

Voya Financial, Inc.  
Form 10-Q  
November 06, 2015

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended September 30, 2015

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35897\_\_\_\_\_

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-1222820

(State or other jurisdiction of incorporation or  
organization)

(IRS Employer Identification No.)

230 Park Avenue

New York, New York

10169

(Address of principal executive offices)

(Zip Code)

(212) 309-8200

(Registrant's telephone number, including area code)

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

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

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

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

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

reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 30, 2015, 215,326,591 shares of Common Stock, \$0.01 par value, were outstanding.

---

Voya Financial, Inc.  
 Form 10-Q for the period ended September 30, 2015

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>116</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>188</u>
Item 4. Controls and Procedures	<u>198</u>
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	<u>199</u>
Item 1A. Risk Factors	<u>199</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>201</u>
Item 6. Exhibits	<u>202</u>
<u>Signature</u>	<u>203</u>
<u>Exhibit Index</u>	<u>204</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, 2014 (File No. 001-35897) (the "Annual Report on Form 10-K") and "Risk Factors," in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 001-35897) and this Quarterly Report on Form 10-Q.

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

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Voya Financial, Inc.

Condensed Consolidated Balance Sheets

September 30, 2015 (Unaudited) and December 31, 2014

(In millions, except share and per share data)

	September 30, 2015	December 31, 2014 (As adjusted)
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$65,665.0 as of 2015 and \$64,045.0 as of 2014)	\$69,211.8	\$69,910.3
Fixed maturities, at fair value using the fair value option	3,595.4	3,564.5
Equity securities, available-for-sale, at fair value (cost of \$307.9 as of 2015 and \$242.0 as of 2014)	338.2	271.8
Short-term investments	1,572.9	1,711.4
Mortgage loans on real estate, net of valuation allowance of \$3.3 as of 2015 and \$2.8 as of 2014	10,727.2	9,794.1
Policy loans	2,027.2	2,104.0
Limited partnerships/corporations	465.6	363.2
Derivatives	1,919.5	1,819.6
Other investments	92.7	110.3
Securities pledged (amortized cost of \$1,050.2 as of 2015 and \$1,089.3 as of 2014)	1,099.5	1,184.6
Total investments	91,050.0	90,833.8
Cash and cash equivalents	2,511.1	2,530.9
Short-term investments under securities loan agreements, including collateral delivered	734.3	827.0
Accrued investment income	930.3	891.7
Reinsurance recoverable	7,332.5	7,116.9
Deferred policy acquisition costs and Value of business acquired	4,926.0	4,570.9
Sales inducements to contract holders	243.4	253.6
Current income taxes	22.0	—
Deferred income taxes	1,709.9	1,299.9
Goodwill and other intangible assets	258.6	284.4
Other assets	1,025.8	990.6
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	5,065.1	3,727.3
Cash and cash equivalents	775.0	710.4
Corporate loans, at fair value using the fair value option	7,147.7	6,793.1
Other assets	258.0	92.4
Assets held in separate accounts	94,721.5	106,007.8
Total assets	\$218,711.2	\$226,930.7

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

Voya Financial, Inc.  
Condensed Consolidated Balance Sheets  
September 30, 2015 (Unaudited) and December 31, 2014  
(In millions, except share and per share data)

	September 30, 2015	December 31, 2014 (As adjusted)
Liabilities and Shareholders' Equity:		
Future policy benefits	\$17,635.9	\$15,632.2
Contract owner account balances	70,238.6	69,319.5
Payables under securities loan agreements, including collateral held	1,881.7	1,445.0
Long-term debt	3,485.6	3,515.7
Funds held under reinsurance agreements	1,017.6	1,159.6
Derivatives	825.4	849.3
Pension and other postretirement provisions	771.4	826.2
Current income taxes	—	84.8
Other liabilities	1,349.4	1,333.2
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	7,225.6	6,838.1
Other liabilities	2,309.9	1,357.8
Liabilities related to separate accounts	94,721.5	106,007.8
Total liabilities	201,462.6	208,369.2
Shareholders' equity:		
Common stock (\$0.01 par value per share; 900,000,000 shares authorized, 265,297,029 and 263,653,468 shares issued as of 2015 and 2014, respectively; 215,324,996 and 241,875,485 shares outstanding as of 2015 and 2014, respectively)	2.7	2.6
Treasury stock (at cost; 49,972,033 and 21,777,983 shares as of 2015 and 2014, respectively)	(2,052.0	) (807.0
Additional paid-in capital	23,593.4	23,650.1
Accumulated other comprehensive income (loss)	2,045.7	3,103.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	4.8	20.4
Unappropriated	(9,308.5	) (9,823.6
Total Voya Financial, Inc. shareholders' equity	14,286.1	16,146.2
Noncontrolling interest	2,962.5	2,415.3
Total shareholders' equity	17,248.6	18,561.5
Total liabilities and shareholders' equity	\$218,711.2	\$226,930.7

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

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

Voya Financial, Inc.

Condensed Consolidated Statements of Operations

For the Three and Nine Months Ended September 30, 2015 and 2014 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (As adjusted)	2015	2014 (As adjusted)
<b>Revenues:</b>				
Net investment income	\$1,126.7	\$1,163.6	\$3,435.3	\$3,430.1
Fee income	871.8	908.9	2,644.0	2,738.0
Premiums	1,128.8	595.1	2,404.8	1,825.4
<b>Net realized capital gains (losses):</b>				
Total other-than-temporary impairments	(40.7)	) (19.5)	) (51.3)	) (25.4)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	0.6	(0.1)	) 3.3	(0.2)
Net other-than-temporary impairments recognized in earnings	(41.3)	) (19.4)	) (54.6)	) (25.2)
Other net realized capital gains (losses)	340.4	205.4	93.9	(339.9)
Total net realized capital gains (losses)	299.1	186.0	39.3	(365.1)
Other revenue	106.7	101.0	315.3	316.8
<b>Income (loss) related to consolidated investment entities:</b>				
Net investment income	175.4	248.0	529.3	630.0
Changes in fair value related to collateralized loan obligations	11.0	(6.5)	) (23.6)	) (4.1)
Total revenues	3,719.5	3,196.1	9,344.4	8,571.1
<b>Benefits and expenses:</b>				
Policyholder benefits	1,956.5	1,234.7	3,802.3	2,910.9
Interest credited to contract owner account balances	498.3	498.2	1,473.2	1,485.3
Operating expenses	750.9	767.3	2,290.7	2,315.1
Net amortization of Deferred policy acquisition costs and Value of business acquired	316.3	30.6	587.5	272.4
Interest expense	46.4	47.2	150.4	142.3
<b>Operating expenses related to consolidated investment entities:</b>				
Interest expense	66.7	56.6	203.9	152.3
Other expense	4.1	1.7	8.6	5.7
Total benefits and expenses	3,639.2	2,636.3	8,516.6	7,284.0
Income (loss) before income taxes	80.3	559.8	827.8	1,287.1
Income tax expense (benefit)	(35.9)	) 37.4	128.8	74.2
Net income (loss)	116.2	522.4	699.0	1,212.9
Less: Net income (loss) attributable to noncontrolling interest	75.9	116.6	183.9	296.7
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$40.3	\$405.8	\$515.1	\$916.2
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:</b>				
Basic	\$0.18	\$1.61	\$2.25	\$3.58
Diluted	\$0.18	\$1.59	\$2.23	\$3.55



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

Cash dividends declared per share of common stock	\$0.01	\$0.01	\$0.03	\$0.03
---	--------	--------	--------	--------

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

Voya Financial, Inc.

Condensed Consolidated Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2015 and 2014 (Unaudited)

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (As adjusted)	2015	2014 (As adjusted)
Net income (loss)	\$116.2	\$522.4	\$699.0	\$1,212.9
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(97.3	) (510.8	) (1,627.0	) 1,478.4
Other-than-temporary impairments	3.5	5.9	12.9	30.2
Pension and other postretirement benefits liability	(3.4	) (3.4	) (10.3	) (10.3
Other comprehensive income (loss), before tax	(97.2	) (508.3	) (1,624.4	) 1,498.3
Income tax expense (benefit) related to items of other comprehensive income (loss)	(33.7	) (175.8	) (566.4	) 527.2
Other comprehensive income (loss), after tax	(63.5	) (332.5	) (1,058.0	) 971.1
Comprehensive income (loss)	52.7	189.9	(359.0	) 2,184.0
Less: Comprehensive income (loss) attributable to noncontrolling interest	75.9	116.6	183.9	296.7
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(23.2	) \$73.3	\$(542.9	) \$1,887.3

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

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2015 (Unaudited)

(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity	
Balance as of January 1, 2015 -	\$ 2.6	\$(807.0 )	\$23,650.1	\$ 3,103.7	\$20.4	\$(9,823.6 )	\$ 16,146.2	\$ 2,415.3	\$ 18,561.5
As adjusted Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	515.1	515.1	183.9	699.0
Other comprehensive income (loss), after tax	—	—	—	(1,058.0 )	—	—	(1,058.0 )	—	(1,058.0 )
Total comprehensive income (loss)							(542.9 )	183.9	(359.0 )
Reclassification of noncontrolling interest	—	—	—	—	(15.6 )	—	(15.6 )	15.6	—
Common stock acquired - Share repurchase	—	(1,240.5 )	(100.0 )	—	—	—	(1,340.5 )	—	(1,340.5 )
Dividends on common stock	—	—	(6.9 )	—	—	—	(6.9 )	—	(6.9 )
Share-based compensation	0.1	(4.5 )	50.2	—	—	—	45.8	—	45.8
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	347.7	347.7
Balance as of September 30, 2015	\$ 2.7	\$(2,052.0 )	\$23,593.4	\$ 2,045.7	\$ 4.8	\$(9,308.5 )	\$ 14,286.1	\$ 2,962.5	\$ 17,248.6

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

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

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2014 (Unaudited)

(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity	
Balance as of January 1, 2014 - As adjusted	\$ 2.6	\$—	\$23,563.7	\$ 1,849.1	\$18.4	\$(12,118.6)	\$ 13,315.2	\$ 2,241.8	\$ 15,557.0
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	916.2	916.2	296.7	1,212.9
Other comprehensive income (loss), after tax	—	—	—	971.1	—	—	971.1	—	971.1
Total comprehensive income (loss)							1,887.3	296.7	2,184.0
Reclassification of noncontrolling interest	—	—	—	—	3.0	—	3.0	(3.0)	—
Common stock acquired - Share repurchase	—	(609.4)	—	—	—	—	(609.4)	—	(609.4)
Dividends on common stock	—	—	(7.7)	—	—	—	(7.7)	—	(7.7)
Share-based compensation	—	(14.8)	65.5	—	—	—	50.7	—	50.7
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	23.6	23.6
Balance as of September 30, 2014 - As adjusted	\$ 2.6	\$(624.2)	\$23,621.5	\$ 2,820.2	\$21.4	\$(11,202.4)	\$ 14,639.1	\$ 2,559.1	\$ 17,198.2

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

Voya Financial, Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by operating activities	\$2,686.4	\$2,916.2
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	8,040.5	9,192.3
Equity securities, available-for-sale	38.2	63.7
Mortgage loans on real estate	950.6	937.6
Limited partnerships/corporations	198.3	137.6
Acquisition of:		
Fixed maturities	(9,699.4	) (9,172.3
Equity securities, available-for-sale	(114.1	) (18.3
Mortgage loans on real estate	(1,883.4	) (1,574.8
Limited partnerships/corporations	(332.5	) (261.3
Short-term investments, net	139.9	(124.5
Policy loans, net	76.8	42.8
Derivatives, net	297.9	(670.7
Other investments, net	18.7	38.5
Sales from consolidated investment entities	4,087.9	2,558.5
Purchases within consolidated investment entities	(6,056.5	) (4,292.6
Collateral received (delivered), net	530.5	116.8
Purchases of fixed assets, net	(38.3	) (26.5
Net cash used in investing activities	(3,744.9	) (3,053.2
Cash Flows from Financing Activities:		
Deposits received for investment contracts	5,635.4	5,681.5
Maturities and withdrawals from investment contracts	(5,018.2	) (7,332.9
Repayment of debt with maturities of more than three months	(31.2	) —
Debt issuance costs	(6.8	) (16.8
Borrowings of consolidated investment entities	1,412.6	340.5
Repayments of borrowings of consolidated investment entities	(444.4	) (66.6
Contributions from (distributions to) participants in consolidated investment entities	841.4	1,235.9
Excess tax benefits on share-based compensation	1.7	—
Share-based compensation	(4.4	) (14.8
Common stock acquired - Share repurchase	(1,340.5	) (614.4
Dividends paid	(6.9	) (7.7
Net cash provided by (used in) financing activities	1,038.7	(795.3
Net decrease in cash and cash equivalents	(19.8	) (932.3
Cash and cash equivalents, beginning of period	2,530.9	2,840.8
Cash and cash equivalents, end of period	\$2,511.1	\$1,908.5

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

### Business

Voya Financial, Inc. (which changed its name from ING U.S., Inc. on April 7, 2014) and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products. Prior to April 20, 2015, the Company provided principal products and services in three ongoing businesses—Retirement Solutions, Investment Management and Insurance Solutions—and reported results for the ongoing businesses through five segments. Effective April 20, 2015, the Company provides principal products and services in two ongoing businesses ("Ongoing Business")—Retirement and Investment Solutions; and Insurance Solutions. This change did not affect the Company's five ongoing operating segments. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

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

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

In 2014, ING Group completed sales of 82,783,006 shares of common stock of Voya Financial, Inc. in three registered public offerings throughout the year (the "2014 Offerings"). In conjunction with each of these offerings, pursuant to the terms of share repurchase agreements between ING Group and Voya Financial, Inc., Voya Financial, Inc. acquired 19,447,847 shares of its common stock from ING Group (the "2014 Direct Share Repurchases") (the 2014 Offerings and the 2014 Direct Share Repurchases collectively, the "2014 Transactions"). Upon completion of the 2014 Transactions, ING Group's ownership of Voya Financial, Inc. was reduced to approximately 19%.

On March 9, 2015, ING Group completed a sale of 32,018,100 shares of common stock of Voya Financial, Inc. in a registered public offering (the "March 2015 Offering"). Also on March 9, 2015, pursuant to the terms of a share repurchase agreement between ING Group and Voya Financial, Inc., Voya Financial, Inc. acquired 13,599,274 shares of its common stock from ING Group (the "March 2015 Direct Share Repurchase") (the March 2015 Offering and the March 2015 Direct Share Repurchase collectively, the "March 2015 Transactions"). Upon completion of the March

2015 Transactions, ING Group has exited its stake in Voya Financial, Inc. common stock. ING Group continues to hold warrants to purchase up to 26,050,846 shares of Voya Financial, Inc. common stock at an exercise price of \$48.75, in each case subject to adjustments. As a result of the completion of the March 2015 Transactions, ING Group has satisfied the provisions of its agreement with the European Union regarding the divestment of its U.S. insurance and investment operations, which required ING Group to divest 100% of its ownership interest in Voya Financial, Inc. together with its subsidiaries by the end of 2016.

#### Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are unaudited. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

The accompanying Condensed Consolidated Financial Statements reflect adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2015, its results of operations and comprehensive income for the three and nine months ended September 30, 2015 and 2014, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2015 and 2014, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2014 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.

#### Revision of Previously Issued Financial Statements

As part of the Company's ongoing process of validating actuarial models, during the second quarter of 2015, the Company identified improper inputs to the calculation of the estimated fair value of the embedded derivative in certain of its guaranteed minimum withdrawal benefits with life payouts ("GMWBL") products. The products are included in the Company's Closed Block Variable Annuity ("CBVA") segment, and are no longer offered by the Company. The errors affected the Company's U.S. GAAP financial statements for periods prior to and including the three months ended March 31, 2015, and did not impact regulatory or rating agency capital. The errors did not affect the Company's variable annuity policyholders in any manner.

Based on an analysis of quantitative and qualitative factors in accordance with SEC Staff Accounting Bulletins 99 and 108, the Company concluded that these errors were not material to the consolidated financial position, results of operations or cash flows as presented in the Company's quarterly and annual financial statements that have been previously filed in the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. As a result, amendment of such reports is not required. In preparing the Company's Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and the three and nine months ended September 30, 2015, the Company made appropriate revisions to its financial statements for historical periods. Such changes are reflected in the financial results for the three and nine months ended September 30, 2014 and as of December 31, 2014 included in these interim financial statements and will also be reflected in the historical financial results included in the Company's subsequent quarterly and annual consolidated financial statements.

The correction results in changes to the liabilities, with corresponding tax effects, as follows:

- (a) Liabilities: Lower Future policy benefits, with the change recorded in Other net realized capital gains (losses).
- (b) Assets: Lower Deferred income taxes (after considering the impacts of valuation allowances), with the change recorded as Income tax expense (benefit).



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

The following tables quantify the prior period impact of this revision.

Balance Sheets:

	December 31, 2014			December 31, 2013		
	As originally reported	Effect of change	As adjusted	As originally reported	Effect of change	As adjusted
Deferred income taxes	\$1,320.6	\$(20.7 )	\$1,299.9	\$162.1	\$—	\$162.1
Future policy benefits	15,691.2	(59.0 )	15,632.2	14,098.4	(43.0 )	14,055.4
Retained earnings (deficit) - Unappropriated	(9,861.9 )	38.3	(9,823.6 )	(12,161.6 )	43.0	(12,118.6 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Statements of Operations:

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	As originally reported	Effect of change	As adjusted	As originally reported	Effect of change	As adjusted
Other net realized capital gains (losses)	\$200.4	\$5.0	\$205.4	\$(350.9)	\$11.0	\$(339.9)
Income tax expense (benefit)	37.4	—	37.4	74.2	—	74.2
Net income (loss)	517.4	5.0	522.4	1,201.9	11.0	1,212.9
Net income (loss) available to Voya Financial, Inc.'s common shareholders	400.8	5.0	405.8	905.2	11.0	916.2
Net income (loss) available to Voya Financial, Inc.'s common shareholders per share:						
Basic	\$1.59	\$0.02	\$1.61	\$3.54	\$0.04	\$3.58
Diluted	\$1.58	\$0.01	\$1.59	\$3.51	\$0.04	\$3.55

	Three Months Ended March 31, 2015		
	As originally reported	Effect of change	As adjusted
Other net realized capital gains (losses)	\$(259.6)	\$5.0	\$(254.6)
Income tax expense (benefit)	44.7	0.9	45.6
Net income (loss)	211.6	4.1	215.7
Net income (loss) available to Voya Financial, Inc.'s common shareholders	185.5	4.1	189.6
Net income (loss) available to Voya Financial, Inc.'s common shareholders per share:			
Basic	\$0.78	\$0.02	\$0.80
Diluted	\$0.77	\$0.02	\$0.79

Additionally, the impact of this revision to Income (loss) before income taxes was \$16.0, \$(2.0) and \$17.0 for the years ended December 31, 2014, 2013 and 2012, respectively.

Certain line items in the Condensed Consolidated Statements of Comprehensive Income, Cash Flows and Shareholders' Equity were immaterially affected by the revision of previously issued financial statements. All of the line item changes in the Condensed Consolidated Statements of Cash Flows were in the operating activities section. There were no changes to the Condensed Consolidated Statements of Comprehensive Income and Shareholders' Equity, except for the effects of the changes described above.

Adoption of New Pronouncements

Repurchase Agreements

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The provisions of ASU 2014-11 were adopted by the Company on January 1, 2015, with the exception of disclosure amendments for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings, which were adopted April 1, 2015. The adoption of the January 1, 2015 provisions had no effect on the Company's financial condition, results of operations or cash flows. The April 1, 2015 disclosure provisions are included in the Investments (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements.

#### Discontinued Operations and Disposals

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

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

The provisions of ASU 2014-08 were adopted prospectively by the Company on January 1, 2015. The adoption had no effect on the Company's financial condition, results of operations or cash flows.

#### Future Adoption of Accounting Pronouncements

##### Short-Duration Contracts

In May 2015, the FASB issued ASU 2015-09, "Financial Services - Insurance (ASC Topic 944): Disclosures about Short-Duration Contracts" ("ASU 2015-09"), which requires insurance entities to disclose, for annual reporting periods, information about the liability for unpaid claims and claim adjustment expenses and about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claims adjustment expenses. The standard also requires entities to disclose, for annual and interim reporting periods, a rollforward of the liability for unpaid claims and claim adjustment expenses.

The provisions of ASU 2015-09 are effective, retrospectively, for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2015-09.

##### Investments That Calculate Net Asset Value

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (ASC Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" ("ASU 2015-07"), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. In addition, the standard limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient, rather than for all investments that are eligible to be measured at fair value using the net asset value per share.

The provisions of ASU 2015-07 are effective, retrospectively, for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2015-07.

Internal-Use Software

In April 2015, the FASB issued ASU 2015-05, "Intangibles - Goodwill and Other-Internal-Use Software (ASC Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" ("ASU 2015-05"), which clarifies that customers should account for software licenses included in cloud computing arrangements (ex. software as a service) consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The provisions of ASU 2015-05 are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The amendments can be applied prospectively or retrospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2015-05.

#### Defined Benefit Plans

In April 2015, the FASB issued ASU 2015-04, "Compensation - Retirement Benefits (ASC Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets" ("ASU 2015-04"), which permits remeasurement of defined benefit plan assets and obligations resulting from the occurrence of a significant event using the month-end that is closest to the date of the event.

The provisions of ASU 2015-04 are effective, prospectively, for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company does not expect ASU 2015-04 to have an impact.

#### Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (ASC Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" ("ASU 2015-15"), to confirm that ASU 2015-03 does not address debt issuance costs related to line-of-credit arrangements. As such, an entity may defer and present such costs as an asset and subsequently amortize the costs ratably over the term of the line-of-credit arrangement.

The provisions of ASU 2015-03 and ASU 2015-15 are effective, retrospectively, for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2015-03 and ASU 2015-15.

#### 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.

The provisions of ASU 2015-02 are effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted, using either a retrospective or modified

retrospective approach. The Company is currently in the process of determining the impact of the adoption of the provisions of ASU 2015-02.

#### Hybrid Financial Instruments

In November 2014, the FASB issued ASU 2014-16, “Derivatives and Hedging (ASC Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity” (“ASU 2014-16”), which requires an entity to determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including all embedded derivative features.

The provisions of ASU 2014-16 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. Initial adoption of ASU 2014-16 may be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, or on a full retrospective basis,

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

with application to all prior periods presented. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2014-16.

#### Going Concern

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern (ASC Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The provisions of ASU 2014-15 will not affect a company's financial condition, results of operations, or cash flows, but require disclosure if management determines there is substantial doubt, including management's plans to alleviate or mitigate the conditions or events that raise substantial doubt. The provisions of ASU 2014-15 are effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter. The Company does not expect ASU 2014-15 to have an impact.

#### 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 provisions of ASU 2014-13 are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The Company is currently in the process of determining the impact of the adoption of the provisions of ASU 2014-13.

#### Share-based Payments

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

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

#### Revenue from Contracts with Customers

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



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

In August 2015, the FASB issued ASU 2015-14 to amend the effective date of ASU 2014-09 to fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted as of the original effective date, which is January 1, 2017. The provisions of ASU 2014-09 are effective retrospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2014-09.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 2. Investments (excluding Consolidated Investment Entities)

## Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of September 30, 2015:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)</sup>
Fixed maturities:						
U.S. Treasuries	\$3,515.7	\$583.4	\$—	\$—	\$4,099.1	\$—
U.S. Government agencies and authorities	333.5	52.1	0.3	—	385.3	—
State, municipalities and political subdivisions	1,152.3	28.6	14.0	—	1,166.9	—
U.S. corporate public securities	33,038.6	2,022.1	544.7	—	34,516.0	9.6
U.S. corporate private securities	6,281.8	304.0	87.4	—	6,498.4	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	8,021.3	346.0	299.0	—	8,068.3	—
Foreign corporate private securities <sup>(1)</sup>	7,397.0	377.9	72.4	—	7,702.5	—
Residential mortgage-backed securities:						
Agency	4,574.7	412.3	8.8	65.3	5,043.5	—
Non-Agency	840.0	151.7	8.6	40.0	1,023.1	50.6
Total Residential mortgage-backed securities	5,414.7	564.0	17.4	105.3	6,066.6	50.6
Commercial mortgage-backed securities	3,925.3	192.9	3.0	—	4,115.2	6.7
Other asset-backed securities	1,230.4	71.7	13.7	—	1,288.4	6.2
Total fixed maturities, including securities pledged	70,310.6	4,542.7	1,051.9	105.3	73,906.7	73.1
Less: Securities pledged	1,050.2	95.1	45.8	—	1,099.5	—
Total fixed maturities	69,260.4	4,447.6	1,006.1	105.3	72,807.2	73.1
Equity securities:						
Common stock	217.5	0.4	0.5	—	217.4	—
Preferred stock	90.4	30.4	—	—	120.8	—
Total equity securities	307.9	30.8	0.5	—	338.2	—
	\$69,568.3	\$4,478.4	\$1,006.6	\$105.3	\$73,145.4	\$73.1

Total fixed maturities and equity  
securities investments

(1) Primarily U.S. dollar denominated.

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2014:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)</sup>
Fixed maturities:						
U.S. Treasuries	\$3,279.0	\$625.9	\$0.9	\$—	\$3,904.0	\$—
U.S. Government agencies and authorities	376.1	59.8	—	—	435.9	—
State, municipalities and political subdivisions	659.5	35.4	0.5	—	694.4	—
U.S. corporate public securities	31,415.6	3,067.8	139.7	—	34,343.7	10.2
U.S. corporate private securities	6,009.9	411.4	24.2	—	6,397.1	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,975.0	515.3	101.1	—	8,389.2	—
Foreign corporate private securities <sup>(1)</sup>	7,556.6	515.3	16.9	—	8,055.0	—
Residential mortgage-backed securities:						
Agency	4,983.3	421.0	13.0	72.5	5,463.8	0.4
Non-Agency	989.4	168.9	8.6	43.3	1,193.0	62.1
Total Residential mortgage-backed securities	5,972.7	589.9	21.6	115.8	6,656.8	62.5
Commercial mortgage-backed securities	3,916.3	273.3	1.4	—	4,188.2	6.7
Other asset-backed securities	1,538.1	74.3	17.3	—	1,595.1	6.6
Total fixed maturities, including securities pledged	68,698.8	6,168.4	323.6	115.8	74,659.4	86.0
Less: Securities pledged	1,089.3	109.2	13.9	—	1,184.6	—
Total fixed maturities	67,609.5	6,059.2	309.7	115.8	73,474.8	86.0
Equity securities:						
Common stock	191.5	0.5	0.2	—	191.8	—
Preferred stock	50.5	29.5	—	—	80.0	—
Total equity securities	242.0	30.0	0.2	—	271.8	—
Total fixed maturities and equity securities investments	\$67,851.5	\$6,089.2	\$309.9	\$115.8	\$73,746.6	\$86.0

<sup>(1)</sup> Primarily U.S. dollar denominated.<sup>(2)</sup> 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 OTTI reported as a component of Other comprehensive income (loss).

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of September 30, 2015, 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	\$ 1,375.2	\$ 1,393.7
After one year through five years	13,044.2	13,629.5
After five years through ten years	20,742.7	21,075.1
After ten years	24,578.1	26,338.2
Mortgage-backed securities	9,340.0	10,181.8
Other asset-backed securities	1,230.4	1,288.4
Fixed maturities, including securities pledged	\$ 70,310.6	\$ 73,906.7

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

As of September 30, 2015 and December 31, 2014, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's condensed consolidated Shareholders' equity.

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

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
September 30, 2015				
Communications	\$ 3,887.3	\$ 298.7	\$ 56.7	\$ 4,129.3
Financial	7,786.5	545.0	34.2	8,297.3
Industrial and other companies	31,630.1	1,465.3	751.0	32,344.4
Utilities	8,868.8	613.1	97.8	9,384.1
Transportation	1,678.0	90.1	26.7	1,741.4
Total	\$ 53,850.7	\$ 3,012.2	\$ 966.4	\$ 55,896.5
December 31, 2014				
Communications	\$ 3,934.5	\$ 512.4	\$ 5.7	\$ 4,441.2
Financial	7,568.1	729.3	7.6	8,289.8
Industrial and other companies	30,055.8	2,109.3	231.0	31,934.1
Utilities	9,046.3	959.9	19.7	9,986.5
Transportation	1,494.1	151.9	3.9	1,642.1
Total	\$ 52,098.8	\$ 4,462.8	\$ 267.9	\$ 56,293.7



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Fixed Maturities and Equity Securities

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

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

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of September 30, 2015 and December 31, 2014, approximately 47.7% and 44.4%, 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.

### Repurchase Agreements

The Company engages in dollar repurchase agreements with mortgage-backed securities ("dollar rolls") and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. The Company also enters into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. As of September 30, 2015 and December 31, 2014, the Company did not have any securities pledged in dollar rolls, repurchase agreement transactions or reverse repurchase agreements.

### Securities Lending



The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, 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, primarily cash, 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 short-term liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of September 30, 2015 and December 31, 2014, the fair value of loaned securities was \$437.0 and \$545.9, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2015 and December 31, 2014, collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was \$454.2 and \$563.9, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2015 and December 31, 2014, liabilities to return collateral of \$454.2 and \$563.9, respectively, is included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2015	December 31, 2014
U.S. Treasuries	\$—	\$205.4
U.S. Government agencies and authorities	—	17.3
U.S. corporate public securities	260.5	216.7
Foreign corporate public securities and foreign governments	193.7	124.5
Payables under securities loan agreements	\$454.2	\$563.9

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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of September 30, 2015:

	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	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
U.S. Government agencies and authorities	49.9	0.3	—	—	—	—	49.9	0.3
State, municipalities and political subdivisions	470.3	11.7	26.7	1.7	1.3	0.6	498.3	14.0
U.S. corporate public securities	8,077.0	359.1	1,158.2	109.1	550.3	76.5	9,785.5	544.7
U.S. corporate private securities	1,081.2	58.5	113.3	9.0	105.4	19.9	1,299.9	87.4
Foreign corporate public securities and foreign governments	2,158.3	141.2	550.8	77.1	348.5	80.7	3,057.6	299.0
Foreign corporate private securities	1,467.1	52.2	113.9	14.9	50.1	5.3	1,631.1	72.4
Residential mortgage-backed	207.1	2.0	101.9	1.0	366.7	14.4	675.7	17.4
Commercial mortgage-backed	266.0	1.7	4.9	—	* 1.7	1.3	272.6	3.0
Other asset-backed	80.4	0.1	3.7	—	* 192.8	13.6	276.9	13.7
Total	\$13,857.3	\$626.8	\$2,073.4	\$212.8	\$1,616.8	\$212.3	\$17,547.5	\$1,051.9

\* Less than \$0.1.

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, 2014:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	\$81.1	\$0.1	\$—	\$—	\$42.1	\$0.8	\$123.2	\$0.9
U.S. Government agencies and authorities State, municipalities and political subdivisions	6.4	—	* —	—	—	—	6.4	—
U.S. corporate public securities	2,138.6	60.7	46.5	3.4	2,421.5	75.6	4,606.6	139.7
U.S. corporate private securities	339.3	4.3	29.8	0.2	286.9	19.7	656.0	24.2
Foreign corporate public securities and foreign governments	1,411.3	72.5	37.8	1.2	601.0	27.4	2,050.1	101.1
Foreign corporate private securities	458.0	8.1	—	—	67.6	8.8	525.6	16.9
Residential mortgage-backed	319.6	1.7	59.9	1.0	645.7	18.9	1,025.2	21.6
Commercial mortgage-backed	120.7	0.5	3.1	0.9	—	—	123.8	1.4
Other asset-backed	126.4	0.2	6.4	—	* 232.1	17.1	364.9	17.3
Total	\$5,044.4	\$148.2	\$183.5	\$6.7	\$4,298.5	\$168.7	\$9,526.4	\$323.6

\* Less than \$0.1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 88.4% and 96.2% of the average book value as of September 30, 2015 and December 31, 2014, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2015						
Six months or less below amortized cost	\$14,279.9	\$896.4	\$569.3	\$254.9	1,135	72
More than six months and twelve months or less below amortized cost	2,003.9	48.0	129.9	11.5	183	5
More than twelve months below amortized cost	1,363.1	8.1	83.2	3.1	327	7
Total	\$17,646.9	\$952.5	\$782.4	\$269.5	1,645	84
December 31, 2014						
Six months or less below amortized cost	\$5,162.1	\$117.8	\$140.2	\$26.5	537	16
More than six months and twelve months or less below amortized cost	324.3	—	* 19.7	—	* 68	1
More than twelve months below amortized cost	4,237.2	8.6	134.1	3.1	493	7
Total	\$9,723.6	\$126.4	\$294.0	\$29.6	1,098	24

\* Less than \$0.1.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2015						
U.S. Treasuries	\$—	\$—	\$—	\$—	—	—
U.S. Government agencies and authorities	50.2	—	0.3	—	1	—
State, municipalities and political subdivisions	510.3	2.0	13.4	0.6	70	3
U.S. corporate public securities	9,946.4	383.8	438.5	106.2	784	27
U.S. corporate private securities	1,342.3	45.0	77.1	10.3	53	1
Foreign corporate public securities and foreign governments	2,869.6	487.0	157.3	141.7	274	39
Foreign corporate private securities	1,679.3	24.2	65.8	6.6	69	1
Residential mortgage-backed	689.0	4.1	15.4	2.0	286	10
Commercial mortgage-backed	272.6	3.0	1.7	1.3	23	1
Other asset-backed	287.2	3.4	12.9	0.8	85	2
Total	\$17,646.9	\$952.5	\$782.4	\$269.5	1,645	84
December 31, 2014						
U.S. Treasuries	\$124.1	\$—	\$0.9	\$—	8	—
U.S. Government agencies and authorities	6.4	—	—	* —	1	—
State, municipalities and political subdivisions	44.1	1.0	0.2	0.3	9	1
U.S. corporate public securities	4,737.5	8.8	137.6	2.1	383	3
U.S. corporate private securities	635.2	45.0	13.7	10.5	31	1
Foreign corporate public securities and foreign governments	2,115.0	36.2	93.1	8.0	219	5
Foreign corporate private securities	521.5	21.0	12.6	4.3	20	1
Residential mortgage-backed	1,042.8	4.0	19.5	2.1	321	8
Commercial mortgage-backed	121.2	4.0	0.5	0.9	17	1
Other asset-backed	375.8	6.4	15.9	1.4	89	4
Total	\$9,723.6	\$126.4	\$294.0	\$29.6	1,098	24

\* 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			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
September 30, 2015				
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$7.8	\$—	\$0.2	\$—
Non-agency RMBS > 90% - 100%	6.7	—	0.5	—
Non-agency RMBS 80% - 90%	163.3	—	9.7	—
Non-agency RMBS < 80%	188.6	1.9	9.8	0.5
Agency RMBS	521.5	3.8	7.0	1.8
Other ABS (Non-RMBS)	88.3	1.8	1.1	0.5
Total RMBS and Other ABS	\$976.2	\$7.5	\$28.3	\$2.8

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
September 30, 2015				
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$297.5	\$1.6	\$16.9	\$0.3
Non-agency RMBS > 5% - 10%	19.6	—	0.3	—
Non-agency RMBS > 0% - 5%	36.7	—	2.2	—
Non-agency RMBS 0%	12.6	0.3	0.8	0.2
Agency RMBS	521.5	3.8	7.0	1.8
Other ABS (Non-RMBS)	88.3	1.8	1.1	0.5
Total RMBS and Other ABS	\$976.2	\$7.5	\$28.3	\$2.8

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
September 30, 2015				
Fixed Rate	\$575.6	\$2.5	\$8.4	\$0.7
Floating Rate	400.6	5.0	19.9	2.1
Total	\$976.2	\$7.5	\$28.3	\$2.8

<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		Unrealized Capital Losses			
	Amortized Cost		< 20%		> 20%	
December 31, 2014	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>						
Non-agency RMBS > 100%	\$5.0	\$—	\$0.3	\$—		
Non-agency RMBS > 90% - 100%	35.7	—	1.7	—		
Non-agency RMBS 80% - 90%	109.0	0.3	5.2	0.1		
Non-agency RMBS < 80%	291.5	4.6	15.8	1.0		
Agency RMBS	835.9	3.6	11.1	1.9		
Other ABS (Non-RMBS)	141.5	1.9	1.3	0.5		
Total RMBS and Other ABS	\$1,418.6	\$10.4	\$35.4	\$3.5		

	Credit Enhancement Percentage		Unrealized Capital Losses			
	Amortized Cost		< 20%		> 20%	
December 31, 2014	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>						
Non-agency RMBS 10% +	\$325.7	\$4.5	\$17.9	\$0.9		
Non-agency RMBS > 5% - 10%	18.4	—	0.8	—		
Non-agency RMBS > 0% - 5%	51.1	—	0.9	—		
Non-agency RMBS 0%	46.0	0.4	3.4	0.2		
Agency RMBS	835.9	3.6	11.1	1.9		
Other ABS (Non-RMBS)	141.5	1.9	1.3	0.5		
Total RMBS and Other ABS	\$1,418.6	\$10.4	\$35.4	\$3.5		

	Fixed Rate/Floating Rate		Unrealized Capital Losses			
	Amortized Cost		< 20%		> 20%	
December 31, 2014	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$817.2	\$2.3	\$12.3	\$0.7		
Floating Rate	601.4	8.1	23.1	2.8		
Total	\$1,418.6	\$10.4	\$35.4	\$3.5		

<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)

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.

#### 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. For the nine months ended September 30, 2015, the Company had no new troubled debt restructurings for private placement bonds or commercial mortgage loans. For the year ended December 31, 2014, the Company had no new troubled debt restructurings for private placement bonds and one new troubled debt restructuring for commercial mortgage loans with a pre-modification and post-modification carrying value of \$1.9.

As of September 30, 2015, the Company held 11 commercial mortgage troubled debt restructured loans with a carrying value of \$20.0. Of these 11 loans, 10 were restructured in August 2013 with a pre-modification and post modification carrying value of \$48.3. These loans represent what remains of an initial portfolio of 20 restructures with a pre-modification and post modification carrying value of \$88.6. This portfolio of loans is comprised of cross-defaulted, cross-collateralized individual loans, which are owned by the same sponsor. Between the date of the troubled debt restructurings and September 30, 2015, this portfolio of loans has repaid \$70.7 in principal.

As of September 30, 2015 and December 31, 2014, 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2015	December 31, 2014
Commercial mortgage loans	\$10,730.5	\$9,796.9
Collective valuation allowance for losses	(3.3	) (2.8
Total net commercial mortgage loans	\$10,727.2	\$9,794.1

There were no impairments taken on the mortgage loan portfolio for the three and nine months ended September 30, 2015 and 2014.

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

	September 30, 2015	December 31, 2014
Collective valuation allowance for losses, balance at January 1	\$2.8	\$3.8
Addition to (reduction of) allowance for losses	0.5	(1.0
Collective valuation allowance for losses, end of period	\$3.3	\$2.8

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

	September 30, 2015	December 31, 2014
Impaired loans without allowances for losses	\$24.9	\$72.8
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	\$24.9	\$72.8
Unpaid principal balance of impaired loans	\$26.4	\$75.3

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

	September 30, 2015	December 31, 2014
Troubled debt restructured loans	\$20.0	\$65.5

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 or in arrears with respect to principal and interest as of September 30, 2015 and December 31, 2014.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30,	
	2015	2014
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup>	\$33.7	\$83.4
Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>	0.5	1.2
Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>	0.5	1.2
Interest income recognized on troubled debt restructured loans, on an accrual basis	0.4	1.1

	Nine Months Ended September 30,	
	2015	2014
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup>	\$48.9	\$88.8
Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>	2.0	3.7
Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>	2.3	3.4
Interest income recognized on troubled debt restructured loans, on an accrual basis	1.7	3.3

<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.

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

	September 30, 2015 <sup>(1)</sup>	December 31, 2014 <sup>(1)</sup>
Loan-to-Value Ratio:		
0% - 50%	\$1,395.0	\$1,460.6
> 50% - 60%	2,865.0	2,261.6
> 60% - 70%	5,961.4	5,514.8
> 70% - 80%	489.6	541.3
> 80% and above	19.5	18.6
Total Commercial mortgage loans	\$10,730.5	\$9,796.9

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

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

	September 30, 2015 <sup>(1)</sup>	December 31, 2014 <sup>(1)</sup>
Debt Service Coverage Ratio:		
Greater than 1.5x	\$8,344.7	\$7,096.2
> 1.25x - 1.5x	1,482.7	1,392.1
> 1.0x - 1.25x	695.5	906.7

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

Less than 1.0x	127.8	385.9
Commercial mortgage loans secured by land or construction loans	79.8	16.0
Total Commercial mortgage loans	\$10,730.5	\$9,796.9

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2015 <sup>(1)</sup>		December 31, 2014 <sup>(1)</sup>		
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:					
Pacific	\$2,708.1	25.3	% \$2,395.9	24.6	%
South Atlantic	2,321.3	21.6	% 2,028.0	20.7	%
Middle Atlantic	1,506.3	14.0	% 1,402.0	14.3	%
West South Central	1,235.5	11.5	% 1,147.7	11.7	%
East North Central	1,137.6	10.6	% 1,030.8	10.5	%
Mountain	913.7	8.5	% 832.2	8.5	%
West North Central	497.8	4.7	% 514.0	5.2	%
East South Central	181.6	1.7	% 249.3	2.5	%
New England	228.6	2.1	% 197.0	2.0	%
Total Commercial mortgage loans	\$10,730.5	100.0	% \$9,796.9	100.0	%

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

	September 30, 2015 <sup>(1)</sup>		December 31, 2014 <sup>(1)</sup>		
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total	
Commercial Mortgage Loans by Property Type:					
Retail	\$3,714.7	34.6	% \$3,408.4	34.8	%
Industrial	2,481.7	23.1	% 2,283.0	23.3	%
Apartments	1,886.6	17.6	% 1,680.7	17.2	%
Office	1,583.8	14.8	% 1,246.5	12.7	%
Hotel/Motel	428.0	4.0	% 382.7	3.9	%
Mixed Use	105.6	1.0	% 346.5	3.5	%
Other	530.1	4.9	% 449.1	4.6	%
Total Commercial mortgage loans	\$10,730.5	100.0	% \$9,796.9	100.0	%

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

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

	September 30, 2015 <sup>(1)</sup>	December 31, 2014 <sup>(1)</sup>
Year of Origination:		
2015	\$1,830.0	\$—
2014	1,935.6	1,940.9
2013	2,059.5	2,137.5
2012	1,546.6	1,642.8
2011	1,421.6	1,533.5
2010	229.5	251.0
2009 and prior	1,707.7	2,291.2

Total Commercial mortgage loans	\$10,730.5	\$9,796.9
---------------------------------	------------	-----------

(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)

### Evaluating Securities for Other-Than-Temporary Impairments

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

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

	Three Months Ended September 30,			
	2015		2014	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	\$—	—	\$0.5	1
U.S. corporate public securities	12.5	15	14.4	41
Foreign corporate public securities and foreign governments <sup>(1)</sup>	26.4	8	1.3	4
Foreign corporate private securities <sup>(1)</sup>	—	—	—	—
Residential mortgage-backed	1.7	23	2.5	47
Commercial mortgage-backed	0.6	1	—	*5
Other asset-backed	0.1	1	0.7	17
Equity	—	—	—	—
Total	\$41.3	48	\$19.4	115

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

\* Less than \$0.1.

	Nine Months Ended September 30,			
	2015		2014	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	\$—	—	\$0.5	1
U.S. corporate public securities	13.5	18	14.8	41
Foreign corporate public securities and foreign governments <sup>(1)</sup>	33.4	10	3.0	9
Foreign corporate private securities <sup>(1)</sup>	1.4	1	—	—
Residential mortgage-backed	5.2	58	4.9	81
Commercial mortgage-backed	0.8	2	0.2	7
Other asset-backed	0.2	2	0.8	17
Equity	0.1	1	1.0	2
Total	\$54.6	92	\$25.2	158

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

The above tables include \$0.6 and \$10.9 of write-downs related to credit impairments for the three and nine months ended September 30, 2015, respectively, in Other-than-temporary impairments, which are recognized in the



Condensed Consolidated Statements of Operations. The remaining \$40.7 and \$43.7 in write-downs for the three and nine months ended September 30, 2015, respectively, are related to intent impairments.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The above tables include \$2.3 and \$5.9 of write-downs related to credit impairments for the three and nine months ended September 30, 2014, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$17.1 and \$19.3 in write-downs for the three and nine months ended September 30, 2014, respectively, are related to intent impairments.

