Voya Financial, Inc.
Form 10-Q
November 02, 2016

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, 2016

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 New York, New York	10169
(Address of principal executive offices)	(Zip Code)

(212) 309-8200

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes 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 October 28, 2016, 194,621,612 shares of Common Stock, $0.01 par value, were outstanding.

Voya Financial, Inc.
Form 10-Q for the period ended September 30, 2016

INDEX

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

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future developments in our business or expectations for our future financial performance and any statement not involving a historical fact. Forward-looking statements use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties" and "Business-Closed Blocks-CBVA" in the Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-35897) (the "Annual Report on Form 10-K") and “Risk Factors,” in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (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, 2016 (Unaudited) and December 31, 2015
(In millions, except share and per share data)

	September 30, 2016	December 31, 2015
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $66,036.9 as of 2016 and $65,546.3 as of 2015)	$ 72,644.1	$ 67,733.4
Fixed maturities, at fair value using the fair value option	3,903.5	3,226.6
Equity securities, available-for-sale, at fair value (cost of $247.8 as of 2016 and $300.4 as of 2015)	285.3	331.7
Short-term investments	1,346.8	1,496.7
Mortgage loans on real estate, net of valuation allowance of $3.0 as of 2016 and $3.2 as of 2015	11,475.7	10,447.5
Policy loans	1,995.6	2,002.7
Limited partnerships/corporations	698.8	510.6
Derivatives	2,731.4	1,538.5
Other investments	77.7	91.6
Securities pledged (amortized cost of $1,867.4 as of 2016 and $1,082.1 as of 2015)	2,193.5	1,112.6
Total investments	97,352.4	88,491.9
Cash and cash equivalents	2,766.7	2,512.7
Short-term investments under securities loan agreements, including collateral delivered	1,124.5	660.0
Accrued investment income	932.3	899.0
Reinsurance recoverable	7,305.1	7,653.7
Deferred policy acquisition costs and Value of business acquired	4,059.5	5,370.1
Sales inducements to contract holders	211.4	263.3
Current income taxes	7.3	—
Deferred income taxes	1,128.1	2,214.8
Goodwill and other intangible assets	227.3	250.8
Other assets	989.9	914.3
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,982.8	4,973.7
Cash and cash equivalents	184.9	467.6
Corporate loans, at fair value using the fair value option	2,347.0	6,882.5
Other assets	27.3	154.3
Assets held in separate accounts	97,975.7	96,514.8
Total assets	$ 218,622.2	$ 218,223.5

The
accompanying
notes are an

integral part of
these
Condensed
Consolidated
Financial
Statements.

Voya Financial, Inc.
Condensed Consolidated Balance Sheets
September 30, 2016 (Unaudited) and December 31, 2015
(In millions, except share and per share data)

	September 30, 2016	December 31, 2015
Liabilities and Shareholders' Equity:		
Future policy benefits	$ 21,506.7	$ 19,508.0
Contract owner account balances	69,899.3	68,664.1
Payables under securities loan agreement, including collateral held	2,878.0	1,485.0
Long-term debt	3,548.5	3,459.8
Funds held under reinsurance agreements	773.3	702.4
Derivatives	842.8	487.5
Pension and other postretirement provisions	631.4	687.4
Current income taxes	—	70.0
Other liabilities	1,421.9	1,460.9
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	2,320.0	6,956.2
Other liabilities	669.2	1,951.6
Liabilities related to separate accounts	97,975.7	96,514.8
Total liabilities	202,466.8	201,947.7
Commitments and Contingencies (Note 12)		
Shareholders' equity:		
Common stock ($0.01 par value per share; 900,000,000 shares authorized; 268,040,988 and 265,327,196 shares issued as of 2016 and 2015, respectively; 194,605,971 and 209,095,793 shares outstanding as of 2016 and 2015, respectively)	2.7	2.7
Treasury stock (at cost; 73,435,017 and 56,231,403 shares as of 2016 and 2015, respectively)	(2,795.8)	(2,302.3)
Additional paid-in capital	23,792.3	23,716.8
Accumulated other comprehensive income (loss)	3,517.1	1,424.9
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	9.0
Unappropriated	(9,310.3)	(9,415.3)
Total Voya Financial, Inc. shareholders' equity	15,206.0	13,435.8
Noncontrolling interest	949.4	2,840.0
Total shareholders' equity	16,155.4	16,275.8
Total liabilities and shareholders' equity	$ 218,622.2	$ 218,223.5

