.4	1,336.0
<b>Liabilities related to consolidated investment entities:</b>		
Collateralized loan obligations notes, at fair value using the fair value option	1,808.5	1,967.2
Other liabilities	736.3	527.8
Liabilities related to separate accounts	100,778.1	97,118.7
<b>Total liabilities</b>	<b>203,147.8</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; 269,938,304 and 268,079,931 shares issued as of 2017 and 2016, respectively; 189,926,546 and 194,639,273 shares outstanding as of 2017 and 2016, respectively)	2.7	2.7
Treasury stock (at cost; 80,011,758 and 73,440,658 shares as of 2017 and 2016, respectively)	(3,050.4 )	(2,796.0 )
Additional paid-in capital	23,697.2	23,608.8
Accumulated other comprehensive income (loss)	2,212.3	2,021.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(9,971.4 )	(9,843.3 )
<b>Total Voya Financial, Inc. shareholders' equity</b>	<b>12,890.4</b>	<b>12,993.9</b>
Noncontrolling interest	987.3	973.2
<b>Total shareholders' equity</b>	<b>13,877.7</b>	<b>13,967.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$217,025.5</b>	<b>\$214,235.1</b>

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





Voya Financial, Inc.  
Condensed Consolidated Statements of Operations  
For the Three Months Ended March 31, 2017 and 2016 (Unaudited)  
(In millions, except per share data)

	Three Months Ended March 31,	
	2017	2016
Revenues:		
Net investment income	\$1,155.5	\$1,094.1
Fee income	850.8	825.8
Premiums	591.6	966.8
Net realized capital gains (losses):		
Total other-than-temporary impairments	(2.3 )	(9.9 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	0.7	0.9
Net other-than-temporary impairments recognized in earnings	(3.0 )	(10.8 )
Other net realized capital gains (losses)	(502.6 )	21.5
Total net realized capital gains (losses)	(505.6 )	10.7
Other revenue	93.8	82.8
Income (loss) related to consolidated investment entities:		
Net investment income	27.3	29.1
Total revenues	2,213.4	3,009.3
Benefits and expenses:		
Policyholder benefits	968.0	1,380.8
Interest credited to contract owner account balances	510.0	494.9
Operating expenses	738.8	720.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	92.7	102.5
Interest expense	45.9	47.7
Operating expenses related to consolidated investment entities:		
Interest expense	16.9	21.0
Other expense	0.5	0.9
Total benefits and expenses	2,372.8	2,768.0
Income (loss) before income taxes	(159.4 )	241.3
Income tax expense (benefit)	(17.0 )	49.0
Net income (loss)	(142.4 )	192.3
Less: Net income (loss) attributable to noncontrolling interest	1.1	0.7
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$(143.5 )	\$191.6
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:		
Basic	\$(0.75 )	\$0.93
Diluted	\$(0.75 )	\$0.92
Cash dividends declared per share of common stock	\$0.01	\$0.01

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

Statements.

6

---

Voya Financial, Inc.  
 Condensed Consolidated Statements of Comprehensive Income  
 For the Three Months Ended March 31, 2017 and 2016 (Unaudited)  
 (In millions)

	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$(142.4)	\$192.3
Other comprehensive income (loss), before tax:		
Unrealized gains (losses) on securities	285.1	1,612.9
Other-than-temporary impairments	11.0	3.1
Pension and other postretirement benefits liability	(3.5 )	(3.4 )
Other comprehensive income (loss), before tax	292.6	1,612.6
Income tax expense (benefit) related to items of other comprehensive income (loss)	102.0	561.3
Other comprehensive income (loss), after tax	190.6	1,051.3
Comprehensive income (loss)	48.2	1,243.6
Less: Comprehensive income (loss) attributable to noncontrolling interest	1.1	0.7
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$47.1	\$1,242.9

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 Three Months Ended March 31, 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)	—	—	—	—	—(143.5)	(143.5)	1.1	(142.4)
Other comprehensive income (loss), after tax	—	—	—	190.6	—	190.6	—	190.6
Total comprehensive income (loss)						47.1	1.1	48.2
Common stock issuance	—	—	1.3	—	—	1.3	—	1.3
Common stock acquired - Share repurchase	—	(247.3)	50.0	—	—	(197.3)	—	(197.3)
Dividends on common stock	—	—	(1.9)	—	—	(1.9)	—	(1.9)
Share-based compensation	—	(7.1)	39.0	—	—	31.9	—	31.9
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	13.0	13.0
Balance as of March 31, 2017	\$ 2.7	\$(3,050.4)	\$23,697.2	\$ 2,212.3	\$-(9,971.4)	\$ 12,890.4	\$ 987.3	\$ 13,877.7

The  
accompanying  
notes are an  
integral part of

these  
Condensed  
Consolidated  
Financial  
Statements.

8

---

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Three Months Ended March 31, 2016 (Unaudited)

(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Not 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)	—	—	—	—	—	191.6	191.6	0.7	192.3
Other comprehensive income (loss), after tax	—	—	—	1,051.3	—	—	1,051.3	—	1,051.3
Total comprehensive income (loss)	—	—	—	—	—	—	1,242.9	0.7	1,243.6
Common stock issuance	—	—	—	—	—	—	—	—	—
Common stock acquired - Share repurchase	—	(220.5 )	—	—	—	—	(220.5 )	—	(220.5 )
Dividends on common stock	—	—	(2.0 )	—	—	—	(2.0 )	—	(2.0 )
Share-based compensation	—	(6.2 )	20.3	—	—	—	14.1	—	14.1
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	1.4	1.4

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

Balance as of March 31, 2016	\$ 2.7	\$(2,529.0)	\$23,735.1	\$ 2,476.2	\$—	\$(9,223.7 )	\$14,461.3	\$ 1,241.1	\$15,702.4
---------------------------------	--------	-------------	------------	------------	-----	--------------	------------	------------	------------

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

Voya Financial, Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Three Months Ended March 31, 2017 and 2016 (Unaudited)  
(In millions)

	Three Months Ended March 31,	
	2017	2016
Net cash (used in) provided by operating activities	\$(49.8 )	\$656.7
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	4,022.6	3,407.5
Equity securities, available-for-sale	10.6	73.8
Mortgage loans on real estate	391.0	263.1
Limited partnerships/corporations	49.4	65.0
Acquisition of:		
Fixed maturities	(3,257.7 )	(4,191.3 )
Equity securities, available-for-sale	(24.2 )	(30.2 )
Mortgage loans on real estate	(1,051.6 )	(881.5 )
Limited partnerships/corporations	(103.0 )	(72.2 )
Short-term investments, net	242.7	136.6
Policy loans, net	26.6	(6.7 )
Derivatives, net	(218.5 )	(232.1 )
Other investments, net	4.3	1.8
Sales from consolidated investment entities	612.8	211.4
Purchases within consolidated investment entities	(383.7 )	(206.5 )
Collateral received (delivered), net	(120.1 )	546.2
Purchases of fixed assets, net	(10.4 )	(18.2 )
Net cash provided by (used in) investing activities	190.8	(933.3 )
Cash Flows from Financing Activities:		
Deposits received for investment contracts	1,764.8	2,084.1
Maturities and withdrawals from investment contracts	(2,100.5 )	(1,670.7 )
Repayment of debt with maturities of more than three months	(90.0 )	(4.8 )
Repayments of borrowings of consolidated investment entities	—	(245.9 )
Contributions from (distributions to) participants in consolidated investment entities, net	(129.7 )	356.3
Proceeds from issuance of common stock, net	1.3	—
Share-based compensation	(7.1 )	(6.2 )
Common stock acquired - Share repurchase	(190.3 )	(220.5 )
Dividends paid	(1.9 )	(2.0 )
Net cash (used in) provided by financing activities	(753.4 )	290.3
Net (decrease) increase in cash and cash equivalents	(612.4 )	13.7
Cash and cash equivalents, beginning of period	2,910.7	2,512.7
Cash and cash equivalents, end of period	\$2,298.3	\$2,526.4
Non-cash investing and financing activities:		
Decrease of assets due to deconsolidation of consolidated investment entities	\$—	\$7,497.2
Decrease of liabilities due to deconsolidation of consolidated investment entities	—	5,905.0
Decrease of equity due to deconsolidation of consolidated investment entities	—	1,592.2
Elimination of appropriated retained earnings	—	17.8

The  
accompanying



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

10

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 1. Business, Basis of Presentation and Significant Accounting Policies

### Business

Voya Financial, Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products. The Company provides its principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. The Company also has one 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 March 31, 2017, and its results of operations, comprehensive income, changes in shareholders' equity and statements of cash flows for the three months ended March 31, 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 an offsetting 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 \$4.1 reclassification of Share-based compensation cash flows from financing activities to operating activities in the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2016.

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

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

#### Debt Instruments

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

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

#### Consolidation

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

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

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

#### Collateralized Financing Entities

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

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

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

#### Future Adoption of Accounting Pronouncements

##### 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### 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.

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 0.5% of the Company's Total revenues for the three months ended March 31, 2017 and 2016) in the Investment Management segment and may result in the deferral of costs to obtain certain investment-only product contracts in the Retirement and Annuities segments.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of March 31, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
Fixed maturities:						
U.S. Treasuries	\$3,154.0	\$ 465.6	\$ 8.1	\$ —	\$3,611.5	\$ —
U.S. Government agencies and authorities	253.6	48.2	—	—	301.8	—
State, municipalities and political subdivisions	2,298.9	37.9	42.7	—	2,294.1	—
U.S. corporate public securities	31,367.7	2,240.4	181.7	—	33,426.4	—
U.S. corporate private securities	7,912.0	268.9	118.7	—	8,062.2	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,868.6	447.6	51.2	—	8,265.0	—
Foreign corporate private securities <sup>(1)</sup>	7,546.4	330.6	44.3	—	7,832.7	—
Residential mortgage-backed securities:						
Agency	5,135.2	252.5	60.3	37.7	5,365.1	—
Non-Agency	1,110.3	142.2	6.5	25.6	1,271.6	28.8
Total Residential mortgage-backed securities	6,245.5	394.7	66.8	63.3	6,636.7	28.8
Commercial mortgage-backed securities	3,070.2	67.5	32.0	—	3,105.7	—
Other asset-backed securities	1,428.4	46.5	5.6	—	1,469.3	3.7
Total fixed maturities, including securities pledged	71,145.3	4,347.9	551.1	63.3	75,005.4	32.5
Less: Securities pledged	2,019.5	178.8	11.0	—	2,187.3	—
Total fixed maturities	69,125.8	4,169.1	540.1	63.3	72,818.1	32.5
Equity securities:						
Common stock	172.4	0.5	0.3	—	172.6	—
Preferred stock	90.7	34.3	—	—	125.0	—
Total equity securities	263.1	34.8	0.3	—	297.6	—
Total fixed maturities and equity securities investments	\$69,388.9	\$ 4,203.9	\$ 540.4	\$ 63.3	\$73,115.7	\$ 32.5

(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.

<sup>(3)</sup> Represents Other-than-Temporary-Impairments ("OTTI") reported as a component of Other comprehensive income (loss).

<sup>(4)</sup> Amount excludes \$523.2 of net unrealized gains on impaired available-for-sale securities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2016:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
<b>Fixed maturities:</b>						
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	—
<b>Residential mortgage-backed securities:</b>						
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
<b>Total fixed maturities, including securities pledged</b>	<b>71,854.8</b>	<b>4,152.4</b>	<b>739.6</b>	<b>70.5</b>	<b>75,338.1</b>	<b>43.5</b>
Less: Securities pledged	1,983.8	189.0	15.7	—	2,157.1	—
<b>Total fixed maturities</b>	<b>69,871.0</b>	<b>3,963.4</b>	<b>723.9</b>	<b>70.5</b>	<b>73,181.0</b>	<b>43.5</b>
<b>Equity securities:</b>						
Common stock	151.3	0.5	0.3	—	151.5	—
Preferred stock	90.5	32.2	—	—	122.7	—
<b>Total equity securities</b>	<b>241.8</b>	<b>32.7</b>	<b>0.3</b>	<b>—</b>	<b>274.2</b>	<b>—</b>
<b>Total fixed maturities and equity securities investments</b>	<b>\$70,112.8</b>	<b>\$ 3,996.1</b>	<b>\$ 724.2</b>	<b>\$ 70.5</b>	<b>\$73,455.2</b>	<b>\$ 43.5</b>

(1) Primarily U.S. dollar denominated.

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

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of March 31, 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	\$2,229.1	\$2,248.8
After one year through five years	13,549.2	14,171.8
After five years through ten years	17,921.3	18,335.9
After ten years	26,701.6	29,037.2
Mortgage-backed securities	9,315.7	9,742.4
Other asset-backed securities	1,428.4	1,469.3
Fixed maturities, including securities pledged	\$71,145.3	\$75,005.4

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 March 31, 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
March 31, 2017				
Communications	\$3,829.5	\$ 351.5	\$ 17.3	\$4,163.7
Financial	8,012.9	500.4	23.0	8,490.3
Industrial and other companies	25,758.6	1,360.8	175.2	26,944.2
Energy	6,009.4	400.0	74.7	6,334.7
Utilities	8,350.6	520.4	82.5	8,788.5
Transportation	1,702.9	106.0	12.5	1,796.4
Total	\$53,663.9	\$ 3,239.1	\$ 385.2	\$56,517.8
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
-------	------------	------------	----------	------------

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Fixed Maturities and Equity Securities

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

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

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of March 31, 2017 and December 31, 2016, approximately 48.2% 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 March 31, 2017 and December 31, 2016, the fair value of loaned securities was \$1,420.9 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 March 31, 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 \$713.7 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 March 31, 2017 and December 31, 2016, liabilities to return collateral of \$713.7 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 March 31, 2017 and December 31, 2016, the fair value of securities retained as collateral by the lending agent on the Company's behalf was \$750.5 and \$911.7, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	March 31, 2017 (1)(2)	December 31, 2016 (1)(2)
U.S. Treasuries	\$736.9	\$762.9
U.S. Government agencies and authorities	3.6	4.3
U.S. corporate public securities	461.5	468.4
Equity Securities	0.1	0.5
Short-term Investments	4.1	1.0
Foreign corporate public securities and foreign governments	258.0	210.5
Payables under securities loan agreements	\$1,464.2	\$1,447.6

<sup>(1)</sup>As of March 31, 2017 and December 31, 2016, borrowings under securities lending transactions include cash collateral of \$713.7 and \$535.9, respectively.

<sup>(2)</sup>As of March 31, 2017 and December 31, 2016, borrowings under securities lending transactions include non-cash collateral of \$750.5 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 March 31, 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	\$443.1	\$ 7.8	\$17.1	\$ 0.3	\$—	\$ —	\$460.2	\$ 8.1
State, municipalities and political subdivisions	885.3	28.1	192.8	11.8	23.5	2.8	1,101.6	42.7
U.S. corporate public securities	4,855.1	120.9	407.4	24.3	399.8	36.5	5,662.3	181.7
U.S. corporate private securities	1,578.8	55.8	189.0	19.3	253.7	43.6	2,021.5	118.7
Foreign corporate public securities and foreign governments	971.6	21.2	69.1	4.2	317.4	25.8	1,358.1	51.2
Foreign corporate private securities	777.3	20.4	222.3	20.7	83.8	3.2	1,083.4	44.3
Residential mortgage-backed	1,249.5	35.0	483.2	18.9	199.2	12.9	1,931.9	66.8
Commercial mortgage-backed	1,043.4	29.2	31.8	2.6	12.2	0.2	1,087.4	32.0

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

Other asset-backed	293.3	1.7	20.8	0.6	94.7	3.3	408.8	5.6
Total	\$12,097.4	\$ 320.1	\$1,633.5	\$ 102.7	\$1,384.3	\$ 128.3	\$15,115.2	\$ 551.1

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 91.5% and 89.5% of the average book value as of March 31, 2017 and December 31, 2016, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
<b>March 31, 2017</b>						
Six months or less below amortized cost	\$12,505.0	\$45.3	\$330.6	\$11.2	1,213	20
More than six months and twelve months or less below amortized cost	1,942.9	0.1	114.4	0.1	183	5
More than twelve months below amortized cost	1,055.2	117.8	59.9	34.9	266	12
Total	\$15,503.1	\$163.2	\$504.9	\$46.2	1,662	37
<b>December 31, 2016</b>						
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%
March 31, 2017						
U.S. Treasuries	\$468.3	\$—	\$8.1	\$—	28	—
State, municipalities and political subdivisions	1,143.3	1.0	42.4	0.3	170	1
U.S. corporate public securities	5,804.9	39.1	172.4	9.3	505	2
U.S. corporate private securities	2,046.2	94.0	90.8	27.9	88	2
Foreign corporate public securities and foreign governments	1,394.2	15.1	46.7	4.5	125	5
Foreign corporate private securities	1,127.7	—	*44.3	—	*52	2
Residential mortgage-backed	1,986.5	12.2	63.2	3.6	423	22
Commercial mortgage-backed	1,119.3	0.1	31.9	0.1	147	1
Other asset-backed	412.7	1.7	5.1	0.5	124	2
Total	\$15,503.1	\$163.2	\$504.9	\$46.2	1,662	37
December 31, 2016						
U.S. Treasuries	\$1,075.3	\$—	\$13.9	\$—	33	—
State, municipalities and political subdivisions	1,337.0	1.0	49.7	0.3	198	1
U.S. corporate public securities	6,947.1	67.7	215.5	16.1	577	4
U.S. corporate private securities	2,672.7	139.0	122.1	37.5	114	3
Foreign corporate public securities and foreign governments	2,131.4	20.3	94.1	4.8	192	4
Foreign corporate private securities	1,622.3	—	*74.1	—	*64	2
Residential mortgage-backed	2,127.8	6.6	67.5	2.2	451	19
Commercial mortgage-backed	1,088.9	3.2	32.7	2.0	140	3
Other asset-backed	568.8	1.7	6.6	0.5	131	1
Total	\$19,571.3	\$239.5	\$676.2	\$63.4	1,900	37

\* Less than \$0.1.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Loan-to-Value Ratio			
			Unrealized	
	Amortized Cost	Capital	Losses	
March 31, 2017	< 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%	3.3	0.9	0.1	0.2
Non-agency RMBS < 80%	180.8	3.5	8.2	0.8
Agency RMBS	1,870.5	7.8	57.7	2.6
Other ABS (Non-RMBS)	344.6	1.7	2.3	0.5
Total RMBS and Other ABS	\$2,399.2	\$13.9	\$68.3	\$4.1

	Credit Enhancement Percentage			
			Unrealized	
	Amortized Cost	Capital	Losses	
March 31, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$116.6	\$—	\$4.4	\$—
Non-agency RMBS > 5% - 10%	8.3	—	0.3	—
Non-agency RMBS > 0% - 5%	34.6	0.9	2.6	0.2
Non-agency RMBS 0%	24.6	3.5	1.0	0.8
Agency RMBS	1,870.5	7.8	57.7	2.6
Other ABS (Non-RMBS)	344.6	1.7	2.3	0.5
Total RMBS and Other ABS	\$2,399.2	\$13.9	\$68.3	\$4.1

	Fixed Rate/Floating Rate			
			Unrealized	
	Amortized Cost	Capital	Losses	
March 31, 2017	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$1,915.4	\$4.1	\$51.0	\$1.3
Floating Rate	483.8	9.8	17.3	2.8
Total	\$2,399.2	\$13.9	\$68.3	\$4.1

<sup>(1)</sup> 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 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. As of March 31, 2017 the Company did not have any new commercial mortgage loan troubled debt restructuring and had one new 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 March 31, 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:

	March 31, 2017			December 31, 2016		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans	\$4.5	\$12,384.4	\$12,388.9	\$4.6	\$11,723.7	\$11,728.3
Collective valuation allowance for losses	N/A	(3.1)	(3.1)	N/A	(3.1)	(3.1)
Total net commercial mortgage loans	\$4.5	\$12,381.3	\$12,385.8	\$4.6	\$11,720.6	\$11,725.2

N/A - Not Applicable

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

There were no impairments taken on the mortgage loan portfolio for the three months ended March 31, 2017 and 2016.

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	March 31, December 31,	
	2017	2016
Impaired loans without allowances for losses	\$ 4.5	\$ 4.6
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	\$ 4.5	\$ 4.6
Unpaid principal balance of impaired loans	\$ 6.0	\$ 6.1

As of March 31, 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 March 31, 2017 and December 31, 2016.

There were no loans 30 days or less in arrears, with respect to principal and interest as of March 31, 2017 and 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 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 March 31, 2017 2016	
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup>	\$4.5	\$13.5
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	0.2
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 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.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	March 31, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
Loan-to-Value Ratio:		
0% - 50%	\$1,537.6	\$1,366.3
> 50% - 60%	3,019.7	2,950.1
> 60% - 70%	6,980.6	6,560.7
> 70% - 80%	826.0	833.8
> 80% and above	25.0	17.4
Total Commercial mortgage loans	\$12,388.9	\$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:

	March 31, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
Debt Service Coverage Ratio:		
Greater than 1.5x	\$9,835.7	\$9,298.4
> 1.25x - 1.5x	1,362.5	1,247.3
> 1.0x - 1.25x	861.7	899.2
Less than 1.0x	204.4	181.4
Commercial mortgage loans secured by land or construction loans	124.6	102.0
Total Commercial mortgage loans	\$12,388.9	\$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:

	March 31, 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	\$2,845.3	22.9%	\$2,896.8	24.6 %
South Atlantic	2,729.6	22.0%	2,646.0	22.6 %
Middle Atlantic	2,089.0	16.9%	1,648.7	14.1 %
West South Central	1,331.0	10.7%	1,236.1	10.5 %
Mountain	1,145.5	9.2%	1,092.1	9.3 %
East North Central	1,308.9	10.6%	1,274.3	10.9 %
New England	220.0	1.8%	231.2	2.0 %
West North Central	526.7	4.3%	508.9	4.3 %
East South Central	192.9	1.6%	194.2	1.7 %
Total Commercial mortgage loans	\$12,388.9	100.0 %	\$11,728.3	100.0 %

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	March 31, 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	\$3,819.5	30.8 %	\$3,695.8	31.5 %
Industrial	2,985.9	24.1 %	2,663.5	22.7 %
Apartments	2,466.4	19.9 %	2,410.8	20.6 %
Office	2,063.2	16.7 %	1,917.0	16.3 %
Hotel/Motel	421.9	3.4 %	411.2	3.5 %
Other	512.2	4.1 %	516.5	4.4 %
Mixed Use	119.8	1.0 %	113.5	1.0 %
Total Commercial mortgage loans	\$12,388.9	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:

Year of Origination:	March 31, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
2017	\$999.5	\$—
2016	2,372.3	2,349.6
2015	2,060.7	2,066.1
2014	1,861.7	1,860.3
2013	1,936.7	1,953.1
2012	1,092.4	1,241.4
2011 and prior	2,065.6	2,257.8
Total Commercial mortgage loans	\$12,388.9	\$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.

The following table identifies 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 March 31,	
	2017	2016
	No. of Impairment Securities	No. of Impairment Securities

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

U.S. corporate public securities	\$—	—	\$ 0.6	1
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	—	8.7	1
Residential mortgage-backed	0.9	29	1.5	41
Commercial mortgage-backed	2.1	3	—	—
Total	\$3.0	32	\$ 10.8	43

<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)

The above table includes \$0.9 and \$1.7 of write-downs related to credit impairments for the three months ended March 31, 2017 and 2016, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$2.1 and \$9.1 in write-downs for the three months ended March 31, 2017 and 2016, respectively, are related to intent impairments.

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

	Three Months Ended March 31,			
	2017		2016	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	\$—	—	\$ —	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	—	8.7	1
Residential mortgage-backed	—	*5	0.4	5
Commercial mortgage-backed	2.1	3	—	—
Total	\$2.1	8	\$ 9.1	6

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

\* Less than \$0.1.

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

The following table identifies 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 March 31,	
	2017	2016
Balance at January 1	\$54.6	\$75.3
Additional credit impairments:		
On securities previously impaired	0.7	1.4
Reductions:		
Increase in cash flows	0.4	0.1
Securities sold, matured, prepaid or paid down	10.5	3.4
Balance at March 31	\$44.4	\$73.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Net Investment Income

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

	Three Months	
	Ended March 31,	
	2017	2016
Fixed maturities	\$955.5	\$996.2
Equity securities, available-for-sale	9.7	3.4
Mortgage loans on real estate	138.8	125.6
Policy loans	25.4	27.3
Short-term investments and cash equivalents	2.5	1.4
Other	52.3	(33.7 )
Gross investment income	1,184.2	1,120.2
Less: investment expenses	28.7	26.1
Net investment income	\$1,155.5	\$1,094.1

As of March 31, 2017 and December 31, 2016, the Company had \$5.6 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.