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

	Three Months Ended September 30,			
	2015		2014	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	\$—	—	\$0.5	1
U.S. corporate public securities	12.5	15	14.4	41
Foreign corporate public securities and foreign governments <sup>(1)</sup>	26.4	8	1.3	4
Foreign corporate private securities <sup>(1)</sup>	—	—	—	—
Residential mortgage-backed	1.2	7	0.7	16
Commercial mortgage-backed	0.6	1	—	*5
Other asset-backed	—	—	0.2	14
Equity	—	—	—	—
Total	\$40.7	31	\$17.1	81

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

\* Less than 0.1

	Nine Months Ended September 30,			
	2015		2014	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	\$—	—	\$0.5	1
U.S. corporate public securities	13.5	18	14.4	41
Foreign corporate public securities and foreign governments <sup>(1)</sup>	27.5	9	3.0	9
Foreign corporate private securities <sup>(1)</sup>	—	—	—	—
Residential mortgage-backed	1.8	10	1.0	23
Commercial mortgage-backed	0.8	2	0.2	7
Other asset-backed	0.1	1	0.2	14
Equity	—	—	—	—
Total	\$43.7	40	\$19.3	95

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30,	
	2015	2014
Balance at July 1	\$80.2	\$104.0
Additional credit impairments:		
On securities not previously impaired	—	0.3
On securities previously impaired	0.6	1.7
Reductions:		
Increase in cash flows	0.1	—
Securities sold, matured, prepaid or paid down	3.0	3.6
Balance at September 30	\$77.7	\$102.4

	Nine Months Ended September 30,	
	2015	2014
Balance at January 1	\$86.8	\$114.2
Additional credit impairments:		
On securities not previously impaired	—	1.4
On securities previously impaired	3.4	3.2
Reductions:		
Increase in cash flows	0.9	—
Securities sold, matured, prepaid or paid down	11.6	16.4
Balance at September 30	\$77.7	\$102.4

#### Net Investment Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Fixed maturities	\$983.6	\$1,006.8	\$2,963.0	\$2,983.9
Equity securities, available-for-sale	3.2	2.3	7.0	9.7
Mortgage loans on real estate	135.2	124.2	394.1	358.5
Policy loans	27.6	28.5	83.2	84.6
Short-term investments and cash equivalents	0.7	0.9	2.3	2.4
Other	(20.5	) 3.3	(7.5	) (4.5
Gross investment income	1,129.8	1,166.0	3,442.1	3,434.6
Less: Investment expenses	3.1	2.4	6.8	4.5
Net investment income	\$1,126.7	\$1,163.6	\$3,435.3	\$3,430.1

As of September 30, 2015 and December 31, 2014, the Company had \$3.6 and \$0.1, 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.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 product guarantees and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

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

	Three Months Ended September 30,	
	2015	2014
Fixed maturities, available-for-sale, including securities pledged	\$ (48.1)	) \$ (1.3)
Fixed maturities, at fair value option	(82.0)	) (104.4)
Equity securities, available-for-sale	(0.9)	) —
Derivatives	823.1	167.9
Embedded derivative - fixed maturities	2.0	(1.1)
Embedded derivative - product guarantees	(394.7)	) 132.7
Other investments	(0.3)	) (7.8)
Net realized capital gains (losses)	\$ 299.1	\$ 186.0
After-tax net realized capital gains (losses)	\$ 192.5	\$ 134.4

  

	Nine Months Ended September 30,	
	2015	2014
Fixed maturities, available-for-sale, including securities pledged	\$ (53.9)	) \$ 43.3
Fixed maturities, at fair value option	(260.0)	) (139.3)
Equity securities, available-for-sale	(1.3)	) 17.9
Derivatives	431.8	(11.6)
Embedded derivative - fixed maturities	(10.6)	) (8.3)
Embedded derivative - product guarantees	(67.9)	) (287.0)
Other investments	1.2	19.9
Net realized capital gains (losses)	\$ 39.3	\$ (365.1)
After-tax net realized capital gains (losses)	\$ 23.6	\$ (224.8)

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Proceeds on sales	\$ 1,364.5	\$ 1,806.3	\$ 4,142.3	\$ 5,606.5

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

Gross gains	18.2	38.2	50.7	143.4
Gross losses	23.1	20.2	54.1	76.3

35

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

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

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

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



to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

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

**Futures:** Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may result in a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of the fixed index annuity ("FIA") contracts. The Company 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

**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 annuity products that contain embedded derivatives whose market value is at least partially determined by, among other things, levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity rates or credit ratings/spreads. In addition, the Company has entered into 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 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2015			December 31, 2014		
	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	\$636.5	\$97.5	\$—	\$736.0	\$114.6	\$—
Foreign exchange contracts	174.7	33.9	—	174.7	25.3	—
Fair value hedges:						
Interest rate contracts	553.4	—	12.5	566.4	2.4	13.4
Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup>						
Interest rate contracts	65,670.6	1,306.1	520.2	66,474.0	1,108.0	563.2
Foreign exchange contracts	1,284.6	54.9	34.6	1,373.1	45.3	26.8
Equity contracts	25,181.7	400.3	240.8	21,165.7	483.1	209.9
Credit contracts	4,341.3	26.8	17.3	4,221.0	40.9	36.0
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	105.3	—	N/A	115.8	—
Within annuity products	N/A	—	3,823.5	N/A	—	3,600.6
Within reinsurance agreements	N/A	—	65.7	N/A	—	139.6
Managed custody guarantees	N/A	—	0.6	N/A	—	—
Total		\$2,024.8	\$4,715.2		\$1,935.4	\$4,589.5

<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

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted anticipatory hedge transactions is through the first quarter of 2017.

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of September 30, 2015 and December 31, 2014. The Company utilizes derivative contracts mainly to hedge exposure to variability in cash flows, interest rate risk, credit risk, foreign exchange risk and equity market risk. The majority of derivatives used by the Company are designated as product hedges, which hedge the exposure arising from insurance liabilities or guarantees embedded in the contracts the Company offers through various product lines. These derivatives do not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. The Company also uses credit default swaps coupled with other investments in order to produce the investment characteristics of otherwise permissible

investments that do not qualify as effective accounting hedges under ASC Topic 815.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2015		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$4,341.3	\$26.8	\$17.3
Equity contracts	16,865.6	388.8	104.1
Foreign exchange contracts	1,459.3	88.8	34.6
Interest rate contracts	56,920.5	1,402.3	532.7
		1,906.7	688.7
Counterparty netting <sup>(1)</sup>		(585.8	) (585.8
Cash collateral netting <sup>(1)</sup>		(1,182.9	) (36.8
Securities collateral netting <sup>(1)</sup>		(7.5	) (39.6
Net receivables/payables		\$130.5	\$26.5

<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, 2014		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$4,221.0	\$40.9	\$36.0
Equity contracts	13,576.1	378.4	201.7
Foreign exchange contracts	1,547.8	70.6	26.8
Interest rate contracts	67,776.4	1,225.0	576.6
		1,714.9	841.1
Counterparty netting <sup>(1)</sup>		(721.3	) (721.3
Cash collateral netting <sup>(1)</sup>		(661.1	) (35.9
Securities collateral netting <sup>(1)</sup>		(158.9	) (46.9
Net receivables/payables		\$173.6	\$37.0

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

#### Collateral

Under the terms of the OTC Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties collateral to assure that terms of the ISDA agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for the Company to pay interest on any cash received equal to the Federal Funds rate. To the extent cash collateral is received and delivered, it is included in Payables under securities loan agreements, including collateral held and Short-term investments under securities loan agreements, including collateral delivered, respectively, on the Condensed Consolidated Balance Sheets and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any obligations. Investment grade bonds owned by the Company are the source of noncash collateral posted, which is reported in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2015, the Company held \$983.2 and \$181.1 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2014, the Company held \$515.8 and \$119.1 of net cash collateral related

to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of September 30, 2015, the Company delivered \$662.5 of securities and held \$7.8 securities as collateral. As of December 31, 2014, the Company delivered \$638.7 of securities and held \$159.3 securities as collateral.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Derivatives: Qualifying for hedge accounting <sup>(1)</sup>				
Cash flow hedges:				
Interest rate contracts	\$0.4	\$0.3	\$1.3	\$0.6
Foreign exchange contracts	0.5	0.5	1.5	1.5
Fair value hedges:				
Interest rate contracts	(4.0	) 0.7	(8.1	) (11.9
Derivatives: Non-qualifying for hedge accounting <sup>(2)</sup>				
Interest rate contracts	288.8	82.9	106.1	443.8
Foreign exchange contracts	6.0	66.3	42.7	63.3
Equity contracts	522.0	15.0	280.0	(512.0
Credit contracts	9.4	2.2	8.3	3.1
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments <sup>(2)</sup>	2.0	(1.1	) (10.6	) (8.3
Within annuity products <sup>(2)</sup>	(394.1	) 132.7	(67.4	) (287.1
Within reinsurance agreements <sup>(3)</sup>	6.3	20.1	75.6	(61.3
Managed custody guarantees <sup>(2)</sup>	(0.6	) —	(0.5	) 0.1
Total	\$436.7	\$319.6	\$428.9	\$(368.2

<sup>(1)</sup> Changes in value for effective fair value hedges are recorded in Other net realized capital gains (losses). Changes in fair value upon disposal for effective cash flow hedges are amortized through Net investment income and the ineffective portion is recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2015 and 2014, ineffective amounts were immaterial.

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

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

### Credit Default Swaps

The Company has entered into various credit default swaps. When credit default swaps are sold, the Company assumes credit exposure to certain assets that it does not own. Credit default swaps may also be purchased to reduce credit exposure in the Company's portfolio. Credit default swaps involve a transfer of credit risk from one party to another in exchange for periodic payments. As of September 30, 2015, the fair values of credit default swaps of \$26.8 and \$17.3 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2014, the fair values of credit default swaps of \$40.9 and \$36.0 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of September 30, 2015, the maximum potential future net exposure to the Company was \$1.8 billion, net of purchased protection of \$500.0 on credit default swaps. As of December 31, 2014, 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), as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note in the Consolidated Financial Statements in Part II, Item 8. of the Company's 2014 Annual Report on Form 10-K. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of September 30, 2015:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$3,473.0	\$626.1	\$—	\$4,099.1	
U.S. Government agencies and authorities	—	385.3	—	385.3	
State, municipalities and political subdivisions	—	1,166.9	—	1,166.9	
U.S. corporate public securities	—	34,388.8	127.2	34,516.0	
U.S. corporate private securities	—	5,549.7	948.7	6,498.4	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	8,055.0	13.3	8,068.3	
Foreign corporate private securities <sup>(1)</sup>	—	7,278.8	423.7	7,702.5	
Residential mortgage-backed securities	—	5,975.0	91.6	6,066.6	
Commercial mortgage-backed securities	—	4,085.0	30.2	4,115.2	
Other asset-backed securities	—	1,253.2	35.2	1,288.4	
Total fixed maturities, including securities pledged	3,473.0	68,763.8	1,669.9	73,906.7	
Equity securities, available-for-sale	241.2	—	97.0	338.2	
Derivatives:					
Interest rate contracts	1.4	1,402.2	—	1,403.6	
Foreign exchange contracts	—	88.8	—	88.8	
Equity contracts	11.5	345.3	43.5	400.3	
Credit contracts	—	20.0	6.8	26.8	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	4,787.3	31.0	—	4,818.3	
Assets held in separate accounts	90,277.4	4,440.1	4.0	94,721.5	
Total assets	\$98,791.8	\$75,091.2	\$1,821.2	\$175,704.2	
Percentage of Level to total	56.3	% 42.7	% 1.0	% 100.0	%
Liabilities:					
Derivatives:					
Annuity product guarantees:					
FIA	\$—	\$—	\$1,665.9	\$1,665.9	
GMAB/GMWB/GMWBL <sup>(2)</sup>	—	—	1,995.6	1,995.6	
Stabilizer and MCGs	—	—	162.6	162.6	
Other derivatives:					
Interest rate contracts	—	532.7	—	532.7	
Foreign exchange contracts	—	34.6	—	34.6	
Equity contracts	136.7	104.1	—	240.8	
Credit contracts	—	4.0	13.3	17.3	
Embedded derivative on reinsurance	—	65.7	—	65.7	
Total liabilities	\$136.7	\$741.1	\$3,837.4	\$4,715.2	

<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, 2014:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$3,262.0	\$642.0	\$—	\$3,904.0	
U.S. Government agencies and authorities	—	435.9	—	435.9	
State, municipalities and political subdivisions	—	694.4	—	694.4	
U.S. corporate public securities	—	34,239.9	103.8	34,343.7	
U.S. corporate private securities	—	5,418.3	978.8	6,397.1	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	8,375.7	13.5	8,389.2	
Foreign corporate private securities <sup>(1)</sup>	—	7,619.8	435.2	8,055.0	
Residential mortgage-backed securities	—	6,562.6	94.2	6,656.8	
Commercial mortgage-backed securities	—	4,166.2	22.0	4,188.2	
Other asset-backed securities	—	1,585.0	10.1	1,595.1	
Total fixed maturities, including securities pledged	3,262.0	69,739.8	1,657.6	74,659.4	
Equity securities, available-for-sale	215.5	—	56.3	271.8	
Derivatives:					
Interest rate contracts	—	1,225.0	—	1,225.0	
Foreign exchange contracts	—	70.6	—	70.6	
Equity contracts	104.7	296.6	81.8	483.1	
Credit contracts	—	30.9	10.0	40.9	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	4,924.8	138.5	6.0	5,069.3	
Assets held in separate accounts	100,692.4	5,313.1	2.3	106,007.8	
Total assets	\$109,199.4	\$76,814.5	\$1,814.0	\$187,827.9	
Percentage of Level to total	58.1	% 40.9	% 1.0	% 100.0	%
Liabilities:					
Derivatives:					
Annuity product guarantees:					
FIA	\$—	\$—	\$1,970.0	\$1,970.0	
GMAB/GMWB/GMWBL	—	—	1,527.7	1,527.7	
Stabilizer and MCGs	—	—	102.9	102.9	
Other derivatives:					
Interest rate contracts	—	576.6	—	576.6	
Foreign exchange contracts	—	26.8	—	26.8	
Equity contracts	8.2	201.7	—	209.9	
Credit contracts	—	16.3	19.7	36.0	
Embedded derivative on reinsurance	—	139.6	—	139.6	
Total liabilities	\$8.2	\$961.0	\$3,620.3	\$4,589.5	

<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 techniques when a quoted price is unavailable: (i) the market approach, (ii) the income approach and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given the instrument being measured and the availability of sufficient inputs. The Company prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available.

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

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

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

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

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

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

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

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

There were no securities transferred between Level 1 and Level 2 for the three and nine months ended September 30, 2015 and 2014. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

#### Level 3 Financial Instruments

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30, 2015										
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. Government agencies and authorities	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. corporate public securities	70.9	—	(0.3 )	119.7	—	—	(0.1 )	—	(63.0 )	127.2	—
U.S. corporate private securities	966.9	(0.1 )	(0.4 )	20.5	—	—	(13.2 )	—	(25.0 )	948.7	(0.2 )
Foreign corporate public securities and foreign governments <sup>(1)</sup>	19.5	—	(1.8 )	—	—	—	(4.4 )	—	—	13.3	—
Foreign corporate private securities <sup>(1)</sup>	448.9	—	(0.2 )	6.2	—	—	(28.8 )	—	(2.4 )	423.7	—
Residential mortgage-backed securities	96.5	0.8	—	—	—	(5.6 )	(0.1 )	—	—	91.6	(3.1 )
Commercial mortgage-backed securities	—	—	(0.1 )	33.1	—	—	(2.8 )	—	—	30.2	—
Other asset-backed securities	36.4	—	—	—	—	—	(1.2 )	—	—	35.2	—
Total fixed maturities including securities pledged	1,639.1	0.7	(2.8 )	179.5	—	(5.6 )	(50.6 )	—	(90.4 )	1,669.9	(3.3 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2015 (continued)										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
		Net Income	OCI								
Equity securities, available-for-sale	\$56.7	\$ —	\$ 0.3	\$ 40.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 97.0	\$ —
Derivatives:											
Product guarantees:											
FIA <sup>(2)</sup>	(1,953.5)	327.0	—	—	(79.8)	—	40.4	—	—	(1,665.9)	—
GMAB/GMWB/GMWBL <sup>(2)</sup>	(1,305.5)	(652.3)	—	—	(38.0)	—	0.2	—	—	(1,995.6)	—
Stabilizer and MCGs <sup>(2)</sup>	(92.0 )	(69.4 )	—	—	(1.2 )	—	—	—	—	(162.6 )	—
Other derivatives, net	66.8	(36.8)	—	10.0	—	—	(3.0 )	—	—	37.0	(29.8 )
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	6.0	—	—	—	—	—	(6.0 )	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	—	—	—	4.0	—	—	—	—	—	4.0	—

(1) Primarily U.S. dollar denominated.

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2015										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. Government agencies and authorities	\$—	\$ —	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. corporate public securities	103.8	—	(0.4 )	119.7	—	—	(1.6 )	—	(94.3 )	127.2	—
U.S. corporate private securities	978.8	0.2	(17.8 )	136.4	—	—	(184.5 )	35.6	—	948.7	0.3
Foreign corporate public securities and foreign governments <sup>(1)</sup>	13.5	(5.9 )	(2.0 )	—	—	—	(7.5 )	15.2	—	13.3	(5.9 )
Foreign corporate private securities <sup>(1)</sup>	435.2	0.7	(1.9 )	15.1	—	—	(79.1 )	53.7	—	423.7	0.1
Residential mortgage-backed securities	94.2	(4.6 )	(1.9 )	—	—	(5.6 )	(0.5 )	12.6	(2.6 )	91.6	(8.3 )
Commercial mortgage-backed securities	22.0	—	(0.1 )	33.1	—	—	(2.8 )	—	(22.0 )	30.2	—
Other asset-backed securities	10.1	—	0.1	29.0	—	—	(1.8 )	34.9	(37.1 )	35.2	—
Total fixed maturities including securities pledged	1,657.6	(9.6 )	(24.0 )	333.3	—	(5.6 )	(277.8 )	152.0	(156.0 )	1,669.9	(13.8 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Nine Months Ended September 30, 2015 (continued)											
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Equity securities, available-for-sale	\$56.3	\$ (0.1 )	\$ 0.8	\$ 40.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 97.0	\$ (0.1 )
Derivatives:											
Product guarantees:											
FIA <sup>(2)</sup>	(1,970.0)	339.8	—	—	(173.4)	—	137.7	—	—	(1,665.9)	—
GMAB/GMWB/GMWBL <sup>(2)</sup>	(1,527.7)	(351.5)	—	—	(116.9)	—	0.5	—	—	(1,995.6)	—
Stabilizer and MCGs <sup>(2)</sup>	(102.9 )	(56.2 )	—	—	(3.5 )	—	—	—	—	(162.6 )	—
Other derivatives, net	72.1	(43.6 )	—	29.4	—	—	(20.9 )	—	—	37.0	(35.1 )
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	6.0	—	—	—	—	—	(6.0 )	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	2.3	—	—	4.0	—	—	—	—	(2.3 )	4.0	—

(1) Primarily U.S. dollar denominated.

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2014										
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. Government agencies and authorities	\$—	\$ —	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. corporate public securities	194.1	(0.1 )	(2.1 )	30.7	—	—	(2.8 )	24.0	(36.9 )	206.9	(0.1 )
U.S. corporate private securities	612.0	—	(27.9 )	30.0	—	—	(40.5 )	372.5	(25.0 )	921.1	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	16.1	—	(0.6 )	—	—	—	(0.2 )	—	—	15.3	—
Foreign corporate private securities <sup>(1)</sup>	364.7	—	(4.6 )	—	—	—	—	—	—	360.1	—
Residential mortgage-backed securities	99.6	(3.5 )	1.4	6.7	—	—	(0.4 )	1.7	(12.6 )	92.9	(3.5 )
Commercial mortgage-backed securities	—	—	—	21.9	—	—	—	—	—	21.9	—
Other asset-backed securities	11.5	0.8	(0.8 )	—	—	—	(1.2 )	—	—	10.3	0.8
Total fixed maturities including securities pledged	1,298.0	(2.8 )	(34.6 )	89.3	—	—	(45.1 )	398.2	(74.5 )	1,628.5	(2.8 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2014 (continued)										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
		Net Income	OCI								
Equity securities, available-for-sale	\$57.2	\$ —	\$ 0.2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 57.4	\$ —
Derivatives:											
Product guarantees:											
FIA <sup>(2)</sup>	(1,934.7)	37.9	—	—	(31.4)	—	34.0	—	—	(1,894.2)	—
GMAB/GMWB/GMWBL <sup>(2)</sup>	(1,171.3)	106.6	—	—	(38.6)	—	0.1	—	—	(1,103.2)	—
Stabilizer and MCGs <sup>(2)</sup>	(32.0 )	(11.8)	—	—	(1.2 )	—	—	—	—	(45.0 )	—
Other derivatives, net	78.2	6.3	—	8.2	—	—	(21.7 )	—	—	71.0	(7.2 )
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	—	—	—	—	—	—	—	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	15.9	—	—	4.8	—	(1.3)	—	0.9	(6.6 )	13.7	—

<sup>(1)</sup> Primarily U.S. dollar denominated.<sup>(2)</sup> 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.<sup>(3)</sup> The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.<sup>(4)</sup> For financial instruments still held as of September 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.<sup>(5)</sup> The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Nine Months Ended September 30, 2014											
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. Government agencies and authorities	\$14.4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (14.4)	\$ —	\$ —
U.S. corporate public securities	129.0	(0.8 )	2.9	53.9	—	(4.3 )	(11.0 )	40.2	(3.0 )	206.9	(0.2 )
U.S. corporate private securities	327.5	(0.2 )	(7.8 )	250.3	—	—	(64.4 )	415.7	—	921.1	(0.1 )
Foreign corporate public securities and foreign governments <sup>(1)</sup>	19.2	—	(3.4 )	—	—	—	(0.5 )	—	—	15.3	—
Foreign corporate private securities <sup>(1)</sup>	135.1	—	1.0	94.0	—	—	(7.5 )	198.5	(61.0 )	360.1	—
Residential mortgage-backed securities	98.6	(8.9 )	2.0	7.3	—	—	(1.3 )	8.8	(13.6 )	92.9	(8.9 )
Commercial mortgage-backed securities	—	—	—	21.9	—	—	—	—	—	21.9	—
Other asset-backed securities	59.2	5.9	(5.1 )	—	—	—	(32.7 )	—	(17.0 )	10.3	2.2
Total fixed maturities including securities pledged	783.0	(4.0 )	(10.4)	427.4	—	(4.3 )	(117.4 )	663.2	(109.0 )	1,628.5	(7.0 )



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Nine Months Ended September 30, 2014 (continued)											
Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>	
	Net Income	OCI									
Equity securities, available-for-sale	\$55.3	\$ (0.9 )	\$ 3.1	\$ —	\$ —	\$ (0.1 )	\$ —	\$ —	\$ —	\$ 57.4	\$ (0.9 )
Derivatives:											
Product guarantees:											
FIA <sup>(2)</sup>	(1,736.7)	(123.3)	—	—	(124)	8 —	90.6	—	—	(1,894.2)	—
GMAB/GMWB/GMWBL <sup>(2)</sup>	(865.9 )	(122.2)	—	—	(115)	5 —	0.4	—	—	(1,103.2)	—
Stabilizer and MCGs <sup>(2)</sup>	—	(41.5 )	—	—	(3.5 )	—	—	—	—	(45.0 )	—
Other derivatives, net	80.3	33.4	—	24.4	—	—	(67.1 )	—	—	71.0	(9.3 )
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	—	—	—	—	—	—	—	—	—	—	—
Assets held in separate accounts <sup>(5)</sup>	13.1	0.1	—	10.7	—	(4.5 )	—	0.9	(6.6 )	13.7	—

(1) Primarily U.S. dollar denominated.

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three and nine months ended September 30, 2015 and 2014, the transfers in and out of Level 3 for fixed maturities and equity securities, as well as 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

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

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

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

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 September 30, 2015:

Unobservable Input	Range <sup>(1)</sup>			
	GMWB/GMWBL	GMAB	FIA	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	48% to 98%	48% to 98%	—	—
Equity and Fixed Income Funds	-38% to 62%	-38% to 62%	—	—
Interest Rates and Equity Funds	-32% to 14%	-32% to 14%	—	—
Nonperformance risk	0.21% to 1.4%	0.21% to 1.4%	0.21% to 1.4%	0.21% to 1.4%
Actuarial Assumptions:				
Benefit Utilization	85% to 100%	<sup>(2)</sup> —	—	—
Partial Withdrawals	0% to 10%	0% to 10%	0% to 10%	—
Lapses	0.08% to 22%	<sup>(3)(4)</sup> 0.08% to 25%	<sup>(3)(4)</sup> 0% to 60%	<sup>(3)</sup> 0% to 50%
Policyholder Deposits <sup>(6)</sup>	—	—	—	0% to 65%
Mortality	—	<sup>(7)</sup> —	<sup>(7)</sup> —	<sup>(7)</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 account value, 35% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, the Company assumes that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money." The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of September 30, 2015 (account value amounts are in \$ billions).

Account Values

Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)**
< 60	\$2.4	\$—	* \$2.4	9.1
60-69	6.2	—	* 6.2	4.4
70+	5.4	—	* 5.4	2.6
	\$14.0	\$—	* \$14.0	5.1

\* Less than \$0.1.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

(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 and to whether they are "in the money" or "out of the money" as of September 30, 2015 (account value amounts are in \$ billions).

	Moneyiness	GMAB Account Value	Lapse Range	GMWB/GMWBL Account Value	Lapse Range
During Surrender Charge Period					
	In the Money**	\$—	* 0.08% to 7.2%	\$5.8	0.08% to 5.6%
	Out of the Money	—	* 0.41% to 7.9%	—	* 0.36% to 5.9%
After Surrender Charge Period					
	In the Money**	\$—	* 2.5% to 22.5%	\$8.2	1.4% to 20.7%
	Out of the Money	—	* 11.9% to 24.8%	0.6	5.0% to 21.7%

\* 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	90	% 0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	10	% 0-50%	0-25%	0-65%	0-25%
Aggregate of all plans	100	% 0-50%	0-25%	0-65%	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.

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, 2014:

Unobservable Input	Range <sup>(1)</sup>			
	GMWB/GMWBL	GMAB	FIA	Stabilizer/MCGs
Long-term equity implied volatility	15% to 25%	15% to 25%	—	—
Interest rate implied volatility	0.2% to 16%	0.2% to 16%	—	0.2% to 7.6%
Correlations between:				
Equity Funds	49% to 98%	49% to 98%	—	—
Equity and Fixed Income Funds	-38% to 62%	-38% to 62%	—	—
Interest Rates and Equity Funds	-32% to -4%	-32% to -4%	—	—
Nonperformance risk	0.13% to 1.1%	0.13% to 1.1%	0.13% to 1.1%	0.13% to 1.1%
Actuarial Assumptions:				
Benefit Utilization	85% to 100%	(2) —	—	—
Partial Withdrawals	0% to 10%	0% to 10%	0% to 5%	—
Lapses	0.08% to 24%	(3)(4) 0.08% to 31%	(3)(4) 0% to 60%	(3) 0% to 50% (5)
Policyholder Deposits <sup>(6)</sup>	—	—	—	0% to 65% (5)
Mortality	—	(7) —	(7) —	(8) —

(1) 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 account value, 33% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, the Company assumes that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a

(2) 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, 2014 (account value amounts are in \$ billions).

Attained Age Group	Account Values			Average Expected Delay (Years)*
	In the Money	Out of the Money	Total	
< 60	\$2.4	\$0.5	\$2.9	9.5
60-69	6.2	1.0	7.2	4.9
70+	5.2	0.5	5.7	3.1
	\$13.8	\$2.0	\$15.8	5.8

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

(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 and to whether they are "in the money" or "out of the money" as of December 31, 2014 (account value amounts are in \$ billions).

	Moneyiness	GMAB Account Value	Lapse Range	GMWB/GMWBL Account Value	Lapse Range
<b>During Surrender Charge Period</b>					
	In the Money**	\$—	* 0.08% to 8.2%	\$6.7	0.08% to 6.3%
	Out of the Money	—	* 0.41% to 12%	1.2	0.36% to 7%
<b>After Surrender Charge Period</b>					
	In the Money**	\$—	* 2.5% to 21% 12.3% to	\$7.2	1.7% to 21%
	Out of the Money	0.1	31%	1.4	5.6% to 24%

\* 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	87	% 0-30%	0-15%	0-45%	0-15%
Stabilizer with Recordkeeping Agreements	13	% 0-50%	0-25%	0-65%	0-25%
Aggregate of all plans	100	% 0-50%	0-25%	0-65%	0-25%

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

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

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

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

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

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

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

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

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

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

- ▲ An increase (decrease) in interest rate implied volatility

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

• 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:

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturities, including securities pledged	\$73,906.7	\$73,906.7	\$74,659.4	\$74,659.4
Equity securities, available-for-sale	338.2	338.2	271.8	271.8
Mortgage loans on real estate	10,727.2	11,205.4	9,794.1	10,286.6
Policy loans	2,027.2	2,027.2	2,104.0	2,104.0
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	4,818.3	4,818.3	5,069.3	5,069.3
Derivatives	1,919.5	1,919.5	1,819.6	1,819.6
Other investments	92.7	102.5	110.3	120.4
Assets held in separate accounts	94,721.5	94,721.5	106,007.8	106,007.8
<b>Liabilities:</b>				
<b>Investment contract liabilities:</b>				
Funding agreements without fixed maturities and deferred annuities <sup>(1)</sup>	50,903.1	56,833.4	49,791.9	55,112.4
Funding agreements with fixed maturities and guaranteed investment contracts	1,493.4	1,465.9	1,593.0	1,564.8
Supplementary contracts, immediate annuities and other	2,874.5	3,106.2	2,535.3	2,706.2
<b>Derivatives:</b>				
<b>Annuity product guarantees:</b>				
FIA	1,665.9	1,665.9	1,970.0	1,970.0
GMAB/GMWB/GMWBL	1,995.6	1,995.6	1,527.7	1,527.7
Stabilizer and MCGs	162.6	162.6	102.9	102.9
Other derivatives	825.4	825.4	849.3	849.3
Long-term debt	3,485.6	3,811.5	3,515.7	3,875.4
Embedded derivative on reinsurance	65.7	65.7	139.6	139.6

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

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

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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 1.

**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, including associated expenses for maintaining the contracts, 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.

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

	2015		
	DAC	VOBA	Total
Balance as of January 1, 2015	\$3,890.9	\$680.0	\$4,570.9
Deferrals of commissions and expenses	265.8	7.9	273.7
Amortization:			
Amortization	(675.9)	(146.2)	(822.1)
Interest accrued <sup>(1)</sup>	171.1	63.5	234.6
Net amortization included in Condensed Consolidated Statements of Operations	(504.8)	(82.7)	(587.5)
Change in unrealized capital gains/losses on available-for-sale securities	390.7	278.2	668.9
Balance as of September 30, 2015	\$4,042.6	\$883.4	\$4,926.0
	2014		
	DAC	VOBA	Total
Balance as of January 1, 2014	\$4,316.1	\$1,035.5	\$5,351.6
Deferrals of commissions and expenses	280.5	9.6	290.1
Amortization:			
Amortization	(385.1)	(128.7)	(513.8)
Interest accrued <sup>(1)</sup>	174.9	66.5	241.4
Net amortization included in Condensed Consolidated Statements of Operations	(210.2)	(62.2)	(272.4)
Change in unrealized capital gains/losses on available-for-sale securities	(373.2)	(216.2)	(589.4)
Balance as of September 30, 2014	\$4,013.2	\$766.7	\$4,779.9

<sup>(1)</sup> Interest accrued at the following rates for DAC: 1.3% to 7.5% during 2015 and 0.6% to 7.4% during 2014. Interest accrued at the following rates for VOBA: 3.5% to 7.5% during 2015 and 3.1% to 7.5% during 2014.

## 6. Share-based Incentive Compensation Plans

ING U.S., Inc. 2013 Omnibus Employee Incentive Plan and Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan

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"). At inception of the 2013 Omnibus Plan, a total of 7,650,000 shares of Company common stock were reserved and available for issuance under the plan. As of September 30, 2015, common stock reserved and available for issuance under the 2013 Omnibus Plan was 244,641 shares.

The 2014 Omnibus Plan was adopted by the Company's Board of Directors and approved by shareholders in 2014, and has substantially the same terms as the 2013 Omnibus Plan, except for certain changes intended to allow certain performance-based compensation awards to comply with the criteria for tax deductibility set forth in Section 162(m) of the Internal Revenue Code. The 2014 Omnibus Plan provides for 17,800,000 shares of common stock to be



available for issuance as equity-based compensation awards. As of September 30, 2015, common stock reserved and available for issuance under the 2014 Omnibus Plan was 15,746,304 shares.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The 2013 Omnibus Plan and the 2014 Omnibus Plan (together, the "Omnibus Plans") each permit the granting of a wide range of equity-based awards, including restricted stock units ("RSUs"), which represent the right to receive a number of shares of Company common stock upon vesting; restricted stock, which are shares of Company stock that are issued subject to sale and transfer restrictions until the vesting conditions are met; performance share units ("PSUs"), which are RSUs subject to certain performance-based vesting conditions, and under which the number of shares of common stock delivered upon vesting varies with the level of achievement of performance criteria; and stock options. Grants of equity-based awards under the Omnibus Plans are made by the Compensation and Benefits Committee (the "Committee") of the Board of Directors of the Company, and are subject to such terms and conditions as the Committee may determine, including in respect of vesting and forfeiture, subject to certain limitations provided in the Omnibus Plans. Equity-based awards under the Omnibus Plans may carry dividend equivalent rights, pursuant to which notional dividends accumulate on unvested equity awards and are paid, in cash, upon vesting. Awards made under the Omnibus Plans, to date, have included dividend equivalent rights. Dividend equivalents are credited to the recipient and are paid only to the extent the applicable performance criteria and service conditions are met.

During the nine months ended September 30, 2015, grants of equity awards to the Company's employees consisted solely of RSUs and PSUs awarded under the 2014 Omnibus Plan. PSUs awarded during the nine months ended September 30, 2015 entitle recipients to receive, upon vesting, a number of shares of common stock that ranges from 0% to 150% of the number of PSUs awarded, depending on the level of achievement of the specified performance conditions. The establishment and the achievement of performance objectives are determined and approved by the Committee. Except under certain termination conditions, RSUs and PSUs vest no earlier than one year from the date of the award and no later than three years from the date of the award. In the case of retirement (as defined in the award agreement), awards vest depending on the employee's age and years of service subject to the satisfaction of any applicable performance criteria.

If an award under the Omnibus Plans is forfeited, expired, terminated or otherwise lapses, the shares of Company common stock underlying that award will again become available for issuance. Shares withheld by the Company to pay employee taxes, or which are withheld by or tendered to the Company to pay the exercise price of stock options (or are repurchased from an option holder by the Company with proceeds from the exercise of stock options) are not available for reissuance.

As of September 30, 2015, there were no stock options issued or outstanding under the Omnibus Plans.

**Deal Incentive Awards:** Upon closing of the IPO, RSUs were granted to employees of the Company under the 2013 Omnibus Plan in connection with Deal Incentive Awards. Deal Incentive Awards are conditional agreements to grant equity awards to certain employees of the Company, upon the closing of the IPO or upon the satisfaction of certain other conditions. RSUs granted in connection with Deal Incentive Awards are subject to certain vesting conditions, lockup period and other holding requirements.

Due to the completion of the March 2015 Offering, the remaining 70,880 RSUs vested and were issued during the nine months ended September 30, 2015.

Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan

The Company offers equity-based awards to Voya Financial, Inc. non-employee directors under the Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan ("2013 Director Plan"), which the Company adopted in connection with the IPO. A total of 288,000 shares of Company common stock may be issued under the 2013 Director Plan. The material terms of the 2013 Director Plan are substantially consistent with the material terms of the Omnibus Plans described above.

**Non-Employee Director Service Grants:** In March of 2015, the Company granted 16,008 RSUs to the non-employee directors then serving on the Board. These awards vest one-third on each of the first, second and third anniversary of the grant date, in each case provided that the grantee remains a director of the Company on the relevant vesting date, and provided that no shares will be delivered in connection with the RSUs until such time as the director's service on the Board is terminated. During the nine months ended September 30, 2015, the Company granted an additional 3,905 RSUs to non-employee directors upon their initial election to the Board.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Voya Financial, Inc. 2014 Employee Phantom Stock Plan

During 2014, the Company provided certain of its non-executive employees with cash-settled awards under the Voya Financial, Inc. 2014 Employee Phantom Stock Plan (the "Phantom Plan"). Awards made under the Phantom Plan were designed to provide grantees with an economic benefit that is equivalent to an analogous grant under the Omnibus Plans; however the Company must deliver cash, and may not deliver equity, upon vesting of such awards. Awards were granted in the form of phantom RSUs and phantom PSUs, each of which was designed to mirror the value of an equity-settled RSU or PSU awarded under the Omnibus Plans, with the cash settlement value determined based on the closing price of a share of Company common stock on the New York Stock Exchange on the trading day immediately preceding the date such award vests. As of September 30, 2015, the Company had 107,751 phantom RSUs and 58,205 phantom PSUs, respectively, outstanding to its employees.

#### ING Group Equity-Based Plans

Prior to the IPO, employees of the Company received equity-based compensation in the form of ING Group equity awards, pursuant to equity compensation plans adopted by ING Group. These plans included:

**Long-term Sustainable Performance Plan:** In 2012 and 2013 employees of the Company received ING Group-based equity awards under the Long-Term Sustainable Performance Plan ("LSPP") of ING Group. LSPP awards made to Company employees are settled by delivery of ING Group American Depository Receipts ("ADRs").

LSPP awards to employees of the Company provided in 2013 were, upon the closing of the IPO, converted into Company-based equity awards under the 2013 Omnibus Plan. Outstanding awards made in 2012 were not converted. The PSUs were considered granted upon the establishment and communication of the performance measures for the applicable performance period by the Committee, which is generally carried out during the first quarter of each year, although awards in respect of the 2013 performance year were not granted until the second quarter of that year.

LSPP awards provided to the Company's employees in 2012 were not converted and have continued to vest according to the terms of their original grant, with substantially all such awards having vested during or prior to the first quarter of 2015.

**Equity Compensation Plan:** In 2012 and 2013, certain employees of the Company (principally those employed within the Investment Management segment) received equity-based awards under the ING America Insurance Holdings, Inc. Equity Compensation Plan (the "Equity Compensation Plan"). Awards made under the Equity Compensation Plan are settled in the form of ING Group ADRs.

Equity Compensation Plan awards to employees of the Company provided in 2013 were, upon the closing of the IPO, converted into Company-based equity awards under the 2013 Omnibus Plan. These awards are subject to a three-year vesting period provided that the participant is still employed by the Company on the relevant vesting date.

#### Compensation Cost

The Company measures the cost of the share-based awards at their grant date fair value, based upon the market value of the stock, and recognizes that cost over the vesting period. Differences in actual versus expected experience or

changes in expected forfeitures are recognized in the period of change. Compensation expense is principally related to the granting of PSUs and RSUs and is recognized in Operating expenses in the Condensed Consolidated Statements of Operations.

The liability related to the awards made under the Phantom Plan is recorded within Other liabilities. Unlike equity-settled awards, which have a fixed grant-date fair value, the fair value of unvested cash-settled awards is remeasured at the end of each reporting period until the awards vest.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

As a result of the reduction of ING Group's ownership in Voya Financial, Inc. to approximately 43% on March 25, 2014, those ING Group equity awards that were not converted to equity awards of Voya Financial, Inc. are no longer deemed to be granted to employees of ING Group. Therefore, beginning on March 25, 2014, the compensation cost is remeasured at each reporting date until the awards vest. The remeasured cost is recognized prospectively on a pro-rata basis equal to the proportion of service provided by the award recipients as nonemployees to the total requisite service period of the award. The corresponding amount for the 2012 ING Group LSPP awards, which are settled through the issuance of new ING Group equity securities, is recorded as a capital contribution. The corresponding amount for the 2012 Equity Compensation Plan awards, which are settled through the delivery of ING Group ADRs acquired by the Company in the secondary market, is recorded as a liability. The impact of the remeasurement of the compensation cost of these awards for the three and nine months ended September 30, 2015 and 2014 was immaterial.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
RSUs <sup>(1)</sup>	\$13.8	\$12.3	\$40.5	\$31.8
RSUs - Deal incentive awards	—	1.3	2.1	6.9
PSU awards <sup>(2)</sup>	8.2	14.1	34.2	45.4
Phantom Plan	0.2	1.4	3.5	2.9
Share-based compensation expense	\$22.2	\$29.1	\$80.3	\$87.0
Income tax benefit <sup>(3)</sup>	7.8	—	28.1	—
After-tax share-based compensation expense	\$14.4	\$29.1	\$52.2	\$87.0

<sup>(1)</sup> This table includes immaterial compensation expense for the three months ended September 30, 2015 and \$0.8 for the nine months ended September 30, 2015, related to ING Group RSU awards. In addition, this table includes compensation expense of \$1.8 and \$5.5 for the three and nine months ended September 30, 2014, respectively, related to ING Group RSU awards.

<sup>(2)</sup> This table includes immaterial compensation expense for the three months ended September 30, 2015 and \$7.9 for the nine months ended September 30, 2015, related to ING Group PSU awards. In addition, this table includes compensation expense of \$6.1 and \$22.8 for the three and nine months ended September 30, 2014, respectively, related to ING Group PSU awards.

<sup>(3)</sup> The Company recognized no income tax benefit due to valuation allowances for the three and nine months ended September 30, 2014. See the Income Taxes Note to these Condensed Consolidated Financial Statements for additional information.

#### Awards Outstanding

The following table summarizes the number of awards under the Omnibus Plans for the period indicated:

(awards in millions)	RSUs		RSUs-Deal Incentive Awards		PSU Awards	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value

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

Outstanding as of December 31, 2014	3.2	\$28.80	—	\$—	0.6	\$37.01
Adjustment for PSU performance factor	N/A	N/A	N/A	N/A	0.2	37.01
Granted	1.3	44.18	0.1	30.03	0.9	44.22
Vested	(0.8	) 26.37	(0.1	) 30.03	(0.8	) 37.05
Forfeited	(0.1	) 32.57	—	—	(0.1	) 43.07
Outstanding as of September 30, 2015	3.6	\$34.78	—	\$—	0.8	\$44.21

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 7. Shareholders' Equity and Earnings per Common Share

### 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 2015			2014		
	Issued	Held in Treasury	Outstanding	Issued	Held in Treasury	Outstanding
Common shares, balance as of January 1	263.7	21.8	241.9	261.8	0.1	261.7
Common shares issued	—	—	—	—	—	—
Common shares acquired - share repurchase	—	28.1	(28.1)	—	16.6	(16.6)
Share-based compensation	1.6	0.1	1.5	1.7	0.4	1.3
Common shares, balance as of September 30	265.3	50.0	215.3	263.5	17.1	246.4

### Share Repurchase Program

On February 5, 2015, the Company's Board of Directors increased the Company's authority to repurchase its shares by \$750.0, with such authorization to expire (unless subsequently extended) no later than December 31, 2015. On March 9, 2015, the Company repurchased 13,599,274 shares of its common stock from ING Group for an aggregate purchase price of \$600.0.

On May 28, 2015, the Company's Board of Directors further increased the Company's authorization to repurchase its shares by an additional \$750.0, with such authorization to expire (unless subsequently extended) no later than June 30, 2016. The authorization may be terminated, increased or decreased by the Company's Board of Directors at any time.

In addition to the 13,599,274 shares purchased from ING Group, during the nine months ended September 30, 2015, the Company repurchased 11,236,648 shares of its common stock in open market repurchases for an aggregate purchase price of \$490.5 and 3,253,831 shares of its common shares under a discounted share repurchase arrangement with a third-party financial institution for an aggregate purchase price of \$150.0.

On September 23, 2015, the Company entered into an additional share repurchase arrangement with a third-party financial institution. In exchange for an up-front payment of \$100.0, the financial institution will deliver shares of the Company's common stock to the Company upon final settlement of the agreement, which will be during the fourth quarter. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period under the arrangement based on a formula incorporating the volume weighted average price of the Company's common stock during that period. The \$100.0 was recorded as a decrease to Additional paid-in capital and will be reclassified to Treasury stock upon settlement of the arrangement.



Including the effect of the share repurchase arrangement that will be completed during the fourth quarter, these repurchases reduced the remaining amount of the Company's share repurchase authorization to \$170.4 as of September 30, 2015.

#### Net Withholding of Shares

In connection with the vesting of equity-based compensation awards, employees may remit to the Company, or the Company may withhold into treasury stock, shares of common stock in respect of tax withholding obligations associated with such vesting. For the nine months ended September 30, 2015, the Company increased its treasury stock by 104,297 shares in connection with such withholding activities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### 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 (subject to the limitation stated below with respect to ING Group and its affiliates) starting on the first anniversary of the completion of the IPO (May 7, 2014) and 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 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.

