Voya Financial, Inc.
Form 10-Q
November 05, 2014

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2014

OR

| o | 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<br>New York, New York | 10169 |
| (Address of principal executive offices) | (Zip Code) |
| (212) 309-8200 | |
| (Registrant's telephone number, including area code) | |

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer o | Accelerated filer o |
| Non-accelerated filer x<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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

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 November 4, 2014, 246,298,579 shares of Common Stock, $0.01 par value, were outstanding.

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

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As used in this Quarterly Report on Form 10-Q, "Voya Financial," the "Company," "we," "our" and "us" refer to Voya Financial, Inc.

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 terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations and (x) changes in the policies of governments and/or regulatory authorities. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under "Risk Factors," "Management’s Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties" and "Business-Closed Blocks-CBVA" in the Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-35897) (the "Annual Report on Form 10-K"), "Risk Factors" in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (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, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Assets: | | |
| Investments: | | |
| Fixed maturities, available-for-sale, at fair value (amortized cost of $64,865.1 as of 2014 and $65,033.8 as of 2013) | $70,155.7 | $68,317.8 |
| Fixed maturities, at fair value using the fair value option | 3,557.8 | 2,935.3 |
| Equity securities, available-for-sale, at fair value (cost of $239.2 as of 2014 and $267.4 as of 2013) | 270.5 | 314.4 |
| Short-term investments | 1,173.1 | 1,048.1 |
| Mortgage loans on real estate, net of valuation allowance of $3.4 as of 2014 and $3.8 as of 2013 | 9,949.7 | 9,312.2 |
| Policy loans | 2,104.2 | 2,147.0 |
| Limited partnerships/corporations | 348.2 | 236.4 |
| Derivatives | 1,136.8 | 1,149.3 |
| Other investments | 106.8 | 124.6 |
| Securities pledged (amortized cost of $951.7 as of 2014 and $1,457.9 as of 2013) | 1,021.6 | 1,465.7 |
| Total investments | 89,824.4 | 87,050.8 |
| Cash and cash equivalents | 1,908.5 | 2,840.8 |
| Short-term investments under securities loan agreements, including collateral delivered | 593.8 | 552.9 |
| Accrued investment income | 926.9 | 897.1 |
| Reinsurance recoverable | 6,752.5 | 6,702.2 |
| Deferred policy acquisition costs and Value of business acquired | 4,779.9 | 5,351.6 |
| Sales inducements to contract holders | 259.9 | 279.0 |
| Current income taxes | 8.4 | — |
| Deferred income taxes | — | 162.1 |
| Goodwill and other intangible assets | 296.1 | 323.7 |
| Other assets | 1,051.4 | 1,036.5 |
| Assets related to consolidated investment entities: | | |
| Limited partnerships/corporations, at fair value | 3,842.8 | 3,218.6 |
| Cash and cash equivalents | 560.9 | 710.7 |
| Corporate loans, at fair value using the fair value option | 6,262.9 | 4,965.3 |
| Other assets | 176.1 | 104.8 |
| Assets held in separate accounts | 107,059.3 | 106,827.1 |
| Total assets | $224,303.8 | $221,023.2 |

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

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Liabilities and Shareholders' Equity: | | |
| Future policy benefits | $15,048.1 | $14,098.4 |
| Contract owner account balances | 69,091.0 | 69,908.3 |
| Payables under securities loan agreements, including collateral held | 927.1 | 769.4 |
| Long-term debt | 3,515.5 | 3,514.7 |
| Funds held under reinsurance agreements | 1,136.7 | 1,181.5 |
| Derivatives | 656.8 | 1,351.8 |
| Pension and other post-employment provisions | 454.2 | 474.9 |
| Current income taxes | — | 44.1 |
| Deferred income taxes | 447.4 | — |
| Other liabilities | 1,315.8 | 1,274.1 |
| Liabilities related to consolidated investment entities: | | |
| Collateralized loan obligations notes, at fair value using the fair value option | 6,344.4 | 5,161.6 |
| Other liabilities | 1,163.3 | 903.3 |
| Liabilities related to separate accounts | 107,059.3 | 106,827.1 |
| Total liabilities | 207,159.6 | 205,509.2 |
| | | |
| Shareholders' equity: | | |
| Common stock ($0.01 par value per share; 900,000,000 shares authorized, 263,531,836 and 261,754,931 shares issued as of 2014 and 2013, respectively; 246,430,073 and 261,675,811 shares outstanding as of 2014 and 2013, respectively) | 2.6 | 2.6 |
| Treasury stock (at cost; 17,101,763 and 79,120 shares as of 2014 and 2013, respectively) | (624.2) | — |
| Additional paid-in capital | 23,621.5 | 23,563.7 |
| Accumulated other comprehensive income (loss) | 2,820.2 | 1,849.1 |
| Retained earnings (deficit): | | |
| Appropriated-consolidated investment entities | 21.4 | 18.4 |
| Unappropriated | (11,256.4) | (12,161.6) |
| Total Voya Financial, Inc. shareholders' equity | 14,585.1 | 13,272.2 |
| Noncontrolling interest | 2,559.1 | 2,241.8 |
| Total shareholders' equity | 17,144.2 | 15,514.0 |
| Total liabilities and shareholders' equity | $224,303.8 | $221,023.2 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Net investment income | $1,163.6 | $1,221.6 | $3,430.1 | $3,532.5 |
| Fee income | 908.9 | 920.8 | 2,738.0 | 2,722.4 |
| Premiums | 595.1 | 494.2 | 1,825.4 | 1,440.9 |
| Net realized capital gains (losses): | | | | |
| Total other-than-temporary impairments | (19.5) | (5.6) | (25.4) | (26.9) |
| Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss) | (0.1) | (1.2) | (0.2) | (4.3) |
| Net other-than-temporary impairments recognized in earnings | (19.4) | (4.4) | (25.2) | (22.6) |
| Other net realized capital gains (losses) | 200.4 | (512.7) | (350.9) | (1,935.2) |
| Total net realized capital gains (losses) | 181.0 | (517.1) | (376.1) | (1,957.8) |
| Other revenue | 101.0 | 119.6 | 316.8 | 321.3 |
| Income (loss) related to consolidated investment entities: | | | | |
| Net investment income | 248.0 | 135.3 | 630.0 | 346.3 |
| Changes in fair value related to collateralized loan obligations | (6.5) | 60.9 | (4.1) | (11.1) |
| Total revenues | 3,191.1 | 2,435.3 | 8,560.1 | 6,394.5 |
| Benefits and expenses: | | | | |
| Policyholder benefits | 1,234.7 | 570.7 | 2,910.9 | 1,822.2 |
| Interest credited to contract owner account balances | 498.2 | 517.0 | 1,485.3 | 1,556.8 |
| Operating expenses | 767.3 | 762.8 | 2,315.1 | 2,292.1 |
| Net amortization of Deferred policy acquisition costs and Value of business acquired | 30.6 | 64.6 | 272.4 | 319.6 |
| Interest expense | 47.2 | 48.4 | 142.3 | 136.6 |
| Operating expenses related to consolidated investment entities: | | | | |
| Interest expense | 56.6 | 50.4 | 152.3 | 130.6 |
| Other expense | 1.7 | 1.4 | 5.7 | 6.1 |
| Total benefits and expenses | 2,636.3 | 2,015.3 | 7,284.0 | 6,264.0 |
| Income (loss) before income taxes | 554.8 | 420.0 | 1,276.1 | 130.5 |
| Income tax expense (benefit) | 37.4 | (27.7) | 74.2 | (6.4) |
| Net income (loss) | 517.4 | 447.7 | 1,201.9 | 136.9 |
| Less: Net income (loss) attributable to noncontrolling interest | 116.6 | 101.1 | 296.7 | 84.5 |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders | $400.8 | $346.6 | $905.2 | $52.4 |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share: | | | | |
| Basic | $1.59 | $1.33 | $3.54 | $0.21 |
| Diluted | $1.58 | $1.32 | $3.51 | $0.21 |
| Cash dividends declared per share of common stock | $0.01 | $0.01 | $0.03 | $0.01 |

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, 2014 and 2013 (Unaudited)
(In millions)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) | $517.4 | $447.7 | $1,201.9 | $136.9 |
| Other comprehensive income (loss), before tax: | | | | |
| Unrealized gains (losses) on securities | (510.8) | (223.2) | 1,478.4 | (2,733.4) |
| Other-than-temporary impairments | 5.9 | 13.5 | 30.2 | 44.8 |
| Pension and other postretirement benefits liability | (3.4) | (3.4) | (10.3) | (10.3) |
| Other comprehensive income (loss), before tax | (508.3) | (213.1) | 1,498.3 | (2,698.9) |
| Income tax expense (benefit) related to items of other comprehensive income (loss) | (175.8) | (75.3) | 527.2 | (938.2) |
| Other comprehensive income (loss), after tax | (332.5) | (137.8) | 971.1 | (1,760.7) |
| Comprehensive income (loss) | 184.9 | 309.9 | 2,173.0 | (1,623.8) |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | 116.6 | 101.1 | 296.7 | 84.5 |
| Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders | $68.3 | $208.8 | $1,876.3 | $(1,708.3) |

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, 2014 (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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Appropriated | Unappropriated | | | |
| Balance at January 1, 2014 | $ 2.6 | $— | $ 23,563.7 | $ 1,849.1 | $ 18.4 | $ (12,161.6) | $ 13,272.2 | $ 2,241.8 | $ 15,514.0 |
| Comprehensive income (loss): | | | | | | | | | |
| Net income (loss) | — | — | — | — | — | 905.2 | 905.2 | 296.7 | 1,201.9 |
| Other comprehensive income (loss), after tax | — | — | — | 971.1 | — | — | 971.1 | — | 971.1 |
| Total comprehensive income (loss) | | | | | | | 1,876.3 | 296.7 | 2,173.0 |
| Reclassification of noncontrolling interest | — | — | — | — | 3.0 | — | 3.0 | (3.0) | — |
| Common stock issuance | — | — | — | — | — | — | — | — | — |
| 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 at September 30, 2014 | $ 2.6 | $ (624.2) | $ 23,621.5 | $ 2,820.2 | $ 21.4 | $ (11,256.4) | $ 14,585.1 | $ 2,559.1 | $ 17,144.2 |

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2013 (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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Appropriated | Unappropriated | | | |
| Balance at January 1, 2013 | $ 2.3 | $ — | $ 22,917.6 | $ 3,710.7 | $ 6.4 | $ (12,762.1) | $ 13,874.9 | $ 2,186.3 | $ 16,061.2 |
| Comprehensive income (loss): | | | | | | | | | |
| Net income (loss) | — | — | — | — | — | 52.4 | 52.4 | 84.5 | 136.9 |
| Other comprehensive income (loss), after tax | — | — | — | (1,760.7) | — | — | (1,760.7) | — | (1,760.7) |
| Total comprehensive income (loss) | | | | | | | (1,708.3) | 84.5 | (1,623.8) |
| Reclassification of noncontrolling interest | — | — | — | — | (4.0) | — | (4.0) | 4.0 | — |
| Common stock issuance | 0.3 | — | 571.3 | — | — | — | 571.6 | — | 571.6 |
| Common stock acquired - Share repurchase | — | — | — | — | — | — | — | — | — |
| Dividends on common stock | — | — | (2.6) | — | — | — | (2.6) | — | (2.6) |
| Share-based compensation | — | — | 38.4 | — | — | — | 38.4 | — | 38.4 |
| Contributions from (Distributions to) noncontrolling interest, net | — | — | — | — | — | — | — | (180.3) | (180.3) |
| Balance at September 30, 2013 | $ 2.6 | $ — | $ 23,524.7 | $ 1,950.0 | $ 2.4 | $ (12,709.7) | $ 12,770.0 | $ 2,094.5 | $ 14,864.5 |

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, 2014 and 2013 (Unaudited)
(In millions)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Net cash provided by operating activities | $2,916.2 | $2,942.1 |
| Cash Flows from Investing Activities: | | |
| Proceeds from the sale, maturity, disposal or redemption of: | | |
| Fixed maturities | 9,192.3 | 11,626.7 |
| Equity securities, available-for-sale | 63.7 | 47.1 |
| Mortgage loans on real estate | 937.6 | 1,253.5 |
| Limited partnerships/corporations | 137.6 | 274.8 |
| Acquisition of: | | |
| Fixed maturities | (9,172.3) | (14,281.7) |
| Equity securities, available-for-sale | (18.3) | (17.9) |
| Mortgage loans on real estate | (1,574.8) | (1,583.2) |
| Limited partnerships/corporations | (261.3) | (81.0) |
| Short-term investments, net | (124.5) | 3,443.2 |
| Policy loans, net | 42.8 | 52.8 |
| Derivatives, net | (670.7) | (1,981.6) |
| Other investments, net | 38.5 | 34.3 |
| Sales from consolidated investment entities | 2,558.5 | 2,518.7 |
| Purchases within consolidated investment entities | (4,292.6) | (3,352.2) |
| Collateral received (delivered), net | 116.8 | (751.5) |
| Purchases of fixed assets, net | (26.5) | (25.7) |
| Net cash used in investing activities | (3,053.2) | (2,823.7) |
| Cash Flows from Financing Activities: | | |
| Deposits received for investment contracts | 5,681.5 | 8,985.2 |
| Maturities and withdrawals from investment contracts | (7,332.9) | (9,648.9) |
| Proceeds from issuance of debt with maturities of more than three months | — | 2,147.1 |
| Repayment of debt with maturities of more than three months | — | (2,697.4) |
| Short-term debt, net | — | (171.6) |
| Debt issuance costs | (16.8) | (24.8) |
| Borrowings of consolidated investment entities | 340.5 | 32.0 |
| Repayments of borrowings of consolidated investment entities | (66.6) | (8.5) |
| Contributions from (distributions to) participants in consolidated investment entities | 1,235.9 | 626.7 |
| Proceeds from issuance of common stock, net | — | 571.6 |
| Common stock acquired - Share repurchase | (614.4) | — |
| Share-based compensation | (14.8) | — |
| Dividends paid | (7.7) | — |
| Net cash used in financing activities | (795.3) | (188.6) |
| Net decrease in cash and cash equivalents | (932.3) | (70.2) |
| Cash and cash equivalents, beginning of period | 2,840.8 | 1,786.8 |
| Cash and cash equivalents, end of period | $1,908.5 | $1,716.6 |
| Supplemental cash flow information: | | |
| Income taxes paid (received), net | $44.4 | $(2.8) |
| Interest paid | 156.9 | 126.3 |

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. The Company provides its principal products and services in three ongoing businesses (Retirement Solutions, Investment Management and Insurance Solutions) and reports results through five ongoing operating segments, including Retirement, Annuities, Investment Management, Individual Life and Employee Benefits. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

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%.

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

On September 8, 2014, ING Group completed a sale of 22,277,993 shares of common stock of Voya Financial, Inc. in a registered public offering (the "September 2014 Offering"). Also on September 8, 2014, pursuant to the terms of a share repurchase agreement between ING Group and Voya Financial, Inc., Voya Financial, Inc. acquired 7,722,007 shares of its common stock from ING Group (the "September 2014 Direct Share Repurchase") (the September 2014

Offering and the September 2014 Direct Share Repurchase collectively, the "September 2014 Transactions"). Upon completion of the September 2014 Transactions, ING Group's ownership of Voya Financial, Inc. was reduced to 32.5%. Pursuant to an agreement with the European Union, ING Group is required to divest its remaining ownership stake in the Company 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 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.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

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, 2014, its results of operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2014 and 2013, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2013 Consolidated Balance Sheet is from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K, filed with the SEC. Therefore, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K.

Adoption of New Pronouncements

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

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

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

Investment Companies
In June 2013, the FASB issued ASU 2013-08, "Financial Services-Investment Companies (ASC Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements" ("ASU 2013-08"), which provides comprehensive guidance for assessing whether an entity is an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value. ASU 2013-08

also requires an entity to disclose that it is an investment company and any changes to that status, as well as information about financial support provided or required to be provided to investees.

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

Joint and Several Liability Arrangements

In February 2013, the FASB issued ASU 2013-04, "Liabilities (ASC Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date" ("ASU 2013-04"), which requires an entity to measure obligations resulting from joint and several liable arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of (1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount it expects to pay on behalf of its co-obligors. ASU 2013-04 also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations.

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

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

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

Future Adoption of Accounting Pronouncements

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 operation, 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 issues 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 adoptions 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.

Repurchase Agreements

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

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

Revenue from Contracts with Customers

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

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

Discontinued Operations and Disposals

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

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

The provisions of ASU 2014-08 are effective for annual periods beginning after December 15, 2014 and for interim periods beginning after December 15, 2015. The amendments should be applied prospectively to disposals and

classifications as held for sale that occur within those periods.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in 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, 2014:

| | Amortized Cost | Gross Unrealized Capital Gains | Gross Unrealized Capital Losses | Embedded Derivatives[2] | Fair Value | OTTI[3] |
|---|---|---|---|---|---|---|
| Fixed maturities: | | | | | | |
| U.S. Treasuries | $3,767.5 | $424.7 | $5.1 | $— | $4,187.1 | $— |
| U.S. Government agencies and authorities | 415.3 | 47.1 | 0.1 | — | 462.3 | — |
| State, municipalities and political subdivisions | 434.8 | 21.5 | 1.5 | — | 454.8 | — |
| U.S. corporate securities | 37,243.2 | 3,054.6 | 219.6 | — | 40,078.2 | 10.6 |
| Foreign securities[1]: | | | | | | |
| Government | 862.6 | 47.2 | 12.8 | — | 897.0 | — |
| Other | 15,115.3 | 1,065.0 | 59.8 | — | 16,120.5 | — |
| Total foreign securities | 15,977.9 | 1,112.2 | 72.6 | — | 17,017.5 | — |
| Residential mortgage-backed securities: | | | | | | |
| Agency | 4,988.3 | 414.0 | 20.5 | 75.0 | 5,456.8 | 0.3 |
| Non-Agency | 1,036.1 | 168.6 | 8.3 | 43.2 | 1,239.6 | 80.1 |
| Total Residential mortgage-backed securities | 6,024.4 | 582.6 | 28.8 | 118.2 | 6,696.4 | 80.4 |
| Commercial mortgage-backed securities | 3,761.5 | 270.5 | 1.2 | — | 4,030.8 | — |
| Other asset-backed securities | 1,750.0 | 78.2 | 20.2 | — | 1,808.0 | 4.8 |
| Total fixed maturities, including securities pledged | 69,374.6 | 5,591.4 | 349.1 | 118.2 | 74,735.1 | 95.8 |
| Less: Securities pledged | 951.7 | 77.6 | 7.7 | — | 1,021.6 | — |
| Total fixed maturities | 68,422.9 | 5,513.8 | 341.4 | 118.2 | 73,713.5 | 95.8 |
| Equity securities: | | | | | | |
| Common stock | 188.7 | 0.5 | — | — | 189.2 | — |
| Preferred stock | 50.5 | 30.8 | — | — | 81.3 | — |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total equity securities | 239.2 | 31.3 | — | — | 270.5 | — |
| Total fixed maturities and equity securities investments | $68,662.1 | $5,545.1 | $341.4 | $118.2 | $73,984.0 | $95.8 |

(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, 2013:

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

[1] Primarily U.S. dollar denominated.

[2] Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] Represents OTTI reported as a component of Other comprehensive income (loss).

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of September 30, 2014, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

| | Amortized Cost | Fair Value |
|---|---|---|
| Due to mature: | | |
| One year or less | $2,313.2 | $2,362.3 |
| After one year through five years | 12,705.5 | 13,484.2 |
| After five years through ten years | 20,943.9 | 21,719.0 |
| After ten years | 21,876.1 | 24,634.4 |
| Mortgage-backed securities | 9,785.9 | 10,727.2 |
| Other asset-backed securities | 1,750.0 | 1,808.0 |
| Fixed maturities, including securities pledged | $69,374.6 | $74,735.1 |

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

As of September 30, 2014 and December 31, 2013, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's condensed consolidated Shareholders' equity.

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

| | Amortized Cost | Gross Unrealized Capital Gains | Gross Unrealized Capital Losses | Fair Value |
|---|---|---|---|---|
| September 30, 2014 | | | | |
| Communications | $3,959.6 | $455.8 | $15.5 | $4,399.9 |
| Financial | 7,582.8 | 669.3 | 20.1 | 8,232.0 |
| Industrial and other companies | 30,002.1 | 1,982.7 | 204.4 | 31,780.4 |
| Utilities | 9,335.1 | 884.0 | 30.0 | 10,189.1 |
| Transportation | 1,478.9 | 127.8 | 9.4 | 1,597.3 |
| Total | $52,358.5 | $4,119.6 | $279.4 | $56,198.7 |
| | | | | |
| December 31, 2013 | | | | |
| Communications | $4,016.2 | $293.0 | $73.4 | $4,235.8 |
| Financial | 6,640.7 | 566.6 | 72.6 | 7,134.7 |
| Industrial and other companies | 29,303.1 | 1,524.5 | 564.5 | 30,263.1 |
| Utilities | 9,200.6 | 570.0 | 142.2 | 9,628.4 |
| Transportation | 1,467.1 | 84.6 | 30.0 | 1,521.7 |

| | | | | |
|---|---|---|---|---|
| Total | $50,627.7 | $3,038.7 | $882.7 | $52,783.7 |

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, 2014 and December 31, 2013, approximately 44.0% and 38.3%, respectively, of the Company's CMO holdings, such as interest-only or principal-only strips, were invested in those types of CMOs that are subject to more prepayment and extension risk than traditional CMOs.

Repurchase Agreements

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

Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions for short periods of time. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. For certain transactions, a lending agent may be used and the agent may retain some or all of the collateral deposited by the borrower and transfer the remaining collateral to the Company. Collateral retained by the agent is invested in liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities

fluctuates. As of September 30, 2014 and December 31, 2013, the fair value of loaned securities was $409.9 and $435.4, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2014 and December 31, 2013, collateral retained by the lending agent and invested in liquid assets on the Company's behalf was $426.2 and $451.0, respectively, and recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2014 and December 31, 2013, liabilities to return collateral of $426.2 and $451.0, respectively, were included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in 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, 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 | $375.6 | $1.9 | $— | $— | $70.3 | $3.2 | $445.9 | $5.1 |
| U.S. Government agencies and authorities | 6.9 | 0.1 | — | — | — | — | 6.9 | 0.1 |
| U.S. corporate, state and municipalities | 3,902.8 | 54.3 | 75.3 | 3.9 | 3,536.4 | 162.9 | 7,514.5 | 221.1 |
| Foreign | 1,558.8 | 24.6 | 19.3 | 0.3 | 916.5 | 47.7 | 2,494.6 | 72.6 |
| Residential mortgage-backed | 266.2 | 1.3 | 62.1 | 0.6 | 760.1 | 26.9 | 1,088.4 | 28.8 |
| Commercial mortgage-backed | 114.1 | 0.7 | 3.5 | 0.5 | — | — | 117.6 | 1.2 |
| Other asset-backed | 236.7 | 0.6 | 2.6 | 0.1 | 247.7 | 19.5 | 487.0 | 20.2 |
| Total | $6,461.1 | $83.5 | $162.8 | $5.4 | $5,531.0 | $260.2 | $12,154.9 | $349.1 |

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, 2013:

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

* Less than $0.1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 95.5% and 89.4% of the average book value as of September 30, 2014 and December 31, 2013, 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, 2014 | | | | | | |
| Six months or less below amortized cost | $6,559.3 | $2.8 | $85.4 | $0.6 | 559 | 4 |
| More than six months and twelve months or less below amortized cost | 362.1 | —* | 23.7 | —* | 74 | 2 |
| More than twelve months below amortized cost | 5,568.4 | 11.4 | 235.4 | 4.0 | 551 | 8 |
| Total | $12,489.8 | $14.2 | $344.5 | $4.6 | 1,184 | 14 |
| | | | | | | |
| December 31, 2013 | | | | | | |
| Six months or less below amortized cost | $7,883.3 | $80.5 | $166.0 | $18.6 | 570 | 20 |
| More than six months and twelve months or less below amortized cost | 12,339.7 | 67.6 | 776.8 | 16.7 | 798 | 8 |
| More than twelve months below amortized cost | 1,579.2 | 55.8 | 144.5 | 13.9 | 302 | 22 |
| Total | $21,802.2 | $203.9 | $1,087.3 | $49.2 | 1,670 | 50 |

* 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, 2014 | | | | | | |
| U.S. Treasuries | $451.0 | $— | $5.1 | $— | 16 | — |
| U.S. Government agencies and authorities | 7.0 | — | 0.1 | — | 1 | — |
| U.S. corporate, state and municipalities | 7,734.6 | 1.0 | 220.9 | 0.2 | 548 | 2 |
| Foreign | 2,567.2 | — | 72.6 | — | 197 | — |
| Residential mortgage-backed | 1,113.0 | 4.2 | 26.6 | 2.2 | 323 | 7 |
| Commercial mortgage-backed | 118.8 | — | 1.2 | — | 10 | — |
| Other asset-backed | 498.2 | 9.0 | 18.0 | 2.2 | 89 | 5 |
| Total | $12,489.8 | $14.2 | $344.5 | $4.6 | 1,184 | 14 |
| | | | | | | |
| December 31, 2013 | | | | | | |
| U.S. Treasuries | $2,750.5 | $25.3 | $81.4 | $5.4 | 32 | 1 |
| U.S. Government agencies and authorities | 66.8 | — | 1.4 | — | 3 | — |
| U.S. corporate, state and municipalities | 11,892.6 | 55.8 | 694.2 | 13.5 | 744 | 5 |
| Foreign | 3,944.2 | 35.0 | 211.0 | 7.7 | 300 | 6 |
| Residential mortgage-backed | 2,361.4 | 35.6 | 70.2 | 10.2 | 471 | 25 |
| Commercial mortgage-backed | 245.5 | — | 3.5 | — | 16 | — |
| Other asset-backed | 541.2 | 52.2 | 25.6 | 12.4 | 104 | 13 |
| Total | $21,802.2 | $203.9 | $1,087.3 | $49.2 | 1,670 | 50 |

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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 | |
| September 30, 2014 | < 20% | > 20% | < 20% | > 20% |
| RMBS and Other ABS[1] | | | | |
| Non-agency RMBS > 100% | $5.1 | $— | $0.3 | $— |
| Non-agency RMBS > 90% - 100% | 36.1 | — | 1.9 | — |
| Non-agency RMBS 80% - 90% | 108.5 | 0.3 | 5.9 | 0.1 |
| Non-agency RMBS < 80% | 293.2 | 7.1 | 16.3 | 1.8 |
| Agency RMBS | 915.5 | 3.8 | 18.5 | 2.0 |
| Other ABS (Non-RMBS) | 252.8 | 2.0 | 1.7 | 0.5 |
| Total RMBS and Other ABS | $1,611.2 | $13.2 | $44.6 | $4.4 |

| | Credit Enhancement Percentage | | | |
|---|---|---|---|---|
| | Amortized Cost | | Unrealized Capital Losses | |
| September 30, 2014 | < 20% | > 20% | < 20% | > 20% |
| RMBS and Other ABS[1] | | | | |
| Non-agency RMBS 10% + | $343.7 | $7.4 | $20.0 | $1.9 |
| Non-agency RMBS > 5% - 10% | 18.5 | — | 0.7 | — |
| Non-agency RMBS > 0% - 5% | 41.0 | — | 0.9 | — |
| Non-agency RMBS 0% | 39.7 | — | 2.8 | — |
| Agency RMBS | 915.5 | 3.8 | 18.5 | 2.0 |
| Other ABS (Non-RMBS) | 252.8 | 2.0 | 1.7 | 0.5 |
| Total RMBS and Other ABS | $1,611.2 | $13.2 | $44.6 | $4.4 |

| | Fixed Rate/Floating Rate | | | |
|---|---|---|---|---|
| | Amortized Cost | | Unrealized Capital Losses | |
| September 30, 2014 | < 20% | > 20% | < 20% | > 20% |
| Fixed Rate | $1,053.7 | $2.4 | $20.1 | $0.7 |
| Floating Rate | 557.5 | 10.8 | 24.5 | 3.7 |
| Total | $1,611.2 | $13.2 | $44.6 | $4.4 |

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

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

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

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

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

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

Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. For the nine months ended September 30, 2014, the Company had no new troubled debt restructurings for private placement and one new troubled debt restructuring for commercial mortgage loans with a pre-modification and post modification carrying value of $1.9. For the year ended December 31, 2013, the Company had no new private placement troubled debt restructurings and 21 new commercial mortgage loan troubled debt restructurings with a pre-modification and post modification carrying value of $91.0. Of these 21 commercial mortgage loans, 20 comprise a portfolio of cross-defaulted, cross-collateralized individual loans, which are owned by the same sponsor. Between the date of the troubled debt restructurings and September 30, 2014, these loans have repaid $16.7 in principal.

As of September 30, 2014 and December 31, 2013, the Company did not have any commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default.

Mortgage Loans on Real Estate

The Company's mortgage loans on real estate are all commercial mortgage loans held for investment, which are reported at amortized cost, less impairment write-downs and allowance for losses. The Company diversifies its commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. The Company manages risk when originating commercial mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate. Subsequently, the Company continuously evaluates 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.

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Commercial mortgage loans | $9,953.1 | $9,316.0 |
| Collective valuation allowance for losses | (3.4) | (3.8) |
| Total net commercial mortgage loans | $9,949.7 | $9,312.2 |

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

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Collective valuation allowance for losses, balance at January 1 | $3.8 | $3.9 |
| Addition to (reduction of) allowance for losses | (0.4) | (0.1) |
| Collective valuation allowance for losses, end of period | $3.4 | $3.8 |

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Impaired loans with allowances for losses | $— | $— |
| Impaired loans without allowances for losses | 83.4 | 94.3 |
| Subtotal | 83.4 | 94.3 |
| Less: Allowances for losses on impaired loans | — | — |
| Impaired loans, net | $83.4 | $94.3 |
| Unpaid principal balance of impaired loans | $85.8 | $96.7 |

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

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

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

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

Total

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

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

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

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

| | Three Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Impaired loans, average investment during the period (amortized cost) [1] | $83.4 | $55.6 |
| Interest income recognized on impaired loans, on an accrual basis [1] | 1.2 | 1.0 |
| Interest income recognized on impaired loans, on a cash basis [1] | 1.2 | 1.0 |
| Interest income recognized on troubled debt restructured loans, on an accrual basis | 1.1 | 0.8 |

[1] Includes amounts for Troubled debt restructured loans.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Impaired loans, average investment during the period (amortized cost) [1] | $88.8 | $55.6 |
| Interest income recognized on impaired loans, on an accrual basis [1] | 3.7 | 1.3 |
| Interest income recognized on impaired loans, on a cash basis [1] | 3.4 | 1.3 |
| Interest income recognized on troubled debt restructured loans, on an accrual basis | 3.3 | 0.8 |

[1] Includes amounts for Troubled debt restructured loans.

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

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

| | September 30, 2014[1] | December 31, 2013[1] |
|---|---|---|
| Loan-to-Value Ratio: | | |
| 0% - 50% | $1,568.3 | $1,782.6 |
| > 50% - 60% | 2,414.9 | 2,390.0 |
| > 60% - 70% | 5,452.3 | 4,668.3 |
| > 70% - 80% | 498.3 | 455.8 |
| > 80% and above | 19.3 | 19.3 |
| Total Commercial mortgage loans | $9,953.1 | $9,316.0 |

[1] Balances do not include collective valuation allowance for losses.

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

| | September 30, 2014 [1] | December 31, 2013[1] |
|---|---|---|
| Debt Service Coverage Ratio: | | |
| Greater than 1.5x | $7,114.2 | $6,346.5 |
| > 1.25x - 1.5x | 1,595.1 | 1,520.9 |
| > 1.0x - 1.25x | 901.1 | 980.6 |
| Less than 1.0x | 334.7 | 467.8 |
| Commercial mortgage loans secured by land or construction loans | 8.0 | 0.2 |
| Total Commercial mortgage loans | $9,953.1 | $9,316.0 |

[1] Balances do not include collective valuation allowance for losses.

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

| | September 30, 2014 [1] | | | December 31, 2013[1] | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Value | % of Total | | Gross Carrying Value | % of Total | |
| Commercial Mortgage Loans by U.S. Region: | | | | | | |
| Pacific | $2,490.9 | 25.0 | % | $2,281.8 | 24.5 | % |
| South Atlantic | 2,031.3 | 20.4 | % | 1,936.0 | 20.8 | % |
| Middle Atlantic | 1,355.1 | 13.6 | % | 1,112.0 | 11.9 | % |
| West South Central | 1,101.6 | 11.1 | % | 1,122.3 | 12.0 | % |
| East North Central | 1,190.5 | 12.0 | % | 1,037.5 | 11.1 | % |
| Mountain | 837.8 | 8.4 | % | 790.4 | 8.5 | % |
| West North Central | 528.4 | 5.3 | % | 517.2 | 5.6 | % |
| East South Central | 235.2 | 2.4 | % | 200.7 | 2.2 | % |
| New England | 182.3 | 1.8 | % | 318.1 | 3.4 | % |
| Total Commercial mortgage loans | $9,953.1 | 100.0 | % | $9,316.0 | 100.0 | % |

[1] Balances do not include collective valuation allowance for losses.

| | September 30, 2014 [1] | | | December 31, 2013[1] | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Value | % of Total | | Gross Carrying Value | % of Total | |
| Commercial Mortgage Loans by Property Type: | | | | | | |
| Retail | $3,190.4 | 32.1 | % | $2,936.9 | 31.5 | % |
| Industrial | 2,769.3 | 27.8 | % | 2,848.0 | 30.6 | % |
| Apartments | 1,582.2 | 15.9 | % | 1,296.1 | 13.9 | % |
| Office | 1,226.3 | 12.3 | % | 1,242.2 | 13.3 | % |
| Hotel/Motel | 390.3 | 3.9 | % | 430.6 | 4.6 | % |
| Mixed Use | 347.8 | 3.5 | % | 184.1 | 2.0 | % |
| Other | 446.8 | 4.5 | % | 378.1 | 4.1 | % |

| Total Commercial mortgage loans | $9,953.1 | 100.0 | % | $9,316.0 | 100.0 | % |
|---|---|---|---|---|---|---|

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

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

| | September 30, 2014 [(1)] | December 31, 2013[(1)] |
|---|---|---|
| Year of Origination: | | |
| 2014 | $1,494.2 | $— |
| 2013 | 2,157.9 | 2,199.8 |
| 2012 | 1,706.0 | 1,743.3 |
| 2011 | 1,655.3 | 1,835.9 |
| 2010 | 369.4 | 409.8 |
| 2009 | 86.1 | 149.5 |
| 2008 and prior | 2,484.2 | 2,977.7 |
| Total Commercial mortgage loans | $9,953.1 | $9,316.0 |

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

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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, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Impairment | No. of Securities | Impairment | No. of Securities |
| U.S. Treasuries | $0.5 | 1 | $— | — |
| U.S. corporate | 14.4 | 41 | — | — |
| Foreign[(1)] | 1.3 | 4 | — | — |
| Residential mortgage-backed | 2.5 | 47 | 1.1 | 39 |
| Commercial mortgage-backed | — | *5 | 0.3 | 1 |
| Other asset-backed | 0.7 | 17 | 1.1 | 5 |
| Equity | — | — | 1.2 | 2 |
| Other assets | — | — | 0.7 | 1 |
| Total | $19.4 | 115 | $4.4 | 48 |

(1) Primarily U.S. dollar denominated.
* Less than $0.1.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Impairment | No. of Securities | Impairment | No. of Securities |
| U.S. Treasuries | $0.5 | 1 | $— | — |
| U.S. corporate | 14.8 | 41 | — | — |
| Foreign[(1)] | 3.0 | 9 | — | — |
| Residential mortgage-backed | 4.9 | 81 | 9.9 | 105 |
| Commercial mortgage-backed | 0.2 | 7 | 0.4 | 3 |
| Other asset-backed | 0.8 | 17 | 8.6 | 7 |
| Equity | 1.0 | 2 | 3.0 | 2 |
| Other assets | — | — | 0.7 | 1 |
| Total | $25.2 | 158 | $22.6 | 118 |

(1) Primarily U.S. dollar denominated.

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 above tables include $3.6 and $14.4 of write-downs related to credit impairments for the three and nine months ended September 2013, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $0.8 and $8.2 in write-downs for three and nine months ended September 2013, respectively, are related to intent impairments.

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

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Impairment | No. of Securities | Impairment | No. of Securities |
| U.S. Treasuries | $0.5 | 1 | $— | — |
| U.S. corporate | 14.4 | 41 | — | — |
| Foreign[(1)] | 1.3 | 4 | — | — |
| Residential mortgage-backed | 0.7 | 16 | 0.5 | 6 |
| Commercial mortgage-backed | — * | 5 | 0.3 | 1 |
| Other asset-backed | 0.2 | 14 | — | — |
| Equity | — | — | — | — |
| Other assets | — | — | — | — |
| Total | $17.1 | 81 | $0.8 | 7 |

[(1)] Primarily U.S. dollar denominated.
* Less than $0.1.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Impairment | No. of Securities | Impairment | No. of Securities |
| U.S. Treasuries | $0.5 | 1 | $— | — |
| U.S. corporate | 14.4 | 41 | — | — |
| Foreign[(1)] | 3.0 | 9 | — | — |
| Residential mortgage-backed | 1.0 | 23 | 0.5 | 6 |
| Commercial mortgage-backed | 0.2 | 7 | 0.4 | 3 |
| Other asset-backed | 0.2 | 14 | 7.3 | 2 |
| Equity | — | — | — | — |
| Other assets | — | — | — | — |
| Total | $19.3 | 95 | $8.2 | 11 |

[(1)] 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.