### 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 March 31,	
	2017	2016
Fixed maturities, available-for-sale, including securities pledged	\$(44.8 )	\$(54.7)
Fixed maturities, at fair value option	(122.5 )	0.5
Derivatives	(422.6 )	147.9
Embedded derivatives - fixed maturities	(7.2 )	3.4
Guaranteed benefit derivatives	91.3	(86.4 )
Other investments	0.2	—
Net realized capital gains (losses)	\$(505.6)	\$10.7

After-tax net realized capital gains (losses)	\$(328.8)	\$7.1
---	-----------	-------

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 Ended March 31,	
	2017	2016
Proceeds on sales	\$2,677.4	\$2,490.6
Gross gains	16.3	68.9
Gross losses	31.9	118.0

### 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

**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.

**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:

	March 31, 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	394.6	9.7	16.5	480.8	40.1	10.7
Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup>						
Interest rate contracts	64,785.6	657.3	159.6	78,399.6	1,080.6	354.3
Foreign exchange contracts	1,344.5	11.8	24.3	1,573.0	60.7	39.2
Equity contracts	29,746.5	595.9	81.1	28,959.6	194.1	50.4
Credit contracts	3,663.4	28.6	22.0	3,255.3	32.2	15.8
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	63.3	—	N/A	70.5	—
Within products	N/A	—	3,751.9	N/A	—	3,791.4
Within reinsurance agreements	N/A	—	81.9	N/A	—	78.7
Managed custody guarantees	N/A	—	—	N/A	—	—
Total		\$1,366.8	\$4,137.3		\$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 March 31, 2017 and December 31, 2016. The Company utilizes derivative contracts mainly to hedge exposure to variability in cash flows, interest rate risk, credit risk, foreign exchange risk and equity market risk. The majority of derivatives used by the Company are designated as product hedges, which hedge the exposure arising from insurance liabilities or guarantees embedded in the contracts the Company offers through various product lines. These derivatives do not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. The Company also uses credit default swaps coupled with other investments in order to produce the investment characteristics of otherwise permissible investments that do not qualify as effective accounting hedges under ASC Topic 815.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

March 31, 2017

	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$3,663.4	\$ 28.6	\$ 22.0
Equity contracts	22,095.4	582.4	80.7
Foreign exchange contracts	1,739.1	21.5	40.8
Interest rate contracts	56,526.2	657.2	158.3
		1,289.7	301.8
Counterparty netting <sup>(1)</sup>		(263.0)	(263.0)
Cash collateral netting <sup>(1)</sup>		(945.8)	(10.5)
Securities collateral netting <sup>(1)</sup>		(32.1)	(11.3)
Net receivables/payables		\$ 48.8	\$ 17.0

<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 March 31, 2017, the Company held \$876.5 and \$71.1 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 March 31, 2017, the Company delivered \$766.4 of securities and held \$32.1 of securities as collateral. As of December 31, 2016, the Company delivered \$753.3 of securities and held \$71.7 of securities as collateral.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended March 31, 2017		2016
Derivatives: Qualifying for hedge accounting <sup>(1)</sup>			
Cash flow hedges:			
Interest rate contracts	\$0.2	\$0.3	
Foreign exchange contracts	27.3	0.7	
Fair value hedges:			
Interest rate contracts	—	(4.1 )	
Derivatives: Non-qualifying for hedge accounting <sup>(2)</sup>			
Interest rate contracts	(22.8 )	391.2	
Foreign exchange contracts	(22.0 )	(26.1 )	
Equity contracts	(409.7 )	(208.1)	
Credit contracts	4.4	(6.0 )	
Embedded derivatives and Managed custody guarantees:			
Within fixed maturity investments <sup>(2)</sup>	(7.2 )	3.4	
Within products <sup>(2)</sup>	91.2	(84.1 )	
Within reinsurance agreements <sup>(3)</sup>	(4.2 )	(44.8 )	
Managed custody guarantees <sup>(2)</sup>	0.1	(2.3 )	
Total	\$(342.7)	\$20.1	

<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 months ended March 31, 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 March 31, 2017, the fair values of credit default swaps of \$28.6 and \$22.0 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 March 31, 2017 and December 31, 2016, the maximum potential future net exposure to the Company was \$1.7 billion, net of purchased protection of \$500.0 on credit default swaps. 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 March 31, 2017:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$2,981.6	\$629.9	\$—	\$3,611.5	
U.S. Government agencies and authorities	—	301.8	—	301.8	
State, municipalities and political subdivisions	—	2,294.1	—	2,294.1	
U.S. corporate public securities	—	33,333.3	93.1	33,426.4	
U.S. corporate private securities	—	6,622.3	1,439.9	8,062.2	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	8,253.1	11.9	8,265.0	
Foreign corporate private securities <sup>(1)</sup>	—	7,416.0	416.7	7,832.7	
Residential mortgage-backed securities	—	6,558.3	78.4	6,636.7	
Commercial mortgage-backed securities	—	3,064.5	41.2	3,105.7	
Other asset-backed securities	—	1,394.6	74.7	1,469.3	
Total fixed maturities, including securities pledged	2,981.6	69,867.9	2,155.9	75,005.4	
Equity securities, available-for-sale	185.8	—	111.8	297.6	
Derivatives:					
Interest rate contracts	0.3	657.2	—	657.5	
Foreign exchange contracts	—	21.5	—	21.5	
Equity contracts	13.5	413.2	169.2	595.9	
Credit contracts	—	19.4	9.2	28.6	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,419.6	263.3	—	3,682.9	
Assets held in separate accounts	96,187.1	4,578.7	12.3	100,778.1	
Total assets	\$102,787.9	\$75,821.2	\$2,458.4	\$181,067.5	
Percentage of Level to total	56.7	% 41.9	% 1.4	% 100.0	%
Liabilities:					
Derivatives:					
Guaranteed benefit derivatives					
FIA	\$—	\$—	\$2,101.7	\$2,101.7	
IUL	—	—	109.8	109.8	
GMAB/GMWB/GMWBL <sup>(2)</sup>	—	—	1,409.3	1,409.3	
Stabilizer and MCGs	—	—	131.1	131.1	
Other derivatives:					
Interest rate contracts	1.3	158.3	—	159.6	
Foreign exchange contracts	—	40.8	—	40.8	
Equity contracts	0.5	78.6	2.0	81.1	
Credit contracts	—	8.9	13.1	22.0	
Embedded derivative on reinsurance	—	81.9	—	81.9	
Total liabilities	\$1.8	\$368.5	\$3,767.0	\$4,137.3	

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

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



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
GMAB/GMWB/GMWBL	—	—	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 months ended March 31, 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 March 31, 2017										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of March 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$22.1	\$ —	\$ (0.9 )	\$ 18.7	\$ —	\$ —	\$ (0.9 )	\$ 54.1	\$ —	\$ 93.1	\$ —
U.S. corporate private securities	1,319.4	0.4	0.9	112.6	—	—	(5.4 )	12.0	—	1,439.9	0.4
Foreign corporate public securities and foreign governments <sup>(1)</sup>	12.3	—	(0.3 )	—	—	—	(0.1 )	—	—	11.9	—
Foreign corporate private securities <sup>(1)</sup>	440.9	—	(2.3 )	18.1	—	—	(40.0 )	—	—	416.7	—
Residential mortgage-backed securities	71.9	(2.8)	(1.1 )	9.9	—	—	(0.5 )	1.0	—	78.4	(2.8)
Commercial mortgage-backed securities	23.4	(0.5)	(0.2 )	25.3	—	—	(3.2 )	—	(3.6)	41.2	(0.5)
Other asset-backed securities	83.7	0.7	0.5	28.2	—	—	(3.1 )	9.9	(45.2)	74.7	0.7
Total fixed maturities, including securities pledged	1,973.7	2.2	(3.4 )	212.8	—	—	(53.2 )	77.0	(48.8)	2,155.9	(2.2)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended March 31, 2017 (continued)										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of March 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
Equity securities, available-for-sale	\$99.5	\$ —	\$ 0.7	\$ 11.6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 111.8	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup>	(2,029.6)	(59.8)	—	—	(54.2)	—	41.9	—	—	(2,101.7)	—
IUL <sup>(2)</sup>	(81.0)	(28.6)	—	—	(7.8)	—	7.6	—	—	(109.8)	—
GMAB/GMWB/GMWBL <sup>(2)</sup>	(1,530.4)	159.1	—	—	(38.1)	—	0.1	—	—	(1,409.3)	—
Stabilizer and MCGs <sup>(2)</sup>	(150.4)	20.6	—	—	(1.3)	—	—	—	—	(131.1)	—
Other derivatives, net	106.3	62.7	—	13.8	—	—	(23.2)	3.7	—	163.3	53.3
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	5.0	—	—	—	—	(5.0)	—	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	5.3	—	—	5.1	—	(0.2)	—	2.1	—	12.3	—

(1) Primarily U.S. dollar denominated.

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

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

(4) For financial instruments still held as of March 31, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended March 31, 2016									
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net OCI Income	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of March 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
Fixed maturities, including securities pledged:										
U.S. corporate public securities	\$6.9	\$ — (0.4 )	\$ —	\$ —	\$ — (0.8 )	\$ —	\$ —	\$ 5.7	\$ —	
U.S. corporate private securities	1,040.3	20.1	0.5	—	(37.0)	(97.6)	81.9	(24.7)	983.7	0.2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	13.8	— (2.2 )	—	—	— (0.2 )	—	—	11.4	—	
Foreign corporate private securities <sup>(1)</sup>	430.4	0.1 10.3	—	—	(0.6) (19.5 )	95.2	(20.2)	495.7	0.1	
Residential mortgage-backed securities	96.1	4.4 (1.4 )	—	—	(12.3)	(0.1 )	—	86.7	(4.0)	
Commercial mortgage-backed securities	31.4	— —	13.2	—	— —	—	(31.4)	13.2	—	
Other asset-backed securities	44.5	0.2 (0.4 )	—	—	— (1.2 )	—	—	43.1	0.2	
Total fixed maturities, including securities pledged	1,663.4	49 26.0	13.7	—	(49.9)	(119.4 )	177.1	(76.3)	1,639.5	(3.5)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended March 31, 2016 (continued)										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of March 31	
		Net Income	OCI								
Equity securities, available-for-sale	\$97.4	\$ —	\$ 2.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$99.5	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup>	(1,820)	1165.4	—	—	(76)	9	45.0	—	—	(1,686)	6
IUL <sup>(2)</sup>	(52.6)	10.0	—	—	(6.2)	—	0.8	—	—	(48.0)	—
GMAB/GMWB/GMWBL <sup>(2)</sup>	(1,873)	5198.2	—	—	(37)	8	0.1	—	—	(2,109)	4
Stabilizer and MCGs <sup>(2)</sup>	(161.3)	(63.6)	—	—	(1.1)	—	—	—	—	(226.0)	—
Other derivatives, net	52.4	(22.4)	—	13.3	—	—	(0.4)	—	—	42.9	(9.5)
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	—	—	0.1	—	—	(0)	1	—	0.1	0.1	—
Assets held in separate accounts <sup>(5)</sup>	3.9	—	—	—	—	—	—	—	(2.8)	1.1	—

(1) Primarily U.S. dollar denominated.

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

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

(4) For financial instruments still held as of March 31, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three months ended March 31, 2017 and 2016, the transfers in and out of Level 3 for fixed maturities, other derivatives and separate accounts were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

#### Significant Unobservable Inputs

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

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

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

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

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

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

Following is a description of selected inputs:

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

**Correlations:** Integrated interest rate and equity scenarios are used in GMAB, GMWB and GMWBL fair value measurements to better reflect market interest rates and interest rate volatility correlations between equity and fixed income fund groups and between equity fund groups and interest rates. The correlations are based on historical fund returns and swap rates from external sources.

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the unobservable inputs for Level 3 fair value measurements as of March 31, 2017:

Unobservable Input	Range <sup>(1)</sup>				
	GMWB/GMWBL	GMAB	FIA	IUL	Stabilizer/MCGs
Long-term equity implied volatility	15% to 25%	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 19%	0.1% to 19%	—	—	0.1% to 6.8%
Correlations between:					
Equity Funds	-13% to 99%	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	-32% to 26%	—	—	—
Nonperformance risk	0.32% to 1.4%	0.32% to 1.4%	0.32% to 1.4%	0.32% to 0.67%	0.32% to 1.4%
Actuarial Assumptions:					
Benefit Utilization	85% to 100% <sup>(2)</sup>	—	—	—	—
Partial Withdrawals	—	0% to 3.4%	0% to 10%	—	—
Lapses	0.11% to 12.15% <sup>(3)(4)</sup>	0.4% to 19.1% <sup>(3)(4)</sup>	0% to 60% <sup>(3)</sup>	2% to 10%	0% to 50% <sup>(5)</sup>
Policyholder Deposits <sup>(6)</sup>	—	—	—	—	0% to 50% <sup>(5)</sup>
Mortality	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(8)</sup>

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

<sup>(2)</sup> Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, 40% are taking systematic withdrawals. The Company assumes that 85% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing at age 100. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money." The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of March 31, 2017 (account value amounts are in \$ billions).

Attained Age Group	Account Values			Average Expected Delay (Years)**
	In the Money	Out of the Money	Total	
< 60	\$1.8	\$ 0.1	\$1.9	9.8
60-69	5.5	0.3	5.8	4.7
70+	5.9	0.3	6.2	2.8
	\$13.2	\$ 0.7	\$13.9	5.3

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

<sup>(3)</sup> Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

(4) The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period or at the shock lapse period and to whether they are "in the money" or "out of the money" as of March 31, 2017 (account value amounts are in \$ billions). Lapse ranges are based on weighted average ranges of underlying account value exposure.

	Moneyiness	GMAB Account Lapse Range Value	GMWB/GMWBL Account Lapse Range Value
<b>During Surrender Charge Period</b>			
	In the Money**	\$-0.4% to 6.9%	\$1.2 0.1% to 4.5%
	Out of the Money	-1.6% to 7.6%	— *0.6% to 4.7%
<b>Shock Lapse Period</b>			
	In the Money**	\$-4.7% to 17.3%	\$2.8 2.3% to 11.6%
	Out of the Money	-17.3% to 19.1%	0.1 11.6% to 12.2%
<b>After Surrender Charge Period</b>			
	In the Money**	\$-2.8% to 10.6%	\$9.2 1.4% to 6.7%
	Out of the Money	0.110.6% to 11.7%	1.0 6.7% to 7.0%

\* Less than \$0.1.

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

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

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	93 %	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	7 %	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100 %	0-50%	0-30%	0-50%	0-25%

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the unobservable inputs for Level 3 fair value measurements as of December 31, 2016:

Unobservable Input	Range <sup>(1)</sup>				
	GMWB/GMWBL	GMAB	FIA	IUL	Stabilizer/MCGs
Long-term equity implied volatility	15% to 25%	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 18%	0.1% to 18%	—	—	0.1% to 7.5%
Correlations between:					
Equity Funds	-13% to 99%	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	-32% to 26%	—	—	—
Nonperformance risk	0.25% to 1.6%	0.25% to 1.6%	0.25% to 1.6%	0.25% to 0.69%	0.25% to 1.6%
Actuarial Assumptions:					
Benefit Utilization	85% to 100% <sup>(2)</sup>	—	—	—	—
Partial Withdrawals	—	0% to 3.4%	0% to 10%	—	—
Lapses	0.11% to 12.15% <sup>(3)(4)</sup>	0.4% to 19.1% <sup>(3)(4)</sup>	0% to 60% <sup>(3)</sup>	2% to 10%	0% to 50% <sup>(5)</sup>
Policyholder Deposits <sup>(6)</sup>	—	—	—	—	0% to 50% <sup>(5)</sup>
Mortality	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(8)</sup>

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

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

<sup>(2)</sup> lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money." The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of December 31, 2016 (account value amounts are in \$ billions).

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

\$13.4 \$ 0.2 \$13.6 5.5

\* Less than \$0.1

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

<sup>(3)</sup> Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

(4) The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period or at the shock lapse period and to whether they are "in the money" or "out of the money" as of December 31, 2016 (account value amounts are in \$ billions). Lapse ranges are based on weighted average ranges of underlying account value exposure.

	Moneyiness	GMAB Account Lapse Range Value	GMWB/GMWBL Account Lapse Range Value
<b>During Surrender Charge Period</b>			
	In the Money**	\$-0.4% to 6.9%	\$2.0 0.1% to 4.5%
	Out of the Money	-1.6% to 7.6%	— *0.6% to 4.7%
<b>Shock Lapse Period</b>			
	In the Money**	\$-4.7% to 17.3%	\$2.8 2.3% to 11.6%
	Out of the Money	-17.3% to 19.1%	— *11.6% to 12.2%
<b>After Surrender Charge Period</b>			
	In the Money**	\$-2.8% to 10.6%	\$8.7 1.4% to 6.7%
	Out of the Money	0.110.6% to 11.7%	0.6 6.7% to 7.0%

\* Less than \$0.1.

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

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

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	93 %	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	7 %	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100 %	0-50%	0-30%	0-50%	0-25%

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

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

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

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

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

- A decrease (increase) in mortality
- An increase (decrease) in benefit utilization
- A decrease (increase) in lapses

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

The Company notes the following interrelationships:

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Other Financial Instruments

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

	March 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturities, including securities pledged	\$75,005.4	\$75,005.4	\$75,338.1	\$75,338.1
Equity securities, available-for-sale	297.6	297.6	274.2	274.2
Mortgage loans on real estate	12,385.8	12,509.3	11,725.2	11,960.7
Policy loans	1,934.9	1,934.9	1,961.5	1,961.5
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	3,682.9	3,682.9	4,520.1	4,520.1
Derivatives	1,303.5	1,303.5	1,712.4	1,712.4
Other investments	43.3	53.2	47.4	57.2
Assets held in separate accounts	100,778.1	100,778.1	97,118.7	97,118.7
<b>Liabilities:</b>				
<b>Investment contract liabilities:</b>				
Funding agreements without fixed maturities and deferred annuities <sup>(1)</sup>	53,319.2	57,821.7	53,314.1	57,561.3
Funding agreements with fixed maturities and guaranteed investment contracts	200.1	198.8	472.9	469.8
Supplementary contracts, immediate annuities and other	3,891.7	4,158.5	3,878.9	4,120.5
<b>Derivatives:</b>				
<b>Guaranteed benefit derivatives:</b>				
FIA	2,101.7	2,101.7	2,029.6	2,029.6
IUL	109.8	109.8	81.0	81.0
GMAB/GMWB/GMWBL	1,409.3	1,409.3	1,530.4	1,530.4
Stabilizer and MCGs	131.1	131.1	150.4	150.4
Other derivatives	303.5	303.5	470.7	470.7
Short-term debt	735.5	743.9	—	—
Long-term debt	2,725.7	2,947.9	3,549.5	3,737.9
Embedded derivative on reinsurance	81.9	81.9	78.7	78.7

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

The following disclosures are made in accordance with the requirements of ASC Topic 825 which requires disclosure of fair value information about financial instruments, whether or not recognized at fair value on the Condensed Consolidated Balance Sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates, in many cases, could not be realized in immediate settlement of the instrument.





Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

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

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

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

**Investment contract liabilities:**

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

**Funding agreements with fixed maturities and guaranteed investment contracts:** Fair value is estimated by discounting cash flows at rates that are risk-free rates plus an adjustment for nonperformance risk. These liabilities are classified as Level 2.

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

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

Fair value estimates are made at a specific point in time, based on available market information and judgments about various financial instruments, such as estimates of timing and amounts of future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a

particular financial instrument, nor do they consider the tax impact of the realization of unrealized capital gains (losses). In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's management of interest rate, price and liquidity risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 5. Deferred Policy Acquisition Costs and Value of Business Acquired

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

	2017		
	DAC	VOBA	Total
Balance as of January 1, 2017	\$4,064.6	\$822.9	\$4,887.5
Deferrals of commissions and expenses	90.3	2.0	92.3
Amortization:			
Amortization, excluding unlocking	(166.0 )	(36.5 )	(202.5 )
Unlocking <sup>(1)</sup>	24.2	11.9	36.1
Interest accrued	55.9	17.8	<sup>(2)</sup> 73.7
Net amortization included in Condensed Consolidated Statements of Operations	(85.9 )	(6.8 )	(92.7 )
Change due to unrealized capital gains/losses on available-for-sale securities	(69.8 )	(23.6 )	(93.4 )
Balance as of March 31, 2017	\$3,999.2	\$794.5	\$4,793.7
	2016		
	DAC	VOBA	Total
Balance as of January 1, 2016	\$4,357.5	\$1,012.6	\$5,370.1
Deferrals of commissions and expenses	97.2	2.4	99.6
Amortization:			
Amortization, excluding unlocking	(176.8 )	(31.9 )	(208.7 )
Unlocking <sup>(1)</sup>	26.0	3.1	29.1
Interest accrued	57.0	20.1	<sup>(2)</sup> 77.1
Net amortization included in Condensed Consolidated Statements of Operations	(93.8 )	(8.7 )	(102.5 )
Change due to unrealized capital gains/losses on available-for-sale securities	(442.3 )	(231.9 )	(674.2 )
Balance as of March 31, 2016	\$3,918.6	\$774.4	\$4,693.0

<sup>(1)</sup> Includes the impacts of annual review of assumptions which typically occurs in the third quarter; and retrospective and prospective unlocking.

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

## 6. Share-based Incentive Compensation Plans

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). As of March 31, 2017, common stock reserved and available for issuance under the 2013 Omnibus Plan and the 2014 Omnibus Plan was 343,768 and 7,657,280 shares, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Compensation Cost

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

	Three Months Ended March 31,	
	2017	2016
Restricted Stock Unit (RSU) awards	\$21.5	\$15.1
Performance Stock Unit (PSU) awards	13.7	10.2
Stock options	3.8	3.5
Phantom Plan	0.4	0.2
Share-based compensation expense	\$39.4	\$29.0
Income tax benefit	13.0	10.2
After-tax share-based compensation expense <sup>(1)</sup>	\$26.4	\$18.8

<sup>(1)</sup> Increase is due to higher seasonal expenses related to accelerated requisite service period for retirement-eligible employees.

### Awards Outstanding

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

(awards in millions)	RSU Awards		PSU Awards	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2017	3.3	\$ 35.02	1.5	\$ 28.88
Adjustment for PSU performance factor	N/A	N/A	—	*31.35
Granted	1.3	42.60	1.2	42.35
Vested	(1.5)	34.70	(0.4)	31.29
Forfeited	—	*35.60	(0.1)	31.85
Outstanding as of March 31, 2017	3.1	\$ 38.35	2.2	\$ 35.48

\*Less than 0.1

(awards in millions)	Stock Options	
	Number of Awards	Weighted Average Exercise Price <sup>(1)</sup>
Outstanding as of January 1, 2017	3.3	\$ 37.60
Granted	—	—
Exercised	—	—

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

Forfeited	(0.2)	37.60
Outstanding as of March 31, 2017	3.1	\$ 37.60
Vested, not exercisable, as of March 31, 2017 <sup>(2)</sup>	0.8	\$ 37.60
Vested, exercisable, as of March 31, 2017	—	—

<sup>(1)</sup> Vesting of stock options is contingent on satisfaction of specified performance conditions on or before December 31, 2018.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 7. Shareholders' Equity

### Common Shares

The following table presents the rollforward of common shares used in calculating the weighted average shares utilized in the basic earnings per common share calculation for the periods indicated:

(shares in millions)	Common Shares		
	Issued	Held in Treasury	Outstanding
Balance, January 1, 2016	265.3	56.2	209.1
Common shares issued	—	*—	—
Common shares acquired - share repurchase	—	17.0	(17.0)
Share-based compensation	2.7	0.2	2.5
Balance, December 31, 2016	268.0	73.4	194.6
Common shares issued	—	*—	—
Common shares acquired - share repurchase	—	6.4	(6.4)
Share-based compensation	1.9	0.2	1.7
Balance, March 31, 2017	269.9	80.0	189.9

\* Less than 0.1.

### Share Repurchase Program

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

On October 27, 2016 the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company's common stock authorized for repurchase by \$600.0. The current share repurchase authorization expires on December 31, 2017 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

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

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

### Warrants

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The current exercise price of the warrants is \$48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of \$0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

of a warrant upon exercise, and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of \$94.0 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends. As of March 31, 2017, no warrants have been exercised.

#### 8. Earnings per Common Share

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

(in millions, except for per share data)	Three Months Ended March 31,	
	2017	2016
Earnings		
Net income (loss) available to common shareholders:		
Net income (loss)	\$(142.4)	\$192.3
Less: Net income (loss) attributable to noncontrolling interest	1.1	0.7
Net income (loss) available to common shareholders	\$(143.5)	\$191.6
Weighted average common shares outstanding		
Basic	191.7	206.9
Dilutive Effects: <sup>(1)</sup>		
RSU awards	—	<sup>(2)</sup> 1.6
PSU awards	—	<sup>(2)</sup> 0.6
Stock Options	—	<sup>(3)</sup> —
Diluted	191.7	209.1
Net income (loss) available to common shareholders per common share		
Basic	\$(0.75 )	\$0.93
Diluted	(0.75 )	0.92

<sup>(1)</sup> For the three months ended March 31, 2017 and 2016, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For more information on warrants, see the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

<sup>(2)</sup> For three months ended March 31, 2017, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of the 2.2 and 0.6 shares for stock compensation plans of RSU awards and PSU awards, respectively, would be antidilutive to the earnings per share calculation due to the net loss in the period.