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

5

Voya Financial, Inc.
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2016 and 2015 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Net investment income	$1,163.4	$1,103.6	$3,432.7	$3,359.8
Fee income	857.9	871.8	2,510.4	2,644.0
Premiums	726.7	1,128.8	2,405.1	2,404.8
Net realized capital gains (losses):				
Total other-than-temporary impairments	(12.8)	(40.7)	(26.0)	(51.3)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(0.1)	0.6	1.7	3.3
Net other-than-temporary impairments recognized in earnings	(12.7)	(41.3)	(27.7)	(54.6)
Other net realized capital gains (losses)	(355.0)	340.4	(430.6)	93.9
Total net realized capital gains (losses)	(367.7)	299.1	(458.3)	39.3
Other revenue	90.5	106.7	257.9	315.3
Income (loss) related to consolidated investment entities:				
Net investment income	57.7	175.4	86.0	529.3
Changes in fair value related to collateralized loan obligations	—	11.0	—	(23.6)
Total revenues	2,528.5	3,696.4	8,233.8	9,268.9
Benefits and expenses:				
Policyholder benefits	1,385.5	1,956.5	3,818.3	3,802.3
Interest credited to contract owner account balances	521.4	498.3	1,514.0	1,473.2
Operating expenses	723.6	727.8	2,160.2	2,215.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	180.7	316.3	381.2	587.5
Interest expense	45.4	46.4	242.8	150.4
Operating expenses related to consolidated investment entities:				
Interest expense	26.7	66.7	75.4	203.9
Other expense	1.1	4.1	3.4	8.6
Total benefits and expenses	2,884.4	3,616.1	8,195.3	8,441.1
Income (loss) before income taxes	(355.9)	80.3	38.5	827.8
Income tax expense (benefit)	(119.4)	(35.9)	(53.3)	128.8
Net income (loss)	(236.5)	116.2	91.8	699.0
Less: Net income (loss) attributable to noncontrolling interest	11.6	75.9	(13.2)	183.9
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$(248.1)	$40.3	$105.0	$515.1
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:				
Basic	$(1.24)	$0.18	$0.52	$2.25
Diluted	$(1.24)	$0.18	$0.51	$2.23
Cash dividends declared per share of common stock	$0.01	$0.01	$0.03	$0.03

The accompanying notes are an integral part of these

Condensed Consolidated Financial Statements.	6

Voya Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2016 and 2015 (Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$(236.5)	$116.2	$91.8	$699.0
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	124.8	(97.3)	3,217.1	(1,627.0)
Other-than-temporary impairments	2.2	3.5	8.5	12.9
Pension and other postretirement benefits liability	(3.4)	(3.4)	(10.3)	(10.3)
Other comprehensive income (loss), before tax	123.6	(97.2)	3,215.3	(1,624.4)
Income tax expense (benefit) related to items of other comprehensive income (loss)	46.2	(33.7)	1,123.1	(566.4)
Other comprehensive income (loss), after tax	77.4	(63.5)	2,092.2	(1,058.0)
Comprehensive income (loss)	(159.1)	52.7	2,184.0	(359.0)
Less: Comprehensive income (loss) attributable to noncontrolling interest	11.6	75.9	(13.2)	183.9
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$(170.7)	$(23.2)	$2,197.2	$(542.9)

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2016 (Unaudited)
(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2016 - As previously filed	$ 2.7	$ (2,302.3)	$ 23,716.8	$ 1,424.9	$ 9.0	$ (9,415.3)	$ 13,435.8	$ 2,840.0	$ 16,275.8
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2015-2	—	—	—	—	8.8	—	8.8	(1,601.0)	(1,592.2)
Adjustment for adoption of ASU 2014-13	—	—	—	—	(17.8)	—	(17.8)	—	(17.8)
Balance as of January 1, 2016 - As adjusted	2.7	(2,302.3)	23,716.8	1,424.9	—	(9,415.3)	13,426.8	1,239.0	14,665.8
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	105.0	105.0	(13.2)	91.8
Other comprehensive income (loss), after tax	—	—	—	2,092.2	—	—	2,092.2	—	2,092.2
Total comprehensive income (loss)							2,197.2	(13.2)	2,184.0
Reclassification of noncontrolling interest	—	—	—	—	—	—	—	—	—
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	(70.3)	(70.3)
Common stock issuance	—	—	1.3	—	—	—	1.3	—	1.3
Common stock acquired - Share repurchase	—	(487.2)	—	—	—	—	(487.2)	—	(487.2)
Dividends on common stock	—	—	(6.1)	—	—	—	(6.1)	—	(6.1)

Share-based compensation	—	(6.3)	80.3	—	—	—	74.0	—	74.0
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(206.1)	(206.1)
Balance as of September 30, 2016	$ 2.7	$ (2,795.8)	$ 23,792.3	$ 3,517.1	$ —	$ (9,310.3)	$ 15,206.0	$ 949.4	$ 16,155.4

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2015 (Unaudited)
(In millions)

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

The accompanying notes are an integral part of these Condensed Consolidated

Financial
Statements.