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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, | |
|---|---|---|
| | 2014 | 2013 |
| Balance at July 1 | $92.6 | $109.9 |
| Additional credit impairments: | | |
| On securities not previously impaired | 0.3 | 0.2 |
| On securities previously impaired | 1.7 | 0.9 |
| Reductions: | | |
| Securities sold, matured, prepaid or paid down | 3.6 | 6.4 |
| Balance at September 30 | $91.0 | $104.6 |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Balance at January 1 | $102.8 | $114.7 |
| Additional credit impairments: | | |
| On securities not previously impaired | 1.4 | 2.4 |
| On securities previously impaired | 3.2 | 6.9 |
| Reductions: | | |
| Securities sold, matured, prepaid or paid down | 16.4 | 19.4 |
| Balance at September 30 | $91.0 | $104.6 |

Net Investment Income

The following tables summarize Net investment income for the periods indicated:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Fixed maturities | $1,006.8 | $974.6 | $2,983.9 | $2,967.9 |
| Equity securities, available-for-sale | 2.3 | 3.4 | 9.7 | 6.5 |
| Mortgage loans on real estate | 124.2 | 118.5 | 358.5 | 362.2 |
| Policy loans | 28.5 | 29.5 | 84.6 | 89.1 |
| Short-term investments and cash equivalents | 0.9 | 0.8 | 2.4 | 2.7 |
| Other | 3.3 | 96.1 | (4.5) | 107.6 |
| Gross investment income | 1,166.0 | 1,222.9 | 3,434.6 | 3,536.0 |
| Less: Investment expenses | 2.4 | 1.3 | 4.5 | 3.5 |
| Net investment income | $1,163.6 | $1,221.6 | $3,430.1 | $3,532.5 |

As of September 30, 2014 and December 31, 2013, the Company did not have any investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

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

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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, | |
|---|---|---|
| | 2014 | 2013 |
| Fixed maturities, available-for-sale, including securities pledged | $(1.3) | $29.9 |
| Fixed maturities, at fair value option | (104.4) | (71.1) |
| Equity securities, available-for-sale | — | (0.2) |
| Derivatives | 167.9 | (643.8) |
| Embedded derivative - fixed maturities | (1.1) | (16.1) |
| Embedded derivative - product guarantees | 127.7 | 184.6 |
| Other investments | (7.8) | (0.4) |
| Net realized capital gains (losses) | $181.0 | $(517.1) |
| After-tax net realized capital gains (losses) | $130.8 | $(323.9) |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Fixed maturities, available-for-sale, including securities pledged | $43.3 | $36.3 |
| Fixed maturities, at fair value option | (139.3) | (396.6) |
| Equity securities, available-for-sale | 17.9 | (1.9) |
| Derivatives | (11.6) | (2,449.7) |
| Embedded derivative - fixed maturities | (8.3) | (89.6) |
| Embedded derivative - product guarantees | (298.0) | 944.4 |
| Other investments | 19.9 | (0.7) |
| Net realized capital gains (losses) | $(376.1) | $(1,957.8) |
| After-tax net realized capital gains (losses) | $(231.6) | $(1,263.4) |

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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Proceeds on sales | $1,806.3 | $2,282.4 | $5,606.5 | $7,005.2 |
| Gross gains | 38.2 | 47.2 | 143.4 | 124.2 |
| Gross losses | 20.2 | 26.9 | 76.3 | 48.0 |

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## 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 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 enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margin with the exchange on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships.

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. 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 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 ("MCG"): 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 for which the fair value is based on the change in the fair value of the underlying assets held in trust. The embedded derivatives for certain fixed maturity instruments, certain annuity products and coinsurance with funds withheld arrangements are reported with the host contract in Investments, Future policy benefits and Funds held under reinsurance agreements, respectively, on the Condensed Consolidated Balance Sheets. Changes in the fair value of embedded derivatives within fixed maturity investments and within annuity products are recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. Changes in fair value of embedded derivatives with reinsurance agreements are reported in Policyholder benefits in the Condensed Consolidated Statements of Operations.

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.

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

| | September 30, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Notional Amount | Asset Fair Value | Liability Fair Value | Notional Amount | Asset Fair Value | Liability Fair Value |
| Derivatives: Qualifying for hedge accounting[1] | | | | | | |
| Cash flow hedges: | | | | | | |
| Interest rate contracts | $748.5 | $97.0 | $0.3 | $786.0 | $81.0 | $0.5 |
| Foreign exchange contracts | 174.7 | 14.6 | — | 174.7 | 6.3 | 1.6 |
| Fair value hedges: | | | | | | |
| Interest rate contracts | 624.9 | 3.4 | 32.5 | 873.5 | 4.8 | 64.7 |
| Derivatives: Non-qualifying for hedge accounting[1] | | | | | | |
| Interest rate contracts | 69,019.6 | 695.8 | 537.3 | 63,122.0 | 826.2 | 1,174.3 |
| Foreign exchange contracts | 1,292.2 | 32.9 | 20.5 | 1,281.7 | 17.8 | 43.3 |
| Equity contracts | 17,851.0 | 251.7 | 42.2 | 11,725.9 | 172.7 | 52.9 |
| Credit contracts | 3,221.0 | 41.4 | 24.0 | 3,221.0 | 40.5 | 14.5 |
| Embedded derivatives: | | | | | | |
| Within fixed maturity investments | N/A | 118.2 | — | N/A | 126.5 | — |
| Within annuity products | N/A | — | 3,096.4 | N/A | — | 2,645.6 |
| Within reinsurance agreements | N/A | — | 123.5 | N/A | — | 79.0 |
| Total | | $1,255.0 | $3,876.7 | | $1,275.8 | $4,076.4 |

[1] Open derivative contracts are reported as Derivatives assets or liabilities on the Condensed Consolidated Balance Sheets at fair value.
N/A - Not Applicable

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of September 30, 2014 and December 31, 2013. 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.

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 fourth quarter of 2016.

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, 2014 | | |
|---|---|---|---|
| | Notional Amount | Asset Fair Value | Liability Fair Value |
| Credit contracts | $3,221.0 | $41.4 | $24.0 |
| Equity contracts | 9,928.6 | 234.9 | 40.5 |
| Foreign exchange contracts | 1,466.9 | 47.5 | 20.5 |
| Interest rate contracts | 70,393.0 | 796.2 | 570.1 |
| | | 1,120.0 | 655.1 |
| Counterparty netting[1] | | (505.5) | (505.5) |
| Cash collateral netting[1] | | (383.4) | (29.6) |
| Securities collateral netting[1] | | (66.7) | (65.6) |
| Net receivables/payables | | $164.4 | $54.4 |

[1] Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

| | December 31, 2013 | | |
|---|---|---|---|
| | Notional Amount | Asset Fair Value | Liability Fair Value |
| Credit contracts | $3,221.0 | $40.5 | $14.5 |
| Equity contracts | 4,513.5 | 170.7 | 32.0 |
| Foreign exchange contracts | 1,456.4 | 24.1 | 44.9 |
| Interest rate contracts | 64,734.1 | 912.0 | 1,239.5 |
| | | 1,147.3 | 1,330.9 |
| Counterparty netting[1] | | (701.0) | (701.0) |
| Cash collateral netting[1] | | (241.7) | (15.7) |
| Securities collateral netting[1] | | (35.9) | (479.1) |
| Net receivables/payables | | $168.7 | $135.1 |

[1] 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, 2014, the

Company held $298.6 and $51.6 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2013, the Company held $214.7 and $18.8 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of September 30, 2014, the Company delivered $611.7 of securities and held $71.2 of securities as collateral. As of December 31, 2013, the Company delivered $1.0 billion of securities and held $51.3 of securities as collateral.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Derivatives: Qualifying for hedge accounting[1] | | | | |
| Cash flow hedges: | | | | |
| Interest rate contracts | $0.3 | $— | $0.6 | $0.1 |
| Foreign exchange contracts | 0.5 | 0.1 | 1.5 | 0.1 |
| Fair value hedges: | | | | |
| Interest rate contracts | 0.7 | (6.1) | (11.9) | 20.5 |
| Derivatives: Non-qualifying for hedge accounting[2] | | | | |
| Interest rate contracts | 82.9 | (105.6) | 443.8 | (915.0) |
| Foreign exchange contracts | 66.3 | (46.3) | 63.3 | 71.3 |
| Equity contracts | 15.0 | (493.0) | (512.0) | (1,644.9) |
| Credit contracts | 2.2 | 7.1 | 3.1 | 18.2 |
| Managed custody guarantees | — | 1.0 | 0.1 | 1.1 |
| Embedded derivatives: | | | | |
| Within fixed maturity investments[2] | (1.1) | (16.1) | (8.3) | (89.6) |
| Within annuity products[2] | 127.7 | 183.6 | (298.1) | 943.3 |
| Within reinsurance agreements[3] | 20.1 | 9.3 | (61.3) | 82.5 |
| Total | $314.6 | $(466.0) | $(379.2) | $(1,512.4) |

[1] 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, 2014 and 2013, ineffective amounts were immaterial.
[2] Changes in value are included in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] 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, 2014, the fair values of credit default swaps of $41.4 and $24.0 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2013, the fair value of credit default swaps of $40.5 and $14.5 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of September 30, 2014 and December 31, 2013, the maximum potential future net exposure to the Company was $1.7 billion, net of purchased protection of $0.5 billion on credit default swaps. These instruments are typically written for a maturity period of five 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.

## 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 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.

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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, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Fixed maturities, including securities pledged: | | | | |
| U.S. Treasuries | $3,606.5 | $580.6 | $— | $4,187.1 |
| U.S. Government agencies and authorities | — | 462.3 | — | 462.3 |
| U.S. corporate, state and municipalities | — | 39,405.0 | 1,128.0 | 40,533.0 |
| Foreign[1] | — | 16,642.1 | 375.4 | 17,017.5 |
| Residential mortgage-backed securities | — | 6,603.5 | 92.9 | 6,696.4 |
| Commercial mortgage-backed securities | — | 4,008.9 | 21.9 | 4,030.8 |
| Other asset-backed securities | — | 1,797.7 | 10.3 | 1,808.0 |
| Total fixed maturities, including securities pledged | 3,606.5 | 69,500.1 | 1,628.5 | 74,735.1 |
| Equity securities, available-for-sale | 213.1 | — | 57.4 | 270.5 |
| Derivatives: | | | | |
| Interest rate contracts | — | 796.2 | — | 796.2 |
| Foreign exchange contracts | — | 47.5 | — | 47.5 |
| Equity contracts | 16.7 | 152.1 | 82.9 | 251.7 |
| Credit contracts | — | 29.3 | 12.1 | 41.4 |
| Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements | 3,555.5 | 119.9 | — | 3,675.4 |
| Assets held in separate accounts | 102,248.3 | 4,797.3 | 13.7 | 107,059.3 |
| Total assets | $109,640.1 | $75,442.4 | $1,794.6 | $186,877.1 |
| Percentage of Level to total | 58.6 % | 40.4 % | 1.0 % | 100.0 % |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Annuity product guarantees: | | | | |
| FIA | $— | $— | $1,894.2 | $1,894.2 |
| GMAB/GMWB/GMWBL[2] | — | — | 1,157.2 | 1,157.2 |
| Stabilizer and MCGs | — | — | 45.0 | 45.0 |
| Other derivatives: | | | | |
| Interest rate contracts | — | 570.1 | — | 570.1 |
| Foreign exchange contracts | — | 20.5 | — | 20.5 |
| Equity contracts | 1.6 | 40.6 | — | 42.2 |
| Credit contracts | — | — | 24.0 | 24.0 |
| Embedded derivative on reinsurance | — | 123.5 | — | 123.5 |
| Total liabilities | $1.6 | $754.7 | $3,120.4 | $3,876.7 |

[1] Primarily U.S. dollar denominated.
[2] Guaranteed minimum accumulation benefits ("GMAB"), Guaranteed minimum withdrawal benefits ("GMWB") and Guaranteed minimum withdrawal benefits with life payouts ("GMWBL").

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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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, 2013:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Fixed maturities, including securities pledged: | | | | |
| U.S. Treasuries | $4,617.0 | $564.2 | $— | $5,181.2 |
| U.S. Government agencies and authorities | — | 604.5 | 14.4 | 618.9 |
| U.S. corporate, state and municipalities | — | 37,303.2 | 456.5 | 37,759.7 |
| Foreign[(1)] | — | 16,202.2 | 154.3 | 16,356.5 |
| Residential mortgage-backed securities | — | 7,025.1 | 98.6 | 7,123.7 |
| Commercial mortgage-backed securities | — | 3,752.1 | — | 3,752.1 |
| Other asset-backed securities | — | 1,867.5 | 59.2 | 1,926.7 |
| Total fixed maturities, including securities pledged | 4,617.0 | 67,318.8 | 783.0 | 72,718.8 |
| Equity securities, available-for-sale | 238.5 | 20.6 | 55.3 | 314.4 |
| Derivatives: | | | | |
| Interest rate contracts | — | 912.0 | — | 912.0 |
| Foreign exchange contracts | — | 24.1 | — | 24.1 |
| Equity contracts | 1.9 | 83.3 | 87.5 | 172.7 |
| Credit contracts | — | 33.2 | 7.3 | 40.5 |
| Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements | 4,396.9 | 44.9 | — | 4,441.8 |
| Assets held in separate accounts | 101,437.5 | 5,376.5 | 13.1 | 106,827.1 |
| Total assets | $110,691.8 | $73,813.4 | $946.2 | $185,451.4 |
| Percentage of Level to total | 59.7 % | 39.8 % | 0.5 % | 100.0 % |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Annuity product guarantees: | | | | |
| FIA | $— | $— | $1,736.7 | $1,736.7 |
| GMAB/GMWB/GMWBL | — | — | 908.9 | 908.9 |
| Stabilizer and MCGs | — | — | — | — |
| Other derivatives: | | | | |
| Interest rate contracts | — | 1,239.5 | — | 1,239.5 |
| Foreign exchange contracts | — | 44.9 | — | 44.9 |
| Equity contracts | 20.9 | 32.0 | — | 52.9 |
| Credit contracts | — | — | 14.5 | 14.5 |
| Embedded derivative on reinsurance | — | 79.0 | — | 79.0 |
| Total liabilities | $20.9 | $1,395.4 | $2,660.1 | $4,076.4 |

(1)Primarily U.S. dollar denominated.

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.

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, 2014 and 2013. 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.

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The following table summarizes the change in fair value of the Company’s Level 3 assets and liabilities and transfers in and out of Level 3 for the 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[3] | Transfers out of Level 3[3] | Fair Value as of September 30 | Change In Unrealized Gains (Losses) Included in Earnings[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net Income | OCI | | | | | | | | |
| Fixed maturities, including securities pledged: | | | | | | | | | | | |
| U.S. Government agencies and authorities | $— | $ — | $ — | $ — | $ — | $— | $ — | $ — | $ — | $— | $ — |
| U.S. corporate, state and municipalities | 806.1 | (0.1 ) | (30.0) | 60.7 | — | — | (43.3 ) | 396.5 | (61.9) | 1,128.0 | (0.1 ) |
| Foreign[1] | 380.8 | — | (5.2 ) | — | — | — | (0.2 ) | — | — | 375.4 | — |
| 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 ) |
| Equity securities, available-for-sale | 57.2 | — | 0.2 | — | — | — | — | — | — | 57.4 | — |
| Derivatives: | | | | | | | | | | | |
| Product guarantees: | | | | | | | | | | | |
| FIA[2] | (1,934.7) | 37.9 | — | — | (31.4) | — | 34.0 | — | — | (1,894.2) | — |
| GMAB/GMWB/GMWBL[2] | (1,220.3) | 101.6 | — | — | (38.6) | — | 0.1 | — | — | (1,157.2) | — |
| Stabilizer and MCGs[2] | (32.0 ) | (11.8) | — | — | (1.2 ) | — | — | — | — | (45.0 ) | — |
| Other derivatives, net | 78.2 | 6.3 | — | 8.2 | — | — | (21.7 ) | — | — | 71.0 | (7.2 ) |
| Assets held in separate accounts[5] | 15.9 | — | — | 4.8 | — | (1.3 ) | — | 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.



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The following table summarizes the change in fair value of the Company’s Level 3 assets and liabilities and transfers in and out of Level 3 for the 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[3] | Transfers out of Level 3[3] | Fair Value as of September 30 | Change In Unrealized Gains (Losses) Included in Earnings[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net Income | OCI | | | | | | | | |
| Fixed maturities, including securities pledged: | | | | | | | | | | | |
| U.S. Government agencies and authorities | $ 14.4 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ (14.4) | $ — | $ — |
| U.S. corporate, state and municipalities | 456.5 | (1.0) | (4.9) | 304.2 | — | (4.3) | (75.4) | 455.9 | (3.0) | 1,128.0 | (0.3) |
| Foreign[1] | 154.3 | — | (2.4) | 94.0 | — | — | (8.0) | 198.5 | (61.0) | 375.4 | — |
| 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) |
| Equity securities, available-for-sale | 55.3 | (0.9) | 3.1 | — | — | (0.1) | — | — | — | 57.4 | (0.9) |
| Derivatives: | | | | | | | | | | | |
| Product guarantees: | | | | | | | | | | | |
| FIA[2] | (1,736.7) | (123.3) | — | — | (124.8) | — | 90.6 | — | — | (1,894.2) | — |
| GMAB/GMWB/GMWBL[2] | (908.9) | (133.2) | — | — | (115.5) | — | 0.4 | — | — | (1,157.2) | — |
| Stabilizer and MCGs[2] | — | (41.5) | — | — | (3.5) | — | — | — | — | (45.0) | — |
| Other derivatives, net | 80.3 | 33.4 | — | 24.4 | — | — | (67.1) | — | — | 71.0 | (9.3) |
| Assets held in separate accounts[3] | 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.

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The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the three months ended September 30, 2013:

| | Fair Value as of July 1 | Total Realized/Unrealized Gains (Losses) Included in: | | Purchases | Issuances | Sales | Settlements | Transfers into Level 3[3] | Transfers out of Level 3[3] | Fair Value as of September 30 | Change In Unrealized Gains (Losses) Included in Earnings[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net Income | OCI | | | | | | | | |
| Fixed maturities, including securities pledged: | | | | | | | | | | | |
| U.S. Government agencies and authorities | $— | $ — | $ — | $ — | $ — | $— | $ — | $ — | $ — | $— | $ — |
| U.S. corporate, state and municipalities | 465.2 | (0.1 ) | (2.3 ) | 0.1 | — | (1.2 ) | (14.6 ) | 2.6 | — | 449.7 | (0.1 ) |
| Foreign[1] | 98.7 | 0.1 | 4.5 | — | — | — | (24.9 ) | 13.6 | — | 92.0 | — |
| Residential mortgage-backed securities | 116.9 | (1.8 ) | (0.1 ) | 64.7 | — | — | (0.3 ) | — | (3.0 ) | 176.4 | (1.8 ) |
| Commercial mortgage-backed securities | — | — | — | — | — | — | — | — | — | — | — |
| Other asset-backed securities | 93.6 | 1.9 | (1.5 ) | — | — | — | (2.8 ) | — | — | 91.2 | 2.0 |
| Total fixed maturities including securities pledged | 774.4 | 0.1 | 0.6 | 64.8 | — | (1.2 ) | (42.6 ) | 16.2 | (3.0 ) | 809.3 | 0.1 |
| Equity securities, available-for-sale | 59.0 | (0.1 ) | — | — | — | — | — | — | (1.2 ) | 57.7 | (0.2 ) |
| Derivatives: | | | | | | | | | | | |
| Product guarantees: | | | | | | | | | | | |
| FIA[2] | (1,520.6) | (32.2) | — | — | (35.2) | — | 21.3 | — | — | (1,566.7) | — |
| GMAB/GMWB/GMWBL[2] | (1,340.8) | 198.3 | — | — | (33.5) | — | 0.1 | — | — | (1,175.9) | — |
| Stabilizer and MCGs[2] | (28.0) | 18.5 | — | (1.5 ) | — | — | — | — | — | (11.0 ) | — |
| Other derivatives, net | 56.5 | 24.8 | — | 7.3 | — | — | (18.3 ) | — | — | 70.3 | 9.6 |
| Assets held in separate accounts[5] | 19.9 | — | — | 0.6 | — | (0.3 ) | — | — | (13.8) | 6.4 | — |

[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.

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The following table summarizes the change in fair value of the Company’s Level 3 assets and liabilities and transfers in and out of Level 3 for the nine months ended September 30, 2013:

| | Fair Value as of January 1 | Total Realized/Unrealized Gains (Losses) Included in: | | Purchases | Issuances | Sales | Settlements | Transfers into Level 3[3] | Transfers out of Level 3[3] | Fair Value as of September 30 | Change In Unrealized Gains (Losses) Included in Earnings[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net Income | OCI | | | | | | | | |
| Fixed maturities, including securities pledged: | | | | | | | | | | | |
| U.S. Government agencies and authorities | $— | $ — | $ — | $ — | $ — | $— | $ — | $ — | $ — | $— | $ — |
| U.S. corporate, state and municipalities | 524.2 | (0.3) | (6.7) | 0.1 | — | (10.1) | (40.8) | 62.4 | (79.1) | 449.7 | (0.4) |
| Foreign[1] | 104.2 | 0.2 | 8.6 | — | — | (4.7) | (36.3) | 20.0 | — | 92.0 | — |
| Residential mortgage-backed securities | 74.1 | (5.6) | (0.6) | 112.4 | — | (0.6) | (1.0) | — | (2.3) | 176.4 | (5.7) |
| Commercial mortgage-backed securities | — | — | — | — | — | — | — | — | — | — | — |
| Other asset-backed securities | 115.2 | 10.7 | (3.1) | — | — | — | (31.6) | 0.3 | (0.3) | 91.2 | 7.7 |
| Total fixed maturities including securities pledged | 817.7 | 5.0 | (1.8) | 112.5 | — | (15.4) | (109.7) | 82.7 | (81.7) | 809.3 | 1.6 |
| Equity securities, available-for-sale | 55.8 | (2.5) | 3.8 | 0.2 | — | — | — | 51.8 | (51.4) | 57.7 | (1.9) |
| Derivatives: | | | | | | | | | | | |
| Product guarantees: | | | | | | | | | | | |
| FIA[2] | (1,434.3) | (116.4) | — | — | (71.2) | — | 55.2 | — | — | (1,566.7) | — |
| GMAB/GMWB/GMWBL[2] | (2,035.5) | 965.2 | — | — | (105.9) | — | 0.3 | — | — | (1,175.9) | — |
| Stabilizer and MCGs[2] | (102.0) | 95.6 | — | (4.6) | — | — | — | — | — | (11.0) | — |
| Other derivatives, net | 22.9 | 78.0 | — | 20.7 | — | — | (51.3) | — | — | 70.3 | 35.9 |
| Assets held in separate accounts[5] | 16.3 | — | — | 7.9 | — | (10.1) | — | 2.2 | (9.9) | 6.4 | 0.1 |

[1] Primarily U.S. dollar denominated.
[2] All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.
[3] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[4] For financial instruments still held as of September 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

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

For the three and nine months ended September 30, 2014 and 2013, 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.

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The following table presents the unobservable inputs for Level 3 fair value measurements as of September 30, 2014:

| | Range[1] | | | |
|---|---|---|---|---|
| Unobservable Input | GMWB / GMWBL | GMAB | FIA | Stabilizer / MCG |
| 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 7.3% |
| Correlations between: | | | | |
| Equity Funds | 50% to 98% | 50% 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 | 0.08% to 0.94% | 0.08% to 0.94% | 0.08% to 0.94% | 0.08% to 0.94% |
| 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[6] | — | — | — | 0% to 65% [5] |
| Mortality | — [7] | — [7] | — [8] | — |

[1] Represents the range of reasonable assumptions that management has used in its fair value calculations.
[2] Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 32% 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, 2014 (account value amounts are in $ billions).

| | Account Values | | | |
|---|---|---|---|---|
| Attained Age Group | In the Money | Out of the Money | Total | Average Expected Delay (Years)* |
| < 60 | $2.8 | $0.3 | $3.1 | 9.6 |
| 60-69 | 6.8 | 0.5 | 7.3 | 5.1 |

| | | | | |
|---|---|---|---|---|
| 70+ | 5.3 | 0.3 | 5.6 | 3.3 |
| | $14.9 | $1.1 | $16.0 | 6.0 |

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

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

| | Moneyness | GMAB Account Value | | Lapse Range | GMWB/GMWBL Account Value | Lapse Range |
|---|---|---|---|---|---|---|
| During Surrender Charge Period | | | | | | |
| | In the Money** | $— | * | 0.08% to 8.2% | $7.5 | 0.08% to 6.3% |
| | Out of the Money | — | * | 0.41% to 12% | 0.7 | 0.36% to 7.2% |
| After Surrender Charge Period | | | | | | |
| | In the Money** | $— | * | 2.5% to 21% | $7.4 | 1.7% to 21% |
| | Out of the Money | 0.1 | | 12% to 31% | 1.0 | 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 moneyness."
[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 | 88 | % | 0-30% | 0-15% | 0-50% | 0-15% |
| Stabilizer with Recordkeeping Agreements | 12 | % | 0-50% | 0-25% | 0-65% | 0-30% |
| Aggregate of all plans | 100 | % | 0-50% | 0-25% | 0-65% | 0-30% |

[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.

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The following table presents the unobservable inputs for Level 3 fair value measurements as of December 31, 2013:

| | Range[1] | | | |
|---|---|---|---|---|
| Unobservable Input | GMWB / GMWBL | GMAB | FIA | Stabilizer / MCG |
| 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 8.0% |
| Correlations between: | | | | |
| Equity Funds | 50% to 98% | 50% to 98% | — | — |
| Equity and Fixed Income Funds | -33% to 62% | -33% to 62% | — | — |
| Interest Rates and Equity Funds | -30% to -14% | -30% to -14% | — | — |
| Nonperformance risk | -0.1% to 0.79% | -0.1% to 0.79% | -0.1% to 0.79% | -0.1% to 0.79% |
| Actuarial Assumptions: | | | | |
| Benefit Utilization | 85% to 100% [2] | — | — | — |
| Partial Withdrawals | 0% to 10% | 0% to 10% | 0% to 2% | — |
| Lapses | 0.08% to 40% [3][4] | 0.08% to 31% [3][4] | 0% to 53% [3] | 0% to 55% [5] |
| Policyholder Deposits[6] | — | — | — | 0% to 60% [5] |
| Mortality | — [7] | — [7] | — [8] | — |

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

(2) Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 30% 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 December 31, 2013 (account value amounts are in $ billions).

| | Account Values | | | |
|---|---|---|---|---|
| Attained Age Group | In the Money | Out of the Money | Total | Average Expected Delay (Years)* |
| < 60 | $2.1 | $1.4 | $3.5 | 5.4 |

| | | | | |
|---|---|---|---|---|
| 60-69 | 5.1 | 2.6 | 7.7 | 1.4 |
| 70+ | 4.0 | 1.3 | 5.3 | — |
| | $11.2 | $5.3 | $16.5 | 2.3 |

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

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(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, 2013 (account value amounts are in $ billions).

| | Moneyness | GMAB Account Value | | Lapse Range | GMWB/GMWBL Account Value | Lapse Range |
|---|---|---|---|---|---|---|
| During Surrender Charge Period | | | | | | |
| | In the Money** | $— | * | 0.08% to 8.2% | $5.7 | 0.08% to 5.5% |
| | Out of the Money | — | * | 0.41% to 12% | 3.3 | 0.36% to 11% |
| After Surrender Charge Period | | | | | | |
| | In the Money** | $— | * | 2.5% to 21% | $5.6 | 1.5% to 21% |
| | Out of the Money | 0.1 | | 12% to 31% | 2.8 | 6.9% to 40% |

* 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 moneyness."

(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 | 88 | % | 0-30% | 0-15% | 0-55% | 0-15% |
| Stabilizer with Recordkeeping Agreements | 12 | % | 0-55% | 0-25% | 0-60% | 0-30% |
| Aggregate of all plans | 100 | % | 0-55% | 0-25% | 0-60% | 0-30% |

(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

- 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.
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Other Financial Instruments

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

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets: | | | | |
| Fixed maturities, including securities pledged | $74,735.1 | $74,735.1 | $72,718.8 | $72,718.8 |
| Equity securities, available-for-sale | 270.5 | 270.5 | 314.4 | 314.4 |
| Mortgage loans on real estate | 9,949.7 | 10,268.5 | 9,312.2 | 9,404.7 |
| Policy loans | 2,104.2 | 2,104.2 | 2,147.0 | 2,147.0 |
| Limited partnerships/corporations | 348.2 | 348.2 | 236.4 | 236.4 |
| Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements | 3,675.4 | 3,675.4 | 4,441.8 | 4,441.8 |
| Derivatives | 1,136.8 | 1,136.8 | 1,149.3 | 1,149.3 |
| Other investments | 106.8 | 106.8 | 124.6 | 131.1 |
| Assets held in separate accounts | 107,059.3 | 107,059.3 | 106,827.1 | 106,827.1 |
| Liabilities: | | | | |
| Investment contract liabilities: | | | | |
| Funding agreements without fixed maturities and deferred annuities[1] | 49,440.6 | 53,877.9 | 49,418.4 | 53,713.8 |
| Funding agreements with fixed maturities and guaranteed investment contracts | 1,749.3 | 1,733.1 | 2,692.3 | 2,663.9 |
| Supplementary contracts, immediate annuities and other | 3,778.6 | 4,054.8 | 3,383.6 | 3,567.3 |
| Derivatives: | | | | |
| Annuity product guarantees: | | | | |
| FIA | 1,894.2 | 1,894.2 | 1,736.7 | 1,736.7 |
| GMAB/GMWB/GMWBL | 1,157.2 | 1,157.2 | 908.9 | 908.9 |
| Stabilizer and MCGs | 45.0 | 45.0 | — | — |
| Other derivatives | 656.8 | 656.8 | 1,351.8 | 1,351.8 |
| Long-term debt | 3,515.5 | 3,851.3 | 3,514.7 | 3,717.8 |
| Embedded derivatives on reinsurance | 123.5 | 123.5 | 79.0 | 79.0 |

[1] 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.

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.

Limited partnerships/corporations: The fair value for these investments, primarily private equity fund of funds and hedge funds, is based on actual or estimated Net Asset Value ("NAV") information, as provided by the investee and are classified as Level 3.

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.

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

Activity within DAC and VOBA was as follows for the periods indicated:

| | DAC | VOBA | Total |
|---|---|---|---|
| Balance at 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[1] | 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 at September 30, 2014 | $4,013.2 | $766.7 | $4,779.9 |

| | DAC | VOBA | Total |
|---|---|---|---|
| Balance at January 1, 2013 | $3,221.6 | $434.7 | $3,656.3 |
| Deferrals of commissions and expenses | 300.0 | 10.2 | 310.2 |
| Amortization: | | | |
| Amortization | (507.6) | (53.2) | (560.8) |
| Interest accrued[1] | 173.6 | 67.6 | 241.2 |
| Net amortization included in Condensed Consolidated Statements of Operations | (334.0) | 14.4 | (319.6) |
| Change in unrealized capital gains/losses on available-for-sale securities | 1,061.5 | 556.6 | 1,618.1 |
| Balance at September 30, 2013 | $4,249.1 | $1,015.9 | $5,265.0 |

[1] Interest accrued at the following rates for DAC: 0.6% to 7.4% during 2014 and 1.0% to 7.4% during 2013. Interest accrued at the following rates for VOBA: 3.1% to 7.5% during 2014 and 3.0% to 7.5% during 2013.

## 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 principally under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan"), which the Company adopted in connection with the IPO. 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, 2014, common stock reserved and available for issuance under the 2013 Omnibus Plan was 239,283 shares.

On May 28, 2014, the Company's Board of Directors adopted, subject to shareholder approval, the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). Shareholder approval for the 2014 Omnibus Plan was subsequently obtained on July 30, 2014. The 2014 Omnibus Plan is substantially the same as the 2013

Omnibus Plan, except for certain changes intended to provide for the opportunity for 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, 2014, common stock reserved and available for issuance under the 2014 Omnibus Plan was 17,800,000 shares.

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 subject to sale and transfer restrictions until the vesting conditions are met; performance share units (“PSUs”) awards, which are RSUs subject to certain time- and 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 2013 Omnibus Plan 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, 2014, the Company awarded only RSUs and PSUs under the 2013 Omnibus Plan. PSUs awarded during the nine months ended September 30, 2014 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. These RSUs and PSUs vest no earlier than one year from the date of the award and no later than four years from the date of the award. Dividend equivalents are credited to the recipient and are paid only to the extent the applicable performance criteria and service conditions are met. 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 the 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 under the Omnibus Plans, as applicable. 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, 2014, 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 (1) the completion of the Secondary Offering in 2013 and the ending of the related underwriters' lockup period in January 2014, (2) the March 2014 Offering and (3) the September 2014 Offering, 891,928 RSUs vested during the nine months ended September 30, 2014. Of the 891,928 RSUs vested upon the completion of these offerings, 42,373

RSUs were not issued as of September 30, 2014, but were subsequently issued on October 20, 2014. An additional 123,269 RSUs - Deal Incentive Awards, each with a grant date fair value of $30.03, will proportionally vest and be recognized as compensation cost upon further sales of Company stock by ING Group.

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 88,000 shares of Company common stock were initially reserved and available for issuance under the 2013 Director Plan. On May 28, 2014, the Company's Board of Directors adopted, subject to shareholder approval, amendments to the 2013 Director Plan that increased the number of shares of Company common stock reserved and available for issuance under the 2013 Director Plan to 288,000. Shareholder approval for these amendments was subsequently obtained on July 30, 2014. 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 May of 2014, the Company granted 12,888 RSUs to certain non-employee directors serving on the Board. These awards vest half on the second anniversary of the grant date, and one-quarter vest on the third and fourth anniversaries 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 service on the Board is terminated.

ING U.S., Inc. 2014 Employee Phantom Stock Plan

The Company provides certain of its non-executive employees with cash-settled awards under the ING U.S., Inc. 2014 Employee Phantom Stock Plan (the “Phantom Plan”). Awards made under the Phantom Plan are 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 are granted in the form of phantom RSUs and phantom PSUs, each of which is 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, 2014, the Company had 175,029 phantom RSUs and 94,388 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 remain outstanding and will continue to vest according to the terms of their original grant. One-third of these awards vested or will vest, and the underlying ING Group ADRs have been or will be delivered, on each of the first, second and third anniversaries of the award date, provided that the participants were or are still employed by the Company on the relevant vesting date, and, in the case of performance-based LSPP awards, provided that the relevant performance conditions have been satisfied, as determined by the Committee and the Supervisory Board of ING Group.

Equity Compensation Plan: In 2012 and 2013, certain employees of the Company (principally those employed within the Investment Management business) received equity-based awards under 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.

Equity Compensation Plan awards to employees of the Company provided in 2012 remain outstanding and are subject to a three-year vesting period, provided that the participant is still employed by the Company on the relevant vesting date.

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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, RSUs and stock options 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.

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, 2014 was immaterial.

The following tables summarize pre-tax share-based compensation costs, which includes costs related to awards granted under the 2013 Omnibus Plan, 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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| RSUs[1] | $12.3 | $6.9 | $31.8 | $17.9 |
| RSUs - Deal incentive awards | 1.3 | 7.5 | 6.9 | 14.1 |
| PSU awards[2] | 14.1 | 15.4 | 45.4 | 20.4 |
| Stock options[3] | — | — | — | 0.8 |
| Phantom Plan | 1.4 | — | 2.9 | — |
| Share-based compensation[4] | $29.1 | $29.8 | $87.0 | $53.2 |

(1) These tables include compensation costs of $1.8 and $5.5 for the three and nine months ended September 30, 2014, respectively, related to ING Group RSU awards. In addition, these tables include compensation costs of $3.7 and $11.7 for the three and nine months ended September 30, 2013, respectively, related to ING Group RSU awards.
(2) These tables include compensation costs of $6.1 and $22.8 for the three and nine months ended September 30, 2014, respectively, related to ING Group PSU awards. In addition, these tables include compensation costs of $9.2

and $12.9 for the three and nine months ended September 30, 2013, respectively, related to ING Group PSU awards.
[3] Compensation costs recognized during the three and nine months ended September 30, 2013 represents the associated portion with ING Group stock options held by the Company's employees.
[4] The Company recognized no income tax benefit due to recognized valuation allowances for periods presented. See the Income Taxes Note to these Condensed Consolidated Financial Statements for additional information.

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Awards Outstanding

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

| | RSUs | | RSUs-Deal Incentive Awards | | PSU Awards | |
|---|---|---|---|---|---|---|
| (awards in millions) | 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 |
| Outstanding at January 1, 2014 | 1.6 | $19.15 | 0.8 | $19.50 | 0.5 | $28.06 |
| Adjustment for PSU performance factor | N/A | N/A | N/A | N/A | 0.3 | 28.06 |
| Granted | 1.8 | 37.02 | 0.1 | 30.03 | 0.7 | 36.98 |
| Vested | (0.1) | 20.47 | (0.9) | 20.63 | (0.8) | 28.15 |
| Forfeited | (0.1) | 28.99 | —* | — | (0.1) | 35.13 |
| Outstanding at September 30, 2014[1] | 3.2 | $28.75 | — | $— | 0.6 | $37.01 |

* Less than 0.1.
[1] Excludes 123,269 of RSUs - Deal Incentive Awards granted in 2013 that proportionally vest upon sales of Company stock by ING Group.

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:

| | Common Shares | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| (shares in millions) | Issued | Held in Treasury | Outstanding | Issued | Held in Treasury | Outstanding |
| Common shares, balance at January 1 | 261.8 | 0.1 | 261.7 | 230.1 | 0.1 | 230.0 |
| Common shares issued | — | — | — | 30.8 | — | 30.8 |
| Common shares acquired - share repurchase | — | 16.6 | (16.6) | — | — | — |
| Share-based compensation | 1.7 | 0.4 | 1.3 | — | — | — |
| Common shares, balance at September 30 | 263.5 | 17.1 | 246.4 | 260.9 | 0.1 | 260.8 |

Share Repurchase Program

Direct Share Repurchase Agreement

On March 13, 2014, the Company's Board of Directors authorized a share repurchase program (the “Direct Share Repurchase Program”), pursuant to which the Company may, from time to time, purchase shares of its common stock through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions, or tender offers. The initial authorization under the Direct Share Repurchase Program permitted the repurchase of a number of shares of the Company’s common stock having an aggregate repurchase price not exceeding $300.0.

On March 25, 2014, the Company repurchased 7,255,853 shares of its common stock from ING Group for an aggregate purchase price of $250.0. As of March 31, 2014, the Company had subsequently repurchased an additional 250,000 shares of its common stock in open market transactions for an aggregate purchase price of $8.9, which repurchases settled on April 2, 2014.

During the three months ended June 30, 2014, the Company repurchased a further 875,558 shares of its common stock in open market transactions for an aggregate purchase price of $30.5.

On July 31, 2014, the Company's Board of Directors increased the authorization under the Direct Share Repurchase Program by an additional $500.0, with such authorization to expire (unless subsequently extended) no later than the second quarter of 2015. The authorization under the Direct Share Repurchase Program may be terminated, increased or decreased by the Company's Board of Directors at any time.

On September 8, 2014, the Company repurchased 7,722,007 shares of its common stock from ING Group for an aggregate purchase price of $300.0.

Accelerated Share Repurchase Arrangement

On September 15, 2014, the Company entered into an accelerated share repurchase arrangement ("ASR") with a financial institution. In exchange for an up-front payment of $25.0, the financial institution delivered 505,305 shares of the Company's common stock at the inception of the ASR purchase period with the potential of additional shares to be delivered upon final settlement of the ASR, depending on the daily volume-weighted average prices of the Company's common stock during the ASR purchase period. The ASR purchase period ended on October 15, 2014, at which time an additional 150,152 shares were delivered to the Company by the financial institution. The total number of shares ultimately delivered pursuant to the ASR in consideration of the upfront payment, and therefore the average repurchase price paid per share in the ASR, was dependent on the number of shares, if any, delivered upon final settlement. In certain scenarios where the daily volume-weighted average prices of the Company's stock experienced a significant increase during the ASR purchase period, the Company may have been required to make an additional payment to the financial institution (which could have been in the form of a return of a portion of the shares initially delivered by the financial institution) upon final settlement of the ASR.

The shares delivered upon inception of the ASR were recorded as treasury stock (at cost of $20.0) in the Company's Condensed Consolidated Balance Sheets. As of September 30, 2014, any additional shares to be delivered upon final settlement of the ASR represented a forward contract and were accounted for as a derivative instrument. The Company reflected shares delivered pursuant to the ASR as a repurchase of common stock upon delivery for purposes of calculating earnings per common share.