<sup>(3)</sup> For three months ended March 31, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the immaterial dilutive impact of stock options, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to the weighted average unrecognized compensation costs' effect on assumed proceeds for the period presented. For more information on stock options, see the Share-based Incentive Compensation Plans Note to these Condensed Consolidated Financial Statements.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

9. Accumulated Other Comprehensive Income (Loss)

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

	March 31,	
	2017	2016
Fixed maturities, net of OTTI	\$3,796.8	\$4,446.6
Equity securities, available-for-sale	34.5	32.1
Derivatives	216.9	284.7
DAC/VOBA adjustment on available-for-sale securities	(1,175.9 )	(1,438.9 )
Premium deficiency reserve	—	—
Sales inducements and other intangibles adjustment on available-for-sale securities	(178.3 )	(83.1 )
Other	(30.7 )	(31.0 )
Unrealized capital gains (losses), before tax	2,663.3	3,210.4
Deferred income tax asset (liability)	(474.6 )	(764.5 )
Net unrealized capital gains (losses)	2,188.7	2,445.9
Pension and other postretirement benefits liability, net of tax	23.6	30.3
AOCI	\$2,212.3	\$2,476.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended March 31, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$328.2	\$(114.4)	\$ 213.8
Equity securities	2.1	(0.7 )	1.4
Other	0.1	—	0.1
OTTI	11.0	(3.9 )	7.1
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	44.8	(15.7 )	29.1
DAC/VOBA	(93.4 ) <sup>(1)</sup>	32.7	(60.7 )
Premium deficiency reserve	53.7	(18.8 )	34.9
Sales inducements	(9.5 )	3.3	(6.2 )
Change in unrealized gains/losses on available-for-sale securities	337.0	(117.5 )	219.5
Derivatives:			
Derivatives	(34.7 ) <sup>(2)</sup>	12.1	(22.6 )
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(6.2 )	2.2	(4.0 )
Change in unrealized gains/losses on derivatives	(40.9 )	14.3	(26.6 )
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(3.5 )	1.2	(2.3 )
Change in pension and other postretirement benefits liability	(3.5 )	1.2	(2.3 )
Change in Accumulated other comprehensive income (loss)	\$292.6	\$(102.0)	\$ 190.6

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended March 31, 2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$2,266.2	\$(790.1)	\$1,476.1
Equity securities	0.9	(0.3 )	0.6
Other	0.1	—	0.1
OTTI	3.1	(1.1 )	2.0
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	54.7	(19.1 )	35.6
DAC/VOBA	(674.2 ) <sup>(1)</sup>	236.0	(438.2 )
Premium deficiency reserve	—	—	—
Sales inducements	(60.4 )	21.1	(39.3 )
Change in unrealized gains/losses on available-for-sale securities	1,590.4	(553.5 )	1,036.9
Derivatives:			
Derivatives	30.0	<sup>(2)</sup> (10.5 )	19.5
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(4.4 )	1.5	(2.9 )
Change in unrealized gains/losses on derivatives	25.6	(9.0 )	16.6
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(3.4 )	1.2	(2.2 )
Change in pension and other postretirement benefits liability	(3.4 )	1.2	(2.2 )
Change in Accumulated other comprehensive income (loss)	\$1,612.6	\$(561.3)	\$1,051.3

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

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

## 10. Income Taxes

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

The Company's effective tax rate for the three months ended March 31, 2017 was 10.6%. The effective tax rate differed from the statutory rate of 35% primarily due to the effect of the relative dividends received deduction ("DRD").

The Company's effective tax rate for the three months ended March 31, 2016 was 20.3%. The effective tax rate differed from the statutory rate of 35% primarily due to the effect of the relative DRD.

#### Tax Regulatory Matters

During 2016, the Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2015. The audit settlements did not have a material impact on the Company. The Company is currently under audit by the IRS, and it is

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

expected that the examination of tax year 2016 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Process for the tax years 2016 and 2017.

## 11. Financing Agreements

### Short-term Debt

As of March 31, 2017, the Company has \$735.5 of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt. As of December 31, 2016, the Company did not have any short-term borrowings outstanding.

### Long-term Debt

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

	Maturity	March 31, December 31,	
		2017	2016
7.25% Voya Holdings Inc. debentures, due 2023 <sup>(1)</sup>	08/15/2023	\$ 143.0	\$ 142.9
7.63% Voya Holdings Inc. debentures, due 2026 <sup>(1)</sup>	08/15/2026	185.8	185.8
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	13.6	13.6
6.97% Voya Holdings Inc. debentures, due 2036 <sup>(1)</sup>	08/15/2036	93.7	93.7
1.00% Windsor Property Loan	06/14/2027	4.9	4.9
5.5% Senior Notes, due 2022	07/15/2022	360.8	360.7
2.9% Senior Notes, due 2018	02/15/2018	735.5	825.0
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	738.3	738.2
5.7% Senior Notes, due 2043	07/15/2043	394.4	394.3
3.65% Senior Notes, due 2026	06/15/2026	494.7	494.2
4.8% Senior Notes, due 2046	06/15/2046	296.5	296.2
Subtotal		3,461.2	3,549.5
Less: Current portion of long-term debt		735.5	—
Total		\$ 2,725.7	\$ 3,549.5

(1) Guaranteed by ING Group.

### Senior Notes

During the three months ended March 31, 2017, Voya Financial, Inc. repurchased \$90.0 of the outstanding principal amount of 2.9% Senior Notes due February 15, 2018. In connection with this transaction, the Company incurred a loss on debt extinguishment of \$1.1 for the three months ended March 31, 2017, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

### Aetna Notes

As of March 31, 2017, the outstanding principal amount of the Aetna Notes was \$426.5, which is guaranteed by ING Group. During the three months ended March 31, 2017, the Company deposited \$2.4 of collateral into a control

account benefiting ING Group with a third-party collateral agent, thereby increasing the remaining collateral balance to \$129.8. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

#### Senior Unsecured Credit Facility Agreement

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

As of March 31, 2017, there were no amounts outstanding as revolving credit borrowings and \$306.0 of LOCs outstanding under the senior unsecured credit facility.

## 12. Commitments and Contingencies

### Commitments

Through the normal course of investment operations, the Company commits to either purchase or sell securities, mortgage loans, or money market instruments, at a specified future date and at a specified price or yield. The inability of counterparties to honor these commitments may result in either a higher or lower replacement cost. Also, there is likely to be a change in the value of the securities underlying the commitments.

As of March 31, 2017, the Company had off-balance sheet commitments to acquire mortgage loans of \$655.1 and purchase limited partnerships and private placement investments of \$1,626.8, of which \$331.5 related to consolidated investment entities. As of December 31, 2016, the Company had off-balance sheet commitments to acquire mortgage loans of \$1,070.3 and purchase limited partnerships and private placement investments of \$1,391.0, of which \$310.7 related to consolidated investment entities.

### Restricted Assets

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

	March 31, December 31,	
	2017	2016
Fixed maturity collateral pledged to FHLB <sup>(1)</sup>	\$ 291.1	\$ 405.5
FHLB restricted stock <sup>(2)</sup>	28.6	32.7
Other fixed maturities-state deposits	201.4	207.9
Securities pledged <sup>(3)</sup>	2,187.3	2,157.1
Total restricted assets	\$ 2,708.4	\$ 2,803.2

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

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

<sup>(3)</sup> Includes the fair value of loaned securities of \$1,420.9 and \$1,403.8 as of March 31, 2017 and December 31, 2016, respectively. In addition, as of March 31, 2017 and December 31, 2016, the Company delivered securities as collateral of \$766.4 and \$753.3, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Condensed Consolidated Balance Sheets.

### Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines and the FHLB of Topeka and is required to pledge collateral to back funding agreements issued to the FHLB. As of March 31, 2017 and December 31, 2016, the Company had \$200.1 and \$300.0, respectively, in non-putable funding agreements, which are included in Contract owner account

balances on the Condensed Consolidated Balance Sheets. As of March 31, 2017 and December 31, 2016, assets with a market value of approximately \$291.1 and \$405.5, respectively, collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Condensed Consolidated Balance Sheets.

#### Litigation, Regulatory Matters and Loss Contingencies

Litigation, regulatory and other loss contingencies arise in connection with the Company's activities as a diversified financial services firm. The Company is a defendant in a number of litigation matters arising from the conduct of its business, both in the ordinary course and otherwise. In some of these matters, claimants seek to recover very large or indeterminate amounts, including compensatory, punitive, treble and exemplary damages. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages and other relief. Claimants are not always required to specify the monetary damages they seek



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

or they may be required only to state an amount sufficient to meet a court's jurisdictional requirements. Moreover, some jurisdictions allow claimants to allege monetary damages that far exceed any reasonably possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including negligence, breach of contract, fraud, violation of regulation or statute, breach of fiduciary duty, negligent misrepresentation, failure to supervise, elder abuse and other torts.

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

The outcome of a litigation or regulatory matter is difficult to predict and the amount or range of potential losses associated with these or other loss contingencies requires significant management judgment. It is not possible to predict the ultimate outcome or to provide reasonably possible losses or ranges of losses for all pending regulatory matters, litigation and other loss contingencies. While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known, management believes that neither the outcome of pending litigation and regulatory matters, nor potential liabilities associated with other loss contingencies, are likely to have such an effect. However, given the large and indeterminate amounts sought in certain litigation and the inherent unpredictability of all such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters, or liabilities arising from other loss contingencies, could, from time to time, have a material adverse effect upon the Company's results of operations or cash flows in a particular quarterly or annual period.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of March 31, 2017, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately \$75.0.

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

Litigation includes *Beeson, et al. v SMMS, Lion Connecticut Holdings, Inc. and ING NAIC* (Marin County CA Superior Court, CIV-092545). Thirty-four Plaintiff households (husband/wife/trust) assert that SMMS, which was purchased in 2000 and sold in 2003, breached a duty to monitor the performance of investments that Plaintiffs made with independent financial advisors they met in conjunction with retirement planning seminars presented at Fireman's

Fund Insurance Company. SMMS recommended the advisors to Fireman's Fund as seminar presenters. Some of the seminars were arranged by SMMS. As a result of the performance of their investments, Plaintiffs claim they incurred damages. Fireman's Fund has asserted breach of contract and concealment claims against SMMS alleging that SMMS failed to fulfill its ongoing obligation to monitor the financial advisors and the investments they recommended to Plaintiffs and by failing to disclose that a primary purpose of the seminars was to develop business for the financial advisors. The Company denied all claims and vigorously defended this case at trial. During trial, the Court ruled that SMMS had duties to Plaintiffs and Fireman's Fund that it has breached. On December 12, 2014, the Court issued a Statement of Decision in which it awarded damages in the aggregate of \$36.8 to Plaintiffs. On January 7, 2015, the Court made final the award in favor of the Plaintiffs. The Company appealed that judgment. On February 9, 2016, final judgment in favor of Fireman's Fund was entered in the amount of \$12.5. The Company has appealed that judgment.

Litigation also includes *Dezelan v. Voya Retirement Insurance and Annuity Company* (USDC District of Connecticut, No. 3:16-cv-1251) (filed July 26, 2016), a putative class action in which plaintiff, a participant in a 403(b) Plan, seeks to represent a class

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

of plans whose assets are invested in Voya Retirement Insurance and Annuity Company ("VRIAC") "Group Annuity Contract Stable Value Funds." Plaintiff alleges that VRIAC has violated the Employee Retirement Income Security Act of 1974 ("ERISA") by charging unreasonable fees and setting its own compensation in connection with stable value products. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

Litigation also includes *Patrico v. Voya Financial, Inc., et al* (USDC SDNY, No. 1:16-cv-07070) (filed September 9, 2016), a putative class action in which plaintiff, a participant in a 401(k) Plan, seeks to represent a class of plans "for which Voya or its subsidiaries provide recordkeeping, investment management or investment advisory services and for which Financial Engines provides investment advice to plan participants." Plaintiff alleges that the Company and its affiliates have violated ERISA by charging unreasonable fees in connection with in-plan investment advice provided in conjunction with Financial Engines, a third-party investment adviser. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

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

Certain performance fees related to sponsored private equity funds ("carried interest") are not final until the conclusion of an investment term specified in the relevant asset management contract. As a result, such fees, if accrued or paid to the Company during such term, are subject to later adjustment based on subsequent fund performance. As of March 31, 2017, approximately \$30.9 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

#### 13. Consolidated Investment Entities

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

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

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company's direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately \$611.3 and \$587.4 as of March 31, 2017 and December 31, 2016, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

#### Consolidated VIEs and VOEs

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

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

In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. The fee income earned and investments held are included in the Company's ongoing consolidation assessment for each CLO. As of March 31, 2017 and December 31, 2016, the Company was the primary beneficiary of 7 and 6 CLOs, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Limited Partnerships

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

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

#### Registered Investment Companies

The Company consolidates two sponsored investment funds accounted for as VOEs because it is the majority investor in the funds, and as such, has a controlling financial interest in the funds.

The following table summarizes the components of the consolidated investment entities as of the dates indicated:

	March 31, 2017	December 31, 2016
<b>Assets of Consolidated Investment Entities</b>		
<b>VIEs</b>		
Cash and cash equivalents	\$ 232.6	\$ 133.0
Corporate loans, at fair value using the fair value option	1,888.9	1,920.3
Limited partnerships/corporations, at fair value	1,770.4	1,770.3
Other assets	32.8	31.9
Total VIE assets	3,924.7	3,855.5
<b>VOEs</b>		
Cash and cash equivalents	0.4	0.2
Corporate loans, at fair value using the fair value option	32.7	32.2
Limited partnerships/corporations, at fair value	180.8	166.0
Other assets	5.5	2.1
Total VOE assets	219.4	200.5
Total assets of consolidated investment entities	\$ 4,144.1	\$ 4,056.0
<b>Liabilities of Consolidated Investment Entities</b>		
<b>VIEs</b>		
CLO notes, at fair value using the fair value option	\$ 1,808.5	\$ 1,967.2
Other liabilities	727.6	521.1
Total VIE liabilities	2,536.1	2,488.3
<b>VOEs</b>		
Other liabilities	8.7	6.7
Total VOE liabilities	8.7	6.7

Total liabilities of consolidated investment entities	\$2,544.8	\$ 2,495.0
---	-----------	------------

65

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Fair Value Measurement

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

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

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

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

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

## Cash and Cash Equivalents

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

## CLO Entities

Corporate loans: Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2017 and 2025, paying interest at LIBOR or PRIME plus a spread of up to 10.0%. As of March 31, 2017 and December 31, 2016, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$32.7 and \$43.1, respectively. Less than 1.0% of the

collateral assets were in default as of March 31, 2017 and December 31, 2016.

The fair values for corporate loans are determined using independent commercial pricing services. Fair value measurement based on pricing services may be classified in Level 2 or Level 3 depending on the type, complexity, observability and liquidity of the asset being measured. The inputs used by independent commercial pricing services, such as benchmark yields and credit risk adjustments, are those that are derived principally from or corroborated by observable market data. Hence, the fair value measurement of corporate loans priced by independent pricing service providers is classified within Level 2 of the fair value hierarchy. In addition, there are assets held with CLO portfolios that represent senior level debt of other third party CLOs. These CLO investments are classified within Level 3 of the fair value hierarchy. See description of fair value process for CLO notes below.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

CLO notes: The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any. The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.2% for the more senior tranches to 6.6% for the more subordinated tranches. CLO notes mature at various dates between 2020 and 2027 and have a weighted average maturity of 9.0 years as of March 31, 2017. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

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

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

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

The following narrative indicates the sensitivity of inputs:

**Default Rate:** An increase (decrease) in the expected default rate would likely increase (decrease) the discount margin (increase risk premium) used to value the CLO investments and CLO notes and, as a result, would potentially decrease the value of the CLO investments and CLO notes.

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

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

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

#### Private Equity Funds

As prescribed in ASC Topic 820, the unit of account for these investments is the interest in the investee fund. The Company owns an undivided interest in the fund portfolio and does not have the ability to dispose of individual assets and liabilities in the fund portfolio. Rather, the Company would be required to redeem or dispose of its entire interest in the investee fund. There is no current active market for interests in underlying private equity funds.

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

seeks to determine the fair value of fund investments based upon other information provided by the fund's general partner or investment manager or from other sources.

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

As of March 31, 2017 and December 31, 2016, certain private equity funds maintained revolving lines of credit of \$596.6 which renew annually and bear interest at LIBOR or EURIBOR plus 150 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. The private equity funds generally may borrow an amount that does not exceed the lesser of a certain percentage of the funds' undrawn commitments or a certain percentage of the funds' undrawn commitments plus 250% asset coverage from the invested assets of the funds as of March 31, 2017 and December 31, 2016. As of March 31, 2017 and December 31, 2016, outstanding borrowings amount to \$430.6. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Company's Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

#### Voya Strategic Income Opportunities Fund

Voya Strategic Income Opportunities Fund seeks to achieve its investment strategy by investing primarily in fixed-income corporate, government, and agency securities. Investments in this fund are priced in accordance with the procedures adopted by the Fund's Board, and such procedures provide that the fair value of debt securities are valued using an evaluated price provided by an independent pricing service. Evaluated prices provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect factors such as institution-size trading in similar groups of securities, developments related to specific securities, benchmark yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Securities that rely upon a vendor supplied price are classified as Level 2.

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of March 31, 2017:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	\$232.6	\$—	\$—	\$—	\$232.6
Corporate loans, at fair value using the fair value option	—	1,881.2	7.7	—	1,888.9
Limited partnerships/corporations, at fair value	—	—	—	1,770.4	1,770.4
VOEs					
Cash and cash equivalents	0.4	—	—	—	0.4
Corporate loans, at fair value using the fair value option	—	32.7	—	—	32.7
Limited partnerships/corporations, at fair value	—	119.0	—	61.8	180.8

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

Total assets, at fair value	\$233.0	\$2,032.9	\$7.7	\$1,832.2	\$4,105.8
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$—	\$1,808.5	\$—	\$—	\$1,808.5
Total liabilities, at fair value	\$—	\$1,808.5	\$—	\$—	\$1,808.5

68

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

Transfers of investments out of Level 3 and into Level 2 or Level 1, if any, are recorded as of the beginning of the period in which the transfer occurred. For the three months ended March 31, 2017 and March 31, 2016, there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2.

#### Deconsolidation of Certain Investment Entities

The Company did not deconsolidate any investment entities during the three months ended March 31, 2017 and March 31, 2016.

#### Nonconsolidated VIEs

##### CLO Entities

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

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of March 31, 2017 and December 31, 2016, the Company held \$135.2 and \$110.4 ownership interests, respectively, in unconsolidated CLOs.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Limited Partnerships

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

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

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

### Variable Interests on the Condensed Consolidated Balance Sheet

	March 31, 2017		December 31, 2016	
	Carrying Amount	Maximum Exposure to loss	Carrying Amount	Maximum Exposure to loss
Fixed maturities, available for sale	\$ 135.2	\$ 135.2	\$ 110.4	\$ 110.4
Limited partnership/corporations	826.7	826.7	758.6	758.6

### Securitizations

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

Statements for details regarding the carrying amounts and classifications of these assets.

14. Restructuring

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

The expected completion date for these initiatives is the end of 2018. The associated costs through completion, which include severance and other costs, cannot currently be estimated, but could be material.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended March 31, 2017	Cumulative Amounts Incurred to Date
Severance benefits	\$ 10.2	\$ 35.7
Other costs	2.0	10.3
Total restructuring expense	\$ 12.2	\$ 46.0

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

The following table presents the accrued liability associated with restructuring expenses as of March 31, 2017:

	2017		Total
	Severance Benefits	Other Costs	
Accrued liability as of January 1, 2017	\$21.5	\$ 1.9	\$23.4
Charged to expense	10.2	2.0	12.2
Payments	(4.4 )	(2.8 )	(7.2 )
Accrued liability as of March 31, 2017	\$27.3	\$ 1.1 <sup>(1)</sup>	\$28.4

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

## 15. Segments

The Company provides its principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. In addition, the Company has a Closed Block Variable Annuity ("CBVA") segment.

### Measurement

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

income taxes for the following items:

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

Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

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

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

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months	
	Ended March 31,	
	2017	2016
Retirement	\$148.1	\$103.7
Investment Management	49.3	22.7
Annuities	63.5	50.7
Individual Life	31.7	41.1
Employee Benefits	10.6	20.8
Corporate	(72.1 )	(69.2 )
Total operating earnings before income taxes	231.1	169.8
Adjustments:		
Closed Block Variable Annuity	(387.1 )	46.0
Net investment gains (losses) and related charges and adjustments	(26.3 )	(60.4 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	41.5	93.5
Income (loss) related to businesses exited through reinsurance or divestment	(5.3 )	1.6
Income (loss) attributable to noncontrolling interest	1.1	0.7
Loss related to early extinguishment of debt	(0.7 )	(1.7 )
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments	—	—
Other adjustments to operating earnings	(13.7 )	(8.2 )
Income (loss) before income taxes	\$(159.4)	\$241.3

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

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

Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from operating revenues, including the impacts related to changes in the Company's nonperformance spread;

•

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

73

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

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

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

	Three Months Ended	
	March 31,	
	2017	2016
Retirement	\$625.2	\$937.7
Investment Management	171.4	132.2
Annuities	301.4	303.0
Individual Life	630.0	624.0
Employee Benefits	446.2	399.7
Corporate	14.4	28.7
Total operating revenues	2,188.6	2,425.3
Adjustments:		
Closed Block Variable Annuity	(56.1 )	453.0
Net realized investment gains (losses) and related charges and adjustments	(39.1 )	(107.7 )
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	46.4	130.1
Revenues related to businesses exited through reinsurance or divestment	20.4	58.5
Revenues attributable to noncontrolling interest	18.5	22.5
Other adjustments to operating revenues	34.7	27.6
Total revenues	\$2,213.4	\$3,009.3

#### Other Segment Information

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

Three  
Months

	Ended	
	March 31,	
	2017	2016
Investment Management intersegment revenues	\$43.9	\$40.0



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	March 31, 2017	December 31, 2016
Retirement	\$105,816.2	\$101,047.9
Investment Management	474.7	512.9
Annuities	25,963.3	25,793.4
Individual Life	27,031.3	26,850.7
Employee Benefits	2,587.6	2,548.8
Closed Block Variable Annuity	41,818.6	43,141.0
Corporate	9,801.9	10,872.5
Total assets, before consolidation <sup>(1)</sup>	213,493.6	210,767.2
Consolidation of investment entities	3,531.9	3,467.9
Total assets	\$217,025.5	\$214,235.1

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

## 16. Condensed Consolidating Financial Information

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

The 5.5% senior notes due 2022, the 2.9% senior notes due 2018, the 5.7% senior notes due 2043, the 3.65% senior notes due 2026, the 4.8% senior notes due 2046 (collectively, the "Senior Notes") and the 5.65% fixed-to-floating rate junior subordinated notes due 2053 (the "Junior Subordinated Notes"), each issued by Parent Issuer, are fully and unconditionally guaranteed by Subsidiary Guarantor, a 100% owned subsidiary of Parent Issuer. No other subsidiary of Parent Issuer guarantees the Senior Notes or the Junior Subordinated Notes. Rule 3-10(h) provides that a guarantee is full and unconditional if, when the issuer of a guaranteed security has failed to make a scheduled payment, the guarantor is obligated to make the scheduled payment immediately and, if it does not, any holder of the guaranteed security may immediately bring suit directly against the guarantor for payment of amounts due and payable. In the event that Parent Issuer does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Subsidiary Guarantor for amounts due and payable.