9

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2016 and 2015 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	$2,478.4	$2,686.4
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	8,786.2	8,040.5
Equity securities, available-for-sale	90.3	38.2
Mortgage loans on real estate	917.6	950.6
Limited partnerships/corporations	206.0	198.3
Acquisition of:		
Fixed maturities	(10,731.8)	(9,699.4)
Equity securities, available-for-sale	(39.0)	(114.1)
Mortgage loans on real estate	(1,945.5)	(1,883.4)
Limited partnerships/corporations	(304.6)	(332.5)
Short-term investments, net	150.0	139.9
Policy loans, net	7.1	76.8
Derivatives, net	(1,076.4)	297.9
Other investments, net	14.3	18.7
Sales from consolidated investment entities	1,539.8	4,087.9
Purchases within consolidated investment entities	(1,006.4)	(6,056.5)
Collateral received (delivered), net	927.4	530.5
Purchases of fixed assets, net	(49.2)	(38.3)
Net cash used in investing activities	(2,514.2)	(3,744.9)
Cash Flows from Financing Activities:		
Deposits received for investment contracts	6,328.5	5,635.4
Maturities and withdrawals from investment contracts	(5,183.1)	(5,018.2)
Proceeds from issuance of debt with maturities of more than three months	798.2	—
Repayment of debt with maturities of more than three months	(708.3)	(31.2)
Debt issuance costs	(16.0)	(6.8)
Borrowings of consolidated investment entities	124.6	1,412.6
Repayments of borrowings of consolidated investment entities	(410.1)	(444.4)
Contributions from (distributions to) participants in consolidated investment entities	(150.1)	841.4
Proceeds from issuance of common stock, net	1.3	—
Excess tax benefits on share-based compensation	4.4	1.7
Share-based compensation	(6.3)	(4.4)
Common stock acquired - Share repurchase	(487.2)	(1,340.5)
Dividends paid	(6.1)	(6.9)
Net cash provided by financing activities	289.8	1,038.7
Net increase (decrease) in cash and cash equivalents	254.0	(19.8)
Cash and cash equivalents, beginning of period	2,512.7	2,530.9
Cash and cash equivalents, end of period	$2,766.7	$2,511.1
Non-cash investing and financing activities:		
Decrease of assets due to deconsolidation of consolidated investment entities	$7,497.2	$—
Decrease of liabilities due to deconsolidation of consolidated investment entities	5,905.0	—
Decrease of equity due to deconsolidation of consolidated investment entities	1,592.2	—

Elimination of appropriated retained earnings	17.8	—

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

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

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Voya Financial, Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products. The Company provides its principal products and services through five segments ("Ongoing Business"). In the third quarter of 2016, the Company simplified the management structure of its businesses and no longer groups the five segments into Insurance Solutions and Retirement and Investment Management Solutions businesses. 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. In May 2013, Voya Financial Inc. completed its initial public offering of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings. ING Group continues to hold certain warrants to purchase shares of Voya Financial, Inc. common stock as described further in the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are unaudited. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

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

The accompanying Condensed Consolidated Financial Statements reflect adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2016, its results of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2015, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2016 and 2015, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2015 Consolidated Balance Sheet is from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K, filed with the SEC. Therefore, these unaudited Condensed Consolidated

Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K.

Certain reclassifications have been made to prior year financial information to conform to the current year classifications. During 2016, certain internal investment management costs were reclassified within the Condensed Consolidated Statements of Operations in the amount of $23.1 and $75.5 from Operating expenses to Net investment income for the three and nine months ended September 30, 2015, respectively.

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

Significant Accounting Policy
Consolidation and Noncontrolling Interests

As of January 1, 2016, the Company changed its method for determining whether consolidation is required for VIEs and VOEs upon the adoption of Accounting Standards Update ("ASU") 2015-02, "Consolidation (Accounting Standards Codification ("ASC") Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02") (See the "Adoption of New Pronouncements" section below.)

In the normal course of business, the Company invests in, provides investment management services to, and has transactions with, various CLO entities, private equity funds, real estate funds, funds-of-hedge funds, single strategy hedge funds, insurance entities, securitizations and other investment entities. 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 consolidation guidance of ASC Topic 810 requires an assessment involving judgments and analysis to determine (a) whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest.

The Company consolidates entities in which it, directly or indirectly, is determined to have a controlling financial interest. Consolidation conclusions are reviewed quarterly to identify whether any reconsideration events have occurred.