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, 2014, the Company increased its treasury stock by 413,920 shares in connection with such withholding activities.

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.

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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.

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, | |
|---|---|---|---|---|
| Earnings | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) available to common shareholders: | | | | |
| Net income (loss) | $517.4 | $447.7 | $1,201.9 | $136.9 |
| Less: Net income (loss) attributable to noncontrolling interest | 116.6 | 101.1 | 296.7 | 84.5 |
| Net income (loss) available to common shareholders | $400.8 | $346.6 | $905.2 | $52.4 |
| | | | | |
| Weighted average common shares outstanding | | | | |
| Basic | 252.6 | 260.8 | 256.0 | 247.1 |
| Dilutive Effects:[(1)] [(2)] | | | | |
| RSUs | 1.5 | 0.7 | 1.2 | 0.3 |
| RSUs - Deal incentive awards | — * | 0.6 | 0.5 | 0.3 |
| PSU awards | 0.3 | 0.2 | 0.4 | 0.1 |
| Diluted | 254.4 | 262.3 | 258.1 | 247.8 |
| | | | | |
| Net income (loss) per common share | | | | |
| Basic | $1.59 | $1.33 | $3.54 | $0.21 |
| Diluted | 1.58 | 1.32 | 3.51 | 0.21 |

* Less than 0.1.
[(1)] For the three and nine months ended September 30, 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. For the three and nine months ended September 30, 2014 weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impacts of the forward contract related to the ASR agreement, as the inclusion of this instrument would be antidilutive to the earnings per share calculation.
[(2)] For the three and nine months ended September 30, 2013, the Company had no antidilutive weighted average common shares affecting the earnings per share calculation.

Dividends to Common Shareholders

The declaration and payment of common stock 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 Results of Operations and Financial Condition-Liquidity and Capital Resources-Debt Securities-Junior Subordinated Notes" to these Condensed Consolidated Financial Statements, on the payment of dividends by the Company.

On October 30, 2014, 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, 2014 to shareholders of record of Voya Financial, Inc. as of November 28, 2014.

On July 31, 2014, 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, 2014 to shareholders of record of Voya Financial, Inc. as of August 29, 2014.

On May 28, 2014, 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 June 30, 2014 to shareholders of record of Voya Financial, Inc. as of June 9, 2014.

On February 6, 2014, 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 March 31, 2014 to shareholders of record of Voya Financial, Inc. as of February 28, 2014.

## 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. Dividends in excess of prescribed limits established by the applicable state regulations are considered to be extraordinary transactions and require explicit regulatory approval. 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, 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

On June 12, 2014, Voya Financial, Inc. made a capital contribution of $150.0 to its Arizona captive.

On June 9, 2014, Voya Financial, Inc.'s principal insurance subsidiary domiciled in Colorado declared an ordinary dividend in the aggregate amount of $32.0, which was paid on June 24, 2014. On May 2, 2014, Voya Financial, Inc.’s principal insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota declared ordinary dividends in the aggregate amount of $690.0, which were paid on May 19, 2014.

In March and April 2013, in response to requests made in 2013, Voya Financial, Inc.'s insurance subsidiaries domiciled in Colorado, Connecticut, Iowa and Minnesota received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to make extraordinary distributions to Voya Financial, Inc. or Voya Holdings Inc. ("Voya Holdings"), formerly Lion Connecticut Holdings Inc., a wholly owned subsidiary of Voya Financial, Inc., in the aggregate amount of $1.434 billion, upon completion of the IPO and the use of the extraordinary distribution funds solely for Company operations. The approved distributions of $1.434 billion were made on May 8, 2013.

On May 8, 2013, insurance subsidiaries domiciled in Colorado, Iowa and Minnesota each reset, on a one-time basis, their respective negative unassigned funds account as of December 31, 2012 (as reported in their respective 2012 statutory annual statements) to zero (with an offsetting reduction in gross paid-in capital and contributed surplus). These resets were made pursuant to permitted practices in accordance with statutory accounting practices granted by their respective domiciliary insurance regulators. These permitted practices have no impact on total capital and surplus of these insurance subsidiaries.



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## 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, | |
|---|---|---|
| | 2014 | 2013 |
| Fixed maturities, net of OTTI | $5,242.3 | $3,525.2 |
| Equity securities, available-for-sale | 31.3 | 41.4 |
| Derivatives | 190.5 | 149.1 |
| DAC/VOBA adjustment on available-for-sale securities | (1,644.4) | (1,165.4) |
| Sales inducements adjustment on available-for-sale securities | (74.6) | (63.1) |
| Other | (30.2) | (27.6) |
| Unrealized capital gains (losses), before tax | 3,714.9 | 2,459.6 |
| Deferred income tax asset (liability) | (938.4) | (562.2) |
| Net unrealized capital gains (losses) | 2,776.5 | 1,897.4 |
| Pension and other postretirement benefits liability, net of tax | 43.7 | 52.6 |
| AOCI | $2,820.2 | $1,950.0 |

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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, 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 [1] | (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) |

[1] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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| | 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 Statements of Operations | (36.3) | 12.7 | (23.6) |
| DAC/VOBA | (589.4) [1] | 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 [2] | (21.3) | 39.5 |
| Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements 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 Statements of Operations | (10.3) | 3.6 | (6.7) |
| Change in pension and other postretirement benefits liability | (10.3) | 3.6 | (6.7) |
| Change in Other comprehensive income (loss) | $1,498.3 | $(527.2) | $971.1 |

[1] See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.
[2] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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| | Three Months Ended September 30, 2013 | | |
|---|---|---|---|
| | Before-Tax Amount | Income Tax | After-Tax Amount |
| Available-for-sale securities: | | | |
| Fixed maturities | $(379.3) | $133.7 | $(245.6) |
| Equity securities | 1.0 | (0.4) | 0.6 |
| Other | 0.2 | — | 0.2 |
| OTTI | 13.5 | (4.7) | 8.8 |
| Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations | (25.6) | 9.0 | (16.6) |
| DAC/VOBA | 173.9 | (61.2) | 112.7 |
| Sales inducements | 6.9 | (2.4) | 4.5 |
| Change in unrealized gains/losses on available-for-sale securities | (209.4) | 74.0 | (135.4) |
| Derivatives: | | | |
| Derivatives | 0.5 [1] | (0.2) | 0.3 |
| Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations | (0.8) | 0.3 | (0.5) |
| Change in unrealized gains/losses on derivatives | (0.3) | 0.1 | (0.2) |
| 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) | $(213.1) | $75.3 | $(137.8) |

[1] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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| | Nine Months Ended September 30, 2013 | | |
|---|---|---|---|
| | Before-Tax Amount | Income Tax | After-Tax Amount |
| Available-for-sale securities: | | | |
| Fixed maturities | $(4,316.0) | $1,500.3 | $(2,815.7) |
| Equity securities | (1.0) | 0.3 | (0.7) |
| Other | 13.1 | (4.5) | 8.6 |
| OTTI | 44.8 | (15.6) | 29.2 |
| Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations | (66.6) | 23.2 | (43.4) |
| DAC/VOBA | 1,618.1 [1] | (562.5) | 1,055.6 |
| Sales inducements | 84.3 | (29.3) | 55.0 |
| Change in unrealized gains/losses on available-for-sale securities | (2,623.3) | 911.9 | (1,711.4) |
| | | | |
| Derivatives: | | | |
| Derivatives | (63.7) [2] | 22.1 | (41.6) |
| Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations | (1.6) | 0.6 | (1.0) |
| Change in unrealized gains/losses on derivatives | (65.3) | 22.7 | (42.6) |
| | | | |
| Pension and other postretirement benefits liability: | | | |
| Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations | (10.3) | 3.6 | (6.7) |
| Change in pension and other postretirement benefits liability | (10.3) | 3.6 | (6.7) |
| Change in Other comprehensive income (loss) | $(2,698.9) | $938.2 | $(1,760.7) |

[1] See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.
[2] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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## 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:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Income (loss) before income taxes | $554.8 | $420.0 |
| Tax rate | 35.0 % | 35.0 % |
| Income tax expense (benefit) at federal statutory rate | 194.2 | 147.0 |
| Tax effect of: | | |
| Valuation allowance | (96.7) | (68.3) |
| Dividend received deduction | (22.7) | (43.4) |
| Audit settlement | (0.9) | (0.2) |
| State tax expense (benefit) | 0.5 | (5.6) |
| Noncontrolling interest | (40.8) | (35.4) |
| Tax credits | (1.1) | (3.6) |
| Nondeductible expenses | 2.6 | (19.3) |
| Other | 2.3 | 1.1 |
| Income tax expense (benefit) | $37.4 | $(27.7) |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Income (loss) before income taxes | $1,276.1 | $130.5 |
| Tax rate | 35.0 % | 35.0 % |
| Income tax expense (benefit) at federal statutory rate | 446.6 | 45.7 |
| Tax effect of: | | |
| Valuation allowance | (208.7) | 94.8 |
| Dividend received deduction | (73.6) | (93.3) |
| Audit settlement | (1.7) | (1.9) |
| State tax expense (benefit) | 9.6 | (2.3) |
| Noncontrolling interest | (103.8) | (29.6) |
| Tax credits | (1.1) | (12.8) |
| Nondeductible expenses | 3.5 | (8.9) |
| Other | 3.4 | 1.9 |
| Income tax expense (benefit) | $74.2 | $(6.4) |

Valuation allowances are provided when it is considered unlikely that deferred tax assets will be realized. As of September 30, 2014 and December 31, 2013, the Company had total valuation allowances of approximately $2.6 billion and $2.8 billion, respectively. As of September 30, 2014 and December 31, 2013, $3.0 billion and $3.2 billion, respectively, of these valuation allowances were allocated to continuing operations, and $(354.1) as of the end of each period were allocated to Other comprehensive income (loss) related to realized and unrealized capital losses.

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For the three months ended September 30, 2014 and 2013, the total increases (decreases) in the valuation allowance were $(96.7) and $(68.3), respectively, which were allocated to continuing operations. There were no changes in the valuation allowance allocated to Other comprehensive income (loss) for the three months ended September 30, 2014 and 2013. For the nine months ended September 30, 2014 and 2013, the total increases (decreases) in the valuation allowance were $(208.7) and $94.8, respectively, which were allocated to continuing operations. There were no changes in the valuation allowance allocated to Other comprehensive income (loss) for the nine months ended September 30, 2014 and 2013.

Tax Regulatory Matters

During April 2014, the U.S. Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2012. The 2012 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 2013 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Program for the tax years 2013 and 2014.

The IRS issued a Directive dated July 17, 2014 that it should not challenge the qualification of certain hedges and should not challenge certain tax accounting methods. The Company does not expect this Directive to have a material impact on the Company.

11. Financing Agreements

Short-term Debt

The Company did not have any short-term debt borrowings outstanding as of September 30, 2014 and December 31, 2013.

Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of September 30, 2014 and December 31, 2013:

| | Maturity | September 30, 2014 | December 31, 2013 |
|---|---|---|---|
| 7.25% Voya Holdings, Inc. debentures due 2023[1] | 08/15/2023 | $158.9 | $158.6 |
| 7.63% Voya Holdings, Inc. debentures due 2026[1] | 08/15/2026 | 232.3 | 232.1 |
| 8.42% Equitable of Iowa Companies Capital Trust II notes due 2027 | 04/01/2027 | 13.8 | 13.8 |
| 6.97% Voya Holdings, Inc. debentures due 2036[1] | 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 | 849.6 | 849.6 |
| 2.9% Senior Notes due 2018 | 02/15/2018 | 998.8 | 998.5 |
| | 05/15/2053 | 750.0 | 750.0 |

| | | | |
|---|---|---|---|
| 5.65% Fixed-to-Floating Rate Junior Subordinated Notes due 2053 | | | |
| 5.7% Senior Notes due 2043 | 07/15/2043 | 398.6 | 398.6 |
| Subtotal | | 3,515.5 | 3,514.7 |
| Less: Current portion of long-term debt | | — | — |
| Total | | $3,515.5 | $3,514.7 |

[1] Guaranteed by ING Group.

As of September 30, 2014 and December 31, 2013, 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.

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.

As of September 30, 2014, the outstanding principal amount of the Aetna Notes guaranteed by ING Group was $506.1.

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Credit Facilities

The following table outlines the Company's credit facilities, their dates of expiration, capacity and utilization as of September 30, 2014:

| Obligor / Applicant | Secured/ Unsecured | Committed/ Uncommitted | Expiration | Capacity | Utilization | Unused Commitment |
|---|---|---|---|---|---|---|
| Voya Financial, Inc. | Unsecured | Committed | 02/14/2018 | $3,000.0 | $684.9 | $2,315.1 |
| Security Life of Denver International Limited | Unsecured | Committed | 01/24/2018 | 150.0 | 150.0 | — |
| Voya Financial, Inc./ Langhorne I, LLC | Unsecured | Committed | 01/15/2019 | 500.0 | — | 500.0 |
| Voya Financial, Inc./ Security Life of Denver International Limited | Unsecured | Committed | 11/09/2021 | 750.0 | 750.0 | — |
| Security Life of Denver International Limited | Unsecured | Committed | 10/29/2021 | 1,125.0 | 700.1 | 424.9 |
| Voya Financial, Inc. / Security Life of Denver International Limited | Unsecured | Committed | 12/27/2022 | 750.0 | 750.0 | — |
| Voya Financial, Inc. / Security Life of Denver International Limited | Unsecured | Committed | 12/29/2023 | 250.0 | 250.0 | — |
| ReliaStar Life Insurance Company | Secured | Committed | Conditional | 255.0 | 255.0 | — |
| Voya Financial, Inc. / Security Life of Denver International Limited | Unsecured | Committed | 12/31/2025 | 475.0 | 475.0 | — |
| Voya Financial, Inc. | Unsecured | Uncommitted | Various | 1.7 | 1.7 | — |
| Voya Financial, Inc. | Secured | Uncommitted | Various | 10.0 | 4.7 | — |
| Voya Financial, Inc. / Roaring River II, LLC | Unsecured | Committed | 12/31/2021 | 995.0 | 660.0 | 335.0 |
| Voya Financial, Inc. / Roaring River III, LLC | Unsecured | Committed | 06/30/2022 | 1,151.2 | 696.0 | 455.2 |
| Voya Financial, Inc./ Roaring River IV, LLC | Unsecured | Committed | 12/31/2028 | 565.0 | 297.0 | 268.0 |
| Total | | | | $9,977.9 | $5,674.4 | $4,298.2 |
| | | | | | | |
| Secured facilities | | | | $265.0 | $259.7 | $— |
| Unsecured and uncommitted | | | | 1.7 | 1.7 | — |
| Unsecured and committed | | | | 9,711.2 | 5,413.0 | 4,298.2 |
| Total | | | | $9,977.9 | $5,674.4 | $4,298.2 |

| | | | |
|---|---|---|---|
| ING Bank | $1,275.0 | $734.3 | $540.7 |

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The Company maintains credit facilities used primarily for collateral required under affiliated reinsurance transactions and also for general corporate purposes. Total fees associated with credit facilities for the three months ended September 30, 2014 and 2013 were $29.1 and $33.8, respectively. Total fees associated with credit facilities for the nine months ended September 30, 2014 and 2013 were $86.5 and $119.5, respectively.

Effective January 1, 2014, the reinsurance agreements with Whisperingwind III, LLC ("Whisperingwind III") were novated to Roaring River IV, LLC ("Roaring River IV"), a wholly owned captive reinsurance subsidiary of the Company, which completed a transaction with a third-party bank to provide up to $565.0 of statutory reserve financing through a trust note which matures December 31, 2028.

Effective January 15, 2014, Langhorne I, LLC ("Langhorne I"), a wholly owned captive reinsurance subsidiary of the Company, completed a financing arrangement with a third-party trust to provide up to $500.0 of trust note collateral funding. The financing arrangement is designed to manage reserve and capital requirements in connection with the stable value business and matures on January 15, 2019.

Effective January 24, 2014, Security Life of Denver International Limited ("SLDI") entered into a letter of credit facility agreement with a third-party bank providing 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.

Senior Unsecured Credit Facility

On February 14, 2014, the Company revised the terms of its Revolving Credit Agreement ("Revolving Credit Agreement") by entering into the Amended and Restated Revolving Credit Agreement ("Amended and Restated Credit Agreement") with a syndicate of banks. The Amended and Restated Credit Agreement modifies the original agreement by: 1) extending the term of the agreement to February 14, 2018; 2) reducing the total amount of LOCs that may be issued from $3.5 billion to $3.0 billion and 3) reducing the current cost of LOC issuance fees from 200 bps to 175 bps. The revolving credit sublimit of $750.0 present in the original agreement remains unchanged. ING Bank, N.V. ("ING Bank"), an affiliate, acted as Joint Lead Arranger, Joint Book Manager and Documentation Agent and received $0.7 for its services and participation in the syndicate.

As of September 30, 2014, there were no amounts outstanding as revolving credit borrowings and $684.9 in letters of credit outstanding.

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, 2014, the Company had off-balance sheet commitments to purchase investments equal to their fair value of $1.2 billion, of which $326.4 relates to consolidated investment entities. As of December 31, 2013, the Company had off-balance sheet commitments to purchase investments equal to their fair value of $1.2 billion, of which $321.3 relates 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.

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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 $15.7 and $19.2 as of September 30, 2014 and December 31, 2013, respectively. The Company has also recorded an asset in Other assets on the Condensed Consolidated Balance Sheets of $25.8 and $18.4 as of September 30, 2014 and December 31, 2013, 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, 2014 | December 31, 2013 |
|---|---|---|
| Fixed maturity collateral pledged to FHLB | $2,055.6 | $2,333.4 |
| FHLB restricted stock[1] | 82.1 | 99.1 |
| Other fixed maturities-state deposits | 264.4 | 251.0 |
| Securities pledged[2] | 1,021.6 | 1,465.7 |
| Total restricted assets | $3,423.7 | $4,149.2 |

[1] Included in Other investments in the Condensed Consolidated Balance Sheets.
[2] Includes the fair value of loaned securities of $409.9 and $435.4 as of September 30, 2014 and December 31, 2013, respectively, which is included in Securities pledged on the Condensed Consolidated Balance Sheets. In addition, as of September 30, 2014 and December 31, 2013, the Company delivered securities as collateral of $611.7 and $1.0 billion, respectively, which is included in Securities pledged on the Condensed Consolidated Balance Sheets.

Federal Home Loan Bank Funding Agreements

The Company is a member of the Federal Home Loan Bank ("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, 2014 and December 31, 2013, the Company had $1.5 billion and $1.8 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, 2014 and December 31, 2013, the Company had $255.0 and $265.0 in LOCs issued by the FHLBs, respectively. As of September 30, 2014 and December 31, 2013, assets with a market value of approximately $1.8 billion and $2.0 billion, respectively, collateralized the FHLB funding agreements. As of September 30, 2014 and December 31, 2013, assets with a market value of approximately $299.8 and $294.1, respectively, collateralized the FHLB LOCs. Assets pledged to the FHLBs are included in Fixed maturities, available-for-sale, on the Condensed Consolidated Balance Sheets.

Litigation and Regulatory Matters

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 reasonable possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including negligence, breach of contract, fraud, violation of regulation or statute, breach of fiduciary duty, negligent misrepresentation, failure to supervise, elder abuse and other torts.

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

The outcome of a litigation or regulatory matter and amount or range of potential loss is difficult to forecast and estimating potential losses 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 and litigation. 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 the outcome of pending litigation and regulatory matters is not likely to have such an effect. However, given the large and indeterminate amounts sought and the inherent unpredictability of such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters 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. This paragraph contains an estimate of reasonably possible losses above any amounts accrued. 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, the estimate reflects the reasonably possible range of loss in excess of the accrued amounts. For matters for which a reasonably possible (but not probable) range of loss exists, the estimate reflects the reasonably possible and unaccrued loss or range of loss. As of September 30, 2014, 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 against the Company includes a case styled Healthcare Strategies, Inc., Plan Administrator of the Healthcare Strategies Inc. 401(k) Plan v. ING Life Insurance and Annuity Company (U.S.D.C. D. CT, filed February 22, 2011), in which sponsors of 401(k) plans governed by the Employee Retirement Income Security Act ("ERISA") claim that ING Life Insurance and Annuity Company (now known as Voya Retirement Insurance and Annuity Company, "VRIAC") has entered into revenue sharing agreements with mutual funds and others in violation of the prohibited transaction rules of ERISA. Among other things, the plaintiffs seek disgorgement of all revenue sharing payments and profits earned in connection with such payments, an injunction barring the practice of revenue sharing, and attorney fees. On September 26, 2012, the district court certified the case as a class action in which the named plaintiffs represent approximately 15,000 similarly situated plan sponsors. On April 11, 2014, the parties submitted to

the court a motion for preliminary approval of a class-wide settlement agreement under which VRIAC, without admitting liability, would make a payment to the class of approximately $15.0 and adopt certain changes in its disclosure practices. Final court approval will be required before the settlement becomes effective. On September 25, 2014, the Court approved the settlement.



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Litigation also includes Beeson, et al. v SMMS, Lion Connecticut Holdings, Inc. (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 denies 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 October 30, 2014, the Court issued a tentative ruling for damages in the aggregate of $36.8 to Plaintiffs and $7.5 to Fireman's Fund. The Court intends to hold a hearing in early January 2015 regarding whether to award punitive damages to Fireman's Fund. The Company objects to the court's decisions and the tentative ruling on the grounds that they are inconsistent with California law and the evidence presented at trial.

## 13. Related Party Transactions

In the normal course of business, the Company enters into various transactions with affiliated companies. 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.

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

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Income | Expense | Income | Expense |
| NN Group | $1.0 | $0.1 | $0.6 | $0.4 |
| ING Group | 3.9 | 3.5 | 2.1 | 4.1 |
| ING Bank | 0.3 | 4.7 | 3.0 | 5.3 |
| Other | 4.8 | 3.6 | 5.2 | 3.4 |
| Total | $10.0 | $11.9 | $10.9 | $13.2 |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Income | Expense | Income | Expense |
| NN Group | $2.2 | $0.4 | $1.5 | $6.0 |
| ING Group | 10.8 | 10.9 | 7.3 | 13.7 |
| ING Bank | 4.4 | 15.4 | 1.6 | 34.1 |
| Other | 15.4 | 10.6 | 13.2 | 10.9 |
| Total | $32.8 | $37.3 | $23.6 | $64.7 |

Assets and liabilities from transactions with related parties as of the dates indicated are shown in the following table:

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| NN Group | $0.9 | $0.3 | $0.5 | $0.2 |
| ING Group | 5.7 | 1.0 | 1.3 | 0.9 |
| ING Bank | 11.8 | 3.7 | 13.8 | 5.8 |
| Other | 3.5 | 1.9 | 2.6 | 2.0 |
| Total | $21.9 | $6.9 | $18.2 | $8.9 |

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

Credit Facilities

The Company is a borrower in several credit facility agreements with ING Bank, in which ING Bank provides LOC capacity. The Company had accrued payables of $3.7 and $4.9 as of September 30, 2014 and December 31, 2013, respectively. The Company incurred expenses of $4.0 and $4.8 for the three months ended September 30, 2014 and 2013, respectively. The Company incurred expenses of $11.5 and $33.0 for the nine months ended September 30, 2014 and 2013, respectively.

Derivatives

The Company is party to several derivative contracts with NN Group N.V. ("NN Group"), a majority owned subsidiary of ING Group following its IPO on July 2, 2014, and ING Bank and one or more of ING Bank's subsidiaries. Each of these contracts was entered into as a result of a competitive bid, which included unaffiliated counterparties. 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, 2014 and December 31, 2013, the outstanding notional amounts were $319.4 (consisting of interest rate swaps of $82.6 and equity options of $236.8) and $518.9 (consisting of interest rate swaps of $328.8 and equity options of $190.1), respectively. As of September 30, 2014 and December 31, 2013, the market values for these contracts were $10.3 and $10.5, respectively. For the three months ended September 30, 2014, the Company recorded no net realized capital gains (losses) with ING Bank and NN Group. For the three months ended September 30, 2013, the Company recorded net realized capital gains (losses) of $1.6 with ING Bank and NN Group. For the nine months ended September 30, 2014 and 2013, the Company recorded net realized capital gains (losses) of $3.9 and $(2.6), 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, 2014 and December 31, 2013, the maximum potential future exposure to the Company on credit default swaps supported by the NN Group guarantee was $35.3 and $43.5, respectively.

Share Repurchase Program

On March 25, 2014 and September 8, 2014, the Company completed the repurchase of 7,255,853 shares and 7,722,007 shares, respectively, of the Company's common stock from ING Group for respective aggregate purchase prices of $250.0 and $300.0. The repurchases were each made pursuant to a Share Repurchase Agreement with ING Group. The per share purchase price paid by the Company in each case was equal to the per share purchase price paid by the underwriters in registered public offerings of the Company's common stock by ING Group which were completed concurrently with each of the repurchase transactions.

The repurchases were each authorized by a special committee of the Company's Board of Directors consisting solely of independent and disinterested directors (the "Independent Committees"), which committees were formed for the sole purpose of considering the applicable repurchase transaction. The Independent Committees retained independent financial and legal advisors for purposes of their deliberations.

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

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.

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 controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities.

With the exception of guarantees issued by the Company in relation to collateral support for reinsurance contracts, 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 $732.7 and $654.0 as of September 30, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the Company consolidated 15 and 12 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, 2014 and December 31, 2013, the Company consolidated 35 funds, which were structured as partnerships.

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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, 2014 | December 31, 2013 |
|---|---|---|
| Assets of Consolidated Investment Entities | | |
| VIEs - CLO entities: | | |
| Cash and cash equivalents | $454.2 | $642.5 |
| Corporate loans, at fair value using the fair value option | 6,262.9 | 4,965.3 |
| Other assets | 132.3 | 83.1 |
| Total CLO entities | 6,849.4 | 5,690.9 |
| VOEs - Private equity funds and single strategy hedge funds: | | |
| Cash and cash equivalents | 106.7 | 68.2 |
| Limited partnerships/corporations, at fair value | 3,842.8 | 3,218.6 |
| Other assets | 43.8 | 21.7 |
| Total investment funds | 3,993.3 | 3,308.5 |
| Total assets of consolidated investment entities | $10,842.7 | $8,999.4 |
| | | |
| Liabilities of Consolidated Investment Entities | | |
| VIEs - CLO entities: | | |
| CLO notes, at fair value using the fair value option | $6,344.4 | $5,161.6 |
| Other liabilities | 440.3 | 468.0 |
| Total CLO entities | 6,784.7 | 5,629.6 |
| VOEs - Private equity funds and single strategy hedge funds: | | |
| Other liabilities | 723.0 | 435.3 |
| Total investment funds | 723.0 | 435.3 |
| Total liabilities of consolidated investment entities | $7,507.7 | $6,064.9 |

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 Annual Report on Form 10-K.

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.

VIEs - 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 2014 and 2024, paying interest at LIBOR 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, 2014 and December 31, 2013, the unpaid principal balance exceeded the fair value of the corporate loans by approximately $39.7 and $9.7, respectively. Less than 1% of the collateral assets were in default as of September 30, 2014 and December 31, 2013.

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 2026 and have a weighted average maturity of 9.1 years. The outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately $203.5 and $139.6 as of September 30, 2014 and December 31, 2013, 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.

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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, 2014 | | | |
| Assets: | | | |
| CLO Investments | $19.3 | Discounted Cash Flow | Default Rate<br>Recovery Rate<br>Prepayment Rate<br>Discount Margin |
| Liabilities: | | | |
| CLO Notes | $6,344.4 | Discounted Cash Flow | Default Rate<br>Recovery Rate<br>Prepayment Rate<br>Discount Margin |

| | Fair Value | Valuation Technique | Unobservable Inputs |
|---|---|---|---|
| December 31, 2013 | | | |
| Assets: | | | |
| CLO Investments | $25.5 | Discounted Cash Flow | Default Rate<br>Recovery Rate<br>Prepayment Rate<br>Discount Margin |
| Liabilities: | | | |
| CLO Notes | $5,161.6 | Discounted Cash Flow | Default Rate<br>Recovery Rate<br>Prepayment Rate<br>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.

Effective May 28, 2014, a certain CLO established a revolving line of credit of up to $60.0 bearing interest at LIBOR plus 140 basis points. The line of credit is used for funding the purchase of loans for the CLO portfolio prior to the CLO's closing date. The CLO subsequently closed on July 31, 2014 and the revolving line of credit has expired.

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, 2014 and December 31, 2013, certain private equity funds maintained revolving lines of credit of $550.0 and $400.0, respectively, which renew annually and bear interest at LIBOR/EURIBOR plus 160 and 220 bps, respectively. 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% and 350% asset coverage from the invested assets of the funds as of September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014 and December 31, 2013, outstanding borrowings amount to $273.0 and $212.2, 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.

Single Strategy Hedge Funds

As of September 30, 2014 and December 31, 2013, 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 all 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, 2014 and December 31, 2013, this Fund sold securities under an agreement to repurchase at a specified future date. Securities sold under an agreement to repurchase are not derecognized 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, 2014 and December 31, 2013, outstanding financings amount to $361.0 and $147.5, respectively.

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of September 30, 2014:

| | Level 1 | Level 2 | Level 3 | Fair Value Measurements |
|---|---|---|---|---|
| Assets | | | | |
| VIEs - CLO entities: | | | | |
| Cash and cash equivalents | $454.2 | $— | $— | $454.2 |
| Corporate loans, at fair value using the fair value option | — | 6,243.6 | 19.3 | 6,262.9 |
| VOEs - Private equity funds and single strategy hedge funds: | | | | |
| Cash and cash equivalents | 106.7 | — | — | 106.7 |
| Limited partnerships/corporations, at fair value | — | 867.3 | 2,975.5 | 3,842.8 |
| Total assets, at fair value | $560.9 | $7,110.9 | $2,994.8 | $10,666.6 |
| Liabilities | | | | |
| VIEs - CLO entities: | | | | |
| CLO notes, at fair value using the fair value option | $— | $— | $6,344.4 | $6,344.4 |
| Total liabilities, at fair value | $— | $— | $6,344.4 | $6,344.4 |

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2013:

| | Level 1 | Level 2 | Level 3 | Fair Value Measurements |
|---|---|---|---|---|
| Assets | | | | |
| VIEs - CLO entities: | | | | |
| Cash and cash equivalents | $642.5 | $— | $— | $642.5 |
| Corporate loans, at fair value using the fair value option | — | 4,939.8 | 25.5 | 4,965.3 |
| VOEs - Private equity funds and single strategy hedge funds: | | | | |
| Cash and cash equivalents | 68.2 | — | — | 68.2 |
| Limited partnerships/corporations, at fair value | — | 484.5 | 2,734.1 | 3,218.6 |
| Total assets, at fair value | $710.7 | $5,424.3 | $2,759.6 | $8,894.6 |
| Liabilities | | | | |
| VIEs - CLO entities: | | | | |
| CLO notes, at fair value using the fair value option | $— | $— | $5,161.6 | $5,161.6 |
| Total liabilities, at fair value | $— | $— | $5,161.6 | $5,161.6 |

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, 2014 and September 30, 2013, 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 a single strategy hedge fund 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. For the nine months ended September 30, 2014, there were no transfers between Level 1 and Level 2. For the nine months ended September 30, 2013, there were no transfers in or out of Level 3, or 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, 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 |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| VIEs - CLO entities: | | | | | | | |
| Corporate loans, at fair value using the fair value option | $25.5 | $0.4 | $— | $(6.6 ) | $— | $— | $19.3 |
| VOEs - Private equity funds and single strategy hedge funds: | | | | | | | |
| Limited partnerships/corporations, at fair value | 2,734.1 | 374.7 | 353.0 | (500.2 ) | 13.9 | — | 2,975.5 |
| Total assets, at fair value | $2,759.6 | $375.1 | $353.0 | $(506.8 ) | $13.9 | $— | $2,994.8 |
| Liabilities | | | | | | | |
| VIEs - CLO entities: | | | | | | | |
| CLO notes, at fair value using the fair value option | $5,161.6 | $(53.9 ) | $1,451.6 | $(214.9 ) | $— | $— | $6,344.4 |
| Total liabilities, at fair value | $5,161.6 | $(53.9 ) | $1,451.6 | $(214.9 ) | $— | $— | $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 three months ended September 30, 2013 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 | $— | $— | $— | $— | $— | $— | $— |
| VOEs - Private equity funds and single strategy hedge funds: | | | | | | | |
| Limited partnerships/corporations, at fair value | 2,987.7 | 55.2 | 215.5 | (346.1 ) | — | — | 2,912.3 |
| Total assets, at fair value | $2,987.7 | $55.2 | $215.5 | $(346.1 ) | $— | $— | $2,912.3 |
| Liabilities | | | | | | | |
| VIEs - CLO entities: | | | | | | | |
| CLO notes, at fair value using the fair value option | $4,881.3 | $(76.9 ) | $— | $(177.3 ) | $— | $— | $4,627.1 |
| Total liabilities, at fair value | $4,881.3 | $(76.9 ) | $— | $(177.3 ) | $— | $— | $4,627.1 |

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, 2013 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 |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| VIEs - CLO entities: | | | | | | | |
| Corporate loans, at fair value using the fair value option | $— | $— | $— | $— | $— | $— | $— |
| VOEs - Private equity funds and single strategy hedge funds: | | | | | | | |
| Limited partnerships/corporations, at fair value | 2,931.2 | 105.1 | 484.4 | (608.4 ) | — | — | 2,912.3 |
| Total assets, at fair value | $2,931.2 | $105.1 | $484.4 | $(608.4 ) | $— | $— | $2,912.3 |
| Liabilities | | | | | | | |
| VIEs - CLO entities: | | | | | | | |
| CLO notes, at fair value using the fair value option | $3,829.4 | $(37.6 ) | $1,081.2 | $(245.9 ) | $— | $— | $4,627.1 |
| Total liabilities, at fair value | $3,829.4 | $(37.6 ) | $1,081.2 | $(245.9 ) | $— | $— | $4,627.1 |

Deconsolidation of Certain Investment Entities

During the three and nine months ended September 30, 2014 and 2013, 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, 2014 and December 31, 2013, the Company did not hold any ownership interests in these unconsolidated CLOs.

The following table presents the carrying amounts of total assets and liabilities of the CLOs in which the Company has 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, 2014 | December 31, 2013 |
|---|---|---|
| Carrying amount | $— | $— |
| Maximum exposure to loss | — | — |
| Assets of nonconsolidated investment entities | 1,044.5 | 1,640.4 |
| Liabilities of nonconsolidated investment entities | 1,085.5 | 1,639.0 |

Investment Funds

The Company manages or holds investments in certain private equity funds and single strategy 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 does not hold a significant variable interest in any of these funds and, as such, 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. Accordingly, the Company 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.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

## 15. Segments

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

| Business | Segment |
| --- | --- |
| Retirement Solutions | Retirement<br>Annuities |
| Investment Management | Investment Management |
| Insurance Solutions | Individual Life<br>Employee Benefits |

The Company also has a Corporate segment, which includes the financial data not directly related to the businesses and Closed Block segments, which include non-strategic 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. The following is a brief description of these segments, as well as Corporate and Closed Block segments.

### Retirement Solutions

The Retirement Solutions business provides its products through two segments: Retirement and Annuities. The Retirement segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services in corporate, education, healthcare and government markets, as well as rollover IRAs and other retail financial products. The Annuities segment primarily provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and postretirement income management sold through multiple channels.

### Investment Management

The Investment Management business provides investment products and retirement solutions through a broad range of traditional and alternative asset classes, geographies and styles, in separate accounts, pooled accounts, annuity portfolios and mutual funds. 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 affiliated U.S. businesses 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 protection and transfer opportunities through universal, variable and

term products, distributed through independent channels 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, other items not allocated to segments, such as certain expenses and liabilities of employee benefit plans and intercompany eliminations.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

Closed Blocks

Closed Blocks include the Closed Block Variable Annuity ("CBVA"), Closed Block Institutional Spread Products and Closed Block Other segments, which are in run-off. CBVA and Closed Block Institutional Spread Products (which issues guaranteed investment contracts and funding agreements) are no longer being actively marketed and sold, but are managed to protect regulatory and rating agency capital from equity market movements. The Closed Block Other segment mainly consists of the contingent consideration and loss related to the 2010 sale of three of the Company’s broker dealers, and the amortization of the deferred gain related to the divestment of Group Reinsurance in 2010 via reinsurance and the Individual Reinsurance segment that was divested in 2004 via reinsurance.

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 more valuable measure of its business and segment performances and enhance the understanding of the Company’s performance 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;

- 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 post-employment 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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Retirement Solutions: | | | | |
| Retirement | $117.2 | $187.3 | $367.9 | $457.2 |
| Annuities | 78.3 | 96.8 | 197.3 | 210.6 |
| Investment Management | 58.6 | 54.0 | 163.3 | 125.2 |
| Insurance Solutions: | | | | |
| Individual Life | 39.8 | 117.0 | 134.3 | 207.8 |
| Employee Benefits | 37.0 | 29.1 | 91.7 | 75.6 |
| Total Ongoing Businesses | 330.9 | 484.2 | 954.5 | 1,076.4 |
| Corporate | (47.1) | (63.7) | (122.7) | (166.6) |
| Closed Blocks: | | | | |
| Closed Block Institutional Spread Products | 8.5 | 8.7 | 20.5 | 41.7 |
| Closed Block Other | 2.0 | 5.8 | 1.4 | 12.2 |
| Closed Blocks | 10.5 | 14.5 | 21.9 | 53.9 |
| Total operating earnings before income taxes | 294.3 | 435.0 | 853.7 | 963.7 |
| | | | | |
| Adjustments: | | | | |
| Closed Block Variable Annuity | 131.0 | (167.4) | 67.1 | (982.9) |
| Net investment gains (losses) and related charges and adjustments | 43.4 | 64.1 | 174.0 | 106.7 |
| Net guaranteed benefit hedging gains (losses) and related charges and adjustments | 33.4 | 10.5 | 19.5 | 46.0 |
| Loss related to businesses exited through reinsurance or divestment | (31.9) | (13.1) | (69.3) | (47.0) |
| Income (loss) attributable to noncontrolling interest | 116.6 | 101.1 | 296.7 | 84.5 |
| Other adjustments to operating earnings | (32.0) | (10.2) | (65.6) | (40.5) |
| Income (loss) before income taxes | $554.8 | $420.0 | $1,276.1 | $130.5 |

Operating revenues is a measure of the Company's segment revenues. The Company calculates operating revenues by adjusting each segment's revenues for 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;

- Revenues related to businesses exited through reinsurance or divestment;
- 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 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Retirement Solutions: | | | | |
| Retirement | $605.7 | $606.9 | $1,797.1 | $1,787.0 |
| Annuities | 344.6 | 319.1 | 1,029.8 | 930.7 |
| Investment Management | 168.3 | 160.1 | 492.0 | 440.6 |
| Insurance Solutions: | | | | |
| Individual Life | 679.1 | 717.1 | 2,071.2 | 2,099.0 |
| Employee Benefits | 345.9 | 316.2 | 1,027.3 | 946.0 |
| Total Ongoing Businesses | 2,143.6 | 2,119.4 | 6,417.4 | 6,203.3 |
| Corporate | 22.9 | 28.8 | 71.8 | 53.8 |
| Closed Blocks: | | | | |
| Closed Block Institutional Spread Products | 18.6 | 23.1 | 53.2 | 87.7 |
| Closed Block Other | 6.8 | 7.6 | 21.8 | 22.1 |
| Closed Blocks | 25.4 | 30.7 | 75.0 | 109.8 |
| Total operating revenues | 2,191.9 | 2,178.9 | 6,564.2 | 6,366.9 |
| | | | | |
| Adjustments: | | | | |
| Closed Block Variable Annuity | 660.6 | (66.1) | 1,057.3 | (570.4) |
| Net realized investment gains (losses) and related charges and adjustments | 48.2 | 39.8 | 164.8 | 28.3 |
| Gain (loss) on change in fair value of derivatives related to guaranteed benefits | 48.2 | 35.1 | — | 125.8 |
| Revenues related to businesses exited through reinsurance or divestment | (4.8) | (2.9) | 81.1 | (70.8) |
| Revenues attributable to noncontrolling interest | 174.9 | 152.9 | 454.8 | 254.1 |
| Other adjustments to operating revenues | 72.1 | 97.6 | 237.9 | 260.6 |

| | | | | |
|---|---|---|---|---|
| Total revenues | $3,191.1 | $2,435.3 | $8,560.1 | $6,394.5 |

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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Investment management intersegment revenues | $40.0 | $38.6 | $118.3 | $117.8 |

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Retirement Solutions: | | |
| Retirement | $95,977.5 | $92,336.7 |
| Annuities | 26,213.7 | 26,528.3 |
| Investment Management | 478.0 | 463.3 |
| Insurance Solutions: | | |
| Individual Life | 26,626.7 | 25,592.2 |
| Employee Benefits | 2,606.2 | 2,518.5 |
| Total Ongoing Businesses | 151,902.1 | 147,439.0 |
| Corporate | 4,057.5 | 4,802.8 |
| Closed Blocks: | | |
| Closed Block Variable Annuity | 48,654.9 | 49,483.5 |
| Closed Block Institutional Spread Products | 2,089.4 | 3,390.1 |
| Closed Block Other | 7,514.7 | 7,586.5 |
| Closed Blocks | 58,259.0 | 60,460.1 |
| Total assets of segments | 214,218.6 | 212,701.9 |
| Noncontrolling interest | 10,085.2 | 8,321.3 |
| Total assets | $224,303.8 | $221,023.2 |

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 at September 30, 2014 and December 31, 2013, their results of operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013 and their statements of cash flows for the nine months ended September 30, 2014 and 2013.