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

March 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$ 69,154.4	\$(15.2 )	\$ 69,139.2
Fixed maturities, at fair value using the fair value option	—	—	3,678.9	—	3,678.9
Equity securities, available-for-sale, at fair value	101.8	—	195.8	—	297.6
Short-term investments	227.0	—	351.2	—	578.2
Mortgage loans on real estate, net of valuation allowance	—	—	12,385.8	—	12,385.8
Policy loans	—	—	1,934.9	—	1,934.9
Limited partnerships/corporations	—	—	826.7	—	826.7
Derivatives	53.8	—	1,357.3	(107.6 )	1,303.5
Investments in subsidiaries	14,904.4	11,149.0	—	(26,053.4 )	—
Other investments	—	0.5	42.8	—	43.3
Securities pledged	—	—	2,187.3	—	2,187.3
Total investments	15,287.0	11,149.5	92,115.1	(26,176.2 )	92,375.4
Cash and cash equivalents	228.6	2.4	2,067.3	—	2,298.3
Short-term investments under securities loan agreements, including collateral delivered	10.7	—	795.7	—	806.4
Accrued investment income	—	—	928.6	—	928.6
Premium receivable and reinsurance recoverable	—	—	7,353.7	—	7,353.7
Deferred policy acquisition costs and Value of business acquired	—	—	4,793.7	—	4,793.7
Sales inducements to contract owners	—	—	237.0	—	237.0
Current income taxes	26.8	11.6	87.4	—	125.8
Deferred income taxes	544.8	38.7	1,472.2	—	2,055.7
Goodwill and other intangible assets	—	—	208.0	—	208.0
Loans to subsidiaries and affiliates	520.6	—	608.1	(1,128.7 )	—
Due from subsidiaries and affiliates	4.8	0.1	5.0	(9.9 )	—
Other assets	19.8	—	900.9	—	920.7
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,951.2	—	1,951.2
Cash and cash equivalents	—	—	233.0	—	233.0
Corporate loans, at fair value using the fair value option	—	—	1,921.6	—	1,921.6
Other assets	—	—	38.3	—	38.3
Assets held in separate accounts	—	—	100,778.1	—	100,778.1
Total assets	\$16,643.1	\$11,202.3	\$ 216,494.9	\$(27,314.8 )	\$ 217,025.5



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet (Continued)

March 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits	\$—	\$—	\$ 21,108.6	\$—	\$ 21,108.6
Contract owner account balances	—	—	70,477.0	—	70,477.0
Payables under securities loan agreement, including collateral held	—	—	1,740.9	—	1,740.9
Short-term debt	1,343.6	208.2	312.4	(1,128.7 )	735.5
Long-term debt	2,284.7	437.7	18.5	(15.2 )	2,725.7
Funds held under reinsurance agreements	—	—	742.3	—	742.3
Derivatives	53.8	—	357.3	(107.6 )	303.5
Pension and other postretirement provisions	—	—	656.0	—	656.0
Due to subsidiaries and affiliates	2.6	—	4.3	(6.9 )	—
Other liabilities	68.0	5.4	1,265.0	(3.0 )	1,335.4
<b>Liabilities related to consolidated investment entities:</b>					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	1,808.5	—	1,808.5
Other liabilities	—	—	736.3	—	736.3
Liabilities related to separate accounts	—	—	100,778.1	—	100,778.1
<b>Total liabilities</b>	<b>3,752.7</b>	<b>651.3</b>	<b>200,005.2</b>	<b>(1,261.4 )</b>	<b>203,147.8</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity	12,890.4	10,551.0	15,502.4	(26,053.4 )	12,890.4
Noncontrolling interest	—	—	987.3	—	987.3
<b>Total shareholders' equity</b>	<b>12,890.4</b>	<b>10,551.0</b>	<b>16,489.7</b>	<b>(26,053.4 )</b>	<b>13,877.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 16,643.1</b>	<b>\$ 11,202.3</b>	<b>\$ 216,494.9</b>	<b>\$ (27,314.8 )</b>	<b>\$ 217,025.5</b>

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

December 31, 2016

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet (Continued)

December 31, 2016

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Operations

For the Three Months Ended March 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$8.9	\$—	\$ 1,150.2	\$ (3.6 )	\$ 1,155.5
Fee income	—	—	850.8	—	850.8
Premiums	—	—	591.6	—	591.6
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(2.3 )	—	(2.3 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	0.7	—	0.7
Net other-than-temporary impairments recognized in earnings	—	—	(3.0 )	—	(3.0 )
Other net realized capital gains (losses)	—	—	(502.6 )	—	(502.6 )
Total net realized capital gains (losses)	—	—	(505.6 )	—	(505.6 )
Other revenue	—	—	93.8	—	93.8
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	27.3	—	27.3
Total revenues	8.9	—	2,208.1	(3.6 )	2,213.4
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	968.0	—	968.0
Interest credited to contract owner account balances	—	—	510.0	—	510.0
Operating expenses	2.3	0.1	736.4	—	738.8
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	92.7	—	92.7
Interest expense	38.6	9.6	1.3	(3.6 )	45.9
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	16.9	—	16.9
Other expense	—	—	0.5	—	0.5
Total benefits and expenses	40.9	9.7	2,325.8	(3.6 )	2,372.8
Income (loss) before income taxes	(32.0 )	(9.7 )	(117.7 )	—	(159.4 )
Income tax expense (benefit)	(11.5 )	(4.1 )	(41.2 )	39.8	(17.0 )
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(20.5 )	(5.6 )	(76.5 )	(39.8 )	(142.4 )
Equity in earnings (losses) of subsidiaries, net of tax	(123.0 )	226.0	—	(103.0 )	—
Net income (loss) including noncontrolling interest	(143.5 )	220.4	(76.5 )	(142.8 )	(142.4 )
Less: Net income (loss) attributable to noncontrolling interest	—	—	1.1	—	1.1
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$(143.5)	\$ 220.4	\$ (77.6 )	\$ (142.8 )	\$ (143.5 )



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations  
For the Three Months Ended March 31, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$2.9	\$ —	\$ 1,093.9	\$ (2.7 )	\$ 1,094.1
Fee income	—	—	825.8	—	825.8
Premiums	—	—	966.8	—	966.8
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(9.9 )	—	(9.9 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	0.9	—	0.9
Net other-than-temporary impairments recognized in earnings	—	—	(10.8 )	—	(10.8 )
Other net realized capital gains (losses)	—	(0.1 )	21.6	—	21.5
Total net realized capital gains (losses)	—	(0.1 )	10.8	—	10.7
Other revenue	1.0	—	81.8	—	82.8
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	29.1	—	29.1
Total revenues	3.9	(0.1 )	3,008.2	(2.7 )	3,009.3
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	1,380.8	—	1,380.8
Interest credited to contract owner account balances	—	—	494.9	—	494.9
Operating expenses	2.3	—	717.9	—	720.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	102.5	—	102.5
Interest expense	37.4	11.9	1.1	(2.7 )	47.7
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	21.0	—	21.0
Other expense	—	—	0.9	—	0.9
Total benefits and expenses	39.7	11.9	2,719.1	(2.7 )	2,768.0
Income (loss) before income taxes	(35.8 )	(12.0 )	289.1	—	241.3
Income tax expense (benefit)	—	(4.5 )	66.6	(13.1 )	49.0
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(35.8 )	(7.5 )	222.5	13.1	192.3
Equity in earnings (losses) of subsidiaries, net of tax	227.4	38.4	—	(265.8 )	—
Net income (loss) including noncontrolling interest	191.6	30.9	222.5	(252.7 )	192.3
Less: Net income (loss) attributable to noncontrolling interest	—	—	0.7	—	0.7
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$191.6	\$ 30.9	\$ 221.8	\$ (252.7 )	\$ 191.6



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Comprehensive Income

For the Three Months Ended March 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$(143.5)	\$ 220.4	\$ (76.5 )	\$ (142.8 )	\$ (142.4 )
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	285.1	183.7	285.2	(468.9 )	285.1
Other-than-temporary impairments	11.0	9.0	11.0	(20.0 )	11.0
Pension and other postretirement benefits liability	(3.5 )	(0.8 )	(3.5 )	4.3	(3.5 )
Other comprehensive income (loss), before tax	292.6	191.9	292.7	(484.6 )	292.6
Income tax expense (benefit) related to items of other comprehensive income (loss)	102.0	66.8	141.8	(208.6 )	102.0
Other comprehensive income (loss), after tax	190.6	125.1	150.9	(276.0 )	190.6
Comprehensive income (loss)	47.1	345.5	74.4	(418.8 )	48.2
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	1.1	—	1.1
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$47.1	\$ 345.5	\$ 73.3	\$ (418.8 )	\$ 47.1

## Condensed Consolidating Statement of Comprehensive Income

For the Three Months Ended March 31, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$ 191.6	\$ 30.9	\$ 222.5	\$ (252.7 )	\$ 192.3
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	1,612.9	1,109.4	1,613.0	(2,722.4 )	1,612.9
Other-than-temporary impairments	3.1	2.3	3.0	(5.3 )	3.1
Pension and other postretirement benefits liability	(3.4 )	(0.8 )	(3.4 )	4.2	(3.4 )
Other comprehensive income (loss), before tax	1,612.6	1,110.9	1,612.6	(2,723.5 )	1,612.6
Income tax expense (benefit) related to items of other comprehensive income (loss)	561.3	385.7	561.3	(947.0 )	561.3
Other comprehensive income (loss), after tax	1,051.3	725.2	1,051.3	(1,776.5 )	1,051.3
Comprehensive income (loss)	1,242.9	756.1	1,273.8	(2,029.2 )	1,243.6
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	0.7	—	0.7
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$ 1,242.9	\$ 756.1	\$ 1,273.1	\$ (2,029.2 )	\$ 1,242.9

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Cash Flows  
For the Three Months Ended March 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$(27.6)	\$ 3.1	\$ (5.3 )	\$ (20.0 )	\$ (49.8 )
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	4,022.6	—	4,022.6
Equity securities, available-for-sale	8.8	—	1.8	—	10.6
Mortgage loans on real estate	—	—	391.0	—	391.0
Limited partnerships/corporations	—	—	49.4	—	49.4
Acquisition of:					
Fixed maturities	—	—	(3,257.7 )	—	(3,257.7 )
Equity securities, available-for-sale	(11.7 )	—	(12.5 )	—	(24.2 )
Mortgage loans on real estate	—	—	(1,051.6 )	—	(1,051.6 )
Limited partnerships/corporations	—	—	(103.0 )	—	(103.0 )
Short-term investments, net	(15.0 )	—	257.7	—	242.7
Policy loans, net	—	—	26.6	—	26.6
Derivatives, net	—	—	(218.5 )	—	(218.5 )
Other investments, net	—	—	4.3	—	4.3
Sales from consolidated investments entities	—	—	612.8	—	612.8
Purchases within consolidated investment entities	—	—	(383.7 )	—	(383.7 )
Net maturity of short-term intercompany loans	(242.7 )	—	(597.6 )	840.3	—
Capital contributions to subsidiaries	(50.0 )	—	—	50.0	—
Collateral received (delivered), net	—	—	(120.1 )	—	(120.1 )
Purchases of fixed assets, net	—	—	(10.4 )	—	(10.4 )
Net cash provided by (used in) investing activities	(310.6)	—	(388.9 )	890.3	190.8

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows (Continued)

For the Three Months Ended March 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	1,764.8	—	1,764.8
Maturities and withdrawals from investment contracts	—	—	(2,100.5 )	—	(2,100.5 )
Repayment of debt with maturities of more than three months	(90.0 )	—	—	—	(90.0 )
Net (repayments of) proceeds from short-term intercompany loans	597.6	(3.0 )	245.7	(840.3)	—
Return of capital contributions and dividends to parent	—	—	(20.0 )	20.0	—
Contributions of capital from parent	—	—	50.0	(50.0 )	—
Contributions from (distributions to) participants in consolidated investment entities, net	—	—	(129.7 )	—	(129.7 )
Proceeds from issuance of common stock, net	1.3	—	—	—	1.3
Share-based compensation	(7.1 )	—	—	—	(7.1 )
Common stock acquired - Share repurchase	(190.3 )	—	—	—	(190.3 )
Dividends paid	(1.9 )	—	—	—	(1.9 )
Net cash provided by (used in) financing activities	309.6	(3.0 )	(189.7 )	(870.3)	(753.4 )
Net (decrease) increase in cash and cash equivalents	(28.6 )	0.1	(583.9 )	—	(612.4 )
Cash and cash equivalents, beginning of period	257.2	2.3	2,651.2	—	2,910.7
Cash and cash equivalents, end of period	\$228.6	\$ 2.4	\$ 2,067.3	\$ —	\$ 2,298.3

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Cash Flows  
For the Three Months Ended March 31, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$(126.3)	\$ 12.2	\$ 805.8	\$ (35.0 )	\$ 656.7
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	3,407.5	—	3,407.5
Equity securities, available-for-sale	3.6	—	70.2	—	73.8
Mortgage loans on real estate	—	—	263.1	—	263.1
Limited partnerships/corporations	—	—	65.0	—	65.0
Acquisition of:					
Fixed maturities	—	—	(4,191.3 )	—	(4,191.3 )
Equity securities, available-for-sale	(9.8 )	—	(20.4 )	—	(30.2 )
Mortgage loans on real estate	—	—	(881.5 )	—	(881.5 )
Limited partnerships/corporations	—	—	(72.2 )	—	(72.2 )
Short-term investments, net	—	—	136.6	—	136.6
Policy loans, net	—	—	(6.7 )	—	(6.7 )
Derivatives, net	—	—	(232.1 )	—	(232.1 )
Other investments, net	—	—	1.8	—	1.8
Sales from consolidated investments entities	—	—	211.4	—	211.4
Purchases within consolidated investment entities	—	—	(206.5 )	—	(206.5 )
Maturity of intercompany loans with maturities more than three months	0.3	—	—	(0.3 )	—
Net maturity of short-term intercompany loans	(65.5 )	—	(287.0 )	352.5	—
Return of capital contributions from subsidiaries	35.0	—	—	(35.0 )	—
Capital contributions to subsidiaries	(35.0 )	—	—	35.0	—
Collateral received (delivered), net	—	—	546.2	—	546.2
Purchases of fixed assets, net	—	—	(18.2 )	—	(18.2 )
Net cash provided by (used in) investing activities	(71.4 )	—	(1,214.1 )	352.2	(933.3 )



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows (Continued)

For the Three Months Ended March 31, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts	—	—	2,084.1	—	2,084.1
Maturities and withdrawals from investment contracts	—	—	(1,670.7 )	—	(1,670.7 )
Repayment of debt with maturities of more than three months	—	(4.8 )	—	—	(4.8 )
Intercompany loans with maturities of more than three months	—	—	(0.3 )	0.3	—
Net (repayments of) proceeds from short-term intercompany loans	287.0	11.4	54.1	(352.5)	—
Return of capital contributions and dividends to parent	—	(35.0 )	(35.0 )	70.0	—
Contributions of capital from parent	—	—	35.0	(35.0 )	—
Repayments of borrowings of consolidated investment entities	—	—	(245.9 )	—	(245.9 )
Contributions from (distributions to) participants in consolidated investment entities, net	—	—	356.3	—	356.3
Share-based compensation	(6.2 )	—	—	—	(6.2 )
Common stock acquired - Share repurchase	(220.5 )	—	—	—	(220.5 )
Dividends paid	(2.0 )	—	—	—	(2.0 )
Net cash provided by (used in) financing activities	58.3	(28.4 )	577.6	(317.2)	290.3
Net (decrease) increase in cash and cash equivalents	(139.4 )	(16.2 )	169.3	—	13.7
Cash and cash equivalents, beginning of period	378.1	18.4	2,116.2	—	2,512.7
Cash and cash equivalents, end of period	\$238.7	\$ 2.2	\$ 2,285.5	\$ —	\$ 2,526.4

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

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

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

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

#### Overview

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

During the fourth quarter of 2016, we accelerated the run-off of a block of GICs and funding agreements through early termination of certain FHLB funding agreements. The remaining GIC and funding agreements supporting this block will mature or be terminated by the end of 2017.

#### Trends and Uncertainties

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

#### Market Conditions

While extraordinary monetary accommodation has suppressed volatility in rate, credit and domestic equity markets for an extended period, global capital markets may now be past peak accommodation as the U.S. Federal Reserve continues its gradual pace of policy normalization. As global monetary policy becomes less accommodative, an increase in market volatility could affect our business, including through effects on the yields we earn on invested

assets, changes in required reserves and capital, and fluctuations in the value of our assets under management ("AUM") or administration ("AUA"). These effects could be exacerbated by uncertainty about future fiscal policy, changes in tax policy, the scope of potential deregulation, and levels of global trade. In the short- to medium-term, the potential for increased volatility, coupled with prevailing interest rates below historical averages, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment could make it difficult to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be adversely affected by market volatility as fees driven by AUM fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. As a company with strong retirement, investment management and insurance capabilities, however, we believe the market conditions noted above may, over the long term, enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, annuitization rates and lapse rates, which adjust in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable. For additional information on our sensitivity to interest rates

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

### Interest Rate Environment

While interest rates moved higher after the U.S. presidential election, interest rates remain at levels that are low by historical standards. Despite the significant trend upward late in 2016, the overall yield curve moved only modestly higher over the year. The late upward shift masked a move sharply lower and flatter through the first half of the year resulting in the average annual rate being lower than that of 2015. The Federal Reserve ended 2016 with its second Fed Funds rate increase since the beginning of policy normalization and implemented its third Fed Funds rate increase in March 2017. The timing and impact of any further increases in the Federal Funds rate are uncertain and dependent on the Federal Reserve Board's assessment of economic growth, continued development in labor markets, inflation outlook, fiscal policy developments and other risks that will impact the level and volatility of rates. Ultra-low yields throughout the developed world may serve as an anchor for U.S. Treasury rates.

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

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

Our general account investment portfolio, which was approximately \$90.4 billion as of March 31, 2017, consists predominantly of fixed income investments and had an annualized average yield of approximately 4.9% in the first quarter of 2017. In the near term and absent further material change in yields available on fixed income investments, we expect the yield we earn on new investments will be lower than the yields we earn on maturing investments, which were generally purchased in environments where interest rates were higher than current levels. We currently anticipate that proceeds that are reinvested in fixed income investments in the remainder of 2017 will earn an average yield in the range of 3.75% to 4.25%. If interest rates were to rise, we expect the yield on our new money investments would also rise and gradually converge toward the yield of those maturing assets. In addition, while less material to financial results than new money investment rates, movements in prevailing interest rates also influence the prices of fixed income investments that we sell on the secondary market rather than holding until maturity or repayment, with rising interest rates generally leading to lower prices in the secondary market, and falling interest rates generally leading to higher prices.

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

Our CBVA segment provides certain guaranteed minimum benefits. A prolonged low interest rate environment may subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for these variable annuity guarantees, lowering their statutory surplus, which would adversely

affect their ability to pay dividends to us. A prolonged low interest rate environment may also affect the perceived value of guaranteed minimum income benefits, which in turn may lead to a higher rate of annuitization of those products over time.

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

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

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

## Seasonality and Other Matters

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

### Retirement

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

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

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

### Investment Management

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

### Individual Life

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

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

### Employee Benefits

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

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

In addition to these seasonal factors, our results are impacted by the annual review of assumptions related to future policy benefits and deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") (collectively, "DAC/VOBA") and other

intangibles, which we generally complete in the third quarter of each year, and annual remeasurement related to our employee benefit plans, which we generally complete in the fourth quarter of each year.

### Restructuring

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

For the three months ended March 31, 2017, these initiatives resulted in restructuring expenses of \$12.2 million, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Operating earnings before income taxes. These expenses are classified as a component of Other adjustments to operating earnings and consequently are not included in the operating results of our segments.

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

### Operating Measures

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



## Results of Operations - Company Condensed Consolidated

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Revenues:		
Net investment income	\$1,155.5	\$1,094.1
Fee income	850.8	825.8
Premiums	591.6	966.8
Net realized capital gains (losses)	(505.6 )	10.7
Other revenue	93.8	82.8
Income (loss) related to consolidated investment entities:		
Net investment income	27.3	29.1
Total revenues	2,213.4	3,009.3
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	1,478.0	1,875.7
Operating expenses	738.8	720.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	92.7	102.5
Interest expense	45.9	47.7
Operating expenses related to consolidated investment entities:		
Interest expense	16.9	21.0
Other expense	0.5	0.9
Total benefits and expenses	2,372.8	2,768.0
Income (loss) before income taxes	(159.4 )	241.3
Income tax expense (benefit)	(17.0 )	49.0
Net income (loss)	(142.4 )	192.3
Less: Net income (loss) attributable to noncontrolling interest	1.1	0.7
Net income (loss) available to our common shareholders	\$(143.5 )	\$191.6

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Operating expenses:		
Commissions	\$248.6	\$245.0
General and administrative expenses:		
Restructuring expenses	12.2	—
Strategic Investment Program	19.8	33.3
Other general and administrative expenses	550.5	541.5
Total general and administrative expenses	582.5	574.8
Total operating expenses, before DAC/VOBA deferrals	831.1	819.8
DAC/VOBA deferrals	(92.3 )	(99.6 )
Total operating expenses	\$738.8	\$720.2

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

(\$ in millions)	As of March 31,	
	2017	2016
AUM and AUA:		
Retirement	\$335,750.9	\$295,906.5
Investment Management	263,419.0	251,685.5
Annuities	28,140.2	27,181.7
Individual Life	15,340.7	15,236.0
Employee Benefits	1,801.7	1,783.8
Closed Block Variable Annuity	37,424.5	37,851.4
Eliminations/Other	(176,462.0 )	(171,346.1 )
Total AUM and AUA	\$505,415.0	\$458,298.8
AUM	294,256.1	274,019.8
AUA	211,158.9	184,279.0
Total AUM and AUA	\$505,415.0	\$458,298.8

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Retirement	\$148.1	\$103.7
Investment Management	49.3	22.7
Annuities	63.5	50.7
Individual Life	31.7	41.1
Employee Benefits	10.6	20.8
Corporate	(72.1 )	(69.2 )
Total operating earnings before income taxes	231.1	169.8
Adjustments:		
Closed Block Variable Annuity <sup>(1)</sup>	(387.1 )	46.0
Net investment gains (losses) and related charges and adjustments <sup>(2)</sup>	(26.3 )	(60.4 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments <sup>(2)</sup>	41.5	93.5
Income (loss) related to businesses exited through reinsurance or divestment <sup>(2)</sup>	(5.3 )	1.6
Income (loss) attributable to noncontrolling interest <sup>(2)</sup>	1.1	0.7
Loss related to early extinguishment of debt <sup>(2)</sup>	(0.7 )	(1.7 )
Other adjustments to operating earnings <sup>(2)</sup>	(13.7 )	(8.2 )
Income (loss) before income taxes	\$(159.4)	\$241.3

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

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

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

(\$ in millions)	Three Months Ended	
	March 31,	
	2017	2016
Retirement	\$625.2	\$937.7
Investment Management	171.4	132.2
Annuities	301.4	303.0
Individual Life	630.0	624.0
Employee Benefits	446.2	399.7
Corporate	14.4	28.7
Total operating revenues	2,188.6	2,425.3
Adjustments:		
Closed Block Variable Annuity <sup>(1)</sup>	(56.1	) 453.0
Net realized investment gains (losses) and related charges and adjustments <sup>(2)</sup>	(39.1	) (107.7 )
Gain (loss) on change in fair value of derivatives related to guaranteed benefits <sup>(2)</sup>	46.4	130.1
Revenues related to businesses exited through reinsurance or divestment <sup>(2)</sup>	20.4	58.5
Revenues attributable to noncontrolling interest <sup>(2)</sup>	18.5	22.5
Other adjustments to operating revenues <sup>(2)</sup>	34.7	27.6
Total revenues	\$2,213.4	\$3,009.3

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

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

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

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

(\$ in millions)	Three Months Ended	
	March 31,	
	2017	2016
Other-than-temporary impairments	\$(3.0	) \$(10.8)
CMO-B fair value adjustments <sup>(1)</sup>	(24.7	) (35.7 )
Gains (losses) on the sale of securities	(41.4	) (51.3 )
Other, including changes in the fair value of derivatives	23.4	6.8
Total investment gains (losses)	(45.7	) (91.0 )
Net amortization of DAC/VOBA and other intangibles on above	12.8	44.3
Net investment gains (losses), including Closed Block Variable Annuity	(32.9	) (46.7 )
Less: Closed Block Variable Annuity net investment gains (losses) and related charges and adjustments	(6.6	) 13.7
Net investment gains (losses) and related charges and adjustments	\$ (26.3)	\$ (60.4)

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



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

	Three Months Ended March 31,	
(\$ in millions)	2017	2016
Gain (loss), excluding nonperformance risk	\$79.2	\$48.8
Gain (loss) due to nonperformance risk	(27.7 )	74.6
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	51.5	123.4
Net amortization of DAC/VOBA and sales inducements	(10.0 )	(29.9 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	\$41.5	\$93.5

#### Notable Items

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

	Three Months Ended March 31,	
(\$ in millions)	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$12.5	\$(0.4)

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

#### Terminology Definitions

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

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

Consolidated - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

#### Net Income (Loss)

Net investment income increased \$61.4 million from \$1,094.1 million to \$1,155.5 million primarily due to:

- higher alternative investment income driven by favorable equity market performance in the current period and the reversal in the prior period of previously accrued carried interest;
- growth in general account assets in our Retirement segment;

higher income in our CBVA segment driven by higher general account assets; and  
higher investment income on corporate assets, which is allocated to our segments.

The increase was partially offset by:

the impact of the continued low interest rate environment on reinvestment rates;  
decline in the block size of GICs and funding agreements as a result of continued run-off.

Fee income increased \$25.0 million from \$825.8 million to \$850.8 million primarily due to:

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

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

Premiums decreased \$375.2 million from \$966.8 million to \$591.6 million primarily due to:

lower sales for pension risk transfer contracts in our Retirement segment as this business was closed to new sales at the end of 2016, which corresponds to a decrease in Interest credited and other benefits to contract owners/policyholders; and  
lower premiums from annuitization of life contingent contracts in the current period in our CBVA segment.

The decrease was partially offset by:

higher Premiums driven by growth of the business in our Employee Benefits segment.

Net realized capital gains (losses) decreased \$516.3 million from a gain of \$10.7 million to a loss of \$505.6 million primarily due to:

unfavorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk; and  
losses from market value changes associated with business reinsured, which are partially offset by a corresponding amount in Interest credited and other benefits to contract owners/policyholders.