The warrants are not exercisable by ING Group or any of its affiliates before January 1, 2017, but are exercisable in accordance with their terms before January 1, 2017 by holders other than ING Group or its affiliates, if any.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Earnings				
Net income (loss) available to common shareholders:				
Net income (loss)	\$ 116.2	\$ 522.4	\$ 699.0	\$ 1,212.9
Less: Net income (loss) attributable to noncontrolling interest	75.9	116.6	183.9	296.7
Net income (loss) available to common shareholders	\$ 40.3	\$ 405.8	\$ 515.1	\$ 916.2
Weighted average common shares outstanding				
Basic	221.8	252.6	229.4	256.0
Dilutive Effects: <sup>(1)</sup>				
RSUs	1.8	1.5	1.7	1.2
RSUs - Deal incentive awards	—	* —	* —	* 0.5
PSU awards	—	0.3	0.2	0.4
Diluted	223.6	254.4	231.3	258.1
Net income (loss) available to common shareholders per common share				
Basic	\$ 0.18	\$ 1.61	\$ 2.25	\$ 3.58
Diluted	0.18	1.59	2.23	3.55

\* Less than 0.1.

<sup>(1)</sup> For the three and nine months ended September 30, 2015 and 2014, 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.

#### Dividends to Common Shareholders

The declaration and payment of common share dividends by the Company is subject to the discretion of its Board of Directors and will depend on the Company's overall financial condition, results of operations, capital levels, cash requirements, future prospects, receipt of dividends from Voya Financial, Inc.'s insurance subsidiaries, risk management considerations and other factors deemed relevant by the Board. There are no significant restrictions, other than those generally applicable to corporations incorporated in Delaware and those described in the Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources - Debt Securities - Junior Subordinated Notes to these Condensed Consolidated Financial Statements, on the payment of dividends by the Company.

On July 30, 2015, Voya Financial, Inc.'s Board of Directors declared a quarterly cash dividend of \$0.01 per share of outstanding common stock. The dividend was paid on September 30, 2015 to shareholders of record of Voya

Financial, Inc. as of August 31, 2015.

On October 29, 2015, Voya Financial, Inc.'s Board of Directors declared a quarterly cash dividend of \$0.01 per share of outstanding common stock. The dividend is to be paid on December 30, 2015 to shareholders of record of Voya Financial, Inc. as of November 27, 2015.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 8. Insurance Subsidiaries

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

The Company's business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by its 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 applicable to the Company's insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota (these insurance subsidiaries, together with the Company's insurance subsidiary domiciled in Colorado are referred to collectively, as the Company's "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.

Security Life of Denver International ("SLDI"), the Company's Arizona captive, may not declare or pay dividends other than in accordance with its annual capital and dividend plan as approved by the Arizona Department of Insurance, which includes a minimum capital requirement.

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

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

The following table summarizes dividends and extraordinary distributions by each of the Company's Principal Insurance Subsidiaries to its parent for the periods indicated:

Subsidiary Name (State of domicile):	Dividends Paid		Extraordinary Distributions Paid	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Voya Insurance and Annuity Company ("VIAC") (IA)	\$394.0	\$216.0	\$98.0	\$—
Voya Retirement Insurance and Annuity Company ("VRIAC") (CT)	231.0	281.0	—	—
Security Life of Denver Insurance Company ("SLD") (CO)	111.0	32.0	130.0	—
ReliaStar Life Insurance Company ("RLI") (MN)	194.0	193.0	280.0	—

Additionally, VRIAC is permitted to pay an ordinary dividend of \$90.0 after December 22, 2015.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

9. Accumulated Other Comprehensive Income (Loss)

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

	September 30,	
	2015	2014
Fixed maturities, net of OTTI	\$3,490.8	\$5,242.3
Equity securities, available-for-sale	30.3	31.3
Derivatives	267.2	190.5
DAC/VOBA adjustment on available-for-sale securities	(1,171.7	) (1,644.4
Sales inducements adjustment on available-for-sale securities	(42.7	) (74.6
Other	(31.2	) (30.2
Unrealized capital gains (losses), before tax	2,542.7	3,714.9
Deferred income tax asset (liability)	(531.7	) (938.4
Net unrealized capital gains (losses)	2,011.0	2,776.5
Pension and other postretirement benefits liability, net of tax	34.7	43.7
AOCI	\$2,045.7	\$2,820.2

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 September 30, 2015		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$(241.1 )	\$84.0	\$(157.1 )
Equity securities	(1.1 )	0.4	(0.7 )
Other	0.2	(0.1 )	0.1
OTTI	3.5	(1.2 )	2.3
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	49.0	(17.1 )	31.9
DAC/VOBA	55.8	(19.5 )	36.3
Sales inducements	9.2	(3.2 )	6.0
Change in unrealized gains/losses on available-for-sale securities	(124.5 )	43.3	(81.2 )
Derivatives:			
Derivatives	34.3	<sup>(1)</sup> (12.0 )	22.3
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(3.6 )	1.2	(2.4 )
Change in unrealized gains/losses on derivatives	30.7	(10.8 )	19.9
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 Other comprehensive income (loss)	\$(97.2 )	\$33.7	\$(63.5 )

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2015		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$(2,420.7 )	\$845.1	\$(1,575.6 )
Equity securities	(0.8 )	0.3	(0.5 )
Other	0.2	(0.1 )	0.1
OTTI	12.9	(4.5 )	8.4
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statement of Operations	55.2	(19.3 )	35.9
DAC/VOBA	668.9	<sup>(1)</sup> (234.1 )	434.8
Sales inducements	32.5	(11.4 )	21.1
Change in unrealized gains/losses on available-for-sale securities	(1,651.8 )	576.0	(1,075.8 )
Derivatives:			
Derivatives	48.3	<sup>(2)</sup> (16.9 )	31.4
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(10.6 )	3.7	(6.9 )
Change in unrealized gains/losses on derivatives	37.7	(13.2 )	24.5
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statement of Operations	(10.3 )	3.6	(6.7 )
Change in pension and other postretirement benefits liability	(10.3 )	3.6	(6.7 )
Change in Other comprehensive income (loss)	\$(1,624.4 )	\$566.4	\$(1,058.0 )

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2014		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$(738.9 )	\$256.6	\$(482.3 )
Equity securities	(0.1 )	—	(0.1 )
Other	0.2	—	0.2
OTTI	5.9	(2.1 )	3.8
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(2.3 )	0.8	(1.5 )
DAC/VOBA	203.8	(71.4 )	132.4
Sales inducements	14.1	(4.9 )	9.2
Change in unrealized gains/losses on available-for-sale securities	(517.3 )	179.0	(338.3 )
Derivatives:			
Derivatives	14.4	<sup>(1)</sup> (5.1 )	9.3
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(2.0 )	0.7	(1.3 )
Change in unrealized gains/losses on derivatives	12.4	(4.4 )	8.0
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 Other comprehensive income (loss)	\$(508.3 )	\$175.8	\$(332.5 )

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2014		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$2,083.1	\$(730.5 )	\$1,352.6
Equity securities	(15.7 )	4.1	(11.6 )
Other	(2.5 )	0.9	(1.6 )
OTTI	30.2	(10.6 )	19.6
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statement of Operations	(36.3 )	12.7	(23.6 )
DAC/VOBA	(589.4 )	<sup>(1)</sup> 206.3	(383.1 )
Sales inducements	(16.5 )	5.8	(10.7 )
Change in unrealized gains/losses on available-for-sale securities	1,452.9	(511.3 )	941.6
Derivatives:			
Derivatives	60.8	<sup>(2)</sup> (21.3 )	39.5
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statement of Operations	(5.1 )	1.8	(3.3 )
Change in unrealized gains/losses on derivatives	55.7	(19.5 )	36.2
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statement of Operations	(10.3 )	3.6	(6.7 )
Change in pension and other postretirement benefits liability	(10.3 )	3.6	(6.7 )
Change in Other comprehensive income (loss)	\$1,498.3	\$(527.2 )	\$971.1

<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)

## 10. Income Taxes

Income taxes were different from the amount computed by applying the federal income tax rate to Income (loss) before income taxes for the following reasons for the periods indicated, as expressed in percentages:

	Three Months Ended September 30,			
	2015		2014	
Income tax expense (benefit) at federal statutory rate	35.0	%	35.0	%
Tax effect of:				
Valuation allowance	1.5		(17.6)	)
Dividend received deduction	(49.4)	)	(4.1)	)
Audit settlement	0.2		(0.2)	)
State tax expense (benefit)	1.6		0.1	
Noncontrolling interest	(33.1)	)	(7.3)	)
Tax credits	—		(0.2)	)
Nondeductible expenses	0.8		0.5	
Other	(1.3)	)	0.5	
Income tax expense (benefit)	(44.7)	)%	6.7	%

	Nine Months Ended September 30,			
	2015		2014	
Income tax expense (benefit) at federal statutory rate	35.0	%	35.0	%
Tax effect of:				
Valuation allowance	(1.6)	)	(16.5)	)
Dividend received deduction	(11.9)	)	(5.7)	)
Audit settlement	—		(0.1)	)
State tax expense (benefit)	1.7		0.7	
Noncontrolling interest	(7.8)	)	(8.1)	)
Tax credits	—		(0.1)	)
Nondeductible expenses	0.2		0.3	
Other	—		0.3	
Income tax expense (benefit)	15.6	%	5.8	%

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.

Valuation allowances are provided when it is considered unlikely that deferred tax assets will be realized. As of September 30, 2015 and December 31, 2014, the Company had a total valuation allowance of approximately \$1.0 billion. As of September 30, 2015 and December 31, 2014, \$1.3 billion of this valuation allowance was allocated to continuing operations and \$(354.1) was allocated to Other comprehensive income (loss) related to realized and unrealized capital losses.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three months ended September 30, 2015 and 2014, the total increases (decreases) in the valuation allowance were \$1.1 and \$(98.5), respectively, and were allocated to continuing operations. For the nine months ended September 30, 2015 and 2014, the total decreases in the valuation allowance were \$(8.9) and \$(212.5), respectively. With respect to the 2015 decrease, \$(13.4) was allocated to continuing operations and \$4.5 was allocated to Additional paid-in capital. With respect to the 2014 decrease, \$(212.5) was allocated to continuing operations.

#### Tax Regulatory Matters

During April 2015, the Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2013. The 2013 audit settlement did not have a material impact on the Company. The Company is currently under audit by the IRS, and it is expected that the examination of tax year 2014 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 2014 and 2015.

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

#### 11. Financing Agreements

##### Short-term Debt

The Company did not have any short-term debt borrowings outstanding as of September 30, 2015 and December 31, 2014.

##### Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt issued and outstanding as of September 30, 2015 and December 31, 2014:

	Maturity	September 30, 2015	December 31, 2014
7.25% Voya Holdings, Inc. debentures due 2023 <sup>(1)</sup>	08/15/2023	\$159.3	\$159.0
7.63% Voya Holdings, Inc. debentures due 2026 <sup>(1)</sup>	08/15/2026	201.7	232.3
8.42% Equitable of Iowa Companies Capital Trust II notes due 2027	04/01/2027	13.7	13.8
6.97% Voya Holdings, Inc. debentures due 2036 <sup>(1)</sup>	08/15/2036	108.6	108.6
1.00% Windsor Property Loan	06/14/2027	4.9	4.9
5.5% Senior Notes due 2022	07/15/2022	849.7	849.6
2.9% Senior Notes due 2018	02/15/2018	999.1	998.9
5.65% Fixed-to-Floating Rate Junior Subordinated Notes due 2053	05/15/2053	750.0	750.0
5.7% Senior Notes due 2043	07/15/2043	398.6	398.6
Subtotal		3,485.6	3,515.7
Less: Current portion of long-term debt		—	—
Total		\$3,485.6	\$3,515.7

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

As of September 30, 2015 and December 31, 2014, the Company was in compliance with its debt covenants.

Unsecured senior debt, which consists of senior fixed rate notes and guarantees of fixed rate notes, ranks highest in priority, followed by subordinated debt, which consists of junior subordinated debt securities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Put Option Agreement for Senior Debt Issuance

On March 17, 2015, the Company entered into a ten-year put option agreement with a Delaware trust formed by the Company, in connection with the sale by the trust of \$500.0 aggregate face amount of pre-capitalized trust securities redeemable February 15, 2025 ("P-Caps") in a Rule 144A private placement. The trust invested the proceeds from the sale of the P-Caps in a portfolio of principal and interest strips of U.S. Treasury securities. The put option agreement provides Voya Financial, Inc. the right to sell to the trust at any time up to \$500.0 of its 3.976% Senior Notes due 2025 ("3.976% Senior Notes") and receive in exchange a corresponding amount of the principal and interest strips of U.S. Treasury securities held by the trust. The 3.976% Senior Notes will not be issued unless and until the put option is exercised. In return, the Company agreed to pay a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and to reimburse the trust for its expenses. The put premium is recorded in Operating expenses in the Condensed Consolidated Statements of Operations. The 3.976% Senior Notes will be fully, irrevocably and unconditionally guaranteed by Voya Holdings. The Company's obligations under the put option agreement and the expense reimbursement agreement with the trust are also guaranteed by Voya Holdings.

The put option described above will be exercised automatically in full upon the Company's failure to make certain payments to the trust, including any failure to pay the put option premium or expense reimbursements when due, if the failure to pay is not cured within 30 days, and upon certain bankruptcy events involving the Company or Voya Holdings. The Company is also required to exercise the put option in full: (i) if the Company reasonably believes that its consolidated shareholders' equity, calculated in accordance with U.S. GAAP but excluding AOCI and Noncontrolling interest, has fallen below \$3.0 billion, subject to adjustment in certain cases; (ii) upon the occurrence of an event of default under the 3.976% Senior Notes; and (iii) if certain events occur relating to the trust's status as an "investment company" under the Investment Company Act of 1940.

The Company has a one-time right to unwind a prior voluntary exercise of the put option by repurchasing all of the 3.976% Senior Notes then held by the trust in exchange for a corresponding amount of U.S. Treasury securities. If the put option has been fully exercised, the 3.976% Senior Notes issued may be redeemed by the Company prior to their maturity at par or, if greater, at a make-whole redemption price, in each case plus accrued and unpaid interest to the date of redemption. The P-Caps are to be redeemed by the trust on February 15, 2025 or upon any early redemption of the 3.976% Senior Notes.

#### Aetna Notes

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

- no more than \$400.0 as of December 31, 2015;
- no more than \$300.0 as of December 31, 2016;
- no more than \$200.0 as of December 31, 2017;
- no more than \$100.0 as of December 31, 2018;

and zero as of December 31, 2019.

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

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

During the nine months ended September 30, 2015, Voya Holdings repurchased \$31.1 of the outstanding principal amount of 7.63% Debentures due August 15, 2026 and \$0.1 of the outstanding principal amount of 7.25% Debentures due August 15, 2023. In connection with these transactions, the Company incurred a loss on debt extinguishment of \$0.2 and \$10.1 for the three and



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

nine months ended September 30, 2015, respectively, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

As of September 30, 2015 and December 31, 2014, the outstanding principal amount of the Aetna Notes guaranteed by ING Group was \$474.9 and \$506.1, respectively.

#### Credit Facilities

The Company maintains credit facilities used primarily for collateral required under affiliated reinsurance transactions and also for general corporate purposes. As of September 30, 2015, unsecured and uncommitted credit facilities totaled \$1.7, unsecured and committed credit facilities totaled \$7.3 billion and secured facilities totaled \$205.0. Of the aggregate \$7.5 billion capacity available, the Company utilized \$2.8 billion in credit facilities outstanding as of September 30, 2015. Total fees associated with credit facilities were \$27.2 and \$76.9 for the three and nine months ended September 30, 2015, respectively. Total fees associated with credit facilities were \$29.1 and \$86.5 for the three and nine months ended September 30, 2014, respectively.

The following table outlines the Company's credit facilities, their dates of expiration, capacity and utilization as of September 30, 2015:

Obligor / Applicant	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc.	Unsecured	Committed	02/14/2018	\$3,000.0	\$470.8	\$2,529.2
Security Life of Denver International Limited	Unsecured	Committed	01/24/2018	175.0	157.0	18.0
Voya Financial, Inc./ Langhorne I, LLC	Unsecured	Committed	01/15/2019	500.0	—	500.0
Security Life of Denver International Limited <sup>(1)</sup>	Unsecured	Committed	10/29/2021	1,125.0	233.6	891.4
Voya Financial, Inc. / Security Life of Denver International Limited	Unsecured	Committed	12/31/2025	475.0	475.0	—
Voya Financial, Inc.	Secured	Committed	02/11/2018	195.0	195.0	—
Voya Financial, Inc.	Unsecured	Uncommitted	Various	1.7	1.7	—
Voya Financial, Inc.	Secured	Uncommitted	Various	10.0	0.7	—
Voya Financial, Inc. / Roaring River LLC	Unsecured	Committed	10/1/2025	425.0	207.5	217.5
Voya Financial, Inc. / Roaring River II, LLC	Unsecured	Committed	12/31/2021	995.0	786.0	209.0
Voya Financial, Inc./ Roaring River IV, LLC	Unsecured	Committed	12/31/2028	565.0	305.0	260.0
Total				\$7,466.7	\$2,832.3	\$4,625.1
Secured facilities				\$205.0	\$195.7	\$—

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

Unsecured and uncommitted	1.7	1.7	—
Unsecured and committed	7,260.0	2,634.9	4,625.1
Total	\$7,466.7	\$2,832.3	\$4,625.1

<sup>(1)</sup> Due to Hannover Re's implementation of the Hannover Re Buyer Facility Agreement described below, the \$1.125 billion Letter of Credit Facility was reduced to \$300.0 effective October 7, 2015.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Upon Hannover Re exercising its election to implement its own facility providing collateral for reinsurance between SLD and SLDI, on September 24, 2015, the Company entered into a Hannover Re Buyer Facility Agreement with Hannover Life Reinsurance Company of America, Hannover Re (Ireland) Limited, Hannover Ruck SE and SLDI ("Buyer Facility Agreement"). Under the Buyer Facility Agreement the existing collateral, provided by SLDI through LOCs and a collateral note supporting the reserves on the Hannover Re block, was replaced by a \$2.9 billion senior unsecured floating rate note issued by Hannover Ruck and deposited into a reserve credit trust established by SLDI for the benefit of SLD.

Effective September 29, 2015, Roaring River, LLC ("Roaring River"), the Company's wholly owned captive reinsurance subsidiary, entered into a letter of credit facility agreement with a third-party bank to provide up to \$425.0 of committed capacity until October 1, 2025, which supports reserves on an affiliated reinsurance agreement. The initial amount of the letter of credit is \$207.5, which replaces a \$207.5 letter of credit issued under the Company's Revolving Credit Facility.

Effective January 24, 2014, SLDI entered into a letter of credit facility agreement with a third-party bank to provide up to \$150.0 of committed capacity until January 24, 2018, which supports reserves on an affiliated reinsurance agreement in connection with a portion of its deferred annuity business. Effective March 31, 2015, the amount of the facility was increased to \$175.0 of committed capacity until January 24, 2018.

On February 11, 2015, Voya Financial, Inc. entered into a \$195.0 letter of credit facility agreement with a third-party bank, which matures February 11, 2018 and includes an option to support the LOC outstanding either on a secured or unsecured basis. As of September 30, 2015, Voya Financial, Inc. collateralized the facility with \$212.0 of unrestricted cash and short-term investments. The LOC will be used to provide collateral under the reinsurance agreements of Voya Financial, Inc. subsidiaries.

#### Amended and Restated Credit Agreement

On February 14, 2014, the Company revised the terms of its Revolving Credit Agreement by entering into the Amended and Restated Revolving Credit Agreement (the "Amended and Restated Credit Agreement") with a syndicate of banks. The Amended and Restated Credit Agreement modifies the original agreement by extending the terms of the agreement to February 14, 2018 and reducing the total amount of LOCs that may be issued to \$3.0 billion. As of September 30, 2015, there were no amounts outstanding as revolving credit borrowings. As of September 30, 2015, \$470.8 of LOCs were outstanding under the Revolving Credit Agreement.

## 12. Commitments and Contingencies

### Commitments

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

As of September 30, 2015, the Company had off-balance sheet commitments to purchase investments of \$1.4 billion, of which \$235.2 related to consolidated investment entities. As of December 31, 2014, the Company had off-balance sheet commitments to purchase investments of \$887.4, of which \$297.0 related to consolidated investment entities.

#### Insurance Company Guaranty Fund Assessments

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company accrues the cost of future guaranty fund assessments based on estimates of the insurance company's insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations and the amount of premiums written in each state. The Company has estimated this undiscounted liability, which is included in Other liabilities on the Condensed Consolidated Balance Sheets, to be \$14.0 and \$14.5 as of September 30, 2015 and December 31, 2014, respectively. The Company has also recorded an asset in Other assets on the Condensed Consolidated Balance Sheets of \$24.6 and \$26.5 as of September 30, 2015 and December 31, 2014, respectively, for future credits to premium taxes. The Company estimates its liabilities for future assessments under state insurance guaranty association laws. The Company believes the reserves established are adequate for future assessments relating to insurance companies that are currently subject to insolvency proceedings.

#### Restricted Assets

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

	September 30, 2015	December 31, 2014
Fixed maturity collateral pledged to FHLB	\$1,550.9	\$1,614.8
FHLB restricted stock <sup>(1)</sup>	73.3	76.3
Other fixed maturities-state deposits	229.2	241.7
Securities pledged <sup>(2)</sup>	1,099.5	1,184.6
Total restricted assets	\$2,952.9	\$3,117.4

<sup>(1)</sup> Included in Other investments on the Condensed Consolidated Balance Sheets.

<sup>(2)</sup> Includes the fair value of loaned securities of \$437.0 and \$545.9 as of September 30, 2015 and December 31, 2014, respectively. In addition, as of September 30, 2015 and December 31, 2014, the Company delivered securities as collateral of \$662.5 and \$638.7, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Condensed Consolidated Balance Sheets.

#### Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines and the FHLB of Topeka and is required to pledge collateral to back funding agreements issued to the FHLB. As of September 30, 2015 and December 31, 2014, the Company had \$1.3 billion and \$1.4 billion, respectively, in non-putable funding agreements, which are included in Contract owner account balances on the Condensed Consolidated Balance Sheets. As of September 30, 2015 and December 31, 2014, assets with a market value of approximately \$1.6 billion collateralized the FHLB funding agreements.

#### Litigation, Regulatory Matters and Loss Contingencies

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of September 30, 2015, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately \$100.0.

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

Litigation 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 and \$7.5 to Fireman's Fund. The Company objected to the Court's decisions and the Statement of Decision on the grounds that they were inconsistent with California law and the evidence presented at trial. On January 7, 2015, the Court made final the award in favor of the Plaintiffs. The Company filed an appellate bond that stays execution of that judgment while an

appeal is pursued. On June 8, 2015, the Court issued a Statement of Decision denying Fireman's Fund's request for punitive damages.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 13. Related Party Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Effective March 9, 2015, ING Group divested its remaining ownership interest in Voya Financial, Inc. As such, as of the date of this Quarterly Report, ING Group and its affiliates are no longer considered related parties of Voya Financial, Inc. Transactions with ING Group and its affiliates continue to be reported as related party transactions for periods prior to March 9, 2015.

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

	Three Months Ended September 30,			
	2015		2014	
	Income	Expense	Income	Expense
NN Group	\$—	\$—	\$1.0	\$0.1
ING Group	—	—	3.9	3.5
ING Bank	—	—	0.3	4.7
Other	—	—	4.8	3.6
Total	\$—	\$—	\$10.0	\$11.9

	Nine Months Ended September 30,			
	2015		2014	
	Income	Expense	Income	Expense
NN Group	\$0.4	\$0.1	\$2.2	\$0.4
ING Group	2.8	3.0	10.8	10.9
ING Bank	18.2	5.7	4.4	15.4
Other	3.8	3.4	15.4	10.6
Total	\$25.2	\$12.2	\$32.8	\$37.3

Assets and liabilities from transactions with related parties as of December 31, 2014 are shown below:

	Assets	Liabilities
NN Group	\$0.1	\$0.2
ING Group	1.9	1.2
ING Bank	12.9	4.0
Other	2.2	1.4
Total	\$17.1	\$6.8

As of March 9, 2015, ING Group and its affiliates are no longer considered related parties of Voya Financial, Inc.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

#### Credit Facilities

The Company is a borrower in credit facility agreements with ING Bank, in which ING Bank provides LOC capacity. While there were outstanding payables related to credit facility agreements with ING Bank, because ING Bank is no longer a related party, there were no outstanding payables related to credit facility agreements with related parties as of September 30, 2015. As of December 31, 2014, when ING Bank was a related party, the Company had outstanding payables of \$4.0 related to credit facility agreements with ING Bank. For the three months ended September 30, 2015, the Company incurred no expenses related to credit facility agreements with related parties. For the three months ended September 30, 2014, the Company incurred expenses of \$4.0 related to credit facility agreements with related parties. The Company incurred expenses of \$5.7 and \$11.5 related to credit facility agreements with related parties for the nine months ended September 30, 2015 and 2014, respectively.

#### Share Repurchase Program

During the nine months ended September 30, 2015, the Company repurchased 13,599,274 shares of its common stock from ING Group for an aggregate purchase price of \$600.0.

See the Shareholders' Equity and Earnings per Common Share Note to these Condensed Consolidated Financial Statements for additional information regarding share repurchase transactions with ING Group.

#### Derivatives

The Company is party to several derivative contracts with NN Group N.V. ("NN Group") and ING Bank and one or more of ING Bank's subsidiaries. The Company is exposed to various risks relating to its ongoing business operations, including but not limited to interest rate risk, foreign currency risk and equity market risk. To manage these risks, the Company uses various strategies, including derivatives contracts, certain of which are with related parties, such as interest rate swaps, equity options and currency forwards.

As of September 30, 2015, such notional amounts are outstanding with ING Group and NN Group; however, ING Group and NN Group are no longer related parties. As of December 31, 2014, the outstanding notional amount with ING Bank and NN Group was \$464.1 (consisting of currency forwards of \$178.0 and equity options of \$286.1). As of December 31, 2014, the market value for these contracts was \$11.5. For the three months ended September 30, 2015 and 2014, the Company recorded no net realized capital gains (losses) with ING Bank and NN Group.

For the nine months ended September 30, 2015 and 2014, the Company recorded net realized capital gains (losses) of \$18.2 and \$3.9, respectively, with ING Bank and NN Group.

The Company has sold protection under certain credit default swap derivative contracts that were previously supported by a guarantee provided by NN Group. During 2013, the guarantee provided by NN Group on the sold protection was replaced with guarantees provided by Voya Financial, Inc. The Company purchased protection under one credit default swap derivative contract that is supported by the NN Group guarantee with the potential exposure

limited to swap premiums to be paid. As of September 30, 2015 and December 31, 2014, the maximum potential future exposure to the Company on credit default swaps supported by the NN Group guarantee was \$26.5 and \$33.1, respectively.

14. Consolidated Investment Entities

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Certain investment entities are consolidated under VIE or VOE consolidation guidance. The Company consolidates certain entities under the VIE guidance when it is determined that the Company is the primary beneficiary of these entities. The Company consolidates certain entities under the VOE guidance when it acts as the general partner and the limited partners do not have substantive rights to impact ongoing governance and operating activities of the entity, or when it otherwise has control through voting rights.

The Company has no right to the benefits from, nor does it bear the risks associated with these investments beyond the Company's direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately \$744.6 and \$694.4 as of September 30, 2015 and December 31, 2014, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

#### Consolidated Investments

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

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

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

As of September 30, 2015 and December 31, 2014, the Company consolidated 17 and 16 CLOs, respectively.

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

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

As of September 30, 2015 and December 31, 2014, the Company consolidated 33 and 35 funds respectively, which were structured as partnerships.

#### Registered Investment Companies

On May 7, 2015, the Company launched the Pomona Investment Fund (the "PIF") which is a private equity mutual fund. The PIF is a non-diversified, closed-end registered investment company that invests in a variety of private equity investment types and strategies. Formed as a Delaware statutory trust, investors in the PIF will receive fund shares, representing proportional interests in the assets of the PIF and voting rights on matters submitted to vote by shareholders. As of September 30, 2015, the Company is a majority investor in the PIF, and as such has a controlling financial interest in the fund.

The Company is invested in the Voya Strategic Income Opportunities Fund, which is a separately managed series fund. The Voya Strategic Income Opportunities Fund is a multi-credit unconstrained Fixed Income Mutual Fund that invests in a combination of underlying funds and direct fixed income investments. Investors in the fund receive fund shares, representing proportional interests in the assets of the fund and voting rights on matters submitted to vote by shareholders. As of September 30, 2015, the Company is a majority investor in the Voya Strategic Income Opportunities Fund, and as such has a controlling financial interest in the fund.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2015	December 31, 2014
<b>Assets of Consolidated Investment Entities</b>		
VIEs - CLO entities:		
Cash and cash equivalents	\$409.8	\$605.9
Corporate loans, at fair value using the fair value option	7,147.7	6,793.1
Other assets	202.9	67.3
Total CLO entities	7,760.4	7,466.3
VOEs - Private equity funds and single strategy hedge funds:		
Cash and cash equivalents	365.2	104.5
Limited partnerships/corporations, at fair value	5,065.1	3,727.3
Other assets	55.1	25.1
Total investment funds	5,485.4	3,856.9
Total assets of consolidated investment entities	\$13,245.8	\$11,323.2
<b>Liabilities of Consolidated Investment Entities</b>		
VIEs - CLO entities:		
CLO notes, at fair value using the fair value option	\$7,225.6	\$6,838.1
Other liabilities	484.2	561.1
Total CLO entities	7,709.8	7,399.2
VOEs - Private equity funds and single strategy hedge funds:		
Other liabilities	1,825.7	796.7
Total investment funds	1,825.7	796.7
Total liabilities of consolidated investment entities	\$9,535.5	\$8,195.9

#### Fair Value Measurement

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

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

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules applied by the Company to its investment portfolio. Refer to the Fair Value Measurement section of the Business, Basis of Presentation and Significant Accounting Policies Note in the Consolidated Financial Statements in Part II, Item 8. of

the Company's 2014 Annual Report on Form 10-K.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

#### VIAs - 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 2016 and 2024, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 9.5% and typically range in credit rating categories from AAA down to unrated. As of September 30, 2015 and December 31, 2014, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$164.1 and \$75.9, respectively. Less than 1% of the collateral assets were in default as of September 30, 2015 and December 31, 2014.

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

CLO notes: The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any. The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.22% for the more senior tranches to 7.00% for the more subordinated tranches. CLO notes mature at various dates between 2020



and 2027 and have a weighted average maturity of 9.2 years as of September 30, 2015. The outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately \$341.2 and \$239.6 as of September 30, 2015 and December 31, 2014, respectively. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

The following table summarizes significant unobservable inputs for Level 3 fair value measurements as of the dates indicated:

	Fair Value	Valuation Technique	Unobservable Inputs
September 30, 2015			
Assets:			
CLO Investments	\$ 18.6	Discounted Cash Flow	Default Rate Recovery Rate Prepayment Rate Discount Margin
Liabilities:			
CLO Notes	\$ 7,225.6	Discounted Cash Flow	Default Rate Recovery Rate Prepayment Rate Discount Margin
	Fair Value	Valuation Technique	Unobservable Inputs
December 31, 2014			
Assets:			
CLO Investments	\$ 19.2	Discounted Cash Flow	Default Rate Recovery Rate Prepayment Rate Discount Margin
Liabilities:			
CLO Notes	\$ 6,838.1	Discounted Cash Flow	Default Rate Recovery Rate Prepayment Rate Discount Margin

The following narrative indicates the sensitivity of inputs:

**Default Rate:** An increase (decrease) in the expected default rate would likely increase (decrease) the discount margin (increase risk premium) used to value the CLO 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.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### VOEs - Private Equity Funds and Single Strategy Hedge Funds

Limited partnerships, at fair value, primarily represent the Company's investments in private equity funds and single strategy hedge funds. At times, the limited partnerships make strategic co-investments directly into private equity companies, including, but not limited to, buyout, venture capital, distressed and mezzanine. The fair value for these investments is estimated based on the NAV from the latest financial statements of these funds, provided by the fund's investment manager or third-party administrator.

#### Private Equity Funds

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

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

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

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

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

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

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

Investments in these funds typically may not be fully redeemed at NAV within 90 days because of inherent restriction on near term redemptions. Therefore, these investments are classified within Level 3 of the fair value hierarchy.

As of September 30, 2015 and December 31, 2014, certain private equity funds maintained revolving lines of credit of \$637.0 and \$550.0 respectively, which renew annually and bear interest at LIBOR/EURIBOR plus 160 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 September 30, 2015 and December 31, 2014. As of September 30, 2015 and December 31, 2014, outstanding borrowings amount to \$415.9 and \$261.4 respectively. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Single Strategy Hedge Funds

As of September 30, 2015 and December 31, 2014, the Company acts as investment manager of a certain single strategy hedge fund (the "Fund") that seeks to achieve its investment objective by investing in many forms of U.S. residential mortgage-backed securities, government securities and related derivative instruments, including without limitation, U.S. Treasury debt, government sponsored enterprise ("Agency") backed securities and fixed or adjustable rate collateralized mortgage obligations and Real Estate Mortgage Investment Conduits ("REMICs"). The Fund may also enter into repurchase and reverse repurchase agreements.

Investments in this Fund are priced in accordance with the Fund's pricing hierarchy process in which prices are obtained from a primary vendor and, if that vendor is unable to provide the price, the next vendor in the hierarchy is contacted until a price is obtained or it is determined that a price cannot be obtained from a commercial pricing service. When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities that rely upon a vendor supplied price are classified as Level 2. Securities priced using independent broker quotes are classified as Level 3.

As of September 30, 2015 and December 31, 2014, this Fund sold securities under an agreement to repurchase at a specified future date. Securities sold under an agreement to repurchase are not de-recognized on the Condensed Consolidated Balance Sheets, as the single strategy hedge fund retains substantially all the risks and rewards of ownership. The obligation to repay the corresponding cash received is recognized in the Condensed Consolidated Balance Sheets in Liabilities related to consolidated investment entities - Other liabilities. As of September 30, 2015 and December 31, 2014, outstanding financings amount to \$1,219.3 and \$417.1, respectively.

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
VIEs - CLO entities:				
Cash and cash equivalents	\$409.8	\$—	\$—	\$409.8
Corporate loans, at fair value using the fair value option	—	7,129.1	18.6	7,147.7
VOEs - Private equity funds and single strategy hedge funds:				
Cash and cash equivalents	365.2	—	—	365.2
Limited partnerships/corporations, at fair value	—	2,253.8	2,811.3	5,065.1
Total assets, at fair value	\$775.0	\$9,382.9	\$2,829.9	\$12,987.8
<b>Liabilities</b>				
VIEs - CLO entities:				
CLO notes, at fair value using the fair value option	\$—	\$—	\$7,225.6	\$7,225.6
Total liabilities, at fair value	\$—	\$—	\$7,225.6	\$7,225.6

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, 2014:

	Level 1	Level 2	Level 3	Total
Assets				
VIEs - CLO entities:				
Cash and cash equivalents	\$605.9	\$—	\$—	\$605.9
Corporate loans, at fair value using the fair value option	—	6,773.9	19.2	6,793.1
VOEs - Private equity funds and single strategy hedge funds:				
Cash and cash equivalents	104.5	—	—	104.5
Limited partnerships/corporations, at fair value	—	1,035.6	2,691.7	3,727.3
Total assets, at fair value	\$710.4	\$7,809.5	\$2,710.9	\$11,230.8
Liabilities				
VIEs - CLO entities:				
CLO notes, at fair value using the fair value option	\$—	\$—	\$6,838.1	\$6,838.1
Total liabilities, at fair value	\$—	\$—	\$6,838.1	\$6,838.1

Level 3 assets primarily include investments in private equity funds and single strategy hedge funds held by the consolidated VOEs, while the Level 3 liabilities consist of CLO notes. 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 September 30, 2015 and September 30, 2014 there were no transfers in or out of Level 3, or transfers between Level 1 and Level 2.

For the nine months ended September 30, 2015 there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2. For the nine months ended September 30, 2014, \$13.9 of investments held in single strategy hedge funds were transferred from Level 2 to Level 3 based upon the use of broker quotes to price certain underlying securities held by the single strategy hedge fund. There were no transfers between Level 1 and Level 2.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities using significant unobservable inputs for the three months ended September 30, 2015 is presented in the table below:

	Fair Value as of July 1	Gains (Losses) Included in the Condensed Consolidated Statement of Operations	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3	Fair Value as of September 30
Assets							
VIEs - CLO entities:							
Corporate loans, at fair value using the fair value option	\$19.0	\$0.1	\$—	\$(0.5 )	\$—	\$—	\$18.6
VOEs - Private equity funds and single strategy hedge funds:							
Limited partnerships/corporations, at fair value	2,555.9	104.4	322.7	(171.7 )	—	—	2,811.3
Total assets, at fair value	\$2,574.9	\$104.5	\$322.7	\$(172.2 )	\$—	\$—	\$2,829.9
Liabilities							
VIEs - CLO entities:							
CLO notes, at fair value using the fair value option	\$6,986.6	\$(114.0 )	\$565.6	\$(212.6 )	\$—	\$—	\$7,225.6
Total liabilities, at fair value	\$6,986.6	\$(114.0 )	\$565.6	\$(212.6 )	\$—	\$—	\$7,225.6



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The reconciliation of the beginning and ending fair value measurements for Level 3 assets and liabilities using significant unobservable inputs for the nine months ended September 30, 2015 is presented in the table below:

	Fair Value as of January 1	Gains (Losses) Included in the Condensed Consolidated Statement of Operations	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3	Fair Value as of September 30
<b>Assets</b>							
VIEs - CLO entities:							
Corporate loans, at fair value using the fair value option	\$19.2	\$—	\$—	\$(0.6 )	\$—	\$—	\$18.6
VOEs - Private equity funds and single strategy hedge funds:							
Limited partnerships/corporations, at fair value	2,691.7	200.8	621.0	(702.2 )	—	—	2,811.3
Total assets, at fair value	\$2,710.9	\$200.8	\$621.0	\$(702.8 )	\$—	\$—	\$2,829.9
<b>Liabilities</b>							
VIEs - CLO entities:							
CLO notes, at fair value using the fair value option	\$6,838.1	\$(101.7 )	\$1,173.0	\$(683.8 )	\$—	\$—	\$7,225.6
Total liabilities, at fair value	\$6,838.1	\$(101.7 )	\$1,173.0	\$(683.8 )	\$—	\$—	\$7,225.6

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities using significant unobservable inputs for the three months ended September 30, 2014 is presented in the table below:

	Fair Value as of July 1	Gains (Losses) Included in the Condensed Consolidated Statement of Operations	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3	Fair Value as of September 30
Assets							
VIEs - CLO entities:							
Corporate loans, at fair value using the fair value option	\$19.8	\$0.1	\$—	\$(0.6 )	\$—	\$—	\$19.3
VOEs - Private equity funds and single strategy hedge funds:							
Limited partnerships/corporations, at fair value	2,873.0	159.7	123.2	(180.4 )	—	—	2,975.5
Total assets, at fair value	\$2,892.8	\$159.8	\$123.2	\$(181.0 )	\$—	\$—	\$2,994.8
Liabilities							
VIEs - CLO entities:							
CLO notes, at fair value using the fair value option	\$5,955.6	\$(17.0 )	\$516.3	\$(110.5 )	\$—	\$—	\$6,344.4
Total liabilities, at fair value	\$5,955.6	\$(17.0 )	\$516.3	\$(110.5 )	\$—	\$—	\$6,344.4

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The reconciliation of the beginning and ending fair value measurements for Level 3 assets and liabilities using significant unobservable inputs for the nine months ended September 30, 2014 is presented in the table below:

	Fair Value as of January 1	Gains (Losses) Included in the Condensed Consolidated Statement of Operations	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3	Fair Value as of September 30
<b>Assets</b>							
<b>VIEs - CLO entities:</b>							
Corporate loans, at fair value using the fair value option	\$25.5	\$0.4	\$—	\$(6.6 )	\$—	\$—	\$19.3
<b>VOEs - Private equity funds and single strategy hedge funds:</b>							
Limited partnerships/corporations, at fair value	2,734.1	374.7	353.0	(500.2 )	13.9	—	2,975.5
<b>Total assets, at fair value</b>	<b>\$2,759.6</b>	<b>\$375.1</b>	<b>\$353.0</b>	<b>\$(506.8 )</b>	<b>\$13.9</b>	<b>\$—</b>	<b>\$2,994.8</b>
<b>Liabilities</b>							
<b>VIEs - CLO entities:</b>							
CLO notes, at fair value using the fair value option	\$5,161.6	\$(53.9 )	\$1,451.6	\$(214.9 )	\$—	\$—	\$6,344.4
<b>Total liabilities, at fair value</b>	<b>\$5,161.6</b>	<b>\$(53.9 )</b>	<b>\$1,451.6</b>	<b>\$(214.9 )</b>	<b>\$—</b>	<b>\$—</b>	<b>\$6,344.4</b>

#### Deconsolidation of Certain Investment Entities

During the three and nine months ended September 30, 2015 , the Company deconsolidated one investment entity. During the three and nine months ended September 30, 2014 , the Company did not deconsolidate any investment entities.

#### Nonconsolidated VIEs

##### CLO Entities

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

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of September 30, 2015 and December 31, 2014, the Company did not hold any ownership interests in these unconsolidated CLOs.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the carrying amounts of total assets and liabilities of the CLOs 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 CLO and (ii) other commitments and guarantees to the CLO.

	September 30, 2015	December 31, 2014
Carrying amount	\$1.7	\$—
Maximum exposure to loss	1.7	—
Assets of nonconsolidated investment entities	1,314.3	932.8
Liabilities of nonconsolidated investment entities	1,372.2	983.7

#### Investment Funds

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 investment management fees and contingent performance fees that are generally expected to be insignificant. Although the Company has the power to direct the activities that significantly impact the economic performance of the funds, it is not considered the primary beneficiary and did not consolidate any of these investment funds.

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, which would overcome the presumption of control by the general partner.

#### 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.

#### 15. Segments

The Company provides its principal products and services in two ongoing businesses and reports results through five ongoing segments as follows:

Business	Segment
	Retirement
Retirement and Investment Solutions	Annuities
	Investment Management
Insurance Solutions	Individual Life
	Employee Benefits

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company also has a Corporate segment, which includes corporate operations, assets and obligations and assets not allocated to other segments, and Closed Block segments, which comprise products that are in run-off and no longer being actively marketed and sold.

These segments reflect the manner by which the Company's chief operating decision maker views and manages the business. A brief description of these segments follows.

#### Retirement and Investment Solutions

The Retirement and Investment Solutions business provides its products and services through three segments: Retirement, Annuities and Investment Management. The Retirement segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services to corporate, education, healthcare, other non-profit and government entities, as well as individual retirement accounts ("IRAs"), other retail financial products and comprehensive financial services to individual customers and pension risk transfer solutions to institutional customers. The Annuities segment primarily provides fixed, indexed and structured annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and postretirement income management sold through multiple channels. The Investment Management segment provides investment products and retirement solutions across a broad range of geographies, market sectors, investment styles and capitalization spectrums. Products and services are offered to institutional clients, including public, corporate and union retirement plans, endowments and foundations and insurance companies, as well as individual investors and general accounts of the Company's insurance subsidiaries and are distributed through the Company's direct sales force, consultant channel and intermediary partners (such as banks, broker-dealers and independent financial advisers).

#### Insurance Solutions

The Insurance Solutions business provides its products through two segments: Individual Life and Employee Benefits. The Individual Life segment provides wealth accumulation, protection and transfer opportunities through universal, variable and term life products, distributed through a network of independent general agents and managing directors, to meet the needs of a broad range of customers from the middle market through affluent market segments. The Employee Benefits segment provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses.

#### Corporate

Corporate includes corporate operations and corporate level assets and financial obligations. The Corporate segment includes investment income on assets backing surplus in excess of amounts held at the segment level, financing and interest expenses, and other items not allocated to segments, including items such as expenses of the Company's strategic investment program, certain expenses and liabilities of employee benefit plans and intercompany eliminations.