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") are fully and unconditionally guaranteed by Voya Holdings, a 100% owned subsidiary of the Company. No other subsidiary of Voya Financial, Inc. 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 Voya Holdings does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Voya Holdings 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 its 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, 2014

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Investments: | | | | | |
| Fixed maturities, available-for-sale, at fair value | $— | $— | $70,171.0 | $(15.3) | $70,155.7 |
| Fixed maturities, at fair value using the fair value option | — | — | 3,557.8 | — | 3,557.8 |
| Equity securities, available-for-sale, at fair value | 81.8 | — | 188.7 | — | 270.5 |
| Short-term investments | — | — | 1,173.1 | — | 1,173.1 |
| Mortgage loans on real estate, net of valuation allowance | — | — | 9,949.7 | — | 9,949.7 |
| Policy loans | — | — | 2,104.2 | — | 2,104.2 |
| Limited partnerships/corporations | — | — | 348.2 | — | 348.2 |
| Derivatives | 66.5 | — | 1,236.2 | (165.9) | 1,136.8 |
| Investments in subsidiaries | 16,591.1 | 13,155.6 | — | (29,746.7) | — |
| Other investments | — | 3.9 | 102.9 | — | 106.8 |
| Securities pledged | — | — | 1,021.6 | — | 1,021.6 |
| Total investments | 16,739.4 | 13,159.5 | 89,853.4 | (29,927.9) | 89,824.4 |
| Cash and cash equivalents | 474.0 | 3.7 | 1,430.8 | — | 1,908.5 |
| Short-term investments under securities loan agreements, including collateral delivered | 30.7 | — | 583.2 | (20.1) | 593.8 |
| Accrued investment income | — | — | 926.9 | — | 926.9 |
| Reinsurance recoverable | — | — | 6,752.5 | — | 6,752.5 |
| Deferred policy acquisition costs and Value of business acquired | — | — | 4,779.9 | — | 4,779.9 |
| Sales inducements to contract holders | — | — | 259.9 | — | 259.9 |
| Current income taxes | 52.4 | (9.2) | (34.8) | — | 8.4 |
| Goodwill and other intangible assets | — | — | 296.1 | — | 296.1 |
| Loans to subsidiaries and affiliates | 206.3 | 0.1 | 0.5 | (206.9) | — |
| Due from subsidiaries and affiliates | 12.6 | 0.1 | 4.4 | (17.1) | — |
| Other assets | 51.3 | — | 1,000.8 | (0.7) | 1,051.4 |
| Assets related to consolidated investment entities: | | | | | |
| | — | — | 3,842.8 | — | 3,842.8 |

| | | | | | |
|---|---|---|---|---|---|
| Limited partnerships/corporations, at fair value | | | | | |
| Cash and cash equivalents | — | — | 560.9 | — | 560.9 |
| Corporate loans, at fair value using the fair value option | — | — | 6,262.9 | — | 6,262.9 |
| Other assets | — | — | 176.1 | — | 176.1 |
| Assets held in separate accounts | — | — | 107,059.3 | — | 107,059.3 |
| Total assets | $17,566.7 | $13,154.2 | $223,755.6 | $(30,172.7) | $224,303.8 |

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Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Balance Sheet
September 30, 2014

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Liabilities and Shareholders' Equity: | | | | | |
| Future policy benefits | $— | $— | $15,048.1 | $— | $15,048.1 |
| Contract owner account balances | — | — | 69,091.0 | — | 69,091.0 |
| Payables under securities loan agreement, including collateral held | — | — | 927.1 | — | 927.1 |
| Short-term debt with affiliates | — | 188.0 | 18.2 | (206.2) | — |
| Long-term debt | 2,997.0 | 515.1 | 18.7 | (15.3) | 3,515.5 |
| Funds held under reinsurance agreements | — | — | 1,136.7 | — | 1,136.7 |
| Derivatives | 99.4 | — | 723.3 | (165.9) | 656.8 |
| Pension and other post-employment provisions | — | — | 454.2 | — | 454.2 |
| Deferred income taxes | (176.4) | — | 623.8 | — | 447.4 |
| Due to subsidiaries and affiliates | 3.2 | 1.2 | (2.3) | (2.1) | — |
| Other liabilities | 58.4 | 6.3 | 1,287.6 | (36.5) | 1,315.8 |
| Liabilities related to consolidated investment entities: | | | | | |
| Collateralized loan obligations notes, at fair value using the fair value option | — | — | 6,344.4 | — | 6,344.4 |
| Other liabilities | — | — | 1,163.3 | — | 1,163.3 |
| Liabilities related to separate accounts | — | — | 107,059.3 | — | 107,059.3 |
| Total liabilities | 2,981.6 | 710.6 | 203,893.4 | (426.0) | 207,159.6 |
| Shareholders' equity: | | | | | |
| Total Voya Financial, Inc. shareholders' equity | 14,585.1 | 12,443.6 | 17,303.1 | (29,746.7) | 14,585.1 |
| Noncontrolling interest | — | — | 2,559.1 | — | 2,559.1 |
| Total shareholders' equity | 14,585.1 | 12,443.6 | 19,862.2 | (29,746.7) | 17,144.2 |
| Total liabilities and shareholders' equity | $17,566.7 | $13,154.2 | $223,755.6 | $(30,172.7) | $224,303.8 |

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Balance Sheet
December 31, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Investments: | | | | | |
| Fixed maturities, available-for-sale, at fair value | $— | $— | $68,333.2 | $(15.4) | $68,317.8 |
| Fixed maturities, at fair value using the fair value option | — | — | 2,935.3 | — | 2,935.3 |
| Equity securities, available-for-sale, at fair value | 76.6 | 20.6 | 217.2 | — | 314.4 |
| Short-term investments | — | — | 1,048.1 | — | 1,048.1 |
| Mortgage loans on real estate, net of valuation allowance | — | — | 9,312.2 | — | 9,312.2 |
| Policy loans | — | — | 2,147.0 | — | 2,147.0 |
| Limited partnerships/corporations | — | — | 236.4 | — | 236.4 |
| Derivatives | 69.9 | — | 1,261.8 | (182.4) | 1,149.3 |
| Investments in subsidiaries | 15,103.8 | 12,572.7 | — | (27,676.5) | — |
| Other investments | — | 0.4 | 124.2 | — | 124.6 |
| Securities pledged | — | — | 1,465.7 | — | 1,465.7 |
| Total investments | 15,250.3 | 12,593.7 | 87,081.1 | (27,874.3) | 87,050.8 |
| Cash and cash equivalents | 640.2 | 1.1 | 2,199.5 | — | 2,840.8 |
| Short-term investments under securities loan agreements, including collateral delivered | 30.7 | — | 542.3 | (20.1) | 552.9 |
| Accrued investment income | — | — | 897.1 | — | 897.1 |
| Reinsurance recoverable | — | — | 6,702.2 | — | 6,702.2 |
| Deferred policy acquisition costs and Value of business acquired | — | — | 5,351.6 | — | 5,351.6 |
| Sales inducements to contract holders | — | — | 279.0 | — | 279.0 |
| Deferred income taxes | 204.4 | — | (42.3) | — | 162.1 |
| Goodwill and other intangible assets | — | — | 323.7 | — | 323.7 |
| Loans to subsidiaries and affiliates | 211.3 | — | 0.3 | (211.6) | — |
| Due from subsidiaries and affiliates | 26.9 | 0.6 | 1.7 | (29.2) | — |
| Other assets | 43.4 | — | 995.1 | (2.0) | 1,036.5 |
| Assets related to consolidated investment entities: | | | | | |
| | — | — | 3,218.6 | — | 3,218.6 |

| | | | | | |
|---|---|---|---|---|---|
| Limited partnerships/corporations, at fair value | | | | | |
| Cash and cash equivalents | — | — | 710.7 | — | 710.7 |
| Corporate loans, at fair value using the fair value option | — | — | 4,965.3 | — | 4,965.3 |
| Other assets | — | — | 104.8 | — | 104.8 |
| Assets held in separate accounts | — | — | 106,827.1 | — | 106,827.1 |
| Total assets | $16,407.2 | $12,595.4 | $220,157.8 | $(28,137.2) | $221,023.2 |

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Balance Sheet
December 31, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Liabilities and Shareholders' Equity: | | | | | |
| Future policy benefits | $— | $— | $14,098.4 | $— | $14,098.4 |
| Contract owner account balances | — | — | 69,908.3 | — | 69,908.3 |
| Payables under securities loan agreement, including collateral held | — | — | 769.4 | — | 769.4 |
| Short-term debt with affiliates | — | 125.4 | 85.9 | (211.3) | — |
| Long-term debt | 2,996.7 | 514.7 | 18.7 | (15.4) | 3,514.7 |
| Funds held under reinsurance agreements | — | — | 1,181.5 | — | 1,181.5 |
| Derivatives | 114.0 | — | 1,420.2 | (182.4) | 1,351.8 |
| Pension and other post-employment provisions | — | — | 474.9 | — | 474.9 |
| Current income taxes | (47.0) | 10.6 | 80.5 | — | 44.1 |
| Due to subsidiaries and affiliates | 0.2 | 1.5 | 12.5 | (14.2) | — |
| Other liabilities | 71.1 | 14.4 | 1,226.0 | (37.4) | 1,274.1 |
| Liabilities related to consolidated investment entities: | | | | | |
| Collateralized loan obligations notes, at fair value using the fair value option | — | — | 5,161.6 | — | 5,161.6 |
| Other liabilities | — | — | 903.3 | — | 903.3 |
| Liabilities related to separate accounts | — | — | 106,827.1 | — | 106,827.1 |
| Total liabilities | 3,135.0 | 666.6 | 202,168.3 | (460.7) | 205,509.2 |
| Shareholders' equity: | | | | | |
| Total Voya Financial, Inc. shareholders' equity | 13,272.2 | 11,928.8 | 15,747.7 | (27,676.5) | 13,272.2 |
| Noncontrolling interest | — | — | 2,241.8 | — | 2,241.8 |
| Total shareholders' equity | 13,272.2 | 11,928.8 | 17,989.5 | (27,676.5) | 15,514.0 |
| Total liabilities and shareholders' equity | $16,407.2 | $12,595.4 | $220,157.8 | $(28,137.2) | $221,023.2 |

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 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Net investment income | $(0.1) | $— | $1,165.3 | $(1.6) | $1,163.6 |
| Fee income | — | — | 908.9 | — | 908.9 |
| Premiums | — | — | 595.1 | — | 595.1 |
| Net realized gains (losses): | | | | | |
| 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 | 200.2 | — | 200.4 |
| Total net realized capital gains (losses) | 0.1 | 0.1 | 180.8 | — | 181.0 |
| Other revenue | 0.7 | — | 101.0 | (0.7) | 101.0 |
| Income (loss) related to consolidated investment entities: | | | | | |
| Net investment income (loss) | — | — | 248.0 | — | 248.0 |
| Changes in fair value related to collateralized loan obligations | — | — | (6.5) | — | (6.5) |
| Total revenues | 0.7 | 0.1 | 3,192.6 | (2.3) | 3,191.1 |
| Benefits and expenses: | | | | | |
| 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 |
| Operating expenses related to consolidated investment entities: | | | | | |
| 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) | 602.4 | — | 554.8 |
| Income tax expense (benefit) | — | (12.0) | (26.8) | 76.2 | 37.4 |
| Net income (loss) before equity in earnings (losses) of unconsolidated | (36.8) | 1.2 | 629.2 | (76.2) | 517.4 |

| | | | | | |
|---|---|---|---|---|---|
| affiliates | | | | | |
| Equity in earnings (losses) of subsidiaries, net of tax | 437.6 | 434.0 | — | (871.6 ) | — |
| Net income (loss) including noncontrolling interest | 400.8 | 435.2 | 629.2 | (947.8 ) | 517.4 |
| Less: Net income (loss) attributable to noncontrolling interest | — | — | 116.6 | — | 116.6 |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders | $400.8 | $435.2 | $512.6 | $(947.8 ) | $400.8 |

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 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| 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 |
| Net realized gains (losses): | | | | | |
| 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 | (347.0) | — | (350.9) |
| Total net realized capital gains (losses) | (4.7) | 0.8 | (372.2) | — | (376.1) |
| Other revenue | 2.3 | 0.2 | 316.6 | (2.3) | 316.8 |
| Income (loss) related to consolidated investment entities: | | | | | |
| Net investment income (loss) | — | — | 630.0 | — | 630.0 |
| Changes in fair value related to collateralized loan obligations | — | — | (4.1) | — | (4.1) |
| Total revenues | 4.6 | 1.1 | 8,562.1 | (7.7) | 8,560.1 |
| Benefits and expenses: | | | | | |
| 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 |
| Operating expenses related to consolidated investment entities: | | | | | |
| 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) | 1,417.5 | — | 1,276.1 |
| Income tax expense (benefit) | — | (10.7) | 6.3 | 78.6 | 74.2 |
| Net income (loss) before equity in earnings (losses) of unconsolidated | (110.0) | (20.7) | 1,411.2 | (78.6) | 1,201.9 |

| | | | | | |
|---|---|---|---|---|---|
| affiliates | | | | | |
| Equity in earnings (losses) of subsidiaries, net of tax | 1,015.2 | 572.2 | — | (1,587.4) | — |
| Net income (loss) including noncontrolling interest | 905.2 | 551.5 | 1,411.2 | (1,666.0) | 1,201.9 |
| Less: Net income (loss) attributable to noncontrolling interest | — | — | 296.7 | — | 296.7 |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders | $905.2 | $551.5 | $1,114.5 | $(1,666.0) | $905.2 |

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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, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Net investment income | $5.7 | $— | $1,217.1 | $(1.2) | $1,221.6 |
| Fee income | — | — | 920.8 | — | 920.8 |
| Premiums | — | — | 494.2 | — | 494.2 |
| Net realized gains (losses): | | | | | |
| Total other-than-temporary impairments | — | — | (5.6) | — | (5.6) |
| Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss) | — | — | (1.2) | — | (1.2) |
| Net other-than-temporary impairments recognized in earnings | — | — | (4.4) | — | (4.4) |
| Other net realized capital gains (losses) | — | — | (512.7) | — | (512.7) |
| Total net realized capital gains (losses) | — | — | (517.1) | — | (517.1) |
| Other revenue | 0.6 | 1.4 | 120.1 | (2.5) | 119.6 |
| Income (loss) related to consolidated investment entities: | | | | | |
| Net investment income (loss) | — | — | 135.3 | — | 135.3 |
| Changes in fair value related to collateralized loan obligations | — | — | 60.9 | — | 60.9 |
| Total revenues | 6.3 | 1.4 | 2,431.3 | (3.7) | 2,435.3 |
| Benefits and expenses: | | | | | |
| Policyholder benefits | — | — | 570.7 | — | 570.7 |
| Interest credited to contract owner account balances | — | — | 517.0 | — | 517.0 |
| Operating expenses | 4.9 | — | 760.4 | (2.5) | 762.8 |
| Net amortization of Deferred policy acquisition costs and Value of business acquired | — | — | 64.6 | — | 64.6 |
| Interest expense | 35.7 | 12.5 | 1.4 | (1.2) | 48.4 |
| Operating expenses related to consolidated investment entities: | | | | | |
| Interest expense | — | — | 50.4 | — | 50.4 |
| Other expense | — | — | 1.4 | — | 1.4 |
| Total benefits and expenses | 40.6 | 12.5 | 1,965.9 | (3.7) | 2,015.3 |
| Income (loss) before income taxes | (34.3) | (11.1) | 465.4 | — | 420.0 |
| Income tax expense (benefit) | (89.6) | (12.0) | 73.9 | — | (27.7) |
| Net income (loss) before equity in earnings (losses) of unconsolidated | 55.3 | 0.9 | 391.5 | — | 447.7 |

| affiliates | | | | | |
|---|---|---|---|---|---|
| Equity in earnings (losses) of subsidiaries, net of tax | 291.3 | 292.7 | — | (584.0 ) | — |
| Net income (loss) including noncontrolling interest | 346.6 | 293.6 | 391.5 | (584.0 ) | 447.7 |
| Less: Net income (loss) attributable to noncontrolling interest | — | — | 101.1 | — | 101.1 |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders | $346.6 | $293.6 | $290.4 | $(584.0 ) | $346.6 |

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Net investment income | $30.9 | $0.1 | $3,504.0 | $(2.5) | $3,532.5 |
| Fee income | — | — | 2,722.4 | — | 2,722.4 |
| Premiums | — | — | 1,440.9 | — | 1,440.9 |
| Net realized gains (losses): | | | | | |
| Total other-than-temporary impairments | — | — | (26.9) | — | (26.9) |
| Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss) | — | — | (4.3) | — | (4.3) |
| Net other-than-temporary impairments recognized in earnings | — | — | (22.6) | — | (22.6) |
| Other net realized capital gains (losses) | — | — | (1,935.2) | — | (1,935.2) |
| Total net realized capital gains (losses) | — | — | (1,957.8) | — | (1,957.8) |
| Other revenue | 3.4 | 1.7 | 323.9 | (7.7) | 321.3 |
| Income (loss) related to consolidated investment entities: | | | | | |
| Net investment income (loss) | — | — | 346.3 | — | 346.3 |
| Changes in fair value related to collateralized loan obligations | — | — | (11.1) | — | (11.1) |
| Total revenues | 34.3 | 1.8 | 6,368.6 | (10.2) | 6,394.5 |
| Benefits and expenses: | | | | | |
| Policyholder benefits | — | — | 1,822.2 | — | 1,822.2 |
| Interest credited to contract owner account balances | — | — | 1,556.8 | — | 1,556.8 |
| Operating expenses | 11.8 | — | 2,288.0 | (7.7) | 2,292.1 |
| Net amortization of Deferred policy acquisition costs and Value of business acquired | — | — | 319.6 | — | 319.6 |
| Interest expense | 92.0 | 42.3 | 4.8 | (2.5) | 136.6 |
| Operating expenses related to consolidated investment entities: | | | | | |
| Interest expense | — | — | 130.6 | — | 130.6 |
| Other expense | — | — | 6.1 | — | 6.1 |
| Total benefits and expenses | 103.8 | 42.3 | 6,128.1 | (10.2) | 6,264.0 |
| Income (loss) before income taxes | (69.5) | (40.5) | 240.5 | — | 130.5 |
| Income tax expense (benefit) | (93.1) | (14.9) | 101.6 | — | (6.4) |
| Net income (loss) before equity in earnings (losses) of unconsolidated | 23.6 | (25.6) | 138.9 | — | 136.9 |

| | | | | | |
|---|---|---|---|---|---|
| affiliates | | | | | |
| Equity in earnings (losses) of subsidiaries, net of tax | 28.8 | 648.7 | — | (677.5 ) | — |
| Net income (loss) including noncontrolling interest | 52.4 | 623.1 | 138.9 | (677.5 ) | 136.9 |
| Less: Net income (loss) attributable to noncontrolling interest | — | — | 84.5 | — | 84.5 |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders | $52.4 | $623.1 | $54.4 | $(677.5 ) | $52.4 |

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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 | $400.8 | $435.2 | $629.2 | $(947.8) | $517.4 |
| 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) | 68.3 | 169.9 | 296.7 | (350.0) | 184.9 |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | — | — | 116.6 | — | 116.6 |
| Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders | $68.3 | $169.9 | $180.1 | $(350.0) | $68.3 |

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 | $905.2 | $551.5 | $1,411.2 | $(1,666.0) | $1,201.9 |
| 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 | 527.2 | 351.7 | 527.2 | (878.9) | 527.2 |

| | | | | | |
|---|---|---|---|---|---|
| income (loss) | | | | | |
| Other comprehensive income (loss), after tax | 971.1 | 645.1 | 975.1 | (1,620.2) | 971.1 |
| Comprehensive income (loss) | 1,876.3 | 1,196.6 | 2,386.3 | (3,286.2) | 2,173.0 |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | — | — | 296.7 | — | 296.7 |
| Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders | $1,876.3 | $1,196.6 | $2,089.6 | $(3,286.2) | $1,876.3 |

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, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Net income (loss) including noncontrolling interest | $346.6 | $293.6 | $391.5 | $(584.0) | $447.7 |
| Other comprehensive income (loss), before tax: | | | | | |
| Unrealized gains (losses) on securities | (223.2) | (92.4) | (224.6) | 317.0 | (223.2) |
| Other-than-temporary impairments | 13.5 | 8.8 | 13.5 | (22.3) | 13.5 |
| Pension and other postretirement benefits liability | (3.4) | (0.8) | (3.4) | 4.2 | (3.4) |
| Other comprehensive income (loss), before tax | (213.1) | (84.4) | (214.5) | 298.9 | (213.1) |
| Income tax expense (benefit) related to items of other comprehensive income (loss) | (75.3) | (141.8) | (75.4) | 217.2 | (75.3) |
| Other comprehensive income (loss), after tax | (137.8) | 57.4 | (139.1) | 81.7 | (137.8) |
| Comprehensive income (loss) | 208.8 | 351.0 | 252.4 | (502.3) | 309.9 |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | — | — | 101.1 | — | 101.1 |
| Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholder | $208.8 | $351.0 | $151.3 | $(502.3) | $208.8 |

Condensed Consolidating Statement of Comprehensive Income
For the Nine Months Ended September 30, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Net income (loss) including noncontrolling interest | $52.4 | $623.1 | $138.9 | $(677.5) | $136.9 |
| Other comprehensive income (loss), before tax: | | | | | |
| Unrealized gains (losses) on securities | (2,733.4) | (1,750.6) | (2,734.1) | 4,484.7 | (2,733.4) |
| Other-than-temporary impairments | 44.8 | 25.2 | 44.8 | (70.0) | 44.8 |
| Pension and other postretirement benefits liability | (10.3) | (2.4) | (10.3) | 12.7 | (10.3) |
| Other comprehensive income (loss), before tax | (2,698.9) | (1,727.8) | (2,699.6) | 4,427.4 | (2,698.9) |
| Income tax expense (benefit) related to items of other comprehensive | (938.2) | (711.7) | (938.0) | 1,649.7 | (938.2) |

| | | | | | |
|---|---|---|---|---|---|
| income (loss) | | | | | |
| Other comprehensive income (loss), after tax | (1,760.7) | (1,016.1) | (1,761.6) | 2,777.7 | (1,760.7) |
| Comprehensive income (loss) | (1,708.3) | (393.0) | (1,622.7) | 2,100.2 | (1,623.8) |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | — | — | 84.5 | — | 84.5 |
| Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholder | $(1,708.3) | $(393.0) | $(1,707.2) | $2,100.2 | $(1,708.3) |

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, 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 issued to subsidiaries with maturities more than three months | 0.8 | — | — | (0.8) | — |
| Net (issuance) maturity of short-term intercompany loans | 4.2 | — | — | (4.2) | — |
| Return of capital contributions and dividends 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 | — |
| Dividends to parent | — | — | (848.0) | 848.0 | — |
| Return of capital contributions to parent | — | (690.0) | (75.0) | 765.0 | — |
| 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 |
| Common stock acquired - Share repurchase | (614.4) | — | — | — | (614.4) |
| Share-based compensation | (14.8) | — | — | — | (14.8) |
| Dividends paid | (7.7) | — | — | — | (7.7) |
| Net cash provided by (used in) financing activities | (653.7) | (627.4) | (811.2) | 1,297.0 | (795.3) |
| Net increase (decrease) 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 |

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, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | $162.4 | $33.8 | $2,807.9 | $(62.0) | $2,942.1 |
| Cash Flows from Investing Activities: | | | | | |
| Proceeds from the sale, maturity, disposal or redemption of: | | | | | |
| Fixed maturities | — | — | 11,626.7 | — | 11,626.7 |
| Equity securities, available-for-sale | 9.9 | 13.7 | 23.5 | — | 47.1 |
| Mortgage loans on real estate | — | 0.4 | 1,253.1 | — | 1,253.5 |
| Limited partnerships/corporations | — | — | 274.8 | — | 274.8 |
| Acquisition of: | | | | | |
| Fixed maturities | — | — | (14,281.7) | — | (14,281.7) |
| Equity securities, available-for-sale | (10.5) | — | (7.4) | — | (17.9) |
| Mortgage loans on real estate | — | — | (1,583.2) | — | (1,583.2) |
| Limited partnerships/corporations | — | — | (81.0) | — | (81.0) |
| Short-term investments, net | — | — | 3,443.2 | — | 3,443.2 |
| Policy loans, net | — | — | 52.8 | — | 52.8 |
| Derivatives, net | — | — | (1,981.6) | — | (1,981.6) |
| Other investments, net | — | (0.4) | 34.7 | — | 34.3 |
| Sales from consolidated investments entities | — | — | 2,518.7 | — | 2,518.7 |
| Purchases within consolidated investment entities | — | — | (3,352.2) | — | (3,352.2) |
| Maturity of intercompany loans issued to subsidiaries with maturities more than three months | 2.3 | — | — | (2.3) | — |
| Net maturity (issuance) of short-term intercompany loans | (274.5) | 58.0 | 261.1 | (44.6) | — |
| Return of capital contributions from subsidiaries | 1,434.0 | 987.0 | — | (2,421.0) | — |
| Capital contributions to subsidiaries | (2,062.0) | — | — | 2,062.0 | — |
| Collateral received (delivered), net | 12.7 | — | (764.2) | — | (751.5) |
| Purchases of fixed assets, net | — | — | (25.7) | — | (25.7) |
| | (888.1) | 1,058.7 | (2,588.4) | (405.9) | (2,823.7) |

Net cash provided by (used in) investing activities

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, 2013

| | Parent Issuer | Subsidiary Guarantor | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| Cash Flows from Financing Activities: | | | | | |
| Deposits received for investment contracts | — | — | 8,985.2 | — | 8,985.2 |
| Maturities and withdrawals from investment contracts | — | — | (9,648.9) | — | (9,648.9) |
| Proceeds from issuance of debt with maturities of more than three months | 2,146.8 | — | 0.3 | — | 2,147.1 |
| Repayment of debt with maturities of more than three months | (1,370.3) | (638.6) | (688.5) | — | (2,697.4) |
| Short-term debt, net | (171.7) | — | 0.1 | — | (171.6) |
| Debt issuance costs | (24.8) | — | — | — | (24.8) |
| Intercompany loans with maturities of more than three months | — | — | (2.3) | 2.3 | — |
| Net (repayments of) proceeds from short-term intercompany loans | (319.1) | 253.3 | 21.2 | 44.6 | — |
| Dividends to parent | — | — | (62.0) | 62.0 | — |
| Return of capital contributions to parent | — | (987.0) | (1,434.0) | 2,421.0 | — |
| Contributions of capital from parent | — | 280.0 | 1,782.0 | (2,062.0) | — |
| Borrowings of consolidated investment entities | — | — | 32.0 | — | 32.0 |
| Repayments of borrowings of consolidated investment entities | — | — | (8.5) | — | (8.5) |
| Contributions from (distributions to) participants in consolidated investment entities | — | — | 626.7 | — | 626.7 |
| Proceeds from issuance of common stock, net | 571.6 | — | — | — | 571.6 |
| Net cash provided by (used in) financing activities | 832.5 | (1,092.3) | (396.7) | 467.9 | (188.6) |
| Net increase (decrease) in cash and cash equivalents | 106.8 | 0.2 | (177.2) | — | (70.2) |
| Cash and cash equivalents, beginning of period | 357.5 | 0.4 | 1,428.9 | — | 1,786.8 |

| | | | | | |
|---|---|---|---|---|---|
| Cash and cash equivalents, end of period | $464.3 | $0.6 | $1,251.7 | $— | $1,716.6 |

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 this discussion, 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. As of the date of this Quarterly Report on Form 10-Q, ING Group is our largest shareholder.

The following discussion and analysis presents a review of our consolidated results of operations for the three and nine months ended September 30, 2014 and 2013 and financial condition as of September 30, 2014 and December 31, 2013. 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, 2013 ("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 this Item 2., as well as in other documents we filed with the Securities and Exchange Commission ("SEC").

Overview

We provide our principal products and services in three ongoing businesses—Retirement Solutions, Investment Management and Insurance Solutions—and report our results for these ongoing businesses through five segments.

The Retirement Solutions business provides its products and services through two segments: Retirement and Annuities:

- Our Retirement segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services in corporate, education, healthcare and government markets. Our Retirement segment also provides rollover individual retirement accounts ("IRAs") and other retail financial products as well as comprehensive financial advisory services to individual 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 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 and indexed 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.

The Investment Management business provides its products and services through a single segment, also called Investment Management:

- Our Investment Management business 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 asset classes, 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 protection and transfer opportunities through universal, variable and term products. Our customers range across a variety of age groups and income levels. We distribute our product offering through three main channels: our independent sales channel, our strategic distribution channel and our specialty markets channel. Our independent sales channel consists of a large network of independent general agents and marketing companies who interact with the majority of licensed independent life insurance agents in the United States. Our strategic distribution channel encompasses a network of independent managing directors who support a large team of producers who engage with our broker dealers to sell a range of products including our branded life, annuity and mutual funds. Finally, our specialty markets channel focuses on alternative distribution and consists of a large team of producers, in addition to banks, life insurance quote agencies and internet direct marketers.
- 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 and TPAs. 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 Reporting 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, other items not allocated to segments, such as certain expenses and liabilities of employee benefit plans and intercompany eliminations.

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, but are managed to protect regulatory and rating agency capital from equity market movements. 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 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, three broker dealers and Life Insurance Company of Georgia. Accordingly, these segments have been classified as closed blocks and are managed separately from our ongoing business.

Trends and Uncertainties

Throughout this Management's Discussion and Analysis ("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, we are cognizant of the potential for an increase in volatility upon the normalization of monetary policy. In the short- to medium-term, this 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 affected adversely 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 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, as evidenced by 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

Yields across domestic fixed income classes moved notably higher in 2013; however, much of the increase in yields seen in 2013 has retracted over 2014 and interest rates remain low by historical standards. The prolonged low interest rate environment has affected and may continue to affect the demand for our products in various ways. In the short- to medium-term, we may experience lower sales and reduced demand as the low interest rate environment makes it difficult to manufacture products that are consistently both attractive to customers and profitable.

Our financial performance may also be affected adversely 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 $87.7 billion as of September 30, 2014, 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 2014 will earn an average yield in the range of 3.75% to 4.00%. If interest rates were to rise, we expect the yield on our new money investments would also rise and gradually converge toward the yield of those maturing assets. In addition, while less material to financial results than new money investment rates, movements in prevailing interest rates also influence the prices of fixed income investments that we sell on the secondary market rather than holding until maturity or repayment, with rising interest rates generally leading to lower prices in the secondary market, and falling interest rates generally leading to higher prices.
- Certain of our products pay guaranteed minimum rates. For example, fixed accounts and a portion of the stable value accounts included within defined contribution retirement plans, universal life ("UL") policies and individual fixed annuities include guaranteed minimum credited rates. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with the resulting investment margin compression negatively impacting earnings. In addition, we expect more policyholders to hold policies (lower lapses) with comparatively high guaranteed rates longer in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio would positively impact earnings if the average interest rate we pay on our products does not rise correspondingly. Similarly, we expect policyholders would be less likely to hold policies (higher lapses) with existing guarantees as interest rates rise.
- Our CBVA segment provides certain guaranteed minimum benefits. A prolonged low interest rate environment may subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for these variable annuity guarantees, lowering their statutory surplus, which would adversely affect their ability to pay dividends to us. A prolonged low interest rate environment may also affect the perceived value of guaranteed minimum income benefits, which in turn may lead to a higher rate of annuitization of those products over time. For additional information on the CBVA segment's sensitivity to interest rates, see the Quantitative and Qualitative Disclosure About Market Risk in Part I., Item 3. in this Form 10-Q for additional information.

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. 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, as evidenced by annuitization rates and lapse rates, which adjusts in response to changes in market conditions, in order to ensure that our products and services remain attractive as well as profitable.

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

Our ongoing business results can vary from quarter to quarter as a result of seasonal factors. For example, the first quarters of each year typically have elevated operating expenses, reflecting higher payroll taxes and certain other annual expenses that are concentrated in the first quarter. The first quarters also tend to have lower investment income from carried interest income from Investment Management and a higher group life loss ratio in Employee Benefits. In addition, the fourth quarters tend to have higher levels of performance fees in Investment Management.

Operating Measures

This MD&A includes 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 also discuss these measures generally because we believe that they 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 businesses 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 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 sheet. 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 (based on arm’s length agreements) as well as assets managed for third parties. Our consolidated AUM includes eliminations of AUM managed by our Investment Management segment that is also reflected in other segments’ AUM and adjustments for AUM not reflected in any segments.

AUA represents accumulated assets on contracts pursuant to which we either provide administrative services or product guarantees for assets managed by third parties. Fees earned on AUA can be based on the number of participants, asset levels and/or the level of services or product guarantees that are provided.

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.

Recent Events

Reinsurance of Term Business - On August 15, 2014, our wholly owned subsidiaries ReliaStar Life Insurance Company ("RLI") and Security Life of Denver Insurance Company (“SLD”) 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, 2014, there is approximately $1.4 billion of statutory reserves on approximately $100 billion of in-force life insurance. We expect the transaction will close in the fourth quarter of 2014, subject to regulatory approvals, and will create excess regulatory and rating agency capital of approximately $200 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 $120 million, of which $18 million was recorded in the three months ended September 30, 2014, primarily related to intent impairments of assets to be included in the transaction. Additionally, the transaction is expected to result in a non-operating U.S. GAAP loss, before income taxes of approximately $10 million a year over the next twenty years.

Modifications to Reinsurance Treaties - In the fourth quarter of 2014, we amended or recaptured certain reinsurance agreements that are currently in place related to yearly renewable term (“YRT”) reinsurance treaties. Under the terms of the agreements, we will receive a payment in the amount of $20.0 million, which will be recorded in the Individual Life segment's Operating earnings before income taxes in the fourth quarter of 2014, and is not expected to be material to results thereafter.

Early Termination of Funding Agreement - On October 24, 2014, we terminated a $140 million funding agreement issued to the Federal Home Loan Bank ("FHLB") of Des Moines, which was scheduled to mature on February 24, 2020. Assets with a market value of $124.3 million as of the termination date were unpledged as collateral as a result of the termination. On the termination date, we will recognize $12.0 million of expense due to the acceleration of deferred financing costs paid in prior years, which will be reported in the Closed Block Institutional Spread Products segment's Operating earnings before income taxes.

Defined Benefit Recordkeeping Business Transition - After a review of our Retirement segment goals and the employee retirement-benefit trends we are seeing in the market, the Company recently made a strategic decision to initiate discussions with our impacted clients to provide for an orderly transition out of Defined Benefit plan administration recordkeeping services. As such, we will gradually exit our existing contracts that support Defined Benefit plan administration recordkeeping over the next eighteen to twenty-four months. The impact is not anticipated to be material to future results.