The decrease is partially offset by:

a net favorable result in our Variable Annuity Hedge Program and guaranteed benefit derivatives, excluding nonperformance risk (refer to our CBVA segment's results of operations for further description); and  
improvements in Net realized investment losses as a result of lower impairments, CMO-B fair value adjustments and other changes in the fair value of derivatives.

Other revenue increased \$11.0 million from \$82.8 million to \$93.8 million primarily due to:

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

Interest credited and other benefits to contract owners/policyholders decreased \$397.7 million from \$1,875.7 million to \$1,478.0 million primarily due to:

the discontinuation of sales of pension risk transfer contracts in our Retirement Segment at the end of 2016, which corresponds to a decrease in Premiums;  
net favorable changes in reserves in our CBVA segment as a result of equity market performance and fund returns as well as lower annuitization of life contingent contracts in the current period;  
market value impacts and changes in the reinsurance deposit asset associated with business reinsured, which is partially offset by a corresponding amount recorded in Net realized capital gains (losses); and  
a favorable reserve change due to the run-off of the term block in our Individual Life segment.

The decrease was partially offset by:

higher benefits incurred due to a higher loss ratio on stop loss and growth of the business in our Employee Benefits segment;  
unfavorable changes in net mortality driven by higher severity of term life claims in the current period; and  
favorable universal life reserve developments in the prior period that did not reoccur in our Individual Life segment.

Operating expenses increased \$18.6 million from \$720.2 million to \$738.8 million primarily due to:

• higher compensation related expenses in our Investment Management segment primarily associated with higher earnings in the current period;

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

• higher volume-related expenses associated with growth of the business in our Employee Benefits segment.



The increase was partially offset by:

- decrease in costs associated with our Strategic Investment Program.

Net amortization of DAC/VOBA decreased \$9.8 million from \$102.5 million to \$92.7 million primarily due to:

- favorable DAC/VOBA and other intangibles unlocking in the current period as a result of improved equity markets.

Income (loss) before income taxes decreased \$400.7 million from income of \$241.3 million to a loss of \$159.4 million primarily due to:

- changes in the fair value of guaranteed benefit derivatives related to nonperformance risk;
- a loss associated with an enhanced surrender value offer to repurchase certain variable annuity contracts (refer to Results of Operations - Segment by Segment - Closed Block Variable Annuity below for further description); and
- lower Net guaranteed benefit hedging gains and related charges and adjustments, discussed below.

The decrease was partially offset by:

- lower net losses related to incurred guaranteed benefits and our Variable Annuity Hedge Program, primarily due to favorable variances in interest rates and volatility. Higher fund returns relative to equity market performance in the current period also contributed to the favorable variance;
- higher Operating earnings before income taxes, discussed below; and
- higher Net investment losses and related charges and adjustments, discussed below.

Income tax expense (benefit) changed \$66.0 million from an expense of \$49.0 million to a benefit of \$17.0 million primarily due to:

- a decrease in income before income taxes.

The decrease was partially offset by:

- changes in the effect of the relative dividends received deduction ("DRD").

Operating Earnings before Income Taxes

Operating earnings before income taxes increased \$61.3 million from \$169.8 million to \$231.1 million primarily due to:

- higher alternative investment income driven by favorable equity market performance in the current period and the reversal in the prior period of previously accrued carried interest;
- higher Fee income driven by market improvements and the cumulative impact of positive net flows;
- higher premiums as a result of growth in the stop loss and voluntary business in our Employee Benefits segment; and
- decrease in costs associated with our Strategic Investment Program.

The increase was partially offset by:

- higher expenses, primarily due to higher volumes associated with growth of the business and higher earnings in our Investment Management segment;
- the impact of the continued low interest rate environment on reinvestment rates;
- unfavorable net mortality in our Individual Life segment; and

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

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

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

Net investment losses and related charges and adjustments decreased \$34.1 million from \$60.4 million to \$26.3 million primarily due to:

• lower impairments in the current period;  
 • favorable changes in CMO-B fair value adjustments; and  
 • favorable changes in the fair value of derivatives.

Net guaranteed benefit hedging gains and related charges and adjustments decreased \$52.0 million from \$93.5 million to \$41.5 million primarily due to:

• unfavorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk.

The decrease was partially offset by:

• net improvement as a result of equity market performance.

Income (loss) related to businesses exited through reinsurance or divestment changed \$6.9 million from income of \$1.6 million to a loss of \$5.3 million primarily due to:

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

Loss related to early extinguishment of debt decreased \$1.0 million in the current period primarily due to:

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

Other adjustments to operating earnings changed \$5.5 million from \$(8.2) million to \$(13.7) million primarily due to:

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

The loss was partially offset by:

• lower rebranding costs in the current period.

## Results of Operations - Segment by Segment

### Retirement

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

(\$ in millions)	Three Months	
	Ended March	
	31,	
	2017	2016
Operating revenues:		
Net investment income and net realized gains (losses)	\$426.8	\$400.7
Fee income	178.2	165.1
Premiums <sup>(1)</sup>	(0.6 )	354.6
Other revenue	20.8	17.3
Total operating revenues	625.2	937.7
Operating benefits and expenses:		

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

Interest credited and other benefits to contract owners/policyholders <sup>(1)</sup>	232.1	576.6
Operating expenses	226.5	225.3
Net amortization of DAC/VOBA	18.5	32.1
Total operating benefits and expenses	477.1	834.0
Operating earnings before income taxes	\$148.1	\$103.7

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

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$13.4	\$1.8

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

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

(\$ in millions)	As of March 31,	
	2017	2016
Corporate markets	\$53,162.5	\$45,588.4
Tax-exempt markets	57,185.3	51,850.2
Total full service plans	110,347.8	97,438.6
Stable value <sup>(1)</sup> and pension risk transfer	12,535.6	11,639.3
Retail wealth management	3,559.4	3,349.3
Total AUM	126,442.8	112,427.2
AUA	209,308.1	183,479.3
Total AUM and AUA	\$335,750.9	\$295,906.5

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

(\$ in millions)	As of March 31,	
	2017	2016
General Account	\$32,495.6	\$30,502.9
Separate Account	63,567.2	56,484.3
Mutual Fund/Institutional Funds	30,380.0	25,440.0
AUA	209,308.1	183,479.3
Total AUM and AUA	\$335,750.9	\$295,906.5

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Balance as of beginning of period	\$121,408.3	\$110,807.1
Deposits	4,995.7	4,182.6
Surrenders, benefits and product charges	(4,385.5 )	(3,100.3 )
Net flows	610.2	1,082.3
Interest credited and investment performance	4,424.3	537.8
Balance as of end of period	\$126,442.8	\$112,427.2

Retirement - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating earnings before income taxes increased \$44.4 million from \$103.7 million to \$148.1 million primarily due to:

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

• higher allocated investment income on corporate assets;  
• an increase in separate account and institutional/mutual fund AUM driven by equity market improvements and the cumulative impact of positive net flows resulting in higher full service fees; and  
• higher favorable DAC/VOBA unlocking driven by separate account performance.

The increase was partially offset by:

• lower investment yields, including the impact of the continued low interest rate environment.

#### Investment Management

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Operating revenues:		
Net investment income and net realized gains (losses)	\$8.7	\$(14.7)
Fee income	150.4	139.3
Other revenue	12.3	7.6
Total operating revenues	171.4	132.2
Operating benefits and expenses:		
Operating expenses	122.1	109.5
Total operating benefits and expenses	122.1	109.5
Operating earnings before income taxes	\$49.3	\$22.7

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Investment Management intersegment revenues	\$43.9	\$40.0

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

(\$ in millions)	As of March 31,	
	2017	2016
AUM:		
Institutional/retail		
Investment Management sourced	\$76,194.9	\$69,472.4
Affiliate sourced <sup>(1)</sup>	54,636.0	54,204.6
General account	82,068.7	79,577.3
Total AUM	212,899.6	203,254.3
AUA:		
Affiliate sourced <sup>(2)</sup>	50,519.4	48,431.2
Total AUM and AUA	\$263,419.0	\$251,685.5

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

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

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

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

(\$ in millions)	Three Months Ended	
	March 31,	
	2017	2016
Net Flows:		
Investment Management sourced	\$568.4	\$517.3
Affiliate sourced	(1,721.7 )	(704.8 )
Total	\$(1,153.3)	\$(187.5)



Investment Management - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating earnings before income taxes increased \$26.6 million from \$22.7 million to \$49.3 million primarily due to:

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

The increase is partially offset by:

higher compensation related expenses primarily associated with higher operating earnings.

#### Annuities

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Operating revenues:		
Net investment income and net realized gains (losses)	\$256.0	\$255.1
Fee income	18.3	15.8
Premiums	22.4	27.8
Other revenue	4.7	4.3
Total operating revenues	301.4	303.0
Operating benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	160.3	175.9
Operating expenses	47.7	40.5
Net amortization of DAC/VOBA	29.9	35.9
Total operating benefits and expenses	237.9	252.3
Operating earnings before income taxes	\$63.5	\$50.7

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$7.5	\$8.0

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



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

(\$ in millions)	As of March 31,	
	2017	2016
AUM by Product Group:		
Annual Reset Annuities ("AR")	\$3,208.2	\$3,350.4
Multi-Year Guaranteed Annuities ("MYGA")	1,664.7	1,913.7
Fixed Indexed Annuities ("FIA")	14,603.7	14,081.0
SPIA & Payout	2,818.0	2,825.7
Investment-only products <sup>(1)</sup>	5,440.6	4,620.1
Other annuities	405.0	390.8
Total AUM	\$28,140.2	\$27,181.7

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

(\$ in millions)	As of March 31,	
	2017	2016
AUM by Fund Group:		
General account	\$21,991.1	\$21,873.3
Separate account	819.4	736.1
Mutual funds	5,329.7	4,572.3
Total AUM	\$28,140.2	\$27,181.7

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

(\$ in millions)	Three Months Ended	
	March 31,	
	2017	2016
Balance as of beginning of period	\$27,725.9	\$27,035.8
Deposits	808.0	856.8
Surrenders, benefits and product charges	(853.4 )	(806.5 )
Net flows	(45.4 )	50.3
Interest credited and investment performance	459.7	95.6
Balance as of end of period	\$28,140.2	\$27,181.7

Annuities - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating earnings before income taxes increased \$12.8 million from \$50.7 million to \$63.5 million primarily due to:

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

The increase was partially offset by:

- an increase in Operating expenses due to the update to our expense allocation methodology in the current period;
- lower investment income due to lower AR/MYGA general account assets resulting from the continued product run-off; and
- the impact of the continued low interest rate environment on reinvestment rates.



## Individual Life

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Operating revenues:		
Net investment income and net realized gains (losses)	\$211.2	\$207.9
Fee income	303.0	297.2
Premiums	110.7	114.5
Other revenue	5.1	4.4
Total operating revenues	630.0	624.0
Operating benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	475.4	458.8
Operating expenses	78.4	85.6
Net amortization of DAC/VOBA	44.5	38.5
Total operating benefits and expenses	598.3	582.9
Operating earnings before income taxes	\$31.7	\$41.1

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(7.9)	\$(7.9)

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

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Net amortization of DAC/VOBA	\$(4.6)	\$(4.5)
Fee income	(3.1 )	0.4
Interest credited and other benefits to contract owners/policyholders	(0.2 )	(3.8 )
DAC/VOBA and other intangibles unlocking	\$(7.9)	\$(7.9)

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

(\$ in millions)	Three Months Ended	
	March 31,	
	2017	2016
Sales by Product Line:		
Universal life:		
Indexed	\$20.7	\$17.3
Guaranteed	0.1	0.1
Accumulation	1.1	1.8
Total universal life	21.9	19.2
Variable life	1.2	0.8
Term	1.9	3.5
Total sales by product line	\$25.0	\$23.5
Total gross premiums	\$447.3	\$439.6
End of period:		
In-force face amount	\$343,004.1	\$357,672.7
In-force policy count	874,587	920,301
New business policy count (paid)	3,045	4,251

#### Individual Life - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating earnings before income taxes decreased \$9.4 million from \$41.1 million to \$31.7 million primarily due to:

- lower underwriting gains, net of DAC/VOBA and other intangibles amortization, primarily driven by higher severity of term life claims in the current period;
- favorable universal life reserve developments in the prior period that did not reoccur;
- the impact of the continued low interest rate environment on reinvestment rates; and
- a decrease in Premiums due to run-off of the term block.

The decrease was partially offset by:

- favorable reserve change due to the run-off of the term block;
- higher alternative investment income driven by equity market improvements; and
- lower Operating expenses primarily due to reinsurance transactions and expense management efforts.

## Employee Benefits

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Operating revenues:		
Net investment income and net realized gains (losses)	\$26.5	\$25.4
Fee income	15.9	15.8
Premiums	405.1	359.5
Other revenue	(1.3 )	(1.0 )
Total operating revenues	446.2	399.7
Operating benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	342.5	293.5
Operating expenses	90.1	79.7
Net amortization of DAC/VOBA	3.0	5.7
Total operating benefits and expenses	435.6	378.9
Operating earnings before income taxes	\$10.6	\$20.8

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(0.5)	\$(2.3)

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

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Sales by Product Line:		
Group life	\$29.8	\$42.9
Group stop loss	248.0	172.3
Other group products	17.0	21.9
Total group products	294.8	237.1
Voluntary products	45.6	29.9
Total sales by product line	\$340.4	\$267.0
Total gross premiums and deposits	\$458.0	\$410.1
Total annualized in-force premiums	1,887.9	1,706.3

## Loss Ratios:

Group life (interest adjusted)	83.2	%	84.5	%
Group stop loss	81.0	%	75.3	%





Employee Benefits - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating earnings before income taxes decreased \$10.2 million from \$20.8 million to \$10.6 million primarily due to:

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

The decrease was partially offset by:

- higher premiums driven by growth of the stop loss and voluntary business.

Corporate

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Operating revenues:		
Net investment income and net realized gains (losses)	\$13.4	\$26.1
Fee income	0.1	—
Premiums	1.3	1.7
Other revenue	(0.4)	0.9
Total operating revenues	14.4	28.7
Operating benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	7.3	1.6
Operating expenses	32.6	49.6
Interest expense	46.6	46.7
Total operating benefits and expenses	86.5	97.9
Operating earnings before income taxes	\$(72.1)	\$(69.2)

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Strategic Investment Program	\$19.8	\$33.3
Amortization of intangibles	8.2	9.1
Other	4.6	7.2
Total Operating expenses	\$32.6	\$49.6

Corporate - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Operating earnings before income taxes decreased \$2.9 million from a loss of \$69.2 million to a loss of \$72.1 million primarily due to:

- losses in run-off blocks due to a decline in the block size of GICs and funding agreements, including disposition of higher yielding assets resulting in lower investment spread.

The decrease was partially offset by the following:

• lower costs associated with our Strategic Investment Program.

105

---

## Closed Block Variable Annuity

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Revenues:		
Net investment income	\$79.4	\$67.6
Fee income	238.8	245.6
Premiums	51.2	107.2
Net realized capital gains (losses)	(426.5 )	31.0
Other revenue	1.0	1.6
Total revenues	(56.1 )	453.0
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	237.9	296.8
Operating expenses and interest expense	95.1	98.6
Net amortization of DAC/VOBA	(2.0 )	11.6
Total benefits and expenses	331.0	407.0
Income (loss) before income taxes	\$(387.1)	\$46.0

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

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Net gains (losses) related to incurred guaranteed benefits and Variable Annuity Hedge Program, excluding nonperformance risk	\$(454.3)	\$(583.8)
Gain (loss) due to nonperformance risk	(133.7 )	421.2
Net investment gains (losses) and related charges and adjustments	(6.6 )	13.7
DAC/VOBA and other intangibles unlocking	13.3	(0.5 )

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

(\$ in millions)	As of March 31,	
	2017	2016
AUM:		
General account	\$5,481.9	\$3,642.0
Separate account	31,942.6	34,209.4
Total AUM	\$37,424.5	\$37,851.4

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

(\$ in millions)	Three Months Ended	
	March 31,	
	2017	2016
Balance as of beginning of period	\$32,962.4	\$35,575.8
Deposits	20.5	28.1
Surrenders, benefits and product charges <sup>(2)</sup>	(2,051.6 )	(885.3 )
Net flows	(2,031.1 )	(857.2 )
Interest credited and investment performance	1,432.2	(70.7 )
Balance as of end of period	\$32,363.5	\$34,647.9
End of period contracts in payout status	\$5,061.0	\$3,203.5
Total balance as of end of period <sup>(1)</sup>	\$37,424.5	\$37,851.4

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

<sup>(2)</sup> Includes surrenders associated with the enhanced surrender offer in Q1 2017.

#### Closed Block Variable Annuity - Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Income (loss) before income taxes decreased \$433.1 million from a gain of \$46.0 million to a loss of \$387.1 million primarily due to:

- an unfavorable variance related to changes in the fair value of guaranteed benefit reserves related to nonperformance risk, which declined to a loss in the current period from a gain in the prior period;
- a loss associated with an enhanced surrender value offer conducted during the current period, which is included in the tables above as a component of Net losses related to the incurred guaranteed benefits and our Variable Annuity Hedge Program, excluding nonperformance risk. This voluntary offer provided an enhancement to the surrender value of certain variable annuity contracts with an income benefit rider, while reducing the risk associated with the block and having a modest impact on regulatory and rating agency capital as statutory reserves released are higher than U.S. GAAP reserves released; and
- an unfavorable change in Net investment gains (losses) primarily due to losses on sales of securities in the current period compared to gains on sales of securities in the prior period.

The decrease was partially offset by:

- lower Net losses related to the incurred guaranteed benefits and our Variable Annuity Hedge Program, primarily due to favorable variances in interest rates and volatility. Higher fund returns relative to equity market performance in the current period also contributed to the favorable variance. The net losses were partially offset by the impact of the enhanced surrender value offer, described above.
- favorable DAC/VOBA and other intangibles unlocking in the current period as a result of improved equity markets; and
- higher Net investment income partially offset by higher reserves as a result of increased volumes.

#### Closed Block Variable Annuity - Regulatory and rating agencies Capital Management

Our focus in managing our CBVA segment is on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility. As of March 31, 2017, our estimated assets available to support the guarantees in the variable annuity block were \$4.1 billion on a Statutory book value basis, which included \$3.6 billion of assets backing our regulatory reserves associated with these guarantees. Rating agency capital is based on a Conditional Tail

Expectation (“CTE”), which is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. Our goal is to support CBVA with assets at least equal to a CTE95 standard based on the Standard and Poor’s (“S&P”) model, which is an aggregate measure across all of our subsidiaries that have written or provided captive reinsurance for deferred variable annuity contracts. As of March 31, 2017, we held rating agency capital that was sufficient at the S&P CTE95 standard.

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

## Alternative Investment Income

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

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

The following table presents the investment income for the three months ended March 31, 2017 and 2016, respectively, and the average assets of alternative investments as of the dates indicated:

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Retirement:		
Alternative investment income	\$ 15.3	\$(7.9 )
Average alternative investment	493.6	417.2
Investment Management:		
Alternative investment income	8.7	(14.7 )
Average alternative investment	209.2	185.5
Annuities:		
Alternative investment income	7.9	(4.9 )
Average alternative investment	283.5	259.6
Individual Life:		
Alternative investment income	5.0	(2.7 )
Average alternative investment	220.4	181.3
Employee Benefits:		
Alternative investment income	1.5	(0.8 )
Average alternative investment	46.4	41.1
Corporate:		
Alternative investment income	—	(0.1 )
Average alternative investment	1.6	8.3
Total Voya Financial, Inc.: <sup>(1)</sup>		
Alternative investment income	38.4	(31.1 )
Average alternative investment	\$ 1,254.7	\$ 1,093.0

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

## DAC/VOBA and Other Intangibles Unlocking

Changes in Operating earnings before income taxes and Net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, deferred sales inducements ("DSI") and unearned revenue ("URR"), collectively, "DAC/VOBA and other intangibles." For Individual Life, changes in Operating earnings before income taxes and Net income (loss) are also influenced by increases and decreases in amortization of net cost of reinsurance, as well as by changes in reserves associated with UL and variable universal life ("VUL") secondary guarantees and paid-up guarantees. Unlocking, described below, related to DAC, VOBA, DSI and URR, as well as amortization of net cost of reinsurance and reserve adjustments associated with UL and VUL secondary guarantees and paid-up guarantees are referred to as "DAC/VOBA and other intangibles unlocking." See the "Deferred Policy Acquisition Costs, Value of

Business Acquired and Other Intangibles," "Reinsurance," and "Future Policy Benefits and Contract Owner Account Balances" sections in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for more information.

We amortize DAC/VOBA and other intangibles related to universal life-type contracts and fixed and variable deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits for each of our segments

except for the CBVA segment. Net cost of reinsurance is amortized in a similar manner. For deferred annuity contracts within the CBVA segment, we amortize DAC/VOBA and other intangibles in relation to the emergence of estimated gross revenues. Assumptions as to mortality, persistency, interest crediting rates, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and certain economic variables, such as inflation, are based on our experience and our overall short-term and long-term future expectations for returns available in the capital markets. At each valuation date, estimated gross profits are updated with actual gross profits and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA and other intangibles and net cost of reinsurance are adjusted with an offsetting benefit or charge to income to reflect changes in the period of the revision. An unlocking event that results in a benefit ("favorable unlocking") generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. Changes in DAC/VOBA and other intangibles and net cost of reinsurance due to contract changes or contract terminations higher than estimated are also included in "unlocking." An unlocking event that results in a charge ("unfavorable unlocking") generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates. As a result of unlocking, the amortization schedules for future periods are also adjusted.

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

We also review the estimated gross profits for each of these blocks of business to determine the recoverability of DAC, VOBA and DSI balances each period. If these assets are deemed to be unrecoverable, a write-down is recorded that is referred to as loss recognition. There was no loss recognition for the three months ended March 31, 2017 and 2016.

The following table presents the amount of DAC/VOBA and other intangibles unlocking that is included in segment Operating earnings before income taxes for the periods indicated:

	Three Months Ended March 31,	
(\$ in millions)	2017	2016
Retirement	\$13.4	\$1.8
Annuities	7.5	8.0
Individual Life	(7.9 )	(7.9 )
Employee Benefits	(0.5 )	(2.3 )
Total DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$12.5	\$(0.4)

<sup>(1)</sup>Includes unlocking related to cost of reinsurance and secondary and paid-up guarantees.

In addition, we have DAC/VOBA and other intangibles unlocking that corresponds to items excluded from Operating earnings before income taxes, such as the results of our CBVA segment, investment gains (losses) and net guaranteed benefits hedging gains (losses).



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

The following table presents the amount of DAC/VOBA and other intangibles unlocking that is included in Income before income taxes but excluded from Operating earnings before income taxes for the periods presented:

	Three Months Ended March 31,	
(\$ in millions)	2017	2016
CBVA	\$13.3	\$(0.5 )
All other segments	10.7	28.5
Total DAC/VOBA and other intangibles unlocking	\$24.0	\$28.0

## Liquidity and Capital Resources

Liquidity is our ability to generate sufficient cash flows to meet the cash requirements of operating, investing and financing activities. Capital refers to our long-term financial resources available to support the business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and the alternate sources of liquidity and capital described herein.

## Consolidated Sources and Uses of Liquidity and Capital

Our principal available sources of liquidity are product charges, investment income, proceeds from the maturity and sale of investments, proceeds from debt issuance and borrowing facilities, repurchase agreements, contract deposits, securities lending and funding agreements. Primary uses of these funds are payments of policyholder benefits commissions and operating expenses, interest credits, share repurchases, investment purchases and contract maturities, withdrawals and surrenders.

## Parent Company Sources and Uses of Liquidity and Capital

In evaluating liquidity, it is important to distinguish the cash flow needs of Voya Financial, Inc. from the cash flow needs of the Company as a whole. Voya Financial, Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to Voya Financial, Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments. These sources of funds are currently supplemented by Voya Financial, Inc.'s access to the \$750.0 million revolving credit sublimit of its Second Amended and Restated Credit Agreement and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries.

Voya Financial, Inc.'s primary sources and uses of cash for the periods indicated are presented in the following table:

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Beginning cash and cash equivalents balance	\$257.2	\$378.1
Sources:		
Proceeds from loans from subsidiaries, net of repayments	597.6	287.0
Dividends and returns of capital from subsidiaries	—	35.0
Amounts received from subsidiaries under tax sharing agreements, net	5.0	—
Refund of income taxes, net	3.2	—
Total sources	605.8	322.0
Uses:		
Repurchase of Senior Notes	90.0	—
Premium paid and other fees related to debt extinguishment	0.9	—
Payment of interest expense	34.5	49.7
Capital provided to subsidiaries	50.0	35.0
New issuances of loans to subsidiaries, net of repayments	242.7	65.2
Amounts paid to subsidiaries under tax sharing agreements, net	—	5.1
Payment of income taxes, net	—	67.2
Common stock acquired - Share repurchase	190.3	220.5
Share-based compensation	7.1	6.2
Dividends paid	1.9	2.0
Acquisition of short-term investments	15.0	—

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

Other, net	2.0	10.5
Total uses	634.4	461.4
Net decrease in cash and cash equivalents	(28.6 )	(139.4 )
Ending cash and cash equivalents balance	\$228.6	\$238.7

110

---

## Share Repurchase Program and Dividends to Shareholders

On March 13, 2014, our Board of Directors authorized a share repurchase program, pursuant to which we may, from time to time, purchase shares of our common shares through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions or tender offers. On October 27, 2016, our Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of our common stock authorized for repurchase by \$600.0 million. The current share repurchase authorization expires on December 31, 2017 (unless extended), and does not obligate us to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by our Board of Directors at any time.