#### Closed Blocks

Closed Blocks consists of three separate reporting segments that include run-off and legacy business lines that are no longer being actively marketed or sold. The Closed Block Variable Annuity ("CBVA") segment consists of variable annuity contracts that were designed to offer long-term savings products in which individual contract owners made deposits that are maintained in separate accounts. These products included options for policyholders to purchase living benefit riders. In 2009, the Company separated its CBVA segment from other operations, placing it in run-off, and made a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010 and the block shifted to run-off). The Closed Block Institutional Spread Products segment historically issued GICs and funding agreements and invested amounts raised to earn a spread. While the business in the Closed Block Institutional Spread Products segment is being managed in active run-off, the Company continues to issue liabilities from time to time to replace liabilities that are maturing. The Closed Block Other segment consists primarily of retained and run-off activity related to divestment, including the Company's group reinsurance and individual reinsurance businesses.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Measurement

Operating earnings before income taxes is an internal measure used by management to evaluate segment performance. 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. However, the Company believes that the definitions of operating earnings before income taxes provide users with a valuable measure of its business and segment performances and enhance the understanding of the Company's financial results by highlighting performance drivers. 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. 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 include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from operating results, including the impacts related to changes in the Company's nonperformance spread;

Income (loss) related to businesses exited through reinsurance or divestment (including net investment gains (losses) on securities sold and expenses directly related to these transactions);

Income (loss) attributable to noncontrolling interest;

Income (loss) related to early extinguishment of debt;

Impairment of goodwill, value of management contract rights and value of customer relationships acquired;

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; and

Other items, including restructuring expenses (severance, lease write-offs, etc.), certain third-party expenses and deal incentives related to the divestment of the Company by ING Group, and expenses associated with the rebranding of Voya Financial, Inc. from ING U.S., Inc.

Operating earnings before income taxes also does not reflect the results of operations 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. 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.



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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Retirement and Investment Solutions:</b>				
Retirement	\$80.5	\$117.2	\$333.4	\$367.9
Annuities	50.5	78.3	180.1	197.3
Investment Management	45.6	58.6	139.5	163.3
<b>Insurance Solutions:</b>				
Individual Life	(10.8	) 39.8	70.3	134.3
Employee Benefits	44.2	37.0	122.5	91.7
Total Ongoing Business	210.0	330.9	845.8	954.5
Corporate	(75.6	) (47.1	) (177.1	) (122.7
<b>Closed Blocks:</b>				
Closed Block Institutional Spread Products	4.0	8.5	12.3	20.5
Closed Block Other	(1.4	) 2.0	8.1	1.4
Closed Blocks	2.6	10.5	20.4	21.9
Total operating earnings before income taxes	137.0	294.3	689.1	853.7
<b>Adjustments:</b>				
Closed Block Variable Annuity	(7.1	) 136.0	144.0	78.1
Net investment gains (losses) and related charges and adjustments	(64.6	) 43.4	(23.6	) 174.0
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(31.7	) 33.4	(54.3	) 19.5
Loss related to businesses exited through reinsurance or divestment	(16.4	) (31.9	) (65.1	) (69.3
Income (loss) attributable to noncontrolling interest	75.9	116.6	183.9	296.7
Loss related to early extinguishment of debt	(0.2	) —	(10.1	) —
Other adjustments to operating earnings	(12.6	) (32.0	) (36.1	) (65.6
Income (loss) before income taxes	\$80.3	\$559.8	\$827.8	\$1,287.1

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 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 include changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Revenues related to businesses exited through reinsurance or divestment (including net investment gains (losses) on securities sold and expenses directly related to these transactions);

Revenues attributable to noncontrolling interest; 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, as well as other items where the income is passed on to third parties.

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. 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.

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

	Three Months Ended September		Nine Months Ended September	
	30, 2015	2014	30, 2015	2014
Retirement and Investment Solutions:				
Retirement	\$1,137.3	\$605.7	\$2,331.6	\$1,797.1
Annuities	314.4	344.6	940.4	1,029.8
Investment Management	152.6	168.3	474.3	492.0
Insurance Solutions:				
Individual Life	670.1	679.1	2,001.8	2,071.2
Employee Benefits	376.7	345.9	1,123.8	1,027.3
Total Ongoing Business	2,651.1	2,143.6	6,871.9	6,417.4
Corporate	14.1	22.9	53.1	71.8
Closed Blocks:				
Closed Block Institutional Spread Products	13.5	18.6	41.9	53.2
Closed Block Other	1.4	6.8	10.9	21.8
Closed Blocks	14.9	25.4	52.8	75.0
Total operating revenues	2,680.1	2,191.9	6,977.8	6,564.2
Adjustments:				
Closed Block Variable Annuity	789.0	665.6	1,711.9	1,068.3
Net realized investment gains (losses) and related charges and adjustments	(97.8)	) 48.2	(63.8)	) 164.8
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	119.9	48.2	110.7	—
Revenues related to businesses exited through reinsurance or divestment	27.3	(4.8)	) 15.7	81.1
Revenues attributable to noncontrolling interest	146.8	174.9	396.4	454.8
Other adjustments to operating revenues	54.2	72.1	195.7	237.9

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

Total revenues	\$3,719.5	\$3,196.1	\$9,344.4	\$8,571.1
----------------	-----------	-----------	-----------	-----------

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Other Segment Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Investment Management intersegment revenues	\$39.9	\$40.0	\$118.4	\$118.3

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

	September 30, 2015	December 31, 2014
Retirement and Investment Solutions:		
Retirement	\$92,170.4	\$96,433.9
Annuities	24,957.1	25,901.5
Investment Management	561.5	492.6
Insurance Solutions:		
Individual Life	26,312.6	26,877.1
Employee Benefits	2,603.0	2,602.4
Total Ongoing Business	146,604.6	152,307.5
Corporate	6,330.3	5,889.3
Closed Blocks:		
Closed Block Variable Annuity	44,547.0	48,706.9
Closed Block Institutional Spread Products	1,624.1	1,901.9
Closed Block Other	7,104.1	7,496.3
Closed Blocks	53,275.2	58,105.1
Total assets of segments	206,210.1	216,301.9
Noncontrolling interest	12,501.1	10,628.8
Total assets	\$218,711.2	\$226,930.7

#### 16. Condensed Consolidating Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of September 30, 2015 and December 31, 2014, and their results of operations, comprehensive income and cash flows for the nine months ended September 30, 2015 and 2014.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The 5.5% senior notes due 2022, the 2.9% senior notes due 2018 and the 5.7% senior notes due 2043 (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. See the Insurance Subsidiaries Note to these Condensed Consolidated Financial Statements for information on any significant restrictions on the ability of the Parent Issuer or Subsidiary Guarantor to obtain funds from the Non-Guarantor Subsidiaries by dividend or return of capital.

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

September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$69,227.1	\$(15.3)	) \$69,211.8
Fixed maturities, at fair value using the fair value option	—	—	3,595.4	—	3,595.4
Equity securities, available-for-sale, at fair value	80.5	—	257.7	—	338.2
Short-term investments	212.0	—	1,360.9	—	1,572.9
Mortgage loans on real estate, net of valuation allowance	—	—	10,727.2	—	10,727.2
Policy loans	—	—	2,027.2	—	2,027.2
Limited partnerships/corporations	—	—	465.6	—	465.6
Derivatives	66.4	—	2,016.5	(163.4)	) 1,919.5
Investments in subsidiaries	15,980.1	11,732.0	—	(27,712.1)	) —
Other investments	—	1.0	91.7	—	92.7
Securities pledged	—	—	1,099.5	—	1,099.5
Total investments	16,339.0	11,733.0	90,868.8	(27,890.8)	) 91,050.0
Cash and cash equivalents	321.5	2.0	2,187.6	—	2,511.1
Short-term investments under securities loan agreements, including collateral delivered	30.7	—	723.7	(20.1)	) 734.3
Accrued investment income	—	—	930.3	—	930.3
Reinsurance recoverable	—	—	7,332.5	—	7,332.5
Deferred policy acquisition costs and Value of business acquired	—	—	4,926.0	—	4,926.0
Sales inducements to contract holders	—	—	243.4	—	243.4
Current income taxes	(23.1)	) (2.9)	) 48.0	—	22.0
Deferred income taxes	463.9	40.5	1,205.5	—	1,709.9
Goodwill and other intangible assets	—	—	258.6	—	258.6
Loans to subsidiaries and affiliates	264.6	—	—	(264.6)	) —
Due from subsidiaries and affiliates	7.2	0.5	1.7	(9.4)	) —
Other assets	49.9	0.1	979.2	(3.4)	) 1,025.8
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	5,065.1	—	5,065.1

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

Cash and cash equivalents	—	—	775.0	—	775.0
Corporate loans, at fair value using the fair value option	—	—	7,147.7	—	7,147.7
Other assets	—	—	258.0	—	258.0
Assets held in separate accounts	—	—	94,721.5	—	94,721.5
Total assets	\$17,453.7	\$11,773.2	\$217,672.6	\$(28,188.3 )	\$218,711.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Liabilities and Shareholders' Equity:					
Future policy benefits	\$—	\$—	\$17,635.9	\$—	\$17,635.9
Contract owner account balances	—	—	70,238.6	—	70,238.6
Payables under securities loan agreement, including collateral held	—	—	1,881.7	—	1,881.7
Short-term debt with affiliates	—	183.4	81.2	(264.6	) —
Long-term debt	2,997.4	484.9	18.6	(15.3	) 3,485.6
Funds held under reinsurance agreements	—	—	1,017.6	—	1,017.6
Derivatives	97.0	—	891.8	(163.4	) 825.4
Pension and other postretirement provisions	—	—	771.4	—	771.4
Due to subsidiaries and affiliates	1.7	—	(7.3	) 5.6	—
Other liabilities	71.5	5.6	1,310.8	(38.5	) 1,349.4
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	7,225.6	—	7,225.6
Other liabilities	—	—	2,309.9	—	2,309.9
Liabilities related to separate accounts	—	—	94,721.5	—	94,721.5
Total liabilities	3,167.6	673.9	198,097.3	(476.2	) 201,462.6
Shareholders' equity:					
Total Voya Financial, Inc. shareholders' equity	14,286.1	11,099.3	16,612.8	(27,712.1	) 14,286.1
Noncontrolling interest	—	—	2,962.5	—	2,962.5
Total shareholders' equity	14,286.1	11,099.3	19,575.3	(27,712.1	) 17,248.6
Total liabilities and shareholders' equity	\$17,453.7	\$11,773.2	\$217,672.6	\$(28,188.3	) \$218,711.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

December 31, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$69,925.6	\$(15.3)	) \$69,910.3
Fixed maturities, at fair value using the fair value option	—	—	3,564.5	—	3,564.5
Equity securities, available-for-sale, at fair value	83.4	—	188.4	—	271.8
Short-term investments	—	—	1,711.4	—	1,711.4
Mortgage loans on real estate, net of valuation allowance	—	—	9,794.1	—	9,794.1
Policy loans	—	—	2,104.0	—	2,104.0
Limited partnerships/corporations	—	—	363.2	—	363.2
Derivatives	69.0	—	1,923.1	(172.5)	) 1,819.6
Investments in subsidiaries	17,918.0	13,312.0	—	(31,230.0)	) —
Other investments	—	14.4	95.9	—	110.3
Securities pledged	—	—	1,184.6	—	1,184.6
Total investments	18,070.4	13,326.4	90,854.8	(31,417.8)	) 90,833.8
Cash and cash equivalents	682.1	1.6	1,847.2	—	2,530.9
Short-term investments under securities loan agreements, including collateral delivered	30.7	—	816.4	(20.1)	) 827.0
Accrued investment income	—	—	891.7	—	891.7
Reinsurance recoverable	—	—	7,116.9	—	7,116.9
Deferred policy acquisition costs and Value of business acquired	—	—	4,570.9	—	4,570.9
Sales inducements to contract holders	—	—	253.6	—	253.6
Deferred income taxes	398.2	49.2	852.5	—	1,299.9
Goodwill and other intangible assets	—	—	284.4	—	284.4
Loans to subsidiaries and affiliates	169.0	—	0.3	(169.3)	) —
Due from subsidiaries and affiliates	13.0	0.1	6.0	(19.1)	) —
Other assets	49.3	—	942.2	(0.9)	) 990.6
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	3,727.3	—	3,727.3
Cash and cash equivalents	—	—	710.4	—	710.4

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

Corporate loans, at fair value using the fair value option	—	—	6,793.1	—	6,793.1
Other assets	—	—	92.4	—	92.4
Assets held in separate accounts	—	—	106,007.8	—	106,007.8
Total assets	\$19,412.7	\$13,377.3	\$225,767.9	\$(31,627.2 )	\$226,930.7

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

December 31, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits	\$—	\$—	\$15,632.2	\$—	\$15,632.2
Contract owner account balances	—	—	69,319.5	—	69,319.5
Payables under securities loan agreement, including collateral held	—	—	1,445.0	—	1,445.0
Short-term debt with affiliates	—	149.7	19.3	(169.0)	) —
Long-term debt	2,997.1	515.3	18.6	(15.3)	) 3,515.7
Funds held under reinsurance agreements	—	—	1,159.6	—	1,159.6
Derivatives	103.5	—	918.3	(172.5)	) 849.3
Pension and other postretirement provisions	—	—	826.2	—	826.2
Current income taxes	84.8	(5.7)	) 5.7	—	84.8
Due to subsidiaries and affiliates	4.8	1.2	(1.9)	) (4.1)	) —
Other liabilities	76.3	14.9	1,278.3	(36.3)	) 1,333.2
<b>Liabilities related to consolidated investment entities:</b>					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	6,838.1	—	6,838.1
Other liabilities	—	—	1,357.8	—	1,357.8
Liabilities related to separate accounts	—	—	106,007.8	—	106,007.8
<b>Total liabilities</b>	<b>3,266.5</b>	<b>675.4</b>	<b>204,824.5</b>	<b>(397.2)</b>	<b>) 208,369.2</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity	16,146.2	12,701.9	18,528.1	(31,230.0)	) 16,146.2
Noncontrolling interest	—	—	2,415.3	—	2,415.3
<b>Total shareholders' equity</b>	<b>16,146.2</b>	<b>12,701.9</b>	<b>20,943.4</b>	<b>(31,230.0)</b>	<b>) 18,561.5</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$19,412.7</b>	<b>\$13,377.3</b>	<b>\$225,767.9</b>	<b>\$(31,627.2)</b>	<b>) \$226,930.7</b>



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Operations

For the Three Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$(5.4 )	\$—	\$1,134.1	\$(2.0 )	\$1,126.7
Fee income	—	—	871.8	—	871.8
Premiums	—	—	1,128.8	—	1,128.8
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(40.7 )	—	(40.7 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	0.6	—	0.6
Net other-than-temporary impairments recognized in earnings	—	—	(41.3 )	—	(41.3 )
Other net realized capital gains (losses)	(1.7 )	(0.1 )	342.2	—	340.4
Total net realized capital gains (losses)	(1.7 )	(0.1 )	300.9	—	299.1
Other revenue	0.9	—	106.7	(0.9 )	106.7
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	175.4	—	175.4
Changes in fair value related to collateralized loan obligations	—	—	11.0	—	11.0
Total revenues	(6.2 )	(0.1 )	3,728.7	(2.9 )	3,719.5
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	1,956.5	—	1,956.5
Interest credited to contract owner account balances	—	—	498.3	—	498.3
Operating expenses	3.9	—	747.9	(0.9 )	750.9
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	316.3	—	316.3
Interest expense	37.0	10.3	1.1	(2.0 )	46.4
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	66.7	—	66.7
Other expense	—	—	4.1	—	4.1
Total benefits and expenses	40.9	10.3	3,590.9	(2.9 )	3,639.2
Income (loss) before income taxes	(47.1 )	(10.4 )	137.8	—	80.3
Income tax expense (benefit)	(15.3 )	—	(23.0 )	2.4 )	(35.9 )
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(31.8 )	(10.4 )	160.8	(2.4 )	116.2
	72.1	(221.1 )	—	149.0	—



Equity in earnings (losses) of subsidiaries, net of tax					
Net income (loss) including noncontrolling interest	40.3	(231.5 )	160.8	146.6	116.2
Less: Net income (loss) attributable to noncontrolling interest	—	—	75.9	—	75.9
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$40.3	\$(231.5 )	\$84.9	\$146.6	\$40.3

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Operations

For the Nine Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$(1.9 )	\$0.1	\$3,443.9	\$(6.8 )	\$3,435.3
Fee income	—	—	2,644.0	—	2,644.0
Premiums	—	—	2,404.8	—	2,404.8
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(51.3 )	—	(51.3 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	3.3	—	3.3
Net other-than-temporary impairments recognized in earnings	—	—	(54.6 )	—	(54.6 )
Other net realized capital gains (losses)	(1.0 )	0.3	94.6	—	93.9
Total net realized capital gains (losses)	(1.0 )	0.3	40.0	—	39.3
Other revenue	2.7	—	315.3	(2.7 )	315.3
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	529.3	—	529.3
Changes in fair value related to collateralized loan obligations	—	—	(23.6 )	—	(23.6 )
Total revenues	(0.2 )	0.4	9,353.7	(9.5 )	9,344.4
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	3,802.3	—	3,802.3
Interest credited to contract owner account balances	—	—	1,473.2	—	1,473.2
Operating expenses	7.4	—	2,286.0	(2.7 )	2,290.7
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	587.5	—	587.5
Interest expense	113.1	41.1	3.0	(6.8 )	150.4
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	203.9	—	203.9
Other expense	—	—	8.6	—	8.6
Total benefits and expenses	120.5	41.1	8,364.5	(9.5 )	8,516.6
Income (loss) before income taxes	(120.7 )	(40.7 )	989.2	—	827.8
Income tax expense (benefit)	(32.6 )	(0.4 )	175.8	(14.0 )	128.8
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(88.1 )	(40.3 )	813.4	14.0	699.0
	603.2	339.3	—	(942.5 )	—

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

Equity in earnings (losses) of subsidiaries, net of tax					
Net income (loss) including noncontrolling interest	515.1	299.0	813.4	(928.5	) 699.0
Less: Net income (loss) attributable to noncontrolling interest	—	—	183.9	—	183.9
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$515.1	\$299.0	\$629.5	\$(928.5	) \$515.1

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Operations

For the Three Months Ended September 30, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$(0.1 )	\$—	\$1,165.3	\$(1.6 )	\$1,163.6
Fee income	—	—	908.9	—	908.9
Premiums	—	—	595.1	—	595.1
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(19.5 )	—	(19.5 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(0.1 )	—	(0.1 )
Net other-than-temporary impairments recognized in earnings	—	—	(19.4 )	—	(19.4 )
Other net realized capital gains (losses)	0.1	0.1	205.2	—	205.4
Total net realized capital gains (losses)	0.1	0.1	185.8	—	186.0
Other revenue	0.7	—	101.0	(0.7 )	101.0
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	248.0	—	248.0
Changes in fair value related to collateralized loan obligations	—	—	(6.5 )	—	(6.5 )
Total revenues	0.7	0.1	3,197.6	(2.3 )	3,196.1
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	1,234.7	—	1,234.7
Interest credited to contract owner account balances	—	—	498.2	—	498.2
Operating expenses	0.6	(0.1 )	767.5	(0.7 )	767.3
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	30.6	—	30.6
Interest expense	36.9	11.0	0.9	(1.6 )	47.2
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	56.6	—	56.6
Other expense	—	—	1.7	—	1.7
Total benefits and expenses	37.5	10.9	2,590.2	(2.3 )	2,636.3
Income (loss) before income taxes	(36.8 )	(10.8 )	607.4	—	559.8
Income tax expense (benefit)	—	(12.0 )	(26.8 )	76.2	37.4
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(36.8 )	1.2	634.2	(76.2 )	522.4
	442.6	434.0	—	(876.6 )	—

Equity in earnings (losses) of subsidiaries, net of tax					
Net income (loss) including noncontrolling interest	405.8	435.2	634.2	(952.8	) 522.4
Less: Net income (loss) attributable to noncontrolling interest	—	—	116.6	—	116.6
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$405.8	\$435.2	\$517.6	\$(952.8	) \$405.8

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Operations

For the Nine Months Ended September 30, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$7.0	\$0.1	\$3,428.4	\$(5.4 )	\$3,430.1
Fee income	—	—	2,738.0	—	2,738.0
Premiums	—	—	1,825.4	—	1,825.4
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(25.4 )	—	(25.4 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(0.2 )	—	(0.2 )
Net other-than-temporary impairments recognized in earnings	—	—	(25.2 )	—	(25.2 )
Other net realized capital gains (losses)	(4.7 )	0.8	(336.0 )	—	(339.9 )
Total net realized capital gains (losses)	(4.7 )	0.8	(361.2 )	—	(365.1 )
Other revenue	2.3	0.2	316.6	(2.3 )	316.8
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	630.0	—	630.0
Changes in fair value related to collateralized loan obligations	—	—	(4.1 )	—	(4.1 )
Total revenues	4.6	1.1	8,573.1	(7.7 )	8,571.1
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	2,910.9	—	2,910.9
Interest credited to contract owner account balances	—	—	1,485.3	—	1,485.3
Operating expenses	2.9	—	2,314.5	(2.3 )	2,315.1
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	272.4	—	272.4
Interest expense	111.7	32.5	3.5	(5.4 )	142.3
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	152.3	—	152.3
Other expense	—	—	5.7	—	5.7
Total benefits and expenses	114.6	32.5	7,144.6	(7.7 )	7,284.0
Income (loss) before income taxes	(110.0 )	(31.4 )	1,428.5	—	1,287.1
Income tax expense (benefit)	—	(10.7 )	6.3	78.6	74.2
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(110.0 )	(20.7 )	1,422.2	(78.6 )	1,212.9
	1,026.2	572.2	—	(1,598.4 )	—

Equity in earnings (losses) of subsidiaries, net of tax					
Net income (loss) including noncontrolling interest	916.2	551.5	1,422.2	(1,677.0	) 1,212.9
Less: Net income (loss) attributable to noncontrolling interest	—	—	296.7	—	296.7
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$916.2	\$551.5	\$1,125.5	\$(1,677.0	) \$916.2

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Comprehensive Income

For the Three Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$40.3	\$(231.5)	) \$160.8	\$146.6	\$116.2
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(97.3)	) (160.4)	) (97.3)	) 257.7	(97.3)
Other-than-temporary impairments	3.5	2.5	3.5	(6.0)	) 3.5
Pension and other postretirement benefits liability	(3.4)	) (0.8)	) (3.4)	) 4.2	(3.4)
Other comprehensive income (loss), before tax	(97.2)	) (158.7)	) (97.2)	) 255.9	(97.2)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(33.7)	) (55.2)	) (33.7)	) 88.9	(33.7)
Other comprehensive income (loss), after tax	(63.5)	) (103.5)	) (63.5)	) 167.0	(63.5)
Comprehensive income (loss)	(23.2)	) (335.0)	) 97.3	313.6	52.7
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	75.9	—	75.9
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(23.2)	) \$(335.0)	) \$21.4	\$313.6	\$(23.2)

## Condensed Consolidating Statement of Comprehensive Income

For the Nine Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$515.1	\$299.0	\$813.4	\$(928.5)	) \$699.0
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(1,627.0)	) (1,174.9)	) (1,627.0)	) 2,801.9	(1,627.0)
Other-than-temporary impairments	12.9	9.8	12.9	(22.7)	) 12.9
Pension and other postretirement benefits liability	(10.3)	) (2.4)	) (10.3)	) 12.7	(10.3)
Other comprehensive income (loss), before tax	(1,624.4)	) (1,167.5)	) (1,624.4)	) 2,791.9	(1,624.4)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(566.4)	) (406.5)	) (566.4)	) 972.9	(566.4)
	(1,058.0)	) (761.0)	) (1,058.0)	) 1,819.0	(1,058.0)



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

Other comprehensive income (loss), after tax					
Comprehensive income (loss)	(542.9	) (462.0	) (244.6	) 890.5	(359.0 )
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	183.9	—	183.9
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(542.9	) \$(462.0	) \$(428.5	) \$890.5	\$(542.9 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Comprehensive Income

For the Three Months Ended September 30, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$405.8	\$435.2	\$634.2	\$(952.8)	) \$522.4
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(510.8)	) (408.7)	) (510.8)	) 919.5	(510.8)
Other-than-temporary impairments	5.9	4.6	5.9	(10.5)	) 5.9
Pension and other postretirement benefits liability	(3.4)	) (0.8)	) (3.4)	) 4.2	(3.4)
Other comprehensive income (loss), before tax	(508.3)	) (404.9)	) (508.3)	) 913.2	(508.3)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(175.8)	) (139.6)	) (175.8)	) 315.4	(175.8)
Other comprehensive income (loss), after tax	(332.5)	) (265.3)	) (332.5)	) 597.8	(332.5)
Comprehensive income (loss)	73.3	169.9	301.7	(355.0)	) 189.9
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	116.6	—	116.6
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholder	\$73.3	\$169.9	\$185.1	\$(355.0)	) \$73.3

## Condensed Consolidating Statement of Comprehensive Income

For the Nine Months Ended September 30, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$916.2	\$551.5	\$1,422.2	\$(1,677.0)	) \$1,212.9
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	1,478.4	975.1	1,482.4	(2,457.5)	) 1,478.4
Other-than-temporary impairments	30.2	24.1	30.2	(54.3)	) 30.2
Pension and other postretirement benefits liability	(10.3)	) (2.4)	) (10.3)	) 12.7	(10.3)
Other comprehensive income (loss), before tax	1,498.3	996.8	1,502.3	(2,499.1)	) 1,498.3
Income tax expense (benefit) related to items of other comprehensive income (loss)	527.2	351.7	527.2	(878.9)	) 527.2
	971.1	645.1	975.1	(1,620.2)	) 971.1

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

Other comprehensive income (loss), after tax					
Comprehensive income (loss)	1,887.3	1,196.6	2,397.3	(3,297.2	) 2,184.0
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	296.7	—	296.7
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholder	\$ 1,887.3	\$ 1,196.6	\$ 2,100.6	\$ (3,297.2	) \$ 1,887.3

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 Nine Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$32.7	\$67.5	\$2,916.5	\$(330.3)	\$2,686.4
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	8,040.5	—	8,040.5
Equity securities, available-for-sale	19.4	—	18.8	—	38.2
Mortgage loans on real estate	—	—	950.6	—	950.6
Limited partnerships/corporations	—	—	198.3	—	198.3
Acquisition of:					
Fixed maturities	—	—	(9,699.4)	—	(9,699.4)
Equity securities, available-for-sale	(23.5)	—	(90.6)	—	(114.1)
Mortgage loans on real estate	—	—	(1,883.4)	—	(1,883.4)
Limited partnerships/corporations	—	—	(332.5)	—	(332.5)
Short-term investments, net	(212.0)	—	351.9	—	139.9
Policy loans, net	—	—	76.8	—	76.8
Derivatives, net	(4.0)	—	301.9	—	297.9
Other investments, net	—	13.7	5.0	—	18.7
Sales from consolidated investments entities	—	—	4,087.9	—	4,087.9
Purchases within consolidated investment entities	—	—	(6,056.5)	—	(6,056.5)
Maturity of intercompany loans with maturities more than three months	0.7	—	—	(0.7)	—
Net maturity of short-term intercompany loans	(96.3)	—	—	96.3	—
Return of capital contributions and dividends from subsidiaries	1,281.0	1,197.7	—	(2,478.7)	—
Collateral received (delivered), net	—	—	530.5	—	530.5
Purchases of fixed assets, net	—	—	(38.3)	—	(38.3)
Net cash provided by (used in) investing activities	965.3	1,211.4	(3,538.5)	(2,383.1)	(3,744.9)

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	5,635.4	—	5,635.4
Maturities and withdrawals from investment contracts	—	—	(5,018.2	) —	(5,018.2 )
Repayment of debt with maturities of more than three months	—	(31.2 )	—	—	(31.2 )
Debt issuance costs	(6.8 )	—	—	—	(6.8 )
Intercompany loans with maturities of more than three months	—	—	(0.7 )	0.7	—
Net (repayments of) proceeds from short-term intercompany loans	—	33.7	62.6	(96.3 )	—
Return of capital contributions and dividends to parent	—	(1,281.0 )	(1,528.0 )	2,809.0	—
Borrowings of consolidated investment entities	—	—	1,412.6	—	1,412.6
Repayments of borrowings of consolidated investment entities	—	—	(444.4 )	—	(444.4 )
Contributions from (distributions to) participants in consolidated investment entities	—	—	841.4	—	841.4
Excess tax benefits on share-based compensation	—	—	1.7	—	1.7
Share-based compensation	(4.4 )	—	—	—	(4.4 )
Common stock acquired - Share repurchase	(1,340.5 )	—	—	—	(1,340.5 )
Dividends paid	(6.9 )	—	—	—	(6.9 )
Net cash provided by (used in) financing activities	(1,358.6 )	(1,278.5 )	962.4	2,713.4	1,038.7
Net (decrease) increase in cash and cash equivalents	(360.6 )	0.4	340.4	—	(19.8 )
Cash and cash equivalents, beginning of period	682.1	1.6	1,847.2	—	2,530.9
Cash and cash equivalents, end of period	\$321.5	\$2.0	\$2,187.6	\$—	\$2,511.1

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$(163.3	) \$97.2	\$3,108.3	\$(126.0	) \$2,916.2
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	9,192.3	—	9,192.3
Equity securities, available-for-sale	13.0	13.0	37.7	—	63.7
Mortgage loans on real estate	—	—	937.6	—	937.6
Limited partnerships/corporations	—	—	137.6	—	137.6
Acquisition of:					
Fixed maturities	—	—	(9,172.3	) —	(9,172.3
Equity securities, available-for-sale	(15.6	) —	(2.7	) —	(18.3
Mortgage loans on real estate	—	—	(1,574.8	) —	(1,574.8
Limited partnerships/corporations	—	—	(261.3	) —	(261.3
Short-term investments, net	—	—	(124.5	) —	(124.5
Policy loans, net	—	—	42.8	—	42.8
Derivatives, net	1.4	—	(672.1	) —	(670.7
Other investments, net	—	0.8	37.7	—	38.5
Sales from consolidated investments entities	—	—	2,558.5	—	2,558.5
Purchases within consolidated investment entities	—	—	(4,292.6	) —	(4,292.6
Maturity of intercompany loans with maturities more than three months	0.8	—	—	(0.8	) —
Net maturity of short-term intercompany loans	4.2	—	—	(4.2	) —
Return of capital contributions from subsidiaries	797.0	690.0	—	(1,487.0	) —
Capital contributions to subsidiaries	(150.0	) (171.0	) —	321.0	—
Collateral received (delivered), net	—	—	116.8	—	116.8
Purchases of fixed assets, net	—	—	(26.5	) —	(26.5
Net cash provided by (used in) investing activities	650.8	532.8	(3,065.8	) (1,171.0	) (3,053.2



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2014

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	5,681.5	—	5,681.5
Maturities and withdrawals from investment contracts	—	—	(7,332.9	) —	(7,332.9 )
Debt issuance costs	(16.8	) —	—	—	(16.8 )
Intercompany loans with maturities of more than three months	—	—	(0.8	) 0.8	—
Net (repayments of) proceeds from short-term intercompany loans	—	62.6	(66.8	) 4.2	—
Return of capital contributions and dividends to parent	—	(690.0	) (923.0	) 1,613.0	—
Contributions of capital from parent	—	—	321.0	(321.0	) —
Borrowings of consolidated investment entities	—	—	340.5	—	340.5
Repayments of borrowings of consolidated investment entities	—	—	(66.6	) —	(66.6 )
Contributions from (distributions to) participants in consolidated investment entities	—	—	1,235.9	—	1,235.9
Share-based compensation	(14.8	) —	—	—	(14.8 )
Common stock acquired - Share repurchase	(614.4	) —	—	—	(614.4 )
Dividends paid	(7.7	) —	—	—	(7.7 )
Net cash used in financing activities	(653.7	) (627.4	) (811.2	) 1,297.0	(795.3 )
Net increase in cash and cash equivalents	(166.2	) 2.6	(768.7	) —	(932.3 )
Cash and cash equivalents, beginning of period	640.2	1.1	2,199.5	—	2,840.8
Cash and cash equivalents, end of period	\$474.0	\$3.7	\$1,430.8	\$—	\$1,908.5



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

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

The following discussion and analysis presents a review of our consolidated results of operations for the three and nine months ended September 30, 2015 and 2014 and financial condition as of September 30, 2015 and December 31, 2014. 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 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, 2014 ("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 Form 10-Q, as well as in other documents we have filed with the Securities and Exchange Commission ("SEC").

#### Overview

Prior to April 20, 2015, we provided our principal products and services in three ongoing businesses—Retirement Solutions, Investment Management and Insurance Solutions—and reported our results for the ongoing businesses through five segments. Effective April 20, 2015, we provide our principal products and services in two ongoing businesses ("Ongoing Business")—Retirement and Investment Solutions; and Insurance Solutions. This change did not affect our five ongoing operating segments.

The Retirement and Investment Solutions business provides its products and services through three segments: Retirement, Annuities and Investment Management:

Our Retirement segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services to corporate, education, healthcare, other non-profit and government entities. Our Retirement segment also provides individual retirement accounts ("IRAs") and other retail financial products as well as comprehensive financial advisory services to individual customers as well as pension risk transfer solutions to institutional customers. Our retirement products and services are distributed through multiple intermediary channels, including third-party administrators ("TPAs"), independent and national wirehouse affiliated brokers and registered investment advisors, in addition to independent sales agents and consulting firms. We also have a direct sales team for large defined contribution plans and the stable value business, as well as a team of affiliated brokers who sell our products both in person and via telephone.

Our Annuities segment provides fixed, indexed and structured annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and postretirement income management. Annuity products are primarily distributed by independent marketing organizations, independent broker-dealers, banks, independent insurance agents, pension professionals and affiliated broker-dealers.

Our Investment Management segment provides investment products and retirement solutions to both individual and institutional customers by offering domestic and international fixed income, equity, multi-asset and alternative products and solutions across a range of geographies, market sectors, investment styles and capitalization spectrums. Investment Management products and services are primarily marketed to institutional clients, including public, corporate and union retirement plans, endowments and foundations and insurance companies, as well as individual investors and the general accounts of our insurance company subsidiaries. Investment Management products and

services are distributed through a combination of our direct sales force, consultant channel and intermediary partners (such as banks, broker-dealers and independent financial advisers).

The Insurance Solutions business provides its products and services through two segments: Individual Life and Employee Benefits:

Our Individual Life segment provides wealth accumulation, protection and transfer opportunities through universal, variable and term life products. Our customers range across a variety of age groups and income levels. We primarily distribute our product offerings through a network of independent general agents and managing directors ("Aligned Distributors"), who are committed to promoting Voya products to independent agents and advisors. Aligned Distributors receive higher levels of service, and access to proprietary tools and training. We also support other independent general agents and marketing organizations who sell a broad portfolio of products from various carriers including Voya branded life, annuity and mutual funds.

Our Employee Benefits segment provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses. We reinsure substantially all of our new disability sales to a third-party. To distribute our products we utilize brokers, consultants, TPAs and private exchanges. In the voluntary market, policies are marketed to employees at the worksite through enrollment firms, technology partners and brokers.

In addition to our Ongoing Business, we also have Corporate and Closed Blocks segments. Corporate includes our corporate operations and corporate level assets and financial obligations. The Corporate segment includes investment income on assets backing surplus in excess of amounts held at the segment level, financing and interest expenses, and other items not allocated to segments, including items such as expenses of our Strategic Investment Program (described below), certain expenses and liabilities of employee benefit plans and intercompany eliminations.

Closed Blocks consist of three separate reporting segments that include run-off and legacy business lines that are no longer being actively marketed or sold. Accordingly, these segments have been classified as closed blocks and are managed separately from our Ongoing Business.

The Closed Block Variable Annuity ("CBVA") segment consists of variable annuity contracts that were designed to offer long-term savings products in which individual contract owners made deposits that are maintained in separate accounts. These products included options for policyholders to purchase living benefit riders. In 2009, we separated our CBVA segment from our other operations, placing it in run-off, and made a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010 and the block shifted to run-off).

The Closed Block Institutional Spread Products segment historically issued guaranteed investment contracts ("GICs") and funding agreements and invested amounts raised to earn a spread. While the business in the Closed Block Institutional Spread Products segment is being managed in active run-off, we continue to issue liabilities from time to time to replace liabilities that are maturing.

The Closed Block Other segment consists primarily of retained and run-off activity related to divestments, including our group reinsurance and individual reinsurance businesses.

#### Revision of Previously Issued Financial Statements

As part of our ongoing process of validating actuarial models, we identified during the second quarter of 2015 improper inputs to the calculation of the estimated fair value of the embedded derivative in certain of our guaranteed minimum withdrawal benefits with life payouts ("GMWBL") products. The products are included in our CBVA segment, and are no longer offered by the Company. The errors affected our financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for periods prior to and including the three months ended March 31, 2015, and did not impact regulatory or rating agency capital. The errors did not affect our variable annuity policyholders in any manner.

Based on an analysis of quantitative and qualitative factors in accordance with SEC Staff Accounting Bulletins 99 and 108, we have concluded that these errors were not material to the consolidated financial position, results of operations or cash flows as presented in our quarterly and annual financial statements that have been previously filed in our

Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. As a result, amendment of such reports is not required. In preparing our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015 and the three and nine months ended September 30, 2015, we have made appropriate revisions to our financial statements for historical periods. Such changes are reflected in the financial results for the three and nine months ended September 30, 2014 and as of December 31, 2014 included in the interim financial statements in this Quarterly Report on Form 10-Q and discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), and will also be reflected in the historical financial results included in the Company's subsequent quarterly and annual consolidated financial statements.

See the "Revision of Previously Issued Financial Statements" section in 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 for more information.

### Trends and Uncertainties

Throughout this 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, we are cognizant of the potential for an increase in volatility upon the normalization of monetary policy. More recently we have seen a spike in volatility in both credit and equity markets primarily as a result of heightened concern around the health of economic activity in China and, by extension, global economic conditions. In the short- to medium-term, the potential for increased volatility, coupled with prevailing low interest rates, 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 assets under management ("AUM") fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. In the long-term, however, we believe the financial crisis of 2008-2009 ("financial crisis") and resultant lingering uncertainty will motivate individuals to seek solutions combining elements of capital preservation, income and growth. Thus, as a company with strong retirement, investment management and insurance capabilities, we believe current market conditions may ultimately 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.

### Interest Rate Environment

After generally moving modestly higher in the first half of 2015, yields across most high quality fixed income classes were relatively unchanged in the third quarter of 2015, and remain at levels that are still low by historical standards. The possibility that the Federal Reserve Board in the United States will begin normalization of monetary policy through an increase in the federal funds rate may impact both the level and volatility of long term interest rates. The timing and impact of any such increases in the federal fund rate are uncertain, depending on the Federal Reserve Board's assessment of economic growth, development in labor markets, inflation and other risks.

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 both attractive to customers and profitable. Our financial performance may also be adversely affected by the current low interest rate environment. The interest rate environment has historically influenced our business and financial performance, and we believe it will continue to do so in the future for several reasons, including the following:

Our general account investment portfolio, which was approximately \$89.0 billion as of September 30, 2015, consists predominantly of fixed income investments and currently has an average yield of approximately 5.0%. 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 2015 will earn an average yield in the range of 4.00% 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 our sensitivity to interest rates, see Quantitative and Qualitative Disclosure About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

In the long-term, however, we believe the financial crisis and resultant lingering uncertainty will motivate individuals to seek solutions combining elements of capital preservation, income and growth and enhance the attractiveness of our broad portfolio of products and services.

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

Our ongoing management of our CBVA segment is focused on preserving our current capitalization status through careful risk management and hedging. Because U.S. GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures, our hedge programs may create earnings volatility in our U.S. GAAP financial statements.

#### Governmental and Public Policy Impact on Demand for Our Products

The demand for our products is influenced by a dynamic combination of governmental and public policy factors. We anticipate that legislative and other governmental activity and our ability to flexibly respond to changes resulting from such activity will be crucial to our long-term financial performance. In particular, the demand for our products is influenced by the following factors:

**Availability and quality of public retirement solutions:** The lack of comprehensive or sufficient government-sponsored retirement solutions has been a significant driver of the popularity of private sector retirement products. We believe that concerns regarding Social Security and the reduced enrollment in defined benefit retirement plans may further increase the demand for private sector retirement solutions. The impact of any legislative actions or new government programs relating to retirement solutions on our business and financial performance will depend substantially on the level of private sector involvement and our ability to participate in any such programs. We believe we are well positioned to take advantage of any future developments involving participation in any such programs by private sector providers.

**Tax-advantaged status:** Many of the retirement savings, accumulation and protection products we sell qualify for tax-advantaged status. Changes in U.S. tax laws that alter the tax benefits of certain investment vehicles could have a material effect on demand for our products.

#### Increasing Longevity and Aging of the U.S. Population

We believe that the increasing longevity and aging of the U.S. population will affect (i) the demand, types of and pricing for our products and (ii) the levels of our AUM and assets under administration ("AUA"). As the "baby boomer" generation prepares for a longer retirement, we believe that demand for retirement savings, growth and income products will grow. The impact of this growth may be offset to some extent by asset outflows as an increasing percentage of the population begins withdrawing assets to convert their savings into income.

#### Competition

Our Ongoing Business operates in highly competitive markets. We face a variety of large and small industry participants, including diversified financial institutions, investment managers and insurance companies. These companies compete in one form or another for the growing pool of retirement assets driven by a number of exogenous factors such as the continued aging of the U.S. population



and the reduction in safety nets provided by governments and corporations. In many segments, product differentiation is difficult as product development and life cycles have shortened. In addition, we have experienced pressure on fees as product unbundling and lower cost alternatives have emerged. As a result, scale and the ability to provide value-added services and build long-term relationships are important factors to compete effectively. We believe that our leading presence in the retirement market and resulting relationships with millions of participants, diverse range of capabilities (as a provider of retirement, investment management and insurance products and services) and broad distribution network uniquely position us to effectively serve consumers' increasing demand for retirement savings, income and protection solutions.

#### Seasonality and Other Quarterly 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 and certain other expenses that tend to be concentrated in the first quarters. The effects of expense seasonality may be less during 2015 than previous years due to the timing of investments to support new product launches and distribution expansion. Additionally, alternative investment income tends to be lower in the first quarters. Other seasonal factors that affect the reporting segments making up our Ongoing 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.

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

The first quarters tend to have lower investment income from carried interest income recorded from investments in private equity, and also tend to have the lowest performance fees.

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.

##### Employee Benefits

The first quarters tend to have the highest Group Life loss ratio. There are a number of factors that might contribute to this trend, such as delayed claims filings during the end of calendar year holiday season. 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 policyholder liabilities 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.

#### Strategic Investment Program

On June 2, 2015, we announced that we would incur \$350.0 million of expenses over the next four years as it relates to IT simplification, digital and analytics and cross-enterprise initiatives ("Strategic Investment Program"). During the fourth quarter of 2015, we expect to incur approximately \$25 million to \$35 million of expenses on these projects. For the nine months ended September 30, 2015, we incurred \$44.8 million of expenses related to the Strategic Investment Program, which are reported in the Corporate segment.

## Operating Measures

This MD&A includes a discussion of Operating earnings before income taxes and Operating revenues, each of which is a measure that is not determined in accordance with U.S. GAAP, because our management uses these measures to manage our businesses and allocate our resources. We generally use these measures to provide our investors with useful information regarding our financial performance. In particular, these measures facilitate a comparison of period-to-period results without the effect of the volatility created by certain changes in the financial markets that affect our financial results as reported under U.S. GAAP. Other companies may use similarly titled non-U.S. GAAP financial measures that are calculated differently from the way we calculate such measures, and accordingly, our non-U.S. GAAP financial measures may not be comparable to similar measures used by other companies.

We also discuss certain operating measures, described below, as well as Operating earnings before income taxes and Operating revenues, which provide useful information about our Ongoing Business and the operational factors underlying our financial performance. See the Segments Note to these 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.

## AUM and AUA

A substantial portion of our fees, other charges and margins are based on AUM. AUM represents on-balance sheet assets supporting customer account values/liabilities and surplus as well as off-balance sheet institutional/mutual funds. Customer account values reflect the amount of policyholder equity that has accumulated within retirement, annuity and UL products. AUM includes general account assets managed by our Investment Management segment in which we bear the investment risk, separate account assets in which the contract owner bears the investment risk and institutional/mutual funds, which are excluded from our balance sheets. AUM-based revenues increase or decrease with a rise or fall in the amount of AUM, whether caused by changes in capital markets or by net flows.

AUM is principally affected by net deposits (i.e., new deposits, less surrenders and other outflows) and investment performance (i.e., interest credited to contract owner accounts for assets that earn a fixed return or market performance for assets that earn a variable return). Separate account AUM and institutional/mutual fund AUM include assets managed by our Investment Management segment, as well as assets managed by third-party investment managers. Our Investment Management segment reflects the revenues earned for managing affiliated assets for our other segments as well as assets managed for third parties.

AUA represents accumulated assets on contracts pursuant to which we either provide administrative services or product guarantees for assets managed by third parties. These contracts are not insurance and assets are excluded from the Condensed Consolidated Financial Statements. Fees earned on AUA are generally based on the number of participants, asset levels and/or the level of services or product guarantees that are provided.