VIEs: The Company consolidates VIEs for which it is the primary beneficiary at the time it becomes involved with a VIE. An entity is a VIE if it has equity investors who, as a group, lack the characteristics of a controlling financial interest or it does not have sufficient equity at risk to finance its expected activities without additional subordinated financial support from other parties. The primary beneficiary (a) has the power to direct the activities of the entity that most significantly impact the entity's economic performance and (b) has the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity.

VOEs: For entities determined not to be VIEs, the Company consolidates entities in which it holds greater than 50% of the voting interest, or, for limited partnerships, when the Company owns a majority of the limited partnership's kick-out rights through voting interests.

Noncontrolling interest represents the interests of shareholders, other than the Company, in consolidated entities. In the Condensed Consolidated Statements of Operations, Net income (loss) attributable to noncontrolling interest represents such shareholders' interests in the earnings and losses of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled.

Adoption of New Pronouncements

Derivative Contract Novations
In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-05, "Derivatives and Hedging (ASC Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships" ("ASU 2016-05"), which clarifies that a change in the counterparty to a derivative instrument that has been designated as the

hedging instrument under ASC Topic 815 does not, in and of itself, require dedesignation of that hedging relationship.

The provisions of ASU 2016-05 are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016 with early adoption permitted, using either a prospective or modified retrospective approach. The Company elected to early adopt ASU 2016-05 as of January 1, 2016 on a prospective basis. The adoption had no effect on the Company's financial condition, results of operations or cash flows.

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

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

The provisions of ASU 2015-07 were adopted retrospectively by the Company on January 1, 2016, and the disclosures in the Consolidated Investment Entities Note to these Condensed Consolidated Financial Statements have been updated. The adoption had no effect on the Company's financial condition, results of operations or cash flows.

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

The provisions of ASU 2015-03 and ASU 2015-15 were adopted by the Company, retrospectively, on January 1, 2016. The adoption resulted in the reclassification of approximately $26.1 of debt issuance costs from Other assets to a reduction of Long-term debt in the Condensed Consolidated Balance Sheets as of December 31, 2015.

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

- Modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or VOEs, including the requirement to consider the rights of all equity holders at risk to determine if they have the power to direct the entity’s most significant activities.
- Eliminates the presumption that a general partner should consolidate a limited partnership. Limited partnerships and similar entities will be VIEs unless the limited partners hold substantive kick-out rights or participating rights.
- Affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships.
- Provides a new scope exception for registered money market funds and similar unregistered money market funds, and ends the deferral granted to investment companies from applying the VIE guidance.

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

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

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

Hybrid Financial Instruments

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

The provisions of ASU 2014-16 were adopted by the Company on January 1, 2016. The adoption had no effect on the Company’s financial condition, results of operations, or cash flows.

Collateralized Financing Entities

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

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

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

Future Adoption of Accounting Pronouncements

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (ASC Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), which addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on eight specific cash flow issues.

The provisions of ASU 2016-15 are effective retrospectively for fiscal years beginning after December 15, 2017, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-15.

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which:

- Introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments,
- Modifies the impairment model for available-for-sale debt securities, and
- Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

The provisions of ASU 2016-13 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. Initial adoption of ASU 2016-13 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-13.

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

Share-Based Compensation
In March 2016, the FASB issued ASU 2016-09, “Compensation-Stock Compensation (ASC Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”), which simplifies the accounting for share-based payment award transactions with respect to:

- The income tax consequences of awards,
- The impact of forfeitures on the recognition of expense for awards,
- Classification of awards as either equity or liabilities, and
- Classification on the statement of cash flows.

The provisions of ASU 2016-09 are effective for annual periods beginning after December 15, 2016, including interim periods, with early adoption permitted. The transition method varies by provision. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-09.

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

The provisions of ASU 2016-06 are effective on a modified retrospective basis for fiscal years beginning after December 15, 2016, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-06.

Leases
In February 2016, the FASB issued ASU 2016-02, “Leases (ASC Topic 842)” (“ASU 2016-02”), which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms of more than 12 months. The lease liability will be measured as the present value of the lease payments, and the asset will be based on the liability. For income statement purposes, expense recognition will depend on the lessee's classification of the lease as either finance, with a front-loaded amortization expense pattern similar to current capital leases, or operating, with a straight-line expense pattern similar to current operating leases. Lessor accounting will be similar to the current model, and lessors will be required to classify leases as operating, direct financing, or sales-type.

ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases.

The provisions of ASU 2016-02 are effective on a modified retrospective basis for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-02.

Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”), which requires:

- Equity investments (except those consolidated or accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net income.
- Elimination of the disclosure of methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost.
- The use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Separate presentation in other comprehensive income of the portion of the total change in fair value of a liability resulting from a change in own credit risk if the liability is measured at fair value under the fair value option.
- Separate presentation on the balance sheet or financial statement notes of financial assets and financial liabilities by measurement category and form of financial asset.