During the three months ended March 31, 2017, we repurchased 1,179,436 shares of our common stock in open market repurchases for an aggregate purchase price of \$47.3 million and 5,216,025 shares of our common shares under discounted share repurchase agreements with third-party financial institutions for an aggregate purchase price of \$200.0 million. In addition, on March 9, 2017, we entered into a further share repurchase arrangement with a third-party financial institution, pursuant to which we made an up-front payment of \$150.0 million during the first quarter of 2017, and received delivery of 3,986,647 during the second quarter of 2017.

Including the effect of the share repurchase agreement that was completed during the second quarter, these repurchases reduced the remaining amount of our share repurchase authorization to \$436.0 million as of March 31, 2017.

The following table summarizes our return of capital to common shareholders:

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Dividends to shareholders	\$1.9	\$2.0
Repurchase of common shares	247.3 <sup>(1)</sup>	220.3
Total cash returned to shareholders	\$249.2	\$222.3

<sup>(1)</sup> Amount excludes the \$150 million share repurchase arrangement.

## Liquidity

We manage liquidity through access to substantial investment portfolios as well as a variety of other sources of liquidity including committed credit facilities, securities lending and repurchase agreements. Our asset-liability management ("ALM") process takes into account the expected maturity of investments and expected benefit payments as well as the specific nature and risk profile of the liabilities, including variable products with guarantees. As part of our liquidity management process, we model different scenarios to determine whether existing assets are adequate to meet projected cash flows. Key variables in the modeling process include interest rates, equity market movements, quantity and type of interest and equity market hedges, anticipated contract owner behavior, market value of general account assets, variable separate account performance and implications of rating agency actions.

## Description of Certain Indebtedness

We borrow funds to provide liquidity, invest in the growth of the business and for general corporate purposes. Our ability to access these borrowings depends on a variety of factors including, but not limited to, the credit rating of Voya Financial, Inc. and of its insurance company subsidiaries and general macroeconomic conditions.



As of March 31, 2017, we have \$735.5 million short-term debt borrowings outstanding consisting entirely of current portion of long-term debt. The following table summarizes our borrowing activities for the three months ended March 31, 2017:

(\$ in millions)	Beginning Balance	Issuance	Maturities and Repurchases	Other Changes	Ending Balance
Long-Term Debt:					
Debt securities	\$ 3,544.6	\$ —	—\$ (90.0 )	\$ 1.7	\$ 3,456.3
Windsor property loan	4.9	—	—	—	4.9
Subtotal	3,549.5	—	(90.0 )	1.7	3,461.2
Less: Current portion of long-term debt	—	—	—	735.5	735.5
Total long-term debt	\$ 3,549.5	\$ —	—\$ (90.0 )	\$(733.8)	\$ 2,725.7

As of March 31, 2017, we were in compliance with our debt covenants.

#### Debt Securities

Senior Notes. As of March 31, 2017, Voya Financial, Inc. had five series of senior notes outstanding (collectively, the "Senior Notes") with an aggregate principal amount outstanding of \$2,300.2 million. We may elect to redeem all or any portion of the Senior Notes at any time at a redemption price equal to the principal amount redeemed, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

During the three months ended March 31, 2017, Voya Financial, Inc. repurchased \$90.0 million of the outstanding principal amount of 2.9% Senior Notes due February 15, 2018. In connection with this transaction, we incurred a loss on debt extinguishment of \$1.1 million for the three months ended March 31, 2017, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

Junior Subordinated Notes. As of March 31, 2017, the principal amount outstanding of junior subordinated notes (the "Junior Subordinated Notes") was \$750.0 million. The Junior Subordinated Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings.

Aetna Notes. As of March 31, 2017, the outstanding principal amount of the Aetna Notes was \$426.5 million, which is guaranteed by ING Group. During the three months ended March 31, 2017, we deposited \$2.4 million of collateral into a control account benefiting ING Group with a third-party collateral agent, thereby increasing the remaining collateral balance to \$129.8 million. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

#### Senior Unsecured Credit Facility

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

As of March 31, 2017, there were no amounts outstanding as revolving credit borrowings and \$306.0 million of LOCs outstanding under the senior unsecured credit facility.

#### Other Credit Facilities

We use credit facilities primarily to provide collateral required under our affiliated reinsurance transactions as well as certain third-party reinsurance arrangements to which Security Life of Denver International Limited ("SLDI"), one of our Arizona captives, is a party. We also issue guarantees and enter into financing arrangements in connection with

our affiliated reinsurance transactions. These arrangements are primarily designed to facilitate the financing of statutory reserve requirements. By reinsuring business to our captive reinsurance subsidiaries and our Arizona captives, we are able to use alternative sources of collateral to fund the statutory reserve requirements and are generally able to secure longer term financing on a more capital efficient basis.

We also utilize LOCs to provide credit for reinsurance on portions of the CBVA segment liabilities reinsured to Roaring River II, Inc. ("RRII"), one of our Arizona captives, in order to meet statutory reserve requirements at those times when the assets and other capital backing the reinsurance liabilities may be less than the statutory reserve requirement. With respect to the CBVA segment liabilities, as of March 31, 2017, there were no LOC requirements or LOCs issued, as the statutory reserves were fully supported by assets in trust.

In addition to the \$3.0 billion of credit facilities utilized by Individual Life, Retirement and Hannover Re block, \$57.2 million of LOCs were outstanding to support miscellaneous requirements. In total, \$3.0 billion of credit facilities were utilized as of March 31, 2017. As of March 31, 2017, the capacity of our unsecured and uncommitted credit facilities totaled \$495.8 million and the capacity of our unsecured and committed credit facilities totaled \$5.2 billion. We also have \$205.0 million in secured facilities.

The following table summarizes our credit facilities, including our senior unsecured credit facility, as of March 31, 2017:

(\$ in millions)

Obligor / Applicant	Business Supported	Secured / Unsecured	Committed / Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc.		Unsecured	Committed	05/06/2021	\$2,250.0	\$306.0	\$1,944.0
	Individual Life					295.3	
	Other Retirement	Unsecured	Committed	01/24/2018	175.0	168.0	7.0
Voya Financial, Inc./ Langhorne I, LLC	Retirement	Unsecured	Committed	01/15/2019	500.0	—	500.0
SLDI	Hannover Re	Unsecured	Committed	10/29/2023	60.6	60.6	—
Voya Financial, Inc./SLDI	Individual Life	Unsecured	Committed	12/31/2025	475.0	475.0	—
Voya Financial, Inc.	Individual Life	Secured	Committed	02/11/2018	195.0	195.0	—
Voya Financial, Inc.	Other	Unsecured	Uncommitted	Various	0.8	0.8	—
Voya Financial, Inc.	Other	Secured	Uncommitted	Various	10.0	0.7	—
Voya Financial, Inc./ Roaring River LLC	Individual Life	Unsecured	Committed	10/01/2025	425.0	283.3	141.7
Voya Financial, Inc./ Roaring River IV, LLC	Individual Life	Unsecured	Committed	12/31/2028	565.0	278.0	287.0
Voya Financial, Inc./SLDI	Individual Life/Other	Unsecured	Uncommitted	04/20/2018	300.0	300.0	—
Voya Financial, Inc./SLDI	Individual Life	Unsecured	Committed	12/15/2017	600.0	600.0	—
Voya Financial, Inc.	Individual Life	Unsecured	Committed	12/09/2021	195.0	195.0	—
Voya Financial, Inc.	Hannover Re	Unsecured	Uncommitted	01/20/2022	195.0	168.0	—
Total					\$5,946.4	\$3,030.4	\$2,879.7

Total fees associated with credit facilities were \$12.2 million and \$11.5 million for the three months ended March 31, 2017 and 2016, respectively.

Effective January 20, 2017, Voya Financial, Inc. and Voya Holdings entered into a \$195.0 million letter of credit facility agreement with a third party bank used to provide letters of credit associated with reinsurance treaties.





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

The following tables present our existing financing facilities for each of our Individual Life, Retirement and Hannover Re blocks of business as of March 31, 2017. While these tables present the current financing for each block, these financing facilities will expire prior to the runoff of the reserve liabilities they support. In addition, these liabilities will change over the life of each block. As a result, we expect to periodically extend or replace and increase, as necessary, the existing financing as each block grows toward the peak reserve requirement noted below.

Individual Life

(\$ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
Voya Financial, Inc.	Credit Facility	XXX	05/06/2021	\$295.3	\$ 295.3
Voya Financial, Inc.	Credit Facility	XXX/AG38	02/11/2018	195.0	195.0
Voya Financial, Inc. / Roaring River LLC	LOC Facility	XXX	10/01/2025	425.0	283.3
Voya Financial, Inc. / Roaring River IV, LLC	Trust Note	AG38	12/31/2028	565.0	278.0
Voya Financial, Inc. / SLDI	LOC Facility	AG38	12/31/2025	475.0	475.0
Voya Financial, Inc. / SLDI	LOC Facility	XXX/AG38	04/20/2018	255.0	255.0
Voya Financial, Inc. / SLDI	LOC Facility	XXX	12/15/2017	600.0	600.0
Voya Financial, Inc.	LOC Facility	XXX	12/09/2021	195.0	195.0
Total				\$3,005.3	\$ 2,576.6

The peak financing requirement for the Individual Life liabilities above is expected to reach approximately \$4.2 billion during the period 2020 - 2025.

Retirement

(\$ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Capacity	Utilization
SLDI	LOC Facility	Individual & Group Deferred Annuities	01/24/2018	\$ 175.0	\$ 168.0
Voya Financial, Inc./ Langhorne I, LLC	Trust Note	Stable Value	01/15/2019	500.0	—
Total				\$ 675.0	\$ 168.0

Hannover Re block

(\$ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
SLDI	LOC Facility	XXX/AG38	10/29/2023	\$ 60.6	\$ 60.6
Voya Financial, Inc.	LOC Facility	XXX/AG38	01/20/2022	195.0	168.0
Total				\$ 255.6	\$ 228.6

Voya Financial, Inc. Credit Support of Subsidiaries

Voya Financial, Inc. maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries. As of March 31, 2017, such facilities provided for up to \$2.6 billion of capacity, of which \$1.6 billion was utilized.

In addition to providing credit facilities, we also provide credit support to our captive reinsurance subsidiaries through surplus maintenance agreements, pursuant to which we agree to cause these subsidiaries to maintain particular levels of capital or surplus and which we entered into, in connection with particular credit facility agreements. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.



Effective January 20, 2017, Voya Holdings entered into a \$195.0 million letter of credit facility agreement with a third party bank in order to guarantee the reimbursement obligations of Voya Financial, Inc. as borrower.

We did not recognize any asset or liability as of March 31, 2017 in relation to intercompany indemnifications and support agreements. As of March 31, 2017, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

#### Borrowings from Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are between 2% and 5% of the insurance subsidiary's statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of March 31, 2017, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was \$2.6 billion. For non-life insurance subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of March 31, 2017, Voya Financial, Inc. had \$608.1 million outstanding borrowings from subsidiaries. Voya Financial, Inc. loaned \$520.6 million to its subsidiaries as of March 31, 2017.

#### Ratings

Our access to funding and our related cost of borrowing, requirements for derivatives collateral posting and the attractiveness of certain of our products to customers are affected by our credit ratings and insurance financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. The credit ratings are also important for the ability to raise capital through the issuance of debt and for the cost of such financing.

A downgrade in our credit ratings or the credit or financial strength ratings of our rated subsidiaries could potentially, among other things, limit our ability to market products, reduce our competitiveness, increase the number or value of policy surrenders and withdrawals, increase our borrowing costs and potentially make it more difficult to borrow funds, adversely affect the availability of financial guarantees or LOCs, cause additional collateral requirements or other required payments under certain agreements, allow counterparties to terminate derivative agreements and/or hurt our relationships with creditors, distributors or trading counterparties thereby potentially negatively affecting our profitability, liquidity and/or capital. In addition, we consider nonperformance risk in determining the fair value of our liabilities. Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

Additionally, ratings of the Aetna Notes, which are guaranteed by ING Group are influenced by ING Group's ratings. A change in the credit ratings of ING Group could result in a change in the ratings of these securities.

Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. These ratings are not a recommendation to buy or hold any of our securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The financial strength and credit ratings of Voya Financial, Inc. and its principal subsidiaries as of the date of this Quarterly Report on Form 10-Q are summarized in the following table. In parentheses, following the initial occurrence in the table of each rating, is an indication of that rating's relative rank within the agency's rating categories. That ranking refers only to the generic or major rating category and not to the modifiers appended to the rating by the rating agencies to denote relative position within such generic or major category. For each rating, the relative position of the rating within the relevant rating agency's ratings scale is presented, with "1" representing the highest rating in the scale.

Company	Rating Agency			
	A.M. Best ("A.M. Best")	Fitch, Inc. ("Fitch")	Moody's Investors Service, Inc. ("Moody's")	Standard & Poor's ("S&P")
Voya Financial, Inc. (Long-term Issuer Credit)	bbb+ (4 of 10)	BBB+ (4 of 11)	Baa2 (4 of 9)	BBB (4 of 11)
Voya Financial, Inc. (Senior Unsecured Debt) <sup>(1)</sup>	bbb+ (4 of 10)	BBB (4 of 9)	Baa2 (4 of 9)	BBB (4 of 9)
Voya Financial, Inc. (Junior Subordinated Debt) <sup>(2)</sup>	bbb- (4 of 10)	BB+ (5 of 9)	Baa3 (hyb) (4 of 9)	BB+ (5 of 9)
Voya Retirement Insurance and Annuity Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Voya Insurance and Annuity Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR*	NR	NR	NR
ReliaStar Life Insurance Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-1 (1 of 8)
Security Life of Denver Insurance Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-1 (1 of 8)
Midwestern United Life Insurance Company				
Financial Strength Rating	A- (4 of 16)	NR	NR	A (3 of 9)
Voya Holdings Inc.				
Long-term Issuer Credit Rating	NR	NR	Baa2 (4 of 9)	BBB (4 of 11)
Backed Senior Unsecured Debt Credit Rating <sup>(3)</sup>	NR	A+	Baa1 (4 of 9)	A- (3 of 9)

\* "NR" indicates not rated.

<sup>(1)</sup> \$363.2 million, \$737.0 million, \$400.0 million, \$500.0 million and \$300.0 million of our Senior Notes.

<sup>(2)</sup> \$750.0 million of our Junior Subordinated Notes.

<sup>(3)</sup> \$426.5 million of our Aetna Notes guaranteed by ING Group.

Rating Agency	Financial Strength Rating Scale	Long-term Credit Rating Scale	Senior Unsecured Debt Credit Rating Scale	Short-term Credit Rating Scale
A.M. Best <sup>(1)</sup>	"A++" to "S"	"aaa" to "rs"	"aaa" to "d"	"AMB-1+" to "d"
Fitch <sup>(2)</sup>	"AAA" to "C"	"AAA" to "D"	"AAA" to "C"	"F1" to "D"
Moody's <sup>(3)</sup>	"Aaa" to "C"	"Aaa" to "C"	"Aaa" to "C"	"Prime-1" to "Not Prime"
S&P <sup>(4)</sup>	"AAA" to "R"	"AAA" to "D"	"AAA" to "D"	"A-1" to "D"

(1) A.M. Best's financial strength rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best's long-term credit ratings reflect its assessment of the ability of an obligor to pay interest and principal in accordance with the terms of the obligation. Ratings from "aa" to "ccc" may be enhanced with a "+" (plus) or "-" (minus) to indicate whether credit quality is near the top or bottom of a category. A.M. Best's short-term credit rating is an opinion to the ability of the rated entity to meet its senior financial commitments on obligations maturing in generally less than one year.

(2) Fitch's financial strength ratings provide an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. Within long-term and short-term ratings, a "+" or a "-" may be appended to a rating to denote relative status within major rating categories.

(3) Moody's financial strength ratings provide opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's long-term credit ratings provide opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations.

(4) S&P's insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. A "+" or "-" indicates relative strength within a category. An S&P credit rating is an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Our ratings by A.M. Best, Fitch, Moody's and S&P reflect a broader view of how the financial services industry is being challenged by the current economic environment, but also are based on the rating agencies' specific views of our financial strength. In making their ratings decisions, the agencies consider past and expected future capital and earnings, asset quality and risk, profitability and risk of existing liabilities and current products, market share and product distribution capabilities and direct or implied support from parent companies, including implications of the recently completed divestment of Voya Financial, Inc. by ING Group, among other factors.

Rating agencies use an "outlook" statement for both industry sectors and individual companies. For an industry sector, a stable outlook generally implies that over the next 12 to 18 months the rating agency expects ratings to remain unchanged among companies in the sector. For a particular company, an outlook generally indicates a medium- or long-term trend in credit fundamentals, which if continued, may lead to a rating change.

There were no ratings actions, affirmations or outlook changes by S&P, Fitch, Moody's or A.M. Best from December 31, 2016 through March 31, 2017 and subsequently through the date of this Quarterly Report on Form 10-Q.

### Potential Impact of a Ratings Downgrade

Our ability to borrow funds and the terms under which we borrow are sensitive to our short- and long-term issuer credit ratings. A downgrade of either or both of these credit ratings could increase our cost of borrowing. Additionally, a downgrade of either or both of these credit ratings could decrease the total amount of new debt that we are able to issue in the future or increase the costs associated with an issuance.

With respect to our credit facility agreements, based on the amount of credit outstanding as of March 31, 2017, no increase in collateral requirements would result due to a ratings downgrade of the credit ratings of Voya Financial, Inc. by S&P or Moody's.

Certain of our derivative and reinsurance agreements contain provisions that are linked to the financial strength ratings of certain of our insurance subsidiaries. If financial strength ratings were downgraded in the future, these provisions might be triggered and counterparties to the agreements could demand collateralization which could negatively impact overall liquidity.

Based on the amount of credit outstanding as of March 31, 2017, a one-notch or two-notch downgrade in Voya Financial, Inc.'s credit ratings by S&P or Moody's would not have resulted in an additional increase in our collateral requirements.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the reinsurance agreement. If the insurance subsidiaries' financial strength ratings were downgraded in the

future, the terms in our reinsurance agreements might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity. Based on the amount of credit outstanding as of March 31, 2017 and December 31, 2016, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by \$24.1 million and \$24.8 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash, highly rated securities or LOC.

#### Restrictions on Dividends and Returns of Capital from Subsidiaries

Our business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by our U.S. insurance subsidiaries to their respective parents. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or "extraordinary" dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend. In addition, under the insurance laws of our principal insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota (these insurance subsidiaries, together with our insurance subsidiary domiciled in Colorado are referred to collectively, as our "principal insurance subsidiaries"), no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. Our principal insurance subsidiaries domiciled in Colorado, Connecticut and Iowa each have ordinary dividend capacity for 2017. However, as a result of the extraordinary dividends it paid in 2015 and 2016, together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our principal insurance subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment without domiciliary insurance regulatory approval which can be granted or withheld at the discretion of the regulator.

SLDI and RRII may not declare or pay dividends other than in accordance with their respective annual capital and dividend plans as approved by the Arizona Department of Insurance, which each include a minimum capital requirement.

We may receive dividends from or contribute capital to our wholly owned non-life insurance subsidiaries such as broker-dealers, investment management entities and intermediate holding companies.

#### Insurance Subsidiaries - Dividends, Returns of Capital, and Capital Contributions

On May 3, 2017 Voya Financial, Inc.'s principal insurance subsidiary domiciled in Connecticut declared an ordinary dividend in the amount of \$261.0 million, payable on or after May 24, 2017.

Additionally, Voya Financial, Inc.'s principal insurance subsidiaries domiciled in Colorado, Connecticut and Iowa are planning to pay ordinary dividends in the aggregate amount of \$355.0 million, with \$73.0 million of ordinary dividends to be paid by our Colorado insurance subsidiary on or after August 2, 2017, \$278.0 million of ordinary dividends to be paid by our Iowa insurance subsidiary on or after June 28, 2017 and \$4.0 million of ordinary dividends to be paid by our Connecticut insurance subsidiary on or after December 28, 2017.

#### Off-Balance Sheet Arrangements

We have obligations for the return of non-cash collateral under an amendment to our securities lending program. Non-cash collateral received in connection with the securities lending program may not be sold or re-pledged by our lending agent, except in the event of default, and is not reflected on our Consolidated Balance Sheets. As of March 31, 2017, the fair value of securities retained as collateral by the lending agent on our behalf was \$750.5 million. As of



December 31, 2016, the fair value of securities retained as collateral by the lending agent on our behalf was \$911.7 million. For information regarding obligations under this program, see the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q. Additionally, for changes in commitments related to securities, mortgage loans, or money market instruments, see the Commitments and Contingencies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

#### Impact of New Accounting Pronouncements

For information regarding the impact of new accounting pronouncements, see the Business, Basis of Presentation and Significant Accounting Policies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

## Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect changes in these estimates and assumptions from time to time.

We have identified the following accounting judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

- Reserves for future policy benefits;
- DAC, VOBA and other intangibles (collectively, "DAC/VOBA and other intangibles");
- Valuation of investments and derivatives;
- Impairments;
- Income taxes;
- Contingencies; and
- Employee benefit plans.

In developing these accounting estimates, we make subjective and complex judgments that are inherently uncertain and subject to material changes as facts and circumstances develop. Although variability is inherent in these estimates, we believe the amounts provided are appropriate based on the facts available upon preparation of the Condensed Consolidated Financial Statements.

The above critical accounting estimates are described in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

## Sensitivity

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles, as well as certain reserves. As of March 31, 2017, there have been no material changes to the sensitivities disclosed in Critical Accounting Judgments and Estimates in Part II, Item 7 of our Annual Report on Form 10-K, except for the estimated loss recognition. As of March 31, 2017, a change to the long-term interest rate assumption of -50 basis points would result in loss recognition of approximately up to \$100 million. The improvement from December 31, 2016 is due to positive equity returns, which have increased the sufficiency of DAC/VOBA and other intangibles in the CBVA segment.

## Income Taxes

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

Our effective tax rate for the three months ended March 31, 2017 was 10.6%. The effective tax rate differed from the statutory rate of 35% primarily due to the effect of the relative dividends received deduction ("DRD").

Our effective tax rate for the three months ended March 31, 2016 was 20.3%. The effective tax rate differed from the statutory rate of 35% primarily due to the effect of the relative DRD.

Investments (excluding Consolidated Investment Entities)

Investments for our general account are managed by our wholly owned asset manager, Voya Investment Management LLC, pursuant to investment advisory agreements with affiliates. In addition, our internal treasury group manages our holding company liquidity investments, primarily money market funds.

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K for information on our investment strategy.

---

See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information on investments.

### Portfolio Composition

The following table presents the investment portfolio as of the dates indicated:

(\$ in millions)	March 31, 2017		December 31, 2016	
	Carrying Value	% of Total	Carrying Value	% of Total
Fixed maturities, available-for-sale, excluding securities pledged	\$69,139.2	74.8 %	\$69,468.7	75.0 %
Fixed maturities, at fair value using the fair value option	3,678.9	4.0 %	3,712.3	4.0 %
Equity securities, available-for-sale	297.6	0.3 %	274.2	0.3 %
Short-term investments <sup>(1)</sup>	578.2	0.6 %	821.0	0.9 %
Mortgage loans on real estate	12,385.8	13.4 %	11,725.2	12.7 %
Policy loans	1,934.9	2.1 %	1,961.5	2.1 %
Limited partnerships/corporations	826.7	0.9 %	758.6	0.8 %
Derivatives	1,303.5	1.4 %	1,712.4	1.8 %
Other investments	43.3	0.1 %	47.4	0.1 %
Securities pledged	2,187.3	2.4 %	2,157.1	2.3 %
Total investments	\$92,375.4	100.0 %	\$92,638.4	100.0 %

<sup>(1)</sup> Short-term investments include investments with remaining maturities of one year or less, but greater than 3 months, at the time of purchase.