Our consolidated AUM/AUA includes eliminations of AUM/AUA managed by our Investment Management segment that is also reflected in other segments' AUM/AUA and adjustments for AUM not reflected in any segments.

## Sales Statistics

In our discussion of our segment results under "Results of Operations—Segment by Segment," we sometimes refer to sales activity for various products. The term "sales" is used differently for different products, as described more fully below. These sales statistics do not correspond to revenues under U.S. GAAP and are used by us as operating measures underlying our financial performance.

Net flows are deposits less redemptions (including benefits and other product charges).

Sales for Individual Life products are based on a calculation of weighted average annual premiums ("WAP"). Sales for Employee Benefits products are based on a calculation of annual premiums, which represents regular premiums on new policies, plus a portion of new single premiums.

WAP is defined as the amount of premium for a policy's first year that is eligible for the highest first year commission rate, plus a varying portion of any premium in excess of this base amount, depending on the product. WAP is a key measure of recent sales performance of our products and is an indicator of the general growth or decline in certain lines of business. WAP is not equal to premium revenue under U.S. GAAP. Renewal premiums on existing policies are included in U.S. GAAP premium revenue in addition to first year premiums and thus changes in persistency of existing in-force business can potentially offset growth from current year sales.

Total gross premiums and deposits are defined as premium revenue and deposits for policies written and assumed. This measure provides information as to growth and persistency trends related to premium and deposits.

#### Other Measures

Total annualized in-force premiums are defined as a full year of premium at the rate in effect at the end of the period. This measure provides information as to the growth and persistency trends in premium revenue.

Interest adjusted loss ratios are defined as the ratio of benefits expense to premium revenue exclusive of the discount component in the change in benefit reserve. This measure reports the loss ratio related to mortality on life products and morbidity on health products.

In-force face amount is defined as the total life insurance coverage in effect as of the end of the period presented for business written and assumed. This measure provides information as to changes in policy growth and persistency with respect to death benefit coverage.

In-force policy count is defined as the number of policies written and assumed with coverage in effect as of the end of the period. This measure provides information as to policy growth and persistency.

New business policy count (paid) is defined as the number of policies issued during the period for which initial premiums have been paid by the policyholder. This measure provides information as to policy growth from sales during the period.

## Results of Operations - Company Condensed Consolidated

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

(\$ in millions)	Three Months Ended September		Nine Months Ended September	
	30, 2015	2014	30, 2015	2014
<b>Revenues:</b>				
Net investment income	\$1,126.7	\$1,163.6	\$3,435.3	\$3,430.1
Fee income	871.8	908.9	2,644.0	2,738.0
Premiums	1,128.8	595.1	2,404.8	1,825.4
Net realized capital gains (losses)	299.1	186.0	39.3	(365.1 )
Other revenue	106.7	101.0	315.3	316.8
<b>Income (loss) related to consolidated investment entities:</b>				
Net investment income	175.4	248.0	529.3	630.0
Changes in fair value related to collateralized loan obligations	11.0	(6.5 )	(23.6 )	(4.1 )
Total revenues	3,719.5	3,196.1	9,344.4	8,571.1
<b>Benefits and expenses:</b>				
Interest credited and other benefits to contract owners/policyholders	2,454.8	1,732.9	5,275.5	4,396.2
Operating expenses	750.9	767.3	2,290.7	2,315.1
Net amortization of Deferred policy acquisition costs and Value of business acquired	316.3	30.6	587.5	272.4
Interest expense	46.4	47.2	150.4	142.3
<b>Operating expenses related to consolidated investment entities:</b>				
Interest expense	66.7	56.6	203.9	152.3
Other expense	4.1	1.7	8.6	5.7
Total benefits and expenses	3,639.2	2,636.3	8,516.6	7,284.0
Income (loss) before income taxes	80.3	559.8	827.8	1,287.1
Income tax expense (benefit)	(35.9 )	37.4	128.8	74.2
Net income (loss)	116.2	522.4	699.0	1,212.9
Less: Net income (loss) attributable to noncontrolling interest	75.9	116.6	183.9	296.7
Net income (loss) available to our common shareholders	\$40.3	\$405.8	\$515.1	\$916.2

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

(\$ in millions)	September 30, 2015	2014
AUM and AUA:		
Retirement and Investment Solutions:		
Retirement	\$288,349.7	\$348,593.7
Annuities	26,700.9	26,790.1
Investment Management	249,439.0	259,757.3
Insurance Solutions:		
Individual Life	15,485.9	16,118.7
Employee Benefits	1,809.7	1,796.8
Eliminations/Other	(171,336.4	) (179,064.2
Total Ongoing Business	410,448.8	473,992.4
Closed Blocks:		
Closed Block Variable Annuity	38,229.2	43,550.2
Closed Block Institutional Spread Products	1,509.9	1,767.9
Closed Block Other	214.9	532.5
Total Closed Blocks	39,954.0	45,850.6
Total AUM and AUA	\$450,402.8	\$519,843.0
AUM	268,932.9	279,021.5
AUA	181,469.9	240,821.5
Total AUM and AUA	\$450,402.8	\$519,843.0

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Retirement and Investment Solutions:</b>				
Retirement	\$80.5	\$117.2	\$333.4	\$367.9
Annuities	50.5	78.3	180.1	197.3
Investment Management	45.6	58.6	139.5	163.3
<b>Insurance Solutions:</b>				
Individual Life	(10.8	) 39.8	70.3	134.3
Employee Benefits	44.2	37.0	122.5	91.7
Total Ongoing Business	210.0	330.9	845.8	954.5
Corporate	(75.6	) (47.1	) (177.1	) (122.7
<b>Closed Blocks:</b>				
Closed Block Institutional Spread Products	4.0	8.5	12.3	20.5
Closed Block Other	(1.4	) 2.0	8.1	1.4
Total Closed Blocks <sup>(1)</sup>	2.6	10.5	20.4	21.9
Total operating earnings before income taxes	137.0	294.3	689.1	853.7
<b>Adjustments:</b>				
Closed Block Variable Annuity	(7.1	) 136.0	144.0	78.1
Net investment gains (losses) and related charges and adjustments	(64.6	) 43.4	(23.6	) 174.0
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(31.7	) 33.4	(54.3	) 19.5
Loss related to businesses exited through reinsurance or divestment	(16.4	) (31.9	) (65.1	) (69.3
Income (loss) attributable to noncontrolling interest	75.9	116.6	183.9	296.7
Loss related to early extinguishment of debt	(0.2	) —	(10.1	) —
Other adjustments to operating earnings	(12.6	) (32.0	) (36.1	) (65.6
Income (loss) before income taxes	\$80.3	\$559.8	\$827.8	\$1,287.1

<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.



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 September		Nine Months Ended September	
	30, 2015	2014	30, 2015	2014
<b>Retirement and Investment Solutions:</b>				
Retirement	\$1,137.3	\$605.7	\$2,331.6	\$1,797.1
Annuities	314.4	344.6	940.4	1,029.8
Investment Management	152.6	168.3	474.3	492.0
<b>Insurance Solutions:</b>				
Individual Life	670.1	679.1	2,001.8	2,071.2
Employee Benefits	376.7	345.9	1,123.8	1,027.3
Total Ongoing Business	2,651.1	2,143.6	6,871.9	6,417.4
Corporate	14.1	22.9	53.1	71.8
<b>Closed Blocks:</b>				
Closed Block Institutional Spread Products	13.5	18.6	41.9	53.2
Closed Block Other	1.4	6.8	10.9	21.8
Total Closed Blocks <sup>(1)</sup>	14.9	25.4	52.8	75.0
Total operating revenues	2,680.1	2,191.9	6,977.8	6,564.2
<b>Adjustments:</b>				
Closed Block Variable Annuity	789.0	665.6	1,711.9	1,068.3
Net realized investment gains (losses) and related charges and adjustments	(97.8	) 48.2	(63.8	) 164.8
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	119.9	48.2	110.7	—
Revenues related to businesses exited through reinsurance or divestment	27.3	(4.8	) 15.7	81.1
Revenues attributable to noncontrolling interest	146.8	174.9	396.4	454.8
Other adjustments to operating revenues	54.2	72.1	195.7	237.9
Total revenues	\$3,719.5	\$3,196.1	\$9,344.4	\$8,571.1

<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 Operating revenues.

We believe the following tables will help investors better understand the components of the reconciliation between Operating earnings before income taxes and Income (loss) before income taxes related to Net investment gains (losses) 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 Net investment gains (losses) and the related Net amortization of DAC/VOBA and other intangibles for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended September	
	September 30,		30,	
	2015	2014	2015	2014
Other-than-temporary impairments	\$(37.7)	) \$(8.0)	) \$(49.9)	) \$(13.8)
CMO-B fair value adjustments <sup>(1)</sup>	(51.6)	) 34.9	(14.0)	) 154.1
Gains (losses) on the sale of securities	(7.1)	) 15.7	2.3	44.3
Other, including changes in the fair value of derivatives	2.7	5.2	3.7	(21.3)
Total investment gains (losses)	(93.7)	) 47.8	(57.9)	) 163.3
Net amortization of DAC/VOBA and other intangibles on above	26.0	(4.6)	) 32.7	9.2
Net investment gains (losses), including Closed Block Variable Annuity	(67.7)	) 43.2	(25.2)	) 172.5
Less: Closed Block Variable Annuity net investment gains (losses) and related charges and adjustments	(3.1)	) (0.2)	) (1.6)	) (1.5)
Net investment gains (losses)	\$(64.6)	) \$43.4	\$(23.6)	) \$174.0

<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.

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

(\$ in millions)	Three Months Ended		Nine Months Ended September	
	September 30,		30,	
	2015	2014	2015	2014
Gain (loss), excluding nonperformance risk	\$75.3	) \$(13.8)	) \$51.4	) \$(39.3)
Gain (loss) due to nonperformance risk	19.9	61.5	14.4	46.4
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	95.2	47.7	65.8	7.1
Net amortization of DAC/VOBA and sales inducements	(126.9)	) (14.3)	) (120.1)	) 12.4
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	\$(31.7)	) \$33.4	\$(54.3)	) \$19.5

## 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). See the descriptions within the "Results of Operations" section for a more comprehensive discussion of the causes of changes in Operating earnings before income taxes.

During the third quarter of 2015, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management and Corporate segments, for which assumption reviews are not relevant). As a result of this review, we have made a number of changes to our assumptions resulting in a net unfavorable impact of \$82.0 million to Operating earnings before income taxes for the three and nine months ended September 30, 2015, compared to a net unfavorable impact of \$19.3 million for the three and nine months ended September 30, 2014. These favorable/(unfavorable) impacts are included in the table below as components of DAC/VOBA and other intangibles unlocking.

During the third quarter of 2015, we received a distribution of cash in the amount of \$2.5 million in conjunction with a Lehman Brothers bankruptcy settlement ("Lehman Recovery") which was recognized in Net investment income. In addition, we recognized losses on certain receivables associated with previously disposed Low Income Housing Tax Credit partnerships ("LIHTC"). These losses, in the amount of \$0.9 million, were also recognized in Net investment income. Collectively, the Lehman Recovery and LIHTC losses, net of DAC/VOBA and other intangibles impacts, are referred to as "Net gain(loss) from Lehman Recovery/LIHTC."

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$ (93.1	) \$ (21.1	) \$ (95.4	) \$ (30.6
Net gain (loss) from Lehman Recovery/LIHTC	1.6	—	1.6	4.0

<sup>(1)</sup> Includes the impact of the annual review assumptions.

## Terminology Definitions

Net realized capital gains (losses), Net realized investment gains (losses) and related charges and adjustments and Net guaranteed benefit hedging 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, while other products contain such guarantees that are considered derivatives (collectively "guaranteed benefit derivatives").

## Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

### Net Income (loss)

Net investment income decreased \$36.9 million from \$1,163.6 million to \$1,126.7 million primarily due to lower alternative investment income, the impact of the continued low interest rate environment on reinvestment rates, the continuing runoff of the Annual Reset and Multi-Year Guarantee Annuities ("AR/MYGAs") in our Annuities segment, the decrease in block size in our Closed Block Institutional Spreads Products segment and the impact of the Term Life Coinsurance Agreement (defined below in the Individual Life segment's results of operations). Partially offsetting the

decrease was an increase in general account assets in our Retirement and CBVA segments and growth in AUM related to fixed indexed annuities (“FIA”) in our Annuities segment.

Fee income decreased \$37.1 million from \$908.9 million to \$871.8 million primarily due to lower fee income in our CBVA segment as a result of lower average separate account AUM as well as lower recordkeeping and full service fees in our Retirement segment. These decreases were partially offset by the favorable impact of prospective assumption updates and increased cost of insurance fees on the aging in-force universal life block in the Individual Life segment.

Premiums increased \$533.7 million from \$595.1 million to \$1,128.8 million primarily due to sales of pension risk transfer contracts in our Retirement segment, along with the annuitization of life contingent contracts in our CBVA segment, higher group stop loss sales and favorable persistency in the group life and voluntary product lines in our Employee Benefits segment. These increases were partially offset by lower premiums in immediate annuities with life contingencies in our Annuities segment and lower

premiums in our Individual Life segment due to the impact of the Term Life Coinsurance Agreement.

Net realized capital gains (losses) increased \$113.1 million from a gain of \$186.0 million to a gain of \$299.1 million primarily due to changes in fair value of derivatives and guaranteed benefit derivatives, excluding nonperformance risk, in our CBVA segment and Ongoing Business, discussed below, as well as changes in fair value of guaranteed benefit derivatives due to nonperformance risk, which resulted in an increase in Net realized capital gains of \$28.0 million, from \$232.8 million to \$260.8 million. In addition, favorable variances due to market value changes in assets associated with business reinsured correspond to an increase in Interest credited and other benefits to contract owners/policyholders. These improvements were partially offset by unfavorable changes in investment gains (losses), which are described below under Net investment gains (losses) and related charges and adjustments.

Changes in fair value of derivatives and guaranteed benefit derivatives, excluding nonperformance risk, in our CBVA segment resulted in a \$78.6 million increase in Net realized capital gains, including a favorable variance of \$907.1 million related to changes in fair value of derivatives from our CBVA hedge and capital hedge overlay ("CHO") program, partially offset by an unfavorable variance of \$828.5 million due to changes in guaranteed benefit derivatives. In addition, net realized capital gains increased \$112.9 million primarily due to changes in fair value of guaranteed benefit derivatives, excluding nonperformance risk in our Ongoing Business. The favorable variances, which included the impact of prospective assumption changes, were due to unfavorable equity market movements in the current period compared to the prior period and implied volatility.

Interest credited and other benefits to contract owner/policyholders increased \$721.9 million from \$1,732.9 million to \$2,454.8 million primarily due to sales of pension risk transfer contracts in our Retirement segment, reserve changes in our CBVA segment as a result of higher unfavorable equity market returns in the current period as well as impacts of policyholder behavior and other assumption updates, and an unfavorable change in mortality, net of reinsurance, in the Individual Life segment resulting from a higher claims severity. Higher reserves associated with annuitization of life contingent contracts in our CBVA segment also contributed to the increase, in addition to an increase in reserves in our Employee Benefits segment, primarily due to higher stop loss sales and higher group life and voluntary in-force due to improved persistency resulting in higher benefits incurred. An unfavorable variance due to changes in the funds withheld reserve and the reinsurance deposit asset associated with business reinsured resulting from market value changes in the related assets is partially offset by a corresponding amount recorded in Net realized capital gains (losses). These increases were partially offset by favorable changes in intangibles unlocking from prospective assumption changes primarily in the Individual Life segment, a decrease in reserves as a result of the Term Life Coinsurance Agreement, a decrease in annuity payout reserves resulting from a decrease in immediate annuities with life contingencies, a reserve adjustment related to a valuation model refinement and a decrease in interest credited driven by the continued runoff of AR/MYGAs.

Operating expenses decreased \$16.4 million from \$767.3 million to \$750.9 million primarily due to lower Operating expenses in our CBVA segment as a result of continued run-off of the block, lower recordkeeping expenses in our Retirement segment, and lower restructuring costs. These decreases were partially offset by higher sales related expenses in our Employee Benefits segment and expenses from our Strategic Investment Program.

Net amortization of DAC/VOBA increased \$285.7 million from \$30.6 million to \$316.3 million primarily due to unfavorable DAC/VOBA unlocking in the current period compared to the prior period as a result of prospective assumption changes in our segments. These increases were partially offset by lower amortization resulting from lower gross profits and lower amortization rates in our Retirement segment.

Income (loss) before income taxes decreased \$479.5 million from \$559.8 million to \$80.3 million as a result of changes in reserves in our CBVA segment primarily due to policyholder behavior and other assumption updates as well as unfavorable DAC/VOBA and other intangibles unlocking as a result of prospective assumption changes and unfavorable changes in mortality. In addition, lower alternative investment income, the impact of the continued low

interest rate environment on reinvestment rates as well as lower recordkeeping and full service fees in our Retirement segment contributed to the decline. These decreases were partially offset by favorable loss ratios in stop loss, lower operating expenses, improved margins related to the change in mix of business between AR/MYGAs and FIAs, and a reserve adjustment related to a valuation model refinement.

Income tax expense (benefit) changed \$73.3 million from \$37.4 million to \$(35.9) million primarily due to a decrease in Income (loss) before income taxes, partially offset by a decrease in the amount of the valuation allowance released in the current period compared to the prior period.

#### Operating Earnings before Income Taxes

Operating earnings before income taxes decreased \$157.3 million from \$294.3 million to \$137.0 million primarily due to

unfavorable DAC/VOBA and other intangibles unlocking in the current period compared to the prior period as a result of prospective assumption changes in our segments, lower alternative investment income, the impact of the continued low interest rate environment on reinvestment rates and unfavorable variances in mortality results net of reinsurance in the Individual Life segment. The unfavorable change in the Individual Life mortality reflects higher claims severity in the current period. In addition, higher Operating expenses as a result of our Strategic Investment Program contributed to the decrease. These decreases were partially offset by favorable loss ratios in group stop loss in our Employee Benefits segment, a reserve adjustment related to a valuation model refinement and improved margins in our Annuities 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 in Part I, Item 2. of this Quarterly Report on Form 10-Q.

Net investment gains (losses) and related charges and adjustments changed \$108.0 million from \$43.4 million to \$(64.6) million as a result of several factors, including lower gains from changes in fair value adjustments on our CMO-B portfolio and higher other-than-temporary impairments.

Net guaranteed benefit hedging gains (losses) and related charges and adjustments changed \$65.1 million from \$33.4 million to \$(31.7) million primarily due to hedge losses resulting from a high level of market volatility in the current period, unfavorable changes due to assumption updates and a decrease in the gain on nonperformance risk. Unfavorable changes due to assumption updates included favorable changes in the fair value of guaranteed benefit derivatives, excluding nonperformance risk, that were more than offset by higher DAC/VOBA and other intangibles amortization and unlocking.

Loss related to businesses exited through reinsurance or divestment decreased \$15.5 million from \$31.9 million to \$16.4 million primarily due to lower costs associated with reinsurance transactions, partially offset by costs related to a reinsurance transaction expected to close in the fourth quarter of 2015.

Other adjustments to operating earnings changed \$19.4 million from \$(32.0) million to \$(12.6) million primarily due to lower restructuring costs.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Net Income (Loss)

Net investment income increased \$5.2 million from \$3,430.1 million to \$3,435.3 million primarily due to an increase in general account assets in our Retirement and CBVA segments, growth in fixed indexed annuities ("FIA") in our Annuities segment and higher prepayment income in the Individual Life and Retirement segments. Partially offsetting the increase were lower alternative investment income, the impact of the continued low interest rate environment on reinvestment rates, the continuing runoff of the AR/MYGAs in our Annuities segment, the decrease in block size in our Closed Block Institutional Spreads Products segment and the impact of the Term Life Coinsurance Agreement.

Fee income decreased \$94.0 million from \$2,738.0 million to \$2,644.0 million primarily due to lower fee income in our CBVA segment as a result of lower average separate account AUM and lower recordkeeping fees in our Retirement segment. These decreases were partially offset by increased cost of insurance fees on the aging in-force universal life block, the impact of prospective assumptions changes in the Individual Life segment and an increase in fees from higher mutual funds AUM in our Annuities segment.

Premiums increased \$579.4 million from \$1,825.4 million to \$2,404.8 million primarily due to the sale of pension risk transfer contracts in our Retirement segment, annuitization of life contingent contracts in our CBVA segment, higher group stop loss sales and favorable persistency in the group life and voluntary product lines in our Employee Benefits segment. The increase was partially offset by lower premiums in immediate annuities with life contingencies in our Annuities segment and lower premiums in our Individual Life and Closed Block Other segments due to the impacts of the Term Life Coinsurance Agreement and the Second Quarter 2015 Reinsurance Transaction (defined below in the Closed Blocks segment's results of operations), respectively. The variances in Premiums correspond to changes in Interest credited and other benefits to contract owners/policyholders.

Net realized capital gains (losses) changed \$404.4 million from \$(365.1) million to \$39.3 million primarily due to changes in fair value of derivatives and guaranteed benefit derivatives, excluding nonperformance risk, in our CBVA segment and Ongoing Business, discussed below, as well as changes in fair value of guaranteed benefit derivatives due to nonperformance risk, which resulted in an increase in Net realized capital gains (losses) of \$21.1 million, from \$222.0 million to \$243.1 million. These



improvements were partially offset by unfavorable changes in investment gains (losses), which are described below under Net investment gains (losses) and related charges and adjustments. In addition, unfavorable variances due to market value changes and sales of securities associated with business reinsured correspond to an increase in Interest credited and other benefits to contract owners/policyholders.

Changes in fair value of derivatives and guaranteed benefit derivatives, excluding nonperformance risk, in our CBVA segment resulted in a \$529.3 million increase in Net realized capital gains (losses), including a favorable variance of \$811.6 million due to changes in fair value of derivatives from our CBVA hedge and capital hedge overlay ("CHO") program, partially offset by an unfavorable variance of \$282.3 million related to changes in guaranteed benefit derivatives. In addition, net realized capital gains increased \$142.2 million primarily due to changes in fair value of guaranteed benefit derivatives, excluding nonperformance risk in our Ongoing Business. The favorable variances, which included the impact of prospective assumption changes, were due to unfavorable equity market movements in the current period compared to the prior period.

Other revenue decreased \$1.5 million from \$316.8 million to \$315.3 million primarily due to changes in market value adjustments upon surrender.

Interest credited and other benefits to contract owners/policyholders increased \$879.3 million from \$4,396.2 million to \$5,275.5 million as a result of several factors, including sales of pension risk transfer contracts in our Retirement segment, reserve changes in our CBVA segment as a result of unfavorable equity market returns in the current period compared to favorable returns in the prior period, as well as impacts of policyholder behavior and other assumption updates, and an unfavorable change in mortality, net of reinsurance, in the Individual Life segment resulting from a higher claims severity. Higher reserves associated with annuitization of life contingent contracts in our CBVA segment also contributed to the increase, in addition to an increase in reserves in our Employee Benefits segment, primarily due to higher stop loss sales and higher group life and voluntary in-force due to improved persistency resulting in higher benefits incurred. Partially offsetting these increases was a favorable variance due to changes in the funds withheld reserve and the reinsurance deposit asset associated with business reinsured resulting from market value changes in the related assets, which are partially offset by a corresponding amount recorded in Net realized capital gains (losses). In addition, favorable changes in intangibles unlocking from prospective assumption changes primarily in the Individual Life segment, a decrease in reserves as a result of the Term Life Coinsurance Agreement, a decrease in annuity payout reserves resulting from a decrease in immediate annuities with life contingencies, a reserve adjustment related to a valuation model refinement and a decrease in interest credited driven by the continued runoff of AR/MYGAs, also partially offset the overall increase.

Operating expenses decreased \$24.4 million from \$2,315.1 million to \$2,290.7 million primarily due to lower Operating expenses in our CBVA segment as a result of continued run-off of the block, lower recordkeeping expenses in our Retirement segment, and lower restructuring costs. These decreases were partially offset by higher sales related expenses in our Employee Benefits segment, the impact of the Second Quarter 2015 Reinsurance Transaction, and expenses from our Strategic Investment Program.

Net amortization of DAC/VOBA increased \$315.1 million from \$272.4 million to \$587.5 million primarily due to unfavorable DAC/VOBA unlocking in the current period compared to the prior period as a result of prospective assumption changes in our segments and higher amortization resulting from higher gross profits in our Annuities segment. These increases were partially offset by favorable unlocking in our Individual Life segment, lower amortization resulting from lower gross profits and amortization rates in our Retirement segment, and lower amortization in our Employee Benefits segment as a result of terminated cases in the prior period.

Income (loss) before income taxes decreased \$459.3 million from \$1,287.1 million to \$827.8 million as a result of an unfavorable change in DAC/VOBA and other intangibles unlocking as a result of prospective assumption changes, lower alternative investment income, the impact of the continued low interest rate environment on reinvestment rates

and lower net investment gains, which are described below under Net investment gains (losses) and related charges and adjustments. In addition, lower recordkeeping fees in our Retirement segment, an unfavorable change in mortality from a higher claims severity in the Individual Life segment, and higher operating expenses as result of our Strategic Investment Program also contributed to the decrease. These decreases were partially offset by favorable loss ratios in stop loss and group life, improved margins related to the change in mix of business between AR/MYGAs and FIAs, a reserve adjustment related to a valuation model refinement and higher prepayment income.

Income tax expense (benefit) increased \$54.6 million from \$74.2 million to \$128.8 million primarily due to a decrease in the amount of the valuation allowance released in the current period compared to the prior period, partially offset by a decrease in Income (loss) before income taxes.

### Operating Earnings before Income Taxes

Operating earnings before income taxes decreased \$164.6 million from \$853.7 million to \$689.1 million primarily due to an unfavorable change in DAC/VOBA and other intangibles unlocking as a result of prospective assumption changes, lower alternative investment income, the impact of the continued low interest rate environment on reinvestment rates and higher Operating expenses as a result of our Strategic Investment Program. In addition, an unfavorable change in mortality largely driven by higher claims severity primarily in our Individual Life segment and lower recordkeeping fees in our Retirement segment also contributed to the decrease. These items were partially offset by higher prepayment income, favorable loss ratios in stop loss and group life in our Employee Benefits segment, a reserve adjustment related to a valuation model refinement and improved margins in our Annuities 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 in Part I, Item 2. of this Quarterly Report on Form 10-Q.

Net investment gains (losses) and related charges and adjustments changed \$197.6 million from \$174.0 million to \$(23.6) million as a result of lower gains from changes in fair value adjustments on our CMO-B portfolio, higher other-than-temporary impairments, and unfavorable DAC/VOBA and other intangibles amortization.

Net guaranteed benefit hedging losses and related charges and adjustments changed \$73.8 million from \$19.5 million to \$(54.3) million primarily due to hedge losses resulting from a high level of market volatility in the current period, unfavorable changes due to assumption updates and a decrease in the gain on nonperformance risk. Unfavorable changes due to assumption updates included favorable changes in the fair value of guaranteed benefit derivatives, excluding nonperformance risk, that were more than offset by higher DAC/VOBA and other intangibles amortization and unlocking.

Loss related to businesses exited through reinsurance or divestment decreased \$4.2 million from \$69.3 million to \$65.1 million primarily due to lower costs associated with reinsurance transactions, partially offset by costs related to a reinsurance transaction expected to close in the fourth quarter of 2015.

Other adjustments to operating earnings changed \$29.5 million from \$(65.6) million to \$(36.1) million primarily due to lower restructuring costs.

Income (loss) on early extinguishment of debt of \$(10.1) million in the current period was primarily due to the 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.

### Results of Operations - Ongoing Business

We consider the Retirement, Annuities, Investment Management, Individual Life, and Employee Benefits segments to be our Ongoing Business. The following table presents Operating earnings before income taxes of our Ongoing Business for the periods indicated:

(\$ in millions)	Three Months Ended		Nine Months Ended September	
	September 30,		30,	
	2015	2014	2015	2014
Operating earnings before income taxes	\$210.0	\$330.9	\$845.8	\$954.5

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

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
DAC/VOBA and other intangibles unlocking	\$(93.1	) \$(21.1	) \$(95.4	) \$(30.6

## Ongoing Business - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Operating earnings before income taxes decreased \$120.9 million from \$330.9 million to \$210.0 million primarily due to an unfavorable change in DAC/VOBA and other intangibles unlocking as a result of prospective assumption changes, lower alternative investment income and the impact of the continued low interest rate environment on reinvestment rates. In addition, an unfavorable change in mortality largely driven by higher claims severity in the Individual Life segment and lower recordkeeping and full service fees in our Retirement segment contributed to the decrease. These items were partially offset by higher prepayment income, favorable loss ratios in stop loss, a reserve adjustment related to a valuation model refinement and improved margins in our Annuities segment.

## Ongoing Business - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating earnings before income taxes decreased \$108.7 million from \$954.5 million to \$845.8 million primarily due to an unfavorable change in DAC/VOBA and other intangibles unlocking as a result of prospective assumption changes, lower alternative investment income and the impact of the continued low interest rate environment on reinvestment rates. In addition, an unfavorable change in mortality largely driven by higher claims severity in the Individual Life segment, the impact of the Term Life Coinsurance Agreement and lower recordkeeping and full service fees in our Retirement segment contributed to the decrease. These items were partially offset by higher prepayment income, favorable loss ratios in stop loss and group life, a reserve adjustment related to a valuation model refinement and improved margins in our Annuities segment.

## Results of Operations - Segment by Segment

## Retirement and Investment Solutions - Retirement

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$395.1	\$393.6	\$1,166.1	\$1,161.7
Fee income	180.9	193.5	556.7	577.5
Premiums	543.6	0.7	558.0	4.8
Other revenue	17.7	17.9	50.8	53.1
Total operating revenues	1,137.3	605.7	2,331.6	1,797.1
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	759.9	209.4	1,190.7	629.4
Operating expenses	210.6	208.6	651.7	651.9
Net amortization of DAC/VOBA	86.3	70.5	155.8	147.9
Total operating benefits and expenses	1,056.8	488.5	1,998.2	1,429.2
Operating earnings before income taxes	\$80.5	\$117.2	\$333.4	\$367.9

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014

DAC/VOBA and other intangibles unlocking      \$(48.2      ) \$(30.4      ) \$(48.9      ) \$(34.6      )

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of \$(39.0) million for the three and nine months ended September 30, 2015 and \$(18.8) million for the three and nine months ended September 30, 2014, which was included in Net amortization of DAC/VOBA. The unlocking in the current period was primarily driven by changes in portfolio yields and projected margins partially offset by favorable lapse and renewal premium experience. See Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles for further description.

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

(\$ in millions)	September 30,	
	2015	2014
Corporate markets	\$43,215.1	\$42,269.8
Tax-exempt markets	50,226.4	53,406.6
Total full service plans	93,441.5	95,676.4
Stable value <sup>(1)</sup> and pension risk transfer	10,664.6	8,827.1
Retail wealth management	3,186.7	3,151.2
Total AUM	107,292.8	107,654.7
AUA	181,056.9	240,939.0
Total AUM and AUA	\$288,349.7	\$348,593.7

<sup>(1)</sup> Stable value assets where we are the investment manager.

(\$ in millions)	September 30,	
	2015	2014
General Account	\$29,324.4	\$27,498.0
Separate Account	54,842.4	59,112.1
Mutual Fund/Institutional Funds	23,126.0	21,044.6
AUA	181,056.9	240,939.0
Total AUM and AUA	\$288,349.7	\$348,593.7

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance as of beginning of period	\$112,983.5	\$108,428.2	\$109,693.3	\$105,236.9
Deposits	3,934.4	3,165.9	11,752.2	9,887.0
Surrenders, benefits and product charges	(5,063.4)	(3,232.3)	(11,745.3)	(9,931.4)
Net flows	(1,129.0)	(66.4)	6.9	(44.4)
Interest credited and investment performance	(4,561.7)	(707.1)	(2,407.4)	3,371.0
Transfer to reinsurer	—	—	—	(908.8)
Balance as of end of period	\$107,292.8	\$107,654.7	\$107,292.8	\$107,654.7

Effective April 1, 2014, we entered into a coinsurance agreement to reinsure a block of in-force fixed deferred annuity contracts (the "Second Quarter 2014 Reinsurance Transaction"). This transaction was accounted for using deposit accounting. Under the agreement, the counterparty contractually assumed from us certain policyholder liabilities and obligations, although we remain obligated to contract owners. Consistent with our practice to exclude business (including blocks of business) exited via reinsurance or divestment from Operating earnings before income taxes and from Operating revenues, the revenues and expenses of this reinsured block of business are excluded from these metrics and in the tables above for the current period.





Retirement - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Operating revenues

Net investment income and net realized gains (losses) increased \$1.5 million from \$393.6 million to \$395.1 million primarily due to growth in general account assets mainly driven by positive net flows, including participant transfers from variable investment options into fixed investment options, as well as higher prepayment income. These increases were partially offset by lower alternative investment income and the impact of the continued low interest rate environment on reinvestment rates.

Fee income decreased \$12.6 million from \$193.5 million to \$180.9 million primarily due to lower fees in our recordkeeping and full service businesses. The decrease in recordkeeping and full service retirement plan fees was primarily due to terminated contracts.

Premiums increased \$542.9 million from \$0.7 million to \$543.6 million primarily due to pension risk transfer contracts, a new product that launched in the fourth quarter 2014. This increase corresponds to higher Interest credited and other benefits to contract owners/policyholders below.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased \$550.5 million from \$209.4 million to \$759.9 million primarily due to the increase in reserves associated with the pension risk transfer contracts as well as higher general account liabilities, which correspond to the growth in general account assets as referenced above.

Operating expenses increased \$2.0 million from \$208.6 million to \$210.6 million due to higher distribution expenses partially offset by lower recordkeeping expenses associated with terminated contracts during the current period.

Net amortization of DAC/VOBA increased \$15.8 million from \$70.5 million to \$86.3 million primarily due to higher unfavorable unlocking resulting from the impact of equity market performance and prospective assumption changes on DAC/VOBA unlocking in the current period. This increase was partially offset by lower amortization due to lower gross profits and amortization rates.

Operating earnings before income taxes decreased \$36.7 million from \$117.2 million to \$80.5 million primarily due to higher unfavorable DAC/VOBA unlocking as a result of assumption updates as well as the impact of terminated contracts in the recordkeeping and full service businesses, lower alternative investment income and higher distribution expenses in the current period. These unfavorable changes are partially offset by lower DAC/VOBA amortization due to a decline in gross profits and amortization rates and higher prepayment income.

Retirement - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating revenues

Net investment income and net realized gains (losses) increased \$4.4 million from \$1,161.7 million to \$1,166.1 million due to growth in general account assets driven by positive net flows, including participant transfers from variable investment options into fixed investment options, and higher prepayment income. These increases were partially offset by lower alternative investment income, the impact of the Second Quarter 2014 Reinsurance Transaction and the impact of the continued low interest rate environment on reinvestment rates.

Fee income decreased \$20.8 million from \$577.5 million to \$556.7 million primarily due to lower fees in our recordkeeping business, primarily due to terminated contracts.

Premiums increased \$553.2 million from \$4.8 million to \$558.0 million primarily due to pension risk transfer contracts, which correspond to higher Interest credited and other benefits to contract owners/policyholders below.

Other revenue decreased \$2.3 million from \$53.1 million to \$50.8 million primarily due to unfavorable changes in market value adjustments related to plan sponsors upon surrender during the current period.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased \$561.3 million from \$629.4 million to \$1,190.7 million primarily due to the increase in reserves associated with the pension risk transfer contracts as well as higher general account

liabilities, which correspond to the growth in general account assets as referenced above. These increases were partially offset by the impact of the Second Quarter 2014 Reinsurance Transaction.

Operating expenses remained flat at \$651.9 million in the current period compared to the prior period. The current period reflects lower recordkeeping expenses associated with terminated contracts and lower expenses due to the impact of the Second Quarter 2014 Reinsurance Transaction. These unfavorable changes were fully offset by higher distribution expenses.

Net amortization of DAC/VOBA increased \$7.9 million from \$147.9 million to \$155.8 million primarily due to higher unfavorable unlocking due to the impact of equity market performance and prospective assumption changes on DAC/VOBA unlocking in the current period. This increase was partially offset by lower amortization due to lower gross profits and amortization rates.

#### Operating earnings before income taxes

Operating earnings before income taxes decreased \$34.5 million from \$367.9 million to \$333.4 million primarily due to higher unfavorable DAC/VOBA unlocking as a result of assumption updates, the impact of terminated contracts in the recordkeeping business and lower alternative investment income in the current period. These unfavorable changes are partially offset by higher prepayment income and lower DAC/VOBA amortization due to a decline in gross profits and amortization rates.

#### Retirement and Investment Solutions - Annuities

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$264.8	\$282.3	\$795.0	\$828.7
Fee income	16.0	15.0	47.2	42.4
Premiums	30.1	42.7	87.2	144.3
Other revenue	3.5	4.6	11.0	14.4
Total operating revenues	314.4	344.6	940.4	1,029.8
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	166.0	204.1	518.7	631.3
Operating expenses	38.1	34.8	114.1	106.9
Net amortization of DAC/VOBA	59.8	27.4	127.5	94.3
Total operating benefits and expenses	263.9	266.3	760.3	832.5
Operating earnings before income taxes	\$50.5	\$78.3	\$180.1	\$197.3

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
DAC/VOBA and other intangibles unlocking	\$(12.9	) \$17.8	\$1.6	\$27.5



The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of \$(18.0) million for the three and nine months ended September 30, 2015 and \$10.3 for the three and nine months ended September 30, 2014, which was included in Net amortization of DAC/VOBA. The unlocking in the current period was driven primarily by revisions to projected margins for FIAs. See Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles for further description.

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

(\$ in millions)	September 30, 2015	2014
AUM:		
General account	\$21,704.1	\$22,111.7
Separate account	711.3	798.2
Mutual funds	4,285.5	3,880.2
Total AUM	\$26,700.9	\$26,790.1

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance as of beginning of period	\$26,889.5	\$27,264.9	\$26,650.0	\$26,646.7
Deposits	875.5	687.1	2,302.5	2,345.6
Surrenders, benefits and product charges	(841.5)	(1,310.0)	(2,481.2)	(3,005.5)
Net flows	34.0	(622.9)	(178.7)	(659.9)
Interest credited and investment performance	(222.6)	148.1	229.6	803.3
Balance as of end of period	\$26,700.9	\$26,790.1	\$26,700.9	\$26,790.1

#### Annuities - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Net investment income and net realized gains (losses) decreased \$17.5 million from \$282.3 million to \$264.8 million primarily due to lower general account assets resulting from the continued run-off of the AR/MYGAs and lower alternative investment income. These decreases were partially offset by higher investment income resulting from the growth in FIAs.

Fee income increased \$1.0 million from \$15.0 million to \$16.0 million primarily due to growth in assets of mutual fund custodial products. Average assets of the mutual fund custodial product increased from \$3.9 billion to \$4.4 billion due to positive net flows and market performance.

Premiums decreased \$12.6 million from \$42.7 million to \$30.1 million primarily due to lower premiums in immediate annuities with life contingencies which correspond to lower Interest credited and other benefits to contract owner/policyholders.

Other revenue decreased \$1.1 million from \$4.6 million to \$3.5 million primarily due to changes in market value adjustments related to annuities upon surrender.

#### Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased \$38.1 million from \$204.1 million to \$166.0 million primarily due to a decrease in payout reserves resulting from a decrease in immediate annuities with life contingencies and a reserve adjustment related to a valuation model refinement. Also contributing to the decline was lower interest credited, due to the continued run-off of the AR/MYGAs, as referenced above. The change in mix

of business between AR/MYGAs and FIAs had a favorable impact on total interest credited, since option costs of FIAs are lower than credited rates on AR/MYGAs. These favorable changes are partially offset by unfavorable sales inducement amortization during the current period.

Operating expenses increased \$3.3 million from \$34.8 million to \$38.1 million primarily due to higher mutual fund commissions and increases in technology and distribution expenses.

Net amortization of DAC/VOBA increased \$32.4 million from \$27.4 million to \$59.8 million primarily due to unfavorable DAC/VOBA unlocking due to annual assumption updates as well as an increase in amortization due to higher gross profits in the current period. These unfavorable changes were partially offset by the impact of lower amortization rates.

#### Operating earnings before income taxes

Operating earnings before income taxes decreased \$27.8 million from \$78.3 million to \$50.5 million as a result of unfavorable DAC/VOBA unlocking resulting from annual assumption updates and lower alternative investment income. Partially offsetting these items were improved margins related to the change in mix of business between AR/MYGAs and FIAs, and a reserve adjustment related to a valuation model refinement.

#### Annuities - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

##### Operating revenues

Net investment income and net realized gains (losses) decreased \$33.7 million from \$828.7 million to \$795.0 million primarily due to lower general account assets resulting from the continued run-off of the AR/MYGAs, and lower alternative investment income. Partially offsetting these items was higher investment income resulting from the growth in FIAs and higher prepayment income.

Fee income increased \$4.8 million from \$42.4 million to \$47.2 million primarily due to growth in assets of mutual fund custodial products. Average assets of the mutual fund custodial product increased from \$3.7 billion to \$4.3 billion during the current year due to positive net flows and market performance.

Premiums decreased \$57.1 million from \$144.3 million to \$87.2 million primarily due to lower premiums in immediate annuities with life contingencies which correspond to lower Interest credited and other benefits to contract owner/policyholders.

Other revenue decreased \$3.4 million from \$14.4 million to \$11.0 million primarily due to changes in market value adjustments related to annuities upon surrender.

##### Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased \$112.6 million from \$631.3 million to \$518.7 million primarily due to a decrease in payout reserves resulting from a decrease in immediate annuities with life contingencies and a reserve adjustment related to a valuation model refinement. Also contributing to the decline was lower interest credited, primarily due to the continued run-off of the AR/MYGAs as referenced above. The change in mix of business between AR/MYGAs and FIAs had a favorable impact on total interest credited, since option costs of FIAs are lower than credited rates on AR/MYGAs. These favorable changes are partially offset by unfavorable sales inducements amortization during the current period.

Operating expenses increased \$7.2 million from \$106.9 million to \$114.1 million primarily due to higher mutual fund commissions and increases in technology and distribution expenses.

Net amortization of DAC/VOBA increased \$33.2 million from \$94.3 million to \$127.5 million primarily due to unfavorable DAC/VOBA unlocking due to annual assumption updates as well as an increase in amortization due to higher gross profits in the current period. These unfavorable changes were partially offset by the impact of lower amortization rates.

Operating earnings before income taxes

Operating earnings before income taxes decreased \$17.2 million from \$197.3 million to \$180.1 million as a result of unfavorable DAC/VOBA unlocking resulting from annual assumption updates and lower alternative investment income. Partially offsetting these items were improved margins related to the change in mix of business between AR/MYGAs and FIAs, higher prepayment income, and a reserve adjustment related to a valuation model refinement.



Retirement and Investment Solutions - Investment Management

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$0.4	\$9.0	\$9.9	\$24.3
Fee income	145.0	149.5	439.5	442.4
Other revenue	7.2	9.8	24.9	25.3
Total operating revenues	152.6	168.3	474.3	492.0
Operating benefits and expenses:				
Operating expenses	107.0	109.7	334.8	328.7
Total operating benefits and expenses	107.0	109.7	334.8	328.7
Operating earnings before income taxes	\$45.6	\$58.6	\$139.5	\$163.3

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Investment Management intersegment revenues	\$39.9	\$40.0	\$118.4	\$118.3

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

(\$ in millions)	September 30,	
	2015	2014
AUM:		
Institutional/retail		
Investment Management sourced	\$67,929.9	\$69,232.2
Affiliate sourced <sup>(1)</sup>	53,830.5	58,941.3
General account	79,748.5	78,503.1
Total AUM	201,508.9	206,676.6
AUA:		
Affiliate sourced <sup>(2)</sup>	47,930.1	53,080.7
Total AUM and AUA	\$249,439.0	\$259,757.3

<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:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Flows:				
Investment Management sourced	\$(1,126.0)	\$(412.6)	\$168.3	\$337.9
Affiliate sourced	(777.4)	591.4	(3,152.5)	2,867.4
Total	\$(1,903.4)	\$178.8	\$(2,984.2)	\$3,205.3



Investment Management - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Operating revenues

Net investment income and net realized gains (losses) decreased \$8.6 million from \$9.0 million to \$0.4 million primarily due to lower alternative investment income in the current period.

Fee income decreased \$4.5 million from \$149.5 million to \$145.0 million primarily due to a decline in institutional/retail average AUM partly driven by equity market declines and net cash flows resulting in lower management and administrative fees earned. The unfavorable variance is also driven by certain fees earned in the prior period associated with private equity funds that did not reoccur in the current period.