The provisions of ASU 2016-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption only permitted for certain provisions. Initial adoption of ASU 2016-01 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to the balance sheet as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-01.

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

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

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.

During 2016, the FASB issued the following amendments to clarify the provisions and implementation guidance of ASU 2014-09:

- ASU 2016-08, “Principal versus Agent Considerations”
- ASU 2016-10, “Identifying Performance Obligations and Licensing”
- ASU 2016-12, “Narrow-Scope Improvements and Practical Expedients”

In August 2015, the FASB issued ASU 2015-14 to amend the effective date of ASU 2014-09 to fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted as of the original effective date, which is January 1, 2017. Initial adoption of ASU 2014-09 is required to be reported using either a retrospective or modified retrospective approach. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2014-09 and its amendments.

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, 2016:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$3,016.0	$ 797.5	$ 0.1	$ —	$3,813.4	$ —
U.S. Government agencies and authorities	306.3	72.3	0.1	—	378.5	—
State, municipalities and political subdivisions	2,004.0	125.8	3.7	—	2,126.1	—
U.S. corporate public securities	32,055.1	3,614.7	68.5	—	35,601.3	8.6
U.S. corporate private securities	7,228.9	503.2	47.2	—	7,684.9	—
Foreign corporate public securities and foreign governments[1]	7,843.4	662.2	83.8	—	8,421.8	—
Foreign corporate private securities[1]	7,428.7	502.4	23.8	—	7,907.3	—
Residential mortgage-backed securities:						
Agency	5,743.1	370.5	10.6	55.6	6,158.6	—
Non-Agency	1,164.8	155.1	11.3	34.7	1,343.3	39.3
Total Residential mortgage-backed securities	6,907.9	525.6	21.9	90.3	7,501.9	39.3
Commercial mortgage-backed securities	3,784.3	242.3	2.7	—	4,023.9	6.7
Other asset-backed securities	1,233.2	58.8	10.0	—	1,282.0	4.1
Total fixed maturities, including securities pledged	71,807.8	7,104.8	261.8	90.3	78,741.1	58.7
Less: Securities pledged	1,867.4	334.3	8.2	—	2,193.5	—
Total fixed maturities	69,940.4	6,770.5	253.6	90.3	76,547.6	58.7
Equity securities:						
Common stock	152.0	0.5	0.3	—	152.2	—
Preferred stock	95.8	37.3	—	—	133.1	—
Total equity securities	247.8	37.8	0.3	—	285.3	—
Total fixed maturities and equity securities investments	$70,188.2	$ 6,808.3	$ 253.9	$ 90.3	$76,832.9	$ 58.7

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

(3) Represents Other-than-Temporary-Impairments ("OTTI") reported as a component of Other comprehensive income (loss).
(4) Amount excludes $717.2 of net unrealized gains on impaired available-for-sale securities.

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

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2015:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$3,136.4	$ 517.6	$ 5.0	$ —	$3,649.0	$ —
U.S. Government agencies and authorities	309.8	43.1	0.3	—	352.6	—
State, municipalities and political subdivisions	1,337.8	26.2	17.8	—	1,346.2	—
U.S. corporate public securities	32,794.3	1,647.4	825.7	—	33,616.0	9.6
U.S. corporate private securities	6,527.5	246.1	132.5	—	6,641.1	—
Foreign corporate public securities and foreign governments[1]	8,129.1	267.9	373.4	—	8,023.6	—
Foreign corporate private securities[1]	7,252.5	272.6	176.5	—	7,348.6	—
Residential mortgage-backed securities:						
Agency	4,522.7	350.0	15.7	58.6	4,915.6	—
Non-Agency	779.3	138.2	8.9	36.3	944.9	46.5
Total Residential mortgage-backed securities	5,302.0	488.2	24.6	94.9	5,860.5	46.5
Commercial mortgage-backed securities	3,967.8	133.6	8.8	—	4,092.6	6.7
Other asset-backed securities	1,097.8	58.1	13.5	—	1,142.4	4.4
Total fixed maturities, including securities pledged	69,855.0	3,700.8	1,578.1	94.9	72,072.6	67.2
Less: Securities pledged	1,082.1	79.7	49.2	—	1,112.6	—
Total fixed maturities	68,772.9	3,621.1	1,528.9	94.9	70,960.0	67.2
Equity securities:						
Common stock	210.1	0.5	0.2	—	210.4	—
Preferred stock	90.3	31.0	—	—	121.3	—
Total equity securities	300.4	31.5	0.2	—	331.7	—
Total fixed maturities and equity securities investments	$69,073.3	$ 3,652.6	$ 1,529.1	$ 94.9	$71,291.7	$ 67.2

(1) Primarily U.S. dollar denominated.
(2) Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
(3) Represents OTTI reported as a component of Other comprehensive income (loss).
(4) Amount excludes $639.1 of net unrealized gains on impaired available-for-sale securities.