### Fixed Maturities

Total fixed maturities by market sector, including securities pledged, were as presented below as of the dates indicated:

(\$ in millions)	March 31, 2017			
	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	\$3,154.0	4.4 %	\$3,611.5	4.8 %
U.S. Government agencies and authorities	253.6	0.4 %	301.8	0.4 %
State, municipalities and political subdivisions	2,298.9	3.2 %	2,294.1	3.1 %
U.S. corporate public securities	31,367.7	44.1 %	33,426.4	44.6 %
U.S. corporate private securities	7,912.0	11.1 %	8,062.2	10.8 %
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,868.6	11.1 %	8,265.0	11.0 %
Foreign corporate private securities <sup>(1)</sup>	7,546.4	10.6 %	7,832.7	10.4 %
Residential mortgage-backed securities	6,245.5	8.8 %	6,636.7	8.8 %
Commercial mortgage-backed securities	3,070.2	4.3 %	3,105.7	4.1 %
Other asset-backed securities	1,428.4	2.0 %	1,469.3	2.0 %
Total fixed maturities, including securities pledged	\$71,145.3	100.0 %	\$75,005.4	100.0 %

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

(\$ in millions)	December 31, 2016			
	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	\$3,452.0	4.8 %	\$3,890.3	5.2 %
U.S. Government agencies and authorities	253.9	0.3 %	298.0	0.4 %
State, municipalities and political subdivisions	2,153.9	3.0 %	2,135.6	2.8 %
U.S. corporate public securities	31,754.8	44.2 %	33,691.7	44.7 %
U.S. corporate private securities	7,724.9	10.8 %	7,808.0	10.4 %
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,796.6	10.9 %	8,079.4	10.7 %
Foreign corporate private securities <sup>(1)</sup>	7,557.1	10.5 %	7,785.8	10.3 %
Residential mortgage-backed securities	6,407.0	8.9 %	6,814.8	9.0 %
Commercial mortgage-backed securities	3,320.7	4.6 %	3,358.9	4.5 %
Other asset-backed securities	1,433.9	2.0 %	1,475.6	2.0 %
Total fixed maturities, including securities pledged	\$71,854.8	100.0 %	\$75,338.1	100.0 %

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

As of March 31, 2017, the average duration of our fixed maturities portfolio, including securities pledged, is between 7.5 and 8.0 years.

## Fixed Maturities Credit Quality - Ratings

For information regarding our fixed maturities credit quality ratings, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K.

The following tables present credit quality of fixed maturities, including securities pledged, using NAIC designations as of the dates indicated:

NAIC Quality Designation	March 31, 2017						Total Fair Value
	1	2	3	4	5	6	
U.S. Treasuries	\$3,611.5	\$—	\$—	\$—	\$—	\$—	\$3,611.5
U.S. Government agencies and authorities	301.8	—	—	—	—	—	301.8
State, municipalities and political subdivisions	2,140.4	151.7	0.8	—	0.1	1.1	2,294.1
U.S. corporate public securities	17,715.2	14,205.7	1,228.0	256.9	20.6	—	33,426.4
U.S. corporate private securities	3,879.4	3,753.7	263.3	156.3	4.5	5.0	8,062.2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	3,929.2	3,672.8	599.1	54.2	9.2	0.5	8,265.0
Foreign corporate private securities <sup>(1)</sup>	1,148.9	6,113.0	527.7	33.7	4.8	4.6	7,832.7
Residential mortgage-backed securities	6,425.4	36.5	35.3	7.3	28.0	104.2	6,636.7
Commercial mortgage-backed securities	3,104.7	—	—	1.0	—	—	3,105.7
Other asset-backed securities	1,304.0	103.3	28.8	3.6	0.4	29.2	1,469.3
Total fixed maturities	\$43,560.5	\$28,036.7	\$2,683.0	\$513.0	\$67.6	\$144.6	\$75,005.4
% of Fair Value	58.1	% 37.4	% 3.5	% 0.7	% 0.1	% 0.2	% 100.0

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

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

(\$ in millions)	December 31, 2016						Total Fair Value
NAIC Quality Designation	1	2	3	4	5	6	
U.S. Treasuries	\$3,890.3	\$—	\$—	\$—	\$—	\$—	\$3,890.3
U.S. Government agencies and authorities	298.0	—	—	—	—	—	298.0
State, municipalities and political subdivisions	2,001.0	132.3	1.0	—	0.1	1.2	2,135.6
U.S. corporate public securities	18,009.5	14,171.3	1,201.5	250.2	42.3	16.9	33,691.7
U.S. corporate private securities	3,778.3	3,659.5	244.6	115.9	4.7	5.0	7,808.0
Foreign corporate public securities and foreign governments <sup>(1)</sup>	3,936.3	3,412.6	602.0	107.3	20.7	0.5	8,079.4
Foreign corporate private securities <sup>(1)</sup>	1,191.2	5,967.1	593.7	15.8	4.8	13.2	7,785.8
Residential mortgage-backed securities	6,616.0	18.4	31.8	8.4	28.9	111.3	6,814.8
Commercial mortgage-backed securities	3,357.7	—	—	1.2	—	—	3,358.9
Other asset-backed securities	1,309.4	108.0	24.5	2.7	—	31.0	1,475.6
Total fixed maturities	\$44,387.7	\$27,469.2	\$2,699.1	\$501.5	\$101.5	\$179.1	\$75,338.1
% of Fair Value	58.9	% 36.5	% 3.6	% 0.7	% 0.1	% 0.2	% 100.0

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

The following tables present credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

(\$ in millions)	March 31, 2017						Total Fair Value
	AAA	AA	A	BBB	BB and Below		
ARO Quality Ratings							
U.S. Treasuries	\$3,611.5	\$—	\$—	\$—	\$—	\$—	\$3,611.5
U.S. Government agencies and authorities	293.4	8.4	—	—	—	—	301.8
State, municipalities and political subdivisions	240.3	1,336.4	551.5	163.9	2.0		2,294.1
U.S. corporate public securities	496.8	2,549.1	14,664.4	14,211.1	1,505.0		33,426.4
U.S. corporate private securities	290.1	360.5	2,955.6	3,955.7	500.3		8,062.2
Foreign corporate public securities and foreign governments <sup>(1)</sup>	115.2	912.5	2,910.8	3,663.5	663.0		8,265.0
Foreign corporate private securities <sup>(1)</sup>	—	—	1,314.9	6,232.6	285.2		7,832.7
Residential mortgage-backed securities	5,353.7	5.0	12.5	56.2	1,209.3		6,636.7
Commercial mortgage-backed securities	2,692.0	104.9	118.5	10.0	180.3		3,105.7
Other asset-backed securities	888.4	98.0	65.5	141.7	275.7		1,469.3
Total fixed maturities	\$13,981.4	\$5,374.8	\$22,593.7	\$28,434.7	\$4,620.8		\$75,005.4
% of Fair Value	18.6	% 7.2	% 30.1	% 37.9	% 6.2		% 100.0

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



(\$ in millions)	December 31, 2016						Total Fair Value
	AAA	AA	A	BBB	BB and Below		
ARO Quality Ratings	AAA	AA	A	BBB	BB and Below		Total Fair Value
U.S. Treasuries	\$3,890.3	\$—	\$—	\$—	\$—	\$—	\$3,890.3
U.S. Government agencies and authorities	289.8	8.2	—	—	—	—	298.0
State, municipalities and political subdivisions	230.6	1,238.9	531.5	132.3	2.3		2,135.6
U.S. corporate public securities	472.6	2,579.1	14,952.8	14,130.1	1,557.1		33,691.7
U.S. corporate private securities	288.8	410.3	2,815.5	3,852.9	440.5		7,808.0
Foreign corporate public securities and foreign governments <sup>(1)</sup>	115.6	919.2	2,911.5	3,402.6	730.5		8,079.4
Foreign corporate private securities <sup>(1)</sup>	—	—	1,347.9	6,142.2	295.7		7,785.8
Residential mortgage-backed securities	5,558.5	5.3	13.3	58.8	1,178.9		6,814.8
Commercial mortgage-backed securities	2,647.1	110.6	270.6	64.8	265.8		3,358.9
Other asset-backed securities	901.5	87.8	59.3	142.8	284.2		1,475.6
Total fixed maturities	\$14,394.8	\$5,359.4	\$22,902.4	\$27,926.5	\$4,755.0		\$75,338.1
% of Fair Value	19.1	% 7.1	% 30.4	% 37.1	% 6.3		% 100.0

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

Fixed maturities rated BB and below may have speculative characteristics and changes in economic conditions or other circumstances that are more likely to lead to a weakened capacity of the issuer to make principal and interest payments than is the case with higher rated fixed maturities.

#### Unrealized Capital Losses

Gross unrealized capital losses on fixed maturities, including securities pledged, decreased \$188.5 million from \$739.6 million to \$551.1 million for the three months ended March 31, 2017. The decrease in gross unrealized capital losses was primarily due to declining interest rates.

As of March 31, 2017 and December 31, 2016, we held two and four fixed maturities with unrealized capital losses in excess of \$10.0 million. As of March 31, 2017 and December 31, 2016, the unrealized capital losses on these fixed maturities equaled \$31.2 million or 5.7% and \$54.3 million or 7.3% of the total unrealized losses, respectively.

As of March 31, 2017, we held \$6.3 billion of energy sector fixed maturity securities, constituting 8.4% of the total fixed maturities portfolio, with gross unrealized capital losses of \$74.7 million, including one energy sector fixed maturity security with unrealized capital losses in excess of \$10.0 million. The unrealized capital losses on this fixed maturity security equaled \$20.1 million. As of March 31, 2017, our fixed maturity exposure to the energy sector is comprised of 89.0% investment grade securities.

As of December 31, 2016, we held \$6.5 billion of energy sector fixed maturity securities, constituting 8.7% of the total fixed maturities portfolio, with gross unrealized capital losses of \$93.5 million including one energy sector fixed maturity security with unrealized capital losses in excess of \$10.0 million. The unrealized capital losses on this fixed maturity security equaled \$19.9 million. As of December 31, 2016, our fixed maturity exposure to the energy sector is comprised of 86.8% investment grade securities.

The following table presents the U.S. and foreign corporate securities within our energy holdings by sector as of the dates indicated:

Sector Type	March 31, 2017			December 31, 2016		
	Amortized	Fair	% Fair	Amortized	Fair	% Fair
	Cost	Value	Value	Cost	Value	Value
Midstream	\$2,225.2	\$2,395.7	37.8 %	\$2,241.4	\$2,390.4	36.6 %
Integrated Energy	1,531.4	1,600.5	25.3 %	1,638.5	1,697.5	26.0 %
Independent Energy	1,252.0	1,308.4	20.6 %	1,296.6	1,349.7	20.6 %
Oil Field Services	662.4	656.1	10.4 %	683.6	676.9	10.3 %
Refining	338.4	374.0	5.9 %	390.1	422.9	6.5 %
Total	\$6,009.4	\$6,334.7	100.0%	\$6,250.2	\$6,537.4	100.0%

See the Other-Than-Temporary Impairments section below for further information on energy sector investments. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on unrealized capital losses.

#### CMO-B Portfolio

The following table shows fixed maturities balances held in the CMO-B portfolio by NAIC quality rating as of the dates indicated:

NAIC Quality Designation	March 31, 2017			December 31, 2016		
	Amortized	Fair	% Fair	Amortized	Fair	% Fair
	Cost	Value	Value	Cost	Value	Value
1	\$3,444.1	\$3,785.9	95.7 %	\$3,459.5	\$3,819.8	96.1 %
2	26.9	27.7	0.7 %	6.3	6.3	0.2 %
3	6.2	9.0	0.2 %	6.4	9.5	0.2 %
4	—	—	— %	0.6	0.8	— %
5	18.8	28.0	0.7 %	19.3	29.0	0.7 %
6	63.3	104.2	2.7 %	67.7	111.3	2.8 %
Total	\$3,559.3	\$3,954.8	100.0%	\$3,559.8	\$3,976.7	100.0%

For CMO securities where we elected the FVO, amortized cost represents the market values. For details on the NAIC designation methodology, see "Fixed Maturities Credit Quality-Ratings" in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K.

The following table presents the notional amounts and fair values of interest rate derivatives used in our CMO-B portfolio as of the dates indicated:

(\$ in millions)	March 31, 2017			December 31, 2016		
	Notional	Asset	Liability	Notional	Asset	Liability
	Amount	Fair	Fair	Amount	Fair	Fair
Derivatives non-qualifying for hedge accounting:						
Interest Rate Contracts	\$26,541.6	\$115.4	\$ 72.8	\$27,088.0	\$258.7	\$ 139.4

Starting in the second quarter of 2015, the Company implemented interest rate futures contracts as a part of the CMO-B portfolio to hedge interest rate risk. Historically only interest rate swaps were utilized for this purpose in the CMO-B portfolio. Because of duration differences between interest rate swaps and interest rate futures, a higher level of notional is necessary when utilizing interest rate futures to achieve the same relative hedge position. This change in

the hedge program notional amount resulted in no material change to the risk profile of the CMO-B Portfolio.

The following table presents our CMO-B fixed maturity securities balances and tranche type as of the dates indicated: (\$ in millions)

Tranche Type	March 31, 2017			December 31, 2016		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Inverse Floater	\$663.6	\$858.3	21.7 %	\$713.4	\$924.2	23.2 %
Interest Only (IO)	274.9	286.8	7.3 %	283.0	297.8	7.5 %
Inverse IO	1,660.5	1,796.6	45.4 %	1,645.4	1,794.4	45.1 %
Principal Only (PO)	424.3	432.0	10.9 %	438.4	444.8	11.2 %
Floater	22.0	21.5	0.5 %	23.2	22.5	0.6 %
Agency Credit Risk Transfer	511.5	555.7	14.1 %	453.8	488.9	12.3 %
Other	2.5	3.9	0.1 %	2.6	4.1	0.1 %
Total	\$3,559.3	\$3,954.8	100.0 %	\$3,559.8	\$3,976.7	100.0 %

Generally, a continued increase in valuations, as well as muted prepayments despite low interest rates, led to a very strong performance for our CMO-B portfolio in recent years. Based on fundamental prepayment analysis, we have been able to increase the allocation to notional securities in a manner that was diversified by borrower and mortgage characteristics without unduly increasing portfolio risk because the underlying drivers of prepayment behavior across collateral type are varied.

During the three months ended March 31, 2017, the market value of our CMO-B portfolio decreased slightly as a result of the net impacts of paydowns, maturities, price level changes and new purchase activity. Yields within the CMO-B portfolio continue to decline as higher yielding historical CMO-B assets paydown or mature and are replaced with lower yielding new assets.

The following table presents returns for our CMO-B portfolio for the periods indicated:

(\$ in millions)	Three Months Ended March 31,	
	2017	2016
Net investment income (loss)	\$179.9	\$188.2
Net realized capital gains (losses) <sup>(1)</sup>	(129.2)	(127.9)
Total income (pre-tax)	\$50.7	\$60.3

<sup>(1)</sup>Net realized capital gains (losses) also include derivatives interest settlements, mark to market adjustments and realized gains (losses) on standalone derivatives contracts that are in the CMO-B portfolio.

In defining operating earnings before income taxes and non-operating earnings for our CMO-B portfolio, certain recharacterizations are recognized. As indicated in footnote (1) above, derivatives activity, including net coupon settlement on interest rate swaps, is included in Net realized capital gains (losses). Since these swaps are hedging securities for which coupon payments are reflected in Net investment income (loss) (operating earnings), it is appropriate to represent the net swap coupons as operating income before income taxes rather than non-operating income. Also included in Net realized capital gains (losses) are the premium amortization and the change in fair value for securities designated under the FVO, whereas the coupon for these securities is included in Net investment income (loss). In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from Net realized capital gains (losses) (or non-operating income) to operating income.

After adjusting for the two items referenced immediately above, the following table presents operating earnings before income taxes and non-operating income for our CMO-B portfolio for the periods indicated:

Three Months  
Ended March  
31,

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

(\$ in millions)	2017	2016
Operating earnings before income taxes	\$75.4	\$88.0
Realized gains/losses including OTTI	—	8.0
Fair value adjustments	(24.7 )	(35.7 )
Non-operating income	(24.7 )	(27.7 )
Income (loss) before income taxes	\$50.7	\$60.3

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K for information on our CMO-B portfolio.

### Subprime and Alt-A Mortgage Exposure

Pre-2008 vintage subprime and Alt-A mortgage collateral continues to reflect a housing market entrenched in recovery. While collateral losses continue to be realized, the pace and magnitude at which losses are being realized are steadily decreasing. Serious delinquencies and other measures of performance, like prepayments and loan defaults, have also displayed sustained periods of improvement. Reflecting these fundamental improvements, related bond prices and sector liquidity have increased substantially since the credit crisis. More broadly, home prices have moved steadily higher, further supporting bond payment performance. Year-over-year home price measures, while at a lower magnitude than experienced in the years following the trough in home prices, have stabilized at sustainable levels, when measured on a nationwide basis. This backdrop remains supportive of continued improvement in overall borrower payment behavior. In managing our risk exposure to subprime and Alt-A mortgages, we take into account collateral performance and structural characteristics associated with our various positions.

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

We have exposure to RMBS, CMBS and ABS. Our exposure to subprime mortgage-backed securities is primarily in the form of ABS structures collateralized by subprime residential mortgages and the majority of these holdings were included in Other ABS under "Fixed Maturities" above. As of March 31, 2017, the fair value, amortized cost, and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$276.4 million, \$245.7 million and \$4.4 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2016, the fair value, amortized cost, and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$288.0 million, \$257.9 million and \$6.1 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value.

Our exposure to Alt-A mortgages is included in the "RMBS" line item in the "Fixed Maturities" table under "Fixed Maturities" above. As of March 31, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$294.4 million, \$256.6 million and \$2.8 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$306.2 million, \$268.4 million and \$3.8 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value.

### Commercial Mortgage-backed and Other Asset-backed Securities

CMBS investments represent pools of commercial mortgages that are broadly diversified across property types and geographical areas. Delinquency rates on commercial mortgages increased over the course of 2009 through mid-2012. The steep pace of increases observed in this time frame relented, and the percentage of delinquent loans declined through February 2016 (although certain months did post marginal increases). Since then, the delinquency rate has increased, with recent months showing more upward momentum. Other performance metrics like vacancies, property values and rent levels have posted sustained improvement trends, although these metrics are not observed uniformly, differing by dimensions such as geographic location and property type. These improvements have been buoyed by some of the same macro-economic tailwinds alluded to in regards to our subprime and Alt-A mortgage exposure. A

robust environment for property refinancing was particularly supportive of improving credit performance metrics throughout much of the post-credit crisis period. In the first quarter of 2016, however, this virtuous lending cycle was disrupted as the dislocation in corporate credit markets negatively impacted liquidity conditions in CMBS. As a result, the new issuance market for CMBS slowed considerably during the first half of 2016 before normalizing to end the year. Spread performance somewhat mirrored these new issuance trends: volatile in the first half of 2016, signs of increased liquidity and more general stability in credit spreads have been observed since.

For most forms of consumer ABS, delinquency and loss rates have been maintained at levels considered low by historical standards and indicative of high credit quality. Two exceptions exist in the form of auto loans to subprime borrowers and particular cohorts (loans originated in 2008-2010) of student loan borrowers. Payment performance in these particular ABS sub-sectors has been volatile and weak relative to most other forms of ABS, where relative strength in various credit metrics across multiple types of

asset-backed loans have been observed on a sustained basis. In managing our risk exposure to other ABS, we take into account collateral performance and structural characteristics associated with our various positions.

As of March 31, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to Other ABS, excluding subprime exposure, totaled \$1,210.5 million, \$1,201.4 million and \$2.8 million, respectively. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Other ABS, excluding subprime exposure, totaled \$1,206.1 million, \$1,195.6 million and \$2.6 million, respectively.

As of March 31, 2017, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 19.5%, 48.9% and 13.6%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2016, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 27.4%, 39.6% and 14.5%, respectively, of total Other ABS, excluding subprime exposure.

#### Mortgage Loans on Real Estate

We rate commercial mortgages to quantify the level of risk. We place those loans with higher risk on a watch list and closely monitor these loans for collateral deficiency or other credit events that may lead to a potential loss of principal and/or interest. If we determine the value of any mortgage loan to be OTTI (i.e., when it is probable that we will be unable to collect on amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to either the present value of expected cash flows from the loan, discounted at the loan's effective interest rate or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing an other-than-temporary write-down recorded in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

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

As of March 31, 2017 and December 31, 2016, our mortgage loans on real estate portfolio had a weighted average DSC of 2.3 and 2.2 times, and a weighted average LTV ratio of 59.9% and 60.6%, respectively. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on mortgage loans on real estate.

#### Other-Than-Temporary Impairments

We evaluate available-for-sale fixed maturities and equity securities for impairment on a regular basis. The assessment of whether impairments have occurred is based on a case-by-case evaluation of the underlying reasons for the decline in estimated fair value. See the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. in our Annual Report on Form 10-K for the policy used to evaluate whether the investments are other-than-temporarily impaired.

During the three months ended March 31, 2017, we recorded \$0.9 million of credit related OTTI of which the primary contributor was \$0.5 million of write-downs recorded in the Residential Mortgage Backed Securities Non Agency



sector. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on OTTI.

#### Derivatives

We use derivatives for a variety of hedging purposes as further described below. We also have embedded derivatives within fixed maturities instruments and certain product features. See the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for further information.

### Closed Block Variable Annuity Hedging

See Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q for further information.

### Invested Asset and Credit Hedging

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for further information.

### European Exposures

We closely monitor our exposures to European sovereign debt in general, with a primary focus on the sovereign debt of Greece, Ireland, Italy, Portugal and Spain (which we refer to as "peripheral Europe"), as these countries have applied for support from the European Financial Stability Facility or received support from the European Central Bank via government bond purchases in the secondary market.

The financial turmoil in Europe continues to be a potential threat to global capital markets and remains a challenge to global financial stability. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains. Despite signs of continuous improvement in the region, it is our view that the risk among European sovereigns and financial institutions still warrants scrutiny, in addition to our customary surveillance and risk monitoring, given how highly correlated these sectors of the region have become.

The United States and European Union continue to maintain sanctions against select Russian businesses in response to the ongoing conflict in eastern Ukraine. We remain comfortable with our aggregate Russian exposure given its relatively small allocation in our total investment portfolio.

We quantify and allocate our exposure to the region, as described in the table below, by attempting to identify aspects of the region or country risk to which we are exposed. Among the factors we consider are the nationality of the issuer, the nationality of the issuer's ultimate parent, the corporate and economic relationship between the issuer and its parent, as well as the political, legal and economic environment in which each functions. By undertaking this assessment, we believe that we develop a more accurate assessment of the actual geographic risk, with a more integrated understanding of contributing factors to the full risk profile of the issuer.

In the normal course of our ongoing risk and portfolio management process, we closely monitor compliance with a credit limit hierarchy designed to minimize overly concentrated risk exposures by geography, sector and issuer. This framework takes into account various factors such as internal and external ratings, capital efficiency and liquidity and is overseen by a combination of Investment and Corporate Risk Management, as well as insurance portfolio managers focused specifically on managing the investment risk embedded in our portfolio.

The following table presents our European exposures, for selected countries based on risk, at fair value and amortized cost as of March 31, 2017:

#### Selected Countries Fixed Maturities and Equity Securities

	Sovereign	Financial Institutions	Non-Financial Institutions	Total (Fair Value)	Total (Amortized Cost)
Ireland	\$ —	\$ —	\$ 195.1	(1) \$ 195.1	\$ 177.9
Italy	—	—	237.8	237.8	219.7
Portugal	—	—	10.4	10.4	8.8

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

Spain	—	—	209.0	209.0	189.9
Total Peripheral Europe	—	—	652.3	652.3	596.3
Russian Federation	50.8	5.1	61.2	117.1	103.5
Total	\$ 50.8	\$ 5.1	\$ 713.5	\$769.4	\$ 699.8

<sup>(1)</sup> Includes \$1.2 million derivative assets.

We did not have any exposure to Greece. Among the remaining \$7,841.8 million of total non-peripheral European exposure, we had a portfolio of credit-related assets similarly diversified by country and sector across developed and developing Europe. As of March 31, 2017, our sovereign exposure was \$239.6 million, which consisted of fixed maturities. We also had \$1,137.3 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of \$317.8 million and the United Kingdom of \$435.1 million. The balance of \$6,464.9 million was invested across non-peripheral, non-financial institutions.

In addition to aggregate concentration in the United Kingdom of \$3,307.8 million, we had significant non-peripheral European total country exposures in The Netherlands of \$1,024.1 million, in Belgium of \$463.1 million, in France of \$533.1 million, in Germany of \$776.8 million and in Switzerland of \$806.2 million. We place additional scrutiny on our financial exposure in the United Kingdom, France, Switzerland and The Netherlands given our concern for the potential for volatility to spread through the European banking system. We believe the primary risk results from market value fluctuations resulting from spread volatility and the secondary risk is default risk, dependent upon the strength of the recovery of economic conditions in Europe.

#### Consolidated Investment Entities

We provide investment management services to, and have transactions with, various collateralized loan obligations ("CLO entities"), private equity funds, hedge funds, registered investment companies, insurance entities, securitizations and other investment entities in the normal course of business. In certain instances, we serve as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either variable interest entities ("VIEs") or voting interest entities ("VOEs"), and we evaluate our involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under consolidation guidance. We consolidate certain entities under the VIE guidance when it is determined that we are the primary beneficiary. We consolidate certain entities under the VOE guidance when we act as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities of the entity, or when we otherwise have control through voting rights. In February 2015, the FASB issued ASU 2015-02, "Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which significantly amends the consolidation analysis required under current consolidation guidance. The Company adopted the provisions of ASU 2015-02 on January 1, 2016 using the modified retrospective approach.