Other revenue decreased \$2.6 million from \$9.8 million to \$7.2 million primarily due to lower performance fees including certain performance fees earned in the prior period that did not reoccur.

Operating benefits and expenses

Operating expenses decreased \$2.7 million from \$109.7 million to \$107.0 million primarily due to lower variable expenses associated with lower operating earnings in the current period.

Operating earnings before income taxes

Operating earnings before income taxes decreased \$13.0 million from \$58.6 million to \$45.6 million primarily due to a decline in alternative investment income, lower management and administrative fees due to a decline in average AUM, lower performance fees and certain fees earned in the prior period associated with private equity funds that did not reoccur in the current period. These unfavorable changes were partially offset by lower variable expenses associated with lower operating earnings.

Investment Management - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating revenues

Net investment income and net realized gains (losses) decreased \$14.4 million from \$24.3 million to \$9.9 million primarily due to lower alternative investment income in the current period.

Fee income decreased \$2.9 million from \$442.4 million to \$439.5 million primarily due to certain fees earned in the prior period associated with private equity funds that did not reoccur in the current period, partially offset by higher fee income overall driven by higher Institutional/Retail average AUM.

Other revenue decreased \$0.4 million from \$25.3 million to \$24.9 million primarily due to lower performance fees partially offset by higher advisory and servicing fees earned in the current period.

Operating benefits and expenses

Operating expenses increased \$6.1 million from \$328.7 million to \$334.8 million primarily due to higher compensation related expenses including commissions from higher sales, as well as higher administrative and information related expenses. These unfavorable changes are partially offset by lower variable expenses associated with lower operating earnings.

Operating earnings before income taxes

Operating earnings before income taxes decreased \$23.8 million from \$163.3 million to \$139.5 million primarily due to lower alternative investment income, certain fees earned in the prior period associated with private equity funds that did not reoccur in the current period and higher operating expenses. These unfavorable changes were partially offset by lower variable expenses associated with lower operating earnings.

## Insurance Solutions - Individual Life

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$218.8	\$226.3	\$662.0	\$661.6
Fee income	307.0	269.3	889.3	838.4
Premiums	140.2	179.1	438.2	554.5
Other revenue	4.1	4.4	12.3	16.7
Total operating revenues	670.1	679.1	2,001.8	2,071.2
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	527.5	632.8	1,513.9	1,659.9
Operating expenses	90.1	88.7	267.8	275.7
Net amortization of DAC/VOBA	63.3	(82.2)	) 149.8	1.3
Total operating benefits and expenses	680.9	639.3	1,931.5	1,936.9
Operating earnings before income taxes	\$(10.8)	) \$39.8	\$70.3	\$134.3

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
DAC/VOBA and other intangibles unlocking	\$(29.4)	) \$(7.1)	) \$(43.9)	) \$(15.7)

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of \$(23.0) million for the three and nine months ended September 30, 2015 compared to \$(9.5) million for the three and nine months ended September 30, 2014. The net unfavorable unlocking in the current period was driven primarily by higher persistency on less profitable policies.

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

(\$ in millions)	Three and Nine Months Ended September 30,	
	2015	2014
Fee income	\$14.7	\$(17.6)
Interest credited and other benefits to contract owners/policyholders	(19.8)	) (115.7)
Net amortization of DAC/VOBA	(17.9)	) 123.8
Total	\$(23.0)	) \$(9.5)

See Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles for further description.

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Sales by Product Line:</b>				
<b>Universal life:</b>				
Guaranteed	\$0.1	\$—	\$0.1	\$—
Accumulation	1.4	2.6	4.0	7.5
Indexed	18.2	16.0	48.1	37.2
Total universal life	19.7	18.6	52.2	44.7
Variable life	1.0	1.4	3.7	3.8
Whole life	—	—	—	0.1
Term	4.0	6.8	14.0	22.1
Total sales by product line	\$24.7	\$26.8	\$69.9	\$70.7
<b>Total gross premiums</b>				
	\$464.7	\$511.3	\$1,409.9	\$1,535.1
<b>End of period:</b>				
In-force face amount	\$466,215.8	\$598,128.2	\$466,215.8	\$598,128.2
In-force policy count	1,091,950	1,305,351	1,091,950	1,305,351
New business policy count (paid)	4,654	7,452	15,668	24,168

Effective October 1, 2014, we disposed of, via reinsurance, a block of in-force Term contracts (the "Term Life Coinsurance Agreement"). Consistent with our practice to exclude business (including blocks of business) exited via reinsurance or divestment from Operating earnings before income taxes and from Operating revenues, the revenues and expenses of this reinsured block of business are excluded from these metrics and excluded from the current period in the table above.

Individual Life - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

#### Operating revenues

Net investment income and net realized gains (losses) decreased \$7.5 million from \$226.3 million to \$218.8 million primarily due to the impact of the Term Life Coinsurance Agreement as well as lower prepayment income and alternative investment income partially offset by a change in the mix of invested assets.

Fee income increased \$37.7 million from \$269.3 million to \$307.0 million primarily due to a favorable change in intangible unlocking resulting from prospective assumption changes and the increase in cost of insurance fees on the aging in-force universal life block.

Premiums decreased \$38.9 million from \$179.1 million to \$140.2 million primarily due to the impact of the Term Life Coinsurance Agreement in the current period. Excluding the impact of this transaction, premiums increased slightly due to higher renewal premiums largely offset by lower term life sales.

#### Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased \$105.3 million from \$632.8 million to \$527.5 million primarily due to the impact of the Term Life Coinsurance Agreement and lower unfavorable intangible unlocking from prospective assumption changes in the current period. Partially offsetting these decreases was an unfavorable change in mortality due to higher claims severity, net of reinsurance.

Operating expenses increased \$1.4 million from \$88.7 million to \$90.1 million primarily due to increased credit facility fees supporting reinsurance transactions partially offset by the impact of the Term Life Coinsurance Agreement.

Net amortization of DAC/VOBA increased \$145.5 million from \$(82.2) million to \$63.3 million primarily due to an unfavorable variance in DAC/VOBA unlocking resulting from prospective assumption changes. The unfavorable DAC/VOBA unlocking in the current period was partially offset by unlocking explained in the Interest credited and other benefits to contract owners/policyholder and Fee Income lines above.

#### Operating earnings before income taxes

Operating earnings before income taxes decreased \$50.6 million from \$39.8 million to \$(10.8) million primarily due to an unfavorable change in mortality net of reinsurance resulting from a higher claims severity and net unfavorable DAC/VOBA and other intangibles unlocking from prospective assumption changes.

Individual Life - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

#### Operating revenues

Net investment income and net realized gains (losses) increased \$0.4 million from \$661.6 million to \$662.0 million primarily due to higher prepayment income and a change in the mix of invested assets, partially offset by the impact of the Term Life Coinsurance Agreement.

Fee income increased \$50.9 million from \$838.4 million to \$889.3 million primarily due to favorable intangible unlocking resulting from prospective assumption changes and an increase in cost of insurance fees on the aging in-force universal life block.

Premiums decreased \$116.3 million from \$554.5 million to \$438.2 million primarily due to the impact of the Term Life Coinsurance Agreement in the current period. Excluding the impact of this transaction, premiums increased due to renewal premiums partially offset by lower first year premiums due to lower term life sales.

Other revenue decreased \$4.4 million from \$16.7 million to \$12.3 million primarily due to proceeds from legacy company owned life insurance in the prior periods that did not reoccur.

#### Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased \$146.0 million from \$1,659.9 million to \$1,513.9 million primarily due to the impact of the Term Life Coinsurance Agreement and lower unfavorable intangible unlocking primarily related to prospective assumption updates. These decreases were partially offset by unfavorable changes in mortality, net of reinsurance.

Operating expenses decreased \$7.9 million from \$275.7 million to \$267.8 million primarily due to the impact of the Term Life Coinsurance Agreement along with lower staffing costs. These decreases were partially offset by increased credit facility fees supporting reinsurance transactions and higher commissions.

Net amortization of DAC/VOBA increased \$148.5 million from \$1.3 million to \$149.8 million primarily due to unfavorable DAC/VOBA unlocking from prospective assumption changes. The unfavorable DAC/VOBA unlocking in the current period was partially offset by unlocking explained in the Interest credited and other benefits to contract owners/policyholders and Fee income lines above. Excluding the impact of unlocking, net amortization of DAC/VOBA increased due to higher amortization on the universal life block.

#### Operating earnings before income taxes

Operating earnings before income taxes decreased \$64.0 million from \$134.3 million to \$70.3 million primarily due to an unfavorable change in mortality, net of reinsurance from a higher claims severity, net unfavorable DAC/VOBA and



other intangibles unlocking from prospective assumption changes and the impact of the Term Life Coinsurance Agreement, partially offset by an increase in the cost of insurance fees on the aging in-force universal life block.

## Insurance Solutions - 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$26.8	\$29.1	\$81.3	\$83.5
Fee income	21.0	23.9	52.3	54.2
Premiums	330.2	293.7	994.6	892.8
Other revenue	(1.3	) (0.8	) (4.4	) (3.2
Total operating revenues	376.7	345.9	1,123.8	1,027.3
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	252.7	235.7	768.2	719.8
Operating expenses	71.2	60.9	214.8	190.2
Net amortization of DAC/VOBA	8.6	12.3	18.3	25.6
Total operating benefits and expenses	332.5	308.9	1,001.3	935.6
Operating earnings before income taxes	\$44.2	\$37.0	\$122.5	\$91.7

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
DAC/VOBA and other intangibles unlocking	\$(2.6	) \$(1.4	) \$(4.2	) \$(7.8

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of \$(2.0) million for the three and nine months ended September 30, 2015 and \$(1.4) million for the three and nine months ended September 30, 2014. The unlocking in the current period was driven primarily by inforce assumption changes.

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

(\$ in millions)	Three and Nine Months Ended September 30,	
	2015	2014
Fee income	\$3.8	\$7.7
Net amortization of DAC/VOBA	(5.8	) (9.1
Total	\$(2.0	) \$(1.4

See Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles 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 September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
<b>Sales by Product Line:</b>					
Group life	\$6.1	\$7.2	\$48.7	\$48.8	
Group stop loss	28.2	21.8	253.1	213.6	
Other group products	3.0	1.3	23.9	12.3	
Total group products	37.3	30.3	325.7	274.7	
Voluntary products	5.6	5.2	30.7	31.8	
Total sales by product line	\$42.9	\$35.5	\$356.4	\$306.5	
Total gross premiums and deposits	\$380.2	\$340.6	\$1,138.2	\$1,031.8	
Total annualized in-force premiums	1,599.7	1,398.2	1,599.7	1,398.2	
<b>Loss Ratios:</b>					
Group life (interest adjusted)	75.6	% 75.4	% 74.6	% 77.3	%
Group stop loss	67.3	% 72.1	% 70.0	% 72.3	%

Employee Benefits - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

#### Operating revenues

Net investment income and net realized gains (losses) decreased \$2.3 million from \$29.1 million to \$26.8 million driven by lower alternative investment income and lower prepayment income.

Fee Income decreased \$2.9 million from \$23.9 million to \$21.0 million primarily due to lower favorable intangible unlocking in the unearned revenue reserve resulting from prospective assumption changes. This was offset by lower unfavorable DAC/VOBA unlocking from prospective assumption changes as discussed below.

Premiums increased \$36.5 million from \$293.7 million to \$330.2 million primarily due to higher sales of group stop loss as well as favorable persistency in the group life and voluntary product lines.

#### Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased \$17.0 million from \$235.7 million to \$252.7 million primarily due to higher group stop loss sales and higher group life and voluntary in-force due to improved persistency resulting in higher benefits incurred. The improved loss ratio on stop loss business partially offset these items.

Operating expenses increased \$10.3 million from \$60.9 million to \$71.2 million primarily related to higher commissions due to higher sales and higher variable expenses associated with the growth of the business. Net Amortization of DAC/VOBA decreased \$3.7 million from \$12.3 million to \$8.6 million primarily due to lower unfavorable DAC/VOBA unlocking resulting from prospective assumption changes. The lower unfavorable DAC/VOBA unlocking in the current period was offset by the unlocking explained in Fee income above.

#### Operating earnings before income taxes

Operating earnings before income taxes increased \$7.2 million from \$37.0 million to \$44.2 million primarily due to higher stop loss premium resulting from higher sales and improved loss ratios, partially offset by higher benefits incurred and higher variable expenses in the current period.

Employee Benefits - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating revenues

Net investment income and net realized gains (losses) decreased \$2.2 million from \$83.5 million to \$81.3 million driven by lower alternative investment income.

Fee Income decreased \$1.9 million from \$54.2 million to \$52.3 million primarily due to lower favorable intangible unlocking in the unearned revenue reserve resulting from prospective assumption changes. This was offset by lower unfavorable DAC/VOBA unlocking from prospective assumption changes as discussed below.

Premiums increased \$101.8 million from \$892.8 million to \$994.6 million primarily due to sales of group stop loss as well as favorable persistency on group life and voluntary product lines.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased \$48.4 million from \$719.8 million to \$768.2 million primarily due to higher group stop loss sales and improved persistency in voluntary products resulting in higher benefits incurred, partially offset by improved loss ratios on group life and stop loss business.

Operating expenses increased \$24.6 million from \$190.2 million to \$214.8 million primarily due to higher commissions related to higher sales and higher variable expenses associated with the growth of the business.

Net amortization of DAC/VOBA decreased \$7.3 million from \$25.6 million to \$18.3 million primarily due to lower unfavorable DAC/VOBA unlocking resulting from prospective assumption changes. The unfavorable DAC/VOBA unlocking in the current period was offset by the lower favorable unlocking explained in Fee income above. In addition, terminated cases contributed to lower amortization in the current period.

Operating earnings before income taxes

Operating earnings before income taxes increased \$30.8 million from \$91.7 million to \$122.5 million primarily due to higher stop loss premium resulting from higher sales in the current period and improved loss ratios, partially offset by higher benefits incurred and higher variable expenses.

Corporate

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest expense	\$(48.1)	) \$(46.8)	) \$(146.0)	) \$(140.5)
Amortization of intangibles	(9.1)	) (9.2)	) (27.5)	) (26.4)
Strategic Investment Program	(31.7)	) —	) (44.8)	) —
Other	13.3	) 8.9	) 41.2	) 44.2
Operating earnings before income taxes	\$(75.6)	) \$(47.1)	) \$(177.1)	) \$(122.7)

Our Corporate segment operating results include investment income on assets backing surplus in excess of amounts held at the segment level, financing and interest expenses, amortization of intangibles and other items not allocated to operating segments.



## Corporate - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Operating earnings before income taxes decreased \$28.5 million from \$(47.1) million to \$(75.6) million primarily related to \$31.7 million of expenses associated with our Strategic Investment Program, incremental interest expense related to contingent capital, and lower investment income. These items were partially offset by lower operating expenses and a payment received in conjunction with a Lehman Brothers bankruptcy settlement.

## Corporate - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating earnings before income taxes decreased \$54.4 million from \$(122.7) million to \$(177.1) million primarily related to \$44.8 million of expenses associated with our Strategic Investment Program, incremental interest expense related to contingent capital, and lower investment income including lower payments received in conjunction with a Lehman Brothers bankruptcy settlement. These items were partially offset by lower operating expenses.

## Closed Blocks

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Closed Block Institutional Spread Products	\$4.0	\$8.5	\$12.3	\$20.5
Closed Block Other	(1.4	) 2.0	8.1	1.4
Operating earnings before income taxes	\$2.6	\$10.5	\$20.4	\$21.9

The following table presents Operating earnings before income taxes of our Closed Block Institutional Spread Products segment for the periods indicated:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$13.7	\$18.4	\$42.5	\$52.2
Premiums	—	0.6	—	1.8
Other revenue	(0.2	) (0.4	) (0.6	) (0.8
Total operating revenues	13.5	18.6	41.9	53.2
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	7.2	7.5	22.1	23.8
Operating expenses	2.3	2.5	7.5	8.6
Net amortization of DAC/VOBA	—	0.1	—	0.3
Total operating benefits and expenses	9.5	10.1	29.6	32.7
Operating earnings before income taxes	\$4.0	\$8.5	\$12.3	\$20.5

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015 <sup>(1)</sup>	2014	2015 <sup>(1)</sup>	2014
Operating revenues:				
Net investment income and net realized gains (losses)	\$0.3	\$6.0	\$8.3	\$18.1
Premiums	0.8	0.6	2.1	3.4
Other revenue	0.3	0.2	0.5	0.3
Total operating revenues	1.4	6.8	10.9	21.8
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	1.2	0.4	(1.4	) 8.5
Operating expenses	1.6	4.4	4.2	11.9
Total operating benefits and expenses	2.8	4.8	2.8	20.4
Operating earnings before income taxes	\$(1.4	) \$2.0	\$8.1	\$1.4

<sup>(1)</sup> Amounts exclude group reinsurance policies disposed of via reinsurance effective April 1, 2015.

Effective April 1, 2015, we disposed of, via reinsurance, retained group reinsurance policies (the "Second Quarter 2015 Reinsurance Transaction"). Consistent with our practice to exclude business (including blocks of business) exited via reinsurance or divestment from Operating earnings before income taxes and from Operating revenues, beginning in the second quarter of 2015, the revenues and expenses of this reinsured block of business are excluded from these metrics. See Liquidity and Capital Resources - Reinsurance in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

#### Closed Blocks - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

##### Closed Block Institutional Spread Products

Operating earnings before income taxes decreased \$4.5 million from \$8.5 million to \$4.0 million primarily due to lower earnings resulting from declines in the block size. The average block size based on AUM declined approximately 25% from \$2.0 billion during the third quarter 2014 compared to \$1.5 billion during the current quarter.

##### Closed Block Other

Operating earnings before income taxes decreased \$3.4 million from \$2.0 million to \$(1.4) million loss primarily due to the impact of the Second Quarter 2015 Reinsurance Transaction partially offset by lower operating expenses due to a lower accrual for a contingency compared to the prior period.

#### Closed Blocks - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

##### Closed Block Institutional Spread Products

Operating earnings before income taxes decreased \$8.2 million from \$20.5 million to \$12.3 million primarily due to lower earnings resulting from declines in the block size as well as a decrease in accretion income on impaired assets. The average block size based on AUM declined approximately 27% from \$2.2 billion during the nine months ended September 30, 2014 compared to \$1.6 billion during the current period.

##### Closed Block Other



Operating earnings before income taxes increased \$6.7 million from \$1.4 million to \$8.1 million primarily due to a lower accrual for a contingency compared to the prior period.

## Closed Block Variable Annuity

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Net investment income	\$61.1	\$43.0	\$166.7	\$116.7
Fee income	274.9	316.2	854.1	948.8
Premiums	82.4	76.0	335.9	219.2
Net realized capital gains (losses)	370.3	227.1	349.6	(227.4)
Other revenue	0.3	3.3	5.6	11.0
Total revenues	789.0	665.6	1,711.9	1,068.3
Benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	682.9	429.3	1,203.2	618.6
Operating expenses and interest expense	104.1	116.9	326.7	357.6
Net amortization of DAC/VOBA	9.1	(16.6)	38.0	14.0
Total benefits and expenses	796.1	529.6	1,567.9	990.2
Income (loss) before income taxes	\$(7.1)	\$136.0	\$144.0	\$78.1

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net gains (losses) related to incurred guaranteed benefits and guarantee hedge program, excluding nonperformance risk	\$(601.7)	\$(319.3)	\$(859.3)	\$(816.1)
Gain (losses) related to CHO program	122.4	(2.0)	105.7	(56.1)
Gain (loss) due to nonperformance risk	240.9	171.3	228.7	175.6
Net investment gains (losses)	(3.1)	(0.2)	(1.6)	(1.5)
DAC/VOBA and other intangibles unlocking	4.1	37.8	1.8	39.8

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

(\$ in millions)	September 30, 2015	2014
AUM:		
General account	\$3,269.8	\$1,795.2
Separate account	34,959.4	41,755.0
Total AUM	\$38,229.2	\$43,550.2

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance as of beginning of period	\$38,902.6	\$44,223.4	\$41,132.0	\$44,788.2
Deposits	27.8	34.9	95.7	135.9
Surrenders, benefits and product charges	(1,016.6 )	(1,260.1 )	(3,685.5 )	(3,804.1 )
Net flows	(988.8 )	(1,225.2 )	(3,589.8 )	(3,668.2 )
Interest credited and investment performance	(2,502.0 )	(760.0 )	(2,130.4 )	1,118.2
Balance as of end of period	\$35,411.8	\$42,238.2	\$35,411.8	\$42,238.2
End of period contracts in payout status	\$2,817.4	\$1,312.0	\$2,817.4	\$1,312.0
Total balance as of end of period*	\$38,229.2	\$43,550.2	\$38,229.2	\$43,550.2

\* Includes products in accumulation and payout phase, Policy Loans and Life Insurance Business.

#### Closed Block Variable Annuity - Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Income (loss) before income taxes changed \$143.1 million from \$136.0 million to \$(7.1) million. Annual assumption changes and revisions to projection model inputs implemented during the current period resulted in a loss of \$86.0 million, compared to a gain of \$102.3 million in the prior period (which excluded a gain of \$37.9 million due to changes in the technique used to estimate nonperformance risk). The \$86.0 million loss included an unfavorable \$43.0 million resulting from policyholder behavior assumption changes, partially offset by a favorable \$27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable \$70.4 million as a result of updates made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contract holders, discount rates applicable to future cash flows from variable annuity contracts and long-term volatility. The prior period gain of \$102.3 million included a favorable \$170.2 million resulting from policyholder behavior assumption changes, partially offset by an unfavorable \$40.5 million resulting from changes to mortality assumptions. The gain from policyholder behavior assumption changes was primarily due to an update to the utilization assumption on GMWBL contracts, partially offset by an unfavorable result from an update to lapse assumptions.

The current period results included a \$69.6 million favorable variance due to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk, from a gain of \$171.3 million in the prior period, which included the effects of changes in the technique used to estimate nonperformance risk, to \$240.9 million in the current period. DAC/VOBA and other intangibles unlocking declined by \$33.7 million, from a gain of \$37.8 million in the prior period to a gain of \$4.1 million in the current period, mainly due to unfavorable impacts of assumption changes mentioned above.

Net losses related to the incurred guaranteed benefits and our guarantee hedge program increased to a loss of \$601.7 million in the current period compared to a loss of \$319.3 million in the prior period. The increase of \$282.4 million was primarily due to unfavorable impacts of assumption changes, mentioned above, as well as high volatility and unfavorable variances in interest rates. Additionally, these net losses were partially offset by the impact of equity market performance in the current period. Lower equity market returns and high volatility also led to a favorable variance on our CHO program of \$124.4 million, from a loss of \$2.0 million to a gain of \$122.4 million. The 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 scenarios on capital resources, rather than mitigating earnings volatility.

In addition, lower fee income was partially offset by lower operating expenses as a result of continued run off of the block. The higher net investment income, primarily due to higher general account AUM and higher premiums associated with the annuitization of life contingent contracts, were both offset by corresponding reserve increases in Interest credited and other benefits to contract owners/policyholders.

## Closed Block Variable Annuity - Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Income (loss) before income taxes increased \$65.9 million from \$78.1 million to \$144.0 million. Annual assumption changes and revisions to projection model inputs implemented during the current period resulted in a loss of \$86.0 million, compared to a gain of \$102.3 million in the prior period (which excluded a gain of \$37.9 million due to changes in the technique used to estimate nonperformance risk). The \$86.0 million loss included an unfavorable \$43.0 million resulting from policyholder behavior assumption changes, partially offset by a favorable \$27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable \$70.4 million as a result of updates we have made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contract holders, discount rates applicable to future cash flows from variable annuity contracts and long-term volatility. The prior period gain of \$102.3 million included a favorable \$170.2 million resulting from policyholder behavior assumption changes, partially offset by an unfavorable \$40.5 million resulting from changes to mortality assumptions. The gain from policyholder behavior assumption changes was primarily due to an update to the utilization assumption on GMWBL contracts, partially offset by an unfavorable result from an update to lapse assumptions.

The current period results included a \$53.1 million favorable variance due to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk, from a gain of \$175.6 million in the prior period, which included the effects of changes in the technique used to estimate nonperformance risk, to \$228.7 million in the current period. DAC/VOBA and other intangibles unlocking declined by \$38.0 million, from a gain of \$39.8 million in the prior period to a gain of \$1.8 million in the current year period, mainly due to unfavorable impacts of assumption changes mentioned above.

Net losses related to the incurred guaranteed benefits and our guarantee hedge program increased to a loss of \$859.3 million in the current period compared to a loss of \$816.1 million in the prior period. The increase of \$43.2 million was due to unfavorable impacts of assumption changes, mentioned above, as well as high volatility. These net losses were partially offset by unfavorable equity market performance in the current period. Lower equity market returns and high volatility also led to a favorable variance on our CHO program of \$161.8 million, from a loss of \$56.1 million to a gain of \$105.7 million. The 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 scenarios on capital resources, rather than mitigating earnings volatility.

In addition, lower fee income was partially offset by lower operating expenses as a result of continued run off of the block. The higher net investment income, primarily due to higher general account AUM and higher premiums associated with the annuitization of life contingent contracts, were both offset by corresponding reserve increases in Interest credited and other benefits to contract owners/policyholders.

#### 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. The investment income on alternative investments shown below for the periods stated excludes the Net investment income from Lehman Recovery and net loss on sale of certain alternative investments during the prior periods.

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

The following table presents the investment income for the three and nine months ended September 30, 2015 and 2014, respectively, and the average assets of alternative investments as of the dates indicated:

(\$ in millions)	Three Months Ended September		Nine Months Ended September	
	30, 2015	2014	30, 2015	2014
<b>Retirement:</b>				
Alternative investment income	\$1.7	\$12.8	\$12.8	\$26.9
Average alternative investment	436.3	346.0	400.1	300.4
<b>Annuities:</b>				
Alternative investment income	2.6	10.3	8.9	22.1
Average alternative investment	270.0	214.4	254.1	194.7
<b>Investment Management:</b>				
Alternative investment income	0.4	9.0	9.9	24.3
Average alternative investment	219.4	145.6	184.5	144.7
<b>Individual Life:</b>				
Alternative investment income	2.8	8.2	7.6	17.8
Average alternative investment	178.4	156.0	169.3	138.4
<b>Employee Benefits:</b>				
Alternative investment income	0.2	1.5	1.3	3.0
Average alternative investment	44.4	33.2	40.4	28.1
<b>Total Ongoing Business:</b>				
Alternative investment income	7.7	41.8	40.5	94.1
Average alternative investment	1,148.5	895.2	1,048.4	806.3
<b>Corporate:<sup>(1)</sup></b>				
Alternative investment income	—	3.7	2.8	12.9
Average alternative investment	—	108.0	36.6	105.9
<b>Closed Blocks:<sup>(2)</sup></b>				
Alternative investment income	—	1.6	0.9	4.0
Average alternative investment	28.2	38.0	27.4	34.2
<b>Total Voya Financial, Inc.:</b>				
Alternative investment income	7.7	47.1	44.2	111.0
Average alternative investment	\$1,176.7	\$1,041.2	\$1,112.4	\$946.4

<sup>(1)</sup> Effective in the second quarter of 2015, approximately \$110 million of alternative assets previously allocated to excess capital in the Corporate segment was allocated to all segments in proportion to each segment's target statutory capital.

<sup>(2)</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.

## Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles

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"). The DAC asset represents policy acquisition costs that have been capitalized and are subject to amortization and interest. Capitalized costs are direct incremental costs of contract acquisition, as well as certain costs related directly to acquisition activities. Such costs consist principally of certain commissions, underwriting, sales and contract issuance and processing expenses directly related to the successful acquisition of new and renewal business. The VOBA asset represents the outstanding value of in-force business acquired and is subject to amortization and interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies. We amortize VOBA over the estimated life of the contracts using the same methodology and assumptions employed to amortize DAC. The DSI asset represents benefits paid to contract owners for a specified period that are incremental to the amounts we credit on similar contracts without sales inducements and are higher than the contracts' expected ongoing crediting rates for periods after the inducement. We defer sales inducements and amortize them over the life of the contracts using the same methodology and assumptions employed to amortize DAC. The amortization of sales inducements is included in Interest credited and other benefits to contract owners/policyholders. In addition, a URR liability is recorded related to variable universal life and UL products and represents policy charges for services to be provided in future periods. These policy charges are deferred as unearned revenue and amortized over the expected life of the contracts in proportion to the estimated gross profits in a manner consistent with DAC for these products. The change in URR is included in Fee income.

Generally, we amortize DAC, VOBA, DSI, and URR related to fixed and variable universal life contracts, variable deferred annuity contracts and fixed deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. For variable deferred annuity contracts within the CBVA segment, we amortize DAC, VOBA and DSI over estimated gross revenue. 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, actual historical gross profits are reflected and estimated gross profits and related assumptions 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, DSI and URR are adjusted with an offsetting benefit or charge to earnings 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, DSI and URR 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. When unlocking, we unlock assumptions for each of the appropriate intangibles and refer to the unlocking as "DAC/VOBA and other intangibles unlocking." As a result of unlocking, the amortization schedules for future periods are also adjusted.

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. These assets are deemed to be unrecoverable if the estimated gross profits do not exceed these balances and a write-down is recorded that is referred to as loss recognition. There was no loss recognition for the three and nine months ended September 30, 2015 and 2014.

During the third quarter of 2015, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management and Corporate segments, for which assumption reviews are not relevant). As a result of this review, we have made a number of changes to our assumptions resulting in a net unfavorable impact of \$82.0 million in the current period, compared to a net



unfavorable impact of \$19.3 million to Operating earnings before income taxes in the third quarter of 2014. These impacts are included in the DAC/VOBA and other intangibles unlocking.

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Retirement	\$ (48.2 )	\$ (30.4 )	\$ (48.9 )	\$ (34.6 )
Annuities	(12.9 )	17.8	1.6	27.5
Individual Life	(29.4 )	(7.1 )	(43.9 )	(15.7 )
Employee Benefits	(2.6 )	(1.4 )	(4.2 )	(7.8 )
Total DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$ (93.1 )	\$ (21.1 )	\$ (95.4 )	\$ (30.6 )

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

### 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 and securities lending. 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 Amended and Restated Revolving Credit Agreement and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries.

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

(\$ in millions)	Nine Months Ended September 30,	
	2015	2014
Beginning cash and cash equivalents balance	\$682.1	\$640.2
Sources:		
Dividends and returns of capital from subsidiaries	1,522.0	797.0
Repayment of loans to subsidiaries, net of new issuances	—	5.0
Total sources	1,522.0	802.0
Uses:		
Payment of interest expense	122.0	119.6
Capital provided to subsidiaries	—	150.0
New issuances of loans to subsidiaries, net of repayments	95.6	—
Amounts paid to subsidiaries under tax sharing agreements, net	15.7	13.2
Payment of income taxes, net	77.1	42.9
Common stock acquired - Share repurchase	1,340.5	614.4
Share-based compensation	4.4	14.8
Dividends paid	6.9	7.7
Acquisition of short-term investments	212.0	—
Other, net	8.6	5.6
Total uses	1,882.6	968.2
Net (decrease) in cash and cash equivalents	(360.6	) (166.2
Ending cash and cash equivalents balance	\$321.5	\$474.0

## 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.

## Share Repurchase Program

On February 5, 2015, our Board of Directors increased the authorization to repurchase our shares by \$750.0 million. On March 9, 2015, we repurchased 13,599,274 shares of our common stock from ING Group for an aggregate purchase price of \$600.0 million.

On May 28, 2015, our Board of Directors further increased the authorization to repurchase our shares by an additional \$750.0 million, with such authorization to expire (unless subsequently extended) no later than June 30, 2016. The authorization to repurchase shares may be terminated, increased or decreased by our Board of Directors at any time.

In addition to the 13,599,274 shares of our common stock purchased from ING Group, during the nine months ended September 30, 2015, we repurchased 11,236,648 shares of our common stock in open market repurchases for an aggregate purchase price of \$490.5 million and 3,253,831 shares of our common stock under a discounted share repurchase arrangement with a third-party financial institution for an aggregate purchase price of \$150.0 million.

On September 23, 2015, we entered into an additional share repurchase arrangement with a third-party financial institution. In exchange for an up-front payment of \$100.0 million, the financial institution will deliver shares of our common stock to us upon final settlement of the agreement, which will be during the fourth quarter. The total number of shares ultimately delivered, and

therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period under the arrangement based on a formula incorporating the volume weighted average price of our common stock during that period.

Including the effect of the share repurchase arrangement that will be completed during the fourth quarter, these repurchases reduced the remaining amount of our share repurchase authorization to \$170.4 million as of September 30, 2015.

See the Shareholders' Equity and Earnings per Common Share Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for additional information regarding shares repurchase transactions.

#### 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.

We did not have any short-term debt borrowings outstanding as of September 30, 2015. The following table summarizes our borrowing activities for the nine months ended September 30, 2015:

(\$ in millions)	Beginning Balance	Issuance	Maturities and Repayment	Other Changes	Ending Balance
Long-Term Debt:					
Debt securities	\$3,510.8	\$—	\$(31.2)	) \$1.1	\$3,480.7
Windsor property loan	4.9	—	—	—	4.9
Subtotal	3,515.7	—	(31.2)	) 1.1	3,485.6
Less: Current portion of long-term debt	—	—	—	—	—
Total long-term debt	\$3,515.7	\$—	\$(31.2)	) \$1.1	\$3,485.6

As of September 30, 2015, we were in compliance with our debt covenants.

#### Debt Securities

**Senior Notes.** As of September 30, 2015, Voya Financial, Inc. had three series of senior notes outstanding (collectively, the "Senior Notes"). The principal amounts outstanding of the Senior Notes were \$850.0 million, \$1.0 billion and \$400.0 million, respectively. The Senior Notes were issued as private placements under Rule 144A of the Securities Act ("Rule 144A") and subsequently registered with the SEC. The Senior Notes are guaranteed by Voya Holdings Inc. ("Voya Holdings"), formerly Lion Connecticut Holdings Inc. We may elect to redeem the Senior Notes at any time at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

**Junior Subordinated Notes.** As of September 30, 2015, the principal amount outstanding of junior subordinated notes (the "Junior Subordinated Notes") was \$750.0 million. The Junior Subordinated Notes were issued as a private placement under Rule 144A and were subsequently registered with the SEC. The Junior Subordinated Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings.

So long as no event of default with respect to the Junior Subordinated Notes has occurred and is continuing, we have the right on one or more occasions, to defer the payment of interest on the Junior Subordinated Notes for one or more consecutive interest periods for up to five years.

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

We may elect to redeem the Junior Subordinated Notes in whole at any time or in part on or after May 15, 2023 at a redemption price equal to the principal amount plus accrued and unpaid interest. Also, we may elect to redeem the Junior Subordinated Notes in whole, but not in part, at any time prior to May 15, 2023 within 90 days after the occurrence of a "tax event" or "rating agency event," at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

Put Option Agreement for Senior Debt Issuance. On March 17, 2015, we entered into a ten-year put option agreement with a Delaware trust that we formed, in connection with the completion of the sale by the trust of \$500.0 million aggregate face amount of pre-capitalized trust securities redeemable February 15, 2025 ("P-Caps") in a Rule 144A private placement. The trust invested the proceeds from the sale of the P-Caps in a portfolio of principal and interest strips of U.S. Treasury securities. The put option agreement provides Voya Financial, Inc. the right to sell to the trust at any time up to \$500.0 million of its 3.976% Senior Notes due 2025 ("3.976% Senior Notes") and receive in exchange a corresponding amount of the principal and interest strips of U.S. Treasury securities held by the trust. The 3.976% Senior Notes will not be issued unless and until the put option is exercised. In return, we agreed to pay a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and to reimburse the trust for its expenses. The put premium is recorded in Operating expenses in the Condensed Consolidated Statements of Operations. The 3.976% Senior Notes will be fully, irrevocably and unconditionally guaranteed by Voya Holdings. Our obligations under the put option agreement and the expense reimbursement agreement with the trust are also guaranteed by Voya Holdings.

The put option agreement with the trust provides Voya Financial, Inc. with a source of liquid assets, which could be used to meet future financial obligations or to provide additional capital.

The put option described above will be exercised automatically in full if we fail to make certain payments to the trust, including any failure to pay the put option premium or expense reimbursements when due, if such failure is not cured within 30 days, and upon certain bankruptcy event involving us or Voya Holdings. We are also required to exercise the put option in full: (i) if we reasonably believe that our consolidated shareholders' equity, calculated in accordance with U.S. GAAP but excluding Accumulated other comprehensive income (loss) and Noncontrolling interest, has fallen below \$3.0 billion, subject to adjustment in certain cases; (ii) upon the occurrence of an event of default under the 3.976% Senior Notes; and (iii) if certain events occur relating to the trust's status as an "investment company" under the Investment Company Act of 1940.

We have a one-time right to unwind a prior voluntary exercise of the put option by repurchasing all of the 3.976% Senior Notes then held by the trust in exchange for a corresponding amount of U.S. Treasury securities. If the put option has been fully exercised, the 3.976% Senior Notes issued may be redeemed by us prior to their maturity at par or, if greater, at a make-whole redemption price, in each case plus accrued and unpaid interest to the date of redemption. The P-Caps are to be redeemed by the trust on February 15, 2025 or upon any early redemption of the 3.976% Senior Notes.

Aetna Notes. As of September 30, 2015 and December 31, 2014, Voya Holdings had outstanding \$162.9 million and \$163.0 million principal amount of 7.25% Debentures due August 15, 2023, respectively, \$204.0 million and \$235.1 million principal amount of 7.63% Debentures due August 15, 2026, respectively, and \$108.0 million principal amount of 6.97% Debentures due August 15, 2036 (collectively, the "Aetna Notes"), which were issued by a predecessor of Voya Holdings and assumed in connection with our acquisition of Aetna's life insurance and related businesses. In addition, Equitable of Iowa Capital Trust II, a limited purpose trust, has outstanding \$13.0 million principal amount of 8.42% Series B Capital Securities due April 1, 2027 (the "Equitable Notes"). ING Group guarantees the Aetna Notes. The Equitable Notes are guaranteed by Voya Financial, Inc.

Concurrent with the completion of our IPO, we entered into a shareholder agreement with ING Group that governs certain aspects of our continuing relationship. We agreed to reduce the aggregate outstanding principal amount of Aetna Notes to:

- no more than \$400.0 million as of December 31, 2015;
- no more than \$300.0 million as of December 31, 2016;
- no more than \$200.0 million as of December 31, 2017;

no more than \$100.0 million as of December 31, 2018;  
and zero as of December 31, 2019.

The reduction in principal amount of Aetna Notes can be accomplished, at our option, through redemptions, repurchases or other means, but will also be deemed to have been reduced to the extent we post collateral with a third-party collateral agent, for the benefit of ING Group, which may consist of cash collateral; certain investment-grade debt instruments; an Letter of Credit ("LOC") meeting certain requirements; or senior debt obligations of ING Group or a wholly owned subsidiary of ING Group.

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



During the nine months ended September 30, 2015, Voya Holdings repurchased \$31.1 million of the outstanding principal amount of 7.63% Debentures due August 15, 2026 and \$0.1 million of the outstanding principal amount of 7.25% Debentures due August 15, 2023. In connection with these transactions, we incurred a loss on debt extinguishment of \$0.2 million and \$10.1 million for the three and nine months ended September 30, 2015, respectively, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

As of September 30, 2015, the outstanding principal amount of Aetna Notes guaranteed by ING Group was \$474.9 million.

#### Senior Unsecured Credit Facility

Amended and Restated Credit Agreement. On February 14, 2014, we revised the terms of its Revolving Credit Agreement by entering into the Amended and Restated Revolving Credit Agreement (the "Amended and Restated Credit Agreement") with a syndicate of banks. The Amended and Restated Credit Agreement modifies the original agreement by extending the term of the agreement to February 14, 2018 and reducing the total amount of LOCs that may be issued to \$3.0 billion. As of September 30, 2015, there were no amounts outstanding as revolving credit borrowings. As of September 30, 2015, \$470.8 million of LOCs were outstanding under the Revolving Credit Agreement.

#### Credit Facilities and Subsidiary Credit Support Arrangement

We use credit facilities primarily to provide collateral required under our affiliated reinsurance transactions as well as certain third-party reinsurance arrangements to which our Arizona captive 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. Regulation XXX and AG38 require insurers to hold significantly higher levels of reserves on term products and UL insurance products with secondary guarantees, respectively, than are generally thought to be sufficient. By reinsuring business to our captive reinsurance subsidiaries and our Arizona captive, 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.

Effective January 1, 2009, we entered into a master asset purchase agreement (the "MPA") with Scottish Re Group Limited, Scottish Holdings, Inc., Scottish Re (U.S.), Inc. ("SRUS"), Scottish Re Life (Bermuda) Limited ("Scottish Bermuda") and Scottish Re (Dublin) Limited (collectively, "Scottish Re") and Hannover Re. Pursuant to the MPA, we recaptured individual life reinsurance business which had previously been reinsured to Scottish Re and immediately ceded 100.0% of such business to Hannover Re on a modified coinsurance, funds withheld and coinsurance basis, which resulted in no gain or loss. We refer to this block as the Hannover Re block and its results are reported as part of the Closed Block Other segment. Prior to September 24, 2015, we were obligated to maintain collateral for the statutory reserve requirements associated with Statutory Regulations XXX and AG38 on the business transferred from us to Hannover Re for the duration of such reserve requirements or until the underlying reinsurance contracts are novated to Hannover Re or Hannover Re elects its option to implement its own facility providing collateral for reinsurance between SLD and SLDI. Hannover Re exercised this election and consequently, on September 24, 2015, we entered into a Hannover Re Buyer Facility Agreement ("Buyer Facility Agreement") with Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited, Hannover Ruck SE and Security Life of Denver International ("SLDI"). Under the Buyer Facility Agreement the existing collateral, provided by SLDI through LOCs and a collateral note supporting the reserves on the Hannover Re business, was replaced by a \$2.9 billion senior unsecured floating rate note issued by Hannover Ruck and deposited into a reserve credit trust established by SLDI for the benefit of SLD.

We also utilize LOCs to provide credit for reinsurance on portions of the CBVA segment liabilities reinsured to our Arizona captive 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. As of September 30, 2015, there was no LOC requirement and the actual amount of the LOCs outstanding was \$300.0 million.

In addition to the \$2.6 billion of Individual Life, Hannover Re block and CBVA credit facilities utilized, \$230.0 million of LOCs were outstanding to support miscellaneous requirements. In total, \$2.8 billion of credit facilities were utilized as of September 30, 2015. As of September 30, 2015, the capacity of our unsecured and uncommitted credit facilities totaled \$1.7 billion and the capacity of our unsecured and committed credit facilities totaled \$7.3 billion. We also have \$205.0 million in secured facilities.

Total fees associated with credit facilities were \$27.2 million and \$29.1 million for the three months ended September 30, 2015 and 2014, respectively. Total fees associated with credit facilities were \$76.9 million and \$86.5 million for the nine months ended September 30, 2015 and 2014, respectively.

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

The following table summarizes our credit facilities, their dates of expiration, capacity and utilization as of September 30, 2015:

(\$ in millions)

Obligor / Applicant	Liability Supported	Secured / Unsecured	Committed / Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc.		Unsecured	Committed	02/14/2018	\$3,000.0	\$470.8	\$2,529.2
	Individual Life					100.2	
	CBVA					300.0	
	Retirement					—	
	Other					70.6	
SLDI	Retirement	Unsecured	Committed	01/24/2018	175.0	157.0	18.0
Voya Financial, Inc./ Langhorne I, LLC	Retirement	Unsecured	Committed	01/15/2019	500.0	—	500.0
SLDI <sup>(1)</sup>	Hannover Re	Unsecured	Committed	10/29/2021	1,125.0	233.6	891.4
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	1.7	1.7	—
Voya Financial, Inc.	Other	Secured	Uncommitted	Various	10.0	0.7	—
Voya Financial, Inc. / Roaring River LLC	Individual Life	Unsecured	Committed	10/1/2025	425.0	207.5	217.5
Voya Financial, Inc. / Roaring River II, LLC	Individual Life	Unsecured	Committed	12/31/2021	995.0	786.0	209.0
Voya Financial, Inc. / Roaring River IV, LLC	Individual Life	Unsecured	Committed	12/31/2028	565.0	305.0	260.0
Total					\$7,466.7	\$2,832.3	\$4,625.1

<sup>(1)</sup> Due to Hannover Re's implementation of the Hannover Re Buyer Facility Agreement described below, the \$1.125 billion Letter of Credit Facility was reduced to \$300.0 million effective October 7, 2015.