Results of Operations - Company Condensed Consolidated

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Net investment income | $1,163.6 | $1,221.6 | $3,430.1 | $3,532.5 |
| Fee income | 908.9 | 920.8 | 2,738.0 | 2,722.4 |
| Premiums | 595.1 | 494.2 | 1,825.4 | 1,440.9 |
| Net realized capital gains (losses) | 181.0 | (517.1) | (376.1) | (1,957.8) |
| Other revenue | 101.0 | 119.6 | 316.8 | 321.3 |
| Income (loss) related to consolidated investment entities: | | | | |
| Net investment income | 248.0 | 135.3 | 630.0 | 346.3 |
| Changes in fair value related to collateralized loan obligations | (6.5) | 60.9 | (4.1) | (11.1) |
| Total revenues | 3,191.1 | 2,435.3 | 8,560.1 | 6,394.5 |
| Benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 1,732.9 | 1,087.7 | 4,396.2 | 3,379.0 |
| Operating expenses | 767.3 | 762.8 | 2,315.1 | 2,292.1 |
| Net amortization of Deferred policy acquisition costs and Value of business acquired | 30.6 | 64.6 | 272.4 | 319.6 |
| Interest expense | 47.2 | 48.4 | 142.3 | 136.6 |
| Operating expenses related to consolidated investment entities: | | | | |
| Interest expense | 56.6 | 50.4 | 152.3 | 130.6 |
| Other expense | 1.7 | 1.4 | 5.7 | 6.1 |
| Total benefits and expenses | 2,636.3 | 2,015.3 | 7,284.0 | 6,264.0 |
| Income (loss) before income taxes | 554.8 | 420.0 | 1,276.1 | 130.5 |
| Income tax expense (benefit) | 37.4 | (27.7) | 74.2 | (6.4) |
| Net income (loss) | 517.4 | 447.7 | 1,201.9 | 136.9 |
| Less: Net income (loss) attributable to noncontrolling interest | 116.6 | 101.1 | 296.7 | 84.5 |
| Net income (loss) available to our common shareholders | $400.8 | $346.6 | $905.2 | $52.4 |

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

| ($ in millions) | September 30, 2014 | 2013 |
|---|---|---|
| AUM and AUA | | |
| Retirement Solutions: | | |
| Retirement | $348,593.7 | $328,259.0 |
| Annuities | 26,790.1 | 26,379.2 |
| Investment Management | 259,757.3 | 251,549.0 |
| Insurance Solutions: | | |
| Individual Life | 16,118.7 | 15,847.7 |
| Employee Benefits | 1,796.8 | 1,768.8 |
| Eliminations/Other | (179,064.2) | (178,015.8) |
| Total Ongoing Businesses | 473,992.4 | 445,787.9 |
| Closed Blocks: | | |
| Closed Block Variable Annuity | 43,550.2 | 44,426.9 |
| Closed Block Institutional Spread Products | 1,767.9 | 3,336.8 |
| Closed Block Other | 532.5 | 553.4 |
| Total Closed Blocks | 45,850.6 | 48,317.1 |
| Total AUM and AUA | $519,843.0 | $494,105.0 |
| | | |
| AUM | $279,021.5 | $267,268.3 |
| AUA | 240,821.5 | 226,836.7 |
| Total AUM and AUA | $519,843.0 | $494,105.0 |

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:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Retirement Solutions: | | | | |
| Retirement | $117.2 | $187.3 | $367.9 | $457.2 |
| Annuities | 78.3 | 96.8 | 197.3 | 210.6 |
| Investment Management | 58.6 | 54.0 | 163.3 | 125.2 |
| Insurance Solutions: | | | | |
| Individual Life | 39.8 | 117.0 | 134.3 | 207.8 |
| Employee Benefits | 37.0 | 29.1 | 91.7 | 75.6 |
| Total Ongoing Business | 330.9 | 484.2 | 954.5 | 1,076.4 |
| Corporate | (47.1) | (63.7) | (122.7) | (166.6) |
| Closed Blocks: | | | | |
| Closed Block Institutional Spread Products | 8.5 | 8.7 | 20.5 | 41.7 |
| Closed Block Other | 2.0 | 5.8 | 1.4 | 12.2 |
| Total Closed Blocks [1] | 10.5 | 14.5 | 21.9 | 53.9 |
| Total operating earnings before income taxes | 294.3 | 435.0 | 853.7 | 963.7 |
| | | | | |
| Adjustments: | | | | |
| Closed Block Variable Annuity | 131.0 | (167.4) | 67.1 | (982.9) |
| Net investment gains (losses) and related charges and adjustments | 43.4 | 64.1 | 174.0 | 106.7 |
| Net guaranteed benefit hedging gains (losses) and related charges and adjustments | 33.4 | 10.5 | 19.5 | 46.0 |
| Loss related to businesses exited through reinsurance or divestment | (31.9) | (13.1) | (69.3) | (47.0) |
| Income (loss) attributable to noncontrolling interest | 116.6 | 101.1 | 296.7 | 84.5 |
| Other adjustments to operating earnings | (32.0) | (10.2) | (65.6) | (40.5) |
| Income (loss) before income taxes | $554.8 | $420.0 | $1,276.1 | $130.5 |

[1] 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 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Retirement Solutions: | | | | |
| Retirement | $605.7 | $606.9 | $1,797.1 | $1,787.0 |
| Annuities | 344.6 | 319.1 | 1,029.8 | 930.7 |
| Investment Management | 168.3 | 160.1 | 492.0 | 440.6 |
| Insurance Solutions: | | | | |
| Individual Life | 679.1 | 717.1 | 2,071.2 | 2,099.0 |
| Employee Benefits | 345.9 | 316.2 | 1,027.3 | 946.0 |
| Total Ongoing Business | 2,143.6 | 2,119.4 | 6,417.4 | 6,203.3 |
| Corporate | 22.9 | 28.8 | 71.8 | 53.8 |
| Closed Blocks: | | | | |
| Closed Block Institutional Spread Products | 18.6 | 23.1 | 53.2 | 87.7 |
| Closed Block Other | 6.8 | 7.6 | 21.8 | 22.1 |
| Total Closed Blocks[1] | 25.4 | 30.7 | 75.0 | 109.8 |
| Total operating revenues | 2,191.9 | 2,178.9 | 6,564.2 | 6,366.9 |
| | | | | |
| Adjustments: | | | | |
| Closed Block Variable Annuity | 660.6 | (66.1) | 1,057.3 | (570.4) |
| Net realized investment gains (losses) and related charges and adjustments | 48.2 | 39.8 | 164.8 | 28.3 |
| Gain (loss) on change in fair value of derivatives related to guaranteed benefits | 48.2 | 35.1 | — | 125.8 |
| Revenues related to businesses exited through reinsurance or divestment | (4.8) | (2.9) | 81.1 | (70.8) |
| Revenues attributable to noncontrolling interest | 174.9 | 152.9 | 454.8 | 254.1 |
| Other adjustments to operating revenues | 72.1 | 97.6 | 237.9 | 260.6 |
| Total revenues | $3,191.1 | $2,435.3 | $8,560.1 | $6,394.5 |

[1] Our CBVA segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within 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 Total investment gains (losses) and the related Net amortization of DAC/VOBA and other intangibles for the periods indicated:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Other-than-temporary impairments | $(8.0) | $(4.4) | $(13.8) | $(22.6) |
| CMO-B fair value adjustments[1] | 34.9 | 16.4 | 154.1 | (132.1) |
| Gains (losses) on the sale of securities | 15.7 | 33.7 | 44.3 | 56.3 |
| Other, including changes in the fair value of derivatives | 5.2 | (10.3) | (21.3) | 136.8 |
| Total investment gains (losses) | 47.8 | 35.4 | 163.3 | 38.4 |
| Net amortization of DAC/VOBA and other intangibles on above | (4.6) | 25.0 | 9.2 | 81.6 |
| Net investment gains (losses), including Closed Block Variable Annuity | 43.2 | 60.4 | 172.5 | 120.0 |
| Less: Closed Block Variable Annuity net investment gains (losses) and related charges and adjustments | (0.2) | (3.7) | (1.5) | 13.3 |
| Net investment gains (losses) | $43.4 | $64.1 | $174.0 | $106.7 |

[1] For a description of our CMO-B portfolio, see "Investments - CMO-B Portfolio."

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Gain (loss), excluding nonperformance risk | $(13.8) | $10.9 | $(39.3) | $103.7 |
| Gain (loss) due to nonperformance risk | 61.5 | 10.0 | 46.4 | (12.3) |
| Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements | 47.7 | 20.9 | 7.1 | 91.4 |
| Net amortization of DAC/VOBA and sales inducements | (14.3) | (10.4) | 12.4 | (45.4) |
| Net guaranteed benefit hedging gains (losses) and related charges and adjustments | $33.4 | $10.5 | $19.5 | $46.0 |

Notable Items

We believe the following tables will help investors identify more easily some of the larger causes of changes in our Operating earnings before income taxes during the periods discussed. The tables highlight 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; (2) significant gains (losses) resulting from transactions to change our capital structure; and (3) items that typically recur but can be volatile from period to period (e.g., Deferred policy acquisition costs ("DAC")/Value of business acquired ("VOBA") and other intangibles unlocking). There may be other items not included in the following table that caused increases (decreases) in Operating earnings before income taxes for the periods presented. 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 2014, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for Investment Management, 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 $19.3 million to Operating earnings before income taxes in the current period, compared to a favorable impact of $84.8 million in the third quarter of 2013. These impacts are included in the DAC/VOBA and other intangibles unlocking.

During the third quarter of 2013, the Company received a distribution of cash and securities in conjunction with a Lehman Brothers bankruptcy settlements ("Lehman Recovery"). In 2008, Lehman Brothers acted as a prime broker for assets held in a partnership owned by the Company. In 2008, these partnership assets were written down to the then-assumed realizable value. The amount of the distribution in excess of the book value of these assets of $120.0 million was recognized as Net investment income within Operating earnings before income taxes, which excluded $8.2 million in Net Investment income for the CBVA segment.

During the third quarter of 2013, the Company decided to dispose of certain Low Income Housing Tax Credit partnerships ("LIHTC") as a means of exiting this asset class. Losses of $26.7 million recognized as a result of marking these assets to the sales price was recognized as investment income.

Collectively these items, net of DAC/VOBA and other intangibles impacts, are referred to as "Net gain from Lehman Recovery/LIHTC."

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| DAC/VOBA and other intangibles unlocking[1][2] | $(21.1) | $99.8 | $(30.6) | $110.7 |
| Net gain from Lehman Recovery/LIHTC | — | 78.1 | 4.0 | 78.1 |

[1] Unlocking related to the Net gain (loss) from Lehman Recovery is excluded from DAC/VOBA and other intangibles unlocking for the three and nine months ended September 30, 2013.
[2] Includes the impact of the annual review of the assumptions.

The following table presents the net impact to Operating earnings before income taxes of the Net gain from Lehman Recovery/LIHTC and the related amortization and unlocking of DAC/VOBA and other intangibles by segment:

| ($ in millions) | Three and Nine Months Ended September 30, 2013 | | | |
|---|---|---|---|---|
| | Net investment income (loss) | DAC/VOBA and other intangibles amortization[1] | DAC/VOBA and other intangibles unlocking[1] | Net gain from Lehman/LIHTC |
| Retirement | $14.8 | $(6.4) | $4.3 | $12.7 |
| Annuities | 19.0 | (10.5) | 4.2 | 12.7 |
| Investment Management | 11.5 | — | — | 11.5 |
| Individual Life | 43.4 | (23.0) | 16.2 | 36.6 |
| Employee Benefits | 4.0 | — | — | 4.0 |
| Closed Block Institutional Spread Products | (0.2) | — | — | (0.2) |
| Closed Block Other | 0.8 | — | — | 0.8 |
| Net gain included in segment Operating earnings before income taxes[2] | $93.3 | $(39.9) | $24.7 | $78.1 |

[1] DAC/VOBA and other intangibles amortization and DAC/VOBA and other intangibles unlocking are included in Fee income, Interest credited and other benefits to contract owners/policyholders and Net amortization of DAC/VOBA (See "Unlocking of DAC/VOBA and other Contract Owners/Policyholders Intangibles" section).
[2] Amount does not include net gain for the CBVA segment of $8.2 million for the three and nine months ended September 30, 2013.

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, 2014 Compared to Three Months Ended September 30, 2013

Net Income (Loss)

Net investment income decreased $58.0 million from $1,221.6 million to $1,163.6 million primarily due to net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding the impact of Lehman Recovery/LIHTC, net investment income increased due to growth of general account assets in our Retirement segment, growth in fixed index annuity ("FIA") AUM in our Annuities segment, and higher prepayment and alternative investment income across multiple segments. In addition, higher earned rate on fixed interest options in our CBVA segment improved the result. These increases were partially offset by the continuing runoff of the Annual Reset and Multi-Year Guarantee Annuities ("Annual Reset/MYGAs"), lower investment income from CMO-B income in our Annuities segment and a decrease in block size in our Closed Block Institutional Spreads Products segment.

Fee income decreased $11.9 million from $920.8 million to $908.9 million as a result of several factors. Lower fee income in our Closed Block Variable Annuity segment, an unfavorable change in intangibles unlocking, primarily as a result of prospective assumption changes, and lower recordkeeping fees in our Retirement segment were offset by an

increase in fees associated with higher AUM in our Retirement, Annuities, and Investment Management segments. In addition, higher fee income was also driven by increased cost of insurance fees on the aging inforce universal life block. Higher fee income in our Investment Management segment includes fees associated with affiliated and collateral loan obligation ("CLO") entities, which are eliminated in consolidation.

Premiums increased $100.9 million from $494.2 million to $595.1 million primarily due to higher premiums in immediate annuities with life contingencies in our Annuities segment, as well as higher premiums associated with the annuitization of life contingent contracts in our CBVA segment, both of which are offset by a reserve increase in the corresponding Interest credited and other benefits to contract owners/policyholders. Additionally, higher premiums in our Employee Benefits segment were primarily due to the effects of higher group stop loss and voluntary product sales in the first quarter of 2014.

Net realized capital gains (losses) improved $698.1 million from $(517.1) million to $181.0 million primarily due to changes in fair value of derivatives and guaranteed benefit derivatives in our CBVA segment, discussed below, as well as changes in fair value of guaranteed benefit derivatives due to nonperformance risk, which resulted in higher gains of $233.6 million from $15.2 million to $248.8 million. Excluding nonperformance risk, the result of changes in fair value of derivatives and guaranteed benefit derivatives in our CBVA segment resulted in a $499.4 million favorable variance, including changes in fair value of derivatives from our CBVA hedge and capital hedge overlay ("CHO") program, which improved by $778.2 million, partially offset by an unfavorable variance of $278.8 million related to changes in guaranteed benefit derivatives, excluding nonperformance risk. The favorable variance, which included the impact of prospective assumption changes, was due to lower equity market appreciation in the current period compared to the prior period, interest rate movements and implied volatility. The focus in managing our Closed Block Variable Annuity 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.

Other revenue decreased $18.6 million from $119.6 million to $101.0 million primarily due to changes in market value adjustments related to retirement plans upon surrender and lower revenue associated with our Closed Block Other segment.

Interest credited and other benefits to contract owners/policyholders increased $645.2 million from $1,087.7 million to $1,732.9 million primarily driven by unfavorable guaranteed benefit reserve changes in our CBVA segment due to lower fund returns in the current period compared to the prior period as well as the impacts of policyholder behavior and other assumption changes in the current period compared to the prior period. In addition, unfavorable intangibles unlocking from prospective assumption changes in the current period compared to favorable unlocking in the prior period contributed to the increase, but is offset by unlocking from prospective assumption changes that is explained in Net amortization of DAC/VOBA below. An increase in reserves for immediate annuities with life contingencies in our Annuities segment and an increase in reserves associated with the annuitization of life contingent contracts in our CBVA segment contributed to the increase but are offset by the increase in Premiums described above. Additionally, we experienced unfavorable mortality changes, net of reinsurance in our Individual Life segment, and an increase in reserves in our Employee Benefits segment was primarily due to higher stop loss volumes, resulting in higher benefits incurred, along with slightly higher voluntary benefits as a result of the new Compass product. The increases were partially offset by declining contract owner account balances for our Closed Block Institutional Spread Products segment. In addition, higher interest credited due to an increase in FIA AUM was more than offset by a decline in AUM for Annual Reset/MYGAs due to continued runoff and lower crediting rates in our Retirement and Annuities segments.

Operating expenses increased $4.5 million from $762.8 million to $767.3 million primarily due to investments in the business, increased costs in the current period related to rebranding and restructuring, increased credit facility fees supporting reinsurance transactions and higher commissions. Partially offsetting these increases were lower recordkeeping expenses and a decrease in Operating expenses in our Closed Block Other segment as result of lower letter of credit ("LOC") fees due to lower collateral requirements.

Net amortization of DAC/VOBA decreased $34.0 million from $64.6 million to $30.6 million primarily due to favorable unlocking in the current period compared to the prior period as a result of prospective assumption changes in our Individual Life and Closed Block Variable Annuity segments. Additionally, lower amortization on Individual Life segment's universal life blocks was driven by lower gross profits. An unfavorable variance primarily driven by prospective assumptions changes in our Retirement and Annuities segments and higher amortization related to realized gains in our Retirement segment partially offset these items.

Interest expense decreased $1.2 million from $48.4 million to $47.2 million primarily due to a change in debt structure over the course of the prior year. See a description of the change in debt structure under "Debt Securities."

Income (loss) before income taxes increased $134.8 million from $420.0 million to $554.8 million as a result of several factors. Lower losses related to the incurred guaranteed benefits and guarantee hedge program in our CBVA segment, including changes in the fair value of guaranteed benefit derivatives related to nonperformance risk and a favorable variance related to the impact of prospective assumption changes contributed to the increase. Higher volumes in our Employee Benefits segment and improved margins in our Annuities and Investment Management segments also contributed to the improvement. In addition, higher prepayment and alternative investment income, higher fees associated with higher AUM, as well as higher income (loss) attributable to noncontrolling interests improved the overall result. The increases were partially offset by the Net gain from Lehman Recovery/LIHTC in the prior period that did not repeat and an unfavorable variance in DAC/VOBA and other intangibles unlocking related to the impact of prospective assumption changes in our Ongoing businesses in the current period compared to the prior period, in addition to lower Other revenue and higher Operating expenses.

Income tax expense (benefit) increased $65.1 million from $(27.7) million to $37.4 million primarily due to increases in tax capital gains. The effective tax rate is low as the tax expense on income (loss) before income taxes is mostly offset by increases/decreases in valuation allowances. However, tax capital gains (losses) are generally not offset by changes in valuation allowances, which was the primary cause of the tax expense in the current and prior periods.

Operating Earnings before Income Taxes

Operating earnings before income taxes decreased $140.7 million from $435.0 million to $294.3 million as a result of several factors including an unfavorable variance in DAC/VOBA and other intangibles unlocking related to the impact of prospective assumption changes in the current period compared to the prior period and the Net gain from Lehman Recovery/LIHTC in the prior period that did not repeat. Excluding these items, Operating earnings before income taxes increased as a result of higher volumes in our Employee Benefits segment and improved margins in our Annuities and Investment Management segments, in addition to higher prepayment and alternative investment income and higher fees associated with higher AUM, partially offset by unfavorable mortality changes, net of reinsurance in our Individual Life 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."

Net investment gains and related charges and adjustments decreased $20.7 million from $64.1 million to $43.4 million as a result of several factors. Total investment gains excluding net amortization of DAC/VOBA and other intangibles increased as a result of changes in fair value adjustments on our CMO-B portfolio and favorable derivative mark to market adjustments due to interest rate movements, partially offset by lower gains on the sale of securities. The increase in total investment gains was more than offset by lower favorable DAC/VOBA and other intangibles unlocking primarily related to assumption changes in our Retirement segment as a result of changes in interest rates, as well as higher DAC/VOBA and other intangibles amortization related to realized gains in our Retirement, Annuities and Individual Life segments.

Net guaranteed benefit hedging gains and related charges and adjustments increased $22.9 million from $10.5 million to $33.4 million primarily due to $51.5 million from changes in the fair value of guaranteed benefit derivatives related to nonperformance risk (including $15.7 million related to changes in the technique used to estimate nonperformance risk). The increase was partially offset by changes in the fair value of guaranteed benefit derivatives excluding nonperformance risk, as a result of interest rate and equity market movements combined with a decline in the market value of assets due to widening of credit spreads.

Loss related to businesses exited through reinsurance or divestment increased $18.8 million from $13.1 million to $31.9 million primarily due to $18.0 million of charges in the current period as a result of our decision to exit a block of term life insurance business through reinsurance.

Other adjustments to operating earnings changed $(21.8) million from $(10.2) million to $(32.0) million primarily due to rebranding and restructuring expenses in the current period.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Net Income (Loss)

Net investment income decreased $102.4 million from $3,532.5 million to $3,430.1 million primarily due to net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding the impact of Lehman Recovery/LIHTC, net investment income decreased as a result of several

factors. The impact of the continued low interest rate environment on reinvestment rates, the continuing runoff of the Annual Reset/MYGAs in our Annuities segment, and decrease in block size in our Closed Block Institutional Spreads Products segment contributed to the decline. Partially offsetting these decreases are higher prepayment income and higher alternative investment income across multiple segments, growth in FIA AUM in our Annuities segment and higher investment income on fixed interest options in our CBVA segment as a result of a higher earned rate.

Fee income increased $15.6 million from $2,722.4 million to $2,738.0 million primarily due to an increase in fees associated with higher AUM in our Retirement, Annuities, and Investment Management segments. Higher Fee income was also driven by increased cost of insurance fees on the aging in-force universal life block. Higher fees within our Investment Management segment, including fees associated with affiliated and CLO entities, are eliminated in consolidation. These increases were offset by lower recordkeeping

fees in our Retirement segment, lower fee income in our Closed Block Variable Annuity segment, and an unfavorable change in intangibles unlocking, primarily as a result of prospective assumption changes.

Premiums increased $384.5 million from $1,440.9 million to $1,825.4 million primarily due to higher premiums in immediate annuities with life contingencies in our Annuities segment, as well as higher premiums associated with the annuitization of life contingent contracts in our CBVA segment, both of which are offset by a reserve increase in the corresponding Interest credited and other benefits to contract owners/policyholders. Additionally, higher Premiums in our Employee Benefits segment were primarily due to increased group stop loss and voluntary product sales.

Net realized capital losses decreased $1,581.7 million from $1,957.8 million to $376.1 million as a result of several factors. Changes in fair value of derivatives and guaranteed benefit derivatives, excluding nonperformance risk in our CBVA segment, as described below, resulted in a $1,016.1 million decrease in Net realized capital losses. Changes in fair value of guaranteed benefit derivatives due to nonperformance risk resulted in a decrease in Net realized capital losses of $466.1 million, from a loss of $235.1 million to a gain of $231.0 million. In addition, changes in fair value adjustments on our CMO-B portfolio as a result of interest rate movements reduced the Net realized capital loss. Gains from market value changes and sales of securities associated with business reinsured are partially offset by the corresponding increase in Interest credited and other benefits to contract owners/policyholders. These improvements were partially offset by changes in fair value of guaranteed benefit derivatives, excluding nonperformance risk in our Retirement Solutions business, and unfavorable derivative mark to market adjustments, which were both largely a result of interest rate movements. Declining interest rates in the current period compared to rising interest rates in the prior period resulted in unfavorable changes in the fair value of derivatives that are hedging our exposure to various market risks within the investment portfolio.

Excluding nonperformance risk, the result of changes in fair value of derivatives and guaranteed benefit derivatives in our CBVA segment resulted in a $1,016.1 million decrease in Net realized capital losses, including favorable changes in fair value of derivatives from our CBVA hedge and CHO program of $2,521.9 million, partially offset by an unfavorable variance of $1,505.8 million related to changes in guaranteed benefit derivatives, excluding nonperformance risk. The favorable variance, which included the impact of prospective assumption changes, was primarily due to interest rate movements as described above, in addition to lower equity market appreciation in the current period compared to the prior period and implied volatility. The focus in managing our Closed Block Variable Annuity 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.

Other revenue decreased $4.5 million from $321.3 million to $316.8 million primarily due to lower revenue associated with our Closed Block Other segment. Partially offsetting the decrease was changes in market value adjustments related to retirement plans and annuities upon surrender.

Interest credited and other benefits to contract owners/policyholders increased $1,017.2 million from $3,379.0 million to $4,396.2 million primarily driven by unfavorable guaranteed benefit reserve changes in our CBVA segment due to lower fund returns in the current period compared to the prior period as well as the impacts of policyholder behavior and other assumption changes in the current period compared to the prior period. In addition, unfavorable intangibles unlocking from prospective assumption changes in the current period compared to favorable unlocking in the prior period contributed to the increase, but is offset by unlocking from prospective assumption changes that is explained in Net amortization of DAC/VOBA below. An increase in the funds withheld reserve and changes in the reinsurance deposit asset associated with business reinsured resulting from market value changes in the related assets are partially offset by a corresponding amount recorded in Net realized capital gains (losses). An increase in reserves for immediate annuities with life contingencies in our Annuities segment and an increase in reserves associated with the annuitization of life contingent contracts in our CBVA segment contributed to the increase but are offset by the increase in Premiums described above. Additionally, we experienced unfavorable mortality changes, net of reinsurance in our Individual Life segment, and an increase in reserves in our Employee Benefits segment was

primarily due to higher stop loss volumes, resulting in higher benefits incurred, along with slightly higher voluntary benefits as a result of the new Compass product. The increases were partially offset by declining contract owner account balances for our Closed Block Institutional Spread Products segment. In addition, higher interest credited due to an increase in FIA AUM was more than offset by a decline in AUM for Annual Reset/MYGAs due to continued runoff and lower crediting rates in our Retirement and Annuities segments.

Operating expenses increased $23.0 million from $2,292.1 million to $2,315.1 million primarily due to investments in the business, higher expenses from operating as a public company, increased costs in the current period related to rebranding and restructuring, and higher share-based compensation, in addition to increased credit facility fees supporting reinsurance transactions and higher commissions. A reduction in estimated variable compensation accruals in the prior period that did not repeat also contributed to the increase. These increases were partially offset by lower recordkeeping expenses and costs related to the divestment of the Company by ING Group in the prior period that did not recur, as well as lower LOC expenses in the current period due to the termination of the contingent capital letter of credit facility supporting our Closed Block Variable Annuity segment during the

second quarter of 2013 and a decrease in Operating expenses in our Closed Block Other segment as result of lower LOC fees due to lower collateral requirements.

Net amortization of DAC/VOBA decreased $47.2 million from $319.6 million to $272.4 million primarily due to favorable unlocking in the current period compared to the prior period as a result of prospective assumption changes in our Individual Life and CBVA segments and lower amortization on guaranteed benefit hedging gains (losses). Additionally, lower amortization on Individual Life segment's universal life blocks was driven by lower gross profits. An unfavorable variance driven by prospective assumptions changes in our Retirement, Annuities and Employee Benefits segments, higher amortization related to realized gains in our Retirement segment, and higher amortization in our Employee Benefits segment resulting from terminated cases partially offset these items.

Interest expense increased $5.7 million from $136.6 million to $142.3 million primarily due to a change in debt structure over the course of the prior year. See a description of the change in debt structure under "Debt Securities."

Income (loss) before income taxes increased $1,145.6 million from $130.5 million to $1,276.1 million as a result of several factors. Lower losses related to the incurred guaranteed benefits and guarantee hedge program in our CBVA segment, including changes in the fair value of guaranteed benefit derivatives related to nonperformance risk and a favorable variance related to the impact of prospective assumption changes contributed to the increase. Higher volumes in our Employee Benefits segment, improved margins in our Annuities and Investment Management segments, and an increase in fees in our Retirement, Annuities, and Investment Management segments associated with higher AUM also contributed to the improvement. In addition, higher prepayment and alternative investment income, higher net investment gains, as well as higher income (loss) attributable to noncontrolling interests improved the overall result. The increases were partially offset by the Net gain from Lehman Recovery/LIHTC in the prior period that did not repeat and an unfavorable variance in DAC/VOBA and other intangibles unlocking related to the impact of prospective assumption changes in our Ongoing businesses in the current period compared to the prior period. In addition, the impact of the continued low interest rate environment on reinvestment rates across multiple segments, lower Other revenue and higher Operating expenses offset the overall increase.

Income tax expense (benefit) increased $80.6 million from $(6.4) million to $74.2 million primarily due to increases in tax capital gains. The effective tax rate is low as the tax expense on income (loss) before income taxes is mostly offset by increases/decreases in valuation allowances. However, tax capital gains (losses) are generally not offset by changes in valuation allowances, which was the primary cause of the tax expense in the current and prior periods.

Operating Earnings before Income Taxes

Operating earnings before income taxes decreased $110.0 million from $963.7 million to $853.7 million as a result of several factors, including the Net gain from Lehman Recovery/LIHTC in the prior period that did not repeat and an unfavorable variance in DAC/VOBA and other intangibles unlocking related to the impact of prospective assumption changes in the current period compared to the prior period. Excluding these items, Operating earnings before income taxes increased due to higher prepayment and alternative investment income, higher volumes in our Employee Benefits segment, improved margins in our Annuities and Investment Management segments, and an increase in fees associated with higher AUM, partially offset by unfavorable mortality changes, net of reinsurance in our Individual Life segment, the impact of the continued low interest rate environment on reinvestment rates across multiple segments, and higher operating expenses.

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."

Net investment gains and related charges and adjustments increased $67.3 million from $106.7 million to $174.0 million as a result of several factors. Changes in fair value adjustments on our CMO-B portfolio were offset by unfavorable derivative mark to market adjustments due to interest rate movements as well as lower gains on the sale of securities. Total investment gains were partially offset by higher DAC/VOBA and other intangibles amortization related to realized gains in our Retirement, Annuities and Individual Life segments as well as lower favorable DAC/VOBA and other intangibles unlocking primarily related to assumption changes in our Retirement segment.

Net guaranteed benefit hedging gains and related charges and adjustments decreased $26.5 million from $46.0 million to $19.5 million primarily due to changes in the fair value of guaranteed benefit derivatives excluding nonperformance risk, as a result of interest rate and equity market movements. The decrease was partially offset by $58.7 million in changes in the fair value of guaranteed benefit derivatives related to nonperformance risk (including changes in the technique used to estimate nonperformance risk).

Loss related to businesses exited through reinsurance or divestment increased $22.3 million from $47.0 million to $69.3 million primarily due to $18.0 million of charges in the current period as a result of our decision to exit a block of term life insurance business through reinsurance. Additionally, we experienced losses associated with a block of Retirement business that was reinsured during the second quarter of 2014, which were partially offset by lower costs associated with the business transferred via reinsurance from us to Hannover Re.

Other adjustments to operating earnings changed $(25.1) million from $(40.5) million to $(65.6) million primarily due to rebranding and restructuring expenses in the current period, partially offset by costs related to the divestment of the Company by ING Group in the prior period that did not recur.

Results of Operations - Ongoing Business

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating earnings before income taxes | $330.9 | $484.2 | $954.5 | $1,076.4 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| DAC/VOBA and other intangibles unlocking[1][2] | $(21.1) | $99.8 | $(30.6) | $110.7 |
| Net gain from Lehman Recovery/LIHTC | — | 77.5 | — | 77.5 |

[1] Unlocking related to the Net gain from Lehman Recovery/LIHTC is excluded from DAC/VOBA and other intangibles unlocking for the three and nine months ended September 30, 2013.
[2] Includes the impact of the annual review of the assumptions. See "Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles" for further description.

Ongoing Business - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Operating earnings before income taxes decreased $153.3 million from $484.2 million to $330.9 million as a result of several factors including an unfavorable variance in DAC/VOBA and other intangibles unlocking related to the impact of prospective assumption changes in the current period compared to the prior period and the Net gain from Lehman Recovery/LIHTC in the prior period that did not repeat. Excluding these items, Operating earnings before income taxes increased as a result of higher volumes in our Employee Benefits segment, improved margins in our Annuities and Investment Management segments, an increase in fees associated with higher AUM, and higher prepayment and alternative investment income, partially offset by unfavorable mortality changes, net of reinsurance in our Individual Life segment.

Ongoing Business - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating earnings before income taxes decreased $121.9 million from $1,076.4 million to $954.5 million as a result of several factors, including the Net gain from Lehman Recovery/LIHTC in the prior period that did not repeat and an unfavorable variance in DAC/VOBA and other intangibles unlocking related to the impact of prospective assumption changes in the current period compared to the prior period. Excluding these items, Operating earnings before income

taxes increased due to higher prepayment and alternative investment income, higher volumes in our Employee Benefits segment, improved margins in our Annuities and Investment Management segments, and an increase in fees associated with higher AUM, partially offset by unfavorable mortality changes, net of reinsurance in our Individual Life segment, the impact of the continued low interest rate environment on reinvestment rates across multiple segments, and higher operating expenses.

Results of Operations - Segment by Segment

Retirement Solutions - Retirement

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $393.6 | $394.5 | $1,161.7 | $1,172.2 |
| Fee income | 193.5 | 191.0 | 577.5 | 563.8 |
| Premiums | 0.7 | 0.7 | 4.8 | 5.0 |
| Other revenue | 17.9 | 20.7 | 53.1 | 46.0 |
| Total operating revenues | 605.7 | 606.9 | 1,797.1 | 1,787.0 |
| Operating benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 209.4 | 213.5 | 629.4 | 630.2 |
| Operating expenses | 208.6 | 205.8 | 651.9 | 619.8 |
| Net amortization of DAC/VOBA | 70.5 | 0.3 | 147.9 | 79.8 |
| Total operating benefits and expenses | 488.5 | 419.6 | 1,429.2 | 1,329.8 |
| Operating earnings before income taxes | $117.2 | $187.3 | $367.9 | $457.2 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| DAC/VOBA and other intangibles unlocking[1] | $(30.4) | $40.0 | $(34.6) | $41.6 |
| Net gain from Lehman Recovery/LIHTC | — | 12.7 | — | 12.7 |

[1] Unlocking related to the Net gain from Lehman Recovery/LIHTC is excluded from DAC/VOBA and other intangibles unlocking for the three and nine months ended September 30, 2013.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of ($18.8) million for the three and nine months ended September 30, 2014 and $29.3 million for the three and nine months ended September 30, 2013, which was included in Net amortization of DAC/VOBA. The unlocking in the current period was driven primarily by changes in portfolio yields partially offset by favorable lapse 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:

| | September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| Corporate markets | $42,269.8 | $37,677.7 |
| Tax-exempt markets[1] | 53,406.6 | 51,183.9 |
| Total full service plans | 95,676.4 | 88,861.6 |
| Stable value[2] | 8,827.1 | 8,705.0 |
| Individual market | 3,151.2 | 2,850.5 |
| Total AUM | 107,654.7 | 100,417.1 |
| AUA | 240,939.0 | 227,841.9 |
| Total AUM and AUA[1] | $348,593.7 | $328,259.0 |

[1] Balances as of September 30, 2014 reflect the reduction of assets transferred to reinsurer.
[2] Consists of assets where we are the investment manager.

| | September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| General Account [1] | $27,498.0 | $28,088.3 |
| Separate Account | 59,112.1 | 54,932.9 |
| Mutual Fund/Institutional Funds | 21,044.6 | 17,395.9 |
| AUA | 240,939.0 | 227,841.9 |
| Total AUM and AUA | $348,593.7 | $328,259.0 |

[1] Balances as of September 30, 2014 reflect the reduction of assets transferred to reinsurer.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Balance as of beginning of period | $108,428.2 | $96,477.1 | $105,236.9 | $90,471.2 |
| Deposits | 3,165.9 | 3,278.5 | 9,887.0 | 11,179.0 |
| Surrenders, benefits and product charges | (3,232.3) | (3,044.2) | (9,931.4) | (9,083.7) |
| Net flows | (66.4) | 234.3 | (44.4) | 2,095.3 |
| Interest credited and investment performance | (707.1) | 3,705.7 | 3,371.0 | 7,850.6 |
| Transfer to reinsurer | — | — | (908.8) | — |
| Balance as of end of period | $107,654.7 | $100,417.1 | $107,654.7 | $100,417.1 |

Effective April 1, 2014, we entered into a coinsurance agreement to reinsure a block of in-force fixed deferred annuity contracts (the “Second Quarter Reinsurance Transaction”). This transaction is 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, beginning in the second quarter of 2014, the revenues and expenses of this reinsured block of business are excluded from these metrics and in the tables above.

Retirement - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $0.9 million from $394.5 million to $393.6 million primarily due to the impact of the Second Quarter Reinsurance Transaction in the current period and $14.8 million of net

investment income from

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Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding these impacts, investment income increased due to the growth of general account assets, higher prepayment income and higher alternative investment income.

Fee income increased $2.5 million from $191.0 million to $193.5 million primarily due to the increases in full service retirement plan fees partially offset by lower fees for the recordkeeping business. The increase in full service retirement plan fees was driven by net increases in separate account and institutional mutual fund AUM. These increases were partially offset by a decrease in recordkeeping fees primarily due to reductions in change order fees as well as terminated contracts.

Other revenue decreased $2.8 million from $20.7 million to $17.9 million primarily due to decreases in broker-dealer revenues and changes in market value adjustments related to retirement plans upon surrender.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $4.1 million from $213.5 million to $209.4 million primarily due to the impact of the Second Quarter Reinsurance Transaction in the current period, along with a decrease in the average credited rates due to actions taken in January and July 2014 to reflect the continuing low interest rate environment. This was partially offset by growth in general account liabilities, which corresponds to the growth in general account assets.

Operating expenses increased $2.8 million from $205.8 million to $208.6 million primarily due to investments in the business, higher asset based commissions in the current period, higher share-based compensation and increased contingent capital facility fees associated with the stable value business. This was offset by decreased recordkeeping expenses, due to terminated contracts, and lower expenses in the current period from the impact of the Second Quarter Reinsurance Transaction.

Net amortization of DAC/VOBA increased $70.2 million from $0.3 million to $70.5 million primarily due to the impact of equity market performance and prospective assumption changes on DAC/VOBA unlocking, resulting in unfavorable unlocking in the current period compared to favorable unlocking in the prior period.

Operating earnings before income taxes

Operating earnings before income taxes decreased $70.1 million from $187.3 million to $117.2 million primarily due to unfavorable DAC/VOBA unlocking in the current period compared to favorable unlocking in the prior period and Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding these impacts, Operating earnings before income taxes improved primarily due to higher Net investment income resulting from higher prepayment income and alternative investment income.

Retirement - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $10.5 million from $1,172.2 million to $1,161.7 million primarily due to the impact of the Second Quarter Reinsurance Transaction in the current period and $14.8 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding these impacts, investment income increased due to the growth of general account assets, higher prepayment income and higher alternative investment income partially offset by lower investment yields on the CMO-B portfolio during the first half of 2014. Investment income on the CMO-B portfolio was lower due primarily to portfolio turnover, as reinvestment rates were lower than the yields of the investments that matured.

Fee income increased $13.7 million from $563.8 million to $577.5 million primarily due to the increases in full service retirement plan fees partially offset by lower fees for the recordkeeping business. The increase in full service retirement plan fees was driven by net increases in separate account and institutional mutual fund AUM. These increases were partially offset by a decrease in recordkeeping fees primarily due to reductions in change order fees as well as terminated contracts.

Other revenue increased $7.1 million from $46.0 million to $53.1 million primarily due to changes in market value adjustments related to retirement plans upon surrender and increases in broker-dealer revenues.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $0.8 million from $630.2 million to $629.4 million primarily due to the impact of the Second Quarter Reinsurance Transaction in the current period, along with a decrease in the average credited rates due to actions taken in January and July 2014 to reflect the continuing low interest rate environment. This was partially offset by growth in general account liabilities, which corresponds to the growth in general account assets.

Operating expenses increased $32.1 million from $619.8 million to $651.9 million primarily due to investments in the business, higher asset based commissions in the current period, higher share-based compensation, increased contingent capital facility fees associated with the stable value business and a reduction in estimated variable compensation accruals in the prior period that did not repeat. This was offset by decreased recordkeeping expenses, due to terminated contracts, and lower expenses in the current period from the impact of the Second Quarter Reinsurance Transaction.

Net amortization of DAC/VOBA increased $68.1 million from $79.8 million to $147.9 million primarily due to the impact of equity market performance and prospective assumption changes on DAC/VOBA unlocking, resulting in unfavorable unlocking in the current period compared to favorable unlocking in the prior period.

Operating earnings before income taxes

Operating earnings before income taxes decreased $89.3 million from $457.2 million to $367.9 million primarily due to unfavorable DAC/VOBA unlocking in the current period compared to favorable unlocking in the prior period and Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding these impacts, Operating earnings before income taxes was essentially flat.