18

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, 2016, 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	$2,154.4	$2,168.6
After one year through five years	13,491.0	14,325.3
After five years through ten years	18,948.0	20,135.4
After ten years	25,289.0	29,304.0
Mortgage-backed securities	10,692.2	11,525.8
Other asset-backed securities	1,233.2	1,282.0
Fixed maturities, including securities pledged	$71,807.8	$78,741.1

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, 2016 and December 31, 2015, 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, 2016				
Communications	$3,819.0	$ 529.5	$ 4.5	$4,344.0
Financial	8,039.1	763.6	20.7	8,782.0
Industrial and other companies	25,507.9	2,324.1	42.6	27,789.4
Energy	6,414.8	509.6	120.3	6,804.1
Utilities	8,008.7	892.7	26.4	8,875.0
Transportation	1,792.6	187.0	1.9	1,977.7
Total	$53,582.1	$ 5,206.5	$ 216.4	$58,572.2
December 31, 2015				
Communications	$3,956.0	$ 251.0	$ 73.0	$4,134.0
Financial	7,937.8	473.0	53.2	8,357.6
Industrial and other companies	24,762.3	1,020.4	542.0	25,240.7
Energy	7,871.5	127.9	668.1	7,331.3
Utilities	7,540.3	457.4	89.8	7,907.9
Transportation	1,705.3	70.5	40.2	1,735.6

Total	$ 53,773.2	$ 2,400.2	$ 1,466.3	$ 54,707.1

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

Fixed Maturities and Equity Securities

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

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

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of September 30, 2016 and December 31, 2015, approximately 46.3% and 49.3%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

Public corporate fixed maturity securities are distinguished from private corporate fixed maturity securities based upon the manner in which they are transacted. Public corporate fixed maturity securities are issued initially through market intermediaries on a registered basis or pursuant to Rule 144A under the Securities Act of 1933 (the "Securities Act") and are traded on the secondary market through brokers acting as principal. Private corporate fixed maturity securities are originally issued by borrowers directly to investors pursuant to Section 4(a)(2) of the Securities Act, and are traded in the secondary market directly with counterparties, either without the participation of a broker or in agency transactions.

Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, through a lending agent, for short periods of time. The Company has the right to approve any institution with whom the lending agent transacts on its behalf. Initial collateral is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in high quality liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of September 30, 2016 and December 31, 2015, the fair value of loaned securities was $1,442.0 and $466.4, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets.

If cash is received as collateral, the lending agent retains the cash collateral and invests it in short-term liquid assets on behalf of the Company. As of September 30, 2016 and December 31, 2015, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was $626.0 and $484.4, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2016 and December 31, 2015, liabilities to return collateral of $626.0 and $484.4, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

During the first quarter of 2016 under an amendment to the securities lending program, the Company began accepting non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected in the Company’s Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of September 30, 2016, the fair value of securities retained as collateral by the lending agent on the Company’s behalf was $870.6. As of December 31, 2015, the Company did not retain any securities as collateral.

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2016 [1]	December 31, 2015
U.S. Treasuries	$ 714.7	$ —
U.S. Government agencies and authorities	4.7	—
U.S. corporate public securities	534.6	265.4
Foreign corporate public securities and foreign governments	242.6	219.0
Payables under securities loan agreements	$ 1,496.6	$ 484.4

[1] Borrowings under securities lending transactions include both cash and non-cash collateral of $626.0 and $870.6, respectively.

The Company's securities lending activities are conducted on an overnight basis, and all securities loaned can be recalled at any time. The Company does not offset assets and liabilities associated with its securities lending program.

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, 2016:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$50.0	$ 0.1	$—	$ —	$—	$ —	$50.0	$ 0.1
U.S. Government agencies and authorities	—	—	—	—	50.6	0.1	50.6	0.1
State, municipalities and political subdivisions	181.2	2.5	—	—	25.2	1.2	206.4	3.7
U.S. corporate public securities	615.7	9.4	15.9	0.9	607.3	58.2	1,238.9	68.5
U.S. corporate private securities	251.8	4.6	19.1	0.9	317.4	41.7	588.3	47.2
Foreign corporate public securities and foreign governments	197.9	6.2	33.7	3.0	501.3	74.6	732.9	83.8
Foreign corporate private securities	238.6	5.5	27.7	0.8	188.0	17.5	454.3	23.8
Residential mortgage-backed	654.5	4.4	135.6	4.0	219.4	13.5	1,009.5	21.9
Commercial mortgage-backed	169.4	0.4	57.4	0.6	3.6	1.7	230.4	2.7
Other asset-backed	36.2	0.3	5.3	— *	196.9	9.7	238.4	10.0
Total	$2,395.3	$ 33.4	$294.7	$ 10.2	$2,109.7	$ 218.2	$4,799.7	$ 261.8

* Less than $0.1.