We have no right to the benefits from, nor do we bear the risks associated with these investments beyond our direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately \$611.3 million and \$587.4 million as of March 31, 2017 and December 31, 2016, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors as a result of the liquidation.

#### Fair Value Measurement

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

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

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules that we apply to our investment portfolio. See the Fair Value Measurement section of Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

#### Nonconsolidated VIEs

We also hold variable interest in certain CLO entities that we do not consolidate because we have determined that we are not the primary beneficiary. With these CLO entities, we serve as the investment manager and receive investment management fees and contingent performance fees. Generally, we do not hold any interest in the nonconsolidated CLO entities, but if we do, such

ownership has been deemed to be insignificant. We have not provided and are not obligated to provide any financial or other support to these entities.

We manage or hold investments in certain private equity funds and hedge funds. With these entities, we serve as the investment manager and are entitled to receive investment management fees and contingent performance fees that are generally expected to be insignificant. Although we have the power to direct the activities that significantly impact the economic performance of the funds, we do not hold a significant variable interest in any of these funds and, as such, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Accordingly, we are not considered the primary beneficiary and did not consolidate any of these investment funds.

In addition, we do not consolidate funds in which our involvement takes the form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide us with any substantive kick-out or participating rights, which would overcome the presumption of control by the general partner. See the Consolidated Investment Entities Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information.

### Securitizations

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Through our investments, we are not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. Our involvement with these entities is limited to that of a passive investor. We have no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor do we function in any of these roles. We, through our investments or other arrangements, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, we are not the primary beneficiary and will not consolidate any of the RMBS, CMBS and ABS entities in which we hold investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. Refer to the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for details regarding the carrying amounts and classifications of these assets.

### Legislative and Regulatory Developments

#### Potential Changes to Variable Annuity Reserve Requirements

At various times in the past several years, the NAIC has indicated that it might pursue changes to the current reserve and capital framework that applies to insurers, including several of our Insurance Subsidiaries, who write or reinsure variable annuity ("VA") policies. Since 2015, the NAIC's Variable Annuity Issues Working Group ("VAIWG") has been considering general proposals for VA reserve and capital reform that would create more uniformity in VA reserving practices and reduce incentives for the use of captive reinsurance arrangements for VA business. These proposals, if adopted, could change the reserves and capital we are required to hold with respect to VA business, particularly in our CBVA segment.

During 2016, VAIWG engaged Oliver Wyman (“OW”) to conduct an initial quantitative impact (“QIS1”) study involving industry participants, including Voya Financial, of possible revisions to the current VA reserve and capital framework. In late 2016, OW provided the VAIWG a QIS1 report that included preliminary findings and recommended a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the QIS1 report. The second quantitative impact study (“QIS2”) began in February 2017 and is scheduled to be completed by September 2017, with NAIC deliberations on QIS2 results and proposed VA reserve and capital reforms during the fourth quarter of 2017. It is unlikely that any changes adopted by the NAIC would be effective prior to 2019, although timing remains uncertain.

The outcome of QIS2, and the parameters of any VA reserve and capital reform to be proposed by OW or adopted by the VAIWG, is highly uncertain at this time. Certain proposals under consideration as part of QIS2, if adopted as a component of any final VA reserve and capital reform, could negatively impact VA reserve and capital calculations for our CBVA segment and potentially result in increased collateral requirements at RRII, our Arizona captive that primarily reinsures CBVA living benefit guarantees. It is possible that these negative impacts could be material to our capital position. If we are required to increase reserves or

collateral, we believe it is likely that such increases would be subject to a multiyear grade-in period. Other proposals under consideration for QIS2, if adopted, could result in positive impacts to our VA reserve and capital calculations. At the present time, we cannot predict what, if any, of these proposals may become part of any VA framework reform proposal or what impact any final VAIWG VA framework reform would have on our CBVA reserves, capital or captive collateralization requirements.

#### DOL Fiduciary Rule

In April 2016, the Department of Labor (“DOL”) issued a final rule that will broaden the definition of “fiduciary” for purposes of the Employee Retirement Income Security Act (“ERISA”) and the Internal Revenue Code, as it applies to a person or entity providing investment advice with respect to ERISA plans or IRAs. The rule expands the circumstances in which providers of investment advice to ERISA plan sponsors and plan participants, and IRA investors are deemed to act in a fiduciary capacity. The rule requires such providers to act in their clients' "best interests", not influenced by any conflicts of interest, including due to the direct or indirect receipt of compensation that varies based on the fiduciary's investment recommendation. In February 2017, the President directed the DOL to re-examine the rule with a view to possibly amending or repealing it. In connection with this re-examination, the DOL has delayed applicability of certain aspects of the rule until June 9, 2017, with other aspects delayed until January 1, 2018. It is possible that the DOL will revise or repeal the rule as it completes its re-examination. The outcome of the re-examination is unclear, however, so we are preparing to comply with the rule on the June 9, 2017 and January 1, 2018 applicability dates. If and when the rule takes effect, certain business activities in which we currently engage, such as IRA rollovers and other IRA sales, will become subject to a heightened fiduciary standard. Where Voya Financial, Inc. is deemed to act in a fiduciary capacity, we will in certain cases need to either modify our sales and compensation practices or find an applicable exemption.

The DOL concurrently adopted a "best interest contract exemption" ("BIC") intended to enable continuation of certain industry practices relating to receipt of commissions and other compensation. While this exemption will enable us and our distributors to continue many historical practices - subject, among other things, to a heightened best interests standard and a requirement that compensation be "reasonable" - there are practical difficulties with relying on the exemption that we believe will limit its utility in certain markets, particularly the retail annuities market, where many of our current distributors are not able to rely on the exemption because they do not do business through regulated financial institutions. While it is too early to predict what impact this will have on our annuities and other businesses, we may experience a material decline in sales of products that can only be practicably sold in reliance on the BIC, such as variable annuities and fixed indexed annuities. The DOL is re-examining the BIC exemption together with the rest of the rule, and may revise or repeal it after completing the re-examination.

In addition, the rule may make it easier for the DOL in enforcement actions, and for plaintiffs' attorneys in litigation, to attempt to extend fiduciary status to, or to claim fiduciary or contractual breach by, advisors who would not be deemed fiduciaries under current regulations. Compliance with the proposed rule could also increase our overall operational costs for providing some of the services we currently provide.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include interest rate risk, equity market price risk and credit risk. We do not have material market risk exposure to "trading" activities in our Condensed Consolidated Financial Statements. For further details on the Company's interest rate risk, equity market price risk and credit risk, see Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A. in our Annual Report on Form 10-K.





## Market Risk Related to Interest Rates

We assess interest rate exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either increasing or decreasing 100 basis point parallel shifts in the yield curve. The following table summarizes the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of March 31, 2017. In calculating these amounts, we exclude gains and losses on separate account fixed income securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

(\$ in millions)	Fair Notional Value <sup>(1)</sup>	As of March 31, 2017	
		Hypothetical Change in Fair Value <sup>(2)</sup>	
		+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
Financial assets with interest rate risk:			
Fixed maturity securities, including securities pledged	\$-75,005.4	\$(5,592.7)	\$6,234.2
Commercial mortgage and other loans	—12,509.3	(677.8)	745.6
Derivatives:			
Interest rate contracts	64,859.9	(476.8)	1,008.5
Financial liabilities with interest rate risk:			
Investment contracts:			
Funding agreements without fixed maturities and deferred annuities <sup>(3)</sup>	—57,821.7	(3,870.9)	4,789.9
Funding agreements with fixed maturities and GICs	—198.8	(3.7)	3.8
Supplementary contracts and immediate annuities	—4,158.5	(254.9)	286.0
Long-term debt	—2,947.9	(229.9)	264.5
Embedded derivatives on reinsurance	—81.9	(125.4)	148.0
Guaranteed benefit derivatives <sup>(3)</sup> :			
FIA	—2,101.7	161.0	(175.1)
IUL	—109.8	5.9	(5.7)
GMAB / GMWB / GMWBL	—1,409.3	(594.6)	760.3
Stabilizer and MCGs	—131.1	(84.1)	138.3

(1) Separate account assets and liabilities, which are interest sensitive, are not included herein as any interest rate risk is borne by the holder of the separate account.

(2) (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

(3) Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the table above.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of March 31, 2017, and the respective guaranteed minimum interest rates ("GMIRs"):

(\$ in millions)	Account Value <sup>(1)</sup>							Total
	At GMIR	Excess of crediting rate over GMIR						
		Up to 0.50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR		
Guaranteed minimum interest rate:								
Up to 1.00%	\$2,826.4	\$1,423.8	\$1,736.0	\$505.9	\$1,053.0	\$917.9	\$8,463.0	
1.01% - 2.00%	1,842.3	312.8	350.3	48.8	22.4	77.2	2,653.8	
2.01% - 3.00%	17,580.6	483.9	503.6	183.0	39.1	19.4	18,809.6	
3.01% - 4.00%	12,633.8	600.5	668.2	0.1	0.1	—	13,902.7	
4.01% and Above	3,207.4	107.9	0.4	0.3	—	0.1	3,316.1	
Renewable beyond 12 months (MYGA) <sup>(2)</sup>	1,742.6	—	—	—	—	—	1,742.6	
Total discretionary rate setting products	\$39,833.1	\$2,928.9	\$3,258.5	\$738.1	\$1,114.6	\$1,014.6	\$48,887.8	
Percentage of Total	81.4	% 6.0	% 6.7	% 1.5	% 2.3	% 2.1	% 100.0	

Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net <sup>(1)</sup> of policy loans. Excludes Stabilizer products, which are fee based. Also excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

<sup>(2)</sup> Represents MYGA contracts with renewal dates after March 31, 2018 on which we are required to credit interest above the contractual GMIR for at least the next twelve months.

## Market Risk Related to Equity Market Prices

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following table summarizes the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of March 31, 2017. In calculating these amounts, we exclude separate account equity securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding the future performance of equity markets, they are near-term, reasonably possible hypothetical changes that illustrate the potential impact of such events. These scenarios consider only the direct effect on fair value of declines in equity benchmark market levels and not changes in asset-based fees recognized as revenue, changes in our estimates of total gross profits used as a basis for amortizing DAC/VOBA, other intangibles and other costs, or changes in any other assumptions such as market volatility or mortality, utilization or persistency rates in variable contracts that could also impact the fair value of our living benefits features. In addition, these scenarios do not reflect the effect of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the equity market benchmark we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the related living benefit features, in comparison to the hypothetical test scenarios.

(\$ in millions)	As of March 31, 2017		
	Fair Notional Value	Hypothetical Change in Fair Value <sup>(1)</sup>	
		+ 10% Equity Shock	-10% Equity Shock
Financial assets with equity market risk:			
Equity securities, available-for-sale	\$-297.6	\$25.2	\$(25.2)
Limited liability partnerships/corporations	—826.7	51.4	(51.4)
Derivatives:			
Equity futures and total return swaps <sup>(2)</sup>	12(409.1)	(920.7)	919.8
Equity options	17,337.4	394.7	(282.4)
Financial liabilities with equity market risk:			
Guaranteed benefit derivatives:			
FIA	—2,101.7	127.8	(161.8)
IUL	—109.8	42.1	(41.8)
GMAB / GMWB/ GMWBL	—1,409.3	(192.7)	236.9

<sup>(1)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to the Variable Annuity Hedging Program.

## Market Risk Related to Closed Block Variable Annuity

## Closed Block Variable Annuity ("CBVA") Net Amount at Risk ("NAR")

The account values and NAR, both gross and net of reinsurance ("retained NAR"), of contract owners by type of minimum guaranteed benefit for retail variable annuity contracts are summarized below as of March 31, 2017:

(\$ in millions, unless otherwise indicated)	As of March 31, 2017				
	Account Value <sup>(1)</sup>	Gross NAR	Retained NAR	% Contracts Retained NAR In-the-Money <sup>(2)</sup>	% Retained NAR In-the-Money <sup>(3)</sup>
GMDB	\$32,312	\$5,250	\$4,876	40 %	30 %
Living Benefit					
GMIB	\$9,183	\$2,453	\$2,453	83 %	25 %
GMWBL	13,837	1,992	1,992	59 %	20 %
GMAB/GMWB	567	13	13	11 %	21 %
Living Benefit Total	\$23,587	\$4,458	\$4,458	69 % <sup>(4)</sup>	23 % <sup>(5)</sup>

<sup>(1)</sup> Account value excludes \$4.9 billion of Payout, Policy Loan and life insurance business which is included in consolidated account values.

<sup>(2)</sup> Percentage of contracts that have a Retained NAR greater than zero.

<sup>(3)</sup> For contracts with a Gross NAR greater than zero, % Retained NAR In-the-Money is defined as  $NAR / (NAR + \text{Account Value})$ .

<sup>(4)</sup> Total Living Benefit % Contracts NAR In-the-Money as of December 31, 2016 was 73%.

<sup>(5)</sup> Total Living Benefit % NAR In-the-Money as of December 31, 2016 was 24%.

As of the date indicated above, compared to \$4.5 billion of NAR, we held gross statutory reserves before reinsurance of \$2.6 billion for living benefit guarantees; of this amount, \$2.5 billion was ceded to an affiliate, fully supported by assets in trust. However, NAR and statutory reserves are not directly comparable measures. Our U.S. GAAP reserves for living benefit guarantees were \$2.5 billion as of March 31, 2017.

For a discussion of our U.S. GAAP reserves calculation methodology, see the Business, Basis of Presentation and Significant Accounting Policies - Future Policy Benefits and Contract Owner Account Balances Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for the year ended December 31, 2016.

## Variable Annuity Hedge Program

The sensitivities presented below summarize the estimated change in hedge assets relative to the Conditional Tail Expectation ("CTE") 95 standard, the estimated net impacts to funding our regulatory reserves and the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA segment, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates. The sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following March 31, 2017 and give effect to rebalancing over the course of the shock event, as well as certain modifications to our Variable Annuity Hedge Program. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a "parallel" shift in the yield curve).

## CTE95 Standard Sensitivity

Rating agency capital is based on a CTE, which is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. Our goal is to support CBVA with assets at least equal to a CTE95 standard based on the Standard and Poor's ("S&P") model, which is an aggregate measure across all of our subsidiaries that have written or provided captive reinsurance for deferred variable annuity contracts. For further information about CTE95, see Business - Our Businesses - Closed Block Variable Annuity in Part I, Item 1. of our Annual Report on Form 10-K for the year ended December 31, 2016. The following table summarizes the estimated change in hedge assets relative to the CTE95 standard, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates.

(\$ in millions)	As of March 31, 2017						Interest Rates	
	Equity Market (S&P 500)						-1%	+1%
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Decrease/(increase) in CTE95 standard	\$(1,950)	\$(1,150)	\$(400)	\$400	\$1,000	\$1,550	\$(750)	\$650
Hedge gain/(loss) immediate impact	2,450	1,400	400	(400)	(900)	(1,200)	1,000	(800)
Net impact	\$500	\$250	\$—	\$—	\$100	\$350	\$250	\$(150)

There was approximately a \$500 million decrease in our hedge assets related to equity market and interest rate movements for the three months ended March 31, 2017. The Variable Annuity Hedge Program results were offset by the equity market and interest rate decrease of approximately \$500 million in CTE95 requirements for the three months ended March 31, 2017.

## CBVA Regulatory Reserves Sensitivity

The following table summarizes the estimated net impacts to funding our regulatory reserves to our CBVA segment, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates. This reflects the hedging as well as any collateral (in the form of LOC and/or available assets) or change in underlying asset values that would be used to achieve credit for reinsurance for the segment of liabilities reinsured to an affiliate in light of our determination of risk tolerance and available collateral, which we assess periodically. As part of our risk management approach, we may use LOCs to meet regulatory requirements in our affiliates even when capital requirements may be met in aggregate without LOCs. We assess and determine appropriate capital use in various scenarios including a combination of LOCs and available assets.

(\$ in millions)	As of March 31, 2017						Interest Rates	
	Equity Market (S&P 500)						-1%	+1%
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Decrease/(increase) in regulatory reserves	\$(2,850)	\$(1,650)	\$(500)	\$450	\$1,150	\$1,600	\$(1,000)	\$750
Hedge gain/(loss) immediate impact	2,450	1,400	400	(400)	(900)	(1,200)	1,000	(800)
Increase/(decrease) in Market Value of Assets	—	—	—	—	—	—	650	(650)
Increase/(decrease) in LOCs	400	250	100	—	—	—	—	700
Net impact	\$—	\$—	\$—	\$50	\$250	\$400	\$650	\$—

Decrease / (increase) in regulatory reserves includes statutory reserves for policyholder account balances, AG43 reserves and additional cash flow testing reserves related to the CBVA segment. Hedge Gain (Loss) assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns. Increase / (decrease) in LOCs and/or available assets indicates the change in the amount of LOCs and/or available assets used to provide credit for reinsurance at those times when the assets backing the reinsurance liabilities may be less than the statutory reserve requirement. Increase / (decrease) in Market Value of Assets is the estimated potential change in market value of assets supporting the segment of liabilities reinsured to an affiliate from 100 basis point upward and downward shifts in interest rates.

Results of an actual shock to equity markets or interest rates will differ from the above illustrations for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges and/or the effects of time and changes in assumptions or

methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed block of business evolve or if assumptions or methodologies that affect reserves or hedge targets are refined.

#### U.S. GAAP Earnings Sensitivity

As U.S. GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, the Variable Annuity Hedge Program may result in immediate impacts that may be lower or higher than the regulatory impacts illustrated above. The following table summarizes the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA segment, which is the sum of the increase or decrease in U.S. GAAP reserves and the hedge gain or loss from our Variable Annuity Hedge Program for various shocks in both equity markets and interest rates.

(\$ in millions)	As of March 31, 2017							
	Equity Market (S&P 500)						Interest Rates	
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Total estimated earnings sensitivity	\$600	\$400	\$100	\$(100)	\$(150)	\$(100)	\$100	\$(100)

We regularly monitor and refine our hedge program targets in line with our primary goal of protecting regulatory and rating agency capital. It is possible that further changes to the Variable Annuity Hedge Program will be made and those changes may either increase or decrease earnings sensitivity. Liabilities are based on U.S. GAAP reserves and embedded derivatives, with the latter excluding the effects of nonperformance risk. DAC is amortized over estimated gross revenues, which we do not expect to be volatile; however, volatility could be driven by loss recognition. Hedge Gain (Loss) impacting the above estimated earnings sensitivity assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns.

Actual results will differ from the estimates above for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), changes in nonperformance spreads, equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges, and/or the effects of time and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed block of business evolves, or if changes in assumptions or methodologies that affect reserves or hedge targets are refined. As the closed block of business evolves, actual net impacts are realized, or if changes are made to the target of the hedge program, the sensitivities may vary over time. Additionally, actual results will differ from the above due to issues such as basis risk, market volatility, changes in implied volatility, combined effects of interest rates and equities, rebalancing of hedges in the future, or the effects of time and other variations from the assumptions in the above table.

#### Item 4. Controls and Procedures

##### Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company's periodic SEC filings is made known to them in a timely manner.



Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

139

---

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See the Commitments and Contingencies Note in our Condensed Consolidated Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

For a discussion of the Company's potential risks and uncertainties, please see Risk Factors in Part I, Item IA. of our Annual Report on Form 10-K for the year ended December 31, 2016 (the "Annual Report on Form 10-K") and Risk Factors in Part II, Item 1A. of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC. In addition, please see Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties in Part I, Item 2. of this Quarterly Report on Form 10-Q.

The following should be read in conjunction with and supplements and amends the risk factors described in our Annual Report on Form 10-K.

Changes to federal regulations could adversely affect our distribution model by restricting our ability to provide customers with advice.

In April 2016, the Department of Labor ("DOL") issued a final rule that will broaden the definition of "fiduciary" for purposes of Employment Retirement Income Security Act ("ERISA") and the Internal Revenue Code, as it applies to a person or entity providing investment advice with respect to ERISA plans or IRAs. The rule expands the circumstances in which providers of investment advice to ERISA plan sponsors and plan participants, and IRA investors, are deemed to act in a fiduciary capacity. The rule requires such providers to act in their clients' "best interests", not influenced by any conflicts of interest, including due to the direct or indirect receipt of compensation that varies based on the fiduciary's investment recommendation. In February 2017, the President directed the DOL to re-examine the rule with a view to possibly amending or repealing it. In connection with this re-examination, the DOL has delayed applicability of certain aspects of the rule until June 9, 2017, with other aspects delayed until January 1, 2018. It is possible that the DOL will revise or repeal the rule as it completes its re-examination. The outcome of the re-examination is unclear, however so we are preparing to comply with the rule on the June 9, 2017 and January 1, 2018 applicability dates. If and when the rule takes effect, certain business activities in which we currently engage, such as IRA rollovers and other IRA sales, will become subject to a heightened fiduciary standard. Where Voya Financial, Inc. is deemed to act in a fiduciary capacity, we will in certain cases need to either modify our sales and compensation practices or find an applicable exemption.

The DOL concurrently adopted a "best interest contract exemption" ("BIC") intended to enable continuation of certain existing industry practices relating to receipt of commissions and other compensation. While this exemption will enable us and our distributors to continue many historical practices - subject, among other things, to a heightened best interests standard and a requirement that compensation be "reasonable" - there are practical difficulties with relying on the exemption that we believe will limit its utility in certain markets, particularly the retail annuities market, where many of our current distributors are not able to rely on the exemption because they do not do business through regulated financial institutions. While it is too early to predict what impact this will have on our annuities and other businesses, we may experience a material decline in sales of products that can only be practicably sold in reliance on the BIC, such as variable annuities and fixed indexed annuities. The DOL is re-examining the BIC exemption together with the rest of the rule, and may revise or repeal it after completing the re-examination.

In addition, the rule may make it easier for the DOL in enforcement actions, and for plaintiffs' attorneys in litigation, to attempt to extend fiduciary status to, or to claim fiduciary or contractual breach by, advisors who would not be

deemed fiduciaries under current regulations. Compliance with the proposed rule could also increase our overall operational costs for providing some of the services we currently provide.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Purchases of Equity Securities by the Issuer

The following table summarizes Voya Financial, Inc.'s repurchases of its common stock for the three months ended March 31, 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2017 - January 31, 2017	—	\$ —	—	(in millions) \$ 633.3
February 1, 2017 - February 28, 2017	5,216,025	38.34	5,216,025	633.3 (1)
March 1, 2017 - March 31, 2017	1,179,436	40.12	1,179,436	436.0 (2)
Total	6,395,461	\$ 38.67	6,395,461	N/A

(1) Includes 5,216,025 shares delivered upon termination of a \$200.0 million share repurchase arrangement entered into on November 3, 2016. The transaction settled at a per-share repurchase price of \$38.34, which was determined based on a formula incorporating the volume weighted average price of the Company's common stock over the relevant purchase period.

(2) Amount remaining under repurchase authorization reflects the deduction of \$150.0 million paid to a third-party financial institution in connection with a share repurchase arrangement entered into on March 9, 2017, which terminated during the second quarter resulting in 3,986,647 shares being delivered. The transaction settled at a per-share repurchase price of \$37.63, which was determined based on a formula incorporating the volume weighted average price of the Company's common stock over the relevant purchase period.

In connection with the vesting of equity-based compensation awards, employees may remit to Voya Financial, Inc., or Voya Financial, Inc. may withhold into treasury stock, shares of common stock in respect to tax withholding obligations associated with such vesting. For the three months ended March 31, 2017, there were 175,639 Treasury share increases in connection with such withholding activities.

## Item 6. Exhibits

See Exhibit Index on page 143 hereof.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 3, 2017 Voya Financial, Inc.  
(Date) (Registrant)

By: /s/ Michael S. Smith  
Michael S. Smith  
Executive Vice President and  
Chief Financial Officer  
(Duly Authorized Officer and Principal Financial Officer)

Voya Financial, Inc.

Exhibit Index

Exhibit No.	Description of Exhibit
10.1+*	Form of 2017 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan
10.2+*	Form of Chief Executive Officer 2017 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan
10.3+	Amendment to the Second Amended and Restated Revolving Credit Agreement, dated as of March 30, 2017, among Voya Financial, Inc., Bank of America, N.A. and the other parties thereto
12.1+	Voya Financial, Inc. Ratio of Earnings to Fixed Charges
31.1+	Rule 13a-14(a)/15d-14(a) Certification of Rodney O. Martin, Jr. Chief Executive Officer (included as Exhibit 31.1 to Form 10-Q)
31.2+	Rule 13a-14(a)/15d-14(a) Certification of Michael S. Smith, Chief Financial Officer (included as Exhibit 31.2 to Form 10-Q)
32.1+	Section 1350 Certification of Rodney O. Martin, Jr. Chief Executive Officer (included as Exhibit 32.1 to Form 10-Q)
32.2+	Section 1350 Certification of Michael S. Smith, Chief Financial Officer (included as Exhibit 32.2 to Form 10-Q)
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase
101.DEF+	XBRL Taxonomy Extension Definition Linkbase
101.LAB+	XBRL Taxonomy Extension Label Linkbase
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase

+ Filed herewith.

\* This exhibit is a management contract or compensatory plan or arrangement.