Upon Hannover Re exercising its election to implement its own facility providing collateral for reinsurance between SLD and SLDI, on September 24, 2015, we entered into a Hannover Re Buyer Facility Agreement with Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited, Hannover Ruck SE and SLDI. Under the Buyer Facility Agreement the existing collateral, provided by SLDI through LOCs and a collateral note supporting the reserves on the Hannover Re block, was replaced by a \$2.9 billion senior unsecured floating rate note issued by Hannover Ruck and deposited into a reserve credit trust established by SLDI for the benefit of SLD. The Buyer Facility Agreement continues until the extinguishment of the reinsurance liabilities it collateralizes, unless terminated due to the occurrence of certain specified events.

The note replaced \$2.3 billion of letters of credit and a collateral note issued under Voya Financial, Inc. and SLDI credit agreements with third-party financial institutions supporting reserves on the Hannover Re business. Therefore, on September 29, 2015, we returned \$1.5 billion of letters of credit and caused the return of a \$750.0 million collateral note. Following the return of this collateral, we accordingly cancelled a \$250.0 million LOC facility and a \$750.0 million collateral note facility on September 29, 2015 and SLDI reduced a \$1.125 billion LOC facility to \$300.0 million effective October 7, 2015.

Effective September 29, 2015, Roaring River, LLC ("Roaring River"), our wholly owned captive reinsurance subsidiary, entered into a letter of credit facility agreement with a third-party bank to provide up to \$425.0 million of committed capacity until October

1, 2025 which supports reserves on an affiliated reinsurance agreement. The initial amount of the letter of credit is \$207.5 million, which replaces a \$207.5 million letter of credit issued under our Revolving Credit Facility.

Effective January 24, 2014, SLDI entered into a letter of credit facility agreement with a third-party bank to provide up to \$150.0 million of committed capacity until January 24, 2018 which supports reserves on an affiliated reinsurance agreement in connection with a portion of its deferred annuity business. Effective March 31, 2015, the amount of the facility was increased to \$175.0 million of committed capacity until January 24, 2018.

On February 11, 2015, we entered into a \$195.0 million letter of credit facility agreement with a third-party bank which matures February 11, 2018 and includes an option to support the LOC outstanding either on a secured or unsecured basis. As of September 30, 2015, we collateralized the facility with \$212.0 million of unrestricted cash and short-term investments. The LOC will be used to provide collateral under the reinsurance agreements of Voya Financial, Inc. subsidiaries.

The following tables present our existing financing facilities for each of our Individual Life, Hannover Re and CBVA blocks of business as of September 30, 2015. 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	02/14/2018	\$100.2	\$100.2
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	207.5
Voya Financial, Inc. / Roaring River IV, LLC	Trust Note	AG38	12/31/2028	565.0	305.0
Voya Financial, Inc. / SLDI	LOC Facility	AG38	12/31/2025	475.0	475.0
Voya Financial, Inc. / Roaring River II, LLC	LOC Facility	XXX	12/31/2021	995.0	786.0
Total				\$2,755.2	\$2,068.7

The peak financing requirement for the Individual Life liabilities above is expected to reach approximately \$3.9 billion during the period 2020 - 2025.

#### Hannover Re block

(\$ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
SLDI	LOC Facility	XXX/AG38	10/29/2021	1,125.0	233.6
Total				\$1,125.0	\$233.6

#### Closed Block Variable Annuity

(\$ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Utilization
Voya Financial, Inc. / SLDI	Credit Facility	GMWBL/GMIB	02/14/2018	300.0
Total				\$300.0

Of the \$300.0 million LOC outstanding, none was required as of September 30, 2015 as the statutory reserves ceded to SLDI were fully supported by assets in trust.

## Voya Financial, Inc. Credit Support of Subsidiaries

Voya Financial, Inc. maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries. As of September 30, 2015, such facilities provided for up to \$2.5 billion of capacity, of which \$1.3 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 reinsurance transactions. These agreements are effective for the duration of the in-force policies subject to the related reinsurance transactions and the maximum potential obligations are not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

Under the Hannover Re Buyer Facility Agreement put into place by Hannover Re, Voya Financial, Inc. and SLDI have contingent reimbursement obligations and Voya Financial, Inc. has guarantee obligations, up to the full principal amount of the note, if SLD or SLDI were to direct the sale or liquidation of the note other than as permitted by the Buyer Facility Agreement, or fails to return reinsurance collateral (including the note) upon termination of the Buyer Facility Agreement or as otherwise required by the Buyer Facility Agreement. In addition, Voya Financial, Inc. has agreed to indemnify Hannover Re for any losses it incurs in the event that SLD or SLDI were to exercise offset rights unrelated to the Hannover Re block.

In connection with certain reinsurance transactions involving a third-party trust (the "Master Trust"), Voya Financial, Inc. and SLDI were parties to a reimbursement agreement with a third-party bank that lent securities to the Master Trust. SLDI had reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$750.0 million, which obligations were guaranteed by Voya Financial, Inc. Voya Financial, Inc. also provided an indemnification to the third-party bank with respect to any default by the Master Trust under the securities lending agreement under which this bank lends securities to the Master Trust, up to \$750.0 million. This agreement and the related indemnification were entered into to facilitate collateral requirements supporting reinsurance and were effective for the duration that the collateral remained outstanding. Effective September 29, 2015, Voya Financial, Inc. and SLDI cancelled the underlying transaction and the reimbursement, guarantee and indemnification obligations were terminated.

Roaring River is party to a letter of credit facility agreement with a third-party bank that provides up to \$425.0 million of letter of credit capacity. Roaring River has reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$425.0 million, which obligations are guaranteed by Voya Financial, Inc. This agreement and the related guarantee were entered into to facilitate collateral requirements supporting reinsurance and are effective for the duration that the collateral remains outstanding. In addition, Voya Financial, Inc. agrees to make payments to the third-party bank in the amount of the shortfall of Roaring River's capital and surplus requirement pursuant to the letter of credit facility agreement, not to exceed the notional amount of the letter of credit outstanding. Voya Financial, Inc. is subsequently refunded the excess of any payment amounts and the capital and surplus of Roaring River over the required amount of capital and surplus pursuant to the letter of credit facility agreement. As of September 30, 2015, a \$207.5 million letter of credit has been issued under this facility.

Voya Financial, Inc. has also entered into a corporate guarantee agreement with a third-party ceding insurer where it guarantees the reinsurance obligations of our subsidiary, SLD, assumed under a reinsurance agreement with the third-party cedent. SLD retrocedes the business to Hannover Life Reassurance Company of America ("Hannover US") who is the claim paying party. The current amount of reserves outstanding as of September 30, 2015 is \$24.9 million. The maximum potential obligation is not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these guarantees.

Voya Financial, Inc. guarantees the obligations of Voya Holdings under the \$13.0 million principal amount Equitable Notes maturing in 2027. For more information see "Debt Securities" above. From time to time, Voya Financial, Inc. may also have outstanding guarantees of various additional obligations of its subsidiaries.

We did not recognize any asset or liability as of September 30, 2015 in relation to intercompany indemnifications and support agreements. As of September 30, 2015, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.



## Borrowing Agreements with Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are between 2% and 5% of the insurance subsidiary's statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of September 30, 2015, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was \$2.5 billion. For non-life insurance subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of September 30, 2015, Voya Financial, Inc. had no outstanding borrowings from subsidiaries. Voya Financial, Inc. loaned \$264.6 million to its subsidiaries as of September 30, 2015.

## 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 downgrade of the credit ratings of ING Group could result in downgrades of these securities, as occurred in the third quarter of 2015.

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.

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

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>	bb+ (5 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	WD	WD
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	WD	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	NR	Baa1 (4 of 9)	A- (3 of 9)

<sup>(1)</sup> \$850.0 million, \$1.0 billion and \$400.0 million of our Senior Notes.

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

<sup>(3)</sup> \$474.9 million of our Aetna Notes guaranteed by ING Group.

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

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

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

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

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

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

Ratings actions, affirmation and outlook changes by A.M. Best, Fitch, Moody's and S&P from December 31, 2014 through September 30, 2015 and subsequently through the date of this Quarterly Report on Form 10-Q are as follows:

On August 19, 2015, A.M. Best affirmed the ratings of Voya Financial, Inc. and its operating subsidiaries. A.M. Best maintained its stable outlook on the financial strength rating of the key life subsidiaries and Voya Financial, Inc. as well as the ratings on the outstanding debt of Voya Financial, Inc.

On August 18, 2015, Moody's downgraded to Baa1 from A3 for the Aetna Notes which are guaranteed by ING Group, N.V. The rating action follows the recent downgrade of the senior unsecured debt of ING Groep, N.V. (ING) to Baa1 (stable outlook) from A3 (negative) on May 28, 2015. The ratings of the Aetna Notes remained on review for further downgrade. On October 6, 2015, Moody's confirmed the Baa1 senior debt rating of the Aetna Notes with a stable outlook which concluded its review for downgrade initiated on August 18, 2015. No other ratings of either Voya Holdings Inc. or Voya Financial, Inc. are affected by these rating actions.

On March 16, 2015, Fitch raised the issuer credit ratings on Voya Financial, Inc. and Voya Holdings Inc. to BBB+ from BBB. Fitch also raised the senior unsecured credit ratings of Voya Financial, Inc. to BBB from BBB- and its junior subordinated debt credit ratings to BB+ from BB. Fitch raised the financial strength ratings of the operating subsidiaries to A from A-. All ratings were assigned a Stable outlook.

On March 3, 2015, Moody's raised the issuer credit ratings on Voya Financial, Inc. and Voya Holdings Inc. to Baa2 from Baa3. Moody's also raised the senior unsecured credit ratings of Voya Financial, Inc. to Baa2 from Baa3 and its junior subordinated debt credit ratings to Baa3(hyb) from Ba1(hyb). Moody's raised the financial strength ratings of the operating subsidiaries, to A2 from A3. All ratings were assigned a Stable outlook.

On February 17, 2015, S&P raised the issuer credit ratings on Voya Financial, Inc. and Voya Holdings Inc. to BBB from BBB-. S&P also raised the senior unsecured credit ratings of Voya Financial, Inc. to BBB from BBB- and its junior subordinated debt credit ratings to BB+ from BB. S&P also raised the financial strength ratings of the operating subsidiaries to A from A-. All ratings were assigned a Stable outlook.

#### Potential Impact of a Ratings Downgrade

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

With respect to our credit facility agreements, based on the amount of credit outstanding as of September 30, 2015, 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.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the reinsurance agreement. If the insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our reinsurance agreements might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity. Based on the amount of credit outstanding as of September 30, 2015 and December 31, 2014, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by \$24.9 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.

Certain of our derivative agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the derivative agreement. If insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our derivative agreements might be triggered and counterparties to the derivative agreements could demand immediate further collateralization which could negatively impact overall liquidity. Based on the market value of our derivatives as of September 30, 2015 and December 31, 2014, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our derivative collateral requirements by approximately \$10 million and \$40 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities.

Based on the market value of our derivatives as of September 30, 2015 and December 31, 2014, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in the derivative collateral requirements required by a one-notch downgrade by an additional \$40.0 million and no additional requirements, respectively.

The amount of collateral that would be required to be posted is also dependent on the fair value of our derivative positions. For additional information on our derivative positions, see the Derivative Financial Instruments Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

#### Reinsurance

We have reinsurance treaties covering a portion of the mortality risks and guaranteed death and living benefits under our life insurance and annuity contracts. We remain liable to the extent our reinsurers do not meet their obligations under the reinsurance agreements.

We reinsure our business through a diversified group of well capitalized, highly rated reinsurers. We monitor trends in arbitration and any litigation outcomes with our reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers. Large reinsurance recoverable balances with offshore or other non-accredited reinsurers are secured through various forms of collateral, including secured trusts, funds withheld accounts and irrevocable LOCs.

On September 10, 2015, our wholly owned subsidiary ReliaStar Life Insurance Company (“RLI”) entered into an agreement to transfer, via reinsurance, an in-force block of term life insurance policies to RGA Reinsurance Company, a subsidiary of Reinsurance Group of America, Inc. (“RGA”). RLI will continue to administer and service the policies. As of September 30, 2015, there are approximately \$1.4 billion of statutory reserves on approximately \$90 billion of in-force life insurance. We anticipate the transaction will close in the fourth quarter of 2015, subject to regulatory approvals, and will create excess regulatory and rating agency capital of approximately \$230 million. Upon closing of the transaction, we expect to recognize a non-operating U.S. GAAP loss, before income taxes, of approximately \$100 million to \$110 million, of which \$10.0 million was recorded in the three months ended September 30, 2015, primarily related to transaction fees and intent impairments of assets included in the transaction. Additionally, the transaction is expected to result in a non-operating U.S. GAAP loss, before income taxes of approximately \$12 million a year over the next fifteen years.

Effective April 1, 2015, we disposed of, via reinsurance, retained group reinsurance policies to Enstar Group Ltd. for \$304.5 million. On April 1, 2015, there were \$290.0 million of statutory reserves. In connection with this transaction, we recognized a non-operating loss, before income taxes, of \$39.2 million of which \$4.2 million was recorded in the three months ended March 31, 2015, primarily related to intent impairments of assets included in the transaction and other transactions costs. As of September 30, 2015, the Reinsurance recoverable on the Condensed Consolidated Balance Sheets related to this transaction was \$283.8 million.

#### 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 applicable to our 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.

SLDI may not declare or pay dividends other than in accordance with its annual capital and dividend plan as approved by the Arizona Department of Insurance, which includes a minimum capital requirement.

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

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

The following table summarizes dividends and extraordinary distributions by each of our Principal Insurance Subsidiaries to its parent for the periods indicated:

(\$ in millions) Subsidiary Name (State of domicile):	Dividends Paid		Extraordinary Distributions Paid	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Voya Insurance and Annuity Company ("VIAC") (IA)	\$394.0	\$216.0	\$98.0	\$—
Voya Retirement Insurance and Annuity Company ("VRIAC") (CT)	231.0	281.0	—	—
Security Life of Denver Insurance Company (CO)	111.0	32.0	130.0	—
ReliaStar Life Insurance Company ("RLI") (MN)	194.0	193.0	280.0	—

Additionally, VRIAC is permitted to pay an ordinary dividend of \$90.0 million after December 22, 2015.

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

During the nine months ended September 30, 2015, Voya Financial, Inc. received a \$84.0 million return of capital from non-insurance subsidiaries.

#### Off-Balance Sheet Arrangements

On March 17, 2015, we entered into a put option agreement with a Delaware trust that gives Voya Financial, Inc. the right, at any time over a ten-year period, to issue up to \$500.0 million of senior notes to the trust in return for principal and interest strips of U.S. Treasury securities that are held by the trust. In return, we agreed to pay a semi-annual put premium to the trust at a rate of 1.9% per annum applied to the unexercised portion of the put option, and to reimburse the trust for its expenses. See the Financing Agreements Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information on this put option agreement.

#### 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 at 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.

#### Assumptions and Periodic Review

Changes in assumptions can have a significant impact on DAC/VOBA and other intangibles balances, amortization rates, reserve levels and results of operations. Assumptions are management's best estimates of future outcome. We periodically review these assumptions against actual experience and, based on additional information that becomes available, update our assumptions. Deviation of emerging experience from our assumptions could have a significant effect on our DAC/VOBA and other intangibles, reserves and the related results of operations.

During the third quarter of 2015 and 2014, we conducted our annual review of assumptions, including projection model inputs and made a number of changes to our assumptions which impacted our Ongoing Business segments. During the current period, the impact of assumption changes resulted in a loss of \$128.4 million, of which \$82.0 million was included in Operating earnings before income taxes and reflects net unfavorable DAC/VOBA and other intangibles unlocking. The remaining loss of \$46.4 million mainly reflects changes in FIA policyholder behavior and net unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses. During the third quarter of 2014, the impact of assumption changes resulted in a loss of \$19.3 million, which was included in Operating earnings before income taxes and reflected net unfavorable DAC/VOBA and other intangibles unlocking. The impact of assumption changes excluded from Operating earnings before income taxes for the Ongoing Business was immaterial.

In addition, to the amounts above, the three months ended September 30, 2014 include gains of \$25.1 million resulting from changes in the projection model inputs related to the technique used to estimate nonperformance risk in our Ongoing Business segments, which did not recur in the current period.

In addition, we conducted our annual review of assumptions related to our CBVA contracts. Annual assumption changes and revisions to projection model inputs implemented during 2015 resulted in a loss of \$86.0 million. This \$86.0 million loss included an unfavorable \$43.0 million resulting from policyholder behavior assumption changes partially offset by a favorable \$27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable \$70.4 million as a result of updates we have made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contractholders, discount rates

applicable to future cash flows from variable annuity contracts and long-term volatility.

Annual assumption changes and revisions to projection model inputs implemented during 2014 resulted in a gain of \$102.3 million (excluding a gain of \$37.9 million due to changes in the technique used to estimate nonperformance risk). This \$102.3 million gain included a favorable \$170.2 million resulting from policyholder behavior assumption changes partially offset by an unfavorable \$40.5 million resulting from changes to mortality assumptions. The gain from policyholder behavior assumption changes was primarily due to an update to the utilization assumption on GMWBL contracts, partially offset by an unfavorable result from an update to lapse assumptions.

We have only minimal experience on policyholder behavior for our GMIB and as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period from 2004 to 2006,

have a ten-year waiting period before annuitization is available. These contracts first become eligible to annuitize during the period from 2014 through 2016 but contain significant incentives to delay annuitization beyond the first eligibility date. In addition, during 2014 and 2015, we made two income enhancement offers to holders of particular series of GMIB contracts, under which contractholders were offered an incentive to annuitize prior the end of the waiting period, and we have waived the remaining waiting period on these GMIB contracts. As a result, we have increased experience on policyholder behavior for the first opportunity to annuitize, including from the acceptance rates of the income enhancement offers, although we continue to have only a statistically small sample of experience used to set annuitization rates beyond the first eligibility date. Therefore, we anticipate that observable experience data will become statistically credible later this decade, when a large volume of GMIB benefits begin to reach their maximum benefit over the four-year period from 2019 to 2022.

Similarly, most of our GMWBL contracts are still in the first six to eight policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, like our GMIB contracts, many of our GMWBL contracts contain significant incentives to delay withdrawal. Our experience for GMWBL contracts has recently become more credible, however it is possible that policyholders may choose to withdraw sooner or later than our current best estimate assumes. We expect customer decisions on withdrawal will be influenced by customers' financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products.

We also make estimates of expected lapse rates, which represent the probability that a policy will not remain in force from one period to the next, for contracts in the CBVA segment. Lapse rates of our variable annuity contracts may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate accounts (account value or account balance). In general, policies with guarantees that are "in the money" (i.e., where the notional benefit amount is in excess of the account value) are assumed to be less likely to lapse. Conversely, "out of the money" guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us. Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre-and post-financial crisis experience. Relative to our current expectations, actual lapse rates have generally demonstrated a declining trend over the period from 2006 to the present. We analyze actual experience over that entire period, as we believe that over the duration of the variable annuity policies we may experience the full range of policyholder behavior and market conditions. However, Management's current best estimate of variable annuity policyholder lapse behavior is weighted more heavily toward more recent experience, as the last three years of data have shown a more consistent trend of lapse behavior. Actual lapse rates that are lower than our lapse rate assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years, and, as discussed above, future reserve increases in connection with experience updates could be material and adverse to the results of operations or financial condition of the Company.

### Sensitivity

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles. The following table presents the estimated instantaneous net impact to income before income taxes of various assumption changes on our DAC/VOBA and other intangible balances and the impact on related reserves for future policy benefits and reinsurance. The effects presented are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred.

	As of September 30, 2015	
(\$ in millions)		
Decrease in long-term rate of return assumption by 100 basis points	\$ (228.1	)
A change to the long-term interest rate assumption of -50 basis points	(61.2	)
A change to the long-term interest rate assumption of +50 basis points	20.8	
An assumed increase in future mortality by 1%	(23.3	)

A one-time, 10% decrease in equity market values (393.0 )

168

---

In addition, in our CBVA segment, assumption changes relating to the rate of return on fixed income investments backing CBVA contracts can also have a significant effect on reported financial results. The following table shows the sensitivity of the results of operations before income taxes of the CBVA segment to changes in these assumptions:

	As of September 30, 2015
(\$ in millions)	
A change of -50 basis points to the assumed rate of return on fixed-income investments backing CBVA contracts	\$(249.5 )
A change of +50 basis points to the assumed rate of return on fixed-income investments backing CBVA contracts	229.7

We generally assume that the rate of return on fixed income investments backing CBVA contracts moves in a manner correlated with changes to our assumed long term rate of return. Furthermore, assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.

Lower assumed equity rates of return, lower assumed interest rates, increased assumed future mortality and decreases in equity market values all tend to decrease the balances of DAC/VOBA and other intangibles and to increase future policy benefit reserves, thus decreasing income before income taxes.

Higher assumed interest rates tend to increase the balances of DAC/VOBA and other intangibles and to decrease future policy benefit reserves, thus increasing income before income taxes.

#### Employee Benefit Plans

Voya Services Company, the Plan Sponsor of the Voya Retirement Plan (the "Plan"), approved an amendment to the Plan, effective September 1, 2015, to provide eligible individuals an option to receive payment of their vested benefit as a single lump-sum payment or immediate annuity. Eligible individuals generally include former employees with a vested benefit in the Plan that has not been paid and whose employment ended before March 1, 2015. Payments will be made beginning in November 2015. The Company expects to record the settlement in the fourth quarter of 2015 and does not expect it to have a material effect on the Company's financial condition, results of operations or cash flows.

For additional information on our pension and postretirement plan arrangements, see the Employee Benefit Arrangements Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

#### 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.

As of September 30, 2015 and December 31, 2014, we recognized \$387.7 million and \$418.9 million, respectively, of deferred tax assets based on tax planning strategies related to unrealized gains on investment assets. These tax planning strategies support recognition of deferred tax assets, which have been provided on deductible temporary differences. Further changes, such as interest rate movements, could adversely impact such tax planning strategies. To the extent unrealized gains decrease or to the extent loss utilization is limited, the tax benefit will likely be reduced by increasing the tax valuation allowance.

The deferred tax valuation allowance as of September 30, 2015 and December 31, 2014 was approximately \$1.0 billion. Pursuant to U.S. GAAP, we do not specifically identify the valuation allowance with individual categories.

However, as of September 30, 2015 and December 31, 2014, we estimate that approximately \$783 million was related to federal net operating losses. The remaining balances were attributable to various items including state taxes and other deferred tax assets.

Investments (excluding Consolidated Investment Entities)

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

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

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

### Portfolio Composition

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

(\$ in millions)	September 30, 2015		December 31, 2014		
	Carrying Value	%	Carrying Value	%	
Fixed maturities, available-for-sale, excluding securities pledged	\$69,211.8	76.1	% \$69,910.3	77.0	%
Fixed maturities, at fair value using the fair value option	3,595.4	3.9	% 3,564.5	3.9	%
Equity securities, available-for-sale	338.2	0.4	% 271.8	0.3	%
Short-term investments <sup>(1)</sup>	1,572.9	1.7	% 1,711.4	1.9	%
Mortgage loans on real estate	10,727.2	11.8	% 9,794.1	10.8	%
Policy loans	2,027.2	2.2	% 2,104.0	2.3	%
Limited partnerships/corporations	465.6	0.5	% 363.2	0.4	%
Derivatives	1,919.5	2.1	% 1,819.6	2.0	%
Other investments	92.7	0.1	% 110.3	0.1	%
Securities pledged	1,099.5	1.2	% 1,184.6	1.3	%
Total investments	\$91,050.0	100.0	% \$90,833.8	100.0	%

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

### Fixed Maturities

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

(\$ in millions)	September 30, 2015		Fair Value	% of Total	
	Amortized Cost	% of Total			
Fixed maturities:					
U.S. Treasuries	\$3,515.7	5.0	% \$4,099.1	5.5	%
U.S. Government agencies and authorities	333.5	0.5	% 385.3	0.5	%
State, municipalities and political subdivisions	1,152.3	1.6	% 1,166.9	1.6	%
U.S. corporate public securities	33,038.6	47.1	% 34,516.0	46.7	%
U.S. corporate private securities	6,281.8	8.9	% 6,498.4	8.8	%
Foreign corporate public securities and foreign governments <sup>(1)</sup>	8,021.3	11.4	% 8,068.3	11.0	%
Foreign corporate private securities <sup>(1)</sup>	7,397.0	10.5	% 7,702.5	10.4	%
Residential mortgage-backed securities	5,414.7	7.7	% 6,066.6	8.2	%
Commercial mortgage-backed securities	3,925.3	5.6	% 4,115.2	5.6	%
Other asset-backed securities	1,230.4	1.7	% 1,288.4	1.7	%
Total fixed maturities, including securities pledged	\$70,310.6	100.0	% \$73,906.7	100.0	%

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





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

(\$ in millions)	December 31, 2014		Fair Value	%	
	Amortized Cost	% of Total		Fair Value	% of Total
Fixed maturities:					
U.S. Treasuries	\$3,279.0	4.8	% \$3,904.0	5.2	%
U.S. Government agencies and authorities	376.1	0.5	% 435.9	0.6	%
State, municipalities and political subdivisions	659.5	1.0	% 694.4	0.9	%
U.S. corporate public securities	31,415.6	45.7	% 34,343.7	46.0	%
U.S. corporate private securities	6,009.9	8.8	% 6,397.1	8.7	%
Foreign corporate public securities and foreign governments <sup>(1)</sup>	7,975.0	11.6	% 8,389.2	11.2	%
Foreign corporate private securities <sup>(1)</sup>	7,556.6	11.0	% 8,055.0	10.8	%
Residential mortgage-backed securities	5,972.7	8.7	% 6,656.8	8.9	%
Commercial mortgage-backed securities	3,916.3	5.7	% 4,188.2	5.6	%
Other asset-backed securities	1,538.1	2.2	% 1,595.1	2.1	%
Total fixed maturities, including securities pledged	\$68,698.8	100.0	% \$74,659.4	100.0	%

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

As of September 30, 2015, the average duration of our fixed maturities portfolio, including securities pledged, is between 7.0 and 7.5 years.

#### Fixed Maturities Credit Quality - Ratings

The Securities Valuation Office ("SVO") of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called "NAIC designations." An internally developed rating is used as permitted by the NAIC if no rating is available. These designations are generally similar to the credit quality designations of the NAIC acceptable rating organizations ("ARO") for marketable fixed maturity securities, called rating agency designations except for certain structured securities as described below. NAIC designations of "1," highest quality and "2," high quality, include fixed maturity securities generally considered investment grade by such rating organizations. NAIC designations 3 through 6 include fixed maturity securities generally considered below investment grade by such rating organizations.

The NAIC designations for structured securities, including subprime and Alt-A RMBS, are based upon a comparison of the bond's amortized cost to the NAIC's loss expectation for each security. Securities where modeling results in no expected loss in each scenario are considered to have the highest designation of NAIC 1. A large percentage of our RMBS securities carry the NAIC 1 designation while the ARO rating indicates below investment grade. This is primarily due to the credit and intent impairments recorded by us that reduced the amortized cost on these securities to a level resulting in no expected loss in any scenario, which corresponds to the NAIC 1 designation. The methodology reduces regulatory reliance on rating agencies and allows for greater regulatory input into the assumptions used to estimate expected losses from such structured securities. In the tables below, we present the rating of structured securities based on ratings from the NAIC methodologies described above (which may not correspond to rating agency designations). NAIC designations (e.g., NAIC 1-6) are based on the NAIC methodologies.

As a result of time lags between the funding of investments, the finalization of legal documents and the completion of the SVO filing process, the fixed maturity portfolio generally includes securities that have not yet been rated by the SVO as of each balance sheet date, such as private placements. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis.

Information about certain of our fixed maturity securities holdings by the NAIC designation is set forth in the following tables. Corresponding rating agency designation does not directly translate into NAIC designation, but

represents our best estimate of comparable ratings from rating agencies, including Moody's, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.

The fixed maturities in our portfolio are generally rated by external rating agencies and, if not externally rated, are rated by us on a basis similar to that used by the rating agencies. As of September 30, 2015 and December 31, 2014, the weighted average quality

rating of our fixed maturities portfolio was A. Ratings are derived from three ARO ratings and are applied as follows based on the number of agency ratings received:

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

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

(\$ in millions)	September 30, 2015						Total Fair Value
NAIC Quality Designation	1	2	3	4	5	6	
U.S. Treasuries	\$4,099.1	\$—	\$—	\$—	\$—	\$—	\$4,099.1
U.S. Government agencies and authorities	385.3	—	—	—	—	—	385.3
State, municipalities and political subdivisions	1,140.9	24.7	—	—	0.1	1.2	1,166.9
U.S. corporate public securities	17,933.7	14,925.6	1,484.0	149.6	—	23.1	34,516.0
U.S. corporate private securities	3,168.0	3,034.3	226.2	64.7	5.2	—	6,498.4
Foreign corporate public securities and foreign governments <sup>(1)</sup>	3,918.3	3,571.5	545.8	30.9	—	1.8	8,068.3
Foreign corporate private securities <sup>(1)</sup>	980.9	6,375.5	344.3	—	—	1.8	7,702.5
Residential mortgage-backed securities	5,778.9	47.9	25.4	18.8	38.4	157.2	6,066.6
Commercial mortgage-backed securities	4,102.7	2.3	6.1	4.1	—	—	4,115.2
Other asset-backed securities	1,192.2	52.5	13.8	27.9	1.3	0.7	1,288.4
Total fixed maturities	\$42,700.0	\$28,034.3	\$2,645.6	\$296.0	\$45.0	\$185.8	\$73,906.7
% of Fair Value	57.8	% 37.9	% 3.6	% 0.4	% 0.1	% 0.2	% 100.0

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

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

(\$ in millions) NAIC Quality Designation	December 31, 2014						Total Fair Value
	1	2	3	4	5	6	
U.S. Treasuries	\$3,904.0	\$—	\$—	\$—	\$—	\$—	\$3,904.0
U.S. Government agencies and authorities	435.9	—	—	—	—	—	435.9
State, municipalities and political subdivisions	682.1	10.7	1.6	—	—	—	694.4
U.S. corporate public securities	18,001.5	14,550.4	1,528.4	238.6	2.5	22.3	34,343.7
U.S. corporate private securities	2,542.5	3,544.5	286.4	18.4	5.3	—	6,397.1
Foreign corporate public securities and foreign governments <sup>(1)</sup>	3,993.5	3,922.8	453.8	19.1	—	—	8,389.2
Foreign corporate private securities <sup>(1)</sup>	1,008.7	6,758.6	242.1	36.6	—	9.0	8,055.0
Residential mortgage-backed securities	6,341.8	33.5	63.1	13.7	46.0	158.7	6,656.8
Commercial mortgage-backed securities	4,155.3	13.9	15.4	3.6	—	—	4,188.2
Other asset-backed securities	1,501.2	68.6	3.6	14.8	1.4	5.5	1,595.1
Total fixed maturities	\$42,566.5	\$28,903.0	\$2,594.4	\$344.8	\$55.2	\$195.5	\$74,659.4
% of Fair Value	56.9	% 38.7	% 3.5	% 0.5	% 0.1	% 0.3	% 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)	September 30, 2015					Total Fair Value	
	ARO Quality Ratings	AAA	AA	A	BBB		BB and Below
U.S. Treasuries	\$4,099.1	\$—	\$—	\$—	\$—	\$4,099.1	
U.S. Government agencies and authorities	382.0	3.3	—	—	—	385.3	
State, municipalities and political subdivisions	162.8	739.3	238.8	24.7	1.3	1,166.9	
U.S. corporate public securities	598.9	1,995.9	15,286.1	14,942.6	1,692.5	34,516.0	
U.S. corporate private securities	340.7	289.2	2,358.1	3,293.6	216.8	6,498.4	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	124.9	1,229.1	2,578.7	3,557.1	578.5	8,068.3	
Foreign corporate private securities <sup>(1)</sup>	—	22.2	1,267.0	6,117.3	296.0	7,702.5	
Residential mortgage-backed securities	5,029.3	24.5	21.6	66.0	925.2	6,066.6	
Commercial mortgage-backed securities	2,369.7	424.0	446.9	358.7	515.9	4,115.2	
Other asset-backed securities	705.5	21.7	30.9	84.5	445.8	1,288.4	
Total fixed maturities	\$13,812.9	\$4,749.2	\$22,228.1	\$28,444.5	\$4,672.0	\$73,906.7	
% of Fair Value	18.7	% 6.4	% 30.1	% 38.5	% 6.3	% 100.0	%

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

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

(\$ in millions)	December 31, 2014						Total Fair Value
	AAA	AA	A	BBB	BB and Below		
ARO Quality Ratings	AAA	AA	A	BBB	BB and Below		
U.S. Treasuries	\$3,904.0	\$—	\$—	\$—	\$—		\$3,904.0
U.S. Government agencies and authorities	432.5	—	3.4	—	—		435.9
State, municipalities and political subdivisions	88.2	451.8	142.1	10.7	1.6		694.4
U.S. corporate public securities	430.4	1,977.9	15,538.6	14,557.9	1,838.9		34,343.7
U.S. corporate private securities	393.8	241.5	1,963.9	3,654.7	143.2		6,397.1
Foreign corporate public securities and foreign governments <sup>(1)</sup>	125.8	1,383.5	2,500.7	3,906.2	473.0		8,389.2
Foreign corporate private securities <sup>(1)</sup>	—	53.2	1,241.7	6,474.3	285.8		8,055.0
Residential mortgage-backed securities	5,434.1	30.0	31.0	94.6	1,067.1		6,656.8
Commercial mortgage-backed securities	2,235.3	515.0	474.1	350.6	613.2		4,188.2
Other asset-backed securities	930.2	36.1	99.2	43.5	486.1		1,595.1
Total fixed maturities	\$13,974.3	\$4,689.0	\$21,994.7	\$29,092.5	\$4,908.9		\$74,659.4
% of Fair Value	18.7	% 6.3	% 29.5	% 38.9	% 6.6		% 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 losses on fixed maturities, including securities pledged, increased \$728.3 million from \$323.6 million to \$1,051.9 million for the nine months ended September 30, 2015. The increase in gross unrealized losses was primarily due to widening credit spreads.

As of September 30, 2015 and December 31, 2014, we held six and one fixed maturity with unrealized capital losses in excess of \$10.0 million. As of September 30, 2015 and December 31, 2014, the unrealized capital losses on these fixed maturities equaled \$74.4 million or 7.1% and \$10.5 million or 3.2% of the total unrealized losses, 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 unrealized capital losses.

#### CMO-B Portfolio

As part of our broadly diversified investment portfolio, we have a core holding in a proprietary mortgage derivatives strategy known as CMO-B, which invests in a variety of CMO securities in combination with interest rate derivatives

in targeting a specific type of exposure to the U.S. residential mortgage market. Because of their relative complexity and generally small natural buyer base, we believe certain types of CMO securities are consistently priced below their intrinsic value, thereby providing a source of potential return for investors in this strategy.

The CMO securities that are part of our CMO-B portfolio are either notional or principal securities, backed by the interest and principal components, respectively, of mortgages secured by single-family residential real estate. There are many variations of these two types of securities including interest only and principal only securities, as well as inverse-floating rate (principal) securities and inverse interest only securities, all of which are part of our CMO-B portfolio. This strategy has been in place for nearly two decades and thus far has been a significant source of investment income while exhibiting relatively low volatility and correlation



compared to the other asset types in the investment portfolio, although we cannot predict whether favorable returns will continue in future periods.

To protect against the potential for credit loss associated with financially troubled borrowers, investments in our CMO-B portfolio are primarily in CMO securities backed by one of the government sponsored entities: the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") or Government National Mortgage Association ("Ginnie Mae").

Because the timing of the receipt of the underlying cash flow is highly dependent on the level and direction of interest rates, our CMO-B portfolio also has exposure to both interest rate and convexity risk. The exposure to interest rate risk—the potential for changes in value that results from changes in the general level of interest rates—is managed to a defined target duration using interest rate swaps and interest rate futures. The exposure to convexity risk—the potential for changes in value that result from changes in duration caused by changes in interest rates—is dynamically hedged using interest rate swaps and at times, interest rate swaptions.

Prepayment risk represents the potential for adverse changes in portfolio value resulting from changes in residential mortgage prepayment speed (actual and projected), which in turn depends on a number of factors, including conditions in both credit markets and housing markets. Changes in the prepayment behavior of homeowners represent both a risk and potential source of return for our CMO-B portfolio. As a result, we seek to invest in securities that are broadly diversified by collateral type to take advantage of the uncorrelated prepayment experiences of homeowners with unique characteristics that influence their ability or desire to prepay their mortgage. We choose collateral types and individual securities based on an in-depth quantitative analysis of prepayment incentives across available borrower types.

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

(\$ in millions) NAIC Quality Designation	September 30, 2015			December 31, 2014			
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value	
1	\$2,959.6	\$3,458.2	94.2	% \$2,961.9	\$3,475.4	93.9	%
2	1.0	1.0	—	% 1.2	1.2	—	%
3	1.8	7.3	0.2	% 2.6	8.8	0.2	%
4	6.0	10.6	0.3	% 7.5	13.5	0.4	%
5	27.2	38.4	1.0	% 33.0	45.9	1.2	%
6	95.2	157.2	4.3	% 93.0	158.7	4.3	%
	\$3,090.8	\$3,672.7	100.0	% \$3,099.2	\$3,703.5	100.0	%

For CMO securities where we elected the FVO, amortized cost represents the market values. For details on the NAIC designation methodology, please see "Fixed Maturities Credit Quality-Ratings" above.

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

(\$ in millions)	September 30, 2015			December 31, 2014		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives non-qualifying for hedge accounting:						
Interest Rate Contracts	\$31,245.8	\$428.8	\$342.0	\$27,990.8	\$463.1	\$422.2

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:

Tranche Type	September 30, 2015			December 31, 2014			
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value	
Inverse Floater	\$873.0	\$1,200.0	32.7 %	\$944.7	\$1,273.3	34.4 %	
Interest Only (IO)	266.8	289.8	7.9 %	289.9	317.2	8.6 %	
Inverse IO	1,470.8	1,686.3	46.0 %	1,359.8	1,595.3	43.0 %	
Principal Only (PO)	446.4	460.8	12.5 %	465.4	475.6	12.8 %	
Floater	29.6	30.5	0.8 %	34.8	36.1	1.0 %	
Other	4.2	5.3	0.1 %	4.6	6.0	0.2 %	
Total	\$3,090.8	\$3,672.7	100.0 %	\$3,099.2	\$3,703.5	100.0 %	

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

During the nine months ended September 30, 2015, the valuations of our CMO-B portfolio decreased as a result of paydowns and maturities surpassing new purchases. The overall decrease was partially offset by higher valuations due to lower levels of prepayment speeds compared to market expectations. Yields within the CMO-B portfolio continue to decline primarily as a result of paydowns or maturities of higher yielding historical CMO-B assets being replaced at lower reinvestment rates.

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net investment income (loss)	\$180.6	\$188.3	\$553.9	\$568.3
Net realized capital gains (losses) <sup>(1)</sup>	(156.4)	(84.0)	(354.4)	(196.0)
Total income (pre-tax)	\$24.2	\$104.3	\$199.5	\$372.3

<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 whose coupon payments are reflected in Net investment income (loss) (operating earnings), it is appropriate to represent the net swap coupons as operating income before income taxes rather than non-operating income. Also included in Net realized capital gains (losses) are the premium amortization and the change in fair value for securities designated under the FVO, whereas the coupon for these securities is included in Net investment income (loss). In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from Net realized capital gains (losses) (or non-operating income) to operating income.

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014

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

Operating earnings before income taxes	\$73.1	\$70.0	\$208.3	\$212.1
Realized gains/losses including OTTI	2.7	(0.6	) 5.2	6.1
Fair value adjustments	(51.6	) 34.9	(14.0	) 154.1
Non-operating income	(48.9	) 34.3	(8.8	) 160.2
Income (loss) before income taxes	\$24.2	\$104.3	\$199.5	\$372.3

177

---

## Subprime and Alt-A Mortgage Exposure

Pre-2008 vintage subprime and Alt-A mortgage collateral continues to distance itself from the credit crisis and payment performance reflects a housing market firmly entrenched in recovery. While collateral losses continue to be realized, the amounts 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. Home prices have moved steadily higher, further supporting payment performance. Year-over-year home price measures, while at a lower magnitude than experienced in recent years, appear to 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 whose loan structure provides repayment options to the borrower that increase the risk of default; and any securities backed by residential mortgage collateral not clearly identifiable as prime or subprime.

We have exposure to RMBS, CMBS and ABS. Our exposure to subprime mortgage-backed securities is primarily in the form of ABS structures collateralized by subprime residential mortgages and the majority of these holdings were included in Other ABS under "Fixed Maturities" above. As of September 30, 2015, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$489.8 million, \$452.4 million and \$14.0 million, respectively, representing 0.7% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2014, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$549.1 million, \$512.6 million and \$16.2 million, respectively, representing 0.7% of total fixed maturities, including securities pledged, based on fair value.

The following table presents our exposure to subprime mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Subprime Mortgage-backed Securities				Vintage		
	NAIC Quality Designation		ARO Quality Ratings				
September 30, 2015							
	1	87.9	% AAA	—	% 2007	30.0	%
	2	8.1	% AA	0.6	% 2006	27.5	%
	3	0.9	% A	2.5	% 2005 and prior	42.5	%
	4	2.7	% BBB	5.8	%	100.0	%
	5	0.3	% BB and below	91.1	%		
	6	0.1	%	100.0	%		
		100.0	%				
December 31, 2014							
	1	86.8	% AAA	0.1	% 2007	30.3	%
	2	8.6	% AA	0.4	% 2006	27.7	%
	3	0.6	% A	4.5	% 2005 and prior	42.0	%
	4	2.7	% BBB	3.9	%	100.0	%
	5	0.3	% BB and below	91.1	%		
	6	1.0	%	100.0	%		
		100.0	%				



Our exposure to Alt-A mortgages is included in the "RMBS" line item in the "Fixed Maturities" table under "Fixed Maturities" above. As of September 30, 2015, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$352.2 million, \$298.7 million and \$4.0 million, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2014, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$408.7 million, \$351.7 million and \$4.9 million, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

The following table presents our exposure to Alt-A RMBS by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Alt-A Mortgage-backed Securities						
	NAIC Quality Designation	ARO Quality Ratings		Vintage			
September 30, 2015							
	1	88.9	% AAA	—	% 2007	22.8	%
	2	4.6	% AA	0.1	% 2006	34.0	%
	3	4.8	% A	0.9	% 2005 and prior	43.2	%
	4	0.7	% BBB	2.6	%	100.0	%
	5	—	% BB and below	96.4	%		
	6	1.0	%	100.0	%		
		100.0	%				
December 31, 2014							
	1	87.6	% AAA	—	% 2007	22.6	%
	2	3.8	% AA	—	% 2006	33.9	%
	3	6.2	% A	0.7	% 2005 and prior	43.5	%
	4	1.4	% BBB	3.1	%	100.0	%
	5	—	% BB and below	96.2	%		
	6	1.0	%	100.0	%		
		100.0	%				

#### 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. Since then, the steep pace of increases observed in the early years following the credit crisis has ceased, and the percentage of delinquent loans declined through 2013 and the majority of 2014. In the first three quarters of 2015, this trend has continued, leaving delinquency measures at multi-year lows. Other performance metrics like vacancies, property values and rent levels have also continued to improve, 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. In addition, a robust environment for property refinancing has continued to be supportive of improving credit performance metrics throughout the year. The new issue market for CMBS has been a meaningful contributor to the refinance environment. It has continued its recovery from the credit crisis with meaningful new issuance since the credit crisis, increasing each year to set successive new post crisis highs. While market conditions softened in the third quarter, with the disruptions in broader risk markets, new issue volume for the nine months ended September 30, 2015 remains robust, reflective of the active and competitive refinancing market.

For consumer Other ABS, delinquency and loss rates have been maintained at levels considered low by historical standards and indicative of high credit quality. Relative strength in various credit metrics across multiple types of asset-backed loans have been observed on a sustained basis.





The following table presents our exposure to CMBS holdings by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total CMBS		ARO Quality Ratings		Vintage	
	NAIC Quality Designation					
September 30, 2015						
1	99.7	%	AAA	57.6	%	2015 9.6%
2	0.1	%	AA	10.3	%	2014 17.6%
3	0.1	%	A	10.9	%	2013 13.5%
4	0.1	%	BBB	8.7	%	2012 0.7%
5	—	%	BB and below	12.5	%	2011 0.8%
6	—	%		100.0	%	2010 0.4%
	100.0	%				2009 and prior 57.4%
						100.0%
December 31, 2014						
1	99.2	%	AAA	53.4	%	2014 15.3%
2	0.3	%	AA	12.3	%	2013 12.3%
3	0.4	%	A	11.3	%	2012 0.3%
4	0.1	%	BBB	8.4	%	2011 0.2%
5	—	%	BB and below	14.6	%	2010 0.3%
6	—	%		100.0	%	2009 — %
	100.0	%				2008 and prior 71.6%
						100.0%

As of September 30, 2015, the fair value, amortized cost and gross unrealized losses of our Other ABS, excluding subprime exposure, totaled \$821.2 million, \$800.8 million and \$1.5 million, respectively. As of December 31, 2014, the fair value, amortized cost and gross unrealized losses of our Other ABS, excluding subprime exposure, totaled \$1.1 billion, \$1.0 billion and \$1.8 million, respectively.