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

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2015:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$482.2	$ 5.0	$—	$ —	$—	$ —	$482.2	$ 5.0
U.S. Government agencies and authorities	49.3	0.3	—	—	—	—	49.3	0.3
State, municipalities and political subdivisions	415.4	4.7	340.2	12.4	1.2	0.7	756.8	17.8
U.S. corporate public securities	5,072.0	201.3	6,196.9	481.9	642.9	142.5	11,911.8	825.7
U.S. corporate private securities	989.0	27.7	945.8	82.9	103.3	21.9	2,038.1	132.5
Foreign corporate public securities and foreign governments	2,101.4	83.9	1,291.2	151.6	472.2	137.9	3,864.8	373.4
Foreign corporate private securities	1,410.4	114.2	569.2	46.0	56.8	16.3	2,036.4	176.5
Residential mortgage-backed	306.3	4.0	198.0	4.1	350.0	16.5	854.3	24.6
Commercial mortgage-backed	502.9	4.3	112.5	3.0	1.3	1.5	616.7	8.8
Other asset-backed	183.8	0.6	18.2	0.1	185.4	12.8	387.4	13.5
Total	$11,512.7	$ 446.0	$9,672.0	$ 782.0	$1,813.1	$ 350.1	$22,997.8	$ 1,578.1

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 90.6% and 83.8% of the average book value as of September 30, 2016 and December 31, 2015, 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, 2016						
Six months or less below amortized cost	$2,954.0	$6.7	$86.9	$1.7	299	12
More than six months and twelve months or less below amortized cost	552.7	187.8	22.5	51.7	97	18
More than twelve months below amortized cost	1,260.1	100.2	63.9	35.1	282	13
Total	$4,766.8	$294.7	$173.3	$88.5	678	43
December 31, 2015						
Six months or less below amortized cost	$11,792.1	$1,863.4	$394.6	$524.5	1,051	130
More than six months and twelve months or less below amortized cost	9,465.3	48.3	518.0	23.2	737	5
More than twelve months below amortized cost	1,351.5	55.3	102.5	15.3	322	8
Total	$22,608.9	$1,967.0	$1,015.1	$563.0	2,110	143

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, 2016						
U.S. Treasuries	$50.1	$—	$0.1	$—	5	—
U.S. Government agencies and authorities	50.7	—	0.1	—	1	—
State, municipalities and political subdivisions	209.1	1.0	3.4	0.3	37	1
U.S. corporate public securities	1,242.9	64.5	50.7	17.8	121	4
U.S. corporate private securities	541.5	94.0	21.2	26.0	21	2
Foreign corporate public securities and foreign governments	697.3	119.4	45.0	38.8	66	11
Foreign corporate private securities	478.1	—	*23.8	—	*19	2
Residential mortgage-backed	1,022.0	9.4	19.1	2.8	318	17
Commercial mortgage-backed	229.0	4.1	0.4	2.3	20	4
Other asset-backed	246.1	2.3	9.5	0.5	70	2
Total	$4,766.8	$294.7	$173.3	$88.5	678	43
December 31, 2015						
U.S. Treasuries	$487.2	$—	$5.0	$—	21	—
U.S. Government agencies and authorities	49.6	—	0.3	—	1	—
State, municipalities and political subdivisions	772.6	2.0	17.1	0.7	117	3
U.S. corporate public securities	11,712.1	1,025.4	542.7	283.0	955	73
U.S. corporate private securities	2,006.6	164.0	85.1	47.4	92	4
Foreign corporate public securities and foreign governments	3,570.1	668.1	173.9	199.5	331	48
Foreign corporate private securities	2,115.3	97.6	148.3	28.2	86	5
Residential mortgage-backed	875.1	3.8	22.7	1.9	327	7
Commercial mortgage-backed	622.7	2.8	7.3	1.5	56	1
Other asset-backed	397.6	3.3	12.7	0.8	124	2
Total	$22,608.9	$1,967.0	$1,015.1	$563.0	2,110	143

* Less than $0.1.