Retirement Solutions-Annuities

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $282.3 | $295.9 | $828.7 | $866.5 |
| Fee income | 15.0 | 11.8 | 42.4 | 32.9 |
| Premiums | 42.7 | 7.5 | 144.3 | 22.0 |
| Other revenue | 4.6 | 3.9 | 14.4 | 9.3 |
| Total operating revenues | 344.6 | 319.1 | 1,029.8 | 930.7 |
| Operating benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 204.1 | 182.2 | 631.3 | 550.5 |
| Operating expenses | 34.8 | 31.7 | 106.9 | 94.9 |
| Net amortization of DAC/VOBA | 27.4 | 8.4 | 94.3 | 74.7 |
| Total operating benefits and expenses | 266.3 | 222.3 | 832.5 | 720.1 |
| Operating earnings before income taxes | $78.3 | $96.8 | $197.3 | $210.6 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|

| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| DAC/VOBA and other intangibles unlocking[1] | $17.8 | $39.6 | $27.5 | $56.5 |
| Net gain from Lehman Recovery/LIHTC | — | 12.7 | — | 12.7 |

[1] Unlocking related to the Net gain from Lehman Recovery/LIHTC is excluded from DAC/VOBA and other intangibles unlocking for the three and nine months ended September 30, 2013.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of $10.3 million for the three and nine months ended September 30, 2014 and $34.9 million for the three and nine months ended September 30, 2013, which was included in Net amortization of DAC/VOBA. The unlocking in the current period was driven primarily by revised policyholder and margin assumptions 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:

| | September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| AUM: | | |
| General account | $22,111.7 | $22,508.2 |
| Separate account | 798.2 | 793.2 |
| Mutual funds | 3,880.2 | 3,077.8 |
| Total AUM | $26,790.1 | $26,379.2 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Balance as of beginning of period | $27,264.9 | $26,233.5 | $26,646.7 | $26,101.1 |
| Deposits | 687.1 | 671.7 | 2,345.6 | 1,851.1 |
| Surrenders, benefits and product charges | (1,310.0) | (932.7) | (3,005.5) | (2,576.1) |
| Net flows | (622.9) | (261.0) | (659.9) | (725.0) |
| Interest credited and investment performance | 148.1 | 406.7 | 803.3 | 1,003.1 |
| Balance as of end of period | $26,790.1 | $26,379.2 | $26,790.1 | $26,379.2 |

Annuities - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $13.6 million from $295.9 million to $282.3 million primarily due to $19.0 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding the impact of Lehman Recovery/LIHTC, investment income increased $5.4 million due to the growth in FIAs, higher prepayment income and higher alternative investment income. Partially offsetting these items was lower investment income on the CMO-B portfolio and lower investment income due to the continuing runoff of the Annual Reset/MYGAs and reductions in required capital.

Fee income increased $3.2 million from $11.8 million to $15.0 million primarily due to growth in assets of mutual fund custodial products. Average assets of the mutual fund custodial product increased 34% from $2.9 billion in the third quarter of 2013 to $3.9 billion in the third quarter of 2014 due to positive net flows and market performance.

Premiums increased $35.2 million from $7.5 million to $42.7 million primarily due to higher premiums in immediate annuities with life contingencies.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $21.9 million from $182.2 million to $204.1 million primarily due to an increase in immediate annuities with life contingencies and an increase in interest credited due to an increase in FIA AUM. This was partially offset by a decrease in interest credited, driven by a

decline in the Annual Reset/MYGAs and lower amortization on sales inducements. The change in mix of business between Annual Reset/MYGA and FIA had a favorable impact on total interest credited, since option costs of FIAs are lower than credited rates on Annual Reset/MYGA.

Operating expenses increased $3.1 million from $31.7 million to $34.8 million primarily due to higher FIA and mutual fund commissions.

Net amortization of DAC/VOBA increased $19.0 million from $8.4 million to $27.4 million primarily due to lower favorable DAC/VOBA unlocking in the current period resulting from prospective assumption changes. Excluding the impact from unlocking, Net amortization of DAC/VOBA decreased primarily due to lower amortization rates resulting from an update to margin projections in the third quarter 2013.

Operating earnings before income taxes

Operating earnings before income taxes decreased $18.5 million from $96.8 million to $78.3 million primarily driven by net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period and lower favorable intangible unlocking in the current period resulting from prospective assumption changes. Excluding these impacts, Operating earnings before income taxes increased as a result of several factors including improved margins related to the change in mix of business between Annual Reset/MYGA and FIAs, an increase in Fee income and a lower amortization rate on DAC/VOBA and other intangibles.

Annuities - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $37.8 million from $866.5 million to $828.7 million primarily due to $19.0 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding the impact of Lehman Recovery/LIHTC, investment income decreased $18.8 million due to lower investment income on the CMO-B portfolio, lower prepayment fee income and the impact of the continuing runoff of the Annual Reset/MYGAs and reductions in required capital. Partially offsetting these items were higher investment income resulting from the growth in FIAs and higher alternative asset investment income.

Fee income increased $9.5 million from $32.9 million to $42.4 million primarily due to growth in assets of mutual fund custodial products.

Premiums increased $122.3 million from $22.0 million to $144.3 million primarily due to higher premiums in immediate annuities with life contingencies.

Other revenue increased $5.1 million from $9.3 million to $14.4 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 increased $80.8 million from $550.5 million to $631.3 million primarily driven by the increase in immediate annuities with life contingencies and an increase in interest credited due to an increase in FIA AUM. This was partially offset by a decrease in interest credited, driven by a decline in the Annual Reset/MYGAs and lower amortization on sales inducements. The change in mix of business between Annual Reset/MYGA and FIA had a favorable impact on total interest credited, since option costs of FIAs are lower than credited rates on Annual Reset/MYGA.

Operating expenses increased $12.0 million from $94.9 million to $106.9 million primarily due to higher FIA and mutual fund commissions and higher distribution expenses.

Net amortization of DAC/VOBA increased $19.6 million from $74.7 million to $94.3 million primarily due to lower favorable DAC/VOBA unlocking in the current period resulting from prospective assumption changes. Excluding the impact from unlocking, Net amortization of DAC/VOBA decreased primarily due to lower amortization rates resulting from an update to margin projections in third quarter 2013.

Operating earnings before income taxes

Operating earnings before income taxes decreased $13.3 million from $210.6 million to $197.3 million primarily driven by net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period and lower favorable intangible unlocking in the current period resulting from prospective assumption changes. Excluding these impacts,

Operating earnings before income taxes increased as a result of several factors including improved margins related to the change in mix of business between Annual Reset/MYGA and FIAs, an increase in Fee income and a lower amortization rate on DAC/VOBA and other intangibles.

Investment Management

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $9.0 | $16.4 | $24.3 | $25.3 |
| Fee income | 149.5 | 135.4 | 442.4 | 389.4 |
| Other revenue | 9.8 | 8.3 | 25.3 | 25.9 |
| Total operating revenues | 168.3 | 160.1 | 492.0 | 440.6 |
| Operating benefits and expenses: | | | | |
| Operating expenses | 109.7 | 106.1 | 328.7 | 315.4 |
| Total operating benefits and expenses | 109.7 | 106.1 | 328.7 | 315.4 |
| Operating earnings before income taxes | $58.6 | $54.0 | $163.3 | $125.2 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Investment Management intersegment revenues | $40.0 | $38.6 | $118.3 | $117.8 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Net gain from Lehman Recovery | $— | $11.5 | $— | $11.5 |

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

| | September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| AUM: | | |
| Institutional/retail | | |
| Investment Management sourced | $69,232.2 | $63,275.4 |
| Affiliate sourced[(1)] | 58,941.3 | 52,169.6 |
| General account | 78,503.1 | 80,260.3 |
| Total AUM | 206,676.6 | 195,705.3 |
| AUA: | | |
| Affiliate sourced[(2)] | 53,080.7 | 55,843.7 |
| Total AUM and AUA | $259,757.3 | $251,549.0 |

[(1)] Affiliate sourced AUM includes assets sourced by other segments and also reported as AUM or AUA by such other segments.

[2] Affiliate sourced AUA includes assets sourced by other segments and also reported as AUA or AUM by such other segments.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Net Flows: | | | | |
| Investment Management sourced | $(412.6) | $714.9 | $337.9 | $6,490.8 |
| Affiliate sourced | 591.4 | 1,118.6 | 2,867.4 | 1,619.8 |
| Total | $178.8 | $1,833.5 | $3,205.3 | $8,110.6 |

Investment Management - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $7.4 million from $16.4 million to $9.0 million primarily due to $11.5 million of net investment income from Lehman Recovery in the third quarter of 2013 that did not repeat in the current period partially offset by higher alternative investment income.

Fee income increased $14.1 million from $135.4 million to $149.5 million primarily due to an increase in AUM resulting in higher management and administrative fees earned. The increase in AUM is predominately driven by improved equity markets and positive net flows in recent periods, including sub-advisor replacements.

Other revenue increased $1.5 million from $8.3 million to $9.8 million primarily due to higher production and performance fees partially offset by lower servicing fees.

Operating benefits and expenses

Operating expenses increased $3.6 million from $106.1 million to $109.7 million primarily due to higher variable compensation due to growth in AUM and higher operating earnings, partially offset by lower variable expenses associated with lower sales in the current period.

Operating earnings before income taxes

Operating earnings before income taxes increased $4.6 million from $54.0 million to $58.6 million primarily due to higher Fee income due to an increase in AUM and higher alternative investment income. The increases were partially offset by the Lehman Recovery in the prior period and higher Operating expenses, including higher variable compensation associated with higher AUM.

Investment Management - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $1.0 million from $25.3 million to $24.3 million primarily due to $11.5 million of net investment income from Lehman Recovery in the third quarter of 2013 that did not repeat in the current period partially offset by higher alternative investment income.

Fee income increased $53.0 million from $389.4 million to $442.4 million primarily due to an increase in AUM resulting in higher management and administrative fees earned. The increase in AUM is predominately driven by

improved equity markets and positive net flows in recent periods, including sub-advisor replacements.

Operating benefits and expenses

Operating expenses increased $13.3 million from $315.4 million to $328.7 million primarily due to higher variable compensation due to growth in AUM and higher operating earnings, partially offset by lower variable expenses associated with lower sales in the current period.

Operating earnings before income taxes

Operating earnings before income taxes increased $38.1 million from $125.2 million to $163.3 million primarily due to higher Fee income due to an increase in AUM and higher alternative investment income. The increases were partially offset by the Lehman Recovery in the prior period and higher Operating expenses, including higher variable compensation associated with higher AUM.

Insurance Solutions - Individual Life

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $226.3 | $258.7 | $661.6 | $691.0 |
| Fee income | 269.3 | 278.4 | 838.4 | 835.2 |
| Premiums | 179.1 | 174.7 | 554.5 | 552.6 |
| Other revenue | 4.4 | 5.3 | 16.7 | 20.2 |
| Total operating revenues | 679.1 | 717.1 | 2,071.2 | 2,099.0 |
| Operating benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 632.8 | 468.7 | 1,659.9 | 1,482.7 |
| Operating expenses | 88.7 | 83.9 | 275.7 | 269.4 |
| Net amortization of DAC/VOBA | (82.2) | 47.5 | 1.3 | 138.0 |
| Interest expense | — | — | — | 1.1 |
| Total operating benefits and expenses | 639.3 | 600.1 | 1,936.9 | 1,891.2 |
| Operating earnings before income taxes | $39.8 | $117.0 | $134.3 | $207.8 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| DAC/VOBA and other intangibles unlocking[1][2] | $(7.1) | $20.2 | $(15.7) | $12.6 |
| Net gain from Lehman Recovery/LIHTC | — | 36.6 | — | 36.6 |

[1] Unlocking related to the Net gain from Lehman Recovery/LIHTC is excluded from DAC/VOBA and other intangibles unlocking for the three and nine months ended September 30, 2013.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of ($9.5) million for the three and nine months ended September 30, 2014 and $20.6 million for the three and nine months ended September 30, 2013. The net unfavorable unlocking in the current period was primarily driven by policyholder behavior assumption changes and low interest rate environment. The impact of these items was partially offset by mortality assumption updates.

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, 2014 | 2013 |
|---|---|---|
| Fee income | $(17.6) | $(5.9) |
| Interest credited and other benefits to contract owners/policyholders | (115.7) | 22.9 |
| Net amortization of DAC/VOBA | 123.8 | 3.6 |
| Total | $(9.5) | $20.6 |

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:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Sales by Product Line: | | | | |
| Universal life: | | | | |
| Guaranteed | $— | $0.1 | $— | $0.6 |
| Accumulation | 2.6 | 2.8 | 7.5 | 10.7 |
| Indexed | 16.0 | 5.8 | 37.2 | 19.2 |
| Total universal life | 18.6 | 8.7 | 44.7 | 30.5 |
| Variable life | 1.4 | 2.8 | 3.8 | 7.9 |
| Whole life | — | 0.1 | 0.1 | 0.1 |
| Term | 6.8 | 11.2 | 22.1 | 40.3 |
| Total sales by product line | $26.8 | $22.8 | $70.7 | $78.8 |
| | | | | |
| Total gross premiums | $511.3 | $488.7 | $1,535.1 | $1,494.1 |
| End of period: | | | | |
| In-force face amount | $598,128.2 | $606,756.1 | $598,128.2 | $606,756.1 |
| In-force policy count | 1,305,351 | 1,339,908 | 1,305,351 | 1,339,908 |
| New business policy count (paid) | 7,452 | 11,904 | 24,168 | 43,331 |

Individual Life - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $32.4 million from $258.7 million to $226.3 million primarily due to $43.4 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding the impact of Lehman Recovery/LIHTC, investment income increased resulting from portfolio restructuring towards higher yielding assets and higher alternative investment income.

Fee income decreased $9.1 million from $278.4 million to $269.3 million primarily due to higher unfavorable intangible unlocking in the current period resulting from prospective assumption changes. This was partially offset by an increase in cost of insurance fees on the aging in-force universal life block.

Premiums increased $4.4 million from $174.7 million to $179.1 million primarily due to continued growth in term life renewal premiums partially offset by lower first year premiums due to lower term life sales.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $164.1 million from $468.7 million to $632.8 million primarily due to unfavorable intangibles unlocking from prospective assumption changes in the current period compared to favorable unlocking in the prior period. Excluding the impact from the unlocking of intangibles, Interest credited and other benefits to contract owners/policyholders increased due to unfavorable changes in mortality, net of reinsurance, on both the term and universal life blocks.

Operating expenses increased $4.8 million from $83.9 million to $88.7 million primarily due to increased credit facility fees supporting reinsurance transactions and higher sales-related expenses due to higher sales in the current period.

Net amortization of DAC/VOBA decreased $129.7 million from $47.5 million to $(82.2) million primarily due to favorable DAC/VOBA unlocking resulting from prospective assumption changes. The favorable DAC unlocking in the current period was more than offset by other intangibles unlocking from prospective assumption changes as explained in Fee income and Interest credited and other benefits to contract owners/policyholders above. Excluding the impact from unlocking, Net amortization of DAC/VOBA decreased primarily due to lower amortization on the universal life blocks driven by lower gross profits.

Operating earnings before income taxes

Operating earnings before income taxes decreased $77.2 million from $117.0 million to $39.8 million primarily driven by net unfavorable DAC/VOBA and other intangibles unlocking from prospective assumption changes in the current period compared to favorable unlocking in the prior period and higher net investment income from Lehman Recovery/LIHTC in the third quarter of 2013. Excluding these impacts, Operating earnings before income taxes decreased slightly driven by unfavorable changes in mortality, net of reinsurance and increased credit facility fees. Partially offsetting these items was higher Net investment income due to portfolio restructuring, higher cost of insurance fees on the universal life block and lower DAC/VOBA amortization on the universal life blocks.

Individual Life - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $29.4 million from $691.0 million to $661.6 million primarily due to $43.4 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Excluding the impact of Lehman Recovery/LIHTC, investment income increased resulting from portfolio restructuring and higher alternative investment income.

Fee income increased $3.2 million from $835.2 million to $838.4 million primarily due to an increase in cost of insurance fees on the aging in-force block partially offset by unfavorable intangible unlocking resulting from prospective assumption changes.

Premiums increased $1.9 million from $552.6 million to $554.5 million primarily due to continued growth in term life renewal premiums partially offset by lower first year premiums due to lower term life sales.

Other revenue decreased $3.5 million from $20.2 million to $16.7 million primarily due to lower surrender fees on the universal life block.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $177.2 million from $1,482.7 million to $1,659.9 million primarily due to unfavorable intangibles unlocking from prospective assumption changes in the current period compared to favorable unlocking in the prior period. Excluding the impact from the unlocking of intangibles, Interest credited and other benefits to contract owners/policyholders increased due to unfavorable changes in mortality, net of reinsurance, on both the term and universal life blocks.

Operating expenses increased $6.3 million from $269.4 million to $275.7 million primarily due to increased credit facility fees supporting reinsurance transactions and a reduction in estimated variable compensation accruals in the prior period that did not repeat, partially offset by lower sales-related expenses in the current period.

Net amortization of DAC/VOBA decreased $136.7 million from $138.0 million to $1.3 million primarily due to favorable DAC/VOBA unlocking resulting from prospective assumption changes. The favorable DAC unlocking in the current period was more than offset by other intangibles unlocking from prospective assumption changes as explained in Fee income and Interest credited and other benefits to contract owners/policyholders above. Excluding the impact from unlocking, Net amortization of DAC/VOBA decreased primarily due to lower amortization on the universal life blocks driven by lower gross profits.
Operating earnings before income taxes

Operating earnings before income taxes decreased $73.5 million from $207.8 million to $134.3 million primarily driven by net unfavorable DAC/VOBA and other intangibles unlocking from prospective assumption changes in the current period compared to favorable unlocking in the prior period and higher net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat. Excluding these impacts, Operating earnings before taxes decreased slightly driven by unfavorable changes in mortality, net of reinsurance and increased credit facility fees. Partially offsetting these items was higher Net investment income due to portfolio restructuring, higher cost of insurance fees on the universal life block, continued growth in term life renewal premiums and lower DAC/VOBA amortization on the universal life blocks.

Insurance Solutions - Employee Benefits

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $29.1 | $32.1 | $83.5 | $88.4 |
| Fee income | 23.9 | 15.5 | 54.2 | 47.1 |
| Premiums | 293.7 | 269.6 | 892.8 | 813.5 |
| Other revenue | (0.8) | (1.0) | (3.2) | (3.0) |
| Total operating revenues | 345.9 | 316.2 | 1,027.3 | 946.0 |
| Operating benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 235.7 | 223.7 | 719.8 | 679.5 |
| Operating expenses | 60.9 | 58.5 | 190.2 | 179.0 |
| Net amortization of DAC/VOBA | 12.3 | 4.9 | 25.6 | 11.9 |
| Total operating benefits and expenses | 308.9 | 287.1 | 935.6 | 870.4 |
| Operating earnings before income taxes | $37.0 | $29.1 | $91.7 | $75.6 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| DAC/VOBA and other intangibles unlocking | $(1.4) | $— | $(7.8) | $— |
| Net gain from Lehman Recovery/LIHTC | — | 4.0 | — | 4.0 |

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of ($1.4) million for the three and nine months ended September 30, 2014. There was no DAC/VOBA and other intangibles unlocking related to the annual review of the assumptions for the three and nine months ended

September 30, 2013. 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:

| | Three and Nine Months Ended September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| Fee income | $7.7 | $— |
| Net amortization of DAC/VOBA | (9.1) | — |
| Total | $(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:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Sales by Product Line: | | | | |
| Group life | $7.2 | $7.3 | $48.8 | $52.9 |
| Group stop loss | 21.8 | 38.1 | 213.6 | 139.4 |
| Other group products | 1.3 | 2.8 | 12.3 | 17.0 |
| Total group products | 30.3 | 48.2 | 274.7 | 209.3 |
| Voluntary products | 5.2 | 4.0 | 31.8 | 18.1 |
| Total sales by product line | $35.5 | $52.2 | $306.5 | $227.4 |
| | | | | |
| Total gross premiums and deposits | $340.6 | $316.2 | $1,031.8 | $947.0 |
| Total annualized in-force premiums | 1,398.2 | 1,292.4 | 1,398.2 | 1,292.4 |
| | | | | |
| Loss Ratios: | | | | |
| Group life (interest adjusted) | 75.4% | 82.1% | 77.3% | 81.0% |
| Group stop loss | 72.1% | 72.8% | 72.3% | 74.2% |

Employee Benefits - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $3.0 million from $32.1 million to $29.1 million primarily due to $4.0 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period.
Fee income increased $8.4 million from $15.5 million to $23.9 million primarily due to favorable intangible unlocking in the unearned revenue reserve resulting from prospective assumption changes. This was offset by unfavorable DAC/VOBA unlocking from prospective assumption changes as discussed below.
Premiums increased $24.1 million from $269.6 million to $293.7 million primarily due to the effects of higher sales of group stop loss and voluntary products in the first quarter of 2014. These increases were partially offset by lower group life premiums.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $12.0 million from $223.7 million to $235.7 million primarily due to higher stop loss volumes, resulting in higher benefits incurred, along with slightly

higher voluntary benefits incurred as a result of the increase in volumes in the Compass product. These increases were partially offset by improved loss ratios.

Operating expenses increased $2.4 million from $58.5 million to $60.9 million primarily due to higher sales-related expenses from higher sales of the group stop loss and voluntary products in the first quarter of 2014.
Net amortization of DAC/VOBA increased $7.4 million from $4.9 million to $12.3 million primarily due to unfavorable DAC/VOBA unlocking resulting from prospective assumption changes. The unfavorable DAC unlocking in the current period is partially offset by the unlocking explained in Fee income above.

Operating earnings before income taxes

Operating earnings before income taxes increased $7.9 million from $29.1 million to $37.0 million primarily due to improved loss ratios and higher stop loss premiums resulting from strong sales in the first quarter of 2014. This was partially offset by lower net investment income due to the Lehman Recovery/LIHTC in the prior period that did not repeat in the current period.

Employee Benefits - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating revenues

Net investment income and net realized gains decreased $4.9 million from $88.4 million to $83.5 million primarily due to $4.0 million of net investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period.
Fee income increased $7.1 million from $47.1 million to $54.2 million primarily due to favorable intangible unlocking in the unearned revenue reserve resulting from prospective assumption changes. This was offset by unfavorable DAC/VOBA unlocking from prospective assumption changes as discussed below.
Premiums increased $79.3 million from $813.5 million to $892.8 million primarily due to higher sales of group stop loss and voluntary products. These increases were partially offset by lower group life premiums.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $40.3 million from $679.5 million to $719.8 million primarily due to higher stop loss volumes, resulting in higher benefits incurred, along with slightly higher voluntary benefits as a result of the increase in volumes in the Compass product. Partially offsetting these items were improved loss ratios in group life and stop loss.

Operating expenses increased $11.2 million from $179.0 million to $190.2 million primarily due to higher sales related commission and administrative expenses for group stop loss and voluntary products in the current period and a reduction in estimated variable compensation accruals in the prior period.

Net amortization of DAC/VOBA increased $13.7 million from $11.9 million to $25.6 million primarily due to unfavorable DAC/VOBA unlocking resulting from prospective assumption changes. The unfavorable DAC unlocking in the current period is partially offset by the unlocking explained in Fee income above. Excluding the impact from the unlocking, Net Amortization of DAC/VOBA increased primarily due to increased amortization resulting from terminated cases.

Operating earnings before income taxes

Operating earnings before income taxes increased $16.1 million from $75.6 million to $91.7 million primarily due to improved loss ratios and higher stop loss premiums resulting from strong sales in January 2014. Partially offsetting this was higher Operating expenses, increased Net amortization of DAC/VOBA resulting from terminated cases and lower net investment income due to the Lehman Recovery/LIHTC in the prior period that did not repeat in the current period.

Corporate

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Interest expense | $(46.8) | $(47.6) | $(140.5) | $(132.7) |
| Closed Block Variable Annuity contingent capital LOC | — | — | — | (18.4) |
| Amortization of intangibles | (9.2) | (8.7) | (26.4) | (26.3) |
| Other | 8.9 | (7.4) | 44.2 | 10.8 |
| Operating earnings before income taxes | $(47.1) | $(63.7) | $(122.7) | $(166.6) |

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, 2014 Compared to Three Months Ended September 30, 2013

Operating earnings before income taxes changed $16.6 million from $(63.7) million to $(47.1) million primarily related to lower expenses.

Corporate - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Operating earnings before income taxes changed $43.9 million from $(166.6) million to $(122.7) million primarily related to charges associated with our CBVA segment, including lower LOC expenses in the current period due to the termination of the contingent capital letter of credit facility supporting our CBVA segment on May 14, 2013, higher investment income on the alternative investment portfolio and lower expenses. Offsetting these items is an increase in Interest Expense driven by a change in debt structure during the second half of 2013. See a description of the change in debt structure under "Debt Securities."

Closed Blocks

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Closed Block Institutional Spread Products | $8.5 | $8.7 | $20.5 | $41.7 |
| Closed Block Other | 2.0 | 5.8 | 1.4 | 12.2 |
| Operating earnings before income taxes | $10.5 | $14.5 | $21.9 | $53.9 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $18.4 | $22.8 | $52.2 | $86.8 |
| Premiums | 0.6 | 0.6 | 1.8 | 1.8 |
| Other revenue | (0.4) | (0.3) | (0.8) | (0.9) |
| Total operating revenues | 18.6 | 23.1 | 53.2 | 87.7 |
| Operating benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 7.5 | 11.9 | 23.8 | 38.1 |
| Operating expenses | 2.5 | 2.4 | 8.6 | 7.6 |
| Net amortization of DAC/VOBA | 0.1 | 0.1 | 0.3 | 0.3 |
| Total operating benefits and expenses | 10.1 | 14.4 | 32.7 | 46.0 |
| Operating earnings before income taxes | $8.5 | $8.7 | $20.5 | $41.7 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Net investment income and net realized gains (losses) | $6.0 | $7.1 | $18.1 | $19.1 |
| Premiums | 0.6 | 0.4 | 3.4 | 2.4 |
| Other revenue | 0.2 | 0.1 | 0.3 | 0.6 |
| Total operating revenues | 6.8 | 7.6 | 21.8 | 22.1 |
| Operating benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 0.4 | (0.8) | 8.5 | (1.3) |
| Operating expenses | 4.4 | 2.6 | 11.9 | 11.2 |
| Total operating benefits and expenses | 4.8 | 1.8 | 20.4 | 9.9 |
| Operating earnings before income taxes | $2.0 | $5.8 | $1.4 | $12.2 |

Closed Blocks - Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Closed Block Institutional Spread Products

Operating earnings before income taxes decreased $0.2 million from $8.7 million to $8.5 million primarily due to lower earnings resulting from decreases in the block size partially offset by higher net margins due to shifts in the mix of asset and liabilities. The average block size based on AUM declined approximately 43% from $3.5 billion as of September 30, 2013 to $2.0 billion as of September 30, 2014.

Closed Block Other

Operating earnings before income taxes decreased $3.8 million from $5.8 million to $2.0 million due to higher operating expenses in the current period related to the accrual for a contingency and less favorable reserve

development in the retained portion of the group reinsurance business compared to the prior period. Also contributing is lower investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period.

Closed Blocks - Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Closed Block Institutional Spread Products

Operating earnings before income taxes decreased $21.2 million from $41.7 million to $20.5 million primarily due to lower earnings resulting from decreases in the block size and higher accretion income in the first half of 2013 on previously impaired securities, which did not reoccur at the same level in the current period. The average block size based on AUM declined approximately 41% from $3.7 billion as of September 30, 2013 to $2.2 billion as of September 30, 2014.

Closed Block Other

Operating earnings before income taxes decreased $10.8 million from $12.2 million to $1.4 million primarily due to less favorable reserve development in the retained portion of the group reinsurance business compared to the prior period and lower investment income from Lehman Recovery/LIHTC in the third quarter of 2013 that did not repeat in the current period. Also contributing is higher operating expenses in the current period related to the accrual for a contingency offset by higher premiums due to a true-up of estimated premiums due to us from a third party administrator for the group reinsurance business.

Closed Block Variable Annuity

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| Net investment income | $43.0 | $28.8 | $116.7 | $68.1 |
| Fee income | 316.2 | 325.3 | 948.8 | 955.3 |
| Premiums | 76.0 | 38.8 | 219.2 | 38.8 |
| Net realized capital gains (losses) | 222.1 | (463.0) | (238.4) | (1,647.8) |
| Other revenue | 3.3 | 4.0 | 11.0 | 15.2 |
| Total revenues | 660.6 | (66.1) | 1,057.3 | (570.4) |
| Benefits and expenses: | | | | |
| Interest credited and other benefits to contract owners/policyholders | 429.3 | (37.6) | 618.6 | 12.6 |
| Operating expenses and interest expense | 116.9 | 119.2 | 357.6 | 347.9 |
| Net amortization of DAC/VOBA | (16.6) | 19.7 | 14.0 | 52.0 |
| Total benefits and expenses | 529.6 | 101.3 | 990.2 | 412.5 |
| Income (loss) before income taxes | $131.0 | $(167.4) | $67.1 | $(982.9) |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Net gains (losses) related to incurred guaranteed benefits and guarantee hedge program, excluding nonperformance risk | $(334.8) | $(366.3) | $(830.6) | $(1,227.6) |
| Gain (losses) related to capital hedge overlay ("CHO") program[1] | (7.5) | (40.7) | (61.6) | (244.8) |

| | | | | |
|---|---|---|---|---|
| Gain (loss) due to nonperformance risk | 187.3 | 5.2 | 184.6 | (222.8) |
| Net investment gains (losses) | (0.2) | (3.7) | (1.5) | 13.3 |
| DAC/VOBA and other intangibles unlocking | 37.8 | (4.3) | 39.8 | (6.3) |

[1] Capital Hedge Overlay ("CHO").

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

| | September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| AUM | | |
| General account | $1,795.2 | $1,379.7 |
| Separate account | 41,755.0 | 43,047.2 |
| Total AUM | $43,550.2 | $44,426.9 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Balance as of beginning of period | $44,223.4 | $42,635.2 | $44,788.2 | $42,590.6 |
| Deposits | 34.9 | 61.0 | 135.9 | 215.5 |
| Surrenders, benefits and product charges | (1,260.1) | (1,097.2) | (3,804.1) | (3,330.2) |
| Net flows | (1,225.2) | (1,036.2) | (3,668.2) | (3,114.7) |
| Interest credited and investment performance | (760.0) | 2,009.4 | 1,118.2 | 4,132.5 |
| Balance as of end of period | $42,238.2 | $43,608.4 | $42,238.2 | $43,608.4 |
| | | | | |
| End of period contracts in payout status | $1,312.0 | $818.5 | $1,312.0 | $818.5 |
| Total balance as of end of period* | $43,550.2 | $44,426.9 | $43,550.2 | $44,426.9 |

* Includes products in accumulation and payout phase, policy loans and life insurance business.

Closed Block Variable Annuity - Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Income (loss) before income taxes increased $298.4 million from $(167.4) million to $131.0 million. Annual assumption changes and revisions to projection model inputs implemented during the current period 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 Guaranteed Minimum Withdrawal Benefit for Life ("GMWBL") contracts, partially offset by an unfavorable result from an update to lapse assumptions. The prior period result included a loss of $185.3 million (excluding a gain of $144.6 million due to changes in the technique used to estimate nonperformance risk) due to annual assumption changes. This $185.3 million loss included an unfavorable $117.9 million resulting from changes to mortality assumptions and an unfavorable $85.5 million resulting from policyholder behavior assumption changes.

The current period results included a $182.1 million favorable variance due to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk, from gains of $5.2 million in the prior period to $187.3 million in the current period, including the effects of changes in the technique used to estimate nonperformance risk. DAC/VOBA and other intangibles unlocking improved by $42.1 million, from a loss of $4.3 million in the prior period to a gain of $37.8 million in the current year period, mainly due to favorable impacts of assumption changes mentioned above. Net losses related to the incurred guaranteed benefits and our guarantee hedge program decreased to a loss of $334.8 million in the current period compared to a loss of $366.3 million in the prior period. The modest improvement of $31.5 million was primarily due to favorable impacts of assumption changes, mentioned above, partially offset by equity fund underperformance and unfavorable implied volatility movements in the current period. Lower equity market returns led to a favorable variance on our CHO program of $33.2 million, from a loss of $40.7 million to a loss of $7.5 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, the increase in Net investment income is primarily due to a higher earned rate, and higher premiums associated with the annuitization of life contingent contracts are offset by a reserve increase in the corresponding Interest credited and other benefits to contract owners/policyholders.

Closed Block Variable Annuity - Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Income (loss) before income taxes increased $1,050.0 million from $(982.9) million to $67.1 million. Annual assumption changes and revisions to projection model inputs implemented during the current period 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 favorable 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 utilization assumption on GMWBL contracts, partially offset by an unfavorable result from an update to lapse assumptions. The prior period result included a loss of $185.3 million (excluding a gain of $144.6 million due to changes in the technique used to estimate nonperformance risk) due to annual assumption changes. This $185.3 million loss included an unfavorable $117.9 million resulting from changes to mortality assumptions and an unfavorable $85.5 million resulting from policyholder behavior assumption changes.

The current period results included a $407.4 million favorable variance due to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk, from a loss of $222.8 million in the prior period to gain of $184.6 million in the current period, including the effects of changes in the technique used to estimate nonperformance risk. DAC/VOBA and other intangibles unlocking improved by $46.1 million, from a loss of $6.3 million in the prior period to a gain of $39.8 million in the current period, mainly due to favorable impacts of assumption changes mentioned above. Net losses related to the incurred guaranteed benefits and our guarantee hedge program decreased to a loss of $830.6 million in the current year compared to a loss of $1,227.6 million in the prior period. The improved result of $397.0 million was primarily due to favorable impacts of assumption changes, mentioned above, and lower losses due to lower equity market returns as our guarantee hedges backing reserves are more sensitive to changes in equity markets than those reserves. These items were partially offset by higher losses due to declining interest rates in the current period. Lower equity market returns also led to a favorable variance on our CHO program of $183.2 million, from a loss of $244.8 million to a loss of $61.6 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, the increase in Net investment income is primarily due to a higher earned rate, and higher premiums associated with the annuization of life contingent contracts are offset by a reserve increase in the corresponding Interest credited and other benefits to contract owners/policyholders. The prior period included gains on the sale of securities that did not recur in the current period.

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 in 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/LIHTC in the prior period.

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, 2014 and 2013, respectively, and the average assets of alternative investments as of the dates indicated:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Retirement | | | | |
| Alternative investment income | $12.8 | $7.5 | $26.9 | $23.8 |
| Average alternative investment | 346.0 | 267.1 | 300.4 | 261.0 |
| Annuities | | | | |
| Alternative investment income | 10.3 | 4.5 | 22.1 | 16.5 |
| Average alternative investment | 214.4 | 171.5 | 194.7 | 179.8 |
| Investment Management | | | | |
| Alternative investment income | 9.0 | 4.9 | 24.3 | 13.8 |
| Average alternative investment | 145.6 | 124.2 | 144.7 | 122.9 |
| Individual Life | | | | |
| Alternative investment income | 8.2 | 3.4 | 17.8 | 13.1 |
| Average alternative investment | 156.0 | 127.7 | 138.4 | 132.9 |
| Employee Benefits | | | | |
| Alternative investment income | 1.5 | 0.8 | 3.0 | 2.5 |
| Average alternative investment | 33.2 | 25.1 | 28.1 | 24.8 |
| Total Ongoing Business | | | | |
| Alternative investment income | 41.8 | 21.1 | 94.1 | 69.7 |
| Average alternative investment | 895.2 | 715.6 | 806.3 | 721.4 |
| Corporate | | | | |
| Alternative investment income | 3.7 | 4.8 | 12.9 | 1.8 |
| Average alternative investment | 108.0 | 95.8 | 105.9 | 96.5 |
| Closed Blocks[1] | | | | |
| Alternative investment income | 1.6 | 2.5 | 4.0 | 6.7 |
| Average alternative investment | 38.0 | 58.8 | 34.2 | 60.2 |
| Total Voya Financial, Inc. | | | | |
| Alternative investment income | 47.1 | 28.4 | 111.0 | 78.2 |
| Average alternative investment | $1,041.2 | $870.2 | $946.4 | $878.1 |

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

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 in relation to the emergence of 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 income to reflect changes in the period of the revision. An unlocking event that results in a benefit ("favorable unlocking") generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. Changes in DAC, VOBA, 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, 2014 and 2013.

During the third quarter of 2014, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for Investment Management, 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 $19.3 million to Operating earnings before income taxes in the current period, compared to a favorable impact of $84.8 million in the third quarter of 2013. These are included in the DAC/VOBA and other intangibles unlocking.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| Retirement | $(30.4) | $40.0 | $(34.6) | $41.6 |
| Annuities | 17.8 | 39.6 | 27.5 | 56.5 |
| Individual Life | (7.1) | 20.2 | (15.7) | 12.6 |
| Employee Benefits | (1.4) | — | (7.8) | — |
| Total DAC/VOBA and other intangibles unlocking[1] | $(21.1) | $99.8 | $(30.6) | $110.7 |

[1] Unlocking related to the Net gain from Lehman Recovery/LIHTC is excluded from DAC/VOBA and other intangibles unlocking for the three and nine months ended September 30, 2013.

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| ($ in millions) | 2014 | 2013 | 2014 | 2013 |
| CBVA | $37.8 | $(4.3) | $39.8 | $(6.3) |
| Ongoing Business | 25.4 | 24.2 | 73.9 | 68.7 |
| Total | $63.2 | $19.9 | $113.7 | $62.4 |

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, 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:

| | Nine Months Ended September 30, | |
|---|---|---|
| ($ in millions) | 2014 | 2013 |
| Beginning cash and cash equivalents balance | $640.2 | $357.5 |
| Sources: | | |
| Dividends and returns of capital from subsidiaries | 797.0 | 1,434.0 |
| Repayment of loans to subsidiaries, net of new issuances | 5.0 | — |
| Proceeds from Senior Notes offering | — | 1,000.0 |
| Proceeds from 2053 Notes offering | — | 750.0 |
| Proceeds from 2043 Notes offering | — | 400.0 |
| Proceeds from Initial Public Offering | — | 571.6 |
| Amounts received from subsidiaries under tax sharing arrangements, net | — | 250.7 |
| Total sources | 802.0 | 4,406.3 |
| Uses: | | |
| Payment of interest expense | 119.6 | 69.6 |
| Capital provided to subsidiaries | 150.0 | 2,062.0 |
| Repayments of loans from subsidiaries, net of new issuances | — | 319.1 |
| Repayment of commercial paper, net of issuances | — | 192.0 |
| Repayment of credit facility borrowings | — | 1,350.0 |
| New issuances of loans to subsidiaries, net of repayments | — | 272.2 |
| Amounts paid to subsidiaries under tax sharing arrangements, net | 13.2 | — |
| Payment of income taxes, net | 42.9 | — |
| Common stock acquired - Share repurchase | 614.4 | — |
| Share-based compensation | 14.8 | — |
| Dividends paid | 7.7 | — |
| Other, net | 5.6 | 34.6 |
| Total uses | 968.2 | 4,299.5 |
| Net increase in cash and cash equivalents | (166.2) | 106.8 |
| Ending cash and cash equivalents balance | $474.0 | $464.3 |

Liquidity

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

Description of Certain Indebtedness

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

We did not have any short-term debt borrowings outstanding as of September 30, 2014. The following table summarizes our borrowing activities for the nine months ended September 30, 2014:

| ($ in millions) | Beginning Balance | Issuance | Maturities and Repayment | Other Changes | Ending Balance |
|---|---|---|---|---|---|
| Long-Term Debt: | | | | | |
| Debt securities | $3,509.8 | $— | $— | $0.8 | $3,510.6 |
| Windsor property loan | 4.9 | — | — | — | 4.9 |
| Subtotal | 3,514.7 | — | — | 0.8 | 3,515.5 |
| Less: Current portion of long-term debt | — | — | — | — | — |
| Total long-term debt | $3,514.7 | $— | $— | $0.8 | $3,515.5 |

Debt Securities

Senior Notes. As of September 30, 2014, 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. For additional information on our Senior Notes, see the Financing Agreements Note in our Condensed Consolidated Financial Statements in Part I., Item 1. of this Form 10-Q.