As of September 30, 2015, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 56.2%, 1.6% and 16.3%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2014, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 57.6%, 6.0% and 17.1%, respectively, of total Other ABS, excluding subprime exposure.

The following table presents our exposure to Other ABS holdings, excluding subprime exposure, by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Other ABS						
	NAIC Quality Designation		ARO Quality Ratings		Vintage		
September 30, 2015							
1	95.4	%	AAA	85.9	%	2015	10.4 %
2	1.6	%	AA	2.3	%	2014	18.6 %
3	1.2	%	A	2.4	%	2013	7.2 %
4	1.8	%	BBB	6.9	%	2012	8.9 %
5	—	%	BB and below	2.5	%	2011	0.3 %
6	—	%		100.0%		2010	1.8 %
	100.0%					2009 and prior	52.8 %
							100.0 %
December 31, 2014							
1	97.9	%	AAA	87.6	%	2014	19.1 %
2	2.1	%	AA	3.2	%	2013	10.7 %
3	—	%	A	7.1	%	2012	12.3 %
4	—	%	BBB	2.1	%	2011	3.1 %
5	—	%	BB and below	—	%	2010	1.9 %
6	—	%		100.0	%	2009	1.0 %
	100.0	%				2008 and prior	51.9 %
							100.0 %

#### Troubled Debt Restructuring

Although our portfolio of commercial loans and private placements is high quality, a small number of these contracts have been granted modifications, certain of which are considered to be troubled debt restructurings. 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 troubled debt restructuring.

#### Mortgage Loans on Real Estate

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

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



As of September 30, 2015 and December 31, 2014, our mortgage loans on real estate portfolio had a weighted average DSC of 2.1 and 2.0 times, and a weighted average LTV ratio of 60.1% and 59.9%, 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.

(\$ in millions)	Recorded Investment Debt Service Coverage Ratios				Commercial mortgage loans secured by land or construction loans	Total	% of Total	
	> 1.5x	>1.25x - 1.5x	>1.0x - 1.25x	< 1.0x				
September 30, 2015								
Loan-to-Value Ratios:								
0% - 50%	\$1,286.2	\$73.7	\$26.3	\$8.8	\$—	\$1,395.0	13.0	%
>50% - 60%	2,284.7	302.6	208.2	46.4	23.1	2,865.0	26.7	%
>60% - 70%	4,590.0	863.2	415.2	50.5	42.5	5,961.4	55.5	%
>70% - 80%	183.8	243.2	33.7	14.7	14.2	489.6	4.6	%
>80% and above	—	—	12.1	7.4	—	19.5	0.2	%
Total	\$8,344.7	\$1,482.7	\$695.5	\$127.8	\$79.8	\$10,730.5	100.0	%

(\$ in millions)	Recorded Investment Debt Service Coverage Ratios				Commercial mortgage loans secured by land or construction loans	Total	% of Total	
	> 1.5x	>1.25x - 1.5x	>1.0x - 1.25x	< 1.0x				
December 31, 2014								
Loan-to-Value Ratios:								
0% - 50%	\$1,226.9	\$150.5	\$31.3	\$51.9	\$—	\$1,460.6	14.9	%
>50% - 60%	1,738.9	145.7	196.3	180.7	—	2,261.6	23.1	%
>60% - 70%	4,058.3	783.4	532.8	124.3	16.0	5,514.8	56.3	%
>70% - 80%	72.1	304.8	144.4	20.0	—	541.3	5.5	%
>80% and above	—	7.7	1.9	9.0	—	18.6	0.2	%
Total	\$7,096.2	\$1,392.1	\$906.7	\$385.9	\$16.0	\$9,796.9	100.0	%

#### Other-Than-Temporary Impairments

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

During the three and nine months ended September 30, 2015, we recorded \$0.6 million and \$10.9 million, respectively, of credit related OTTI of which the primary contributor was \$0.3 million and \$5.9 million, respectively, of write-downs recorded in the RMBS sector on securities collateralized by Alt-A residential mortgages and the Foreign Government and Public 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 annuity products with guarantees. 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 Disclosure 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 7. 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 have recently imposed 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.

As of September 30, 2015, we had \$625.1 million of exposure to peripheral Europe, which consisted of a broadly diversified portfolio of credit-related investments primarily in the industrial and utility sectors. We did not have any fixed maturities or equity securities exposure to European sovereigns based in peripheral Europe. Peripheral European

exposure included non-sovereign exposure in Ireland of \$195.5 million, Italy of \$246.3 million, Portugal of \$10.3 million and Spain of \$173.0 million. We did not have any exposure to Greece. As of September 30, 2015, we did not have any exposure to derivative assets within the financial institutions based in peripheral Europe. For purposes of calculating the derivative assets exposure, we have aggregated exposure to single name and portfolio product CDS, as well as non-CDS derivative exposure for which it either has counterparty or direct credit exposure to a company whose country of risk is in scope.

Among the remaining \$8,028.0 million of total non-peripheral European exposure, we had a portfolio of credit-related assets similarly diversified by country and sector across developed and developing Europe. As of September 30, 2015 our sovereign exposure was \$222.9 million, which consisted of fixed maturities. We also had \$1,070.5 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of \$276.9 million and the United Kingdom of \$345.3 million. The balance of \$6,734.6 million was invested across non-peripheral, non-financial institutions.

In addition to aggregate concentration in the United Kingdom of \$3,342.8 million, we had significant non-peripheral European total country exposures in The Netherlands of \$1,131.9 million, in Belgium of \$307.2 million, in France of \$628.8 million, in Germany of \$812.3 million and in Switzerland of \$883.0 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.



The following table presents our European exposures at fair value and amortized cost as of September 30, 2015:

(\$ in millions)	Fixed Maturities and Equity Securities				Derivative Assets						Total (Fair Value)	Net Non-US Funded <sup>(1)</sup>
	Sovereign	Financial Institutions	Non-Financial Institutions	Total (Fair Value)	Total (Amortized Cost)	Loan and Receivables Sovereign (Amortized Cost)	Financial Institutions	Non-Financial Institutions	Margin	Less: Collateral		
Ireland	\$—	\$—	\$ 194.3	\$194.3	\$176.9	\$—	\$—	\$—	\$ 1.2	\$—	\$1.2	\$195.5
Italy	—	—	246.3	246.3	232.5	—	—	—	—	—	—	246.3
Portugal	—	—	10.3	10.3	8.3	—	—	—	—	—	—	10.3
Spain	—	—	173.0	173.0	155.4	—	—	—	—	—	—	173.0
Total Peripheral Europe	\$—	\$—	\$ 623.9	\$623.9	\$573.1	\$—	\$—	\$—	\$ 1.2	\$—	\$1.2	\$625.1
Belgium	\$36.9	\$—	\$ 270.3	\$307.2	\$265.0	\$—	\$—	\$—	\$—	\$—	\$—	\$307.2
Croatia	27.8	—	—	27.8	25.6	—	—	—	—	—	—	27.8
Czech Republic	—	—	10.6	10.6	10.1	—	—	—	—	—	—	10.6
Denmark	—	—	121.7	121.7	116.1	—	—	—	—	—	—	121.7
Finland	—	—	17.6	17.6	17.0	—	—	—	—	—	—	17.6
France	—	139.6	423.7	563.3	532.4	—	—	380.0	—	314.5	65.5	628.8
Germany	—	24.9	787.4	812.3	790.2	—	—	32.0	—	32.0	—	812.3
Kazakhstan	41.8	1.0	19.7	62.5	66.4	—	—	—	—	—	—	62.5
Latvia	4.7	—	—	4.7	4.6	—	—	—	—	—	—	4.7
Lithuania	34.4	—	—	34.4	30.2	—	—	—	—	—	—	34.4
Luxembourg	—	—	27.4	27.4	25.0	—	—	—	—	—	—	27.4
Netherlands	—	178.9	953.0	1,131.9	1,078.8	—	—	3.1	—	3.1	—	1,131.9
Norway	—	—	270.3	270.3	262.5	—	—	—	—	—	—	270.3
Russian Federation	54.8	5.0	86.1	145.9	141.3	—	—	—	—	—	—	145.9
Slovakia	5.6	—	—	5.6	5.0	—	—	—	—	—	—	5.6
Sweden	—	33.4	83.6	117.0	109.5	—	—	—	—	—	—	117.0
Switzerland	—	274.7	604.9	879.6	839.0	—	—	2.2	1.2	—	3.4	883.0
Turkey	16.9	—	59.6	76.5	76.3	—	—	—	—	—	—	76.5
United Kingdom	—	338.6	2,997.5	3,336.1	3,213.3	—	—	425.6	—	418.9	6.7	3,342.8
Total Non-Peripheral Europe	222.9	996.1	6,733.4	7,952.4	7,608.3	—	—	842.9	1.2	768.5	75.6	8,028.0
Total Europe	\$222.9	\$996.1	\$7,357.3	\$8,576.3	\$8,181.4	\$—	\$—	\$842.9	\$2.4	\$768.5	\$76.8	\$8,653.1

<sup>(1)</sup> Represents: (i) fixed maturities and equity securities at fair value, including securities pledged; (ii) loan and receivables sovereign at amortized cost; and (iii) derivative assets at fair value including securities pledged.

### Consolidated Investment Entities

We provide investment management services to, and have transactions with, various collateralized debt structures and securitizations (primarily consolidated investment entities ("CLO entities")), private equity funds and single strategy hedge funds, insurance entities 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.

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 \$744.6 million and \$694.4 million as of September 30, 2015 and December 31, 2014, 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 to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value. 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 single strategy 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 Condensed Consolidated Financial Statements in Part II, Item 8. of our 2014 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 single strategy 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.

## Securizations

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 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. 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

### Department of Labor Proposed Rule Regarding the Definition of "Fiduciary"

In April 2015, the Department of Labor ("DOL") published its revised proposal to broaden the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and for other purposes. The proposal was subject to public comment and is currently under review by the DOL. We submitted a comment letter to the DOL on July 16, 2015, expressing our views on the proposed rule and participated in a DOL hearing concerning the proposal on August 11, 2015. We currently expect a final rule to be published sometime during the first half of 2016.

As proposed, the rule would expand the circumstances in which providers of investment advice to small plan sponsors, plan participants and beneficiaries, and IRA investors are deemed to act in a fiduciary capacity. The rule would require 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. The DOL concurrently proposed a "best interest contract exemption" intended to enable continuation of certain existing industry practices relating to receipt of commissions and other compensation, but the exemption includes conditions and requirements that may make it difficult to rely upon in practice. Although the final outcome of the DOL rulemaking remains uncertain, the proposed rule, if adopted in its current form, would substantially change the legal framework within which we deliver ERISA plan distribution support and investment education, conduct rollover discussions with plan participants and beneficiaries, and provide investment advice to IRA owners. While these changes, as proposed, would restrict certain advisory practices and compensation arrangements that are common in our industry, we believe our experience providing retirement and investment products and services in a fiduciary environment positions us well to remain competitive as the industry adjusts to any final rulemaking from the DOL.

### Recent Activity by the NAIC

On February 24, 2015, the National Association of Insurance Commissioners ("NAIC") Financial Regulation Standards and Accreditation (F) Committee ("Accreditation Committee") exposed for public comment a proposed revised preamble to the NAIC accreditation standards that would apply to captives that assume XXX/AXXX, variable annuity

and long-term care business. In May 2015, the Accreditation Committee adopted the proposal (the “Standard”), but deferred consideration of possible grandfathering provisions and effective dates to the 2015 NAIC Summer National Meeting. At the 2015 NAIC Summer National Meeting in August 2015, the Accreditation Committee adopted an effective date of January 1, 2016 for application of the accreditation standards to captives that assume XXX/AXXX business. Under the Standard, a state will be deemed in compliance as it relates to XXX/AXXX captives if the applicable reinsurance transaction satisfies the XXX/AXXX Framework adopted by the NAIC in December 2014. In addition, the Standard applies prospectively, so that XXX/AXXX captives will not be subject to the Standard if reinsured policies were issued prior to January 1, 2015 and ceded so that they were part of a reinsurance arrangement as of December 31, 2014. The Accreditation Committee left for future action application of the Standard to captives that assume variable annuity business.

At the NAIC Spring National Meeting in March 2015, the NAIC Financial Conditions (E) Committee established the Variable Annuities Issues (E) Working Group (“VAIWG”) to oversee the NAIC’s efforts to study and address, as appropriate, regulatory

issues resulting in variable annuity captive reinsurance transactions. The VAIWG retained Oliver Wyman to study the industry's use of variable annuity captive reinsurance and to develop a set of recommended changes to address the issues involving variable annuity captives. In September 2015, Oliver Wyman issued an initial report, which was adopted by the VAIWG, outlining its preliminary findings and making recommendations for enhancements to the variable annuity statutory framework. On November 5, 2015, upon the recommendation of the VAIWG, the E Committee adopted a Variable Annuities Framework for Change ("VA Framework for Change") which recommends changes for NAIC groups to adjust the variable annuity statutory framework applicable to all insurers that have written or are writing variable annuity business. The VA Framework for Change contemplates a holistic set of reforms that would improve the current reserve and capital framework and address root cause issues that result in the use of captive arrangements. Although the current exposure draft recommends an effective date of January 1, 2017, the timing of these proposals remains uncertain. We cannot predict what revisions, if any, will be made to the VA Framework for Change proposal as a result of NAIC deliberations, whether this or other proposals will be adopted by the NAIC, what revisions to the current VA statutory framework will be made as a result of the implementation of the VA Framework for Change or any other NAIC proposals, or what additional actions and regulatory changes will result from the continued VA captives scrutiny and reform efforts by the NAIC and other regulatory bodies.

For a discussion of the Company's potential risks or uncertainties related to possible regulatory changes that may result from regulatory scrutiny of captives, please see Risk Factors - Risks Related to Regulation - "Our businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability" in Part I, Item IA. of our Annual Report on Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Captive Reinsurance Subsidiaries in our Annual Report on Form 10-K.

### Item 3. Quantitative and Qualitative Disclosure 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.

#### Risk Management

As a financial services company active in retirement, investment management and insurance products and services, taking measured risks is part of our business. As part of our effort to ensure measured risk taking, we have integrated risk management in our daily business activities and strategic planning.

We place a high priority on risk management and risk control. We have comprehensive risk management and control procedures in place at all levels and have established a dedicated risk management function with responsibility for the formulation of our risk appetite, strategies, policies and limits. The risk management function is also responsible for monitoring our overall market risk exposures and provides review, oversight and support functions on risk-related issues.

Our risk appetite is aligned with how our businesses are managed and anticipates future regulatory developments. In particular, our risk appetite is aligned with regulatory capital requirements applicable to our regulated insurance subsidiaries as well as metrics that are aligned with various ratings agency models.

Our risk governance and control systems enable us to identify, control, monitor and aggregate risks and provide assurance that risks are being measured, monitored and reported adequately and effectively. To promote measured risk taking, we have integrated risk management with our business activities and strategic planning.

Each risk that is managed has been mapped for oversight by the Board of Directors or appropriate Board Committees. The Chief Risk Officer ("CRO") reports to the Chief Executive Officer and has direct access to the Board on a regular basis. The Company's Board of Directors and Board Committees are directly involved within the risk framework.

The CRO heads the risk management function and each of the businesses, as well as corporate, has a similar function that reports to the CRO. This functional approach is designed to promote consistent application of guidelines and procedures, regular reporting and appropriate communication through the risk management function, as well as to provide ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are described in a Risk Management Policy to which our businesses must adhere.

Our Risk Committee discusses and approves all risk policies and reviews and approves risks associated with our activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. Each business has a Committee that reviews business specific risks and is governed by the Risk Committee.

We have implemented several limit structures to manage risk. Examples include, but are not limited to, the following:

- At-risk limits on sensitivities of earnings and regulatory capital;
- Duration and convexity mismatch limits;
- Credit risk limits;
- Liquidity limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for our insurance risk; and
- Investment and derivative guidelines.

We manage our risk appetite based on several key risk metrics, including:

- At-risk metrics on sensitivities of earnings and regulatory capital;
- Stress scenario results: forecasted results under stress events covering the impact of changes in interest rates, equity markets, mortality rates, credit default and spread levels, and combined impacts;
- Economic capital: the amount of capital required to cover extreme scenarios

The risk metrics described above constitute our risk framework.

We are also subject to cash flow stress testing pursuant to regulatory requirements. This analysis measures the effect of changes in interest rate assumptions on asset and liability cash flows. The analysis includes the effects of:

- the timing and amount of redemptions and prepayments in our asset portfolio;
- our derivative portfolio;
- death benefits and other claims payable under the terms of our insurance products;
- lapses and surrenders in our insurance products;
- minimum interest guarantees in our insurance products; and
- book value guarantees in our insurance products.

We evaluate any shortfalls that our cash flow testing reveals and if needed increase statutory reserves or adjust portfolio management strategies.

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, financial indices, or other prices of securities or commodities. Derivatives include swaps, futures, options and forward contracts. Under U.S. insurance statutes, our insurance subsidiaries may use derivatives to hedge market values or cash flows of assets or liabilities; to replicate cash market instruments; and for certain limited income generating activities. Our insurance subsidiaries are generally prohibited from using derivatives for speculative purposes. References below to hedging and hedge programs refer to our process of reducing exposure to various risks. This does not mean that the process necessarily results in hedge accounting treatment for the respective derivative instruments. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item and meet other specific requirements. Effectiveness of the hedge is assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge. The ineffective portion of a hedging relationship subject to hedge accounting is recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of



Operations.

## Market Risk Related to Interest Rates

We define interest rate risk as the risk of an economic loss due to adverse changes in interest rates. This risk arises from our holdings in interest sensitive assets and liabilities, primarily as a result of investing life insurance premiums, fixed annuity and guaranteed investment contract deposits received in interest-sensitive assets and carrying these funds as interest-sensitive liabilities. We are also subject to interest rate risk on our variable annuity business, stable value contracts and secondary guarantee universal life contracts. A sustained decline in interest rates or a prolonged period of low interest rates may subject us to higher cost of guaranteed benefits and increased hedging costs on those products that are being hedged. In a rising interest rate environment, we are exposed to the risk of financial disintermediation through a potential increase in the level of book value withdrawals on certain stable value contracts. Conversely, a steady increase in interest rates would tend to improve financial results due to reduced hedging costs, lower costs of guaranteed benefits and improvement to fixed margins.

We use product design, pricing and ALM strategies to reduce the adverse effects of interest rate movement. Product design and pricing strategies can include the use of surrender charges, withdrawal restrictions and the ability to reset credited interest rates. ALM strategies can include the use of derivatives and duration and convexity mismatch limits. See Risk Factors-Risks Related to Our Business-General - 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 for the year ended December 31, 2014.

Derivatives strategies include the following:

**Guaranteed Minimum Contract Value Guarantees.** For certain liability contracts, we provide the contract holder a guaranteed minimum contract value. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors, swaps and swaptions to reduce risk associated with these liability guarantees.

- **Book Value Guarantees in Stable Value Contracts.** For certain stable value contracts, the contract holder and participants may surrender the contract for the account value even if the market value of the asset portfolio is in an unrealized loss position. We purchase derivatives including interest rate caps, swaps and swaptions to reduce the risk associated with this type of guarantee.

**Interest Risk Related to Variable Annuity Guaranteed Living Benefits.** For Variable Annuity contracts with Guaranteed Living benefits, the contract holder may elect to receive income benefits over the remainder of their lifetime. We use derivatives such as interest rate swaps to hedge a portion of the interest rate risk associated with this type of guarantee.

**Other Market Value and Cash Flow Hedges.** We also use derivatives in general to hedge present or future changes in cash flows or market value changes in our assets and liabilities. We use derivatives such as interest rate swaps to specifically hedge interest rate risks associated with our CMO-B portfolio; see Management's Discussion and Analysis of Financial Condition and Results of Operations-Investments-CMO-B Portfolio in Part II, Item 7. of our Annual Report on Form 10-K for the year ended December 31, 2014.

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, reflecting changes in either credit spreads or risk-free rates. The following table summarizes the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of September 30, 2015. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

(\$ in millions)	As of September 30, 2015		Hypothetical Change in Fair Value <sup>(2)</sup>		
	Notional	Fair Value <sup>(1)</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	\$—	\$73,906.7	\$(5,179.8	) \$5,615.9	
Commercial mortgage and other loans	—	11,205.4	(600.6	) 639.8	
Derivatives:					
Interest rate swaps, caps, forwards	66,860.5	870.9	(600.7	) 825.4	
Financial liabilities with interest rate risk:					
Investment contracts:					
Funding agreements without fixed maturities and deferred annuities <sup>(3)</sup>	—	56,833.4	(3,766.8	) 4,658.6	
Funding agreements with fixed maturities and GICs	—	1,465.9	(43.8	) 44.9	
Supplementary contracts and immediate annuities	—	3,106.2	(173.0	) 194.5	
Long-term debt	—	3,811.5	(229.7	) 257.7	
Embedded derivatives on reinsurance	—	65.7	(131.8	) 149.8	
Guaranteed benefit derivatives <sup>(3)</sup> :					
FIA	—	1,665.9	138.2	(140.7	)
GMAB / GMWB / GMWBL	—	1,995.6	(738.1	) 944.1	
Stabilizer and MCGs	—	162.6	(129.7	) 230.4	

(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.

For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate ("GMIR"). These contracts include fixed annuities and other insurance liabilities. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with a resulting investment margin compression negatively impacting earnings. Credited rates are set either quarterly or annually.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of September 30, 2015, and the respective GMIRs:

(\$ in millions)	Account Value <sup>(1)</sup>						
	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	Total
Guaranteed minimum interest rate:							
Up to 1.00%	\$1,849.8	\$986.4	\$966.8	\$663.5	\$631.2	\$915.7	\$6,013.4
1.01% - 2.00%	1,847.4	500.5	456.8	107.7	31.2	98.2	3,041.8
2.01% - 3.00%	17,644.3	660.0	487.5	174.8	46.8	99.1	19,112.5
3.01% - 4.00%	12,163.1	580.6	717.2	1.2	—	0.1	13,462.2
4.01% and Above	3,402.3	115.5	0.5	1.3	—	0.5	3,520.1
Renewable beyond 12 months (MYGA) <sup>(2)</sup>	1,818.9	—	—	—	—	—	1,818.9
Total discretionary rate setting products	\$38,725.8	\$2,843.0	\$2,628.8	\$948.5	\$709.2	\$1,113.6	\$46,968.9
Percentage of Total	82.4	% 6.1	% 5.6	% 2.0	% 1.5	% 2.4	% 100.0

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

<sup>(2)</sup> Represents MYGA contracts with renewal dates after September 30, 2016 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

Our variable products, Fixed Indexed Annuity ("FIA") products and general account equity securities are significantly influenced by global equity markets. Increases or decreases in equity markets impact certain assets and liabilities related to our variable products and our earnings derived from those products. Our variable products include variable annuity contracts and variable life insurance.

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following table summarizes the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of September 30, 2015. 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 September 30, 2015		Hypothetical Change in Fair Value <sup>(1)</sup>	
	Notional	Fair Value	+ 10% Equity Shock	-10% Equity Shock
Financial assets with equity market risk:				
Equity securities, available-for-sale	\$—	\$338.2	\$24.9	\$(24.9)
Limited liability partnerships/corporations	—	465.6	28.5	(28.5)
Derivatives:				
Equity futures and total return swaps <sup>(2)</sup>	10,775.6	(104.4)	(783.6)	781.7
Equity options	14,406.1	263.9	(74.8)	114.2
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives				
FIA	—	1,665.9	113.2	(59.5)
GMAB / GMWB/ GMWBL	—	1,995.6	(244.7)	287.0

<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 Closed Block Variable Annuity hedging programs.

#### Market Risk Related to Closed Block Variable Annuity

##### Closed Block Variable Annuity ("CBVA") Net Amount at Risk ("NAR")

The NAR for Guaranteed Minimum Death Benefits ("GMDB"), Guaranteed Minimum Accumulation Benefits ("GMAB") and Guaranteed Minimum Withdrawal Benefits ("GMWB") is equal to the guaranteed value of these benefits in excess of the account values in each case as of the date indicated. The NAR assumes utilization of benefits by all customers as of the date indicated.

The NAR for Guaranteed Minimum Income Benefits ("GMIB") and Guaranteed Minimum Withdrawal Benefits for Life ("GMWBL") is equal to the excess of the present value of the minimum guaranteed annuity payments available to the contract owner over the current account value. It assumes that all policyholders exercise their benefit immediately, even if they have not yet attained the first exercise date shown in their contracts, and that there are no future lapses. The NAR assumes utilization of benefits by all customers as of the date indicated. This hypothetical immediate exercise of the benefit means that the customers give up any future increase in the guaranteed benefit that might accrue if they were to delay exercise to a later date. The discount rates used in the GMIB NAR methodology grade from current U.S. Treasury rates to long-term best estimates over fifteen years. The GMWBL NAR methodology uses current swap rates. The discounting for GMWBL and GMIB NAR was developed to be consistent with the methodology for the establishment of U.S. GAAP reserves.

For GMIB products, in general, the policyholder has the right to elect income payment, beginning (for certain products) on the tenth anniversary year of product commencement, receive lump sum payment of the then current cash value, or remain in the variable sub-account. For GMIB products, if the policyholder makes the election to annuitize, the policyholder is entitled to receive the guaranteed benefit amount over an annuitization period. A small percentage of the products were first eligible to elect annuitizations beginning in 2010 and 2011. The remainder of the products become eligible to elect annuitization from 2012 to 2020, with the majority of first eligibility dates in the period from 2014 through 2016. Many of these contracts contain significant incentives to delay annuitization past first eligibility.

Because policyholders have various contractual rights and significant incentives to defer their annuitization election, the period over which annuitization election will take place is subject to policyholder behavior and therefore indeterminate. In addition, upon annuitization the contract holder surrenders access to the account value and the

account value is transferred to the Company's general account where it is invested and the additional investment proceeds are used towards payment of the guaranteed benefit payment.

Similarly, most of our GMWBL contracts are still in the first five to seven policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, like our GMIB contracts, many of our GMWBL contracts contain significant incentives to delay withdrawal. We expect customer decisions on annuitization and withdrawal will be influenced by customers' financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products. If emerging experience deviates from our assumptions on either GMIB annuitization

or GMWBL withdrawal, we could experience gains or losses and a significant decrease or increase to reserve and capital requirements.

The account values and NAR, both gross and net of reinsurance ("retained NAR"), of contract owners by type of minimum guaranteed benefit for retail variable annuity contracts are summarized below as of September 30, 2015:

(\$ in millions, unless otherwise indicated)	As of September 30, 2015				
	Account Value <sup>(1)</sup>	Gross NAR	Retained NAR	% Contracts NAR In-the-Money <sup>(2)</sup>	% NAR In-the-Money <sup>(3)</sup>
GMDB	\$35,362	\$7,186	\$6,630	59%	27%
Living Benefit					
GMIB	\$11,645	\$3,385	\$3,385	87%	25%
GMWBL	14,032	2,374	2,374	67%	21%
GMAB/GMWB	636	21	21	17%	19%
Living Benefit Total	\$26,313	\$5,780	\$5,780	76% <sup>(4)</sup>	23% <sup>(5)</sup>

<sup>(1)</sup> Account value excludes \$2.9 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 NAR greater than zero.

<sup>(3)</sup> For contracts with a NAR greater than zero, % 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, 2014 was 61%.

<sup>(5)</sup> Total Living Benefit % NAR In-the-Money as of December 31, 2014 was 18%.

As of the date indicated above, compared to \$5.8 billion of NAR, we held gross statutory reserves before reinsurance of \$4.6 billion for living benefit guarantees; of this amount, \$4.5 billion was ceded to Security Life of Denver International Limited, 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 \$3.5 billion as of September 30, 2015.

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, 2014.

#### Variable Annuity Hedge Program

#### Variable Annuity Guarantee Hedge Program

We primarily mitigate CBVA market risk exposures through hedging. Market risk arises primarily from the minimum guarantees within the CBVA products, whose economic costs are primarily dependent on future equity market returns, interest rate levels, equity volatility levels and policyholder behavior. The Variable Annuity Guarantee Hedge Program is used to mitigate our exposure to equity market and interest rate changes and seeks to ensure that the required assets are available to satisfy future death benefit and living benefit obligations. While the Variable Annuity Guarantee Hedge Program does not explicitly hedge statutory or U.S. GAAP reserves, as markets move up or down, in aggregate the returns generated by the Variable Annuity Guarantee Hedge Program will significantly offset the statutory and U.S. GAAP reserve changes due to market movements.

The objective of the Variable Annuity Guarantee Hedge Program is to offset changes in equity market returns for most minimum guaranteed death benefits and all guaranteed living benefits, while also providing interest rate protection for certain minimum guaranteed living benefits. We hedge the equity market exposure using a hedge target set using market consistent valuation techniques for all guaranteed living benefits and most death benefits. We also



hedge a portion of the interest rate risk in our GMWB/GMAB/GMWBL blocks using a market consistent valuation hedge target. We do not hedge interest rate risks for our GMIB or GMDB primarily because doing so would result in volatility in our regulatory reserves and rating agency capital that exceeds our tolerances and, secondarily, because doing so would produce additional volatility in our U.S. GAAP financial statements. These hedge targets may change over time with market movements, changes in regulatory and rating agency capital, available collateral and our risk tolerance.

Equity index futures on various equity indices are used to mitigate the risk of the change in value of the policyholder-directed separate account funds underlying the CBVA contracts with minimum guarantees. A dynamic trading program is utilized to seek replication of the performance of targeted fund groups (i.e. the fund groups that can be covered by indices where liquid futures markets exist).

Total return swaps are also used to mitigate the risk of the change in value of certain policyholder directed separate account funds. These include fund classes such as emerging markets and real estate. They may also be used instead of futures of more liquid indices where it may be deemed advantageous. This hedging strategy is employed at our discretion based on current risk exposures and related transaction costs.

Interest rate swaps are used to match a portion of the hedge targets on GMWB/GMAB/GMWBL as described above.

Variance swaps and equity options were used to mitigate the impact of changes in equity volatility on the economic liabilities associated with certain minimum guaranteed living benefits. In the second quarter of 2015, we chose to cease this program.

Foreign exchange forwards are used to mitigate the impact of policyholder-directed investments in international funds with exposure to fluctuations in exchange rates of certain foreign currencies. Rebalancing is performed based on pre-determined notional exposures to the specific currencies.

#### Variable Annuity Capital Hedge Overlay ("CHO") Program

CBVA guaranteed benefits are hedged based on their economic or fair value; however, the statutory reserves and rating agency required assets are not based on a market value. When equity markets decrease, the statutory reserve and rating agency required assets for the CBVA guaranteed benefits can increase more quickly than the value of the derivatives held under the Variable Annuity Guarantee Hedge Program. This causes regulatory reserves to increase and rating agency capital to decrease. The CHO program is intended to mitigate market risk to the regulatory and rating agency capital of the Company. The hedge is executed through the purchase and sale of equity index derivatives, variance and credit default swaps, and is designed to limit the uncovered reserve and rating agency capital increases and certain rebalancing costs in an immediate down equity market, credit spread widening or increased volatility scenario to an amount we believe prudent for a company of our size and scale. This amount will change over time with market movements, changes in regulatory and rating agency capital, available collateral and our risk tolerance.

The following table summarizes the estimated net impacts to funding our regulatory reserves to our CBVA segment, after giving effect to our CHO program and the Variable Annuity Guarantee Hedge Program for various shocks in equity markets and interest rates. This reflects the hedging we had in place as well as any collateral (in the form of LOC) or change in underlying asset values that would be used to achieve credit for reinsurance for the segment of liabilities reinsured to our Arizona captive at the close of business on September 30, 2015 in light of our determination of risk tolerance and available collateral at that time, which, as noted above, we assess periodically.

(\$ in millions)	As of September 30, 2015						Interest Rates	
	Equity Market (S&P 500)						-1%	+1%
	-25%	-15%	-5%	+5%	+15%	+25%		
Decrease/(increase) in regulatory reserves	\$(3,650 )	\$(2,100 )	\$(700 )	\$650	\$1,800	\$2,750	\$(1,050 )	\$750
Hedge gain/(loss) immediate impact	2,550	1,400	400	(500 )	(1,200 )	(1,800 )	700	(600 )
Increase/(decrease) in Market Value of Assets	—	—	—	—	—	—	550	(550 )
Increase/(decrease) in LOCs	1,100	700	300	—	—	—	—	350
Net impact	\$—	\$—	\$—	\$150	\$600	\$950	\$200	\$(50 )

The foregoing sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following September 30, 2015 and give effect to rebalancing over the course of the shock event. 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). 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) includes both the Variable Annuity Guarantee Hedge Program and the CHO program and 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 indicates the change in the amount of LOCs 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 our Arizona captive 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 illustration 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 book of business evolve or if assumptions or methodologies that affect reserves or hedge targets are refined.

As stated above, the primary focus of the hedge program is to protect regulatory and rating agency capital from equity market movements. Hedge ineffectiveness, along with other aspects not directly hedged (including unexpected policyholder behavior), may cause losses of regulatory or rating agency capital. Regulatory and rating agency capital requirements may move disproportionately (i.e., they may change by different amounts as market conditions and other factors change), and, therefore, could also cause our hedge program to not realize its key objective of protecting both regulatory and rating agency capital from equity market movements.

For Voya Insurance and Annuity Company ("VIAC"), a wholly-owned subsidiary of the Company, our hedge resources related to equity movements (which include guarantee and overlay equity hedges, as well as other assets) increased by approximately \$1,100 million and \$900 million for the three months and nine months ended September 30, 2015, respectively. The guarantee and overlay equity hedge results were offset by the equity market increase in AG43 reserves in excess of reserves for cash surrender value of approximately \$1,100 million for the three months ended September 30, 2015 and an increase of \$700 million for the nine months ended September 30, 2015. Changes in statutory reserves due to equity and equity hedges for VIAC include the effects of non-affiliated reinsurance for variable annuity policies, but exclude the effect of the affiliated reinsurance transaction associated with the GMIB and GMWBL riders. Substantially all of the CBVA business was written by VIAC. In addition to equity hedge results and change in reserves due to the impact of equity market movements, statutory income includes fee income, investment income and other income offset by benefit payments, operating expenses and other costs as well as impacts to reserves and hedges due to effects of time and other market factors.

As U.S. GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, our hedge programs 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 CHO program and the Variable Annuity Guarantee Hedge Program for various shocks in both equity markets and interest rates. This reflects the hedging we had in place at the close of business on September 30, 2015 in light of our determination of risk tolerance at that time, which, as noted above, we assess periodically.

(\$ in millions)	As of September 30, 2015						Interest Rates	
	Equity Market (S&P 500)						-1%	+1%
	-25%	-15%	-5%	+5%	+15%	+25%		
Total estimated earnings sensitivity	\$500	\$300	\$50	\$(150 )	\$(300 )	\$(450 )	\$(450 )	\$300

The foregoing sensitivities illustrate the impact of the indicated shocks on the first market trading day following September 30, 2015 and give effect to dynamic rebalancing over the course of the shock events. 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). 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 our 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 includes both the Variable Annuity Guarantee Hedge Program and the CHO program and 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.

#### Hedging of FIA Benefits

We mitigate FIA market risk exposures through a combination of capital market hedging, product design and capital management. For FIAs, these risks stem from the minimum guaranteed contract value offered and the additional interest credits (Equity Participation or Interest Rate Participation) based on exposure to various stock market indices or the interest rate benchmark. The minimum guarantees, interest rate and equity market exposures, are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates. Future returns, which may be reflected in FIA credited rates beyond the current policy term, are not hedged.

Call options and futures contracts are used to hedge against an increase in various equity indices. An increase in various equity indices may result in increased payments to contract holders of FIA contracts. The call options and futures contracts offset this increased expense.

Interest rate swaptions are used to hedge against an increase in the interest rate benchmark. An increase in the interest rate benchmark may result in increased payments to contract holders of FIA contracts. The interest rate swaptions offset this increased expense.

#### Market Risk Related to Credit Risk

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity, including securities pledged, and equity portfolio totaled \$74.2 billion and \$74.9 billion as of September 30, 2015 and December 31, 2014, respectively. Our credit risk materializes primarily as impairment losses and/or credit risk related trading losses. We are exposed to occasional cyclical economic downturns, during which impairment losses may be significantly higher than the long-term historical average. This is offset by years where we expect the actual impairment losses to be substantially lower than the long-term average.

Credit risk in the portfolio can also materialize as increased capital requirements caused by rating down-grades. The effect of rating migration on our capital requirements is also dependent on the economic cycle and increased asset impairment levels may go hand-in-hand with increased asset related capital requirements.

We manage the risk of default and rating migration by applying disciplined credit evaluation and underwriting standards and prudently limiting allocations to lower quality, higher risk investments. In addition, we diversify our exposure by issuer and country, using rating based issuer and country limits, as well as by industry segment, using specific investment constraints. Limit compliance is monitored on a daily, monthly or quarterly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

We also have credit risk related to the ability of our derivatives and reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. In order to minimize the risk of credit loss on such contracts, we diversify our exposures among several counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, we have collateral agreements in place that would substantially limit our credit losses in case of a counterparty default. We also generally limit our selection of counterparties that we do new transactions with to those with an "A-" credit rating or above. When exceptions are made to that principle, we ensure that we obtain collateral to mitigate our risk of loss. For derivatives counterparty risk exposures (which includes reverse repurchase and securities lending transactions), we measure and monitor our risks on a market value basis daily.

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 September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See the Commitments and Contingencies Note in our Condensed Consolidated Financial 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, 2014 (the "Annual Report on Form 10-K") filed with the SEC together with Risk Factors in Part II., Item 1A. in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. 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 and in our Annual Report on Form 10-K.

The following should be read in conjunction with and supplements and amends the risk factors described in our Annual Report on Form 10-K.

The performance of our CBVA segment depends on assumptions that may not be accurate.

Our CBVA segment is subject to risks associated with the future behavior of policyholders and future claims payment patterns, using assumptions for mortality experience, lapse rates, GMIB annuitization rates and GMWBL withdrawal rates. We are required to make assumptions about these behaviors and patterns, which may not reflect the actual behaviors and patterns we experience in the future. It is possible that future assumption changes could produce reserve changes that could be material. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company.

In particular, we have only minimal experience on policyholder behavior for our GMIB and as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period from 2004 to 2006, have a ten-year waiting period before annuitization is available. These contracts first become eligible to annuitize during the period from 2014 through 2016 but contain significant incentives to delay annuitization beyond the first eligibility date. In addition, during 2014 and 2015, we made two income enhancement offers to holders of particular series of GMIB contracts, under which contract holders were offered an incentive to annuitize prior to the end of the waiting period, and we have waived the remaining waiting period on these GMIB contracts. As a result, we have increased experience on policyholder behavior for the first opportunity to annuitize, including from the acceptance rates of the income enhancement offers, although we continue to have only a statistically small sample of experience used to set annuitization rates beyond the first eligibility date. Therefore, we anticipate that observable experience data will become statistically credible later this decade, when a large volume of GMIB benefits begin to reach their maximum benefit over the four-year period from 2019 to 2022.

Similarly, most of our GMWBL contracts are still in the first six to eight policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, like our GMIB contracts, many of our GMWBL contracts contain significant incentives to delay withdrawal. Our experience for GMWBL contracts has recently become more credible, however it is possible that policyholders may choose to withdraw sooner or later than our current best estimate assumes. We expect customer decisions on withdrawal will be influenced by customers' financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products.

We also make estimates of expected lapse rates, which represent the probability that a policy will not remain in force from one period to the next, for contracts in the CBVA segment. Lapse rates of our variable annuity contracts may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate

accounts (account value or account balance). In general, policies with guarantees that are “in the money” (i.e., where the notional benefit amount is in excess of the account value) are assumed to be less likely to lapse. Conversely, “out of the money” guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us. Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre-and post-financial crisis experience. Relative to our current expectations, actual lapse rates have generally demonstrated a declining trend over the period from 2006 to the present. We analyze actual experience over that entire period, as

we believe that over the duration of the variable annuity policies we may experience the full range of policyholder behavior and market conditions. However, Management's current best estimate of variable annuity policyholder lapse behavior is weighted more heavily toward more recent experience, as the last three years of data have shown a more consistent trend of lapse behavior. Actual lapse rates that are lower than our lapse rate assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years, and, as discussed above, future reserve increases in connection with experience updates could be material and adverse to the results of operations or financial condition of the Company. We make estimates regarding mortality, which refers to the ceasing of life contingent benefit payments due to the death of the annuitant. Mortality also refers to the incidence of death amongst policyholders triggering the payment of Guaranteed Minimum Death Benefits. We use a combination of actual and industry experience when setting our mortality assumptions.

We review overall policyholder experience at least annually (including lapse, annuitization, withdrawal and mortality), and update these assumptions when deemed necessary based on additional information that becomes available. As customer experience continues to materialize, we may adjust our assumptions. We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. This resulted in an increase of U.S. GAAP reserves of \$741 million and gross U.S. statutory reserves of \$2,776 million in the fourth quarter of 2011.

During the third quarters of 2015 and 2014, we conducted our annual review of assumptions, including projection model inputs. Annual assumption changes and revisions to projection model inputs implemented during 2015 resulted in a loss of \$86.0 million. This \$86.0 million loss included an unfavorable \$43.0 million resulting from policyholder behavior assumption changes partially offset by a favorable \$27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable \$70.4 million as a result of updates we have made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contractholders, discount rates applicable to future cash flows from variable annuity contracts, and long-term volatility.

Annual assumption changes and revisions to projection model inputs implemented during 2014 resulted in a gain of \$102.3 million (excluding a gain of \$37.9 million due to changes in the technique used to estimate nonperformance risk). This \$102.3 million gain included a favorable \$170.2 million resulting from policyholder behavior assumption changes partially offset by an unfavorable \$40.5 million resulting from changes to mortality assumptions. The gain from policyholder behavior assumption changes was primarily due to an update to the utilization assumption on GMWBL contracts, partially offset by an unfavorable result from an update to lapse assumptions.

We will continue to monitor the emergence of experience. If adjustments to policyholder behavior assumptions (e.g., lapse, annuitization and withdrawal) are necessary, which is ordinary course for interest-sensitive long-dated liabilities, we anticipate that the financial impact of such a change (either under U.S. GAAP or due to increases or decreases in gross U.S. statutory reserves) will likely be in a range, either up or down, that is generally consistent with the impact experienced in the past three years.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Purchases of Equity Securities by the Issuer

The following table summarizes Voya Financial, Inc.'s repurchases of its common stock for the three months ended September 30, 2015:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2015 - July 31, 2015	—	\$—	—	(in millions) \$601.8
August 1, 2015 - August 31, 2015	8,259,913	<sup>(1)</sup> 44.27	8,259,913	386.1
September 1, 2015 - September 30, 2015	2,753,852	42.01	2,753,852	170.4 <sup>(2)</sup>
Total	11,013,765	\$43.70	11,013,765	N/A

<sup>(1)</sup> Includes shares delivered upon termination of a share repurchase arrangement entered into on July 1, 2015. The transaction settled at a per-share repurchase price of \$46.10, which was determined based on a formula incorporating the volume weighted average price of the Company's common stock over the relevant purchase period.

<sup>(2)</sup> Amount remaining under repurchase authorization reflects the deduction of \$100.0 million paid to a third-party financial institution in connection with a share repurchase arrangement entered into on September 23, 2015, under which shares will be delivered to the Company upon final settlement of the agreement, which will be during the fourth quarter. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period under the arrangement based on a formula incorporating the volume weighted average price of the Company's common stock during that period.

Item 6. Exhibits

See Exhibit Index on page 204 hereof.

202

---

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 6, 2015  
(Date)

Voya Financial, Inc.  
(Registrant)

By: /s/ Ewout L. Steenbergen  
Ewout L. Steenbergen  
Executive Vice President and  
Chief Financial Officer  
(Duly Authorized Officer and Principal Financial Officer)

Voya Financial, Inc.

Exhibit No.	Exhibit Index Description of Exhibit
10.1+	Hannover Re Buyer Facility Agreement Dated as of September 24, 2015 Among Security Life of Denver International Limited, Voya Financial, Inc., Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited and Hannover Rück SE
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 Ewout L. Steenbergen, 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 Ewout L. Steenbergen, 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.