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

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

	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
September 30, 2016	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$—	$—	$—	$—
Non-agency RMBS > 90% - 100%	3.6	—	0.1	—
Non-agency RMBS 80% - 90%	32.2	—	2.3	—
Non-agency RMBS < 80%	314.9	4.9	16.2	1.0
Agency RMBS	843.0	5.1	8.7	1.9
Other ABS (Non-RMBS)	74.4	1.7	1.3	0.4
Total RMBS and Other ABS	$1,268.1	$11.7	$28.6	$3.3

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
September 30, 2016	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$247.2	$0.6	$11.0	$0.1
Non-agency RMBS > 5% - 10%	16.8	—	0.8	—
Non-agency RMBS > 0% - 5%	34.7	—	2.4	—
Non-agency RMBS 0%	52.0	4.3	4.4	0.9
Agency RMBS	843.0	5.1	8.7	1.9
Other ABS (Non-RMBS)	74.4	1.7	1.3	0.4
Total RMBS and Other ABS	$1,268.1	$11.7	$28.6	$3.3

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
September 30, 2016	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$704.2	$2.9	$8.6	$0.8
Floating Rate	563.9	8.8	20.0	2.5
Total	$1,268.1	$11.7	$28.6	$3.3

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

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

	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2015	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$—	$—	$—	$—
Non-agency RMBS > 90% - 100%	4.2	—	0.2	—
Non-agency RMBS 80% - 90%	50.7	—	2.3	—
Non-agency RMBS < 80%	306.4	1.5	17.5	0.3
Agency RMBS	704.2	3.8	13.8	1.9
Other ABS (Non-RMBS)	207.2	1.8	1.6	0.5
Total RMBS and Other ABS	$1,272.7	$7.1	$35.4	$2.7

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2015	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$270.3	$1.5	$14.3	$0.3
Non-agency RMBS > 5% - 10%	20.9	—	0.4	—
Non-agency RMBS > 0% - 5%	36.9	—	2.4	—
Non-agency RMBS 0%	33.2	—	2.9	—
Agency RMBS	704.2	3.8	13.8	1.9
Other ABS (Non-RMBS)	207.2	1.8	1.6	0.5
Total RMBS and Other ABS	$1,272.7	$7.1	$35.4	$2.7

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2015	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$802.9	$2.4	$14.0	$0.6
Floating Rate	469.8	4.7	21.4	2.1
Total	$1,272.7	$7.1	$35.4	$2.7

[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. Impairments were recognized as disclosed in the "Evaluating Securities for Other-Than-Temporary Impairments" section below. The Company evaluates non-agency RMBS and ABS for "other-than-temporary impairments" each quarter based on actual and projected cash flows, after considering the quality and updated loan-to-value ratios reflecting current home prices of underlying collateral, forecasted loss severity, the payment priority within the tranche structure of the security and amount of any credit enhancements. The Company's assessment of current levels of cash flows compared to estimated cash flows at the time the securities were acquired (typically pre-2008) indicates the amount and the pace of projected cash flows from the underlying collateral has generally been lower and slower, respectively. However, since cash flows are typically projected at a trust level, the impairment review incorporates the security's position within the trust structure as well as credit enhancement remaining in the trust to determine whether an impairment is warranted. Therefore, while lower and slower cash flows will impact the trust, the effect on the valuation of a particular security within the trust will also be dependent upon the trust structure. Where the assessment continues to project full recovery of principal and interest on schedule, the Company has not recorded an impairment. Based on this analysis, the Company determined that the remaining investments in an unrealized loss position were not other-than-temporarily impaired and therefore no further other-than-temporary impairment was necessary.

Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. For the nine months ended September 30, 2016, and for the year ended December 31, 2015, the Company had no new troubled debt restructurings for private placement bonds or commercial mortgage loans.

As of September 30, 2016 and December 31, 2015, the Company did not have any commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default.

Mortgage Loans on Real Estate

The Company's mortgage loans on real estate are all commercial mortgage loans held for investment, which are reported at amortized cost, less impairment write-downs and allowance for losses. The Company diversifies its commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. The Company manages risk when originating commercial mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate. Subsequently, the Company continuously evaluates mortgage loans based on relevant current information including a review of loan-specific credit quality, property characteristics and market trends. Loan performance is monitored on a loan specific basis through the review of submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review ensures properties are performing at a consistent and acceptable level to secure the debt. The components to evaluate debt service coverage are received and reviewed at least annually to determine the level of risk.

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

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

	September 30, 2016			December 31, 2015		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans	$4.6	$11,474.1	$11,478.7	$20.2	$10,430.5	$10,450.7
Collective valuation allowance for losses	N/A	(3.0)	(3.0)	N/A	(3.2)	(3.2)
Total net commercial mortgage loans	$4.6	$11,471.1	$11,475.7	$20.2	$10,427.3	$