Junior Subordinated Notes. As of September 30, 2014, 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.

Aetna Notes. As of September 30, 2014 and December 31, 2013, Voya Holdings had outstanding $163.0 million principal amount of 7.25% Debentures due August 15, 2023, $235.1 million principal amount of 7.63% Debentures due August 15, 2026 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 benefit from a guarantee by Voya Financial, Inc.

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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 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. As of September 30, 2014, the outstanding principal amount of Aetna Notes guaranteed by ING Group was $506.1 million.

Senior Unsecured Credit Facility

Amended and Restated Credit Agreement. On February 14, 2014, Voya Financial, Inc. 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: 1) extending the term of the agreement to February 14, 2018; 2) reducing the total amount of LOCs that may be issued from $3.5 billion to $3.0 billion and 3) reducing the current cost of LOC issuance fees from 200 bps to 175 bps. The revolving credit sublimit of $750.0 million present in the original agreement remains unchanged. ING Bank, N.V. ("ING Bank"), an affiliate, acted as Joint Lead Arranger, Joint Book Manager and Documentation Agent and received $0.7 million for its services and participation in the syndicate.

As of September 30, 2014, there were no amounts outstanding as revolving credit borrowings and $684.9 million in letters of credit outstanding.

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 will remain 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 puts into place its own collateral for such reserve requirements. Hannover Re reimburses us for a portion of our fees for these credit facilities. We refer to this block as the Hannover Re block and its results are reported as part of the Closed Block Other segment.

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, 2014, there was no LOC requirement and the actual amount of the LOCs outstanding was $225.0 million.

In addition to the $5.2 billion of Individual Life, Hannover Re block and CBVA credit facilities utilized, $485.3 million of LOCs were outstanding to support miscellaneous requirements. In total, $5.7 billion of credit facilities were utilized as of September 30, 2014. As of September 30, 2014, the capacity of our unsecured and uncommitted credit facilities totaled $1.7 million and the capacity of our unsecured and committed credit facilities totaled $9.7 billion. We also have approximately $265.0 million in secured facilities.

The following table summarizes our credit facilities, their dates of expiration, capacity and utilization as of September 30, 2014:

($ 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 | $684.9 | $2,315.1 |
| | Individual Life | | | | | 386.0 | |
| | CBVA | | | | | 225.0 | |
| | Other | | | | | 73.9 | |
| SLDI | Retirement Solutions | Unsecured | Committed | 01/24/2018 | 150.0 | 150.0 | — |
| Voya Financial, Inc./ Langhorne I, LLC | Retirement Solutions | Unsecured | Committed | 01/15/2019 | 500.0 | — | 500.0 |
| Voya Financial, Inc. / SLDI | Hannover Re block | Unsecured | Committed | 11/09/2021 | 750.0 | 750.0 | — |
| SLDI | Hannover Re block | Unsecured | Committed | 10/29/2021 | 1,125.0 | 700.1 | 424.9 |
| Voya Financial, Inc. / SLDI | Hannover Re block | Unsecured | Committed | 12/27/2022 | 750.0 | 750.0 | — |
| Voya Financial, Inc. / SLDI | Hannover Re block | Unsecured | Committed | 12/29/2023 | 250.0 | 250.0 | — |
| ReliaStar Life Insurance Company | Institutional Spread Products | Secured | Committed | Conditional | 255.0 | 255.0 | — |
| Voya Financial, Inc. / SLDI | Individual Life | Unsecured | Committed | 12/31/2025 | 475.0 | 475.0 | — |
| Voya Financial, Inc. | Other | Unsecured | Uncommitted | Various | 1.7 | 1.7 | — |
| Voya Financial, Inc. | Other | Secured | Uncommitted | Various | 10.0 | 4.7 | — |
| Voya Financial, Inc. / Roaring River II, LLC | Individual Life | Unsecured | Committed | 12/31/2021 | 995.0 | 660.0 | 335.0 |
| Voya Financial, Inc. / Roaring River III, LLC | Individual Life | Unsecured | Committed | 06/30/2022 | 1,151.2 | 696.0 | 455.2 |
| Voya Financial, Inc. / Roaring River IV, LLC | Individual Life | Unsecured | Committed | 12/31/2028 | 565.0 | 297.0 | 268.0 |

| | | | |
|---|---|---|---|
| Total | $9,977.9 | $5,674.4 | $4,298.2 |

Total fees associated with credit facilities for the three months ended September 30, 2014 and 2013 were $29.1 million and $33.8 million, respectively. Total fees associated with credit facilities for the nine months ended September 30, 2014 and 2013 were $86.5 million and $119.5 million, respectively.

Effective January 1, 2014, the reinsurance agreements with Whisperingwind III, LLC ("Whisperingwind III") were novated to Roaring River IV, LLC ("Roaring River IV"), our wholly owned captive reinsurance subsidiary, which completed a transaction with a third-party bank to provide up to $565.0 million of statutory reserve financing through a trust note which matures December 31, 2028. The trust note replaced $330.0 million of letters of credit associated with the Whisperingwind III reinsurance agreements which were cancelled in January 2014.

Effective January 15, 2014, Langhorne I, our wholly owned captive reinsurance subsidiary, completed a financing arrangement with a third-party trust to provide up to $500.0 million of trust note collateral funding. The financing arrangement is designed to manage reserve and capital requirements in connection with the stable value business and matures on January 15, 2019.

Effective January 24, 2014, SLDI entered into a letter of credit facility agreement with a third-party bank providing 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.

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, 2014. 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, the existing financing will be periodically extended or replaced and increased as each block grows toward the peak reserve requirement noted below.

Individual Life

| ($ in millions)<br>Obligor / Applicant | Financing Structure | Reserve Type | Expiration | Capacity | Utilization |
|---|---|---|---|---|---|
| Voya Financial, Inc. | Credit Facility | XXX | 02/14/2018 | $386.0 | $386.0 |
| Voya Financial, Inc. / Roaring River III, LLC | Trust Note | XXX | 06/30/2022 | 1,151.2 | 696.0 |
| Voya Financial, Inc. / Roaring River IV, LLC | Trust Note | AG38 | 12/31/2028 | 565.0 | 297.0 |
| 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 | 660.0 |
| Total | | | | $3,572.2 | $2,514.0 |

The peak financing requirement for the Individual Life liabilities above is expected to reach approximately $4.0 billion during the period 2020 - 2025.

Hannover Re block

| ($ in millions)<br>Obligor / Applicant | Financing Structure | Reserve Type | Expiration | Capacity | Utilization |
|---|---|---|---|---|---|
| Voya Financial, Inc. / SLDI | Collateral Note | XXX/AG38 | 11/09/2021 | $750.0 | $750.0 |
| Voya Financial, Inc. / SLDI | Collateral Note | XXX/AG38 | 12/27/2022 | 750.0 | 750.0 |
| SLDI | LOC Facility | XXX/AG38 | 10/29/2021 | 1,125.0 | 700.1 |
| Voya Financial, Inc. / SLDI | LOC Facility | XXX/AG38 | 12/29/2023 | 250.0 | 250.0 |
| Total | | | | $2,875.0 | $2,450.1 |

The peak financing requirement for the Hannover Re block is expected to reach approximately $2.5 billion in 2016.

Closed Block Variable Annuity

| ($ in millions)<br>Obligor / Applicant | Financing Structure | Product | Expiration | Utilization |
|---|---|---|---|---|
| Voya Financial, Inc. / SLDI | Credit Facility | GMWBL/GMIB | 02/14/2018 | $225.0 |
| Total | | | | $225.0 |

Voya Financial, Inc. Credit Support of Subsidiaries

As of September 30, 2014, Voya Financial, Inc. supported the reinsurance obligations of its reinsurance subsidiaries with $674.2 million in LOCs.

Voya Financial, Inc. also maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries. As of September 30, 2014, such facilities provided for up to $2.7 billion of capacity, of which $1.7 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.

In connection with certain reinsurance transactions involving a third-party trust (the "Master Trust"), Voya Financial, Inc. and SLDI are parties to reimbursement agreements with third-party banks that lend securities to the Master Trust. SLDI has reimbursement obligations to the banks under these agreements, in an aggregate amount of up to $1.5 billion as of September 30, 2014, which obligations are guaranteed by Voya Financial, Inc. Voya Financial, Inc. also provides an indemnification to the third-party banks with respect to any defaults by the Master Trust under the securities lending agreements under which these banks lend securities to the Master Trust, up to $1.5 billion. These agreements and the related indemnification were entered into to facilitate collateral requirements supporting reinsurance and are effective for the duration that the collateral remains outstanding.

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, 2014 is $24.8 million. The maximum potential obligation is not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these guarantees.

Voya Financial, Inc. guarantees the obligations of Voya Holdings under the $13.0 million principal amount Equitable Notes maturing in 2027 as well as $506.1 million combined principal amount of Aetna Notes. For more information see “Debt Securities” above. From time to time, Voya Financial, Inc. may also have outstanding guarantees of various obligations of its subsidiaries.

We did not recognize any asset or liability as of September 30, 2014 in relation to intercompany indemnifications and support agreements. As of September 30, 2014, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

Credit Support Provided by Other Subsidiaries of Voya Financial, Inc.

RLI and SLD, indirect and direct subsidiaries of Voya Financial, Inc., respectively, guarantee a reinsurance contract entered into by SLDI with respect to SLDI's reinsurance of $239.3 million of the principal and interest of a bond insured by an unrelated insurance company. The bond payments are supported by the insurer's closed block. Surplus from the closed block, in the form of dividends, is used to pay the bond principal and interest.

In order to collateralize obligations under this treaty, RLI provided a LOC of $255.0 million issued by the FHLB of Des Moines to the unrelated insurer which is secured by assets pledged by RLI to FHLB. As of September 30, 2014 and December 31, 2013, the LOC is collateralized by assets with a market value of approximately $299.8 million and $294.1 million, respectively.

ING Group Credit Support

As described above, certain of our indebtedness benefits from a guarantee provided by ING Group. As of September 30, 2014, the indebtedness for which ING Group or NN Group provided guarantees consisted of $506.1 million aggregate principal amount of Aetna Notes issued by Voya Holdings.

Previously NN Group (as successor to ING V) provided a guarantee of an LOC issued by ING Bank and used to support the reinsurance obligations of certain of our captive reinsurance subsidiaries. On January 14, 2014, the LOC was cancelled and the corresponding guarantee obligation of NN Group was extinguished.

Borrowings from Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are equal to 2%-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, 2014, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was $2.4 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, 2014, there were no amounts borrowed from our subsidiaries. As of that same date, we lent $206.3 million to our subsidiaries.

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 certain of our securities guaranteed by our shareholder, ING Group, could be influenced by ING Group’s ratings. A downgrade of the credit ratings of ING Group could result in downgrades of these securities.

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

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

| | Rating Agency | | | |
|---|---|---|---|---|
| | A.M. Best | Fitch, Inc. | Moody's Investors Service, Inc. | Standard & Poor's |
| Company | ("A.M. Best") | ("Fitch") | ("Moody's") | ("S&P") |
| Voya Financial, Inc. (Long-term Issuer Credit) | bbb (4 of 10) | BBB (4 of 11) | Baa3 (4 of 9) | BBB- (4 of 11) |
| Voya Financial, Inc. (Senior Unsecured Debt)[1] | bbb (4 of 10) | BBB- (4 of 9) | Baa3 (4 of 9) | BBB- (4 of 9) |
| Voya Financial, Inc. (Junior Subordinated Debt)[2] | bb+ (5 of 10) | BB (5 of 9) | Ba1(hyb) (5 of 9) | BB (5 of 9) |
| Voya Retirement Insurance and Annuity Company[3] | | | | |
| Financial Strength Rating | A (3 of 16) | A- (3 of 9) | A3 (3 of 9) | A- (3 of 9) |
| Voya Insurance and Annuity Company | | | | |
| Financial Strength Rating | A (3 of 16) | A- (3 of 9) | A3 (3 of 9) | A- (3 of 9) |
| Short-term Issuer Credit Rating [4] [5] | NR | NR | WD | WD |
| ReliaStar Life Insurance Company | | | | |
| Financial Strength Rating | A (3 of 16) | A- (3 of 9) | A3 (3 of 9) | A- (3 of 9) |
| Short-term Issuer Credit Rating | NR | NR | NR | A-2 (2 of 8) |
| Security Life of Denver Insurance Company | | | | |
| Financial Strength Rating | A (3 of 16) | A- (3 of 9) | A3 (3 of 9) | A- (3 of 9) |
| Short-term Issuer Credit Rating [5] | NR | NR | WD | A-2 (2 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 | Baa3 (4 of 9) | BBB- (4 of 11) |

(1) $850.0 million, $1.0 billion and $400.0 million of our Senior Notes.
(2) $750.0 million of our Junior Subordinated Notes.
(3) Effective September 1, 2014, ING Life Insurance and Annuity Company changed its name to Voya Retirement Insurance and Annuity Company ("VRIAC").
(4) Effective March 5, 2014, we requested S&P to withdraw ("WD") the short-term issuer credit rating on Voya Insurance and Annuity Company ("VIAC"), formerly known as ING USA and Life Insurance Company, as the rating was necessary only for the marketing and distribution of products no longer offered by us.
(5) Effective September 22, 2014, we requested Moody's to WD the short-term issuer credit rating on VIAC and Security Life of Denver Insurance Company as the rating was necessary only for the marketing and distribution of products no longer offered by us.

| 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[1] | "A++" to "S" | "aaa" to "rs" | "aaa" to "d" | "AMB-1+" to "d" |
| Fitch[2] | "AAA" to "C" | "AAA" to "D" | "AAA" to "C" | "F1" to "D" |
| Moody's[3] | "Aaa" to "C" | "Aaa" to "C" | "Aaa" to "C" | "Prime-1" to "Not Prime" |
| S&P[4] | "AAA" to "R" | "AAA" to "D" | "AAA" to "D" | "A-1" to "D" |

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

(2) Fitch's financial strength ratings provide an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. Within long-term and short-term ratings, a "+" or a "–" may be appended to a rating to denote relative status within major rating categories.
(3) Moody's financial strength ratings provide opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's long-term credit ratings provide opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations.
(4) S&P's insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. A "+" or "-" indicates relative strength within a category. An S&P credit rating is an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Our ratings by A.M. Best, Fitch, Moody’s and S&P reflect a broader view of how the financial services industry is being challenged by the current economic environment, but also are based on the rating agencies’ specific views of our financial strength. In making their ratings decisions, the agencies consider past and expected future capital and earnings, asset quality and risk, profitability and risk of existing liabilities and current products, market share and product distribution capabilities and direct or implied support from parent companies, including implications of the ongoing 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, 2013 through September 30, 2014 and subsequently through the date of this Quarterly Report on Form 10-Q are as follows:

- On September 4, 2014, Fitch affirmed the ratings of Voya Financial, Inc. and its operating subsidiaries and maintained its Positive outlook.
- On July 3, 2014, 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 revised the outlook to Positive from Stable on the issuer credit rating of Voya Financial, Inc. as well as the ratings on the outstanding debt of Voya Financial, Inc.
- On May 13, 2014, Moody's affirmed the ratings of Voya Financial, Inc. and its operating subsidiaries, and revised the rating outlook to Positive from Stable.
- On March 14, 2014, S&P affirmed the ratings of Voya Financial, Inc. and its operating subsidiaries, and revised the rating outlook to Positive from Stable.
- On March 6, 2014, Fitch affirmed the ratings of Voya Financial, Inc. and its operating subsidiaries and revised the rating outlook to Positive from Stable.

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, 2014, 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, 2014 and December 31, 2013, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by approximately

$24.8 million and $25.0 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, 2014 and December 31, 2013, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our derivative collateral requirements by approximately $58.5 million and $111.0 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, 2014 and December 31, 2013, 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 $1.3 million.

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 Form 10-Q.

Restrictions on Dividends and Return 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. Dividends in excess of prescribed limits established by the applicable state regulations are considered to be extraordinary transactions and require explicit regulatory approval. 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.

Security Life of Denver International, our 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.

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

Insurance Subsidiaries - Dividends, Returns of Capital and Capital Contributions

On June 12, 2014, Voya Financial, Inc. made a capital contribution of $150.0 million to its Arizona captive.

On June 9, 2014, Voya Financial, Inc.'s principal insurance subsidiary domiciled in Colorado declared an ordinary dividend in the aggregate amount of $32.0 million, which was paid on June 24, 2014. On May 2, 2014, Voya Financial, Inc.’s principal insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota declared ordinary dividends in the aggregate amount of $690.0 million, which were paid on May 19, 2014.

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 Form 10-Q.

Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("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 upon 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. If emerging experience deviates from our assumptions, such could have a significant effect on our DAC / VOBA and other intangibles and /or reserves and the related results of operations.

During the third quarter of 2014 and 2013, we conducted our annual review of assumptions, including projection model inputs. As a result of these reviews in the three months ended September 30, 2014, we made a number of changes, which resulted in net unfavorable unlocking of DAC/VOBA and other intangibles in our Ongoing business segments of $(20.0) million, of which $(19.3) million was included in Operating earnings before income taxes. For the three months ended September 30, 2013, changes in assumptions resulted in net favorable unlocking of DAC/VOBA and other intangibles in our Ongoing business segments of $94.4 million, of which $84.8 million was included in Operating earnings before income taxes. In addition to the amounts above, changes in the projection model inputs resulted in gains of $25.1 million and $15.0 million for the three months ended September 30, 2014 and 2013, respectively, related to changes in the technique used to estimate nonperformance risk in our Ongoing business segments. These gains are excluded from Operating earnings before income taxes.

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 the current period 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. The prior period result included a loss of $185.3 million (excluding a gain of $144.6 million due to changes in the technique used to estimate nonperformance risk) due to annual assumption changes. This $185.3 million loss included an unfavorable $117.9 million resulting from changes to mortality assumptions and an unfavorable $85.5 million resulting from policyholder behavior assumption changes.

We have only minimal experience on policyholder behavior for our GMIB products; as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period 2004 to 2006, have a ten-year waiting period before annuitization is available. These contracts first become eligible to annuitize during the period 2014 to 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. As a result, although we have increased experience on policyholder behavior for the first opportunity to annuitize, we 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. It is possible, however, that policyholders may choose to annuitize soon after the first annuitization date, rather than delay annuitization to receive increased guarantee benefits, in which case we may have

statistically credible experience as early as the period from 2015 through 2016.

Similarly, most of our GMWBL contracts are still in the first four to six 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 become more credible, which resulted in our current best estimate assumption reflecting meaningfully longer delays in utilization than the previous assumption. It is possible, however, that policyholders may choose to withdraw sooner or later than the 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 the entire period, as we believe that over the duration of the CBVA 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.

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 intangibles and the impact on related reserves for future policy benefits and reinsurance. The effects presented are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred.

| ($ in millions) | As of September 30, 2014 |
|---|---|
| Decrease in long-term rate of return assumption by 100 basis points | $(238.8) |
| A change to the long-term interest rate assumption of -50 basis points | (76.3) |
| A change to the long-term interest rate assumption of +50 basis points | 59.3 |
| An assumed increase in future mortality by 1% | (23.0) |
| A one-time, 10% decrease in equity market values | (369.8) |

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 Benefits Plans

We sponsor defined benefit pension and other postretirement benefit plans covering eligible employees, sales representatives, and other individuals. The net periodic benefit cost and projected benefit obligations are calculated based on assumptions such as the discount rate, rate of return on plan assets, expected lives of participants, rate of future compensation increases and health care cost trend rates. These assumptions require considerable judgment, are

subject to considerable variability and are established using our best estimate. Actual results could vary significantly from assumptions based on changes such as economic and market conditions, demographics of participants in the plans, updates to actuarial tables and amendments to benefits provided under the plans. Differences between the expected return and the actual return on plan assets, discount rate, expected mortality and all other actuarial changes, which could be significant, are immediately recognized as Operating expenses in the Consolidated Statements of Operations. Generally, our remeasurement of projected benefit obligations is performed annually as of December 31.

The Society of Actuaries ("SOA") recently finalized new mortality tables (RP-2014) which reflect improving life expectancies, which can be used in the valuations of pension and postretirement plans. Our current mortality assumption is based on the previously published SOA table (RP-2000). We are in the process of determining the impact of the new mortality tables on our remeasurement of our pension and postretirement plans. Should we update our actuarial assumptions based on the new tables, the resulting increase in our project benefit obligations for these plans could be material.



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Furthermore, the net effect of changes in discount rates, which have decreased so far during the year, and changes in asset values could also result in a material increase in our projected benefit obligations. We do not expect the changes in mortality or other assumptions to have a material effect on expected pension contributions.

Income Taxes

The deferred tax valuation allowance as of September 30, 2014 was $2.6 billion. We estimate that approximately $1.2 billion, $40 million, $137 million and $1.1 billion were related to federal net operating losses, non-life realized capital losses, non-life subgroup deferred amounts and life subgroup deferred amounts, respectively. The remaining balance was attributable to various items including state taxes and other deferred tax assets. We also estimate that the deferred tax asset associated with life subgroup deferred amounts as of September 30, 2014 was approximately $1.5 billion, before the valuation allowance.

Each quarter, we evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence. In evaluating the recoverability of our deferred tax assets as of September 30, 2014, we determined that the negative evidence outweighed the positive evidence. Therefore, other than the valuation allowance which was reduced due to the decrease in deferred tax assets related to current period income, we did not decrease our valuation allowance during the nine months ended September 30, 2014. However, trends have continued to improve during the first three quarters of the year. If these trends improve over the remainder of the year, coupled with the fourth quarter 2011 losses which would no longer be included in our recent cumulative book income (loss) computation, additional positive evidence could develop.

As of September 30, 2014, we have recognized $654.8 million deferred tax assets based on tax planning strategies related to unrealized gains on investment assets. Such tax planning strategies support the recognition of deferred tax assets associated with deductible temporary differences and may be adversely impacted by decreases in unrealized gains.

Also, during the quarter ended March 31, 2014, we had a Section 382 ownership change. Using information available as of September 30, 2014, the estimated deferred tax asset potentially subject to an additional valuation allowance is essentially unchanged from our March 31, 2014 estimate. The deferred tax asset, the valuation allowance and the admitted deferred tax asset did not change as a result of the section 382 event. Because numerous aspects of the application of Section 382 are subject to review by the U.S. Internal Revenue Service ("IRS") and because our estimates and underlying data are dependent on many factors, the ultimate impact may be materially different.

Investments (excluding Consolidated investment Entities)

Investments for our general account are managed by our wholly owned asset manager, Voya Investment Management LLC, formerly known as ING 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.

Investment Strategy

Our investment strategy seeks to achieve sustainable risk-adjusted returns by focusing on principal preservation, disciplined matching of asset characteristics with liability requirements and the diversification of risks. Investment activities are undertaken according to investment policy statements that contain internally established guidelines and risk tolerances and are required to comply with applicable laws and insurance regulations. Risk tolerances are established for credit risk, credit spread risk, market risk, liquidity risk and concentration risk across issuers, sectors and asset types that seek to mitigate the impact of cash flow variability arising from these risks.

Segmented portfolios are established for groups of products with similar liability characteristics. Our investment portfolio consists largely of high quality fixed maturities and short-term investments, investments in commercial mortgage loans, alternative investments and other instruments, including a small amount of equity holdings. Fixed maturities include publicly issued corporate bonds, government bonds, privately placed notes and bonds, bonds issued by states and municipalities, ABS, traditional MBS and various CMO tranches managed in combination with financial derivatives as part of a proprietary strategy known as CMO-B.

We use derivatives for hedging purposes to reduce our exposure to the cash flow variability of assets and liabilities, interest rate risk, credit risk and market risk. In addition, we use credit derivatives to replicate exposure to individual securities or pools of securities as a means of achieving credit exposure similar to bonds of the underlying issuer(s) more efficiently.

See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I., Item 1. of this Form 10-Q.

Portfolio Composition

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

| ($ in millions) | September 30, 2014 Carrying Value | % | | December 31, 2013 Carrying Value | % | |
|---|---|---|---|---|---|---|
| Fixed maturities, available-for-sale, excluding securities pledged | $70,155.7 | 78.1 | % | $68,317.8 | 78.4 | % |
| Fixed maturities, at fair value using the fair value option | 3,557.8 | 4.0 | % | 2,935.3 | 3.4 | % |
| Equity securities, available-for-sale | 270.5 | 0.3 | % | 314.4 | 0.4 | % |
| Short-term investments[(1)] | 1,173.1 | 1.3 | % | 1,048.1 | 1.2 | % |
| Mortgage loans on real estate | 9,949.7 | 11.1 | % | 9,312.2 | 10.7 | % |
| Policy loans | 2,104.2 | 2.3 | % | 2,147.0 | 2.5 | % |
| Limited partnerships/corporations | 348.2 | 0.4 | % | 236.4 | 0.3 | % |
| Derivatives | 1,136.8 | 1.3 | % | 1,149.3 | 1.3 | % |
| Other investments | 106.8 | 0.1 | % | 124.6 | 0.1 | % |
| Securities pledged | 1,021.6 | 1.1 | % | 1,465.7 | 1.7 | % |
| Total investments | $89,824.4 | 100.0 | % | $87,050.8 | 100.0 | % |

[(1)] 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, 2014 Amortized Cost | % of Total | | Fair Value | % of Total | |
|---|---|---|---|---|---|---|
| Fixed maturities: | | | | | | |
| U.S. Treasuries | $3,767.5 | 5.4 | % | $4,187.1 | 5.6 | % |
| U.S. Government agencies and authorities | 415.3 | 0.6 | % | 462.3 | 0.6 | % |
| State, municipalities and political subdivisions | 434.8 | 0.6 | % | 454.8 | 0.6 | % |
| U.S. corporate securities | 37,243.2 | 53.8 | % | 40,078.2 | 53.6 | % |
| Foreign securities[(1)] | 15,977.9 | 23.0 | % | 17,017.5 | 22.8 | % |
| Residential mortgage-backed securities | 6,024.4 | 8.7 | % | 6,696.4 | 9.0 | % |
| Commercial mortgage-backed securities | 3,761.5 | 5.4 | % | 4,030.8 | 5.4 | % |
| Other asset-backed securities | 1,750.0 | 2.5 | % | 1,808.0 | 2.4 | % |
| Total fixed maturities, including securities pledged | $69,374.6 | 100.0 | % | $74,735.1 | 100.0 | % |

[(1)] Primarily U.S. dollar denominated.

| ($ in millions) | December 31, 2013 Amortized Cost | % of Total | | Fair Value | % of Total | |
|---|---|---|---|---|---|---|
| Fixed maturities: | | | | | | |
| U.S. Treasuries | $5,094.0 | 7.3 | % | $5,181.2 | 7.1 | % |
| U.S. Government agencies and authorities | 598.0 | 0.9 | % | 618.9 | 0.9 | % |
| State, municipalities and political subdivisions | 272.0 | 0.4 | % | 281.1 | 0.4 | % |
| U.S. corporate securities | 36,010.3 | 51.9 | % | 37,478.6 | 51.5 | % |
| Foreign securities[1] | 15,661.4 | 22.6 | % | 16,356.5 | 22.5 | % |
| Residential mortgage-backed securities | 6,480.3 | 9.3 | % | 7,123.7 | 9.8 | % |
| Commercial mortgage-backed securities | 3,427.9 | 4.9 | % | 3,752.1 | 5.2 | % |
| Other asset-backed securities | 1,883.1 | 2.7 | % | 1,926.7 | 2.6 | % |
| Total fixed maturities, including securities pledged | $69,427.0 | 100.0 | % | $72,718.8 | 100.0 | % |

[1]Primarily U.S. dollar denominated.

As of September 30, 2014, 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 adopted revised designation methodologies for non-agency RMBS, including RMBS backed by subprime mortgage loans reported within ABS and for CMBS. The NAIC's objective with the revised designation methodologies for these structured securities was to increase the accuracy in assessing expected losses and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. 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 a 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 a NAIC 1 designation. The revised 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 revised NAIC rating methodologies described above (which may not correspond to rating agency designations.) NAIC designations (e.g., NAIC 1-6) are based on the revised 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, 2014 and December 31, 2013, 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, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| NAIC Quality Designation | 1 | 2 | 3 | 4 | 5 | 6 | Total Fair Value |
| U.S. Treasuries | $4,187.1 | $— | $— | $— | $— | $— | $4,187.1 |
| U.S. Government agencies and authorities | 462.3 | — | — | — | — | — | 462.3 |
| State, municipalities and political subdivisions | 442.6 | 10.5 | 1.7 | — | — | — | 454.8 |
| U.S. corporate securities | 19,983.7 | 17,876.8 | 1,929.6 | 253.2 | 8.5 | 26.4 | 40,078.2 |
| Foreign securities[(1)] | 5,073.1 | 11,043.1 | 797.0 | 94.7 | — | 9.6 | 17,017.5 |
| Residential mortgage-backed securities | 6,336.7 | 82.1 | 60.9 | 22.3 | 45.0 | 149.4 | 6,696.4 |
| Commercial mortgage-backed securities | 3,972.9 | 14.7 | 35.0 | 8.2 | — | — | 4,030.8 |
| Other asset-backed securities | 1,640.9 | 113.4 | 31.0 | 15.0 | 5.6 | 2.1 | 1,808.0 |
| Total fixed maturities | $42,099.3 | $29,140.6 | $2,855.2 | $393.4 | $59.1 | $187.5 | $74,735.1 |
| % of Fair Value | 56.3 % | 39.0 % | 3.8 % | 0.5 % | 0.1 % | 0.3 % | 100.0 % |

[(1)] Primarily U.S. dollar denominated.

| ($ in millions) | December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| NAIC Quality Designation | 1 | 2 | 3 | 4 | 5 | 6 | Total Fair Value |
| U.S. Treasuries | $5,181.2 | $— | $— | $— | $— | $— | $5,181.2 |
| U.S. Government agencies and authorities | 618.9 | — | — | — | — | — | 618.9 |
| State, municipalities and political subdivisions | 276.4 | 3.8 | 0.9 | — | — | — | 281.1 |
| U.S. corporate securities | 18,095.0 | 17,651.6 | 1,452.3 | 250.2 | 5.7 | 23.8 | 37,478.6 |
| Foreign securities[(1)] | 4,757.3 | 10,712.7 | 846.6 | 31.0 | — | 8.9 | 16,356.5 |
| Residential mortgage-backed securities | 6,741.7 | 76.4 | 79.9 | 24.8 | 50.7 | 150.2 | 7,123.7 |
| Commercial mortgage-backed securities | 3,734.1 | — | 9.4 | 8.6 | — | — | 3,752.1 |
| | 1,764.8 | 110.9 | 26.7 | 14.9 | 5.3 | 4.1 | 1,926.7 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Other asset-backed securities | | | | | | | | | | | | | | |
| Total fixed maturities | $41,169.4 | | $28,555.4 | | $2,415.8 | | $329.5 | | $61.7 | | $187.0 | | $72,718.8 | |
| % of Fair Value | 56.5 | % | 39.3 | % | 3.3 | % | 0.5 | % | 0.1 | % | 0.3 | % | 100.0 | % |

(1)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, 2014 | | | | | |
|---|---|---|---|---|---|---|
| ARO Quality Ratings | AAA | AA | A | BBB | BB and Below | Total Fair Value |
| U.S. Treasuries | $4,187.1 | $— | $— | $— | $— | $4,187.1 |
| U.S. Government agencies and authorities | 456.3 | 2.8 | 3.2 | — | — | 462.3 |
| State, municipalities and political subdivisions | 77.0 | 257.4 | 108.2 | 10.5 | 1.7 | 454.8 |
| U.S. corporate securities | 806.2 | 2,213.7 | 17,052.7 | 17,876.3 | 2,129.3 | 40,078.2 |
| Foreign securities[1] | 123.5 | 1,554.6 | 3,838.0 | 10,764.9 | 736.5 | 17,017.5 |
| Residential mortgage-backed securities | 5,426.4 | 26.9 | 38.2 | 112.9 | 1,092.0 | 6,696.4 |
| Commercial mortgage-backed securities | 2,046.0 | 523.2 | 419.6 | 422.8 | 619.2 | 4,030.8 |
| Other asset-backed securities | 1,110.9 | 41.6 | 101.7 | 51.4 | 502.4 | 1,808.0 |
| Total fixed maturities | $14,233.4 | $4,620.2 | $21,561.6 | $29,238.8 | $5,081.1 | $74,735.1 |
| % of Fair Value | 19.0 % | 6.2 % | 28.9 % | 39.1 % | 6.8 % | 100.0 % |

[1]Primarily U.S. dollar denominated.

| ($ in millions) | December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| ARO Quality Ratings | AAA | AA | A | BBB | BB and Below | Total Fair Value |
| U.S. Treasuries | $5,181.2 | $— | $— | $— | $— | $5,181.2 |
| U.S. Government agencies and authorities | 613.2 | 2.9 | 2.8 | — | — | 618.9 |
| State, municipalities and political subdivisions | 59.2 | 182.8 | 34.3 | 3.9 | 0.9 | 281.1 |
| U.S. corporate securities | 796.9 | 2,031.7 | 15,424.1 | 17,435.3 | 1,790.6 | 37,478.6 |
| Foreign securities[1] | 93.1 | 1,331.6 | 3,781.7 | 10,446.0 | 704.1 | 16,356.5 |
| Residential mortgage-backed securities | 5,801.9 | 35.5 | 45.9 | 144.7 | 1,095.7 | 7,123.7 |
| Commercial mortgage-backed securities | 1,552.3 | 727.5 | 426.9 | 476.0 | 569.4 | 3,752.1 |
| Other asset-backed securities | 1,232.9 | 30.1 | 77.9 | 55.6 | 530.2 | 1,926.7 |
| Total fixed maturities | $15,330.7 | $4,342.1 | $19,793.6 | $28,561.5 | $4,690.9 | $72,718.8 |

| % of Fair Value | 21.0 | % | 6.0 | % | 27.2 | % | 39.3 | % | 6.5 | % | 100.0 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

[1]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, decreased $787.4 million from $1,136.5 million to $349.1 million for the nine months ended September 30, 2014. The decrease in gross unrealized losses was primarily due to declining interest rates.

As of September 30, 2014, we held no fixed maturities with unrealized capital losses in excess of $10.0 million. As of December 31, 2013, we held two fixed maturities with unrealized capital losses in excess of $10.0 million. The unrealized capital losses on these fixed maturities equaled $22.0 million, or 1.9% of the total unrealized losses. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statement in Part I., Item 1. of this 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. 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.

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

| ($ in millions) | September 30, 2014 | | | | December 31, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| NAIC Quality Designation | Amortized Cost | Fair Value | % Fair Value | | Amortized Cost | Fair Value | % Fair Value | |
| 1 | $2,734.3 | $3,247.1 | 93.5 | % | $2,609.1 | $3,138.1 | 93.0 | % |
| 2 | 2.9 | 3.2 | 0.1 | % | 6.8 | 10.6 | 0.3 | % |
| 3 | 3.4 | 6.8 | 0.2 | % | 2.9 | 6.1 | 0.2 | % |
| 4 | 10.1 | 20.1 | 0.6 | % | 11.1 | 20.1 | 0.6 | % |
| 5 | 31.8 | 44.8 | 1.3 | % | 35.9 | 50.7 | 1.5 | % |
| 6 | 88.9 | 149.4 | 4.3 | % | 88.9 | 150.2 | 4.4 | % |
| | $2,871.4 | $3,471.4 | 100.0 | % | $2,754.7 | $3,375.8 | 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:

| | September 30, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| ($ in millions) | Notional Amount | Assets Fair Value | Liability Fair Value | Notional Amount | Assets Fair Value | Liability Fair Value |
| Derivatives non-qualifying for hedge accounting: | | | | | | |
| Interest Rate Contracts | $28,685.8 | $412.1 | $373.1 | $26,358.1 | $526.1 | $568.2 |

The following table presents our CMO-B fixed maturity securities balances and tranche type as of the dates indicated:

| ($ in millions) | September 30, 2014 | | | | December 31, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| Tranche Type | Amortized Cost | Fair Value | % Fair Value | | Amortized Cost | Fair Value | % Fair Value | |
| Inverse Floater | $737.7 | $1,065.3 | 30.7 | % | $840.1 | $1,172.7 | 34.8 | % |
| Interest Only (IO) | 302.6 | 332.1 | 9.6 | % | 312.5 | 349.2 | 10.3 | % |
| Inverse IO | 1,367.5 | 1,600.6 | 46.0 | % | 1,149.5 | 1,398.2 | 41.4 | % |
| Principal Only (PO) | 421.6 | 429.0 | 12.4 | % | 401.6 | 403.1 | 11.9 | % |
| Floater | 37.0 | 38.2 | 1.1 | % | 45.2 | 45.9 | 1.4 | % |
| Other | 5.0 | 6.2 | 0.2 | % | 5.8 | 6.7 | 0.2 | % |
| Total | $2,871.4 | $3,471.4 | 100.0 | % | $2,754.7 | $3,375.8 | 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, 2014, the valuations of our CMO-B portfolio generally increased 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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net investment income (loss) | $188.3 | $192.1 | $568.3 | $602.2 |
| Net realized capital gains (losses)[1] | (84.0) | (97.7) | (196.0) | (491.4) |
| Total income (pre-tax) | $104.3 | $94.4 | $372.3 | $110.8 |

[1]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 as 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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Operating earnings before income taxes | $70.0 | $76.5 | $212.1 | $243.9 |
| Realized gains/losses including OTTI | $(0.6) | $1.5 | $6.1 | $(1.0) |
| Fair value adjustments | 34.9 | 16.4 | 154.1 | (132.1) |
| Non-operating income | $34.3 | $17.9 | $160.2 | $(133.1) |
| Income (loss) before income taxes | $104.3 | $94.4 | $372.3 | $110.8 |

Subprime and Alt-A Mortgage Exposure

The performance of pre-2008 vintage subprime and Alt-A mortgage collateral has exhibited sustained signs of recovery, after struggling through a multi-year correction in nationwide home values. While collateral losses continue to be realized, serious delinquencies and other measures of performance, like prepayments and severities, have displayed sustained periods of improvement. Reflecting these fundamental improvements, related bond prices and sector liquidity increased substantially since the credit crisis. Despite these improvements, the sector remains susceptible to various market risks. For example, early in the third quarter of 2013, the upward momentum in bond prices and market liquidity was disrupted, at least in part, by the pick-up in interest rate volatility. As this volatility dissipated, prices and liquidity recovered into the end of the year, supported by strength in the U.S. economy and, more specifically, the housing market. The nine months ended September 30, 2014 have been characterized by continued stability in underlying fundamentals, despite the adverse seasonal related impacts observed in certain housing activity related measures in the first quarter. More recently, weakness observed in activity measures in Q1 has been observed in home price measures. While home prices continue to look higher year-over-year, the magnitude of year-over-year price changes has moved lower. 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, 2014, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled $575.8 million, $539.8 million and $18.6 million, respectively, representing 0.8% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2013, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled $623.4 million, $614.7 million and $35.5 million, respectively, representing 0.9% 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | NAIC Quality Designation | | | ARO Quality Ratings | | | Vintage | | |
| September 30, 2014 | | | | | | | | | |
| | 1 | 74.8 | % | AAA | 0.2 | % | 2007 | 29.9 | % |
| | 2 | 15.8 | % | AA | 0.4 | % | 2006 | 27.2 | % |
| | 3 | 5.5 | % | A | 4.6 | % | 2005 and prior | 42.9 | % |
| | 4 | 2.6 | % | BBB | 5.0 | % | | 100.0 | % |
| | 5 | 1.0 | % | BB and below | 89.8 | % | | | |
| | 6 | 0.3 | % | | 100.0 | % | | | |
| | | 100.0 | % | | | | | | |
| December 31, 2013 | | | | | | | | | |
| | 1 | 76.2 | % | AAA | 0.3 | % | 2007 | 29.2 | % |
| | 2 | 16.0 | % | AA | 1.2 | % | 2006 | 24.0 | % |
| | 3 | 4.3 | % | A | 5.4 | % | 2005 and prior | 46.8 | % |
| | 4 | 2.4 | % | BBB | 7.2 | % | | 100.0 | % |
| | 5 | 0.8 | % | BB and below | 85.9 | % | | | |
| | 6 | 0.3 | % | | 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, 2014, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled $325.7 million, $269.1 million and $4.8 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2013, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled $353.5 million, $307.4 million and $10.4 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, 2014 | | | | | | | | | |
| | 1 | 78.8 | % | AAA | 0.1 | % | 2007 | 21.6 | % |
| | 2 | 8.7 | % | AA | — | % | 2006 | 27.0 | % |
| | 3 | 7.5 | % | A | 0.9 | % | 2005 and prior | 51.4 | % |
| | 4 | 4.2 | % | BBB | 4.1 | % | | 100.0 | % |
| | 5 | — | % | BB and below | 94.9 | % | | | |
| | 6 | 0.8 | % | | 100.0 | % | | | |
| | | 100.0 | % | | | | | | |
| December 31, 2013 | | | | | | | | | |
| | 1 | 77.4 | % | AAA | 0.1 | % | 2007 | 21.9 | % |
| | 2 | 10.8 | % | AA | — | | 2006 | 26.5 | % |
| | 3 | 6.7 | % | A | 1.5 | % | 2005 and prior | 51.6 | % |
| | 4 | 4.3 | % | BBB | 3.9 | % | | 100.0 | % |
| | 5 | — | | BB and below | 94.5 | % | | | |
| | 6 | 0.8 | % | | 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 has declined through 2013 and almost all of 2014. Other performance metrics like vacancies, property values and rent levels have also shown improvements, 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 into 2014. The new issue market for CMBS has been a major contributor to the refinance environment. It has continued its recovery from the credit crisis with meaningful new issuance in 2014, following five straight years of increasing new issuance volumes since the credit crisis. The volume for the nine months ended September 30, 2014 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | NAIC Quality Designation | | | ARO Quality Ratings | | | Vintage | |
| September 30, 2014 | | | | | | | | |
| | 1 | 98.5 | % | AAA | 50.7 | % | 2014 | 9.5% |
| | 2 | 0.4 | % | AA | 13.0 | % | 2013 | 10.6% |
| | 3 | 0.9 | % | A | 10.4 | % | 2012 | 0.3% |
| | 4 | 0.2 | % | BBB | 10.5 | % | 2011 | — |
| | 5 | — | % | BB and below | 15.4 | % | 2010 | 0.2% |
| | 6 | — | % | | 100.0 | % | 2009 | — |
| | | 100.0 | % | | | | 2008 and prior | 79.4% |
| | | | | | | | | 100.0% |
| December 31, 2013 | | | | | | | | |
| | 1 | 99.5 | % | AAA | 41.4 | % | 2013 | 5.3% |
| | 2 | — | | AA | 19.4 | % | 2012 | 0.2% |
| | 3 | 0.3 | % | A | 11.4 | % | 2011 | — |
| | 4 | 0.2 | % | BBB | 12.7 | % | 2010 | — |
| | 5 | — | | BB and below | 15.1 | % | 2009 | — |
| | 6 | — | | | 100.0 | % | 2008 | 0.3% |
| | | 100.0 | % | | | | 2007 and prior | 94.2% |
| | | | | | | | | 100.0% |

As of September 30, 2014, the fair value, amortized cost and gross unrealized losses of our Other ABS, excluding subprime exposure, totaled $1.2 billion, $1.2 billion and $2.2 million, respectively. As of December 31, 2013, the fair value, amortized cost and gross unrealized losses of our Other ABS, excluding subprime exposure, totaled $1.3 billion, $1.3 billion and $3.0 million, respectively.

As of September 30, 2014, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 53.1%, 5.6% and 22.4%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2013, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 42.5%, 3.2% and 34.1%, respectively, of total Other ABS, excluding subprime exposure.

The following table summarizes 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, 2014 | | | | | | | | | |
| | 1 | 98.2 | % | AAA | 88.9 | % | 2014 | 16.4 | % |
| | 2 | 1.8 | % | AA | 3.2 | % | 2013 | 12.0 | % |
| | 3 | — | % | A | 6.1 | % | 2012 | 13.1 | % |
| | 4 | — | % | BBB | 1.8 | % | 2011 | 4.6 | % |
| | 5 | — | % | BB and below | — | % | 2010 | 2.3 | % |
| | 6 | — | % | | 100.0% | | 2009 | 0.9 | % |
| | | 100.0% | | | | | 2008 and prior | 50.7 | % |
| | | | | | | | | 100.0 | % |
| December 31, 2013 | | | | | | | | | |
| | 1 | 98.9 | % | AAA | 93.8 | % | 2013 | 13.8 | % |
| | 2 | 0.9 | % | AA | 1.7 | % | 2012 | 17.7 | % |
| | 3 | — | | A | 3.4 | % | 2011 | 8.9 | % |
| | 4 | — | | BBB | 0.9 | % | 2010 | 3.9 | % |
| | 5 | — | | BB and below | 0.2 | % | 2009 | 2.3 | % |
| | 6 | 0.2 | % | | 100.0 | % | 2008 | 6.4 | % |
| | | 100.0 | % | | | | 2007 and prior | 47.0 | % |
| | | | | | | | | 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 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, 2014, our mortgage loans on real estate portfolio had a weighted average DSC of 1.9 times and a weighted average LTV ratio of 59.7%. As of December 31, 2013, our mortgage loans on real estate portfolio had a weighted average DSC of 2.0 times and a weighted average LTV ratio of 59.0%. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I., Item 1. of this Form 10-Q for further information on mortgage loans on real estate.

| | Recorded Investment<br>Debt Service Coverage Ratios | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ($ in millions) | > 1.5x | >1.25x - 1.5x | >1.0x - 1.25x | < 1.0x | Commercial mortgage loans secured by land or construction loans | Total | % of Total | |
| September 30, 2014 | | | | | | | | |
| Loan-to-Value Ratios: | | | | | | | | |
| 0% - 50% | $1,233.0 | $244.1 | $38.4 | $52.8 | $— | $1,568.3 | 15.7 | % |
| >50% - 60% | 1,825.7 | 173.8 | 291.0 | 124.4 | — | 2,414.9 | 24.3 | % |
| >60% - 70% | 3,991.0 | 887.9 | 439.8 | 125.6 | 8.0 | 5,452.3 | 54.8 | % |
| >70% - 80% | 64.5 | 281.5 | 130.1 | 22.2 | — | 498.3 | 5.0 | % |
| >80% and above | — | 7.8 | 1.8 | 9.7 | — | 19.3 | 0.2 | % |
| Total | $7,114.2 | $1,595.1 | $901.1 | $334.7 | $8.0 | $9,953.1 | 100.0 | % |

| | Recorded Investment<br>Debt Service Coverage Ratios | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ($ in millions) | > 1.5x | >1.25x - 1.5x | >1.0x - 1.25x | < 1.0x | Commercial mortgage loans secured by land or construction loans | Total | % of Total | |
| December 31, 2013 | | | | | | | | |
| Loan-to-Value Ratios: | | | | | | | | |
| 0% - 50% | $1,371.2 | $136.0 | $187.3 | $88.1 | $— | $1,782.6 | 19.1 | % |
| >50% - 60% | 1,617.7 | 343.0 | 265.5 | 163.8 | — | 2,390.0 | 25.7 | % |
| >60% - 70% | 3,267.5 | 845.6 | 401.3 | 153.7 | 0.2 | 4,668.3 | 50.1 | % |
| >70% - 80% | 90.1 | 196.3 | 118.4 | 51.0 | — | 455.8 | 4.9 | % |
| >80% and above | — | — | 8.1 | 11.2 | — | 19.3 | 0.2 | % |
| Total | $6,346.5 | $1,520.9 | $980.6 | $467.8 | $0.2 | $9,316.0 | 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, 2014, we recorded $2.3 million and $5.9 million, respectively, of credit related OTTI of which the primary contributor being $1.4 million and $3.4 million, respectively, of write-downs recorded in the RMBS sector on securities collateralized by Alt-A residential mortgages. See the Investments (excluding Consolidated Investment Entities) Note to the Condensed Consolidated Financial Statements

in Part I., Item 1. of this 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. in our Annual Report on Form 10-K for further information.

Closed Block Variable Annuity Hedging

Refer to Part I., Item 3. Quantitative and Qualitative Disclosures About Market Risk of this Form 10-Q for further information.

Invested Asset and Credit Hedging

Interest rate caps and interest rate swaps are used to manage the interest rate risk in our fixed maturities portfolio. Interest rate swaps include forward starting swaps, which are used for anticipated purchases of fixed maturities. They represent contracts that require the exchange of cash flows at regular interim periods, typically monthly or quarterly.

Foreign exchange swaps are used to reduce the risk of a change in the value, yield or cash flow with respect to invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows for U.S. dollar cash flows at regular interim periods, typically quarterly or semiannually.

Certain forwards are acquired to hedge certain CMO assets held by us against movements in interest rates, particularly mortgage rates. On the settlement date, we will either receive a payment (interest rate decreases on purchased forwards or interest rate rises on sold forwards) or will be required to make a payment (interest rate rises on purchased forwards or interest rate decreases on sold forwards).

CDS are used to reduce the credit loss exposure with respect to certain assets that we own, or to assume credit exposure on certain assets that we do not own. Payments are made to or received from the counterparty at specified intervals and amounts for the purchase or sale of credit protection. In the event of a default on the underlying credit exposure, we will either receive an additional payment (purchased credit protection) or will be required to make an additional payment (sold credit protection) equal to par minus recovery value of the swap contract.

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, 2014, we had $756.5 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 $271.0 million, Italy of $260.7 million, Portugal of $10.2 million and Spain of $214.6 million. We did not have any exposure to Greece. As of September 30, 2014, 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 $8,379.6 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, 2014 our sovereign exposure was $243.2 million, which consisted of fixed maturities. We also had $1,100.5 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of $214.0 million and the United Kingdom of $340.9 million. The balance of $7,035.9 million was invested across non-peripheral, non-financial institutions.

In addition to aggregate concentration in the Netherlands of $1,259.2 million and the United Kingdom of $3,422.0 million, we had significant non-peripheral European total country exposures in Belgium of $375.2 million, France of $726.7 million, Germany of $706.3 million and Switzerland of $856.6 million. We place additional scrutiny on our financial exposure in the United Kingdom, France and Switzerland 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, should the European crisis worsen or fail to be resolved.

The following table presents our European exposures at fair value and amortized cost as of September 30, 2014:

| | Fixed Maturities and Equity Securities | | | | | | Derivative Assets | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ in millions) | Sovereign | Financial Institutions | Non-Financial Institutions | Total (Fair Value) | Total (Amortized Cost) | Loan and Receivables Sovereign (Amortized Cost) | Sovereign | Financial Institutions | Non-Financial Institutions | Less: Margin & Collateral | Total (Fair Value) | Net Non-US Funded at September 30 [1] |
| Ireland | $— | $— | $ 269.8 | $269.8 | $250.4 | $— | $— | $— | $ 1.2 | $— | $1.2 | $271.0 |
| Italy | — | — | 260.7 | 260.7 | 237.2 | — | — | — | — | — | — | 260.7 |
| Portugal | — | — | 10.2 | 10.2 | 7.9 | — | — | — | — | — | — | 10.2 |
| Spain | — | — | 214.6 | 214.6 | 192.5 | — | — | — | — | — | — | 214.6 |
| Total Peripheral Europe | $— | $— | $ 755.3 | $755.3 | $688.0 | $— | $— | $— | $ 1.2 | $— | $1.2 | $756.5 |
| | | | | | | | | | | | | |
| Austria | $— | $— | $ 15.4 | $15.4 | $15.0 | $— | $— | $— | $— | $— | $— | $15.4 |
| Belgium | 37.1 | — | 338.1 | 375.2 | 325.0 | — | — | — | — | — | — | 375.2 |
| Bulgaria | 5.5 | — | — | 5.5 | 5.5 | — | — | — | — | — | — | 5.5 |
| Croatia | 28.1 | — | — | 28.1 | 25.6 | — | — | — | — | — | — | 28.1 |
| Czech Republic | — | — | 10.5 | 10.5 | 10.1 | — | — | — | — | — | — | 10.5 |
| Denmark | — | — | 132.5 | 132.5 | 122.7 | — | — | — | — | — | — | 132.5 |
| Finland | — | — | 18.5 | 18.5 | 17.0 | — | — | — | — | — | — | 18.5 |
| France | — | 159.6 | 488.9 | 648.5 | 611.8 | — | — | 119.1 | — | 40.9 | 78.2 | 726.7 |
| Germany | — | 56.2 | 647.6 | 703.8 | 665.3 | — | — | 12.2 | — | 9.7 | 2.5 | 706.3 |
| Hungary | 6.1 | — | — | 6.1 | 6.0 | — | — | — | — | — | — | 6.1 |
| Kazakhstan | 42.1 | 1.4 | 19.4 | 62.9 | 59.6 | — | — | — | — | — | — | 62.9 |
| Latvia | 4.9 | — | — | 4.9 | 4.6 | — | — | — | — | — | — | 4.9 |
| Lithuania | 34.3 | — | — | 34.3 | 30.4 | — | — | — | — | — | — | 34.3 |
| Luxembourg | — | — | 24.0 | 24.0 | 23.2 | — | — | — | — | — | — | 24.0 |
| Netherlands | — | 189.4 | 1,069.7 | 1,259.1 | 1,165.9 | — | — | 10.3 | — | 10.2 | 0.1 | 1,259.2 |
| Norway | — | — | 295.8 | 295.8 | 285.8 | — | — | — | — | — | — | 295.8 |
| Russian Federation | 57.1 | 4.9 | 87.5 | 149.5 | 146.4 | — | — | — | — | — | — | 149.5 |
| Slovakia | 5.3 | — | — | 5.3 | 5.0 | — | — | — | — | — | — | 5.3 |
| Sweden | — | 53.3 | 122.1 | 175.4 | 164.3 | — | — | — | — | — | — | 175.4 |
| Switzerland | — | 208.1 | 641.4 | 849.5 | 793.5 | — | — | 5.9 | 1.2 | — | 7.1 | 856.6 |
| Turkey | 22.7 | — | 42.2 | 64.9 | 65.2 | — | — | — | — | — | — | 64.9 |
| United Kingdom | — | 321.0 | 3,081.1 | 3,402.1 | 3,208.5 | — | — | 124.3 | — | 104.4 | 19.9 | 3,422.0 |
| Total Non-Peripheral Europe | 243.2 | 993.9 | 7,034.7 | 8,271.8 | 7,756.4 | — | — | 271.8 | 1.2 | 165.2 | 107.8 | 8,379.6 |
| Total Europe | $243.2 | $993.9 | $ 7,790.0 | $9,027.1 | $8,444.4 | $— | $— | $271.8 | $ 2.4 | $165.2 | $109.0 | $9,136.1 |

[1] 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 $732.7 million and $654.0 million as of September 30, 2014 and December 31, 2013, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors.

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 Consolidated Financial Statements in Part II., Item 8. in our Annual Report on Form 10-K.

Nonconsolidated VIEs

We also hold variable interest in certain CLO entities that we do not consolidate because we have determined that we are not the primary beneficiary. With these CLO entities, we serve as the investment manager and receive investment management fees and contingent performance fees. Generally, we do not hold any interest in the nonconsolidated CLO entities, but if we do, such ownership has been deemed to be insignificant. We have not provided and are not obligated to provide any financial or other support to these entities.

We manage or hold investments in certain private equity funds and single strategy hedge funds. These funds are managed as a portfolio of investments that use advanced investment strategies such as leverage, long, short and

derivative positions in both domestic and international markets with the goal of generating high returns. 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. We do not hold any equity interest in these fund VIEs and have not provided and are not obligated to provide any financial or other support to these 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 Form 10-Q for more information.

Securitizations

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Certain RMBS investments represent agency pass-through securities and close-to-the-index tranches issued by Fannie Mae, Freddie Mac or a similar government sponsored entity. Investments that we hold in non-agency RMBS and CMBS also include interest-only, principal-only and inverse floating securities. We are not obligated to provide any financial or other support to these entities. 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. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I., Item 1. of this Form 10-Q, and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO, whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I., Item 1. of this Form 10-Q for details regarding the carrying amounts and classifications of these assets.

Legislative and Regulatory Developments

The National Association of Insurance Commissioners (“NAIC”), the New York Department of Financial Services and other state and federal regulators continue to review life insurers’ use of captive reinsurance companies. On June 4, 2014, Rector and Associates presented a revised report to the NAIC’s Principle-Based Reserving Implementation (EX) Task Force that provided a framework for captive reserve financings of term life insurance (“XXX”) or universal life insurance with secondary guarantees (“AXXX”) (the “Framework”). On June 30, 2014, the NAIC’s Principle-Based Reserving Implementation (EX) Task Force adopted the Framework, including recommendations to have various technical working groups of the NAIC begin work on projects to implement the new Framework. On August 17, 2014, the Framework, as well as the accompanying implementation charges to the various NAIC task forces and working groups was adopted by the NAIC Executive (EX) Committee. 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," “Business-Regulation-Financial Regulation-Recent Actions by the NAIC” and "Management’s Discussion and Analysis of Financial Condition and Results of Operations- Liquidity and Capital Resources-Captive Reinsurance Subsidiaries" in the Annual Report on Form 10-K and “Risk Factors" in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (File No. 001-35897).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include credit risk, interest rate risk and equity market price 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, 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 through a strategy to manage risk in accordance with the following three principles:

1. Management of the businesses has primary responsibility for the day-to-day management of risk and forms the first line of defense.
2. The risk management function, both at the corporate and the business level, has the primary responsibility to align risk taking with strategic planning through risk tolerance and limit setting and forms the second line of defense. Risk managers in the businesses have direct reporting lines to the Chief Risk Officer ("CRO").
3. The internal audit function provides an ongoing independent (i.e., outside of the risk organization) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defense.

Our risk management is organized along a functional line comprising two levels within the organization: the corporate and business levels. The CRO heads the functional line, and each of the businesses has a similar function that reports to the CRO. This layered, functional approach is designed to promote consistent application of guidelines and procedures, regular reporting and appropriate communication vertically 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 an Insurance Risk Management Governance Framework to which our businesses must adhere.

Our Risk Committee discusses and approves our 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 an Asset-Liability 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 to the capital markets provide the fundamental framework to manage capital markets risks including the risk of asset / liability mismatch;
- Duration and convexity mismatch limits;
- Credit risk concentration 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 two key risk metrics:

- Regulatory and Rating Agency Capital Sensitivities: the potential reduction, under a moderate capital markets stress scenario, of the excess of available statutory capital above the minimum required under the NAIC regulatory RBC methodology and of our targeted rating agency capital position; and
- Earnings Sensitivities: the potential reduction in results of operations under a moderate capital markets stress scenario. Maintaining a consistent level of earnings helps us to finance our operations, support our capital requirements and provide funds to pay dividends to stockholders.

Our risk metrics cover the most important aspects in terms of performance measures where risk can materialize and are representative of the regulatory constraints to which our business is subject. The sensitivities for earnings and statutory capital are important metrics since they provide insight into the level of risk we take under 'moderate stress' scenarios. They also are the basis for internal risk management.

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. in our Annual Report on Form 10-K.

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 "Investments-CMO-B Portfolio."

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, 2014. 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.

| | As of September 30, 2014 | | | |
|---|---|---|---|---|
| | | | Hypothetical Change in Fair Value[2] | |
| ($ in millions) | Notional | Fair Value[1] | + 100 Basis Points Yield Curve Shift | - 100 Basis Points Yield Curve Shift |
| Financial assets with interest rate risk: | | | | |
| Fixed maturity securities, including securities pledged | $— | $74,735.1 | $(5,145.3) | $5,569.9 |
| Commercial mortgage and other loans | — | 10,268.5 | (500.7) | 525.2 |
| Derivatives: | | | | |
| Interest rate swaps, caps, forwards | 70,393.0 | 226.1 | (429.6) | 661.2 |
| Financial liabilities with interest rate risk: | | | | |
| Investment contracts: | | | | |
| Funding agreements without fixed maturities and deferred annuities[3] | — | 53,877.9 | (3,314.1) | 4,148.9 |
| Funding agreements with fixed maturities and GICs | — | 1,733.1 | (68.1) | 71.0 |
| Supplementary contracts and immediate annuities | — | 4,054.8 | (223.9) | 251.9 |
| Long-term debt | — | 3,851.3 | (255.8) | 287.9 |
| Embedded derivatives on reinsurance | — | 123.5 | (139.4) | 159.3 |
| Guaranteed benefit derivatives[3]: | | | | |
| FIA | — | 1,894.2 | (115.7) | 125.4 |
| GMAB / GMWB / GMWBL | — | 1,157.2 | (662.8) | 880.3 |
| Stabilizer and MCGs | — | 45.0 | (43.0) | 96.0 |

(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 tables 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, 2014, and the respective GMIRs:

| | Account Value [1] | | | | | | |
|---|---|---|---|---|---|---|---|
| | Excess of crediting rate over GMIR | | | | | | |
| ($ in millions) | At 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% | $1,742.9 | $593.8 | $897.3 | $787.1 | $249.2 | $150.2 | $4,420.5 |
| 1.01% - 2.00% | 1,672.8 | 685.5 | 557.4 | 184.7 | 83.3 | 204.4 | 3,388.1 |
| 2.01% - 3.00% | 17,847.7 | 814.9 | 493.1 | 178.0 | 72.6 | 14.1 | 19,420.4 |
| 3.01% - 4.00% | 12,270.0 | 589.8 | 753.0 | 1.7 | 0.7 | — | 13,615.2 |
| 4.01% and Above | 3,500.3 | 116.2 | 0.5 | 0.7 | — | 1.4 | 3,619.1 |
| Renewable beyond 12 months (MYGA) [2] | 2,316.6 | — | — | — | — | — | 2,316.6 |
| Total discretionary rate setting products | $39,350.3 | $2,800.2 | $2,701.3 | $1,152.2 | $405.8 | $370.1 | $46,779.9 |
| Percentage of Total | 84.1 % | 6.0 % | 5.8 % | 2.4 % | 0.9 % | 0.8 % | 100.0 % |

(1) 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.

(2) Represents MYGA contracts with renewal dates after September 30, 2015 on which we are required to credit interest above the contractual GMIR for at least the next year.

Market Risk Related to Credit Risk

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity and equity portfolio totaled $75.0 billion and $73.0 billion as of September 30, 2014 and December 31, 2013, respectively. Our credit risk materializes primarily as impairment 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 as assets migrate into lower credit qualities over time. 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. We also set investment constraints that limit our exposure by industry segment. To limit the impact that credit risk can have on earnings and capital adequacy levels, we have portfolio-level credit risk constraints in place. Limit compliance is monitored on a daily or, in some cases, monthly 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, including the largest reinsurance 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.

Market Risk Related to Equity Market Prices

Our variable products, 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, 2014. 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.

| | As of September 30, 2014 | | | |
|---|---|---|---|---|
| | | | Hypothetical Change in Fair Value[1] | |
| ($ in millions) | Notional | Fair Value | + 10% Equity Shock | -10% Equity Shock |
| Financial assets with equity market risk: | | | | |
| Equity securities, available-for-sale | $— | $270.5 | $18.3 | $(18.3) |
| Limited liability partnerships/corporations | — | 348.2 | 20.9 | (20.9) |
| Derivatives: | | | | |
| Equity futures and total return swaps[2] | 8,979.3 | 57.9 | (718.6) | 718.6 |
| Equity options | 8,871.7 | 151.6 | (26.0) | 1.8 |
| Financial liabilities with equity market risk: | | | | |
| Guaranteed benefit derivatives | | | | |
| FIA | — | 1,894.2 | 114.8 | (193.4) |
| GMAB / GMWB/ GMWBL | — | 1,157.2 | (185.1) | 253.2 |

[1] (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.
[2] Primarily related to CBVA hedging programs.

Market Risk Related to Closed Block Variable Annuity

Closed Block Variable Annuity 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 four to six 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, 2014.

| | As of September 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| ($ in millions, unless otherwise indicated) | Account Value[1] | Gross NAR | Retained NAR | % Contracts NAR In-the-Money[2] | | % NAR In-the-Money[3] | |
| GMDB | $42,185 | $5,824 | $5,263 | 50 | % | 22 | % |
| Living Benefit | | | | | | | |
| GMIB | $14,828 | $2,270 | $2,270 | 73 | % | 18 | % |
| GMWBL | 15,921 | 902 | 902 | 37 | % | 15 | % |
| GMAB/GMWB | 810 | 18 | 18 | 12 | % | 19 | % |
| Living Benefit Total | $31,559 | $3,190 | $3,190 | 56 | %[4] | 17 | %[5] |

[1] Account value excludes $1.4 billion of Payout, Policy Loan and life insurance business which is included in consolidated account values.
[2] Percentage of contracts that have a NAR greater than zero.
[3] For contracts with a NAR greater than zero, % NAR In-the-Money is defined as NAR/(NAR + Account Value).
[4] Total Living Benefit % Contracts NAR In-the-Money as of September 30, 2013 was 55%.
[5] Total Living Benefit % NAR In-the-Money as of September 30, 2013 was 16%.

As of the date indicated above, compared to $3.2 billion of NAR, we held gross statutory reserves before reinsurance of $2.9 billion for living benefit guarantees; of this amount, $2.8 billion was ceded to SLDI, fully supported by assets in trust. There was no LOC requirement to support the reserve. However, NAR and statutory reserves are not directly comparable measures. Our U.S. GAAP reserves for living benefit guarantees were $2.4 billion as of September 30, 2014.

For a discussion of our U.S. GAAP reserves calculation methodology, see the Business, Basis of Presentation and Significant Accounting Policies Note - Future Policy Benefits and Contract Owner Accounts in our Consolidated Financial Statements in Part II., Item 8. of our Annual Report on Form 10-K.

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 are used to mitigate the impact of changes in equity volatility on the economic liabilities associated with certain minimum guaranteed living benefits.

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 equity risk to the regulatory and rating agency capital of the Company. The hedge is executed through the purchase and sale of equity index derivatives and variance swaps, and is designed to limit the uncovered reserve and rating agency capital increases and certain rebalancing costs in an immediate down equity market 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.

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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, 2014 in light of our determination of risk tolerance and available collateral at that time, which, as noted above, we assess periodically.

| | September 30, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Equity Market (S&P 500) | | | | | | Interest Rates | |
| ($ in millions) | -25% | -15% | -5% | +5% | +15% | +25% | -1% | +1% |
| Decrease/(increase) in regulatory reserves | $(3,750) | $(2,150) | $(650) | $550 | $1,450 | $2,000 | $(900) | $450 |
| Hedge gain/(loss) immediate impact | 2,700 | 1,450 | 400 | (450) | (1,200) | (1,700) | 650 | (550) |
| Increase/(decrease) in Market Value of Assets | — | — | — | — | — | — | 300 | (300) |
| Increase/(decrease) in LOCs | 1,050 | 700 | 250 | — | — | — | — | 350 |
| Net impact | $— | $— | $— | $100 | $250 | $300 | $50 | $(50) |

The foregoing sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following September 30, 2014 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 guarantee and overlay equity hedges resulted in a gain of approximately $100.0 million for the three months ended September 30,

2014 and a loss of approximately $500.0 million for the nine months ended September 30, 2014. 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 $200.0 million for the three months ended September 30, 2014 and a decrease of approximately $600.0 million for the nine months ended September 30, 2014. 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, 2014 in light of our determination of risk tolerance at that time, which, as noted above, we assess periodically.

| | As of September 30, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Equity Market (S&P 500) | | | | | | Interest Rates | |
| ($ in millions) | -25% | -15% | -5% | +5% | +15% | +25% | -1% | +1% |
| Total estimated earnings sensitivity | $800 | $400 | $100 | $(200) | $(400) | $(600) | $(350) | $200 |

The foregoing sensitivities illustrate the impact of the indicated shocks on the first market trading day following September 30, 2014 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 on gross revenues, which will not 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 Fixed Indexed Annuity ("FIA") Benefits

We mitigate FIA market risk exposures through a combination of capital market hedging, product design and capital management. For the FIA book of business, 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 3-month LIBOR. The minimum guarantees, interest rate and equity market exposures, are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

We hedge FIA equity exposure by purchasing exchange traded equity index futures contracts. We also hedge FIA equity exposure by purchasing over-the-counter ("OTC") equity index call options from broker-dealer derivative

counterparties who generally have a minimum credit rating of A3 from Moody's and A- from S&P.

Additionally, the credited rate mechanism for certain FIA contracts exposes us to changes in interest rate benchmarks. We mitigate this exposure by purchasing OTC interest rate swaptions from broker-dealer derivative counterparties who generally have a minimum credit rate of A3 from Moody's and A- from S&P. For each broker-dealer counterparty, our derivative exposure to that counterparty is aggregated with any fixed income exposure to the same counterparty and is maintained within applicable limits.

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.

While the FIA hedge program does not explicitly hedge statutory or U.S. GAAP income volatility, the FIA hedge program tends to mitigate the statutory and U.S. GAAP reserve changes associated with movements in the equity market and 3-month LIBOR. This is due to the fact that a key component in the calculation of statutory and U.S. GAAP reserves is the market valuation of the current term embedded derivative. The risk management of the current term embedded derivative is the goal of the FIA hedging program. Due to the alignment of the embedded derivative reserve component with hedging of this same embedded derivative, there should be a match between changes in this component of the reserve and changes in the assets backing this component of the reserve. However, there may be an interim mismatch due to the fact that the hedges that are put in place are only intended to cover exposures expected to remain until the end of an indexing term (e.g. account value decrements during an indexing term associated with expected lapses and mortality are not hedged).

Call options 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 offset this increased expense.

Futures contracts are also used to hedge against an increase in certain equity indices. An increase in certain equity indices may result in increased payments to contract holders of FIA contracts. The futures contracts offset this increased expense.

Interest rate swaptions are used to hedge against an increase in the interest rate benchmark (currently the 3-month LIBOR). 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.

## Item 4. 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.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See the Commitments and Contingencies Note in our Condensed Consolidated Financial Statements included in Part I., Item 1. of this Form 10-Q.

### Item 1A. Risk Factors

Explanatory Note

In the third quarter of each year, we undertake our annual review of the actuarial assumptions, including projection model inputs, in each of our segments (except for Investment Management, for which assumption reviews are not relevant). These updates are reflected in our financial results for the third quarter.

The annual assumptions review includes a review of policyholder behavior assumptions, mortality assumptions and projection model inputs for our CBVA segment. Because of the potential significance of these determinations on our CBVA segment financial results in any particular year, we believe that is it appropriate to update the risk factor contained in our Annual Report on Form 10-K relating to assumptions affecting our CBVA segment to the extent that a notable change to the risk factor has occurred due to the assumptions update.

The following risk factor does not disclose all risks relating to our CBVA segment, and should be read in conjunction with the risk factors contained in our Annual Report on Form 10-K, as well as the relevant information contained in management's discussion and analysis of financial condition and results of operation and the financial statements contained in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q.

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. As a result, although we have increased experience on policyholder behavior for the first opportunity to annuitize, we 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. It is possible, however, that policyholders may choose to annuitize soon after the first annuitization date, rather than delay annuitization to receive increased guarantee benefits, in which case we may have increasingly statistically credible experience as early as the period from 2015 through 2016.

Similarly, most of our GMWBL contracts are still in the first four to six 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 become more credible, which resulted in our current best estimate assumption reflecting meaningfully longer delays in utilization than the previous assumption. It is possible, however, that policyholders may choose to withdraw sooner than the 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 more heavily weighted 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.

The development of a secondary market for third-party investor strategies in the annuities business could also adversely affect the profitability of existing business by reducing lapse rates of in-the-money contracts in excess of current expectations or by causing living benefits to be elected at points in time that are more unfavorable than our current expectations.

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 annually (including lapse, annuitization, withdrawal and mortality), or more frequently if necessary. 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 2014 and 2013 we conducted periodic reviews of actuarial assumptions and projection model inputs, including policyholder behavior assumptions. As a result of the 2014 review, we recorded a gain of $102.3 million (excluding a gain of $37.9 million due to changes in techniques used to estimate nonperformance risk). This $102.3 million gain included a favorable $170.2 million resulting from policyholder assumption changes partially offset by an unfavorable $40.5 million resulting from changes to mortality assumptions. The gain from favorable policyholder 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. As a result of the 2013 review, we recorded a loss of $185.3 million due to assumptions changes (excluding a gain of $144.6 million due to changes in techniques used to estimate nonperformance risk). This $185.3 million loss included an unfavorable $117.9 million resulting from changes to mortality assumptions and an unfavorable $85.5 million resulting from policyholder behavior assumption changes.

As discussed above, our recent changes in lapse assumptions moved our assumptions to be in line with lapse experience between mid-2011 to present. Also as described 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 will continue to monitor the emergence of experience. We review our assumptions at least annually, and, if necessary, update our assumptions more frequently as additional information becomes available. 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 two 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, 2014:

| 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[1] |
|---|---|---|---|---|
| | | | | (in millions) |
| July1, 2014 - July 31, 2014 | — | $— | — | $510.6 |
| August 1, 2014 - August 31, 2014 | — | — | — | 510.6 |
| September 1, 2014 - September 30, 2014 | 8,227,312 | (a) | 8,227,312 | 185.6 |
| Total | 8,227,312 | (a) | 8,227,312 | N/A |

(1) On March 13, 2014, Voya Financial, Inc.'s Board of Directors authorized a share repurchase program (the "Share Repurchase Program"), pursuant to which Voya Financial, Inc. may, from time to time, purchase shares of its common stock through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions, or tender offers. The initial authorization under the Share Repurchase Program permitted the repurchase of a number of shares of the Company's common stock having an aggregate repurchase price not exceeding $300.0 million. On July 31, 2014, the Company's Board of Directors increased the authorization under the Share Repurchase Program by an additional $500.0 million, with such authorization to expire (unless subsequently extended) no later than the second quarter of 2015. The authorization for the Share Repurchase Program may be terminated, increased or decreased by Voya Financial, Inc.'s Board of Directors at any time.

[a] During September 2014, the Company entered into an accelerated share repurchase arrangement ("ASR") with a financial institution. In exchange for an up-front payment of $25.0 million, the financial institution delivered 505,305 shares of Voya common stock at the inception of the ASR purchase period. The ASR arrangement terminated on October 15, 2014, at which time an additional 150,152 shares were delivered to the Company. The weighted average purchase price of the 655,457 total shares delivered under the ASR arrangement was $38.14. The Company's total repurchases during the three months ended September 30, 2014 include 7,722,007 shares of Voya common stock that were repurchased from ING Group on September 8, 2014 for $300.0 million, at a price of $38.85 per share, and the 505,305 shares that were delivered at the inception of the purchase period under the $25.0 million ASR.

In connection with the vesting of equity-based compensation awards, employees may remit to Voya Financial, Inc., or Voya Financial, Inc. may withhold into treasury stock, shares of common stock in respect of tax withholding obligations associated with such vesting. For the three months ended September 30, 2014, there were no Treasury share increases in connection with such withholding activities.

Item 5. Other Information

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which was signed into law on August 10, 2012, added a new subsection (r) to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which requires us to disclose whether the Company or any of its affiliates, including ING Groep N.V. ("ING Group") or its affiliates has engaged during the quarter ended September 30, 2014 in certain Iran-related activities, including any transaction or dealing with the Government of Iran that is not conducted pursuant to a specific

authorization of the U.S. Government.

Neither Voya Financial, Inc. nor any of its subsidiaries, have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during the quarter ended September 30, 2014. The disclosure below relates solely to a limited legacy portfolio of guarantees, accounts, loans and relationships maintained by ING Bank N.V. ("ING Bank"), a subsidiary of ING Group and therefore an affiliate of Voya Financial, Inc., and does not relate to any activities conducted by Voya Financial, Inc. or its subsidiaries, or involve the management of Voya Financial, Inc. or its subsidiaries.

Other than the transactions described below, at no time during the quarter ended September 30, 2014, did ING Group or any of its affiliates knowingly conduct or engage in any activities that would require disclosure to the U.S. Securities and Exchange Commission pursuant to Section 13(r) of the Exchange Act. ING Bank maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities owned by the Government of Iran. ING Bank also has limited legacy relationships with certain persons who are designated under Executive Orders 13224 and 13382. These positions remain on the books, but accounts related thereto may be 'frozen' under applicable laws and procedures. In such cases, any interest or other payments ING Bank is legally required to make in connection with said positions are made into 'frozen' accounts. Funds can only be withdrawn by relevant parties from these 'frozen' accounts after due regulatory consent from the relevant competent authorities. ING Bank has strict controls in place to ensure that no unauthorized account activity takes place while the account is 'frozen'. ING Bank may receive loan repayments, but all legacy loan repayments received by ING Bank have been duly authorized by the relevant competent authorities. For the three months ended September 30, 2014, ING Bank had gross revenues of approximately $2.9 million related to these activities, which was principally related to legacy loan repayments and commissions on guarantees. ING Bank estimates that it had net profit of approximately $47.5 thousand related to these activities. ING Bank intends to terminate each of the legacy positions as the nature thereof and applicable law permits.

Item 6. Exhibits

See Exhibit Index on page 195 hereof.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| November 5, 2014 | Voya Financial, Inc. |
|---|---|
| (Date) | (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 Index

| Exhibit No. | Description of Exhibit |
| --- | --- |
| 10.1 | Share Repurchase Agreement, dated as of September 1, 2014, between the Company and ING Group N.V. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on September 2, 2014) |
| 12.1+ | Voya Financial, Inc. Ratio of Earnings to Fixed Charges |
| 31.1+ | Rule 13a-14(a)/15d-14(a) Certification of Rodney O. Martin, 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, 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.